



Resource Management Services

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Mr. David Stoldt
General Manager
Monterey Peninsula Water Management District
5 Harris Court, Building G
Monterey CA, 93940

April 29, 2014

Dear Mr. Stoldt,

Thank you for your proposal dated March 19, 2014 for acquisition of the Santa Margarita Aquifer Storage and Recovery (ASR) Site within the City of Seaside. This proposal has been evaluated and was discussed with the City Council in a Closed Session Meeting on March, 20, 2014.

The City Council received your proposal and provided direction to staff to provide a counter proposal for a 40 year term ground lease of the site. The requested terms are as follows:

- 40 year term with an annual payment of \$17,700 beginning with the execution of the agreement. The annual lease payment shall be adjusted as follows;
 - Cost of Living Index. The annual lease rate shall be adjusted on an annual basis by the San Francisco Bay Area Consumer Price Index (CPI)
 - Re-Evaluation. For the initial 10 year period the annual lease rate shall be \$17,700 plus the annual cost of living adjustment. For the remaining term the annual lease shall be re-evaluated at the 10th, 20th, and 30th year. The new lease rate shall be based on a fair market lease rate based upon an appraisal (determined at lessee expense). The annual CPI adjustment will continue to apply and in no case will the lease rate drop below the previous annually adjusted rate.

If the above terms are acceptable, the city will proceed to draft documents for execution of this ground lease. Please contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Diana Ingersoll".

Diana Ingersoll
Deputy City Manager/Resource Management Services

C: John Dunn, City Manager
Tim O'Halloran, City Engineer-Public Works Services Manager