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SAN DIEGO AUTOMOTIVE MUSEUM, INC.

LEASE AGREEMENT

DOCUMENT NO. RB-267366

FILED DEC 16 1986

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

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SAN DIEGO AUTOMOTIVE MUSEUM, INC.

LEASE AGREEMENT

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LEASE AGREEMENT

THIS LEASE AGREEMENT is executed by and between THE CITY OF SAN DIEGO, a municipal corporation in the County of San Diego, State of California, hereinafter called "City," and the SAN DIEGO AUTOMOTIVE MUSEUM, INC., a California non-profit corporation, hereinafter called "Corporation."

RECITALS

A. WHEREAS, in Balboa Park in the City of San Diego, City owns a building now known as the Conference Building, which with appurtenant areas is more fully described on Exhibit "A" attached hereto and incorporated herein by reference; and

B. WHEREAS, the Charter of the City of San Diego, Section 55, authorizes the City to execute agreements with respect to the use of recreational, cultural and educational facilities; and

C. WHEREAS, in 1980 the City Council of the City of San Diego, authorized the City Manager to negotiate the terms and conditions for a long-term lease of property within Balboa Park for the development, operation and maintenance of an automotive museum in the public interest at the sole expense of the Corporation; and

D. WHEREAS, City recognizes that the construction, operation, and maintenance of an automotive museum in Balboa Park by Corporation will provide an invaluable asset to the City as a tourist attraction and a beneficial recreational and educational facility for the residents of the City; and

E. WHEREAS, it is in the best interest of City that Corporation, being well-qualified and competent, manage and operate the premises in the

being well-qualified and competent, manage and operate the premises in the manner herein set forth.

NOW THEREFORE, in consideration of the recitals and the mutual obligations of the parties herein expressed, City and Corporation agree as follows:

I. CORPORATION AS LEGAL ENTITY

Corporation shall deposit with the City Manager by March 15 of each year duly certified copies of documents evidencing its existence as legal entity. Without limiting the generality of the foregoing, such documents shall include the following:

A. Articles. A copy of the Articles of Incorporation certified by the Secretary of State of the State of California, provided that if said Articles have been filed once with the City, then Corporation shall only deposit with the City Manager any amendments to the Bylaws of Corporation, certified by the Secretary of State.

B. Bylaws. A copy of the Bylaws of Corporation certified to be correct by the Secretary of the Corporation, provided that if its Bylaws have been filed once with the City, then Corporation shall only deposit with the City Manager any amendments to the Bylaws of Corporation certified to be correct by the Secretary of Corporation.

C. Corporate Status. A certificate executed by the Secretary of State of the State of California certifying that Corporation is authorized to transact business within the State of California.

D. Office Holders. A certificate executed by the Secretary of Corporation evidencing the names of all persons holding office in Corporation, together with the terms of such offices.

E. Board Resolutions. A copy of a resolution of the Board of Directors of Corporation, certified by its Secretary, authorizing authority to execute this agreement on behalf of Corporation.

F. Miscellaneous. Such other records, documents or papers as may be required by City Manager to assure that Corporation is a valid and viable organization with a continuing existence.

II. LEASED PREMISES

A. Description. City hereby leases to Corporation, and Corporation leases from City those certain premises together with all appurtenances thereto, (hereinafter called the "leased premises"), situated in the City of San Diego, County of San Diego, State of California, more particularly described and illustrated in Exhibit "A," attached hereto and incorporated herein by this reference.

Wherever the terms "leased premises" or "premises" appear in this Lease Agreement, they shall mean that portion of the premises described and illustrated in Exhibit "A," which has been occupied by, or is under control of Corporation pursuant to the Schedule of Phased Development attached hereto as Exhibit "B". Until said leased premises are progressively occupied by or are under the control of Corporation, City will continue to maintain and control said areas in a manner consistent with its maintenance and control of similar areas in Balboa Park.

B. Permitted Use. Corporation shall use the premises exclusively for construction, operation and maintenance of an automotive museum and library and related purposes. Corporation shall not exclude the general public or interfere with the public's right to the use and enjoyment of Balboa Park and its facilities; provided, however, that reasonable

restrictions and regulations may be made in order to operate the leased premises and related activities in an orderly and proper manner.

Corporation may operate a gift shop on the premises and sell to the general public non-alcoholic beverages, light refreshments, packaged food items, tobacco, novelties and articles which primarily relate to subjects on display or activities conducted in the Museum, including, but not limited to books, periodicals and related artifacts. In addition, upon receipt of a written request, to be submitted at least fourteen (14) calendar days prior to the event, which details the type of beverages to be sold, the time, and the conditions of the sale, the City Manager may at his or her sole discretion approve the sale of selected alcoholic beverages exclusively to visitors of the museum.

C. Obligation of Diligent Use. Corporation covenants to use the leased premises for the above-specified purposes and to diligently pursue said purposes throughout the term hereof.

D. Renting of Facilities. Subject to the written approval of the City Manager, or his designated representative, which approval shall not be unreasonably withheld, Corporation may rent the premises, or any part thereof, on occasions to corporations, organizations or individuals provided that such events are in keeping with uses permitted pursuant to provisions of Section II B of this lease agreement and for purposes incidental thereto. Corporation may charge a fee for such use. Any such usage of the premises shall be subject to the terms of this lease.

III. TERM OF AGREEMENT

A. Term. The term of this agreement shall be twenty-five (25) years commencing upon January 15, 1988, and ending on January 14, 2013.

B. Renegotiation. The provisions of this lease shall be subject to renegotiation every five (5) years during the term of the lease, including any extensions thereof. These renegotiation opportunities shall be referred to as "renegotiation intervals." Renegotiation shall be initiated upon written notice given by City or Corporation to the other not less than six (6) months prior to the particular renegotiation interval. Renegotiation shall be directed solely toward effecting alterations in the terms and conditions of this lease to reflect any significant changes which occurred during the preceding interim period and shall not operate to increase the consideration, terminate the lease or shorten the term thereof.

C. Option to Renew. City hereby grants to Corporation an option to renew this lease for an additional period of twenty-five (25) years upon the expiration of the term of this lease. Said renewal shall be made on the same terms, covenants, and conditions expressed herein and subject to the same exceptions and reservations as herein contained.

This option shall be exercised only by written notice, duly given and delivered in accordance with Section V, sub-section C, setting forth Corporation's election to exercise said option. Said notice of Corporation's exercise of this option to renew shall be given no more than one hundred eighty (180) days and no less than one hundred fifty (150) days prior to expiration of the term hereof.

D. Occupancy of Premises. The occupancy of the premises shall commence on January 15, 1988, however the City Manager may permit earlier access if circumstances and conditions so permit. Corporation shall be allowed to maintain office and meeting space in areas acceptable to the

City Manager immediately upon execution of this lease by the City Manager. Corporation shall be allowed reasonable access on a scheduled basis for periodic meetings and or fund-raising events without cost or fees.

E. Schedule of Construction. The Corporation shall present to the City Manager a schedule of construction for the renovation of the premises for review and approval. Any construction performed prior to the date of occupancy shall be performed in a manner acceptable to the City Manager.

IV. CONSIDERATION

A. Operation of Museum. In consideration of City granting Corporation this lease, Corporation agrees to operate, for the public benefit, an automotive museum and related services under the terms, covenants and conditions contained herein. Said museum shall be open to the general public a minimum of six (6) days per week, including weekends but excluding legal holidays, with hours of operation to be approved by City Manager.

B. Development and Improvement.

1. Cash Pledges. On or before March 16, 1987 the Corporation shall submit to the City Manager, documentation that all pledges listed on its December 1, 1986 "Statement of Assets" have been received. This shall be subject to review by the City Auditor, if deemed appropriate. The failure to substantially comply with this sub-section shall be grounds for the City Manager to advise the City Council and take such action as may be appropriate.

2. Phased Development. Further consideration for this lease is the promise and agreement by Corporation to undertake, at no expense to City, the phased development of an automotive museum in Balboa

Park which shall include, but not be limited to, extensive rehabilitation of the Conference Building to meet the requirements of all municipal, county, state and federal authorities relative to the intended use and the structure's historical designation, landscaping, patio, additional automotive museum display space, storage area, vehicle maintenance area and related improvements generally in accordance with the Schedule of Phased Development attached hereto as Exhibit "B" and incorporated herein by this reference. Provided, however, that Corporation shall be solely responsible for the cost of any environmental review required by modifications to this lease to permit changes in the development, use and/or occupancy of the premises.

3. Performance Bond. Prior to commencement of any work that could constitute the basis for a mechanic's lien on the premises and before any materials are delivered to the premises, Corporation shall furnish City with a bond by a responsible surety company licensed to do business in California, in a form satisfactory to City, in an amount of the estimated cost of the work to be done. Said bond shall remain in effect until the cost of the entire work shall have been fully paid. The bond shall secure completion by Corporation, or, on default, by the surety, of all work free from any and all liens of contractors, subcontractors, materialmen, laborers, or others, and shall provide for the defense and indemnification of City against any loss, cost, damage, or liability in any manner arising out of or connected with said work.

In lieu of said bond, Corporation may deposit cash with the City

or in a Federal or State of California bank or savings and loan association in the name of the City, but with interest reserved to Corporation, on terms and conditions approved by the City Manager.

4. Commencement and Completion Dates. A schedule for construction of improvements shall be submitted to the City Manager within 180 days of the execution of this agreement, and shall be completed in accordance with the Schedule of Phased Development, attached hereto as Exhibit "B," subject, however, to the extension of these deadlines at the discretion of the City Manager and subject to reasonable delays caused by material and labor shortages, strikes or other labor disputes, governmental actions, war, riot, insurrection, rebellion, act of God, fire, flood, storm, or earthquake, or other similar causes beyond the reasonable control of Corporation and its contractors.

5. Failure to Complete. If the improvements included in the Schedule of Phased Development, attached hereto as Exhibit "B," are not completed within five (5) years of January 15, 1988, City shall have the right to terminate this lease, subject however, to any extensions granted at the discretion of the City Manager and to reasonable delays caused by material and labor shortages, strikes, or other labor disputes, governmental actions, war, riot, insurrection, rebellion, act of God, fire, flood, storm, or earthquake, or other similar causes beyond the reasonable control of Corporation and its contractors.

C. Existing City Office Space. Corporation shall allow the existing Park and Recreation Department offices located in the northern

end of the mezzanine floor to remain in their location and use until July 1, 1989. City offices are identified as numbers 8 through 17.

D. Relocation of Existing Improvements. Corporation shall at its sole expense relocate the existing disabled children's playground located at the rear of the Conference Building to another location, or construct a facility in another location, designated by and to the satisfaction of the City Manager.

E. Disabled Services Relocation. The Corporation agrees to pay the City the sum of ten thousands dollars (\$10,000) to defray the cost of relocating the Disabled Services section of the Park and Recreation Department from the Conference Building to the War Memorial Building. This sum shall be deposited with the City Manager upon 120 days written notice by the City.

F. Balboa Park Club Safety Improvements. The Corporation agrees to pay the City the sum of two thousand dollars (\$2,000) to defray the cost of providing safety improvements in the Balboa Park Club. This sum shall be deposited with the City Manager upon 120 days written notice by the City Manager.

G. Balboa Park Club Floor Replacement. The Corporation agrees to pay to the City the sum of twenty-five thousand dollars (\$25,000) to defray the cost of tiling the wood floor of the Balboa Park Club, or as participation in replacing the wood floor. This sum will be deposited with the City Manager upon 120 days written notice by the City Manager.

V. COVENANTS AND CONDITIONS

A. Covenants by City.

1. Quiet Possession. City expressly agrees that Corporation, upon fulfilling its obligations and performing all of the covenants and agreements, shall and may, at all times during the term hereof, peaceably and quietly have, hold and enjoy leased premises.

B. Covenants by Corporation.

1. Operation of the Museum.

a. City Policy. The policies established by Corporation for the operation of the premises shall conform to the general policies established by City for the use and operation of its cultural and educational facilities.

b. Board of Directors. A Board of Directors (the "Board") shall be elected by Corporation. The activities and affairs of Corporation, and the museum shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may, however, hire an officer to act as the general manager and chief executive officer of Corporation and who shall be authorized by the Board to handle the day-to-day affairs and business of Corporation.

2. Admission Fees. Corporation shall have the right to charge reasonable admission fees; however, at least one day per month shall be designated by corporation as a day when no fees for general admission shall be charged, except for special showings, exhibitions and events within the museum. The schedule of admission fees, including admission fees for special showings, exhibitions and events

within the automotive museum, shall be subject to prior written approval by the City Manager.

3. Use of Proceeds. Corporation agrees that all income and proceeds received by Corporation from the operation of the leased premises, the gift shop and facility rental, shall be utilized for purposes of the continued operation, maintenance and improvement of the leased premises and for purposes incidental thereto.

Certification of Corporation's compliance with the requirements of this section shall be specifically set forth in Corporation's audited financial statements as provided for in Section V B, Paragraph 5, hereof.

4. Annual Report. On or before March 15th of each year of this agreement, Corporation shall submit to the City Manager a financial report, certified by an independent certified public accountant for the previous fiscal year of Corporation. Said financial report shall include an operating statement and a report of net worth, and shall be in a form satisfactory to City and be subject to review and audit by the City Auditor of City. The final report shall be submitted within ninety (90) days of the expiration date of this agreement, and shall cover the period between the last report and the said expiration date.

5. Financial Records. Corporation shall keep, or cause to be kept, true, accurate and complete records, including double entry books, a profit and loss statement, and a balance sheet, making it possible at all times to determine the nature and amount of revenue and expenditures. All of Corporation's expenditures and transactions

shall be supported by documents of original entry such as sales slips, cash register tapes, purchase invoices and receipts.

Documents supporting a profit and loss statement shall be retained by Corporation until an audit of Corporation's records is conducted by City, or until a period of three (3) years has elapsed, whichever occurs first.

6. Accounting Procedures. Corporation shall use such accounting procedures as shall be recommended or approved by City. Revisions or changes in Corporation's accounting procedures shall be approved by City's Auditor and Comptroller.

7. Inspection of Records and Audit. All books, statements, documents, records and financial data of Corporation shall be open at all times for inspection and audit by City upon reasonable notice. Further, City may conduct an audit of all books, statements, documents, records and financial data of Corporation, or demand and receive from Corporation the results of a complete audit as conducted by a certified public accountant in the event that (i) Corporation's executive director, or other managing agent resigns, retires or is discharged; (ii) a majority in the membership of corporation's Board of Directors changes; or (iii) the purposes for which Corporation was created are materially or substantially changed.

8. Proposed Budget. Corporation shall have deposited with the City Manager by March 15 of each year copies of documents evidencing the proposed programs and financial status of Corporation for the year for which support is required. Without limiting the generality of the foregoing, such documents shall include (i) a copy

of Corporation's proposed programs, and (ii) a copy of a detailed operating budget showing expected sources of revenue and the nature of all proposed expenditures.

9. Activities and Inventory. Corporation shall submit to the City Manager at the close of each fiscal year (i) a report of Corporation's activities, and if requested by the City Manager, (ii) an inventory of furnishings and other property of City which are in the custody of Corporation, if any, in a form reasonably required by and satisfactory to City.

10. Personnel. All personnel provided for in the annual budget for operating the premises shall be employed by and be the employees of Corporation. Said personnel shall not be subject in any way to the control of City, except as provided in Section V B, paragraph 12 hereof.

11. Compliance with Law. Corporation agrees to and shall, at its sole cost and expense, comply and secure compliance with all the requirements of all municipal, state, county and federal laws now in force or which may hereafter be in force. The judgment of any court of competent jurisdiction, or the admission of Corporation or any sublessee or permittee in any action or proceeding against them or any of them, whether City be a party thereto or not, that Corporation, sublessee or permittee has violated any such ordinance or statute in the use of the premises shall be conclusive of that fact as between City and Corporation.

12. Equal Opportunity. Corporation agrees to and shall take affirmative action to improve employment opportunities of minorities

and women. When applicable, Corporation agrees to abide by the City's Equal Opportunity Program for Lessees as it now or hereafter exists. A copy of the program, effective as the date of this agreement, is on file in the Office of the City Clerk and by this reference is incorporated herein. Minorities are presently defined as Hispanic, Black, Filipino, American Indian and Asian/Pacific Islander. The goal of this program shall be the attainment of the employment of minorities and women in all areas of employment in a total percentage of employment approximately equal to the total level of minority and women employment as established by the City for its Equal Opportunity Program each year.

13. Nondiscrimination. Corporation agrees to and shall not discriminate in any manner against any person or persons on account of age, race, marital status, sex, religious creed, color, ancestry, national origin, physical handicap or medical condition in Corporation's use of the premises, including, but not limited to, the providing of goods, services, facilities, privileges, advantages and accommodations, and the obtaining and holding of employment.

14. Risks. Corporation agrees to and shall not use, or permit the leased premises, or any part thereof, to be used for any purposes other than the purposes set forth above. Unless included within the said purposes or necessarily incident thereto, no use shall be made or permitted to be made of the leased premises, nor acts done, which will increase the existing rate of insurance upon the building or buildings, belonging to City located on the leased premises or cause a cancellation of any insurance policy covering

said building or buildings, or any part thereof, nor shall any article which may be prohibited by the standard form of fire insurance policy be or be permitted to be kept, held, stored, used or sold in or about the leased premises. Corporation shall, at Corporation's sole cost and expense, comply with any and all requirements, pertaining to the leased premises, of any insurance organization or company necessary for the continued maintenance of reasonable fire, public liability, and property damage insurance, covering said buildings and appurtenances.

If the operation under this agreement results in an increased (or decreased) risk in the opinion of the City Manager, then Corporation agrees that the minimum limits hereinafter designated shall be changed accordingly upon request by the City Manager.

15. Insurance. Corporation shall take out and maintain at all times during the term of this lease the following insurance at its sole expense:

a. Public Liability and property damage insurance in the amount of not less than ONE MILLION DOLLARS (\$1,000,000) Combined Single Limit Liability with an occurrence claims forms. This policy shall cover all injury or damage, including death, suffered by any party or parties, from acts or failures to act by City or Corporation, or by authorized representatives of City or Corporation on or in connection with the use of operation of the premises.

b. Fire, Extended Coverage and vandalism insurance policy on all insurable property on the premises in the amount to cover

100 percent of the replacement cost. Any proceeds from a loss shall be payable jointly to City and Corporation. The proceeds shall be placed in a trust fund to be reinvested in rebuilding or repairing the damaged property. If there is a mortgage or trust on the leasehold in accordance with Section V B paragraph 28 Encumbrance hereof, the proceeds may be paid to the approved mortgagee or beneficiary so long as adequate provision reasonably satisfactory to City has been made in each case for the use of all proceeds for repair and restoration of damaged or destroyed improvements on the premises.

c. Conditions. All insurance policies will name the City as an additional insured, protect the City against any legal costs in defending claims and will not terminate without sixty (60) days' prior written notice to the City. All insurance companies must be satisfactory to the City and licensed to do business in California. All policies will be in effect on or before the first day of the lease, except "course of construction fire insurance" shall be in force on commencement of all authorized construction on the premises and full applicable fire insurance coverage shall be effective upon completion of each insurable improvement. A copy of the insurance policy will remain on file with the City during the entire term of the lease. At least thirty (30) days prior to the expiration of each policy, Corporation shall furnish a certificate(s) showing that a new or extended policy has been obtained which meets the terms of this lease.

d. Modification. City, at its discretion, may require the revision of amounts and coverages at any time during the term by giving Corporation sixty (60) days' prior written notice. City's requirements shall be designed to assure protection from and against the kind and extent of risk existing on the premises. Corporation also agrees to obtain any additional insurance required by City for new improvements, in order to meet the requirements of this lease.

e. Accident Reports. Corporation shall report to City any accident causing more than Ten Thousand Dollars (\$10,000) worth of property damage or any serious injury to persons on the premises. This report should contain the names and addresses of the parties involved, a statement of the circumstances, the date and hour, the names and addresses of any witnesses and other pertinent information.

f. Failure to Comply. If Corporation fails or refuses to take out and maintain the required insurance, or fails to provide the proof of coverage, City has the right to obtain the insurance. Corporation shall reimburse City for the premiums paid with interest at the maximum allowable legal rate then in effect in California. City shall give notice of the payment of premiums within thirty (30) days of payment stating the amount paid, names of the insurer(s) and rate of interest. Said reimbursement and interest shall be paid by Corporation on the first (1st) day of the month following the notice of payment by City.

Notwithstanding the preceding provisions of the subsection f., if Corporation fails or refuses to take out or maintain insurance as required in this lease, or fails to provide the proof of insurance, City has the right to declare this lease in default without further notice to Corporation and City shall be entitled to exercise all legal remedies in the event of such default.

16. Indemnification. Corporation at all times shall defend, relieve, indemnify, protect and save City and any and all of its boards, officers, agents and employees harmless from any and all claims and demands, actions, proceedings, losses, liens, costs, judgments, civil fines and penalties of any nature whatsoever in regard to or resulting from the use of the premises, including, but not limited to, expenses incurred in legal actions, death, injury, or damage that may be caused directly or indirectly by:

a. Any unsafe or defective condition in or on the premises of any nature whatsoever, which may exist by reason of any act, omission, neglect, or any use or occupation of the premises,

b. Any operation, use or occupation conducted on the premises,

c. Any act, omission or negligence on the part of Corporation, its employees, agents, sublessees, invitees, licensees, or

d. Any failure by Corporation to comply or secure compliance with any of the lease terms or conditions.

17. Surrender of Premises. Corporation agrees to and shall use ordinary care for the preservation in safety and in good condition of the leased premises and the improvements constructed thereon, and shall, on expiration or sooner termination of the term hereof, surrender the property, with improvements, to City in good condition, reasonable wear and tear excepted.

18. Improvements, Repairs and Alterations. Corporation shall not make any alterations or changes in the leased premises, or cause to be made, built or installed thereupon, any improvements and shall not alter any existing improvements; except in accordance with plans and specifications previously submitted to the City Manager of said City and approved, in writing, by him or her. Such improvements will be consistent with the Historical Designation and Park Character, and uses of the leased premises and adjacent areas. Corporation agrees to take good care of the leased premises, fixtures and appurtenances, and of all alterations, additions and improvements to any of them, and to perform janitorial services within the premises and to keep the said premises in a safe, clean and sanitary condition at all times. Interior decoration alterations for the accommodation of Corporation shall be the responsibility of Corporation. By entry hereunder, Corporation accepts the premises as being in good and sanitary order, condition and repair, and agrees on the last day of the term or sooner termination of this lease to surrender to the City the premises with improvements in the same condition as when received or as they may have been put into, reasonable wear and tear excepted.

19. Removal of Improvements. City agrees that all trade

fixtures installed by Corporation in accordance with the provisions herein provided, shall be and remain the property of Corporation, and Corporation agrees that all improvements of a permanent nature, including heating system, air conditioning plant, and plumbing shall be and remain property of the City. Corporation shall have the right to remove, at Corporation's expense, such fixtures and improvements belonging to Corporation, prior to expiration or sooner termination of this lease, at Corporation's own expense, provided that any damage to City's property or improvements shall be repaired and the premises left in good order and condition. In the event Corporation does not so remove said fixtures and improvements prior to the expiration of this lease, City may remove, or sell, or destroy the same at the expense of Corporation, and Corporation shall pay to City the reasonable cost of any such removal, sale or destruction. At the option of the City, any property, real or personal, not so removed by Corporation may be deemed abandoned.

20. Labor and Materialmen's Bond. Corporation will save City free and harmless, defend and indemnify it against all claims and liability caused by actions of Corporation, for labor and materials in connection with improvements, repair or alterations to the leased premises, and the cost of defending against such claims, including reasonable attorney's fees.

In the event that improvements, repairs, or alterations are constructed on the leased premises by other than the City, Corporation shall file with City a bond, conditioned for the payment in full of the claims of all persons performing labor upon or

furnishing materials to be used, in the amount of the estimated cost of the improvement, alteration, or repair as determined by the City Manager. The bond shall be acknowledged by Corporation as principal and by a corporation licensed by the Insurance Commissioner of the State of California to transact the business of a fidelity and surety insurance company as surety.

In the event that a lien is recorded under the California Code of Civil Procedure against the leased premises and the lien holder attempts to perfect such lien by a lawsuit and the Corporation has failed to comply with the requirements of this paragraph, this lease shall at City's option terminate five (5) days after service of summons in such lawsuit upon the City; provided, however, that the City Manager shall have the right to continue this lease in full force and effect by notifying the Corporation in writing of his or her election to do so.

21. Maintenance. Corporation agrees to assume responsibility for the operation of said premises. Maintenance of improvements within the premises will be the joint responsibility of City and Corporation as follows:

a. Building and Structural Improvements. Corporation agrees to perform all routine maintenance of the interior of structures and janitorial maintenance of the leased premises for which the Corporation has the exclusive right to use, throughout the term hereof without expense to City unless otherwise specified herein, and to perform all repairs and replacements necessary to such maintenance and to preserve said premises in a

decent, safe, healthy and sanitary condition in a manner satisfactory to City and in compliance with all applicable laws. City agrees to perform basic building maintenance, including painting thereof on permanent and structural exterior features, exterior walls, roofs and external structures. A detailed division of these maintenance responsibilities between City and Corporation is described in Exhibit "C" attached hereto, and made a part hereof by this reference. City and Corporation may choose to provide some of their maintenance responsibility by contract with a third party and where mutually agreeable, may merge the responsibilities of each party into a single contract with costs to be prorated as appropriate. All building maintenance done by Corporation shall be done by qualified journey people in their respective trades.

The Corporation shall be responsible for any new installation and maintenance of any improvements, alterations or additions to the facilities by and for the use or convenience of Corporation.

b. Landscaping Improvements. The City shall maintain and preserve the existing turf, trees, shrubbery and other landscaping on the grounds surrounding or adjacent to the premises at a level consistent with maintenance provided adjacent public park areas. Any increase in level of maintenance, including the installation of any special seasonal plantings, will be provided solely at the Corporation's expense. It is understood that should Corporation wish to significantly

alter the existing landscaping on the grounds surrounding or adjacent to the premises, and that such alterations increase the level of maintenance required, the City may, at its sole option, transfer all or part of the responsibility for landscape maintenance in these areas to the Corporation within thirty (30) days written notice.

Corporation agrees that City shall not be required to perform any maintenance, repairs, or services or provide improvements or to assume any expense not specifically assumed herein in connection with said premises. Corporation further agrees that City services, as described herein, shall be provided to the extent that provision has been made therefor, in the schedule upon which the annual City appropriation for maintenance of public buildings is based.

22. Waste, Damage, or Destruction of Premises. Lessee agrees to give notice to City of any fire or other damage that may occur on the leased premises within ten (10) days of such fire or damage. Lessee agrees not to commit or suffer to be committed any waste or injury or any public or private nuisance, to keep the premises clean and clear of refuse and obstructions, and to dispose of all garbage, trash, and rubbish in a manner satisfactory to City. If the leased premises shall be damaged by any cause which puts the premises into a condition which is not decent, safe, healthy and sanitary, Lessee agrees to make or cause to be made full repair of said damage and to restore the premises to the condition which existed prior to said damage; or, at City's option, Lessee agrees to clear and remove from

the leased premises all debris resulting from said damage and rebuild the premises in accordance with plans and specifications previously submitted to City and approved in writing in order to replace in kind and scope the operation which existed prior to such damage, using for either purpose the insurance proceeds as set forth in Section V, paragraph 15 Insurance, hereof. Lessee agrees that preliminary steps toward performing repairs, restoration, or replacement of the premises shall be commenced by Lessee within thirty (30) days, and the required repairs, restoration, or replacement shall be completed within a reasonable time thereafter.

23. Disputes. Corporation agrees to initially refer all disputes as to the interpretation of this lease, or the right and duties of the parties hereto, to the City Manager. Nothing herein contained shall be considered to be derogation of any rights whatsoever in which either party hereto has, or shall have, under any applicable charters, laws, ordinances, regulations or judicial or administrative decisions or ruling of the State of California of the City of San Diego.

24. Taxes. Corporation recognizes and understands that this lease may create a possessory interest subject to property taxation and that the Corporation will be subject to the payment of property taxes levied on such interest. As further consideration for the execution of this lease, Corporation agrees to pay and discharge, before delinquency, all taxes, assessments and fees assessed or levied upon Corporation or the leased premises during the term of this lease.

25. Utilities. Except for such installations of utilities as City herein expressly agrees to provide, Corporation shall order, obtain and pay for all utilities, and service and installation charges in connection therewith. All utilities installed by Corporation shall be installed underground.

26. Signs. All exterior signing and other identification of the premises shall be subject to prior written approval of the City Manager.

27. City Use of Facilities. Corporation shall make the premises available for City use for special events on a not-to-interfere basis or interruption of the daily or special operations of the Corporation when requested by the City Manager in writing not less than thirty (30) days before each such event. Said use shall be at no cost to City except for actual expense incurred by Corporation in connection with the event.

28. Encumbrance. Subject to prior consent by City, which shall not be unreasonably withheld, Corporation may encumber this lease, its leasehold estate and its improvements hereon by deed of trust, mortgage, chattel mortgage or other security instrument to assure the payment of a promissory note or notes of Corporation, upon the express condition that the net proceeds of such loan or loans be devoted exclusively to the purpose of developing the leased premises in accordance with Section IV B Development and Improvement, hereof. However, a reasonable portion of the loan proceeds may be disbursed for payment of incidental costs of construction, including but not limited to the following: off-site improvements for service of the

premises; on-site improvements; escrow charges; premiums for hazard insurance, or other insurance or bonds required by City; title insurance premiums; reasonable loan costs such as discounts, interest and commissions; and architectural, engineering and attorney's fees and such other normal expenses incidental to such construction.

Any default, foreclosure, or sale pursuant to said deed of trust, mortgage, or other security instrument shall be invalid with respect to this lease without prior notice thereof to and approval by City. Upon prior approval by City, said mortgagee or beneficiary may assign this lease to its nominee, if nominee is a reputable, qualified, and financially responsible person in the opinion of City. Any deed or trust, mortgage, or other security instrument shall be subject to all of the terms, covenants, and conditions of this lease and shall not be deemed to amend or alter any of the terms, covenants, or conditions hereof.

C. Restrictive Conditions.

1. Ownership of Property. At all times during the term of this Lease Agreement, the leased premises, including the improvements required by Section IV B., shall be the absolute property of the City. Title of all exhibit and research material, except that on loan, shall be retained by Corporation. Title to any equipment loaned or furnished by the City, if any, shall be retained by City, and title to all other personal property owned by Corporation shall be retained by Corporation.

2. Entry and Inspection. City reserves and shall always have the right to enter the leased premises for the purpose of

viewing and ascertaining the condition of the same, or to protect its interests in the premises or to inspect the operations conducted thereon. In the event that such entry or inspection discloses that said premises are not in a decent, safe, healthy and sanitary condition, City shall have the right, after ten (10) days written notice to Corporation, to have any necessary maintenance work done for and at the expense of Corporation and Corporation hereby agrees to pay within thirty (30) days of receipt of an invoice from City any and all costs incurred by City in having such necessary maintenance work done in order to keep said premises in a decent, safe, healthy and sanitary condition. Further, if at any time City determines that said premises are not in a decent, safe, healthy and sanitary condition, City may at its sole option, without additional notice, require Corporation to file with City a faithful performance bond to assure prompt correction of any condition which is not decent, safe, healthy and sanitary. Said bond shall be in amount adequate in the opinion of City to correct the said unsatisfactory condition. Corporation shall pay the cost of said bond. The rights in this section shall not create any obligations on City or increase obligations elsewhere in this lease imposed on City.

3. Right to Assign and Sublet. Subject to the provisions of Section II D hereof, Corporation shall not assign this lease, or any interest therein, and shall not sublet the leased premises, or any part thereof, or any right or privilege appurtenant thereto, nor suffer any other person (the agents, officers and employees of City excepted) to occupy or use the leased premises, without the express,

prior written consent of the City Manager. A consent to one assignment, subletting, occupation or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Any such subsequent assignment or subletting without such consent shall be void, and shall, at the option of City, terminate this lease. This lease shall not, nor shall any interest therein, be assignable, as to the interest of Corporation, by operation of law, without the prior written consent of the City Manager.

4. Reservation for City Use. City hereby reserves all rights, title and interest in any and all gas, oil, minerals and water, upon or beneath said leased premises. City shall have the right to enter said leased premises for the purpose of drilling, operating and maintaining such installations as are necessary or desirable for the development of said gas, oil, mineral and water rights or for making repairs to or developing the municipal services of City; provided, however, that Corporation's use of the premises shall not be substantially interfered with or interrupted. City hereby reserves the right to grant and use such easements or establish and use such rights-of-way over, under, along and across said leased premises for utilities, thoroughfares, or access as it may deem advisable for the public good.

5. Time is of the Essence. Time is of the essence of each and every term and provision of this lease and this lease shall inure to the benefit of and be binding upon the parties hereto and any successors of Corporation as fully and to the same extent as though

specifically mentioned in each instance, and all covenants, stipulations and agreements in this lease shall extend to and bind any assigns or sublessees of Corporation.

6. Waiver. The waiver by City of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition, or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of consideration hereunder by City shall not be deemed to be a waiver of any preceding breach by Corporation of any term, covenant, or condition of this lease, nor shall any failure on the part of City to require or exact full and complete compliance with any of the covenants, conditions or agreements of this lease be construed as in any manner changing the terms hereof or to stop City from enforcing the full provisions hereof, nor shall the terms of this lease be changed or altered in any manner whatsoever other than by written agreement of City and Corporation.

7. Merger. The voluntary or other surrender of this lease by Corporation, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of City, terminate all or any existing subleases or subtenancies, or may, at the option of City, operate as an assignment to it of any or all such subleases or subtenancies.

8. Remedies of City. In the event (a) that Corporation shall default in the performance of fulfillment of any covenant or condition herein contained on Corporation's part to be performed or

fulfilled shall fail to cure such default within thirty (30) days following the service of Corporation of a written notice from City specifying the default or defaults complained of and the date on which Corporation's rights hereunder will be terminated as hereinafter provided if such default or defaults is or are not cured, or (b) that Corporation shall file a voluntary petition in bankruptcy, or (c) that Corporation shall be adjudicated a bankrupt, or (d) that Corporation shall make a general assignment for the benefit of creditors, then and in either or any of the said events, City may, at its option, without further notice or demand upon Corporation or upon any person or persons claiming by, through or under Corporation, immediately cancel and terminate this lease and terminate each, every and all of the rights of Corporation and of any and all persons claiming by, through or under Corporation in or to the leased premises and in or to the further possession thereof and may thereupon enter into and upon the leased premises and to repossess the same and expel Corporation any and all persons claiming by, through or under Corporation. The rights and remedies of City as hereinabove set forth, are cumulative only and shall in no way be deemed to limit any of the other provisions of this lease or otherwise to deny to City any right or remedy at law or in enquiry which City may have or assert against Corporation under any law in effect at the date hereof or which may hereafter be enacted or become effective, it be in the intent hereof that the rights and remedies of City, as hereinabove set forth, shall supplement or be in addition to or in aid of the other provisions of this lease and of any right or

remedy at law or in equity which City may have against said Corporation.

9. Holding Over. The occupancy of the leased premises after the expiration of the term of this agreement shall be construed to be a tenancy from month to month, and all other terms and conditions of this agreement shall continue in full force and effect.

10. Administration and Notice. Control and administration of this lease is under the jurisdiction of the City Manager of the City of San Diego and any communication relative to the terms or conditions or any changes thereto or any notice or notices provided for by this lease or by law to be given or served upon City may be given or served by letter deposited in the United States mails, postage prepaid, and addressed to the City Manager, City of San Diego, Attention Park and Recreation Director, 202 "C" Street, San Diego, California 92101, or at such other address as the City Manager, in writing, specifies. Any notice or notices provided for by this lease or by law to be given or served upon Corporation may be given or served by depositing in the United States mails, postage prepaid, a letter addressed to said Corporation whose address is Post Office Box 127088, San Diego, California 92112, or at such other address of which the City has received written notice, or may be personally served upon said Corporation (or any one of them), or any person hereafter authorized by Corporation to receive such notice. Any notice or notices given or served as provided herein shall be effectual and binding for all purposes upon the principals of the parties so served upon personal service or forty-eight hours after

mailing in the manner required herein.

11. Political Activities. As provided in the "permitted uses" provision of this Lease Agreement, the premises shall be used exclusively for the purposes specified. The premises shall not be utilized for the purposes of working or campaigning for the nomination or election to any public office be it partisan or nonpartisan. Provided, however, that the Corporation shall not be precluded from providing a forum for open public debate by candidates such as occurs at a "candidate forum" and similar events.

12. Promotional Activities. The premises and/or the displays, while located in Balboa Park, shall not be utilized to promote individuals, activities and/or enterprises without the specific written approval of the City Manager or his designated representative. This section will not act to prohibit the promotion of the Automotive Museum; its displays, or a tasteful acknowledgment of donors and/or sponsors which is consistent with park character and setting. Printed promotional material shall feature the museum, its collection and activities, may include reasonable acknowledgment of donors and sponsors and limited advertisement of activities at other locations that are consistent with the stated purposes of this agreement.

13. Public Access. The general public shall not be wholly or permanently excluded from the premises or any portion thereof. Corporation may develop reasonable restriction for the use of the facility provided that they are consistent with the rights of the general public, and are designed to enable Corporation to use the

premises for the purposes herein granted.

VI. ENTIRE UNDERSTANDING

This agreement will constitute the full and complete understanding between the parties with respect to the matters covered herein.

IN WITNESS WHEREOF, this Lease Agreement is executed by the City,
acting by and through its City Manager, pursuant to Resolution
No. R-267366, authorizing such execution, and the Corporation has caused
this Lease Agreement to be executed, by its proper officers.

Dated this 20th day of JAN., 1987.

THE CITY OF SAN DIEGO

BY: Jack McSherry
Deputy City Manager

SAN DIEGO AUTOMOTIVE MUSEUM, INC.
a California Non-profit corporation

BY: Dan S. Biggs
President, Dan S. Biggs
and
BY: Terry L. Sheldon
Vice-President, Terry L. Sheldon

APPROVED as to form and legality this 23 day of Jan, 1987.

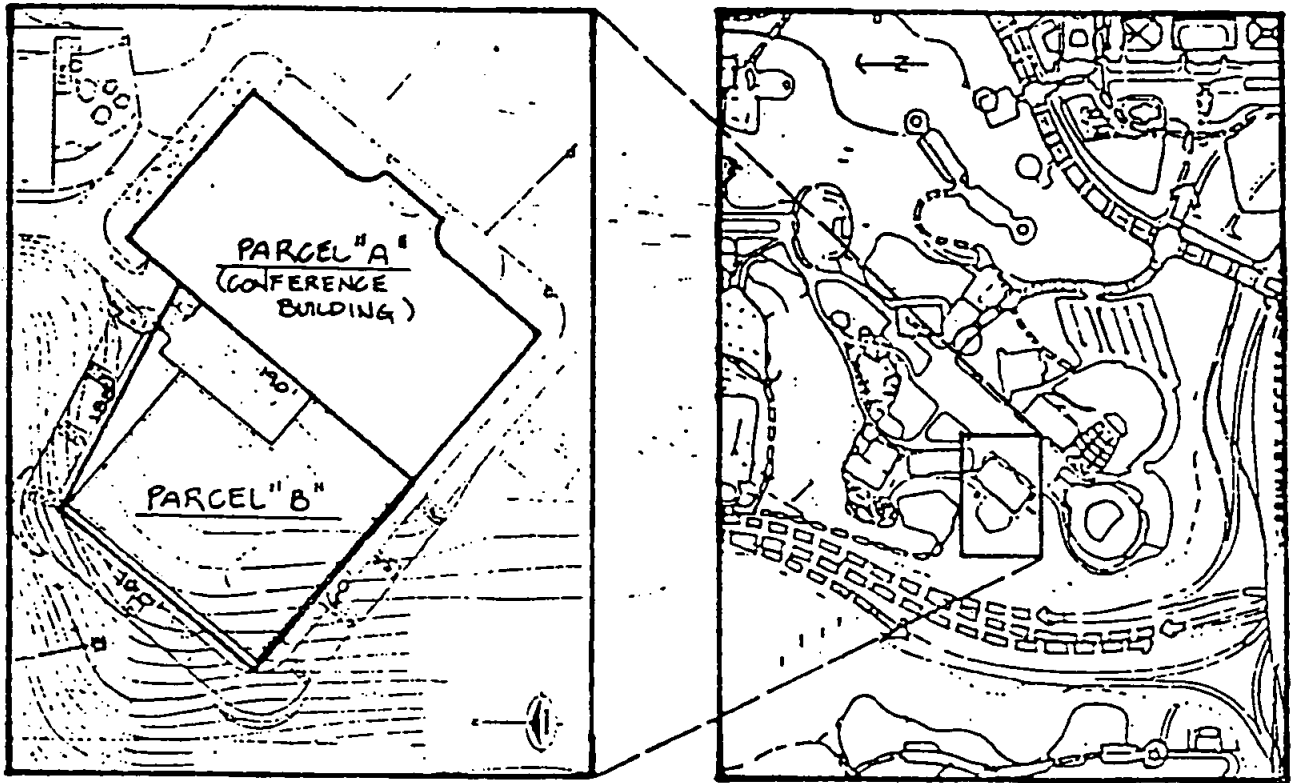
JOHN W. WITT, City Attorney

BY: [Signature]
Deputy City Attorney

EXHIBIT "A"

Description of Premises

SAN DIEGO AUTOMOTIVE MUSEUM



Detail (Scale 1" = 100')

Location Map

Parcel "A" - Includes all land and improvements within a line around the Conference Building in Balboa Park, 1 foot outside the building's exterior surface. This parcel is subject to immediate occupancy of and improvement by the San Diego Automotive Museum under the terms and considerations of this lease.

Parcel "B" - This parcel, or any portion thereof, may be added to the leased premises upon the request of the San Diego Automotive Museum and the approval of the City Manager in accordance with Section IIA of this lease.

EXHIBIT "B"

Schedule of Phased Development

SAN DIEGO AUTOMOTIVE MUSEUM

1. Development Phasing. Further consideration for this lease is the promise and agreement by the San Diego Automotive Museum to undertake, at no expense to the City, the phased development of the San Diego Automotive Museum in Balboa Park which shall include, but not be limited to, the improvements listed below.
2. Phase One Development. The initial development will focus on the rehabilitation of the existing Conference Building. This phase of work will be started as soon as possible after the execution of this lease. The building will be extensively improved to meet the requirements of all municipal, county, state and federal authorities relative to the intended use. Further, the exterior of the building will be resurfaced to present an aesthetically pleasing appearance consistent with other adjacent park structures.
3. Phase Two Development. Within the first two years of museum operation, construction plans will be presented for development of a new two story structure at the rear of, and adjacent to the Conference Building. This second building will be constructed within five years of January 15, 1988.

EXHIBIT "C"

LEASE AGREEMENT
SAN DIEGO AUTOMOTIVE MUSEUM, INC.
MAINTENANCE REPAIRS

<u>System/Area</u>	<u>City's Responsibilities</u>	<u>Tenant Responsibilities</u>
Electrical/Lighting and Power	All exterior lighting including lamps, security lights and safety fixed lights. Replace switches and outlets.	All lighting, except exterior lighting, including wiring, conduit, breakers, light fixtures (as a complete item). Trouble-shoot to identify problem. Replace lamps, switch outlet plates and fixture lenses. All specialized lighting. All exterior decorative and movable lights.
Emergency Electrical System	Central circuit. Repair parts and/or system wiring/conduit, etc. Periodic operational check-out of system.	Battery Pack. Preventive maintenance.
Heating and Ventilation, Pumps and Boiler System, including Air Handlers and Heating Controls	None.	All maintenance and repair of heating and ventilation, including ducts, air handlers, etc. Clean/replace filters, daily/weekly operational checks, water treatment, etc. Grease all motors and maintain log.
Air Conditioning System, including Air Conditioning Controls Air Compressors - Air Conditioning Fans Cooling side of the HVAC System	None.	All maintenance and repair, including cooling tower and water treatment.

EXHIBIT "C" (CONT.)

<u>System/Area</u>	<u>City's Responsibilities</u>	<u>Tenant Responsibilities</u>
Plumbing, Sewer, Water	Broken pipe, valves within system, clean sewer outside of building. Clearing sewer inside of building. Repair/maintenance of valves, faucets and trim at service points, outside of walls, i.e., angle stops, flushometers, toilet valves and seats, lavatory faucets, traps, hosebibs.	All except as noted under City Responsibilities.
Painting	All exterior, including touch up after vandalism.	All interior walls.
Doors/Hardware	Exterior doors.	All interior doors and hardware and loose screws/bolts.
Windows/Glass in Doors	Replace/repair windows and glass in exterior windows.	Cleaning of glass in doors and windows. Replace glass in doors. Replacement of window glass if responsible for breakage. All interior glass. Maintain security alarm system.
Security	None.	Board up when needed. Repair and maintain electrical alarm system. All repairs.
Floor Covering	None.	Repair all carpet, tile and wood.
Displays	Prior approval of all hook-up plans, electrical, structural, etc. No maintenance.	All installation and operation.
Roof/Elevators/Fire Safety Systems for Buildings/Ceilings/Walls	Roof repairs.	All permanent installations. All improvements in interior partitions, displays, etc.

(R-87-1481)

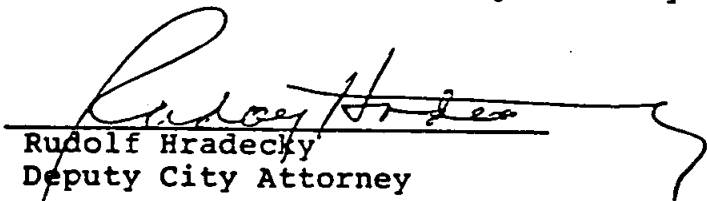
RESOLUTION NUMBER R-267366

ADOPTED ON DEC 16 1986

BE IT RESOLVED, by the Council of The City of San Diego, that the City Manager be and he is hereby authorized and empowered to execute, for and on behalf of said City, a lease agreement with the San Diego Automotive Museum, Inc., for the lease of the Conference Building in accordance with the terms and conditions set forth in the Lease Agreement on file in the office of the City Clerk as Document No. RR-267366.

APPROVED: John W. Witt, City Attorney

By


Rudolf Hradecky
Deputy City Attorney

RH:mrh

01/21/87

Or.Dept:Pk.&Rec.

R-87-1481

Form=r.auagr

Passed and adopted by the Council of The City of San Diego on
December 16, 1986 by the following votes:

YEAS: Cleator, McColl, Jones, Struiksma, Gotch.

NAYS: Wolfsheimer, McCarty, Ballesteros, O'Connor

NOT PRESENT: None.

AUTHENTICATED BY:

MAUREEN O'CONNOR
Mayor of The City of San Diego, California

CHARLES G. ABDELNOUR
City Clerk of The City of San Diego, California

By BARBARA BAXTER
Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true
and correct copy of RESOLUTION NO. R- 267366 passed and
adopted by the Council of The City of San Deigo, California, on
December 16, 1986.

CHARLES G. ABDELNOUR
City Clerk of The City of San Deigo, California

(SEAL)

By Barbara Baxter
Deputy