Memo

To: Mayor McCarthy, City Council
From: Jeff Arango, AICP – Director of Community Planning
Date: April 10, 2013

Re: Firehouse Lease for the rear space with Callahan McVay

For the council’s consideration is an updated lease agreement with Callhan McVay (Firehouse Studios) for the rear space, which is intended to used for special events and classes. The city put out an RFP to rent the rear space in 2012, but did not receive any proposals. Therefore, the city is free to negotiate lease terms with prospective tenants. The proposed lease represents fair market value for lease of the building and site. The city is fortunate to have such a strong and vibrant business such as the Firehouse Studios in the downtown that contributes to the quality of life and economic vitality of our city.

The revised lease encompasses the entire building and site and includes the following details:

- Total Rent (including front space): $2711.55 including leasehold tax of $12.84%
- Option 3% increase every two years (at discretion of the city)
- Five year lease from May 1, 2013 to June 30, 2018 with an option for a five year renewal
- City may utilize the rear space for up to six events per year subject to availability
- City reserves the right to modify the front driveway area as part of the Second Street Project

Recommendation

Staff recommends the city council approve the lease agreement with Callahan McVay of Firehouse Studios as presented and described above.
LEASE

THIS LEASE, is made this 12th day of March, 2013 by and between the CITY OF LANGLEY, a municipal corporation of the State of Washington, (the "Landlord") and CALLAHAN McVAY, d.b.a. The Firehouse Studio and Gallery, (the "Tenant").

1. DESCRIPTION OF PREMISES. Landlord hereby leases to Tenant and Tenant leases from Landlord on the terms, covenants and conditions set forth herein, the following-described premises:

   The northernmost 68 feet of the building at 179 Second Street, said portion to encompass 1,225 square feet more or less (not counting the area of the hose tower and access hallway leading to the restroom) in the Main Vehicle Bay and 184 square feet more or less of the Common Area, four parking spaces at the rear of the lot accessible from Third Street and 174 square feet of Office Area; and

   The southernmost 33 feet of the building at 179 Second Street, said portion to encompass 870 square feet more or less, including the vehicle bay, the adjoining office and storage area, the second floor mezzanine and three parking spaces on the lot accessible from Third Street, and 125sf of Common Area.

   Total square footage of both spaces is 2,578 square feet. Total parking spaces is seven.

   Spaces are commonly known as Old Langley Fire Hall, Langley, Washington.

   Hereinafter the "Leased Premises."

2. TERM. The amended term of this Lease shall be for five years and commencing on May 1, 2013 and ending April 30, 2018. Upon execution of the lease the tenant may access and utilize the space in advance of the official start of the lease on May 1, 2013.

3. RENT.

   (a) As consideration for the Leased Premises, Tenant agrees to pay Landlord, without deduction, offset, prior notice or demand, and Landlord agrees to accept the sum of $2,403 per month plus 12.84% leasehold tax. The landlord has the option of increasing the rent every two years from the date of the initial lease signing at a rate of 3%. If the option is exercised the increase would take affect at the beginning of year three and again at beginning of year five. If the landlord does not exercise the rent increase option the next opportunity would in another two years, but only for 3%.

   (b) Monthly rent payments will be sent to the following address or such other place as Landlord may from time to time designate in writing:
City of Langley
112 Second Street
P.O. Box 366
Langley, WA  98260

In the event Tenant should fail to pay any installment of rent or any sum due hereunder within ten (10) days after the date it is due, Tenant shall pay Landlord a late charge of 5% of the delinquent payment, which late charge shall constitute additional rent due hereunder.

4.  OPTION TO RENEW.  The Tenant has the option to renew this lease for an additional five years.  The option must be exercised at least six months from the expiration of this lease unless extended by the Landlord.

5.  USE OF PREMISES.

(a) The Leased Premises may be used and occupied only for events and for the production and sale of glass and related activities and products as set forth in the attached Exhibit A and for no other purpose or purposes without Landlord’s prior written consent. The Tenant shall be responsible for acquiring any necessary land use or building permits from the city required for the use of the premises as described herein.

(b) Tenant shall promptly comply with all laws, ordinances, orders, and regulations now in effect, or as hereafter amended, affecting the Leased Premises and their cleanliness, safety, occupation and use.

(c) Tenant shall not use any machinery or equipment in the Leased Premises that might be injurious to the building.  Tenant will not perform any act or carry on any practices that may damage the Leased Premises or be a nuisance to or menace or injure the public or Landlord’s employees, contractors or agents.  Tenant shall not commit or suffer any waste upon the Leased Premises.

(d) Upon termination of the lease, Tenant shall quit and surrender the Leased Premises in as good a state and condition as they were at the commencement of the lease, reasonable wear and tear, damage by the elements or resulting from the structural unfitness of the Leased Premises for the use specified herein, or other actions not caused by Tenant, its employees, agents, customers or invitees, excepted.  Tenant shall return all keys to Landlord

6.  UTILITIES.  Tenant shall be solely responsible for and promptly pay all charges for utilities to the Leased Premises, including water, sewer, LP gas, garbage and electricity with the exception of the monthly storm water rate, which shall be paid by the Landlord. Tenant shall also be responsible for and promptly pay all charges for telephone and any other utility not herein mentioned which may be used by Tenant on the leased premises.

Landlord shall not be liable for any loss, injury, or damaged property caused by or
resulting from any variation, interruption, or failure of any utility service beyond Landlord’s reasonable control. No temporary interruption or failure of such services incident to the making of repairs, alterations, or improvements, or due to accident or strike, or conditions or events beyond Landlord’s reasonable control shall be deemed an eviction of Tenant or shall release Tenant from any of Tenant’s obligations under this lease.

7. **SECURITY DEPOSIT.** Prior to the commencement of this lease, the Tenant shall deposit with the Landlord the sum of $778, which in addition to the security deposit of $1800 provided with the prior lease, (the "Security Deposit"), shall serve as security for the performance of all of the obligations of the Tenant under this lease. The Security Deposit shall not be assigned, transferred, pledged, hypothecated or otherwise encumbered by the Tenant. The Landlord shall not be obligated to pay any interest on the Security Deposit unless required by valid Law and may commingle the Security Deposit with any other security deposits made by any other tenants of Landlord.

In the event the Tenant fails to perform any of its obligations under this lease at the time and in the manner provided for in this lease, the Landlord may without notice, immediately apply all or part of the Security Deposit to compensate the Landlord for all or part of the damages incurred by the Landlord as a result of such default by the Tenant. In such event, within ten (10) days after demand by the Landlord, the Tenant shall make such additional deposit of money as may be required to replenish the Security Deposit to the amount set forth in the first sentence above. In the event the Tenant has fulfilled all of its obligations under this lease, no later than 30 days after the termination date, the Security Deposit shall be remitted to the Tenant.

In the event the Landlord sells or assigns its interest in this lease, the Landlord shall automatically be released from all liability for the Security Deposit and the portion of last month's rent deposit, upon the delivery or assignment of the Security Deposit and Last Month's Rent Deposit to the purchaser or assignee.

8. **INSURANCE/CASUALTY.** All personal property on said Leased Premises shall be at the risk of Tenant. Each party hereto waives any and every claim which arises, or may arise, in its favor and against the other party hereto during the term of this lease for all loss of, or damage to, any of its property located within or upon, or constituting a part of, the premises leased to Tenant hereunder, which loss or damage is covered by valid and collectible fire and extended coverage insurance policies to the extent such loss or damage is recoverable under said insurance policies. Said mutual waivers shall be in addition to, and not a limitation or derogation of, any other waiver or release contained in this lease with respect to any loss of, or damage to, property of the parties hereto. Insomuch as the above mutual waivers will preclude the assignment of any such claim by way of subrogation to an insurance company (or any other person), each party hereby agrees immediately to give each insurance company which has issued to it policies of fire and extended coverage insurance written notice of the terms of said mutual waivers, and to have said insurance policies properly endorsed, if necessary, to prevent invalidation of said insurance coverage by reason of said waivers.

9. **INSURANCE/LIABILITY.** Tenant shall, during the entire term, keep in full force and effect a policy, or policies, of public liability and property damage insurance with
respect to the Leased Premises and common areas, and the business operated thereat by Tenant, in which the limits of public liability shall be not less than $2,000,000 per person and $2,000,000 per accident, and in which the property damage liability shall be not less than $1,000,000. Said policy, or policies, shall contain a clause that the insurer shall not cancel or change the insurance without first giving Landlord 10 days' prior written notice. Landlord shall be an additional insured under any and all insurance policies referenced above.

In addition, Tenant shall obtain business interruption insurance in at least sufficient coverage to provide for payment of rent and fulfillment of all other obligations under this lease.

10. INDEMNIFICATION. Tenant will indemnify, defend and save Landlord harmless from and against any and all claims, actions, damages, liability and expense in connection with loss of life, personal injury and/or damage to property arising from or out of any occurrence in, upon, or at the leased premises or common areas, or the occupancy or use by Tenant of the leased premises, or any part thereof, and occasioned by any act or omission of Tenant, its agents, contractors, employees, customers and invitees. In the event Landlord shall be made a party to any litigation commenced by or against Tenant, then Tenant shall proceed and hold Landlord harmless and shall pay all costs, expenses and reasonable attorney’s fees incurred and which were paid by Landlord in connection with such litigation.

11. LANDLORD’S DUTIES AND COVENANTS.

(a) Upon payment by Tenant of the rents herein provided, and upon the observance and performance of all covenants, terms and conditions on Tenant’s part to be observed and performed, Tenant shall peaceably and quietly hold and enjoy the leased premises for the term hereby demised without hindrance or interruption by Landlord, or any other person or persons claiming by, through or under Landlord, subject nevertheless to the terms and conditions of this lease.

(b) Landlord will not alter or modify the building or common areas, or the use thereof, in such a way as to interfere with Tenant’s business, its public visibility or access.

(c) Landlord reserves the right to alter and/or modify the Second Street frontage sidewalk, driveway and parking areas as part of the Second Street Streetscape Program.

12. TENANT’S DUTIES REGARDING PREMISES.

(a) Tenant shall at all times keep the interior of the Leased Premises and all partitions, doors, floor covering, interior and exterior glass, lighting, interior plumbing and other fixtures, equipment and appurtenances thereof in good order, condition and repair, including repair of damage by unavoidable casualty.

(b) Tenant shall maintain the entire premises and improvements, including structural portions of the premises, and including electrical, mechanical, and heating equipment, in good order, condition and repair. Tenant shall maintain the areas adjacent to the building, including sidewalks, landscaping, service areas, and automobile parking areas. Further,
Tenant shall be liable for the removal of ice and snow from the sidewalks and parking areas in front of and about the premises.

(c) If Tenant refuses or neglects to repair and maintain the premises as required herein to the reasonable satisfaction of Landlord as soon as reasonably possible after written demand, Landlord may make such repairs and do required maintenance without liability to Tenant for any loss or damage that may accrue to Tenant's fixtures or other property, or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay Landlord's costs for such work, plus 10% for overhead.

(d) Tenant shall be responsible, at its sole cost and expense, for all janitorial services and interior maintenance of the Leased Premises.

(e) At the expiration of the tenancy hereby created, Tenant shall surrender the leased premises in the same condition as they were in at the time of completion of all Tenant improvements and alterations, reasonable wear and tear excepted. Tenant shall surrender all keys to the Leased Premises to Landlord.

(f) Tenant shall allow Landlord, or Landlord's agent, free access at all reasonable times to said premises for the purpose of inspection, maintenance or repairs. The tenant shall approve additions or alterations to the Leased Premises that affect the function of the space(s) in advance with the exception of work related to the Second Street Project referenced in item (b) above. However, such right shall not be construed as an agreement by Landlord to make such repair, additions or alterations. The Landlord shall provide at least 24 hours notice prior to commencing with inspection, maintenance or repairs unless the situation is an emergency and requires immediate attention. It is acknowledged the roof is leaking above the doorway on the west side of the building and shall be repaired by the city.

(g) Tenant agrees to allow the city to use the rear space for events up to six times per year at no cost and subject to availability.

(h) Tenant agrees to allow the seven parking spaces to be used for public parking subject to availability. The parking lot may also be used for truck loading during construction for the Second Street Project as long as it does not interfere with the tenants business operations. No modifications to the parking area or signage will be used to identify the area as a truck-loading zone.

13. ACCEPTANCE OF CONDITION OF PREMISES. The Tenant has fully examined and is fully familiar with the condition of the subject premises. Landlord makes no representations whatsoever as to the condition of the subject premises. Tenant accepts the subject premises "as is," including all defects known or unknown, patent or latent.

14. ALTERATIONS. Tenant will not make any alterations, additions or improvements in or to the Leased Premises without the prior written consent of Landlord. Consent shall not be unreasonably withheld.
If approved, all such improvements shall be performed in a workmanlike manner by licensed and bonded contractors, constructed with new materials in full compliance with all rules, regulations and building codes, to superior grade, pursuant to and in accordance with all required permits of applicable governmental authorities. Tenant shall be responsible for securing all building permits, and all costs and expenses incurred in making the improvements. Tenant shall pay all invoices for labor and materials for such improvements upon receipt and will allow no liens to attach to the premises as a consequence of Tenant’s activities. Upon completion Tenant shall provide Landlord with copies of the “as built” plans of the improvements together with the names of all contractors and subcontractors who worked on the improvements and copies of lien releases.

Tenant shall keep the premises free from any liens arising out of any work performed materials furnished or obligations incurred by or on behalf of Tenant and shall indemnify, defend and hold Landlord harmless form all claims, costs and liabilities, including attorneys fees and costs, in connection with or arising out of any such lien or claim of lien.

In order to eliminate the possibility of any construction, mechanics’ lien or materialmen’s lien being asserted against the premises, Tenant agrees that it will not enter into any contract for construction work to the premises unless the following language is included in such contract: “Notwithstanding anything herein to the contrary, the contractor acknowledges that Tenant holds only a leasehold interest in the property which is the subject matter of this contract. Tenant is not the agent of the owner of the property, and no lien resulting from work performed under this contract will attach to the interest of such owner.

Tenant shall maintain, or cause its contractors to maintain, insurance coverage during the period of any construction and fixture work to the premises the following insurance: (1) “All Risk” Builder’s Risk insurance covering the full replacement cost of the entire improvements and buildings on the premises, as well as all work done and fixtures and equipment installed at the premises (which insurance may be provided by separate policy, by Tenant’s “All Risk” property policy, or be an endorsement to such policy); (2) Commercial General Liability Insurance with minimum limits with respect to bodily injury or death of $2,000,000 and property damage in the amount of full replacement cost. Landlord shall be an additional insured under any and all insurance policies referenced above.

Tenant shall not commence, or permit its contractors to commence any work until all insurance required by this lease has been obtained and certificates of such insurance have been delivered to Landlord.

15. FIXTURES. All additions, alterations and changes made by Tenant shall become the property of Landlord, except for trade fixtures. Trade fixtures installed by Tenant may be removed by Tenant at the termination of the lease, provided that the premises are returned to as good condition as they were prior to the installation of the same. Structural alterations of the premises shall also be removed, at the option of Landlord, at the termination of the lease, and Tenant shall bear the full cost thereof and shall repair any damage to the leased
premises caused thereby. Tenant's obligations to observe or perform this covenant shall survive the expiration or the termination of the term of this lease.

16. **SIGNS AND LANDSCAPING.** Landlord shall have the right to control landscaping and approve the placing of signs and the size and quality of the same. Tenant shall make no alterations or additions to the landscaping but may perform routine maintenance and shall place no exterior signs on the Leased Premises without the prior written consent of Landlord. Any signs not in conformity with this Lease may be immediately removed and destroyed by Landlord.

17. **HAZARDOUS SUBSTANCES.** Tenant shall not conduct any action or permit any action or condition which creates any hazardous substance, or leaves deposits of any hazardous substance within the structures or upon the Leased Premises. For purposes of this paragraph, the definition of the term "hazardous substance" shall be as used in the Superfund Act or any other federal and/or state legislation regarding hazardous substances, provided that the definition of the term "hazardous substance" shall include petroleum and related byproducts and hydrocarbons. Tenant shall indemnify and hold Landlord harmless from any costs or damages incurred as a consequence of such hazardous substances, including costs of remedying such hazardous substances and damages incurred as a consequence of the existence of such hazardous substances on the property. This provision shall survive the expiration of the lease term.

18. **TAXES.**

(a) Landlord shall be responsible for all real property taxes and assessments levied or assessed against the Leased Premises by any governmental entity, including any special assessments imposed on or against the Leased Premises for the construction or improvement of public works in, on or about the Leased Premises; provided, however, that the Tenant shall conduct no activity on the Leased Premises nor place any articles on the Leased Premises that will increase the real property taxes levied or assessed against the Leased Premises.

(b) Tenant shall pay before delinquency any and all taxes, assessments, license fees, and public charges levied, assessed or imposed and which become payable during the Lease upon Tenant's fixtures, furniture, appliances and personal property installed or located in the Leased Premises.

(c) Tenant agrees to pay the amount of all taxes levied upon or measured by the rent payable hereunder, whether as a sales tax, transaction privilege tax, leasehold excise tax, or otherwise. Such taxes shall be due and payable at the time the same are levied or assessed.

19. **ABANDONMENT.** Tenant shall not vacate nor abandon the Leased Premises at any time during the term of this Lease, nor permit the Leased Premises to remain unoccupied for a period longer than fifteen (15) consecutive days during the term of this Lease; and if Tenant shall abandon, vacate or surrender the Leased Premises, or be dispossessed by process of law, or
otherwise, any personal property belonging to Tenant and left on the Leased Premises shall, at the option of the Landlord, be deemed abandoned.

20. **CASPUALTY; REBUILDING; CONDEMNATION.** In the event the building at the Leased Premises shall be destroyed or damaged by fire or other causes (and regardless of the extent of the damage to the Leased Premises) to such an extent that the Landlord shall decide to discontinue the operation of the building for commercial use, which decision shall be communicated to the Tenant within thirty (30) days after such damage or destruction, then this lease shall be terminated as of the date of such damage or destruction. In the event of damage to the Leased Premises by fire or other causes, other than under the circumstances described in the preceding sentence, Landlord shall repair the Leased Premises within a reasonable time and as quickly as circumstances will permit upon the same plan as immediately before the damage or destruction. Until the Leased Premises are repaired and put in a good and tenantable order, the rents herein provided for, or a fair and just proportion thereof according to the nature and extent of the damage sustained, shall be abated until the Leased Premises shall have been restored to the same condition as they were before such damage or destruction.

In the event that the Leased Premises are not usable as contemplated in this agreement for over ninety (90) days due to the damage, Tenant shall have the right to terminate this Lease.

If any part of the Leased Premises shall be taken by public or quasi-public authority under any power of eminent domain or condemnation, Tenant shall have no claim or interest in or to any award of damages for such taking. If such taking materially reduces usefulness of the Leased Premises for the purposes for which it is leased, then Tenant shall have the option of terminating this Lease.

21. **ASSIGNMENT AND SUBLETTING.** Tenant shall not sublease, sublet or assign the Leased Premises, or any portion thereof, except by the written permission and consent of Landlord. With the written permission of the Landlord, tenant may assign the Leased Premises to another party who desires to fulfill all terms of this lease. This lease shall not be assignable by operation of law. Landlord agrees to allow the Langley Main Street Association sublet a portion of the leasable space for the storage of equipment and a multi-passenger golf cart shuttle. Additional temporary sale activities may be allowed with advance approval from the city and the acquisition of any required permits.
22. TENANT DEFAULT.

(a) If Tenant shall fail to perform any of the covenants and agreements herein contained, then Landlord may cancel this lease upon giving the notice required by law and re-enter said premises, provided that the notice period for notices under RCW 59.12.030(3) and (4) shall be thirty (30) days. Notwithstanding such re-entry by Landlord, the liability of Tenant for the rent provided for herein shall not be extinguished for the balance of the term of the lease, and Tenant covenants and agrees to make good to Landlord any deficiency arising from re-entry and re-letting of the Leased Premises at a lesser rental than herein agreed to. Tenant shall pay such deficiency each month as the amount thereof is ascertained by Landlord. In computing such deficiency, Tenant shall be charged with the monthly rental that would have been owed by Tenant had Tenant continued to lease the Leased Premises.

(b) If Landlord must commence an unlawful detainer action to seek restitution of the Leased Premises as a result of Tenant's default in the payment of rent, Landlord shall be entitled to judgment in the amount of double the rent due at the time of judgment pursuant to RCW 59.12.170.

(c) In the event of any entry in, or taking possession of, the Leased Premises, Landlord shall have the right, but not the obligation, to remove from the Leased Premises all personal property located thereon and may place the same in storage at a public warehouse, at the expense and risk of the owners.

(d) If at any time Landlord waives any breach or default, or any right or option, such waiver shall not be construed to be a waiver of any other right or option, or any other past, existing or future breach or default.

(e) In the event Tenant is in default on any provision of this lease and Landlord seeks the services of an attorney to enforce such provision in default, Landlord shall be entitled to recover all attorney's fees and costs expended in such enforcement, including the cost of preparation and service of all notices, and such fees, costs and expenses shall constitute additional rent due hereunder.

23. LANDLORD DEFAULT. In the event Landlord shall neglect or fail to perform or observe any of the covenants, provisions or conditions contained in this Lease on its part to be performed or observed within 20 days after Tenant's written notice to Landlord (or if more than 20 days shall be required because of the nature of the breach, if Landlord shall fail to proceed diligently to cure such breach after notice), then, in that event, Landlord shall be in default under the provisions of this Lease and shall be responsible to Tenant for any and all damages sustained by Tenant as a result of Landlord's default. Further, after such default and upon giving Landlord ten (10) days advance written notice of intent to do so, Tenant shall have the right to cure any such default at Landlord's expense, including in such expenditure all costs and attorney's fees incurred to cure such default, and may offset the costs of curing such default against rents next due. In the event Landlord fails and refuses to cure its default and Tenant is unable to remedy
Landlord’s default, Tenant shall have the option of terminating this lease upon 30 days written notice to Landlord.

24. **ATTORNEY FEES/COLLECTION CHARGE VENUE.** In the event of any legal action or proceeding between the parties hereto, the substantially prevailing party shall be entitled to collect, in addition to any judgment awarded by a court, a reasonable sum as attorneys’ fees, and all costs and expenses incurred in connection with such a lawsuit, including attorneys’ fees, costs, and expenses of any appeal of a judgment, and if the substantially prevailing party shall recover judgment in any such action or proceeding, such costs, expenses and attorney’s fees shall be included in and as a part of such judgment. This Lease shall be governed by the laws of the State of Washington. The venue for any dispute related to this Lease shall be Snohomish County, Washington. Should Landlord be named as a defendant in any suit brought against Tenant in connection with or arising out of Tenant’s occupancy hereunder, Tenant shall pay to Landlord its cost and expenses incurred in such suit, including a reasonable attorney fee.

25. **NOTICES.** All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments, or designations under this lease by either party to the other shall be in writing and shall be sufficiently given and served upon the other party, if sent by certified mail, return receipt requested, postage prepaid, and addressed as follows:

**TENANT:**

The Firehouse Studio and Gallery  
PO Box 1151  
Langley, WA 98260

**LANDLORD:**

City of Langley  
112 Second Street  
P.O. Box 366  
Langley, WA 98260

or at such other address as either party designates by written notice to the other party. All notices shall be effective upon the earlier of personal delivery or three (3) days after being mailed.

26. **NO WAIVER OF COVENANTS.** No waiver shall be implied from an omission by either party to take any action related to breach of any covenant, term, or condition of this Lease. The acceptance by Landlord of rent with knowledge of the breach of any of the terms, conditions, or covenants of this Lease by Tenant shall not be deemed a waiver of any such breach. One or more waivers of any breach of any covenant, term, or condition of this Lease shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.
27. **DELAYED POSSESSION.** In the event of the inability of Landlord to deliver possession of the Leased Premises for any reason whatsoever at the time of the commencement of the term of this Lease, neither Landlord or its agents shall be liable for any damage caused thereby, nor shall this lease thereby become void or voidable, nor shall the term herein specified be in any way extended, but in such event Tenant shall not be liable for any rent until such time as Landlord can deliver possession, and in the event that possession is delayed over ninety (90) days, Tenant shall have the right to terminate this Lease.

28. **EFFECT OF HOLDING OVER.** If Tenant should remain in possession of the Leased Premises after the expiration of the Lease term, or the renewal thereof, without executing a new Lease, then such holding over shall be construed as a tenancy from month to month, subject to all the conditions, provisions, and obligations of this Lease insofar as the same are applicable to a month-to-month tenancy.

29. **SUCCESSORS AND ASSIGNS.** The rights, liabilities, and remedies provided for herein shall extend to the heirs, legal representatives, successors and, so far as the terms of this lease permit, assigns of the parties hereto; and the words “Landlord” and “Tenant” and their accompanying verbs or pronouns, wherever used in this Lease, shall apply equally to all persons, firms or corporations which may be or become parties to this Lease.

30. **RULES.** Tenant agrees to abide by the rules and regulations governing the operation of the Leased Premises which may be made by Landlord from time to time, and will use reasonable methods to induce customers, clients and all persons invited by Tenant into said Premises to observe the same.

31. **RECORDING.** Tenant or Landlord may file this Lease or a Memorandum form thereof for recording with the County Auditor, Recording Division, Island County, Washington. If a Memorandum of Lease is filed for recording, each party agrees to execute and return same promptly.

32. **TIME.** Time is of the essence of this Lease.

33. **PARKING.** Landlord shall provide Tenant with seven parking spaces associated with the Leased Premises for the use by the Tenant.

34. **ENTIRE AGREEMENT AND AMENDMENTS.** This Lease contains all of the agreements between the parties with respect to any matter covered or mentioned in the Lease, and no prior agreement, letter of intent, or understanding relating to any such matter will be effective for any purpose. No provision in this Lease may be amended or added to except by an agreement in writing signed by the parties or their respective successors in interest and using the same formalities as are required by the execution of this Lease.
IN WITNESS WHEREOF Landlord and Tenant have executed this Lease as of the day and year first above written.

THE CITY OF LANGLEY, Landlord

By __________________________
Fred McCarthy, Mayor

CALLAHAN McVAY, Tenant

By __________________________

By __________________________

By __________________________

STATE OF WASHINGTON )
)SS.
COUNTY OF ISLAND )

I certify that I know or have satisfactory evidence that the FRED MCCARTHY is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath acknowledged that he was authorized to execute the instrument, and acknowledged it as the Mayor of the CITY OF LANGLEY to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this _____ day of __________________, 2013

__________________________
(Legibly print name of notary)
NOTARY PUBLIC in and for the State of Washington, residing at ________________
My commission expires ________________
STATE OF WASHINGTON

ss.

COUNTY OF ISLAND)

I certify that I know or have satisfactory evidence that CALLAHAN McVAY is the person who appeared before me, and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

DATED this _____ day of __________, 2013

[Legibly print name of notary]
NOTARY PUBLIC in and for the State of Washington, residing at _______
My commission expires __________

EXHIBIT A
Lease between City of Langley, Landlord, and The Firehouse Studio and Gallery, Tenant Callahan McVay, Principal

Overview
Create a glassmaking hot shop/gallery, which will include daily demonstrations, blow your own opportunities, gallery sales, workshops, classes and special events. The rear space in the Firehouse will be used primarily for events. Temporary sales activities (such as holiday trees or a holiday market) may be allowed with advance approval from the city and upon the tenant acquiring any necessary permits.

Operations (Guidance Only) Business Hours – Open a minimum of four days per week

Demonstrations and Blow Your Own – 11:00 am to 5:00 pm
Classes/Workshops/Special Events – 5:00 pm to 12:00 pm

Products and Services Plan
Provide a range of products and services to the public, including:

1. Blow Your Own - Customers walk in and blow a small piece of glass with staff assistance
2. Workshops – Weekend events offering beginning and intermediate glassblowing or specific skill building
3. Classes – Weekly and on-going, featuring beginning and intermediate stained glass, glass survey (sampling type of class in which participants will be introduced to two areas from glass mosaic, kiln work, lamp work-torch work, glassblowing and stained glass); individual classes on specific techniques. Additional classes for arts and crafts are also expressly allowed.
4. Special Events – Individual and organizations hire the studio to incorporate glassblowing as an activity (such as birthday parties or office get- together); such events could be catered by local food establishments and may not include the glass blowing component
5. Retail Sales – The principal products to be made available for sale shall be locally produced glass art and allied products. Secondary products available for sale can include rotating, locally-produced visual arts of gallery quality.