

SAN DIEGO ART INSTITUTE BALBOA PARK LEASE AGREEMENT

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CITY OF SAN DIEGO

THIS LEASE AGREEMENT is executed between THE CITY OF SAN DIEGO, a municipal corporation, hereinafter called "CITY" and SAN DIEGO ART INSTITUTE, a California non-profit, public benefit corporation, hereinafter called "LESSEE."

SECTION 1: USES

1.1 Premises CITY hereby leases to LESSEE and LESSEE leases from CITY all of that certain real property situated in the City of San Diego, County of San Diego, State of California, as shown on Exhibit "A" attached hereto and by this reference made part of this agreement. Said real property is hereinafter called the "premises" or "leased premises."

1.2 a. Use by LESSEE It is expressly agreed that the premises are leased to LESSEE solely and exclusively for the purposes of the operation and maintenance of the SAN DIEGO ART INSTITUTE. The leased premises are located in a dedicated park and use shall be limited to park and recreation uses. The premises shall be used to provide a general use facility for the SAN DIEGO ART INSTITUTE as follows:

Exhibit the work of San Diego visual artist, provide lectures, classes, and special events related to the visual arts.

- b. Use Consistent with Dedicated Park LESSEE 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 approved by CITY may be made in order to carry on related activities in an orderly and proper manner.
- c. Gift Shop, Concessions and Food LESSEE may operate a gift shop within the building and sell to the general public non-alcoholic beverages, light refreshments, packaged food items and articles which primarily relate to approved activities conducted on the premises and do not conflict with Park concessionaire. Such operation shall be considered an accessory use. No signs, displays or advertising related to the accessory use shall be visible from any non-lease area without prior written approval of the City Manager. Approval by the City Manager shall not be unreasonably withheld. In addition, the LESSEE may serve alcoholic beverages in conjunction with special events and special functions taking place in the building with prior approval of the City Manager. Approval by the City Manager shall not be unreasonably withheld. LESSEE shall not be permitted to serve alcoholic beverages on a regular basis. All sales of alcoholic

beverages on the premises shall be subject to the regulation and approval of the California Department of Alcoholic Beverage Control.

- d. Unauthorized Use The use of the premises for any unauthorized purpose shall constitute a substantial default and subject this lease to termination at the sole option of the CITY.

LESSEE covenants and agrees to use the premises for the above-specified purposes and to diligently pursue said purposes throughout the term hereof. Failure to use the premises for said purposes, or the use thereof for purposes not expressly authorized herein, shall be grounds for termination by CITY.

- 1.3 Related Council Actions By the granting of this lease, neither CITY nor the Council of CITY is obligating itself to any other governmental 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 rezonings, variances, environmental clearances, or any other governmental agency approvals which may be required for the development and operation of the leased premises.

1.4 Quiet Possession LESSEE, shall at all times during the term peaceably and quietly have, hold, and enjoy the premises. If during the lease term 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 damage resulting therefrom.

1.5 Easements and Reservations

- a. Subsurface CITY hereby reserves all rights, title, and interest in any and all subsurface natural gas, oil, minerals, and water on or within the premises.
- b. Public Right-of-Way CITY reserves the right to grant and use easements or to establish and use rights-of-way over, under, along, and across the leased premises for utilities, thoroughfares, or access as it deems advisable for the public good.
- c. Maintenance CITY has the right to enter the premises for the purpose of making repairs to or developing municipal resources and services.

CITY shall not unreasonably or substantially interfere with LESSEE'S use of the premises and will reimburse LESSEE for physical damages, if any,

to the permanent improvements located on the leased premises resulting from CITY exercising the rights reserved in this section. CITY will pay the costs of maintenance and repair of all CITY installations made pursuant to these reserved rights.

- 1.6 Competent Management Throughout the term of this lease agreement, LESSEE shall provide competent management of the leased premises to the satisfaction of the City Manager. For the purposes of this paragraph, "competent management" shall mean demonstrated ability in the management and operation of the SAN DIEGO ART INSTITUTE and related activities in a fiscally responsible manner, ~~and shall submit an annual report to the City June 30, each year and the provisions listed in Section 1.2.~~ *SITS*

- 1.7 Operation of Facilities A regular schedule of days and hours of operation shall be established by LESSEE to best serve the public as set forth in Section 10, Exhibit "B", Schedule of Days and Hours of Operation, hereof. Any changes in this schedule shall be subject to the prior written approval of the City Manager or his authorized representative. LESSEE shall diligently and in a creditable manner furnish services to the public in conformity with all applicable rules and regulations of the City of San Diego.

1.8 CITY Use The premises shall be available to CITY for civic events and special programs, free of charge, except where LESSEE has scheduled events or programs and subject to the approval of LESSEE. Such approval shall not be unreasonably withheld. After every CITY use, the premises shall be left in the same condition found, and LESSEE shall not be required to incur any additional costs by reason of CITY use.

1.9 Political Activities The leased premises shall be used exclusively for the purposes specified in Section 1.2 Uses, hereof. The premises shall not be used for working or campaigning for the nomination or election of any individual to any public office, be it partisan or nonpartisan, provided, however, that LESSEE shall not be precluded from providing a forum for open public debate by candidates such as occurs at a "candidate forum" and similar events.

SECTION 2: TERM

2.1 Commencement The term of this agreement shall be twenty-five (25) years from the date of adoption by the City Council with the option to extend the term twenty-five (25) years for a total of fifty (50) years, commencing on the first day of the calendar month following execution by the City Manager. "Lease year" as used in this lease shall mean the

12-month period commencing on the first day of the calendar month following the execution of this lease by the City Manager.

2.2 Renegotiation This lease may be renegotiated once during the term of this lease. Renegotiation shall commence no later than December 1, 2014. Renegotiation shall be initiated upon written notice given by CITY or LESSEE to the other not less than one (1) year prior to the particular renegotiation interval. Renegotiation shall be directed toward effecting alterations in the terms and conditions of this lease solely to reflect any significant changes which have occurred during the interim period and shall not operate to increase the consideration, terminate the lease or shorten the term thereof.

2.3 Holdover Any holding over by LESSEE with the consent of the City Manager after expiration or termination shall not be considered as a renewal or extension of this lease. The occupancy of the premises after the expiration or termination of this lease constitutes a month-to-month tenancy, and all other terms and conditions of this agreement shall continue in full force and effect.

2.4 Quitclaim and Surrender of LESSEE'S Interest On execution of this lease, LESSEE shall deliver to CITY a quitclaim deed in recordable form

quitclaiming all its rights in and to the premises. CITY may record such deed only on the expiration or earlier termination of this lease. In the event that CITY requires any subsequent quitclaim deed, LESSEE or its successor in interest shall deliver the same within five (5) days after receiving written demand therefor.

At the expiration or earlier termination of this lease, LESSEE shall surrender the premises to CITY free and clear of all liens and encumbrances, except those liens and encumbrances which existed on the date of execution hereof, and in a decent, safe, and sanitary condition. In the case of termination of this lease by CITY prior to the end of the specified lease term, any liens and encumbrances must be approved in writing by the City Manager.

SECTION 3: CONSIDERATION

- 3.1 Consideration In consideration of CITY entering into this agreement with LESSEE, LESSEE agrees to operate and maintain the premises in accordance with this lease. A board of directors or trustees shall be elected by LESSEE to establish policy and govern the corporation.

- 3.2 Inspection of Records LESSEE agrees to make any and all records and accounts available to CITY for inspection at all reasonable times, so that CITY can determine LESSEE'S compliance with this lease. These records and accounts will be made available at the leased premises and will be complete and accurate showing all income and receipts from use of the premises. LESSEE'S failure to keep and maintain such records and make them available for inspection by CITY is a breach of this lease and cause for termination after thirty (30) days prior written demand from CITY to LESSEE. LESSEE shall maintain all such records and accounts for a minimum period of five (5) years.

SECTION 4: ASSIGNMENT

- 4.1 Time is of Essence; Provisions Binding on Successors Time is of the essence of all of the terms, covenants, and conditions of this lease, and, except as otherwise provided herein, all of the terms, covenants, and conditions of this lease shall apply to, benefit, and bind any approved successors and assigns of the respective parties, jointly and individually.
- 4.2 Assignment and Subletting LESSEE shall not assign this lease or any interest therein and shall not sublet the premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person,

except employees, agents, and guests of LESSEE, to use or occupy the premises or any part thereof, without the prior written consent of the City Manager 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 such assignment or subletting without such consent shall be void and shall, at the option of CITY, terminate this lease. "Assignment" for the purposes of this clause shall include any transfer of any ownership interest in this lease by LESSEE.

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 agreement which are applicable to the rights acquired. The City Manager shall require, as a condition to approval of any sublease or assignment, that the proposed sublessee or assignee also comply with all standard CITY lease requirements that are then current.

4.3 Defaults and Remedies

In the event that:

- a. LESSEE shall default in the performance of any covenant or condition required by this lease to be performed by LESSEE and shall fail to cure said default within thirty (30) days following written notice thereof from CITY; or if any such default is not curable within thirty (30) days, shall fail to commence to cure the default(s) within said thirty day period and diligently pursue such cure to completion; or
- b. LESSEE shall voluntarily file or have involuntarily filed against it any petition under any bankruptcy or insolvency act or law; or
- c. LESSEE shall be adjudicated a bankrupt; or
- d. LESSEE shall make a general assignment for the benefit of creditors; then,

CITY may, at its option, without further notice or demand upon LESSEE or upon any person claiming rights through LESSEE, immediately terminate this lease and all rights of LESSEE and of all persons claiming rights through LESSEE to the premises or to possession thereof, and CITY may enter and take possession of the premises. Provided, however, in the event that any default described in Section 4.3 hereof, is not curable within thirty (30) days after notice to LESSEE due to special circumstances, CITY shall not terminate this

lease pursuant to the default if LESSEE immediately commences to cure the default and diligently pursues such cure to completion.

4.4 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. Entire Taking In the event 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.
- b. Partial Taking, Premises Unsuitable In the event of a partial taking, if, in the opinion of CITY, the remaining part of the premises is 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, Premises Suitable In the event of a partial taking, if, in the opinion of CITY, the remaining part of the premises is 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.

- d. Monies Awarded All monies awarded in any such taking shall belong to CITY, whether such taking results in diminution in value of the leasehold or the fee or both; provided, however, 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 or relocation expenses. CITY shall have no liability to LESSEE for any award not provided by the condemning authority. In the event of a partial taking under Subsection 4.4(c), all monies awarded shall be placed in a separate fund and shall be utilized, subject to the joint approval of CITY and LESSEE, for the repair and/or improvement of the remaining portion of the premises.
- e. Transfer CITY has the right to transfer CITY'S interest 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 be interpreted as an exercise of the power of eminent domain and shall not impose any liability upon CITY for inverse condemnation.

SECTION 5: INDEMNIFICATION/INSURANCE RISKS/SECURITY

- 5.1 Indemnity LESSEE agrees to defend, indemnify, protect, and hold the CITY, its agents, officers, and employees harmless from and against any and all claims asserted or liability for damages or injuries to any person or property, including injury to LESSEE'S employees, invitees, guests, agents, or officers, which arise out of or are in any manner directly or indirectly connected with the development or operation of the leasehold or the work and operations to be performed under this agreement, and all expenses of investigating and defending against same; provided, however, that LESSEE'S duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of the CITY, its agents, officers, or employees.

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

- a. Comprehensive Comprehensive public general liability and property damage insurance in the amount of not less than Five Hundred Thousand Dollars (\$500,000) Combined Single Limit Liability with an occurrence claims form. 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 LESSEE or by authorized representatives of CITY or LESSEE on or in connection with the use or operation of the premises.
- b. Fire, extended coverage and vandalism insurance policy on all insurable property on the premises in an amount to cover 100% (one hundred percent) of the replacement cost. Any proceeds from a loss shall be payable jointly to CITY and LESSEE. The proceeds shall be placed in a trust fund to be reinvested in rebuilding or repairing the damaged property.
- c. Approval by CITY All insurance policies will name CITY as an additional insured, protect CITY against any legal costs in defending claims, and will not terminate without sixty (60) days prior written notice to CITY. All insurance companies must be satisfactory to CITY and licensed to do

business in California. All policies will be in effect on or before the first day of the lease. A copy of the insurance policy will remain on file with CITY during the entire term of the lease. At least thirty (30) days prior to the expiration of each policy, LESSEE shall furnish a certificate(s) showing that a new or extended policy has been obtained which meets the terms of this lease.

- d. Revision of Coverages CITY, at its discretion, may require the revision of amounts and coverages at any time during the term by giving LESSEE 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. LESSEE also agrees to obtain any additional insurance required by CITY for new improvements, in order to meet the requirements of this lease.

- e. Reporting Accidents LESSEE 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 shall 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 Maintain Insurance If LESSEE 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. LESSEE 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 insurers and rate of interest. Said reimbursement and interest shall be paid by LESSEE on the first (1st) day of the month following the notice of payment by CITY. Notwithstanding the preceding provisions of this Subsection e, if LESSEE 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 LESSEE and CITY shall be entitled to exercise all legal remedies in the event of such default.

5.3 Waste, Damage or Destruction 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 5.2, 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.

SECTION 6: IMPROVEMENTS/ALTERATIONS/REPAIRS

6.1 Acceptance of Premises By signing this lease, LESSEE represents and warrants that it has independently inspected the premises and made all tests, investigations, and observations necessary to satisfy itself of the condition of the premises. LESSEE agrees it is relying solely on such independent inspection, tests, investigations, and observations in making this lease. LESSEE further acknowledges that the premises are in the

condition called for by this lease, that CITY has performed all work with respect to the premises, and that LESSEE does not hold CITY responsible for any defects, whether apparent or latent, in the premises, including the presence of any hazardous wastes.

6.2 Entry and Inspection CITY reserves and shall always have the right, but not the obligation, to enter said 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 by CITY 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 LESSEE, to have any necessary maintenance work done at the expense of LESSEE, and LESSEE hereby agrees to pay promptly 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 LESSEE 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 an amount adequate in the opinion of the City to correct the said

unsatisfactory condition. LESSEE shall pay the cost of said bond. The rights reserved in this section shall not create any obligations on CITY or increase obligations elsewhere in this lease imposed on CITY.

6.3 Maintenance LESSEE and CITY agree that responsibility for maintenance of the premises shall be assumed by LESSEE or CITY in conformance with Section 10, Exhibit "D" hereto, which is by this reference incorporated herein. All repairs and replacements necessary to maintain and preserve the premises in a decent, safe, healthy, and sanitary condition shall be performed in an expeditious manner as needed, and in compliance with all applicable laws. With regard to CITY's obligations for maintenance, the City Manager shall propose in the CITY's annual budget that funds be made available for anticipated repairs and maintenance responsibilities. However, failure by the City Council to approve a budget with funds adequate to perform such maintenance and repair responsibilities shall not constitute a default under this lease, and CITY shall not be responsible for any damage or liability which may result or be alleged to result from failure to provide such adequate funds. When CITY is informed of maintenance or repair requirements by LESSEE, the City Manager shall use his or her good faith efforts to request, if necessary, that the City Council authorize the expenditure of funds to perform such maintenance or repairs. As provided for above,

funds to perform such maintenance or repairs. As provided for above, however, failure by CITY to provide funding in any particular fiscal year, or at the request of the City Manager, shall not result in any liability for alleged or actual damages on the part of CITY.

6.4 Improvements/Alterations No improvements, structures, or installations shall be constructed on the premises, and the premises may not be altered by LESSEE without prior written approval by the City Manager. Further, LESSEE agrees that major structural or architectural design alterations to approved improvements, structures, or installations may not be made on the premises without prior written approval by the City Manager and that such approval shall not be unreasonably withheld. This provision shall not relieve LESSEE of any obligation under Section 10, Exhibit "C" of this lease to maintain the premises in a decent, safe, healthy, and sanitary condition, including structural repair and restoration of damaged or worn improvements. CITY shall not be obligated by this lease to make or assume any expense or maintenance responsibility for any improvements or alterations. In addition, LESSEE shall comply with all provisions of law respecting disabled access, and, to the maximum extent practicable when making improvements, give due consideration for disabled access not otherwise mandated by law.

6.5 Utilities Except as hereinafter provided, LESSEE agrees to order, obtain, and pay for all utilities necessary for operation of the premises. All utilities will be installed underground. CITY shall provide reasonable amounts of water for use on the leased premises. The City Manager shall have sole and absolute discretion to determine what constitutes a "reasonable amount" for purposes of this paragraph. City Manager may require LESSEE to adopt a water conservation plan.

6.6 Construction Bond Whenever there is any construction to be performed on the premises, LESSEE shall deposit with CITY, prior to commencement of said construction, a faithful performance bond in the amount of 100% (one hundred percent) of the estimated construction cost 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 commenced by 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 will be held in trust by CITY for the purpose specified above or, at CITY'S option, it may be placed in an escrow or other trust approved by CITY.

6.7 Liens LESSEE shall at all times save CITY free and harmless and indemnify CITY 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 reasonable attorney's fees.

If improvements, alterations, or repairs are made to the premises by LESSEE or by any party other than CITY, and a lien or notice of lien is filed, LESSEE shall within five (5) days of such filing either:

- a. Take all actions necessary to record a valid release of 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.

6.8 Taxes LESSEE agrees to pay, before delinquency, all taxes, assessments, and fees assessed or levied upon LESSEE or the premises, including the land, any buildings, structures, machines, equipment, appliances, or other improvements or property of any nature whatsoever erected, installed, or maintained by LESSEE or levied by reason of the business or other LESSEE activities related to the leased premises, including any licenses or permits. LESSEE recognizes and agrees 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 such interest, and that LESSEE shall pay all such possessory interest taxes.

6.9 Signs LESSEE agrees not to erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising without the prior written consent of CITY. Approval by the City Manager shall not be unreasonably held. If any such unauthorized item is found on the premises, LESSEE agrees to remove the item at its expense within twenty-four (24) hours notice thereof by CITY, or CITY may thereupon remove the item at LESSEE'S cost.

6.10 Ownership of Improvements and Personal Property

a. Possession of Improvements Any and all improvements, trade fixtures, structures, and installations or additions to the premises now existing or constructed on the premises by LESSEE shall at lease expiration or termination be deemed to be part of the premises and shall become, at CITY'S option, CITY'S property free of all liens and claims, except as otherwise provided in this lease.

b. Removal of Improvements If CITY elects not to assume ownership of all or any improvements, trade fixtures, structures, and installations, CITY

shall so notify LESSEE thirty (30) days prior to termination or one hundred eighty (180) days prior to expiration, and LESSEE shall remove all such improvements, structures and installations as directed by CITY at LESSEE'S sole cost on or before lease expiration or termination. If LESSEE fails to remove any improvements, structures and installations as directed, LESSEE agrees to pay CITY the full cost of any removal.

- c. Personal Property LESSEE-owned machines, appliances, equipment (other than trade fixtures), and other items of personal property shall be removed by LESSEE by the date of the expiration or termination of this lease. Any said items which LESSEE fails to remove will be considered abandoned and become CITY'S property free of all claims and liens, or CITY may, at its option, remove said items at LESSEE'S expense.
- d. Damage to Premises If any removal of such personal property by LESSEE results in damage to the remaining improvements on the premises, LESSEE agrees to repair all such damage.
- e. CITY'S First Right of Refusal to Personal Property Notwithstanding any of the foregoing, in the event LESSEE desires to dispose of any of its personal property used in the operation of said premises upon expiration

or termination of this lease, then CITY shall have the first right to acquire or purchase said personal property.

6.11 Unavoidable Delay If the performance of any act required of CITY or LESSEE 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, said party shall be excused from performing that act for the period equal to the period of the prevention or delay. In the event LESSEE or CITY claims the existence of such a delay, the party claiming the delay shall notify the other party in writing of such fact within ten (10) days after the beginning of any such claimed delay.

6.12 Hazardous/Toxic Waste LESSEE will not allow the installation or release of hazardous substances in, on, under, or from the premises. For the purposes of this provision, a release shall include but not be limited to any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, or otherwise disposing of hazardous substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State's list of hazardous substances. A copy of the presently effective EPA and State lists is on file in the Office of the City Clerk as Document 769704 and by this reference is incorporated herein. In the

event of any release of a hazardous substance, LESSEE shall be responsible for all costs of remediation and removal of such substances in accordance with applicable rules and regulations of governmental authorities.

LESSEE agrees to assume the defense of, indemnify, and hold CITY harmless from any and all claims, costs, and expenses related to environmental liabilities resulting from LESSEE'S operations on the premises, including but not limited to costs of environmental assessments, costs of remediation and removal, any necessary response costs, damages for injury to natural resources or the public, and costs of any health assessment or health effect studies.

If LESSEE knows or has reasonable cause to believe that any hazardous substance has been released on or beneath the premises, LESSEE shall give written notice to the City Manager within ten (10) days of receipt of such knowledge or cause for belief. Provided, however, if LESSEE knows, or has reasonable cause to believe that such substance is an imminent and substantial danger to public health and safety, LESSEE shall notify the City Manager immediately upon receipt of this knowledge or belief and shall take all actions necessary to alleviate such danger. LESSEE will notify the City Manager immediately of any notice of violation received or initiation of environmental actions or private suits relative to the premises. In addition, LESSEE and

LESSEE'S sublessees shall not utilize or sell any hazardous substance on the property without the prior written consent of CITY.

At any time within the twelve (12) months before the expiration or earlier termination of this lease, LESSEE, at CITY'S sole option, shall cause an environmental assessment of the premises to be completed by a professional environmental consultant registered with the State of California as a Professional Engineer, Certified Engineering Geologist, or Registered Civil Engineer. Said environmental assessment shall be obtained at the sole cost and expense of LESSEE and shall establish what, if any, hazardous substances exist on, in, or under the premises, and in what quantities. If any hazardous substances exist in quantities greater than that allowed by CITY, County, State, or Federal laws, statutes, ordinances, or regulations, then said environmental assessment shall include a discussion of these substances with recommendations for remediation and removal necessary to effect compliance with those laws or statutes and estimates of the cost of such remediation or removal. LESSEE shall cause the remediation and/or removal recommended in the environmental assessment such that compliance with environmental law is achieved and shall be solely responsible for all costs and expenses incurred.

6.13 Development Plan LESSEE agrees to develop the leased premises in accordance with Balboa Park Master Plan approved by City Council and the City Manager and filed in the Office of the City Clerk, which plan is hereby incorporated by this reference. The City Manager or his designee shall have the authority to authorize changes to the development plan provided that the basic concept of the Balboa park Master Plan may not be modified without City Council approval, and a document evidencing any approved changes shall be filed in the Office of the City Clerk. Failure by LESSEE to comply with the Balboa Park Master Plan shall constitute a major default and subject this lease to termination by CITY. LESSEE shall provide the CITY a Tenant Improvements Construction Plan and Time Line (Exhibit E) and provide a statement of fiscal responsibility to complete tenant improvements (Exhibit F).

SECTION 7: GENERAL PROVISIONS

7.1 Notices

- a. Any notice required or permitted to be given hereunder shall be in writing and may be served personally or by United States mail, postage prepaid, addressed to LESSEE at the leased premises or at such other address designated in writing by LESSEE; and to

CITY as follows: City Manager
Attention Deputy Director
Park and Recreation/Central Division
2125 Park Boulevard
Balboa Park Administration Building
San Diego, CA 92101-4792

or to any mortgagee, trustee, or beneficiary, as applicable, at such appropriate address designated in writing by the respective party.

- b. Any party entitled or required to receive notice under this lease may designate a different address to which notices shall be sent.

7.2 Compliance with Law LESSEE agrees to and shall, at its sole cost and expense, comply, maintain and secure compliance with all the requirements of all municipal, county, state, and federal governments now in force or which may hereafter be in force pertaining to the said premises or the operations conducted thereon, and shall faithfully observe and secure observance with, in the use of the premises, all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. The judgement of any court of competent jurisdiction or the admission of LESSEE 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 LESSEE, sublessee or permittee has violated any such ordinance or statute in the use of the premises shall be conclusive of the fact as between CITY and LESSEE.

7.3 CITY Approval The approval or consent of CITY, wherever required in this lease, shall mean the written approval or consent of the City Manager unless otherwise specified, without need for further resolution by the City Council.

7.4 Nondiscrimination LESSEE agrees not to discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or physical disability in LESSEE'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.

7.5 Equal Opportunity LESSEE will 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 any other applicable federal state laws and regulations hereafter enacted. LESSEE will 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. Upon CITY request, LESSEE will submit a current Workforce Report and, if required, an Equal Opportunity Plan which sets forth the actions that LESSEE will take to achieve the CITY'S goals for the employment of African Americans, American Indians, Asians, Filipinos, Latinos, women, and people with disabilities. Further, LESSEE will cause the foregoing provisions to be inserted in all subleases and all subcontracts for any work covered by this lease so that such provisions will be binding upon each sublessee and subcontractor.

LESSEE understands that failure to comply with the requirements listed above 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.

LESSEE acknowledges that the CITY seeks to promote employment and business opportunities for local residents and firms on all CITY contracts. LESSEE is encouraged to solicit applications for employment, bids and proposals for subcontracts, and work associated with this lease from local residents and firms as opportunities occur. LESSEE is encouraged to hire qualified local residents and firms.

7.6 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 will remain in full force and effect.

7.7 Legal Fees In the event of any litigation regarding this lease, the prevailing party shall be entitled to an award of reasonable legal costs, including court and attorneys' fees.

7.8 Number and Gender Words of any gender used in this lease shall include any other gender, and words in the singular number shall include the plural, when the tense requires.

7.9 Captions The Lease Index, section headings, and captions for various articles and paragraphs shall not be held to define, limit, augment, or describe the scope, content, or intent of any or all parts of this lease. The numbers of the paragraphs and pages of this lease may not be consecutive. Such lack of consecutive numbers is intentional and shall have no effect on the enforceability of this lease.

7.10 Entire Understanding This lease contains the entire understanding of the parties. LESSEE, by signing this agreement, agrees that there is no other written or oral understanding between the parties with respect to the leased premises. 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 in 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. No modification, amendment, or alteration of this lease will be valid unless it is in writing and signed by all parties.

7.11 CITY Employee Participation Policy It is the policy of CITY that all CITY contracts, agreements, or leases with consultants, vendors, or LESSEES shall include a condition that the contract, agreement, or lease shall be unilaterally and immediately terminated by CITY if the contractor or LESSEE employs an individual who, within the twelve months immediately preceding such employment, did in his/her capacity as a CITY officer or employee participate in negotiating with or otherwise have an influence on the recommendation made to the City Council in connection with the selection of the contractor or LESSEE. LESSEE shall also be required to adhere to City Council Policy 300-11, "City Contract Provisions with Respect to Hiring City Employees." It is not the intent of this policy that these provision apply to members of the City Council.

7.12 Drug-free Workplace LESSEE shall be required to 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 leasehold and specifying the actions that will be taken against employees for violations of the prohibition.
- b. Establishing a drug-free awareness program to inform employees about all of the following:
 - (1) The dangers of drug abuse in the workplace.
 - (2) The LESSEE'S policy of maintaining a drug-free workplace.
 - (3) Any available drug counseling, rehabilitation, and employees' assistance programs.
 - (4) The penalties that may be imposed upon employees for drug abuse violations.
- c. LESSEE shall include in each sublease agreement language which indicates the sublessee's agreement to abide by the provisions of a drug-free workplace. LESSEE and sublessees shall be individually responsible for their own drug-free workplace programs.

7.13 Disabled Access Compliance LESSEE agrees to 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, LESSEE shall comply with CITY'S disabled access requirements by bringing up to code and making accessible any areas of the premises which deny access to disabled persons. All such improvements and alterations shall be at the sole cost of LESSEE.

- e. 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.

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.

7.14 Bylaws Membership in LESSEE's organization shall be open to anyone meeting the requirements of its rules and bylaws. All restrictions, rules, bylaws, and fees, if any, and changes thereto proposed by LESSEE'S organization and relating to qualifications for membership, other than dues, or to the operation of SAN DIEGO ART INSTITUTE shall, before being put into effect, be submitted to and receive the written approval of the City Manager. Bylaws shall be on file in the office of the Park and Recreation Department prior to CITY'S execution of this lease.

7.15 Standard of Conduct of Employees LESSEE and its employees shall at all times conduct themselves and the operations on the leased premises in a creditable manner acceptable to the City Manager. Creditable manner shall mean no violation of any City, State or Federal law or regulation on the premises.

7.16 Parking With the expansion of LESSEE'S facility, it is recognized that the demand for adjacent parking will increase. CITY currently runs an intra-park tram system in Balboa Park, and LESSEE agrees to make reasonable efforts to encourage its patrons and employees to park their vehicles in the Inspiration Point parking lot and ride the tram to and from the premises. CITY shall be under no obligation to continue the tram service in the Park if annual funding is not sufficient to cover all costs of tram operations.

7.17 No Employment Contract Nothing contained in this lease shall be construed to constitute any party hereto, or any agents, employees, or contractors of any party hereto as a partner, employee, or agent of any other party, nor shall any party have any authority to bind any other party in any respect, it being intended that each shall remain an independent contractor responsible for its own actions.

7.18 Authority The parties hereto warrant they have the authority to enter into this lease, and that they are authorized to enter into this lease by their Officers and Directors. The parties further warrant that they hold the appropriate licenses and insurance, as required by law, to perform the services contemplated by this lease and that all licenses and insurance shall be kept current and valid for the duration of this lease. In the event that any party's required license(s) or insurance becomes invalid for any reason, any other party may cancel this lease

without notice. Within ten (10) days of the execution of this lease, Contractor shall provide Association with a certificate of insurance naming Association as an additional insured, and with Contractor's state license number.

SECTION 8: SPECIFIC PROVISIONS

- 8.1 CITY Funds During the term of this lease, CITY may, but is not obligated to, provide funds to help defray the cost of operation of an/or capital improvements to the premises in amounts to be determined annually by the City Council.
- 8.2 Covenants by LESSEE 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 cultural and educational facilities.
- 8.3 Board of Trustees A Board of Trustees (the "Board") shall be elected by LESSEE. The activities and affairs of LESSEE, the SAN DIEGO ART INSTITUTE, shall be exercised by or under the direction of the Board. The Board may, however, hire an officer, known as the Executive Director, to act as the general manager and chief executive officer of LESSEE and who shall be authorized by the Board to handle the day-to-day affairs and business of LESSEE.

8.4 Use of CITY Funds In accordance with CITY'S policies, CITY funds may be expended for utilities, custodial, demonstration and guard services, materials and personnel. LESSEE shall not use, directly or indirectly, any of the funds received from CITY under this lease for any political or religious activities whatsoever.

8.5 Use of Proceeds LESSEE agrees that all income and proceeds received by LESSEE from the operation of the leased premises, shall be utilized for purposes of the continued operation, maintenance and improvement of the leased premises and for purposes incidental thereto. Certification of LESSEE'S compliance with the requirements of this section shall be specifically set forth in LESSEE'S audited financial statements as provided for in Section 8.11 hereof.

8.6 Annual Report On or before June 30 of each year of this lease, LESSEE shall submit to the City Manager a financial report certified by an independent certified public accountant for the previous fiscal year of LESSEE. 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

lease and shall cover the period between the last report and the said expiration date.

8.7 Financial Records LESSEE 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 the LESSEE'S expenditures and transactions shall be supported by documents of original entry such as sales slips, cash register tapes, purchase invoices and receipts. Document supporting a profit and loss statement shall be retained by LESSEE until an audit of LESSEE'S records is conducted by CITY, or until a period of three (3) years has elapsed, whichever occurs first.

8.8 Accounting Procedures LESSEE shall use such accounting procedures as shall be requested by the City Auditor.

8.9 Inspection of Records and Audit All books, statements, documents, records and financial data of LESSEE 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 LESSEE, or demand and receive from LESSEE the results

of a complete audit as conducted by a certified public accountant in the event that (1) LESSEE'S executive director, or other managing agent, resigns, retires or is discharged; (2) a majority in the membership of LESSEE'S Board of Trustees changes; or (3) the purposes for which LESSEE was created are materially or substantially changed.

8.10 Proposed Budget LESSEE shall have deposited with the City Manager by March 15 of each year five (5) copies of documents evidencing the proposed programs and financial status of LESSEE for the year for which support is required. Without limiting the generality of the foregoing, such documents shall include a copy of LESSEE'S proposed programs, a detailed operating budget showing expected sources of revenue and the nature of all proposed expenditures.

8.11 Activities and Inventory LESSEE shall submit to the City Manager at the close of each fiscal year (1) a report of LESSEE'S activities, and if requested by the City Manager, (2) an inventory of furnishings and other property of CITY which are in the custody of LESSEE, in a form reasonably required by and satisfactory to CITY. The filing of the LESSEE'S annual funding report shall satisfy the requirements of this Section.

8.12 Admission Charges/Free Tuesday LESSEE shall submit to the City Manager a list of admission charges (Exhibit C) for approval. Leased premises shall be open free to the public one Tuesday per month. As agreed upon by LESSEE and CITY, Free Day shall be the third Tuesday of each month.

SECTION 9: SIGNATURES

IN WITNESS WHEREOF, this lease is executed by CITY, acting by and through its City Manager, and by LESSEE, acting by and through its lawfully authorized officers.

CITY MANAGER, CITY OF SAN DIEGO

Date: 6/4, 1996

By: Marcia C. McLatchy
MARCIA C. McLATCHY
Park & Recreation Director

SAN DIEGO ART INSTITUTE

Date: 4/1/96, 1996

By: Stephen M. Burns
Stephen M. Burns

Date: 4/1/96, 1996

By: Michael H. Pange

Approved as for form and legality this 9th day of JULY, 1996

JOHN W. WITT, City Attorney

By: Stuart H. Swett
Deputy City Attorney

SECTION 10: EXHIBITS

Exhibit A: LOCATION MAP

1. Tenant Area of Occupancy

Exhibit B: SCHEDULE OF DAYS AND HOURS OF OPERATION

Open to the public Tuesday through Sunday

10:00 a.m. - 4:30 p.m.

Closed to the public on Thanksgiving Day, Christmas Day and New Year's Day

Exhibit C: SCHEDULE OF ENTRANCE FEES/CHARGES

Regular exhibits shall be free to the public.

A suggested donation of \$2.00 per person will be requested by way of signage and a donation box

Exhibit D: MAINTENANCE AND REPAIRS

Exhibit E: LESSEE IMPROVEMENTS PLAN/TIMELINE

Exhibit F: STATEMENT OF FISCAL RESPONSIBILITY TO COMPLETE TENANT IMPROVEMENTS

Exhibit G: COUNCIL RESOLUTION - R-2845128, ADOPTED AUGUST 9, 1994

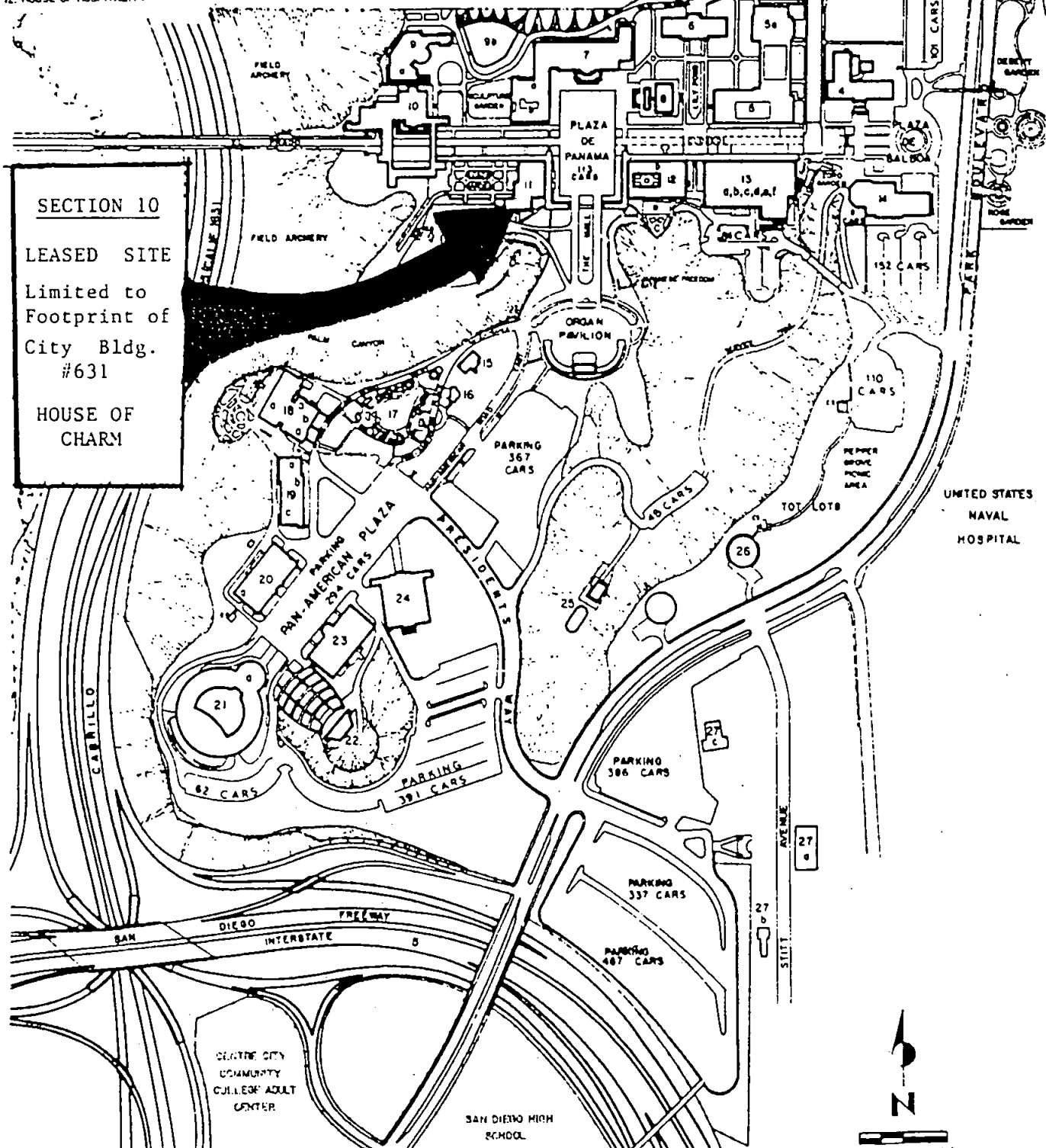
CULTURAL RECREATION AREA BALBOA PARK, CITY OF SAN DIEGO

EXHIBIT A

1. ZOO ENTRANCE
2. PHOTOGRAPHIC ARTS BLDG
3. SPANISH VILLAGE
4. NATURAL HISTORY MUSEUM
5. CASA DEL PRADO
 - a. Casa del Prado Theatre
6. BOTANICAL BLDG
7. SAN DIEGO MUSEUM OF ART
 - a. West Gallery
 - b. Sculpture Garden Cafe
8. TIMKIN ART GALLERY
9. OLD GLOBE THEATRE
 - a. Caselus Corcoran Centre Stage
 - b. Lowell Davies Festival Theatre
10. MUSEUM OF MAN
11. HOUSE OF CHARMIS
12. HOUSE OF HOSPITALITY

- a. Cafe del Rey More
- b. Information Center
13. CASA DE BALBOA
 - a. Hall of Champions
 - b. Museum of Photographic Arts
 - c. Model Railroad Museum
- d. San Diego Historical Research Archives
- e. Balboa Art Conservation Center
- f. Chocolate Lily Cafe
14. REUBEN H. FLEET SPACE THEATRE/SCIENCE CENTER
15. HALL OF NATIONS
16. UNITED NATIONS BLDG
17. HOUSE OF PACIFIC RELATIONS

18. BALBOA PARK CLUB
 - a. Park Development
 - b. Police Storefront
19. PALISADES BLDG.
 - a. Marie Hildebrand Puppet Theatre
 - b. Recital Hall
 - c. BALBOA PARK MANAGEMENT CTR.
20. SAN DIEGO AUTOMOTIVE MUSEUM
 - a. Park and Recreation Management
21. AEROSPACE HISTORICAL CENTER
 - a. Aerospace Museum and Hall of Fame
22. STARLIGHT BOWL
23. MUNICIPAL GYM
24. FEDERAL BLDG
25. POLICE STABLES (TEMP)
26. CENTRO CULTURAL DE LA RAZA
27. NAVAL EXCHANGE BLDGS
 - a. Bldg. 1 (Entrance)
 - b. Bldg. 8 (Library)
 - c. Bldg. 140 (Chapel)



SECTION 10

LEASED SITE

Limited to
Footprint of
City Bldg.
#631

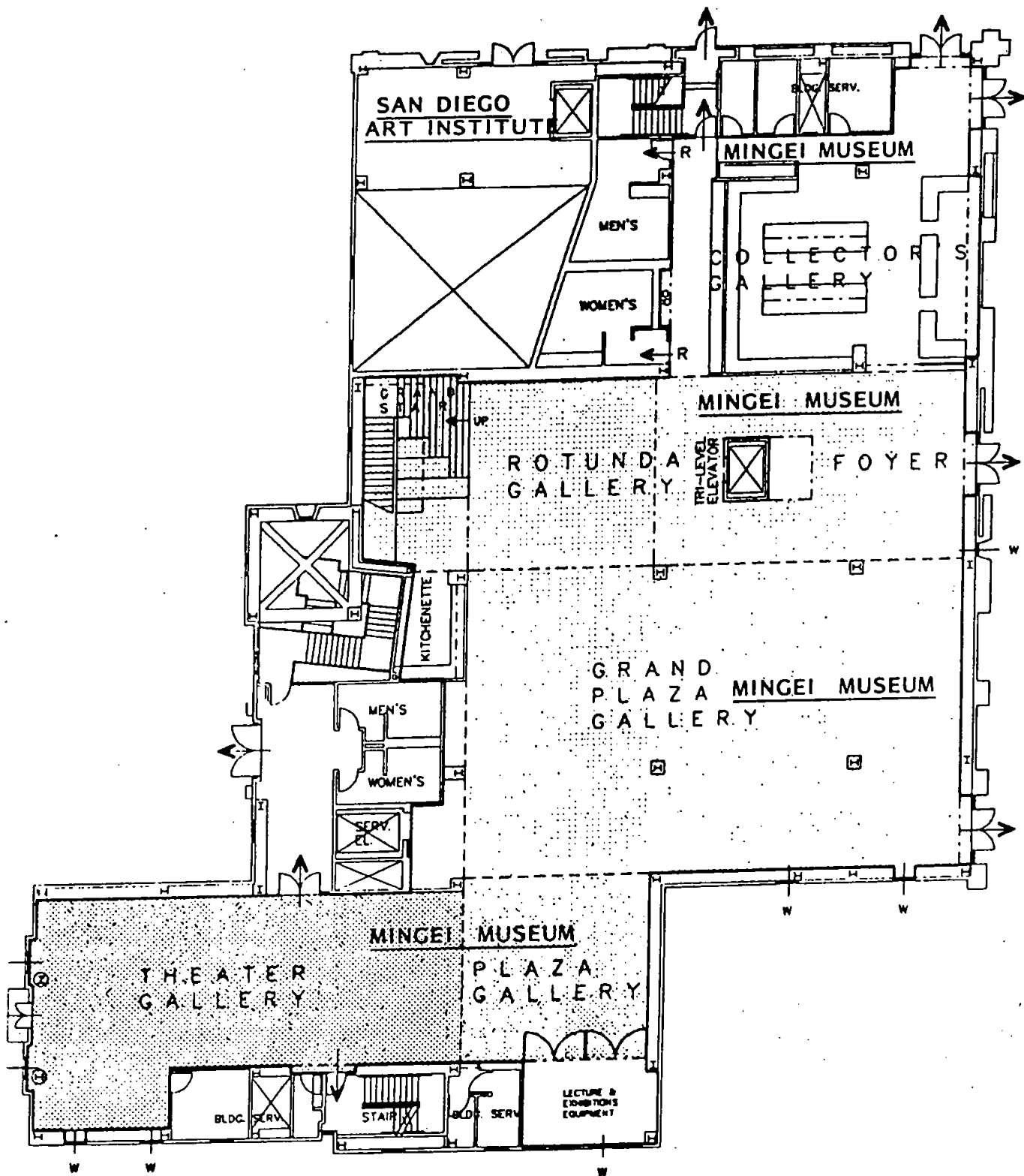
HOUSE OF
CHARM



LEGEND



- ← EXIT/EGRESS
 W — EXTERIOR WINDOW
 SERV.EL. SERVICE ELEVATOR
 ← R TOILET ROOM ENTRANCE
 BLDG.SERV. BUILDING SERVICES
 (MECHANICAL ELECTRICAL
 & TELEPHONE ROOMS)



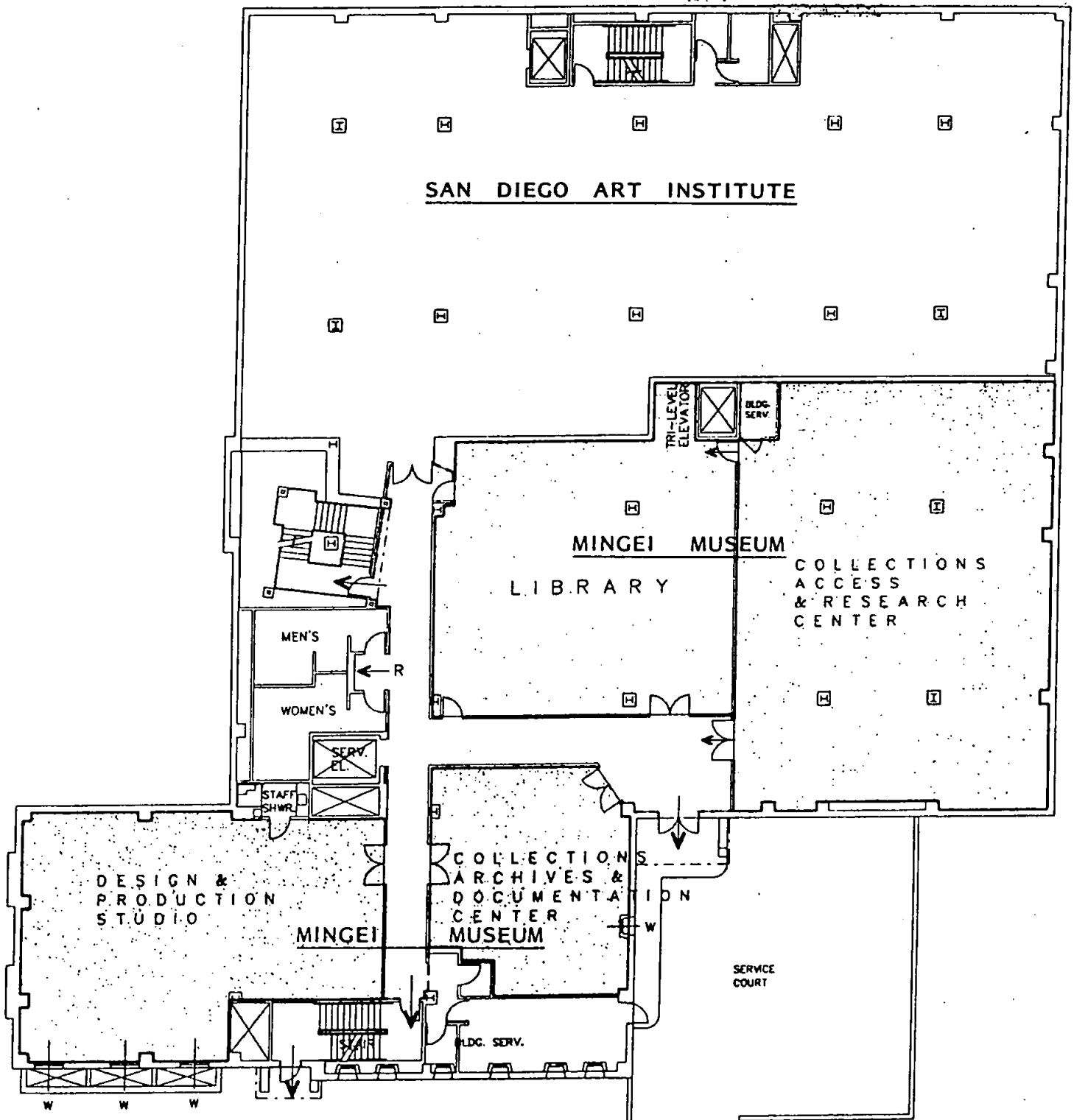
PLAZA LEVEL

The House of Charm
Balboa Park, San Diego, CA

LEGEND

- ← ENT/EGRESS
- W — EXTERIOR WINDOW
- SERV.EL SERVICE ELEVATOR
- ← R TOILET ROOM ENTRANCE
- BLDG.SERV. BUILDING SERVICES (MECHANICAL, ELECTRICAL & TELEPHONE ROOMS)





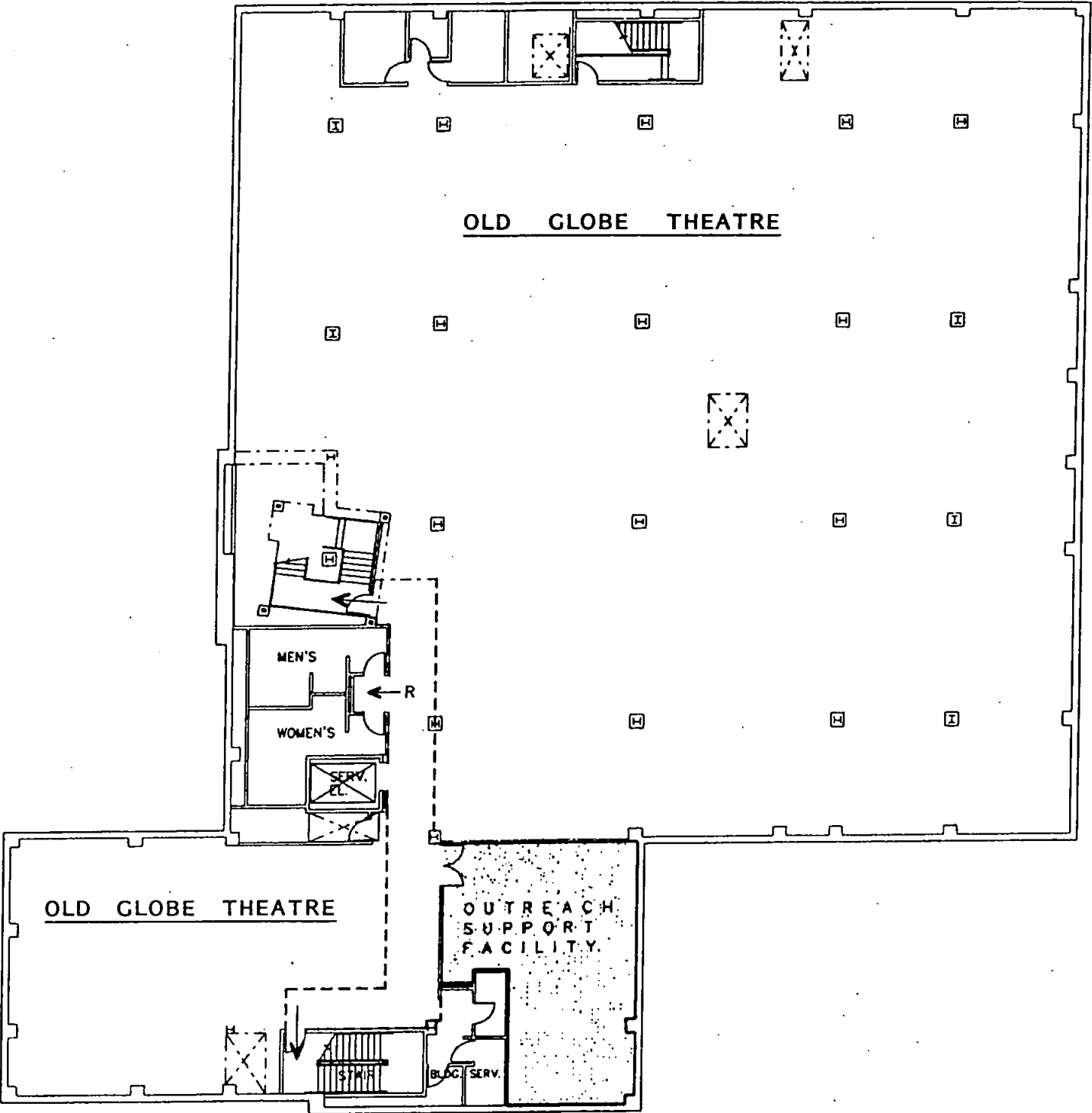
LOWER LEVEL

The House of Charm
Balboa Park, San Diego, CA

LEGEND

- ← EXIT/EGRESS
- W — EXTERIOR WINDOW
- SERV.EL. SERVICE ELEVATOR
- ← R TOILET ROOM ENTRANCE
- BLDG.SERV. BUILDING SERVICES
(MECHANICAL, ELECTRICAL
& TELEPHONE ROOMS)





BASEMENT LEVEL

LEGEND

← EXIT/EGRESS

SERV.EL SERVICE ELEVATOR

← R TOILET ROOM ENTRANCE

BLDG.SERV. BUILDING SERVICES
(MECHANICAL, ELECTRICAL,
& TELEPHONE ROOMS)

N

Maintenance Responsibilities

EXHIBIT D

System/Area	CITY'S Responsibilities	LESSEE'S Responsibilities
Fire Suppression System	All maintenance of fire suppression system, sprinkler systems, and/or other permanently installed systems in the building. Conduct inspection of all equipment not less than annually.	Check and observe daily. Report problems to CITY. Maintain all portable and/or temporary systems, extinguishers, hoses and nozzles, sensors and alarms, etc.
Alarms	None.	Observe, Maintain, and repair all sensors, alarms, wiring, etc., for security and fire alarm systems, including heat, smoke, motion, intrusion, etc.
Security	Exterior building envelope, including exterior locks, emergency boarding up and repair of doors and windows.	All other security including lock installation and maintenance.
Displays and Additions	Approval of hookups and modifications of all types.	All installation, removal, and maintenance.
Elevators/Dumbwaiters	None.	All maintenance. Obtain and maintain permits, inspections, etc.
Floors/Floor Coverings	None.	All maintenance.
Windows/Glass	All glass in permanent windows and doors.	All glass in temporary partitions, displays, etc. All tinting film on windows.
Doors, Walls, Ceilings, Roof and Moldings/Shades	All permanent exterior items.	All interior items and additions or modifications to existing equipment, structures, systems, displays, temporary installations, and window coverings (film, shades, blinds, drapes).
Plumbing/Electrical/HVAC	None.	All maintenance.
Custodial	None.	All, including providing paper products, soap, light bulbs and tubes. Cleaning adjacent to structures.
Vandalism	All CITY-owned items and permanent exterior structures, including windows.	All interior structures, temporary installations, collections, equipment, and displays owned by LESSEE.
Paint	All exterior painting.	All interior painting.
Murals	None.	All responsibility for maintenance, upkeep.

The above division of maintenance responsibilities notwithstanding, CITY'S obligation to perform maintenance of the premises is limited to availability of funds pursuant to Section 6.3 hereof.

SCHEDULE OF IMPROVEMENTS**(BASED ON MONTHS FROM EXECUTION OF LEASE AGREEMENT)**

Prepare detailed drawings, plans, and design documents	In Process
Installation of stairway	Month 1 & 2
Installation of Electrical Water	Month 2 & 3
Installation of Wall Coverings (Plywood, Sheetrock)	Month 2 & 3
Installation of HVAC	Month 5 & 6
Floor Preparation	Month 6
Buildout of Offices, Sub-galleries	Month 6, 7, 8
Projected Completion of Major Improvements	Month 8



The Studio Building • 2400 Kettner Blvd. • Suite 108 • San Diego, California 92101 • (619) 236-0011 • Fax (619) 236-1974

February 5, 1996

Penny Scott
Park & Recreation Department
2125 Park Boulevard
San Diego, CA 92101

Dear Ms. Scott:

Enclosed is the information you had requested on our staff, membership, and board of directors for the lease package. Also included is the time line of gallery completion's.

We are grateful to report that the San Diego Art Institute has achieved its financial obligation to complete the tenant improvements for the 9565 sqft. House of Charm location. Our grand opening will consist of an extensive fine art exhibition of sculpture, painting, photography, and mixed media coordinated with the Republican Convention in August.

We look forward to a profitable and exciting relationship in the new House of Charm.

If there are any questions please contact me in person at 436-9921.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen M. Burns". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephen M. Burns
President

(R-94-1453)

RESOLUTION NUMBER R- 284518ADOPTED ON AUG 09 1994

BE IT RESOLVED, by the Council of The City of San Diego,
as follows with regard to tenancy of the House of Charm in Balboa
Park:

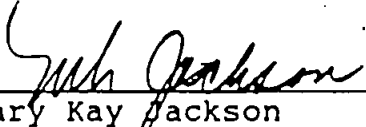
1. That if the Children's Museum does not occupy the House
of Charm, then Mingei International Museum is designated as the
primary tenant in the reconstructed House of Charm with a gross
allocation of 41,300 square feet.

2. That the San Diego Art Institute is designated as a
co-tenant with a gross allocation of 9,565 square feet.

3. That the Old Globe Theater is reconfirmed as an
existing tenant with a gross allocation of 19,000 square feet.

APPROVED: JOHN W. WITT, City Attorney

By


Mary Kay Jackson
Deputy City Attorney

MKJ:mb
04/05/94
Or.Dept:Pk&Rec
R-94-1453
Form=r-t