

Addendum 1

<u>Landlord:</u>	Costa Mesa Church of Nazarene
<u>Tenant:</u>	City of Costa Mesa
<u>Property:</u>	1885 Anaheim Ave, Costa Mesa, CA 92627 (APN: 424-211-12)
<u>Term:</u>	<p>April 15, 2019 – April 14, 2020 for a temporary bridge shelter for those experiencing homelessness (bridge shelter).</p> <p>April 15, 2020 – April 14, 2032 for a permanent shelter shuttle stop and use of one room adjacent to fellowship hall (approx. 200 sf). Tenant may elect on its own to terminate Lease Agreement and vacate Property prior to end of term. Tenant shall provide 30-day notice. Should Tenant terminate the Lease Agreement prior to April 14, 2032, any remaining pre-paid rent shall be retained by Landlord as liquidated damages. After the first two years of the lease term, Landlord may terminate the least early only upon occurrence of one of the following two events: 1) Sale of the property to another purchaser for another use; or, 2) Permanent cessation by Landlord of any activities providing services of any kind to those experiencing homelessness.</p>
<u>Designated Areas:</u>	Landlord shall grant Tenant access and use of the property for a bridge shelter in Designated Areas of the site and building as illustrated in Exhibit A.
<u>Times Needed:</u>	Tenant shall be permitted to use Designated Areas of property 24 hours a day and every day from April 15, 2019 – April 14, 2020. From April 15, 2020 – April 14, 2032 the Tenant shall be permitted to use the office noted on Exhibit A Monday-Friday 6am-6pm and the shelter shuttle stop 7 days a week, 365 days a year on a daily schedule, yet to be determined, but anticipated to be 2-3 times in the morning and 2-3 times in the later afternoon.
<u>Lease Payment:</u>	Tenant shall pay \$280,000 for the use of the Property during the Term of this agreement. Payment shall be made within 30 days of executed Lease Agreement into Tenant designated escrow account. Any funds remaining in escrow after all agreed improvements are completed shall be paid to Landlord.
<u>Purpose of Use:</u>	Temporary bridge shelter facility to accommodate a maximum of 50 individuals experiencing homelessness. When permanent shelter is open, site will remain available to Tenant for outreach, intake, and shuttle location for guests of the permanent facility.

Temporary Trailers: Tenant shall coordinate and pay all applicable fees for the installation of three trailers and a storage container in the parking lot area as diagramed on Exhibit B. Tenant shall obtain required insurance for trailers as required by company providing the trailer. These costs will be paid directly by Tenant and are in addition to the rental payment provided for above.

Use of First Floor: Landlord shall relocate any transitional housing use on the first floor to the 2nd floor once the required capital improvements set forth in Exhibit C and City permit approvals are completed and approved.

Homeless Volunteers: Landlord currently has 8 homeless volunteers residing at the Property. Until permanent shelter opens, Landlord shall not add more volunteers except as approved by Tenant's Operator and Tenant Outreach Staff. Landlord acknowledges that nothing in this Agreement shall be construed to mean that any or all the current uses of site are in conformity with city, state or federal law.

Homeless Clients: A total of 50 Tenant designated individuals experiencing homelessness.

Operator: A City selected company specializing in the operation of homeless shelters. The Operator will manage the staff and daily operation of the shelter.

Temporary Shelter: The City of Costa Mesa will lease a portion of the Lighthouse Church as described in the Lease for up to 12 months. The City will operate a bridge shelter as defined within this Addendum. Once a permanent bridge shelter for those experiencing homelessness is open, Lighthouse will cease to operate as a homeless shelter.

Permanent Shelter: The City of Costa Mesa will acquire and renovate an existing industrial/warehouse building within the airport area to operate as a permanent shelter. It is anticipated that the permanent shelter will open in the first quarter of 2020.

Landlord/Tenant Terms

- From the effective date of this Agreement, Landlord will refer any new individuals experiencing homelessness to the Operator. Landlord shall not approve or accept any walk-up or additional homeless individuals to the Property during the Term of this lease agreement or until mutually acceptable by both parties.
- Landlord Outreach Director will work in conjunction with Tenant's Neighborhood Improvement Manager and Operator to help and assist Homeless Volunteers. Landlord

Outreach Director may be assigned Homeless Clients under the direction of Neighborhood Improvement Manager.

- Landlord and Tenant agree that there shall be a designated outdoor area for sitting and that area will also be designated as a smoking area (See Exhibit B).
- Landlord and Tenant agree that the Tenant designated areas shall allow animals to occupy the space. Operator shall have an animal management plan approved by the Landlord and Tenant, such approval not to be unreasonably withheld.
- Landlord and Tenant agree that during inclement weather, Property will be allowed to exceed the maximum Bridge Shelter beds of 50 but not by more than 65 total. Inclement weather shall be defined as temperature forecasted at or below 45 degrees and/or actual rain conditions.
- Progress payment approval to Landlord's General Contractor will require approval of Lighthouse representative and City designated representative and any permit inspection approvals if applicable to the progress payment. Lighthouse General Contractor shall provide unconditional lien releases, copies of all executed subcontracts, evidence of required insurance, and copies of all permits signed by appropriate City department.
- Landlord and Tenant will work together with General Contractor and obtain an approved set of construction plans, a line item narrative scope of work and specifications, and ensure that construction improvements are built per plans and scope of work.

Landlord Terms

- Landlord will make capital improvements to the property detailed in Exhibit C to this Agreement. Approved progress payments will be paid from rental escrow account directly to Lighthouse General Contractor, upon mutual approval as set forth above.
- Landlord will be responsible for hiring and paying all contractors.
- Landlord shall hire a licensed General Contractor in good standing and with required insurance.
- Landlord and its General Contractor will prioritize capital improvements such that the Designated Areas are ready to open on or before April 15, 2019.
- Landlord will not proselytize, pray, engage in religious solicitation or have any religious symbols in the Tenant Designated Areas of the building or Property.
- Landlord will not prohibit homeless client entry or participation to the Tenant Designated Areas based upon any religious criteria.
- Landlord acknowledges that lease payment includes the right to utilize the parking lot for temporary placement of rented trailers, ingress/egress of shuttle and parking for all operation staff and all related deliveries for a standard and customary Bridge Shelter to operate.
- Landlord, at its sole cost and expense, shall maintain during the entire use of the property liability insurance and property damage insurance insuring against all liability

of Landlord, Tenant and Operator, and their authorized representatives arising out of and in connection with Landlord's use of any portion of Landlord's property, with a single liability limit of \$1,000,000. Tenant and Operator shall be named as an additional named insured on the insurance policy purchased by Landlord, which is the subject of this Agreement. Landlord agrees to provide Tenant with a copy of the certificate of insurance evidencing that it has complied with the insurance requirement of this agreement.

- Landlord will coordinate existing efforts for food, meals, and existing services with Operator and Tenant and establish a master calendar for volunteer food provision.
- Landlord agrees to obtain a Special Use Permit from the City if applicable and/or required.
- Landlord acknowledges that nothing in this Agreement shall be construed to mean that any or all the current uses of site are in conformity with city, state or federal law.

Tenant Terms

- Tenant shall inspect the property prior to occupancy and independently determine that it is suitable and safe for its intended purpose.
- Tenant or its Operator, at their sole cost and expense, shall maintain during the entire use of the property liability insurance and property damage insurance insuring against all liability of Tenant, Operator, Landlord, and their authorized representatives arising out of and in connection with Tenant's or Operator's use of the Property, with a single liability limit of \$1,000,000. Landlord shall be named as an additional named insured on the insurance policy purchased by Tenant or Operator, which is the subject of this Agreement. Tenant/Operator shall provide Landlord with a copy of the certificate of insurance evidencing that it has complied with the insurance requirement of this Agreement.
- Tenant will select and pay a Shelter Operator to manage the Bridge Shelter located at the Property.
- If there is not enough parking at the Property due to Tenant demand, Tenant agrees to allow Landlord to utilize City facility parking nearby with prior approval by the Tenant.
- Tenant agrees to pay 100% of the electric, gas, water, sewer, trash until the permanent shelter opens.
- Tenant agrees to make any repairs to the property caused as a result of its negligence or fault.
- Tenant will have the existing sewer line inspected via camera to identify and document its current condition prior to taking possession of the Premises, and will share the inspection report with Landlord. Should there be a problem with the sewer line during the time that the temporary Bridge Shelter is operating on the Premises, Tenant will contribute to any needed sewer repair in the proportion to which its use has created the

stoppage or break. Should there be a dispute about what that proportion is, Tenant will pay for the repair up front, and the Parties will engage in mediation in an attempt to resolve the dispute. If mediation does not resolve the dispute, the Parties will submit the matter to binding arbitration, each Party to bear its own fees and costs.

Exhibit A

Lighthouse Church Bridge Shelter Usage “Tenant Designated Areas- (TDA’s)”:

Interior: Total SF of building = 10,220 sf

Bridge Shelter = 3,761 sf (37%) TDA

Church Exclusive Area = 6,459 sf (63%)

Exterior: Total Lot Size (source: title records) = 40,946 sf

1st Floor SF = 8,200 sf

Total non-building property SF = 32,746 sf

TDA - Total Bridge Shelter property usage = 16,403 sf (50%) Parking for Operator, Outreach Staff, Volunteers, Homeless vehicles, Modular Trailers

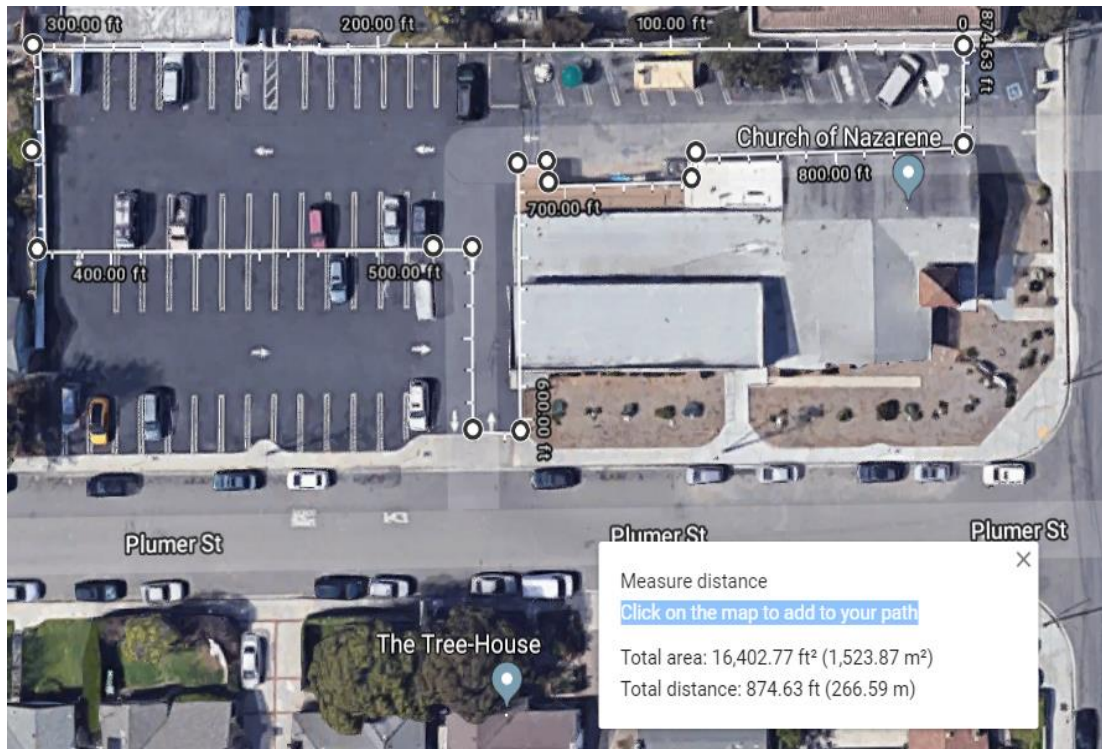
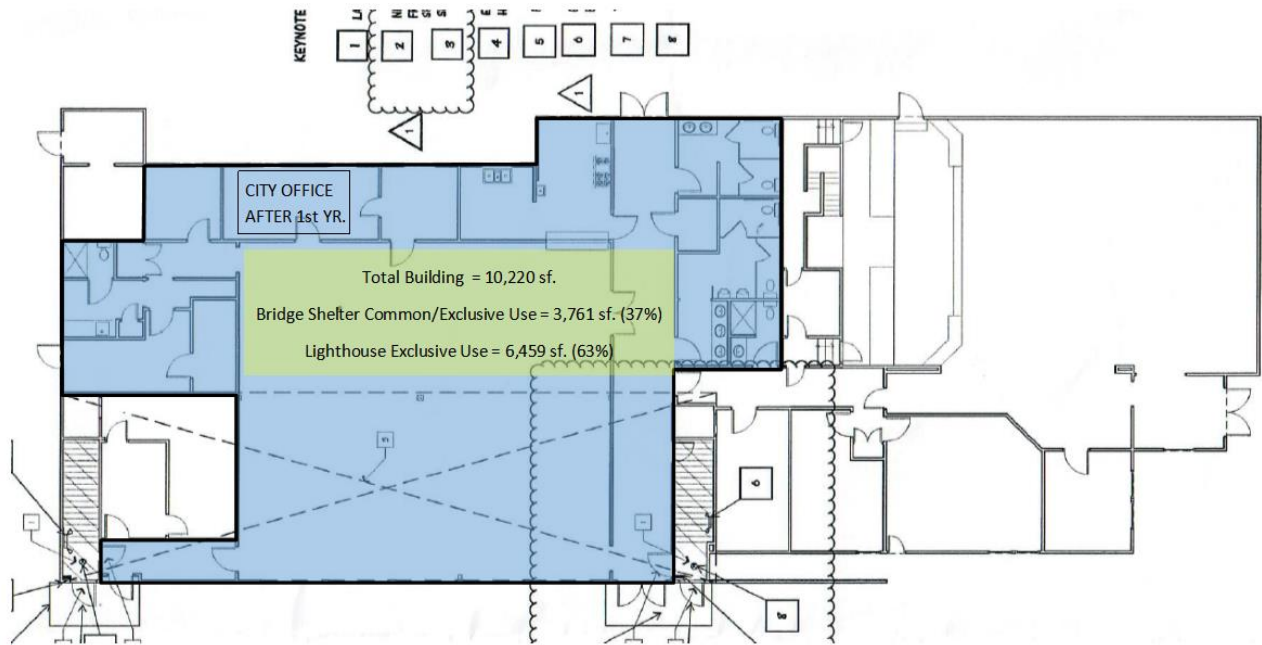


Exhibit A (continued)



$3,761 \times \$37.22 = \$140,000 \times 2 \text{ years} = \$280,000$ lease agreement.

Comp Analysis

1. 2000 Harbor Blvd—Office/Retail \$39.24/SF/YR—20,299 sf, built in 1979
2. 234 E. 17th Street—Office— \$37.80-\$45.00 SF/YR—Various sizes smaller than subject property, built in 1978
3. 1648-1652 Newport Blvd—Industrial—\$30.00 SF/YR—2,500 sf—built 1972
4. 1975 Placentia Ave—Office/Retail—\$30.00 SF/YR—3,854 sf—built in 1953

After 1st Year Payment Analysis

$\$37.22 \times 200 \text{ sf} = \$7,444/\text{YR} \times 13 \text{ years} = \$96,772$ —additional \$43,228 will be paid for parking lot improvements justified because of Shuttle Stop in parking lot.

Exhibit B

Lighthouse Church

1885 Anaheim Ave, Costa Mesa

Temporary Bridge Shelter Site Layout



Exhibit C

Lighthouse Church - Scope of Work and Estimated Costs	
Description	▼
Demolition	
Concrete	
Grading for exit concrete	
Carpentry	
Roof Patch (\$1,000 if 2nd floor bathroom is installed)	
Doors	
Glass & Glazing	
Drywall	
Flooring	
Paint & Wallcovering	
Fire Sprinklers	
HVAC	
Electrical	
Life Safety	
Misc	
Add Bathroom 2nd Floor (\$14,939.99)	
Replace Stairs (\$21,262.90)	
Structural Engineer (\$1,000 est if stairs are included)	
General Conditions	
Overhead & Fee	
Insurance	
6 foot vinyl fence pedestrian gate	
Grading for Plumer fence	
Cut asphalt, install irrigation, trellis and vine along Plumer	
Vehicular Motorized Gate	
Privacy screening on gate along Anaheim	
Outdoor Shade Structure for sitting area	
Outdoor furniture	
ADA ramp in rear	
Exterior Lighting in Parking Area	
Kitchen Appliance Upgrade & Utensils/Equipment (Budget Amt)	
Commercial Grade Laundry Appliances (Washer & Dryer)	
Security System	
Bike Rack (capactiy 10)	
Permit Fees	
General Conditions	
Overhead & Fee	
Insurance	