

ORIGINAL

CITY OF SAN DIEGO PERCENTAGE GROUND LEASE

THIS LEASE ("Lease") is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), as LESSOR, and SNAPFRIZ, INC., a California corporation as LESSEE, to be effective as of August 9, 2017 (the "Effective Date"), when signed by the parties and approved by the San Diego City Attorney.

RECITALS

- A. CITY is the owner of that certain real property commonly known as the Morley Field Disc Golf Course, in Balboa Park located at Pershing Drive and Jacaranda Place in the City of San Diego, State of California, and more specifically shown in **Exhibit "A"** attached to this Lease and by this reference made part of this Lease ("Premises").
- B. The City previously leased the Premises to Leo Pierson on October 1, 2006, by that certain Lease Agreement on file with the San Diego City Clerk as Document number RR-301659, which terminated on September 30, 2016, and is currently in a month-to-month holdover.
- C. CITY desires to lease the Premises to LESSEE to operate and maintain a disc golf course open to the general public, as more specifically set forth in this Lease.

NOW THEREFORE, FOR VALUABLE CONSIDERATION, the sufficiency of which is acknowledged, the parties agree as follows:

- 1. Premises. Under the terms and conditions of this Lease, CITY leases the Premises to LESSEE and LESSEE leases the Premises from CITY.
- 2. Allowed Uses. LESSEE shall use the Premises solely for the following purposes ("Allowed Uses"), and for no other purpose whatsoever without CITY's prior written consent: (a) operation and maintenance of a disc golf course open to the general public; (b) selling prepared and packaged food and non-alcoholic beverages; (c) operation of a snack and beverage cart (d) selling disc golf merchandise; and (e) for other related or incidental purposes. The use of the Premises for any unauthorized purpose shall subject this Lease to termination at the sole discretion of the CITY. LESSEE shall diligently conduct the Allowed Uses on the Premises, using its best efforts to

reasonably maximize revenue from the Allowed Uses for purposes of the percentage rent set forth in Section 13.d, below.

3. City Council Action Required. LESSEE acknowledges that this Lease is expressly conditioned on the San Diego City Council's (the "City Council") prior authorization to enter into and execute this Lease ("Council Authorization"), which may or may not be granted in the City Council's sole discretion. CITY shall not be liable or obligated for any burden or loss, financial or otherwise, incurred by LESSEE as a result of the City Council's modification of the final terms and conditions of this Lease, or the City Council's failure to grant the Council Authorization.
4. Competent Management. LESSEE shall provide competent management of the Allowed Uses to CITY's reasonable satisfaction. "Competent management" shall mean management practices generally considered acceptable for the management and operation of activities substantially similar to the Allowed Uses and in compliance with all applicable local, state and federal laws, rules and regulations, and in a fiscally responsible manner. "Fiscally responsible manner" shall mean in accordance with generally accepted accounting principles consistently applied and absent financial malfeasance.
5. CITY's Consent, Discretion. CITY's consent or approval under this Lease shall mean the written consent or approval of the Mayor of San Diego, or his or her designee ("Mayor"), unless otherwise expressly provided herein. CITY's discretionary acts hereunder shall be made in the Mayor's discretion, unless otherwise expressly provided herein.
6. Quiet Enjoyment. LESSEE, performing the covenants and agreements in this Lease, shall at all times during the Term (as defined below) peaceably and quietly have, hold, and enjoy the Premises. If CITY for any reason cannot deliver possession of the Premises to LESSEE at commencement of the Term, or if LESSEE is temporarily dispossessed through action or claim of a title superior to CITY's, this Lease shall not be voidable nor shall CITY be liable to LESSEE for any loss or resulting damages.
7. Reservation of Rights.
 - a. Mineral Rights. CITY reserves all rights, title, and interest in and to any and all subsurface natural gas, oil, minerals, and water on or within the Premises.

- b. Easements. CITY reserves the right to grant, establish, and use easements and rights-of-way over, under, along, and across the Premises for utilities, thoroughfares, or access as it deems advisable for the public good at no cost or liability to CITY.
 - c. Repairs. CITY may at all reasonable times enter the Premises for the purpose of maintenance and repairs to the Premises as provided in this Lease.
 - d. Noninterference. CITY shall not substantially or unreasonably interfere with LESSEE's use of the Premises, and shall repair or reimburse LESSEE for reasonable costs incurred by LESSEE to repair any physical damages to Premises or LESSEE's personal property directly caused by CITY's exercising of its rights reserved in this section. CITY shall pay the costs of maintenance and repair of all CITY installations made pursuant to these reserved rights.
8. Public Use. The general public shall have access to the Lease Premises for the uses allowed under this Lease during Lessee's hours of operation.
9. Parking. Parking of vehicles shall be restricted to the existing established parking lot on the Premises, as shown on the attached Exhibit "A". The parking lot shall be open to the general public at no charge, whether or not they are customers of the disc golf course.
10. Signs. LESSEE shall not erect or display any other banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising without CITY's prior written consent. If any such unauthorized item is found on the Premises, LESSEE shall remove the item at its expense within twenty-four (24) hours after notice by CITY, or CITY may thereafter summarily remove the item at LESSEE's cost.
11. Changes. CITY may, in CITY's sole discretion and from time to time, make changes to the public areas of the Premises, including without limitation making changes in the location, size, shape and number of driveways, entrances, parking spaces, parking area, loading and unloading areas, ingress and egress, direction of traffic, landscaped areas, walkways and utility raceways. CITY may temporarily close any public area of the Premises for maintenance purposes, provided reasonable access to the Premises remains available. CITY may make improvements to the public areas of the Premises and use the public areas of the Premises while making improvements, alterations or repairs to any part of the comfort station or restroom building,

and do and perform such other acts and make other changes in, to or with respect to the building as CITY may deem appropriate.

12. Term. The term of this Lease ("Term") shall be ten (10) years, commencing on the first day of the calendar month following the execution by the Mayor, or his designee, and approval by the City Attorney. Lease Year as used in this Lease shall mean the first full twelve (12) calendar months of the Term and each twelve (12) month period thereafter during the Term.
13. Holdover. Any holding over by LESSEE after the expiration or earlier termination of this Lease shall not be considered a renewal or extension of this Lease. The occupancy of the Premises after the expiration or earlier termination of this Lease shall constitute a month-to-month tenancy at will, and all other terms and conditions of this Lease shall continue in full force and effect, except that LESSEE shall then pay to CITY the then current market rent for the Premises as determined by qualified staff of CITY's Real Estate Assets Department, in its sole discretion; however, in no event shall the rent be reduced below the rent in effect at the expiration or earlier termination of this Lease.
14. Surrender of Premises. Upon the expiration or earlier termination of this Lease, LESSEE shall vacate the Premises and surrender it to CITY free and clear of all liens and encumbrances, and in a decent, safe, and sanitary condition. At any time after the expiration or earlier termination of this Lease, LESSEE shall execute, acknowledge, and deliver to CITY, but in no event later than thirty (30) days after CITY's demand, a valid and recordable quitclaim deed covering all of the Premises. If LESSEE fails or refuses to deliver the required quitclaim deed, CITY may prepare and record a notice reciting LESSEE's failure to perform this Lease provision, and the notice shall be deemed conclusive evidence of the termination of this Lease and of all of LESSEE's rights in and to the Premises.
15. Rent. LESSEE shall pay rent to CITY in the amount of the greater of: (a) Percentage Rent (as defined below); or (b) the Minimum Annual Rent (as defined below). Within thirty (30) days after the end of each calendar month (Month) during the Term, LESSEE shall deliver to CITY a schedule of LESSEE's Gross Revenue (as defined below) for the Month, together with a statement of the Percentage Rent payable for that Month, prepared using generally accepted accounting principles consistently applied, with revenue categorized by source and deductions categorized by type. Each statement shall include the accumulated total of all rents previously paid for the current Lease Year. Each such statement shall be signed by an officer, general partner,

or principal of LESSEE attesting to the accuracy and completeness thereof, which shall be legally binding upon LESSEE. Concurrently with the delivery of such schedule and statement, LESSEE shall pay to CITY the Percentage Rent for that Month.

- a. Gross Revenue. "Gross Revenue" shall mean all revenue derived from all the Allowed Uses, including without limitation all revenue derived from sublessees, subtenants, and licensees. Possessory interest taxes or other property taxes shall not be deducted in computing Gross Revenue. Notwithstanding the foregoing, Gross Revenue shall not include: (a) federal, state, or municipal taxes collected from consumers (regardless of whether such amount is stated to the consumer as a separate charge) and paid periodically by LESSEE to a governmental agency and accompanied by a tax return or statement as required by law; or (b) refunds for goods returned for resale on the Premises or refunds of deposits. LESSEE shall clearly indicate the amount of all such taxes and refunds on its books and records.
- b. Minimum Annual Rent. The minimum annual rent ("Minimum Annual Rent") for the first three (3) Lease Years shall be Sixty Three Thousand Five Dollars (\$63,005). LESSEE will pay the greater of the Minimum Annual Rent or the total Percentage Rents each Lease Year. If the Minimum Annual Rent is greater than the total Percentage Rent paid during any given Lease Year, then LESSEE will pay to CITY an amount equal to the Minimum Annual Rent less any Percentage Rent paid during that Lease Year within thirty (30) days of the end of such Lease Year.
- c. Minimum Annual Rent Adjustment. Effective as of the first day of the fourth (4th) Lease Year, and every three (3) years thereafter during the Term, the Minimum Annual Rent shall be recalculated to be equal to eighty percent (80%) of the annual average of all rents paid and payable (i.e., "earned") during the preceding three (3) Lease Years. Notwithstanding the foregoing, no such recalculation of the Minimum Annual Rent shall reduce the Minimum Annual Rent in effect immediately prior to the recalculation. LESSEE acknowledges that such adjustments shall be calculated by CITY after receipt of all applicable Gross Revenue schedules and Percentage Rent statements. Until such calculations are completed, LESSEE shall continue paying the most recent Minimum Annual Rent. LESSEE further acknowledges that any adjustment shall apply retroactively and shall be payable by LESSEE as if in effect on the first day of the Lease Year in which the adjustment is made. Within thirty (30) days after CITY notifies LESSEE of the new Minimum Annual Rent,

LESSEE shall pay to CITY any and all rent deficiencies between the previous Minimum Annual Rent and the retroactive, adjusted Minimum Annual Rent.

- d. Percentage Rent. "Percentage Rent" shall mean rent in an amount equal to the percentage of Gross Revenue derived from certain designated business activities resulting from use of the Premises, applied as follows:

<u>Percentages</u>	<u>Business Activities</u>
Six Percent (6%)	Sales of discs, baskets, golf bags and other equipment.
Thirteen and one half Percent (13.5%)	Food and beverage sales (Including snack and beverage cart, subject to Section 14(e) below).
Thirteen and One-half Percent (13.5%)	Green fees and all other activities except commissions listed below.
Twenty-five Percent (25%)	Of commissions or any other compensation paid to LESSEE or sublessees for the right to install or operate coin-operated vending, game, or service machines or devices on the Premises, including telephones.
Ten Percent (10%)	Of the gross revenue from any coin-operated machines or devices owned, rented, or leased by LESSEE or sublessees used on the Premises.

If LESSEE requests a use of the Premises in addition to the Allowed Uses, CITY and LESSEE shall determine by agreement the Percentage Rent calculation applicable to such use prior to CITY's approval of the use.

Without express, written consent to the proposed use and an express, written agreement regarding the applicable Percentage Rent for said use, the use shall be deemed an unauthorized use and all Gross Revenue therefrom shall be payable to CITY.

LESSEE shall operate a snack and beverage cart on the Premises during LESSEE's business hours at least three (3) days per week during the Term. If LESSEE fails to operate the snack and beverage cart for the minimum requirements set forth in this paragraph for more than two (2) consecutive months (i.e. during LESSEE's business hours at least three (3) per week) during the Term, the CITY may, in CITY's sole discretion, increase the Percentage Rent for sales of discs, baskets, golf bags and other equipment to ten percent (10%) and reduce the Percentage Rent for food and beverage sales to ten percent (10%) for food and beverage sales. CITY's election to adjust the Percentage Rents pursuant to this Section 14(e) shall not constitute a waiver or limitation of any of CITY's rights with respect to default under this Lease.

- e. Sublease Income. Subject to CITY's prior consent to any sublease of the Premises or part thereof, in addition to any rent and fees set forth above, LESSEE shall pay monthly to CITY a sum of money equal to fifty percent (50%) of the Gross Revenue from all sublease income earned by LESSEE from such subletting regardless of actual receipt by LESSEE.
- f. Unauthorized Use Charge. LESSEE shall pay CITY one hundred percent (100%) of the gross receipts from any use of the Premises that is not an Allowed Use, and from any other use or any unauthorized sublease for which CITY has not given its prior written consent, regardless of any related penalties charged LESSEE by competent governmental authorities. Such unauthorized use charge shall be payable to CITY within thirty (30) days after LESSEE receives such gross receipts. The unauthorized use charge shall be considered "rent" under this Lease and shall be subject to all costs and penalties for delinquent payments hereunder. The existence of such unauthorized use charge and CITY's acceptance thereof shall not constitute authorization for the use in question, and shall not waive any of CITY's rights under this Lease.
- g. Records. LESSEE shall, at all times as required by this Lease, keep or cause to be kept true, accurate, and complete books, records, and accounts of all financial transactions in the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial

transactions resulting from LESSEE's use of the Premises. The records shall be supported by source documents such as sales slips, daily cash register tapes, purchase invoices, or other documents (which may be in electronic form) as necessary to allow CITY to easily determine Gross Revenue. All retail sales or charges shall be recorded by means of cash registers or other comparable devices which display to the customer the amount of the transaction and automatically issue a receipt. Such registers or other devices shall record sales totals and other transaction numbers and sales details, and shall not be re-settable. Registered totals shall be read and recorded at the beginning and end of each business day. All sales and charges may be recorded by a system other than cash registers or other comparable devices, provided such system is approved by CITY.

- h. Annual Financial Statements. Within sixty (60) days after the end of each Lease Year, LESSEE shall, at its sole cost and expense, deliver to CITY a statement of the total Gross Revenue for the Lease Year, prepared using generally accepted accounting principles consistently applied, with revenue categorized by source and deductions categorized by type. Each such statement shall be signed by an officer, general partner, or principal of LESSEE attesting to the accuracy and completeness thereof, which shall be legally binding upon LESSEE. LESSEE shall comply with all reasonable requests by CITY to modify the form and content of such financial statements. LESSEE shall provide such additional information reasonably requested by CITY regarding the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises.
- i. CITY'S Right to Inspect and Audit. LESSEE shall keep all of its books of account, records, and supporting documentation throughout the Term and for five (5) years thereafter. This section shall survive expiration or earlier termination of this Lease. LESSEE shall maintain separate books and records related to LESSEE's use of the Premises. Upon reasonable prior notice, CITY may inspect and audit the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises as CITY may deem necessary, in its sole reasonable discretion, to protect CITY's rights under this Lease. LESSEE shall make all books, records, and documentation available for inspection and audit by CITY in one location within the County of San Diego. If required by competent legal authority,

LESSEE shall promptly deliver to CITY, at LESSEE's sole cost and expense, any and all data reasonably needed to fully comply with such authority's requirements related to the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises.

- j. Audit Cost. The full cost of each CITY audit shall be borne by CITY, unless one or both of the following conditions exists, in which case LESSEE shall reimburse CITY for all costs of the audit:
- i. For any given Lease Year, if an audit reveals an underpayment of rent of more than five percent (5%), calculated as the difference between the rent reported as payable by LESSEE and the rent payable as determined by the audit; or
 - ii. LESSEE failed to maintain true, accurate, and complete books, records, accounts, and supporting source documents as required by this Lease.

Any rent deficiency determined by the audit shall be delinquent rent, subject to all penalties and remedies provided to CITY for delinquent rent under this Lease. CITY shall credit any overpayment determined by the audit, without interest, against future rents due under this Lease. If no future rents are then due under this Lease, CITY shall refund to LESSEE any overpayment determined by the audit, without interest, within sixty (60) days after CITY's certification of the audit.

- k. Delinquent Payments. If LESSEE fails to make any payment when due, LESSEE shall pay, in addition to the unpaid amount, five percent (5%) of the delinquent amount. If any amount of such payment remains unpaid after fifteen (15) days, LESSEE shall pay an additional five percent (5%) (being a total of ten percent (10%)), which is hereby mutually agreed by the parties to be appropriate to compensate CITY for loss resulting from rental delinquency, including lost interest, opportunities, legal costs, and the cost of servicing the delinquent account. Notwithstanding the foregoing, in no event shall the charge for late payments of rent be less than Twenty-Five Dollars (\$25). After thirty (30) days past due, unpaid amounts due CITY under this Lease may be referred to the San Diego City Treasurer for collection, and shall be subject to San Diego Municipal Code section 22.1707, as may be amended from time to time. LESSEE shall pay to CITY any collection-referral fee and all other fees and charges plus

interest as may then be charged by the San Diego City Treasurer under authority of the San Diego Municipal Code. Acceptance of late charges and any portion of the late payment by CITY shall neither constitute a waiver of LESSEE's default with respect to late payment nor prevent CITY from exercising any other rights and remedies available at law or in equity. As required by law, LESSEE is hereby notified that a negative credit report may be submitted to a credit reporting agency if amounts due CITY are not paid when due.

- l. Time and Place of Payment. All payments to be paid by LESSEE under this Lease shall be made payable to the City Treasurer and be mailed to:

San Diego City Treasurer
P.O. Box 129030
San Diego, California 92112-9030
or hand delivered to:

The Office of the City Treasurer
Civic Center Plaza
1200 Third Avenue, First Floor
San Diego, California 92101

CITY may change the place of payment at any time upon thirty (30) days written notice to LESSEE. Mailed payments shall be deemed paid upon the date the payment is postmarked by the postal authorities. If postmarks are illegible, the payment shall be deemed received only upon actual receipt.

- m. Invoicing Courtesy. CITY may invoice LESSEE for amounts due under this Lease. Any such invoicing shall be deemed a courtesy only. LESSEE shall make all payments under this Lease on or before each applicable due date, regardless of being invoiced. No grace period shall apply to any amount due under this Lease.
16. Payment Card Industry Data Security. LESSEE certifies that it will implement and at all times comply with the most current Payment Card Industry Data Security Standards (PCI DSS) regarding data security. LESSEE will provide written annual confirmation of PCI DSS compliance from the credit card types used by the CITY (i.e. VISA, MasterCard, Discover, and American Express). LESSEE will immediately notify the CITY if it undergoes, or has reason to believe that it will undergo, an adverse change resulting in the loss of compliance with the PCI DSS standards and/or other material payment card

industry standards. In addition, LESSEE shall provide payment card companies, acquiring financial institutions, and their respective designees required access to the LESSEE's facilities and all pertinent records as deemed necessary by the CITY to verify LESSEE's compliance with the PCI DSS requirements.

- a. Data Security. LESSEE acknowledges responsibility for the security of cardholder data as defined within PCI DSS standards. LESSEE shall undergo independent third party quarterly system scans that audit for all known methods hackers use to access private information, in addition to vulnerabilities that would allow malicious software (i.e., viruses and worms) to gain access to or disrupt network devices. Upon request, LESSEE will provide the CITY's Chief Information Security Officer with copies of the quarterly scans for verification. LESSEE will provide reasonable care and efforts to detect fraudulent credit card activity in connection with credit card transactions processed during the performance of this Lease.
 - b. Use of Data. LESSEE acknowledges and agrees that LESSEE may only use cardholder data for completing the work as described in this Lease consistent with PCI DSS standards or applicable law. LESSEE shall maintain and protect in accordance with all applicable laws and PCI DSS standards the security of all cardholder data when performing the services.
 - c. Notification Requirements. LESSEE shall immediately notify the CITY's Chief Information Security Officer of any breach, intrusion, or unauthorized card access to allow the proper PCI DSS breach notification process to commence. LESSEE agrees to assume responsibility for informing all affected individuals in accordance with applicable law. All notifications and required compliance documents regarding PCI DSS shall be sent to: Chief Information Security Officer, 1010 2nd Avenue, Suite 500, San Diego, California, 92101, cybersecurity@sandiego.gov, (619) 533-4840.
 - d. Indemnity. LESSEE shall indemnify and hold harmless the CITY, its officers, and employees from and against any claims, loss, damages, or other harm related to a data security breach or LESSEE's failure to maintain PCI DSS compliance standards.
17. Maintenance. Except as otherwise provided in this section, LESSEE agrees to assume full responsibility and cost of the operation, maintenance, and repair

of the Premises throughout the Term, including but not limited to removing litter, emptying trash containers, mowing, weeding, irrigating, and maintaining the comfort station and restrooms (including but not limited to cleaning floors, toilets, walls, sinks, and providing toilet paper). LESSEE shall perform all repairs and replacements necessary to maintain and preserve the Premises and all improvements, fixtures, structures or installations thereon in a decent, safe, healthy and sanitary condition reasonably satisfactory to CITY, and in compliance with all applicable laws.

- a. CITY shall be responsible for the roof, electrical system, any repairs to the masonry walls, painting and any major plumbing of the comfort station and restrooms. CITY shall have no obligation or responsibility to remove debris from the Premises, or to construct, maintain, repair or replace other improvements, fixtures, structures or installations on the Premises.
 - b. LESSEE shall maintain, at LESSEE's sole expense, the irrigation system serving the Premises, including the non-pressurized lateral waterlines and sprinkler heads on the Premises; however, CITY shall maintain, at CITY's sole expense, the pressurized main waterlines leading up each valve of the irrigation system serving the Premises. LESSEE shall obtain prior written CITY approval of any alterations to the irrigation system and provide CITY with "as-built" drawings of new improvements.
 - c. CITY shall provide two (2) aeration per year of the turf on the Premises at a time mutually agreeable to CITY and LESSEE. LESSEE shall reimburse CITY for the entire cost of aeration of the turf, monthly, as determined by the Mayor, in his or her sole discretion.
 - d. CITY shall furnish and share use of a dumpster with LESSEE near the Premises. LESSEE shall monthly reimburse CITY for one-half (1/2) of the cost of the dumpster as determined by the Mayor, in his or her sole discretion.
18. Prevailing Wages. By signing this Lease, LESSEE certifies that he or she is aware of the wage provisions described herein and shall comply with such provisions before entering onto the Premises, or allowing any contractors or subcontractors to perform work within the Premises. Pursuant to San Diego Municipal Code section 22.3019, construction, alteration, demolition, repair and maintenance work performed under this Lease is subject to State prevailing wage laws. For construction work performed under this Lease cumulatively exceeding \$25,000 and for alteration, demolition, repair and maintenance work performed under this Lease cumulatively exceeding

\$15,000, the LESSEE and its contractors and subcontractors shall comply with State prevailing wage laws including, but not limited to, the requirements listed below.

- a. Compliance with Prevailing Wage Requirements. Pursuant to sections 1720 through 1861 of the California Labor Code, the LESSEE, its contractors and subcontractors, shall ensure that all workers who perform work under this Lease are paid not less than the prevailing rate of per diem wages as determined by the Director of the California Department of Industrial Relations (DIR). This includes work performed during the design and preconstruction phases of construction including, but not limited to, inspection and land surveying work.
 - i. Copies of such prevailing rate of per diem wages are on file at the City and are available for inspection to any interested party on request. Copies of the prevailing rate of per diem wages also may be found at <http://www.dir.ca.gov/OPRL/DPreWageDetermination.htm>. LESSEE shall require its contractors and subcontractors to post a copy of the prevailing rate of per diem wages determination at each job site and shall make them available to any interested party upon request.
 - ii. The wage rates determined by the DIR refer to expiration dates. If the published wage rate does not refer to a predetermined wage rate to be paid after the expiration date, then the published rate of wage shall be in effect for the life of this Lease. If the published wage rate refers to a predetermined wage rate to become effective upon expiration of the published wage rate and the predetermined wage rate is on file with the DIR, such predetermined wage rate shall become effective on the date following the expiration date and shall apply to this Lease in the same manner as if it had been published in said publication. If the predetermined wage rate refers to one or more additional expiration dates with additional predetermined wage rates, which expiration dates occur during the life of this Lease, each successive predetermined wage rate shall apply to this Lease on the date following the expiration date of the previous wage rate. If the last of such predetermined wage rates expires during the life of this Lease, such wage rate shall apply to the balance of the contract.

- b. Penalties for Violations. LESSEE and its contractors and its subcontractors shall comply with California Labor Code section 1775 in the event a worker is paid less than the prevailing wage rate for the work or craft in which the worker is employed. This shall be in addition to any other applicable penalties allowed under Labor Code sections 1720-1861.
- c. Payroll Records. LESSEE and its contractors and subcontractors shall comply with California Labor Code section 1776, which generally requires keeping accurate payroll records, verifying and certifying payroll records, and making them available for inspection. LESSEE shall require its contractors and subcontractors to also comply with section 1776. LESSEE's contractors and subcontractors shall submit weekly certified payroll records online via the CITY's web-based Labor Compliance Program. LESSEE is responsible for ensuring its contractors and subcontractors submit certified payroll records to the CITY.
 - i. In addition to submitting weekly certified payroll role records to the CITY, LESSEE's contractors and their subcontractors shall also furnish the records specified in Labor Code section 1776 directly to the Labor Commissioner in the manner required in Labor Code section 1771.4.
- d. Apprentices. LESSEE and its contractors and subcontractors shall comply with California Labor Code sections 1777.5, 1777.6 and 1777.7 concerning the employment and wages of apprentices. LESSEE shall be held responsible for the compliance of their contractors as well as the compliance of their subcontractors with sections 1777.5, 1777.6 and 1777.7.
- e. Working Hours. LESSEE and its contractors and subcontractors shall comply with California Labor Code sections 1810 through 1815, including but not limited to: (i) restrict working hours on public works contracts to eight hours a day and forty hours a week, unless all hours worked in excess of 8 hours per day are compensated at not less than 1 1/2 time the basic rate of pay; and (ii) specify penalties to be imposed on design professionals and subcontractors of \$25 per worker per day for each day the worker works more than 8 hours per day and 40 hours per week in violation of California Labor Code sections 1810 through 1815.
- f. Required Provisions for Subcontracts. LESSEE, and its contractors, shall include at a minimum a copy of the following provisions in any contract they enter into with a contractor or subcontractor: California Labor Code sections 1771, 1771.4, 1775, 1776, 1777.5, 1810, 1813, 1815, 1860 and 1861.

- g. Labor Code Section 1861 Certification. LESSEE in accordance with California Labor Code section 3700 is required to secure the payment of compensation of its contractors' and subcontractors' employees and by signing this Lease, LESSEE certifies that "I am aware of the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract."
- h. Labor Compliance Program. The CITY has its own Labor Compliance Program authorized in August 2011 by the DIR. The CITY will notify LESSEE to withhold or cause to be withheld contract payments when payroll records are delinquent or deemed inadequate by the CITY or other governmental entity, or it has been established after an investigation by the CITY or other governmental entity that underpayment(s) have occurred. For questions or assistance, please contact the City of San Diego's Equal Opportunity Contracting Department at (619) 236-6000.
- i. LESSEE'S Contractor and Subcontractors Registration Requirements. This project is subject to compliance monitoring and enforcement by the DIR. A contractor or subcontractor shall not be qualified to bid on, be listed in a bid proposal subject to the requirements of Section 4104 of the Public Contract Code, or engage in the performance of any contract for public work, as defined in this chapter of the Labor Code unless currently registered and qualified to perform public work pursuant to Section 1725.5. In accordance with the Labor Code section 1771.1(a), "[i]t is not a violation of this section for an unregistered contractor to submit a bid that is authorized by Section 7029.1 of the Business and Professions Code or by Section 10164 or 20103.5 of the Public Contract Code, provided the contractor is registered to perform public work pursuant to Section 1725.5 at the time the contract is awarded."
 - i. A contractor's inadvertent error in listing a subcontractor who is not registered pursuant to Labor Code section 1725.5 in response to a solicitation shall not be grounds for filing a bid protest or grounds for considering the bid non-responsive provided that any of the following apply: (1) the subcontractor is registered prior to bid opening; (2) within twenty-four hours after the bid opening, the subcontractor is registered and has paid the penalty registration fee specified in Labor Code section 1725.5; or (3) the subcontractor is replaced by another registered contractor pursuant to Public

Contract Code section 4107.

- ii. A contract entered into with any contractor or subcontractor in violation of Labor Code section 1771.1(a) shall be subject to cancellation, provided that a contract for public work shall not be unlawful, void, or voidable solely due to the failure of the awarding body, contractor, or any subcontractor to comply with the requirements of section 1725.5 or this section.
 - iii. By entering into this Lease, LESSEE is certifying that it will verify that all contractors and subcontractors used on any public works project are registered with the DIR in compliance with Labor Code sections 1771.1 and 1725.5 and LESSEE shall provide proof of registration to the CITY upon request.
19. Assignment and Subletting. LESSEE shall not assign or sublease any rights granted by this Lease or any interest in this Lease without CITY's prior written consent in each instance. A consent to assignment, subletting, occupation, or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. Any assignment or subletting without CITY's consent shall be void and shall, at the option of CITY, terminate this Lease. This Lease shall not, nor shall any interest in this Lease be assignable as to the interest of LESSEE by operation of law without the written consent of CITY. LESSEE shall pay all reasonable fees required by CITY for processing requests for consent. As a condition to any consent to an assignment, sublease or other grant of rights related to the use and occupancy of the Premises, CITY may require that this Lease be revised to comply with then-current standard CITY lease requirements.
- a. Assignment for the purposes of this section shall include any transfer of any ownership interest in this Lease by LESSEE, and if LESSEE is other than a natural person, the transfer of a controlling interest in LESSEE or any of LESSEE's general partners, principals, or controlling shareholders.
 - b. Approval of any assignment or sublease shall be conditioned upon the assignee or sublessee agreeing in writing that it will assume the rights and obligations thereby assigned or subleased and that it will keep and perform all covenants, conditions, and provisions of this Lease which are applicable to the rights acquired. Further, each sublessee shall agree that its sublease shall be subject and subordinate to each and every provision of this Lease. Pursuant to City Charter section 225, CITY must review and

approve every person or entity which will have an interest in this Lease as a sublessee or assignee.

20. Encumbrance. LESSEE shall not encumber this Lease, its leasehold estate, or any improvements on the Premises by deed of trust, mortgage, chattel mortgage, or other security instrument without CITY's prior written consent, which consent shall be in CITY'S sole discretion.

21. Default and Remedies.

a. Default. LESSEE shall be in default of this Lease if any of the following occurs:

- i. LESSEE fails to make any payment required under this Lease when due;
- ii. LESSEE defaults in the performance of any covenant, term, or condition required by this Lease, other than those requiring payment to CITY, to be performed by LESSEE and fails to cure the default within thirty (30) days following written notice thereof from CITY, or if any such default is not curable within thirty (30) days, fails to commence to cure the default(s) within thirty (30) calendar days and to diligently pursue the cure to completion;
- iii. LESSEE voluntarily files or involuntarily has filed against it any petition under any bankruptcy or insolvency act or law;
- iv. LESSEE is adjudicated as bankrupt;
- v. LESSEE makes a general assignment for the benefit of creditors; or
- vi. LESSEE uses the Premises for any unauthorized purpose.

b. Remedies.

- i. General. Upon LESSEE's default under this Lease, CITY may pursue any one or more of the remedies listed in this section in addition to any other remedies now or later available to CITY, in law or equity. Such remedies shall be cumulative and not exclusive.
- ii. For Monetary Default. Upon LESSEE's default for nonpayment under Section 20.a.i of this Lease, CITY may in its sole discretion,

either give LESSEE or any person, claiming rights through LESSEE, a written Three-Day Notice to Pay or Quit, or CITY may terminate this Lease and all rights of LESSEE and of all persons claiming rights through LESSEE to the Premises or to possession of the Premises, and CITY may enter and take possession of the Premises and may recover the amount set forth below.

- iii. For Non-Monetary Default. Upon LESSEE'S default based upon Sections 20.a.ii-20.a.vi of this Lease, CITY may, in its sole discretion, terminate this Lease, and all rights of LESSEE and of all persons claiming rights through LESSEE to the Premises or possession of the Premises, and CITY may enter and take possession of the Premises and may recover from LESSEE the amount set further below. If any default described in Sections 20.a.ii-20.a.vi of this Lease is not curable within thirty (30) calendar days after notice to LESSEE, CITY will not terminate this Lease pursuant to the default, if LESSEE immediately commences to cure the default and diligently pursues the cure to completion.
- iv. CITY'S Recovery Upon Termination. Upon termination, CITY may enter and take possession of the Premises, and may recover from LESSEE the sum of:
 - a) the worth at the time of award of any unpaid rent that was due at the time of termination; and
 - b) the worth at the time of award of the amount by which the unpaid rent, that would have been earned after termination until the time of award, exceeds the amount of rental loss, if any, that LESSEE affirmatively proves could have been reasonably avoided; and
 - c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss, if any, that LESSEE affirmatively proves could be reasonably avoided; and
 - d) any other amount necessary to compensate CITY for all the detriment proximately caused by LESSEE's breach and default, or that in the ordinary course of things, would be likely to result; and

- e) all other amounts in addition to or in lieu of those previously stated as may be permitted from time to time by California law.

As used in clauses 20.b.iv. a)-b) above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in clause 20.b.iv.c) above, the "worth at the time of award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus two percent (2%). As used in this section, the term "rent" shall include rent and any other amounts payable by LESSEE under this Lease.

- c. Default if Leasehold is Encumbered. If there is a CITY-approved deed of trust or mortgage on the leasehold interest, CITY shall give the mortgagee or beneficiary written notice of LESSEE's default under this Lease, and the same mortgagee or beneficiary shall have thirty (30) days from the notice to cure the default, or, if the default is not curable within thirty (30) days, to commence to cure the default and diligently pursue the cure to completion. CITY may extend the cure period if the mortgagee or beneficiary uses reasonable diligence to pursue a cure. If the mortgagee or beneficiary chooses to cure the default through litigation or foreclosure, then CITY may exercise any of the following options:
 - i. CITY may correct the default and charge the costs to the account of LESSEE, which charge shall be due and payable on the date that the rent is next due after CITY's notice of such costs to LESSEE, and mortgagee or beneficiary;
 - ii. CITY may correct the default and pay the costs from the proceeds of any insurance fund held by CITY, CITY and LESSEE, or by CITY and mortgagee or beneficiary, or CITY may use the funds of any faithful performance or cash bond on deposit with CITY, or CITY may call on the bonding agent to correct the default or to pay the costs of correction performed by or at the direction of CITY; and
 - iii. CITY may terminate this Lease as to the rights of LESSEE by assuming or causing the assumption of liability for any trust deed or mortgage. LESSEE shall assume and pay any and all penalties or bonuses required by the beneficiaries, trustees or mortgagees as a condition of early payoff of the related obligations by CITY. CITY may, as an alternative, substitute the terminated LESSEE with a

new lessee reasonably satisfactory to the mortgagee or beneficiary. LESSEE shall pay to CITY all reasonable costs incurred by CITY in re-leasing to a new lessee.

If the default is incurable by LESSEE, then any lender holding a beneficial interest in the Premises, whose qualifications as an assignee have been approved by CITY, shall have the absolute right to substitute itself to the estate of LESSEE hereunder and to commence performance of this Lease. If the mortgagee or beneficiary gives notice in writing of its election to substitute itself within the thirty (30) day period after receiving CITY's written notice of a default, and the default, if curable, is cured by the mortgagee or beneficiary, then this Lease will not terminate pursuant to the default. In that event, CITY consents to the substitution and authorizes the mortgagee or beneficiary to perform under this Lease with all the rights, privileges, and obligations of LESSEE, subject to the curing of the default, if possible, by mortgagee or beneficiary. In that event, LESSEE shall assign to mortgagee or beneficiary all of its interest in and to the leasehold estate under this Lease.

- d. Abandonment by LESSEE. If LESSEE breaches the Lease and abandons the Premises, this Lease shall continue in effect as long as CITY does not terminate this Lease, and CITY may enforce all of its rights and remedies under this Lease, including but not limited to the right to recover the rent as it becomes due, plus damages.
- e. Waiver. Any waiver by CITY of a breach or default by LESSEE shall not be a waiver of any other breach or default. No waiver shall be valid and binding unless in writing and executed by CITY. CITY's delay or failure to enforce a right or remedy shall not be a waiver of that or any other right or remedy under this Lease. The enforcement of a particular right or remedy for a breach or default shall not waive any other right or remedy for the same breach or default, or for any other or later breach or default. CITY's acceptance of any rents shall not be a waiver of any default preceding such payment. LESSEE acknowledges that the Premises are publicly-owned property held in trust for the benefit of the citizens of the City of San Diego, and that any failure by CITY to discover a breach or default, or take prompt action to require the cure of any breach or default, shall not result in an equitable estoppel, but CITY shall at all times, have the legal right to require the cure of any breach or default. CITY's acceptance of a partial payment of rent shall not constitute a waiver of the balance of the rent payment due.

22. Eminent Domain. If all or part of the Premises are taken through condemnation proceedings or under threat of condemnation by any public authority with the power of eminent domain, the interests of CITY and LESSEE (or beneficiary or mortgagee) will be as follows:
- a. Full Taking. If the entire Premises are taken, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs, and any advance rents paid to CITY shall be prorated based upon the actual number of calendar days the Premises was held by LESSEE.
 - b. Partial Taking - Remainder Unusable. If a partial taking of the Premises occurs, and in the opinion of CITY, the remaining part of the Premises are unsuitable for the Lease operation, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.
 - c. Partial Taking - Remainder Usable. If a partial taking of the Premises occurs, and in the opinion of CITY, the remaining part of the Premises are suitable for continued Lease operation, this Lease shall terminate in regard to the portion taken on the date of the transfer of title or possession to the condemning authority, whichever first occurs, but shall continue for the portion not taken. The rent shall be equitably reduced to reflect the portion of the Premises taken, only to the extent that LESSEE's operations are reduced or impaired.
 - d. Award. All monies awarded in any taking shall belong to CITY, whether the taking results in diminution in value of the leasehold or the fee or both. LESSEE shall be entitled to any award attributable to the taking of, or damages to LESSEE's then remaining leasehold interest in installations or improvements of LESSEE. CITY shall have no liability to LESSEE for any award not provided by the condemning authority.
 - e. Transfer. CITY has the right to transfer CITY's interests in the Premises in lieu of condemnation to any authority entitled to exercise the power of eminent domain. If a transfer occurs, LESSEE shall retain whatever interest it may have in the fair market value of any improvements placed by it on the Premises in accordance with this Lease.
 - f. No Inverse Condemnation. The exercise of any CITY right under this Lease shall not be interpreted as an exercise of the power of eminent

domain and shall not impose any liability upon CITY for inverse condemnation.

23. Indemnification & Hold Harmless. LESSEE shall protect, defend, indemnify, and hold CITY and its elected officials, officers, employees, representatives, and agents harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to LESSEE's officers, employees, invitees, guests, agents, or contractors, which arise out of or are in any manner directly or indirectly connected with this Lease, approval of this Lease, or LESSEE's acts or omissions in the performance of its obligations under this Lease, and all expenses of investigating and defending against same, including without limitation attorneys' fees and costs; provided, however, that LESSEE's duty to indemnify and hold CITY harmless shall not include any established liability arising from the sole negligence or intentional misconduct of CITY and its elected officials, officers, employees, representatives, and agents. CITY may, at its own discretion, conduct the defense, or participate in the defense, of any claim related in any way to this indemnification. If the CITY elects to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any claim related to this indemnification, LESSEE shall pay the CITY for all costs related thereto, including, without limitation, attorneys' fees and costs.
24. Insurance. Prior to the Effective Date, LESSEE shall have: (a) obtained, and upon the City's request provided to the City, insurance certificates reflecting evidence of all insurance required in below; however, the City reserves the right to request, and the LESSEE shall submit, copies of any policy upon reasonable request by the City; (b) obtained City approval of each insurance company or companies; and (c) confirmed that all policies contain the specific provisions required below. LESSEE's liabilities, including but not limited to LESSEE's indemnity obligations, under this Lease, shall not be deemed limited in any way to the insurance coverage required herein. Maintenance of specified insurance coverage is a material element of this Lease and LESSEE's failure to maintain or renew coverage or to provide evidence of renewal during the term of this Agreement may be treated as a material breach of contract by the City. LESSEE shall not modify any policy or endorsement thereto which increases the City's exposure to loss for the duration of this Lease.
- a. Types of Insurance. At all times during the Term , the LESSEE shall maintain insurance coverage as follows:

- i. Commercial General Liability (CGL). Insurance written on an ISO Occurrence form CG 00 01 07 98 or an equivalent form providing coverage at least as broad which shall cover liability arising from any and all personal injury or property damage in the amount of \$2 million per occurrence and subject to an annual aggregate of \$4 million. There shall be no endorsement or modification of the CGL limiting the scope of coverage for either insured vs. insured claims or contractual liability. All defense costs shall be outside the limits of the policy.
 - ii. Commercial Automobile Liability. For all of the LESSEE's automobiles including owned, hired and non-owned automobiles, the LESSEE shall keep in full force and effect, automobile insurance written on an ISO form CA 00 01 12 90 or a later version of this form or an equivalent form providing coverage at least as broad for bodily injury and property damage for a combined single limit of \$1 million per occurrence. Insurance certificate shall reflect coverage for any automobile (any auto).
 - iii. Causes of Loss - Special Form Property Insurance. LESSEE shall obtain and maintain, at its sole cost, Causes of Loss - Special Form Property Insurance on all of LESSEE's insurable property related to the Allowed Uses of the Premises under this Lease or the Premises in an amount to cover 100 percent (100%) of the replacement cost. LESSEE shall deliver a certificate of such insurance to CITY's Real Estate Assets Department.
 - iv. Workers' Compensation. For all of the LESSEE's employees who are subject to this Lease and to the extent required by the applicable state or federal law, the LESSEE shall keep in full force and effect, a Workers' Compensation policy. That policy shall provide a minimum of \$1 million of employers' liability coverage, and the LESSEE shall provide an endorsement that the insurer waives the right of subrogation against the City and its respective elected officials, officers, employees, agents and representatives.
- b. Deductibles. All deductibles on any policy shall be the responsibility of the LESSEE and shall be disclosed to the City at the time the evidence of insurance is provided.
 - c. Acceptability of Insurers. Except for the State Compensation Insurance Fund, all insurance required by this Lease shall only be carried by

insurance companies with a rating of at least "A-, VI" by A.M. Best Company, that are authorized by the California Insurance Commissioner to do business in the State of California, and that have been approved by the City. The City will accept insurance provided by non-admitted, "surplus lines" carriers only if the carrier is authorized to do business in the State of California and is included on the List of Eligible Surplus Lines Insurers (LESLI list). All policies of insurance carried by non-admitted carriers are subject to all of the requirements for policies of insurance provided by admitted carriers described herein.

- d. Modification. To assure protection from and against the kind and extent of risk existing with the Allowed Uses, CITY, at its reasonable discretion, may require the revision of amounts and coverage at any time by giving LESSEE thirty (30) days prior written notice. LESSEE shall also obtain any additional insurance required by CITY for new improvements, changed circumstances, or CITY's reasonable re-evaluation of risk levels related to the Allowed Uses.
- e. Accident Reports. LESSEE shall immediately report to CITY any accident causing property damage or injury to persons on the Premises or otherwise related to the Allowed Uses. Such report shall contain the names and addresses of the involved parties, a statement of the circumstances, the date and hour of the accident, the names and addresses of any witnesses, and other pertinent information.
- f. Required Endorsements. The following endorsements to the policies of insurance are required:
 - i. Commercial General Liability Insurance Endorsements:

ADDITIONAL INSURED. To the fullest extent allowed by law including but not limited to California Insurance Code Section 11580.04, the policy or policies must be endorsed to include as an Insured the City of San Diego and its respective elected officials, officers, employees, agents and representatives with respect to liability arising out of (a) ongoing operations performed by you or on your behalf, (b) your products, (c) your work, including but not limited to your completed operations performed by you or on your behalf, or (d) premises owned, leased, controlled or used by you.

PRIMARY AND NON-CONTRIBUTORY COVERAGE. The policy or policies must be endorsed to provide that the insurance afforded by

the Commercial General Liability policy or policies is primary to any insurance or self-insurance of the City of San Diego and its elected officials, officers, employees, agents and representatives as respects operations of the Named Insured. Any insurance maintained by the City of San Diego and its elected officials, officers, employees, agents and representatives shall be in excess of LESSEE's insurance and shall not contribute to it.

ii. Worker's Compensation Insurance Endorsements:

WAIVER OF SUBROGATION. The Worker's Compensation policy or policies must be endorsed to provide that the insurer will waive all rights of subrogation against the City and its respective elected officials, officers, employees, agents and representatives for losses paid under the terms of this policy or these policies which arise from work performed by the Named Insured for the CITY.

25. Waste, Damage, or Destruction. LESSEE shall not commit or allow to be committed any waste or any public or private nuisance on the Premises, shall keep the Premises clean and clear of refuse and obstructions at all times, and shall dispose of all garbage, trash, and rubbish in a manner satisfactory to CITY. If the Premises are put into a condition which is not decent, safe, healthy, and sanitary, LESSEE shall restore the Premises at LESSEE's sole cost and expense to its prior condition within a reasonable time.
26. Acceptance of Premises. LESSEE acknowledges that the Premises are in good order and condition and shall take possession of the Premises "as is." CITY has not made and makes no representation or warranty as to the condition or suitability of the Premises for LESSEE's intended use, and assumes no obligation to alter or improve the Premises. LESSEE has relied solely on its own independent investigations of the condition and suitability of the Premises, and is satisfied with the condition thereof. LESSEE further acknowledges that the Premises are in the condition called for by this Lease and that LESSEE does not hold CITY responsible for any defects, whether apparent or latent, in the Premises, including the presence of any Hazardous Substances as defined in this Lease.
27. Entry and Inspection. LESSEE may quietly enjoy the Premises, free from unreasonable interference by CITY, except as reasonably required in emergency situations. During such an emergency, CITY may at all times enter and inspect the Premises and the operations conducted on the Premises. For all non-emergency situations, CITY may at all reasonable times, but only

upon reasonable prior notice to LESSEE, enter and inspect the Premises and the operations conducted on the Premises. If entry or inspection by CITY discloses that the Premises are not in a decent, safe, healthy, and sanitary condition, CITY shall have the right, but not the obligation, after ten (10) days written notice to LESSEE, to have any necessary maintenance work done at the sole expense of LESSEE, and LESSEE shall pay promptly any and all costs incurred by CITY in having necessary maintenance work done in order to keep the Premises in a decent, safe, healthy, and sanitary condition. If at any time CITY determines that the Premises are not in a decent, safe, healthy, and sanitary condition, CITY may, at its sole option, without additional notice, require LESSEE to file a faithful performance bond to assure prompt correction of any condition which is not decent, safe, healthy, and sanitary. The bond shall be in an amount adequate in the opinion of CITY to correct the unsatisfactory condition. LESSEE shall pay the cost of the bond. The rights reserved in this section shall not create any obligations on CITY or increase obligations elsewhere in this Lease imposed on CITY.

28. Utilities. LESSEE shall order, obtain, and pay for all utilities, including installation and service charges, in connection with/for the operation of the Premises. All utilities on the Premises shall be installed underground and shall be used for LESSEE'S operations only. CITY shall provide reasonable amounts of water for use on the Premises. The Mayor, in his or her sole discretion, shall determine what constitutes a "reasonable amount" of water for purposes of this section. As the Premises are not sub-metered for electricity, LESSEE shall reimburse CITY monthly for the cost of LESSEE's estimated share of electricity used on the Premises, as determined by the Mayor, in his or her sole discretion, and which is subject to change. LESSEE pays Fifty Dollars (\$50.00) on a monthly basis for LESSEE's share of electricity at the Premises.
29. Water Regulation. All cleaning required under this Lease and all activities on the Premises, including the care of any landscape on or adjacent to the Premises, shall comply, at all times, with the current level of Emergency Water Regulations (San Diego Municipal Code section 67.3801 – 67.3811) with respect to water usage and all applicable water restrictions relating to water quality assurance and storm water management, as amended from time to time.
30. Improvements/Alterations. LESSEE shall, at LESSEE's sole expense, make the improvements to the Premises listed on **Exhibit B**, attached to this Lease and by this reference made part of this Lease.

No other improvements, structures, or installations shall be constructed on the Premises, and the Premises may not be altered, by LESSEE without CITY's prior written approval. Additionally, once completed, LESSEE shall not make any structural or architectural design alterations to approved improvements, structures, or installations on the Premises without CITY's additional prior written approval. This provision shall not relieve LESSEE of any maintenance obligation under this Lease. CITY shall not be obligated by this Lease to make or assume any expense for any improvements or alterations to the Premises.

31. Performance and Payment Bond. CITY shall require LESSEE to deposit with CITY, prior to commencement of any construction, a faithful performance bond in the amount of one hundred percent (100%) of the estimated design and construction costs of the work to be performed. The bond may be in cash or may be a corporate surety bond or other security satisfactory to CITY. The bond shall insure that the construction to be commenced by the LESSEE shall be completed in accordance with the plans approved by CITY or, at the option of CITY that the uncompleted construction shall be removed and the Premises restored to a condition satisfactory to CITY. The bond or cash shall be held in trust by CITY for the purpose specified above, or at CITY's option may be placed in an escrow approved by CITY.

Prior to the commencement of any work on the Premises, the LESSEE shall deliver to CITY a payment bond (materials and labor bond) in an amount not less than one hundred percent (100%) of the total amount payable under the contract(s) for construction on the Premises to satisfy claims of material suppliers and of mechanics and laborers employed on the contract(s) for construction on the Premises. The bond shall be provided in compliance with California Civil Code sections 9550-9566. The bond shall be executed by an admitted surety, consistent with California Code of Civil Procedure section 995.670 that is authorized by the State of California Department of Insurance to transact surety insurance in the State. LESSEE shall maintain the bond in full force and effect until all improvements for the construction on the Premises are accepted by CITY and until all claims for materials and labor are paid, and must otherwise comply with the Government Code. Should the bond become insufficient, LESSEE shall renew, or cause the renewal of, the bond within ten (10) calendar days after receiving notice from CITY.

32. Liens. LESSEE shall protect, defend, indemnify, and hold CITY harmless from and against all claims for labor or materials in connection with operations, improvements, alterations, or repairs on or to the Premises and the costs of defending against such claims, including without limitation reasonable attorneys' fees. If LESSEE causes improvements, alterations, or repairs to be

made to the Premises, and a lien or notice of lien is filed against the CITY-owned property where the Premises is located, LESSEE shall notify CITY of the lien within five (5) days after LESSEE first becomes aware of the existence of the lien, and within thirty (30) days after the filing either: (a) take all actions necessary to record a valid release of the lien; or (b) file with CITY a bond, cash, or other security acceptable to CITY sufficient to pay in full all claims of all persons seeking relief under the lien.

33. Taxes. LESSEE shall pay, before delinquency, all taxes, assessments and fees assessed or levied upon the Premises or upon LESSEE's use and occupancy of the Premises, including without limitation licenses and permits, and including the land and any improvements or fixtures installed or maintained by LESSEE thereon. LESSEE acknowledges that this Lease may create a possessory interest subject to property taxation and that LESSEE may be subject to the payment of taxes levied on that possessory interest. LESSEE shall pay all such possessory interest taxes. LESSEE's payment of taxes, fees and assessments shall not reduce any rent due to the CITY. CITY shall not assume any responsibility for any taxes whatsoever resulting from LESSEE's possession, use or occupancy of the Premises.

34. Ownership of Improvements; Removal of Improvements and Personal Property.

- a. Improvements. During the Term, LESSEE shall own all improvements, fixtures, structures, and installations or additions to the Premises constructed or installed on the Premises by LESSEE. Upon expiration or termination of this Lease, all such improvements, fixtures, structures, and installations or additions shall be deemed a part of the Premises and shall thereafter be owned by CITY. Notwithstanding the foregoing, CITY may, upon notice to LESSEE at Lease termination or at any time prior to the expiration of the Term, elect to have part or all of such improvements, fixtures, structures, and installations or additions removed by LESSEE at the end of the Term. In that case, LESSEE shall, at LESSEE's sole cost and expense, remove those items designated for removal in CITY's notice and restore the Premises to CITY's reasonable satisfaction as soon as practicable, but in no event later than sixty (60) days after the expiration or earlier termination of this Lease. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage resulting from the removal of such items. If LESSEE fails to remove the items as required herein, CITY may, at its option, remove them at LESSEE's sole cost and expense.

- b. Personal Property. LESSEE shall remove LESSEE-owned machines, appliances, equipment, trade fixtures, and other items of personal property upon the expiration of the Term, or as soon as practicable after termination, but in no event later than thirty (30) days after the expiration or earlier termination of this Lease. Subject to applicable California law, any such items which LESSEE fails to so remove shall be deemed abandoned and become CITY's property free of all claims and liens, or CITY may, at its option, remove such items at LESSEE's sole cost and expense. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage resulting from the removal of its personal property from the Premises.
 - c. Late Removal. Notwithstanding any provision of this Lease to the contrary, LESSEE shall pay rent to CITY for any period of time after the expiration or termination of this Lease needed to remove improvements or personal property as required by this Lease, whether by CITY or LESSEE. Such rent shall be calculated on a per diem basis using the then-current fair market rental rate as determined by qualified CITY staff.
 - d. CITY's Right to Acquire Personal Property. If LESSEE wants to dispose of any of its personal property used in its operations on the Premises upon expiration or termination of this Lease, CITY shall have the first right to acquire such personal property.
35. Unavoidable Delay. If the performance of an act required of CITY or LESSEE by this Lease is directly prevented or delayed by reason of strikes, lockouts, labor disputes, unusual governmental delays, acts of God, fire, floods, epidemics, freight embargoes, or other causes beyond the reasonable control of the party required to perform an act, that party shall be excused from performing the act for a period equal to the period of the prevention or delay. This provision shall not apply to LESSEE's obligations to pay Rent. The party claiming a delay shall notify the other party in writing within ten (10) calendar days after the beginning of any claimed delay.
36. Restriction on Plastic Food Containers. LESSEE shall not provide to its customers any prepared, takeout, or supplied/resale food in polystyrene foam packaging, nor shall the LESSEE obtain or keep any such customer food packaging at or on the Premises. LESSEE's food packaging for all foods shall be recyclable plastic or recyclable paper containers, and LESSEE shall deliver to the CITY, upon request, evidence of such in the form of paid invoices for the purchase of recyclable plastic or recyclable paper containers in amounts sufficient to indicate compliance with this section. Post-consumer recycled

plastic or recycled paper is preferred for all customer food packing related to the use and operation of the Premises. No biodegradable or compostable packaging is to be used by the LESSEE in lieu of recyclable plastic or recyclable paper unless with the prior written approval of the CITY's Environmental Services Department. "Prepared food" means all food or beverage prepared on the Premises for immediate consumption at the Premises or elsewhere on the Premises. "Takeout food" means all food or beverage to be consumed off of the Premises or elsewhere in the Premises. "Supplied/Resale food" means foods or beverages which are supplied by a third party to the LESSEE for either preparing food or beverages onsite or direct sell. "Food packaging" means all bags, sacks, wrapping, containers, bowls, plates, trays, cartons, cups, straws and lids which are not intended for reuse, and on or in which any prepared food or takeout food is provided on or from the Premises. LESSEE shall also limit its distribution of plastic bags to its customers.

37. Hazardous Substances. LESSEE shall not allow the illegal installation, storage, utilization, generation, sale or release of hazardous or otherwise regulated substances in, on, under, or from the Premises. LESSEE and LESSEE's agents and contractors shall not install, store, utilize, generate, or sell any Hazardous Substance on the Premises without CITY's prior written consent. LESSEE shall obtain and maintain all required licenses and permits from applicable regulatory agencies, including without limitation the San Diego County Department of Environmental Health, local fire agencies, the San Diego County Department of Weights and Measures, the San Diego County Air Pollution Control District, and the San Diego Regional Water Quality Control Board. Installing, utilizing, storing, or any other presence of a Hazardous Substance includes boxes, bags, bottles, drums, cylinders, above or below ground tanks, equipment with tanks, or any other type of container, equipment, or device which holds or incorporates a Hazardous Substance or hazardous waste.
- a. Release. For the purposes of this provision, a "release" shall include without limitation any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or otherwise disposing of Hazardous Substances.
- b. Hazardous Substance. "Hazardous Substance" shall mean any hazardous liquid, solid, or gaseous material substances listed by the Environmental Protection Agency or the State of California as a hazardous substance, and all types of petroleum-related substances and their chemical constituents.

- c. Remediation. If LESSEE's occupancy, use, development, maintenance, or restoration of the Premises results in a release of a Hazardous Substance, LESSEE shall pay all costs of remediation and removal to the CITY's satisfaction for unrestricted reuse of the Premises, and in accordance with all applicable laws, rules, and regulations of governmental authorities.
- d. Removal. If LESSEE or LESSEE's contractor or agent has received approval and permits to store, utilize, generate, or install, or otherwise bring Hazardous Substances or hazardous wastes to the Premises, LESSEE and/or LESSEE's contractor or agent shall remove all Hazardous Substances and hazardous wastes in any type of container, equipment, or device from the Premises immediately upon, the expiration of the said approval or permit, or prior to the expiration or earlier termination of this Lease whichever occurs first. CITY reserves the right to conduct inspections of the Premises and/or request documentation demonstrating the legal removal and/or disposal of the Hazardous Substances and/or hazardous wastes, containers, equipment, or devices from the Premises. LESSEE shall be responsible for any and all costs incurred by CITY to remove any container, equipment, or device requiring disposal or removal as required by this provision.
- e. Indemnity. LESSEE shall protect, defend, indemnify, and hold CITY harmless from any and all claims, costs, and expenses related to environmental liabilities resulting from LESSEE's occupancy, use, development, maintenance, or restoration of the Premises, including without limitation: (i) costs of environmental assessments; (ii) costs of regulatory remediation oversight; (iii) costs of remediation and removal; (iv) any necessary CITY response costs; (v) all fines, penalties, or fees assessed by any regulatory agency; (vi) damages for injury to natural resources, LESSEE's officers, employees, invitees, guests, agents, or contractors, or the public; and (vii) all costs of any health assessments or health effect studies.
- f. Notice of Release. If LESSEE knows or has reasonable cause to believe that a Hazardous Substance has been released on, from, or beneath the Premises, LESSEE shall immediately notify CITY and any appropriate regulatory or reporting agency per California Administrative Code Title 19 and any other applicable laws or regulations. LESSEE shall deliver a written report thereof to CITY within three (3) days after receipt of the knowledge or cause for belief and submit any required written reports to regulatory or reporting agencies as required by regulation or law. If LESSEE knows or has reasonable cause to believe that such substance is

an imminent release or is an imminent substantial danger to public health and safety, LESSEE shall take all actions necessary to alleviate the danger. LESSEE shall immediately notify CITY in writing of any violation, notice to comply, or notice of violation received or the initiation of environmental actions or private suits related to the Premises.

- g. Environmental Assessment. Upon reasonable cause to believe that LESSEE's occupancy, use, development, maintenance, or restoration of the Premises ("LESSEE's Operations"), resulted in any Hazardous Substance being released on, from or beneath the Premises, CITY may cause an environmental assessment under regulatory oversight of the suspect area to be performed by a professional environmental consultant registered with the State of California as a Professional Engineer, Certified Engineering Geologist, or Registered Civil Engineer. The environmental assessment shall be obtained at LESSEE's sole cost and expense, and shall establish what, if any, Hazardous Substances have more likely than not been caused by LESSEE's Operations on, in, from or under the Premises, and in what quantities. If any such Hazardous Substances exist in quantities greater than allowed by city, county, state, or federal laws, statutes, ordinances, or regulations, or require future restricted re-use of the Premises, then the environmental assessment shall include a discussion of such substances with recommendations for remediation and removal necessary to effect unrestricted re-use and in compliance with those laws or statutes, and estimates of the cost of such remediation or removal. LESSEE shall cause, or if LESSEE fails to do so within a reasonable period of time, as determined by CITY in its sole discretion, CITY may cause the remediation and/or removal recommended in the environmental assessment such that unrestricted re-use of the Premises and compliance with environmental law and regulations are achieved, and LESSEE shall pay all costs and expenses therefor.
38. Notices. Any notice required or permitted to be given under this Lease shall be in writing and may be served personally or by United States mail, postage prepaid, addressed as follows:

If to LESSEE:

Leo Pierson, President
Snapfriz, Inc.
729 Orange Avenue, #203
Coronado, CA 92118

If to CITY:

THE CITY OF SAN DIEGO

Attention: Director, Real Estate Assets Department

1200 Third Avenue, Suite 1700, MS 51A

San Diego, California 92101

39. Compliance with Law. LESSEE shall at all times in the construction, maintenance, occupancy, restoration and operation of the Premises comply with all applicable laws, rules, regulations, and requirements of competent legal authority at LESSEE's sole cost and expense. LESSEE shall promptly deliver to CITY copies of all documentary evidence of such compliance received by or otherwise available to LESSEE (e.g., validation of periodic inspection of LESSEE's fire-suppression equipment in the Premises). In addition, LESSEE shall comply with any and all notices issued by the Mayor or designee under the authority of any law, statute, ordinance, or regulation.
40. California Public Records Act. CITY shall determine, in its sole discretion, whether information provided to CITY by LESSEE pursuant to this Lease is or is not a public record subject to disclosure under the California Public Records Act (CPRA). LESSEE shall hold CITY, its elected officials, officers and employees harmless for CITY's disclosure of any such information in response to a request for information under the CPRA.
41. Equal Opportunity and Contracting. LESSEE shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and all other laws, rules and regulations of competent governmental authority. LESSEE shall not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, sexual orientation, disability, medical condition or place of birth. LESSEE shall cause the foregoing provisions, as well as the mandatory language required by San Diego Municipal Code section 22.2704, to be inserted in all commercial subleases and all contracts for any work covered by this Lease so that such provisions will be binding upon each commercial sublessee and contractor. LESSEE shall fully cooperate with any investigation conducted by the City of San Diego, in its governmental capacity, pursuant to its Nondiscrimination in Contracting Ordinance [San Diego Municipal Code sections 22.3501-22.3517, as amended from time to time], and upon CITY's request, LESSEE shall submit a current Workforce Report. LESSEE acknowledges that failure to comply with the requirements of this section and/or submitting false information in response

to these requirements may result in termination of this Lease and debarment from participating in CITY contracts for a period of not less than one (1) year.

42. Equal Benefits. LESSEE shall comply with San Diego Municipal Code sections 22.4301-22.4308, which require lessees of CITY-owned property to offer the same employment benefits to employees with spouses and employees with domestic partners. LESSEE shall certify that it will maintain such equal benefits throughout the term of this Lease. LESSEE's failure to maintain equal benefits shall be a default of this Lease.
43. Disabled Access Compliance. LESSEE shall, as applicable to the Premises and LESSEE's possession, use and occupancy thereof, comply with the California Government Code sections 11135-11139.5; the Federal Rehabilitation Act of 1973, Section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); and any other applicable state and federal laws and regulations hereafter enacted protecting the rights of people with disabilities. LESSEE's compliance shall include but not necessarily be limited to the following:
- a. LESSEE shall not discriminate against qualified persons with disabilities in any aspects of employment, including recruitment, hiring, promotions, conditions and privileges of employment, training, compensation, benefits, discipline, layoffs, and termination of employment.
 - b. No qualified individual with a disability may be excluded on the basis of disability from participation in, or be denied the benefits of, services, programs, or activities of LESSEE.
 - c. LESSEE shall post a statement addressing the requirements of the ADA in a prominent place at the work site.
 - d. Where required by law, any improvements made to the Premises by LESSEE shall comply with municipal disabled access requirements by bringing up to code and making accessible any areas of the Premises which deny access to disabled persons. All improvements and alterations shall be at the sole cost of LESSEE.
 - i. LESSEE shall include language in each sublease agreement which indicates the sublessee's agreement to abide by the foregoing provisions. LESSEE and sublessees shall be individually responsible for their own ADA employment programs.

- ii. LESSEE understands that failure to comply with the above requirements and/or submitting false information in response to these requirements shall constitute a default under this Lease.

44. Accessibility Assessment. In accordance with California Civil Code Section 1938, CITY hereby states that the Premises has not been inspected by a Certified Access Specialist (CAS).

Further, pursuant to California Civil Code section 1938(e), CITY is required to state: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises."

45. Drug-free Workplace. LESSEE shall abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:

- a. Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances are prohibited on the Premises and specifying the actions that will be taken against employees for violations of the prohibition; and
- b. Establish a drug-free awareness program to inform employees about all of the following:
 - i. The dangers of drug abuse in the workplace;
 - ii. LESSEE's policy of maintaining a drug-free workplace;
 - iii. Any available drug counseling, rehabilitation, and employee assistance programs; and
 - iv. The penalties that may be imposed upon employees for drug abuse violations.

- c. LESSEE shall include in each of its sublicenses and contracts related to this Lease language obligating each sublicensee and contractor to comply with the provisions of this section to maintain a drug-free workplace. LESSEE, and each of its sub-licensees and contractors, shall be individually responsible for their own drug-free workplace program.

46. CITY Employee Participation Policy. CITY may unilaterally and immediately terminate this Lease if LESSEE employs an individual who, within the twelve (12) months immediately preceding such employment did, in their capacity as a CITY officer or employee, participate in negotiations with or otherwise have an influence on a recommendation made to the San Diego City Council related to the selection of LESSEE for this Lease. It is not the intent of this policy that these provisions apply to members of the City Council.

47. Local Business and Employment. LESSEE acknowledges that CITY seeks to promote employment and business opportunities for local residents and firms in all CITY contracts. For work associated with this Lease and to the extent legally possible, LESSEE shall use its best efforts to solicit applications for employment and bids and proposals for contracts from local residents and firms as opportunities occur. LESSEE shall use its best efforts to hire qualified local residents and firms whenever practicable.

48. Water Quality – Best Management Practices. The CITY and LESSEE are committed to the implementation of controls (best management practices, or BMPs) to manage activities on the premises in a manner which aids in the protection of the City of San Diego's precious water resources. It is the LESSEE's responsibility to identify and implement an effective combination of BMPs so as not to cause pollutant discharges to the storm drain system in violation of Section 43.03, Storm Water Ordinance.

Therefore, LESSEE shall, at a minimum, implement and comply, as applicable, with the BMPs for industrial and commercial facilities adopted under the San Diego Municipal Code Section 43.0307(a).

It is ultimately the LESSEE's responsibility to prevent pollutant discharges to the storm drain system. Therefore, the LESSEE will identify and implement any additional BMPs that may be required to avoid the discharge of pollutants to the storm drain system.

49. Nondiscrimination. This Lease is made and accepted upon and subject to the covenant and condition, which shall run with the land, that LESSEE or any

person claiming under or through LESSEE shall not establish or allow any discrimination against or segregation of any person or group of persons on account of race, color, religion, gender, gender identity, gender expression, disability, sexual orientation, marital status, national origin, ancestry, familial status, or source of income in the possession, use and occupancy of the Premises or in the selection, location, number, use or occupancy of tenants, subtenants or vendees in the Premises.

50. Cumulative Remedies. CITY's rights and remedies under this Lease are cumulative and shall not limit or otherwise waive or deny any of CITY's rights or remedies at law or in equity.
51. Survival. Any obligation which accrues under this Lease prior to its expiration or termination shall survive such expiration or termination.
52. Joint and Several Liability. If LESSEE is comprised of more than one person or legal entity, such persons and entities, and each of them, shall be jointly and severally liable for the performance of each and every obligation of LESSEE under this Lease.
53. No Affiliation. Nothing contained in this Lease shall be deemed or construed to create a partnership, joint venture, or other affiliation between CITY and LESSEE or between CITY and any other entity or party, or cause CITY to be responsible in any way for the debts or obligations of LESSEE or any other party or entity.
54. Supersedure. It is mutually agreed that this Lease, upon execution, supersedes that certain lease executed on October 1, 2006, with Leo Pierson (now operating as Snapfriz, Inc.) filed with the office of the City Clerk as Document No. RR-301659, which is hereafter terminated and of no effect except as to any rents and fees which may have accrued or any rights, indemnities, and remedies accrued or granted to CITY under said lease.
55. Entire Agreement and Understanding. This Lease constitutes the entire agreement between the parties and supersedes any and all prior understandings, representations, warranties, and agreements between them pertaining to this Lease and LESSEE's occupancy, use, development, maintenance, and restoration of the Premises. Any modification, alteration, or amendment of this Lease shall be in writing and signed by all the parties hereto. Each party has relied on its own examination of the Premises, advice from its own attorneys, and the warranties, representations, and covenants of the Lease itself. Each of the parties to this Lease agrees that no other party,

agent, or attorney of any other party has made any promise, representation, or warranty whatsoever which is not contained in this Lease. The failure or refusal of any party to read the Lease or other documents, inspect the Premises, and obtain legal or other advice relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on these actions.

56. Partial Invalidity. If any term, covenant, condition, or provision of this Lease is found invalid, void, or unenforceable by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.
57. Conformity. The policies established by LESSEE for the operation of the Premises shall conform to the general policies established by CITY for the use and operation of similar CITY-owned properties.
58. Related Governmental Actions and Approvals. By entering into this Lease, the CITY is not obligating itself to any other government agent, board, commission, or agency with regard to any other discretionary action relating to development or operation of the Premises. Discretionary action includes, but is not limited to, rezoning, variances, environmental clearances, or any other governmental agency approvals which may be required for the development and operation of the Premises. LESSEE shall be solely responsible for processing all land use, development, and construction approvals required for the use and occupancy of the Premises. This Lease shall not be interpreted by any decision-maker on any CITY-issued permit or approval to override or dictate the outcome of any findings required for any permit or development approval.
59. Authority to Contract. Each individual executing this Lease on behalf of another person or legal entity represents and warrants that they are authorized to execute and deliver this Lease on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Lease is binding upon such person or entity in accordance with its terms. Each person executing this Lease on behalf of another person or legal entity represents and warrants such entity is a valid, qualified corporation, Limited Liability Company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the Effective Date.

Date: 5-19-17

Snapfriz, Inc., a California corporation

BY: [Signature]
Leo Pierson, Jr.
President

Date: 8/7/17

THE CITY OF SAN DIEGO, a California
municipal corporation

BY: [Signature]
Cybele Thompson,
Director, Real Estate Assets Department

Environmental Analysis Section Environmental Clearance:

This activity (Lease Agreement with Snapfriz, Inc.) has been determined to be exempt from CEQA pursuant to CEQA Sections 15301 (Existing Facilities) and 15304 (Minor Alterations to Land).

Date: 8/7/17

By: [Signature]
Name: Alyssa Muto
Title: Deputy Director Environmental and Policy Analysis

Approved as to form this 9th day
of August, 2017.
MARA W. ELLIOTT, City Attorney

By: [Signature]
Name: Heather Ferbert
Title: Deputy City Attorney

Exhibit A: Aerial View of Property

Exhibit B: Proposed Capital Improvement Expenditures

311220

EXHIBIT A
AERIAL VIEW OF PREMISES

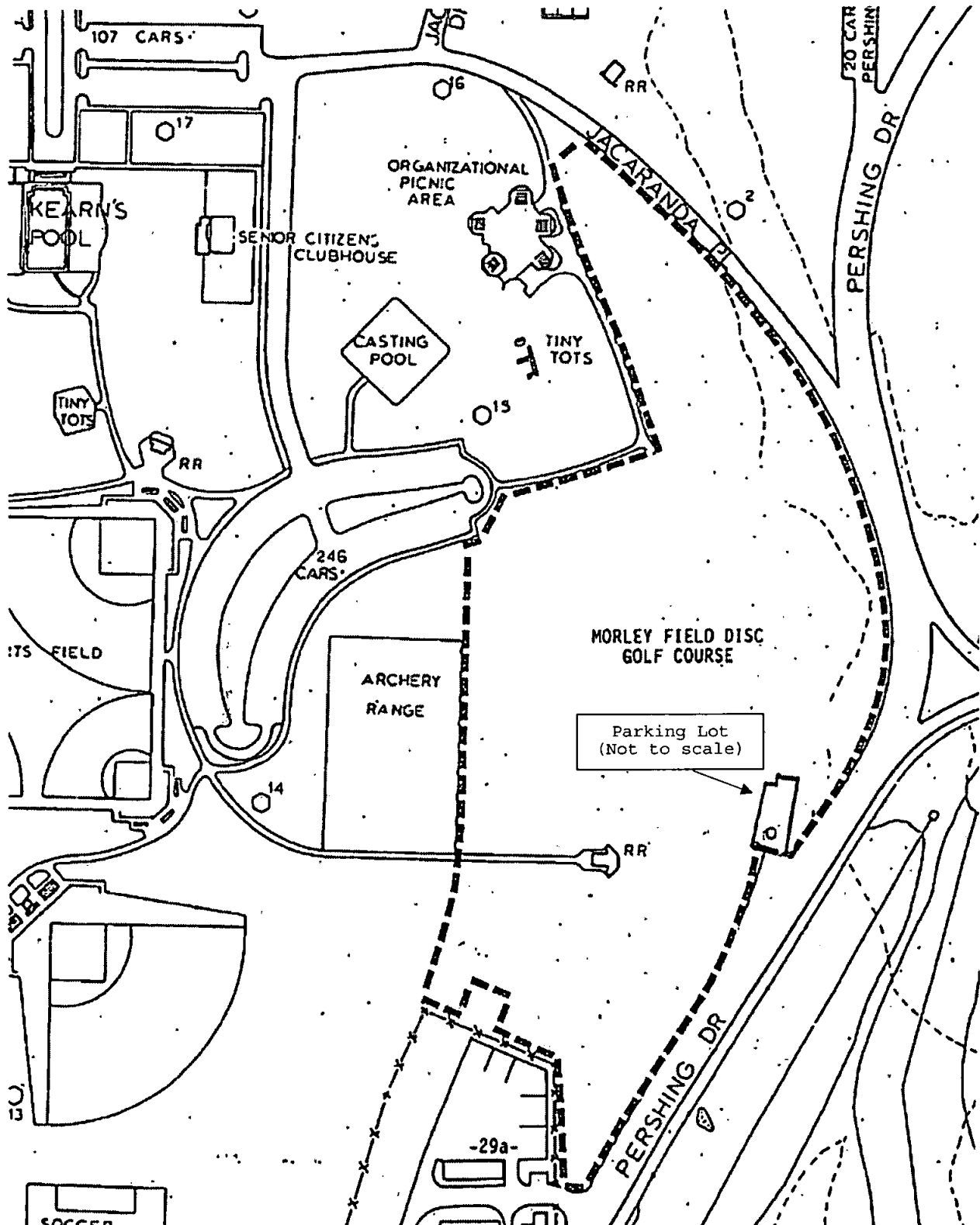


EXHIBIT B
PROPOSED CAPITAL IMPROVEMENT EXPENDITURES

Anticipated Year	Project	Category	Estimated Expense	% of Existing Capital Improvement	Cost / Unit	Units Used	Notes
2017	Level dirt parking lot, fill in divets, new ballards	Capital Expenditure	\$ 9,000	10.50%	\$ 1	9,000	Level dirt parking lot, install new ballards, add parking stripes
2017-2026	Planting of strategic trees & shrubs	Capital Expenditure	\$ 25,000	29.15%	50	500	Estimated as different trees vary dramatically in price based on arborist & landscape architect suggestions
2017-2026	New bench installations	Capital Expenditure	\$ 8,740	10.19%	460	19	Purchase, customize, & install newer benches as needed
2017-2026	Additional grass cover throughout course	Capital Expenditure	\$ 40,000	46.64%	4,000	10	Addition of 500 - 1000 sq ft of grass on Morley annually
2022	Replacement of all baskets	Capital Expenditure	\$ 13,300	15.51%	700	19	Customized disc golf baskets
2024	New electronic tee signs	Capital Expenditure	\$ 15,200	17.72%	800	19	Estimated cost based on technology improvements & cost reduction (currently over \$2,000/unit)
		Total CapEx and Equipment 2016-2026	\$ 111,240	129.72%			

RESOLUTION NUMBER R- 311220DATE OF FINAL PASSAGE JUL 25 2017

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO AUTHORIZING AND DIRECTING THE EXECUTION OF A CITY OF SAN DIEGO PERCENTAGE GROUND LEASE WITH SNAPFRIZ, INC., FOR THE LEASE OF CITY-OWNED PROPERTY COMMONLY KNOWN AS THE MORLEY FIELD DISC GOLF COURSE, LOCATED IN BALBOA PARK.

WHEREAS, the City of San Diego owns the real property commonly known as the Morley Field Disc Golf Course, consisting of approximately 15 acres, located in Balboa Park (Property); and

WHEREAS, in 2006, the City leased the Property to Leo Pierson for a ten-year term for the operation and maintenance of a disc golf course for the public. Mr. Pierson's lease expired by its own terms on September 30, 2016. Since that date, Mr. Pierson has remained the lessee of the Property on legal holdover status; and

WHEREAS, Mr. Pierson, as president of Snapfriz, Inc., a California corporation (Snapfriz) has requested a new ten-year lease (Lease) to continue operating the disc golf course. Snapfriz proposes an investment of \$111,240 in capital improvements at the Property, which include leveling the dirt parking lot, adding parking bollards, planting trees, installing benches and electronic tee signs, and adding grass cover and new disc baskets; and

WHEREAS, pursuant to the Lease, the annual rent payable to the City will be the greater of the initial minimum annual rent of \$63,005, or a percentage of the gross revenue from Snapfriz's operations at the Property based on category rates established by an appraisal. The minimum annual rent will be adjusted every three years; and

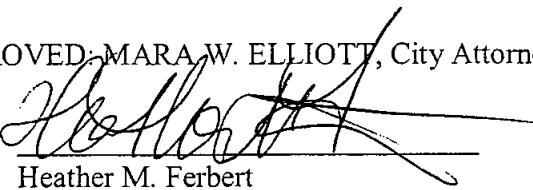
WHEREAS, as appraised by City staff, the market value of the Property is \$800,000;
NOW, THEREFORE,

BE IT RESOLVED, by the City Council of the City of San Diego, that the Mayor or his
designee is authorized to execute that certain City of San Diego Percentage Ground Lease with
Snapfriz, Inc., which is on file in the Office of the City Clerk as Document No. RR-
311220.

BE IT FURTHER RESOLVED, that the Chief Financial Officer is authorized to accept
and deposit all Lease revenues into General Fund 100000.

APPROVED: MARA W. ELLIOTT, City Attorney

By


Heather M. Ferbert
Deputy City Attorney

HMF:nja
06/07/17
Or.Dept: Real Estate Assets
Doc. No.: 1518418

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this
meeting of JUL 11 2017.

ELIZABETH S. MALAND
City Clerk

By


Deputy City Clerk

Approved: 7/24/17

(date)


KEVIN L. FAULCONER, Mayor

Vetoed: _____

(date)

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on JUL 11 2017, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Barbara Bry	☒	☐	☐	☐
Lorie Zapf	☐	☐	☒	☐
Chris Ward	☒	☐	☐	☐
Myrtle Cole	☒	☐	☐	☐
Mark Kersey	☒	☐	☐	☐
Chris Cate	☒	☐	☐	☐
Scott Sherman	☒	☐	☐	☐
David Alvarez	☒	☐	☐	☐
Georgette Gomez	☒	☐	☐	☐

Date of final passage JUL 25 2017

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

(Seal)

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By Atty General, Deputy

Office of the City Clerk, San Diego, California

Resolution Number R- 311220

Passed by the Council of The City of San Diego on July 11, 2017, by the following vote:

YEAS: **BRY, WARD, COLE, KERSEY, CATE, SHERMAN, ALVAREZ,**
GOMEZ.
NAYS: **NONE.**
NOT PRESENT: **ZAPF.**
RECUSED: **NONE.**

AUTHENTICATED BY:

KEVIN L. FAULCONER

Mayor of The City of San Diego, California

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)

By: **Stacy D. Ready**, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of
RESOLUTION NO. **R-311220**, approved on **July 11, 2017**. The date of final passage
is **July 25, 2017**.

ELIZABETH S. MALAND

City Clerk of the City of San Diego, California

(Seal)

By: , Deputy