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**SAN PABLO OVERSIGHT BOARD SPECIAL MEETING AGENDA**  
**(Oversight Board of the Local Successor Agency  
Of the City of San Pablo)**

**MONDAY, JULY 31, 2017**  
**12:00 NOON**

**13831 San Pablo Avenue  
Council Chambers  
San Pablo, CA 94806**

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- VACANT, County Board of Supervisor Appointment
- Rita Xavier, Contra Costa County Fire Protection District Appointment
- McKinley Williams, County Board of Supervisor Public Appointment
- John Hild, WCCUSD; County Superintendent Appointment
- Mariles Magalong, Contra Costa College District Appointment
- Genoveva Calloway, City of San Pablo
- Bradley Ward, City of San Pablo, Former RDA Employee Appointment

***Note:** Copies of the agenda are available for inspection in the City Clerk's Office, City Hall, 13831 San Pablo Avenue, Building #1, San Pablo, during regular business hours – 7:30 am to 6:00 pm, Monday through Thursday. The complete agenda packets are also available for viewing, downloading and printing on the City of San Pablo Website at [www.SanPabloCA.gov](http://www.SanPabloCA.gov).*

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**CALL TO ORDER/ PLEDGE OF ALLEGIANCE / ROLL CALL**

**PUBLIC COMMENT**

The public is encouraged to address the Oversight Board on any matter listed on the agenda or any other matter within its jurisdiction subject to the rules of decorum to be described and acted on by the Board. If you wish to address the Board, please complete the Speaker Form provided at the speaker's podium and hand it to the Clerk. The Board will hear public comment on items listed on the agenda during discussion of the matter and prior to a vote.

## **CONSENT ITEMS**

All matters listed in the Consent Items section will be considered routine by the Board and will be enacted by one motion. The disposition of the item is indicated, and there will be no separate discussion of these items. If discussion is requested, that item will be removed from the section entitled Consent Items and will be considered separately.

## **MINUTES:**

2. Minutes of the meetings of October 17, 2016 and January 23, 2017.  
**Recommended Action: Approve**

**\*\*\*END OF CONSENT CALENDAR\*\*\***

## **ITEMS FOR BOARD CONSIDERATION/ACTION:**

3. Resolution adopting an Investment Policy for FY2017-18.  
**Recommended Action: Adopt Resolution**
  
4. Resolution approving and authorizing execution of a Commercial Lease Agreement between the San Pablo Local Successor Agency and German Gaytan and Jacqueline Romero for their lease of space at 14501 San Pablo Avenue, Suite C.  
**Recommended Action: Adopt Resolution**

## **ADJOURNMENT**

**SAN PABLO OVERSIGHT BOARD**  
**(to the Successor Agency of the Redevelopment Agency of the City of San Pablo)**  
**MINUTES OF THE SPECIAL MEETING OF OCTOBER 17, 2016**

**CALL TO ORDER/ PLEDGE OF ALLEGIANCE/ ROLL CALL**

The special meeting of the Oversight Board of the City of San Pablo as Local Successor Agency to the Redevelopment Agency ("Oversight Board") commenced at 12:02 pm. Present were Chair Cecilia Valdez, Vice Chair Bradley Ward and Directors Rita Xavier, John Hild, and Mariles Magalong. Absent was Director McKinley Williams. Also present were City Manager Matt Rodriguez, Assistant City Manager Reina Schwartz, Assistant to the City Manager/Economic Development Charles Ching, and Clerk of the Board Lehny Corbin.

**CEREMONIAL MATTERS**

1. John Hild was introduced as the new County Superintendent appointee and took the Oath of Office. Mr. Hild was appointed in place and stead of former director Ofelia Roxas.

**PUBLIC COMMENTS**

There were no speakers.

**CONSENT ITEMS**

**MINUTES**

2. It was moved by Vice Chair Ward, seconded by Director Xavier, and passed by vote of those present, to approve the Minutes of the meeting of August 3, 2016. The motion passed as follows:

AYES: Xavier, Magalong, Ward and Valdez  
NOES: None  
ABSENT: Williams  
ABSTAIN: Hild

\* \* \* END OF CONSENT ITEMS \* \* \*

**ITEMS FOR BOARD CONSIDERATION/ACTION:**

3. City Manager Rodriguez introduced the item and provided a brief background status of the subject properties. Vice Chair Ward inquired and Assistant to the City Manager/Economic Development Ching responded that the properties on 23<sup>rd</sup> Street and Powell Street were zoned commercial mixed-use and are appropriate for use as a fire station. It was moved by Vice Chair Ward, seconded by Director Xavier, and unanimously passed adopt **Resolution OB2016-004**, a Resolution of the Oversight Board of the San Pablo Local Successor Agency approving the sale of certain real properties located at 1411 Rumrill Boulevard, 1800 23<sup>rd</sup> Street and 1821 Powell Street by the Local Successor Agency to the City of San Pablo for public use. The motion passed as follows:

AYES: Xavier, Hild, Magalong, Ward and Valdez  
NOES: None  
ABSENT: Williams  
ABSTAIN: None

**ADJOURNMENT**

The meeting adjourned at 12:11 pm.

Respectfully submitted,

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Lehny M. Corbin, Clerk of the Board

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Cecilia Valdez, Chair

DRAFT

**SAN PABLO OVERSIGHT BOARD**  
**(to the Successor Agency of the Redevelopment Agency of the City of San Pablo)**  
**MINUTES OF THE SPECIAL MEETING OF JANUARY 23, 2017**

**CALL TO ORDER/ PLEDGE OF ALLEGIANCE/ ROLL CALL**

The special meeting of the Oversight Board of the City of San Pablo as Local Successor Agency to the Redevelopment Agency ("Oversight Board") commenced at 12:02 pm. Present were Directors Rita Xavier, John Hild and Mariles Magalong. Absent were Vice Chair Bradley Ward and Director McKinley Williams. Also present were City Manager Matt Rodriguez, Assistant City Manager Reina Schwartz, Finance Director Kelly Sessions, Assistant to the City Manager/Economic Development Charles Ching, and Clerk of the Board Lehny Corbin.

**CEREMONIAL MATTER**

1. Genoveva Calloway was introduced as the new City of San Pablo appointee and took the Oath of Office. Director Calloway was appointed in place and stead of former Chair Cecilia Valdez

**CONSENT ITEMS**

**MINUTES:**

2. By motion of Director Calloway, seconded by Director Xavier, the Minutes of October 17, 2016 was continued for consideration and approval to the next scheduled meeting. The motion passed as follows:  
AYES: Xavier, Hild, Calloway and Magalong  
NOES: None  
ABSENT: Ward and Williams

**\*\*\*END OF CONSENT CALENDAR\*\*\***

**ITEMS FOR BOARD CONSIDERATION/ACTION:**

3. Oversight Board Reorganization for CY 2017  
Board Clerk Corbin announced the vacancies of the Chair and Vice Chair positions. By motion of Director Xavier, seconded by Director Calloway, and passed by vote of those present, Bradley Ward was appointed as Chair on the Oversight Board for CY 2017.

By motion of Director Magalong, seconded by Director Calloway, and passed by vote of those present, Rita Xavier was appointed as Vice Chair on the Oversight Board for CY 2017.

The motions passed as follows:

AYES: Xavier, Hild, Calloway and Magalong  
NOES: None  
ABSENT: Ward and Williams

Vice Chair Xavier chaired the remainder of the meeting.

4. Finance Director Sessions provided an overview of the proposed Recognized Obligations Payment Schedule. Director Magalong inquired about the frequency and preparation of audits performed by Maze & Associates and the Long Range Property Management Plan. By motion of Director Calloway, seconded by Director Hild, and passed by vote of those present, **Resolution OB2017-001** was adopted, a Resolution approving the Administrative Budget and adopting the Recognized Obligations Payment Schedule for Fiscal Year 2017-18 (“ROPS 17-18”).

**ADJOURNMENT**

The meeting adjourned at 12:19 pm.

Respectfully submitted,

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Lehny M. Corbin, Clerk of the Board

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Rita Xavier, Chair

# OVERSIGHT BOARD REPORT



**DATE:** JULY 31, 2017  
**TO:** SAN PABLO OVERSIGHT BOARD  
**FROM:** MATT RODRIGUEZ, EXECUTIVE DIRECTOR  
KELLY SESSIONS, FINANCE DIRECTOR  
**SUBJECT:** RESOLUTION OF THE OVERSIGHT BOARD OF THE SAN PABLO LOCAL SUCCESSOR AGENCY ADOPTING AN INVESTMENT POLICY FOR FY 2017/18

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## RECOMMENDATION

The Executive Director recommends adoption of said Resolution.

## BACKGROUND

Government Code Section 53646 allows the Treasurer or Chief Financial Officer to render annually to the Local Successor Agency (LSA) Board of Directors a statement of investment policy, and requires that any change in the policy be considered at a public meeting. The Investment Policy was last considered and approved by the LSA Directors on June 5, 2017 (Resolution LSA2017-002). This action is to present the updated Investment Policy to the Oversight Board for ratification.

In compliance with this Government Code section and following the recommendations from Insight Investment (formerly known as Cutwater), the City's/LSA's investment advisor, Staff proposes approval of the FY 2017/18 Investment Policy including the following update:

- Remove the reference to having authority to invest only in securities and obligations authorized in the applicable California statutes, and replace it with the authority to invest only in United States Treasury securities, United States Agency securities and United States Instrumentality securities.

The reason for this change is that the Securities and Exchange Commission (SEC) increased restrictions for Money Market funds that claim to have a stable net asset value (NAV). In the last recession, some money market funds that had corporate exposure had the NAV's drop below one dollar per share because of some losses in commercial paper. Therefore, the SEC decided that if money market managers were going to claim a stable net asset value of one dollar per share, then they could only use government securities. The government securities are not subject to large changes in value, which helps ensure their stability. Most governments only invest in stable value funds now, but the California Government Code has not caught up with the change, leading to the recommendation of the City's investment advisor and staff to include the more restrictive language in the policy.

Insight Investment has opined that the proposed revisions to the LSA Investment Policy are consistent with the restrictions in the California Government Code and the City's/LSA's overall investment objectives of:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.

Budget, Fiscal & Legislative Standing (Standing) Committee

On May 24, 2017, the Standing Committee (Kinney/Valdez) reviewed the changes to the Investment Policy as proposed by Staff, and recommended these changes to be approved by the Local Successor Agency Directors.

**FISCAL IMPACT**

There is no direct fiscal impact as a result of this action, although the City Council / LSA Directors can assume that these changes will enhance each entity's fiscal stability.

Attachment: FY 2017/18 Investment Policy (Proposed)

**RESOLUTION OB2017-###**

**RESOLUTION OF THE OVERSIGHT BOARD TO THE LOCAL SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO ADOPTING AN INVESTMENT POLICY FOR FISCAL YEAR 2017/18**

WHEREAS, Government Code Section 53646 states that the Treasurer or Chief Financial Officer may annually render to the Local Successor Agency (Agency) a statement of investment policy;

WHEREAS, if so rendered and if there are changes to the policy, the policy is required to be reviewed and approved at a public meeting;

WHEREAS, best management practices dictate that the Agency continue to review and approve its Investment Policy annually;

WHEREAS, the Agency's Investment Policy was last reviewed and approved on June 6, 2016 for Fiscal Year 2016/17;

WHEREAS, Staff has reviewed and updated the FY 2017/18 Investment Policy following recommendations of the Agency's investment advisor, which are consistent with the restrictions in the California Government Code and the Agency's overall investment objectives of:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks; and

WHEREAS, the FY 2017/18 Investment Policy will supersede the policy adopted on June 6, 2016 (Resolution LSA2016-004).

NOW, THEREFORE, BE IT RESOLVED that the attached Investment Policy is approved and adopted, and supersedes the Investment Policy approved by Resolution LSA2017-002.

BE IT FURTHER RESOLVED that the foregoing recitations are true and correct, and are included herein by reference as findings.

\*\*\*\*\*

PASSED AND ADOPTED this 31<sup>st</sup> day of July, 2017, by the following vote:

AYES:           DIRECTORS:  
NOES:           DIRECTORS:  
ABSENT:        DIRECTORS:  
ABSTAIN:       DIRECTORS:

ATTEST:

APPROVED:

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Lehny M. Corbin, Clerk of the Board

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Bradley Ward, Chair

# **Investment Policy for the City of San Pablo and Successor Agency to the Redevelopment Agency Of the City of San Pablo**

The City of San Pablo, California is located in West Contra Costa County just minutes from the San Francisco, Berkeley, and Oakland Bay Area. Historically one of the oldest Spanish settlements in the region, San Pablo has become a thriving residential and business community with a population of about 30,000 in an area of approximately 2.6 square miles.

The City Council has adopted this Investment Policy (the Policy) in order to establish the investment scope, objectives, delegation of authority, standards of prudence, reporting requirements, internal controls, eligible investments and transactions, diversification requirements, risk tolerance, and safekeeping and custodial procedures for the investment of the funds of the City of San Pablo (the City) and the Successor Agency to the Redevelopment Agency of the City of San Pablo (the Agency). All City and Agency funds will be invested in accordance with this Policy and with applicable sections of the California Government Code.

This Policy was endorsed and adopted by the City Council on June 5, 2017. It replaces any previous investment policy or investment procedures of the City or the Agency.

## **SCOPE**

The provisions of this Policy shall apply to all financial assets of the City and the Agency as accounted for in the City and Agency's Comprehensive Annual Financial Report. These financial assets include the following:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Debt Service Funds
- Trust and Agency Funds
- Any new fund created by the legislative body, unless specifically exempted.

Assets excluded from this Policy include the City's Deferred Compensation Plan, OPEB Trust funds, and proceeds of debt issuances. The City's Deferred Compensation Plan is excluded because it is managed by a third party administrator and the investments are determined by the individual plan participants. Proceeds of debt issuances shall be invested in accordance with the investment objectives of this Policy, however, such proceeds are generally invested in accordance with permitted investment provisions of their specific bond indentures.

All cash shall be pooled for investment purposes. The investment income derived from the pooled investment account shall be allocated to the contributing funds based upon the proportion of the respective average balances relative to the total pooled balance. Investment income shall be distributed to the individual funds not less than annually.

## **OBJECTIVES**

The City's and Agency's funds shall be invested in accordance with all applicable City and Agency policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives, which are listed in priority order:

1. Preservation of capital and protection of investment principal.
2. Maintenance of sufficient liquidity to meet anticipated cash flows.
3. Attainment of a market rate of return.
4. Diversification to avoid incurring unreasonable market risks.

## **DELEGATION OF AUTHORITY**

The management responsibility for this investment program is delegated annually by the City Council to the Treasurer, as provided for in California Government Code Section 53607. The City and Agency's Treasurer has further delegated the daily authority of the investment program to the Finance Director, hereinafter referred to as the Investment Officer. The Finance Director may delegate the authority to conduct investment transactions and to manage the operation of the investment portfolio(s) to other specifically authorized staff members. No person may engage in an investment transaction except as expressly provided under the terms of this Policy.

The Investment Officer shall develop administrative procedures and internal controls, consistent with this Policy, for the operation of the investment program. Such procedures shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the City or Agency.

The City and Agency may engage the support services of outside investment advisors with respect to its investment program, so long as it can be demonstrated that these services produce a net financial advantage or necessary financial protection of the City's and Agency's financial resources.

## **PRUDENCE**

The standard of prudence to be used by investment officials for managing the investment program is California Government Code Section 53600.3, the prudent investor standard, which states that "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The City and Agency recognize that no investment is totally without risk and that the investment activities of the City and the Agency are a matter of public record. Accordingly, the City and the Agency recognize that occasional measured losses may occur in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of the portfolio(s).

The Investment Officer and authorized investment personnel acting in accordance with established procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion to the City Council and appropriate action is taken to control adverse developments.

### **ETHICS AND CONFLICTS OF INTEREST**

Elected officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or could impair or create the appearance of an impairment of their ability to make impartial investment decisions. Employees and investment officials shall subordinate their personal investment transactions to those of the City or the Agency. In addition, City Council members, the City Manager, and the Investment Officer shall file a Statement of Economic Interests each year as required by California Government Code Section 87203 and regulations of the Fair Political Practices Commission.

### **AUTHORIZED SECURITIES AND TRANSACTIONS**

All investments and deposits of the City or the Agency shall be made in accordance with California Government Code Sections 16429.1, 53600-53609 and 53630-53686. Any revisions or extensions of these code sections will be assumed to be part of this Policy immediately upon being enacted.

The City and the Agency have further restricted the eligible types of securities and transactions as follows:

1. United States Treasury bills, notes or bonds with a final maturity not exceeding five years from the date of trade settlement.
2. Federal Instrumentality (government sponsored enterprise) debentures, discount notes, callable and step-up securities, and mortgage-backed securities with a final maturity not exceeding five years from the date of trade settlement.
3. Federal Agency mortgage-backed securities and debentures with a final maturity not exceeding five years from the date of trade settlement. The aggregate investment in mortgage-backed securities shall not exceed 20% of the portfolio.

4. Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States, with a final maturity not exceeding five years from the date of trade settlement, and rated at least "A" or the equivalent by a Nationally Recognized Statistical Ratings Organization (NRSRO). The aggregate investment in medium-term notes shall not exceed 30% of the City's or the Agency's total portfolio, and no more than 5% of the portfolio may be invested in any single issuer.

Securities that have been downgraded to a level that is below the minimum ratings described herein may be sold or held at the City's discretion. The portfolio will be brought back into compliance with Investment Policy guidelines as soon as is practical.

5. Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposits are subject to the limitations of Section 53601(i), shall be fully insured by the FDIC with a corresponding FDIC certification number, and shall be delivered through the Depository Trust Company. Such deposits shall have a maturity not exceeding five years from the date of trade settlement.

Non-Negotiable certificates of deposit issued by a nationally or state-chartered bank, or by a federally licensed or state-licensed branch of a foreign bank. Purchases of non-negotiable certificates of deposits are subject to the limitations of Sections 53601(n) and 53638 and shall be fully insured by the FDIC with a corresponding FDIC certification number. Such deposits shall have a maturity not exceeding five years from the date of trade settlement.

Private sector entities may be used to place certificates of deposit subject to the limitations of Sections 53601.8.

The aggregate investment in certificates of deposit shall not exceed 30% of the portfolio and no more than 5% of the portfolio may be invested in any single issuer.

6. Prime Commercial Paper with a maturity not exceeding 270 days from the date of trade settlement with the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either sub-paragraph A. or sub-paragraph B. below:

- A. The entity shall (1) be organized and operating in the United States as a general corporation, (2) have total assets in excess of \$500,000,000 and (3) have debt other than commercial paper, if any, that is rated at least A or the equivalent by a NRSRO.

- B. The entity shall (1) be organized within the United States as a special purpose corporation, trust, or limited liability company, (2) have program wide credit enhancements, including, but not limited to, over collateralization, letters of credit or surety bond and (3) have commercial paper that is rated at least A-1 or the equivalent by a NRSRO.

No more than 5% of the City's or Agency's total portfolio shall be invested in the commercial paper of any one issuer, and the aggregate investment in commercial paper shall not exceed 25% of the City's or the Agency's total portfolio.

7. Eligible Banker's Acceptances with a maturity not exceeding 180 days from the date of trade settlement, drawn on and accepted by a commercial bank whose senior long-term debt is rated at least A or the equivalent by a NRSRO at the time of purchase. Banker's Acceptances shall be rated at least A-1, P-1 or the equivalent at the time of purchase by a NRSRO. If the bank has senior debt outstanding, it must be rated at least A or the equivalent by a NRSRO. The aggregate investment in banker's acceptances shall not exceed 30% of the City's or Agency's total portfolio, and no more than 5% of the City's or Agency's total portfolio shall be invested in banker's acceptances of any one bank.
8. Repurchase Agreements with a final termination date not exceeding 30 days collateralized by U.S. Treasury obligations or Federal Instrumentality securities listed in items 1 and 2 above with the maturity of the collateral not exceeding ten years. For the purpose of this section, the term collateral shall mean purchased securities under the terms of the City's or Agency's approved Master Repurchase Agreement. The purchased securities shall have a minimum market value including accrued interest of 102% of the dollar value of the funds borrowed. Collateral shall be held in the City's or Agency's custodian bank, as safekeeping agent, and the market value of the collateral securities shall be marked-to-the-market daily.

Repurchase Agreements shall be entered into only with broker/dealers and who are recognized as Primary Dealers with the Federal Reserve Bank of New York, or with firms that have a Primary Dealer within their holding company structure. Repurchase agreement counterparties shall execute a City or Agency approved Master Repurchase Agreement with the City. The Finance Director shall maintain a copy of the City's or Agency's approved Master Repurchase Agreement and a list of the broker/dealers who have executed same.

9. State of California's Local Agency Investment Fund (LAIF), pursuant to California Government Code Section 16429.1.
10. Money Market Funds registered under the Investment Company Act of 1940 that (1) are "no-load" (meaning no commission or fee shall be charged on purchases or sales of shares); (2) have a constant net asset value per share of \$1.00; (3) invest only in United States Treasury securities, United States Agency Securities and United States Instrumentality securities and (4) have a rating of at least AAAM or the equivalent by at least two NRSROs. The aggregate investment in money market funds shall not exceed 20% of the City's or the Agency's total portfolio, and no more than 10% of the portfolio may be invested in any one fund.

The foregoing list of authorized securities and transactions shall be strictly interpreted. Any deviation from this list must be preapproved by resolution of the City Council.

The City and the Agency shall avoid investing in entities that profited from the slave trade.

## **COLLATERALIZATION**

California Government Code 53652 requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's or Agency's cash on deposit or first trust deed mortgage notes with a value of 150% of the cash on deposit as collateral for those deposits. This collateral shall be held in a separate pool by another institution in the City's and Agency's name and places it ahead of general creditors of the institution.

## **INVESTMENT DIVERSIFICATION**

The City and the Agency shall diversify investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Nevertheless, the asset allocation in the investment portfolio should be flexible depending upon the outlook for the economy, the securities markets, and the City's and Agency's anticipated cash flow needs.

## **PORTFOLIO MATURITIES AND LIQUIDITY**

To the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. The City and the Agency shall not invest in securities maturing more than five years from the date of trade settlement, unless the City Council has, by resolution, granted authority to make such an investment at least three months prior to the date of investment. Notwithstanding the five year maturity limitation, the City Council grants its express authority per Government Code Section 53601 to invest in certain obligations with maturities extending beyond five years.

Due to the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio(s) should be continuously invested in readily available funds such as local government investment pools or money market funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

## **SELECTION OF BROKER/DEALERS**

The Investment Officer shall maintain a list of broker/dealers approved for investment purposes, and it shall be the policy of the City and the Agency to purchase securities only from those brokers and the firms they represent. Each approved broker/dealer must possess an authorizing certificate from the California Commissioner of Corporations as required by Section 25210 of the California Corporations Code.

To be eligible, a firm must meet at least one of the following criteria:

1. be recognized as Primary Dealers by the Federal Reserve Bank of New York or have a primary dealer within their holding company structure, or
2. report voluntarily to the Federal Reserve Bank of New York, or
3. qualify under Securities and Exchange Commission (SEC) Rule 15c3-1 (Uniform Net Capital Rule).

The City may engage the services of investment advisory firms to assist in the management of the Portfolio. Such investment advisors may utilize their own list of approved broker/dealers; however, the list shall comply with the criteria listed above and shall be provided to the City on an annual basis and upon request.

In the event that an external investment advisor is not used in the process of recommending a particular transaction in the portfolio(s), authorized broker/dealers shall submit and annually update a City and Agency approved Broker/Dealer Information Request form that includes the firm's most recent financial statements and proof of Financial Industry Regulatory Authority (FINRA) registration, state registration, and adequate insurance coverage, and attest in writing that they have received a copy of this Policy.

The City or the Agency may purchase commercial paper from direct issuers even though they are not on the approved broker/dealer list as long as they meet the criteria outlined in Item 6 of the Authorized Securities and Transactions section of this Policy.

### **COMPETITIVE TRANSACTIONS**

All investment transactions shall be conducted competitively with authorized broker/dealers. At least three broker/dealers shall be contacted for each transaction and their bid or offering prices shall be recorded.

If the City or Agency is offered a security for which there is no other readily available competitive offering, then the Investment Officer will document quotations for comparable or alternative securities.

### **SELECTION OF BANKS**

The Investment Officer shall maintain a list of FDIC insured banks approved to provide depository and other banking services for the City and Agency. To be eligible, a bank shall qualify as a depository of public funds in the State of California as defined in California Government Code Section 53630.5 and shall secure deposits in excess of FDIC insurance coverage in accordance with California Government Code Section 53652.

### **SAFEKEEPING AND CUSTODY**

The Investment Officer shall select one or more banks to provide safekeeping and custodial services for the City and the Agency. A Safekeeping Agreement approved by the Investment Officer shall be executed with each custodian bank prior to utilizing that bank's safekeeping services.

Custodian banks will be selected on the basis of their ability to provide services for the City's and Agency's account(s) and the competitive pricing of their safekeeping related services.

The purchase and sale of securities and repurchase agreement transactions shall be settled on a delivery versus payment basis. All securities shall be perfected in the name of the City

or the Agency. Sufficient evidence to title shall be consistent with modern investment, banking and commercial practices.

All investment securities purchased by the City or the Agency will be delivered by book entry and will be held in third-party safekeeping by a custodian bank approved by the Investment Officer, its correspondent bank or its Depository Trust Company (DTC) participant account.

All Fed wireable book entry securities owned by the City or the Agency shall be held in the Federal Reserve system in a customer account for the custodian bank which will name the City or Agency as "customer."

All DTC eligible securities shall be held in the custodian bank's DTC participant account and the custodian bank shall provide evidence that the securities are held for the City or the Agency as "customer."

### **PORTFOLIO PERFORMANCE**

The investment portfolio(s) shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities, and cash flow requirements. The performance of the City's and Agency's investments shall be compared to the average yield on the U.S. Treasury security that most closely corresponds to the portfolio's weighted average effective maturity. When comparing the performance of the portfolio(s), its rate of return will be computed net of all fees and expenses.

### **MARKING TO MARKET**

The market value of the portfolio(s) shall be calculated at least quarterly and a statement of this market value shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."

### **REPORTING**

At least quarterly, the Investment Officer shall submit to the City Council a report of the investment earnings and performance results of the investment program. The report shall include the following information:

1. Investment type, issuer, date of maturity, par value and dollar amount invested in all securities, and investments and monies held by the City or the Agency;
2. A description of the funds, investments and programs;
3. A market value as of the date of the report (or the most recent valuation as to assets not valued monthly) and the source of the valuation;
4. A statement of compliance with the investment policy or an explanation for non-compliance; and
5. A statement of the City's or the Agency's ability to meet expenditure requirements for six months, and an explanation of why money will not be available if that is the case.

## **POLICY REVIEW**

Any investment currently held that does not meet the guidelines of this Policy shall be exempted from these requirements. At maturity or liquidation, such monies shall be reinvested only as provided by this Policy.

This Policy and any Amendments to it shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, yield and diversification, and its relevance to current law and economic trends. Any changes to this Policy or its Amendments shall be approved by City Council resolution.

## GFOA's GLOSSARY OF CASH MANAGEMENT TERMS

**Accrued Interest** - The accumulated interest due on a bond as of the last interest payment made by the issuer.

**Agency** - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

**Amortization** - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**Average Life** - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**Basis Point** - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

**Bid** - The indicated price at which a buyer is willing to purchase a security or commodity.

**Book Value** - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

**Callable Bond** - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Call Price** - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**Call Risk** - The risk to a bondholder that a bond may be redeemed prior to maturity.

**Cash Sale/Purchase** - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

**Collateralization** - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

**Commercial Paper** - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**Convexity** - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**Coupon Rate** - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

**Credit Quality** - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

**Credit Risk** - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Current Yield (Current Return)** - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**Delivery Versus Payment (DVP)** - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

**Derivative Security** - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Discount** - The amount by which the par value of a security exceeds the price paid for the security.

**Diversification** - A process of investing assets among a range of security types by sector, maturity, and quality **rating**.

**Duration** - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**Fair Value** - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Federal Funds (Fed Funds)** - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**Federal Funds Rate** - Interest rate charged by one institution lending federal funds to the other.

**Government Securities** - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

**Interest Rate** - See "Coupon Rate."

**Interest Rate Risk** - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**Internal Controls** - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Inverted Yield Curve** - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

**Investment Company Act of 1940**- Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Policy** - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

**Investment-grade Obligations** - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

**Liquidity** - An asset that can be converted easily and quickly into cash.

**Local Government Investment Pool (LGIP)** - An investment by local governments in which their money is pooled as a method for managing local funds.

**Mark-to-market** - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**Market Risk** - The risk that the value of a security will rise or decline as a result of changes in market conditions.

**Market Value** - Current market price of a security.

**Maturity** - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

**Money Market Mutual Fund** - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

**Mutual Fund** - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

**Mutual Fund Statistical Services** - Companies that track and rate mutual funds, e.g., IBC/Donohue, Lipper Analytical Services, and Morningstar.

**National Association of Securities Dealers (NASD)** - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**Net Asset Value** - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.) 
$$\frac{[(\text{Total assets}) - (\text{Liabilities})]}{(\text{Number of shares outstanding})}$$

**No Load Fund** - A mutual fund which does not levy a sales charge on the purchase of its shares.

**Nominal Yield** - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

**Offer** - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

**Par** - Face value or principal value of a bond, typically \$1,000 per bond.

**Positive Yield Curve** - A chart formation that illustrates short-term securities having lower yields than long-term securities.

**Premium** - The amount by which the price paid for a security exceeds the security's par value.

**Prime Rate** - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**Principal** - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Prospectus** - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

**Prudent Person Rule** - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**Regular Way Delivery** - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

**Reinvestment Risk** - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

**Repurchase Agreement (repo or RP)** - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

**Reverse Repurchase Agreement (Reverse Repo)** - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

**Rule 2a-7 of the Investment Company Act** - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

**Safekeeping** - Holding of assets (e.g., securities) by a financial institution.

**Serial Bond** - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

**Sinking Fund** - Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**Swap** - Trading one asset for another.

**Term Bond** - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

**Total Return** - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

**Treasury Bills** - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

**Treasury Notes** - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

**Treasury Bonds** - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

**Uniform Net Capital Rule** - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

**Volatility** - A degree of fluctuation in the price and valuation of securities.

**"Volatility Risk" Rating** - A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("aaa" by S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "V-10" by Fitch).

**Weighted Average Maturity (WAM)** - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

**When Issued (WI)** - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

**Yield** - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

**Yield-to-call (YTC)** - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. **Yield Curve** - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

**Yield-to-maturity** - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

**Zero-coupon Securities** - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

*This glossary has been adapted from an article, entitled "Investment terms for everyday use," that appeared in the April 5, 1996, issue of Public Investor, GFOA's subscription investment newsletter.*

# OVERSIGHT BOARD REPORT



CITY OF SAN PABLO  
City of New Directions

DATE: JULY 31, 2017

TO: OVERSIGHT BOARD MEMBERS

FROM: MATT RODRIGUEZ, CITY MANAGER  
CHARLES CHING, ASSISTANT TO THE CITY MANAGER

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD TO THE LOCAL SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO APPROVING AND AUTHORIZING EXECUTION OF A COMMERCIAL LEASE AGREEMENT BETWEEN THE SAN PABLO LOCAL SUCCESSOR AGENCY AND GERMAN GAYTAN AND JACQUELINE ROMERO FOR THEIR LEASE OF SPACE AT 14501 SAN PABLO AVENUE, SUITE C

## RECOMMENDATION

Adopt Resolution

## BACKGROUND

The San Pablo Local Successor Agency ("LSA") is responsible for winding down the activities of the former Redevelopment Agency of the City of San Pablo (the "former Redevelopment Agency") pursuant to the requirements of Part 1.85 of Division 24 of the California Health and Safety Code (Health and Safety Code Section 34170 et seq.; the "Dissolution Act"). By operation of law under Section 34175(b) of the Dissolution Act, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Redevelopment Agency were transferred to the LSA on February 1, 2012.

Assembly Bill 1484 enacted in June of 2012 requires successor agencies to former redevelopment agencies to prepare a Long Range Property Management Plan ("LRPMP"). The LRPMP governs the disposition and use of property held by the former redevelopment agency. On June 12, 2014, the California Department of Finance ("DOF") approved the LSA's LRPMP.

Generally, new enforceable obligations may be created only for the purpose of conducting the work of winding down the redevelopment agency (H&SC Sec. 34177.3) including the disposition of property under the LRPMP and the maintenance of property until it can be sold.

The LSA owns a multi-suite retail building located at 14501 San Pablo Avenue ("Mission Plaza"). The LSA received a rental application for Suite C within Mission Plaza from German Gaytan and Jacqueline Romero to open a pet supply store. It is a new business for both partners but they have a family member that has similar type business which will provide them with startup connections and assistance. The partners have a substantial amount of cash saved for the start up. Both plan to continue operating their own businesses (tree service and mold remediation company) to continue to support the new business until it is profitable. The proposed lease is for one (1) year for \$1,700 month and \$1,700 deposit.

Mission Plaza property is identified as a property to be marketed by the LSA for the development of student housing or, if such a development is determined to be infeasible after three (3) years of negotiation, to be sold on the open market. For a commercial property like Mission Plaza, keeping the property leased up aids in the upkeep and maintenance of the property, as well as making it more attractive for sale. Authorizing the lease is within the parameters of an action to maintain property pending its ultimate disposition pursuant to the LRPMP.

Because a new lease creates a new enforceable obligation of the LSA, it must be approved by the Oversight Board. In addition, the action of the Oversight Board approving the new lease would need to be submitted to DOF and would be subject to potential review by DOF under H&SC Sec. 34179(h).

On July 17, 2017, the LSA adopted Resolution LSA2017-003 requesting the Oversight Board approve and authorize the execution of a Commercial Lease Agreement between the San Pablo Local Successor Agency and German Gaytan and Jacqueline Romero for their lease of space at 14501 San Pablo Avenue, Suite C.

#### Approval Procedure and Timeline

If the proposed resolution is approved by the Oversight Board, the action of the Oversight Board is subject to review by the Department of Finance, which has five business days to request a review after receiving notice of the Oversight Board's action. If the Department of Finance does not request a review within five business days, the Oversight Board's action is deemed approved. If the Department of Finance does request a review, it has from 40 to 100 days to review the action of the Oversight Board.

#### **FISCAL IMPACT**

This action would result in lease payments of \$20,400 over the initial term of the lease.

**RESOLUTION OB2017-###**

**RESOLUTION OF THE OVERSIGHT BOARD TO THE LOCAL SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF SAN PABLO APPROVING AND AUTHORIZING EXECUTION OF A COMMERCIAL LEASE AGREEMENT BETWEEN THE SAN PABLO LOCAL SUCCESSOR AGENCY AND GERMAN GAYTAN AND JACQUELINE ROMERO FOR THEIR LEASE OF SPACE AT 14501 SAN PABLO AVENUE, SUITE C**

WHEREAS, the San Pablo Local Successor Agency (“LSA”) is responsible for winding down the activities of the former Redevelopment Agency of the City of San Pablo (the “former Redevelopment Agency”) pursuant to the requirements of Part 1.85 of Division 24 of the California Health and Safety Code (Health and Safety Code Section 34170 *et seq.*; the “Dissolution Act”). By operation of law under Section 34175(b) of the Dissolution Act, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Redevelopment Agency were transferred to the LSA on February 1, 2012;

WHEREAS, assembly Bill 1484 enacted in June of 2012 requires successor agencies to former redevelopment agencies to prepare a Long Range Property Management Plan (“LRPMP”). The LRPMP governs the disposition and use of property held by the former redevelopment agency. On June 12, 2014, the California Department of Finance (“DOF”) approved the LSA’s LRPMP;

WHEREAS, new enforceable obligations may be created only for the purpose of conducting the work of winding down the redevelopment agency (H&SC Sec. 34177.3) including the disposition of property under the LRPMP and the maintenance of property until it can be sold;

WHEREAS, the LSA owns a multi-suite retail building located at 14501 San Pablo Avenue (“Mission Plaza”) and received a rental application for Suite C within Mission Plaza from German Gaytan and Jacqueline Romero to open a pet supply store;

WHEREAS, the proposed lease is for 1 year for \$1,700 a month with a \$1,700 deposit;

WHEREAS, according to the LRPMP, the Mission Plaza property is identified as a property to be marketed by the LSA for the development of student housing or, if such a development is determined to be infeasible after 3 years of negotiation, to be sold on the open market;

WHEREAS, keeping the property leased up aids in the upkeep and maintenance of the property, as well as making it more attractive for sale. Authorizing the lease is within the parameters of an action to maintain property pending its ultimate disposition pursuant to the LRPM; and

WHEREAS, on July 17, 2017, the LSA adopted resolution LSA2017-003 requesting the Oversight Board approve and authorize the execution of a Commercial Lease Agreement between the San Pablo Local Successor Agency and German Gaytan and Jacqueline Romero for their lease of space at 14501 San Pablo Avenue, Suite C.

NOW, THEREFORE, the Oversight Board to the San Pablo Local Successor Agency does hereby resolve as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and incorporated herein.

Section 2. Approval and authorization of Commercial Lease Agreement. The Oversight Board to the San Pablo Local Successor Agency hereby approves and authorizes the Executive Director to execute the Commercial Lease Agreement and is further authorized to execute such documents and take such other actions as are necessary and appropriate to effectuate the Commercial Lease Agreement.

PASSED AND ADOPTED this 31<sup>st</sup> day of July, by the following vote:

AYES: DIRECTORS:  
NOES: DIRECTORS:  
ABSENT: DIRECTORS:  
ABSTAIN: DIRECTORS:

ATTEST:

APPROVED:

\_\_\_\_\_  
Lehny M. Corbin, Clerk of the Board

\_\_\_\_\_  
Bradley Ward, Chair



**COMMERCIAL LEASE AGREEMENT**

(C.A.R. Form CL, Revised 12/15)

Date (For reference only): August 1, 2017

The San Pablo Local Successor Agency  
German Gaytan and Jaqueline Romero

("Landlord") and

("Tenant") agree as follows:

1. **PROPERTY:** Landlord rents to Tenant and Tenant rents from Landlord, the real property and improvements described as: 14501 San Pablo Avenue, Suite C, San Pablo, CA 94806 ("Premises"), which comprise approximately \_\_\_\_\_ % of the total square footage of rentable space in the entire property. See exhibit \_\_\_\_\_ for a further description of the Premises.
2. **TERM:** The term begins on (date) August 1, 2017 ("Commencement Date"), (Check A or B):
  - A. Lease:** and shall terminate on (date) July 31, 2018 at 12  AM  PM. Any holding over after the term of this agreement expires, with Landlord's consent, shall create a month-to-month tenancy that either party may terminate as specified in paragraph 2B. Rent shall be at a rate equal to the rent for the immediately preceding month, payable in advance. All other terms and conditions of this agreement shall remain in full force and effect.
  - B. Month-to-month:** and continues as a month-to-month tenancy. Either party may terminate the tenancy by giving written notice to the other at least 30 days prior to the intended termination date, subject to any applicable laws. Such notice may be given on any date.
  - C. RENEWAL OR EXTENSION TERMS:** See attached addendum \_\_\_\_\_.
3. **BASE RENT:**
  - A. Tenant agrees to pay Base Rent at the rate of (CHECK ONE ONLY):**
    - (1) \$ 1,700.00 per month, for the term of the agreement.
    - (2) \$ \_\_\_\_\_ per month, for the first 12 months of the agreement. Commencing with the 13th month, and upon expiration of each 12 months thereafter, rent shall be adjusted according to any increase in the U.S. Consumer Price Index of the Bureau of Labor Statistics of the Department of Labor for All Urban Consumers ("CPI") for \_\_\_\_\_ (the city nearest the location of the Premises), based on the following formula: Base Rent will be multiplied by the most current CPI preceding the first calendar month during which the adjustment is to take effect, and divided by the most recent CPI preceding the Commencement Date. In no event shall any adjusted Base Rent be less than the Base Rent for the month immediately preceding the adjustment. If the CPI is no longer published, then the adjustment to Base Rent shall be based on an alternate index that most closely reflects the CPI.
    - (3) \$ \_\_\_\_\_ per month for the period commencing \_\_\_\_\_ and ending \_\_\_\_\_ and \$ \_\_\_\_\_ per month for the period commencing \_\_\_\_\_ and ending \_\_\_\_\_ and \$ \_\_\_\_\_ per month for the period commencing \_\_\_\_\_ and ending \_\_\_\_\_.
    - (4) In accordance with the attached rent schedule.
    - (5) Other: \_\_\_\_\_.
  - B. Base Rent is payable in advance on the 1st (or  5th) day of each calendar month, and is delinquent on the next day.**
  - C. If the Commencement Date falls on any day other than the first day of the month, Base Rent for the first calendar month shall be prorated based on a 30-day period. If Tenant has paid one full month's Base Rent in advance of Commencement Date, Base Rent for the second calendar month shall be prorated based on a 30-day period.**
4. **RENT:**
  - A. Definition:** ("Rent") shall mean all monetary obligations of Tenant to Landlord under the terms of this agreement, except security deposit.
  - B. Payment:** Rent shall be paid to (Name) New Way Management Services at (address) 158 E. 3rd Street Pittsburg, CA 94565, or at any other location specified by Landlord in writing to Tenant.
  - C. Timing:** Base Rent shall be paid as specified in paragraph 3. All other Rent shall be paid within 30 days after Tenant is billed by Landlord.
5. **EARLY POSSESSION:** Tenant is entitled to possession of the Premises on \_\_\_\_\_. If Tenant is in possession prior to the Commencement Date, during this time (i) Tenant is not obligated to pay Base Rent, and (ii) Tenant  is  is not obligated to pay Rent other than Base Rent. Whether or not Tenant is obligated to pay Rent prior to Commencement Date, Tenant is obligated to comply with all other terms of this agreement.
6. **SECURITY DEPOSIT:**
  - A. Tenant agrees to pay Landlord \$ 1,700.00 as a security deposit. Tenant agrees not to hold Broker responsible for its return. (IF CHECKED:)  If Base Rent increases during the term of this agreement, Tenant agrees to increase security deposit by the same proportion as the increase in Base Rent.**
  - B. All or any portion of the security deposit may be used, as reasonably necessary, to: (i) cure Tenant's default in payment of Rent, late charges, non-sufficient funds ("NSF") fees, or other sums due; (ii) repair damage, excluding ordinary wear and tear, caused by Tenant or by a guest or licensee of Tenant; (iii) broom clean the Premises, if necessary, upon termination of tenancy; and (iv) cover any other unfulfilled obligation of Tenant. SECURITY DEPOSIT SHALL NOT BE USED BY TENANT IN LIEU OF PAYMENT OF LAST MONTH'S RENT.** If all or any portion of the security deposit is used during tenancy, Tenant agrees to reinstate the total security deposit within 5 days after written notice is delivered to Tenant. Within 30 days after Landlord receives possession of the Premises, Landlord shall: (i) furnish Tenant an itemized statement indicating the amount of any security deposit received and the basis for its disposition, and (ii) return any remaining portion of security deposit to Tenant. However, if the Landlord's only claim upon the security deposit is for unpaid Rent, then the remaining portion of the security deposit, after deduction of unpaid Rent, shall be returned within 14 days after the Landlord receives possession.
  - C. No interest will be paid on security deposit, unless required by local ordinance.**

Landlord's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

Tenant's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )



**7. PAYMENTS:**

	TOTAL DUE	PAYMENT RECEIVED	BALANCE DUE	DUE DATE
A. Rent: From <u>08/01/2017</u> To <u>08/31/2017</u> Date Date	\$ <u>1,700.00</u>	\$ _____	\$ <u>1,700.00</u>	_____
B. Security Deposit	\$ <u>1,700.00</u>	\$ _____	\$ <u>1,700.00</u>	_____
C. Other: _____ Category	\$ _____	\$ _____	\$ _____	_____
D. Other: _____ Category	\$ _____	\$ _____	\$ _____	_____
E. Total:	\$ <u>3,400.00</u>	\$ _____	\$ <u>3,400.00</u>	_____

8. **PARKING:** Tenant is entitled to 0 unreserved and 0 reserved vehicle parking spaces. The right to parking  is  is not included in the Base Rent charged pursuant to paragraph 3. If not included in the Base Rent, the parking rental fee shall be an additional \$ \_\_\_\_\_ per month. Parking space(s) are to be used for parking operable motor vehicles, except for trailers, boats, campers, buses or trucks (other than pick-up trucks). Tenant shall park in assigned space(s) only. Parking space(s) are to be kept clean. Vehicles leaking oil, gas or other motor vehicle fluids shall not be parked in parking spaces or on the Premises. Mechanical work or storage of inoperable vehicles is not allowed in parking space(s) or elsewhere on the Premises. No overnight parking is permitted.

9. **ADDITIONAL STORAGE:** Storage is permitted as follows: None. The right to additional storage space  is  is not included in the Base Rent charged pursuant to paragraph 3. If not included in Base Rent, storage space shall be an additional \$ \_\_\_\_\_ per month. Tenant shall store only personal property that Tenant owns, and shall not store property that is claimed by another, or in which another has any right, title, or interest. Tenant shall not store any improperly packaged food or perishable goods, flammable materials, explosives, or other dangerous or hazardous material. Tenant shall pay for, and be responsible for, the clean-up of any contamination caused by Tenant's use of the storage area.

10. **LATE CHARGE; INTEREST; NSF CHECKS:** Tenant acknowledges that either late payment of Rent or issuance of a NSF check may cause Landlord to incur costs and expenses, the exact amount of which are extremely difficult and impractical to determine. These costs may include, but are not limited to, processing, enforcement and accounting expenses, and late charges imposed on Landlord. If any installment of Rent due from Tenant is not received by Landlord within 5 calendar days after date due, or if a check is returned NSF, Tenant shall pay to Landlord, respectively, \$ 100.00 as late charge, plus 10% interest per annum on the delinquent amount and \$25.00 as a NSF fee, any of which shall be deemed additional Rent. Landlord and Tenant agree that these charges represent a fair and reasonable estimate of the costs Landlord may incur by reason of Tenant's late or NSF payment. Any late charge, delinquent interest, or NSF fee due shall be paid with the current installment of Rent. Landlord's acceptance of any late charge or NSF fee shall not constitute a waiver as to any default of Tenant. Landlord's right to collect a Late Charge or NSF fee shall not be deemed an extension of the date Rent is due under paragraph 4, or prevent Landlord from exercising any other rights and remedies under this agreement, and as provided by law.

11. **CONDITION OF PREMISES:** Tenant has examined the Premises and acknowledges that Premise is clean and in operative condition, with the following exceptions: \_\_\_\_\_  
Items listed as exceptions shall be dealt with in the following manner: \_\_\_\_\_

12. **ZONING AND LAND USE:** Tenant accepts the Premises subject to all local, state and federal laws, regulations and ordinances ("Laws"). Landlord makes no representation or warranty that Premises are now or in the future will be suitable for Tenant's use. Tenant has made its own investigation regarding all applicable Laws.

13. **TENANT OPERATING EXPENSES:** Tenant agrees to pay for all utilities and services directly billed to Tenant Except Water and Garbage are provided with reasonable usage.

14. **PROPERTY OPERATING EXPENSES:**  
A. Tenant agrees to pay its proportionate share of Landlord's estimated monthly property operating expenses, including but not limited to, common area maintenance, consolidated utility and service bills, insurance, and real property taxes, based on the ratio of the square footage of the Premises to the total square footage of the rentable space in the entire property. \_\_\_\_\_

OR B.  (If checked) Paragraph 14 does not apply.

15. **USE:** The Premises are for the sole use as Pet Feed and Supply Store. No other use is permitted without Landlord's prior written consent. If any use by Tenant causes an increase in the premium on Landlord's existing property insurance, Tenant shall pay for the increased cost. Tenant will comply with all Laws affecting its use of the Premises.

16. **RULES/REGULATIONS:** Tenant agrees to comply with all rules and regulations of Landlord (and, if applicable, Owner's Association) that are at any time posted on the Premises or delivered to Tenant. Tenant shall not, and shall ensure that guests and licensees of Tenant do not, disturb, annoy, endanger, or interfere with other tenants of the building or neighbors, or use the Premises for any unlawful purposes, including, but not limited to, using, manufacturing, selling, storing, or transporting illicit drugs or other contraband, or violate any law or ordinance, or committing a waste or nuisance on or about the Premises.

17. **MAINTENANCE:**  
A. Tenant OR  (If checked, Landlord) shall professionally maintain the Premises including heating, air conditioning, electrical, plumbing and water systems, if any, and keep glass, windows and doors in operable and safe condition. Unless Landlord is checked, if Tenant fails to maintain the Premises, Landlord may contract for or perform such maintenance, and charge Tenant for Landlord's cost.  
B. Landlord OR  (If checked, Tenant) shall maintain the roof, foundation, exterior walls, common areas and \_\_\_\_\_

Landlord's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

Tenant's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )



- 18. ALTERATIONS:** Tenant shall not make any alterations in or about the Premises, including installation of trade fixtures and signs, without Landlord's prior written consent, which shall not be unreasonably withheld. Any alterations to the Premises shall be done according to Law and with required permits. Tenant shall give Landlord advance notice of the commencement date of any planned alteration, so that Landlord, at its option, may post a Notice of Non-Responsibility to prevent potential liens against Landlord's interest in the Premises. Landlord may also require Tenant to provide Landlord with lien releases from any contractor performing work on the Premises.
- 19. GOVERNMENT IMPOSED ALTERATIONS:** Any alterations required by Law as a result of Tenant's use shall be Tenant's responsibility. Landlord shall be responsible for any other alterations required by Law.
- 20. ENTRY:** Tenant shall make Premises available to Landlord or Landlord's agent for the purpose of entering to make inspections, necessary or agreed repairs, alterations, or improvements, or to supply necessary or agreed services, or to show Premises to prospective or actual purchasers, tenants, mortgagees, lenders, appraisers, or contractors. Landlord and Tenant agree that 24 hours notice (oral or written) shall be reasonable and sufficient notice. In an emergency, Landlord or Landlord's representative may enter Premises at any time without prior notice.
- 21. SIGNS:** Tenant authorizes Landlord to place a FOR SALE sign on the Premises at any time, and a FOR LEASE sign on the Premises within the 90 (or  \_\_\_\_\_) day period preceding the termination of the agreement.
- 22. SUBLETTING/ASSIGNMENT:** Tenant shall not sublet or encumber all or any part of Premises, or assign or transfer this agreement or any interest in it, without the prior written consent of Landlord, which shall not be unreasonably withheld. Unless such consent is obtained, any subletting, assignment, transfer, or encumbrance of the Premises, agreement, or tenancy, by voluntary act of Tenant, operation of law, or otherwise, shall be null and void, and, at the option of Landlord, terminate this agreement. Any proposed sublessee, assignee, or transferee shall submit to Landlord an application and credit information for Landlord's approval, and, if approved, sign a separate written agreement with Landlord and Tenant. Landlord's consent to any one sublease, assignment, or transfer, shall not be construed as consent to any subsequent sublease, assignment, or transfer, and does not release Tenant of Tenant's obligation under this agreement.
- 23. POSSESSION:** If Landlord is unable to deliver possession of Premises on Commencement Date, such date shall be extended to the date on which possession is made available to Tenant. However, the expiration date shall remain the same as specified in paragraph 2. If Landlord is unable to deliver possession within 60 (or  \_\_\_\_\_) calendar days after the agreed Commencement Date, Tenant may terminate this agreement by giving written notice to Landlord, and shall be refunded all Rent and security deposit paid.
- 24. TENANT'S OBLIGATIONS UPON VACATING PREMISES:** Upon termination of agreement, Tenant shall: (i) give Landlord all copies of all keys or opening devices to Premises, including any common areas; (ii) vacate Premises and surrender it to Landlord empty of all persons and personal property; (iii) vacate all parking and storage spaces; (iv) deliver Premises to Landlord in the same condition as referenced in paragraph 11; (v) clean Premises; (vi) give written notice to Landlord of Tenant's forwarding address; and (vii) \_\_\_\_\_

All improvements installed by Tenant, with or without Landlord's consent, become the property of Landlord upon termination. Landlord may nevertheless require Tenant to remove any such improvement that did not exist at the time possession was made available to Tenant.

- 25. BREACH OF CONTRACT/EARLY TERMINATION:** In event Tenant, prior to expiration of this agreement, breaches any obligation in this agreement, abandons the premises, or gives notice of tenant's intent to terminate this tenancy prior to its expiration, in addition to any obligations established by paragraph 24, Tenant shall also be responsible for lost rent, rental commissions, advertising expenses, and painting costs necessary to ready Premises for re-rental. Landlord may also recover from Tenant: (i) the worth, at the time of award, of the unpaid Rent that had been earned at the time of termination; (ii) the worth, at the time of award, of the amount by which the unpaid Rent that would have been earned after expiration until the time of award exceeds the amount of such rental loss the Tenant proves could have been reasonably avoided; and (iii) the worth, at the time of award, of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided. Landlord may elect to continue the tenancy in effect for so long as Landlord does not terminate Tenant's right to possession, by either written notice of termination of possession or by reletting the Premises to another who takes possession, and Landlord may enforce all Landlord's rights and remedies under this agreement, including the right to recover the Rent as it becomes due.
- 26. DAMAGE TO PREMISES:** If, by no fault of Tenant, Premises are totally or partially damaged or destroyed by fire, earthquake, accident or other casualty, Landlord shall have the right to restore the Premises by repair or rebuilding. If Landlord elects to repair or rebuild, and is able to complete such restoration within 90 days from the date of damage, subject to the terms of this paragraph, this agreement shall remain in full force and effect. If Landlord is unable to restore the Premises within this time, or if Landlord elects not to restore, then either Landlord or Tenant may terminate this agreement by giving the other written notice. Rent shall be abated as of the date of damage. The abated amount shall be the current monthly Base Rent prorated on a 30-day basis. If this agreement is not terminated, and the damage is not repaired, then Rent shall be reduced based on the extent to which the damage interferes with Tenant's reasonable use of the Premises. If total or partial destruction or damage occurs as a result of an act of Tenant or Tenant's guests, (i) only Landlord shall have the right, at Landlord's sole discretion, within 30 days after such total or partial destruction or damage to treat the lease as terminated by Tenant, and (ii) Landlord shall have the right to recover damages from Tenant.
- 27. HAZARDOUS MATERIALS:** Tenant shall not use, store, generate, release or dispose of any hazardous material on the Premises or the property of which the Premises are part. However, Tenant is permitted to make use of such materials that are required to be used in the normal course of Tenant's business provided that Tenant complies with all applicable Laws related to the hazardous materials. Tenant is responsible for the cost of removal and remediation, or any clean-up of any contamination caused by Tenant.
- 28. CONDEMNATION:** If all or part of the Premises is condemned for public use, either party may terminate this agreement as of the date possession is given to the condemner. All condemnation proceeds, exclusive of those allocated by the condemner to Tenant's relocation costs and trade fixtures, belong to Landlord.
- 29. INSURANCE:** Tenant's personal property, fixtures, equipment, inventory and vehicles are not insured by Landlord against loss or damage due to fire, theft, vandalism, rain, water, criminal or negligent acts of others, or any other cause. Tenant is to carry Tenant's own property insurance to protect Tenant from any such loss. In addition, Tenant shall carry (i) liability insurance in an amount of not less than \$ 1,000,000.00 and (ii) property insurance in an amount sufficient to cover the replacement cost of the property if Tenant is responsible for maintenance under paragraph 17B. Tenant's insurance shall name Landlord and Landlord's agent as additional insured. Tenant, upon Landlord's request, shall provide Landlord with a certificate of insurance establishing Tenant's compliance. Landlord shall maintain liability insurance insuring Landlord, but not Tenant, in an amount of at least \$ 1,000,000.00, plus property insurance in an amount sufficient to cover the replacement cost of the property unless Tenant is responsible for maintenance pursuant to paragraph 17B. Tenant is advised to carry business interruption insurance in an amount at least sufficient to cover Tenant's complete rental obligation to Landlord. Landlord is advised to obtain a policy of rental loss insurance. Both Landlord and Tenant release each other, and waive their respective rights to subrogation against each other, for loss or damage covered by insurance.

Landlord's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

Tenant's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )



- 30. **TENANCY STATEMENT (ESTOPPEL CERTIFICATE):** Tenant shall execute and return a tenancy statement (estoppel certificate), delivered to Tenant by Landlord or Landlord's agent, within 3 days after its receipt. The tenancy statement shall acknowledge that this agreement is unmodified and in full force, or in full force as modified, and state the modifications. Failure to comply with this requirement: (i) shall be deemed Tenant's acknowledgment that the tenancy statement is true and correct, and may be relied upon by a prospective lender or purchaser; and (ii) may be treated by Landlord as a material breach of this agreement. Tenant shall also prepare, execute, and deliver to Landlord any financial statement (which will be held in confidence) reasonably requested by a prospective lender or buyer.
- 31. **LANDLORD'S TRANSFER:** Tenant agrees that the transferee of Landlord's interest shall be substituted as Landlord under this agreement. Landlord will be released of any further obligation to Tenant regarding the security deposit, only if the security deposit is returned to Tenant upon such transfer, or if the security deposit is actually transferred to the transferee. For all other obligations under this agreement, Landlord is released of any further liability to Tenant, upon Landlord's transfer.
- 32. **SUBORDINATION:** This agreement shall be subordinate to all existing liens and, at Landlord's option, the lien of any first deed of trust or first mortgage subsequently placed upon the real property of which the Premises are a part, and to any advances made on the security of the Premises, and to all renewals, modifications, consolidations, replacements, and extensions. However, as to the lien of any deed of trust or mortgage entered into after execution of this agreement, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant pays the Rent and observes and performs all of the provisions of this agreement, unless this agreement is otherwise terminated pursuant to its terms. If any mortgagee, trustee, or ground lessor elects to have this agreement placed in a security position prior to the lien of a mortgage, deed of trust, or ground lease, and gives written notice to Tenant, this agreement shall be deemed prior to that mortgage, deed of trust, or ground lease, or the date of recording.
- 33. **TENANT REPRESENTATIONS; CREDIT:** Tenant warrants that all statements in Tenant's financial documents and rental application are accurate. Tenant authorizes Landlord and Broker(s) to obtain Tenant's credit report at time of application and periodically during tenancy in connection with approval, modification, or enforcement of this agreement. Landlord may cancel this agreement: (i) before occupancy begins, upon disapproval of the credit report(s); or (ii) at any time, upon discovering that information in Tenant's application is false. A negative credit report reflecting on Tenant's record may be submitted to a credit reporting agency, if Tenant fails to pay Rent or comply with any other obligation under this agreement.
- 34. **CONSTRUCTION-RELATED ACCESSIBILITY STANDARDS:** Landlord states that the Premises  has, or  has not been inspected by a Certified Access Specialist. If so, Landlord states that the Premises  has, or  has not been determined to meet all applicable construction-related accessibility standards pursuant to Civil Code Section 55.53.
- 35. **DISPUTE RESOLUTION:**
  - A. **MEDIATION:** Tenant and Landlord agree to mediate any dispute or claim arising between them out of this agreement, or any resulting transaction, before resorting to arbitration or court action, subject to paragraph 35B(2) below. Paragraphs 35B(2) and (3) apply whether or not the arbitration provision is initialed. Mediation fees, if any, shall be divided equally among the parties involved. If for any dispute or claim to which this paragraph applies, any party commences an action without first attempting to resolve the matter through mediation, or refuses to mediate after a request has been made, then that party shall not be entitled to recover attorney fees, even if they would otherwise be available to that party in any such action. THIS MEDIATION PROVISION APPLIES WHETHER OR NOT THE ARBITRATION PROVISION IS INITIALED.
  - B. **ARBITRATION OF DISPUTES:** (1) Tenant and Landlord agree that any dispute or claim in Law or equity arising between them out of this agreement or any resulting transaction, which is not settled through mediation, shall be decided by neutral, binding arbitration, including and subject to paragraphs 35B(2) and (3) below. The arbitrator shall be a retired judge or justice, or an attorney with at least 5 years of real estate transactional law experience, unless the parties mutually agree to a different arbitrator, who shall render an award in accordance with substantive California Law. In all other respects, the arbitration shall be conducted in accordance with Part III, Title 9 of the California Code of Civil Procedure. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction. The parties shall have the right to discovery in accordance with Code of Civil Procedure §1283.05.
  - (2) **EXCLUSIONS FROM MEDIATION AND ARBITRATION:** The following matters are excluded from Mediation and Arbitration hereunder: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage, or installment land sale contract as defined in Civil Code §2985; (ii) an unlawful detainer action; (iii) the filing or enforcement of a mechanic's lien; (iv) any matter that is within the jurisdiction of a probate, small claims, or bankruptcy court; and (v) an action for bodily injury or wrongful death, or for latent or patent defects to which Code of Civil Procedure §337.1 or §337.15 applies. The filing of a court action to enable the recording of a notice of pending action, for order of attachment, receivership, injunction, or other provisional remedies, shall not constitute a violation of the mediation and arbitration provisions.
  - (3) **BROKERS:** Tenant and Landlord agree to mediate and arbitrate disputes or claims involving either or both Brokers, provided either or both Brokers shall have agreed to such mediation or arbitration, prior to, or within a reasonable time after the dispute or claim is presented to Brokers. Any election by either or both Brokers to participate in mediation or arbitration shall not result in Brokers being deemed parties to the agreement.

**"NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY."**

**"WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION."**

Landlord's Initials \_\_\_\_\_ / \_\_\_\_\_ Tenant's Initials \_\_\_\_\_ / \_\_\_\_\_

Landlord's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

Tenant's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )



Premises: 14501 San Pablo Avenue, Suite C, San Pablo, CA 94806

Date August 1, 2017

**36. JOINT AND INDIVIDUAL OBLIGATIONS:** If there is more than one Tenant, each one shall be individually and completely responsible for the performance of all obligations of Tenant under this agreement, jointly with every other Tenant, and individually, whether or not in possession.

**37. NOTICE:** Notices may be served by mail, facsimile, or courier at the following address or location, or at any other location subsequently designated:

Landlord: San Pablo Local Successor Agency c/o Now Way Management  
158 E. 3rd Street  
Pittsburg, CA 94565

Tenant: German Gaytan and Jaqueline Romero  
14501 San Pablo Avenue, Suite C  
San Pablo, CA 94806

Notice is deemed effective upon the earliest of the following: (i) personal receipt by either party or their agent; (ii) written acknowledgement of notice; or (iii) 5 days after mailing notice to such location by first class mail, postage pre-paid.

**38. WAIVER:** The waiver of any breach shall not be construed as a continuing waiver of the same breach or a waiver of any subsequent breach.

**39. INDEMNIFICATION:** Tenant shall indemnify, defend and hold Landlord harmless from all claims, disputes, litigation, judgments and attorney fees arising out of Tenant's use of the Premises.

**40. OTHER TERMS AND CONDITIONS/SUPPLEMENTS:** NOTICE OF INELIGIBILITY FOR RELOCATION BENEFITS

*This unit was purchased by the Redevelopment Agency for use in a future redevelopment project. Because you are renting the unit after the Agency's purchase, you are a "post-acquisition tenant" and as such are not eligible for relocation payments under the California Relocation Assistance Law (Government Code Section 7260 et seq.) and the California Relocation Assistance and Real Property Acquisitions Guidelines (Title 25, California Code of Regulations, Chapter 6, Section 6000 et seq.). You will be informed of any projected date of displacement and provided with at least 60 days notice of termination of this lease.*

The following ATTACHED supplements/exhibits are incorporated in this agreement:  Option Agreement (C.A.R. Form OA)

**41. ATTORNEY FEES:** In any action or proceeding arising out of this agreement, the prevailing party between Landlord and Tenant shall be entitled to reasonable attorney fees and costs from the non-prevailing Landlord or Tenant, except as provided in paragraph 35A.

**42. ENTIRE CONTRACT:** Time is of the essence. All prior agreements between Landlord and Tenant are incorporated in this agreement, which constitutes the entire contract. It is intended as a final expression of the parties' agreement, and may not be contradicted by evidence of any prior agreement or contemporaneous oral agreement. The parties further intend that this agreement constitutes the complete and exclusive statement of its terms, and that no extrinsic evidence whatsoever may be introduced in any judicial or other proceeding, if any, involving this agreement. Any provision of this agreement that is held to be invalid shall not affect the validity or enforceability of any other provision in this agreement. This agreement shall be binding upon, and inure to the benefit of, the heirs, assignees and successors to the parties.

**43. BROKERAGE:** Landlord and Tenant shall each pay to Broker(s) the fee agreed to, if any, in a separate written agreement. Neither Tenant nor Landlord has utilized the services of, or for any other reason owes compensation to, a licensed real estate broker (individual or corporate), agent, finder, or other entity, other than as named in this agreement, in connection with any act relating to the Premises, including, but not limited to, inquiries, introductions, consultations, and negotiations leading to this agreement. Tenant and Landlord each agree to indemnify, defend and hold harmless the other, and the Brokers specified herein, and their agents, from and against any costs, expenses, or liability for compensation claimed inconsistent with the warranty and representation in this paragraph 43.

**44. AGENCY CONFIRMATION:** The following agency relationships are hereby confirmed for this transaction:

Listing Agent: New Way Management Services (Print Firm Name) is the agent of (check one):

the Landlord exclusively; or  both the Tenant and Landlord.

Selling Agent: New Way Management Services (Print Firm Name) (if not same as Listing Agent) is the agent of (check one):

the Tenant exclusively; or  the Landlord exclusively; or  both the Tenant and Landlord.

Real Estate Brokers are not parties to the agreement between Tenant and Landlord.

Landlord's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

Tenant's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )



Landlord and Tenant acknowledge and agree that Brokers: (i) do not guarantee the condition of the Premises; (ii) cannot verify representations made by others; (iii) will not verify zoning and land use restrictions; (iv) cannot provide legal or tax advice; (v) will not provide other advice or information that exceeds the knowledge, education or experience required to obtain a real estate license. Furthermore, if Brokers are not also acting as Landlord in this agreement, Brokers: (vi) do not decide what rental rate a Tenant should pay or Landlord should accept; and (vii) do not decide upon the length or other terms of tenancy. Landlord and Tenant agree that they will seek legal, tax, insurance, and other desired assistance from appropriate professionals.

Tenant \_\_\_\_\_ Date \_\_\_\_\_

**German Gaytan**  
(Print name)

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Tenant \_\_\_\_\_ Date \_\_\_\_\_

**Jaqueline Romero**  
(Print name)

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**GUARANTEE:** In consideration of the execution of this Agreement by and between Landlord and Tenant and for valuable consideration, receipt of which is hereby acknowledged, the undersigned ("Guarantor") does hereby: (i) guarantee unconditionally to Landlord and Landlord's agents, successors and assigns, the prompt payment of Rent or other sums that become due pursuant to this Agreement, including any and all court costs and attorney fees included in enforcing the Agreement; (ii) consent to any changes, modifications or alterations of any term in this Agreement agreed to by Landlord and Tenant; and (iii) waive any right to require Landlord and/or Landlord's agents to proceed against Tenant for any default occurring under this Agreement before seeking to enforce this Guarantee.

Guarantor (Print Name) \_\_\_\_\_  
Guarantor \_\_\_\_\_ Date \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_ E-mail \_\_\_\_\_

**Landlord agrees to rent the Premises on the above terms and conditions.**

Landlord \_\_\_\_\_ Date \_\_\_\_\_  
(owner or agent with authority to enter into this agreement) **San Pablo Local Successor Agency**

Address 158 E 3rd St City Pittsburg State CA Zip 94565-2209

Landlord \_\_\_\_\_ Date \_\_\_\_\_  
(owner or agent with authority to enter into this agreement)

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Agency relationships are confirmed as above. Real estate brokers who are not also Landlord in this agreement are not a party to the agreement between Landlord and Tenant.

Real Estate Broker (Leasing Firm) **New Way Management Services** CalBRE Lic. # 01263089

By (Agent) \_\_\_\_\_ CalBRE Lic. # 01920414 Date \_\_\_\_\_  
**Jess Schoenthaler**

Address 158 E. 3rd Street City Pittsburg State CA Zip 94565

Telephone (925)522-5410 Fax (925)522-5420 E-mail Jess@NewWayMgmt.com

Real Estate Broker (Listing Firm) **New Way Management Services** CalBRE Lic. # 01293089

By (Agent) \_\_\_\_\_ CalBRE Lic. # 01920414 Date \_\_\_\_\_  
**Jess Schoenthaler**

Address 158 E 3rd St City Pittsburg State CA Zip 94565-2209

Telephone (925)522-5410 Fax (925)522-5420 E-mail Jess@NewWayMgmt.com

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**REAL ESTATE BUSINESS SERVICES, INC.**  
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525 South Virgil Avenue, Los Angeles, California 90020

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_





COMMERCIAL LEASE CONSTRUCTION ACCESSIBILITY ADDENDUM

(C.A.R. Form CLCA 11/16)

This is an addendum to the Commercial Lease Agreement (lease) dated June 8, 2017 in which San Pablo Local Successor Agency is referred to as "Landlord" and German Gaytan, Jaqueline Romero is referred to as "Tenant". Paragraph 34 of the lease is deleted in its entirety and replaced by the following;

Paragraph 34. CONSTRUCTION-RELATED ACCESSIBILITY STANDARDS:

- A. Landlord states that the Premises have, or have not been inspected by a Certified Access Specialist (CASp).
B. If the Premises have been inspected by a CASp, (1) Landlord states that the Premises have, or have not been determined to meet all applicable construction-related accessibility standards... (2) (i) Tenant has received a copy of the report at least 48 hours before executing this lease... (ii) Tenant has received a copy of the report prior to, but no more than, 48 hours before, executing this lease... (iii) Tenant has not received a copy of the report prepared by the CASp prior to execution of this lease...
C. If the Premises have not been inspected by a CASp or a certificate was not issued by the CASp who conducted the inspection, "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law...
D. Notwithstanding anything to the contrary in paragraph 17, 18, 19 or elsewhere in the lease, any repairs or modifications necessary to correct violations of construction related accessibility standards are the responsibility of Tenant Landlord Other

Tenant (Signature) Date

Tenant (Print name) German Gaytan

Tenant (Signature) Date

Tenant (Print name) Jaqueline Romero

Landlord (Signature) Date

Landlord (Print name) San Pablo Local Successor Agency

Landlord (Signature) Date

Landlord (Print name)

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Reviewed by Date



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