



THE CITY OF SAN DIEGO

June 19, 2006

VIA FIRST CLASS MAIL AND FACSIMILE TO (760) 740-0242

Danny Sherlock, President
Boys' and Girls' Clubs of Inland North County
115 W. Woodward Avenue
Escondido, CA 92025

Reference: Lease Agreement between the City of San Diego and Boys' and Girls' Clubs of Inland North County (William J. Oakes Branch) ("Lessee") filed January 24, 2005 as Document No. RR 300054 ("Lease")

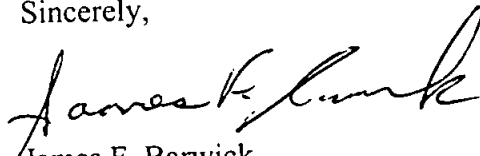
Dear Mr. Sherlock:

In accordance with Section 2.1 of the above-referenced Lease, the City of San Diego agrees to extend the length of the term of the Lease from fifteen years to twenty years based on the award of a \$927,000 grant from the State of California, Department of Parks and Recreation for the construction of a soccer arena. According to the Project Officer for the State Department of Parks and Recreation, grants exceeding \$100,000 require at least 20 years of land tenure and public recreation operation. The Lease term extension provided by this letter will enable the Lessee to meet the requirements of the grant.

The revised expiration date of the Lease is February 28, 2025. Consequently, the noticing date for exercising the first right to extend the Lease will be between March 1, 2024 and August 31, 2024. In accordance with the Lease, the length of the first extension term will be reduced by five years. If the grant is not funded, the term of the Lease will revert to fifteen years.

Please contact Carol Young at (619) 236-6081 if you have any questions.

Sincerely,


James F. Barwick
Director

cc: James P. Anthony, Supervising Property Agent

I:\Young\Ltr-Boys&GirlsClubLeaseAmend-1



Real Estate Assets

1200 Third Avenue, Suite 1700, MS 51A • San Diego, CA 92101-4199
Tel (619) 236-6020 Fax (619) 236-6706

COPY

DUPLICATE ORIGINAL



CITY OF SAN DIEGO

and

BOYS' AND GIRLS' CLUBS OF INLAND NORTH COUNTY

William J. Oakes Branch Lease Agreement

DOCUMENT NO. RA 300054

FILED JAN 24 2005

**OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA**

LEASE OUTLINE

SECTION 1: USES	1
1.1 <u>Premises</u>	1
1.2 <u>Uses</u>	1
1.3 <u>Related Council Actions</u>	2
1.4 <u>Quiet Possession</u>	2
1.5 <u>Easements and Reservations</u>	2
1.6 <u>Competent Management</u>	3
1.7 <u>Operation of Facilities</u>	3
1.8 <u>Rates and Charges</u>	3
1.9 <u>CITY Use</u>	3
1.10 <u>Political Activities</u>	4
1.11 <u>Public Use</u>	4
SECTION 2: TERM	4
2.1 <u>Term</u>	4
2.2 <u>Right to Extend</u>	5
2.3 <u>Holdover</u>	5
2.4 <u>Surrender of Premises</u>	5
SECTION 3: RENT	6
3.1 <u>Time and Place of Payment</u>	6
3.2 <u>Rent and Administrative Fee</u>	6
3.3 <u>Sublease Income</u>	8
3.4 <u>Inspection of Records</u>	8
3.5 <u>Delinquent Administrative Fee</u>	8
3.6 <u>Unauthorized Use Charge</u>	9
3.7 <u>Annual Budget</u>	9
SECTION 4: ASSIGNMENT	9
4.1 <u>Time is of Essence; Provisions Binding on Successors</u>	9
4.2 <u>Assignment and Subletting</u>	9
4.3 <u>Encumbrance</u>	10
4.4 <u>Defaults and Remedies</u>	11
4.5 <u>Eminent Domain</u>	13
SECTION 5: INSURANCE RISKS/SECURITY	14
5.1 <u>Indemnity</u>	14
5.2 <u>Insurance</u>	14
5.3 <u>Waste, Damage, or Destruction</u>	16
SECTION 6: IMPROVEMENTS/ALTERATIONS/REPAIRS	17

6.1	<u>Acceptance of Premises.</u>	17
6.2	<u>Entry and Inspection</u>	17
6.3	<u>Maintenance.</u>	17
6.4	<u>Improvements/Alterations.</u>	18
6.5	<u>Utilities</u>	18
6.6	<u>Construction Bond</u>	18
6.7	<u>Liens</u>	18
6.8	<u>Taxes</u>	18
6.9	<u>Signs</u>	19
6.10	<u>Ownership of Improvements and Personal Property.</u>	19
6.11	<u>Unavoidable Delay</u>	20
6.12	<u>Development Plan</u>	20
6.13	<u>Hazardous/Toxic Waste</u>	21
6.14	<u>Asbestos Disclosure</u>	22
6.15	<u>Water Quality - Best Management Practices and Storm Water Management Plan</u>	22
SECTION 7:	GENERAL PROVISIONS	23
7.1	<u>Notices</u>	23
7.2	<u>Compliance with Law.</u>	23
7.3	<u>CITY Approval or Notice</u>	23
7.4	<u>Nondiscrimination.</u>	23
7.5	<u>Compliance with CITY'S Equal Opportunity Contracting Program.</u>	24
7.6	<u>Partial Invalidity</u>	24
7.7	<u>Legal Fees</u>	24
7.8	<u>Number and Gender</u>	24
7.9	<u>Captions</u>	25
7.10	<u>Entire Understanding</u>	25
7.11	<u>CITY Employee Participation Policy</u>	25
7.12	<u>Drug-free Workplace</u>	25
7.13	<u>Disabled Access Compliance</u>	26
7.14	<u>Corporate Authority</u>	26
7.15	<u>Standard of Employees</u>	26
7.16	<u>Membership.</u>	26
7.17	<u>Program Review</u>	26
7.18	<u>Survival</u>	26
7.19	<u>Supersedure</u>	26
SECTION 8:	SIGNATURES	28
8.1	<u>Signature Page.</u>	28
SECTION 9:	EXHIBITS	29
9.1	<u>Legal Description.</u>	29
9.2	<u>General Development Plan</u>	30

9.3	<u>Corporate Name</u>	31
9.4	<u>Schedule of Rates and Charges</u>	32
9.5	<u>Schedule of Days and Hours of Operation</u>	33

**CITY OF SAN DIEGO
BOYS' AND GIRLS' CLUBS OF INLAND NORTH COUNTY
WILLIAM J. OAKES BRANCH
LEASE AGREEMENT**

THIS LEASE AGREEMENT ("Lease") is executed between the CITY OF SAN DIEGO, a municipal corporation, hereinafter called "CITY," and the BOYS' AND GIRLS' CLUBS OF INLAND NORTH COUNTY, a California nonprofit public benefit corporation, dba Boys & Girls Clubs of San Diego, hereinafter called "LESSEE."

WHEREAS, CITY is the owner of a 2.11 acre parcel located at 2930 Marcy Avenue, San Diego, California ("Property");

WHEREAS, LESSEE entered into a long-term lease with CITY in 1941 that provided for the construction and maintenance of a Boys & Girls Club on the Property;

WHEREAS, at the expiration of the original lease, CITY and LESSEE entered into a subsequent long-term lease that expired in 1992 and has been on holdover status since that time;

WHEREAS, CITY and LESSEE desire to continue to provide low-cost recreational facilities for the Logan Heights community and other surrounding communities in the City of San Diego, which will benefit the general public and complement publicly-owned recreational facilities;

WHEREAS, LESSEE desires to engage in multiphased capital campaigns totaling \$2.4 million to finance, enhance, enlarge, maintain and operate its recreational facilities; and

WHEREAS, CITY and LESSEE agree to enter into a long-term ground lease at nominal rent to facilitate LESSEE'S project as stated above.

NOW, THEREFORE, CITY and LESSEE agree as follows:

SECTION 1: USES

- 1.1 Premises. CITY leases to LESSEE and LESSEE leases from CITY all of that certain real property situated at 2930 Marcy Avenue, containing approximately 2.11 acres, in the City of San Diego, County of San Diego, State of California, described in Section 9.1, Legal Description, hereof. The real property is hereinafter called the "Premises."
- 1.2 Uses. It is expressly agreed that the Premises are leased to LESSEE solely and exclusively for the purposes of renovation, operation, and maintenance of a Boys & Girls Club for recreational, educational, health, social, and cultural uses by Boys & Girls Club members and the general public, in accordance with the General Development Plan referenced in Section 6.12, Development Plan, which use by LESSEE may include the operation of a Head Start Program, and for other related or

incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever.

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 CITY.

LESSEE covenants and agrees to use the Premises throughout the term hereof for the above-specified purposes and to diligently conduct the business thereon. Failure to continuously use the Premises for the 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 Premises.

LESSEE shall be solely responsible for processing all land use, development, and construction approvals required for the use and occupancy of the Premises. This Lease shall not be interpreted by any decision maker on any City-issued permit or approval to override or dictate the outcome of any findings required for any permit or development approval.

- 1.4 Quiet Possession. LESSEE, paying the rent and performing the covenants and agreements herein, shall at all times during the term peaceably and quietly have, hold, and enjoy the Premises. If CITY for any reason cannot deliver possession of the Premises to LESSEE at the commencement of the term, or if during the Lease term LESSEE is temporarily dispossessed through action or claim of a title superior to CITY'S, then and in either of such events, this Lease shall not be voidable nor shall CITY be liable to LESSEE for any loss or damage resulting therefrom, but there shall be determined and stated in writing by the City Manager of CITY a proportionate reduction of the minimum or flat rate rent for the period or periods during which LESSEE is prevented from having the quiet possession of all or a portion of the Premises.

- 1.5 Easements and Reservations.

- a. 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. CITY reserves the right to grant and use easements or to establish and use rights-of-way over, under, along, and across the Premises for utilities, thoroughfares, or access as it deems advisable for the public good.
- c. CITY has the right to enter the Premises for the purpose of making repairs to or developing municipal resources and services.

However, 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 Premises resulting from CITY exercising the rights reserved in this Section 1.5. Reimbursement may include a reduction in the rent proportionate to the amount of physical damage as determined by CITY. 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, LESSEE shall provide competent management of the Premises to the satisfaction of the City Manager. For the purposes of this Section 1.6, "competent management" shall mean demonstrated ability in the management and operation of a nonprofit community recreation center and related activities in a fiscally responsible manner to serve the greatest number of members of the community.
- 1.7 Operation of Facilities. A regular schedule of days and hours of operation shall be established by LESSEE to best serve the public, including both Boys & Girls Club members and children under the age of 18 who are nonmembers, as set forth in Section 9.5, Schedule of Days and Hours of Operation, hereof. Any substantial changes in this schedule shall be subject to the prior written approval of the City Manager or his authorized representative, and the schedule shall be reviewed at least annually by LESSEE and the City Manager. LESSEE shall diligently and in a creditable manner furnish services to the public in conformity with all applicable rules and regulations of CITY.
- 1.8 Rates and Charges. All charges associated with use of the facilities on the Premises shall be in accordance with the schedule set forth in Section 9.4, Schedule of Rates and Charges, hereof. Fees charged to Boys & Girls Club members and nonmembers shall be reasonable in the opinion of the City Manager and comparable with those charged at similar facilities in San Diego County. Any substantial changes in this schedule shall be subject to prior written approval by the City Manager or his authorized representative, and the schedule shall be reviewed at least annually by LESSEE and the City Manager.
- 1.9 CITY Use. Except for those times where LESSEE has scheduled events or programs, the Premises shall be available to CITY, with at least thirty (30) days

written advance notice to LESSEE, for civic events and special programs, free of charge. After every CITY use, CITY shall leave the Premises in the same condition found, and LESSEE shall not be required to incur any additional costs by reason of CITY use.

- 1.10 Political Activities. The 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 two or more candidates of different political parties such as occurs at a "candidate forum" and similar events.
- 1.11 Public Use. The general public shall not be wholly or permanently excluded from any portion of the Premises. LESSEE may develop reasonable restrictions for use of the facilities provided they are consistent with the rights of the general public and are designed to allow LESSEE to use the Premises for the purposes specified herein. LESSEE agrees that all activities conducted on the Premises will be as stated in Section 1.2, Uses, hereof. Public use of the facilities on the Premises shall be permitted without Boys & Girls Club membership in accordance with the operating and fee schedules in Sections 1.7 and 1.8 hereof. However, to the extent permitted by law, LESSEE may refuse participation in its programs to any person if LESSEE reasonably determines that the person's physical, mental, or emotional condition would make participation a danger to the person or others. Further, LESSEE may deny public access to the administrative area and to the child care and similar facilities.

LESSEE shall, at all times during the Lease term, maintain a prominent CITY-approved sign identifying the property as CITY-owned and available for public use consistent with the terms of this Lease. The sign shall be installed by LESSEE at a location approved by CITY.

SECTION 2: TERM

- 2.1 Term. The term of this Lease shall be fifteen (15) years ("Term"). The Term of this Lease is effective following execution by the City Manager and approval by the City Attorney ("Commencement Date"). If the Commencement Date is not the first day of a calendar month, then the Term shall include the partial calendar month from and including the Commencement Date through the last day of the full term, so that the Term shall expire on the last day of a calendar month. However, if LESSEE is eligible to receive a grant that requires an initial lease term of twenty (20) years, the initial term of this Lease shall be extended to include the term required by the grant, provided that the amount of years added to the initial term to accommodate a grant shall be deducted on a pro rata basis from the first extension term. If the grant is not

funded, the initial term of this Lease shall revert to fifteen (15) years. "Lease Year" as used in this Lease shall mean the twelve (12) month period starting on the Commencement Date.

- 2.2 Right to Extend. LESSEE has the right to extend this Lease two (2) times for additional terms of ten (10) years each, subject to all original agreements, considerations, covenants, and conditions hereof and upon the following additional terms and conditions:
- a. LESSEE shall give CITY written notice of its intention to extend the Lease no sooner than one (1) year and no later than six (6) months prior to expiration of the original Term or the initial extension term, respectively, of this Lease;
 - b. LESSEE is not in default of this Lease at the time the option is exercised; and
 - c. The City Manager shall have received and approved LESSEE'S accounting of the capital improvements for the Premises for the first fifteen (15) years of the lease, which shall total not less than One Million Dollars (\$1,000,000). LESSEE agrees to expend a minimum of Seven Hundred Thousand Dollars (\$700,000) during each of the extension periods to sustain the Premises in a decent, safe, healthy and sanitary condition satisfactory to CITY and in compliance with the General Development Plan. If the above terms and conditions are met to the satisfaction of the City Manager, LESSEE will be granted an additional ten (10) year extension.
- 2.3 Holdover. Any holding over by LESSEE 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 agreement constitutes a month-to-month tenancy, and all other terms and conditions of this agreement shall continue in full force and effect; provided, however, CITY shall have the right to apply a reasonable increase in rent to bring the rent to fair market value and to terminate the holdover tenancy at will.
- 2.4 Surrender of Premises. At termination of this Lease for any reason, LESSEE shall execute, acknowledge, and deliver to CITY, within five (5) days after written CITY demand, a valid and recordable quitclaim deed covering all of the Premises. The Premises shall be delivered free and clear of all monetary liens and encumbrances caused by LESSEE, except if generated or caused to be generated by the actions of CITY, and in a decent, safe, and sanitary condition.

If LESSEE fails or refuses to deliver the required deed, CITY may prepare and record a notice reciting LESSEE'S failure to execute this Lease provision, and the notice will be conclusive evidence of the termination of this Lease and all LESSEE'S rights to the Premises.

SECTION 3: RENT

- 3.1 Time and Place of Payment. The Administrative Fee, as defined below, is due annually in advance on or before the first day of each Lease Year. Checks should be made payable to the City Treasurer and mailed to the Office of the City Treasurer, City of San Diego, P.O. Box 122289, San Diego, California 92112-4165, or delivered to the Office of the City Treasurer, Civic Center Plaza, 1200 Third Avenue, First Floor, San Diego, California.

The place and time of payment may be changed at any time by CITY upon thirty (30) days written notice to LESSEE. Mailed Administrative Fee payments shall be deemed paid upon the date the payment is postmarked by the postal authorities. If postmarks are illegible, the payment shall be deemed paid upon actual receipt by the City Treasurer. LESSEE assumes all risk of loss and responsibility for late payment charges if payments are made by mail.

3.2 Rent and Administrative Fee.

- a. Rent Amount. The annual rent is One Dollar (\$1) per Lease Year, receipt of which is hereby acknowledged by CITY.
- b. Administrative Costs. LESSEE shall pay a fee of Two Thousand Seven Hundred Twelve Dollars and Fifty Cents (\$2,712.50) per Lease Year ("Administrative Fee" or "Fee"), payable annually to partially offset the CITY'S costs of administering this Lease. The Administrative Fee is subject to annual adjustments based on percentage increases in the CPI as hereinafter provided.
- c. (1) CPI Adjustments. On the anniversary date of each Lease Year following the commencement date of this Lease, the Fee shall be adjusted to reflect the percentage increase in the CPI based on the average of the indices for the third quarter (July, August, September) of the calendar year prior to each adjustment.

The index used will be the CPI for "All Urban Consumers" for Los Angeles/Riverside/Orange County, California. If this index is no longer published, the index for adjustment will be the U.S. Department of Labor's "Comprehensive Official Index" most comparable to the aforesaid index. If a Fee adjustment is calculated using an index from a different base year than 1982-84, which equaled a base figure of 100 for the CPI, the base figure used will first be converted under a formula supplied by the Bureau of Labor Statistics or its successor.

If the Department of Labor indices are no longer published, another index generally recognized as authoritative will be substituted by agreement of CITY and LESSEE. If the parties cannot agree within sixty (60) days after demand by either party, a substitute index will be selected by the Chief Officer of the Regional Office of the Bureau of Labor Statistics or its successor, notwithstanding continued reference herein to CPI in any event.

In no event shall the adjusted Fee as established by the CPI be less than the Fee in existence immediately prior to the adjustment date. The failure of CITY to deliver timely notice of any Fee adjustment shall not constitute a waiver by CITY of its rights hereunder.

- (2) CPI Adjustment Computation. The Fee for each one (1) year period shall be calculated by CITY as follows:

The "adjustment multiplier" shall be established by dividing the "current index" by the "base index" as defined below.

The "base index" denominator for the calculation is 178.5. This is a fixed number representing the three (3) month average of index figures published by the CPI using the months of July, August and September 2001.

The "current index" numerator for the calculation is a variable number that shall be the three (3) month average of index figures published by the CPI using the months of July, August and September of the calendar year preceding the adjustment date.

The "base figure" for purposes of calculating the annual adjustment shall be a fixed amount of Two Thousand Five Hundred Dollars (\$2,500).

Example Calculation for Calendar Year 2005 Fee Adjustment

Current Index (Third Quarter 2003)	193.6667	
	-----	= 1.0850 (Adjustment
Base Index (Third Quarter 2001)	178.5	Multiplier)

The "base figure" is then multiplied by the adjustment multiplier to determine the new Fee. Using the foregoing example, the adjusted Fee is calculated as follows:

\$2,500	(Base Figure)
<u>x 1.0850</u>	<u>(Adjustment Multiplier)</u>
\$2,712.50	(Adjusted Fee)

- (3) Maximum Increase. Notwithstanding the foregoing, the Fee adjustments shall not increase the Fee in excess of six percent (6%) per calendar year.

3.3 Sublease Income. In addition to the annual rent and the Fee set forth above, LESSEE shall pay to CITY, monthly in arrears, and prior to the last day of the calendar month following that month in which the revenue was earned, a sum of money equal to fifty percent (50%) of the gross revenue from any sublease income earned by LESSEE for the sublet of the Premises, or any part thereof. Prior to entering into any sublease for the Premises, or any part thereof, LESSEE shall seek prior written consent from CITY as set forth in Section 4.2 of this Lease.

3.4 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 by LESSEE at the Premises and will be complete and accurate showing all income and receipts from use of the Premises. LESSEE'S failure to keep and maintain the records and make them available for inspection by CITY is a breach of this Lease and cause for termination. LESSEE shall maintain all the records and accounts for a minimum period of five (5) years.

3.5 Delinquent Administrative Fee. If LESSEE fails to pay the Fee required in Section 3.2b hereof when due, LESSEE shall pay, in addition to the unpaid Fee, five percent (5%) of the Fee as a delinquent charge. If the Fee is still unpaid at the end of fifteen (15) days, LESSEE shall pay an additional five percent (5%) [being a total of ten percent (10%)], which is hereby mutually agreed by the parties to be appropriate to compensate CITY for loss resulting from Fee delinquency, including lost interest, opportunities, legal costs, and the cost of servicing the delinquent account. Notwithstanding the foregoing, in no event shall the charge for late payment of the Fee be less than Twenty-Five Dollars (\$25).

In the event that a CITY audit, if applicable, discloses that the Fee for the audited period has been underpaid in excess of five percent (5%) of the total required Fee, then LESSEE shall pay CITY the cost of the audit plus ten percent (10%) per year on the amount by which the Fee was underpaid, in addition to the unpaid Fee as shown to be due CITY, as compensation to CITY for administrative costs and loss of interest as previously described herein. LESSEE agrees to pay the amount and further agrees that the specific late charges represent a fair and reasonable estimate of the costs that CITY will incur from LESSEE'S late payment. Acceptance of late charges and any portion of the late payment by CITY shall in no event constitute a

waiver of LESSEE default with respect to late payment, nor prevent CITY from exercising any of the other rights and remedies granted in this Lease.

- 3.6 Unauthorized Use Charge. LESSEE shall pay CITY fifty percent (50%) of the gross receipts for any service or use that is not permitted by this Lease. This payment is subject to the due date provided in this Lease for Fee payments and the provision for delinquent Fees. The existence of the fifty percent (50%) charge in this clause and the payment of this charge or any part of it, does not constitute an authorization for a particular service or use, and does not waive any CITY rights to terminate a service or use or to default LESSEE for participating in or allowing any unauthorized use of the Premises.
- 3.7 Annual Budget. LESSEE shall submit to the City Manager by September 1 of each year copies of documents evidencing the proposed programs and financial status of LESSEE for the fiscal year commencing July 1. Without limiting the generality of the foregoing, the documents shall include (i) a copy of LESSEE'S proposed programs; (ii) a copy of a detailed operating budget showing expected sources of revenue and the nature of all proposed expenditures, including compensation for the director and staff of LESSEE; and (iii) an adequate reserve account, in the reasonable opinion of the City Manager, for maintenance and capital improvements to the Premises.

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 the 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 during the term of this Lease. LESSEE 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 subletting, occupation, or use by any other person shall not be deemed to be a consent to any subsequent subletting, occupation, or use by another person. Any subletting without 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 or by any partners, principals, or

stockholders, as the case may be, from the original LESSEE, its general partners, or principals.

Approval of any sublease shall be conditioned upon the sublessee agreeing in writing that it will assume the rights and obligations thereby 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 may require, as a condition to approval of any sublease of the majority portion of the leasehold, that this Lease or the requested sublease otherwise be revised to comply with standard CITY lease requirements that are then current. The City Manager may also require, as a condition to approval of any sublease of a commercial nature (e.g., food vending or telecommunications installations), that LESSEE pay CITY market rents for the uses. Pursuant to City Charter Section 225, the City Manager must review and approve every person or entity which will have an interest in this Lease as a sublessee.

- 4.3 Encumbrance. Subject to prior consent by CITY, which shall not be unreasonably withheld, LESSEE may encumber this Lease, its leasehold estate, and its improvements thereon by deed of trust, mortgage, chattel mortgage, or other security instrument to assure the payment of a promissory note or notes of LESSEE, upon the express condition that the proceeds of such loan or loans be devoted exclusively to the purpose of developing the Premises in accordance with Section 6.12, Development Plan. 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 attorneys' fees and other normal expenses incidental to such construction.

Any subsequent encumbrances on the Premises or on any permanent improvements thereon must first have the approval in writing of the City Manager. Subsequent encumbrances shall also be for the exclusive purpose of development of the Premises. LESSEE understands and specifically agrees that the City Manager shall have the sole and absolute discretion to approve, disapprove, or condition any proposed subsequent encumbrance, including but not limited to amending the Lease to provide then-current rents and provisions.

In the event any approved deed of trust or mortgage or other security-type instrument should at any time be in default and be foreclosed or transferred in lieu of foreclosure, CITY will accept the approved mortgagee or beneficiary thereof as its new tenant under this Lease with all the rights, privileges, and duties granted and imposed in this Lease.

Upon prior written approval by CITY, the mortgagee or beneficiary may assign this Lease to its nominee, if nominee is a reputable, qualified, and financially responsible person or entity in the opinion of CITY. Any deed of 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. Pursuant to City Charter Section 225, the City Manager must review and approve every person or entity which will have a financial interest in this Lease.

4.4 Defaults and Remedies.

a. Default. In the event that:

- (1) 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 the default within thirty (30) days following written notice thereof from CITY; or if any default is not curable within thirty (30) days, and LESSEE shall fail to commence to cure the default(s) within the thirty (30) day period and diligently pursue cure to completion; or
- (2) LESSEE shall voluntarily file or have involuntarily filed against it any petition under any bankruptcy or insolvency act or law; or
- (3) LESSEE shall be adjudicated a bankrupt; or
- (4) 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 Subsection 4.4a.(1), above is not curable within thirty (30) days after notice to LESSEE, CITY shall not terminate this Lease pursuant to the default if LESSEE immediately commences to cure the default and diligently pursues cure to completion.

In the event there is a deed of trust or mortgage on the leasehold interest, CITY shall give the mortgagee or beneficiary written notice of the default(s) complained of, and the same mortgagee or beneficiary shall have thirty (30) days from the notice to cure the default(s) or, if any default is not curable within thirty (30) days, to commence to cure the default(s) and diligently

pursue the cure to completion. The thirty (30) day period may be extended during the time as mortgagee or beneficiary pursues the cure with reasonable diligence.

- b. Remedies of Lender. Should the default(s) be noncurable by LESSEE, then any lender holding a beneficial interest in the leasehold, whose qualifications as an assignee have been approved by CITY, shall have the absolute right to substitute itself to the estate of LESSEE hereunder and to commence performance of this Lease. If the mortgagee or beneficiary shall give notice in writing of its election to so substitute itself within the thirty (30) day period after receiving written notice by CITY of the default, and the default, if curable, is cured by the mortgagee or beneficiary, then this Lease shall not terminate pursuant to the default. In that event, CITY expressly consents to the substitution and authorizes the mortgagee or beneficiary to perform under this Lease with all the rights, privileges, and obligations of LESSEE, subject to cure of the default, if possible, by mortgagee or beneficiary. LESSEE expressly agrees to assign all its interest in and to its leasehold estate to mortgagee or beneficiary in that event.
- c. Abandonment by LESSEE. Even though LESSEE has breached the Lease and abandoned the property, this Lease shall continue in effect for so long as CITY does not terminate this Lease, and CITY may enforce all its rights and remedies hereunder, including but not limited to the right to recover the rent as it becomes due, plus damages.
- d. Waiver. Any CITY waiver of a default is not a waiver of any other default. Any waiver of a default must be in writing and be executed by the City Manager in order to constitute a valid and binding waiver. CITY delay or failure to exercise a remedy or right is not a waiver of that or any other remedy or right under this Lease. The use of one remedy or right for any default does not waive the use of another remedy or right for the same default or for another or later default. CITY'S acceptance of any rents is not a waiver of any default preceding the rent payment. CITY and LESSEE specifically agree that the property constituting the Premises is CITY-owned and held in trust for the benefit of the citizens of CITY and that any failure by the City Manager or CITY staff to discover a default or take prompt action to require the cure of any default shall not result in an equitable estoppel, but CITY shall at all times, have the legal right to require the cure of any default when and as the defaults are discovered or when and as the City Council directs the City Manager to take action or require the cure of any default after the default is brought to the attention of the City Council by the City Manager or by any concerned citizen.

4.5 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. 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. 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. 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. Award. All monies awarded in any taking shall belong to CITY, whether the taking results in diminution in value of the leasehold or the fee or both; provided, however, LESSEE shall be entitled but limited to any award attributable to the taking of, or damages to, LESSEE'S then remaining leasehold interest in installations or improvements of LESSEE. CITY shall have no liability to LESSEE for any award not provided by the condemning authority.
- e. Transfer. CITY has the right to transfer CITY'S interests in the Premises in lieu of condemnation to any authority entitled to exercise the power of eminent domain. If a transfer occurs, LESSEE shall retain whatever interest it may have in the fair market value of any improvements placed by it on the Premises in accordance with this Lease.
- f. No Inverse Condemnation. The exercise of any CITY right under this Lease shall not be interpreted as an exercise of the power of eminent domain and shall not impose any liability upon CITY for inverse condemnation.

4.6 Additional Consideration to CITY. LESSEE and CITY agree that in the event of a subletting of the majority portion of the leasehold, or in the event of a refinancing creating an encumbrance against the leasehold after the permanent improvements have been constructed pursuant to the General Development Plan as described in Section 6.12, Development Plan, LESSEE shall pay to CITY two percent (2%) of any amount paid LESSEE in consideration of a sublease of all or a majority portion

of the leasehold, or two percent (2%) of the amount of any increased loan or encumbrance against the property over and above the amount of the encumbrance needed to finance the improvements. The amount upon which the two percent (2%) shall be based shall be the total consideration resulting from the transaction including total cash payments and the market value of noncash consideration, including but not limited to stocks, bonds, deferred payments, secured and unsecured notes, and forbearances regarding claims and judgments. Prior to CITY'S consent to any majority subletting or refinancing, LESSEE shall deliver to CITY a written statement of all sums due and owing to CITY from LESSEE pursuant to the provisions of this paragraph, together with an acknowledgment from the proposed sublessee or refinancing agency as to the amount due CITY. The sum due CITY shall be payable in full to CITY concurrent with the completion of the transaction, be it a sublease or a refinancing. Any subletting or refinancing in violation of the terms and conditions of this paragraph shall be void.

SECTION 5: INSURANCE RISKS/SECURITY

5.1 Indemnity.

- a. LESSEE agrees to defend, indemnify, protect, and hold CITY, its elected officials, officers, representatives, agents, and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to LESSEE'S 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 CITY, its elected officials, officers, representatives, agents, or employees.
- b. As to any civic event or special program by CITY, pursuant to Section 1.9, CITY Use, hereof, CITY shall indemnify and hold harmless LESSEE from any claim, suit, action, or judgment against LESSEE arising from or out of CITY'S negligence or willful misconduct.

5.2 Insurance.

- a. LESSEE shall take out and maintain at all times during the term of this Lease the following insurance at its sole expense:

- (1) Commercial general liability insurance in the amount of not less than Five Million Dollars (\$5,000,000) 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.
 - (2) Fire, extended coverage, and vandalism insurance policy on all insurable property on the Premises in an amount to cover one hundred percent (100%) 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. If there is a mortgage or trust deed on the leasehold in accordance with Section 4.3, 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.
- b. LESSEE'S responsibility to maintain the insurance also includes the following:
- (1) Additional Insured. 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, 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 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.
 - (2) Modification. 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.

- (3) Accident Reports. 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.
- (4) Failure to Comply. 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 insurer(s), and rate of interest. The 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 b.(4), 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 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 Premises within ten (10) days of 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 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 the damage and to restore the Premises to the condition which existed prior to the damage; or, at CITY'S option, LESSEE agrees to clear and remove from the Premises all debris resulting from the 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 the 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. For purposes of this section, "preliminary steps" include LESSEE'S notification of its insurance carrier of the loss.

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 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 the 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 entry or inspection by CITY discloses that the Premises are not in a decent, safe, healthy, and sanitary condition, CITY shall have the right, but not the obligation, after ten (10) days written notice to LESSEE, to have any necessary maintenance work done at the expense of LESSEE, and LESSEE hereby agrees to pay promptly any and all costs incurred by CITY in having the necessary maintenance work done, in order to keep the Premises in a decent, safe, healthy, and sanitary condition. Further, if at any time CITY determines that the Premises are not in a decent, safe, healthy, and sanitary condition, CITY may at its sole option, without additional notice, require LESSEE to file with CITY a faithful performance bond to assure prompt correction of any condition which is not decent, safe, healthy, and sanitary. The bond shall be in an amount adequate in the opinion of CITY to correct the unsatisfactory condition. LESSEE shall pay the cost of the bond. The rights reserved in this section shall not create any obligations on CITY or increase obligations elsewhere in this Lease imposed on CITY.
- 6.3 Maintenance. LESSEE agrees to assume full responsibility and cost for the operation and maintenance of the Premises throughout the term including but not limited to the roofs and structural supports of the improvements on the Premises. LESSEE shall make all repairs and replacements necessary to maintain and preserve the Premises in a decent, safe, healthy, and sanitary condition satisfactory to CITY and in compliance with the General Development Plan described in Section 6.12, Development Plan, and with all applicable laws.

- 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 the approval shall not be unreasonably withheld. This provision shall not relieve LESSEE of any obligation under 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 for any improvements or alterations.
- 6.5 Utilities. LESSEE agrees to order, obtain, and pay for all utilities and service and installation charges in connection with the development and operation of the Premises. All utilities shall be installed underground.
- 6.6 Construction Bond. Whenever there is any construction to be performed on the Premises, LESSEE shall deposit with CITY, prior to commencement of the construction, a faithful performance bond in the amount of one hundred percent (100%) 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 the claims, including reasonable attorneys' 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 the 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 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 the interest, and that LESSEE shall pay all possessory interest taxes. LESSEE further agrees that payment for taxes, fees, and assessments will not reduce any rent due CITY.

- 6.9 Signs. LESSEE agrees not to erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising on the exterior of the Premises without the prior written consent of CITY. If any 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. 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. 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 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. 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 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 the items at LESSEE'S expense.
- d. If any removal of personal property by LESSEE results in damage to the remaining improvements on the Premises, LESSEE agrees to repair all damage at its expense.

- e. Any necessary removal by either CITY or LESSEE which takes place beyond the expiration or termination hereof shall require LESSEE to pay rent to CITY at the rate in effect immediately prior to the expiration or termination.
 - f. Notwithstanding any of the foregoing, in the event LESSEE desires to dispose of any of its personal property used in the operation of the Premises upon expiration or termination of this Lease, then CITY shall have the first right to acquire or purchase the 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, the party shall be excused from performing that act for the period equal to the period of the prevention or delay. Provided, however, this provision shall not apply to obligations to pay rental as required pursuant to this Lease. In the event LESSEE or CITY claims the existence of a delay, the party claiming the delay shall notify the other party in writing of the fact within ten (10) days after the beginning of any claimed delay.
- 6.12 Development Plan. LESSEE agrees to develop the Premises in accordance with the General Development Plan to be submitted by LESSEE to the City Manager for review and approval within five (5) years following the effective date of this Lease, including review for compliance with the California Environmental Quality Act (CEQA). The General Development Plan, upon approval by the City Manager, shall be attached hereto and made part of this Lease. The general contents and provisions to be included in the General Development Plan are described in Section 9.2. The City Manager shall have the authority to authorize subsequent changes to the approved General Development Plan provided that the proposed changes are consistent with the terms and conditions of this Lease and with any required development permit conditions and CEQA mitigation measures. Failure by LESSEE to comply with the requirements of this Section 6.12 or with the approved General Development Plan shall constitute a major default and subject this Lease to termination by CITY. The City Manager, in his sole discretion, may approve an extension to the date specified for construction completion in the General Development Plan of up to one (1) year without further City Council approval. However, the construction completion date specified in the General Development Plan shall be no later than thirteen (13) years following the effective date of this Lease.

No sooner than one (1) year and no later than six (6) months prior to the first day of the fifteenth Lease Year and twenty-fifth Lease Year, LESSEE shall submit an updated General Development Plan to CITY describing the investment that LESSEE

will make to construct new improvements and refurbish existing ones on the Premises during the next ten (10) years. The General Development Plan shall be subject to review and approval by the City Manager as to sufficiency of investment to ensure that good quality improvements are maintained on the Premises at all times to satisfy LESSEE'S program requirements and the terms of this Lease.

- 6.13 Hazardous/Toxic Waste. LESSEE will not allow the 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. "Hazardous substances" shall mean those 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 the State of California's ("State") lists is on file in the Office of the City Clerk as Document 769704-1 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 the substances in accordance with all 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 knowledge or cause for belief. Provided, however, if LESSEE knows or has reasonable cause to believe that the 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 the 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 a Phase I environmental assessment of the Premises to be completed by a professional environmental consultant registered with the State as a Professional Engineer,

Certified Engineering Geologist, or Registered Civil Engineer. If in the City Manager's opinion, the Phase 1 results so warrant, CITY may require further environmental assessment of the Premises, which shall establish what, if any, hazardous substances exist on, in, or under the Premises, and in what quantities. All environmental assessments shall be obtained at the sole cost and expense of LESSEE. If any hazardous substances exist in quantities greater than that allowed by CITY, county, state, or federal laws, statutes, ordinances, or regulations, then the 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 the remediation or removal. LESSEE shall cause the remediation and/or removal recommended in the environmental assessment that compliance with environmental law is achieved and shall be solely responsible for all costs and expenses incurred.

- 6.14 Asbestos Disclosure. CITY discloses to LESSEE that portions of the structural components of the Premises may contain asbestos. LESSEE acknowledges having received notice from CITY of the presence of asbestos in accordance with Health and Safety Code Section 25915. LESSEE shall disclose the existence of asbestos on the Premises, as required by Health and Safety Code Section 25915. LESSEE agrees to indemnify and hold CITY harmless from any loss or claim which may result from the existence of asbestos on the Premises.

- 6.15 Water Quality - Best Management Practices and Storm Water Management Plan. CITY and LESSEE are committed to the implementation of programs to manage activities on the Premises in a manner which aids in the protection of San Diego's precious water resources. LESSEE shall comply with the Best Management Practices ("BMP") including the Storm Water Management Plan ("SWMP") approved by CITY's Storm Water Management Program. LESSEE shall submit for review and approval by the City Manager or his designee, within ninety (90) days of the execution of this Lease, BMP and SWMP that will control erosion and reduce the amount of pollutants and other sediments discharged from the Premises. The BMP and SWMP will be reviewed periodically by CITY. Upon written notice from the City Manager requesting an update of the BMP, LESSEE shall submit updated BMP and SWMP for City Manager review and approval within ninety (90) days of receipt of notice. LESSEE shall implement any necessary changes to the BMP and SWMP as a result of any review by CITY to ensure compliance with any changes in laws or regulations.

When the BMP and SWMP have been developed and implemented by LESSEE, it is crucial that the practices be enforced and maintained. It is LESSEE'S responsibility to inform employees, contractors, subcontractors, agents and vendors of the BMP and SWMP.

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 Premises or at any other address designated in writing by LESSEE; and to CITY as follows:

City Manager
Attention Real Estate Assets Director
City Administration Building
202 "C" Street, M.S. 9B
San Diego, CA 92101-4155

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

- b. Any party entitled or required to receive notice under this Lease may by like notice designate a different address to which notices shall be sent.
- c. Notice served pursuant to the terms of this Section 7.1 shall be effective upon personal service or two (2) days after service by mail.

7.2 Compliance with Law. LESSEE shall at all times in the construction, maintenance, occupancy, and operation of the Premises comply with all applicable laws, statutes, ordinances, and regulations of CITY, county, state, and federal governments at LESSEE'S sole cost and expense. In addition, LESSEE shall comply with any and all notices issued by the City Manager or his authorized representative under the authority of any law, statute, ordinance, or regulation.

7.3 CITY Approval or Notice. The approval or consent of CITY or notice to CITY, wherever required in this Lease, shall mean the written approval or consent of or notice to the City Manager or his authorized representative unless otherwise specified, without need for further resolution by the City Council. "Authorized representative" shall mean the Director of the Real Estate Assets Department or any other individual designated by the City Manager in written notice to LESSEE. No future approval, consent, opinion, or agreement of either party shall be unreasonably refused or delayed.

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 Compliance with CITY'S Equal Opportunity Contracting Program. LESSEE acknowledges and agrees that it is aware of, and will comply with, City Council Ordinance No. 18173 (San Diego Municipal Code Sections 22.2701 through 22.2708, as amended), EQUAL EMPLOYMENT OPPORTUNITY OUTREACH PROGRAM, a copy of which is on file in the Office of the City Clerk and by this reference is incorporated herein. LESSEE and all of its subcontractors are individually responsible to abide by its contents.

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 and state laws and regulations hereafter enacted. LESSEE will not discriminate against any employee or applicant for employment on any basis prohibited by law.

LESSEE submitted and CITY acknowledges receipt of a current Work Force Report or a current Equal Employment Opportunity (EEO) Plan as required by Section 22.2705 of the San Diego Municipal Code, which sets forth the actions that LESSEE will take to achieve the CITY'S commitment to equal employment opportunities.

LESSEE agrees to insert the foregoing provisions in all subcontracts for any work covered by this Lease so that the provisions will be binding upon each subcontractor. LESSEE agrees that compliance with EEO provisions flowing from the authority of both parties will be implemented, monitored, and reviewed by the CITY'S Equal Opportunity Contracting Program staff.

LESSEE understands that failure to comply with the above requirements 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.

- 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 outline, 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. 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 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 may, at the sole option of CITY, be unilaterally and immediately terminated by CITY if the contractor or LESSEE employs an individual who, within the twelve (12) months immediately preceding employment, did in his/her capacity as a CITY officer or employee participate in negotiations with or otherwise have an influence on the recommendation made to the City Council in connection with the selection of the contractor or LESSEE. It is not the intent of this policy that these provisions 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 shall at all times in the construction, maintenance, occupancy, and operation of the Premises comply with the 1990 Americans with Disabilities Act and Title 24 of the California Code of Regulations (Building Code) as defined in Section 18910 of the California Health and Safety Code and any other applicable federal, state, or local regulations hereafter enacted protecting the rights of people with disabilities.
- 7.14 Corporate Authority. Each individual executing this Lease on behalf of LESSEE represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of the corporation, in accordance with a duly adopted resolution of the Board of Directors of the corporation or in accordance with the bylaws of the corporation, and that this Lease is binding upon the corporation in accordance with its terms, and that LESSEE is a duly qualified corporation, as provided in Section 9.3, Corporate Name, hereof, and all steps have been taken prior to the date hereof to qualify LESSEE to do business in California.
- 7.15 Standard of Employees. LESSEE and its employees shall at all times conduct themselves and the operations on the Premises in a creditable manner.
- 7.16 Membership. Residents of CITY shall comprise at least fifty percent (50%) of the members using the Premises, which shall be subject to annual verification by CITY.
- 7.17 Program Review. CITY and LESSEE shall annually review the operation of LESSEE'S programs and activities on the Premises with the goal of improving and coordinating public services.
- 7.18 Survival. Any obligation which accrues under this Lease prior to its expiration or termination shall survive the expiration or termination of the Lease.
- 7.19 Supersedure. It is mutually agreed that this Lease, upon its effective date, supersedes and annuls that certain lease filed on January 6, 1992, with the Boys Club of San

Diego, City Clerk Document No. RR-279236, which is hereafter void and of no effect as to any rentals and fees which may have accrued or any rights and remedies accrued or granted to CITY under the agreement.

[The remainder of this page intentionally left blank.]

SECTION 8: SIGNATURES

8.1 Signature Page.

IN WITNESS WHEREOF, this Lease is executed by CITY, acting by and through its City Manager pursuant to City Council Resolution No. R-300054, and by LESSEE, acting by and through its lawfully authorized officers.

CITY OF SAN DIEGO

Date 1-27-05

By [Signature]
William T. Griffith
Real Estate Assets Director

LESSEE: BOYS' AND GIRLS' CLUBS OF
INLAND NORTH COUNTY, a California
nonprofit public benefit corporation

Date _____

By Todd Gutschow
Todd Gutschow, Chairman

Date 12-1-04

By [Signature]
Danny Sherlock, President

APPROVED as to form and legality this 11th day of February, 2005.

MICHAEL AGUIRRE, CITY ATTORNEY

By [Signature]
Deputy City Attorney

CLY:cdj

11/23/04

I:\YOUNGLEASE-Boys&GirlsClub-OakesBranch-5.wpd

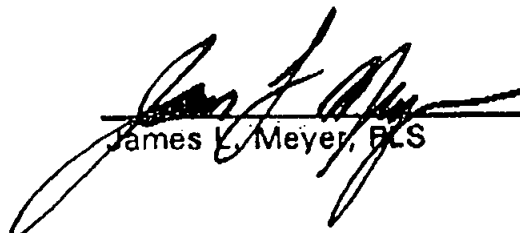
SECTION 9: EXHIBITS

9.1 Legal Description.

THAT PORTION OF BLOCKS 10 & 12 OF LA BINDA PARK, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA ACCORDING TO MAP THEREOF NO. 1538, TOGETHER WITH THAT PORTION OF GREELY COURT (FORMERLY IVY COURT), CLOSED TO PUBLIC USE BY RESOLUTION NO. 73733, AS DOCUMENT NO. 1639 DATED NOVEMBER 19, 1940, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EASTERLY LINE OF SAID BLOCK 12, SAID POINT BEARS N 00° 03' 35" E 20.00 FEET FROM THE SOUTHEASTERLY CORNER OF SAID BLOCK 12, SAID POINT BEING ALSO ON THE NORTHERLY LINE OF THE SOUTHERLY 20.00 FEET OF SAID BLOCK 12 AS DEDICATED FOR PUBLIC USE AND A PUBLIC STREET BY ORDINANCE NO. 2487 (NEW SERIES), DATED JUNE 30, 1942 AS DOCUMENT NO. 14588; THENCE ALONG SAID NORTHERLY LINE AND PARALLEL TO SAID SOUTHERLY LINE OF BLOCK 12 N 89° 50' 43" W 152.30 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE CONTINUING ALONG SAID NORTHERLY LINE N 89° 50' 43" W 397.89 FEET; THENCE N 00° 14' 31" E 176.79 FEET; THENCE S 89° 42' 16" E 104.92 FEET; THENCE N 00° 20' 42" W 84.94 FEET; THENCE N 89° 53' 34" E 218.80 FEET; THENCE S 00° 26' 03" W 48.80 FEET; THENCE S 89° 19' 27" E 79.33 FEET; THENCE S 00° 10' 22" W 74.77 FEET; THENCE N 89° 38' 58" W 4.44 FEET; THENCE S 00° 08' 16" W 138.19 FEET TO THE **TRUE POINT OF BEGINNING**.

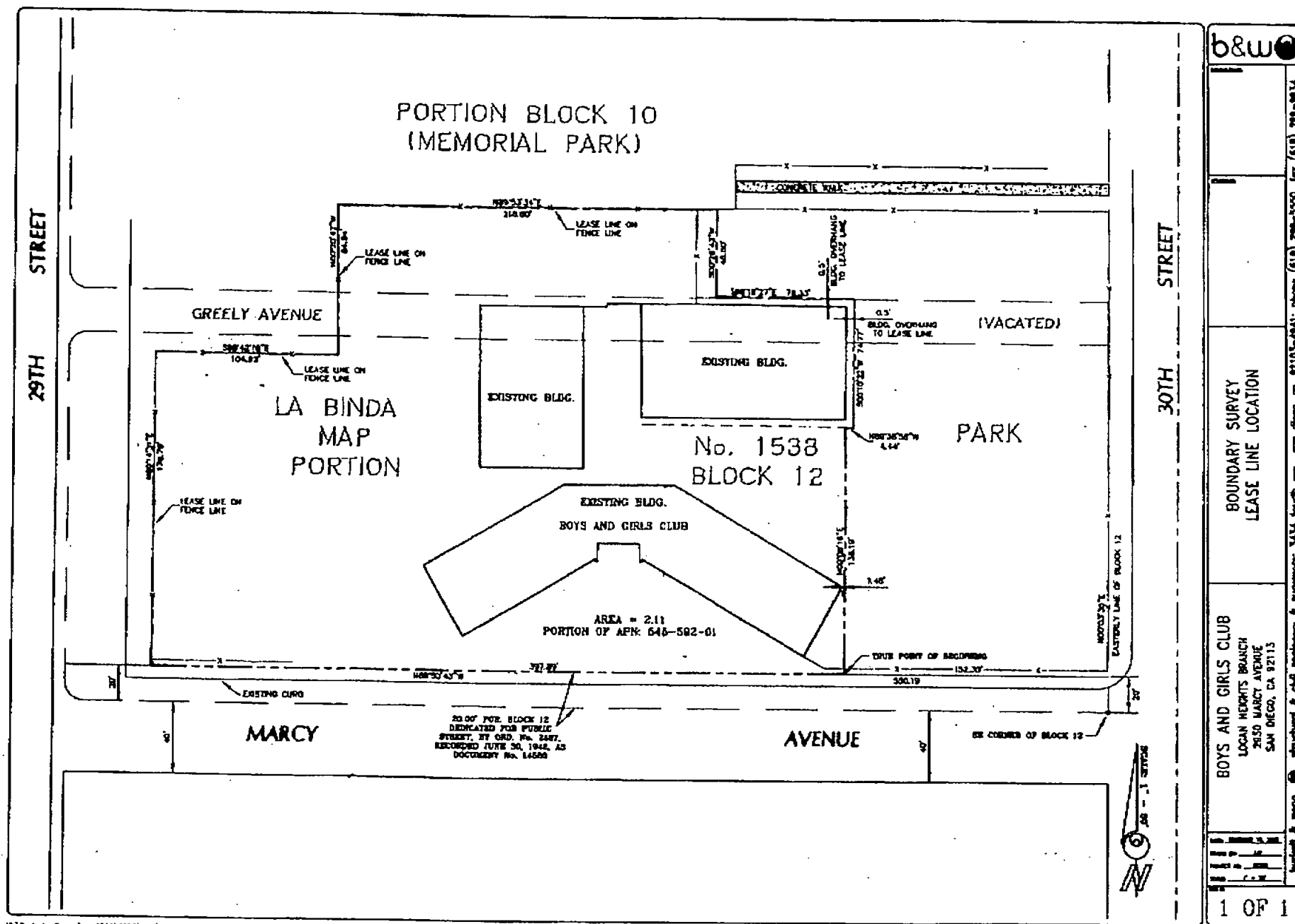
CONTAINS = 2.11 ACRES


James L. Meyer, FLS

12-18-03
DATED

n:\projects_survey\ev-8500\8535\docs\legal desc.doc





9.2 General Development Plan.

The General Development Plan will consist of:

- a. Plot Plan
- b. Development Schedule
- c. Estimated Construction Costs
- d. Financial Plan
- e. Schematic Elevations
- f. Landscape Plan
- g. Signage Plan
- h. Others as applicable

and, upon approval by the City Manager, will be attached hereto and made part of this Lease.

9.3 Corporate Name.

BOYS' AND GIRLS' CLUBS OF INLAND NORTH COUNTY,
dba Boys & Girls Clubs of Greater San Diego

I, Danny Sherlock, certify that I am the President of the corporation named in the attached agreement; that Todd Gutschow and I, who signed this agreement on behalf of the corporation, were then Chairman and President, respectively, of the corporation; that the agreement was duly signed for and on behalf of the corporation by authority of its governing body, pursuant to a resolution duly adopted by its Board of Directors on 11/10/04, and is within the scope of its corporate powers; and that set out below are the names of the officers of the corporation.

By 

Danny Sherlock, President

Name Todd Gutschow
Chairman

Name M. M. Baker
Chairman-Elect

Name Sean Hayne
Secretary

Name Todd Gutschow
Treasurer

CORPORATE SEAL

9.4 Schedule of Rates and Charges.

Annual Membership Fee	\$10/year
Day Camp Fee	\$80/week
Transportation Fee	\$46/week
Sports Fee	\$40/season
Swimming Lessons	\$25/session
Gymnasium Rental Fee	\$40/hour
Swimming Pool Rental Fee	\$60/hour
Field Trips	Vary

Note: All fees subject to change.

9.5 Schedule of Days and Hours of Operation.

School Year

Mondays	2:00 p.m. to 10:00 p.m.
Tuesdays	2:00 p.m. to 10:00 p.m.
Wednesdays	Noon to 10:00 p.m.
Thursdays	2:00 p.m. to 10:00 p.m.
Fridays	2:00 p.m. to 10:00 p.m.
Saturdays	10:00 a.m. to 10:00 p.m.
Sundays	Closed

School Vacation Periods

Mondays	7:00 a.m. to 10:00 p.m.
Tuesdays	7:00 a.m. to 10:00 p.m.
Wednesdays	7:00 a.m. to 10:00 p.m.
Thursdays	7:00 a.m. to 10:00 p.m.
Fridays	7:00 a.m. to 10:00 p.m.
Saturdays	10:00 a.m. to 10:00 p.m.
Sundays	Closed

RESOLUTION NUMBER R- **300054**

ADOPTED ON **JAN 24 2005**

WHEREAS, in 1941, the City of San Diego leased Boys & Girls Club of San Diego, a nonprofit organization, approximately 2.11 acres at 2930 Marcy Avenue in Logan Heights to provide recreational, educational, health, social and cultural activities for the youth of the surrounding community; and

WHEREAS, the current lease commenced on February 1992, and is on holdover; and

WHEREAS, the Boys & Girls Club improved the property by constructing indoor swimming pool, a gymnasium, a computer room, offices, class rooms and art rooms; and

WHEREAS, the Boys & Girls Club, a nonprofit organization, will renovate, operate, maintain for recreational, educational, health, social and cultural uses by Boys & Girls Club members and the general public, which may include the operation of a Head Start Program; and

WHEREAS, the lease term is fifteen years with two 10-year options to extend; and

WHEREAS, under the terms of the proposed lease, Boys & Girls of San Diego, will expend a minimum of \$2.4 million to upgrade the existing improvements; and all operations and maintenance costs associated with the property are the responsibility of the lessee; and

WHEREAS, the fair market value of the unimproved land is \$500,000, as determined by City valuation staff; NOW THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

1. That the City Manager is authorized to execute, for and on behalf of the City of San Diego, a 15-year lease agreement with two 10-year options to extend with Boys' and Girls'

Clubs of Inland North County, a California nonprofit public benefit corporation, dba Boys & Girls Clubs of San Diego, for a recreational facility on approximately 2.11 acres of 2930 Marcy Avenue, under the terms and conditions set forth in a lease agreement on file in the office of the City Clerk as Document No. RR- 300054.

2. That the Council waived Council Policy 700-41 regarding the use of the RFP process for the lease of City-owned land.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Elisa A. Cusato
Deputy City Attorney

CG:EAC:mm:dm
01/04/04
Or.Dept:READ#114
Job Order:220308
R-2005-667
MMS#1171

Passed and adopted by the Council of The City of San Diego on January 24, 2005, by the following vote:

YEAS: **PETERS, ZUCCHET, ATKINS, YOUNG, MAIENSCHIN, FRYE, MADAFFER, INZUNZA, AND MAYOR MURPHY.**

NAYS: **NONE.**

NOT PRESENT: **NONE.**

VACANT: **NONE.**

AUTHENTICATED BY:

DICK MURPHY

Mayor of The City of San Diego, California

CHARLES G. ABDELNOUR

City Clerk of The City of San Diego, California

(Seal)

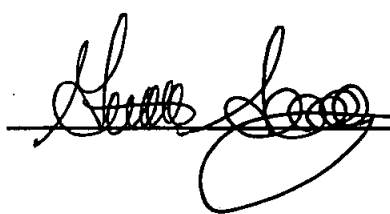
By: **GIL SANCHEZ**, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of
RESOLUTION NO. **R-300054**, passed and adopted by the Council of The City of San
Diego, California on **January 24, 2005**.

CHARLES G. ABDELNOUR

City Clerk of The City of San Diego, California

(SEAL)

By:  Deputy