

## **FACILITIES LEASE**

### **For all or a portion of the following Site:**

Davidson Middle School New Construction and Modernization Project  
280 Woodland Avenue  
San Rafael, CA 94901

APN: 016-213-13

### **By and between**

San Rafael City Schools  
310 Nova Albion Way  
San Rafael, CA 94903

### **And**

Jeff Luchetti Construction, Inc.  
70 Stony Point Rd.  
Santa Rosa, CA 95401

Dated as of December 20, 2017

## TABLE OF CONTENTS

	<u>Page</u>
1. Definitions .....	2
2. Exhibits .....	3
3. Lease of Project and Project Site.....	3
4. Term .....	4
5. Payment.....	5
6. Title.....	5
7. Quiet Enjoyment .....	5
8. Representations of the District .....	5
9. Representations of the Developer .....	6
10. Pre-construction Services .....	7
11. Construction of Project .....	15
12. Maintenance .....	16
13. Utilities .....	16
14. Taxes and Other Impositions.....	17
15. Insurance .....	17
16. Indemnification and Defense .....	24
17. Eminent Domain.....	25
18. Damage and Destruction .....	26
19. Abatement.....	26
20. Access .....	27
21. Assignment, Subleasing.....	27
22. Termination, Default And Suspension .....	29
23. Notices.....	37
24. Binding Effect.....	37
25. No Additional Waiver Implied by One Waiver .....	37
26. Severability .....	37
27. Amendments, Changes and Modifications.....	38
28. Net-Net-Net Lease .....	38
29. Execution in Counterparts.....	38
30. Developer and District Representatives.....	38
31. Applicable Law .....	38
32. Attorney's Fees .....	38
33. Captions.....	38

34.	Prior Agreements.....	38
35.	Further Assurances .....	39
36.	Recitals and Exhibits Incorporated .....	39
37.	Time of the Essence.....	39
38.	Force Majeure .....	39
39.	Interpretation .....	39

**Exhibits A - G**

## **FACILITIES LEASE**

This facilities lease ("Facilities Lease"), dated as of December 20, 2017 ("Effective Date"), is made and entered into by and between Jeff Luchetti Construction, Inc. ("Developer"), a California corporation duly organized and existing under the laws of the State of California, as sublessor, and San Rafael City Schools, a school district duly organized and validly existing under the laws of the State of California, as sublessee ("District") (together, the "Parties").

### **RECITALS**

**WHEREAS**, the District is authorized under Section 17406 of the Education Code of the State of California to lease a site to a developer and to have that developer develop and construct the project on the site and to lease back to the District the site and the completed project; and

**WHEREAS**, the District desires to provide for the development and construction of certain work to be performed on portions of the School Site which will include construction of improvements to be known as the Davidson Middle School New Construction and Modernization Project ("Project"); and

**WHEREAS**, on the date hereof, the District has leased to Developer, a parcel of land located at 280 Woodland Avenue San Rafael, CA 94901, known as Davidson Middle School, particularly described in **Exhibit A** and shown on **Exhibit B** attached hereto and incorporated herein by reference ("School Site"); and

**WHEREAS**, District and Developer have executed a site lease at the same time as this Facilities Lease whereby the District is leasing the Project Site to the Developer ("Site Lease"); and

**WHEREAS**, District has retained Quattrocchi Kwok Architects ("Architect") to prepare plans and specifications for the Project ("Plans and Specifications") and to act as the Design Professional in General Responsible Charge for the Project; and

**WHEREAS**, the Governing Board of the District ("Board") has determined that it is in the best interests of the District and for the common benefit of the citizens residing in the District to construct the Project by leasing the Project Site to Developer and by simultaneously entering into this Facilities Lease under which the District will lease back the Project Site and the Project from Developer and if necessary, make Lease Payments; and

**WHEREAS**, the District further acknowledges and agrees that it has entered into the Site Lease and the Facilities Lease pursuant to Education Code Section 17406 as the best available and most expeditious means for the District to satisfy its substantial need for the facilities to be provided by the Project and to accommodate and educate District students and to utilize its facilities proceeds expeditiously; and

**WHEREAS**, this Site Lease and Facilities Lease are awarded based a competitive solicitation process pursuant to Education Code section 17406 and in compliance with the required procedures and guidelines for evaluating the qualifications of proposers adopted and published by the Board to the proposer providing the best value to the school district, taking into consideration the proposer's demonstrated competence and professional qualifications necessary for the satisfactory performance of the services required; and

**WHEREAS**, the selection of the Developer was conducted in a fair and impartial manner; and

**WHEREAS**, Developer has reviewed the Lease Documents; and

**WHEREAS**, Developer represents that it has the expertise and experience to perform the services set forth in this Facilities Lease; and

**WHEREAS**, the Parties have performed all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Facilities Lease and all those conditions precedent do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Parties hereto are now duly authorized to execute and enter into this Facilities Lease; and

**WHEREAS**, Developer is authorized to lease the Project Site as lessee and to develop the Project and to have the Project constructed on the Project Site and to lease the Project and the Project Site back to the District, and has duly authorized the execution and delivery of this Facilities Lease.

**NOW, THEREFORE**, in consideration of the above recitals and of the mutual covenants hereinafter contained, the Parties hereto do hereby agree as follows:

**1. Definitions**

In addition to the terms and entities defined above or in subsequent provisions, and unless the context otherwise requires, the terms defined in this section shall, for all purposes of this Facilities Lease, have the meanings herein specified.

- 1.1** “**Developer**” or “**Lessor**” means Jeff Luchetti Construction, Inc., a California corporation, organized and existing under the laws of the State of California, and its successors and assigns.
- 1.2** “**Developer’s Representative**” means the Managing Member of Developer, or any person authorized to act on behalf of Developer under or with respect to this Facilities Lease.
- 1.3** “**Contract Documents**” are defined in **Exhibit “D”** to this Facilities Lease.
- 1.4** “**District**” or “**Lessee**” means San Rafael City Schools, a school district duly organized and existing under the laws of the State of California.
- 1.5** “**District Representative**” means the Superintendent of the District, or any other person authorized by the Board of Education of the District to act on behalf of the District under or with respect to this Facilities Lease.
- 1.6** “**Permitted Encumbrances**” means, as of any particular time:
  - 1.6.1** Liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid;
  - 1.6.2** The Site Lease.

- 1.6.3 This Facilities Lease.
- 1.6.4 Easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of this Facilities Lease.
- 1.6.5 Easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of this Facilities Lease and to which Developer and the District consent in writing which will not impair or impede the operation of the Project Site.

## 2. **Exhibits**

The following Exhibits are attached to and by reference incorporated and made a part of this Facilities Lease:

- 2.1 **Exhibit A - Legal Description of the School Site:** The descriptions of the real property constituting the School Site.
- 2.2 **Exhibit B - Description of the Project Site:** The map or diagram depiction of the Project Site.
- 2.3 **Exhibit C - Guaranteed Maximum Price and Other Project Cost, Funding, and Payment Provisions:** A detailed description of the Guaranteed Maximum Price and the provisions related to the payment of that amount to the Developer, including Attachment 3, the Schedule of Lease Payments and Payoff Dates and Amounts.
- 2.4 **Exhibit D - General Construction Provisions:** The provisions generally describing the Project's construction.
- 2.5 **Exhibit D-1 – Special Conditions Provisions:** The provisions describing conditions specific to the Project's construction.
- 2.6 **Exhibit E - Memorandum of Commencement Date:** The Memorandum which will memorialize the commencement and expiration dates of the Lease Term.
- 2.7 **Exhibit F - Construction Schedule**
- 2.8 **Exhibit G – Schedule of Values**

## 3. **Lease of Project and Project Site**

- 3.1 Developer hereby leases the Project and the Project Site to the District, and the District hereby leases said Project and Project Site from Developer upon the terms and conditions set forth in this Facilities Lease.
- 3.2 The leasing by Developer to the District of the Project Site shall not affect or result in a merger of the District's leasehold estate pursuant to this Facilities Lease and its fee estate as lessor under the Site Lease. Developer shall continue to have and hold a leasehold estate in the Project Site pursuant to

the Site Lease throughout the term thereof and the term of this Facilities Lease.

- 3.3** As to the Project Site, this Facilities Lease shall be deemed and constitute a sublease.

#### **4. Term**

##### **4.1 Facilities Lease is Legally Binding**

This Facilities Lease is legally binding on the Parties upon execution by the Parties and the District Board's approval of this Facilities Lease. The Term of this Facilities Lease for the purposes of District's obligation to make Lease Payments shall commence on the earlier of the following two (2) events, whichever occurs first ("Commencement Date"):

- 4.1.1** The date the District takes beneficial occupancy of the Project; or
- 4.1.2** The date when Developer delivers possession of the Project to District and when all improvements to be provided by Developer are determined by the District to be completed as set forth in **Exhibits D and D-1** to this Facilities Lease.

Unless earlier terminated pursuant to the provisions of the Contract Documents, the Term of this Facilities Lease for the purposes of District's obligations to make Lease Payments shall terminate one (1) year thereafter or upon payment of the final lease payment.

- 4.2** After Developer has completed construction of the Project and the District has accepted the Project, the Parties shall execute the Memorandum of Commencement Date attached hereto as **Exhibit E** to memorialize the commencement date of the Lease Payments and expiration date of the Term. Notwithstanding this Term, the Parties hereby acknowledge that each has obligations, duties, and rights under this Facilities Lease that exist upon execution of this Facilities Lease and prior to the beginning of the Lease Payment obligations.

- 4.3** The Term may be extended or shortened upon the occurrence of the earliest of any of the following events, which shall constitute the end of the Term:

- 4.3.1** An Event of Default by District as defined herein and Developer's election to terminate this Facilities Lease as permitted herein, or
- 4.3.2** An Event of Default by Developer as defined herein and District's election to terminate this Facilities Lease as permitted herein, or
- 4.3.3** Consummation of the District's purchase option pursuant to the Guaranteed Maximum Price and Other Project Cost, Funding, and Payment Provisions indicated in **Exhibit C** ("Guaranteed Maximum Price Provisions").
- 4.3.4** A third-party taking of the Project under Eminent Domain, only if the Term is ended as indicated more specifically herein.

- 4.3.5** Damage or destruction of the Project, only if the Term is ended as indicated more specifically herein.

**5. Payment**

In consideration for the lease of the Project Site by the Developer back to the District and for other good and valuable consideration, the District shall make all necessary payments pursuant to the Guaranteed Maximum Price Provisions indicated in **Exhibit C**.

**6. Title**

- 6.1** During the Term of this Facilities Lease, the District shall hold fee title to the School Site, including the Project Site, and nothing in this Facilities Lease or the Site Lease shall change, in any way, the District's ownership interest.
- 6.2** During the Term of this Facilities Lease, Developer shall have a leasehold interest in the Project Site pursuant to the Site Lease.
- 6.3** During the Term of this Facilities Lease, the Developer shall hold title to the Project improvements provided by Developer which comprise fixtures, repairs, replacements or modifications thereto.
- 6.4** If the District exercises its Purchase Option pursuant to the Guaranteed Maximum Price Provisions indicated in **Exhibit C** or if District makes all necessary payments under the Guaranteed Maximum Price Provisions indicated in **Exhibit C**, all right, title and interest of Developer, its assigns and successors in interest in and to the Project and the Project Site shall be transferred to and vested in the District at the end of the Term. Title shall be transferred to and vested in the District hereunder without the necessity for any further instrument of transfer; provided, however, that Developer agrees to execute any instrument requested by District to memorialize the termination of this Facilities Lease and transfer of title to the Project.

**7. Quiet Enjoyment**

Upon District's possession of the Project, Developer shall thereafter provide the District with quiet use and enjoyment of the Project, and the District shall during the Term peaceably and quietly have and hold and enjoy the Project, without suit, trouble or hindrance from Developer, except as otherwise may be set forth in this Facilities Lease. Developer will, at the request of the District and at Developer's cost, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent Developer may lawfully do so. Notwithstanding the foregoing, Developer shall have the right to inspect the Project and the Project Site as provided herein.

**8. Representations of the District**

The District represents, covenants and warrants to the Developer as follows:

**8.1 Due Organization and Existence**

The District is a school district, duly organized and existing under the Constitution and laws of the State of California.



## **8.2 Authorization**

The District has the full power and authority to enter into, to execute and to deliver this Facilities Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution of this Facilities Lease.

## **8.3 No Violations**

Neither the execution and delivery of this Facilities Lease nor the Site Lease, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District, or upon the Project Site, except Permitted Encumbrances.

## **8.4 Condemnation Proceedings**

**8.4.1** District covenants and agrees, but only to the extent that it may lawfully do so, that so long as this Facilities Lease remains in effect, the District will not seek to exercise the power of eminent domain with respect to the Project so as to cause a full or partial termination of this Facilities Lease.

**8.4.2** If for any reason the foregoing covenant is determined to be unenforceable or in some way invalid, or if District should fail or refuse to abide by such covenant, then, to the extent it may lawfully do so, District agrees that the financial interest of Developer shall be as indicated in this Facilities Lease.

## **9. Representations of the Developer**

The Developer represents, covenants and warrants to the District as follows:

### **9.1 Due Organization and Existence**

The Developer is a California company duly organized and existing under the laws of the State of California, has the power to enter into this Facilities Lease and the Site Lease; is possessed of full power to lease, lease back, and hold real and personal property and has duly authorized the execution and delivery of all of the aforesaid agreements.

### **9.2 Authorization**

Developer has the full power and authority to enter into, to execute and to deliver this Facilities Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution of this Facilities Lease.

### **9.3 No Violations**

Neither the execution and delivery of this Facilities Lease and the Site Lease, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Developer is now a party or by which Developer is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Developer, or upon the Project Site, except Permitted Encumbrances.

### **9.4 No Bankruptcy**

Developer is not now nor has it ever been in bankruptcy or receivership.

### **9.5 No Encumbrances**

Developer shall not pledge any District payments of any kind, related to the Site Lease, this Facilities Lease, or in any way derived from the Project Site, and shall not mortgage or encumber the Project Site, except as may be specifically permitted pursuant to the provisions of this Facilities Lease related to Developer's financing the construction of the project.

### **9.6 Continued Existence**

Developer shall not voluntarily commence any act intended to dissolve or terminate the legal existence of Developer, at or before the latest of the following:

- 9.6.1** Eighteen (18) months following completion of the Project.
- 9.6.2** One (1) year following expiration or earlier termination of the Term.
- 9.6.3** After dismissal and final resolution of any and all disputes between the Parties and/or any third-party claims related, in any way, to the Project.

While the lease documents are in effect, Developer shall give District one hundred twenty (120) days written notice prior to dissolving or terminating the legal existence of Developer.

## **10. Pre-construction Services**

### **10.1 Scope of the Preconstruction Services**

Developer shall perform management and coordination services, plan and specification constructability reviews, provide value-engineering reviews and recommendations and other reviews as necessary to verify that the drawings and specifications are clear and reasonably accurate to minimize the need for

changes during the construction phase of the project, including but not limited to the following:

**10.1.1 General Services**

- 10.1.1.1** Developer shall attend regular meetings during Project development between the Architect, the District, District site personnel, and any other applicable consultants of the District as required to discuss the Project, including budget, scope and schedule.
- 10.1.1.2** Review the Project with the District and Architect and refine Project scope with District staff and Architect. Sequence and schedule construction work for the Project with Architect, construction manager(s), program manager, and District staff
- 10.1.1.3** Developer shall assist the Architect with making formal presentations to the governing board of District. Such assistance is anticipated to include floor plans and elevations necessary for any architectural presentation.
- 10.1.1.4** Developer shall prepare a rough schedule in Microsoft PROJECT and update as necessary.
- 10.1.1.5** Developer shall prepare and update the components of the Guaranteed Maximum Price and shall be primarily responsible for ensuring that the Project can and is constructed for no more than that amount.
- 10.1.1.6** While the Architect is anticipated to provide primary assistance, Developer shall assist District with City land use issues;
- 10.1.1.7** Architect shall act as lead and Developer will assist District and Architect with DSA review, input, and timeframe for same;
- 10.1.1.8** Architect shall act as lead and Developer will assist with review and comment upon geotechnical / soils investigation and report;
- 10.1.1.9** Architect shall act as lead and Developer will assist with review and comment upon survey of the Project site;

**10.1.2 Review of Design Documents.**

- 10.1.2.1** Review Project design and budget with the District and the Architect based on the Design Development Documents, 50% Construction Documents, and the 100% Construction Documents submitted to DSA to:

- 10.1.2.1.1** Provide recommendations for incorporating prefabrication (component and/or modular) construction into Project, within context of Project functional requirements, budget, and schedule.
- 10.1.2.1.2** Provide recommendations on site use and improvements, selection of materials, building systems and equipment and methods of Project delivery;
- 10.1.2.1.3** Provide recommendations on relative feasibility of construction methods, availability of materials and labor, time requirements for procurement, installation and construction of the Project and subparts thereof if requested, and factors relating to cost including, but not limited to, construction costs of alternate designs of materials, preliminary budgets and possible economics that could be achieved through alternate methods or substitutions;
- 10.1.2.1.4** Provide interim design phase estimates to establish and maintain the Project budget and scheduled costs; and
- 10.1.2.1.5** Provide plan review.
- 10.1.2.1.6 Value-engineering.** Prepare a value-engineering report for District review and approval that:
  - 10.1.2.1.6.1** Details areas of cost saving (e.g. construction processes/procedures, specified materials and equipment, and equipment or other aspects of the design documents that can be modified to reduce costs and/or the time for achieving final completion of the Project and/or to extend life-cycle and/or to reduce maintenance/operations costs, without diminution in the quality of materials/equipment/workmanship, scope or intended purposes of the Project);
  - 10.1.2.1.6.2** Provides detailed estimate for proposed value-engineering items;
  - 10.1.2.1.6.3** Defines methodology or approaches that maximize value; and
  - 10.1.2.1.6.4** Identifies design choices that can be more economically delivered.
- 10.1.2.1.7 Constructability Review.** Prepare detailed interdisciplinary constructability review within

Fourteen (14) days of receipt of the plans from the District that:

**10.1.2.1.7.1** Ensures construction documents are well coordinated and reviewed for errors;

**10.1.2.1.7.2** Identifies to the extent known, construction deficiencies and areas of concern;

**10.1.2.1.7.3** Back-checks design drawings for inclusion of modifications;

**10.1.2.1.7.4** Provides the District with written confirmation that:

**10.1.2.1.7.4.1** Requirements noted in the design documents prepared for the Project are consistent with and conform to the District's Project requirements and design standards.

**10.1.2.1.7.4.2** Various components have been coordinated and are consistent with each other so as to minimize conflicts within or between components of the design documents.

**10.1.2.2** Confirm Modifications to Design Drawings. If the District accepts Developer's comments, including the value-engineering and/or constructability review comments, review the design documents to confirm that those comments are properly incorporated into the final design documents.

**10.1.3 Budget of Project Costs.**

**10.1.3.1** At each stage of plan review indicated above, Developer will update and refine the budget of the Guaranteed Maximum Price based on the most recent set of design documents. Developer shall also advise the District and the Architect if it appears that the total construction costs may exceed the Guaranteed Maximum Price established by the District and shall make recommendations for corrective action. Developer will further provide input to the District and Architect relative to value of construction, means and methods for construction, duration of construction of various building methods and constructability.

**10.1.3.2** In each budget of the Guaranteed Maximum Price, Developer shall include values of scopes of work subdivided into component parts in sufficient detail to serve as the basis for progress payments during construction. This

budget of the Guaranteed Maximum Price shall include, at a minimum, the following information divided into at least the following categories for each site:

- 10.1.3.2.1** Overhead and profit;
- 10.1.3.2.2** Supervision;
- 10.1.3.2.3** General conditions;
- 10.1.3.2.4** Layout & Mobilization (not more than 1%)
- 10.1.3.2.5** Submittals, samples, shop drawings (not more than 3%);
- 10.1.3.2.6** Bonds and insurance (not more than 2.5% - Insurance 1.1%, Builders Risk 0.40%, Bond 1.00%);
- 10.1.3.2.7** Close-out documentation (not less than 1%);
- 10.1.3.2.8** Demolition;
- 10.1.3.2.9** Installation;
- 10.1.3.2.10** Rough-in;
- 10.1.3.2.11** Finishes;
- 10.1.3.2.12** Testing;
- 10.1.3.2.13** Owner and Maintenance Manuals;
- 10.1.3.2.14** Punchlist and acceptance.

#### **10.1.4 Construction Schedule and Phasing Plan**

Developer shall prepare a preconstruction schedule to guide the design team through to bid dates. That schedule shall show the multiple phases and interrelations of design, constructability review, and estimating. Developer shall also prepare a full construction schedule for the Project detailing the phasing and construction activities. Developer shall further investigate, recommend and prepare a schedule for the District's purchase of materials and equipment requiring long lead time procurement, and coordinate the schedule with the early preparation of portions of the Contract Documents by the Architect.

#### **10.1.5 Construction Planning and Bidding**

- 10.1.5.1** For all of Developer's activities relating to construction planning and bidding, Developer shall comply with all applicable legal requirements, including but not limited to those set forth in Education Code section 17406.

- 10.1.5.2** Consult with District staff in relation to the existing site. Selected developer should make site visits, as needed to review the current site conditions. During this evaluation, Developer may make recommendations relating to soils investigations and utility locations and capacities, in order to minimize unforeseen conditions.
- 10.1.5.3** Attend meetings at the Project site with the Architect and the design team every two (2) weeks, until plans are ready for submittal to DSA (approximately 6 to 8 weeks, meeting duration is approximately 2 hours).
- 10.1.5.4** Provide plan review and constructability services with an emphasis on ensuring that the Project can be completed within the established schedule and within the available budget.
- 10.1.5.5** Provide a detailed analysis of all major Project systems with an emphasis on possible value engineering possibilities.
- 10.1.5.6** Prepare and distribute specifications and drawings provided by District to facilitate bidding to Developer's subcontractors.
- 10.1.5.7** Review the drawings and specifications to eliminate areas of conflict and overlapping in the work to be performed by various subcontractors, and with a view to eliminating change order requests by the Architect or subcontractors.
- 10.1.5.8** Conduct pre-bid conferences. Coordinate with District and the Architect in responding to subcontractor questions or providing clarification to all subcontractors.
- 10.1.5.9** DSA approved plans shall be utilized to receive subcontractor bids and develop the final GMP in accordance with the lease-leaseback agreement forms, including the requirement that the Developer engage in competitive bidding for subcontractors for all scopes of work on the Project that constitute more than one half of one percent (0.5%) of the total GMP. The District representative shall be present during the receipt of bids from subcontractors.
- 10.1.5.10** The GMP shall be presented to the District in the following manner within a three ring binder as well as electronically on an external memory device such as a CD, USB drive, or other comparable device:
  - 10.1.5.10.1** Cover sheet, signed by the developer indicating the GMP dollar amount with a certification, indicating that the GMP is all inclusive per the plans, specifications and addenda (contract documents). Also include certification stating, "Developer hereby certifies that they have reviewed all subcontractor

proposals and whether the subcontractor excluded portions of their scope the Developer has included all costs for a complete GMP in accordance with plans, specifications and addenda.”

**10.1.5.10.2** A bid tabulation sheet indicating the breakdown by subcontractor/trade along with the appropriate general condition amount, other fees (as submitted with the response to the RFQ/P).

**10.1.5.10.3** Behind the bid tabulation sheet mentioned above should be a sheet that indicates what is included in the general conditions, which should match what was submitted in the response to the RFQ/P.

**10.1.5.10.4** Copies of all subcontractor bids received divided by trade that corresponds to the final spread sheet with a cover sheet indicating the scope and subcontractors that provided bids as well as those that were asked to bid, but did not submit a proposal. This sheet should have the dollar amounts for each subcontractor that provided a bid with the first column being the proposed subcontractor for that trade.

**10.1.5.10.5** Behind subdivision 10.1.5.10.4 above should be the bids for that trade with the proposed subcontractor bid on top and the other subcontractor bids in descending dollar order.

**10.1.5.11** Produce detailed construction CPM schedules to be incorporated into the Project documents including identification of the Project critical path and agency approvals.

**10.1.5.12** Plan the phases and staging of construction, staging areas, temporary fencing, office trailer placement, access, etc. as required.

**10.1.5.13** Any other services that are reasonable and necessary to control the budget and schedule. List those areas where subconsultants will be required and where the Developer has in-house expertise. Provide resumes of persons providing each of these services and for key personnel assigned to the Project.

## **10.2 Schedule**

Preconstruction services outlined above will commence on the date the District issues a notice to proceed for the Agreement, and conclude upon approval of the Amendment to the Lease Agreements by District's Board on or about June 15, 2018 or termination of this Agreement by either party per the Agreement's terms. It is anticipated that construction will commence on or



about June 15, 2018. Any extension shall be subject to reasonable approval in writing by the parties.

### **10.3 Ownership of Records**

It is mutually agreed that all materials prepared by Developer under this Agreement shall become the property of the District and Developer shall have no property right therein whatsoever. Developer hereby assigns to District any copyrights associated with the materials prepared pursuant to the Agreement.

### **10.4 Open Book Policy**

There will be an open book policy with Developer and its construction team. District shall have access to all subcontractor bids, value engineering back-up, contingency breakdown & tracking, and Developer fees.

### **10.5 Compensation to Developer for Preconstruction Services**

District agrees to reimburse Developer in the total amount not to exceed **Seventy-Six Thousand, Five Hundred Thirty-One Dollars (\$76,531.00)** for the performance of services contemplated by this Agreement. Developer shall be paid monthly for the actual fees and allowed costs and expenses for all time and materials required and expended for work requested and specified by the District as completed. Said amount shall be paid within thirty (30) days upon submittal to and verification by the District of a monthly billing statement showing completion of the tasks for that month on a line item basis. In the event Developer and District enter into the lease/leaseback agreements for the development of the Project, this compensation for services rendered will be included as part of the Guaranteed Maximum Price ("GMP") to be paid to Developer by District.

Developer shall be responsible for any and all costs and expenses incurred by Developer, including but not limited to the costs of hiring sub-consultants, contractors and other professionals, review of the Project's Plans and Specifications, review and preparation of necessary documentation relating to the development of the Project, all travel-related expenses, as well as for meetings with District and its representatives, long distance telephone charges, copying expenses, salaries of Developer staff and employees working on the Project, overhead, and any other reasonable expenses incurred by Developer in performance of the services contemplated by this Agreement.

### **10.6 Termination before Construction Phase**

**10.6.1** Before the notice to proceed with the Construction Phase is issued by the District, this Agreement may be terminated at any time without cause by District upon fourteen (14) days written notice to Developer. In the event of such a termination by District, the District shall pay Developer for all undisputed services performed and expenses incurred per this Agreement, supported by documentary evidence, including, but not limited to, payroll records, invoices from third parties retained by Developer pursuant

to this Agreement, and expense reports up until the date of notice of termination plus any sums due Developer for Board-approved extra services. In ascertaining the services actually rendered hereunder up to the date of termination of this Agreement, consideration shall be given to completed work and work in process that would best serve the District if a completed product was presented.

- 10.6.2** In the event that the parties do not reach an agreement on the GMP, this Agreement will be terminated at that time. In the event of such a termination, the District shall pay Developer no more than the not to exceed amount in Section 10.5 above.

## **10.7 Construction Phase**

Developer shall not commence any construction work before DSA approval of the Plans and Specifications.

## **11. Construction of Project**

### **11.1 Construction of Project**

- 11.1.1** Developer agrees to cause the Project to be developed, constructed, and installed in accordance with the terms hereof and the Construction Provisions set forth in **Exhibit D**, including those things reasonably inferred from the Contract Documents as being within the scope of the Project and necessary to produce the stated result even though no mention is made in the Contract Documents.

#### **11.1.2 Contract Time / Construction Schedule**

It is hereby understood and agreed that the Contract Time for this Project shall be **three hundred and ninety-one (391) calendar days**, commencing with the date upon which the Facilities Lease and the Site Lease are fully executed and delivered to both Parties and ending with completion of the Work which will occur no later than July 11, 2019 ("Contract Time"). The Construction Schedule must be approved by the District.

#### **11.1.3 Schedule of Values**

The Developer has provided a schedule of values, approved by the District, which will be attached hereto as **Exhibit G** ("Schedule of Values"). The Schedule of Values must be approved by the District.

#### **11.1.4 Liquidated Damages**

Time is of the essence for all work Developer must perform to complete the Project. It is hereby understood and agreed that it is and will be difficult and/or impossible to ascertain and determine the actual damage that the District will sustain in the event of and by reason of Developer's delay; therefore, Developer agrees that it

shall pay to the District the sum of two thousand Dollars (\$2,000) per day as liquidated damages for each and every day's delay beyond the Contract Time.

**11.1.4.1** It is hereby understood and agreed that this amount is not a penalty.

**11.1.4.2** In the event any portion of the liquidated damages is not paid to the District, the District may deduct that amount from any money due or that may become due the Developer under this Facilities Lease. The District's right to assess liquidated damages is as indicated herein and in **Exhibit D**.

**11.1.4.3** The time during which the construction of the Project is delayed for cause as hereinafter specified may extend the time of completion for a reasonable time as the District may grant.

**11.1.5     Guaranteed Maximum Price**

Developer will cause the Project to be constructed within the Guaranteed Maximum Price as set forth and defined in the Guaranteed Maximum Price Provisions in **Exhibit C**, and Developer will not seek additional compensation from District in excess of that amount.

**11.1.6     Modifications**

If the DSA requires changes to the Contract Documents submitted by District to Developer, and those changes change the construction costs and/or construction time for the Project, then those changed costs or time will be handled as a modification pursuant to the provisions of **Exhibit D**.

**12.     Maintenance**

Following delivery of possession of the Project by Developer to District, the repair, improvement, replacement and maintenance of the Project and the Project Site shall be at the sole cost and expense and the sole responsibility of the District, subject only to all punch list items and warranties against defects in materials and workmanship of Developer as provided in **Exhibit D**. The District shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Project resulting from ordinary wear and tear. The District waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of this Facilities Lease.

**13.     Utilities**

Following delivery of possession of the Project by Developer to District, the cost and expenses for all utility services, including, but not limited to, electricity, natural gas, telephone, water, sewer, trash removal, cable television, janitorial service, security,

heating, water, internet service, data transmission, and all other utilities of any type shall be paid by District.

#### **14. Taxes and Other Impositions**

All ad valorem real property taxes, special taxes, possessory interest taxes, bonds and special lien assessments or other impositions of any kind with respect to the Project, the Project Site and the improvements thereon, charged to or imposed upon either Developer or the District or their respective interests or estates in the Project, shall at all times be paid by District. In the event any possessory interest tax is levied on Developer, its successors and assigns, by virtue of this Facilities Lease or the Site Lease, District shall pay such possessory interest tax directly, if possible, or shall reimburse Developer, its successors and assigns for the full amount thereof within forty-five (45) days after presentation of proof of payment by Developer.

#### **15. Insurance**

##### **15.1 Developer's Insurance**

The Developer shall comply with the insurance requirements as indicated here and in **Exhibit D** and **Exhibit D-1**.

##### **15.1.1 Commercial General Liability and Automobile Liability Insurance**

**15.1.1.1** Developer shall procure and maintain, during the life of the Project, Commercial General Liability Insurance and Automobile Liability Insurance that shall protect Developer, District, its Board Members, employees, agents, Construction Manager(s), Project Manager(s), Project Inspector(s), and Architect(s) from all claims for bodily injury, property damage, personal injury, death, advertising injury, and medical payments arising from operations under the Project. This coverage shall be provided in a form at least as broad as Insurance Services (ISO) Form CG 00 01 11 88. Developer shall ensure that Products Liability and Completed Operations coverage, Fire Damage Liability, and Any auto including owned, non-owned, and hired, are included within the above policies and at the required limits, or Developer shall procure and maintain these coverages separately.

**15.1.1.2** Developer's deductible or self-insured retention for its Commercial General Liability Insurance policy shall not exceed five thousand dollars (\$5,000) for deductible or twenty-five thousand dollars (\$25,000) for self-insured retention, respectively, unless approved in writing by District.

**15.1.1.3** All such policies shall be written on an occurrence form.

### **15.1.2 Excess Liability Insurance**

- 15.1.2.1** Developer may procure and maintain, during the life of the Project, an Excess Liability Insurance Policy to meet the policy limit requirements of the required policies if Developer's underlying policy limits are less than required.
- 15.1.2.2** There shall be no gap between the per occurrence amount of any underlying policy and the start of the coverage under the Excess Liability Insurance Policy. Any Excess Liability Insurance Policy shall protect Developer, District, its Board Members, employees, agents, Construction Manager(s), Project Manager(s), Project Inspector(s), and Architect(s) in amounts and including the provisions as set forth in **Exhibit D** or **Exhibit D-1** and/or the Supplementary Conditions (if any), and that complies with all requirements for Commercial General Liability and Automobile Liability and Employers' Liability Insurance.
- 15.1.2.3** The District, in its sole discretion, may accept the Excess Liability Insurance Policy that bring Contractor's primary limits to the minimum requirements herein.

### **15.1.3 Subcontractor**

Developer shall require its Subcontractor(s), if any, to procure and maintain Commercial General Liability Insurance, Automobile Liability Insurance, and Excess Liability Insurance (if Subcontractor elects to satisfy, in part, the insurance required herein by procuring and maintaining an Excess Liability Insurance Policy) with minimum limits at least equal to the amount required of the Developer except where smaller minimum limits are permitted as set forth below.

### **15.1.4 Workers' Compensation and Employers' Liability Insurance**

- 15.1.4.1** In accordance with provisions of section 3700 of the California Labor Code, the Developer and every Subcontractor shall be required to secure the payment of compensation to its employees.
- 15.1.4.2** Developer shall procure and maintain, during the life of the Project, Workers' Compensation Insurance and Employers' Liability Insurance for all of its employees engaged in work under the Project, on/or at the Site of the Project. This coverage shall cover, at a minimum, medical and surgical treatment, disability benefits, rehabilitation therapy, and survivors' death benefits. Developer shall require its Subcontractor(s), if any, to

procure and maintain Workers' Compensation Insurance and Employers' Liability Insurance for all employees of Subcontractor(s). Any class of employee or employees not covered by a Subcontractor's insurance shall be covered by Developer's insurance. If any class of employee or employees engaged in Work on the Project, on or at the Site of the Project, is not protected under the Workers' Compensation Insurance, Developer shall provide, or shall cause a Subcontractor to provide, adequate insurance coverage for the protection of any employee(s) not otherwise protected before any of those employee(s) commence work.

#### **15.1.5 Builder's Risk Insurance: Builder's Risk "All Risk" Insurance**

**15.1.5.1** Developer shall procure and maintain, during the life of this contract, Builder's Risk (Course of Construction), or similar first party property coverage acceptable to the District, issued on a replacement cost value basis. The cost shall be consistent with the total replacement cost of all insurable Work of the Project included within the Contract Documents. Coverage is to insure against all risks of accidental physical loss and shall include without limitation the perils of vandalism and/or malicious mischief (both without any limitation regarding vacancy or occupancy), sprinkler leakage, civil authority, theft, sonic disturbance, earthquake, flood, collapse, wind, rain, dust, fire, war, terrorism, lightning, smoke, and rioting. Coverage shall include debris removal, demolition, increased costs due to enforcement of all applicable ordinances and/or laws in the repair and replacement of damaged and undamaged portions of the property, and reasonable costs for the Architect's and engineering services and expenses required as a result of any insured loss upon the Work and Project, including completed Work and Work in progress, to the full insurable value thereof. Earthquake and flood insurance coverage are available, but at an additional cost to our standard builder's risk insurance rates.

#### **15.1.6 Pollution Liability Insurance**

**15.1.6.1** Developer shall procure and maintain Pollution Liability Insurance that shall protect Developer, District, Construction Manager(s), Project Inspector(s), and Architect(s) from all claims for bodily injury, property damage, including natural resource damage, cleanup costs, removal, storage, disposal, and/or use of the pollutant arising from operations under this Facilities Lease, and defense, including costs and expenses incurred in the investigation, defense, or settlement of claims. Coverage shall apply to sudden and/or gradual pollution conditions resulting from the escape or release

of smoke, vapors, fumes, acids, alkalis, toxic chemicals, liquids, or gases, natural gas, waste materials, or other irritants, contaminants, or pollutants, including asbestos. This coverage shall be provided in a form at least as broad as Insurance Services Offices, Inc. (ISO) Form CG 2415, or Developer shall procure and maintain these coverages separately.

**15.1.6.2** Developer shall warrant that any retroactive date applicable to coverage under the policy predates the Effective Date of this Facilities Lease and that continuous coverage will be maintained or an extended reporting or discovery period will be exercised for a period of three (3) years, beginning from the time that the Work under the Contract is completed.

**15.1.6.3** If Developer is responsible for removing any pollutants from a site, then Developer shall ensure that Any Auto, including owned, non-owned, and hired, are included within the above policies and at the required limits, to cover its automobile exposure for transporting the pollutants from the site to an approved disposal site. This coverage shall include the Motor Carrier Act Endorsement, MCS 90.

#### **15.1.7 Professional Liability Insurance**

**15.1.7.1** To the extent that any portion of the design professional in general responsible charge of the Project's responsibilities are delegated to Developer pursuant to DSA authorization, Developer shall procure and maintain insurance to cover Developer's prime design professional and/or structural engineer, and his/her consultant(s) on a Claims Made basis for Two million dollars (\$2,000,000) aggregate limit, One million dollars (\$1,000,000) per claim, and subject to no more than Twenty-Five Thousand dollars (\$25,000) per claim deductible, coverage to continue through completion of construction plus two (2) years thereafter.

#### **15.1.8 Proof of Carriage of Insurance and Other Requirements Endorsements and Certificates**

**15.1.8.1** Developer shall not commence Work nor shall it allow any Subcontractor to commence Work on the Project, until Developer and its Subcontractor(s) have procured all required insurance and Developer has delivered in duplicate to the District complete endorsements (or entire insurance policies) and certificates indicating the required coverages have been obtained, and the District has approved these documents.

**15.1.8.2** Endorsements, certificates, and insurance policies shall include the following:

**15.1.8.2.1** A clause stating:

"This policy shall not be amended, canceled or modified and the coverage amounts shall not be reduced until notice has been mailed to District, Architect, and Construction Manager stating date of amendment, modification, cancellation or reduction. Date of amendment, modification, cancellation or reduction may not be less than thirty (30) days after date of mailing notice."

**15.1.8.2.2** Language stating in particular those insured, extent of insurance, location and operation to which insurance applies, expiration date, to whom cancellation and reduction notice will be sent, and length of notice period.

**15.1.8.3** All endorsements, certificates and insurance policies shall state that District, its Board Members, employees and agents, Construction Manager(s), Project Manager(s), Inspector(s) and Architect(s) are named additional insureds under all policies except Workers' Compensation Insurance and Employers' Liability Insurance.

**15.1.8.4** Insurance written on a "claims made" basis shall be retroactive to a date that coincides with or precedes Contractor's commencement of Work, including subsequent policies purchased as renewals or replacements. Said policy is to be renewed by the Developer and all Subcontractors for a period of five (5) years following completion of the Work or termination of this Facilities Lease. Such insurance must have the same coverage and limits as the policy that was in effect during the term of this Facilities Lease, and will cover the Developer and all Subcontractors for all claims made.

**15.1.8.5** Developer's and Subcontractors' insurance policy(s) shall be primary and non-contributory to any insurance or self-insurance maintained by District, its Board Members, employees and/or agents, the State of California, Construction Manager(s), Project Manager(s), Inspector(s), and/or Architect(s).

**15.1.8.6** All endorsements shall waive any right to subrogation against any of the named additional insureds.



**15.1.8.7** All policies shall be written on an occurrence form.

**15.1.8.8** All of Developer's insurance shall be with insurance companies with an A.M. Best rating of no less than A: XI.

**15.1.8.9** The insurance requirements set forth herein shall in no way limit the Developer's liability arising out of or relating to the performance of the Work or related activities.

**15.1.8.10** Failure of Developer and/or its Subcontractor(s) to comply with the insurance requirements herein shall be deemed a material breach of the Facilities Lease and constitute a Default by the Developer pursuant to this Facilities Lease.

#### **15.1.9 Insurance Policy Limits**

The limits of insurance shall not be less than the following amounts. Contractor may use their excess liability policy to meet insurance limits, in accordance with all requirements of Section 15.1.2 above.

Commercial General Liability	Combined Single Limit	\$4,000,000
	Product Liability and Completed Operations, Fire Damage Liability – Split Limit	\$4,000,000
Automobile Liability – Any Auto	Combined Single Limit	\$4,000,000
Workers Compensation		Statutory limits pursuant to State law
Employers' Liability		\$4,000,000
Pollution Liability		\$1,000,000 per claim; \$2,000,000 aggregate
Professional Liability		\$1,000,000 per claim; \$2,000,000 aggregate (with aggregate subject to no more than a \$25,000 per claim deductible)

The limits of insurance for those subcontractors whose scope of work does not exceed ten percent (10%) of the Guaranteed Maximum Cost shall not be less than the following amounts:

Commercial General Liability	Combined Single Limit	\$2,000,000
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	Product Liability and Completed Operations	\$2,000,000
Automobile Liability - Any Auto	Combined Single Limit	\$2,000,000
Workers Compensation		Statutory limits pursuant to State law
Employers' Liability		\$2,000,000

Notwithstanding anything in this Facilities Lease to the contrary, the above insurance requirements may be modified as appropriate for subcontractors, with District's prior written approval.

## **15.2 District's Insurance**

### **15.2.1 Rental Interruption Insurance**

District shall at all times from and after District's **acceptance** of the Project, for the benefit of District and Developer, as their interests may appear, maintain rental interruption insurance to cover loss, total or partial, of the use of the Project due to damage or destruction, in an amount at least equal to the maximum estimated Lease Payments payable under this Facilities Lease during the current or any future twenty-four (24) month period. This insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and such insurance may be maintained in whole or in part in the form of participation by the District in a joint powers agency or other program providing pooled insurance. This insurance may not be maintained in the form of self-insurance. The proceeds of this insurance shall be paid to the Developer.

### **15.2.2 Property Insurance**

District shall at all times from and after District's of the Project, carry and maintain in force a policy of property insurance for 100% of the insurable replacement value with no coinsurance penalty, on the Project Site and the Project, together with all improvements thereon, under a standard "all risk" contract insuring against loss or damage. Developer shall be named as additional insureds or co-insureds thereon by way of endorsement. District shall not be relieved from the obligation of supplying any additional funds for replacement of the Project and the improvements thereon in the event of destruction or damage where insurance does not cover replacement costs. District shall have the right to procure the required insurance through a joint powers agency or to self-insure against such losses or portion thereof as is deemed prudent by District.

## **16. Indemnification and Defense**

- 16.1** To the fullest extent permitted by California law, Developer shall indemnify, keep and hold harmless the District and its respective Board Members, officers, representatives, employees, consultants, the Architect and Construction Manager in both individual and official capacities and their consultants ("Indemnitees"), against all suits, claims, damages, losses, and expenses, including but not limited to attorney's fees and costs, caused by, arising out of, resulting from, or incidental to, the performance of the Work under this Contract by the Developer or its Subcontractors, vendors and/or suppliers, including any suit, claim, damage, loss, or expense attributable to, without limitation, bodily injury, sickness, disease, death, alleged patent violation or copyright infringement, or injury to or destruction of tangible property (including damage to the Work itself) and including the loss of use resulting therefrom, except to the extent caused wholly by the active negligence or willful misconduct of the Indemnitees. This indemnification and hold harmless obligation includes any failure or alleged failure by Developer to comply with any law and/or provision of the Contract Documents, including, without limitation, any stop payment notice actions or liens, including Civil Wage and Penalty Assessments and/or Orders by the California Department of Industrial Relations.
- 16.2** Developer shall also defend, at its own expense, Indemnitees with legal counsel reasonably acceptable to the District, against all suits, claims, allegations, damages, losses, and expenses, including but not limited to attorneys' fees and costs, caused by, arising out of, resulting from, or incidental to, the performance of the Work under this Contract by Developer, its Subcontractors, vendors, or suppliers, except to the extent caused by the sole negligence, active negligence, or willful misconduct of the Indemnitees. This defense obligation extends to any failure or alleged failure by Developer to comply with any provision of law, any failure or alleged failure to timely and properly fulfill all of its obligations under the Contract Documents in strict accordance with their terms, and without limitation, any failure or alleged failure of Developer's obligations regarding any stop payment notice actions or liens, including Civil Wage and Penalty Assessments and/or Orders by the California Department of Industrial Relations. This agreement and obligation of the Developer shall not be construed to negate, abridge, or otherwise reduce any right or obligation of defense that would otherwise exist as to any party or person described herein.
- 16.3** The Developer shall give prompt notice to the District in the event of any injury (including death), loss, or damage included herein. Without limitation of the provisions herein, if the Developer's agreement to indemnify and hold harmless the Indemnitees or its agreement to defend Indemnitees as provided herein against liability for damage arising out of bodily injury to persons or damage to property caused by or resulting from the negligence of any of the Indemnitees shall to any extent be or be determined to be void or unenforceable, it is the intention of the parties that these circumstances shall not otherwise affect the validity or enforceability of the Developer's agreement to indemnify, defend, and hold harmless the rest of the Indemnitees, as provided herein, and in the case of any such suits, claims, damages, losses, or expenses caused in part by the default, negligence, or act or omission of the Developer, any Subcontractor, anyone directly or

indirectly employed by any of them or anyone for whose acts any of them may be liable, and in part by any of the Indemnitees, the Developer shall be and remain fully liable on its agreements and obligations herein to the fullest extent permitted by law.

**16.4** In any and all claims against any of the Indemnitees by any employee of the Developer, any Subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the Developer's indemnification obligation herein shall not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the Developer or any Subcontractor under workers' compensation acts, disability benefit acts, or other employee benefit acts.

**16.5** The District may retain so much of the moneys due to the Developer as shall be considered necessary, until disposition of any such suit, claims or actions for damages or until the District, Architect and Construction Manager have received written agreement from the Developer that Developer will unconditionally defend the District and its respective Board Members, officers, representatives, employees, consultants, the Architect and Construction Manager and their sub-consultants and pay any damages due by reason of settlement or judgment.

**16.6** The indemnification and defense obligations hereunder shall survive the completion of Work, including the warranty/guarantee period, and/or the termination of the Contract.

## **17. Eminent Domain**

### **17.1 Total Taking After Project Delivery**

If, following delivery of possession of the Project by Developer to District, all of the Project and the Project Site is taken permanently under the power of eminent domain, the Term shall cease as of the day possession shall be so taken.

**17.1.1** The financial interest of Developer shall be limited to the amount of principal payments pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C that are then due or past due together with all remaining and succeeding principal payments pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C for the remainder of the original Term. For example, if all of the Project and the Project Site is taken at the end of the third year of the Term, Developer shall be entitled to receive from the eminent domain award the sum of all principal payments pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C that would have been owing for the fourth year through the end of the Term had there been no taking.

**17.1.2** The balance of the award, if any, shall be paid to the District.

### **17.2 Total Taking Prior to Project Delivery**

If all of the Project and the Project Site is taken permanently under the power of eminent domain and the Developer is still performing the work of the Project and has not yet delivered possession of the Project to District, the Term shall cease as of the day possession shall be so taken. The financial interest of Developer shall be the amount Developer has expended to date for work performed on the Project, subject to documentation reasonably satisfactory to the District.

### **17.3 Partial Taking.**

If, following delivery of possession of the Project by Developer to District, less than all of the Project and the Project Site is taken permanently, or if all of the Project and the Project Site or any part thereof is taken temporarily, under the power of eminent domain.

**17.3.1** This Facilities Lease shall continue in full force and effect and shall not be terminated by virtue of that partial taking and the Parties waive the benefit of any law to the contrary, and

**17.3.2** There shall be a partial abatement of any principal payments pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C as a result of the application of the net proceeds of any eminent domain award to the prepayment of those payments hereunder. The Parties agree to negotiate, in good faith, for an equitable split of the net proceeds of any eminent domain award and a corresponding reduction in the payments required pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C.

### **18. Damage and Destruction**

If, following delivery of possession of all or a portion of the Project by Developer to District, the Project is totally or partially destroyed due to fire, acts of vandalism, flood, storm, earthquake, Acts of God, or other casualty beyond the control of either party hereto, the Term shall end and District shall no longer be required to make any payments required pursuant to the Guaranteed Maximum Price Provisions indicated in **Exhibit C** that are then due or past due or any remaining and succeeding principal payments pursuant to the Guaranteed Maximum Price Provisions indicated in **Exhibit C** for the remainder of the original Term.

### **19. Abatement**

**19.1** If, after the Parties have executed the Memorandum of Commencement Date attached hereto as **Exhibit E**, the Project becomes destroyed or damaged beyond repair, the District may determine its use of the Project abated. Thereafter, the District shall have no obligation to make, nor shall the Developer have the right to demand, the Lease Payments as indicated in the Guaranteed Maximum Price Provisions indicated in **Exhibit C** to this Facilities Lease. The Term shall cease at that time.

**19.2** The Parties hereby agree that the net proceeds of the District's rental interruption insurance that the District must maintain during the Term, as required herein, shall constitute a special fund for the payment of the Lease

Payments indicated in the Guaranteed Maximum Price Provisions indicated in **Exhibit C**.

**19.3** The District shall as soon as practicable after such event, apply the net proceeds of its insurance policy intended to cover that loss ("Net Proceeds"), either to:

**19.3.1** Repair the Project to full use.

**19.3.2** Replace the Project, at the District's sole cost and expense, with property of equal or greater value to the Project immediately prior to the time of the destruction or damage, and that replacement, once completed, shall be substituted in this Facilities Lease by appropriate endorsement; or

**19.3.3** Exercise the District's purchase option as indicated in the Guaranteed Maximum Price Provisions indicated in Exhibit C to this Facilities Lease.

**19.4** The District shall notify the Developer of which course of action it desires to take within thirty (30) days after the occurrence of the destruction or damage. The Net Proceeds of all insurance payable with respect to the Project shall be available to the District and shall be used to discharge the District's obligations under this Section.

## **20. Access**

### **20.1 By Developer**

Developer shall have the right at all reasonable times to enter upon the Project Site to construct the Project pursuant to this Facilities Lease. Following the acceptance of the Project by District, Developer may enter the Project at reasonable times with advance notice and arrangement with District for purposes of making any repairs required to be made by Developer.

### **20.2 By District**

The District shall have the right to enter upon the Project Site at all times. District shall comply with all safety precautions and procedures required by Developer.

## **21. Assignment, Subleasing**

### **21.1 Assignment and Subleasing by the District**

Any assignment or sublease by District shall be subject to all of the following conditions:

**21.1.1** This Facilities Lease and the obligation of the District to make the payments required pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C shall remain obligations of the District; and

- 21.1.2** The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to Developer a true and complete copy of any assignment or sublease.

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## **21.2 Assignment by Developer**

Developer may assign its right, title and interest in this Facilities Lease, in whole or in part to one or more assignees, only after the written consent of District, which District will not unreasonably withhold. No assignment shall be effective against the District unless and until the District has consented in writing. Notwithstanding anything to the contrary contained in this Facilities Lease, no consent from the District shall be required in connection with any assignment by Developer to a lender for purposes of financing the Project as long as there are not additional costs to the District.

## **22. Termination, Default And Suspension**

### **22.1 Termination; Lease Terminable Only As Set Forth Herein**

**22.1.1** Except as otherwise expressly provided in this Facilities Lease, this Facilities Lease shall not terminate, nor shall District have any right to terminate this Facilities Lease or be entitled to the abatement of any necessary payments pursuant to the Guaranteed Maximum Price Provisions in Exhibit C or any reduction thereof. The obligations hereunder of District shall not be otherwise affected by reason of any damage to or destruction of all or any part of the Project; the taking of the Project or any portion thereof by condemnation or otherwise; the prohibition, limitation or restriction of District's use of the Project; the interference with such use by any private person or contractor; the District's acquisition of the ownership of the Project (other than pursuant to an express provision of this Facilities Lease); any present or future law to the contrary notwithstanding. It is the intention of the Parties hereto that all necessary payments pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C shall continue to be payable in all events, and the obligations of the District hereunder shall continue unaffected unless the requirement to pay or perform the same shall be terminated or modified pursuant to an express provision of this Facilities Lease.

**22.1.2** Nothing contained herein shall be deemed a waiver by the District of any rights that it may have to bring a separate action with respect to any Event of Default by Developer hereunder or under any other agreement to recover the costs and expenses associated with that action. The District covenants and agrees that it will remain obligated under this Facilities Lease in accordance with its terms.

**22.1.3** Following completion of the Project, the District will not take any action to terminate, rescind or avoid this Facilities Lease, notwithstanding the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding-up or other proceeding affecting Developer or any assignee of Developer in any such proceeding, and notwithstanding any action with respect to this Facilities Lease which may be taken by any trustee



or receiver of Developer or of any assignee of Developer in any such proceeding or by any court in any such proceeding. Following completion of the Project, except as otherwise expressly provided in this Facilities Lease, District waives all rights now or hereafter conferred by law to quit, terminate or surrender this Facilities Lease or the Project or any part thereof.

- 22.1.4** District acknowledges that Developer may assign an interest in some or all of the necessary payments pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C to a lender in order to obtain financing for the cost of constructing the Project and that the lender may rely on the foregoing covenants and provisions in connection with such financing.

## **22.2 District's Right to Terminate Developer for Cause**

### **22.2.1 Grounds for Termination**

The District, in its sole discretion, without prejudice to any other right or remedy, may terminate the Site Lease and Facilities Lease and/or terminate the Developer's right to perform the work of the Facilities Lease based upon any of the following:

- 22.2.1.1** Developer refuses or fails to execute the Work or any separable part thereof; or
- 22.2.1.2** Developer fails to complete said Work within the time specified or any extension thereof; or
- 22.2.1.3** Developer persistently fails or refused to perform Work or provide material of sufficient quality as to be in compliance with the Facilities Lease; or
- 22.2.1.4** Prior to completion of the Project, Developer is adjudged a bankrupt, files a petition for relief as a debtor, or a petition is filed against the Developer without its consent, and the petition not dismissed within sixty (60) days; or
- 22.2.1.5** Prior to the completion of the Project, Developer makes a general assignment for the benefit of its creditors, or a receiver is appointed on account of its insolvency; or
- 22.2.1.6** Developer persistently or repeatedly refuses and/or fails, except in cases for which extension of time is provided, to supply enough properly skilled workers or proper materials to complete the Work in the time specified; or
- 22.2.1.7** Developer fails to make prompt payment to Subcontractors, or for material, or for labor; or

- 22.2.1.8** Developer persistently disregards laws, or ordinances, or instructions of District as indicated in **Exhibit D**, or otherwise in violation of **Exhibit D**; or
- 22.2.1.9** Developer fails to supply labor, including that of Subcontractors, that is sufficient to prosecute the Work or that can work in harmony with all other elements of labor employed or to be employed on the Work; or
- 22.2.1.10** Developer or its Subcontractor(s) is/are otherwise in breach, default, or in substantial violation of any provision of this Facilities Lease, including but not limited to a lapse in licensing or registration.

## **22.2.2 Notification of Termination**

- 22.2.2.1** Upon the occurrence at District's sole determination of any of the above conditions, or upon Developer's failure to perform any material covenant, condition or agreement in this Facilities Lease, District may, without prejudice to any other right or remedy, serve written notice upon Developer and its Surety of District's termination of this Facilities Lease and/or the Developer's right to perform the work of this Facilities Lease. This notice will contain the reasons for termination.
  - 22.2.2.1.1** Unless, within fifteen (15) days after the service of the notice, any and all condition(s) shall cease, and any and all violation(s) shall cease, or arrangement satisfactory to District for the correction of the condition(s) and/or violation(s) be made, this Facilities Lease and the Site Lease shall cease and terminate.
  - 22.2.2.1.2** If the failure stated in the notice cannot be corrected within fifteen (15) days after the service of notice, District may consent to an extension of time, provided Developer instituted and diligently pursued corrective action within the applicable fifteen (15)-day period and until the violation is corrected. Upon District determination, Developer shall not be entitled to receive any further payment until the entire Work is finished.
- 22.2.2.2** Upon Termination, District may immediately serve written notice of tender upon Surety whereby Surety shall have the right to take over and perform this Facilities Lease only if Surety:



**22.2.3.3** Developer shall, only if ordered to do so by the District, immediately remove from the Site all or any materials and personal property belonging to Developer that have not been incorporated in the construction of the Work, or which are not in place in the Work. The District retains the right, but not the obligation, to keep and use any materials and personal property belonging to Developer that have not been incorporated in the construction of the Work, or which are not in place in the Work. The Developer and its Surety shall be liable upon the performance bond for all damages caused the District by reason of the Developer's failure to complete the Work under this Facilities Lease.

**22.2.3.4** In the event that the District shall perform any portion of, or the whole of the Work, pursuant to the provisions of the General Conditions, the District shall not be liable nor account to the Developer in any way for the time within which, or the manner in which, the Work is performed by the District or for any changes the District may make in the Work or for the money expended by the District in satisfying claims and/or suits and/or other obligations in connection with the Work.

**22.2.3.5** In the event that the Site Lease and Facilities Lease are terminated for any reason, no allowances or compensation will be granted for the loss of any anticipated profit by the Developer or any impact or impairment of Developer's bonding capacity.

**22.2.3.6** If the expense to the District to finish the Work exceeds the unpaid Guaranteed Maximum Price, Developer and Surety shall pay difference to District within twenty-one (21) days of District's request. District may apply any amounts otherwise due to Developer to this difference.

**22.2.3.7** The District shall have the right (but shall have no obligation) to assume and/or assign to a replacement contractor or construction manager, or other third party who is qualified and has sufficient resources to complete the Work, the rights of the Developer under its subcontracts with any or all Subcontractors. In the event of an assumption or assignment by the District, no Subcontractor shall have any claim against the District or third party for Work performed by Subcontractor or other matters arising prior to termination of the Facilities Lease. The District or any third party, as the case may be, shall be liable only for obligations to the Subcontractor arising after assumption or assignment. Should the District so elect, the Developer shall execute and deliver all documents and take all steps, including the legal assignment of its contractual rights, as the District may require, for the purpose of fully vesting in

the District the rights and benefits of its Subcontractors under Subcontracts or other obligations or commitments. Developer must include this assignment provision in all of its Facilities Leases with its Subcontractors.

**22.2.3.8** All payments due the Developer hereunder shall be subject to a right of offset by the District for expenses, damages, losses, costs, claims, or reimbursements suffered by, or due to, the District as a result of any default, acts, or omissions of the Developer.

**22.2.3.9** The foregoing provisions are in addition to and not in limitation of any other rights or remedies available to District.

### **22.3 Termination of Developer for Convenience**

**22.3.1** District in its sole discretion may terminate the Facilities Lease upon five (5) days written notice to the Developer. Under a termination for convenience, the District retains the right to all the options available to the District if there is a termination for cause. In case of a termination for convenience, the Developer shall have no claims against the District except:

**22.3.1.1** The actual cost for labor, materials, and services performed, plus Developer's Fee (five percent (5%) that is unpaid and adequately documented through timesheets, invoices, receipts, or otherwise; and

**22.3.1.2** Ten percent (10%) of the value of the work yet to be performed. This ten percent (10%) amount shall be full compensation for all Developer's and its Subcontractor(s)' mobilization and/or demobilization costs and any anticipated lost profits resulting from termination of the Developer for convenience.

### **22.4 Developer Remedies Upon District Default**

#### **22.4.1 Events of Default by District Defined**

The following shall be "Events of Default" of the District under this Facilities Lease. The terms "Event of Default" and "Default," whenever they are used as to the District in the Site Lease or this Facilities Lease, shall only mean one or more of the following events:

**22.4.1.1** Failure by the District to pay payments required pursuant to the Guaranteed Maximum Price Provisions in Exhibit C, and the continuation of this failure for a period of forty-five (45) days.

**22.4.1.2** Failure by the District to perform any material covenant, condition or agreement in this Facilities Lease and that failure continues for a period of forty-five (45) days after Developer provides District with written notice specifying that failure and requesting that the failure be remedied; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Developer shall not withhold its consent to an extension of time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

#### **22.4.2 Remedies on District's Default**

If there has been an Event of Default on the District's part, the Developer may exercise any and all remedies granted pursuant to this Facilities Lease; provided, however, there shall be no right under any circumstances to accelerate any of the payments required pursuant to the Guaranteed Maximum Price Provisions in **Exhibit C** or otherwise declare those payments not then past due to be immediately due and payable.

**22.4.2.1** Developer may rescind its leaseback of the Project Site to the District under this Facilities Lease and re-rent the Project Site to another lessee for the remaining Term for no less than the fair market value for leasing the Project Site, which shall be:

**22.4.2.1.1** An amount determined by a mutually-agreed upon appraiser; or

**22.4.2.1.2** If an appraiser cannot be agreed to, an amount equal to the mean between a District appraisal and a Developer appraisal for the Project Site, both prepared by MAI-certified appraisers.

**22.4.2.2** District's obligation to make the payments required pursuant to the Guaranteed Maximum Price Provisions indicated in Exhibit C shall be:

**22.4.2.2.1** Increased by the amount of costs, expenses, and damages incurred by the Developer in re-renting the Project Site; and

**22.4.2.2.2** Decreased by the amount of rent Developer receives in re-letting the Project Site.

**22.4.2.3** The District agrees that the terms of this Facilities Lease constitute full and sufficient notice of the right of Developer to re-rent the Project Site in the Event of

Default without effecting a surrender of this Facilities Lease, and further agrees that no acts of Developer in re-renting as permitted herein shall constitute a surrender or termination of this Facilities Lease, but that, on the contrary, in the event of an Event of Default by the District the right to re-rent the Project Site shall vest in Developer as indicated herein.

#### **22.4.3 District's Continuing Obligation**

Unless there has been damage, destruction, a Taking, or the Developer has acted, failed to act, or is in default as indicated above providing District with the right to terminate for cause, the District shall continue to remain liable for the payments required pursuant to the Guaranteed Maximum Price Provisions in **Exhibit C** and those amounts shall be payable to Developer at the time and in the manner therein provided.

#### **22.4.4 No Remedy Exclusive**

No remedy herein conferred upon or reserved to Developer is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Developer to exercise any remedy reserved to it in this article, it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

### **22.5 Suspension of Work**

**22.5.1** District in its sole discretion may suspend, delay or interrupt the Work in whole or in part for such period of time as the District may determine upon three (3) days written notice to the Developer.

**22.5.1.1** An adjustment may be made for changes in the cost of performance of the Work caused by any suspension, delay or interruption. No adjustment shall be made to the extent:

**22.5.1.1.1** That performance is, was or would have been so suspended, delayed or interrupted by another cause for which Developer is responsible; or

**22.5.1.1.2** That an equitable adjustment is made or denied under another provision of the Site Lease or the Facilities Lease; or

**22.5.1.1.3** That the suspension of Work was the direct or indirect result of Developer's failure to perform any of its obligations hereunder.

**22.5.1.2** Any adjustments in cost of performance may have a fixed or percentage fee as provided in the section on Format for Proposed Change Order in Exhibit D. This amount shall be full compensation for all Developer's and its Subcontractor(s)' changes in the cost of performance of the Facilities Lease caused by any such suspension, delay or interruption.

## **23. Notices**

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received five (5) days after deposit in the United States mail in registered or certified form with postage fully prepaid or one (1) business day after deposit with an overnight delivery service with proof of actual delivery:

### **If to District:**

San Rafael City Schools  
310 Nova Albion Way  
San Rafael, CA 94903  
Attn: Dr. Daniel Zaich, Senior Director  
Capital Facilities Department

### **If to Developer:**

Jeff Luchetti Construction, Inc.  
70 Stony Point Rd.  
Santa Rosa, CA 95401  
Attn: Jeff Luchetti, President

### **With a copy to:**

Lauren M. Charneski, Esq.  
Dannis Woliver Kelley  
275 Battery Street, Suite 1150  
San Francisco, CA 94111

The Developer and the District, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

## **24. Binding Effect**

This Facilities Lease shall inure to the benefit of and shall be binding upon Developer and the District and their respective successors, transferees and assigns.

## **25. No Additional Waiver Implied by One Waiver**

In the event any agreement contained in this Facilities Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## **26. Severability**

In the event any provision of this Facilities Lease shall be held invalid or unenforceable by any court of competent jurisdiction, that holding shall not invalidate or render unenforceable



any other provision hereof, unless elimination of the invalid provision materially alters the rights and obligations embodied in this Facilities Lease or the Site Lease.

**27. Amendments, Changes and Modifications**

Except as to the termination rights of both Parties as indicated herein, this Facilities Lease may not be amended, changed, modified, altered or terminated without the written agreement of both Parties hereto.

**28. Net-Net-Net Lease**

This Facilities Lease shall be deemed and construed to be a "net-net-net lease" and the District hereby agrees that all payments it makes pursuant to the Guaranteed Maximum Price Provisions in **Exhibit C** shall be an absolute net return to Developer, free and clear of any expenses, charges or set-offs.

**29. Execution in Counterparts**

This Facilities Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

**30. Developer and District Representatives**

Whenever under the provisions of this Facilities Lease the approval of Developer or the District is required, or Developer or the District is required to take some action at the request of the other, the approval or request shall be given for Developer by Developer's Representative and for the District by the District's Representative, and any party hereto shall be authorized to rely upon any such approval or request.

**31. Applicable Law**

This Facilities Lease shall be governed by and construed in accordance with the laws of the State of California, and venued in the County within which the School Site is located.

**32. Attorney's Fees**

If either party brings an action or proceeding involving the Property or to enforce the terms of this Facilities Lease or to declare rights hereunder, each party shall bear the cost of its own attorneys' fees.

**33. Captions**

The captions or headings in this Facilities Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Facilities Lease.

**34. Prior Agreements**

This Facilities Lease and the corresponding Site Lease collectively contain all of the agreements of the Parties hereto with respect to any matter covered or mentioned in this Facilities Lease and no prior agreements or understanding pertaining to any matter shall be effective for any purpose.

**35. Further Assurances**

Parties shall promptly execute and deliver all documents and instruments reasonably requested to give effect to the provisions of this Facilities Lease.

**36. Recitals and Exhibits Incorporated**

The Recitals set forth at the beginning of this Facilities Lease and the attached Exhibits are hereby incorporated into its terms and provisions by this reference.

**37. Time of the Essence**

Time is of the essence with respect to each of the terms, covenants, and conditions of this Facilities Lease.

**38. Force Majeure**

A party shall be excused from the performance of any obligation imposed in this Facilities Lease and the exhibits hereto for any period and to the extent that a party is prevented from performing that obligation, in whole or in part, as a result of delays caused by the other party or third parties, a governmental agency or entity, an act of God, war, terrorism, civil disturbance, forces of nature, fire, flood, earthquake, strikes or lockouts, and that non-performance will not be a default hereunder or a grounds for termination of this Facilities Lease.

**39. Interpretation**

None of the Parties hereto, nor their respective counsel, shall be deemed the drafters of this Facilities Lease for purposes of construing the provisions thereof. The language in all parts of this Facilities Lease shall in all cases be construed according to its fair meaning, not strictly for or against any of the Parties hereto.

**IN WITNESS WHEREOF**, the Parties have caused this Facilities Lease to be executed by their respective officers who are duly authorized, as of the Effective Date.

**ACCEPTED AND AGREED** on the date indicated below:

Dated: \_\_\_\_\_, 2018

Dated: January 31, 2018

San Rafael City Schools

Jeff Luchetti Construction, Inc.

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

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

Name: Michael Wattenpaugh

Name: Jeff Luchetti

Title: Superintendent

Title: President