



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** June 27, 2022

FROM: Matthew Bronson, City Manager

PREPARED BY: Matthew Bronson, City Manager
Bruce Buckingham, Community Development Director
Greg Ray, Public Works Director/City Engineer
David Hale, City Attorney

SUBJECT: Approval of Ground Lease with 5Cities Homeless Coalition for Homeless Housing Facility Use at City-Owned Property at 955 South 4th Street

RECOMMENDATION

Approve a ground lease agreement with 5Cities Homeless Coalition (5CHC) at 955 South 4th Street (APN No. 060-542-014) to develop and operate a homeless housing facility use and authorize the City Manager to finalize and execute the agreement in substantial conformance to the terms in the approved agreement.

BACKGROUND

On March 14, 2022, the Council approved a property acquisition for vacant land at 955 South 4th Street for homeless housing facility use. The Council approved numerous documents including an assignment of Purchase Agreement, Escrow Documents and Instructions, a Purchase Contract, an Agency Use Plan, a Resolution Adopting the Plan, and a Categorical Exemption under the California Environmental Quality Act, (CEQA) Guidelines, Section 15303. Staff consummated and entered into the purchase agreement and the City acquired the subject property. The City used \$425,000 in American Rescue Plan Act funds for this purchase which is consistent with the City's Major City Goal of Housing and Homelessness.

The purpose and intent of the property acquisition was to enter a long-term ground lease with 5CHC to use the property to create a non-congregate temporary housing project that could serve as bridge housing or an emergency shelter. Development of the site as an emergency shelter will give the City additional options in the enforcement and relocation of homeless encampments though clients at the site would also come from other South County communities. The property is zoned Coastal Industrial and located in the city's "Emergency Shelter Overlay Zone." The property is adjacent to the future Central Coast Blue Treatment Facility on Barca Street and the ground lease will include an easement of 28 feet through the property for project utility lines.

During the March 14, 2022, the Council was advised the purchase of the property by the City and entering a long-term ground lease with 5CHC could involve the procedures contained within the Surplus Land Act ("the Act"), Government Code Section 54221. The City Attorney worked with the California Housing and Community Development Department (HCD) to get approval for entering this ground lease with 5CHC without having to comply with the procedural requirements of the Act. HCD gave the City an approval to enter into this agreement without having to comply with the Act and therefore the City is authorized to enter into this agreement under State law.

Listed below are key provisions of the agreement:

- The ground lease will be entered into for a period of 55-years which is the maximum length for this use allowed under State law. The term of the ground lease cannot be extended beyond the initial 55 years without competitively bidding the tenant which is not possible under the current lease structure.
- 5CHC is still working on the project description and an exact description of the number of units is unavailable currently.
- 5CHC can terminate the agreement within 12 months should it not be able to obtain the necessary governmental permits to construct the project or is unable to obtain the necessary financing for the project.
- Annual rent for the lease shall be \$1.00 per year given the community service use provided by 5CHC.
- The project will be built consistent with prevailing wage laws unless an exemption is available to 5CHC
- All taxes, assessments, utility bills and other related costs shall be borne by 5CHC.
- 5CHC shall be required to obtain insurance on all improvements constructed on the property.
- 5CHC shall be responsible for all maintenance to the structures, property and adjacent sidewalks and similar public improvements.
- Commencement of construction of the improvements, subject to defined delays, is required within 12 months from the Effective Date of the agreement and all improvements shall be completed within 24 months of the Commencement of Construction.
- An easement of 28 feet is reserved as part of the agreement to allow for Central Coast Blue utility lines across the southern boundary of the property with the final width determined through the final design for the Central Coast Blue project and related State requirements.
- 5CHC shall have the option to purchase the property for \$1.00 after one year of continuous operation of the facility and before 6 months prior to the end of the ground lease term.

With Council approval of the attached ground lease, City staff and the City Attorney will have completed all necessary steps to allow 5CHC to proceed with the applications for development of the site and necessary building permits. This ground lease will also provide a utility easement sufficient to accommodate the utility line needs of the CCB project related to this parcel. Pending Council approval, staff would return to the Council this fall with consideration of a State Project Homekey grant application to help fund construction of this homeless housing facility.

FISCAL IMPACT

The City has already expended the acquisition cost of \$425,000.00 for the subject property and entering this ground lease with 5CHC will have no fiscal impacts to the City.

ALTERNATIVES

The City Council has the following alternatives to consider:

1. Approve entering the attached ground lease for 55-years with 5CHC to develop and operate a homeless housing facility and authorize the City Manager to negotiate and execute all revisions to the attached agreement necessary to finalize in substantial conformance to Attachment 1; or

2. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Ground Lease Agreement

GROUND LEASE

This Ground Lease (“Lease”) is dated as of _____, 2022 (the “Effective Date”), by and between the CITY OF GROVER BEACH, a municipal corporation (the “Landlord”), and 5CITIES HOMELESS COALITION, a California nonprofit public benefit corporation (the “Tenant”). The Landlord and Tenant may be referred to individually as a “Party” or together as the “Parties.” This **LEASE**, dated as of the above date, by and between Landlord and Tenant, is made with reference to the following facts:

A. Landlord is the owner of certain real property, located at 955 South 4th Street, in the City of Grover Beach, County of San Luis Obispo, State of California, identified as Assessor Parcel Number 060-542-014, and more particularly described on attached Exhibit “A” (the “Premises”), but excepting the Improvements (defined below) the ownership of which will be retained by Tenant following Tenant’s development of the Improvements, subject to the provisions of this Lease. (The Improvements and the Premises are sometimes referred to as the “Property.”) It is the intention of Landlord and Tenant that the separation of title to the Premises and the Improvements is not to change the character of the Improvements as real property and that the same shall be and remain real property; and

B. Tenant desires to lease the Premises from Landlord, and Landlord desires to lease the Premises to Tenant upon the terms and conditions set forth below.

NOW, THEREFORE, for and in consideration of the rent, covenants and agreements contained in this Lease, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord, and Landlord and Tenant hereby covenant and agree as follows:

CERTAIN DEFINITIONS

For all purposes of this Lease, unless the context otherwise requires, the following words and phrases shall have the following meanings:

(a) “Improvements” shall mean any structures or improvements now or hereafter erected or situated on the Premises, including without limitation, the foundations and footings thereof, title and ownership of which shall be in Tenant, any and all fixtures, equipment and machinery of every kind and nature whatsoever now or hereafter affixed or attached thereto, or now or hereafter used or procured for use in connection with the operation, use or occupancy thereof, and the appurtenances thereto, but excluding from the foregoing all fixtures and articles of personal property, title of which, pursuant to any lease of space in the Improvements shall be vested in the tenant under such lease;

(b) “Premises” shall have the meaning set forth in Recital A above;

(c) "Termination of this Lease" shall mean the expiration of the term of this Lease or any sooner termination of the term of this Lease pursuant to any of the provisions of this Lease;

(d) "Leasehold Mortgage" shall mean any mortgage or deed of trust constituting a lien upon this Lease and the leasehold estate hereby created and Tenant's title to the Improvements;

(e) "Institution" shall mean a savings bank, a savings or building and loan association, a commercial bank or trust company (whether acting individually or in any fiduciary capacity), an insurance company, an educational institution or a state, municipal or similar public employees' welfare, pension or retirement fund or system, a charitable or other eleemosynary institution, a real estate investment trust or any other person or entity with assets (capital and surplus) in excess of Fifty Million Dollars (\$50,000,000), whose principal businesses include interim or permanent financing secured by real estate;

(f) "Institutional Leasehold Mortgage" and "Institutional Leasehold Mortgagee" shall mean respectively, a Leasehold Mortgage held by an Institution and the holder of an Institutional Leasehold Mortgage;

(g) "Fee Mortgage" shall mean any mortgage or deed of trust constituting a lien upon the Premises subject to the encumbrance of this Lease and to any new lease made pursuant to Section 14.04 below and to the rights of Tenant hereunder and thereunder;

(h) "Event of Default" shall have the meaning set forth in Article 15;

(i) "Unavoidable Delays" shall mean the delays due to strikes, lockouts, acts of God, inability to obtain labor or materials, delay of any contractor, sub-contractor, or supplier, delayed receipt of governmental funding for the construction or operation of the Improvements, Tenant's failure to obtain funding or financing despite good faith efforts to identify and apply for funding or financing sources (which may include, without limitation, loans, grants, donations, and other sources) that include terms that are commercially reasonable and acceptable to Tenant, governmental restrictions, epidemics, quarantine restrictions, litigation that enjoins or otherwise delays construction of the Improvements, the inability to obtain governmental approvals for the development of the Improvements, enemy action, civil commotion, fire, unavoidable casualties or similar causes beyond the control of Tenant;

(j) "Mortgage" shall include an indenture of mortgage and deed of trust and Institutional Leasehold Mortgagee shall include a bank or trust company acting as trustee under such indenture of mortgage or deed of trust; and

(k) "Initial Improvements" shall mean the first Improvements to be constructed by Tenant on the Premises and shall include a temporary, transitional, or emergency housing project, together with on-site parking facilities for not less than the number of cars required by Landlord consistent with the Grover Beach Municipal Code, and such other reasonable

facilities, improvements, appurtenances, and safety measures necessary or desirable in connection with such a development in the reasonably prudent judgment of the Tenant or as required by Landlord in connection with obtaining entitlements to develop the Improvements.

ARTICLE 1

TERM

Section 1.01. The term of this Lease shall commence on the Effective Date of this Lease (the "Effective Date") and, unless sooner terminated under any subsequent provision of this Lease, shall expire and terminate at 11:59 pm, May 31, 2077, a period of fifty five (55) years (the "Term").

Section 1.02. Tenant shall have the right to terminate this Lease, without penalty, within twelve (12) months of the Effective Date (the "Due Diligence Period") if Tenant determines, in its sole and absolute discretion, that Tenant cannot (a) obtain the permits or entitlements for the Initial Improvements required by the City of Grover Beach and any other governmental agency having jurisdiction over the Property or (b) obtain sufficient funding for construction, maintenance, and operation of the Initial Improvements. Tenant shall provide written notice of termination to Landlord pursuant to this Section 1.02 ("Due Diligence Termination Notice") no later than the expiration of the Due Diligence Period; otherwise, Tenant shall be deemed to have waived its early termination rights related to the Due Diligence Period.

ARTICLE 2

RENT

Section 2.01. Tenant shall pay to Landlord as basic annual rent, without deduction, set-off, prior notice or demand, the sum of One and no/100 Dollars (\$1.00) per annum, in advance of the first business day of each year, commencing on the Effective Date and continuing during the Term. Basic rent for the first year or portion of it shall be paid on the Effective Date. Basic rent for any partial year shall be prorated on the basis of 1/360th of the basic annual rent, per day. All rent shall be paid to Landlord at the address to which notices to Landlord are given, or to such other person or such other place as directed from time to time by written notice to Tenant from Landlord.

Section 2.02. It is the purpose and intent of Landlord and Tenant that the rent payable under this Article 2 shall be absolutely net to Landlord and this Lease shall yield, absolutely net to Landlord, the rent specified and provided in this Article 2, and that Tenant shall pay all costs, charges and expenses of every kind and nature whatsoever against the Property which may arise or become due during the term and which, except for the execution and delivery of this Lease, would or could have been payable by Landlord. However, nothing in this Lease shall require, or be construed to require, Tenant to pay

any interest or principal payments or other payments on or required under any mortgage or trust deed on the fee of the Premises should there be any.

ARTICLE 3

PAYMENT OF TAXES, ASSESSMENTS, ETC.

Section 3.01. Tenant covenants and agrees to pay, before any fine, penalty, interest or cost may be added thereto for the non-payment thereof, all property taxes, possessory interest taxes, assessments, utility rates and charges including water and sewer rates and charges, and other governmental charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever (all of which taxes, assessments, water and sewer rates or charges, and other governmental charges are hereinafter referred to as "imposition"), which are legally assessed, levied, imposed or become a lien upon the Premises and/or the Improvements and the sidewalks or streets in front of or adjoining the Premises and the Improvements, or become payable, during the term of this Lease; provided, however, that if, by law, any such imposition may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such imposition), Tenant may exercise the option to pay the same (and any accrued interest on the unpaid balance of such imposition) in installments and shall pay only such installments as may become due during the term of this Lease as the same respectively become due and before any fine, penalty, interest or cost may be added thereto, for the non-payment of any such installment and interest; and provided, further, that any imposition relating to a fiscal period of the taxing authority, a part of which period is included within the term of this Lease and a part of which is included in a period of time after the termination of this Lease, other than a termination of this Lease pursuant to Article 15 below, shall (whether or not such imposition shall be assessed, levied, imposed or become a lien upon the Premises and/or the Improvements, or shall become payable, during the term of this Lease) be adjusted between Landlord and Tenant as of the expiration of the term of this Lease, so that Landlord shall pay that portion of such imposition which relates to that part of the fiscal period after the termination of this Lease, if any, and Tenant shall pay that portion of which relates to the period prior to the termination of the Lease, if any.

Landlord shall request that the appropriate governmental authority or utility provider send any and all bills for impositions directly to Tenant at the address Tenant designates.

Section 3.02. NOTIFICATION TO TENANT PURSUANT TO CALIFORNIA REVENUE AND TAXATION CODE SECTION 107.6: A POSSESSORY INTEREST SUBJECT TO PROPERTY TAXATION MAY BE CREATED BY ENTERING INTO THIS AGREEMENT AND TENANT MAY BE SUBJECT TO THE PAYMENT OF PROPERTY TAX LEVIED ON SUCH INTEREST.

Section 3.03. Tenant covenants, upon request of Landlord, to furnish to Landlord for inspection by it within sixty (60) days after the date when any imposition is payable, official

receipts of the appropriate taxing authority, or other evidence satisfactory to Landlord, evidencing the payment of such imposition.

Section 3.04. Tenant shall have the right to contest the amount or validity, or to seek a refund, in whole or in part, of any imposition by appropriate proceedings, and notwithstanding the provisions of Section 3.01 above, this shall not be deemed or construed in any way as relieving, modifying or extending Tenant's covenants to pay any such imposition at the time and in the manner as provided in this Article 3 unless Tenant shall have deposited with Landlord or a bank or trust company designated by Landlord, as security for the payment of such imposition, money or a corporate surety bond or other security acceptable to Landlord in the amount so contested and unpaid together with the estimated amount of all interest and penalties in connection therewith and all charges that may or might be assessed against or become a charge on the Premises and/or Improvements or any part thereof in said proceedings, whereupon Tenant may postpone or defer payment of such imposition. Upon the termination of such proceedings, Tenant shall pay the amount of such imposition or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and upon such payment Landlord shall return, or cause such bank or trust company to return, the amount above referred to without interest. If, at any time during the continuance of such proceedings, Landlord shall deem the amount deposited with it insufficient, Tenant shall, upon demand, deposit with Landlord or such bank or trust company such additional sum as Landlord may reasonably request, and upon failure of Tenant to do so, the amount theretofore deposited may be applied by Landlord or such bank or trust company to the payment, removal and discharge of such imposition and the interest and penalties in connection therewith any costs, fees or other liability accruing in any such proceedings, and the balance, if any, shall be returned to Tenant. Notwithstanding the foregoing provisions of this Section, if an Institutional Leasehold Mortgagee shall be the tenant under this Lease, such Institutional Leasehold Mortgagee shall not be required to make the deposit required under this Section. Landlord agrees not to unreasonably withhold its consent to joining in any such proceedings or permitting the same to be brought in its name. Landlord shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceeding, and Tenant covenants to indemnify, save and hold harmless Landlord from any such costs or expenses. Tenant shall be entitled promptly to any refund of any such imposition and penalties or interest thereon, which have been paid by Tenant, or which have been paid by Landlord and for which Landlord has been fully reimbursed.

Section 3.05. The certificate, advice or bill of the appropriate official designated by law to make or issue the same or to receive payment of any imposition, of non-payment thereof, shall be prima facie evidence that such imposition is due and unpaid at the time of the making or issuance of such certificate, advice or bill.

ARTICLE 4

INSURANCE

Section 4.01. At all times Tenant shall keep the Improvements insured for the mutual benefit of Landlord and Tenant against

(a) loss or damage by fire, and such other risks as may be included in the standard form of extended coverage insurance from time to time available, in an amount not less than one hundred percent (100%) of the then full insurable value of the Improvements; and

(b) claims for personal injury or property damage, under a policy of general public liability insurance, with such limits to be not less than One Million Dollars (\$1,000,000.00) for any one (1) person and One Million Dollars (\$1,000,000.00) for any one (1) occurrence in respect of bodily injury or death, and One Million Dollars (\$1,000,000.00) for property damage.

The term "full insurable value" shall mean the actual replacement cost of the Improvements (excluding foundation and excavation costs) and said "full insurable value" shall be determined by an architect, appraiser, appraisal company or one of the insurers, reasonably acceptable to Landlord, selected by Tenant, which determination shall be made no less frequently than once every three (3) years.

Section 4.02. All insurance provided for under this Lease shall be affected under valid enforceable policies issued by insurers of recognized responsibility and licensed to do business in the State of California. The original policies shall be delivered to the holder of the first Leasehold Mortgage and certificates of such insurance shall be delivered to Landlord and to the holder of the Fee Mortgage, if any. If there is no Leasehold Mortgage, the original policies shall be delivered to the holder of the Fee Mortgage, or if there is none, to Landlord. At least ten (10) days prior to the expiration date of any policy, the original renewal policy for such insurance shall be delivered by Tenant to the holder of the expiring original policy, and certificates thereof shall be delivered as aforesaid, together with satisfactory evidence of payment of the premium on such policy. All such policies shall contain a non-cancellation clause except upon thirty (30) days prior written notice to each named insured and loss payee.

Section 4.03. All policies of insurance required under this Lease shall name Landlord and Tenant as the insureds as their respective interests may appear. Subject to the provisions and limitations hereinafter set forth in this Section 4.03 and Sections 4.04 and 4.05 below, all policies of the character referred to in Section 4.01 above shall also provide, if required by either Landlord or Tenant, for any loss thereunder to be payable to the holder of any Fee Mortgage and the holder of any Leasehold Mortgage, as the respective interests of such holders may appear, pursuant to a standard mortgagee clause or endorsement. The loss, if any, under the policies referred to in Section 4.01 above, shall be adjusted with the insurance companies by Tenant, except that in case of any particular casualty

resulting in damage or destruction exceeding Five Hundred Thousand Dollars (\$500,000.00) in the aggregate, no adjustment shall be made with the insurance companies without the prior approval of Landlord, unless an Institutional Leasehold Mortgagee shall have approved the amount of the adjustment, in which event Landlord's prior approval shall not be required. When Landlord's prior approval is required pursuant to this Section 4.03, Tenant and Landlord shall cooperate in connection with the adjustment and collection of any insurance recoveries that may be due in the event of loss, and Tenant shall furnish Landlord with such proofs of loss and other instruments as Landlord may reasonably require to recover any proceeds from the applicable insurance policies.

Section 4.04. The loss, if any, under all policies of the character referred to in Section 4.01 above shall be payable (a) in the case of any particular casualty resulting in a loss payment not exceeding twenty percent (20%) of the replacement cost of the Improvements to Tenant, or (b) in case of any particular casualty resulting in a loss payment in excess of twenty percent (20%) of the replacement cost of the Improvements to the Institutional Leasehold Mortgagee holding the first Leasehold Mortgage. All policies of the character referred to in Section 4.01 above shall expressly provide that loss thereunder shall be adjusted and paid as provided in Section 4.03 and this Section 4.04.

Section 4.05. Any loss paid under any insurance policy to Tenant shall be held by Tenant in trust for application to the cost of restoring, repairing, replacing, or rebuilding the Improvements. Any loss so paid to the Institutional Leasehold Mortgagee, or the insurance trustee shall be disbursed by it in accordance with the provisions of Article 11 below.

ARTICLE 5

LANDLORD'S RIGHT TO PERFORM TENANT'S COVENANTS ADDITIONAL RENT

Tenant covenants and agrees that if it shall at any time fail, within the time limit in Section 15.01(b), below, after any notice of any default has been given thereunder, (except in the case of maintaining the insurance policies provided in Article 4 above for which such time limitation shall not apply for purposes of this Article 5), to pay any imposition in accordance with the provisions of Article 3, or to take out, pay for, maintain or deliver any of the insurance policies provided for in Article 4, or fail to cause any lien of the character referred to in Article 12 to be discharged as provided therein, or shall fail to perform any other act on its part to be performed, then Landlord may (but shall not be obligated to) and without further notice or demand upon Tenant and without waiving or releasing Tenant from any obligations of Tenant contained in this Lease contained, (a) pay any imposition payable by Tenant pursuant to the provisions of Article 3, or (b) take out, pay for and maintain any of its insurance policies provided for in Article 4, or (c) discharge any lien of the character referred to in Article 12 as provided therein, or (d) perform any other act on Tenant's part to be performed as provided in this Lease; provided, however, that so long as a Leasehold Mortgage shall be outstanding, (i) Landlord shall not take any action of the character specified in the foregoing clauses (a), (b), (c), or (d) (except in the

case of an emergency) until after the expiration of the time limited in Section 14.04 after the notice specified therein has been given to the Leasehold Mortgagee, and (ii) with respect to any action of the character specified in the foregoing clause (d), Landlord shall not take any such action (except in the case of an emergency) if the holder of the Leasehold Mortgage, prior to the expiration of the time limited in Section 14.04 below, shall have given the notice provided for in clause (d) of Section 14.04. All sums so paid by Landlord and all necessary incidental costs and expenses paid or incurred by Landlord in connection with the performance of any such act by Landlord, together with interest thereon at the rate of ten percent (10%) per annum from the date of making of such expenditure by Landlord, shall be payable to Landlord on demand or, at the option of Landlord, may be added to any basic rent then due or thereafter becoming due under this Lease, and Tenant covenants to pay any such sum or sums payable by Tenant for impositions pursuant to Article 3, insurance premiums pursuant to Article 4 and all other charges and expenses of whatsoever nature which Tenant assumes or agrees to pay pursuant to this Lease, shall be deemed additional rent under this Lease and payable as provided in this Lease, and Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the non-payment of any such sums by Tenant as in the case of default by Tenant in the payment of basic rent.

ARTICLE 6

COVENANTS TO MAINTAIN THE PREMISES AND THE IMPROVEMENTS

Tenant, at its sole expense, shall keep the Improvements, the Premises and the adjoining sidewalks and curbs clean and in good condition free of accumulations of dirt and rubbish, and shall make all repairs (including structural repairs) and replacements necessary to maintain the Premises and the Improvements in a condition appropriate for buildings of similar construction, use or class in San Luis Obispo County, California; ordinary wear and tear excepted, provided, that in any event Tenant shall make all repairs necessary to avoid any structural damage or injury to the Improvements. Landlord shall not be required to furnish any services or facilities or to make any repairs or alterations to the Premises or the Improvements and Tenant hereby assumes the full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Premises and the Improvements during the Term.

ARTICLE 7

COMPLIANCE WITH ORDERS, ORDINANCES, ETC.

Section 7.01. Tenant covenants throughout the term of this Lease, at Tenant's sole cost and expense, promptly to comply with all laws and ordinances and the orders, rules, regulations and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and officers thereof, and the orders, rules, and regulations of the California Board of Fire Underwriters, or any other body hereafter constituted exercising similar functions, which may be applicable to the Premises and the

Improvements. Tenant shall likewise observe and comply with the requirements of all policies of public liability, fire, and all other policies of insurance at any time in force with respect to the Improvements.

Section 7.02. Tenant shall have the right to contest by appropriate legal proceedings, in the name of Tenant or Landlord or both, without costs or expense to Landlord, the validity or application of any law, ordinance, order, rule, regulation or requirement of the nature referred to in Section 7.01 above, and if by the terms of any such law, ordinance, order, rule, regulation or requirement, compliance therewith pending the prosecution of any such proceeding may legally be held in abeyance without the incurrence of a lien, charge or liability of any kind against the Premises or the Improvements or Tenant's leasehold interest therein and without subjecting Tenant or Landlord to any criminal liability of whatsoever nature for failure so to comply therewith, Tenant may postpone compliance therewith until the final determination of any proceedings, provided that all such proceedings shall be prosecuted with all due diligence and dispatch, and if any lien, charge or civil liability is incurred by reason of non-compliance, Tenant may nevertheless make such contest and delay compliance as provided above, provided that Tenant furnishes to Landlord security, reasonably satisfactory to Landlord, against any loss or injury by reason of such non-compliance or delay therein and prosecutes the contest aforesaid with due diligence. Notwithstanding the foregoing provisions of this Section, if an Institutional Leasehold Mortgagee shall be the tenant under this Lease, such Institutional Leasehold Mortgagee shall not be required to furnish the security required under this Section. Landlord agrees to execute and deliver any papers which may be necessary or proper to permit Tenant to contest the validity or application of any such law, ordinance, order, rule, regulation or requirement.

Section 7.03. Prevailing Wage. Developer and City acknowledge that the California Prevailing Wage law normally applies to projects where the established rent of public property used for development is less than fair market value. In this case, Landlord and Tenant agree the amount of rent defined within Article 2 for annual payment of one (1) dollar a year is considered less than fair market value and the project would be subject to prevailing wages unless an exemption can be applied.. To the extent that the Project does not qualify for an exemption from California Prevailing Wage Law or is otherwise ruled to be a public work by a determination issued by the Department of Industrial Relations, Tenant acknowledges and agrees that the construction and construction-related activities for the Project would be subject to the California Prevailing Wage Law and Tenant would be required to and shall pay the general prevailing wage rates of per diem wages and overtime and holiday wages determined by the Director of the Department of Industrial Relations under Section 1720, et seq., of the California Labor Code for all covered work performed on the Project. The Parties agree, Tenant may seek an opinion from the Department of Industrial Relations as to whether the project is exempt from prevailing wages or structure the project in such a way to qualify for an exemption.

ARTICLE 8

DAMAGE TO OR DESTRUCTION OF THE IMPROVEMENTS

Section 8.01. Except as provided in Section 8.04, Tenant covenants that in case of damage to or destruction of the Improvements by fire or any other cause, similar or dissimilar, insured or uninsured, it will promptly, at its sole cost and expense, but subject to reimbursement to the extent provided in Article 11 below, restore, repair, replace or rebuild the Improvements as nearly as possible to the condition, quality and class it was in immediately prior to such damage or destruction, or with such changes or alterations as Tenant shall elect to make in conformity with Article 10 below. Such restoration, repairs, replacement, or rebuilding shall be commenced promptly and prosecuted with reasonable diligence.

Section 8.02. If insurance proceeds, if any, recovered in respect of any insured damage or destruction, less any cost of recovery, shall be insufficient to pay the entire cost of such restoration, repairs, replacement or rebuilding, Tenant covenants to pay the deficiency.

Section 8.03. Tenant's obligation to make payment of the basic rent and all other charges on the part of Tenant to be paid and to perform all other covenants and agreements on the part of Tenant to be performed shall not be affected by any such damage to or destruction of the Improvements and Tenant hereby waives the provisions of [Sections 1932\(2\)](#) and [1933\(4\) of the California Civil Code](#) and of any other statute or law now or hereafter in effect contrary to such obligations of the Tenant as set forth in this Lease, or which relieves Tenant from such obligation.

Section 8.04. Notwithstanding anything contained in this Article 8 to the contrary, in the event that the Improvements located on the Premises shall be substantially damaged or destroyed by fire or any other cause, and such damage or destruction occurs during the last five (5) years of the Term, Tenant may, at any time within six (6) months from the date of such damage or destruction, on sixty (60) days' written notice to Landlord of its intention to do so, terminate this Lease. Such option may be exercised by serving such notice on Landlord, without any liability on the part of either party except for the payment of the Rent and all additional sums required to be paid by Tenant under the terms of this Lease up to the date of such termination and full performance by Tenant, at its sole cost and expense, of the work of demolition and removal of the remaining portions of the Improvements located on the Premises so damaged or destroyed and removal of all debris from the Premises; provided, however, that any available insurance proceeds shall be applied, to the extent such insurance proceeds are available for demolition and removal, to payment of the cost of such demolition and removal. For the purposes of this Section 8.04, the Improvements shall be deemed substantially damaged or destroyed if the estimated cost of restoring same as nearly as possible to their value, condition, and character immediately before such damage or destruction is fifty percent (50%) or more of the estimated total replacement cost of the Improvements located on the Premises.

ARTICLE 9

CONDEMNATION

Section 9.01. If, at any time during the term of this Lease, there shall be a total taking or a constructive total taking of the fee title to the Premises and Improvements in condemnation proceedings or by any right of eminent domain, this Lease shall terminate on the date of such taking and the basic rent and other charges payable by Tenant under this Lease shall be apportioned and paid to the date of such taking. For the purposes of this Article, the term "a constructive total taking" shall mean a taking, whether temporary or permanent, of such scope that the untaken portion of the Premises and Improvements is insufficient to permit the restoration of the existing Improvements so as to constitute a complete, economical project. In the event of a dispute between Landlord and Tenant as to whether or not there has been "a constructive total taking" within the meaning above set forth, such dispute shall be determined by arbitration in the manner provided in Article 21 below, except that Tenant may elect, at Tenant's sole option and notwithstanding the foregoing, that the same does not constitute "a constructive total taking", in which event the provisions of this Article 9 subsequent to Section 9.02 hereof shall apply.

Section 9.02. In the event of any such total taking or constructive total taking and the termination of this Lease, the award, or awards for such taking, less the costs of the determination and collection of the amount of the award or awards ("Condemnation Proceeds"), shall be distributed as follows:

(a) Unless the total taking or constructive total taking is sought or committed by Landlord, in which event Landlord shall not receive any of the Condemnation Proceeds, Landlord shall first be entitled to receive and retain as its own property, and Tenant hereby assigns to Landlord, such portion of the Condemnation Proceeds as shall equal the fair market value of the Premises as encumbered by this Lease including any untaken portion of the Premises, exclusive of the Improvements.

(b) Tenant shall then be entitled to receive, and Landlord hereby assigns to Tenant, the balance of the Condemnation Proceeds, if any.

Section 9.03. In the event of a taking which is less than a total taking or constructive total taking (a "partial taking"), this Lease shall not terminate or be affected in any way, except as provided in Section 9.04, below, and Landlord shall first be entitled to receive and retain as its own property, that portion of the Condemnation Proceeds applicable to the Premises as encumbered by this Lease, equal to the fair market value of the portion of the Premises as encumbered by this Lease so taken exclusive of the Improvements ("Landlord's Proceeds"), provided that if Landlord seeks or commits the taking, Landlord shall not be entitled to any of the Condemnation Proceeds. Tenant shall then be entitled to receive the balance of the Condemnation proceeds ("Tenant's Proceeds").

Section 9.04. In the event of a partial taking, Tenant, at its sole cost and expense, but subject to reimbursement as provided in Article 11 below, and whether or not Tenant's Proceeds shall be sufficient for the purpose, shall proceed with due diligence to restore, repair, replace or rebuild the remaining part of the Improvements to substantially its former condition or with such changes or alterations as Tenant may elect to make in conformity with Article 10 below so as to constitute a complete, economically feasible project.

Section 9.05. In the event of a partial taking, this Lease shall terminate as to the portion of the Premises so taken and the basic rent payable for the balance of the term of this Lease shall be reduced by a sum equivalent to the portion of the Premises taken, such reduction to be effective as of the date of Landlord's receipt of such Condemnation Proceeds. Until the amount of the reduction of the basic rent shall have been determined, Tenant shall continue to pay to Landlord the basic rent provided for in Article 2 above.

Section 9.06. If, at any time during the Term, part of the Premises, or of Tenant's leasehold estate under this Lease, or of the Improvements shall be taken in condemnation proceedings or by any right of eminent domain for temporary use or occupancy (a "temporary taking") the foregoing provisions of this Article shall not apply and Tenant shall continue to pay, in the manner at the times specified in this Lease, the full amounts of the basic rent and all additional rent and other charges payable by Tenant under this Lease, and, except only to the extent that Tenant may be prevented from so doing pursuant to the terms of the order of the condemning authority, Tenant shall perform and observe all of the other terms, covenants, conditions and obligations of this Lease upon the part of Tenant to be performed and observed, as though such taking had not occurred. In the event of any such temporary taking, Tenant shall be entitled to receive the entire amount of the Condemnation Proceeds made for such taking, whether paid by way of damages, rent or otherwise unless such period of temporary use or occupancy shall extend beyond the termination of this Lease, in which case the Condemnation Proceeds shall be apportioned between Landlord and Tenant as of the date of termination of this Lease. Tenant covenants that, upon the expiration of any such period of temporary use or occupancy during the Term, it will, at its sole cost and expense, restore the Improvements, as nearly as may be reasonably possible, to the condition in which the same was immediately prior to such taking, wear and tear during such temporary use or occupancy excepted. To the extent that Landlord receives any portion of the Condemnation Proceeds as compensation for the cost of restoration or repair of the Improvements, Landlord shall, upon restoration of the Improvements by Tenant as provided above, pay such sum to Tenant. Any portion of the Condemnation Proceeds received by Tenant as compensation for the cost of restoration of the Improvements shall, if such period of temporary use or occupancy shall extend beyond the term of this Lease, be paid to Landlord on the date of termination of this Lease.

Section 9.07. If the order or decree in any condemnation or similar proceeding shall fail separately to state the amount to be awarded to Landlord and the amount to be awarded to Tenant under the provisions of Section 9.02 or 9.03, above, or the amount of the compensation for the restoration of the Improvements under Section 9.05, above, and if Landlord and Tenant cannot agree thereon within sixty (60) days after the final award or awards shall have been fixed and determined, any such dispute shall be determined by arbitration in the manner provided in Article 21 below.

Section 9.08. If Tenant shall assign to any Leasehold Mortgagee any Condemnation Proceeds to which it shall be entitled under the provisions of Section 9.02(b), above,

Landlord shall recognize such assignment and shall consent to the payment of the Condemnation Proceeds to such assignee as its interest may appear.

Section 9.09. Tenant and the holder of any Leasehold Mortgage shall have the right to participate in any condemnation proceeding for the purpose of protecting their rights under this Lease, and in this connection, specifically and without limitation to introduce evidence independently of Landlord to establish the value of or damage to the Improvements.

ARTICLE 10

CONSTRUCTION OF INITIAL IMPROVEMENTS; CHANGES AND ALTERATIONS BY TENANT

Section 10.01. Tenant shall have the right, at any time and from time to time during the Term, to construct the Initial Improvements, to arrange for all utilities to be provided to the Premises (subject to Section 10.05) that are required by the Initial Improvements, to make such changes and alterations, structural or otherwise, to the Initial Improvements and/or other Improvements as Tenant shall deem necessary or desirable, including, without limiting the foregoing, the right to increase or reduce the height of any of the Improvements, or to demolish any of the Improvements or any part thereof. Such changes, alterations, demolition, new construction, or construction of the Initial Improvements (each individually, a "Change" or "Alteration" and collectively referred to as "Changes or Alterations" or "Changes and Alterations") shall be made in all cases subject to the following conditions which Tenant covenants to observe and perform:

(a) No Change or Alteration shall be undertaken until Tenant shall have procured and paid for, so far as the same may be required, from time to time, all City of Grover Beach and other governmental permits and authorizations of the various municipal departments and governmental subdivisions having jurisdiction;

(b) Any structural Change or Alteration shall be conducted under the supervision of an architect or engineer licensed as such in the State of California (who may be an employee of Tenant) selected by Tenant and plans therefore shall be submitted to Landlord prior to submitting any applications for permits, in order to give Landlord an opportunity to determine that such Changes or Alterations will comply with the provisions of this Article, provided that Landlord's approval shall not be unreasonably withheld and Landlord must approve or reject the plans in writing within thirty (30) days of receipt or such plans shall be deemed approved;

(c) All work done in connection with any Change or Alteration shall be done in a good and workmanlike manner and in compliance with all applicable laws, ordinances, orders and requirements of all federal, state and municipal governments and their appropriate departments, commissions, boards and officers. The Premises and the Improvements shall at all times be free of liens for labor and materials supplied or claimed to have been supplied. The work of any Change or Alteration shall be prosecuted with

reasonable dispatch, Unavoidable Delays excepted. Worker's compensation insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against Landlord, Tenant or the Premises or the Improvements, and general liability and property damage insurance (which may be effected by indorsement, if obtainable, on the insurance required to be carried pursuant to Section 4.01 above) for the mutual benefit of Tenant and Landlord with limits of not less than those required to be carried pursuant to Section 4.01, above, shall be maintained by Tenant at Tenant's sole cost and expense at all times when any work is in process in connection with any Change or Alteration.

Section 10.02. Tenant covenants that in performing any work or repairs to, or restoration, replacement or rebuilding of, any of the Improvements required to be performed by Tenant pursuant to the provisions of Article 6, Article 7, Article 8, or Article 9, it will observe and perform, insofar as the nature of such repairs, restoration, replacement or rebuilding make such observation and performance appropriate, the conditions relating to Changes and Alterations set forth in Section 10.01, above.

Section 10.03. Reserved.

Section 10.04. Tenant covenants and agrees to construct the Initial Improvements, as approved by Landlord in accordance with the provisions of Section 10.01, above, and in accordance with all of the provisions of this Lease, with construction of the Initial Improvements to be commenced ("Commencement of Construction") no later than the expiration of the Due Diligence Period and to complete the same (as evidenced by a duly executed and recorded notice of completion for all such Improvements) subject to Unavoidable Delays, not later than twenty-four (24) months following the Commencement of Construction, or such later date as diligent prosecution and pursuance of such construction, subject to Unavoidable Delays, would permit such completion. The Landlord may in its sole discretion extend the Commencement of Construction and/or Completion of Construction date if timely requested by Tenant prior to any pertinent expiration dates related to either event. In the event construction of the Initial Improvements stops or is terminated for a continuous period of more than one hundred eighty (180) days after the commencement of such work, except for Unavoidable Delays, the same shall, at the option of Landlord, constitute an Event of Default as provided in Article 15, below.

Section 10.05. Landlord shall at Tenant's request grant, convey, or dedicate easements, rights, and rights-of-way on and over the Property to utilities, governmental or quasi-governmental authorities, and other entities that service the Property, including, without limitation, easements for public access, landscape maintenance, adjacent sidewalk maintenance, electricity, gas, telecommunications, and sewer, water, and storm drain purposes to service or use the Property or other property located nearby or adjacent thereto, or to implement required infrastructure improvements ("Easements").

Section 10.06. The Lease shall be entered into with Tenant subject to an easement that Landlord shall grant to the Central Coast Blue Regional Recycled Water Authority ("the

Authority”) and/or other governmental or quasigovernmental entities for a twenty-eight (28) foot easement that will be used by the Authority and/or other public entities approved by Landlord for public utility purposes (“Authority Easement”). The Authority Easement shall be located along the southern border of the subject property and shall be for both underground utility lines or other public utility purposes of the Authority and/or other public entities. The Authority Easement shall provide the Authority and the Landlord with surface and subsurface access for maintenance and repair of underground utility lines, subject to the limitations included in this section. Temporary structures without foundations (such as sheds or modular living areas) may be placed upon the Authority Easement subject to the requirement to temporarily relocate the structures at Landlord’s written request. Said request shall only be for maintenance, refurbishing, relocating, or adding additional utilities. All structures placed within the Authority Easement shall be constructed with the ability to disconnect utilities and remove the structures in the event Landlord were in need of accessing the underground utilities. Any costs associated with the temporary relocation of the structures would be borne by Landlord. Except as provided in this Section, Landlord shall give Tenant no less than sixty (60) days written notice before entering the Authority Easement to conduct maintenance or repairs or requiring the temporary removal of any structures within the Authority Easement. Notwithstanding the generally-applicable sixty (60) day notice period, if Landlord provides written notice to Tenant of an event or circumstance that creates an emergency or in Landlord’s reasonable opinion creates a material risk of damage or injury to life or property, then Landlord shall provide as much notice to Tenant as is reasonable under the circumstances, and the Authority and the Landlord may enter the Easement Area after such notice for the purpose of conducting emergency repairs. In any event, Landlord and the Authority shall enter the minimum amount of the Easement Area as is necessary and shall take all measures necessary to avoid unreasonable disruptions to Tenant’s operations. The Authority or any other public entity wherein Landlord has granted an easement as defined here shall be required to file a Notice of Vacation in the event the Authority or any other public entity were no longer in need of the Authority Easement for public purposes.

ARTICLE 11

DISBURSEMENT OF DEPOSITED MONEYS

Section 11.01. All sums of the character referred to in Section 4.04 or 9.04, above, (collectively referred to as “Deposited Sums”) paid to or deposited with a bank or trust company or paid to the Institutional Leasehold Mortgagee holding the first Leasehold Mortgage (the “Depositary”), shall be disbursed in the manner provided in this Article 11.

Section 11.02. From time to time as any Change or Alteration progresses, or as the restoration, repair, replacement or rebuilding of any Improvement or any portion thereof damaged or destroyed by fire or any other cause, or not taken in a proceeding of the character described in Section 9.04 progresses (collectively referred to as the “Work”),

disbursement of any Deposited Sums shall be made upon receipt by the Depository of the following:

(a) A certificate signed by an architect or engineer licensed as such in the State of California (who may be an employee of Tenant) selected by Tenant who shall be reasonably satisfactory to Landlord and also signed by Tenant, dated not more than thirty (30) days prior to the application for such disbursement, setting forth in substance the following:

(i) That the sum then requested to be disbursed either has been paid by Tenant and/or is justly due to contractors, subcontractors, materialmen, engineers, architects or other persons (whose names and addresses shall be stated) who have rendered and furnished certain labor and materials for the Work and giving a brief description of such services and materials and the principal subdivisions or categories of such Work, and the several amounts so paid or due to each of such persons in respect of such Work, and stating the progress of the Work up to the date of such certificate;

(ii) That the sum then requested to be disbursed, plus all sums previously disbursed, does not exceed the cost of the Work insofar as actually accomplished up to the date of such certificate, and that the balance of the Deposited Sums will be sufficient to pay in full for the completion of the Work, or Landlord shall have received other assurances reasonably satisfactory to it of payment in full for completion of such Work;

(iii) That except for the amounts, if any, stated in such certificate pursuant to Subsection 11.02(a)(i), above, to be due for services or materials, there is no outstanding indebtedness known to the person signing the certificate, after due inquiry, which is then due and payable for work, labor, services and materials in connection with the Work, which, if unpaid, might become the basis of a vendor's, mechanic's, laborer's or materialmen's statutory or similar lien upon Tenant's leasehold estate or Tenant's interest in the Improvements or Landlord's interest in the Premises or future interest in the Improvements or any part thereof.

(b) A certificate signed by an officer or other duly authorized representative of Tenant dated not more than thirty (30) days prior to the application for such disbursement, setting forth in substance that, to the best knowledge of the signer, after due inquiry:

(i) All materials and all property described in the certificate furnished pursuant to Subsection 11.02(a)(i), above, are free and clear of all mortgages, liens, charges or encumbrances, except (A) encumbrances, if any, securing indebtedness due to persons (whose names and addresses and the several amounts due then shall be stated) specified in such certificate, which encumbrances will be discharged upon payment of such indebtedness, (B) the leasehold estate created by this Lease, (C) any Mortgage on Tenant's interest under this Lease or the Improvements, (D) encumbrances created by Landlord, (E) impositions not due and delinquent, and (F) encumbrances to which this Lease is subject; and

(ii) That no Event of Default has occurred which has not been remedied.

Upon compliance with the foregoing provisions of this Section 11.02, the Depository shall, out of the Deposited Sums, disburse to the persons named in the certificate pursuant to the foregoing Subsection 11.02(a)(i) the respective amounts stated in the certificate to be due to them and/or shall disburse to Tenant the amount stated in the certificate to have been paid by Tenant.

Section 11.03. At any time after the completion in full of the Work, the whole balance of the Deposited Sums not theretofore disbursed pursuant to the provisions of Section 11.02, above, shall be disbursed to Tenant upon receipt by the Depository of:

(a) a certificate signed by an officer of Tenant, dated not more than thirty (30) days prior to the application for such disbursement, setting forth in substance the following: (i) that the Work has been completed in full; (ii) that all amounts which Tenant is or may be entitled to have disbursed under the foregoing provisions of this Section 11.02 on account of services rendered or materials furnished in connection with the Work have been disbursed under such provisions; (iii) that all amounts for whose payment Tenant is or may become liable in respect of the Work have been paid in full; and (iv) that no Event of Default has occurred which has not been remedied, and

(b) an official search or a certificate of a title company reasonably satisfactory to Landlord showing that there has not been filed with respect to Tenant's leasehold estate or Tenant's interest in the Improvements or Landlord's interest in the Premises or any part thereof, any vendor's, mechanic's, laborer's, or materialmen's statutory or similar lien which has not been discharged of record, or if the same has not been discharged, Tenant has given Landlord security therefor in an amount equal to one and one-half (1-1/2) times the amount of the lien or claim of lien.

Section 11.04. If an Event of Default shall have occurred and be continuing prior to the disbursement of the Deposited Sums or any part thereof, Landlord may notify the Depository and thereupon the Depository shall have no further right or obligation to disburse any of the Deposited Sums to Tenant as provided in this Article 11, but shall disburse the same to or for the account of the Leasehold Mortgagee who shall have given the notice as provided in Section 14.04(d) below, or, in the event of the termination of this Lease, who shall have obtained a new lease pursuant to Section 14.04(f) below, or, if any such Leasehold Mortgagee shall not have elected within the period specified in Section 14.04 to obtain a new lease, to Landlord upon Landlord's direction to do so.

Section 11.05. Landlord and Tenant agree that the Depository shall have the right to deduct from the Deposited Sums prior to any disbursement pursuant to Sections 11.02 or 11.03, above, its reasonable charges for acting as Depository under this Lease. An executed copy of this Lease shall be deposited by Tenant with the Depository and shall constitute authority to the Depository to act as such in accordance with the provisions of this Article 11 without further direction from Landlord or Tenant.

ARTICLE 12

MECHANIC'S LIENS

Tenant shall not suffer or permit any mechanic's, vendor's, laborer's, or materialman's statutory or similar liens (collectively "mechanic's liens") to be filed against the Premises or the Improvements, nor against Tenant's leasehold interest in the Premises, by reason of work, labor, services or materials supplied or claimed to have been supplied to Tenant or anyone holding any interest in the Premises and/or the Improvements or any part thereof through or under Tenant. If any such mechanic's lien shall be filed, Tenant shall, within thirty (30) days after notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise; provided, however, that Tenant shall have the right to contest, with due diligence, the validity or amount of any such lien or claimed lien, if Tenant shall give to Landlord security in an amount equal to one and one-half (1-1/2) times the amount of such lien or claimed lien. Subject to the foregoing provisions, if Tenant shall fail to cause such lien to be discharged within such 30-day period, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings. Nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvements, alteration to or repair of the Premises or the Improvements or any part thereof, nor as giving Tenant a right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanic's liens against the Premises.

ARTICLE 13

LAWFUL USE; SURRENDER OF IMPROVEMENTS AND THE PREMISES; INSPECTION OF IMPROVEMENTS AND THE PREMISES

Section 13.01. Tenant shall not use or allow the Improvements or any part thereof, or the Premises, to be used or occupied for any unlawful purpose or for any dangerous or noxious trade or business. This restriction shall not apply during any period of governmental occupancy.

Section 13.02. Upon termination of this Lease, Tenant shall surrender to Landlord the Premises and the Improvements, in good order and repair, reasonable wear and tear excepted and also except as Tenant may have been prevented from maintaining the Improvements in good order and repair by occupation of the Improvements by any sovereign who shall have taken the temporary use of the Improvements and shall then be in possession of the Improvements. Upon such termination, Tenant shall also deliver

to Landlord all leases, lease files, plans, records, registers and all other papers and documents which may be necessary or appropriate for the proper operation and management of the Premises and the Improvements.

Section 13.03. Upon reasonable prior written notice, which shall be provided no less than two (2) business days in advance except in case of an emergency, Tenant agrees to permit Landlord and the authorized representatives of Landlord and of the holder of any Fee Mortgage to enter the Premises or the Improvements at all reasonable times during usual business hours for the purpose of inspecting the same or exhibiting the same to prospective purchasers of the Premises.

ARTICLE 14

ASSIGNMENT, SUBLETTING AND MORTGAGING

Section 14.01. Prior to the lien-free completion of construction of the Initial Improvements, this Lease and the interest of Tenant under this Lease may not be assigned without the prior written consent of Landlord in each instance, which consent shall not be unreasonably delayed, conditioned, or withheld. Subsequent to completion of such construction, and without the prior consent of Landlord, this Lease and the interest of Tenant under this Lease may be assigned on one or more occasions to any person or legal entity, provided that (a) no such assignment shall be effective for any purpose unless and until (i) the assignor's interest in the Improvements shall be transferred to the assignee of this Lease and (ii) there shall be delivered to Landlord (A) a duplicate original of the instrument or instruments of transfer of this Lease and of the assignor's interest in the Improvements in recordable form, containing the name and address of the transferee and (B) an instrument of assumption by the transferee of all of Tenant's obligations under this Lease; and (b) no such assignment and assumption shall operate or be deemed to operate as a release of the within-named Tenant and/or the duties, obligations and liabilities of Tenant (and/or any guarantor or guarantors of the duties, obligations and liabilities of the within-named Tenant) under this Lease.

Section 14.02. Without the prior consent of Landlord, Tenant shall have the right at any time during the term of this Lease to sublet the Premises or the Improvements or any portion thereof, provided that the term of any such sublease (including any options to extend the same as therein provided) shall not have a term extending beyond the then remaining term of this Lease and the sublease use shall be for an emergency or homeless shelter.

Section 14.03. Reserved.

Section 14.04. Without the prior consent of Landlord, Tenant shall have the right to mortgage this Lease and the leasehold estate hereby created and Tenant's interest in the Improvements; provided, however, that no such mortgage shall be valid for any purpose unless it shall constitute both a lien on the leasehold estate created by this Lease and on Tenant's interest in the Improvements. The execution and delivery of any Leasehold

Mortgage shall not be deemed to constitute an assignment or transfer of this Lease nor shall the holder of any Leasehold Mortgage, as such, be deemed an assignee or transferee of this Lease so as to require such holder to assume the performance of any of the terms, covenants or conditions on the part of Tenant to be performed under this Lease. Landlord and Tenant agree that so long as any Leasehold Mortgage is a lien on the Improvements and the leasehold estate created by this Lease as follows:

(a) If Tenant or any Leasehold Mortgagee shall have delivered to Landlord prior written notice of the address of any Leasehold Mortgagee, Landlord will mail to such Leasehold Mortgagee a copy of any notice or other communication from Landlord to Tenant under this Lease at the time of giving such notice or communication to Tenant, and will give to such Leasehold Mortgagee notice of any rejection of the Lease by the trustee in bankruptcy of the Tenant or by Tenant as debtor in possession, and no termination of this lease or termination of Tenant's right of possession of the Premises or reletting of the Premises by Landlord predicated on the giving of any notice shall be effective unless Landlord gives to such Leasehold Mortgagee written notice or a copy of its notice to Tenant of such default or termination, as the case may be.

(b) In the event of any default by Tenant under the provisions of this Lease, any Leasehold Mortgagee will have the same periods as are given Tenant for remedying such default or causing it to be remedied, plus, in each case, an additional period of thirty (30) days after the expiration of the initial period or after Landlord has served a notice or a copy of a notice of such default upon the Leasehold Mortgagee, whichever is later.

(c) In the event that Tenant shall default under any of the provisions of this Lease, any Leasehold Mortgagee, without prejudice to its rights against Tenant, shall have the right to cure such default within the applicable grace periods provided for in the preceding Subsection 14.04(b), above, whether the same consists of the failure to pay rent or the failure to perform any other matter or thing which Tenant is hereby required to do or perform, and Landlord shall accept such performance on the part of such Leasehold Mortgagee as though the same had been done or performed by Tenant. For such purpose, Landlord and Tenant hereby authorize such Leasehold Mortgagee to enter upon the Premises and to exercise any of its rights and powers under this Lease and subject to the provisions of this Lease.

(d) In the event of any default by Tenant, and if prior to the expiration of the applicable grace period specified in Subsection 14.04(b), above, a Leasehold Mortgagee shall give Landlord written notice that it intends to undertake the curing of such default, or to cause the same to be cured, or to exercise its rights to acquire the leasehold interest of Tenant by foreclosure or otherwise, and shall immediately commence and then proceed with all due diligence to do so, whether by performance on behalf of Tenant of its obligations under this Lease, or by entry on the Premises and/or the Improvements by foreclosure or otherwise, then Landlord will not terminate or take any action to effect a termination of the Lease or re-renter, take possession of or relet the Premises or the Improvements or similarly enforce performance of this Lease in a mode provided by law so long as such Leasehold Mortgagee is with all due diligence and in good faith engaged

in the curing of such default, or effecting such foreclosure; provided, however, that the Leasehold Mortgagee shall not be required to continue such possession or continue such foreclosure proceedings if such default shall be cured.

(e) In the event that Tenant's interest under this Lease shall be terminated by a sale, assignment or transfer pursuant to the exercise of any remedy of a Leasehold Mortgagee, or pursuant to judicial proceedings, and if (i) no rent or other charges shall then be due and payable by Tenant under this Lease, or (ii) the Leasehold Mortgagee shall have arranged to the reasonable satisfaction of Landlord for the payment of all rent and other charges (less a credit for any income received by Landlord during such period) due and payable by Tenant under this Lease as of the date of such termination, together with the rent and other charges which but for such termination would have become so due and payable from the date of such termination through the sixtieth (60th) day thereafter, and upon payment of all expenses, including attorneys' fees, incident thereto, Landlord will execute and deliver to such Leasehold Mortgagee or its nominee a new lease of the Premises. Such new lease shall be for a term equal to the remainder of the term of this Lease before giving effect to such termination and shall contain the same covenants, agreements, terms, provisions and limitations as this Lease, and shall be subject only to the encumbrances and other matters recited in this Lease and acts done or suffered by Tenant. Upon the execution and delivery of such new lease, the new tenant, in its own name or in the name of Landlord, may take all appropriate steps as shall be necessary to remove Tenant from the Premises and the Improvements, but Landlord shall not be subject to any liability for the payments of fees, including reasonable attorneys' fees, costs or expenses in connection with such removal; and such new tenant shall pay all such fees, including attorneys' fees costs and expenses or, on demand make reimbursements therefor to Landlord.

(f) In the event a default under a Leasehold Mortgage shall have occurred, such Leasehold Mortgagee may exercise with respect to the premises and the Improvements any right, power or remedy under the Leasehold Mortgage which is not in conflict with the provisions of this Lease.

(g) This Lease may be assigned, without the consent of Landlord, to or by any Leasehold Mortgagee or its nominee, or pursuant to foreclosure or similar proceedings, or the sale, assignment or other transfer of this Lease in lieu thereof, or the exercise of any other right, power or remedy of the Leasehold Mortgagee, and any Leasehold Mortgagee shall be liable to perform the obligations imposed on Tenant in this Lease only for and during the period it is in possession or ownership of the leasehold estate created by this Lease.

(h) There shall be no merger of this Lease or any interest in this Lease nor of the leasehold estate created by this Lease with the fee estate in the Premises, by reason of the fact that this Lease or such interest in this Lease or such leasehold estate may be directly or indirectly held by or for the account of any person who shall hold the fee estate in the Premises, or any interest in such fee estate, nor shall there be such a merger by reason of the fact that all or any part of the leasehold estate created by this Lease may

be conveyed or mortgaged in a Leasehold Mortgage to a Leasehold Mortgagee who shall hold the fee estate in the Premises or any interest of the Landlord under this Lease.

(i) No surrender (except a surrender upon the expiration of the term of this Lease or upon termination by Landlord pursuant and subject to the provisions of this Lease) by Tenant to Landlord of this Lease, or of the Premises, or any part thereof, or of any interest therein, and no termination of this Lease by Tenant shall be valid or effective, and neither this Lease nor any of the terms of this Lease may be amended, modified, changed or cancelled and no consents of Tenant under this Lease shall be valid or effective without the prior written consent of any Leasehold Mortgagee who shall have previously given Landlord written notice of the existence of its Leasehold Mortgage.

(j) Landlord consents to a provision in Leasehold Mortgages or otherwise for an assignment of rents from subleases of the Property to the holder of any such Leasehold Mortgage, effective upon any default under such Leasehold Mortgage.

(k) If at any time there shall be more than one Leasehold Mortgage constituting a lien on this Lease and the leasehold estate created by this Lease and Tenant's interest in the Improvements, and the holder of the Leasehold Mortgage prior in lien to any other Leasehold Mortgage shall fail or refuse to exercise the rights set forth in this Article 14, each holder of a Leasehold Mortgage in the order of the priority of their respective liens shall have the right to exercise such rights and provided further, however, that with respect to the right of the holder of a Leasehold Mortgage under Section 14.04(e), above, to request a new lease, such right may, notwithstanding the limitation of time set forth in Section 14.04(e), be exercised by the holder of any junior Leasehold Mortgage, in the event the holder of prior Leasehold Mortgage shall not have exercised such right, more than sixty (60) days but not more than seventy-five (75) days after the giving of notice by Landlord of termination of this Lease as provided in said Section.

ARTICLE 15

DEFAULT; BANKRUPTCY; TENANT'S RIGHT TO TERMINATE

Section 15.01. Tenant agrees that in the event all or substantially all of Tenant's assets are placed in the hands of a receiver or trustee, and such receivership or trusteeship continues for a period of thirty (30) days, or should Tenant make an assignment for the benefit of creditors or be finally adjudicated a bankrupt, or should Tenant institute any proceeding under the Federal Bankruptcy Code as the same now exists or under any amendment thereof which may hereafter be enacted, or under any other act relating to the subject of bankruptcy, or to be discharged of its debts, or to effect a plan of liquidation, composition or reorganization, or should any involuntary proceeding be filed against Tenant under any such bankruptcy laws and such proceeding is not dismissed within ninety (90) days thereafter, then this Lease or any interest of Tenant in and to the Property shall not become an asset in any of such proceedings and, in any such events and in addition to any and all rights or remedies of Landlord under this Lease or as otherwise provided by law, it shall be lawful for Landlord to declare the Term ended and to reenter

the Property and take possession thereof and remove all persons therefrom, and Tenant shall have no further claim thereon or hereunder. The provisions of this Section 15.01 shall also apply to any guarantor of this Lease.

Section 15.02. (i) Should Tenant at any time be in default with respect to any rental payments or other charges payable by Tenant under this Lease, and should such default continue for a period of ten (10) days after written notice from Landlord to Tenant; or (ii) should Tenant default in the timely payment of rent or other charges payable by Tenant under this Lease so as to necessitate the issuance by Landlord of written notice of default, on two or more occasions within any consecutive six (6) month period (whether or not any such default is subsequently cured by Tenant within ten (10) days after any such notice; or (iii) should Tenant be in default in the prompt and full performance of any other of its promises, covenants or agreements contained in this Lease and should such default or breach of performance continue for more than thirty (30) days (except as otherwise expressly provided in Section 15.08, below) after written notice thereof from Landlord to Tenant specifying the particulars of such default or breach of performance; or (iv) should Tenant abandon the premises; then Landlord may treat the occurrence of any one or more of the foregoing events as a breach of this Lease (an "Event of Default"), and in addition to any or all other rights or remedies of Landlord under this Lease or as otherwise permitted by law, it shall be, at the option of Landlord, without further notice or demand of any kind to Tenant or any other person, except as otherwise expressly provided in Article 14, above:

(a) The right of Landlord to declare the Term ended and to reenter the Property and take possession thereof and remove all persons therefrom by any lawful means, and Tenant shall have no further claim thereon or thereunder; or

(b) The right of Landlord to continue the Lease in effect and collect the rent and any other charges that may thereafter become payable.

(c) The right of Landlord, even though it may have reentered the Property, to thereafter elect to terminate this Lease and all of the rights of Tenant in or to the Property.

Section 15.03. In the event of any entry or taking possession of the Property as provided above, Landlord shall have the right, but not the obligation, to remove from the Property all or any part of the personal property located therein and may place the same in storage at a public warehouse at the expense and risk of the owner or owners thereof.

Section 15.04. Should Landlord elect to terminate this Lease under the provisions of Subsections 15.02(a) or (c), above, Landlord may recover from Tenant as damages:

(a) the worth at the time of award of any unpaid rent 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 unpaid rent which would have been earned after 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 unpaid rent 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, including, but not limited to, any costs or expenses incurred by Landlord in maintaining or preserving the Property after such default, preparing the Improvements for reletting to a new tenant, any repairs or alterations to the Improvements for such reletting, leasing commissions, or any other costs necessary or appropriate to relet the Property;

(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 the laws of the State of California.

Section 15.05. As used in Subsections 15.04(a) and (b) above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in Subsection 15.04(c), above, the "worth at the time of award" is computed by discounting such amount at the discount rate of the San Francisco Federal Reserve Bank, at the time of award, plus one percent (1%).

Section 15.06. For all purposes of this Lease, "rent" shall be deemed to be the basic annual rent and all other sums required to be paid by Tenant pursuant to the terms of this Lease.

Section 15.07. In the event of default, all of Tenant's fixtures, furniture, equipment, improvements, additions, alterations, and other personal property shall remain on the Premises and in that event, and continuing during the length of such default, Landlord shall have the right to take the exclusive possession of same and to use same, rent or charge free, until all defaults are cured or, at its option, at any time during the Term, to require Tenant to forthwith remove same.

Section 15.08. Notwithstanding any other provisions of this Article 15, Landlord agrees that if the default complained of, other than for the payment of monies, is of such a nature that the same cannot be rectified or cured within the thirty (30) day period requiring such rectification or curing as specified in the written notice relating thereto, then such default shall be deemed to be rectified or cured if Tenant within such period of thirty (30) days shall have commenced the rectification and curing thereof and shall continue thereafter with all due diligence to cause such rectification and curing and does so diligently complete the same.

Section 15.09. Upon the expiration of the term of this Lease pursuant to any of the provisions of this Article, it shall be lawful for Landlord, without formal demand or notice of any kind, to re-enter the Premises and the Improvements by summary dispossess proceedings or any other action or proceeding authorized by law, or by force or otherwise and to remove Tenant therefrom without being liable for any damages therefor.

Section 15.10. Landlord shall not be deemed to be in default in the performance of any obligation required to be performed by it under this Lease until it has failed to perform such obligation within thirty (30) days after written notice by Tenant to Landlord specifying the nature of Landlord's default; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion.

Section 15.11. In addition to Tenant's right to terminate set forth in Section 1.02, Tenant shall have the right to terminate this Lease without fault by providing written notice to landlord ("Termination Notice") if: (a) the Improvements are utilized at less than twenty percent (20%) capacity for at least four (4) consecutive months or Tenant otherwise demonstrates that there is insufficient need for housing for homeless persons in the City of Grover Beach; (b) Tenant determines, in its sole and absolute discretion, that there is insufficient funding for the operation and maintenance of the Improvements. Within thirty (30) days of Landlord's receipt of a Termination Notice, Landlord may provide Tenant written notice that it desires to provide financial assistance or other meaningful assistance to Tenant ("Meet and Confer Notice"). If Landlord timely provides a Meet and Confer Notice, Landlord and Tenant will meet and confer for a period of at least sixty (60) days following Tenant's receipt of the Meet and Confer Notice. If Landlord fails to timely provide a Meet and Confer Notice, or if the parties are unable to remedy the issues raised by Tenant in the Termination Notice within sixty (60) days following Tenant's receipt of the Meet and Confer Notice, the Lease will terminate. Tenant shall submit to Landlord a bi-annual report describing the utilization of the Improvements.

ARTICLE 16

INDEMNIFICATION

Tenant agrees to indemnify, defend, and save harmless Landlord against and from any and all claims by or on behalf of any person that may be suffered by, imposed upon, or asserted against the Landlord by reason of any of the following occurring during the Term, except to the extent that the same shall have been caused in whole or in part by the Landlord's negligence, willful misconduct, fraud, or intentional act:

(a) any accident, injury (including death at any time resulting therefrom) or damage to any person or property occurring in or on or about the Premises or any part thereof during the Term and after the Term for so long as Tenant remains in possession of the Premises;

(b) any claims arising from any condition of the Improvements or any street, curb, or sidewalk adjoining the Premises and/or Improvements, or passageways or space therein or appurtenant thereto; or

(c) any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed pursuant to this Lease, including but not limited to failure to pay prevailing wage and non-compliance with the requirements of Labor Code section 1720 et seq., unless an exemption applies.

Such indemnification from Tenant shall apply from and against all judgments, costs, expenses and liabilities incurred in or about any such claim or action or proceeding brought against Landlord for events occurring during the Term or while Tenant was in possession of the Premises; and in case any action or proceeding is brought against Landlord by reason of any such claims, Tenant upon notice from Landlord covenants to resist or defend such action or proceeding by counsel reasonably satisfactory to Landlord.

Landlord shall indemnify, defend, and save harmless Tenant from any and all claims arising from or in connection with the intentional acts or gross negligence of Landlord, and any breach or default by Landlord of this Lease.

ARTICLE 17

LIMITATION OF LANDLORD'S LIABILITY

The term "Landlord" as used in this Lease so far as covenants or obligations on the part of Landlord are concerned shall be limited to mean and include only the owner or owners at the time in question of the fee of the Premises and in the event of any transfer or transfers of the title to such fee Landlord herein named (and in case of any subsequent transfers or conveyances the then grantor) shall be automatically freed and relieved from and after the date of such transfer or conveyance from all obligations on the part of Landlord contained in this Lease to be performed thereafter, provided that any prepaid rent or trust funds in the hands of such Landlord or the then grantor at the time of such transfer, shall be transferred to the grantee or transferee, who shall expressly assume, subject to the limitations of this Article, all of the terms, covenants and conditions in this Lease contained on the part of Landlord thereafter to be performed, it being intended by this Article that the covenants and obligations contained in this Lease on the part of Landlord shall, subject to the provisions of this Article 17, be binding on Landlord, its successors and assigns, only during and in respect of their respective successive periods of ownership.

ARTICLE 18

INVALIDITY OF PARTICULAR PROVISIONS

If any term or provision of this Lease or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE 19

CERTIFICATES OF LANDLORD AND TENANT

Section 19.01. Tenant agrees at any time and from time to time upon not less than twenty (20) days prior notice by Landlord to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications that the Lease is in full force and effect as modified and stating the modifications), and the dates to which the basic rent has been paid, and stating whether or not to the best knowledge of the signer of such statement Tenant is then in default or may be in default with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease, and, if in default, specifying each such default, it being intended that any such statement delivered pursuant to this Section may be relied upon by Landlord or any prospective purchaser of the fee or any Fee Mortgage thereof or any assignee of any Fee Mortgage but reliance on such statement may not extend to any default as to which the signer shall have had no actual knowledge.

Section 19.02. Landlord agrees at any time and from time to time upon not less than twenty (20) days prior notice by Tenant or any Leasehold Mortgagee to execute, acknowledge and deliver to Tenant a statement in writing certifying that this lease is unmodified and in full force and effect (or if there shall have been modifications that the Lease is in full force and effect as modified and stating the modifications) and the dates to which the basic rent has been paid, and stating whether or not to the best knowledge of the signer of such statement Tenant is then in default or may be with notice or the passage of time, or both, in keeping, observing or performing any term, covenant, agreement, provision, condition or limitation contained in this Lease and, if Tenant shall be in default, specifying each such default of which the signer may have knowledge, it being intended that such statement delivered pursuant to this Section may be relied upon by any prospective transferee of Tenant's interest in this Lease and the Improvements or any Leasehold Mortgagee or any assignee of any Leasehold Mortgage, but reliance on such certificate may not extend to any default as to which the signer shall have had no actual knowledge.

ARTICLE 20

NOTICES

All written notices or demands of any kind, including without limitation the Due Diligence Termination Notice, Termination Notice, Meet and Confer Notice, or Purchase Option Notice, which either party may be required or may desire to serve on the other in connection with this Lease must be served (as an alternative to personal service) by registered or certified mail, shall be deposited in the United States mail with postage thereon fully prepaid and addressed to the party to be served as follows:

If the party so to be served is Landlord, address Landlord at:

with a copy thereof
to

If the party so to be served is Tenant, address Tenant at:

5Cities Homeless Coalition
100 South 4th Street
Grover Beach, CA 93433

with a copy
thereof to

Burke, Williams & Sorensen, LLP
1 California Street, Suite 3050
San Francisco, CA 94111
Attn: Eric S. Phillips

Service of any such notice or demand so made by mail shall be deemed completed on the day of actual delivery as shown by the addressee's registry or certification receipt or at the expiration of the second day after the date of mailing, whichever is earlier in time. If requested in writing by the holder of any Leasehold Mortgage (which request shall be made in the manner provided above as between the parties hereto and shall specify an address to which notices or demands shall be given or made) any such notice or demand shall also be given or made in the manner specified in this Article and contemporaneously to such holder. Either party, and the holder of any Leasehold Mortgage who shall have made the request referred to above, may designate by notice in writing given in the manner specified above a new or other address to which such notice or demand shall thereafter be so given or made. No Event of Default predicated on the giving of any notice to Tenant shall be complete unless like notice shall have been given contemporaneously

therewith to each holder of a Leasehold Mortgage who shall have made a request for notices and demands as provided above.

ARTICLE 21

ARBITRATION

Section 21.01. If at any time, or from time to time during the Term, any dispute shall occur between Landlord and Tenant or any assignee of Tenant pursuant to any provision of this Lease with respect to a matter which this Lease provides shall be settled by arbitration, such dispute shall be settled by arbitration in accordance with the Rules then obtaining of the American Arbitration Association and the law of the State of California, and judgment upon the award rendered in such arbitration may be entered in any court having jurisdiction thereof; provided, however, that in any arbitration proceeding conducted pursuant to this Section, at least one arbitrator shall be an attorney at law, admitted to practice in the State of California.

Section 21.02. In the event Tenant shall fail to proceed diligently with any matter which is the subject of arbitration under this Lease, Landlord agrees that the holder of any Leasehold Mortgage shall have the right in the place and stead of Tenant to arbitrate such dispute as provided in this Article and any award made in such arbitration proceeding shall be binding upon Tenant with the same force and effect as if Tenant had proceeded with such arbitration. The arbitrator or arbitrators may not change any of the terms of this Lease or deprive any party to this Lease of any right of remedy expressly or impliedly reserved under this Lease.

ARTICLE 22

CUMULATIVE REMEDIES—NO WAIVER—NO ORAL CHANGE

Section 22.01. The specified remedies to which Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which Landlord may be lawfully entitled in case of any breach or threatened breach by Tenant of any provision of this Lease. The failure of Landlord to insist in any one or more cases upon the strict performance of any of the covenants of this Lease or to exercise any option contained in this Lease shall not be construed as a waiver or a relinquishment for the future of such covenant or option. A receipt by Landlord of rent with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressly in writing and signed by Landlord. In addition to the other remedies provided in this Lease, Landlord shall be entitled to the restraint by injunction of the violation, or attempted or threatened violation, of any of the covenants, conditions or provisions of this Lease.

Section 22.02. This Lease cannot be changed orally, but only by an agreement in writing signed and acknowledged by Landlord and Tenant.

ARTICLE 23

QUIET ENJOYMENT

Landlord covenants and agrees that Tenant, upon paying the rent provided for in this Lease and upon observing and keeping all of the covenants, agreements and provisions of this Lease on its part to be observed and kept, shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this Lease, without hindrance by or from anyone claiming by, through or under Landlord.

ARTICLE 24

REAL ESTATE BROKERS

Tenant hereby represents and warrants that it has dealt with no real estate broker, agent or party who may be entitled to a commission or fee on account of this Lease. Tenant hereby indemnifies and agrees to hold Landlord harmless from and against any loss, cost, liability and expense, including reasonable attorneys' fees, which may be incurred in the event the foregoing representation and warranty proves incorrect.

ARTICLE 25

REPRESENTATIONS

Landlord hereby disclaims any warranty, guaranty or representation of the nature and condition of the Premises, including (but not by way of limitation) the soil and geology and suitability thereof for any and all activities and uses which Tenant may elect to conduct thereon at any time during the Term, the manner of construction and the conditions and state of repair or lack of repair of all improvements located thereon, and the nature and extent of the rights of others with respect to the Premises, whether by way of easement, right of way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise.

ARTICLE 26

TENANT'S OPTION TO PURCHASE

Section 26.01. Provided that there is no Event of Default that has not been remedied at the time of the Purchase Option Notice (defined in this Section 26.02), after one (1) year of continuous operations is complete and at least six (6) months prior to the expiration of the Term, Tenant shall have the option to purchase the Property ("Purchase Option") at

a purchase price of One and no/100 Dollars (\$1.00) (the "Purchase Price"). Tenant must exercise the Purchase Option by providing written notice ("Purchase Option Notice") of its exercise to Landlord. Landlord and Tenant will make a reasonable effort to enter into a purchase and sale agreement for Tenant's purchase of the Property ("Purchase Agreement") and open an escrow ("Escrow") by delivering a fully executed Purchase Agreement to Escrow within sixty (60) days of Landlord's receipt of the Purchase Option Notice.

Section 26.02. The Purchase Agreement shall contain at least the following terms:

(a) The closing of the Escrow ("Closing") shall take place upon recordation of a grant deed conveying title to the Property to Tenant in the Official Records of the County of San Luis Obispo, subject only to such title exceptions as Tenant shall reasonably approve, provided that Fee Mortgages will not be approved by Tenant. The title company shall provide a preliminary commitment for a standard coverage owner's form policy of title insurance for the Property within five (5) days after the opening of Escrow. Tenant shall provide written notice of its disapproval of any title exceptions ("Title Objection Notice") to Landlord, no later than ten (10) days after its receipt of a preliminary commitment for a standard coverage owner's form policy of title insurance for the Property from the title company. Landlord shall then have ten (10) days after receipt of Tenant's Title Objection Notice to provide written notice that it has elected to remove the disapproved title exceptions. If Landlord fails to so notify Tenant, Landlord shall be deemed to have elected not to remove the disapproved title exceptions. If any of the disapproved title exceptions remain at Closing, Tenant may terminate the Purchase Agreement by written notice to Landlord or elect to purchase the Property subject to the disapproved title exceptions.

(b) Tenant shall have thirty (30) days from the opening of Escrow to satisfy itself with regard to the physical aspects, environmental aspects, and the condition of the soils of the Property. If Tenant disapproves of the condition of the soils, the physical aspects, or environmental aspects of the Property, Tenant may terminate the Purchase Agreement by written notice to Landlord.

(c) The Closing shall take place within ninety (90) days from the opening of Escrow, unless extended in writing by the parties. The Closing shall in no event take place after the expiration of the Term.

Section 26.04. If the Closing does not occur, the Purchase Option shall terminate and be of no further force and effect and the Lease shall continue until the expiration of the Term.

ARTICLE 27

MISCELLANEOUS

Section 27.01. All rent and other sums which may from time to time become due and payable by Tenant to Landlord under any of the provisions of this Lease shall bear interest from and after the due date thereof at the rate of ten percent (10%) per annum.

Section 27.02. In all cases the language in all parts of this Lease shall be construed simply, according to its fair meaning and not strictly for or against Landlord or Tenant.

Section 27.03. The word titles underlying the article designations contained in this Lease are inserted solely for convenience and under no circumstances are they or any of them to be treated or construed as any part of this instrument.

Section 27.04. Subject to the other provisions of this Lease, this Lease shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and assigns, and wherever a reference in this Lease is made to either Landlord or Tenant, such reference shall be deemed to include, wherever applicable, also a reference to the successors and assigns of such party, as if in every case so expressed.

Section 27.05. At the request of either Landlord or Tenant, a Memorandum of Lease (in the form attached hereto as Exhibit "B") shall be executed by Landlord and Tenant and recorded in the Office of the County Recorder of County, California. In no event shall this Lease be recorded.

Section 27.06. This Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 27.07. This Lease, together with any written modifications or amendments hereafter entered into shall constitute the entire agreement between the parties relative to the subject matter of this Lease, and shall supersede any prior agreement or understanding, if any, whether written or oral, which Tenant may have had with Landlord relating to the subject matter of this Lease.

Section 27.08. This instrument may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

Section 27.09. In the event of any litigation or arbitration between Landlord and Tenant with respect to the subject matter of this Lease, the unsuccessful party to such litigation or arbitration shall pay to the prevailing party all costs and expenses, including reasonably attorneys' fees, incurred therein by the successful party, all of which shall be included in and as a part of the judgment rendered in such litigation or arbitration.

Section 27.10. Time is of the essence.

Section 27.11. The recitals are incorporated into this Lease as if fully set forth herein.

[Signature page follows]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:

TENANT:

By: _____ By: _____

Title: _____ Title: _____

By: _____ By: _____

Title: _____ Title: _____

Exhibit "A"
[DESCRIPTION OF PREMISES]

Real property in the City of Grover Beach, County of San Luis Obispo, State of California, described as follows:

LOTS 21 AND 22, BLOCK 3, OF MAP OF RESUBDIVISION NO 3 OF PART OF LOT 1 OF PISMO BEACH GARDENS, IN THE CITY OF GROVER BEACH, COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA, ACCORDING TO MAP RECORDED JULY 15, 1926 IN VOL. 3 OF MAP AT PAGE 77, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 060-542-014

EXHIBIT “B”
MEMORANDUM OF GROUND LEASE AND NOTICE OF OPTION

RECORDING REQUESTED BY
AND WHEN RECORDED,
MAIL TO CITY OF GROVER BEACH

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE (this “Memorandum”) is made and entered into this _____ day of _____, 2022 , by and between CITY OF GROVER BEACH, a municipal corporation, whose present address is 154 S. Eighth St., Grover Beach, California (“Landlord”) and 5CITIES HOMELESS COALITION, a California nonprofit public benefit corporation, whose present address is 100 South 4th Street, Grover Beach, CA 93433 California (“Tenant”), with reference to the following facts:

A. Landlord is the owner of that certain real property located in the City of Grover Beach, County of San Luis Obispo, State of California, commonly known as 955 South 4th Street, and more particularly described in Exhibit “A” attached hereto (the “Property”).

B. Landlord desires to lease the Property to Tenant, and Tenant desires to lease the Property from Landlord, all subject to the terms and provisions of this Memorandum.

NOW, THEREFORE, the parties hereto hereby agree as follows:

Lease of the Property. Landlord hereby leases the Property to Tenant, and Tenant hereby leases the Property from Landlord for a term of fifty-five (55) years commencing on _____, 2022 and terminating on _____, 2077 (the “Term”) all subject to and on terms and conditions more fully set forth in that certain Ground Lease executed by and between Landlord and Tenant and dated _____, 2022 (the “Lease”). The Lease is incorporated herein by this reference. Should any party require any information concerning the Lease, they should contact the Landlord and Tenant at the above-referenced addresses.

Option to Purchase. Tenant has the right to purchase the Property at any time after one year continuous operation of the property and at least six (6) months prior to the expiration of the Term by providing written notice to Landlord.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum on the day and year first above written.

LANDLORD

BY: _____

TENANT

BY: _____

[Add Notary Acknowledgement][Add Notary Acknowledgement]