



City of Covina/Covina Redevelopment
Agency/Covina Public Finance Authority
Mayor Peggy Delach – Mayor Pro Tem John King
Council Members Walt Allen, III – Bob Low – Kevin Stapleton

SPECIAL MEETING AGENDA
125 E. College Street, Covina, California
Council Chambers of City Hall
Tuesday, November 30, 2010
6:30 p.m.

- As a courtesy to Council/Agency/Authority Members, staff and attendees, everyone is asked to silence all pagers, cellular telephones and any other communication devices.
- Any member of the public may address the City Council, Redevelopment Agency, and Public Finance Authority during both the public comment period and on any scheduled item on the agenda. Comments are limited to a maximum of five minutes per speaker unless, for good cause, the Mayor/Chairperson amends the time limit. Anyone wishing to speak is requested to submit a yellow Speaker Request Card to the City Clerk; cards are located near the agendas or at the City Clerk's desk.
- Please provide 10 copies of any information intended for use at the City Council/Covina Redevelopment Agency/Covina Public Finance Authority meeting to the City Clerk prior to the meeting.
- **MEETING ASSISTANCE INFORMATION:** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk Department at (626) 384-5430. Services such as American Sign Language interpreters, a reader during the meeting, and/or large print copies of the agenda are available. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. Assisted listening devices are now available. Please see the City Clerk before the meeting or during a break for more information.
- **DOCUMENT AVAILABILITY:** Any writings or documents provided to a majority of the City Council/Redevelopment Agency/Public Finance Authority regarding any item on this agenda will be made available for public inspection at the City Clerk counter at City Hall located at 125 E. College Street and the Reference Desk at the Covina Library located at 234 N. Second Avenue during normal business hours. In addition, such writings and documents are available in the City Clerk's office and may be posted on the City's website at <http://www.covina.ca.gov/clerk/agendas.htm>.
- Pursuant to Government Code Section 54954.2, no matter shall be acted upon by the City Council/Redevelopment Agency/Public Finance Authority unless listed on agenda, which has been posted not less than 72 hours prior to meeting.
- If you challenge in court any discussion or action taken concerning an item on this Agenda, you may be limited to raising only those issues you or someone else raised during the meeting or in written correspondence delivered to the City at or prior to the City's consideration of the item at the meeting.
- The Deputy City Clerk of the Covina City Council hereby declares that the agenda for the **November 30, 2010** Regular City Council meeting was posted on **November 24, 2010** near the front entrance of the City Hall, 125 East College Street, Covina, in accordance with Section 54954.2(a) of the Government Code.

November 30, 2010

**SPECIAL CITY COUNCIL
REDEVELOPMENT AGENCY/PUBLIC FINANCE AUTHORITY
JOINT MEETING—OPEN SESSION
6:30 p.m.**

CALL TO ORDER

ROLL CALL

Council/Agency/Authority Members Allen, Low, Stapleton, Mayor Pro Tem/Vice Chairperson King, Mayor/Chairperson Delach

PLEDGE OF ALLEGIANCE

Led by Council Member Kevin Stapleton.

INVOCATION

Led by the Covina Police Chaplain Patricia Venegas.

PUBLIC COMMENTS

To address the City Council/Redevelopment Agency/Public Finance Authority please complete a yellow Speaker Request card located at the entrance and give it to the City Clerk/Agency/Authority Secretary. Your name will be called when it is your turn to speak. Those wishing to speak on a LISTED AGENDA ITEM will be heard when that item is addressed. Those wishing to speak on an item NOT ON THE AGENDA will be heard at this time. State Law prohibits the Council/Agency/Authority Members from taking action on any item not on the agenda. Individual speakers are limited to five minutes each.

COUNCIL/AGENCY/AUTHORITY COMMENTS

Council/Agency Members wishing to make any announcements of public interest or to request that specific items be added to future City Council/Redevelopment Agency/Public Finance Authority Agendas may do so at this time.

CITY MANAGER COMMENTS

CONSENT CALENDAR

- CC 1. City Council to receive presentation of Strategic Plan updated at the October 26, 2010 Workshop.
- CC 2. Redevelopment Agency to approve the Relocation and Lease Termination Settlement Offer/Agreement with La Tazza Café as part of the Olson Citrus Walk Project.

JOINT PUBLIC HEARING

JPH 1. City Council/Redevelopment Agency to conduct a Joint Public Hearing to consider a Lease Agreement with Elite Dining Services, Inc., dba Giovanni's Ristorante, for property located at 114 E. Italia Street, Covina, California.

Staff Recommendation:

- a) Adopt **Agency Resolution No. 10-645**, making certain findings pursuant to Health and Safety Code Section 33433 and approving a Lease Agreement for real property located at 114 E. Italia Street, Covina, California; and
- b) Adopt **City Resolution No. 10-6910**, making certain findings pursuant to Health and Safety Code Section 33433 and approving a Lease Agreement for real property located at 114 E. Italia Street, Covina, California.

ADJOURNMENT

The Covina City Council/Redevelopment Agency/Covina Public Finance Authority will adjourn in memory of Violet (Jean) Ann Chadwick to the next Regular Meeting to be held on **Tuesday, December 7, 2010** at 6:30 p.m. for closed session and at 7:30 p.m. for open session in the Council Chambers of City Hall, 125 E. College Street, Covina, California 91723.

CITY OF COVINA
AGENDA ITEM COMMENTARY

MEETING DATE: November 30, 2010

ITEM NO.: CC 1

STAFF SOURCE: Catherine LaCroix, Deputy City Clerk



ITEM TITLE: Presentation of Strategic Plan updated at the October 26, 2010 Workshop

STAFF RECOMMENDATION

City Council to receive and file the Strategic Plan updated at the October 26, 2010 Workshop.

FISCAL IMPACT

None.

BACKGROUND

At the workshop conducted on October 26, 2010, the City of Covina Strategic Plan was updated from an earlier version implemented in June 2010. While all of the five-three year goals remain in tact, specific objectives were amended, updated or deleted based on changes that occurred or work that was completed.

Attached to this report is an updated matrix to cover the period between October 2010 and April 2011. Also included is the balance of the City of Covina Strategic Planning retreat document from October 26, 2010.

RELEVANCE TO THE STRATEGIC PLAN

See attached matrix.

EXHIBITS

- A. October 26, 2010 Strategic Planning Retreat Document with the updated matrix.

REVIEW TEAM ONLY

City Attorney: _____

Finance Director: _____

City Manager: _____

Other: _____



CITY OF COVINA

STRATEGIC PLANNING RETREAT

26 October 2010 * First Presbyterian Church

Marilyn Snider, Facilitator – Snider and Associates (510) 531-2904
Gail Tsuboi, Recorder – Tsuboi Design (925) 376-9151

MISSION STATEMENT

The City of Covina provides responsive municipal services and manages public resources to enhance the quality of life for our community.

FIVE-YEAR VISION STATEMENT

The City of Covina will be a vibrant community of people and organizations that embraces the future while honoring its heritage.

CORE VALUES

not in priority order

The City of Covina values . . .

- ♦ *Exemplary Customer Service*
 - ♦ *Teamwork*
 - ♦ *Ethics and Integrity*
 - ♦ *Leadership and Vision*
 - ♦ *Dedication*
 - ♦ *Open communication*
 - ♦ *Respect for differences*

THREE-YEAR GOALS

2009-2012 - not in priority order

- ▶ **Improve and promote customer service**
- ▶ **Enhance financial stability**
- ▶ **Enhance parks & recreation and library services**
- ▶ **Become an environmentally sustainable community**
- ▶ **Provide efficient, visible and responsive public safety and city government**

NEXT STEPS/FOLLOW-UP PROCESS

WHEN	WHO	WHAT
October 27, 2010	City Clerk	Distribute the retreat record (updated Strategic Plan) to the City Council and the Senior Staff.
Within 48 hours of receipt	All recipients	Read the retreat record.
November 3, 2010	Executive Team	Review the "Current Internal Weaknesses/ Challenges" list for possible action items.
November 15, 2010	Executive Team	Share and discuss the Strategic Plan with staff.
At the November 16 2010 City Council meeting	City Council	Present the Strategic Plan to the public.
Monthly	City Council, City Manager	Monitor progress on the Goals and Objectives and revise Objectives (add, amend and/or delete), as needed.
Monthly	City Clerk	Prepare and distribute the updated Strategic Plan monitoring matrix to the City Council and Executive Team
April 6, 2011 (Wednesday) 8:00/8:30 am to 2:00 pm	City Council & Executive Team	Strategic Planning Retreat to: - more thoroughly assess progress on the Goals and Objectives - develop Strategic Objectives for the next six months of the Strategic Plan.

S.W.O.T. ANALYSIS

Strengths – Weaknesses – Opportunities – Threats

ACCOMPLISHMENTS OF THE CITY OF COVINA SINCE THE STRATEGISEPTEMBER 22 2009 STRATEGIC PLANNING RETREAT

Brainstormed List of Perceptions

- We have a balanced budget for FY 2010-2011
- We surveyed the public at Thunderfest using a new tool
- Lowe's is ready to open in December
- Electronic billpay for our water bills
- One of our police officers was selected as the California SWAT Officer of the Year
- The website was redesigned
- Addressed the negative cash balance in our water fund
- Completed several façade grants in the downtown, including the Uptown Salon
- Worked in partnership with Citrus Valley Health Partners, Chamber of Commerce, Downtown Merchants Assn. and the Tantrum Salon to raise \$15,000 for the Citrus Valley Hospice
- Received a GFOA award for excellence in financial reporting
- Received \$275,000 in state and federal grants for frontline law enforcement services
- Created a partnership with Covina Valley USD, Charter Oaks USD, Southern California Edison, The Gas Co., and the Chamber of Commerce to explore efficiencies in the region
- Completed the Welcome to Covina (Home Depot) sign
- Updating our Disaster Preparedness Plan with the help of a consultant
- Mickey Mouse is the Grand Marshall for Covina's 60th Annual Christmas Parade
- Looking at the issuance of a bond for the aging water infrastructure
- Staff successfully worked with the Chamber of Commerce and the Downtown Merchants Assn. on several community events
- Received a federal earmark for \$325,000 for the library
- Worked with Southern California Edison to bring in a free energy efficiency direct install program for small businesses; currently in progress, although several hundred have participated to date
- Groundbreaking for the new CVS and Jack-in-the-Box site
- Completed the first *Citizen Guide to the Budget*
- Created some "How To" brochures for the library and the Building Dept.
- Created an ADA catalog computer at the library
- Park & Rec and the library have great volunteers
- The Parade Committee created a new membership program
- We are webcasting City Council meetings
- Community Development and Parks & Rec facilitated a Community Work Day involving five churches whose members did work at city parks and city facilities across town
- IKEA will renovate the Community Room at the library as a donation
- The City Council and city staff attended an economic development conference to promote business in Covina
- Covina became an active member of the San Gabriel Valley Energywise Partnership
- We have a job search kiosk in the Human Resources Dept.; we got the kiosk through the LA Works Program
- Instant customer feedback program, "Xit Poll," was tested at Thunderfest successfully; good data was gathered from attendees about Thunderfest
- Earthquake retrofits are being installed and completed in the downtown as required by Municipal Code
- Completed negotiations with the two largest labor groups (POA and AFSCME)
- The City Council approved \$450,000 in job creation/job retention grants
- The Literacy Program has had adult learners go on to college, nursing programs, attain citizenship and get drivers' licenses

- HCD (State Dept of Housing and Community Development) approved our tentative housing element; it will now go to Planning Commission and the City Council for final approval
- The Agency Board approved the purchase of 89 affordability covenants and substantial rehab of apartments at 200 W. Rowland
- The City supported the first annual 911 Commemoration put on by Yellow Ribbon
- The reference librarian answered 4,674 questions
- The Redevelopment Agency entered into an exclusive negotiating agreement for positive use of the enterprise site on Citrus
- Thunderfest had a big crowd, big bands and great cars; it was well attended
- Received a Home Depot grant of \$5,000 for the library and the Recreation Hall
- Citrus Walk DDA (Disposition and Development Agreement) was approved by the Redevelopment Agency Board
- Developed a new program at the library for Nov. 2010 called "Food for Fines"; patrons may reduce or eliminate library fines by donating food
- Worked with Covina Valley Unified Schools to develop a new workforce training facility for welding and technical training
- Developed a Baby Storytelling Program at the library
- Developed computer policies for the library
- We have a new water billing system
- Developed a new collection development policy for the library; it is currently in review
- Bert's donated a scooter to benefit the Literacy Program that was given away at an opportunity drawing at Thunderfest
- Had a great summer program at the library and in Parks & Rec; participation was huge
- Reduced the cost of the fire contract by \$321,000 without reducing fire service
- Worked with HR for summer hiring for Parks & Rec; hired 36 and were fully staffed at Aquatics for the first time
- Completing our Bicycle Master Plan

THE CITY OF COVINA'S CURRENT INTERNAL WEAKNESSES/CHALLENGES

Brainstormed List of Perceptions

- Challenges of converting from old to new technology
- Lack of funding
- Challenges in obtaining adequate resources for customer service training and staffing
- Challenges inadequately funding the infrastructure
- Challenge in transitioning to a new library service culture
- Poor customer service
- Lack of consistent communication between internal departments
- Lack of effective and proactive communication
- Lack of contemporary technology
- Low employee morale
- Workload stress
- Anxiety over IT transitions
- IT infrastructure deficiencies

EXTERNAL FACTORS/TRENDS THAT WILL/MIGHT HAVE A POSITIVE IMPACT ON THE CITY OF COVINA IN THE COMING YEAR

Brainstormed List of Perceptions

- Entrepreneurs are still coming into the city and investing in the city by opening small businesses
- Several housing projects are moving through the planning and building process
- Economy going from running in reverse to moving neutral; improving economy
- Passage of Prop 22
- Lowe's is coming to Covina
- Collaboration between small businesses
- Residents wanting to stay fit will use our parks
- Habitat for Humanity has a project starting here
- Investment by large businesses in the community, e.g., Lowe's, Bert's
- Gym grant funds available
- County approval of RDA amendments
- Projected population increase to 50,000
- Defeat of Prop 26
- Retrofit of building stock downtown
- Lowe's is hiring

EXTERNAL FACTORS/TRENDS THAT WILL/MIGHT HAVE A NEGATIVE IMPACT ON THE CITY OF COVINA IN THE COMING YEAR

Brainstormed List of Perceptions

- Passage of Prop 26
- Passage of Prop 19
- Jobless recovery
- Lack of trust in local government; the "Bell factor" and "Vernon Factor"
- Agencies protecting their resources so there is less cooperation; territorialism
- Stagnant sales tax
- Unfunded state mandates
- Partisanship
- Defeat of Prop 22
- State budget (or lack thereof)
- State taking Redevelopment funds
- Uncertainty of property values
- Unfunded federal mandates
- Federal income tax changes
- Passage of Prop 25
- Technology available (to libraries) keeps changing; hard to keep up

STRATEGIC PLANNING ELEMENTS

Marilyn Snider, Strategic Planning Facilitator * Snider and Associates (510) 531-2904

"SWOT" ANALYSIS

Assess the organization's:

- Internal Strengths - Internal Weaknesses
- External Opportunities - External Threats

MISSION/PURPOSE STATEMENT

States WHY the organization exists and WHOM it serves

VISION STATEMENT

A vivid, descriptive image of the future— what the organization will BECOME

CORE VALUES

What the organization values, recognizes and rewards— strongly held beliefs that are freely chosen, publicly affirmed, and acted upon with consistency and repetition

THREE YEAR GOALS

WHAT the organization needs to accomplish (consistent with the Mission and moving the organization towards its Vision) - usually limited to 4 or 5 key areas

KEY PERFORMANCE MEASURES

What success will look like upon achievement of the goal

SIX MONTH STRATEGIC OBJECTIVES

HOW the Goals will be addressed: By when, who is accountable to do what for each of the Goals

FOLLOW-UP PROCESS

Regular, timely monitoring of progress on the goals and objectives; includes setting new objectives every six months

CITY OF COVINA * STRATEGIC OBJECTIVES

October 26, 2010 to April 1, 2011

THREE-YEAR GOAL: <i>IMPROVE AND PROMOTE CUSTOMER SERVICE</i>						
WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Dec. 31, 2010	City Manager and HR Director	Complete the structure of the Instant Customer Service Feedback Program, Xit Poll, and develop, distribute, analyze and present the results of five customer service surveys to the City Council.				
2. April 1, 2011	City Manager - lead, HR Director, Mayor	Implement customer service training for all city staff (to include internal and external customers and a change of management philosophy to a more service-oriented approach).				
3. April 1, 2011	Mayor and HR Dir., working with a Customer Service Committee (consisting of one rep from each dept)	Using the City Employees' Customer Service Survey, identify at least five ways to improve internal customer service.				

THREE-YEAR GOAL: *ENHANCE FINANCIAL STABILITY*

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Quarterly	Finance Director	Present to the City Council updates on state and federal actions that could impact the financial stability of the city.				
2. Feb. 15, 2011	Executive Director of Redevelopment	Enter into an agreement with a consulting firm to begin the process of combining the Redevelopment Project Areas and study other options to eliminate blight, improve low and moderate income housing and promote economic development.				
3. April 1, 2011	City Manager	Complete the study of the pros and cons, including the cost of options, for providing fire services, and recommend an option to the City Council for action.				
4. April 1, 2011	City Manager and Finance Director, with input from the Citizens' Advisory Committee on Long-Term Financial Stability	Present to the City Council for consideration at least five options for attaining long-term financial stability.				
5. April 1, 2011	Finance Director and City Manager	In accordance with state law, conduct a Fee Study and present recommendations to the City Council for action.				
6. April 1, 2011	Deputy Executive Dir. of Redevelopment	Survey at least 50 businesses to determine their needs as a part of a Business Assistance/Ombudsman Program and report the results to the City Council.				
7. April 1, 2011	HR Director	Present to the City Council for direction a study on ways to control costs of employee benefits at sustainable levels.				

THREE-YEAR GOAL: *ENHANCE PARKS & RECREATION AND LIBRARY SERVICES*

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. At the Feb. 11, 2011 City Council meeting	Dir. of Parks and Recreation and the Dir. of Community Development	Make a recommendation to the City Council for action for the award of contract for the development of Heritage Plaza.				
2. April 1, 2011	Dir. of Parks and Recreation, working with private and public schools	Develop and implement at least one reading program for the benefit of young readers and to improve coordination between the library and private and public schools.				
3. April 1, 2011	Dir. of Parks and Recreation, working with the Library Board of Trustees and Community Library Vision Committee	Identify at least three strategies to encourage the public to contribute funds in support of the library.				
4. April 1, 2011	Dir. of Parks and Recreation	Present to the City Council for action at least two library policies or procedures for greater efficiency and improved customer service.				
5. April 1, 2011	Dir. of Parks and Recreation, working with the City Attorney and Police Chief	Present to the City council for action updated city park ordinances (e.g., related to the noise levels, dogs, wheel toys).				

THREE-YEAR GOAL: *BECOME AN ENVIRONMENTALLY SUSTAINABLE COMMUNITY*

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Feb. 15, 2011	Communications Manager	Develop and initiate a public information campaign (e.g., on the website, in City View) on available green practices in the city.				
2. April 1, 2011	Public Works Dir. and Councilmember King, in partnership with SCE	Complete strategic energy conservation audits of city facilities and present to the City Council for action at least five opportunities for energy conservation.				
3. April 1, 2011	Public Works Director	Research grants and site location opportunities for the development of a community garden and report the results to the City Council for direction.				
4. April 1, 2011	Public Works Director	Incorporate educational, environmentally sustainable landscape in at least one project on City property.				
5. April 1, 2011	Public Works Director	Complete the ARRA energy savings projects for the approved city facilities and municipal pool and apply for the Southern California Edison rebates.				
6. At the April 12, 2011 City Council meeting	Community Development Dir.	Present to the City Council for consideration updated zoning codes to encourage environmental sustainability (e.g., water, solar).				

THREE-YEAR GOAL: *PROVIDE EFFICIENT, VISIBLE AND RESPONSIVE PUBLIC SAFETY*

WHEN	WHO	WHAT	STATUS			COMMENTS
			DONE	ON TARGET	REVISED	
1. Ongoing	Councilmember Allen and the Police Chief	Apply for disaster preparedness grants.				
2. In compliance with California Law	Finance Dir. and HR Director	Submit to the Attorney General and State Controller's Office all employment MOUs, contracts and benefit changes as well as voluntarily placing the information on the city's website.				
3. At the Dec. 7, 2010 City Council meeting	Police Chief	Present an update on LA RICS (Los Angeles Regional Interoperable Communication System) and its countywide funding issues.				
4. At the Feb. 15, 2011 City Council meeting	Councilmember Allen and the Police Chief	Present the updated Disaster Plan to the City Council for action.				

COVINA REDEVELOPMENT AGENCY
AGENDA ITEM COMMENTARY

MEETING DATE: November 30, 2010

ITEM NO.: CC 2

STAFF SOURCE: Robert Neiuber, Deputy Executive Director *(Signature)*
Lisa Brancheau, Redevelopment Manager

ITEM TITLE: Redevelopment Agency to approve the Relocation and Lease Termination Settlement Offer/Agreement with La Tazza Cafe as part of the Olson Citrus Walk Project

AGENCY RECOMMENDATION:

Approve Relocation Settlement offer with La Tazza Café for Olson Citrus Walk Project and authorize Executive Director to execute the \$210,000 agreement, all of which will be given as a cash settlement.

FISCAL IMPACT

There is no General Fund Impact. A settlement offer of \$210,000 with La Tazza Cafe will be taken from Redevelopment Account No. 5031-4450-00-53710. All settlement offers that have been given for this project fall within the Agency Board total authorized budget of \$700,000.

It should be noted that a Land Exchange Agreement between the Agency and the Covina Valley Unified School District (CVUSD) was approved by the Agency Board on November 16, 2010. The agreement goes before the CVUSD for approval on December 5, 2010. A provision is included within the agreement for \$1.3 million in Project Area No. 1 Public Purpose Bond monies to be issued to CVUSD for the design and construction of a joint-use vocational training facility to be constructed on District property. No Redevelopment Account funds budgeted for this project will be used for the land exchange or vocational training facility.

BACKGROUND

Should the Agency Board approve the proposed settlement agreement, business owner Charlie Park and the Agency will enter into a Relocation Settlement Agreement which incorporates the terms and other appropriate conditions and protections for the Agency. Once fully executed, Mr. Park, will be entitled to a cash settlement of \$210,000 and must vacate the premises by December 26, 2010. La Tazza Café is the last retail tenant within the Olson Citrus Walk project site left to reach a settlement with the Agency. Should the CVUSD also approve the Land Exchange Agreement at an upcoming Board meeting scheduled for December 5, 2010, relocation settlement agreements will have been reached with all tenants located within the Olson Citrus Walk Project site.

Anticipated mobilization of the project site, to include the installation of project fencing, contractor equipment, and the commencement of asbestos and lead-base paint removal is planned for Monday, December 27, 2010. Plans for a ceremonial ground breaking are in the works and is expected to take place at the beginning of the new 2011 year.

RELEVANCE TO THE STRATEGIC PLAN

Construction of the Olson Citrus Walk project is in keeping with the Strategic Planning Goal of Enhancing Financial Stability. The project will result in an influx of new residents and their visitors into the downtown area who will shop, dine, and relax downtown, thus furthering the revitalization of the area.

EXHIBITS

None

REVIEW TEAM ONLY	
City Attorney: 	Finance Director: 
City Manager: 	Other: _____

COVINA REDEVELOPMENT AGENCY
AGENDA ITEM COMMENTARY

MEETING DATE: November 30, 2010

ITEM NO.: JPH 1

STAFF SOURCE: Robert Neiuber, Deputy Executive Director *RN*
Elizabeth Hull, Agency Counsel
Nuala Gasser, Sr. Redevelopment Manager *NG*

ITEM TITLE: Joint Public Hearing to consider a Lease Agreement with Elite Dining Services Inc. dba Giovanni's Ristorante, for property located at 114 E. Italia Street, Covina, CA

STAFF RECOMMENDATION

Adopt

- a. **Resolution 10-645** of the Covina Redevelopment Agency making certain findings pursuant to Health and Safety Code Section 33433 and approving a Lease Agreement for real property located at 114 E. Italia Street, Covina, California, and
- b. **Resolution 10-6910** of the City of Covina, California, making certain findings pursuant to Health and Safety Code Section 33433 and approving a Lease Agreement for real property located at 114 E. Italia Street, Covina, California.

FISCAL IMPACT

Over the three year period between 2011 and 2013, it is estimated that the benefit to the City will be \$5,100. The benefit to the Redevelopment Agency will be \$37,608, of which \$2,115 will be realized in estimated Tax Increment. The balance will be revenues realized through rent payment. Revenues will be deposited to CRA Revenue Account 5031-4450-00-43600.

BACKGROUND

Off Citrus, operator of the restaurant site at 114 E. Italia, Covina, since 1998, has ceased operations, creating a vacancy at that site. Elite Dining Services, Inc., doing business as Giovanni's (Elite) has made a proposal to move that restaurant from its current site at 143 N. Citrus Avenue to 114 E. Italia, where it can grow with a larger space and kitchen facilities. The site to be vacated at 143 N. Citrus Avenue will then be available to open The Sugar Bowl, a new restaurant.

In order to avoid a vacant storefront on Citrus Avenue, the Lease Agreement requires that at a minimum, the Sugar Bowl will operate at 143 N. Citrus Avenue for two years. If the Sugar Bowl ceases operation during the required two years, the base rent for the property at 114 E. Italia Street will increase as stated in Section 2.3.1 of the lease, a copy of which is attached as Exhibit D.

The Lease Agreement provides for the premises to be conveyed in an "as is" condition. The initial term will be three years, or will be extended to the date of issuance of a Certificate of Occupancy for the new retail project located on the east side of the 300 block of North Citrus, which ever occurs later. However, the initial term will not exceed five years. At renewal, rent

will be determined based on an appraisal for a restricted restaurant use. An additional three year renewal with a CPI increase will be available.

Under the Lease Agreement, Elite will commence rent payment in April 2010. Elite is a post-acquisition tenant with no relocation rights, and will operate the site as a bone fide restaurant use at a minimum of six days per week, open for both lunch and dinner.

RELEVANCE TO THE STRATEGIC PLAN

Providing opportunities for economic development contributes to the City strategic plan objective of enhancing financial stability.

EXHIBIT

- A. Agency Resolution No. 10-645
- B. City Resolution No.10-6910
- C. Information Summary 33433 Report
- D. Lease Agreement

REVIEW TEAM ONLY	
City Attorney: 	Finance Director: 
City Manager: 	Other: _____

RESOLUTION NO. 10-645

A RESOLUTION OF THE COVINA REDEVELOPMENT AGENCY MAKING CERTAIN FINDINGS PURSUANT TO HEALTH & SAFETY CODE SECTION 33433 AND APPROVING A LEASE AGREEMENT FOR REAL PROPERTY LOCATED AT 114 E. ITALIA STREET, COVINA, CALIFORNIA

WHEREAS, the City of Covina, California (“City”), approved and adopted the redevelopment plan (“Redevelopment Plan”) for the redevelopment area known as the Covina Revitalization Redevelopment Project Area 2 covering a certain geographic area within the City (“Project Area”) pursuant to the provisions of Community Redevelopment Law (Health and Safety Code § 33000 et seq.) (“CRL”); and

WHEREAS, the Covina Redevelopment Agency (“Agency”) is undertaking a program in the interest of health, safety, and general welfare of the people of the City pursuant to its authority under the CRL, for the redevelopment of blighted areas within the Project Area which are characterized by stagnant, improperly utilized and unproductive land which requirements redevelopment; and

WHEREAS, the Agency owns land commonly referred to as 114 E. Italia Street, City of Covina, County of Los Angeles, State of California (a portion of Assessor Parcel No. 8445-001-905) (“Property”); and

WHEREAS, the Agency and Elite Dining Services, Inc., a California corporation dba Giovanni’s Ristorante (“Lessee”) desire to enter into a lease agreement (“Agreement”), attached hereto as Exhibit “A” and incorporated herein by reference, for the Property in order for the Lessee to operate a restaurant business on the Property in accordance with the Redevelopment Plan and as otherwise set forth in the Agreement; and

WHEREAS, CRL Section 33430 authorizes the Agency to lease property located within redevelopment project survey areas; and

WHEREAS, CRL Section 33431 provides that any lease made pursuant to CRL Section 33430 may be made without public bidding, but only after a public hearing, notice of which shall be given by publication for not less than once a week for two weeks in a newspaper of general circulation published in the county in which the property lies; and

WHEREAS, CRL Section 33433(a)(1) provides that before any property of the Agency acquired in whole or in part, directly or indirectly, with tax increment moneys is leased for development pursuant to the redevelopment plan, the legislative body shall approve a lease by resolution after public hearing; and

WHEREAS, pursuant to CRL Section 33433(b), the resolution approving the lease or sale shall be adopted by a majority vote and shall contain a finding that the lease of the property

will assist in the elimination of blight or provide housing for low or moderate-income persons, and is consistent with the implementation plan adopted pursuant to CRL Section 33490; and

WHEREAS, CRL Section 33433(b) also requires the City Council find that the consideration is not less than the fair market value at its highest and best use in accordance with the Redevelopment Plan or the consideration is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the sale or lease; and

WHEREAS, pursuant to CRL Sections 33431 and 33433, on November 11, 2010 and November 18, 2010, the City and Agency caused notice of the joint public hearing of the City Council and the Agency's Governing Board to be published in the San Gabriel Valley Examiner, a newspaper of general circulation within the Agency's territorial jurisdiction; and

WHEREAS, the Agency has prepared a report pursuant to CRL Section 33433(a)(2) ("33433 Report") containing a copy of the Agreement and a summary of the following: (i) the cost of the Agreement to the Agency; (ii) the estimated value of the interest to be leased; (iii) the estimated value of the interest to be leased; and (iv) an explanation of why the lease will assist in the elimination of blight supported by facts and materials; and

WHEREAS, the Agency has made the 33433 Report available for public inspection and copying on November 11, 2010; and

WHEREAS, the City and Agency held a noticed public hearing pursuant to CRL Sections 33431 and 33433 on November 30, 2010; and

WHEREAS, the Agency is the lead agency concerning the Agreement pursuant to the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines; and

WHEREAS, Agency staff has determined that the approval of the Agreement for the Property is categorically exempt pursuant to CEQA under the "Class 1" exemption, State CEQA Guidelines Section 15301 (Existing Facilities), in that the Agreement involves leasing of an existing facility, which involves negligible or no expansion.

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Covina Redevelopment Agency as follows:

Section 1. 33433 Findings. The Agency finds and determines based on the information made available in the 33433 Report made pursuant to CRL Section 33433, the staff report accompanying this Resolution, the oral presentation of staff, and other written and oral evidence presented to the Agency at or prior to the public hearing regarding the Agreement, that, pursuant to CRL Section 33433:

(a) The Agreement for the lease of the Property will assist in the elimination of blight by (i) utilizing the property which would otherwise be vacant and thus underutilized until the site is ready for redevelopment; and (ii) generating tax revenue.

(b) The Agreement for the lease of the Property will be consistent with the implementation plan adopted by the Agency for the Project Area; and

(c) The consideration to the Agency for the lease of the Property will not be less than the fair market value at its highest and best use in accordance with the Redevelopment Plan or not be less than the fair reuse value of the Property with the covenants, conditions and development costs authorized by the Agreement.

Section 2. Approval of the Agreement. The Agency does hereby approve the Agreement, attached to this Resolution and authorizes the Executive Director of the Agency to execute the Agreement.

Section 3. Notice of CEQA Exemption. The Governing Board hereby authorizes and directs Agency staff to file a Notice of Exemption with the Clerk of the Board of Supervisors of the County of Los Angeles, California, within five (5) working days following the date of adoption of this Resolution.

Section 4. Certification and Effective Date. The Agency Secretary shall certify to the passage and adoption of this Resolution and the same shall thereupon take effect and be in force immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 30th day of November, 2010.

Chairperson
Covina Redevelopment Agency

ATTEST:

Secretary, Covina Redevelopment Agency

CERTIFICATION

I, _____, Secretary of the Covina Redevelopment Agency do hereby certify that the foregoing Resolution was regularly introduced and adopted by the Covina Redevelopment Agency at an adjourned special meeting thereof held on the 30th day of November, 2010, by the following vote of the Agency:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Covina Redevelopment Agency this 30th day of November, 2010.

[insert seal]

Secretary, Covina Redevelopment Agency

Exhibit "A"

**Lease Agreement Between the Community Redevelopment Agency of the City of Covina
and Elite Dining Services, Inc.**

The Lease Agreement is available in the office of the Covina City Clerk

RESOLUTION NO. 10-6910

A RESOLUTION OF CITY COUNCIL OF THE CITY OF COVINA, CALIFORNIA, MAKING CERTAIN FINDINGS PURSUANT TO HEALTH & SAFETY CODE SECTION 33433 AND APPROVING A LEASE AGREEMENT FOR REAL PROPERTY LOCATED AT 114 E. ITALIA STREET, COVINA, CALIFORNIA

WHEREAS, the City of Covina, California (“City”), approved and adopted the redevelopment plan (“Redevelopment Plan”) for the redevelopment area known as the Covina Revitalization Redevelopment Project Area 2 covering a certain geographic area within the City (“Project Area”) pursuant to the provisions of Community Redevelopment Law (Health and Safety Code § 33000 et seq.) (“CRL”); and

WHEREAS, the Covina Redevelopment Agency (“Agency”) is undertaking a program in the interest of health, safety, and general welfare of the people of the City pursuant to its authority under the CRL, for the redevelopment of blighted areas within the Project Area which are characterized by stagnant, improperly utilized and unproductive land which requirements redevelopment; and

WHEREAS, the Agency owns land commonly referred to as 114 E. Italia Street, City of Covina, County of Los Angeles, State of California (a portion of Assessor Parcel No. 8445-001-905) (“Property”); and

WHEREAS, the Agency and Elite Dining Services, Inc., a California corporation dba Giovanni’s Ristorante (“Lessee”) desire to enter into a lease agreement (“Agreement”), attached hereto as Exhibit “A” and incorporated herein by reference, for the Property in order for the Lessee to operate a restaurant business on the Property in accordance with the Redevelopment Plan and as otherwise set forth in the Agreement; and

WHEREAS, CRL Section 33430 authorizes the Agency to lease property located within redevelopment project survey areas; and

WHEREAS, CRL Section 33431 provides that any lease made pursuant to CRL Section 33430 may be made without public bidding, but only after a public hearing, notice of which shall be given by publication for not less than once a week for two weeks in a newspaper of general circulation published in the county in which the property lies; and

WHEREAS, CRL Section 33433(a)(1) provides that before any property of the Agency acquired in whole or in part, directly or indirectly, with tax increment moneys is leased for development pursuant to the redevelopment plan, the legislative body shall approve a lease by resolution after public hearing; and

WHEREAS, pursuant to CRL Section 33433(b), the resolution approving the lease or sale shall be adopted by a majority vote and shall contain a finding that the lease of the property

will assist in the elimination of blight or provide housing for low or moderate-income persons, and is consistent with the implementation plan adopted pursuant to CRL Section 33490; and

WHEREAS, CRL Section 33433(b) also requires the City Council find that the consideration is not less than the fair market value at its highest and best use in accordance with the Redevelopment Plan or the consideration is not less than the fair reuse value at the use and with the covenants and conditions and development costs authorized by the sale or lease; and

WHEREAS, pursuant to CRL Sections 33431 and 33433, on November 11, 2010 and November 18, 2010, the City and Agency caused notice of the joint public hearing of the City Council and the Agency's Governing Board to be published in the San Gabriel Valley Examiner, a newspaper of general circulation within the Agency's territorial jurisdiction; and

WHEREAS, the Agency has prepared a report pursuant to CRL Section 33433(a)(2) ("33433 Report") containing a copy of the Agreement and a summary of the following: (i) the cost of the Agreement to the Agency; (ii) the estimated value of the interest to be leased; (iii) the estimated value of the interest to be leased; and (iv) an explanation of why the lease will assist in the elimination of blight supported by facts and materials; and

WHEREAS, the Agency has made the 33433 Report available for public inspection and copying on November 11, 2010; and

WHEREAS, the City and Agency held a noticed public hearing pursuant to CRL Sections 33431 and 33433 on November 30, 2010; and

WHEREAS, the Agency is the lead agency concerning the Agreement pursuant to the California Environmental Quality Act ("CEQA") and the State CEQA Guidelines; and

WHEREAS, Agency staff has determined that the approval of the Agreement for the Property is categorically exempt pursuant to CEQA under the "Class 1" exemption, State CEQA Guidelines Section 15301 (Existing Facilities), in that the Agreement involves leasing of an existing facility, which involves negligible or no expansion.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Covina as follows:

Section 1. 33433 Findings. The City Council finds and determines based on the information made available in the 33433 Report made pursuant to CRL Section 33433, the staff report accompanying this Resolution, the oral presentation of staff, and other written and oral evidence presented to the City Council at or prior to the public hearing regarding the Agreement, that, pursuant to CRL Section 33433:

(a) The Agreement for the lease of the Property will assist in the elimination of blight by (i) utilizing the property which would otherwise be vacant and fall into disrepair and thus be underutilized until the site is ready for redevelopment; and (ii) generating tax revenue.

(b) The Agreement for the lease of the Property will be consistent with the implementation plan adopted by the Agency for the Project Area; and

(c) The consideration to the Agency for the lease of the Property will not be less than the fair market value at its highest and best use in accordance with the Redevelopment Plan or not be less than the fair reuse value of the Property with the covenants, conditions and development costs authorized by the Agreement.

Section 2. Approval of the Agreement. The City Council does hereby approve the Agreement, attached to this Resolution.

Section 3. Notice of CEQA Exemption. The City Council hereby authorizes and directs City staff to file a Notice of Exemption with the Clerk of the Board of Supervisors of the County of Los Angeles, California, within five (5) working days following the date of adoption of this Resolution.

Section 4. Certification and Effective Date. The City Clerk shall certify to the passage and adoption of this Resolution and the same shall thereupon take effect and be in force immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 30th day of November, 2010.

Mayor
City of Covina, California

ATTEST:

City Clerk
City of Covina, California

CERTIFICATION

I, _____, City Clerk of the City of Covina, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Covina, California, at an adjourned special meeting thereof held on the 30th day of November, 2010, by the following vote of the Agency:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Covina, California this ____ day of _____, 2010.

[insert seal]

City Clerk
City of Covina, California

Exhibit "A"

**Lease Agreement Between the Community Redevelopment Agency of the City of Covina
and
Elite Dining Services, Inc.**

The Lease Agreement is available in the office of the Covina City Clerk.

INFORMATION SUMMARY (33433 REPORT)
FOR THE LEASE AGREEMENT
WITH ELITE DINING SERVICES INC.

Introduction:

This summary is provided pursuant to Section 33433 of the California Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code). The report sets forth certain details of the proposed Lease Agreement (“Agreement”) between the following parties:

1. The Redevelopment Agency of the City of Covina (“Landlord”); and
2. Elite Dining Services Inc. (Tenant)

The purpose of the Agreement is to effectuate the Project Area 2 Redevelopment Project Area Redevelopment Plan (Redevelopment Plan).

The basic terms embodied in the Agreement can be summarized as follows:

1. The Lease Agreement stipulates that the premises are to be conveyed to the Tenant from the Landlord in an “as is” condition.
2. For the first three years, or until a Certificate of Occupancy is issued for the commercial property to be developed on the east side of the 300 block of North Citrus, Tenant shall pay to Landlord a monthly lease payment of \$0.80 per square foot, triple net terms, for 1,406 square feet for certain improved property located in Project Area 2 at 114 E. Italia Street, Covina, CA (“Rent Payment”). If the Certificate of Occupancy is not issued in the first five years of the lease, the next three-year renewal period will commence at the end of the fifth year.
3. At renewal, there will be a three year renewal set by a reappraised restricted restaurant use rate.
4. An additional three (3) year renewal with a CPI increase will be available.
5. Rent payment will commence in April 2010.
6. Tenant is a post-acquisition tenant with no relocation rights.
7. Tenant will operate the site as a bone fide restaurant use at a minimum of six days per week, open for both lunch and dinner.

Background:

On October 31, 2010, the current tenant of the site ceased occupancy, and vacated the premises on November 7, 2010. Under a prior Occupancy Agreement approved by the Agency Board, Elite Dining agreed that any improvements to the site prior to approval of a Lease Agreement would become the property of the Agency if a Lease Agreement was not executed. The property is located within the boundaries of Covina Redevelopment Project No. 2.

Pursuant to Section 33433, this report shall contain the following:

1. Lease Agreement (Attached hereto as Exhibit 1)
2. A summary which describes and specifies all of the following:

(i) The cost of the agreement to the agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreements.

(ii) The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan.

(iii) The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the Landlord will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.

(iv) An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

(v) Consistency with the AB 1290 Implementation Plan.

Summary of Required Points

1. Cost of the Agreement to the Agency including land costs, relocation and improvements:

There are no additional costs to the Agency under this Agreement.

- a. Land Acquisition Costs: No property will be acquired by the Agency.

- b. Clearance Costs: There are no clearance costs.
- c. Relocation Costs: There are no relocation benefits extended to Tenant.
- d. Improvement Costs: There are no improvement costs.
- e. Finance Costs: The Agency will not owe interest or any other finance charges.

2. Estimated value of interest to be conveyed at the highest and best use permitted under the Plan:

Tenant shall cause the business on premises to generate local sales and use taxes paid to the City of Covina on an annual basis. The business located on the site exists on a street in the Downtown area, where other restaurants are clustered. Utilizing the site as a restaurant and related uses is the highest and best use for the site which is consistent with the Plan.

3. Estimated value of interest to be conveyed at the use and with the conditions, covenants and development costs required by the sale:

The Site is being conveyed with a use requirement that causes the initial per square foot rental rate to be less than its fair market value, as determined by the consulting appraiser.

The Agreement requires the Agency to lease the Site to the Tenant for \$.80 cents per square foot. This rate has been determined to be the fair reuse value, taking into account the anticipated development to occur in the next three years on the property to the immediate north of the restaurant site.

4. Explanation as to the reason why the lease of the Site will assist the elimination of blight:

In the Downtown area there are a number of abnormally high business vacancies, and the use of this site for a restaurant will prevent one additional building from being vacant. The lease of this property, located in Redevelopment Project Area 2, will assist in the elimination of blight by providing a use in a building which would otherwise be vacant and underutilized. The attraction of business to this site will bring customers to other businesses in the Downtown, and increase development opportunities.

5. Consistency with the Five-Year Implementation Plan

Pursuant to the California Redevelopment Law, all agencies must adopt an implementation plan that outlines the projects, programs and expenditures anticipated

over a five-year period. The Covina Redevelopment Agency has adopted such a plan, covering fiscal years 2009-2010 through 2013-2014.

The existing business is located in Project Area 2. Programs identified by the Implementation Plan for Project Area 2 include Continued Revitalization of Downtown, in order to accomplish the goal of diversifying and expanding the economic base and employment opportunities to promote the economic well being of the project area. Execution of the Lease Agreement will assist the Agency in undertaking a program in the interest of health, safety and general welfare of the people of the City pursuant to its authority under Redevelopment Law, for the redevelopment of blighted areas within the Project Area which are characterized by stagnant, improperly utilized and unproductive land which requires redevelopment.

6. Tax Increment to Agency

The tax increment projections for the first three years of the term of the lease show an estimated valuation of \$2,115. This is based on an estimated \$705 per year, starting in FY 2011-2012. This number takes into account the original pass-through to the county as well as the more recent pass-throughs mandated by the legislature.

Exhibit 1 - Lease Agreement

The lease agreement is on file in the office of the Covina City Clerk.

**LEASE AGREEMENT BETWEEN THE COMMUNITY REDEVELOPMENT AGENCY OF
THE CITY OF COVINA AND ELITE DINING SERVICES, INC.**

THIS LEASE AGREEMENT (hereinafter "Agreement") is entered into by and between the COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF COVINA, a public body, corporate and politic (hereinafter "Landlord"), and **ELITE DINING SERVICES, INC.** a California Corporation dba **Giovanni's Ristorante** (hereinafter "Tenant"). This Agreement shall become effective as of December 1, 2010 ("Effective Date"). Tenant and Landlord are sometimes individually referred to as "Party" and collectively as "Parties."

1. RECITALS

1.1 WHEREAS, Tenant wishes to lease the property commonly referred as 114 E. Italia St, Covina, CA (a portion of Assessor Parcel No. 8445-001-905), as more particularly described in Exhibit "A," which is attached hereto and made a part of this Agreement (the "Leased Premises").

1.2 WHEREAS, the Leased Premises contains 1406 square feet.

1.3 WHEREAS, Tenant's business mailing address is 143 N. Citrus Avenue, Covina, Ca 91723.

1.4 WHEREAS, upon the Effective Date of this Agreement, any prior agreement(s) between Landlord and Tenant regarding the lease or sublease of the Leased Premises will be deemed canceled and superseded in its (their) entirety.

1.5 WHEREAS, the California Community Redevelopment Law (Health & Safety Code Sections 33000, *et seq.*) ("CRL"), more specifically CRL Sections 33430 and 33431, authorizes Landlord to lease real property located within a redevelopment project survey area without public bidding following a public hearing. The public hearing regarding the Leased Premises was held on November 30, 2010.

1.6 WHEREAS, upon the terms and conditions set forth hereinafter, Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord for the specific use and purpose of a restaurant business ("Specific Use").

1.7 WHEREAS, entering into this Agreement is in conformity with the implementation plan adopted for Covina Redevelopment Agency, Covina Revitalization Redevelopment Project No. 2 and will assist in the elimination and prevention of blight since without this Agreement the property would be vacant and underutilized until the site is ready for redevelopment.

NOW, THEREFORE, in consideration of the above recitals and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

2. TERMS

2.1 Right of Possession. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, the Leased Premises on the terms and conditions hereinafter set forth in this Agreement.

2.2 Term. The initial term of this Agreement shall commence on the Effective Date and shall end on December 1, 2013 or upon the issuance of a Certificate of Occupancy for the new retail project

located on the east side of the 300 Block of North Citrus, which ever occurs later. However, in no circumstances shall the initial term exceed five (5) years from the Effective Date. The term shall continue as provided herein unless terminated earlier as provided in Section 4 herein or extended as provided below.

2.2.1 First Extension: Provided that Tenant is not in material default of any provision of this Agreement at the time Tenant requests an extension of the initial term as herein described or any subsequent extension term, Landlord may grant an optional extension to extend the term of this Agreement for a period of three (3) years with such extension term to commence immediately upon the expiration of the initial term ("First Extension"), upon the same terms and conditions set forth in this Agreement except as provided herein.

(a) Tenant may request to exercise its right to extend either the initial term, or any subsequent extension term, of this Agreement by delivering written notice to Landlord, so long as such notice is given not less than ninety (90) days prior to the expiration date of the initial term or extension term of this Agreement.

(b) First Extension Lease Rate: The Lease rate for the 3 year term of the First Extension shall be set at the time the extension is granted. To determine the fair rental rate Landlord shall have the site appraised as a restricted restaurant use site. The Lease rate shall be set based upon this appraised value.

2.2.2 Second Extension: Provided that Tenant is not in material default of any provision of this Agreement at the time Tenant requests an extension of the term as herein described, Landlord may grant an optional extension to extend the term of this Agreement for a period of three (3) years with such extension term to commence immediately upon the expiration of the First Extension term ("Second Extension"), upon the same terms and conditions set forth in this Agreement except as provided herein.

(a) Tenant may request to exercise its right to extend the First Extension term of this Agreement by delivering written notice to Landlord, so long as such notice is given not less than ninety (90) days prior to the expiration date of the initial term or extension term of this Agreement.

(b) Second Extension Lease Rate: The Lease rate for the 3 year term of the Second Extension shall be equal to the First Extension Lease Rate multiplied by a Consumer Price Index adjustment. That adjustment shall be calculated as follows: The base month and year shall be the month of October in the final year of the Initial Term (Base Year). The new CPI will be the CPI for October of the final year of the First Extension (New Year). Using the Consumers Price Index, all Urban Consumers for the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Statistics ("Index"), the rate of increase in rent shall be determined by subtracting the Base Year CPI from the CPI for the New Year. The rent applicable to the First Extension period shall be multiplied by the difference to provide the rent applicable to the Second Extension period. If the resulting CPI rate calculation should result in a negative number, there will be no change to the prior annual rent rate.

2.2.3 The initial term and any extension to the initial term of this Agreement shall hereinafter be referred to as the "Term" of this Agreement. After expiration of the Term under this Agreement, and in the case where Tenant has not vacated the Leased Premises prior to expiration of the Term, tenancy shall continue on a month-to-month basis, for a rental amount equal to one-hundred twenty-five percent (125%) of the rental amount paid by Tenant prior to expiration of this Agreement, until either party terminates this Agreement in accordance with Section 4 herein.

2.3 Rent. All monetary obligations of Tenant to Landlord under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("Rent or Base Rent"). As a component of Rent, Tenant shall pay to Landlord, Base Rent for leasing the Leased Premises, One Thousand One Hundred Twenty Four Dollars and Eighty Cents (\$1,124.80) per month, triple net terms. Landlord and Tenant have agreed that Tenant shall take possession on the Property on **December 1, 2010**, but Tenant shall have no obligation to pay Rent for **four months** provided Tenant complies with all terms and conditions of this Lease ("Deferred Rent"). The first payment of Base Rent shall be due on April 1, 2011. Subsequent monthly Base Rent payments shall be due and payable on the first day of each month following the first Base Rent payment.

2.3.1 Sugar Bowl. The Tenant currently leases property commonly referred to as 143 N. Citrus Ave, Covina, CA (Assessor Parcel No. 8431-033-002). Tenant shall within 60 days of execution of this Lease open and continuously operate at the 143 N. Citrus Ave site a restaurant doing business as the "Sugar Bowl." The Sugar Bowl shall operate at a minimum from February 1, 2011 until February 1, 2013, 2 years later] ("Sugar Bowl Operation Period"). If the Sugar Bowl ceases operation during the Sugar Bowl Operation Period, the Base Rent for the Property set forth in Section 2.3 above shall increase from One Thousand One Hundred Twenty Four Dollars and Eighty Cents (\$1124.80) per month to One Thousand Six Hundred Eighty-Seven Dollars and Twenty Cents (\$1687.20) per month.

2.4 Security Deposit. Tenant shall not be required to make a security deposit.

2.5 Utilities. Tenant shall be solely responsible for all utilities and establishing utility service to the Leased Premises with all utility providers. Tenant shall pay directly to utility providers all amounts for electricity, gas, water, sewer, trash disposal, cable, telephone and other utility services used on or for the Leased Premises. Tenant shall pay all initial utility deposits and fees, and all monthly service charges for electricity, gas, water, sewer, trash disposal, cable, telephone and any other utility services furnished to the Leased Premises and the improvements on the Lease Premises during the entire Term of this Lease. If any such services are not separately metered or billed to Tenant but rather are billed to and paid by Landlord, Tenant will pay to Landlord its pro rata share of the cost of such services, as determined by Landlord, together with its pro rata share of the cost of making such determination. Landlord will not be liable for any reason for any loss or damage resulting from an interruption of any of these services.

2.6 Tenant's Operation of Business. Tenant's business shall be a bone fide restaurant, open at a minimum for lunch and dinner at least six (6) days per week. Tenant shall continuously during the entire term hereof conduct and carry on Tenant's business in the Premises and shall keep the Premises open for business and cause Tenant's business to be conducted therein in accordance with sound business practices, provided, however, that this provision shall not apply if the Premises should be closed and the business of Tenant temporarily discontinued thereon on account of damage or destruction, strikes, lockouts or similar causes beyond the reasonable control of Tenant. Premises may, but shall not be required to be, open on New Year's Day or other holidays.

Tenant shall keep the Premises adequately stocked with merchandise, and with sufficient sales personnel, to care for the patronage and conduct said business in accordance with sound business practices.

2.7 Non-Eligibility for Relocation Benefits. Tenant hereby acknowledges that Tenant was not an occupant of the Leased Premises at the time the Leased Premises were acquired by Landlord. Tenant further understands and agrees that as a "post-acquisition tenant," as that term is defined in Cal. Code Regs., tit. 25, § 6034(b)(1), Tenant is not eligible and furthermore waives all claims for relocation assistance and benefits under federal, state or local law. For purposes of this section "relocation assistance and benefits" shall mean the payment of relocation expenses and payment of just compensation, severance damages, unlawful pre-condemnation conduct, inverse condemnation and any

other compensation, benefits and reimbursements. The parties agree that this Section 2.7 shall only apply to new tenants of the Leased Premises.

_____ Tenant's Initials

2.8 Owner Participation Rights. Tenant acknowledges that the Leased Premises are located within the Covina Revitalization Redevelopment Project ("Redevelopment Plan") for the Covina Revitalization Redevelopment Project Area Two (the "Project Area"). Tenant also acknowledges that pursuant to California Health and Safety Code Sections 33339, 33345 and 33380, each redevelopment plan must provide for the opportunity for participation of operators of businesses and business tenants in the redevelopment of the property if those parties agree to participate in conformity with the terms of the redevelopment plan. The Redevelopment Plan contains Rules Governing Participation and Reentry Preferences for Property Owners, Operators of Businesses, and Business Tenants for Project Area ("Owner Participation Rights"). Tenant hereby waives any Owner Participation Rights pursuant to the Redevelopment Plan and the Community Redevelopment Law (California Health and Safety Code Sections 33000-34160) to participate in the redevelopment of the property surrounding, adjacent to, or near the Leased Premises. In lieu of exercising said Owner Participation Rights and participating in the redevelopment of Project Area Tenant desires to lease from Landlord the Leased Premises pursuant to the terms and conditions of this Agreement.

_____ Tenant's Initials

2.9 Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of any payment under this Agreement or any other sums due hereunder will cause Landlord to incur costs not contemplated by this Agreement, the exact amount of which will be extremely difficult to ascertain. Accordingly, if any payment, or any other sum due from Tenant to Landlord is not received by the Landlord within ten (10) days after such amount is due, whether or not any notice of default or another notice has been given, Tenant shall pay a late fee equal to five percent (5%) of all delinquent amounts. The parties hereby agree that such interest charges represent a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Landlord's acceptance of payment of such fees shall not constitute a waiver of Tenant's default with respect to the overdue sum, or prevent Landlord from exercising any of its other rights and remedies under this Lease. In the event that any check or other instrument of payment given by Tenant to Landlord is dishonored for any reason, the Landlord may charge a returned check fee.

2.10 Obligation to Refrain from Discrimination. Tenant covenants and agrees for itself that there shall be no discrimination against or segregation of any person, or group of persons on account of sex, handicap status, marital status, race, color, religion, creed, national origin or ancestry in the lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Leased Premises nor shall the Tenant, itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, or sublessees of the Leased Premises.

2.11 Waste and Nuisance. Tenant shall not commit any waste on or about the Leased Premises, nor commit or maintain any public or private nuisance on or about the Leased Premises. Tenant shall use its best efforts to prevent any third party from committing any waste on or about the Leased Premises, or from committing any public or private nuisance on or about the Leased Premises.

2.12 Compliance with Laws, Rules, Regulations. Tenant shall at all times comply with the requirements of local, state and federal laws, rules, orders and regulations now in force or which may hereinafter be in force ("Regulations"). In order to comply with the Regulations, Tenant shall obtain, at

its sole cost and expense, all licenses, permits and approvals that the Regulations require for the use or operation of the Leased Premises. The Tenant shall maintain all licenses, permits and approvals throughout the Term of this Agreement.

2.13 Use of Leased Premises. Tenant shall submit notice to Landlord prior to change in Specific Use. Changes in Specific Use of the Leased Premises must be submitted for approval by Landlord. Tenant shall not occupy or use, or permit the Leased Premises or any part thereof to be occupied or used, for any unlawful or illegal business, use or purposes, nor for any business, use or purposes which is disreputable or extra-hazardous. Tenant shall immediately upon discovery of any such unlawful, illegal, disreputable or extra-hazardous use, take all necessary steps, legal and equitable, to compel the discontinuance of such use and to oust and remove occupants or other persons guilty of such unlawful, illegal, disreputable or extra-hazardous use.

2.14 Repairs and Maintenance. Tenant shall keep the Leased Premises in good, clean condition and repair as set forth herein and in a clean and sanitary manner and shall surrender the same at termination hereof in as good condition as received, normal wear and tear excepted. Tenant shall be responsible for making all major repairs (i.e., water heater replacement, plumbing problems, electrical, cosmetic, roofing repairs, etc.) and shall be responsible for any damages (including vandalism) caused by the negligence or willful misconduct of Tenant, Tenant's officials, officers, employees, volunteers, agents, invitees, guests, or any third party. Landlord shall not maintain the Leased Premises during the term of this Agreement. Landlord shall not be required to pay for any Tenant required upgrades, such as applicable electrical, plumbing or air conditioning units or sign improvements, etc.

2.14.1 Graffiti. In addition to any other maintenance obligation herein, Tenant shall be responsible for the prompt removal of any graffiti on the Leased Premises after Tenant is provided notice that graffiti is present thereon. Within forty-eight (48) hours after Tenant is provided notice that graffiti is present on the Leased Premises, Tenant shall remove any graffiti by either painting over the vandalized area with a paint that has been color-matched to the surface on which the paint is applied, or by use of solvents, detergents or water as appropriate. If such graffiti is not removed within the required forty-eight (48) hours by Tenant, Landlord shall have the right to enter on or upon the Leased Premises to remove the graffiti. Tenant shall reimburse any sum expended by Landlord to remove the graffiti.

2.15 Condition of Leased Premises. Tenant acknowledges that it has examined the Leased Premises and shall take possession of same in an AS-IS condition. Tenant acknowledges and agrees that Landlord has made absolutely no representations, guarantees or warranties regarding the Leased Premises, nor has Landlord made representations, guarantees or warranties regarding whether the Leased Premises and improvements thereon comply with applicable covenants and restrictions of record, building codes, ordinances or statutes in effect at the commencement of this Agreement.

2.16 Delay in Possession. Landlord agrees to use its best commercially reasonable efforts to deliver possession of the Leased Premises to Tenant by the Effective Date. If, despite said efforts, Landlord is unable to deliver possession as agreed, Landlord shall not be subject to any liability therefore, nor shall such failure affect the validity of this Agreement. Tenant shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Leased Premises. If possession is not delivered within sixty (60) days after the Effective Date, Tenant may, at its option, by notice in writing within ten (10) days after the end of such sixty (60) day period, cancel this Agreement, in which event the parties shall be discharged from all obligations hereunder.

2.17 Damage or Destruction of Leased Premises. Unless as the result of negligence or intentional unlawful act of Tenant, if during the term of this Agreement, any portion of the Leased Premises shall be damaged by fire or other catastrophic cause, so as to render such portion of the Leased

Premises untenable, the obligations under this Agreement may be suspended while such portion of the Leased Premises remains untenable. In the event of such damage, Tenant shall give Landlord notice of such untenable conditions and the Landlord shall elect in its sole discretion, whether to repair the Leased Premises or, to cancel this Agreement with respect thereto. Landlord shall notify Tenant in writing of its election within thirty (30) days after service of notice by Tenant. In the event that Landlord elects not to repair the Leased Premises or portion thereof, this Agreement shall be deemed canceled as of the date the damage occurred with respect to the applicable portion(s).

2.18 Alterations and Additions. Tenant, at its sole cost and expense, may make any alterations, improvements or additions in, about or of the Leased Premises, only with the prior written consent of Landlord and only upon terms and conditions mutually agreed upon in writing between the Landlord and Tenant.

2.19 Entry and Inspection. Tenant shall permit Landlord or Landlord's agents to enter the Leased Premises at all times upon reasonable prior oral or written notice for the purpose of inspecting the Leased Premises, for maintaining and making necessary repairs, restorations and replacements to the Leased Premises as set forth above, and for otherwise determining Tenant's compliance with this Agreement.

2.20 Assignment and Subletting. Tenant shall not sell, assign, sublease, mortgage, pledge, hypothecate or otherwise transfer this Agreement or any right therein, nor make any total or partial sale, assignment, sublease, mortgage, pledge, hypothecation or transfer in any other mode or form of the whole or any part of the Leased Premises.

2.21 Assumption of Risk, Waiver, and Landlord's Non-liability. To the maximum extent allowed by law, except for Landlord or City of Covina's willful or actively negligent acts, Tenant assumes any and all risk of loss, damage or injury of any kind to any person or property which is on or about the Leased Premises. Tenant's assumption of risk shall include, without limitation, loss or damage caused by defects within the Leased Premises or any fixture therein, accident, fire or other casualty on the Leased Premises. To the maximum extent allowed by law, except for Landlord or City of Covina's willful or actively negligent acts, Tenant hereby waives all claims and demands against Landlord, the City of Covina, their respective officials, officers, employees, volunteers and agents for injury to persons, damage to property or any other interest of Tenant sustained by Tenant or any person claiming to be Tenant resulting from any occurrence on or about the Leased Premises.

Tenant has been advised by its legal counsel concerning the content and effect of California Civil Code Section 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Tenant hereby waives the benefits of Civil Code Section 1542 and all other state or federal statutes or judicial decisions of similar effect. The provisions of this Section shall survive the termination of this Agreement.

_____ Tenant's Initials

2.22 Indemnification. Tenant agrees to defend (in accordance with Section 2.22), indemnify and hold harmless Landlord, the City of Covina, their respective officials, officers, employees, volunteers

and agents (collectively, "Indemnified Parties") from and against any and all claims, including any and all claims relating to or arising from Tenant's possession, use, occupancy, management, operation, repair, maintenance or control of the Leased Premises, or any portion thereof, specifically including, without limitation, any loss, action, damages, liability, or expense (including attorneys' fees) arising by reason of: (i) the death or injury of any person or persons, including Tenant or any person who is an employee, agent, guest, or customer of Tenant, or by reason of the damage or destruction of any property, including property owned by Tenant or any person who is an employee, agent, guest, or customer of Tenant, and caused or allegedly caused by either the condition of said premises, or some act or omission of Tenant or of some agent, contractor, employee, servant, sublessees, guest, or customer of Tenant on the Leased Premises; (ii) the willful or negligent act or omission of Tenant or Tenant's officials, officers, employees, volunteers, agents, guests, licensees, invitees, or subtenants (if applicable); (iii) the breach, default, violation or nonperformance of this Agreement by Tenant; (iv) the Tenant's failure to comply with any requirement of local, state or federal law or any requirement imposed by Landlord or by any duly authorized governmental agency or political subdivision. Tenant must pay, satisfy and discharge any and all money judgments that may be recovered against any Indemnified Party in connection with the foregoing. Tenant's obligation hereunder shall survive termination of this Agreement, and shall not be restricted to insurance proceeds, if any, received by any Indemnified Party. Tenant shall not be obligated to defend, indemnify or hold harmless any Indemnified Party to the extent any claim, loss, action, damage, liability, or expense (including attorneys' fees) is ultimately determined to be the result of the negligent or willful misconduct of that particular Indemnified Party or any of its officials, officers, employees, volunteers or agents.

2.23 Duty to Defend. Upon written request from an Indemnified Party, Tenant shall defend (with counsel acceptable to that Indemnified Party, in the Indemnified Party's reasonable discretion) any claim, including any claim relating to or arising from Tenant's possession, use, occupancy, management, operation, repair, maintenance or control of the Leased Premises, lawsuit, administrative action or other proceeding brought against the Indemnified Party by any public body, individual, partnership, corporation, or other legal entity, relating to any matter covered by this Agreement for which Tenant has an obligation to defend, Tenant shall pay all reasonable costs incident to such defense, including, but not limited to, attorneys' fees, investigators' fees, litigation expenses, settlement payments, and amounts paid in satisfaction of judgments. The obligations of Tenant pursuant to this Section shall survive the termination or expiration of this Agreement.

2.24 Hazardous Materials Prohibited. The use, generation, storage or disposal of Hazardous Materials on the Leased Premises is strictly prohibited, and any such use, generation, storage, or disposal shall result in a default and termination of this Agreement. For the purpose of this Section, Hazardous Materials shall include, without limitation, substances defined as "hazardous substances," "hazardous materials," "toxic substances," "hazardous wastes," "extremely hazardous wastes," or "restricted hazardous wastes," or stated to be known to cause cancer or reproductive toxicity, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. sections 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. sections 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. sections 6901, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. sections 1317, et seq.; sections 25115, 25117, 25122.7, 25140, 25249.5, 25249.8, 25281, 25316 or 25501 of the California Health & Safety Code; or any substances so defined or stated in any of the regulations adopted and publications promulgated pursuant to said laws as they may be amended from time to time.

2.25 Taxable Possessory Interests. Tenant acknowledges that the execution of this Agreement for the Leased Premises creates a taxable possessory interest pursuant to Revenue Taxation Code Section 107, as amended from time to time, subjecting Tenant to pay any and all taxes levied on this interest in government owned real property. A taxable possessory interest exists when a person or entity has the

right to a beneficial use of tax exempt, government owned real property whether Rent is paid or not. These possessory interest taxes are to be paid by Tenant directly to the County Tax Collector and shall be kept current, without delinquency. TENANT IS ADVISED TO CONTACT THE COUNTY ASSESSOR PRIOR TO ENTERING INTO THIS AGREEMENT FOR AN ESTIMATE OF THE POSSESSORY INTEREST TAX FOR THIS PROPERTY AND THE ACTUAL PAYMENT DUE DATES. PLEASE BE AWARE THAT THESE ESTIMATES ARE SUBJECT TO CHANGE. All possessory taxes are assessed yearly as of January 1st of each year. If the payment of the taxes become delinquent, Landlord may consider the failure to pay taxes owed a breach of this lease and grounds for termination. The person or entity in actual or constructive possession of the property on the lien date is liable for the tax for the entire year. There is no provision for proration of the taxes. Upon termination of the occupancy and thereby the taxable possessory interest, the Tenant is still responsible for the remaining portion of the tax bill through the end of that year.

_____ Tenant's Initials

2.26 Taxes. In addition to the possessory taxes described in Section 2.24 above, Tenant shall pay during the term of this Lease, without abatement, deduction, or offset, any and all real and personal property taxes, general and special assessments, and other charges (including any increase caused by a change in the tax rate or by a change in assessed valuation) of any description levied or assessed during the term of this Lease by any governmental agency or entity on or against the Leased Premises, personal property located on or in the Leased Premises, and the leasehold estate created by this Lease.

2.27 Surrender/Restoration.

Tenant shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Tenant shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, furnishings and equipment as well as the removal of any storage tank installed by or for Tenant, and the removal, replacement, ore remediation of any soil, material or groundwater contaminated by Tenant. Trade Fixtures shall mean Tenant's machinery and equipment that can be removed without doing material damage to the Premises. All Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Landlord and be surrendered by Tenant with the Premises. Alterations are defined as modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. Utility Installations are defined as all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in and on the Premises.

3. INSURANCE

3.1 Time for Compliance. This Agreement shall not commence until Tenant has provided evidence satisfactory to the Landlord that it has secured all insurance required under this Section.

3.2 Insurance Requirements. Tenant shall, at its expense, procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the possession, use, occupancy, management, operation, repair, maintenance or control of the Leased Premises by the Tenant and/or its officers, officials, agents, representatives, volunteers or employees.

3.2.1 Minimum Scope of and Limits of Coverage. Coverage shall be at least as broad as the latest version of the following: (A) *General Liability*: Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001); (B) Proof of *Automobile Liability*: Insurance business or personal auto coverage and (C) *Workers' Compensation and Employer's Liability*: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance. Tenant shall maintain limits no less than: (A) *General Liability*: \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement/location or the general aggregate limit shall be twice the required occurrence limit; (B) Proof of business or personal *Automobile Liability* coverage for bodily injury and property damage; and (C) *Workers' Compensation and Employer's Liability*: Workers' compensation limits as required by the Labor Code of the State of California. Employers Liability limits of \$2,000,000 per accident for bodily injury or disease.

3.2.2 Fire Legal Liability and Extended Coverage. Tenant shall also procure and maintain, at its own expense, for the duration of this Agreement fire legal liability and extended coverage insurance for Tenant's fixtures, goods, wares, or personal property on or in the Leased Premises.

3.2.3 Insurance Endorsements. The insurance policies shall contain the following provisions, or Tenant or the primary insured shall provide endorsements on forms supplied or approved by the Landlord to add the following provisions to the insurance policies:

(a) General Liability. The general liability policy shall be endorsed to state that: (A) the Landlord, its directors, officials, officers, employees, volunteers and agents shall be covered as additional insureds with respect to the possession, use, occupancy, management, operation, repair, maintenance or control of the Leased Premises by the Tenant and its officers, officials, agents, representatives, volunteers or employees; and (B) the insurance coverage shall be primary insurance with respect to the Landlord, its officials, officers, employees, volunteers and agents, or if excess, shall stand in an unbroken chain of coverage excess of the Tenant's scheduled underlying coverage. Any insurance or self-insurance maintained by the Landlord, its directors, officials, officers, employees, volunteers and agents shall be excess of the Tenant's insurance and shall not be called upon to contribute with it.

(b) Automobile Liability. No endorsement required.

(c) Workers' Compensation and Employers Liability Coverage. The insurer shall agree to waive all rights of subrogation against the Landlord, the City and their directors, officials, officers, employees, volunteers and agents for losses paid under the terms of the insurance policy which arise from work performed by the Tenant.

(d) All Coverages. The General Liability coverage required by this Agreement shall be endorsed to state that: (A) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the Landlord; and (B) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to the Landlord, the City and their directors, officials, officers, employees, volunteers and agents.

3.2.4 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the Landlord, the City and their directors, officials, officers, employees, volunteers and agents.

3.2.5 Deductibles and Self-Insurance Retentions. Landlord may require that any deductibles or self-insured retentions must be declared to and approved by the Landlord. Tenant shall ensure that, at the option of the Landlord, either: (A) the primary insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Landlord, its directors, officials, officers, employees and agents; or (B) the primary insured shall procure a bond guaranteeing payment of losses and related investigation costs, claims and administrative and defense expenses.

3.2.6 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A:IV, licensed and admitted to do business in California, and satisfactory to the Landlord.

3.2.7 Verification of Coverage. Tenant shall furnish Landlord with original certificates of insurance and endorsements affecting coverage required by this Agreement on forms satisfactory to the Landlord. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by the Landlord if requested. All certificates and endorsements must be received and approved by the Landlord. The Landlord reserves the right to require complete, certified copies of all required insurance policies, at any time.

4. TERMINATION.

4.1 Landlord. Without limiting its ability to seek other remedies (either at law or in equity) that may be available to it pursuant to statute or judicial decision, Landlord may terminate this Agreement and all of its obligations hereunder, at its option, upon the occurrence of any of the following:

4.1.1 Tenant's breach of any of its non-monetary obligations under this Agreement and failure to cure such breach within thirty (30) days after receipt of written notice from Landlord or, if such cure cannot be completed within thirty (30) days, Tenant's failure to commence such cure within thirty (30) days after its receipt of written notice and thereafter diligently prosecute such cure to completion; or

4.1.2 Tenant's breach of any of its monetary obligations under this Agreement and failure to cure such breach within three (3) days after receipt of written notice from Landlord.

Any notices required to be given under this Section shall be in lieu of, and not in addition to, the notices required by California's Unlawful Detainer Statutes (Civil Code of Procedure section 1161 et seq.).

If this Agreement is terminated pursuant to this Section 4, Tenant hereby expressly, knowingly and voluntarily waives any and all rights, benefits and/or assistance it may be entitled to receive from Landlord due to such termination, including, without limitation, loss of goodwill, inverse condemnation, or relocation assistance as provided for in California Government Code Sections 7260, *et seq.* and 42 U.S.C. Sections 4601, *et seq.*

Tenant has been advised by its legal counsel concerning the content and effect of California Civil Code Section 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Tenant hereby waives the benefits of Civil Code Section 1542 and all other state or federal statutes or judicial decisions of similar effect.

_____ Tenant's Initials

4.2 Tenant. Tenant may terminate this Agreement upon Landlord's breach of any of its obligations under this Agreement and Landlord's failure to cure such breach within thirty (30) days after receipt of written notice from the Tenant or, if such cure cannot be completed within thirty (30) days, Landlord's failure to commence such cure within thirty (30) days after its receipt of written notice and thereafter diligently prosecute such cure to completion.

5. ENFORCEMENT OF AGREEMENT

5.1 Governing Law and Venue. This Agreement shall be governed by the laws of the State of California without regard to conflicts of laws principles. This Agreement shall be deemed to have been made in the County of Los Angeles, California, regardless of the order of the signatures of the parties affixed hereto. Any litigation or other legal proceedings that arise under or in connection with this Agreement shall be conducted in a federal or state court located within or for the County of Los Angeles, California. Tenant consents to the personal jurisdiction and venue in federal or state court located within or for the County of Los Angeles, California and hereby waives any defenses or objections thereto including defenses based on the doctrine of forum non conveniens.

5.2 Disputes. In the event of any dispute arising under this Agreement, the injured party shall notify the injuring party in writing of its contentions by submitting a claim therefor. The injured party shall continue performing its obligations hereunder so long as the injuring party commences to cure such default within ten (10) days of service of such notice and completes the cure of such default within forty-five (45) days after service of the notice, or such longer period as may be permitted by the Executive Director or his or her designee. Compliance with the provisions of this Section shall be a condition precedent to termination of this Agreement for cause and to any legal action, and such compliance shall not be a waiver of any party's right to take legal action in the event that the dispute is not cured.

5.3 Default. In the event Tenant fails to comply with all the terms and conditions of this Lease, in addition to any other remedy provided for herein or available at law or in equity, Tenant shall pay to Landlord all Deferred Rent within fifteen (15) days of Termination of this Lease.

5.4 Waiver. No delay or omission in the exercise of any right or remedy of a non-defaulting party on any default shall impair such right or remedy or be construed as a waiver. Landlord's consent or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act of Tenant. Any waiver by any party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

5.5 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by any party of one or more of such rights or remedies shall not preclude the exercise by that party, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

5.6 Legal Action. In addition to any other rights or remedies, any party may take legal action, at law or at equity, to cure, correct or remedy any default, to recover damages for any default, to

compel specific performance of this Agreement, to obtain injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

5.7 Attorneys' Fees. If any party commences an action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs of suit from the losing party.

6. MISCELLANEOUS PROVISIONS

6.1 Construction; References; Captions. Since the parties or their agents have reviewed this Agreement, the language of this Agreement shall be construed simply, according to its fair meaning, and not strictly for or against any party. Any term referencing time, days or period for performance shall be deemed calendar days and not work days. All references to Tenant include all personnel, employees, agents, and subcontractors of Tenant, except as otherwise specified in this Agreement. All references to Landlord include its elected officials, officers, employees, agents, and volunteers except as otherwise specified in this Agreement. The captions of the various articles and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

6.2 No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the parties.

6.3 Notice. Any notice, demand, request, consent, approval, communication either party desires or is required to give the other party or any other person shall be in writing and either served personally, by facsimile transmission, email, or sent by prepaid, first-class mail to the address set forth below. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated forty-eight (48) hours from the time of mailing if mailed as provided in this Section. Notices transmitted by facsimile transmission shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient). Notices transmitted by electronic mail transmission shall be deemed delivered upon send only if no message of unavailability or undeliverability is received. If notice is deemed received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

To Landlord:

To Tenant:

REDEVELOPMENT AGENCY OF THE
CITY OF COVINA

ELITE DINING SERVICES, INC.

Attention: Deputy Executive Director
125 E. College Street
Covina, CA 91723

Attention: George Peterson
143 N. Citrus Avenue
Covina, CA 91723

Fax: 626-384-5448
Email: rneuber@covinaca.gov

Fax:
Email: gkdist04@aol.com

Copy to:

Copy to:

BEST BEST & KRIEGER LLP

Attention: Agency Counsel

5 Park Plaza, Suite 1500
Irvine, CA 92614
Fax: (949) 260-0972
Email:

Fax:
Email:

6.4 Integrated Agreement. This Agreement contains all of the agreements of the parties and all previous understanding, negotiations and agreements are integrated into and superseded by this Agreement.

6.5 Amendment. This Agreement may be amended at any time by the mutual consent of the parties by an instrument in writing signed by both parties.

6.6 Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original.

6.7 Exhibits. All exhibits attached hereto are hereby incorporated by reference as if fully set out in the body of this Agreement.

6.8 Severability. In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Agreement shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not affect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Agreement which are hereby declared as severable and shall be interpreted to carry out the intent of the parties hereunder.

6.9 Authority. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by so executing this Agreement the parties hereto are formally bound to the provisions of this Agreement.

6.10 Independent Representation by Counsel. The parties represent and declare that in executing this Agreement they rely solely upon their own judgment, belief and knowledge, and the advice and recommendations of their own independently-selected counsel, concerning the nature, extent and duration of their rights and claims hereunder, and that, except as provided herein, they have not been influenced to any extent whatsoever in executing this Agreement, by any representations, statements or omissions pertaining to any of the matters herein contained by any party or by any persons representing any party.

6.11 Binding Effect. This Agreement shall bind and inure to the benefit of the parties and the Landlord's heirs, successors and assigns.

[Signatures on Following Page]

SIGNATURE PAGE TO LEASE AGREEMENT

TENANT

ELITE DINING SERVICES, INC.,
a California corporation

By: _____

Its: _____

Dated: _____

By: _____

Its: _____

Dated: _____

LANDLORD

**COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF COVINA**
a public body, corporate and politic

By: _____

Daryl Parrish, Executive Director

Dated: _____

ATTEST:

By: _____

Agency Secretary

ATTEST AS TO LEGAL FORM:

BEST BEST & KRIEGER LLP

By: _____

Agency Counsel

Exhibit "A"

Leased Premises

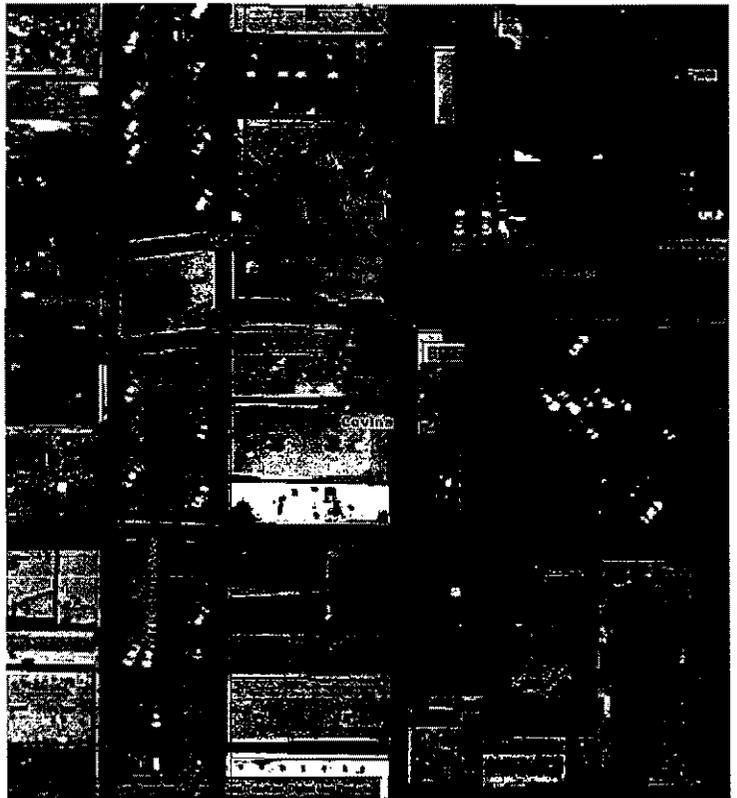
PROPERTY DESCRIPTION

The land referred to herein below is situated in the City of Covina, County of Los Angeles, State of California, and is described as follows:

114 E. Italia Street, Covina, CA 91723

Related site includes a portion of APN 8445-001-905 consisting of a 1,406 square foot restaurant and 720 square foot covered patio.

SITE MAP



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____, before me, _____,
Date Name And Title Of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____,
Name of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

Title(s)

Title or Type of Document

- Partner(s) Limited
- General

- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: _____

Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

Date Of Document

Signer(s) Other Than Named Above

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On _____, before me, _____
Date Name And Title Of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____
Name of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

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DESCRIPTION OF ATTACHED DOCUMENT

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Number Of Pages

Signer is representing:
Name Of Person(s) Or Entity(ies)

Date Of Document

Signer(s) Other Than Named Above