

LEASE
AMENDMENT NO. 3

This Lease Amendment No. 3 is made by and between the County of San Luis Obispo (hereinafter referred to as "County") and the San Luis Obispo Child Development Center, Inc., a non-profit 501(c)(3) charitable organization, subsequently known as the Child Development Resource Center of the Central Coast (hereinafter referred to as "Lessee" or "CDRC").

Whereas, on June 7, 1999, County and Lessee entered into a ground lease for the purpose of allowing use of an approximate 1.16-acre portion of County-owned real property in the city of San Luis Obispo to construct a child development facility with funding provided by the California Department of Education (CDE); and

Whereas, Lessee provides services to County children and families through its Child Development Resource Center by delivering stable and consistent programs for children ages 2 through ten. Specifically, Lessee's program provides child development and therapy services to strengthen families with diverse incomes and needs; and

Whereas, in order to accommodate CDE lending requirements to benefit Lessee's facility, County signed Lease Amendment No. 1 dated October 26, 1999, which extended the lease period from the original term of 10 years to 21 years, expiring June 6, 2020; and

Whereas, the Lease agreement stipulated that Lessee pay a rental amount based on fair market value for the acreage upon which the Lessee intended to build the facility; and

Whereas, Lessee complied with said condition of Lease through June 30, 2004; and

Whereas, due to cash flow problems, personnel turnover, and economic strife, Lessee defaulted on rent payments to the County on July 1, 2004; and

Whereas, on November 25, 2008, Lease Amendment No. 2 was signed by the County, which stipulated the terms and conditions by which the Child Development Resource Center would adhere to and repay rent in arrears (\$244,826.56) and late fees (\$90,862.29) accumulated since Lessee's default, and the County agreed to reduce annual rent to \$20,000 paid quarterly in advance and subject to annual CPI increases, or 3% of CDE program reimbursements paid to Lessee annually, whichever is more; and

Whereas, in addition to the reduced rent due, Lessee agreed to pay no less than \$2,500 per quarter starting January 1, 2009 toward rent in arrears due until paid in full; and

Whereas, since the effective date of Lease Amendment No. 2, CDRC has faithfully and consistently performed by repaying approximately \$65,000 for rent in arrears and by making timely payments of annual rent in the amount of \$22,272.48 for Fiscal Year 2012-13; and

Whereas, Lease Amendment No. 2 states that if CDRC remains current on the obligations specified, the accumulated late fees of \$90,862.29, would be waived on September 30, 2016 and the lease agreement would be renegotiated; and

Whereas, on March 28, 2013, CDRC requested that the County reevaluate the terms and conditions of Lease Amendment No. 2 and provide relief that includes forgiveness of all back debt (\$179,826.56 rent in arrears and \$90,862.29 late fees) and approve a renegotiated lease for \$1.00 per year for a period of 20-years; and

Whereas, County staff has analyzed and discussed the request and recommends County approval of Lease Amendment No. 3 which will replace Lease Amendment No. 2 in its entirety; and

Whereas, said amendment will direct that as of July 1, 2013, County will forgive all back debt totaling \$270,688.85 and Lessee will pay an annual rent of \$22,539.95, quarterly in advance and subject to CPI increases through September 30, 2016 at which time Lease terms will be renegotiated.

WITNESSETH:

In consideration of the mutual covenants, conditions, promises, and agreements herein contained, the County and Lessee hereby mutually covenant and agree as follows:

1. Amendment No. 2 to the Lease is hereby deleted in its entirety and replaced by the following:
 - a) Paragraph 2 of Lease, dated June 7, 1999 shall be modified to specify rent payable effective July 1, 2013, is \$22,539.95. Effective July 1, 2014 and every year thereafter, rent shall be adjusted in accordance with the Consumer Price Index as defined in said Paragraph 2 of the Lease. Rent shall be paid quarterly, in advance.
 - b) Said quarterly payment shall be delinquent if not received by County by the 10th of the month due. Said payments shall be applied first toward delinquent rent until fully repaid and then toward late fees.
 - c) Lease terms, including rental payment, shall be renegotiated by September 2016 when Lessee's note with CDE is scheduled to be paid in full, however Lease termination shall be no sooner than June 6, 2020 as stated in Lease Amendment No. 1, provided that Lessee is not in breach of this Lease.
 - d) Lessee agrees to not further encumber the subject Premises or modify existing financing to extend its CDE note repayment beyond September 2016.
 - e) Upon County's request, Lessee shall provide County with Lessee's most current balance sheet and profit and loss statement. Lessee shall provide to County an annual audited financial statement.
 - f) All other terms of the Lease and Amendment No. 1 shall remain in full force and effect.

//////////////////////////////////NOTHING FURTHER EXCEPT SIGNATURES BEYOND THIS POINT//////////////////////////////////

IN WITNESS WHEREOF, the parties hereto have executed this Lease Amendment No. 3.

COUNTY OF SAN LUIS OBISPO

By: _____
Acting Chairperson of the Board of Supervisors

Approved by the Board of Supervisors on
_____, 2013

ATTEST:

Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGAL
EFFECT:
RITA L. NEAL
County Counsel

By: _____
Chief Deputy County Counsel

Date: 10/22/13

LESSEE:

San Luis Obispo Child Development Center,
Inc. a non-profit 501 (c)(3) charitable
organization, subsequently known as the
Child Development Resource Center of the
Central Coast

By: Michael Passarelli
Michael Passarelli, Board President

Date: 10-17-13

By: Hans Landfeldt
Hans Landfeldt, Treasurer

Date: 10-14-2014

(CORPORATE SEAL)