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# Board of Supervisors Memorandum

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December 7, 2010

## Walgreens/Roy Place Building Façade Renovation and Lease with The University of Arizona

### Background

Pima County acquired in 1987 what was then known as the old Walgreens Building at Stone Avenue and Pennington Street through our acquisition of the Great American Tower from Great American Bank. The acquisition included Walgreens and associated office space above it, a basement beneath the building, and printing space behind it, along with a 209,570 square foot office tower and a parking garage on Scott Avenue for 245 vehicles. The total cost of this acquisition was \$8.7 million.

Walgreens did not renew its lease with Pima County when it expired in November 2003, and the space was renovated and used by the Public Defender. The Public Fiduciary used the second floor office space, and the printing area was leased to a variety of printers, including Reproductions, Inc. These users have all vacated the premises, and the building is essentially vacant.

The building has been the subject of an historic façade renovation authorized by voters in the 2004 bond issue totaling approximately \$800,000. The historic façade renovation was completed anticipating possible University of Arizona educational uses, primarily by the College of Architecture and Landscape Architecture and other colleges of the University. Other private users were also contemplated or considered.

The County issued a notice to lease the 33,733 square foot property for \$1.00 per year on November 10, 2010, and the proposal request period expired on December 1, 2010. A single proposal was received from The University of Arizona to lease the building for a period of five years with a five-year renewal option and included an investment of over \$400,000 in building renovations and tenant improvements for the interior space, as well as payment of all utility costs and some additional operating and maintenance expenses.

### Historic Significance of the Roy Place Building

The Roy Place Building was designed by noted local architect Roy Place and built in 1929 for the Montgomery Ward Company. The second floor corner office overlooking both Stone Avenue and Pennington Street would in 1940 house Mr. Place's architectural firm.

At the time of the design and construction of the Montgomery Ward building in 1929, Roy Place's work was steeped in the Spanish Colonial Revival style with two other distinctive

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buildings, the Old Pima County Courthouse and the Veterans Administration Hospital built in the same year. The Montgomery Ward building, like these other examples, has high artistic value. The building is a classic expression of the distinctive characteristics of the Spanish Colonial Revival style, which is more elaborate than the Mission Revival style and includes highly decorated entry portals and window surrounds of cast stone work, colorful tile work and ornamental wrought iron.

The Montgomery Ward building was also built during a period of rapid development in downtown Tucson from about 1920 to 1945 and is sited at the southeast corner of Stone and Pennington in what was a prominent central business district. During this time, downtown Tucson was the commercial hub and cultural center of Tucson, and this intersection was at its heart. Much of the setting has changed significantly since 1929; specifically the loss of retail business storefronts that once typified this intersection, the demolition of adjacent commercial buildings, and the transformation of its setting to public spaces and office buildings. However, the accurately executed facade restoration of the Montgomery Ward building undertaken by Pima County has brought back to life an exceptional example of the work of master architect Roy Place.

In Tucson, where so much of the historical fabric of our built environment has been lost, the Montgomery Ward building sets forth a different premise that "what is old can be made new again," enhancing the richness and character of our community. The restoration of this exceptional and compelling project is a major contribution to downtown revitalization and serves to demonstrate to the public and business community how historic preservation can help restore and maintain not only our built environment but also our community's sense of place and unique identity.

#### Architectural Significance of the Roy Place Building

As previously stated, the Montgomery Ward building was designed by architect Roy Place in 1929. Mr. Place (1889-1950) was a prominent local architect who designed a great number and variety of buildings in Tucson, including hotels, theaters, office buildings, stores, houses, public buildings such as the Old Pima County Courthouse, schools, and 25 buildings on The University of Arizona campus.

It is likely Mr. Place designed the Montgomery Ward building in his office in an old adobe building on the east side of Stone between Broadway and Congress or in an office on the second floor of the Steinfeld Grocery Office at Pennington and Stone.

In 1940, Mr. Place made his son Lew a partner in his architectural firm, and the new firm of Place & Place relocated to the second floor of the Montgomery Ward building above

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Walgreens Drugstore on the southeast corner of Stone and Pennington. It is likely from this office that a number of buildings at The University of Arizona, as well as Pueblo, Rincon and Salpointe High Schools and other area buildings were designed.

#### Facade Restoration

The restoration of this once-compelling façade is a major contribution to downtown revitalization and will serve to demonstrate to the public and downtown business owners how historic preservation can help to restore and maintain our community's sense of place and identity.

The original architectural facade of the building was "modernized" in 1956 to reflect existing commercial structures in the area. Although the facade was highly compromised or obscured, the form or mass of the building was intact, including the brick masonry walls and stucco finish. Most of the applied ornamentation was removed, although there were a few areas of the cast stone belt course remaining, and there are original windows on the east side. Interior volumes and finishes are also fairly well preserved, as is a painted "cowboy" wall mural. The mural image is on the interior of the building and some have attributed it to artist Maynard Dixon, but this has not been confirmed.

The facade restoration was designed by the local architectural firm Poster Frost Mirto. Durazo Construction began selective demolition of the old façade in April 2009. Sellers & Sons, Inc. was awarded the restoration contract, beginning work in March 2010 with final completion this November.

Originally, there was great uncertainty regarding the condition of the remaining original building facade, which was covered over in 1956; however, it was found to be in sound condition. Unfortunately, the decorative stone elements and detailing that provided the essence of the original Spanish Colonial Revival design were found to be damaged beyond repair. Utilizing Roy Place's tracings, these decorative stone elements were identically recast, which included the fabrication of new molds. In addition, the upper level windows were replaced with authentic steel operable casement windows. Finally, the original tile-covered mansard roofline, as well as the tiled sloped roof above the main tower, were reframed and finished.

#### County Long-term Use of the Building

The County, recognizing the relative significance of the location of this building in downtown Tucson at the prime and historic corner of Stone Avenue and Pennington Street across from the Pioneer Hotel, has always desired preservation of the building, including

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restoration and public use, in particular a public use that benefits the entire community, as well as facilitates downtown revitalization.

Given the building's historic significance and its close architectural association with the Old Pima County Courthouse, the County will retain ownership indefinitely. However, it is our desire to lease the facility for purposes that advance learning and professional development associated with an institution of higher education, which will further stimulate additional downtown development and economic recovery. Leasing to The University of Arizona accomplishes this desire.

#### Scheduled University of Arizona Uses of the Space

Discussions regarding locating University of Arizona teaching and instructional components began through the University of Arizona College of Architecture and Landscape Architecture. These discussions centered on establishing a University presence downtown that could closely interact with the established urban and governmental systems located within downtown. The University has established the concept of *UAD*: University of Arizona – Downtown to achieve this goal.

*UAD* is a research/outreach/teaching center in downtown Tucson and an urban laboratory for advanced research in environmental design and planning. *UAD* will serve as an interface between college and community; a "nerve center" where College of Architecture and Landscape Architecture faculty and students connect with Pima County and City of Tucson officials and staff, community leaders and project developers in collaborative partnerships for dialogue, visioning, analysis and development of sustainable scenarios for the future. *UAD* will also serve as a forum where academic, civic, cultural and business leaders will meet to discuss and debate multiple sustainability scenarios for the future of Tucson and southern Arizona.

*UAD* creates a 'communiversity' in downtown Tucson to assist in urban revitalization via academic programs, faculty, staff and students. In partnership with the County, City and other public and nongovernmental agencies, The University of Arizona will serve as an incubator for talent; a leader for addressing environmental and social needs and as a catalyst for a vibrant economy and culture in downtown Tucson. Occupancy of the Roy Place Building to begin *UAD* will occur with the school term beginning August 2011.

Finally, in the Pennington side of the building formerly occupied by printing tenants, the University will establish a retail bookstore outlet where office and school supplies and University of Arizona merchandise will be offered for sale. This location, being the historical central hub of downtown, is ideal for this function.

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Further, the interconnection between the University and downtown will be significantly strengthened and improved with the implementation of the modern streetcar, which will pass within one block of the Roy Place Building.

Recommendation

I recommend the Board of Supervisors approve the attached lease agreement between Pima County and The University of Arizona for a term of five years with one five-year renewal option.

Respectfully submitted,



C.H. Huckelberry  
County Administrator

CHH/mjk – December 2, 2010

Attachment

- c: Dr. Robert Shelton, President, The University of Arizona  
Janice A. Cervelli, Dean, College of Architecture and Landscape Architecture, The University of Arizona  
Robert R. Smith, Interim Senior Vice President, Business Affairs, The University of Arizona  
Reid Spaulding, Pima County Facilities Management Director  
Linda Mayro, Pima County Cultural Resources Manager

CONTRACT	
NO. 11-13-A-143574-1210	
AMENDMENT NO. _____	
This number must appear on all invoices, correspondence and documents pertaining to this contract.	

**LEASE AGREEMENT**

This Lease Agreement (this "Lease") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2010, by and between the ARIZONA BOARD OF REGENTS, a body corporate, for and on behalf of The University of Arizona (hereinafter referred to as the "Tenant" or the "University") and PIMA COUNTY, a political subdivision of the State of Arizona (hereinafter referred to as the Landlord).

**RECITALS**

- A. Landlord owns a two story historic building located at the southeast corner of North Stone Avenue and Pennington Street with a street address of 44 N. Stone and 10 E. Pennington Street in Tucson, Arizona (the "Building"). The Building is located near the proposed Modern Streetcar route which will, when complete, connect downtown to the University of Arizona campus.
- B. Tenant wishes to establish a university center in downtown Tucson to be tentatively called UAD (University of Arizona-Downtown). This location will be used by Tenant to offer regular and specialized courses in architecture and landscape architecture, and other subject matters, to the downtown community. In addition, faculty of the UA College of Architecture and Landscape Architecture intend to conduct research and outreach functions at the UAD.
- C. Landlord anticipates that various public benefits will flow from the increased presence of the University in the Tucson Central Business District and the accompanying increase in downtown student activity and classroom availability. The proximity of the College of Architecture and Landscape Architecture to the existing Planning and Development entities of the City of Tucson and Pima County offers significant public benefit as well as heightened educational opportunities.
- D. This Lease is being entered into pursuant to A.R.S. § 11-256.01 and notice of the Lease was published as required by law.

**AGREEMENT**

- 1) LEASE/PREMISES. In consideration of the rent to be paid and all terms, conditions, covenants, and agreements contained in this Lease Agreement, Landlord hereby leases and demises to the Tenant and Tenant hereby hires, leases and takes from the Landlord, approximately 18,500 sq. ft. of the Building which includes the entire first and second floors, (the "Premises") as shown on the diagrams attached as Exhibit A. Tenant will also have the right to utilize certain exterior areas associated with the Building in common with Landlord. The Premises does not include, and Tenant will have no right to enter or utilize in any way the Building's basement, however access will be facilitated to allow tenant to address section 7 i.

- 2) TERM. The term of this Lease will commence on the date it is executed on behalf of Landlord, and will continue until the date that is five years after the earlier to occur of (i) the first day of the month following substantial completion of the Tenant Improvements (as described in Section 3 below) or (ii) July 1, 2011 (the "Initial Term"). If Tenant is in material compliance with all terms and conditions of this Lease, Tenant shall have the right to extend the term for one (1) additional five (5) year period (the "Extension Term"). The extension option may be exercised by Tenant sending written notice of its election to extend the term to Landlord not more than nine (9) nor less than six (6) months prior to the end of the Initial Term. The Initial Term, together with the Extension Term if exercised, as sooner terminated or further extended as provided herein shall be referred to herein as the "Term."
- 3) TENANT IMPROVEMENTS.
- a) Tenant Improvements: Tenant at its expense will design, obtain all permits, and build out the Premises substantially as shown in the budget and layout attached hereto as Exhibits A and B (the "Tenant Improvements"), the cost of which is estimated to be approximately \$400,000.00. It is understood that these plans are very preliminary in nature, and that some design revisions are likely to occur during the Tenant Improvement process.
- i) Tenant will coordinate with Landlord in the design process for the Tenant Improvements, sharing both preliminary and final plans and specifications with the Landlord for review and approval. Landlord will notify Tenant, within fifteen business days after receipt of a set of plans, of any objections Landlord has to the plans.
- ii) Tenant will construct the Tenant Improvements in a good and workmanlike manner in compliance with all approved plans, with all work being performed by licensed contractors or Tenant's facilities management personnel, as appropriate. Tenant is responsible for the cost and installation of any phone and teledata lines and equipment, WIFI service and data connections to and in the Premises that are needed by Tenant. Tenant will cause each contractor performing work in the Building to name the County as an additional insured on the contractor's liability coverage.
- b) Substantial Completion. Tenant will notify Landlord of the date of substantial completion of the Tenant Improvements, for purposes of establishing the Initial Term under Section 2 above.
- c) Move-In. Tenant is responsible for moving its personal property (including furnishings, fixtures, and equipment) into the Premises, installing any fixtures as necessary, and bearing all expenses associated with move-in.

- d) Additional Improvements or Alterations.
- i) *Landlord's Approval Required.* Tenant may not make or cause to be made any alterations, additions or improvements ("Alterations") to the Premises, including any non-structural cosmetic changes, without first obtaining Landlord's written approval, which shall not be unreasonably withheld. Tenant may not make any change to the exterior of the Building except to provide for signage and security, or for other aesthetic improvements as approved by the Landlord.
  - ii) *Plans, Specifications, Permits.* Tenant will present to Landlord plans and specifications for any Alteration requiring Landlord's approval, at the time Landlord's approval is sought. Prior to commencement of the work, Tenant will obtain any necessary County building permits and other governmental approvals needed for the work.
  - iii) *Workmanship.* Tenant will construct or install any approved Alterations at its own expense in a good and workmanlike manner, with all work being performed by licensed contractors or Tenant's facilities management personnel, as appropriate.

4) USE.

- a) Permitted Uses: The Premises may be used by Tenant only for uses such as classrooms, offices, bookstore/retail shop, design studio, meeting space and uses reasonably related thereto for the College of Architecture and Landscape Architecture and other University faculty, students, staff and guests.
- b) Prohibited Activities: Tenant shall not permit any unlawful activities on the Premises, or any activities that unduly interfere with activities of neighboring property owners/occupants.
- c) Hazardous Materials Prohibited; Clean Air Act. Tenant will not cause or permit any hazardous or toxic materials or substances to be brought upon, kept, or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, without the prior written consent of Landlord, other than such hazardous or toxic materials or substances that are necessary or useful to Tenant's business and will be used, kept and stored in a manner that complies with all laws regulating any such materials or substances. Tenant's operations on the Premises will comply with all applicable provisions of environmental laws and regulations, including the Clean Air Act, 42 U.S.C. 7401 et seq. and Arizona Revised Statutes, Title 49, Chapter 3. Tenant will remediate and clean up, at its sole cost and expense, any contamination of the Premises occurring during the term of this Lease that is caused by Tenant or its agents, employees, contractors or invitees.

- d) Rules and regulations. Tenant and its employees, agents, contractors and invitees shall abide by rules and regulations as stated in Exhibit C for the Building, as they may be amended from time to time by Landlord, concerning, among other things, sanitation, handling of trash and debris, loading and unloading of trucks and other vehicles, safety and security. Such rules and regulations shall not unduly limit or impair Tenant's permitted use of the Premises.
- 5) RENT.
- a) Rental Rate.
- i) *Initial Term.* In exchange for the Tenant Improvements, which are being installed entirely by Tenant at Tenant's expense, the base rent during the Initial Term will be One Dollar (\$1.00) per year.
- ii) *Extension Terms.* Rent ("Base Rent") for the Extension Term will, unless the parties agree otherwise, be based on the current market rate at the time of renewal, taking into account Landlord's repair and maintenance responsibilities. After Tenant notifies Landlord that it is exercising its option to renew the Lease, Landlord will, within the next ten (10) business days, notify Tenant in writing of the proposed renewal rate based on its determination of the current market rate. Tenant will, within ten (10) business days after this notification, notify Landlord in writing if it objects to the proposed rate. If Landlord and Tenant are unable to agree upon the renewal rate, then either party may, with written notice to the other, terminate this Lease as of the end of the Term (or if, at the time of termination, there are fewer than thirty days left in the Term, then as of the date that is thirty 30 days after the date of the termination notice) or, if the Term has already expired, as provided below with respect to holdover.
- b) Payment of Rent. Tenant will pay Base Rent in advance annually on or before the date used for determination of the Initial Term, under Section 2 above, and subsequent anniversaries of such date. Rent shall be delivered to Pima County Government, Finance-Revenue Management Division, 33 N. Stone, 6<sup>th</sup> Floor, Mail Stop: DT-BAB6-404, Tucson, Arizona 85701 or such other location as Landlord instructs Tenant in writing. Tenant will pay Base Rent monthly during the Extension Term.
- 6) LANDLORD'S RESPONSIBILITIES.
- a) Repairs. Subject to Section 14) concerning damage resulting from a casualty, and to subsection c below, during the Initial Term, Landlord will make all repairs in and to the Building and Premises, except as provided in Section 7) below. Landlord's repairs will include the roof, facade, structural portions of the Building, all major Building systems such as HVAC systems (including air conditioning motor,

compressor and chiller), major plumbing requirements (in-wall plumbing), and in-wall electrical connections other than those necessary for operation of Tenant's computer or office equipment. Landlord is not responsible for maintenance and/or repair of Tenant's installed signage or glass breakage.

- b) Maintenance. Except as set forth in Section 7) below, Landlord will perform all routine and periodic maintenance of the Building, including elevator certification and maintenance, elevator emergency telephone service, annual fire alarm maintenance, annual fire suppression system testing and maintenance, graffiti removal, certification and maintenance of two (2) back flow preventer valves installed in the water lines going into the Building, and the monthly water service associated with usage of the air conditioning compressor and chiller.
- c) Equipment. Landlord will install a new chiller at its expense by January 31, 2011.
- d) Notification to Landlord. In the event of a breakdown or needed repairs for which Landlord is responsible, Tenant will notify Landlord or its agent of such breakdowns or needed repairs, and Landlord will cause such repairs and/or replacements as are necessary to correct such condition to be done within a reasonable period of time.
- e) Trash & Recycling Services. Landlord will provide, at its expense, regular trash disposal and recycling service at the Building.
- f) Insurance. Landlord will be responsible for fire and other property insurance for the Building, and may self-insure for such losses.

7) TENANT'S RESPONSIBILITIES:

- a) Cleaning & Interior Maintenance. Tenant will provide and pay for janitorial supplies and services to the Premises. Tenant will provide desk-side recycling bins and will empty these bins into an interior toter container provided by Landlord. Tenant is also responsible for all maintenance, replacement and minor repair of interior flooring, wall finishes, ceilings, lighting fixtures (including ballasts and bulbs), doors and windows (including breakage of any interior or exterior glass, hardware and locks, and plumbing fixtures, and of any Tenant signage).
- b) Tenant Damage. Tenant will, with Landlord's approval, promptly repair any damage done to the Premises, or the Building caused by any employee, student, agent, contractor or invitee of Tenant.
- c) Access to the Premises. Tenant will permit Landlord and Landlord's authorized representatives to enter the Premises at times reasonably convenient to Tenant and Landlord for purposes of inspection, making any repairs and performing any work therein as may be necessary for Landlord to comply with the provisions of Section 6) above. Landlord, in the performance of any such work, will cause as little

inconvenience, annoyance, disturbance, or damage to Tenant as is reasonably possible under the circumstances.

- d) Utilities. Tenant will set up and pay for all utilities to the Building and the Premises including but not limited to electricity, gas, water, sewer & cable.
  - e) Sustainability Plan. The University of Arizona highly values sustainability in all of its endeavors and operations and therefore will use all reasonable efforts to use recycled products for its operations within the Building, or re-use and recycle materials utilized in the Building.
  - f) Telephone/Internet Charges. Tenant is responsible for supplying and installing its own telephone equipment, and obtaining its own telephone and internet service at Tenant's expense.
  - g) Security. Tenant will provide at its expense all security systems and/or personnel for the Building.
  - h) Parking. Tenant is responsible for the cost of obtaining off-site parking spaces for its employees, students and guests.
  - i) Termite & Pest Control. Landlord, to the best of its knowledge, warrants that no termite infestation or damage exists prior to Tenant's occupancy. Tenant will provide at its expense pest and termite control services for the Building or as reasonably necessary for protection of the Premises.
  - j) Taxes. Tenant is responsible for all applicable taxes related to this Lease and will pay to Landlord, in addition to any other sums due hereunder, any applicable rental taxes for which Landlord is responsible including, if applicable, the government property lease excise tax pursuant to A.R.S. § 42-6201 et seq.
  - k) Insurance. Tenant is responsible for insuring its personal property brought to the Premises. Tenant will provide proof of commercial general liability insurance or its equivalent in the amount of \$2,000,000 each occurrence in addition to worker's compensation, and shall provide or have its contractors provide, builder's risk coverage during construction of the Tenant Improvements. Landlord acknowledges that it has been informed that Tenant is a participant in the State of Arizona Department of Administration's insurance program under A.R.S. § 41-621 and that coverage under said program shall be sufficient and acceptable to fulfill the Tenant's liability insurance obligation under this lease.
- 8) **OPTION TO PURCHASE.**
- a) Grant of Option. Landlord hereby grants to the Tenant an option to purchase the Building, and the land underlying the Building (together the "Real Property"), as

described on Exhibit B attached hereto, in "As Is" condition, and without warranties of any kind, at any time during the Initial Term of this Lease (the "Option") at a price established by the two required appraisals obtained as set forth below.

- b) Exercise of Option; Price. Tenant will give written notice to Landlord of its intent to exercise the Option. Within thirty days after receipt of such notice, Landlord will send Tenant the names of three licensed real estate appraisers experienced with the appraisal of properties in downtown Tucson, who are acceptable to Landlord. Tenant will have thirty days to review this list and notify the Landlord regarding which of the appraisers Tenant will at their expense, order an appraisal from. Landlord will then order an appraisal from one of the remaining two appraisers, at Landlord's cost. If Tenant objects to all the names on Landlord's list, then Landlord will propose two additional names for Tenant's approval. If Tenant does not pick one of these appraisers, then Tenant's exercise of the Option will be deemed to have been withdrawn by Tenant. This will not preclude Tenant from exercising the Option again at a later date during the Initial Term. Landlord and Tenant will each share the appraisal report it obtains with the other, and will negotiate in good faith to agree on a price for the conveyance which must comply with A.R.S. 11-251(9) and take into account the value added by the Tenant Improvements, for which Tenant will receive a credit against the purchase price. If the parties are unable to agree on the price, the Tenant's exercise of the option will be deemed withdrawn.

9) DEFAULT.

- a) Tenant Default. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant for which Landlord may terminate this Lease:
- i) *Non-use of Premises.* The vacating or abandonment of the Premises, or cessation of activities thereon, or any portion thereof, by Tenant, where such abandonment continues for a period of ten (10) calendar days after notice of such default is sent by Landlord to Tenant.
  - ii) *Monetary Obligations.* The failure by Tenant to make any payment required to be made by Tenant hereunder, as and when due, where such failure continues for a period of ten (10) calendar days after notice from Landlord that such payment is due.
  - iii) *Violation of Law.* Violation of any law by Tenant, or the conduct of any unlawful activities on the Premises that are permitted by Tenant, either tacitly or explicitly, or which Tenant has not taken reasonable means to prevent after Tenant becomes or in the exercise of reasonable diligence should have become aware that such activities are being conducted.

- iv) *Health and Safety Violation.* Any action or omission by Tenant that, in the Landlord's reasonable judgment, causes a material threat to the health or safety of the general public or the users of the Building.
  - v) *Other Covenants.* The failure by Tenant to observe or perform any other of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, where such failure continues for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion provided such cure is completed within one hundred and twenty (120) days of the notice by Landlord.
  - b) Landlord Default. Landlord shall be deemed to be in default hereunder if Landlord fails to perform any covenant or condition of this Lease to be performed by Landlord and such failure continues for thirty (30) days after written notice and demand from Tenant (unless the failure is of such a character as to require more than thirty (30) days to cure, in which event Landlord shall be in default only if it fails to initiate the cure within thirty days, and thereafter diligently pursue the same to completion).
  - c) Remedies. Either party may pursue any remedies provided by law and in equity for the breach of this Lease, including termination of the Lease, except that Tenant, because of the special nature of this rent-free Lease, which does not generate net revenues for Landlord, shall not be entitled to pursue any monetary damages or penalties during the initial five year term.
- 10) NOTICES. All notices to be given under this lease shall be in writing and shall be either served personally or sent by certified or registered mail, return receipt requested, to the parties as indicated below or to such other persons, or addressees as either party may designate in writing to the other party:

TENANT: Director  
Real Estate Administration  
UNIVERSITY OF ARIZONA  
1125 N. Vine, Room 103  
Tucson, Arizona 85721  
Telephone: 520/621-1813

LANDLORD: Clerk of the Board of Supervisors  
130 W. Congress St.  
Tucson, Arizona 85701

*With a copy to:*

Director, Pima County Facilities Management  
150 W. Congress St., 5<sup>th</sup> Floor  
Tucson, Arizona 85701

- 11) ASSIGNMENT. Tenant shall not have the right to assign its rights under this Lease or sublease the Premises in whole or in part without the prior written consent of the Landlord. Because of the special nature of this Lease, such consent may be withheld by Landlord in Landlord's sole and unfettered discretion. Such an assignment or sublease, if permitted, does not constitute a release of any obligations of the Tenant due under this lease. The Landlord agrees that should it desire to sell the Building, it shall do so only subject to the terms and conditions of this lease and further agrees to give at least thirty (30) days notice of any such intent to the Tenant.
- 12) FURNISHINGS. Tenant shall have a right to remove from the Premises all furnishings, fixtures, and equipment installed in the Premises by the Tenant. However, in removing any such furnishings, fixtures, or equipment, the Tenant shall make repairs at Tenant's expense so the Premises are left in "rentable" condition, or at Tenant's option and with Landlord's approval, shall leave said items in place and they shall become the property of the Landlord.
- 13) NO LIENS OR INTERFERENCE. Tenant agrees not to incur or if incurred to promptly remove any obligations, judgments or other actions which result in a lien or encumbrance on the Premises, except as to the leasehold improvements to the Premises owned by the Tenant.
- 14) DESTRUCTION OF PREMISES. If at any time during the Term of this Lease the Premises becomes partially or totally destroyed by reason of any damage by fire, flood, hurricane, windstorm or other casualty or act of God and the Landlord cannot or does not fully repair the Premises within ninety (90) days through no fault of the Tenant then the Tenant will be relieved of any further obligation, duty or liability under this Lease. If the Premises can be and are repaired fully in ninety (90) days, then the Lease will continue in full force and effect while the repairs are being made, and the Tenant's rent will be abated by the percentage of the total space which is unavailable or not reasonably useful to the Tenant.
- 15) INSPECTION. Landlord shall be given access to Premises to view and inspect its condition and state of repair upon reasonable notice to Tenant.
- 16) CONDEMNATION. If all or any part of the Premises are taken under the power of eminent domain or sold under the threat of exercise of that power, this lease may be terminated by the Landlord or the Tenant without further obligation on the part of either party.
- 17) DAMAGE TO PROPERTY. The Tenant covenants that it will permit no waste or damage to the Building; that it will keep all improvements placed upon the Premises in reasonably good order and reasonably good state of repair.

- 18) QUIET ENJOYMENT. Landlord warrants that Landlord owns the Building and has the full right to make this Lease. Landlord further covenants that Tenant shall have quiet and peaceful possession of the Premises during the entire Term as against lawful acts of third parties and as against the acts of all parties claiming title to, or a right to possess, the Premises.
- 19) EXPENSES ADVANCED BY TENANT. If Landlord fails within thirty days (or such lesser time as is appropriate if there is a threat to health or safety) after requested by Tenant to make such repairs or perform such other act as may be required of Landlord under this Lease, Tenant may cause such repairs to be made or such acts to be performed at the expense of Landlord. Tenant may apply such claims against any subsequent installment of rent or, if at the end of the Term, shall be paid by lump sum to Tenant by Landlord.
- 20) SIGNS. Tenant may, upon obtaining any necessary permits from governmental authorities, and the advance written approval of the design and location of the signs by Landlord, install, maintain and repair at Tenant's own expense signage to the Building. Landlord's consent shall not be unreasonably withheld.
- 21) CHANGE IN OWNERSHIP. If ownership of the Building or the name or address of the party entitled to rent under this Lease changes, Tenant may, until receipt of written notice of such change, continue to pay rent to the party to whom and in the manner in which the last preceding installment of rent was paid. Tenant shall not be subject to double liability for any rent so paid.
- 22) SURRENDER/HOLDING OVER. On termination of Tenant's occupancy, Tenant shall surrender the Premises in the condition in which Tenant is required to maintain them under this Lease. If Tenant for any reason and with written consent of Landlord remains in possession after the expiration of this Lease (including any optional extension), or after the date specified in any notice of termination given by either party, such possession shall be as a month to month Tenant, subject to all conditions of this Lease other than the term hereof, at a monthly rent equal to that accruing during the last month of the preceding term.
- 23) INTERPRETATION OF LEASE. The parties acknowledge that each has had the opportunity to review this agreement with counsel of its or their choice. This lease shall not be construed most strongly in favor nor most strongly against either of the parties but shall be interpreted fairly and equitably to effectuate the intent of the parties. All provisions contained in this lease shall bind and inure to the benefit of the parties hereto, their successors and assigns.
- 24) ENTIRE AGREEMENT. This agreement contains the entire agreement between the parties with respect to the Building and any previous agreements, negotiations, or understandings regarding the Building are superseded by and merged in this lease. This lease may be modified by the parties only by writing executed with the same formalities as this lease.

- 25) NON-DISCRIMINATION. The parties shall comply with all applicable state and federal statutes, regulations and executive orders governing equal employment opportunity, non-discrimination, and immigration.
- 26) ARBITRATION. The parties agree that any dispute arising under this Agreement involving the sum of FIFTY THOUSAND DOLLARS (\$50,000) or less in money damages only shall be resolved by arbitration pursuant to the Arizona Uniform Arbitration Act, A.R.S §12-1501 et seq. (the "Act"), whose rules shall govern the interpretation, enforcement, and proceedings pursuant to this section. The decision of the arbitrator(s) shall be final.
- 27) STATE OBLIGATION. The parties recognize that the performance by both Tenant and Landlord may be dependent upon the appropriation of funds by the State Legislature of Arizona, the Board of Supervisors of the County, or the availability of funding from other sources. Should the relevant governing body fail to appropriate the necessary funds, if either party's appropriation is reduced during the fiscal year, or if funding becomes otherwise not legally available to a party hereunder, that party may reduce the scope of this Agreement if appropriate or cancel the Agreement without further duty or obligation. Each party agrees to notify the other party as soon as reasonably possible after the unavailability of said funds comes to its Board's attention.
- 28) CONFLICT OF INTEREST. This Lease is subject to cancellation pursuant to the provisions of Arizona Revised Statute § 38-511 regarding Conflicts of Interest.
- 29) LAW TO GOVERN. This Lease is made under and shall be interpreted according to Arizona law.
- 30) AMERICANS WITH DISABILITIES ACT. Both parties shall comply with all applicable provisions of the Americans with Disabilities Act (Public Law 101-336, 42 U.S.C. 12101-12213) and applicable federal regulations under the Act as it pertains to facilities and use of the facilities. This shall not obligate Landlord to make any modifications to the Building, as a result of any change in the law or regulations, if such repairs are not otherwise legally required.
- 31) This Lease is subject to approval by the Arizona Board of Regents pursuant to ABOR Policy #7-207.

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IN WITNESS WHEREOF, we have set our hands and seals on the day and date first written above.

ARIZONA BOARD OF REGENTS  
FOR THE UNIVERSITY OF ARIZONA

PIMA COUNTY, a political subdivision  
of the State of Arizona

By: Robert P. Smith

By: \_\_\_\_\_  
Chairman of the Board of Supervisors

Date: 11/18/10

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors

APPROVED AS TO CONTENT:

[Signature] 11/18/10  
Director of Pima County Facilities  
Management

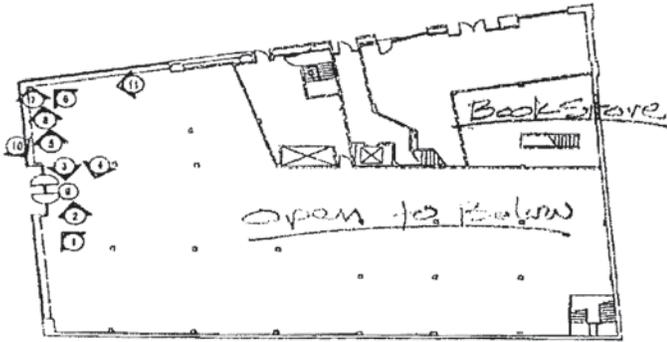
APPROVED AS TO FORM:

[Signature]  
Deputy County Attorney  
**REGINA NASSEN**

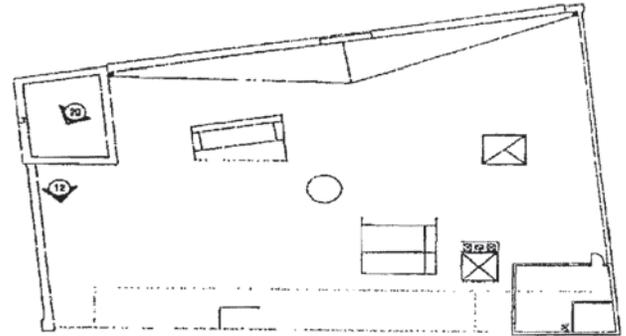
Exhibits:

- A: Exterior diagram showing Building footprint.
- B: Tenant Improvement plans for the Premises.
- C: Rules and Regulations for the Building.

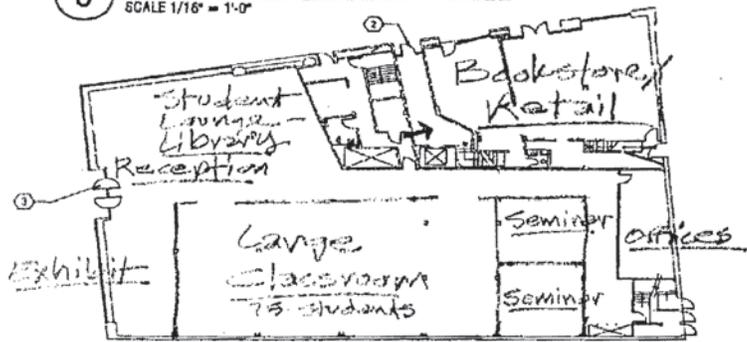
# EXHIBIT A



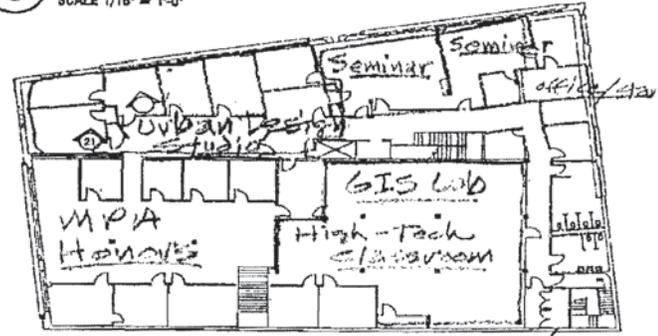
**3 MEZZANINE FLOOR PLAN**  
SCALE 1/16" = 1'-0"



**5 ROOF PLAN**  
SCALE 1/16" = 1'-0"



**2 FIRST FLOOR PLAN**  
SCALE 1/16" = 1'-0"



**4 SECOND FLOOR PLAN**  
SCALE 1/16" = 1'-0"



**1 BASEMENT FLOOR PLAN**  
SCALE 1/16" = 1'-0"



## EXHIBIT B

### Preliminary Proposed Tenant Improvement Scope & Conceptual Layout

• New finishes and partitions as required	\$ 220k
• IT Server Room	\$ 20k
• Tele-data including high-tech GIS lab and WIFI service	\$ 120k
• Furnishings (Supplement and re-configure existing surplus)	\$ 20k
• A/E & PM	<u>\$ 20k</u>
<b>TOTAL</b>	<b>\$ 400k</b>

**Note:** All proposed work elements, TI costs and space layouts shown are preliminary, and may change as the design progresses.

## EXHIBIT C

### RULES AND REGULATIONS

Re: 44 N. Stone and 10 E. Pennington, Tucson, Arizona

Tenant: University of Arizona

These Rules & Regulations have been adopted by Landlord in order to set forth standards of conduct that will allow all tenants to enjoy a professional working environment that is compatible with the general character of the building. Landlord reserves the right to make amendments and/or additions to these Rules and Regulations from time to time. These Rules and Regulations are in addition to and shall not be construed to modify or amend any of the terms, covenants, or agreements and conditions of a tenant's lease. Each tenant shall be responsible for informing its employees and invitees as to the provisions of these Rules and Regulations and to enforce same with respect to its employees and invitees. Landlord may waive compliance with any one or more of these Rules and Regulations for the benefit of a tenant. Such waiver shall not be construed as a waiver for any other tenant, nor shall it prevent Landlord from enforcing the same against any or all other tenants. These rules may only be enforced by Landlord. The failure of Landlord to enforce any Rule or Regulation shall not give any tenant the right to enforce same against another Building occupant. Any concerns about violations of the Rules and Regulations should be addressed to the Building Manager's office or to such other place as Landlord may designate from time to time.

1. No sign, placard, picture, advertisement, name or notice shall be inscribed, displayed, printed or affixed on or to any part of the inside of the Building without the prior written consent of Landlord. Landlord shall have the right to remove any unapproved sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant. All approved signs must be placed or affixed on the wall adjacent to Tenant's entry doors. All approved signs shall be printed, painted, inscribed, affixed or removed at the expense of Tenant by a person approved by Landlord. All walls or other structures where Tenant's signs have been affixed or attached must be restored to their original condition at Tenant's expense after removal of such signs.
2. Tenant shall not place anything or allow anything to be placed near any window, door, partition or wall that may appear unsightly from outside the Premises, nor shall Tenant cause any window in the Premises to be color treated.
3. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by Tenant or used for any purpose other than for ingress and egress from Tenant's Premises.
4. Tenant shall not alter any lock or install any new or additional locks or any bolts on any doors or windows of the Premises without prior written consent of Landlord, which will not be unreasonably withheld. Landlord shall have no obligation to open Tenant's Premises due to the

loss of keys by Tenant. All requests to open Tenant's Premises to guests or employees must be made by Tenant to Landlord. If Tenant needs to have its leased Premises rekeyed for any reason, Tenant shall use the Landlord's authorized building locksmith. Any rekeying shall keep the applicable lock on the existing building master keyway. Tenant shall bear the entire cost of rekeying, unless the rekeying is requested by Landlord. Any installation or repair of specialty locks shall be at Tenant's expense. Tenant assumes all responsibility for protecting its Premises from theft, robbery, and pilferage, including but not limited to, keeping all means of entry to Premises closed and locked.

5. The plumbing facilities shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from a violation of this provision shall be borne by the Tenant whose employee, agent or invitee shall have caused it.
6. Tenant shall not deface the Premises or any part thereof. Tenant will not install, affix or fasten to the rooftop any signs, satellites, or antennas without the prior written approval of Landlord. Landlord may require design drawings, specifications and/or weight load structural tests prior to granting approval for any rooftop installation. Tenant shall bear the entire expense of any drawings or tests to be submitted to Landlord for approval.
7. Any damage to the elevators, doors, frames, walls or hallway surfaces caused by Tenant or Tenant's invitees or moving contractors shall be repaired at Tenant's expense. Landlord shall have the right to prescribe the weight, size and position of all heavy equipment brought into the Building. Heavy objects, shall, stand on supports of such thickness as is necessary to properly distribute the weight.
8. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to the Landlord by reason of noise, odors and/or vibrations. No animals shall be brought in or kept in or about the Premises or the Building except service animals.
9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline, or flammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.
10. Tenant acknowledges that periodically the Tucson Fire Department or other contractor or representative of the Landlord will inspect the Premises for Fire Code compliance and fire, sprinkler, and alarm testing. Tenant, and its employees, contractors and invitees shall comply with any fire safety and handicap procedures and regulations established by the Landlord and/or any governmental agency. Tenant shall distribute to its employees, representatives, contractors and invitees a copy of these Rules and Regulations and all fire drill safety and handicap material provided to it from time-to-time by Landlord and/or any governmental agency. If an audible fire alarm is sounded in the Building, Tenant must take immediate and prudent actions to evacuate its employees, guests or contractors from the Building through

designated exits as posted by Landlord. Tenant shall notify Landlord in writing of the emergency contact information of two on-site employees or representatives who are responsible for emergency evacuations or fire drills for their Premises. Tenant is responsible for notifying the Landlord in writing of any changes to such assignments. Each Tenant will notify the Landlord of any handicapped occupants or other individuals who may require special assistance in the event of an emergency.

11. Pursuant to the Smoke-Free Arizona Act, A.R.S. section 36-601.01, no smoking is allowed in any part of the Building, or within 20' of doors outside the Building. Tenant shall instruct its employees of this regulation.
12. Tenant will direct their electricians and/or phone installation employees or contractors as to where and how telephone and computer network cables are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
13. Outside of Business Hours, Tenant and its employees may access the Building or halls, elevators or stairways in the Building or to the Premises by using the keys provided by Landlord or other keys Tenant has made with Landlord's approval. The Landlord shall in no case be liable for damages with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, fire alarm, bomb threat, riot, public excitement, or other commotion, Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the Tenants' occupants and the protection of the Building.
14. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of alcohol or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building or impair the safety of any Tenant, employee, or contractor of Landlord.
15. Landlord shall have the right to control and operate the Common Area(s), and the public facilities, and heating and air conditioning, as well as facilities furnished for the Tenant, in such manner as Landlord deems best for the benefit and safety of the Tenant.
16. All entrance doors in the Premises shall be locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises. All emergency fire exit doors must remain free of debris from both the interior and exterior and remain locked when not in use.
17. The exterior areas immediately adjoining the Premises shall be kept clean and free from dirt and rubbish by Tenant and Tenant shall not place or permit any obstruction or merchandise in such areas.

18. Upon the termination of the tenancy, Tenant shall deliver to Landlord all keys to the Premises that have been furnished to Tenant.
19. No electrical cooking appliances other than microwave ovens and coffee machines are allowed in the Premises.