



# WASHOE COUNTY

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CM/ACM KS  
Finance DN  
DA ✓  
Risk Mgt. DE  
HR N/A  
Clerk SA

## STAFF REPORT

BOARD MEETING DATE: May 12, 2015

**DATE:** April 17, 2015  
**TO:** Board of County Commissioners  
**FROM:** Dave Solaro, Arch., P.E., Director  
Community Services Department, 328-2040, [dsolaro@washoecounty.us](mailto:dsolaro@washoecounty.us)  
**THROUGH:** Kevin Schiller, Assistant County Manager  
**SUBJECT:** Recommendation to allow public comment related to and consider any objections to the proposed intent to sublease a portion of the Sierra View Library space, located at 4001 South Virginia Street, to amend the monthly rent to zero dollars per square foot as authorized within NRS 244.2835; and if supported, approve the First Amendment to Sublease Agreement between Washoe County, Roter Investments L.P., and The Friends of Sierra View Library through June 30, 2016. (Commission District 2.)

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### SUMMARY

This item recommends consideration of public comment and approval of a First Amendment to Sublease Agreement, pursuant to the Resolution and Decision of Intent to Amend Sublease Agreement adopted by the Board of County Commissioners (Board) on April 28, 2015, related to the proposed intent to sublease a portion of the Sierra View Library space, located at 4001 South Virginia Street, to amend the monthly rent to zero dollars per square foot as authorized within NRS 244.2835.

The Friends of Washoe County Library (Friends), an active Nevada non-profit corporation, has been a long-term community support group that provides fundraising opportunities, volunteer support, donations, and guidance to the library system. A Sublease Agreement has been in place since July 2012, which has resulted in the ability of the Friends to co-locate within the Library to allow for efficiencies and to support this valuable relationship.

The Friends of Washoe County Library requested an amendment to the Sublease Agreement that will allow for the continued support of the Washoe County Library System by the Friends. This is the final year of the sub-lease agreement.

Washoe County Strategic Objective supported by this item: Sustainability of our financial, social and natural resources.

AGENDA ITEM # 17

## **PREVIOUS ACTION**

On April 28, 2015, the Board adopted a Resolution and Decision of Intent to Amend Sublease Agreement declaring Washoe County's intent to amend a sublease for a portion of the Sierra View Library space, located at 4001 South Virginia Street, to amend the monthly rent to zero dollars per square foot as authorized within NRS 244.2835; and other matters properly related thereto; and directed the County Clerk to provide public notice of the Resolution and Decision of Intent to Amend Sublease Agreement to be scheduled for May 12, 2015 to allow for public comment.

On July 10, 2012, the Board approved a Sublease Agreement between Roter Investments, L.P., Washoe County, and The Friends of Washoe County Library for a portion of the Sierra View Library space located at 4001 South Virginia Street for a 48 month term commencing retroactively to July 1, 2012.

On August 13, 2013, August 14, 2012, July 26, 2011, and August 11, 2009, the Board accepted a donation in the amount of \$224,910 (with no County match required) from The Friends of Washoe County Library.

## **BACKGROUND**

The Friends of Washoe County Library have been and are a significant supporter of the Library System through both financial and human support. Since its formation in 1981, the Friends of Washoe County Library has provided well over \$2,000,000 in supplemental funding for cultural programming, library materials, technology, shelving and other furnishings. In the past several years, the Friends have donated \$400,000 toward these needs, all the more appreciated by patrons and staff in light of the Library Systems budget reductions. The warehouse area of 6,030 square feet of space that has been occupied by the Friends is not needed by the Library and this co-location has proven beneficial to both groups.

During the budget planning exercise for the next fiscal year, the Friends have requested through the attached letter to the Community Services Department consideration of waived rent for the sublease space. The current sub-lease sets the rent at \$.90 per square foot for the period of July 1, 2015 through June 30, 2016. This is the final year of the sub-lease agreement.

The Nevada Revised Statutes referenced above state the following regarding the lease (or sub-lease) of real property to certain nonprofit organizations:

**NRS 244.2835 Lease of real property to certain nonprofit organizations.**

1. The board of county commissioners of a county may lease real property to a nonprofit organization that:

- (a) Is recognized as exempt under section 501(c)(3) of the Internal Revenue Code;
- (b) Is affiliated by contract or other written agreement with the county; and
- (c) Provides to residents of the county or to other persons a service that the county would otherwise be required to expend money to provide, under such terms and for such consideration as the board determines reasonable based upon the costs and benefits to the county and the recommendation of any county officers who may be involved in approving the lease.

2. To lease real property pursuant to this section, the board of county commissioners must approve the lease and establish the recommended amount of rent to be received for the real property. The board shall render a decision on an application to lease real property pursuant to this section within 60 days after it receives the application.

3. In determining the amount of rent for the lease of real property pursuant to this section, consideration must be given to:

- (a) The amount the lessee is able to pay;
- (b) Whether the real property will be used by the lessee to perform a service of value to members of the general public;
- (c) Whether the service to be performed on the real property will be of assistance to any agency of the county; and
- (d) The expenses, if any, that the county is likely to incur to lease real property pursuant to this section in comparison to other potential uses of the real property.

4. The board of county commissioners may waive any fee for the consideration of an application submitted pursuant to this section.

(Added to NRS by 2007, 2827)

Staff has reviewed the request and the provisions stated above, reviewed the conversation that occurred at the concurrent meeting of the Library Board of Trustees and the Board of County Commissioners and believe that a recommendation of waived rent is beneficial to the Washoe County Library System.

The rent in the upcoming fiscal year for the entire space for Washoe County will be \$.25 per square foot (\$87,390.00) with a waived base payment of \$224,910 from the landlord, Roter Investments of Nevada.

### **FISCAL IMPACT**

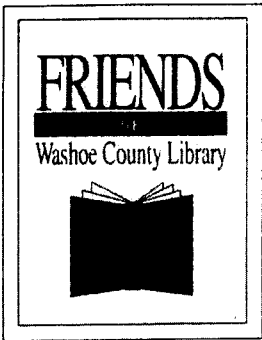
By allowing the Friends to utilize a portion of the Sierra View Library at no cost, a reduction in anticipated revenue to the General Fund in the amount of \$65,124.00 will occur. However, based on the letter from the Friends this rent reduction will allow for the continued donation to the Washoe County Library System of \$140,000 per year.

### **RECOMMENDATION**

It is recommended the Board of County Commissioners allow public comment related to and consider any objections to the proposed intent to sublease a portion of the Sierra View Library space, located at 4001 South Virginia Street, to amend the monthly rent to zero dollars per square foot as authorized within NRS 244.2835; and if supported, approve the First Amendment to Sublease Agreement between Washoe County, Roter Investments L.P., and The Friends of Sierra View Library through June 30, 2016.

### **POSSIBLE MOTION**

Should the Board agree with staff's recommendation, a possible motion would be: "Move to allow public comment related to and consider any objections to the proposed intent to sublease a portion of the Sierra View Library space, located at 4001 South Virginia Street, to amend the monthly rent to zero dollars per square foot as authorized within NRS 244.2835; and if supported, approve the First Amendment to Sublease Agreement between Washoe County, Roter Investments L.P., and The Friends of Sierra View Library through June 30, 2016."



P.O. Box 7103  
Reno, NV 89510-7103  
(775) 324-5522

*"I cannot live  
Without books"  
--Thomas Jefferson*

RECEIVED

MAR 30 2015

OFFICE OF  
C.S.D. ENGINEERING & CAPITAL PROJECTS

March 25, 2015

Mr. David M. Solaro, Arch., P.E.  
Director, Washoe Co. Community Services  
1001 E. Ninth St., Bldg. A  
Reno, NV 89520

**Re: Request for Waiver of Rent for FWCL's subleased space at Sierra View Library**

Dear Mr. Solaro:

This letter is Friends of Washoe County Library's formal request to waive rent payable to Washoe County pursuant to Sublease Agreement dated July 10, 2012, by and between Roter Investments, L.P. and Washoe County and Friends of Washoe County Library, during the term of the sublease and any renewals.

This request is made as a result of the scheduled onset of rent as of July 1, 2015, with an additional increase scheduled for July 1, 2016. This subleased space has been rent-free since July 1, 2012. Under the terms of our sublease our annual rent will be \$65,124 commencing July 1, 2015 and \$86,232 commencing July 1, 2016.

Such rent payment would decrease our annual donation to the Library from \$140,000.00 to less than \$24,943, and force us to move out of Reno Town Mall.

Respectfully yours,

Daniel Erwine, President Friends of Washoe Co. Library Board of Dirs.

cc: Arnie Maurins, Dir. Washoe County Library System

**FIRST AMENDMENT TO SUBLEASE**

THIS FIRST AMENDMENT TO SUBLEASE AGREEMENT (“First Amendment”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2015, by and between ROTER INVESTMENTS, L.P., a Washington Limited Liability Partnership, hereinafter referred to as “Master Leaseholder or Lessor”, and WASHOE COUNTY, NEVADA, a political subdivision of the State of Nevada, hereinafter referred to as “Lessee or Sublessor” and THE FRIENDS OF WASHOE COUNTY LIBRARY, as “Sublessee”.

**WITNESSETH**

WHEREAS, Lessor is sole owner of the real property, buildings and improvements located at 4001 South Virginia Street, Reno, Washoe County, Nevada; and

WHEREAS, Lessee has been occupying a portion of said building at that location through various lease agreements since June 23, 1992; and

WHEREAS, The Friends of Washoe County Library, an active Nevada non-profit corporation in good standing, has applied to and requested that Washoe County amend the Sublease Agreement to lease the 6,030 square feet of space at a cost of zero dollars and zero cents per square foot; and

WHEREAS, the Parties hereto desire this First Amendment to Sublease in order to acknowledge the new sublease amount, and other matters properly related thereto; and

WHEREAS, the Master Leaseholder (Lessor) and Washoe County (Lessee) currently have an existing agreement dated June 15, 2011, which shall be the controlling document related to the Premises and the parties to this First Amendment to Sublease agree said sublease shall be subordinate to that Master Lease; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Lessor, Lessee, and Sublessee hereby agree to amend the Sublease Agreement dated July 10, 2012, in order to identify the new cost of the subleased space as zero dollars and zero cents per square foot by modifying the following sections:

**SECTION THREE**

**RENTAL AND COMMON AREA EXPENSE**

A. Monthly Rent Payments:



**LESSEE: WASHOE COUNTY,  
a Political Subdivision of the State of Nevada**

By: \_\_\_\_\_  
Marsha Berkgigler, Chair  
Washoe County Commission

STATE OF \_\_\_\_\_ )  
:  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_ day of \_\_\_\_\_, 2015 before me a Notary Public in and for the County of Washoe, State of Nevada, personally appeared \_\_\_\_\_, known to me to be the person described herein and who executed the foregoing instrument and who acknowledged to me that she executed the same freely and voluntarily on behalf of Lessee for the uses and purposes therein mentioned.

\_\_\_\_\_  
Notary Public

**SUBLESSEE: Friends of Washoe County Library,  
A Nevada Non-Profit**

By: \_\_\_\_\_  
Daniel Erwine, President

STATE OF \_\_\_\_\_ )  
:  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_ day of \_\_\_\_\_, 2015 before me a Notary Public in and for the County of \_\_\_\_\_, State of \_\_\_\_\_, personally appeared \_\_\_\_\_, known to me to be the person described herein and who executed the foregoing instrument and who acknowledged to me that he executed the same freely and voluntarily on behalf of Sublessee for the uses and purposes therein mentioned.

\_\_\_\_\_  
Notary Public

**SUBLEASE AGREEMENT**

THIS AGREEMENT is made and entered into this 10<sup>th</sup> day of July, 2012, by and between ROTER INVESTMENTS, L.P., a Washington Limited Liability Partnership, hereinafter referred to as “Master Leaseholder or Lessor” and WASHOE COUNTY, NEVADA, a political subdivision of the State of Nevada, hereinafter called “Lessee or Sublessor” and the FRIENDS OF WASHOE COUNTY LIBRARY, as “Sublessee”.

**WITNESSETH:**

WHEREAS, Lessor is the sole owner of the real property, buildings and improvements located at 4001 South Virginia Street, Reno, Washoe County, Nevada; and

WHEREAS, Lessee has been occupying a portion of said building at that location through various lease agreements since June 23, 1992; and

WHEREAS, Friends of Washoe County Library, an active Nevada non-profit corporation in good standing, has applied to and requests Washoe County’s agreement to utilizing and occupy a portion of the space occupied by Washoe County within the Premises; and

WHEREAS, the Board of County Commissioners is authorized to lease property such as this to a non-profit corporation such as Friends of Washoe County Library under such terms and conditions as the Board deems reasonable subject to NRS 244.2835; and

WHEREAS, the Parties hereto desire by this Agreement to define their respective rights, duties and liabilities for The Friends of Washoe County Library to occupy 6,030 square feet of floor space within the space leased from the lessor by Washoe County for the Sierra View Library; and

WHEREAS, the Master Leaseholder (Lessor) and Washoe County (Lessee) currently have an existing agreement dated June 15, 2011, which shall be the controlling document related to the Premises and the parties to this Sublease Agreement agree said sublease shall be subordinate to that Master Lease;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

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**SECTION ONE**

**DESCRIPTION OF PREMISES**

Sublessor hereby leases unto Sublessee, and Sublessee hereby leases from Sublessor, approximately 6,030 sf of space (Premises”) in the space occupied by the Sierra View Library within the building generally known and designated as The Reno Town Mall, 4001 S. Virginia Street, Reno, Washoe County, Nevada, 89502, together with the nonexclusive use of all common areas, including parking area, entrances, elevators, hallways, and restrooms in common with Sublessor and other lessees of the Master Leaseholder. Sublessee, its employees and invitees shall also have the right to use the parking area on an undesignated basis in common with other lessees and their employees and invitees.

Unless otherwise specified, “Premises” shall include only that portion used exclusively by the Sublessee.

**SECTION TWO**

**TERM OF AGREEMENT**

The term of this Agreement shall be for forty-eight (48) months commencing retroactively to July 1, 2012 and terminating on June 30, 2016, unless sooner terminated or extended upon mutual agreement of the parties or as otherwise provided herein.

**SECTION THREE**

**RENTAL AND COMMON AREA EXPENSE**

Effective upon the commencement date as defined in Section Two, Sublessee agrees to pay Sublessor, at such place, as Sublessor shall designate from time to time in writing, rent which shall include all costs associated with “common area” maintenance expenses for the Premises described in Section One above, as follows:

A. Monthly Rent Payments:

1. Year 1 through 3 shall be the sum of Sixty-five cents per square foot or Three Thousand Nine Hundred Nineteen dollars and fifty cents (\$3,919.50) per month fixed for the period commencing July 1, 2012 through June 30, 2015; and

2. Year 4 commencing July 1, 2015 through June 30, 2016 shall increase the rental amount to Ninety cents (\$.90) per square foot or Five Thousand Four Hundred Twenty-seven (\$5,427.00) dollars per month; unless changed as specifically provided herein.

3. Commencing Year 2 of this agreement, Sublessee shall pay a prorated share of all rents and expenses charged to Washoe County for this occupancy, including custodial and utility costs. The prorated share of responsibility for space occupied by the Friends of the Washoe County Library is hereby established at 21% of the costs for the Premises.

B. All rental payments shall be made payable to Washoe County Public Works, P.O. Box 11130, Reno, NV 89520, or at any other address as the parties may designate and serve upon the other. Rent payable hereunder is due the first (1st) day of each month, shall be paid without deduction, offset, prior notice or demand, and if not received or properly deposited into the U.S. Mail system by the tenth (10th) day, Sublessee agrees to pay a surcharge equivalent to five (5%) percent of the monthly rental. Notwithstanding the foregoing, no late charge shall be assessed with respect to the first late payment of rent in a twelve (12) month period.

#### **SECTION FOUR**

#### **COMMON AREA MAINTENANCE**

A. Lessor shall maintain Common Areas in good condition and repair. The term "Common Areas" means all areas and facilities outside the Premises and within the exterior boundaries of the property that are provided and designated by the Lessor from time to time for the general use and convenience of the Lessee, Sublessee and other lessees, or owners of portions of the property pursuant to reciprocal easement agreements, and their respective invitees and public invitees.

B. Common area maintenance shall include, but is not limited to, all such maintenance, construction and repair work as shall be required to preserve and maintain the utility of the Common Area; maintenance, repair, resurfacing, crack filling and sealing of parking lot and painting of common pedestrian walkways, throughways, roadways, service corridors, and patios; sweeping, snow removal, trash disposal and other janitorial services of the common areas; maintenance and repair of common elevators; maintenance and repair of the exterior roof, exterior

roof coverings, exterior supporting structures, walls and doors; maintenance and servicing of sprinkler systems, gardening and landscaping areas, lighting and all utilities utilized in connection therewith; reasonable management; and other modifications required for compliance with any statutes, ordinances and/or regulations, including changes in installations for supply of utilities or sanitary facilities or other public facilities and other maintenance in the Lessor's judgment is necessary for the operation of the Common Areas.

#### **SECTION FIVE**

#### **OPTION TO RENEW**

Sublessee may have the option to renew this Agreement for a period of sixty (60) months to commence upon the expiration of this term, provided that Sublessor exercises its option to renew. Nothing contained herein authorizes the Sublessee to renew this agreement until and unless Sublessor first exercises its option. Written notice to renew shall be given at least ninety (90) days prior to the expiration of this Agreement. The lessee's base rent will increase an additional thirty (\$0.30) per square foot, fixed for the extended term. All other terms and conditions shall remain in full force and effect.

#### **SECTION SIX**

#### **HOLDING OVER**

If Sublessee fails to surrender the Premises upon the expiration of the lease term or the extension thereof, Sublessee shall pay to Sublessor as and for base monthly rent the amount of 150% above the current base monthly rent set forth herein. If Sublessee fails to surrender the Premises, Sublessee shall hold the Sublessor harmless from all damages resulting from Sublessee's failure to surrender, including without limitation, claims from a succeeding tenant resulting from Sublessee's failure to surrender the Premises.

#### **SECTION SEVEN**

#### **USE OF PREMISES**

A. Sublessee shall use the Premises for the purposes of a book storage, office and other related library supportive purposes. Sublessee shall not use, or permit said Premises or any

part thereof to be used for any purpose other than the conduct of the necessary business of Friends of the Washoe County Library.

B. Sublessee shall not conduct or at any time knowingly permit its employees, agents or visitors to conduct activity on the Premises that is unlawful or in violation of any federal or state statute, code or regulation.

## **SECTION EIGHT**

### **ALTERATIONS AND IMPROVEMENTS**

A. The parties hereby acknowledge and agree that Sublessee shall complete, at its sole cost and expense, the tenant improvements as shown on Exhibit A, attached hereto.

B. All improvements shall be accomplished in a workmanlike manner and in compliance with all applicable federal, state, county and municipal laws and regulations.

C. Sublessee agrees that it shall not erect partitions, install or change any doors or windows, or place any nails, screws or other implements or fasteners into the wood work or walls, except such items as are necessary to suitably decorate or make the Premises attractive for the purposes intended, without the prior written consent of Sublessor. Upon Sublessor's request, Sublessee shall prepare plans and specifications of such work and submit the same to Sublessor and the Master Leaseholder, for their approval prior to making such alterations or improvements. Said approvals will not be unreasonably withheld.

D. The parties agree that all the erections, additions, fixtures and improvements made by Sublessee in or upon said Premises, which cannot be removed without substantially affecting the integrity of the building, shall remain upon the Premises at the termination of said term by lapse of time or otherwise, without compensation to Sublessee. All of Sublessee's movable equipment, office furniture, shelving and any decorative items, which can be removed without substantially affecting the integrity of the Building, shall be removed by Sublessee at its expense.

E. The erection, construction, installation or making of any improvements shall be accomplished in a workmanlike manner and in compliance with all applicable federal, state, county and municipal laws and regulations.

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**SECTION NINE**

**LESSOR IMPROVEMENTS**

A. Lessor reserves the right from time to time and at its own expense to make such improvements, alterations, renovations, changes, and repairs in and about the building in which the Premises are located, as Lessor shall deem necessary or desirable, provided Lessor gives Sublessee, prior to entering the Premises, a minimum 48 hours notice of its intent to do so. Except where such improvements, alterations, changes and repairs unreasonably disrupt Sublessee's use and peaceful enjoyment of the Premises, Sublessee shall make no claim against Lessor for abatement of rent for interference with Sublessee's leasehold interest or for loss or damage to its business during such improvements, alterations, changes and repairs.

B. Lessor shall make all improvements in a safe, workmanlike manner so as not to prove hazardous to Lessee and/or the public.

**SECTION TEN**

**MAINTENANCE, REPAIRS AND INSPECTIONS**

A. Sublessee shall be responsible for making repairs and for performing maintenance to the interior of its demised Premises

B. Sublessee, at its own expense shall provide interior janitorial and interior window cleaning and shall keep the demised Premises at all times in a neat, clean and sanitary condition, and shall neither commit nor permit any waste or nuisance thereon.

C. Lessor shall maintain, repair and replace at its sole cost and expense, the parking areas and sidewalks, the elevators, roof, exterior walls and windows, together with all central mechanical equipment, to specifically include all heating, ventilating and air conditioning equipment, necessary to provide service to the Premises and maintain the Premises in a reasonable and safe manner and in full compliance with all mandated federal, state and local laws.

D. Sublessee shall keep the Premises free from any liens arising out of any work that it may perform, or materials furnished, or obligations incurred by Sublessee. Sublessee shall have thirty (30) days from the date of notice of said lien, as provided by Lessor, within which to remove said encumbrance without breaching the provisions of this Agreement.

E. Sublessee shall permit Lessor or its authorized agent to enter into and upon the Premises at all reasonable times for the purpose of inspecting the same, or for the purpose of making repairs or maintaining the building in which the Premises are located.

F. Lessor is solely responsible for compliance with, and all necessary expenses associated with any modification required for compliance with any statutes, ordinances and/or regulations, including required changes in installations for supply of utilities or sanitary facilities or other modifications that may be required for compliance with the requirements of the Americans Disability Act (ADA). Sublessee is not aware of any violations relative to the Premises as of the date of this agreement.

#### **SECTION ELEVEN**

##### **UTILITIES, JANITORIAL, TELEPHONE AND PARKING**

A. Commencing July 1, 2012, all gas, electricity, water, sewer, and other public utility uses specifically used upon and separately metered to the Premises shall be at the sole cost and expense of Lessee.

B. Sublessee shall pay for all telephone service costs incurred for installation of equipment and establishment of initial service and for ongoing monthly service charges for equipment, fees, line and toll charges or any changes thereto specifically requested by Lessee.

C. Lessor shall pay at its sole expense the costs for all real property taxes and/or assessment fees without cost or obligation to Lessee for the real property upon which the Premises are located.

#### **SECTION TWELVE**

##### **SIGNS**

Lessee agrees that no sign or advertisement shall be painted or affixed to any part of the outside of the building in which the Premises are situated without the approval of Lessor, which consent shall not be unreasonably withheld.

**SECTION THIRTEEN**

**WAIVER**

Any failure on the part of either party to take action against the other for any breach or covenant herein shall not be construed to constitute a waiver of any other or subsequent breach.

**SECTION FOURTEEN**

**DESTRUCTION OF PREMISES**

In the event of a partial destruction of the Premises or the buildings of which the Premises is a part during the term or renewal of this Agreement, from any cause, Lessor shall forthwith repair the same within one hundred-twenty (120) days, provided such repair can be made within said period under the laws and regulations of the state, federal, county or municipal authorities. If required repairs are commenced promptly, this Agreement shall not be modified, except that Lessee and Sublessee shall be entitled to a proportionate reduction of base rent if a portion of the Premises are rendered unusable or substantially impaired while repairs are being made. If such repairs cannot be made in one hundred-twenty (120) days, or if Lessor does not wish to make the repairs, this Agreement may be terminated at the option of either party. Either party shall notify the other of such party's election to terminate the Agreement within twenty-one (21) days following the date Lessee receives written notice from Lessor of its inability to repair the building within the one hundred-twenty (120) day period due to such damage or destruction. A total destruction of the building in which the Premises is situated shall terminate this Agreement. This provision is not intended to affect the rights of either party to seek recovery against the person responsible for the damages, subject, however, to the provision of Section Fifteen below.

**SECTION FIFTEEN**

**CONDEMNATION**

In the event that any part of the Premises shall be condemned or taken by any county, federal, state or other authority for any purpose, then the term of this Agreement shall cease on the part so taken from the day the possession of that part is required for any public purpose. The

base rent shall be paid up to that day and thereafter the Lessee or the Lessor shall have the right to either cancel this Agreement or to continue in the possession of the remainder of the same under the terms herein provided, except that the base rent shall be reduced in proportion to the area of that portion of the Premises taken for such public purpose. All damages awarded as compensation for diminution in value to the leasehold or to the fee of the Premises shall belong to and be the property of Lessor. Lessee shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Lessee in Lessee's own right on account of any and all damages to Lessee's business by reason of the condemnation and for or on account of any cost or loss to which Lessee might be put in removing Lessee's furniture, fixtures, equipment and leasehold improvements.

**SECTION SIXTEEN**  
**INDEMNIFICATION**

A. To the fullest extent provided by law, Lessor shall hold harmless, indemnify and defend Lessee from and against any loss, damage, claim, suit or liability due to injury, including death, or property damage, to the extent and in the percentage the same is caused by gross negligence or willful misconduct of Lessor, its agents or employees, in connection with the ownership of the Premises and the Lessor's duties and responsibilities pursuant to this Agreement.

B. Pursuant to Nevada Revised Statutes, Chapter 41 and without waiving any provisions thereof, Lessee, shall hold harmless, indemnify and defend Lessor from and against any loss, damage, claim, suit or liability due to injury, including death, or property damage, to the extent and in the percentage the same is caused by the gross negligence or willful misconduct of Lessee, its agents, contractors or employees, in connection with the use of the demised Premises or the Lessee's duties and responsibilities pursuant to this Agreement.

C. Notwithstanding the above, Lessor shall not be liable for damage to property of Lessee or of others located in the Premises, nor for the loss of or damage to any property of Lessee or others caused by theft or otherwise. Notwithstanding the above, this paragraph shall not apply where such damage, loss or injury is caused by the gross negligence or willful misconduct of Lessor.



**SECTION SEVENTEEN**

**INSURANCE**

A. Lessor, at its sole cost and expense, shall:

(1) Secure and maintain fire and extended insurance on the building in which the Premises is located in an amount and coverage determined by Lessor during the term or any extended term of this Agreement.

(2) Secure and maintain a policy of comprehensive or commercial general liability coverage (occurrence form), in an amount of not less than \$1,000,000 per occurrence, and at least \$2,000,000 annual aggregate during the term of this Agreement. Lessee shall be added as an additional "insured" to this policy for any injury to person or damage to property occurring in a Common Area. Lessee shall be provided with a certificate of insurance and endorsements evidencing such coverage

(3) Lessor hereby expressly waives and releases any cause of action or right of recovery which Lessor may have hereafter against the Lessee for any loss or damage to the Premises, or to the contents thereof belonging to either, caused by fire, explosion, or any other risk covered by insurance; and,

(4) Lessor shall obtain a waiver from any insurance carrier with which Lessor carries fire, explosion or any other risk coverage insuring the building and other improvements releasing its subrogation rights against Lessee.

B. Sublessee, at its sole cost and expense, shall:

(1) Maintain fire insurance on all contents owned by the Sublessee located at the Premises.

(2) Sublessee may fund any financial obligation relating to its negligence and Liability through a program of self-funding administered by its Risk Management Division. Any and all claims related to the use of the demised Premises by Sublessee shall be forwarded to Lessee in a timely manner.

(3) Sublessee hereby expressly waives and releases any cause of action or right of

recovery which Sublessee may have hereafter against the Lessor for any loss or damage to the Premises, or to the contents thereof belonging to either, caused by fire, explosion, or any other risk covered by Sublessee's insurance and,

(4) Sublessee shall obtain a waiver from any insurance carrier with which Sublessee carries fire, explosion or any other risk coverage insuring the Premises or the contents thereof releasing its subrogation rights against Lessor.

(5) Sublessee shall not keep or use in or upon the Premises any article which may be prohibited by the Lessor's insurance policy then in effect covering the Premises or Common Areas. In the event Sublessee's occupancy causes any increase of premium for Lessor's insurance on the Premises or Common Areas, or any parts thereof, above the rate for the least hazardous type of occupancy legally permitted in the Premises, Sublessee shall pay such additional premium on demand therefore.

## **SECTION EIGHTEEN**

### **HAZARDOUS SUBSTANCES**

A. Sublessee shall not cause or permit any hazardous substances to be used, stored, manufactured, released or disposed in or upon the Premises, except in the minimum quantities as are customary and usual in connection with Sublessee's permitted use. If the Premises become contaminated as a result of a violation by Lessee of this Section Eighteen, for which Sublessee is legally liable, Sublessee shall indemnify, defend and hold Lessor harmless from all related claims, judgments, penalties, costs or losses, including all expenses incurred for investigation, removal, remediation and restoration mandated by federal, state and local governments, together with Lessor's attorney's fees.

B. If hazardous substances have been used, stored, manufactured, released or disposed in or upon the Premises or connected areas outside the Premises, or if the Premises or connected areas outside the Premises, are or become contaminated in any manner, for which Lessor is legally liable, Lessor shall indemnify, defend and hold Sublessee harmless from all related claims, judgments, penalties, costs or losses, including all expenses incurred for investigation, removal, remediation and restoration mandated by federal, state and local governments, together with Sublessee's attorney fees.

C. "Hazardous Substances" mean all toxic, ignitable, reactive and corrosive substances regulated by federal, state or local governments.

#### **SECTION NINETEEN**

##### **SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE**

A. This Agreement, at Lessor's option, shall be subordinated to any mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon Lessor's leasehold interest in the real property or building of which the Premises are a part and which constitute a mortgage or deed of trust lien or encumbrance against Lessor's interest in such Premises or building and to any and all advances made on the security thereof and to all the renewals, modifications, amendment, consolidations, replacements and extensions thereof.

B. Sublessee agrees to execute any documents required to effectuate such subordination to the lien of any mortgage, deed of trust, or other security document, as the case may be, and failing to do so within fifteen (15) days after written demand shall give Lessor the right to terminate this Agreement and immediately re-enter the Premises.

C. Sublessee shall in the event of the sale or assignment of Lessor's interest in the real property or building of which the Premises are a part, or in the event of any proceeding brought for the foreclosure of, or in the event of exercise of the power of sale under any mortgage or deed of trust made by Lessor covering the Premises, attorn to the purchaser or assignee and recognize such purchaser or assignee as Lessor under this Agreement.

D. Any purchaser, assignee, or other party acquiring Lessor's interest in the real property or building of which the Premises are a part, agrees to recognize the validity and enforceability of this Agreement and that notwithstanding any default by Lessor with respect to any mortgage, deed of trust, or other security document, Sublessee's possession, quiet enjoyment and all of Sublessee's rights under this Agreement in and to the Premises shall not be disturbed by such purchaser, assignee or other party unless Sublessee is in default under the terms of this Agreement.

#### **SECTION TWENTY**

##### **QUIET ENJOYMENT**

Sublessee, while in compliance with the terms and covenants herein, is entitled to the quiet enjoyment of the Premises for the term hereby created.

**SECTION TWENTY-ONE**

**NOTICES**

All notices and demands which may be required to be served upon the respective parties to this Agreement shall be in writing and may be served either personally, by a recognized overnight courier, or by certified mail, postage prepaid, addressed to the Lessee or Sublessee at the address of the Premises herein, with a copy to Washoe County Public Works, P.O. Box 11130, Reno, NV 89520-0027, and to Lessor, c/o City Management Corporation, 3000 Northup Way, Ste 101, Bellevue, WA 98004, or at such other address as the parties may designate and serve upon the other. Any service by mail shall be deemed served upon deposit in the United States Post Office.

**SECTION TWENTY-TWO**

**ATTORNEY'S FEES**

Should any party hereto institute any legal action or proceeding of any kind, to enforce any provision hereof or for damages by reason of an alleged breach of any provision of this Agreement, the prevailing party shall be entitled to recover such amounts as may be adjudged to be reasonable attorneys' fees for the services rendered to the prevailing party in such action or proceeding, together with costs

**SECTION TWENTY-THREE**

**TERMINATION**

A. Upon termination of this Agreement, Sublessee shall quit the Premises peaceably, with no damage to the Premises, normal wear and tear and damage outside the control of Sublessee excepted, and shall remove all of Sublessee's personal property from the Premises.

B. The failure by Sublessee to make any payment or observe or perform any covenants, conditions or provisions of this Agreement required to be made, observed or performed by such party, after thirty (30) days written notice of such default shall constitute a default of this Agreement by such party; provided, however, that if the nature of the default (other than the payment of money) is such that more than thirty (30) days are reasonably required for its

cure, then the defaulting party shall not be deemed to be in default if such party commences such cure within the thirty (30) day period and thereafter diligently prosecutes such cure to completion. Upon default, the non-defaulting party may pursue all remedies available under Nevada law, including termination of the Agreement and recovery of all damages caused by such default.

C. It is understood and agreed that either party may cancel this SubLease Agreement, with or without cause, effective on any anniversary date of this Lease upon providing six (6) months prior written notice to the other party or as specifically defined herein.

#### **SECTION TWENTY-FOUR**

#### **CHOICE OF LAW; VENUE**

This Agreement shall be construed in accordance with and be governed by the Laws of the State of Nevada. All parties hereto consent to the personal jurisdiction of any state or federal court of competent jurisdiction located in Washoe County, Nevada and to the service of process by any means authorized by any such state or federal court or under the laws of the State of Nevada. The exclusive venue of any action, proceeding or counterclaim arising out of or in connection with this Lease shall be Washoe County, Nevada.

#### **SECTION TWENTY-FIVE**

#### **FUNDING OUT CLAUSE**

Pursuant to NRS 244.320, in the event Washoe County fails to appropriate budget funds specifically for the purpose of maintaining such Premises, in any subsequent fiscal year after the effective date of the Agreement, Lessor hereby agrees to cancel this Agreement and hold Lessee, and Sublessee harmless from any penalty, charge or sanction. Lessee agrees to provide written notice to Lessor of this eventuality, should it occur. Additionally, should the Master Lease be terminated either by the Lessor or any other legal means, Sublessee agrees that this sublease will also terminate and the Sublessee will not seek to hold Washoe County liable for any claimed damages due to said termination.

**SECTION TWENTY-SIX**

**EFFECT OF AGREEMENT**

A. This Agreement constitutes the entire contact between the parties and no obligation other than those set forth herein will be recognized unless endorsed hereto in writing.

B. Each of the covenants, warranties, and agreements herein contained are binding on the parties hereto, their successors, assigns and legal representatives. In the event of any breach of these covenants, warranties and agreements by Sublessee during the duration of this Agreement, whether or not discovered by or known to Lessor during the Agreement term, Lessor expressly reserves unto itself the right to pursue appropriate legal action against Sublessee to correct or cure said breaches or deficiencies.

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IN WITNESS WHEREOF, the parties hereto have set their hands and seals as of the date and year first above written.

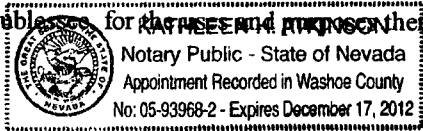
SUBLESSEE: FRIENDS OF WASHOE COUNTY LIBRARY, a Nevada Non-Profit

By: Mary Jones  
Mary Jones, President

STATE OF Nevada )

COUNTY OF Washoe )

On this 27 day of June, 2012 before me a Notary Public in and for the County of Washoe, State of Nevada, personally appeared Mary Jones and \_\_\_\_\_, known to me to be the person(s) described herein and who executed the foregoing instrument and who acknowledged to me that he/she executed the same freely and voluntarily on behalf of Sublessee, for the uses and purposes therein mentioned.



[Signature]  
Notary Public

LESSEE: WASHOE COUNTY, a political subdivision of the State of Nevada, (COUNTY)

By: Robert M. Larkin  
Robert M. Larkin, Chairman  
Washoe County Commission

STATE OF Nevada )

COUNTY OF Washoe )

On this 10<sup>th</sup> day of July, 2012 before me a Notary Public in and for the County of Washoe, State of Nevada, personally appeared Robert M. Larkin and \_\_\_\_\_, known to me to be the person(s) described herein and who executed the foregoing instrument and who acknowledged to me that he/she executed the same freely and voluntarily on behalf of Lessee, for the uses and purposes therein mentioned.



Sandy Mori  
Notary Public

LESSOR: ROTER INVESTMENTS, L.P.  
through its General Partner, City Management Corp.

By: Robert C. Rothe  
Robert C. Rothe, President

STATE OF Washington

COUNTY OF King

On this 23rd day of July, 2012 before me a Notary Public in and for the County of Washoe, State of Nevada personally appeared Robert Rothe, known to me to be the person described herein and who executed the foregoing instrument and who acknowledged to me that he/she executed the same freely and voluntarily on behalf of Lessor, for the uses and purposes therein mentioned.

Dieter Struzyna  
Notary Public

DIETER G. STRUZYNIA  
STATE OF WASHINGTON  
NOTARY PUBLIC  
MY COMMISSION EXPIRES  
06-05-15