

LEASE AGREEMENT

7251 BRENTWOOD BOULEVARD BRENTWOOD, CALIFORNIA

This lease is dated December 4, 2012, and is between the OREGON INVESTORS III LIMITED PARTNERSHIP, an Oregon limited partnership ("**Lessor**") and the COUNTY OF CONTRA COSTA, a political subdivision of the State of California ("**County**").

Recitals

- A. Lessor is the owner of that certain property located at 7251 Brentwood Boulevard, in Brentwood, California, commonly known as the Marsh Creek Apartments, consisting of a low-income housing project (the "**Project**"), which is located upon land more particularly described in Exhibit A attached hereto (the "**Property**"). The Property contains a day-care facility, a day-care play area, other fenced-in land, and a parking lot, each as more particularly shown on the Site Plan attached hereto as Exhibit B.
- B. Lessor desires to lease to County and County desires to lease from Lessor, the day-care center, the day-care play area, and the fenced-in land, which together are the "**Premises**." County shall also have use of eight parking spaces in the parking lot, as shown on Exhibit B.

The parties therefore agree as follows:

Agreement

- 1. Lease of Premises. In consideration of the terms set forth herein, Lessor hereby leases to County and County hereby leases from Lessor, the Premises.
- 2. Term. The "**Term**" of this lease is five years, commencing on December 1, 2012 (the "**Commencement Date**"), and ending November 30, 2017. This lease may, at the option of the County, be extended upon the same terms and conditions for five additional years, commencing December 1, 2017, and ending November 30, 2022.
- 3. Use.
 - a. County may use the Premises for the purpose of conducting a day care center and to conduct its Head Start program, and for no other purpose without the prior consent of Lessor.
 - b. County shall cause the day care center to be licensed under the State Child Care Law or such other state law that applies to the operation of a day care center on the

Premises to serve preschool-aged children, and operated so as to have available the highest number of child spaces approved by California Community Licensing.

- c. County shall operate the day care center on a nonprofit basis for the primary benefit of residents with children in the Project. Children who do not reside with a parent or guardian in the Project may attend the day care center if space is available.
 - d. The day care center will be operated in conformance with State Child Care Law (Chapters 3.4 and 3.5 of Division 2, Health & Safety Code, Sections 1596.70 and 1596.90 et seq., State of California).
 - e. The day care center will be operated during hours agreed to by the Lessor from time to time. Lessor shall cooperate with County in reserving the Premises for activities and projects, if and to the extent such activities and projects are open to all residents of the Project.
 - f. Any food prepared or served on the Premises will be handled in accordance with all applicable laws and regulations.
 - g. County shall provide information to Lessor concerning registration, eligibility criteria or other operating information as Lessor may request from time to time.
4. Supplies and Equipment Provided to Day Care Center. The equipment and supplies provided to the day care center by Lessor is set forth on Exhibit C. The equipment and supplies listed in Exhibit C are to be used by County in conjunction with the day care center and for no other purpose. The parties acknowledge that ordinarily, the equipment and furnishings would be provided by the County. For this reason, County shall replace any of the items identified on Exhibit C that are lost, destroyed, used up, or become worn out. Such replacement items are the “**Replacement Supplies.**” The Replacement Supplies will be of similar quality to the original supplies. All Replacement Supplies will be the property of the Lessor. Any items purchased or brought upon the Premises that are not Replacements Supplies are the property of County.
5. Obligation to Pay Utilities. Lessor shall pay for all gas, electricity, refuse collection, and all water and sewer services provided to the Premises.
6. Maintenance and Repairs.
- a. Roof and Exterior of Premises. Lessor shall keep the roof and exterior of the Premises in good order, condition, and repair, and shall maintain the structural integrity of the Premises, including the exterior doors and their fixtures.
 - b. Interior of Premises. County shall keep and maintain the interior of the Premises in good order, condition and repair. Lessor shall repair damage to the interior caused by its failure to maintain the exterior in good repair, including damage to the interior caused by roof leaks and/or interior and exterior wall leaks.

- c. Utilities. Lessor shall repair and maintain the electrical, lighting, water and plumbing systems in good order, condition and repair.
 - d. HVAC. Lessor shall maintain and repair the heating, ventilating, and air-conditioning (HVAC) systems.
 - e. Parking; Exterior Lighting; Landscaping. Lessor shall maintain the parking lot and exterior lighting system in good order, condition and repair. Lessor shall maintain the landscaping and the sprinkler systems.
 - f. Fire Extinguishers. County shall provide and install, at the direction of the Fire Marshall, the necessary number of A-B-C fire extinguishers for the Premises. County shall maintain, repair, and replace the fire extinguishers in accordance with applicable County, City, State, and Federal laws.
 - g. Building Code. Lessor shall correct any code violations that may exist in the Premises.
 - h. Playground Area. County shall maintain the day-care play area, including the playground equipment, in a safe condition and free of trash and debris.
7. Services by Lessor. Lessor shall provide certain maintenance, construction, remodeling or like services as requested by County from time to time during the term of this Lease or extension thereof. County shall pay to Lessor one hundred percent (100%) of the costs of any such service.
- Lessor shall consult with County and select either a licensed, insured contractors or employees of Lessor to provide the service. Lessor shall obtain County's prior approval on the scope, term, and cost of the contracts. County shall have the right to change the level of service from time to time by giving Lessor thirty days prior written notice, including the right to terminate any or all service, or to require different contractors to provide said service.
8. Alterations; Fixtures and Signs. County may (i) make any lawful and proper minor alterations to the Premises and (ii) attach fixtures and signs ("**Attachments**") in or upon the Premises with the Lessor's prior written consent. Any Attachments will remain the property of County and may be removed from the Premises by County at any time during the Term. County is responsible for the cost of all alterations and Attachments. All alterations and Attachments are subject to Lessor's approval and must comply with existing code requirements.
9. Quiet Enjoyment. Provided County is in compliance with the material terms of this lease, Lessor shall warrant and defend County in the quiet enjoyment and possession of the Premises during the Term.

10. Assignment and Sublease. County does not have the right to assign this lease or sublease the Premises or any part thereof at any time during the Term, without the advance written approval of Lessor.
11. Insurance.
- a. Liability Insurance. Throughout the Term, County shall maintain in full force and effect, at its sole expense, a general self-insurance program covering bodily injury (including death), personal injury, and property damage, including loss of use. County shall provide Lessor with a letter of self-insurance affirming the existence of the aforementioned self-insurance program.
 - b. Self-Insurance Exclusion. County's self-insurance does not provide coverage for (i) areas to be maintained by Lessor under this lease, or (ii) negligence, willful misconduct, or other intentional act, error or omission of Lessor, its officers, agents, or employees.
12. Indemnification.
- a. County. County shall defend, indemnify and hold Lessor harmless from County's share of any and all claims, costs and liability for any damage, injury or death of or to any person or the property of any person, including attorneys' fees, caused by the willful misconduct or the negligent acts, errors, or omissions of County, its officers, agents or employees in using the Premises pursuant to this lease, or the County's performance under this lease, except to the extent caused or contributed to by (i) the structural, mechanical, or other failure of buildings owned or maintained by Lessor, and/or (ii) the negligent acts, errors, or omissions of Lessor, its officers, agents, or employees.
 - b. Lessor. Lessor shall defend, indemnify and hold County harmless from Lessor's share of any and all claims, costs and liability for any damage, injury or death of or to any person or the property of any person, including attorneys' fees, caused by the willful misconduct or the negligent acts, errors or omissions of Lessor, its officers, agents, employees, with respect to the Premises, or Lessor's performance under this lease, or the Lessor's performance, delivery or supervision of services at the Premises, or by the structural, mechanical or other failure of buildings owned or maintained by Lessor, except to the extent caused or contributed to by the negligent acts, errors, or omissions of County, its officers, agents, or employees.
13. Inspection. Lessor, or its proper representative or contractor, may enter the Premises by prior appointment between the hours of 9:00 a.m. and 4:30 p.m., Monday through Friday, holidays excepted, to determine that (i) the Premises is being reasonably cared for, (ii) no waste is being made and that all actions affecting the Premises are done in the manner best calculated to preserve the Premises, and (iii) County is in compliance with the terms and conditions of this lease.

14. Perilous Conditions. If the County's Director of Public Works becomes aware of a perilous condition on the Premises that, in his or her opinion, substantially and significantly threatens the health and safety of County employees and/or invitees (a "**Perilous Condition**"), the Director of Public Works, or his or her designee, will immediately notify Lessor of such Perilous Condition and Lessor shall use best efforts to immediately eliminate the Perilous Condition.

Lessor shall immediately address any condition reasonably constituting an emergency, whether Lessor learns of the condition through County or otherwise.

15. Default.

The occurrence of any of the following events is a default under this lease:

- a. County. County's failure to comply with any material term or provision of this lease if such failure is not remedied within thirty days after receipt of a Notice from Lessor to County specifying the nature of the breach in reasonably sufficient detail; provided, however, if such default cannot reasonably be remedied within such thirty day period, then a default will not be deemed to occur until the occurrence of County's failure to comply within the period of time that may be reasonably required to remedy the default, up to an aggregate of ninety days, provided County commences curing such default within thirty days and thereafter diligently proceeds to cure such default.
- b. Lessor. Lessor's failure to perform any obligation under this lease if such failure is not remedied within thirty days after receipt of a Notice from County to Lessor specifying the nature of the breach in reasonably sufficient detail; provided, however, if such breach cannot reasonably be remedied within such thirty day period, then a default will not be deemed to occur until the occurrence of Lessor's failure to perform within the period of time that may be reasonably required to remedy the breach, up to an aggregate of ninety days, provided Lessor commences curing such breach within thirty days and thereafter diligently proceeds to cure such breach.

16. Remedies.

- a. Lessor. Upon the occurrence of a default by County, Lessor may, after giving County written notice of the default, and in accordance with due process of law, reenter and repossess the Premises and remove all persons and property from the Premises.
- b. County. Upon the occurrence of a default by Lessor, County may (i) terminate this lease by giving written notice to Lessor and quit the Premises without further cost or obligation to County or (ii) proceed to repair or correct the failure and, invoice Lessor for the cost of repair, which invoice Lessor shall pay promptly upon receipt.

17. Tax Exemption and Credits. In order to assist Lessor in conforming to the Revenue and Taxation Code and safeguard any property tax exemption or low income tax credits

afforded to the Project, County shall provide the necessary forms, information, documentation and records that evidence the nonprofit status of the Community Services Head Start Program County is operating on the Premises.

18. Subordination. This lease is subject and subordinate at all times to the liens of any mortgages or deeds of trust in any amount that may now or hereafter pertain to the real or personal property of which the Premises are a part and to all renewals, modifications, consolidations, replacements, and extensions thereof, without the necessity of having further instruments executed by County to effect such subordination.
19. Non-Disturbance. So long as County is not in default of its obligations under this lease past any applicable notice and cure periods, neither Lessor nor its successors may disturb County's possession of the Premises, or diminish or interfere with County's rights under this lease, including all renewals, modifications, replacements, and extensions.
20. Notices. Any notice required or permitted under this lease shall be in writing and sent by facsimile with written transmission confirmation, overnight delivery service or registered or certified mail, postage prepaid and directed as follows:

To Lessor: Oregon Investors III Limited Partnership
87460 Cedar Flat Road
Springfield, Oregon 97478

To County: Real Estate Manager
Contra Costa County
Public Works Department
255 Glacier Drive
Martinez, CA 94553
Facsimile: (925) 646-0288

Either party may at any time designate in writing a substitute address for that set forth above and thereafter notices are to be directed to such substituted address. If sent in accordance with this Section, all notices will be deemed effective (i) upon confirmed facsimile transmission, (ii) the next business day, if sent by overnight courier and (iii) three days after being deposited in the United States Postal system.

21. Waste, Nuisance. County may not commit, or suffer to be committed, any waste upon the Premises, or any nuisance or other act or thing that may disturb the quiet enjoyment of any other occupant of the Project.
22. Destruction. This lease will terminate in the event of a total destruction of the Premises.
23. Cancellation. This Lease may be cancelled by either party upon 90-days' advance notice. Upon termination, County shall remove all personal property of County. All equipment, furnishings, and Replacement Supplies are the property of Lessor and will be left on the Premises.

24. Surrender of Premises. On the last day of the Term, or sooner termination of this lease, County shall peaceably and quietly leave and surrender to Lessor the Premises, along with their appurtenances and fixtures (except Attachments), all in good condition, ordinary wear and tear, damage by casualty, condemnation, acts of God and Lessor's failure to make repairs required of Lessor excepted. County is not responsible for painting or installing new carpeting in the Premises upon the expiration or earlier termination of this lease.
25. Successors and Assigns. This lease binds and inures to the benefit of the heirs, successors, and assigns of the parties hereto. County acknowledges that Lessor intends to assign its interest in this lease to a limited liability company in which Lessor's sole general partner will be the sole member as part of the refinancing of the Project.
26. Holding Over. Any holding over after the Term of this lease is a tenancy from month to month that is subject to the terms of this lease.
27. Governing Law. The laws of the State of California govern all matters arising out of this Lease with venue in Contra Costa County.
28. Severability. In the event that any provision herein contained is held to be invalid or unenforceable in any respect, the validity and enforceability of the remaining provisions of this lease will not in any way be affected or impaired.

[Remainder of Page Intentionally Left Blank]

29. Entire Agreement; Construction; Modification. Neither party has relied on any promise or representation not contained in this lease. All previous conversations, negotiations, and understandings are of no further force or effect. This lease is not to be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. This lease may be modified only by a writing signed by both parties.

The parties are executing this lease on the date set forth in the introductory paragraph.

COUNTY

COUNTY OF CONTRA COSTA, a
political subdivision of the State of
California

California

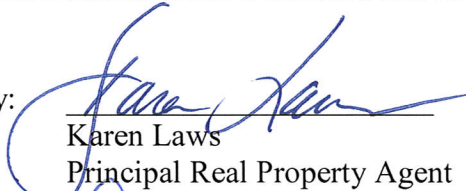
LESSOR


OREGON INVESTORS III LIMITED
PARTNERSHIP, by and through its General
Partner, Cascade Housing Association

By: _____
Julia R. Bueren
Director of Public Works

By: _____
Kelly R. Williams
Secretary/Treasurer

RECOMMENDED FOR APPROVAL:

By: 
Karen Laws
Principal Real Property Agent

By: 
Dave Silva
Senior Real Property Agent

APPROVED AS TO FORM

SHARON L. ANDERSON, County Counsel


By: 
Kathleen M. Andrus
Deputy County Counsel

Exhibit A

[Legal Description of the Property]

Description:

The land referred to herein is situated in the State of California, County of CONTRA COSTA, CITY OF BRENTWOOD, described as follows:

PARCEL ONE:

PARCEL B, AS SHOWN ON THE PARCEL MAP, M.S. NO. 20-69, FILED MAY 16, 1969, BOOK 8, OF PARCEL MAPS, PAGE 37, CONTRA COSTA COUNTY RECORDS.

EXCEPTING FROM PARCEL ONE:

"AN UNDIVIDED ONE-HALF INTEREST AND TO ALL OIL, GAS AND MINERAL RIGHTS, TOGETHER WITH THE RIGHT TO ENTER ON THE PROPERTY FOR EXPLORATION THEREFORE." AS RESERVED IN THE DEED FROM GEORGE MARTINO, ET AL, RECORDED SEPTEMBER 7, 1962, BOOK 4198, PAGE 660, OFFICIAL RECORDS.

PARCEL TWO:

RIGHT OF WAY GRANTED IN THE DEED TO GEORGE MARTINO, ET AL, RECORDED OCTOBER 6, 1952, BOOK 2004, PAGE 56, OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

A RIGHT OF WAY (NOT TO BE EXCLUSIVE) AS AN APPURTENANCE TO PARCEL ONE ABOVE, FOR THE INSTALLATION AND MAINTENANCE OF AN IRRIGATION DITCH OVER A PORTION OF LOT 1, AS DESIGNATED ON THE MAP OF RANCHO LOS MEGANOS, BEING A STRIP OF LAND 20 FEET IN WIDTH THE CENTER LINE OF WHICH IS DESCRIBED AS FOLLOWS:

COMMENCING AT A CONCRETE MONUMENT ON THE WEST LINE OF THE STATE HIGHWAY LEADING FROM BRENTWOOD TO OAKLEY, AT THE CENTER LINE OF THE 10 FEET IN WIDTH RIGHT OF WAY DESCRIBED IN THE DEED TO THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, RECORDED JULY 16, 1913, IN BOOK 208 OF DEEDS, AT PAGE 82; THENCE FROM SAID POINT OF COMMENCEMENT SOUTH 89° 40' WEST ALONG SAID CENTER LINE, 2124.6 FEET TO THE NORTHEAST LINE OF THE SOUTHERN PACIFIC RAILROAD COMPANY RIGHT OF WAY; THENCE NORTH 35° 35' WEST ALONG SAID NORTHEAST LINE, 349.48 FEET TO THE ACTUAL POINT OF BEGINNING OF THE HEREIN DESCRIBED CENTER LINE; THENCE FROM SAID POINT OF BEGINNING NORTH 40° 17' 30" EAST, 317.92 FEET; NORTH 15° 14' EAST, 342.53 FEET; THENCE NORTH 13° 33' EAST, 377.5 FEET; THENCE NORTH 7° 47' WEST, 617.18 FEET; THENCE NORTH 71° 49' EAST, 616.8 FEET; THENCE NORTH 50° 31' EAST, 88.44 FEET; THENCE NORTH 81° 37' EAST, 172 FEET; THENCE NORTH 32° 56' EAST, 189.5 FEET; THENCE NORTH 4° 49' WEST, 161 FEET; THENCE NORTH 22° 46' WEST, 128.5 FEET; THENCE NORTH 6° 11' EAST, 269.5 FEET; THENCE NORTH 74°

28' EAST, 352 FEET; THENCE NORTH 86° 20' EAST, 78 FEET; THENCE NORTH 330 FEET.

PARCEL THREE:

RIGHT OF WAY CREATED IN REFERENCE TO PARCEL ONE ABOVE, IN THE DEED FROM ENGLUND EQUIPMENT COMPANY, INC., RECORDED MAY 22, 1969, BOOK 5880, PAGE 177, OFFICIAL RECORDS, AS FOLLOWS:

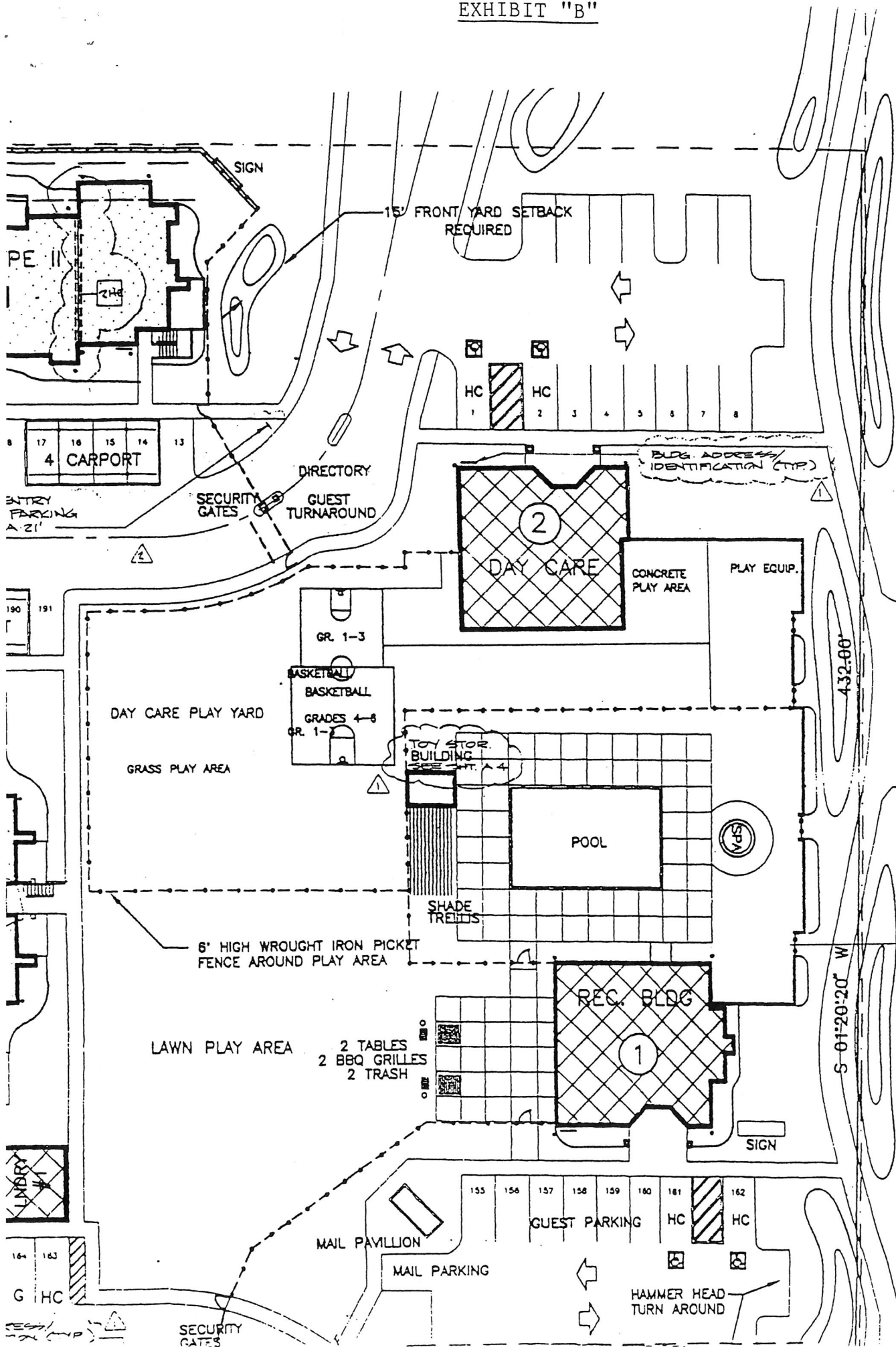
"FOR THE BENEFIT OF THE REMAINING LANDS OF THE GRANTOR A NON EXCLUSIVE EASEMENT FOR A SANITARY LINE ACROSS A TEN FOOT STRIP OF LAND THE CENTER LINE OF WHICH IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID PARCEL C, DISTANT THEREON NORTH 1° 20' 20" EAST, 20 FEET FROM THE SOUTHEAST CORNER THEREOF; THENCE NORTH 89° 10' 20" WEST PARALLEL WITH THE SOUTH LINE OF SAID PARCEL C A DISTANCE OF 545 FEET TO THE WEST LINE THEREOF."

ASSESSORS PARCEL NO. 016-110-011

Exhibit B

[Site Plan]



MARSH CREEK APARTMENTS
7251 Brentwood Blvd.
Brentwood, CA

STATE HIGHWAY NO. 4

Exhibit C

[Supplies and Equipment Contributed by Lessor]

EXHIBIT "C"

EQUIPMENT SUPPLIED WITH BUILDING

- 1 - Whirlpool Refrigerator
- 1 - Whirlpool 30" Electric Range/Oven
- 1 - Whirlpool Microwave Oven
- 1 - Whirlpool Dishwasher (built-in)