

**LEASE**

This lease is effective as of July 1, 2011, and is made and entered into by Multnomah County School District No. 3 (Parkrose School District), herein referred to as Lessor, and Multnomah Education Service District (MESD), herein referred to as Lessee.

**Agreement**

In consideration of the following terms and provisions, Lessor and Lessee agree as follows:

1. Leased Premises. Lessor hereby leases to lessee the Premises (“Premises”) described as follows:

Approximately 43,171 square feet of property improved by the Thompson Elementary School building, 14030 NE Sacramento Street, Portland, Oregon, as shown on the attached Exhibit A.

2. Lessor’s Covenants.

- a. Lessor agrees that Lessor has the right to make this Lease and to lease the Premises to Lessee; that possession of the Premises is delivered to Lessee free of other tenants and of conflicting claims; that to the best of Lessor’s knowledge the use of the Premises by Lessee for the specific uses set forth in paragraph (7) titled “Use of Premises” is not in violation of any federal, state or local statute, regulation or ordinance, including the acknowledged comprehensive land use plans and regulations of the city or county in which Premises are located, and that on paying the rent and performing its covenants of this Lease, Lessee may enjoy the rights granted by this Lease free from rightful interference by any third party.
- b. Lessor will maintain an asbestos management program to comply with all state and federal regulations related to asbestos in schools.
- c. Lessor agrees Lessee shall have the right to quietly and peaceably enjoy the Premises and use the Premises.

3. Term. Subject to Section 1 above, the term of this lease shall be July 1, 2011, through June 30, 2021.

4. Rent. The annual rent (i.e., the rent associated with a lease of the entire Premises) for the period July 1, 2011, through June 30, 2012, shall be \$127,890. The rent shall be paid in quarterly installments at the beginning of each quarter.

The annual rent for each succeeding one-year period (July 1 through June 30) shall be increased by 5% each year as reflected on the table below:

▪ 2011-12	\$127,890
▪ 2012-13	\$134,285
▪ 2013-14	\$140,999
▪ 2014-15	\$148,049
▪ 2015-16	\$155,451
▪ 2016-17	\$163,224
▪ 2017-18	\$171,385
▪ 2018-19	\$179,954
▪ 2019-20	\$188,952
▪ 2020-21	\$198,399

5. Renewal. There is no automatic renewal of this lease. On or about October 2020, the parties may enter into negotiations for a new lease, provided that, at that time, Lessee still lawfully occupies space in Thompson School.
6. Initial Condition of the Premises. Lessee hereby accepts the Premises in the condition that existed as of April 15, 2001. Lessee acknowledges that neither Lessor nor Lessor's agent (if any) has made any representations or furnished any warranties as to the suitability of the Premises for the conduct of Lessee's activities.
7. Use of the Premises. Unless Lessor has granted prior written consent for some other use, Lessee shall use the Premises for the operation of early childhood school programs and administration and for no other purpose. Lessee shall not conduct or allow others to conduct or allow any use of the Premises that would cause a loss of the existing property tax exemption. If Lessee's use of the Premises, or any use of the Premises authorized by Lessee, causes a loss of that exemption, in whole or in part, Lessee shall pay all resulting property taxes.

Lessor, for itself, its agents, employees and contractors, agrees that it will take no action that would jeopardize the confidentiality of Lessee's business information or expose this information to disclosure, and will cooperate with Lessee in affirmatively protecting the confidentiality of all information so designated as confidential or otherwise of a sensitive nature.

As used in this Lease, the term "Common Areas" means the yards, lawns, playground and the playing fields located on the Property. Lessor reserves for itself the exclusive right to control permitted uses on all Common Areas. Lessor grants to Lessee the exclusive right to use the Common Areas from 7 a.m. to 5 p.m. Monday through Fridays, during the term of this Lease.

8. Community Access. Lessee shall allow the grounds to be used and accessible to the community during non-school times. Youth group activities will be allowed use of the grounds in accordance with Parkrose School District Board policy and scheduled through the Parkrose offices. Lessor will provide to the Lessee information related to all functions scheduled through Parkrose Administration office.

9. Improper Use. Lessee shall not make any unlawful, improper, or offensive use of the Premises, or cause any waste or strip of the Premises, or permit any objectionable noise or odor to escape or to be emitted from the Premises, or allow anything to be done upon or about the Premises in any way tending to create a nuisance.
10. Compliance with Law. Lessee shall comply at its own expense with all laws and regulations of any municipal, county, state, federal, and other public authority respecting the use of the Premises.
11. Insurance; Indemnity.
- 11.1 Liability Insurance. Lessee at its expense shall maintain a comprehensive general liability insurance policy insuring all of Lessee's operations pertaining to use of the Premises. Such policy shall name Lessor as an additional named insured and provide Lessor liability protection against any liability arising out of the ownership, maintenance, occupancy, business activity, work or use of the Premises, including actions arising out of the public use of meeting rooms, grounds, and all areas appurtenant thereto. The comprehensive general liability policy shall be not less than \$2,000,000 combined single limit of liability for bodily injury and property damage and in the aggregate of not less than \$2,000,000. A \$1,000,000 comprehensive general liability limit is acceptable, provided that an umbrella liability policy is furnished with a minimum liability limit of liability of \$1,000,000 per occurrence with a \$2,000,000 aggregate. The umbrella policy wording shall be as broad as the underlying wording. The insurance policies shall be purchased and maintained at the sole expense of Lessee and shall provide Lessor with a 60-day cancellation, non-renewal, reduction or change in coverage notice provision.
- 11.2 Property Damage Insurance. Lessor shall obtain and keep in force during the term of the lease at Lessee's sole expense, a policy or policies of insurance covering loss or damage to the Premises to the extent of 100% of replacement costs, providing protection against all perils included within the classification of fire, extended coverage, vandalism & malicious mischief and special form coverage's (including earthquake and flood). Lessor shall bill Lessee for the total amount of the premium cost which will be an amount not included as part of the base rent.
- 11.3 Evidence of Insurance. All insurance policies, required of Lessee, shall be, issued by insurance companies authorized to do business in the State of Oregon, with a Best's Insurance Report rating of A+ status or better and/or as approved by Lessor. All policies shall contain a 60-day cancellation or non-renewal notice provision to both Lessor and Lessee before cancellation, non-renewal, or change in the coverage, scope, or amount of any policy. Prior to occupancy, Lessee shall provide Lessor with a copy of the policy and a certificate of insurance naming Lessor as an additional named insured, and Lessee shall provide Lessor such evidence of insurance on all renewal policies no less than thirty (30) days prior to expiration of the term of the policy or policies.
- 11.4 Waiver of Subrogation. Lessor and Lessee hereby waive any rights each may have against the other on account of any loss or damage occurring on the Premises arising from any risk generally covered by insurance. The parties agree to use their best efforts to have their respective insurance companies waive any right of subrogation they may have by reason of payment for loss covered by insurance.

12. Utilities. Lessee shall pay for all utilities and public services provided to the Premises, including, but not limited to: water, electricity, garbage removal, natural gas, sewer fees, and similar services. Lessor represents and warrants to Lessee that water, sewer, electricity connections are available on the Premises. Should failure of major equipment (HVAC, appliances, etc.) lead to above normal utility charges, Lessor and Lessee will meet to discuss and resolve issues.
13. Security System. Lessee shall maintain an alarm system for security and fire for the premises at all times. Lessee will be responsible for maintenance and monthly charges for the system. Additionally, Lessee will be responsible for all call out fees or costs associated with the system that Lessor provides.
14. Custodial; Maintenance. Lessee shall provide custodial service and interior and exterior maintenance for the Premises. In the event a defect should develop in the heating facilities, Lessor shall repair the same. Lessee shall provide exterior maintenance for the school building and the grounds adjacent to the school building. Lessor is responsible for the maintenance of the roof. Lessee shall repair and replace all broken glass at Lessee's expense.
- 14.1 The parties acknowledge that energy conservation to the extent feasible is in the best interest to both parties, and agree to make best efforts to contribute toward gaining energy efficiency wherever possible.
- 14.2 Lessee shall provide custodial service and interior maintenance for the Premises.
- a. Lessee will provide all custodial services to keep the premises neat, clean and orderly.
  - b. Lessee will provide minor interior electrical repairs such as lamps, ballast, switches, outlets, etc.
  - c. Lessee will provide minor plumbing repair to faucet sets, flushometers, as required.
  - d. Lessee shall repair and replace all broken glass at Lessee's expense.
  - e. Maintain air conditioning units
- 14.3 Lessor shall perform at Lessor's sole cost and expense any necessary major infrastructure maintenance repairs. These include:
- a. foundation, floor slabs, roof and exterior
  - b. plumbing of infrastructure, meaning pipes, sewer system, main water supply
  - c. power supply from the street to point of entry to the premises
  - d. exterior walls meaning support of the structure
  - e. VAT floor tile maintained at a level of other Parkrose structures
  - f. heating system as installed from boiler system to major areas to assure heat to existing interior areas

15. Grounds Maintenance. Lessee is responsible for the maintenance of the grounds with a minimum of standards to be developed cooperatively between Lessee and Lessor that will reflect the community appearance. Lessee may contract with Lessor or any vendor for those services. If Lessee contracts for those services with Lessor, a separate contract will be written outlining minimum standards and conditions of the contract.
16. Assignment. Lessee shall not assign or transfer this lease, or any interest herein, or sublease any portion of the Premises without the prior written consent of Lessor. Lessor's consent shall not be unreasonably withheld. If any portion of the property is sublet, the amount of rent for that space which is in excess of the annual rent per square foot for the entire building will be divided 50% Lessee and 50% Lessor.
17. Peaceful Existence. Lessee shall have the right to quietly and peaceably enjoy the Premises and use the Premises as described in Paragraph 2(c).
18. Improvements to Building. All improvements upon the Premises, whether done by the Lessor, with Lessee's consent, or Lessee, shall become a part of the building as soon as installed and be the property of the Lessor. This excludes minor improvements which can be removed without damaging the property.
  - a. Lessee may make additional improvements or alterations to the Premises, at Lessee's expense, subject to the following conditions:
  - b. If Lessee performs the work, plans for improvements or alterations shall be approved in writing by Lessor, in advance; and all construction shall be in accordance with applicable building codes and performed in a good workmanlike manner.
19. Reasonable Access by Lessor. Lessor and its agents shall have the right to enter upon the Premises for the purpose of examining the condition thereof, or for any other lawful purpose, provided that the entry is done in a peaceable manner and at a reasonable time.
20. Destruction of Building. In any event of the destruction of the improvements situated on the Premises by fire or other casualty, either party may terminate this lease as of the date of the fire or casualty; provided (a) if the damage equals 50% or more of the value of the Premises, Lessor may, at its election, choose to repair or not to repair the Premises, and Lessor must give Lessee written notice of its election within fifteen (15) days of the occurrence causing the damage; if Lessor fails to properly give the notice, Lessor shall be conclusively deemed to have elected not to repair; if Lessor elects not to repair the Premises, this lease shall terminate as of the date of the occurrence causing the damage; and (b) if the damage equals less than 50% of the value of the Premises, or if it is more, and Lessor elects to repair, Lessor shall repair the Premises with all reasonable diligence; Lessor shall have the right to take possession of and occupy, to the exclusion of the Lessee, all or any part of the Premises reasonably required in order to make the necessary repairs, and Lessee agrees to vacate those portions upon reasonable advanced notice; for the period of time between the date of the

damage and the date the repairs are completed, there shall be a reasonable abatement of rent for the interference with Lessee's occupancy and operation of its program.

21. Condemnation. In the event of the condemnation or appropriation of all or any substantial part of the Premises by any public or private corporation pursuant to the laws of eminent domain, either party may terminate this lease by giving twenty (20) days' written notice to the other party. Lessee shall not be liable for any rent after the date of Lessee's removal from the Premises as a consequence of condemnation. All awards derived from eminent domain or any payment made under the threat of the exercise of power of eminent domain shall be the property of Lessor whether made as compensation for diminution of value of the leasehold or for the taking of the fee or as severance damages; provided, however, that Lessee shall be entitled to any award for loss of or damage to Lessee's fixtures, removable personal property, and relocation expenses.
22. Termination. Either, Lessee or Lessor, may terminate this lease agreement with a minimum of 180 days written notice.

Both Lessor and Lessee recognize that there may be other unforeseen circumstances, (e.g., fire in another classroom building) which may result in Lessor's need for additional space or Lessee's no longer needing some or all of the Premises. In such event, Lessor and Lessee agree to work cooperatively toward satisfying each other's needs, including the relinquishing of some or all of the Premises upon a reasonable time schedule. Lessee shall not be liable for any rent after the effective date of the termination. Effective as of the date when the Lessee relinquishes some or all of the Premises, the actual rent charged to Lessee shall be reduced. The actual rent shall be calculated by multiplying the annual rent for the one-year period times a ratio, the numerator of which shall be the remaining space leased to the Lessee and the denominator which shall be 43,171 square feet, times the percentage of the days remaining in the one-year period.

23. Notice of Termination. Notice under this lease shall be deemed to have been given when deposited in the United States mail, postage prepaid, and sent by either registered or certified mail. Notice to Lessor shall be mailed to 10636 N.E. Prescott Street, Portland, Oregon 97220-2699. Notice to Lessee shall be sent to 11611 N.E. Ainsworth Circle, Portland, Oregon 97220.
24. Expiration. At the expiration of the term of this lease, or upon any sooner proper termination, Lessee will quit and deliver up the Premises to Lessor, or its assignees, peaceably, quietly, and in as good of order and condition, reasonable use and wear and damage by fire and the elements excepted, as the Premises were on April 15, 2001.
25. Attorney Fees. In the event either party brings any suit or action against the other to declare, interpret, or enforce any of the terms of this lease, the prevailing party shall, in addition to all other relief, be entitled to an award of a reasonable attorney fee, as determined by the Court. In the event an appeal is taken, the prevailing party, on appeal, shall be entitled to an additional award of a reasonable attorney fee for the appeal as determined by the appellate court.
26. Each of the undersigned specifically agree to protect, indemnity and hold each other harmless for any legal liability and to indemnify each other, their directors, officers,

employees, and agents from all claims, demands, suits, actions, expenses and attorney fees (including appellate attorney fees) brought against any of them resulting from or arising out of this Agreement. Nothing in this paragraph shall be deemed to increase the liability of any party beyond that specified as the limit of liability for a public body, its officers, employees or agents under the Oregon Tort Claims Act.

27. Each party, by the signature below of its authorized representative, hereby acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and conditions. Each person signing this Agreement represents and warrants to having the authority necessary to execute this Agreement.

**SCHOOL DISTRICT NO. 3, MULTNOMAH COUNTY, OREGON, LESSOR**

**MULTNOMAH EDUCATION SERVICE DISTRICT, LESSEE**

By \_\_\_\_\_  
Superintendent

By \_\_\_\_\_

Dated \_\_\_\_\_

Dated \_\_\_\_\_