

**VA Request for Lease Proposals No. 36C26121R0059 (“Project”)
Tulare, CA**

**Tulare Local Health District & Catalyst Capital
Development, Construction and Lease Administration Memorandum of Understanding**

November 23, 2021

This letter sets forth the principal terms and conditions upon which Catalyst Capital or its assignee (“Catalyst”) has agreed to form a partnership (the “Partnership”) to pursue the Project with Tulare Local Health District (“TLHD”).

PROJECT BACKGROUND AND FACTS

1. TLHCD and/or affiliates is the Owner of a 2-story, 61,901 RSF commercial building located at 1425 E. Prosperity Avenue, Tulare, CA 93274 (“Property”).
2. TLHCD possesses the leasing/existing tenant flexibility, and wishes to propose a Lease for a portion of the Property to the Department of Veterans (“VA”) in accordance with the Project requirements for a medical clinic that were released by VA in June of 2021.
3. The Property is current fully leased; the anchor tenant is Evolution Fitness & Wellness Health Club (“Evolution”), which leases approximately 50,000 SF on portions of both the 1st and 2nd stories of the Property. TLHCD and/or affiliates is the prospective owner of Evolution, and thereby will be able to control Evolution’s decision-making and operations at some point in the near future.
4. If the VA elects to sign a medical clinic Lease at the Property, Evolutions (under TLHCD’s future guidance) could downsize its leasing footprint at the Property to accommodate the VA Lease requirements.
5. Initial Offers for the VA Lease are due to VA on December 14, 2021 at 5 PM PT.

The following is a summary of the services that Catalyst will provide to TLHD during the pursuit and execution of the above referenced Project:

1. Pre-Development Services

- a. Assemble and oversee the submission of Lease Proposal(s) at the Property to VA
- b. Develop comprehensive project budget, schedule and financial model;
- c. Engage and manage a general contractor of TLHD’s choice (“Contractor”) as general contractor under an exclusive basis;
- d. Engage and manage an architect (“Architect”) as architect under an exclusive basis;
- e. Engage and manage any requisite third parties;
- f. Evaluation of environmental assessment, seismic assessment, civil engineering, and cultural assessment (all assessments as and if applicable) to ensure adherence to RLP and for feasibility;
- g. Develop a design concept in conjunction with architect and contractor to adhere to RLP requirements and VA design goals;
- h. Manage the design to maximize constructability, feasibility, and minimize cost;
- i. Evaluate and prepare for permits following VA Lease Award;
- j. Support TLHD in arranging financing for the project.

2. Development Advisory Services

- a. Oversee entitlement and permitting process;
- b. Oversee and manage project schedule and budget;
- c. Support TLHD in equity and debt reporting including monthly loan draws;
- d. Oversee the completion of a final design for the project;
- e. Negotiate and execute a GMP construction contract for the execution of the construction of project;
- f. Bid, negotiate, execute and manage any requisite third-party contracts which may include:
 1. Utility advisor;
 2. Permit expeditor; or
 3. Civil engineer.
- g. Manage quality control during development process;
- h. Oversee entire development process through completion; and
- i. Oversee hand-off of facility to TLHD property management including training of staff and delivery of as-builts, attic stock, etc.

3. Lease Administration (Project Management/Lease Administration through delivery of Building) – Provide advice and assistance to TLHD regarding lease administration to ensure compliance of lease requirements to include:

- a. Evaluating Lease Schedule to ensure that delivery is in accordance with Lease requirements;
- b. Integration of Government scheduling;
- c. Compliance with Small Business subcontracting plan (if applicable);
- d. Davis-Bacon conformance;
- e. Randolph-Sheppard Act requirements;
- f. Integration of government security requirements;
- g. Defining actual rent commencement;
- h. Integration of the Government's personal property installation;
- i. Coordinating the Tenant move-in schedule;
- j. Assisting in the negotiation of change requests, to arrive at defined cost and schedule implications;
- k. Developing and facilitating innovative solutions to address customer issues;
 - l. Assisting in setting Tax bases or negotiating Tax adjustments; and
 - m. Negotiating Lease Amendments.

4. Construction (and Loan) Management - Provide advice and oversight on behalf of TLHD for the following:

- a. Attend Pre-Construction and Construction coordination meetings on site or otherwise;
- b. Oversee Permitting Approvals and monitor the status and processing of permits;
- c. Monitor and track long lead items and prepare purchase orders or early release notices as necessary;
- d. Review the Contractor's suggested subcontractors and recommend additional subcontractors as necessary;
- e. Administer and track Government's vendors which may include, but not be limited to:
 - o Dry utility consultant
 - o Security installation
 - o Parking control
- f. Review base building design and tenant design for conformance and constructability;
- g. Coordinate budget pricing and any value engineering;
- h. Manage bids and proposals from contractors;

- i. Review and recommend bid packages;
- j. Review and coordinate Project schedule as prepared by the Contractor, and integrate into master schedule;
- k. Submit monthly loan draw packages to Lender and so that Contractor, Architect and all other Project vendors are paid timely
- l. Manage coordination and communication with Lender on changes in Project scope that would affect available loan proceeds (if applicable)
- m. Inspect the progress of the construction and report to TLHD on such progress. Endeavor to protect TLHD from defects and deficiencies in the construction work, and when appropriate recommend to TLHD additional inspections or testing of the work in accordance with the construction contract. Promptly notify TLHD in writing if Consultant becomes aware of any fault or defect in the construction or nonperformance with the construction contract or architect agreement.
- n. Monitor, expedite, and document Work Agreement obligations related to tenant improvements with the goal of completing the construction on time and on or under budget.
- o. Review and expedite approval of shop drawings and samples;
- p. Review any Request for Information and Change Order requests;
- q. Review all claims and proposed changes to determine the implications to overall job progress and cost, to substantiate the validity and cost of all claims and proposed changes, and to identify possible alternatives. Prepare and submit to TLHD a written report, together with a recommended course of action, on claims and proposed changes;
- r. Review and comment on the Contractor's meeting minutes;
- s. Monitor quality of construction and conformance with documents;
- t. Monitor and report on the performance of the Architect and Contractor, as well as compliance with schedules and budgets, recommending courses of action to Owner when contractual requirements are not being met;
- u. Coordinate schedules of vendor/contractors with the base building team and property management;
- v. Track comprehensive Project budget and all Project expenditures;
- w. Coordinate substantial-completion certification with Owner and the Architect
- x. Review and expedite monthly applications for payment, partial lien releases, and Owner financing requirements, making recommendations to Owner regarding payment;
- y. Coordinate and procure building utilities
- z. Close Out the Project proactively by:
 - o Attend all punch list walk-throughs
 - o Monitor and expedite completion of punch lists as well as the preparation and submission of "record documents".
 - o Request and deliver Contractor's obligations for record / as-built documents as required by contract
 - o Request and deliver warranties and manuals to property and Owner.
 - o Prepare and update final Project budget.
 - o Request and deliver final releases of liens from the Contractor and subcontractors.
 - o Review and expedite final applications for payment, partial lien releases and Owner financing requirements.

Fee Summary

- No fee will be due to Catalyst unless and until TLHD is successful in executing a lease.
- Upon execution of the lease, Catalyst will be paid the first half of the **Lease Management Fee**, which will consist of the following:
 - o \$7.50 per Rentable Square Foot ("RSF" – will be defined and specified in the signed VA Lease)

- 1.50% of the Gross Lease Value.
- **NOTE: Gross Lease Value is defined as the full-service rent to be paid by VA on the leased premises for initial non-cancelable term of the Lease. Gross Lease Value shall include:**
 - **The initial full-service rent to be paid by tenant on all space leased by tenant, including base rent, base operating costs, base real estate taxes and amortization of any tenant improvement allowance, and**
 - **Any fixed or period rental bumps and/or fixed annual or other period rent escalations during the initial non-cancelable term of the Lease.**
 - **The Gross Lease Value shall not include:**
 - **Any rental abatement provided tenant pursuant to the Lease, and**
 - **Any annual rental escalations covering operating expenses and/or real estate tax increases during the lease term.**
- Upon the start of construction (i.e. when the first loan draw is made to pay the Contractor for its initial pay application), Catalyst will be paid the first half of the **Construction Management Fee**, which will be \$7.50 per RSF.
- Upon the completion of construction/Lease Commencement (defined by Certificate of Occupancy and written VA acceptance of the space), Catalyst will be paid the second half of the **Construction Management Fee**, which will be \$7.50 per RSF.
- Upon Lease Commencement (defined above), Catalyst will be paid the second half of the **Lease Management Fee**, which will consist of the following:
 - \$7.50 per Rentable Square Foot (“RSF” – will be defined and specified in the signed VA Lease)
 - 1.50% of the Gross Lease Value (Gross Lease Value defined above).

PROJECT EXCLUSIONS AND CLARIFICATIONS

- Catalyst’s proposed Pre-Development, Advisory, Lease Administration and Construction Administration Services do not include any construction or leasing outside of the VA Lease. For example, it is assumed that TLHCD will manage the redevelopment/down-sizing of Evolution’s space with its own resources/contractors if successful in obtaining the VA Lease Award.
- Catalyst’s proposed Pre-Development, Advisory, Lease Administration and Construction Administration Services do not include the direct provision of any equity, or the guaranteeing/financial backstopping of any debt financing.

AGREED AND ACCEPTED:

By: _____

Name: _____

Date: _____