



Agenda Date: 04/28/2015  
Agenda Item: 3.5

## MEMORANDUM

Approved and Forwarded to  
City Council

  
Bryan H. Montgomery, City Manager

Date: April 28, 2015  
To: Bryan H. Montgomery, City Manager  
From: Dwayne Dalman, Economic Development Manager  
Subject: **Resolution authorizing the City Manager to execute a Month-to-Month Lease Agreement with Guanatos Ice Cream at the property located at 3330 Main Street in Oakley.**

### Background and Analysis

The two-story commercial building located at 3330 Main Street (across Main Street from City Hall Plaza and to the east of the newly-opened Grocery Outlet) was purchased by the former Oakley Redevelopment Agency in May of 2011. The building was previous rented to a variety of tenants, who have since vacated the space. The Successor Agency currently receives monthly rent of approximately \$1,100 for a cell tower located on the roof.

When the former Republic of Cake space became available, the City received a great deal of interest from businesses interested in locating in downtown Oakley. Ultimately, a lease was signed with Mr. Pickles Sandwich Shop to locate in the space. One of the interested parties that was considered for the Republic of Cake space was Guanatos Ice Cream.

Guanatos Ice Cream wishes to lease approximately 1,400 square feet of the ground floor space of the building at 3330 Main Street on a month-to-month basis. The month-to-month is required because the property is subject to State mandates and the yet-to-be approved Property Management Plan. (It is Staff's recommendation that the City eventually acquire the building through the State process).

### Guanatos Ice Cream

Guanatos has been in business since 2007 and currently has three locations in Walnut Creek, Bay Point and Concord. Their manufacturing facility is currently at 30% capacity, which allows them the ability to sustain several additional locations without

incurring any additional manufacturing costs. There is also consideration being given to relocate their manufacturing facility to Oakley at a future date.

Guanatos sells all natural ice cream, popsicles, juices, and treats. Every item sold in their stores is made from the freshest, sweetest, tastiest, organic fruits and ingredients available. Their flavorful fruit sorbets are prepared daily to guarantee freshness every time. Guanatos is a family-owned company owned and operated by Oscar Salazar.

**Lease Terms**

Guanatos proposes to lease approximately 1,400 square feet of the ground floor space fronting Main Street. They anticipate spending approximately \$50,000 in tenant improvements. As they are only able to lease the space on a month-to-month basis, they are willing to fund their own tenant improvements in exchange for reduced rent. Market rent for similar space would be approximately \$1.50 per square foot, or \$2,100 per month, increasing 2.5% per year. In exchange for the \$50,000 in funds to be spent for tenant improvements (T.I.) in a month-to-month location, the rent on the 1,400 square foot space is proposed to be reduced as follows over a three year period:

<u>Year 1:</u> <i>Market Rent \$2,100</i>	<u>Rent Paid</u>	<u>T.I Credit</u>
Rent at \$0 per month rent for 9 months	\$ 0	\$18,900
Rent at \$350 per 3 months	\$1,050	\$ 5,250
<u>Year 2:</u> <i>Market Rent \$2,153</i>		
Rent at \$700 per month	\$8,400	\$17,436
<u>Year 3:</u> <i>Market Rent \$2,207</i>		
Rent at \$1,500 per month	\$18,000	\$ 8,482
TOTALS	\$27,450	\$50,068

City staff will verify the expenditure of the \$50,000 in tenant improvement funds through a cost breakdown and invoices prior to Guanatos occupying the space. After the tenant reimbursement is complete at the conclusion of year 3, rent would increase to the then estimated market rent of \$2,265 per month (1.62 per square foot) for year 4. At least 120 days prior to the completion of year 4, a new lease agreement would be negotiated for year 5 and subsequent years.

Guanatos will be responsible for payment of sewage costs for tenant space and will also pay for garbage service directly to the garbage provider and for water usage directly metered to the space.

At the end of the three year period or sooner, the following may occur:

1. City of Oakley may purchase the building and convert the month-to-month lease to a longer term lease;

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2. City of Oakley may purchase and resell the building. Guanatos would have the first right of refusal to purchase the property at the current fair market value; or
  3. City of Oakley may purchase and demolish the building

If the building is sold to another third party or demolished prior to the period of time needed to reimburse Guanatos for their tenant improvement investment, the City would reimburse Guanatos for the remaining balance owed.

### **Building Improvements**

Guanatos proposes to fund the tenant improvements for their portion of the ground floor. This will leave approximately 800 square feet of ground floor space that could be leased to an additional tenant. In order to accommodate uses on the ground floor, the City will improve the building in a number of ways. Initially, the City and/or the Successor Agency will fund improvements needed to lease the ground floor space. At a future date and if the City acquires the building, we will explore the option of improving the building to accommodate uses on the second floor.

The main improvements needed to the building to accommodate ground floor uses relate to ADA access. Because the building is located approximately 32 inches above the sidewalk grade, the following improvements will need to be made:

1. Installation of a handicap ramp from the sidewalk to a new entrance fronting Main Street
2. Resurfacing of the parking lot to correct grade inconsistencies
3. Sidewalk repair to correct for door threshold height inconsistencies
4. Restriping of parking lot for an additional handicapped parking space

In addition to the ADA improvements, the Downtown Façade Improvement Program will fund exterior improvements including painting and other possible façade improvements.

### **Disposition of the Building**

The building is currently owned by the Successor Agency to the Oakley Redevelopment Agency. As such, it is included in the Long Range Property Management Plan (PMP) that is currently being reviewed by the California Department of Finance. As such, the Successor Agency is only able to enter into a month-to-month lease until such time as the PMP is approved. The PMP states that the building could be purchased by the City of Oakley to hold or resell, or purchased by a private party. The City could also purchase the building to have it demolished, in order for the land to be developed differently, if that is determined to be the best approach.

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The building is currently being appraised to determine fair market value in its as-is condition and is being evaluated to determine if there are any substantial repairs that need to be made prior to new tenant(s) using the building or the building being purchased.

**Fiscal Impact**

The Successor Agency will receive \$27,450 in rent over a three-year period. After the tenant improvement reimbursement is complete, the Successor Agency, or the City if the City acquires the building, will receive monthly rent of \$2,265 per month, or \$27,180 on an annual basis. Rent will increase by a factor of 2.5% per year in subsequent years, as long as the tenant is in the space or until such time as a longer-term lease is negotiated. If the building is sold to a third party or demolished prior to the period of time needed to reimburse Guanatos for the tenant improvement investment, the City will reimburse Guanatos for the remaining balance owed.

As the proposed exterior tenant improvements are consistent with the goals of the Downtown Revitalization Loan Program, the funds set aside for this program will be used for the building exterior improvements.

**Recommendation**

Adopt a resolution approving a month-to-month lease agreement with the Guanatos Ice Cream for 3330 Main Street and authorizing the City Manager to execute the agreement.

**Attachments**

1. Draft Lease Agreement
2. Resolution

**LEASE AGREEMENT**  
**3330 Main Street, Oakley, California 94561**

This Lease Agreement ("Lease"), by and between the Successor Agency to the Oakley Redevelopment Agency and the City of Oakley, a municipal corporation ("Lessor"), and Guanatos Ice Cream, hereinafter collectively designated as ("Lessee"), is made on the following terms and conditions:

**Recitals**

- A. The City of Oakley and the Successor Agency to the Oakley Redevelopment Agency, collectively herein "CITY" is the owner of that real property located at 3330 Main Street, Oakley, California.
  
- B. The property was acquired by Lessor with the use of funding from the Oakley Redevelopment Agency. Because of law adopted by the State of California, the Oakley Redevelopment Agency has been disbanded and its rights and obligations assumed by the Successor Agency to the Oakley Redevelopment Agency. The Successor Agency is charged with disposing of real property acquired with redevelopment funding, as directed by the Oversight Board of the Successor Agency to the Oakley Redevelopment Agency and the Department of Finance. The Department of Finance has not approved Lessor to dispose of or retain the property at this time. Lessor shall enter into a short-term lease with Lessee as it awaits the determination of the Department of Finance. Should the Department of Finance determine Lessor may retain the property, Lessor may enter into a long-term lease with Lessee, or dispose of the property.

**Agreement**

**Now, therefore, the parties agree as follows:**

1. **DESCRIPTION.** Lessor hereby leases unto Lessee, and Lessee hereby leases from Lessor, on the terms and conditions hereinafter set forth, those certain premises hereinafter referred to as the "leased premises" and described as follows:

**Those certain premises located at 3330 Main Street, Oakley, California,  
(Assessor's Parcel Number 037-160-027 )**

2. **TERM.** The term of this Lease shall be month-to month, commencing on the 1<sup>st</sup> day of July, 2015. Lessor shall have the right to terminate this Lease prior to expiration of this term upon 60 days written notice to Lessor, as provided for herein.

**Short-Term lease.** This Lease begins as a month-to-month tenancy. As the subject building is owned by the Successor Agency to the Oakley Redevelopment Agency, the building is included in the Long Range Property Management Plan (PMP) that is being reviewed by the California Department of Finance (DOF). As such, the Successor Agency is only able to enter into a month-to-month lease until such time as the PMP is approved. The PMP states that the building could be purchased by the City of Oakley or a private party to hold or resell. The City could also purchase the building to have it demolished, in order for the land to be developed otherwise but still in a manner consistent with the Downtown Specific Plan.

**Long-Term Lease.** Lessor may enter into a long-term lease period with Lessee upon the State Department of Finance determining that the Lessor is not required to dispose of the property. Such event shall be documented in a letter from one party to the other. The consummation of the long-term lease shall be conditioned and contingent upon the following:

- a) Approval of the State Department of Finance for Lessor to retain the property;
- b) Lessee's adherence to the terms and conditions of this Lease, including timely payment of all rent;
- c) Lessee's successful business performance and desire to enter into the long-term lease.

If the above conditions are satisfied, the parties can create a long-term lease. Any provisions specific to the long-term lease shall be approved by both parties and reduced to writing.

3. **RENT AND COMMON AREA MAINTENANCE CHARGES.** The rent for the leased premises shall be collected as follows to allow for reimbursement of tenant improvement expenditures by Lessee:

**Year 1:** No rent for the first nine months of the lease commencing on July 1, 2015 or a later date agreed upon by the Lessor and Lessee in writing.

For the remaining three months of year one, the sum of **THREE HUNDRED AND FIFTY DOLLARS AND NO/100 (\$350.00)** per month, payable in advance, commencing on the **1<sup>st</sup> day of April, 2016**, and on the 1<sup>st</sup> day of every month thereafter.

**Year 2:** The sum of **SEVEN HUNDRED DOLLARS AND NO/100 (\$700.00)** per month commencing on the **1<sup>st</sup> day of July, 2016**, on the 1<sup>st</sup> day of every month thereafter.

**Year 3:** The sum of **FIFTEEN HUNDRED DOLLARS AND NO/100 (\$1,500.00)** per month commencing on the **1<sup>st</sup> day of July, 2017**, on the 1<sup>st</sup> day of every month thereafter.

**Year 4 :** Monthly rent to increase to **TWO THOUSAND TWO HUNDRED AND SIXTY-FIVE DOLLARS AND NO/100 (\$2,265)** per month commencing on the **1<sup>st</sup> day of July, 2018**.

**Rent amounts for a lease term following Year 4 would be negotiated at least one-hundred twenty (120) days prior to the conclusion of Year 4.**

Rent payments shall be mailed or hand-delivered to:

City of Oakley  
Attn: Finance Director  
3231 Main Street  
Oakley, CA 94561

If Lessee becomes the fee owner of the property in the future, it will enter into a Common Area Maintenance Agreement with the City for the ongoing maintenance of the common area on terms to be negotiated at such time.

4. **SECURITY DEPOSIT:** Lessor holds a deposit in the amount of TWO THOUSAND ONE HUNDRED DOLLARS AND NO/100 (\$2,100.00), as security for the full and faithful performance by Lessee of all terms, conditions, and covenants of this Lease.

Upon termination of this Lease, the Lessor may use any portion of the security deposit as may be reasonably necessary to remedy Lessee's defaults of the provisions of this Lease Agreement, including, but not limited to, payment of unpaid rent due under paragraph 2 of this Lease, cleaning of the Premises, repair of damage, or for storage of personal property which has been abandoned by Lessee. Any remaining portion of the security deposit after such deduction shall be mailed to Lessee at Lessee's last known address.

5. **TENANT IMPROVEMENT REIMBURSEMENT.** Lessee shall build-out the tenant space of approximately facility, including all fixed in place equipment such as plumbing, restrooms, electrical, HVAC, sewer system, built-in customer counter and all other fixed equipment at an amount not to exceed \$50,000. Lessee shall provide all removable equipment (ovens, refrigerators, furniture, point of sale system, etc.) at Lessee's own expense. Tenant improvement funds spent of not more than \$50,000 will be reimbursed by rent decreases described in Rent section 3 above.

6. **LIQUIDATED DAMAGES.** In the event Lessor disposes of the property and the Lessee is not able to remain in place for a time sufficient to be reimbursed for the total amount of tenant improvement funds spent, Lessor will reimburse Lessee for the remaining balance owed.

7. **DELINQUENT RENT AND LATE CHARGES:** If any rent is not paid to the Lessor within ten (10) days after due date of the 1<sup>st</sup> of the month, a late charge of TWO-HUNDRED FIFTY DOLLARS AND NO/100 (\$250) shall be added to the payment and the total sum shall become immediately due and payable to Lessor. Failure to pay within twenty (20) days after the due date will incur an additional late charge of THREE-HUNDRED FIFTY DOLLARS AND NO/100 (\$350) which shall be added to the payment and the total sum shall become immediately due. Failure to pay rent and accompanying CAM charges, and any late charges mentioned herein within thirty (30) days after the due date will immediately terminate this Lease.

In the event that Lessee shall become delinquent in paying Lessor any payment due pursuant to this Lease, Lessee shall pay to Lessor interest on said unpaid balance at a rate of one and one-half percent (1½%) per month, from the date said rent, accompanying CAM charges and late charges were due and payable until paid.

8. **USE:** The premises are leased to Lessee for the purpose of an ice cream shop offering ice cream, fruit and other desert items, and for no other purpose without the written consent of the Lessor. Lessee shall not leave the premises unoccupied or vacant, but shall conduct and carry on only the type of business specifically set forth herein, keep in stock a line of merchandise of such size, character and quality as is reasonably designed to produce the maximum amount of gross sales and revenues, maintain an adequate sales force to serve all customers properly, and operate such business in an efficient and diligent manner at all times during the term of this Lease. Said business shall be kept open continuously each day of the week during the hours customary for business of like character, generally recognized holidays excepted. Lessee agrees to expand business hours to meet customer demand.

9. **COMMON AREAS:** The Lessor reserves the right to regulate the use of areas and facilities which are available for use by the general public or Lessor's other lessees and designees, for ingress and egress, for service and loading areas and for parking, whether within or without the area of the leased premises described above. Lessee agrees that the maintenance and use of such areas by the Lessee, its employees, agents, customers and invitees, shall be in common with others, as Lessor may from time to time permit. The manner in which the said common areas and facilities shall be maintained, and the expenditures for maintenance shall be at the sole discretion of Lessor and the use of such areas and facilities shall be subject to such reasonable regulations and changes as Lessor shall make from time to time.

No part of any parking area adjoining the premises is leased hereunder, but Lessor agrees that the parking area shall be available to be used by customers of Lessee along with customers of other tenants of the shopping center. Lessee, its employees and agents shall park their automobiles in such a place or places as shall be designated by Lessor. Lessee agrees that upon written notice from Lessor, it will, within five days, furnish the automobile license numbers of its cars and the cars of all its employees and agents.

10. **UTILITIES COST.** Lessor to be responsible for payment of sewage costs for tenant space. Lessee agrees to pay for garbage service directly to the garbage provider and for water usage directly metered to the space.

11. **ALTERATIONS AND REPAIRS.** Lessee shall make no alterations of or additions to either the interior or exterior of the said premises without the written consent of Lessor. Any such additions to or alterations of the premises shall be made at the expense of the Lessee, and any such alterations of or additions to the premises, including any locks, bolts or security grating and hardware, shall become at once a part of the realty and belong to Lessor. Lessee, at Lessee's sole cost, is responsible for all repairs and maintenance of the lease premises and shall keep and maintain said premises and appurtenances and every part thereof, including but not limited to the store front, exterior walls, doors, roof, plumbing, sewers, plate glass and other glazing, duct work, electrical wiring and lights, sign fixtures, canopies and sidewalks adjacent to the premises, floors, ceilings, fire sprinkler systems and the entire interior of the premises in good and sanitary order, condition and repair, making replacements as necessary. Lessee hereby waives all right to make repairs at the expense of Lessor as provided in Section 1942 of the Civil Code of the State of California, and all rights provided for by Section 1941 of said Civil Code. If, during the term of this Lease, in the judgment of Lessor, the Lessee shall fail to keep and maintain the premises in any respect required by this Paragraph, Lessor may do anything necessary to correct the problem by restoring the good and sanitary order and condition, or make the repair, provided that the Lessee shall have failed to correct such problem or make such repair within fifteen (15) days after receipt of notice from Lessor. Any amounts expended by Lessor to correct such problem or make such repair shall be deemed to be additional rental and is payable as such on the next day upon which rent becomes due.

By entry hereunder, Lessee accepts the premises in their present order, condition and repair and agrees on the last day of said term or sooner termination of this Lease, to surrender unto Lessor said premises with the said appurtenances in the same condition as when received, reasonable use and wear thereof excepted. Lessee understands that Lessor makes no representations or warranties as to the physical or mechanical qualities of the premises. Any costs at the outset necessary to make the leased premises tenantable shall be borne by the Lessee.

12. **TRADE FIXTURES.** Subject to the provisions of this Agreement, Lessee at Lessee's expense may install in or on the leased premises such fixtures, equipment, furniture and property as it may consider advisable for the conduct of its business, provided that any such installation shall not cause any material damage to the improvements on the leased premises. Lessee shall remove all unattached, movable furniture, trade fixtures and store equipment installed on the leased premises by Lessee and the same shall be removed by Lessee at or before the expiration or termination of this Lease, or any renewal term hereof, and if damage is caused by such removal, Lessee agrees to repair such damage at its own cost forthwith.

13. **FREE FROM LIENS.** Lessee shall keep the leased premises and the property in which the leased premises are situated free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Lessee.

14. **COMPLIANCE WITH GOVERNMENTAL REGULATIONS.** Lessee shall, at its sole cost and expense, comply with all of the requirements of all County, Municipal, State and Federal authorities now in force, or which may hereafter be in force, pertaining to the leased premises, and shall faithfully observe in the use of the premises all County, Municipal, State and Federal laws now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether Lessor be party thereto or not, that Lessee has violated any such laws in the use of the premises, shall be conclusive of that fact as between Lessor and Lessee.

15. **ASSIGNMENT OR SUBLETTING.** Lessee shall not assign this Lease, nor any right hereunder, nor sublet the premises, nor any part thereof, without the Lessor's prior written consent of the assignment or subletting after reviewing the proposed tenant's business background, creditworthiness and financial conditions which written consent shall not be unreasonably withheld by Lessor. Lessor's consent to any assignment shall be withheld in the event there shall be any change or modification of the use of the premises from that stipulated in Paragraph 4 above. Upon any assignment or subletting, the parties agree that the base rent stipulated in Paragraph 3 above shall be increased to the market rent determined by survey of the rent then being asked for similar vacant premises in the area, but in no event shall the new base rent be less than the base rent payable for the last

full month immediately preceding the assignment or subletting. Lessor's consent to any one assignment or subletting, shall not constitute a waiver of any subsequent assignment or subletting requirements as set forth in this Agreement. Any assignment or subletting without the Lessor's consent shall, at the option of the Lessor, be voidable and be deemed a breach of this Lease. In the event of any assignment or subletting, it is understood that Lessee shall not be relieved of any liability or performance of any term of this Lease.

**16. TAXES AND ASSESSMENTS.**

**16.1 PERSONAL PROPERTY AND TRADE FIXTURES.** Lessee shall be liable for all taxes and assessments levied against personal property and trade fixtures or improvements placed by or for Lessee in, on or about the leased premises. If any such taxes or assessments on Lessee's personal property or trade fixtures or improvements are levied against the Lessor or Lessor's property, and if Lessor pays the same, which Lessor shall have the right to do regardless of the validity of such levy, of if the assessed value of Lessor's property is increased by the inclusion therein of the value placed upon such personal property or improvements of Lessee, and if Lessor pays the taxes and assessments based on such increased assessment, which Lessor shall have the right to do, regardless of the validity thereof, Lessee, upon demand, shall, as the case may be, repay to Lessor the taxes and assessments so levied against Lessor, or the proportion of such taxes and assessments resulting from such increases in the assessment.

**17. ADVERTISEMENTS AND SIGNS.** Lessee shall not place or permit to be placed any sign, marquee, lettering, decoration, advertising, light or awning on the outside of the leased premises or on the inside of the said premises if the same be visible from the outside of the leased premises, without the written consent of Lessor. Lessee agrees that all signs shall be conformity with dimensions and color schemes designated by Lessor. Lessee, upon request of Lessor, shall immediately remove any sign or decoration which Lessee has placed or permitted to be placed in, on or about the premises and which, in the opinion of Lessor, is objectionable or offensive, and if Lessee fails so to do, Lessor may enter upon the leased premises and remove the same. Lessee agrees not to use a phonograph, loud speaker or other sound equipment audible from the outside of the premises

without the prior written consent of Lessor. Lessee shall comply with all sign requirements as set forth in the Oakley Municipal Code.

**18. LESSEE'S INSURANCE.** During the term of this Lease, Lessee at its own cost and expense, shall procure from reliable insurance satisfactory to Lessor, and keep in full force and effect at all times during this Lease term, a public liability and property damage insurance policy in amounts of not less than the following: Bodily injury liability - \$1,000,000 each person, \$1,000,000 each occurrence; property damage liability - \$500,000 each occurrence. Said policy shall cover injuries to and/or death of all persons and loss of or damage to property (including loss of use) occasioned by or arising from or out of the acts or omissions of Lessee, its agents and/or employees and/or the condition of the premises. Such insurance shall expressly inure to the benefit of Lessor, its agent or employees, for liability arising or alleged to have arisen from such acts or omission on the leased premises or the operations of Lessee or anyone directly or indirectly employed by Lessee. Said insurance policy shall name both Lessor and Lessee as insureds, with a copy of said policy being furnished directly to Lessor.

Lessee is to obtain a written obligation on the part of the insurance carriers to notify Lessor in writing at least ten (10) days prior to any cancellation or expiration without renewal thereof, and Lessee agrees if it does not keep said insurance in full force and effect the Lessor may take out the necessary insurance and pay the premium, and the repayment thereof shall be deemed to be a part of the rental and is payable as such on the next day upon which rent becomes due.

The Lessee shall, at its sole cost and expense, comply with any and all recommendations and requirements pertaining to the leased premises of any insurance organization or company in connection with the maintenance of fire and public liability insurance covering the leased premises and the shopping center.

**19. WASTE.** The Lessee shall not commit, or suffer to be committed, any waste upon the leased premises or any public or private nuisance.

**20. PROHIBITED USES.** Lessee shall not use the leased premises for, or carry on or permit upon said leased premises, any offensive, unlawful, noisy or dangerous trade, business, manufacture or occupation, or any nuisance or anything against the public policy. Lessee shall not conduct or permit any auction sale, sidewalk sale or parking lot sale to be held in or about the leased premises,

although outdoor seating for Lessee's customers is allowed with a seating plan approved by Lessor. Lessee shall not solicit business, distribute handbills, store its equipment or merchandise or erect any signs, planters or other barriers on any sidewalk, in the parking lot, or in any common area, without the written permission of the City Manager.

**21. ENTRY BY LESSOR.** Lessee shall permit the Lessor and its designees to enter into and upon the leased premises after reasonable notice is given to Lessee, who shall not unreasonably withhold such permission, (a) to inspect the premises; (b) to make repairs, alterations or additions (with such materials as Lessor may deem necessary therefore) to the leased premises, the building of which the leased premises form a part, or any property owned or controlled by Lessor; (c) to post notices of non-liability for alterations, additions or repairs; (d) to place upon the property in which the said leased premises are located any usual or ordinary "For Sale" signs, and to show any prospective purchasers the leased premises; (e) to place upon said leased premises any usual or ordinary "To Let" or "To Lease" signs, at any time within ninety (90) days prior to the expiration of this Lease, in which case Lessee shall allow prospective lessees or applicants to enter and examine said leased premises during the said last ninety (90) days; and (f) for any other lawful purposes. In all instances of emergency, entry by Lessor, its designees or its invitees, Lessee waives any claim to damages or any rebate of rent for any loss of occupation or quiet enjoyment of the leased premises, including loss of business, occasioned by such entry.

**22. INDEMNIFICATION OF LESSOR.** Lessee, as a material part of the consideration to be rendered to Lessor, hereby waives all claims against Lessor for damages to goods, merchandise or property of Lessee in, upon or about said premises and for injuries to persons in or about said premises, from any cause arising at any time, and Lessee will hold Lessor exempt and harmless from any damage or injury to any person, or to the goods, merchandise or property of any person, occurring in, upon or about the leased premises, sidewalks or parking areas adjacent thereto, from any cause arising at any time during the term of this Lease or any extension hereof. Lessee agrees that if Lessor is involuntarily made a party defendant to any litigation concerning this Lease or the demised leased premises, for any reason other than because of any act or omission of Lessor, then Lessee shall hold Lessor harmless from all liability by reason thereof, including reasonable attorney's fees incurred by Lessor in such litigation and all taxable court costs.

23. **INSOLVENCY.** The following shall constitute a breach of this Lease by Lessee: (a) the insolvency of the Lessee; (b) the commencement of any bankruptcy proceedings whether begun by or against the Lessee; (c) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee; (d) an assignment by Lessee for the benefit of creditors.

24. **NOTICES.** Any notice, demand or communication under or in connection with this Lease may be served by either party upon the other by personal service, or by mailing the same by registered mail in the United States Post Office, postage thereon fully prepaid, and directed to Lessor at 3231 Main Street, Oakley, California 94561 and may, likewise, be served on Lessee by personal service, or by mailing the same, addressed to Lessee at 3330 Main Street, Oakley, California 94561 whether or not Lessee has departed from, abandoned or vacated said leased premises. Either Lessor or Lessee may change its address by notifying the other party in writing as to such new address as may be desired used and which same shall continue as the address until further written notice.

25. **TIME IS OF THE ESSENCE.** Time is hereby expressly declared to be of the essence of this Lease and of all the covenants, agreements, conditions and obligations herein contained.

26. **NON-WAIVER OF BREACH.** The waiver by Lessor of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such terms, covenants or conditions or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this Lease, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

27. **EFFECT OF EXERCISE OF PRIVILEGE BY LESSOR.** The exercise of any right or option or privilege hereunder by Lessor shall not exclude Lessor from exercising any and all other rights, privileges, and options hereunder and Lessor's failure to exercise any right, option or privilege nor shall it relieve Lessee from Lessee's part to be performed hereunder nor from damage or other remedy for failure to perform or meet the obligations of this Lease.

28. **VACATING OR ABANDONMENT OF PREMISES.** Lessee shall not vacate or abandon the leased premises any time during the lease term; and if Lessee shall abandon, vacate or surrender said leased premises, or be dispossessed by process of law, or otherwise, any personal property belonging to the Lessee and left on the leased premises shall be deemed to be abandoned, at the option of the Lessor, except such property as may be mortgaged to the Lessor, if any.

29. **SURRENDER OF LEASE NOT MERGER.** The voluntary or other surrender of this Lease by the Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of the Lessor, terminate all of the existing subleases or subtenancies.

30. **DESTRUCTION OF PREMISES.** In the event of total destruction of the building in which the said leased premises are situated during the said term, from fire or other catastrophe, this Lease shall terminate. In the event of a partial destruction from any such causes, the Lessor shall forthwith restore the premises provided such restoration can be made within thirty (30) days under the laws and regulations of federal, state, county and municipal authorities, and materials and labor are available for such repairs, but such partial destruction shall in no way annul or void this Lease, except that Lessee shall be entitled to a proportionate deduction of rent while such restoration is being made, such proportionate deduction to be based upon the extent to which the making of such restoration shall interfere with the business carried on by Lessee in said leased premises. If such restoration cannot be made in thirty (30) days, Lessor may, at its option, make same within a reasonable time, this Lease continuing in full force and effect and the rent to be proportionately abated as in this paragraph provided. In the event that the Lessor does not so elect to make such restoration which cannot be made in thirty (30) days or a reasonable time, or such restoration cannot be made under such laws and regulations, or materials and labor are not available for such restoration within such time, this Lease may be terminated at the option of either party. In respect to any partial destruction which Lessor is obligated to restore or may elect to restore under the terms of this paragraph, the provisions of Section 1932, Subdivision 2, and of Section 1933, Subdivision 4, of the Civil Code of the State of California, are waived by the Lessee. In the event that the leased premises may be destroyed to the extent of more than 33-1/3% (thirty three and one-third percent) of the replacement cost thereof, the Lessor may elect to terminate this Lease. In any case that Lessor should elect or be obligated to restore or rebuild because of destruction as provided herein, Lessor's obligation shall be limited to

the basic building, store front and interior work originally provided by Lessor at the inception of this Lease; Lessee shall fully repair or replace its own alterations and improvements, exterior signs, trade fixtures, equipment, display cases and other installations originally installed by Lessee at its expense.

31. **REMEDIES OF LESSOR OR DEFAULT.** This Lease is made upon the express condition that if default be made in the payment of the rent above reserved, or any part thereof, or if Lessee falls or neglects to perform, meet or observe any of Lessee's obligations hereunder, or if Lessee shall abandon or vacate said leased premises, Lessor or the legal representative of Lessor, at any time thereafter, without notice or demand, may lawfully declare said term ended, and re-enter the said demised premises, or any part thereof, either with or without process of law, and expel, remove and put out Lessee or any person or persons occupying said leased premises and may remove all personal property therefrom, and store the same in a public warehouse at the cost of and on account of Lessee, using such force as may be necessary to again repossess and enjoy said leased premises as before this demise, without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant or condition, and without liability to any person for damages sustained by reason of such removal. Lessor may likewise, at Lessor's option, but at the cost of Lessee, and in addition to any other remedies which Lessor may have upon such default or failure or neglect and without notice to Lessee, petition the Superior Court of the State of California for and be entitled as a matter of right to the appointment of a receiver and said court may appoint such receiver and vest in him such powers and authority as may be necessary or proper to fully protect all the rights herein granted or reserved to Lessor. Any such receiver may take possession of any personal property belonging to the Lessee and used in the conduct of the business then being carried on by the Lessee in the said leased premises, and may use the same in conducting such business on the leased premises, without compensation to the Lessee.

Should Lessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may, in addition to any other remedies Lessor may have upon such default, failure or neglect, either terminate this Lease or it may from time to time, without terminating this Lease, relet the said leased premises, or any part thereof, for such term or terms and at such rental or rentals and upon such other terms and conditions as Lessor, in its sole discretion, may deem advisable, with the right to

make alterations and repairs to said leased premises. Rentals received by Lessor from such reletting shall be applied: First, to the payment of any indebtedness, other than rent, due hereunder from Lessee to Lessor; second, to the payment of rent due and unpaid hereunder; third, to the payment of any cost of such reletting, including commissions; fourth, to the payment of the cost of any alterations and repairs to the leased premises; and the residue, if any shall be held by Lessor and applied in payment of future rent as the same may become due and payable hereunder. Should such rentals received from such reletting during any month be less than that agreed to be paid during the month by Lessee hereunder, then Lessee shall pay such deficiency to Lessor. Such deficiency shall be calculated and paid monthly.

No such re-entry or taking possession of said leased premises by Lessor shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for such previous breach. Should Lessor at any time terminate this Lease for any breach, in addition to any other remedy it may have, it may recover from Lessee all damages it may incur by reason of such breach, including the worth at the time of any award of damages of the excess, if any, of the amount of rent reserved in this Lease for the balance of the term and charges equivalent to rent for the remainder of the stated term, and including the cost of recovering the leased premises over that which Lessee proves could reasonably have been avoided, pursuant to Section 1951.2 of the Civil Code of California. No notice of the exercise of any election given Lessor herein need be sent to Lessee.

32. **SUBORDINATION.** Lessee covenants that this Lease is and shall be at all times subject and subordinate to the liens of any mortgage or mortgages, deed of trust or deeds of trust now existing or which Lessor, or any subsequent owner of the demised premises shall make hereafter covering said premises, and to any and all advances made or to be made thereunder, and to the interest thereon and to any and all renewals thereof. Lessee covenants to execute, acknowledge, and deliver upon request, all documents demanded by Lessor to subordinate this Lease to any such indebtedness as herein provided.

33. **WAIVER OF RELOCATION BENEFITS:** Lessee acknowledges that the term of this Lease is month-to-month and Lessor reserves the right to terminate this Lease for any reason with sixty (60) days notice to Lessee.

Lessee warrants and represents to Lessor that Lessee does not have nor shall Lessee claim any right to relocation benefits under any provision of any State of California or federal law and Lessee knowingly waives the right to make any claim against the Lessor for relocation benefits in the event Lessor elects to terminate this Agreement for any reason or at the expiration of the Lease term. Lessee further warrants and represents that he has no other right or claim to compensation arising out of or connected with the acquisition of the leased premises by the Lessor and agrees never to assert such a claim. Lessee does not waive relocation benefits only in the event the leased premises is voluntarily rehabilitated or demolished by Lessor or subject to enforcement of building or health codes by a public entity, as set forth in California Government Code section 7265.3.

34. **BINDING ON SUCCESSORS.** The covenants and conditions herein contained shall, subject to the provisions as to assignment and subletting, apply to and bind the heirs, successors, executors, administrators and assigns of all the parties hereto.

35. **DEFINED TERMS.** The words "Lessor" and "Lessee" as used herein shall include the plural as well as the singular. Words used in masculine gender include the feminine and neuter. If there be more than one Lessor or Lessee the obligations hereunder imposed upon Lessor or Lessee shall be joint and several. The marginal heading or titles to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

36. **COSTS OF SUIT.** In the event that it becomes necessary or advisable for either party hereto to file suit against the other party to enforce any rights hereunder, the successful party in such lawsuit shall be entitled to a reasonable attorney's fee, to be taxed as costs in such suit or to be fixed by the Court in any such suit.

37. **WAIVER OF SUBROGATION.** As long as their respective insurers so permit, Lessor and Lessee mutually waive for themselves and their respective insurers, their respective rights of recovery against each other for any loss insured by fire, extended coverage and other property insurance policies, existing for the

benefit of the respective parties, but solely to the extent of the amount of insurance proceeds received by the insured party. Each party shall obtain any available endorsements to evidence compliance with the above waiver.

IN WITNESS WHEREOF, the parties hereunto set their hands in duplicate, the day and year first hereinabove written.

**LESSOR**

*City of Oakley, a municipal corporation*

**LESSEE**

*Guanatos Ice Cream*

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

Bryan H. Montgomery  
City Manager

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

Oscar Salazar  
Owner

**ATTEST:**

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

Libby Vreonis  
City Clerk

**APPROVED AS TO FORM**

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

William R. Galstan  
Special Counsel

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL, AUTHORIZING THE CITY  
MANAGER TO EXECUTE A MONTH-TO-MONTH LEASE AGREEMENT WITH  
GUANATOS ICE CREAM AT THE PROPERTY LOCATED AT 3330 MAIN  
STREET, OAKLEY, CALIFORNIA**

**NOW, THEREFORE, BE IT RESOLVED** that the City Council authorizes the City Manager to sign on behalf of the City that certain Lease Agreement between the City and Guanatos Ice Cream, a true and accurate copy of which is attached as Exhibit A.

The foregoing resolution was adopted at a regular meeting of the City Council held on the 28<sup>th</sup> day of April, 2015 by the following vote:

AYES:

NOES:

ABSTENTION:

ABSENT:

APPROVED:

\_\_\_\_\_  
Doug Hardcastle, Mayor

ATTEST:

\_\_\_\_\_  
Libby Vreonis, City Clerk

\_\_\_\_\_  
Date

SA RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL ACTING AS THE BOARD OF THE SUCCESSOR AGENCY TO THE OAKLEY REDEVELOPMENT AGENCY, AUTHORIZING THE CITY MANAGER TO EXECUTE A MONTH-TO-MONTH LEASE AGREEMENT WITH GUANATOS ICE CREAM AT THE PROPERTY LOCATED AT 3330 MAIN STREET, OAKLEY, CALIFORNIA**

**NOW, THEREFORE, BE IT RESOLVED** that the City Council acting as the Board of the Successor Agency of the Oakley Redevelopment Agency authorizes and directs the City Manager to sign on its behalf that certain Lease Agreement between the City and Guanatos Ice Cream, a true and accurate copy of which is attached as Exhibit A.

The foregoing resolution was adopted at a regular meeting of the Successor Agency to the Oakley Redevelopment Agency held on the 28<sup>th</sup> day of April, 2015 by the following vote:

AYES:

NOES:

ABSTENTION:

ABSENT:

APPROVED:

\_\_\_\_\_  
Doug Hardcastle, Chair

ATTEST:

\_\_\_\_\_  
Libby Vreonis, Secretary

\_\_\_\_\_  
Date