



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



10

March 29, 1988

Budget & Finance Committee of
the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Approval of a Lease with the State of California,
Department of Parks and Recreation for the Development
of the Museum of Railroad Technology within the Docks
Redevelopment Area

SUMMARY

The attached report is submitted to you for review and
recommendation prior to consideration by the Redevelopment Agency
of the City of Sacramento.

RECOMMENDATION

The staff recommends approval of the attached resolutions
approving the lease.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:

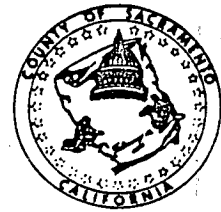
Jack R. Crist

JACK R. CRIST
Deputy City Manager

Attachment



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



March 28, 1988

Redevelopment Agency of the
City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: Approval of a Lease with the State of California,
Department of Parks and Recreation for the
Development of the Museum of Railroad Technology
within the Docks Redevelopment Area

SUMMARY

The approval of this report will give the State Parks and Recreation Department a 4-year period to prepare plans and obtain funding for the proposed Museum of Railroad Technology (MORT). If funding has been approved then a second lease period of 95 years goes into effect. This agreement obligates the State to demolish the buildings, clean up the site and provide funding for waterfront improvements adjacent to the MORT site. See Attachment A which includes the MORT site as a part of the Docks Master Plan.

BACKGROUND

The Redevelopment Agency of the City of Sacramento (RACS) approved the location of the proposed MORT project in July 1987 (Resolution No. 87-053) and a business arrangement with the State of California. Included in that business agreement was a two-step lease period of 4 and 95 years where the initial 4-year period was designed to prepare plans and obtain funding. Should funding not occur, then the second 95-year lease period would not be exercised and the site turned into residential. The lease rate would be below market rate at \$1,000/yr. The State is obligated to demolish the buildings, clean up the site and provide funds for all waterfront related public improvements adjacent to the MORT site. (See Attachment B, Exhibit E for a detailed description.) The State has \$1.6 million previously authorized and appropriated for acquisition of land for MORT. The State is in the process of modifying the use of these funds from acquisition to lease, site preparation and plans development.

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Redevelopment Agency of the
City of Sacramento

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The MORT site (not including the PG&E parcel) is divided into four parcels. The RACS owns parcels 1, 2, and 3 (See Attachment B, Exhibit B). The State of California owns a parcel in-between parcels 2 and 3. MORT will consist of four functional areas including a restoration and maintenance building, a reference collection gallery, an engineering and technology museum and excursion station totaling over 160,000 sq.ft. The total estimated cost is \$30 to \$35 million. See Attachment B, Exhibit C and D for more information.

The lease agreement (See Attachment B) attached to the report embodies the approved business agreement and implements the policy direction of Resolution No. 87-053 approved by the Redevelopment Agency on July 28, 1987. Attachment C is a letter from PG&E regarding their intent to lease property to the Agency which will become a part of the MORT project. Any lease payments for the PG&E property shall be borne by the State of California. A lease with PG&E is preferred by Agency staff because it gives the Agency control over redevelopment of the site and is also desired by PG&E. The lease with PG&E will be brought back to the Agency at a later date.

The Docks Master Plan designated Front Street as the alignment for any future Light Rail System coming through the Docks Area. Attachment B, Exhibit B shows the alignment from the downtown area. In keeping with this policy decision, the designers of MORT will leave sufficient room for Front Street to be expanded west to include a future rail right of way.

FINANCIAL DATA

The Agency will receive \$1,000 per year for the lease with the State for Agency parcels in the MORT project. The \$1,000 per year lease rate is based on the economic feasibility of the steam train program. The steam train program's income is sufficient to pay for fuel and other operational costs. The program breaks even because the initial capital costs are underwritten by the State and the trains crews are experienced volunteers. The steam train program as an enterprise could not afford to pay market rate for a land lease. The Agency will receive alternative benefit such as increased visitor expenditures and hotel occupancy in lieu of lease payments. A payment of \$4,000 will be due at the beginning of the initial 4-year lease period and \$95,000 at the beginning of the subsequent lease period. These funds will be deposited into the Merged Downtown Sacramento Redevelopment Fund (Fund 102) as Lease Revenue (Account 3422). Lease rates and other financial information regarding the PG&E site will be contained in a subsequent report.

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ENVIRONMENTAL REVIEW

The Environmental Impact Report for the Master Plan, including the MORT project was certified complete by Resolution 87-127, dated December 12, 1987.

POLICY IMPLICATION

The action proposed in this staff report is consistent with previously approved policy and there are no policy changes being recommended.

VOTE AND RECOMMENDATION OF COMMISSION

At its regular meeting of March 28, 1988 the Sacramento Housing and Redevelopment Commission adopted a motion recommending adoption of the attached resolution. The votes were as follows:

AYES:

NOES:

ABSENT:

RECOMMENDATION

The staff recommends adoption of the attached resolution approving the MORT lease and authorizing the Executive Director to execute said lease.

Respectfully submitted,

William H. Edgar
WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

Contact Person: Leo T. Goto, 440-1320

LTG:msw
1199M
3/22/88

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
ON DATE OF

APPROVAL OF GROUND LEASE FOR DEVELOPMENT OF THE MUSEUM OF RAILROAD TECHNOLOGY

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY
OF SACRAMENTO:

Section 1: The ground lease between the Agency and the
State of California attached to this resolution as Exhibit A is
hereby approved.

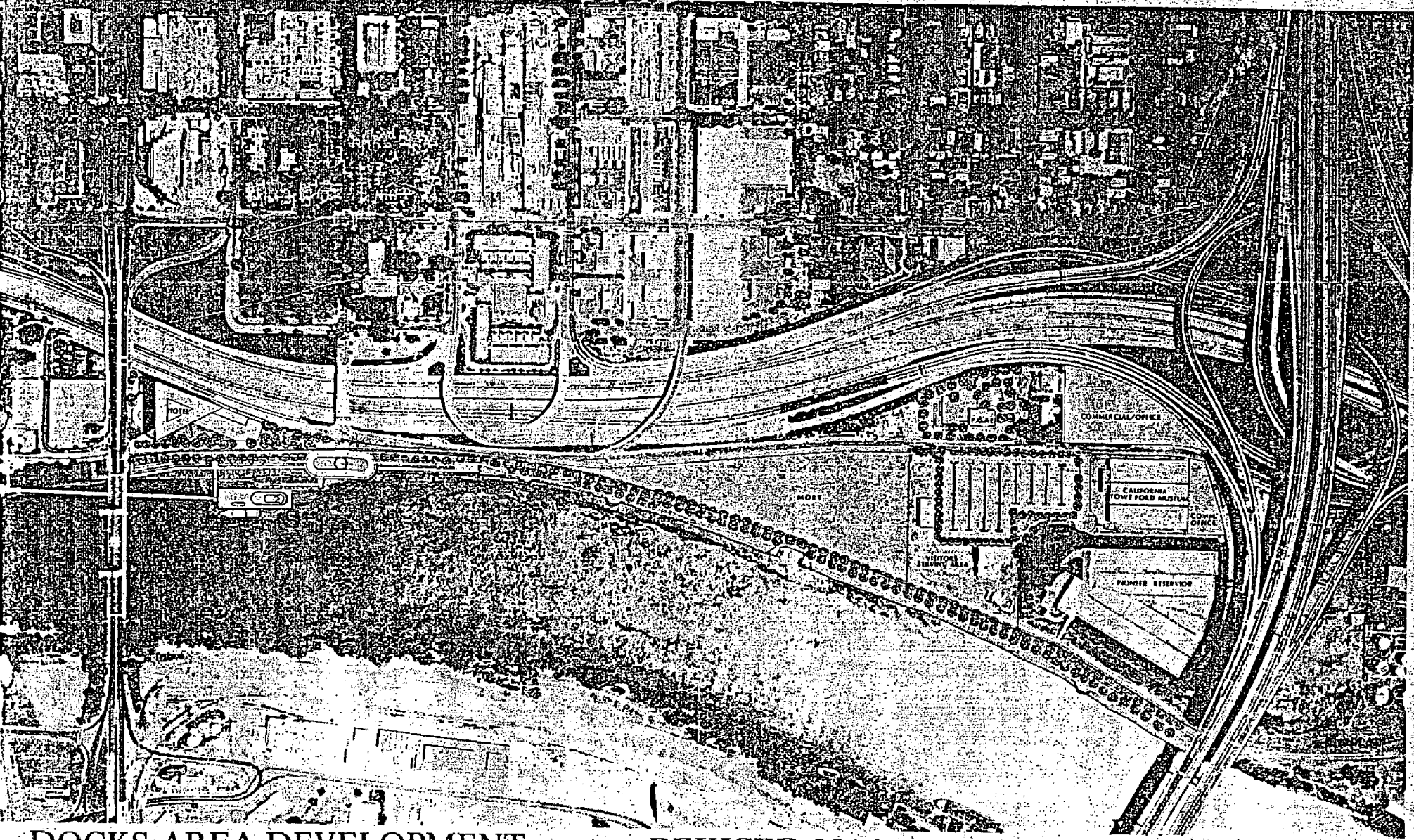
Section 2: The Executive Director is authorized to
execute the lease and any other documents necessary to fulfill
the terms of the lease.

CHAIR

ATTEST:

SECRETARY

1100WPP2(103)



DOCKS AREA DEVELOPMENT

REVISED MASTER PLAN

OCTOBER 1987



REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

RIVERVIEW DEVELOPMENT GROUP

CARISSIMI-ROHRER ASSOCIATES

DEVELOPMENT GROUND LEASE

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

and

STATE OF CALIFORNIA, DEPARTMENT OF PARKS AND RECREATION

DEVELOPMENT GROUND LEASE
MUSEUM OF RAILROAD TECHNOLOGY

THIS DEVELOPMENT GROUND LEASE ("Lease") is entered in this _____ day of _____, 1988, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO, a public body corporate and politic ("Agency") and State of CALIFORNIA, DEPARTMENT OF PARKS AND RECREATION ("Developer"). This Lease consists of this Agreement and Exhibits "A" through "F" which are incorporated herein by this reference.

RECITALS

A. Agency has been established pursuant to Part I (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California ("Community Redevelopment Law")

B. In furtherance of the objectives of the Community Redevelopment Law the Agency has undertaken a redevelopment project in the area of the City of Sacramento ("City") known as the Merged Downtown Area.

C. A redevelopment plan for the Project Area was adopted by City Ordinance Nos. 86-064, 86-065, 86-066 and 86-067, 4th Series on June 17, 1986, and recorded on July 29, 1986 in Book 86-07-29 of Official Records of Sacramento County, beginning at pages 1633, 1738, 1690 and 1787 ("Redevelopment Plan").

D. In furtherance of the Redevelopment Plan the Agency has offered to lease and Developer is willing to lease and redevelop, in accordance with the Redevelopment Plan and this Lease certain real property located in the area bounded by the Sacramento River, Front Street, "R" Street and "T" Street in the City of Sacramento, which property is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference the ("Property").

E. The Agency believes that the redevelopment of the Property under this Lease is in the vital and best interests of the City and the health, safety and welfare of its residents, and is of benefit to the Project Area and in accord with the public purposes of the federal, state and local laws and regulations applicable to the Project.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. GENERAL PROVISIONS

1.1. LEASE OF PROPERTY

For and in consideration of the faithful performance by Developer of its obligations under this Lease, Agency hereby leases the

Property to Developer under the terms and conditions of this Lease.

1.2. IMPROVEMENTS

Except as expressly stated in this Lease, reference to the Property shall include any described appurtenances and improvements now or hereafter located on the Property, notwithstanding that any such improvements shall be construed as affixed to and as constituting part of the real property. Certain improvements ("Improvements") shall be constructed on the Property in accordance with this Lease. The Improvements shall become a part of the Property when constructed.

1.3. TERM

1.3.1 Preliminary Term

This Lease shall commence on _____, 1988, and shall end on _____, 1992, unless extended or terminated as provided in this Lease ("Preliminary Term").

1.3.2 Primary Term

This Lease shall be extended for an additional term ("Primary Term") provided that the conditions precedent to such continuance as specified in Paragraphs 2.1.1, 2.3.2, 2.3.3, 2.3.8, 2.4 and 2.6 have been met. The Primary Term shall commence upon expiration of the Preliminary Term and continue for a period of ninety-five (95) years and end on _____, 2087.

1.4. USE

1.4.1 Construction

Developer shall construct the Improvements on the Property as described in the "Plans and Specifications" described in Section 2 of this Lease.

1.4.2 Museum of Railroad Technology

The use of the Property and Improvements shall be limited to operation by Developer of a Museum of Railroad Technology and those uses reasonably and directly related to such operation including railroad servicing, maintenance and operations displays. Other commercial uses on the Property, except for operation of a museum gift shop of less than 2,000 gross square feet in size, within the museum area, shall require prior written consent of Agency. Operation of such a gift shop shall be at the option of Developer.

The Agency has entered into this Lease solely and specifically to assure operation by the State of California of the Museum of Railroad Technology on the Property and failure by Developer to comply fully with the provisions of this Lease related to use, assignment and subleasing will constitute a material breach of the terms and purpose of this Lease.

1.5. RENT

On the first day of the Primary Term, Developer shall pay Agency rent, in advance, in the amount of FOUR THOUSAND DOLLARS (\$4,000). If the Lease is extended for the Primary Term, Developer shall pay Agency the amount of NINETY-FIVE THOUSAND DOLLARS (\$95,000) in advance on the first day of the Primary Term as total rent for the full primary term.

The parties acknowledge that said rent is substantially less than the fair market value rent for the Property. Agency has agreed to accept such reduced rent in order to assure the operation by the State of California of the Museum of Railroad Technology and in consideration of Developer's promise to do so.

Additional charges required by this Lease to be paid by Developer, including utilities and taxes, are additional rent to be paid when due and in accordance with this Lease.

1.6. ACCEPTANCE OF THE PROPERTY

Developer has inspected the Property, has determined that the Property is entirely suited in all respects for the use contemplated under this Agreement and agrees to accept the Property in its present condition. Developer shall be responsible for all site preparation in connection with construction of the Improvements.

1.7. ADDITIONAL PROPERTY

Agency shall use its best efforts to secure a sufficient interest in the real property ("Additional Property") described in Exhibit "B" and to lease or sublease that land to the Developer and upon the same terms and conditions as the Property except that Agency shall not be obligated to sublease to Developer, the Additional Property at a rent less than that paid by Agency for the Additional Property.

2. DEVELOPMENT OF THE PROPERTY

2.1. SCOPE OF DEVELOPMENT

Developer shall construct the Improvements on the Property, as set forth in the "Scope of Development" attached as Exhibit "C", at Developer's expense.

2.1.1 Preliminary Term

During the Preliminary Term of the Lease, Developer shall remove existing structures, perform weed abatement and remove debris and hazards on the Property for purposes of public safety ("Public Safety Actions"), in accordance with a proposal submitted to Agency and the Schedule of Performances.

2.1.2. Primary Term

During the Primary Term, Developer shall construct a building of approximately 163,000 square feet suitable for use as a museum and exhibition of railroad technology. Developer shall construct additional improvements on the Property as necessary to support the operation of the museum, including railroad tracks, switches and signals landscaping, parking and pedestrian plaza. Said building and other improvements shall be located as shown in the "Site Map" attached as Exhibit "D". Developer shall not commence construction of the building until funds are "available for expenditure" (as the term is commonly used in regard to funds of the State of California) for the construction of the Public Improvements.

2.1.3. Public Improvements

Developer shall, at Developer's expense, construct or cause to be constructed the public improvements on the Property in accordance with the "Description of Public Improvements" attached as Exhibit "E". Said public improvements shall be located as shown on the "Site Map".

2.2. SCHEDULE OF PERFORMANCES

The performances specified in the "Schedule of Performances" attached as Exhibit "F", including commencement and completion of construction, shall be performed on or before the time and date specified therein. Each party shall prosecute each required performance diligently to completion.

2.3. PLANS

Developer shall prepare, and construct the Improvements in accordance with plans and specifications, including drawings, cost estimate and a proposed construction schedule and including all changes thereto (collectively, "Plans and Specifications"), which conform to the Scope of Development and which have been approved by the Agency in writing.

2.3.1. Form and Content of Plans

The Plans and Specifications shall conform to all applicable laws and regulations, the Redevelopment Plan and this Lease. The "Final Plans" shall be prepared in sufficient completeness and detail to comply with applicable laws and regulations and to show that the Improvements will be constructed in accordance with the Redevelopment Plan and this Lease.

2.3.2 Approval of Preliminary Plans

As soon as available and at least forty-five (45) days prior to submission of Final Plans, Developer shall submit "Preliminary Plans", to the Agency for approval. Preliminary Plans are plans, specifications, drawings and cost estimates which may not be sufficient for review by other governmental agencies but which are sufficient for the Agency to approve or disapprove the project concept presented therein. If the Preliminary Plans conform to the Scope of Development, Redevelopment Plan and this Lease and are compatible with surrounding structures, both existing and planned and if the Agency does not actually know that the Preliminary Plans violate any law or regulation, the Agency shall approve the Preliminary Plans in writing.

2.3.3 Approval Of Final Plans

As soon as available and at least three (3) months prior to expiration of the Preliminary Term, Developer shall submit to Agency "Final Plans" which are sufficient for review by appropriate governmental agencies. Unless, at the time of approval of the Preliminary Plans, Agency reserves, in writing, the right to review all or any portion of the Final Plans, the Final Plans shall be deemed approved by the Agency if the Final Plans conform in all respects to the Preliminary Plans. Approval of Final Plans by the Agency is a condition precedent to extension of this Lease for the Primary Term.

2.3.4 Agency Approval

Agency's approval of the Preliminary Plans is not an assurance by the Agency that the Preliminary Plans or the Final Plans are complete, adequate or free from defect. Agency's approval is solely for purposes of assuring Developer's obligations to Agency under of this Lease. Agency shall have forty-five (45) days ("Agency Approval Period") to approve or reject the Plans and Specifications after Developer has formally submitted the Plans and Specifications to the Agency Clerk at Agency's address.

If the Preliminary Plans have been duly submitted prior to the date of this Lease, the Agency Approval Period for the Preliminary Plans shall commence on the date of this Lease.

If Agency does not approve or reject the such plans within the Agency Approval Period, Developer's obligations under this Agreement which are dependent upon such Plans shall be extended by the additional time required by Agency to approve or reject the Preliminary Plans. In any event, if Agency does not approve or reject the Preliminary Plans within ninety (90) days of the commencement of the Agency Approval Period such plans shall be deemed approved.

2.3.5) Corrected Plans

government agency shall not extend the time for extension of the lease for the Primary Term or for commencement and completion of the Improvements if such rejection was a result of the inadequacy or incompleteness of the such plans as submitted. All other delays shall extend such time but shall not extend the date for termination of the Primary Term.

2.4. EVIDENCE OF FINANCING

Developer shall provide evidence satisfactory to Agency that Developer has equity capital and/or financing which is sufficient for the development of the Property in the manner provided in this Lease. Agency approval of such evidence of financing prior to expiration of the Preliminary Term is a condition precedent to extension of this Lease for the Primary Term. Agency shall approve any evidence of financing which consists of unconditional commitments of a financial institution, equity funds irrevocably committed to said development or funds "available for expenditure" for said development (as the term is commonly used in regard to funds of the State of California).

2.5. UTILITIES; HAZARDOUS WASTE

The development of the Property may require the location or relocation of certain utility lines or facilities or the clean-up of hazardous or toxic wastes. Developer shall be responsible for such relocation or clean-up and all costs associated with such relocation or clean-up.

Developer shall allow no hazardous or toxic waste to be used or stored on the premises without the prior written approval of Agency and subject to such conditions as Agency may require. Developer shall immediately notify Agency of its discovery of any hazardous or toxic waste on the Property and immediately commence clean-up of such wastes.

2.6. OTHER CONDITIONS TO LEASE EXTENSION

Subject to other conditions and limitations set forth in this Lease, this Lease shall be extended for the Primary Term only after written notification by Developer to Agency that Developer desires to make such an extension. Such notification shall state that Developer has received all approvals, financing and permits necessary for Developer to commence development of the Property in accordance with the Plans and Specifications and has performed all obligations of this Lease to be performed prior to or as a condition of such development and such Lease extensions. Upon request by Developer, Agency shall execute, in recordable form, any document reasonably required by Developer to evidence such extension of this Lease.

2.7. COMMENCEMENT OF DEVELOPMENT

Within the time set forth in the Schedule of Performances, Developer shall commence and diligently prosecute to completion the development of the Property. Said development shall be in strict conformance to all governmental approval and licenses and the Plans and Specifications approved by Agency, except as Agency may specifically agree otherwise in writing. Developer shall prosecute such rehabilitation and construction work in accordance with the following:

2.8.1 Working Hours

Demolition and construction shall be performed during normal working hours so as to reduce the impact of noise on residents adjoining the site;

2.8.2 Noise Reduction

Developer shall employ noise reduction devices for construction equipment;

2.8.3 Dust Reduction

Developer shall utilize dust-reducing construction practices including (i) minimizing the amount of time dirt surfaces are exposed; and (ii) periodic sprinkling of exposed areas and soil piles.

2.8.4 Traffic Disruption

Developer shall minimize street traffic disruption during construction as required by the City of Sacramento and avoid site traffic to the extent feasible during peak commuter hours.

2.8.5 Historical Artifacts

In the event historical artifacts are found on the Property, Developer shall immediately halt construction work, shall inform Agency in writing of such discovery and not recommence construction work until authorized to do so by Agency. Agency may require that reasonable steps be taken to assure the protection and preservation of such artifacts as required by law, at Developer's expense.

2.9. RIGHT TO INSPECT

Agency may, at any reasonable time and from time to time during the term of this Lease, enter upon the Property for the purpose of inspecting any work performed by Developer and for such other purposes as may be necessary or proper for the reasonable protection of Agency's interest in this Lease, in the Property

and in the development of the Property under this Lease. Agency agrees to conduct its on-site inspection in such a way as will not unreasonably interfere with the work being performed by Developer.

2.10. CERTIFICATE OF COMPLETION

Within the thirty (30) days following substantial completion of development of the Improvements in accordance with the provisions of this Lease and approval of the work by Agency, Agency shall, upon request of Developer, issue to Developer a "Certificate of Completion." Issuance of a Certificate of Completion shall not be considered an acceptance or acknowledgement by Agency that the improvements as constructed are in compliance with this Lease and shall not be considered a waiver by Agency of any rights it may have under this Lease.

3. ENCUMBRANCE OF DEVELOPER'S INTEREST

3.1. LOAN SECURITY

Developer may not during the term of this Lease encumber by deed of trust or mortgage or other security instruments Developer's interest under this Lease and/or the improvements on the Property, as security for loans, without the express written consent of Agency. Agency shall not be required to consent to any such encumbrance unless the proceeds thereof are used solely for the direct benefit of the Property.

3.2. ENCUMBRANCES

Developer accepts the Property at the commencement of the term of this Lease, subject to the effect of the Redevelopment Plan and amendments or revisions thereto.

3.3. AGENCY'S RIGHTS - DEFAULT IN SECURITIES

Any security instrument executed by Developer for the Property shall provide that (i) all notices of default under any security instrument shall be given to Agency, concurrently with the giving notice to Developer, (ii) Agency shall have the right, for a period of thirty (30) days, in which to cure any such default by Developer after the time has expired for Developer to cure such default, (iii) neither Agency's right to cure any default nor any exercise of such a right shall constitute an assumption of liability by Agency under any security instrument or any obligation secured thereby or a subordination of Agency's interests in the Property, and (iv) any noncurable default shall not be grounds for foreclosure of the security instrument if Agency and Developer promptly performs all other provisions of such security instrument and any obligation secured thereby.

4. MECHANIC'S LIENS

4.1. FILINGS

Developer shall not permit any mechanic's lien or other lien to be filed against the Property, Developer's leasehold interest in the Property, or any buildings or improvements on the Property, by reason of any work, labor, services or materials furnished or claimed to have been furnished in connection with any work performed on the Property. If any such lien is filed, Developer shall immediately cause the same to be removed, or bonded by a surety not otherwise involved with the development of the Property, in a manner satisfactory to Agency.

4.2. BOND

Prior to the commencement of construction of the Improvements, or any other construction on the Property, Developer will provide the Agency with assurance of satisfactory completion of such construction in the form of either (a) performance bond and labor and materials payment bond in a form approved by the Attorney General of the State of California for use by agencies of the State of California and in an amount approved by Agency, or (b) cash or cash equivalent in an assigned account, in trust or in an irrevocable, unconditional letter of credit in an amount of and pursuant to a written Completion Assurance Agreement satisfactory to the Agency. If bonds are provided, they shall be recorded at Developer's expense before commencement of such construction in the Office of the Recorder of the County of Sacramento. Developer shall make no changes in the course or scope of such construction or make advance payments to any contractor or any party in furtherance of such construction without the prior written approval of such surety and the Agency.

5. INDEMNITY AND INSURANCE

5.1. INDEMNITY

Developer hereby waives all claims and recourse against the Agency including the right to contribution for loss or damage to persons or property arising from, growing out of, or in any way connected with or incident to this agreement except claims arising from the concurrent or sole negligence of Agency, its officers, agents, and employees.

Developer shall indemnify, hold harmless, and defend Agency, its officers, agents, and employees against any and all claims, demands, damages, costs, expenses, or liability costs arising out of the acquisition, development, construction, operation, or maintenance of the property described herein which claims,

demands, or causes of action arise under Government Code Section 895.2 or otherwise, except for liability arising out of the concurrent or sole negligence of Agency, its officers, agents, or employees.

In the event Agency is named as codefendant under the provisions of the Government Code Section 895 et seq., Developer shall notify Agency of such fact and shall represent Agency in such legal action unless Agency undertakes to represent itself as codefendant in such legal action, in which event Agency shall bear its own litigation costs, expenses, and attorney's fees.

In the event judgment is entered against Agency and Developer because of concurrent negligence of Agency and Developer, their officers, agents, or employees, an apportionment of liability to pay such judgment shall be made by a court of competent jurisdiction. Neither party shall request a jury apportionment.

5.2. PROTECTIVE DEVICES

At all times following the transfer of possession of the Property to Developer, Developer shall cause to be provided such fences, warning devices, barricades and other protective devices as are necessary to protect the public from death, physical injury or property damage arising out of or in any way connected with Developer's use of the Property.

5.3. BUILDER'S "ALL RISK" INSURANCE

At all times during the course of construction of the Improvements on the Property, Developer shall obtain and maintain Builder's Risk Insurance for protection against all loss of, or damage to the Improvements or materials, on-site and off-site, to be used in the construction of the Improvements to their full insurable value. Said Builder's Risk Insurance shall name the Agency as a loss-payee as its interests may appear, and all subcontractors and sub-subcontractors as their interests may appear. Said insurance shall include fire and extended coverage and "all risk" insurance for physical loss or damage including without duplication of coverage, theft, vandalism and malicious mischief and excepting flood and earthquake damage. The Developer shall be responsible for materials stored on-site or in transit unless supplied by Agency and shall obtain and maintain similar insurance for any of the materials not otherwise covered by said "all risk" insurance. Said insurance shall have a maximum deductible of TWENTY-FIVE THOUSAND DOLLARS (\$25,000).

5.4. EVIDENCE OF INSURANCE COVERAGE

Developer shall, prior to the commencement of construction, furnish Agency with satisfactory evidence of the required insurance coverages. Such evidence may be by copy of the policy or policies, endorsements thereon, or certificates of insurance.

Such insurance shall provide that Agency shall receive at least thirty (30) days' written notice prior to cancellation thereof during the term of this Lease.

6. DEFAULTS, REMEDIES AND TERMINATION

6.1. REMEDIES OF AGENCY

Should Developer at any time be in default under this Lease with respect to any rental payments or other charges payable by Developer, and should such default continue for a period of five (5) days after written notice from Agency of such default, or should Developer be in default in the performance of any other of its promises, covenants or agreements or otherwise fail to comply with any term contained in this Lease, and should such default continue for thirty (30) days after written notice from Agency to the Developer specifying the particulars of such a default, or should Developer vacate or abandon the Property for a period of thirty (30) days after notice from Agency of such abandonment, this Lease shall remain in full force and effect; provided, however, that in any of such events and in addition to any and all other rights or remedies of Agency, by law this Lease shall be immediately terminated at the option of Agency with or without process of law. Agency, upon declaring the termination of this Lease, shall have the right to reenter the Property and take possession of the Property and the improvements on the Property, and remove all persons from the Property and Developer shall have no further claim on the Property or the improvements on the Property or under this Lease.

6.2 DAMAGES UPON TERMINATION

Should Agency elect to terminate this lease under the provisions of part (a) of this Section 601, Agency shall be entitled to recover from Developer or Sublessee as damages:

6.2.1 Unpaid Rent

The worth at the time of termination of the amount by which the unpaid rental for the balance of the term exceeds the amount of such rental loss for the same period, which loss Developer proves could reasonably be avoided;

6.2.2 Cost of Recovering Property

The cost of recovering the property and the cost of restoring the Property to its condition as existed on the commencement date of this Lease or of redesigning and reconstructing the improvements on the Property for a commercial reasonable use, whichever is use;

6.2.3 Other Permissible Amounts

Such other amounts as are provided for by law; and

6.2.4 Attorney's Fees

Reasonable attorneys' fees incurred by Agency in obtaining the termination, curing defaults and collecting damages related to the default and termination.

6.3 NON-LIABILITY OF AGENCY

If Agency elects to reenter the Property under the provisions of this Section, Agency shall not be liable for damages by reason of such reentry.

6.4 REMEDIES CUMULATIVE; WAIVERS LIMITED

All rights, options and remedies of Agency contained in the Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of any other. Agency shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in the Lease. No waiver of any default of Developer shall be implied from any acceptance of rent or any other payment due or from any failure by Agency to take action on account of such default if such default persists or is repeated. No express waiver by Agency of a default shall affect defaults other than as specified in said waiver. The consent or approval by Agency to or of any act by Developer requiring Agency's consent or approval shall not be deemed to waive or render unnecessary Agency's consent or approval to or of any subsequent or similar acts by Developer.

6.5 FAILURE TO COMPLETE CONSTRUCTION

If the Developer fails to diligently prosecute the construction of the Improvements and to substantially complete such construction within sixty (60) days following the date stated for substantial completion in the Schedule of Performances as extended in accordance with this Lease, the Agency may, upon five (5) days written notice to the Developer and surety for the Property, and with or without legal process, take possession of the Property and Improvements, remove the Developer and all agents, employees and contractors of the Developer from the Property, complete the work of construction in any commercially reasonable manner and market and sell or lease the Property. Developer shall immediately assign all contracts with contractors, subcontractors, suppliers and other

entities related to the construction of the Improvements to the Agency upon Agency demand after such failure by Developer. Upon Agency taking possession of the Property, the Developer irrevocably appoints the Agency as its attorney-in-fact with regard to the Property and Improvements until issuance of a Certificate of Occupancy for the Improvements, which agency is coupled with an interest.

6.6 ENFORCED DELAY - EXTENSION OF TIMES OF PERFORMANCE

This Lease may not be assigned and all or any part of the Property may not be sublet without the express written consent of Agency, subject to prior approval by Agency of the terms of the assignment agreement. Because Agency has provided a rental rate which is substantially below fair market rental rates in order to assure that the State of California will operate a Museum of Railroad Technology on the Property, such assignment or subletting shall not be approved if the Lease is assigned or sublet to any entity other than a governmental entity, to any entity without sufficient funds to operate the museum in the manner contemplated in the Plans and Specifications and Scope of Development, or for a use other than the use specified in this Lease. Assignment without the prior written approval of Agency is a material breach of this Lease, and upon such breach, Agency shall have the right to terminate this Lease at any time and take action or pursue any remedy to which it may be entitled. The foregoing notwithstanding, if Developer makes such an assignment or sublease without the consent of Agency, the rent due under this Lease for the remaining term, whether or not previously paid according to the terms of this Lease shall be immediately increased to an amount equivalent to fair market rent for the Property as determined by independent appraisal by an M.A.I. appraiser selected by Agency or to the amount of rent to be received by Developer under Developer's agreement with such assignee or sublessee, whichever amount is greater. Any unpaid amount of such increased rent shall be paid in monthly payments in advance on the first day of each month commencing on the first day of the next calendar month after such assignment or subletting. Thereafter, such increased rent may be further increased annually upon demand by Agency by the same percentage increase evidenced by the Consumer Price Index - U.S. City Average - All Urban Consumers (Index) as published by the United States Department of Labor's Bureau of Labor Statistics during the period from the Index published immediately prior to the last rental increase under this Section and the most current publication of the Index. In any event, the rental due to Agency shall not be less than the rent payable by such assignee or sublessee under such assignment or sublease agreement.

7.2. MANAGEMENT

Developer shall provide Agency with the names of any persons having management responsibility with respect to the Property, including a description of that person's responsibility. Developer shall make its books and records available to Agency at reasonable times at its principal offices within the City of Sacramento. Developer shall provide Agency with a copy of all audits of Developer's activities with respect to the Property. Said audits shall be provided within ten (10) days following completion.

In the event the Executive Director of the Agency reasonably determines that the Property is not being properly managed, Agency shall give notice of such determination to Developer. Thereafter, Developer and Agency shall meet and, in good faith, attempt to develop a corrective action plan for the management of the Property by Developer. Failure of Developer to carry out prompt corrective action as agreed shall constitute a default under this Lease.

8. IMPROVEMENTS

8.1. ERECTION, ALTERATION AND DEMOLITION OF IMPROVEMENTS

Subject to the following conditions, Developer shall have the right, at any time, and from time to time, during the term of this Lease, to erect, maintain, remodel and reconstruct buildings and other types of improvements, structural and nonstructural, situated upon and under the Property:

8.1.1 Agency Approval

All such erection, maintenance, remodeling and reconstruction, shall be undertaken only with the prior written approval by Agency of plans for such action given as for Final Plans under this Lease and done in strict accordance with this Lease, the Redevelopment Plan, the Trust Deed and applicable state and local law;

8.1.2 Developer's Expense

The cost of all such work shall be borne and undertaken without cost or expense to Agency, and Developer shall and does hereby agree to defend, indemnify and save harmless Agency from and against any and all such costs and expenses;

8.1.3. Mechanic's Liens

Property shall at all times be kept free of mechanics' and materialmen's liens, in the same manner as provided in this Lease for construction of the Improvements; and

8.1.4 Notice to Agency

Agency shall be notified in sufficient time prior to the commencement of any such work and shall be permitted access to the Property for the purpose of posting notices of non-responsibility and for review of the work to assure compliance with approved plans.

8.1.5 Construction Rules

All obligations of Developer related to construction of the Improvements including bonds, insurance and Agency inspections shall be applicable to construction on the Property by Developer under this Section.

8.2. OWNERSHIP OF IMPROVEMENTS

During the term of this Lease, title to all improvements on the Property shall be in Developer with a right of reversion to the Agency upon expiration of the lease term or earlier termination as provided herein. Upon expiration or sooner termination of this Lease as to all or any part of the Property, title to all improvements on the Property shall vest in Agency without cost or charge to Agency and free and clear of all claims, liens and demands of every character. Developer agrees to execute, within thirty (30) days of Agency's request, any document which may be required by Agency to evidence the reconveyance, extinguishment or termination of Developer interests and rights under this Lease.

8.3. CONDITION ON SURRENDER

Developer shall, at no cost to Agency, maintain the Property and all improvements on the Property in good repair and condition. At the expiration of the term of this Lease, or any sooner termination, Developer shall surrender possession of the Property and all improvements on the Property to Agency in good repair and condition, reasonable wear and tear, damage by the elements, destruction described in this Lease, or acts of God excepted. Notwithstanding any other provisions of this Lease, any damage from any cause which is covered by insurance shall be repaired unless the Executive Director of Agency has agreed in writing that the damage covered by insurance need not be repaired. The parties acknowledge and are aware that Agency shall have no responsibility for maintenance of the improvements constructed or rehabilitated by Developer during the term of this Lease.

8.4. DESTRUCTION OF IMPROVEMENTS

8.4.1 No Lease Termination

No loss or damage by fire or other casualty resulting in either partial or total destruction of any improvement on the Property shall operate to terminate this Lease or to relieve or discharge Developer from its obligations under this Lease. "Other casualty" as used herein shall include, without limitation, loss or damage, whether or not insured, resulting from earthquake, causes unknown, uprising and acts of God and the common enemy.

8.4.2

Repair or Reconstruction

If, during the term of this Lease, any improvements on the Property or any trade fixtures shall be damaged or destroyed by fire or other casualty, Developer shall, with all reasonable diligence, repair, reconstruct or

appraisal of the three appraisers shall establish the interests of Agency and Developer in the insurance proceeds. If Developer fails to commence required repairs, reconstruction or replacement within sixty (60) days of the date of said damage or destruction, or fails to diligently pursue said repair, reconstruction, or replacement to completion, Agency may immediately terminate this Lease and shall be entitled to all insurance proceeds payable on account of such damage or destruction, less such amounts to which any lender previously approved by Agency and secured by the Property is entitled, and less such reasonable amounts as are necessary to compensate Developer for restoring the Property as provided herein.

8.5. SURRENDER OF PROPERTY

At the expiration or earlier termination of this Lease, Developer shall surrender to Agency possession of the Property and improvements located thereon. If Developer fails to so surrender, Developer shall defend and indemnify Agency from all liability and expense resulting from the delay or failure to surrender, including without limitation, claims made by any succeeding lessee or sublessee, assignee or other person founded on or resulting from Developer's failure to surrender.

9. USE AFTER COMPLETION OF IMPROVEMENTS

9.1. TAXES AND ASSESSMENTS

As additional rental hereunder, Developer agrees to pay any real and personal property taxes including possessory interest taxes and improvement bonds or assessments that are assessed or levied upon the Property during the term of this Lease which are required to be paid by Developer under then current law. Such payment shall be made not later than five (5) days prior to the delinquency date for payment of any such taxes, bonds or assessments. All such taxes, bonds and assessments assessed prior to but payable in whole or in installments after the commencement of the term of this Lease, shall be prorated as of the date of commencement of the term of this Lease.

9.2. UTILITIES.

During the term of this Lease, Developer shall pay all charges for water, gas, electricity, telephone, garbage, sewer, air conditioning and all of the utilities and services, used upon Property including installation and/or relocation thereof.

9.3. MAINTENANCE OF PROPERTY.

9.3.1 Waiver of C.C.P. 1941-1942.5

Agency shall not be obligated to make any repairs, alteration, additions or improvements in, or to, upon, or in connection with the Property or any portion of the Property at the cost or expense of Agency, and accordingly, Developer does hereby expressly waive the benefit of the provisions of Section 1941 through 1942.5, inclusive, of the California Civil Code.

9.3.2 Quality of Maintenance

At all times during the terms of this Lease, Developer shall, at Developer's own cost and expense, keep and maintain the Property and all improvements now or hereafter on said Property in good order and repair and in safe and clean condition. Furthermore, Developer shall, at Developer's own cost and expense, maintain at all times during the term of this Lease the whole of said Property, as well as any improvements, landscaping, or facility thereon in a clean, sanitary, neat, tidy, orderly and attractive condition. The following are guidelines for minimum quality of exterior maintenance:

9.3.2.1. Building Upkeep.

The exteriors of all buildings and structures on the Property are to be kept in a clean and attractive condition. Refinishing of any and all surfaces is to be performed immediately when observed to be needed due to damage or deterioration.

9.3.2.2. Grounds Upkeep.

All surfaces and landscaped areas within the Property boundaries are to be maintained by Developer in a condition consistent with top quality landscape care. All lawn areas are to be kept fully planted and regularly mowed. Shrubs and trees are to be properly and consistently pruned. All landscaped areas are to be kept free of weeds, undesirable plants, and trash.

9.3.2.3. Trash Storage.

All trash, including lawn, shrub and tree cuttings are to be placed in a screened enclosure when stored for pickup. No collected trash of any kind is to be allowed to stand outside of an enclosure for more than eight (8) hours.

9.4. WASTE, NUISANCE OR VIOLATION OF LAW

Developer shall use the Property solely for the uses set forth in the Lease. Developer or Developer's assigns, sublessee or successors in interest shall not commit, suffer or permit any waste or nuisance on the Property or any act to be done thereon in violation of any laws or ordinances and failure to prevent same shall be a material breach of this Lease.

9.5. AUDIT AND INSPECTION

The Property, the improvements and the equipment, plans, offices, books, contracts, records, documents and other papers relating to the Property shall at all times be maintained in reasonable condition for proper audit and shall be subject to examination by the Agency or its agents.

The books and accounts of the operations of the Property and of the improvements on the Property shall be kept in accordance with generally accepted accounting principles.

9.6. ANNUAL FINANCIAL REPORT

Annually, on September 1 of each year of the Lease, the Developer shall submit to Agency a complete annual financial report based upon an examination of the books and records of the Developer prepared in accordance with generally accepted accounting principles and signed by a Certified Public Accountant and including information on gross income received, attendance, special events planned, all income, profit and loss statements and statements of account

9.7. ADDITIONAL INFORMATION

At the written request of the Agency, its agents, employees, or attorneys, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, and condition of the Property and Improvements on the Property.

9.8. CONDEMNATION

If, at any time during the term of this Lease, the whole of the Property shall be taken or condemned by any authority having the power of eminent domain, the Lease and the estate and interest of Developer therein shall thereupon terminate. The total award, less all expenses incurred in connection with the condemnation proceedings, shall be apportioned such that Agency shall be compensated first for the fair market value of the land, lenders are compensated second on the basis of their security in the leasehold estate, and any remaining amounts are apportioned between Agency and Developer in accordance with their respective interests.

If a portion of the Property should be taken by an authority having the power of eminent domain, then the award shall be apportioned in accordance with the loss of value to the respective parties in the order set forth.

9.10. HOLDING OVER

This Lease shall terminate and become null and void without further notice upon the expiration of the term of the Lease. Any holding over by Developer or any Sublessee or successor in interest after the expiration of said term shall not constitute any renewal this Lease or give Developer or Sublessee any rights this Lease, or in the Property. Such a holding over shall constitute wrongful possession of the Property. If such holding over is with the consent of Agency, it shall not be wrongful, but it shall constitute only a month-to-month tenancy, subject to the applicable terms of this Lease.

9.11. ESTOPPEL CERTIFICATES

Upon reasonable request by Agency, Developer shall duly execute, acknowledge and deliver to Agency or to Agency's designee, a statement in writing stating that this Lease is unmodified and in full force and effect (or if there has been any modification that the respective Lease is in full force and effect as modified, stating the modification or modifications) and that there are no defaults existing or if there are any claimed defaults stating the extent and nature thereof, and stating the date to which rental and other charges have been paid in advance. Developer acknowledges that third parties may rely upon such statements.

10. MISCELLANEOUS

10.1. REPRESENTATIONS

Developer represents and warrants that Agency has made no representations to Developer of any kind whatsoever concerning the Property, this Lease, or any related matter, except as expressly contained in this Lease. Developer hereby waives any claim of any kind against Agency for any matter arising out of or related to the misrepresentation of any fact of the failure to disclose any fact concerning the Property, this Lease or any related matter.

10.2. NEGATION OF JOINT VENTURE

Nothing herein contained shall be in any way construed as expressing or implying that the parties have joined together in any joint venture or partnership or in any manner have agreed to or are contemplating the sharing of profits and losses among themselves in relation to the agreements set forth in this Lease.

10.3. SUCCESSORS OR ASSIGNS OF AGENCY

The terms, covenants, agreements and conditions contained in this Lease shall be binding upon, inure to the benefit of and apply to the successors and assigns of Agency and the respective successors and assigns of Developer.

10.4. JUDICIAL ACTIONS

10.4.1 Institution of Judicial Actions.

In addition to any other rights or remedies, either party may institute judicial action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Lease. Such judicial actions must be instituted in the Superior Court of the County of Sacramento, State of California, or in an appropriate municipal court in that County, or in the Federal District Court of the Eastern District of California.

10.4.2 Applicable Law.

The laws of the State of California shall govern the interpretation and enforcement of this Lease.

10.4.3 Acceptance of Service or Process.

In the event that any judicial action is commenced by Developer against Agency, service of process on Agency shall be made in such manner as may be provided by law.

In the event that any judicial action is commenced by Agency against Developer, service of process on Developer shall be made by personal service upon any corporate officer of Developer or in such other manner as may be provided by law, whether made within or without the State of California.

10.5. RIGHTS AND REMEDIES ARE CUMULATIVE

Except as otherwise expressly stated in this Lease, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

10.6. NONMERGER

If both Agency's and Developer's estates in the Property and/or the improvements become vested in the same owner, this Lease shall nevertheless not be destroyed by the application of the doctrine of merger except at the express election of Agency.

10.7. DISCRIMINATION

Developer, its employees, and agents, assigns, subleasees or successors in interest and any person operating under or through them shall not discriminate because of race, age, religion, color, ancestry, sex, physical handicap or national origin, against any person by refusing to furnish such person any accommodation or facility offered to the general public. Nor shall Developer, its employees, or agents publicize the accommodations or facilities in any manner that would directly or implicitly reflect upon or question that acceptability or the patronage of any person because of race, age, religion, color, ancestry, sex, physical handicap or national origin.

In the performance of this Lease, Developer shall not discriminate against any employee or applicant for employment because of race, age, color, religion, ancestry, sex, physical handicap, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Developer shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by state setting forth the provisions of this Fair Employment Practices Section.

10.8. QUIET ENJOYMENT

Agency covenants that Developer, upon paying the rental and performing and observing the other covenants, conditions and agreements of this Lease upon the part of Developer to be performed and observed, may peacefully hold and enjoy the Property during the term of this Lease. This covenant shall be construed as running with the land to and against subsequent owners and successors in interest.

10.9. WAIVERS

All waivers of the provisions of this Lease must be in writing and signed by the appropriate official of Agency and Developer, and all amendments to this Lease must be in writing and signed by the appropriate official of Agency and Developer. No waiver of any breach of any term or provision of this Lease shall constitute a waiver of any other or future breach of the same or any other term or provision of this Lease.

10.10 RIGHT OF ENTRY

Agency and its representatives may enter the Property at any reasonable time for the purpose of inspecting the Property to be assured of compliance by Developer of its covenants, duties and obligations under this, exhibiting the Property for sale or lease, posting notices of nonresponsibility under any

mechanics' lien law and any other action reasonably related to the respective rights and duties of the parties under this Lease. Whenever circumstances permit, Agency shall give Developer written notice twenty-four (24) hours in advance of any entry under this section.

10.11 NONLIABILITY OF AGENCY OFFICIALS AND EMPLOYEES

No member, official or employee of Agency shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by Agency or for any amount which may become due to Developer or any successor or on any obligations under the terms of this Lease. In such event, Developer agrees not to bring suit against any such member, officer or employee.

10.11 INVALIDITY OF PARTICULAR PROVISION

If any term or provision of this Lease or its application to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law.

10.12 RECORDATION OF MEMORANDUM OF LEASE

As an alternative to recording this Lease, the Agency may record a "Memorandum of Lease" which accurately reflects the relevant provisions of this Lease.

10.13 ATTORNEYS' FEES

If a party to this Lease should prevail in any legal action brought to enforce this Lease, or for its breach, the parties agree that the prevailing party may recover as part of the judgment reasonable attorneys' fees and costs.

10.14 NOTICES TO AGENCY AND DEVELOPER

All notices, requests, demands, payments or other communications this Lease shall be in writing and shall be deemed to be duly given if delivered in person or deposited in the United States mail, certified or registered or otherwise actually delivered to:

If to Agency, to:

Redevelopment Agency of the
City of Sacramento
630 I Street
Sacramento, CA 95814
Attention: Legal Department

If to Developer, to: State of California
Department of Parks and
Recreation
Sacramento, CA
Attention: _____

or to such other address or addresses as may be furnished in writing by either party, and such notice or communication shall be deemed to have been given as of the date so mailed.

10.15 ACKNOWLEDGEMENT OF UNDERSTANDING

The parties hereto acknowledge having read and understood this Lease, including all exhibits and having received a copy.

WHEREFORE, the parties hereto have executed this Lease on the date first above written.

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

APPROVED AS TO FORM:

Agency Counsel

BY _____
William H. Edgar
Executive Director

APPROVED:

Finance Department

REDEVELOPER:

Account Code: 3422
Organization: ~~9010~~ 9102
Cost Center: NONE

STATE OF CALIFORNIA

DEPARTMENT OF PARKS AND
RECREATION

APPROVED:

Organization

BY _____

154WPP1(400)

EXHIBIT A
LEGAL DESCRIPTION

All that certain real property situate in the State of California, City of Sacramento, County of Sacramento, described as follows:

PARCEL NO. 1:

Beginning at a point formed by the intersection of the South line of "R" Street, in the City of Sacramento, produced Westerly with the Northerly line of Brannan's Addition to the said City of Sacramento; running thence Westerly along the said Southerly line of "R" Street produced Westerly, to the center line of the Sacramento River; running thence Northeasterly along the center line of the Sacramento River to a point formed by the intersection of the center line of the Sacramento River and the Northerly line of "P" Street in said City produced Westerly; running thence Easterly and along the said Northerly line of "P" Street, produced Westerly, to a point eighty (80) feet Westerly from the intersection of the said Northerly line of "P" Street and the Easterly line of Front Street in said City; thence in a straight line Southerly to the point of beginning.

EXCEPTING THEREFROM all that portion thereof described in Deed to the City of Sacramento recorded May 12, 1911 in Book 334 of Deeds, page 130.

FURTHER EXCEPTING THEREFROM all that portion thereof described in Deed to the Southern Pacific Railroad Company, recorded September 18, 1947 in Book 1394, page 258 of Official Records.

FURTHER EXCEPTING THEREFROM all that portion thereof described in Grant Deed to the State of California, recorded May 7, 1969 in Book 6905-07, page 170 of Official Records.

EXCEPTING AND RESERVING therefrom all minerals, oil, gas and geothermal rights below a depth of 500 feet of said land, without the right of surface entry, as reserved in the Deed from the Western Pacific Railroad Company, a Delaware Corporation, recorded December 21, 1979 in Book 7912-21, page 1230, Official Records.

EXCEPTING that portion of said land not included within the parcel boundaries of the patent of the Rancho New Helvetia from the United States of America to John A. Sutter on June 20, 1866, the date of issuance of said patent, or is not alluvion which has accreted to said Rancho by natural causes.

PARCEL NO. 2

All that portion of the City of Sacramento bounded on the North by the South line of "R" Street if extended Westerly; on the South by the North line of "S" Street if extended Westerly on the West by the Easterly bank of Sacramento River; and on the East by the line drawn parallel with and 80.00 feet Westerly from the Easterly line of Front Street of said City of Sacramento.

EXCEPTING THEREFROM all that portion conveyed to the State of California by Deed recorded September 28, 1971 in Book 7109-28, page 686, Official Records, described as follows:

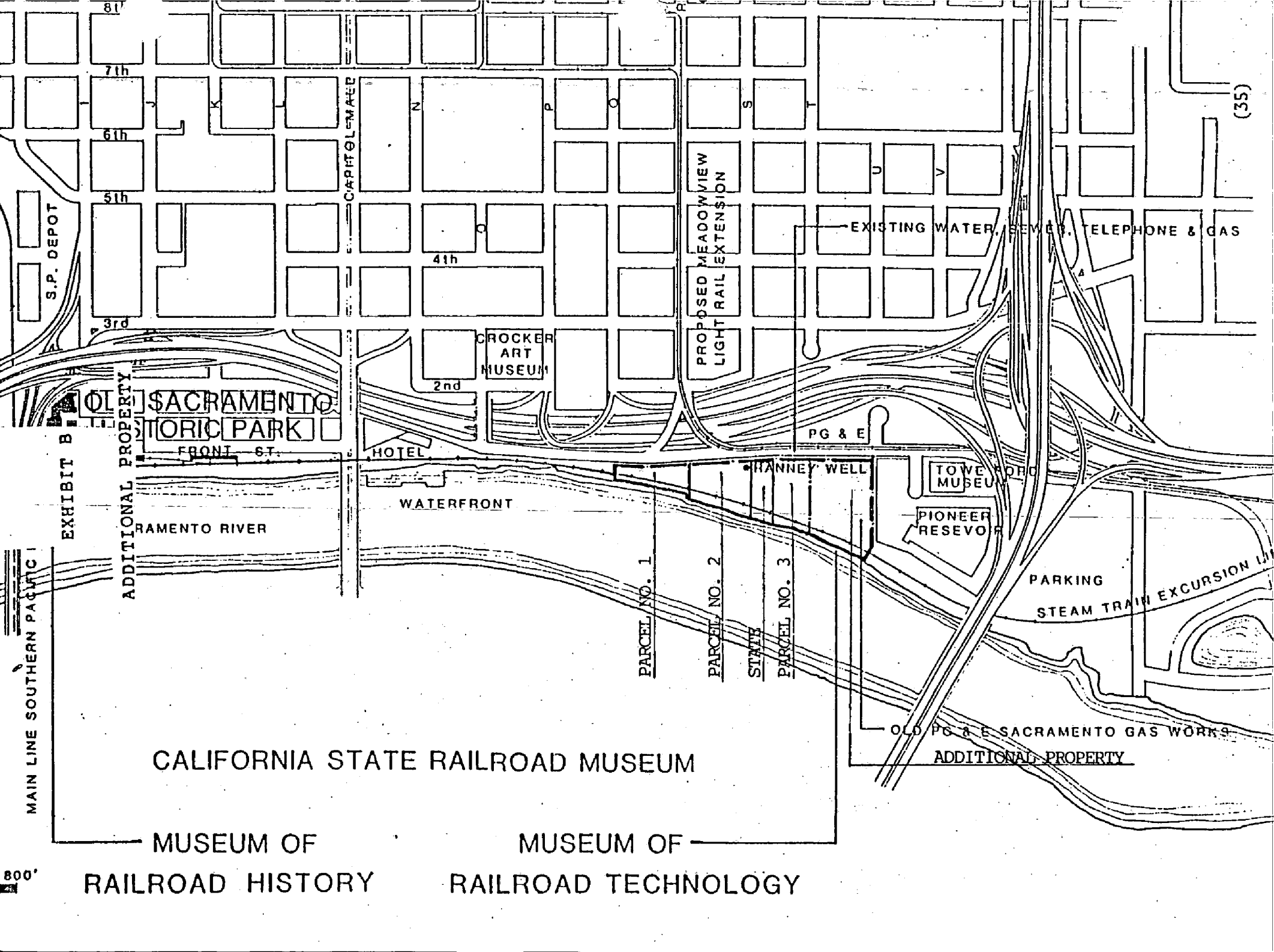
BEGINNING at a point that bears N. $40^{\circ} 50' 54''$ W. 65.84 feet from the intersection of the centerlines of Front and "S" Streets of said City, said point of beginning also beginning 294.96 feet Westerly, measured radially from the base line at Engineer's Station "B1" 524+61.97 of the Department of Public Works' Survey on road 03-SAC-5 from Post Mile 22.0 to Post Mile 34.7; thence from said point of beginning N. $13^{\circ} 13' 28''$ E. 474.47 feet to a point 259.90 feet Westerly, measured radially from said base line at Engineer's Station "B1" 524+97.72.

ALSO EXCEPTING THEREFROM that portion of said land lying below a depth of 500 feet, measured vertically, from the contour of the surface of said land, however, grantor or its successors and assigns shall not have the right for any purpose whatsoever to enter upon, into or through the surface of said land or any part thereof lying between said surface and 500 feet below said surface, as excepted in the Deed executed by Southern Pacific Transportation Company, a Delaware Corporation, to Carson Development Company Inc., a corporation, recorded November 23, 1981 in Book 8111-23, page 405, Official Records.

PARCEL NO. 3

All that portion in the City of Sacramento, as shown on the "Map of Brannan's Addition to the City of Sacramento", recorded in Book 1 of Maps, Map No. 13, Records of said County, described as follows:

Beginning at a point on the Westerly line of Front Street as shown on said map, distant thereon 120 feet Southerly from the South line of "S" Street if extending Westerly; thence from said Point of Beginning Southerly and along said Westerly line of Front Street 250 feet to a point; thence at right angles Westerly 389 feet to an intersection with the centerline of "T" Street, as shown on said map; thence North $32^{\circ} 40'$ West along the centerline of "T" Street to the left or Easterly bank of the Sacramento River; thence Northeasterly along said left or Easterly bank to a point which lies 120 feet Southerly of a line drawn parallel with and at right angles from the extension Westerly of the South line of "S" Street; thence Easterly along said Westerly extension line to the Point of Beginning.



S.P. DEPOT

8th
7th
6th
5th
3rd

CAPITOL MALL

N P O S

4th

CROCKER
ART
MUSEUM

2nd

PROPOSED MEADOWVIEW
LIGHT RAIL EXTENSION

EXISTING WATER, SEWER, TELEPHONE & GAS

SACRAMENTO
HISTORIC PARK

FRONT ST.

HOTEL

PG & E

HANNAY WELL

TOWER OF
HOPE
MUSEUM

PIONEER
RESEVOIR

SACRAMENTO RIVER

WATERFRONT

PARKING

STEAM TRAIN EXCURSION LINE

MAIN LINE SOUTHERN PACIFIC

EXHIBIT B

ADDITIONAL PROPERTY

PARCEL NO. 1

PARCEL NO. 2

STATE

PARCEL NO. 3

OLD PG & E SACRAMENTO GAS WORKS

ADDITIONAL PROPERTY

CALIFORNIA STATE RAILROAD MUSEUM

MUSEUM OF

MUSEUM OF

RAILROAD HISTORY

RAILROAD TECHNOLOGY

800'

EXHIBIT C
SCOPE OF DEVELOPMENT

The Museum of Railroad Technology will consist of the following functional elements:

1. Restoration and Maintenance Building:

A shop facility for the purpose of restoring the museum's railroad equipment, maintaining the steam locomotives and cars used in the excursion railroad operation and providing a public overview for the interpretation of the restoration and maintenance process at the museum.

2. Reference Collection Gallery:

An exhibition hall for the purpose of storing the California State Railroad Museum's present collection of over 90 railroad locomotives and cars of which 66 percent will be on public display and inspection and related railroad trackage necessary for movement of railroad artifacts.

3. Engineering and Technology Museum:

A museum for the purpose of interpreting the significant engineering and technological concepts of railroads and railroading in California and the West from 1850 to the present.

4. Excursion Station:

An area for the purpose of providing visitors to the Museum of Railroad Technology a place for embarkation from the steam excursion train which will provide transportation from the Museum of Railroad Technology.

EXHIBIT D

SITE MAP

RIVER OVERLOOK (TYPICAL)

SACRAMENTO RIVER

EXCURSION TRAIN DROP-OFF

REFERENCE

RESTORATION

FUTURE STREET EDGE

FRONT SREET

PARKING

PROPERTY LINE

N.I.C.

PLAZA

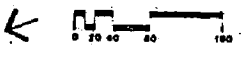
PROPERTY LINE

N.I.C.

TOWE FORD MUSEUM

PIONEER RESEVOIR

P.G & E



SITE PLAN

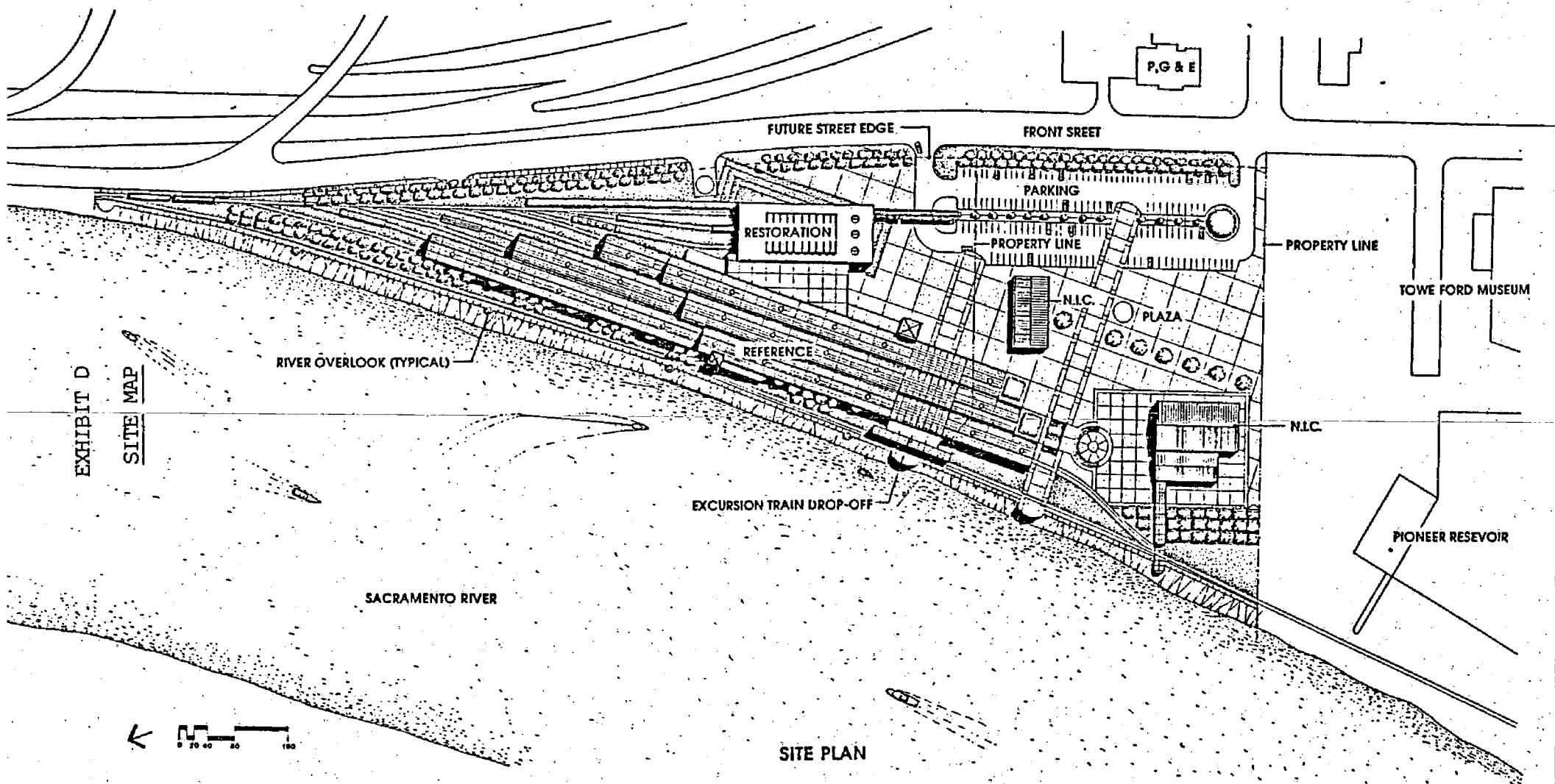


EXHIBIT E

DESCRIPTION OF PUBLIC IMPROVEMENTS

Public Improvements shall include payment for the entire work of construction including without limitation site preparation, soils testing, foundations, excavation costs, landscaping, sprinklers, utilities (relocation, installation and connection), paving and surfaces, compliance with special conditions, construction supervision, architectural, engineering, design consulting, attorneys' fees, construction liability insurance, labor and materials and performance bonds, title insurance services, city building permit fees, if applicable, and art commissioned in satisfaction of Art in Public Places requirements.

EXHIBIT F


SCHEDULE OF PERFORMANCES

<u>ACTIVITY</u>	<u>TIME OF PERFORMANCE</u>
1. Transfer of possession of the Property.	On the first day of the month following the date of this Lease
2. Submission of proposed Public Safety Action by Developer to Agency.	Within 6 months after budget approvals
3. Commencement of Public Safety Actions	Within 5 months after completion of #2
4. Completion of Public Safety Actions	Within 3 months after commencement of Public Safety Actions
5. Submission of Preliminary Plans by Developer to Agency	As soon as available and at least 45 days prior to submission of Final Plans
6. Submission of Final Plans by Developer to Agency and other required governmental agencies	As soon as available and at least 3 months prior to expiration of the Preliminary Term
7. Final Plans have received all requisite approvals and funds have been "made available for expenditure"	At least 3 months prior to expiration of Preliminary Term of the Lease

EXHIBIT F
Continued

<u>ACTIVITY</u>	<u>TIME OF PERFORMANCE</u>
8. Developer compliance with all conditions precedent to extension of the Lease for the Primary Term	Not later than 6 months prior to expiration of the Preliminary Term of the Lease
9. Completion of construction under the Final Plans	Within 42 months after commencement of the Primary Term of the Lease

154WPP1(400)



February 23, 1988

Mr. Leo Goto
Director, Special Projects
Sacramento Housing and
Redevelopment Agency
630 I Street
Sacramento, California 95814

Dear Leo:

This will confirm our recent telephone conversation concerning the status of PG&E's old Gas Load Center property located on the west side of Front Street in Sacramento.

Attached is a copy of a generic Lease Agreement the Company has utilized in the past. Obviously, the conditions under which each parcel is leased vary with the conditions or continued operation and maintenance of Company facilities.

Within the next four to six weeks final disposition concerning continued use of portions of this parcel should be finalized. Thereafter, PG&E will negotiate with the Redevelopment Agency for the lease of the parcel.

It is hoped that this letter will meet your needs in your application for project funding. We look forward to meeting with you again to further discuss this matter.

Sincerely,



B. W. BENDEL
Sacramento Division Manger

DWM:aac/244

Attachment

ATTACHMENT C

CG 6054 (REV. 5-84)
LEASE OF LANDS

THIS LEASE AGREEMENT made by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, hereinafter called PGandE, and _____

hereinafter called Tenant,

WITNESSETH that in consideration of the rents and covenants to be performed by Tenant as provided herein, PGandE leases to Tenant for the term commencing _____ 19_____ and ending at the close of _____ 19_____, for the purpose of _____
and for no other purpose, those certain premises in the County of _____, State of California, described as follows:

Excepting therefrom and reserving to PGandE, any and all aqueducts, electric lines, communication lines, pipe lines and other installations on the premises used by PGandE in the conduct of its business, and the right to reconstruct, maintain, and use the same, together with access thereto over and across the premises. PGandE shall also have the right from time to time to inspect the premises to ensure compliance with the terms and conditions provided herein.

The rent during the term of this lease shall be as follows:

Tenant agrees to comply fully with the following conditions:

Tenant will pay rent immediately when due and all other sums payable under this lease in lawful money of the United States of America to PGandE's Division Land Supervisor at _____ without abatement, setoff, counterclaim, or reduction. Tenant shall pay, as additional rent, a charge for late payment to PGandE. If any installment of rent or of a sum due from Tenant, accruing under the provisions of this lease, is not received by PGandE within 15 days after the due date, then Tenant shall pay to PGandE a fixed late charge of 10% or the maximum amount allowed by law, whichever is less, of the rent or sum due. In the event Tenant is more than 30 days late in paying this rent or other sum due, PGandE, in addition to all other legal or equitable remedies and at its sole option, may immediately terminate this lease. Should PGandE bring any legal proceeding arising out of or in connection with the lease, and judgement is rendered in PGandE's favor, the

2. Tenant will not:

- (a) sublet the premises or any part thereof, or attempt to assign this lease without first obtaining the written consent of PGandE;
- (b) allow any waste, nuisance, or hazard to occur or exist on the premises; or
- (c) use any of the water from the premises without prior written consent of PGandE.

3. Tenant will observe due diligence and care in maintaining the premises including, but not limited to, fences, buildings, and all other improvements, in proper condition and to the satisfaction of PGandE, and at the expiration or other termination of this lease surrender same to PGandE in as good condition as they are presently in, reasonable use and wear and damage by the elements excepted.

4. Tenant shall comply with all local, state, and federal laws and regulations including those laws whether existing or new which relate to the use, handling, treatment, or disposal of toxic or hazardous substances or relating to the control of rodents, other vermin, or noxious weeds on the premises. Tenant further agrees to indemnify and hold PGandE harmless from any and all loss, expense, and liability arising out of the presence of the aforementioned conditions on the premises. In no event shall Tenant dispose or allow the disposal of any substance on the premises which has hazardous or toxic qualities.

5. Tenant shall conduct all operations hereunder in accordance with good property management procedures to avoid unfavorable impact upon the environment, ecology or aesthetics of the surrounding neighborhood and to reflect credit upon both Tenant and PGandE, and shall comply with the applicable provisions of the Environmental Quality Act of 1970 (California Public Resources Code, Sections 21000, et seq.).

6. Should Tenant, with the consent of PGandE, express or implied, hold over possession of said premises after the term he such holding shall be deemed a tenancy from month to month, at a monthly rental of \$ _____, payable advance, and on the terms and conditions herein stated.

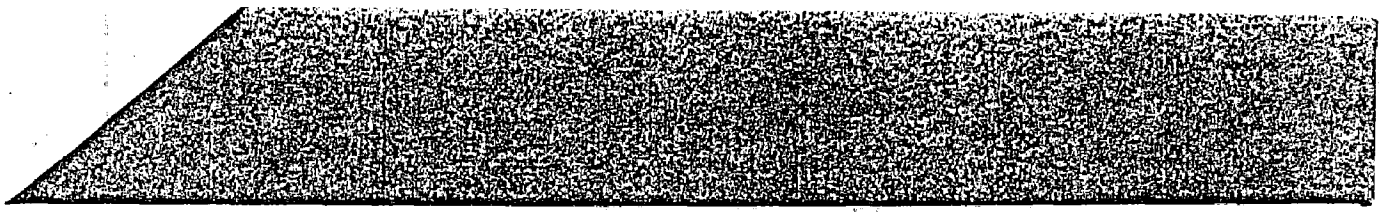
7. Tenant shall indemnify PGandE, its officers, agents and employees against all loss, damage, expense and liability resulting from injury to or death of persons, including, but not limited to, employees of PGandE or Tenant, or injury to property, including, but not limited to, property of PGandE or Tenant, arising out of or in any way connected with the lease or the premises including any loss, damage, expense or liability caused or contributed to by the negligence, whether active or passive, of PGandE, excepting only such loss, damage, expense or liability as may be caused by the sole negligence or willful misconduct of PGandE. In the event this indemnity is not enforceable, Tenant shall indemnify PGandE to the maximum extent allowed by law.

8. No building or other structure shall be erected by or for Tenant on the premises without prior written consent from PGandE. Tenant shall pay all taxes levied or assessed during the term hereof against any and all improvements which may be constructed by or for Tenant on the premises. All improvements shall become the property of PGandE, at its option, at the expiration or termination of the lease. At the request of PGandE, Tenant will remove any and all improvements erected by the Tenant and restore the premises to as close to its original condition as practicable.

9. Tenant will pay and discharge all bills for labor and materials furnished during the term hereof at Tenant's request for use upon the premises, and be solely liable and shall hold PGandE harmless from liability for any and all claims, demands and causes of action that are brought arising out of or in any way connected with any claims or liens for labor or materials or similar action.

10. As required pursuant to General Order No. 69-B of the California Public Utilities Commission, PGandE reserves the right during the term of the lease upon its own motion (or upon order of the Commission) to do any of the following if deemed necessary or desirable at PGandE's sole option exercised in good faith:

- (a) make such temporary, or permanent use of the premises, or any part of it as it shall deem necessary;
- (b) sell, exchange, or lease the whole or any part of the premises to another or others; and
- (c) grant easements and rights of way in, on and across the premises for any and all uses.



written notice to that effect. Said notice shall contain a description of the lands to be utilized, sold, exchanged or leased, or usement to be granted. The lease of the lands described in said written notice will automatically terminate upon the expiration above designated period. If the lands include the entire premises, PGandE will refund the unearned portion of any rent Tenant paid in advance. If only a portion of the premises is included in such description then this lease shall not be affected as to the order of the premises and the refund to be paid to Tenant of such unearned rent shall be based on a proration by area and time. Ads for grazing leases shall be made on the basis of the unexpired portion of the current grazing season. After the expiration then current year there shall be an adjustment in the rate of rental for the remainder of the lease term based on the remaining on of the leased premises.

Failure to enforce any right or obligation by either party with respect to any matter arising in connection with this lease shall constitute a waiver as to that matter or any other matter.

Insurance requirements:

Workers' Compensation

Tenant shall furnish PGandE a certificate of workers' compensation or self-insurance indicating compliance with the Labor Code of California, including Employer's Liability insurance with a minimum of \$2,000,000 for injury or death of any one person. This certificate should provide 30 days' written notice to PGandE prior to cancellation, termination, alteration, or material change of such insurance.

Comprehensive General and Comprehensive Automobile Liability Coverage

Tenant shall maintain during the performance hereof, Comprehensive General Liability and Comprehensive Automobile Liability of not less than \$2,000,000 combined single limit or equivalent for bodily injury, personal injury, and property damage as the result of any one occurrence.

Comprehensive General Liability shall include coverage for Premises-Operations, Owners and Contractors Protective, Products/Completed Operations Hazard, Contractual Liability, and Broad Form Property Damage including Completed Operations. Comprehensive Automobile Liability shall include coverage for Owned, Hired, and Non-owned automobiles.

Such insurance shall include, by endorsement to the policy(ies), PGandE as an additional insured insofar as any liability arising out of the lease by the Tenant with PGandE is concerned, contain a severability of interest clause, provide that PGandE shall not by reason of its inclusion as an additional insured incur liability to the insurance carrier for payment of premium for such insurance, and provide 30 days' written notice to PGandE prior to cancellation, termination, alteration, or material change of such insurance.

Additional Insurance Provisions

- (1) Evidence of coverage described above in Items (a) and (b) shall state that coverage provided is primary and is not excess or contributing with any insurance or self-insurance maintained by PGandE.
- (2) PGandE shall have the right to inspect or obtain a copy of the original policy(ies) of insurance.

Tenant shall furnish the required certificates and endorsements to PGandE prior to commencing performance hereof.

- (4) All insurance certificates, endorsements, cancellations, terminations, alterations, and material changes of such insurance shall be issued and submitted to the following: