

AGREEMENT

BY AND BETWEEN

CITY OF SALINAS

AND

FUTURE CITIZENS FOUNDATION,

A CALIFORNIA NON-PROFIT CORPORATION

RELATED TO TWIN CREEKS MUNICIPAL GOLF COURSE SUBLEASE (2015)

This **2015 SERVICES AGREEMENT** ("Agreement") is made by and between the **CITY OF SALINAS**, a California municipal corporation ("CITY"), and the **FUTURE CITIZENS FOUNDATION**, a California non-profit corporation and licensee of the First Tee division of the World Golf Foundation, dba **THE FIRST TEE OF MONTEREY COUNTY** ("TFTMC").

RECITALS

A. Pursuant to a Sublease Agreement for operation of Youth Golf Learning Center executed by TFTMC on November 5, 2004 ("Sublease Agreement") TFTMC subleases and operates the City's Twin Creeks Municipal Golf Course ("Twin Creeks") for a youth character development program through the operation of a youth golf facility and learning center and fee based public golf course.

B. Pursuant to the Sublease Agreement, TFTMC agrees to provide a youth golf facility and learning center operation which compares favorably to the services, standards and practices of similar youth character development programs as set forth in the Sublease Agreement.

C. Pursuant to a Services Agreement entered into in 2012 (the "2012 Services Agreement"), the parties hereto agreed to a reduced rent under the Sublease Agreement through June 30, 2015, and certain other material terms set forth therein.

D. Pursuant to Section 15.03 of the Sublease TFTMC may terminate the Sublease Agreement on twelve months prior notice (the "Termination Right") and has given notice of such termination to be effective June 30, 2015, based on financial hardship associated with the Sublease Agreement.

E. In consideration of the promises set forth herein, including the agreement of TFTMC to (1) construct on the Twin Creeks site the Salinas Learning Center in accordance with the site plan and schematics attached hereto as Exhibit A (the "Learning Center Building"), (2) rescind its current notice of termination and to not exercise its right to give notice of termination of the Sublease Agreement except as permitted under Section 1 below, the CITY wishes to agree to an extension of the term of the Sublease to June 30, 2025 (inclusive of extensions at the option of TFTMC) and to a reduction of the payments under the Sublease to \$60,000 per year for the period set forth in Section 1 below.

NOW, based on the Recitals, which are a substantive part of this Agreement, and agreed mutual consideration, CITY and TFTMC agree as follows:

1. **FORBEARANCE OF TERMINATION.** (a) In exchange for the adjustment for the rental payment and the extension of the term of the Sublease described in subsection (c) hereof, TFTMC agrees that it shall not exercise its right to terminate the Sublease Agreement pursuant to Section 15.03 of the Sublease Agreement for any period prior to July 1, 2025 and, in the event TFTMC exercises its options to extend the term of the Sublease to July 1, 2030 and/or July 1, 2035 under (b) below, for any period during the extended term of the Sublease, (b) The term of the Sublease is hereby extended to June 30, 2025, and TFTMC is hereby granted the option to extend the Sublease for successive 5 year terms (i.e. June 30, 2030 and June 30, 2035) such option to be exercised by TFTMC through written notice delivered to the City at least one year prior to the end of the then-existing term. (c) In exchange for the forbearance described in subsection (b), pursuant to Section 4.02 of the Sublease Agreement, for the period from July 1, 2015 through June 30, 2025 (subject to extension under subsection (a) above to 2030 and 2035), rent shall be payable in semi-annual installments at the rate of \$30,000 twice annually (and not at the rate of \$287,500.00 as set forth in Section 4.02). To the extent TFTMC exercises its options to extend the term of the Sublease under (b) above, Section 2.01 of the Sublease is expressly amended.

2. **TFTMC TO CONSTRUCT LEARNING CENTER.** (a) TFTMC shall construct the Learning Center Building in accordance with the site plan and schematics attached hereto as Exhibit A in accordance with all City permitting requirements and all applicable state and federal laws applicable thereto and the City hereby expressly consents to such improvement in accordance with Section 3.02(a) of the Sublease. TFTMC agrees to attempt to commence construction in 2015 and to prosecute the work to completion in a commercially reasonable manner. TFTMC shall be responsible to pay all applicable fees and charges associated with the construction, ownership and operation of the Learning Center, which shall be considered a part of the Premises for all purposes of the Sublease (as such term is defined therein); provided, however, City fees and permits shall in no event exceed \$15,000, it being agreed by the City that all otherwise applicable fees and permit costs of the City in excess thereof shall be waived or otherwise paid by the City. (b) In the event TFTMC fails to commence construction within 20 months of the date of this Agreement, such failure shall constitute an event of default under Section 16 of the Sublease and a breach of this Agreement and the Sublease (subject in each case to 90 days' prior notice thereof by City to TFTMC), provided no such event of default shall be deemed to have occurred if TFTMC pays annual base rent of \$125,000 commencing in the 21st month, payable in two installments of \$62,500 (with credit for any rent paid for the same period under Section 1) and not the amounts referenced in Section 1 above, until such time as construction of the Learning Center is undertaken. TFTMC shall manage the construction of the Learning Center Building so that all facilities of the Twin Creeks Golf Course remain open for public use on the same basis as in effect as of the date of this Agreement through the entire course of construction with the exception of the facilities on the construction site, as to which TFTMC shall exercise best efforts to minimize disruption; in no event shall golf course or building access be disrupted or curtailed as a result, it being understood that some alteration of driving range access may occur.

3. **PARTIES TO COOPERATE REGARDING GOLF USE.** The parties covenant and agree to continue to meet and cooperate in good faith regarding TFTMC's public golf management and access plans. Normal public access will be 8:30 a.m. to 6:00 p.m. daily. In accordance with Section 1.02 of the Sublease Agreement, TFTMC management reserves the right to

adjust hours of public access based on safety of children, staff and volunteers, programming needs and seasonal changes. TFTMC shall notify City in advance of changes to public access.

4. **MONTEREY PENINSULA FOUNDATION GUARANTEE.** From and after the effective date of this Agreement, the guarantee of TFTMC's obligations under the Sublease by Monterey Peninsula Foundation required under Section 4.04 of the Sublease shall terminate and be of no further force and effect.

5. **IMPACT ON SUBLEASE AGREEMENT.** This Agreement is in addition to and modifies the Sublease Agreement and except as Sections 2.01, 4.02, 4.04 and 15.03 are expressly modified herein, and Section 4.03 which is eliminated, no other terms or conditions of the Sublease shall be affected hereby. Except as modified hereby, the parties hereunder shall remain bound by the terms of the Sublease Agreement to the full extent thereof.

The terms of the Sublease are hereby incorporated by reference as if fully set forth herein and shall be fully applicable to the activity of TFTMC hereunder. For the avoidance of doubt and without limiting the scope of the preceding sentence, the provisions of Sections 6 (Operating Responsibilities), 8 (Covenants by TFTMC and City), 10 (Hold Harmless and Indemnifications) and 11 (Insurance) shall apply fully to TFTMC's activities related to the design, permitting design, construction and operation of the Learning Center Building. TFTMC shall require the contractor to provide commercially reasonable insurance listing the City as a named insured and shall provide evidence of such insurance prior to commencement of construction.

6. **COOPERATION REGARDING REFINANCING OF 2005 CERTIFICATES.** The City has begun the process of refinancing the City of Salinas Refunding Certificates of Participation (Twin Creeks Golf Course) Series 2005A (the "2005 Certificates") for savings, through the issuance by the Salinas Public Facilities Financing Authority of Lease Revenue Bonds (the "2015 Bonds"), payable from funds provided by the City on a substantially equivalent basis as applies to the 2005 Certificates. In this connection the lease documents related to the Premises, as defined in the Sublease, will be modified and restated to provide for the refinancing, and provisions of the Sublease applicable to the 2005 Certificates, including the covenant of TFTMC in Sections 8.01 and 8.02 thereof to maintain its status as a qualified 501(c)(3) corporation for purposes of federal tax law, will be modified to relate to the 2015 Bonds. TFTMC agrees to cooperate with the City in a commercially reasonable manner to facilitate the issuance of the 2015 Bonds, including through the provision of opinions of TFTMC counsel and appropriate closing certificates as may be reasonably requested by the City or its bond counsel. The City expects such cooperation to be needed on a basis substantially similar to the involvement of TFTMC which was required in connection with the issuance of the 2005 Certificates.

7. **REPRESENTATIONS AND WARRANTIES OF TFTMC.** TFTMC makes the following representations and warranties to CITY. These representations and warranties are ongoing and TFTMC shall advise ADMINISTRATOR in writing if there is any change pertaining to any matters set forth or referenced in the following Subparagraphs 10.1 through 10.6, inclusive.

7.1 **No Conflict.** To the best of TFTMC's knowledge, TFTMC's negotiation, consideration and action on this Agreement and TFTMC's execution, delivery and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which TFTMC is a party or by which it is bound.

7.1.1 TFTMC agrees that no officer, employee, agent or assignee of CITY having direct or indirect control of any monies allocated by CITY, inclusive of the subject funds, shall serve as an officer or director of TFTMC without the express written acknowledgement of CITY.

7.1.2 Further, any conflict or potential conflict of interest of any officer or director of TFTMC shall be fully disclosed in writing prior to the execution of this Agreement and shall be attached to and become a part of this Agreement.

7.1.3 TFTMC is in full compliance with its obligations under the Sublease Agreement and no event has occurred which, but for the giving of notice or lapse of time, or both would constitute an event of default thereunder.

8. EFFECTIVE DATE. This Agreement is subject to the consent of Monterey County (pursuant to the Ground Lease between the City and the County encumbering the Premises), and AMBAC Assurance Corporation, in its capacity as insurer of the City's 2005 Certificates (but only to the extent the 2005 Certificates remain outstanding) and this Agreement shall be effective upon receipt of the last of such consents. Notwithstanding the foregoing sentence, the City agrees that, effective upon TFTMC's acceptance of this agreement in the event this Agreement is not effective by November 1, 2015, either party may by notice to the other confirm it is no longer effective and TFTMC may terminate and, in the event of such termination, rent for the period from July 1, 2015 to the date of termination shall accrue at the rate of \$60,000 per year. The City agrees to promptly seek the requisite consents.

9. GENERAL TERMS AND CONDITIONS.

9.1 California Law. This Agreement shall be construed and interpreted both as to validity and to performance in accordance with the laws of the State of California. Legal actions concerning any default, dispute, interpretation, declaration of rights, or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Monterey, State of California, or any other appropriate court in the county, and TFTMC covenants and agrees to submit to the personal jurisdiction of the court in the event of any action.

9.2 Legal Action. In addition to any other rights or remedies, either party may take legal action, at law or at equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

9.3 Attorneys' Fees. If either party commences an action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs of suit from the non-prevailing party.

9.4 Time of Essence. Time is of the essence in the performance of this Agreement.

9.5 No Broker or Finder's Fee. TFTMC warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Agreement.

9.6 No Bankruptcy. TFTMC is not the subject of any current or threatened bankruptcy.

9.7 No Pending Legal Proceedings. TFTMC is not the subject of a current or threatened litigation that would or may materially affect TFTMC's performance under this Agreement.

9.8 No Pending Investigation. TFTMC is not aware that it is the subject of any current or threatened criminal or civil action investigation by any public agency, including without limitation

a police agency or prosecuting authority, related, directly or indirectly, to the provision of Services under this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS, CITY and TFTMC have executed this Agreement in the County of Monterey,
State of California.

CITY

CITY OF SALINAS, a municipal corporation

Dated: 5-22-15

By: 

Joe Gunter, Mayor

Attest: 

By: 

Patricia M. Barajas, City Clerk

APPROVED AS TO FORM:

Christopher Callihan, Esq.

By: 

City Attorney

[Signature block for TFTMC on next page.]

[Signature block continued from previous page.]

TFTMC


a California non-profit corporation

Dated:

5/19/15

By:

DAVID GILL

Its:

BOARD CHAIRMAN

By:

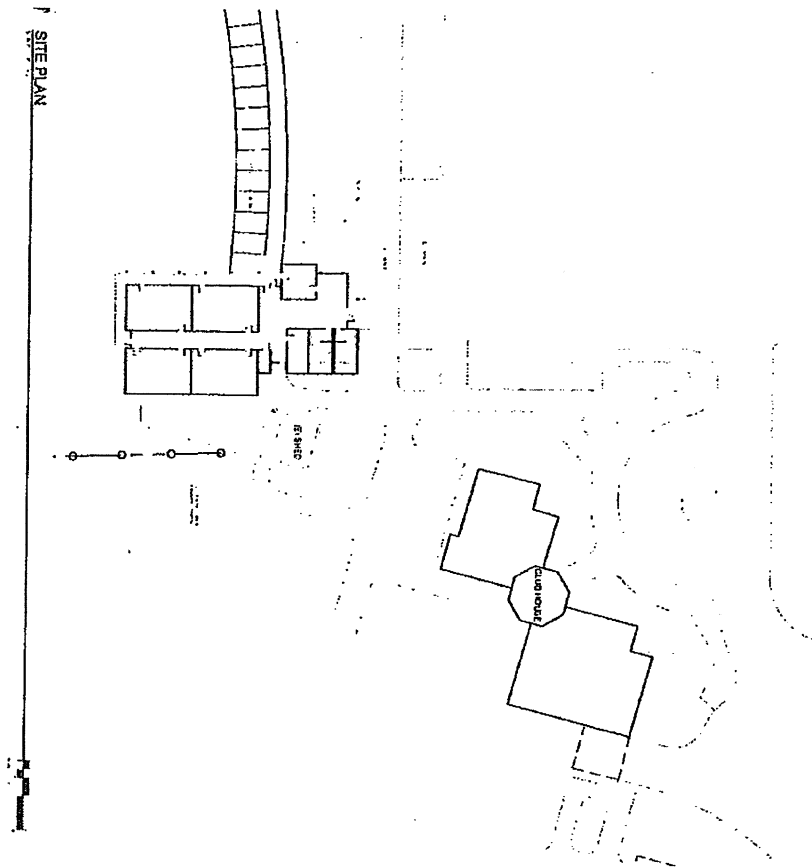
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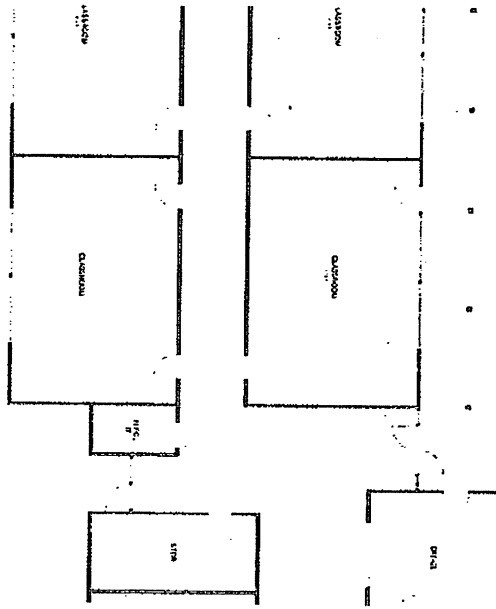
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EXHIBIT A

SITE PLAN AND SCHEMATICS



OR PLAN



ROOF PLAN



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