



La Villita San Antonio Retail Management Study

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EXECUTIVE SUMMARY

La Villita represents a wonderful historic center in San Antonio. The well preserved neighborhood on the banks of the San Antonio River has become known as a working artisan and craftspeople area that serves local residents and tourists. The biggest challenges are to overcome its small size and relative hidden location to gain increased accessibility, visibility, and critical mass of retail that will attract and retain people.

The largest obstacle to La Villita's success is the current inconsistent experience that is portrayed. With such a small retail area, there is an overwhelming need for the La Villita experience to be focused, intensified, and consistent. Failure to provide this type of experience will leave the La Villita visitor dissatisfied.

A review of the opportunities and issues includes:

- ▶ Retail mix and merchandising: due to the small amount of retail space, every business must count towards fulfilling the vision. The conflicting identity and inconsistent quality and merchandising of the retailers must be addressed
- ▶ Operations: buildings and plazas are in need of significant improvements. City is in the process of addressing infrastructure needs.
- ▶ Physical design: the physical design lends to the isolated development that is either very busy or empty
- ▶ Financial performance: La Villita is not meeting its sales requirements, rent is lower than market levels, there are insufficient resources to effectively manage, and lease conditions are difficult to enforce
- ▶ Parking: there is not enough dedicated parking for La Villita so it must look to develop stronger partnerships with nearby parking facilities
- ▶ Hours of operation: inconsistent
- ▶ Marketing and promotions: the budget is too small to effectively be competitive with other San Antonio venues and it should not be carried out by Tenant's Association as their focus should be on their retail operations rather than marketing La Villita
- ▶ Management structure: a review of city managed, non-profit trust, and private sector management options produced the following results:

Executive Summary

Management Alternatives

	City Operations	Non-profit Trust	Private Sector Management
Rental Revenue Potential	▶ Can have the greatest risk of under-achieving because the City can find it difficult to push for market rents	▶ With enough independence, can match private sector's ability to achieve market rents	▶ Best chance to maximize rental income
Costs	▶ Can have a hard time minimizing costs due to lack of incentive for cost reduction	▶ May have the same problems as the City operations and conflicts over responsibility (e.g., maintenance, marketing)	▶ Best chance to achieve minimum operating costs
Administrative Efficiency	▶ Has the potential to be less efficient than other options, but this depends heavily on the organizational structure and individuals	▶ Can match the private sector because the Trust is focused on La Villita	▶ Likely to be the leanest organization
Net Income to City	▶ Paradoxically can generate most cash to the City because no funds are retained by the Trust or private sector	▶ Can produce the same result as the City operations unless the Trust retains significant reserves	▶ Can produce the lowest payment to the City because the private sector operator requires profit and is essentially only paying rent for the building
Character of La Villita	▶ Should be little risk of gradual erosion of La Villita character due to retailer mix problems and should produce the optimal community public space	▶ Probably the same as under City operations	▶ Greater risk of gradual shift in the retailer mix to enhance revenues but possibly at the expense of local unique character. Probably more regimented in terms of the public's use of the space

Vision

The vision for La Villita is to become a historically unique artisan and crafts retail center in Downtown San Antonio. All retail and events will be geared to promoting this image within San Antonio and the tourism market. La Villita will be able to combine aspects of the early 1800s, Texas independence, and spirit of immigration with a contemporary artist experience. The differentiating factor for La Villita will be the unique artisans, craftspeople, and arts and craft retailers who will make the area a truly experiential, learning environment. The overall emphasis of quality products, artists, and buildings/landscaping will be the foundation.

Executive Summary

The overall image of one village that combines with the notion of so many lives as manifested in the history, artists, and retailers is an important defining characteristic. Respect for the past but moving forward with modern shopping experiences is important for La Villita's future.

Recommendations

To that end, improved retail management is required. This is in the form of stronger control over leasing and recruitment, marketing and promotions, retailer operations (e.g., hours of operation, use clauses), and retail layout. While the City of San Antonio may be capable of producing this management result, the overall structure and lack of resources prompts the recommendation to shift the La Villita management towards management by a third party.

A non-profit Trust or local private sector individual or organization will be able to hire effective professional retail management that can create a long-term plan, react quickly to short-term issues, and provide the resources to market and promote La Villita so that it is competitive within the already very competitive attraction-based economy of San Antonio.

It is important that each artisan and retail business in La Villita make an impact and develop a consistent brand image of the best artisan and craftspeople experience they can offer. Anything less cannot be tolerated for a retail location strategically located along River Walk and adjacent to the Henry B. Gonzalez Convention Center and HemisFair Park and the more than 12 million overnight visitors who visit San Antonio annually.

1.0 INTRODUCTION

La Villita Historic District has been a center for arts and craft trades dating back to the 18th century. The residences and shops of La Villita developed on the east bank of the San Antonio River in the mid to late 18th Century as a settlement adjacent to Mission San Antonio de Valero (The Alamo). It grew in tandem with a separate village on the west side of the river comprised of the Presidio de Bejar. During its history, the homes have been replaced, changed ownership, and often took on several different functions. During Texas' battle for independence, La Villita was the site where Mexican General Cos surrendered in 1835 and where General Santa Anna positioned some of his soldiers during the siege of the Alamo in 1836.

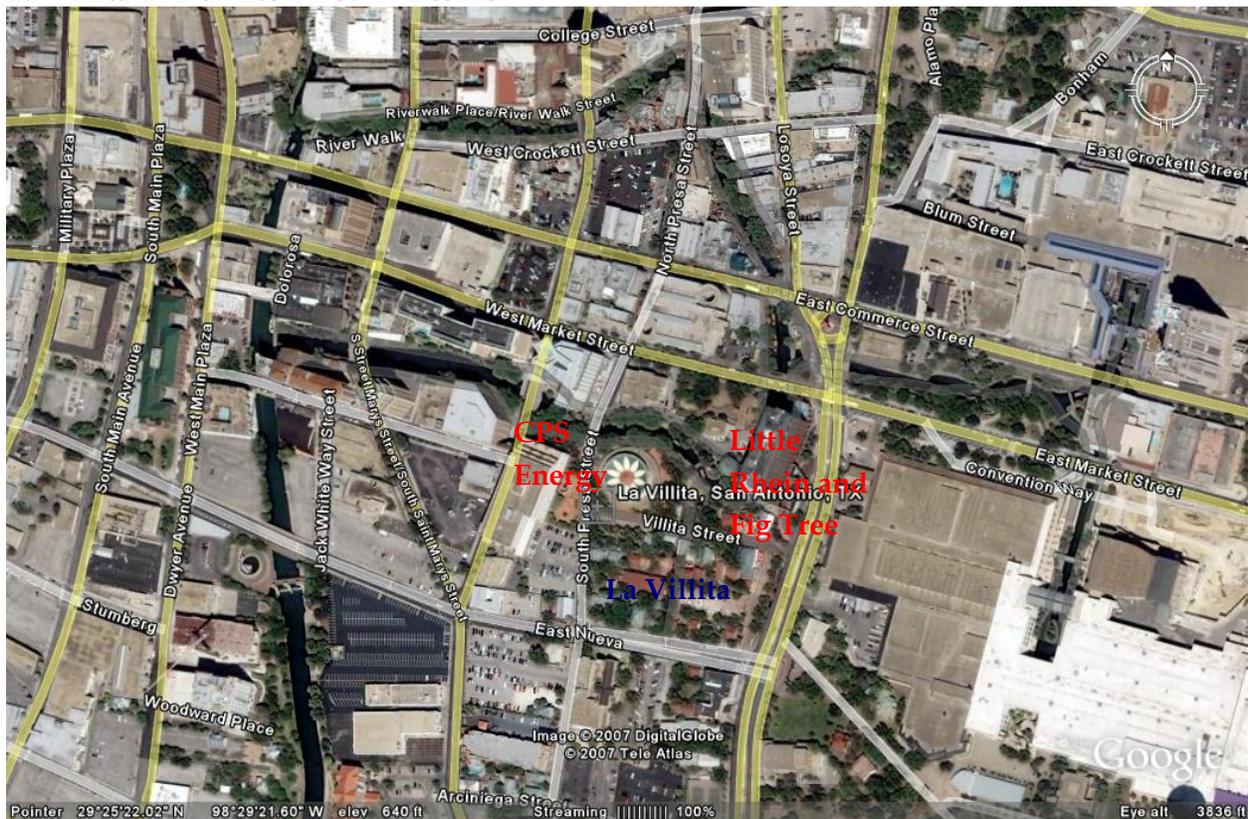
Post revolutionary activities, La Villita's history has revolved around its function as a welcoming place for new immigrants. After an 1819 flood, the small-scaled one-room original picket and mud jacale structures were replaced by the current brick, stone and adobe houses. The variety of architectural style reflects the 19th century cultural mix. By the late 1870s, La Villita became a thriving neighborhood consisting of stonecutters, watchmakers, telegraph operators, cabinetmakers, lawyers, saloon keepers, dressmakers, doctors, and shoemakers among other trades.

La Villita experienced a decline in the early 20th century, but city leaders acted to preserve this important piece of history. In 1939, the Villita Ordinance was passed and work began to preserve the important and historic neighborhood to create a working artisan and craftspeople area. The ordinance was a model for historic preservation and development. La Villita is now home to artisans and craftspeople, shops and restaurants. There are several plazas that play host to a variety of events, festivals, weddings, and banquets and the Little Church of La Villita hosts weddings and weekly services year round.

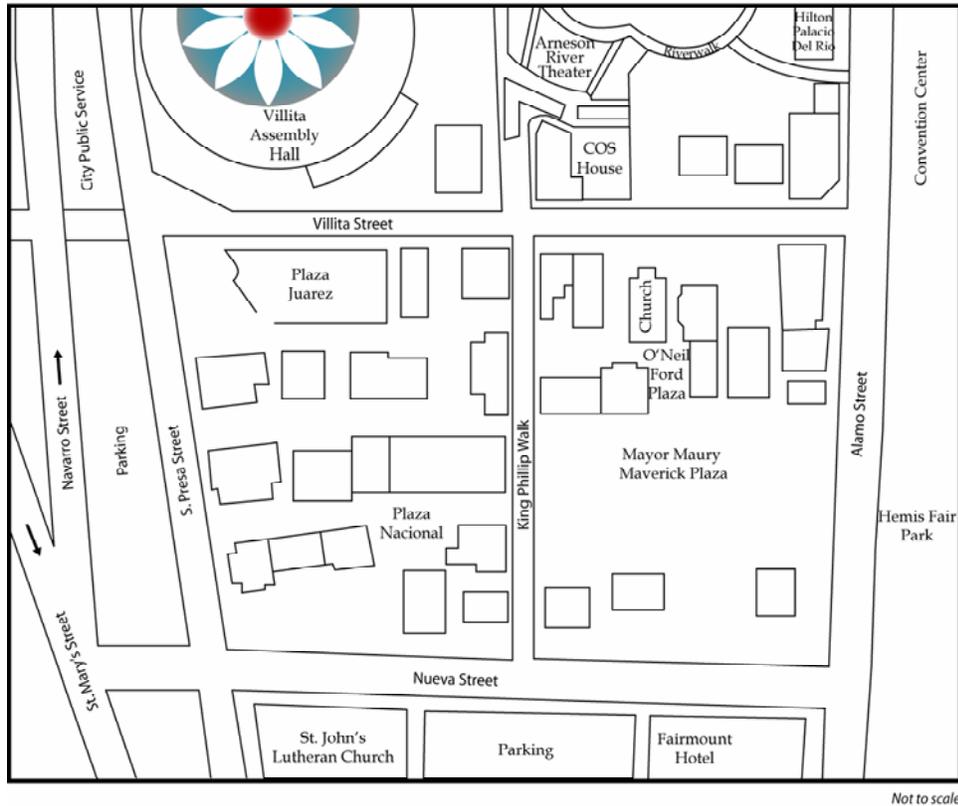
Background

The City of San Antonio owns and manages La Villita, with the exception of properties on the north corner of Alamo Street and Villita Street and the north corner of South Presa Street and Villita Street. The San Antonio Conservation Society owns the Dashiell House and the building occupied by the Little Rhein Steak House. The Fig Tree is owned privately. Villita Assembly Hall is owned and managed separately by CPS Energy, a local utility provider.

La Villita in Downtown San Antonio



La Villita, San Antonio



With the exception of the above noted properties, the retail operations at La Villita along with the rentals of the plazas and Arneson River Theatre bookings are managed by Downtown Operations Department staff of the City of San Antonio.

La Villita sits on the south bank of the San Antonio River. It is bounded by Nueva Street, Presa Street, and Alamo Street. Adjacent to La Villita are the Henry B. Gonzalez Convention Center, Hemisfair Park, Fairmount Hotel, Hilton Palacio Del Rio, and the River Walk.

While it is widely recognized as an important historical and cultural attribute to San Antonio with unique specialty shops, there are several outstanding issues related to La Villita. The major issue that is common to all stakeholders including residents, tourism and downtown stakeholders, retailers at La Villita, and visitors to La Villita is that La Villita presents an inconsistent experience. This includes the following:

- ▶ It is trying to balance being an open air museum, facility rental, artisan workspace, and retail space all at once.

- ▶ While La Villita is a part of the River Walk, it fails to connect with the three million people who pass by every year as they visit the River Walk.
- ▶ The three plazas are either very busy or very empty, thus presenting an image to potential visitors that there is nothing there or too much there (feast or famine).
- ▶ Many La Villita retailers report that visitors happen to stumble upon La Villita.
- ▶ There are accessibility and visibility issues related to the walled retail environment.
- ▶ La Villita does not routinely nor actively participate with other organizations. This includes regular meetings related to tourism strategies with other organizations. These organizations include Paseo del Rio Association, Airport Ambassadors, and the Convention and Visitor Commission. Partnerships are extremely important in the San Antonio tourism market.

In 1981 the La Villita Policy Statement was re-assessed. The concerns brought up in 1981 are similar to present day concerns. The product of the 1981 policy statement was a \$2 million capital investment in La Villita. The notion of La Villita's identity has been a constant theme. The 1981 Policy Statement acknowledged that "... it is well to repeat that the center shall not and must not be a restoration and reconstruction of the dead past, and a ghost village... and further that included also shall be expanded activities... and the progress of the times." To paraphrase, it will be important for La Villita not to remain stuck in the past but to continually adjust to present-day realities especially related to what visitors want to do and experience. This matches the great urban thinker Jane Jacob's thoughts. In her 1961 book The Death and Life of Great American Cities, she stated "Old ideas can sometimes use new buildings. New ideas must use old buildings."

The ability to strike a balance between old-world characteristics and modern business practices is essential to several redevelopment efforts in North America and Europe. Pike Place Market in Seattle has managed to retain a more independent retail structure (although Starbuck's did start nearby) while working for both social and economic revitalization goals for the community.

Previous Studies

There have been limited studies related to La Villita including:

- ▶ La Villita Master Plan for The City of San Antonio by La Villita Associated Architects Saldana, Williams, and Schubert and Ford, Powell & Carson, Inc. - 1980
- ▶ Destination SA: Strategic Planning for Visitor Industry Growth in San Antonio by CSL International - March 22, 2006 (see Appendix A)

La Villita Master Plan, 1980

Recommendations included:

- ▶ Exterior restoration of all Villita structures
- ▶ Renovation of Bolivar Hall
- ▶ Development of a pedestrian connection to the Paseo del Rio
- ▶ Removal of all automobile parking from the interior of the La Villita area
- ▶ Removal of all truck delivery from the interior of the La Villita area except at designated delivery areas and times
- ▶ Development of King Phillip's Street as an inviting pedestrian street open at all times
- ▶ Re-definition of rentable plaza areas through relocation of fences and walls
- ▶ Improvement of lighting, plant materials, and paving to reinforce the pedestrian environment
- ▶ Development of Presa Street with an improved sidewalk connection to the River Bend Garage and the Hertzberg Museum
- ▶ Development of orientation and interpretation graphics
- ▶ Development of new signage by retailers
- ▶ Redesign of the east and west ends of Villita Street to make both ends more inviting and attractive
- ▶ Construction of a covered pavilion in Plaza Nueva, which will contain restrooms and concessions while providing shelter in the event of rain
- ▶ Improve Arneson River Theatre facilities by upgrading dressing rooms and the concession/restroom facilities. Address inappropriate lighting and install louvered step lights
- ▶ Provide appropriate rental spaces for artists and craftspeople in order to re-establish La Villita as an arts community
- ▶ Improve the quality of the retail merchandise offered to the public
- ▶ Improve food and drink service within the area by revision of the present concessionaire contract, and the development of additional permanent food service facilities
- ▶ Renovation of the Cos House including new electrical wiring and architectural repairs to increase its use as a rental facility
- ▶ Urban design guidelines were included along with estimated costs.

Destination SA, 2006

Recommendations included:

- ▶ Adjusting hours of operation to meet the needs of the customers
- ▶ Ensuring the authenticity of the merchandise
- ▶ Infrastructure and exterior improvements to the venues
- ▶ Appropriate programming for the venue
- ▶ Organization and management
- ▶ Improved connections to the River Walk.

The Destination SA study was based on extensive fact finding including:

- ▶ Over 50 interviews with local industry, business, and political leaders
- ▶ Focus groups with area visitor industry, business, and community leaders
- ▶ 2000 intercept interviews at San Antonio attractions and hotels
- ▶ Interviews with 150 planners of nationally rotating conventions and trade shows
- ▶ Interviews with past Convention Center users
- ▶ Intercept interviews with travelers residing outside of San Antonio
- ▶ Review of existing San Antonio area visitor industry amenities and organizational structures
- ▶ Review of past development and strategic planning documents
- ▶ Evaluation of other competitive and comparable destinations.

Study Scope

As of October 1, 2006, La Villita became a facility of the newly created Downtown Operations Department. Previously, La Villita was under the Parks and Recreation Department. This move, combined with the recent Destination SA Study, presents an opportune occasion to revisit primary organizational and management issues of La Villita's retail operation. This includes management structure, retail mix, lease and rental agreement terms, operations, physical design and aesthetic appeal, marketing and special events, and parking. In effect, this is an ideal opportunity to assess La Villita's competitive capacity for an overall improved La Villita rather than a band-aid approach.

To assist in these overall aims, the City of San Antonio has retained a team of professionals headed by Urban Marketing Collaborative to assess La Villita's needs to enhance its overall appeal. Urban Marketing Collaborative created a team of experts including Core Research and Ximenes and Associates. The team has expertise in a variety of disciplines including customer research, pedestrian counts, public outreach, and visioning.

2.0 ISSUES EVALUATION

The issues evaluation of La Villita was based on an expert assessment; comparison to other arts and craft villages; consumer surveys; pedestrian flow surveys; tourism professional surveys; and interviews with La Villita staff, La Villita Tenants' Association members, retailers, San Antonio Conservation Society representatives, tourism and downtown stakeholders, and other City of San Antonio staff. Summaries of the consumer, resident, retailer, and stakeholder interviews and workshops are included in Appendix B. The evaluation focused on the following pertinent items:

- ▶ Retail mix and merchandising
- ▶ Operations
- ▶ Physical design
- ▶ Financial performance
- ▶ Hours of operation
- ▶ Parking
- ▶ Marketing and promotions
- ▶ Management structure

Each factor in the evaluation is not mutually exclusive and there is crossover in terms of issues.

2.1 Retail Mix and Merchandising

Conflicting Identity

As stated, there are conflicting notions of what La Villita is or should be. An overall inconsistent theme emerges. While the ordinance from 1939 stipulates that it should be for working artisans and craftspeople, the current retail mix has shifted to a mix of artisans and retailers selling primarily local and handmade craft items but it also includes products from anywhere.

There needs to be a determination on whether La Villita should be represented by products:

- ▶ Handmade on the premises only
- ▶ Handmade by artisans and craftspeople
- ▶ Handmade from the region
- ▶ Handmade from anywhere
- ▶ Arts and crafts
- ▶ Or a combination of the above.

In addition, there is conflicting identity related to whether La Villita is an open air museum, facility rental spaces, art gallery area, or commercial craft retail area.

Quality

In terms of merchandising, La Villita provides a unique collection of both handcrafted items by the retail owners, other handcrafted and unique crafts and arts from Latin America, as well as other gift type items. The quality overall is inconsistent and varies from good to excellent. The product offerings range from folk-type, traditional art to more contemporary. The two sit-down restaurants associated with La Villita, The Fig Tree and Little Rhein Steak House, are excellent, higher-end establishments. Guadalajara Grill provides mid-market, good food service. Bolivar Café provides lower quality food service and does not match the quality of the rest of the retail village area.

Overall, there are a high number of art galleries in La Villita. The decorative arts category varies from Mexican folk art to pottery, photography, copper work, stained glass, clay, wood, and other hand crafted items. Several retailers are crossing over into other retailers' lines of business. This detracts from the specialization aspect of La Villita.

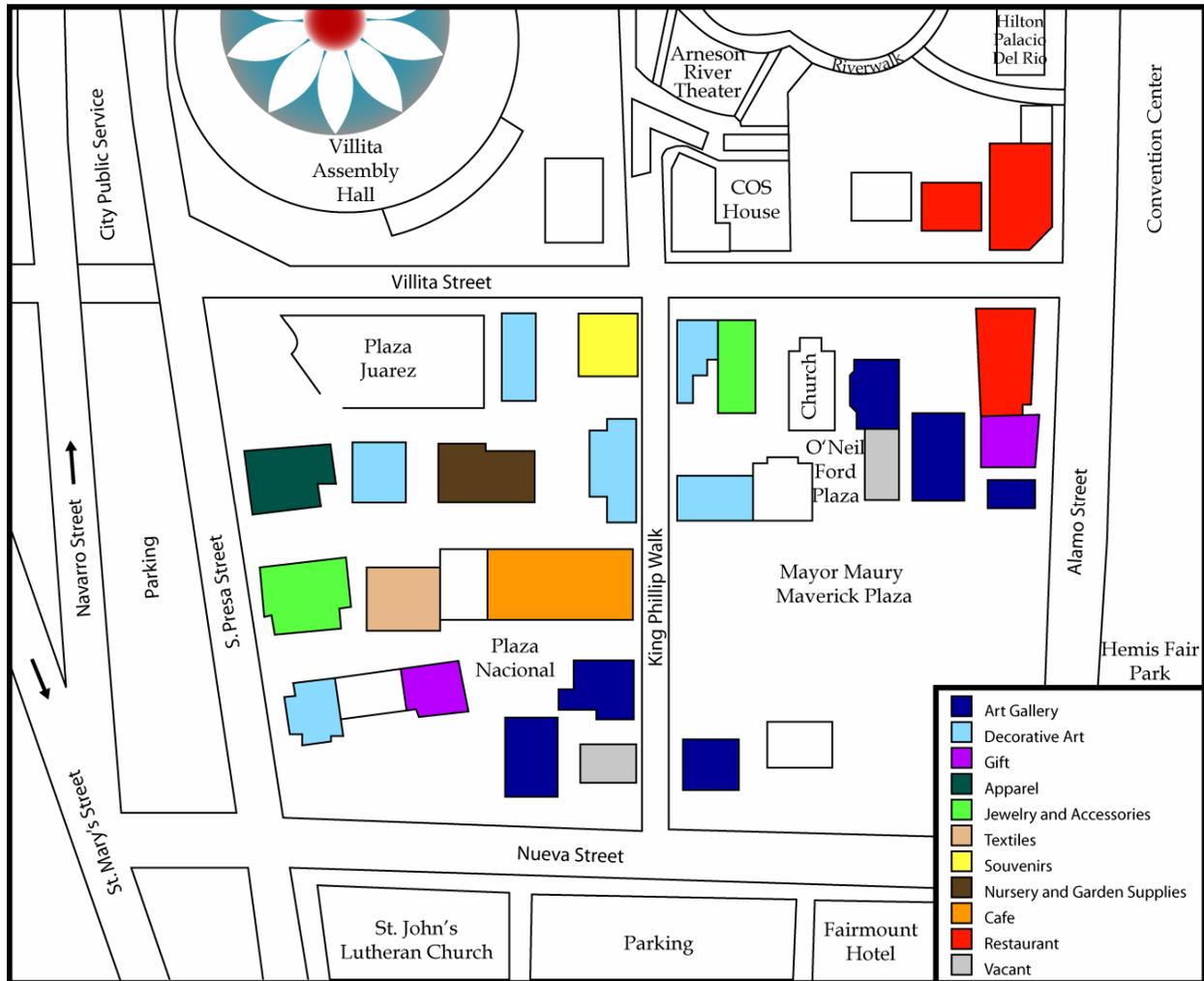
As one La Villita retailer noted, if a potential artist is good, then they are established and do not want to locate in La Villita. If a potential artist is just starting out and trying to get exposure, they do not have the resources to make the retail venture successful. While the cooperative art galleries and the Starving Artist Gallery are helping artists gain exposure for their work, all retailers at La Villita can do more with their spaces to create exciting retail establishments. This extends beyond product quality and assortment to include layout, merchandising, color, displays, and lighting. Providing free seminars, or offering paid professionals to assist in creating attractive merchandise displays may be beneficial for those retailers who require assistance.

Retailer Mix – Public and Private Buildings

	Number of Retailers	% of Total	Retail Square Footage	% of Total	Total Square Footage including Storage	% of Total
Art Gallery	6	22.2%	4,648	21.9%	8,127	23.8%
Decorative Arts	6	22.2%	3,511	16.5%	5,373	15.7%
Gift	2	7.4%	841	4.0%	1,982	5.8%
Apparel	1	3.7%	435	2.0%	559	1.6%
Jewelry and Acc.	2	7.4%	1,359	6.4%	2,089	6.1%
Textile	1	3.7%	1,442	6.8%	1,547	4.5%
Souvenir	1	3.7%	671	3.2%	820	2.4%
Nursery and Garden Supplies	1	3.7%	435	2.0%	559	1.6%
Café	1	3.7%	1,713	8.1%	1,713	5.0%
Restaurant	3	11.1%	5,869	27.6%	7,261	21.3%
House of Worship	1	3.7%	0	0.0%	3,611	10.6%
Arneson Theatre	1	3.7%	0	0.0%	0	0.0%
Vacant ¹	1	3.7%	308	1.5%	495	1.5%
Total	27	100.0%	21,232	100.0%	34,136	100.0%

¹ There is additional vacancy at the rear of building 14 on both the ground floor and second level. Both vacancies expect to be occupied during the first quarter of 2008.

La Villita Retail Audit



Not to scale

Merchandising

From a competitive retail perspective, La Villita retail merchandising is inconsistent and varies from mediocre to excellent. A number of retailers have exciting and inviting retail formats that are positioned well in the San Antonio market. Other retailers have a more casual retail merchandising approach often matching the types of products sold in their store. Some retailers' spaces are set up as working studios, which provides another dimension. Given the small number of spaces, the under-merchandised retailers tend to stand out. With approximately 25 retailer spaces, every business must count and make a strong impact and statement in order to draw people.

The retailers should improve their merchandising to appeal to both the tourist and local target markets. More intense outdoor merchandising is required to pull consumers into the stores along with other activity related to improved layout, merchandising, color, displays, and lighting. Guidelines to accommodate these merchandising improvements need to be developed and established.

Retail Area

As stated, given the small number of retailers and the fact that there is approximately 22,000 square feet of selling space at La Villita, it is extremely important to manage the retailer mix to include an ideal assortment of goods and services. There are no set rules on the retailer mix; rather, it is a constant experiment to provide outstanding merchandising. One or two ill-conceived and/or executed retail operations can spoil it for the entire facility.

Retailer Productivity

Retailer productivity is inconsistent and varies dramatically across La Villita. While some retailers are barely able to earn minimum wage through their retail operations, others perform on par with national retailers operating in San Antonio. Sales productivity ranges from under \$100/square foot to over \$700/square foot annually².

According to La Villita retailer interviews, the retailers able to do well have targeted the local San Antonio population as a key customer segment. In effect, they have developed as a local destination.

² Based on total square footage.

Signs

Exterior retailer signage should be improved to attract customers. According to key person interviews and observations by the Urban Marketing Collaborative Team, often times consumers are unsure if a building is a retail site or part of the support facilities. Several buildings at La Villita are not retail, which can add to further consumer confusion and the inconsistencies of the La Villita experience. In addition, there is confusion in the double numbering of some buildings. This is the case for retail unit 24, which also has the original house number on it – 101. These small inconsistent issues can add up to create an overall confusing image to the consumer.



Building 24 at La Villita is marked on the porch but also has reference to the number 101 above the doorway

Exterior signage is extremely important given the accessibility and visibility issues for not only La Villita but retailers located throughout the area. Many buildings are tucked away and hidden.

In terms of directional and wayfinding signage, there is an inconsistent and confusing message that is sent to visitors. An overall sign plan with guidelines needs to be developed for the facility and integrated into the Downtown pedestrian and way-finding program currently in place.



The signage throughout La Villita incorrectly identifies The Fig Tree restaurant as the Little Rhein Steak House. Note: that during the course of this study this has been corrected.

Throughout La Villita, there are four different signs that have four different messages:

- ▶ Shops, Galleries, and Restaurants
- ▶ Shops, Artists, Craftsmen
- ▶ Shops, Restaurants, Artists, Craftsmen
- ▶ Shops and Restaurants, Art Galleries, Crafts, Souvenirs, and Gifts

Overall, the signs around La Villita are inconsistent. It is important to be consistent in the signage and to reflect the types of retail and artisan experience at La Villita.

2.2 Operations

The outward appearance is that La Villita is in good condition. Overall, the area is free of debris and clean. Constant clean up is required as La Villita is located in downtown and open into the evening (the gates close at 10:00 pm). Many people use the area to pass through on a regular basis. A detailed report on the operations and building conditions of La Villita is contained in Appendix C. This was conducted by Fisher Heck Inc., Architects and Emil, Swize, and Associates, Inc. (MEP) during January 2008.

There is a centralized garbage compactor for La Villita retailers located off of S. Presa Street. Greater care should be taken to disguise this from public viewing.



Garbage compactor located on S. Presa Street

The Fig Tree and Little Rhein Steak House maintain their own garbage areas directly off of Villita Street in La Villita. However, it is often noted during the time that the Urban Marketing Collaborative Team (UMC Team) was present and during retailer interviews that the door is often open presenting an unattractive first impression of La Villita from the Alamo St. entrance.



Garbage area for Little Rhein Steak House and The Fig Tree restaurants

The historic structures in La Villita are in need of constant upkeep and repair. Their relatively fragile state also means that retailers and customers must be very vigilant to ensure the buildings are not put under undue duress. This is also true of several of the newer buildings at La Villita. Further examination and interviews with La Villita retailers revealed leaking roofs, gaps in windows, poorly hung doors, mold, and other structural issues with the buildings. In addition, during interviews with La Villita retailers and other stakeholders, as well as Urban Marketing Collaborative Team's observations, it was noted that the washrooms and plaza were in need of updates and repairs. The washrooms' facilities have shown their age, which gives off the appearance that they are unkempt. Those interviewed, including event booking organizations, stated that the plazas were in need of upgrading, especially for catering purposes. This includes among other things increased number of electrical outlets and ensuring that visitors do not trip on the pavers. The report conducted by Fisher Heck Inc., Architects and Emil, Swize, and Associates, Inc. (MEP) also revealed that drainage was an issues causing damage to building foundations and windows, among others.



Gaps in the windows can ruin inventory for a retailer in the event of a storm

While the odd details may add charm to the buildings and plazas, they present a work hazard for the retailers. Rain storms can cause serious damage to the arts and crafts located in the buildings if the buildings' weather proofing is not improved. The City has begun an evaluation of each building and the costs associated with required improvements. It is noted from the City of San Antonio that funding is available through unissued Certificates of Obligation in the amount of \$1.773 million. However, according to the City, projected overall costs are much higher.

2.3 Physical Design

The major issue related to retailing is accessibility and visibility created by several factors:

- ▶ La Villita is a walled neighborhood that makes it difficult to see the retail operations and prevents a barrier to entry.
- ▶ There are retailers along the main access line of Villita Street but others are located deeper in the site and are not equally accessible or visible.
- ▶ Some retailers have double access and for others, the second door is locked.
- ▶ Despite signs along River Walk and several entry points, it is still very difficult to attract visitors up to La Villita. The entry point from the Arneson Theatre has very low pedestrian volumes compared to other entrances.
- ▶ The Arneson River Theatre is underutilized and presents a vacant image to visitors, especially along the River Walk during retail operating hours.
- ▶ The regulations limiting use of outdoor space to covered porches diminishes the ability to draw customers into the stores.
- ▶ It is either feast or famine in the plazas. When they are empty, especially during retail operating hours, it adds to the sense of isolation and little activity. When the plazas are busy, it presents too much visual traffic for the visitors to notice the retailers.

In addition, the retailers at La Villita are often confused with regard to who is responsible for the upkeep of interior and exterior spaces. The retailer is responsible for interior improvements, so if a window leaks into the retail space, the retailer is often not sure if this a retailer repair or maintenance issue or a City issue.

The physical issues must be kept in order to keep La Villita competitive with other retail attractions in San Antonio. This includes planting beds, walkways, landscaping, and clean and accessible washrooms.

2.4 Financial Performance

The lease and facilities rental revenue paid to the City from La Villita retailers does not cover all the operating expenses associated with La Villita.

Revenue for La Villita is derived from the following:

- ▶ Base rent based on location. Those retailers on Villita Street or Alamo are charged approximately \$0.95/square foot monthly (\$11.40/square foot annually) and those located elsewhere are charged \$0.84/square foot monthly (\$10.08/square foot annually).
- ▶ Storage fee - \$0.65/square foot monthly (\$7.80/square foot annually).
- ▶ A monthly promotional fee of \$0.05 per retail square foot is charged and the City of San Antonio matches this amount generated and provide the Tenant's Association with this sum. This is approximately \$18,000 annually.
- ▶ Promotional fee, CAM, and utilities are charged additional.
- ▶ There is a 15 day rent free period during Night in Old San Antonio.
- ▶ Facilities rental is approximate revenue accrued to the City from special events held in the plazas throughout the year. This includes special event plaza rentals, equipment, and catering fees.

In addition to all direct expenses, the City of San Antonio approximated all indirect expenses associated with La Villita including other staff members' apportioned expenses (e.g., Assistant Director of Downtown Operations, legal, financial, among others.) to arrive at a more accurate estimate of the profit/loss statement for La Villita.

	Budget for Fiscal Year 08
Revenue	
Lease and Promotional Fee Revenue	\$291,088
Tenant Utilities	\$153,187
Facilities Rental Fees	\$60,000
Total Revenue	\$504,275
Expenses	
La Villita Operations	
Direct Expenditures	
Personal Services	\$165,795
Contractual Services	\$114,419
Commodities	\$25,432
Other Expenses	\$245,244
Capital Outlay	\$--
Total Direct Expenditures	\$550,890
Direct Expenditures	
Facilities Maintenance	\$205,839
Expenditure - Allocated	
Contract Support	\$49,614
Park Police	\$109,456
Administrative Overhead	\$19,986
Facilities Maintenance	\$92,847
Total Expenditures – Allocated	\$271,903
Total Operating Expenses	\$1,028,632
Net Profit (Loss)	\$(524,357)

Source: City of San Antonio

As stated, revenues and expenses are related to both the retail operations and the facility rental operations. The shortfall for 2008 is larger than in previous years. In 2005 the estimated operating loss was \$108,318 and has increased each subsequent year.

Rent

The rental differential based on location within La Villita does not fully address the differences in location or the type of product being sold. Retailers that are more productive should pay more rent than others. There are further differences in the accessibility and visibility of each retail location. Building One - Villita Stained Glass is being charged the same rate as other Villita Street businesses but its location is more isolated and unable to perform as well as others on Villita Street.

In addition, certain retail categories produce greater sales volume and higher gross margin, and therefore they should pay more rent. For instance, the mark up on prepared food is high, so restaurants and cafés should be charged a higher rate than retail merchandise operators. Quality artisans and craftspeople that are unique to La Villita and San Antonio should be charged a lower rent compared to other artisans who are more common to the area. This encourages La Villita to stay true to its principles of offering a unique and quality arts and crafts experience. Those who sell other people's handcrafted work (resellers) should also be charged higher rents than unique, quality artisans and craftspeople. In addition, souvenir retailers should be charged higher rates. This may result in varying rent levels per square foot based on better locations, product sold, and type of retailer, or a percentage based rent. Percentage rent accounts for differences in better locations as well as the type of product sold and the type of retailers (i.e., quality artisan, café, reseller).

La Villita rent is below market rate for the area. Current ground floor retail rents³ for Downtown San Antonio are:

- ▶ River Walk: \$3.00 to \$4.00/square foot monthly (\$36 to \$48/square foot annually)
- ▶ River Walk at street level: \$2.00 to \$2.50/square foot monthly (\$24 to \$30/square foot annually)
- ▶ Alamo Plaza: \$2.00 to \$3.50/square foot monthly (\$24 to \$42/square foot annually) for corner locations
- ▶ Elsewhere in Downtown: \$1.50/square foot monthly (\$18/square foot annually)
- ▶ Near Downtown Core⁴: \$1.00 to \$1.33/square foot monthly (\$12 to \$16/square foot annually)

While La Villita rents are lower than market rates they are often justified for several reasons:

³ Net rents. Source: Terri Rubiola of DB Harrell Commercial Real Estate Services.

⁴ Such as Southtown, King William, and north downtown.

- ▶ True artisans and craftspeople need to be encouraged to locate at La Villita and should receive a subsidy
- ▶ Retailers are unable to alter the buildings significantly
- ▶ There are visibility and accessibility issues associated with La Villita that translates into low pedestrian and consumer traffic.

Increased Expenses

The resources are insufficient to effectively run and manage La Villita. La Villita needs to increase its expenditure on salaries for both a professional retail manager and a professional marketing coordinator. This should be put towards a manager and staff with property and retail experience who can effectively lead La Villita competitively in the San Antonio market. As well, increased resources on professional marketing activities and events, retailer recruitment, cleanliness, as well as La Villita visitor information ambassadors⁵ is required. Additional funds are required as a reserve for small capital improvements required on an ongoing basis (e.g., painting, banners).

Common area maintenance (CAM) costs at La Villita are not being charged back to the retailers to the full amount. All CAM costs should be fully recovered. The difficulty is determining which CAM charges to apportion to the retailers and which ones should be apportioned to facilities rental or other general usage (park space). The City must determine an appropriate formula for apportioning CAM charges to the retailers.

Sales Reporting

Retail sales performance is unable to be determined accurately because sales are not reported to the City. However, with a monthly sales reporting structure, La Villita management will be able to determine how well the retailers are performing, if they can offer assistance to the retailer to help improve sales, or whether they should start looking for a replacement. In addition, sales reporting is a required element to determine return on investment for marketing programs including advertising and special events.

Another measure of how well retailers are doing is the occupancy cost as a percent of sales. Occupancy costs or gross rent include rent, utilities, common area maintenance, and insurance. The percentage occupancy costs should not exceed 10% of sales unless it is a relatively high margin business or it has almost no sales costs.

⁵ These ambassadors can also function as additional security providing additional eyes and ears in La Villita.

Lease Opportunities

Currently, the City's primary role is to enforce the rules of the leases in La Villita. Unfortunately, this is more of a reactive role rather than a proactive role. The result is that there is less leadership and creativity in managing and marketing La Villita from the City. In addition, the retailers are not challenged to develop exciting retail ideas to maximize sales opportunities. Overall, there is an entrepreneurial leadership aspect to La Villita's management that is missing.

Major issues related to the leases include the following:

- ▶ The person required to give authority varies from the City and the Facilities Operations Coordinator
- ▶ Should artisans be charged a different rate than resellers?
- ▶ Insufficient CAM charges – difficult to determine the exact nature of the CAM charges given the other functions of La Villita that must be taken into account.
- ▶ Inability to issue citations and penalize retailers for not adhering to their lease.
- ▶ Lack of enforcement of use clauses.
- ▶ Whether the retail areas are owner occupied for the majority of the time.
- ▶ Hours of operation are not adhered to.
- ▶ Some retailers claim to have rights beyond the lease agreement.
- ▶ Marketing fees paid by tenant and then given back to the Tenants' Association to administer.

2.5 Market Penetration

As stated, the primary difficulty in determining retailer performance is that none of the La Villita retailers reports sales to La Villita. The retailers who rent space from the San Antonio Conservation Society (e.g., Little Rhein Steak House) are charged percentage rent at market rates (base rent or 8% of gross sales).

In terms of sales growth, there are inconsistencies. Some retailers at La Villita reported declining sales, while others have been able to regain lost sales experienced in the recent past.

Estimated retail merchandise⁶ captured by La Villita retailers is 0.7%⁷ of the tourist market (overnight leisure and business travelers). This is based on the following assumptions:

- ▶ Total retail sales⁸ at La Villita of \$5 million of which 75% are from tourist spending: \$3.75 million in tourist retail spending

⁶ Note: includes retail items such as art, gifts, jewelry, apparel, books, home, and music and excludes food, prepared food, personal services, transportation, accommodation, recreation, and entertainment.

⁷ This is less than other similar sized retail areas. Capture rates should be over 1% at a minimum.

- ▶ Number of overnight leisure travelers estimated for 2007: 10.3 million
- ▶ Number of overnight business travelers: 3.1 million
- ▶ Average spending on retail (excluding eating and drinking): \$552.7 million based on average spend of leisure traveler of \$38.63 and \$49.94 for business travelers⁹.

The overnight leisure and business markets are increasing. New hotels are being constructed and convention center plans show a rebounding convention market for San Antonio, which indicates that future prospects for San Antonio’s visitor market are promising. Statistics from the San Antonio visitor profile is included in Appendix D.

2.6 Parking

Potential parking near or adjacent to La Villita includes the following garages and lots.

Parking Garages and Lots¹⁰

Parking Code	Name	Location	Number of Spaces
L69	Allright Parking	Nueva @ St. Mary's/Navarro	12
L70	Allright Parking	Nueva (N. side E. of Navarro)	24
L71	Private	Presa (W. side of Villita)	84
L82	EnterPark	Nueva @ St. Mary's	186
L83	St. John Lutheran Church	Nueva (S. side E. of Presa)	135
L67	Allright Parking	Jack White @ Nueva	119
L81	Allright Parking	Nueva (S. side from River to St. Mary's)	206
G16	Riverbend Parking Garage	Commerce @ Presa @ Market	500
G25	Market Commerce Garage	Market (W. of Navarro)	647
L62	Central Parking Lot	W. side of Navarro (Commerce to Market)	160
G19	Tower Life	Villita (S. side E. of St. Mary's)	300
G20	CPS Garage	Navarro (E. side of Villita)	351
L84	Marriott Plaza National Hotel	Arcienga (N. side W. of Alamo)	100
	Total		2,824

Source: City of San Antonio

⁸ Excludes eating and drinking sales.

⁹ UMC estimated 2007 visitor volume and spending based on available 2004 data and projecting forward.

¹⁰ Note that some parking garages are not open to the public at all times

There is no free parking near La Villita. There is limited on-street metered parking adjacent to La Villita. Based on parking ratios of approximately four spots per 1,000 square feet of total retail space, the retail and restaurant space at La Villita requires 150 spaces nearby. To satisfy parking needs of visitors, increased marketing, education, promotions, and partnerships with parking operators will be required to ensure potential La Villita visitors are aware of parking opportunities within an easy and safe walking distance. Consideration of a valet parking program may be worthwhile.

2.7 Hours of Operation

Hours of operation for La Villita are 10:00 am to 6:00 pm Monday to Saturday, with a lunch closure from 1:00 pm to 2:00 pm. Retailers are allowed to stay open longer hours. Also, during special events, retailers may be asked to stay open longer. During Night in Old San Antonio (NIOA), retailers have the option of staying open or closing.

Inconsistent hours is a shared issue raised from multiple sources. From the Destination SA study as well as interviews with La Villita retailers, stakeholders, and San Antonio resident surveys, there is frustration over the hours of operation of some retailers and the feeling that La Villita is closed when they are ready to shop. This occurs during the regular hours as well as after hours.

2.8 Marketing and Promotions

La Villita's budget for marketing is divided between the City and the La Villita Tenants' Association. The City allocates approximately \$18,000 annually for La Villita marketing and promotions. In addition, each month the City assesses a \$0.05 per retail square foot promotional fee from each tenant, then each quarter the City matches and remits promotional fee revenue to the La Villita Tenants' Association, which is approximately \$18,000 per year. There is some coordination between the City and the La Villita Tenants' Association on marketing in terms of sharing with each group their marketing plans and direction. The City usually is responsible for the brochures. La Villita has been able to produce some good materials with the limited budget. However, there are several other aspects of marketing and promotion that are missing. There is little representation by La Villita management on the Paseo del Rio Association or with the Convention and Visitor Commission and the Airport Ambassadors.

Current marketing is too one-dimensional. It primarily showcases the product and store types that are to be found but it does not connect emotionally with the visitor. The importance of the artisan and craftspeople is not conveyed well in their marketing.

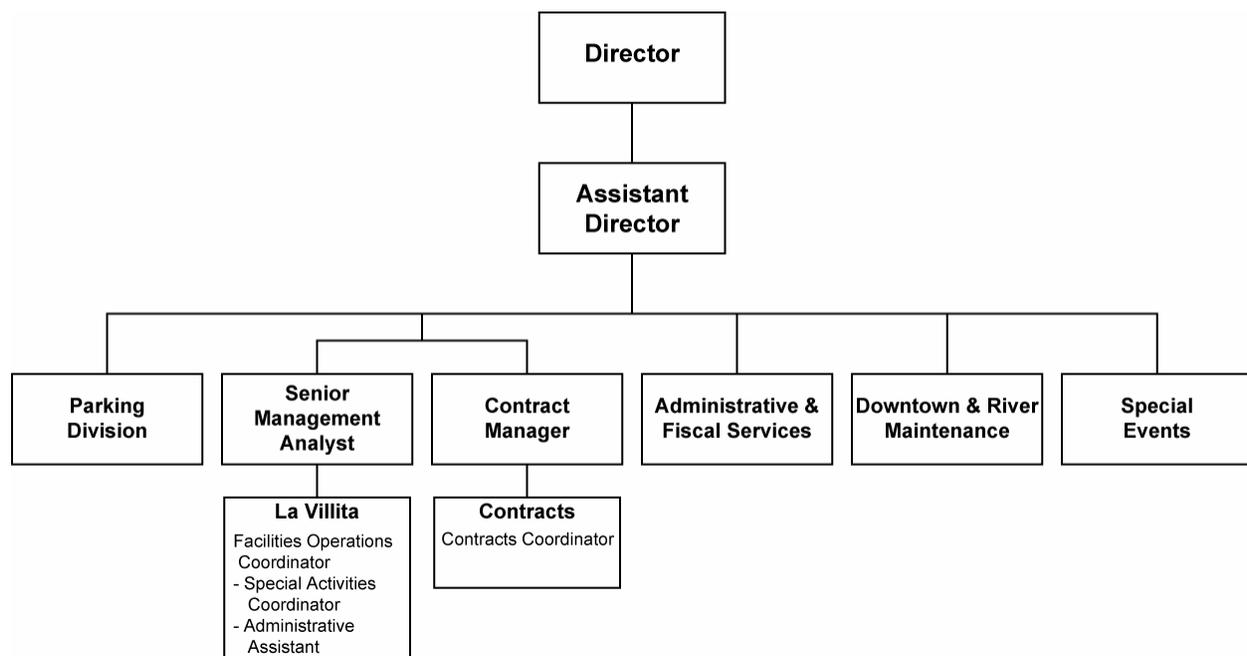
The La Villita Tenants' Association and the City's marketing budgets are too small to make marketing attempts successful. In addition, the retailers should be concentrating their time on running their own stores rather than marketing themselves. A professional marketer is required to develop a marketing plan that builds off an agreed upon vision/brand for La Villita, can represent La Villita's interests in partnerships, and coordinate a successful public relations campaign to gain increased recognition.

It should be noted that if a sales target of \$6 million is acceptable, then a marketing budget of 3% or \$200,000 is required.

2.9 Management

As of October 1, 2006, La Villita became a facility of the new Downtown Operations Department. Previously, La Villita was under the direction of the Parks and Recreation Department.

A current organizational chart for the Downtown Operations Department as it relates to the management of La Villita includes the following:



The staff that support La Villita consists of three full-time employees who are responsible for daily administrative duties, managing and promoting the facility, and coordinating and monitoring special events. City staff is on-site daily and the Facilities Operation Coordinator makes visits with retailers on a weekly basis. If there are issues to address, retailers usually correspond during these visits, or by phone or in writing. Contractual issues are referred to the Contract Division for review and response. The Facilities Operations Coordinator manages the daily operations of the facility and works closely with the Convention and Visitor Bureau staff in promoting and marketing the venue. In addition, the Facilities Operation Coordinator meets formally with the La Villita Tenants' Associations on a regular basis to provide a liaison service between the retailers and the City.

The Special Activities Coordinator monitors and coordinates a wide range of facilities rentals. Night in Old San Antonio (NIOA) is coordinated by the San Antonio Conservation Society. The retailers are not charged rent for NIOA's 15 day period of set up, take down, and the actual event.

The administrative assistant handles all payroll and personnel responsibilities for the section. Additionally, this person handles all accounts payable and receivable for La Villita.

At the City level, the Facilities Operations Coordinator reports to the Senior Management Analyst who reports to the Assistant Director of Downtown Operations and upwards to the Director of Downtown Operations. All lease issues are handled by one of the Contract Coordinators, who report to the Contract Manager. The Contract Manager reports to the Assistant Director and Director of Downtown Operations.

The current management structure operating La Villita is not optimal. As a result, management is more reactive in nature. They are able to administer the function of the supply side (i.e., the buildings and plazas) but are unable to manage the demand side (marketing, attracting customers, public relations) due to limited resources and the current lease structure. The result is that there is a lack of strategic planning and the necessary resources to implement effective retail programs to guide and direct retailers.

The City management of La Villita adds additional layers to the decision making process. This means that management is not able to move quickly enough to respond to day-to-day operations or take advantage of opportunities for enhancement and improvement.

A review of the management alternatives includes the following assumptions:

- ▶ Under any management alternative, the City will continue to own the land and the buildings.
- ▶ Under any management alternative, there will be staff necessary to carry out functions such as maintenance, clerical work, leasing, and marketing/public relations. This analysis deals only with organizational structure above the position of a Retail Manager. Please note that the current Facilities Operations Coordinator position is too limited for La Villita's needs.

Alternatives

In order to maximize La Villita as a retail center and maintain its recognition as a historic and cultural destination, there are three alternative management options that require further investigation. Under all options, the City of San Antonio will maintain ownership of the property. The management options include the following:

1. Ownership and Direct Operation by the City of San Antonio (i.e., the current situation)

La Villita is an operating unit within the Downtown Operations Department. La Villita's Facilities Operations Coordinator reports to the Senior Management Analyst who in turn reports to the Assistant Director of Downtown Operations and to the Director of Downtown Operations. Any contract/lease issues are directed to the Contract Coordinator who monitors all La Villita leases.

Direct ownership and management of a retail area by a public sector agency is common among operating markets in North America (e.g., Dallas Farmer's Market and St. Lawrence Market, Toronto, ON¹¹). However, there is a trend for City run operations to shift to other forms of management. There are several reasons including:

- ▶ Municipalities and other public agencies/organizations have discovered that they do not have the requisite skills to effectively manage retail operations in a competitive landscape
- ▶ Municipalities and other public agencies/organizations believe that retail management takes them away from their core business. This is often the case for museums, hospitals, universities, and some municipalities
- ▶ Often farmer's and public markets are operated by a municipality to provide social mission related to providing food for needy residents, training and education. It is often difficult to justify the social mission for retail operations
- ▶ Often other private sector retailers will complain that the municipality is unfairly subsidizing their competition.

2. Creation of an Independent Trust Owned by the City

The City may create a wholly-owned Trust for the purpose of operating La Villita. The City would retain ownership of the land and the buildings, but would delegate all responsibility for operating La Villita to the Trust (usually a non-profit). The City would likely retain control over capital financing (on the assumption that it would not delegate the authority to borrow) but the Trust would be responsible for leasing, setting rents, annual budgeting, staffing, creative direction, and all other aspects of operating La Villita. Ideally, the Trust would undertake

¹¹ A comparison of other Markets is provided in Appendix A.

control of the rental facilities at La Villita. The Chair and the Directors of the Trust's Board would be appointed by City Council. In instances some of the Directors are elected officials and or senior staff who act in a liaison capacity and represent the interests of the City Council.

This type of management structure is in place in a variety of existing markets and craft areas in North America including:

- ▶ Pike Place Market, Seattle, WA
- ▶ Reading Terminal Market, Philadelphia, PA
- ▶ Granville Island, Vancouver, B.C.

3. Long Term Lease to a Private Sector Operator

As the City intends to retain ownership of the property, the only way to turn over complete management responsibility to the private sector is through a lease arrangement or a master concessionaire lease/head lease. The City would lease the publicly owned portion of La Villita to a private sector entity (an individual or a company). The private sector operator would then be responsible for all aspects of operations, except for structural maintenance. The operator would pay the City rent, which might be fixed monthly, or an annual rent, or a payment based on financial performance (or some combination).

There are several examples of cities and municipal institutions contracting with the private sector for the management of the retail operations. These include:

- ▶ El Poble Espanyol, Barcelona
- ▶ Union Station, Washington
- ▶ Old Town San Diego, State Park, San Diego
- ▶ Along with several hospitals, museums, and airports.

A summary of different retail areas in North America and Europe is provided in Appendix E. This chart highlights management structure and marketing budgets for these facilities.

Management Alternative Evaluation Criteria

The following management alternative evaluation criteria can be utilized to determine which management structure will best fit La Villita and the City of San Antonio's needs:

- ▶ Potential impact on revenue
- ▶ Potential impact on costs
- ▶ Potential impact on net income to the City
- ▶ Management efficiency
- ▶ Potential impact on the character and image of La Villita
- ▶ Accountability to the City (as the ultimate owner and investor).

Potential Impacts on Revenue

If La Villita were operated with a policy of achieving fair market value in rental rates, then the management structure should have no impact on the potential gross revenue from rents. Instead, there is an underlying assumption that rents should be lower than market rates to be able to accommodate artisans and craftspeople.

However, public sector operation (either directly by the City or through an independent Trust) involves two potential risks related to revenue:

- ▶ There can be a prevailing sense (among retailers, community at large, or City Council) that a City project should be operated on a break-even basis, as though it were a community facility, not on a for-profit basis. This would make it difficult to achieve the highest possible rents.
- ▶ There can be political pressure on City Council (usually from retailers) to avoid increasing rents. Usually, the lobbying against rent increases involves themes related to hurting small, family-owned businesses.

These risks are greatest when the City owns and directly operates the facility, as the elected officials are un-necessarily involved in making commercial decisions about La Villita and become targets. From case study research, a better working model is when City operated retail areas have a history of non-involvement by elected officials (e.g., St. Lawrence Market, Toronto), or if the operation of La Villita is delegated to a Trust. Clear and consistent policy and action of non-involvement by elected officials is the best option across all three management options. For City operated retail areas, the protocol is for the manager to address these concerns and not the elected officials. This may be included in their lease. This is similar for the Trust. However, the veil of an independent Trust is of little value if elected officials seek to influence unduly the management.

The private sector is immune to these kinds of pressures as there is the expectation that the private sector will want to maximize revenue. There may be an agreement whereby a certain percentage of the retail space has rent abatement. This difference would be reflected in the rent paid to the City. The situation of a private sector operator on a long-term lease may be swayed as there is still a connection between City Council and La Villita. The solution is always a clear policy and consistent application of that policy.

Given the significant investment by the City of San Antonio and the desire to not overly subsidize some retailers, the City policy on financial performance and rents should be as follows:

- ▶ To seek to operate at a slight profit for the retail operations, including events¹²
- ▶ To set rents at fair market value for resellers and below market value for select quality and unique artisans and craftspeople.

As stated, this policy is only useful if it is applied consistently and if there is no political will to influence unduly the management of La Villita.

Potential Impact on Costs

There are three main ways that management structure can affect costs:

1. Public sector operation often involves an obligation to use City personnel, and these costs can be significantly higher than if the private sector operated the project. Delegating operational responsibility to a Trust may not change the requirement for use of City personnel. However, other City facilities have recently shifted from City staff for custodial maintenance and security services and hired an outside firm.
2. In the financial performance, the total allocation of management expenses against La Villita has been estimated. This has led to an operating loss. For the Trust or a private sector models, these expense may be reduced significantly as often a City has multiple layers and higher operational expenses.
3. The extent to which management seeks to (or has incentive to) minimize operating costs is also considered. The private sector has a profit motive in minimizing costs; whereas, the public sector may not. However, it is important not to be too “spend-thrift” as some short-term cost reductions may jeopardize the long-term performance of La Villita.

While private sector operations tend to be leaner, it is possible to develop budget processes and accountability measures that minimize any over spending under City or Trust management.

¹² This may not be possible for La Villita in the short term given the significant operating loss. The City can still cover the loss and move the La Villita towards a non-profit status.

Potential Impact on Net Income/Loss to the City

The revenue and cost considerations outlined above will have an impact on the net income/loss that will flow to the City as the owner. All funds raised at La Villita go into the General Fund and expenses are paid out of the General Fund. At this time, La Villita produces a loss.

Under City operations, the City will continue to fund the loss associated with La Villita. If it were to produce a profit, it will be up to the City to determine how to use this revenue (e.g., General Fund, capital infrastructure, grants/loans to retailers for upgrade of interior retail space). Under a Trust model, the mandate and budget may call for retaining some cash reserves (presumably up to some limit such as 20% of net income) that could defer the flow of income to the City, although over the long term, the City should end up with the same total income. This is only if La Villita produces a profit. The City will be required to cover the loss under a Trust model.

Under the private sector lease model, the main new financial factor is that the private sector will expect to earn a profit and will only pass to the City the agreed upon rent. This rent may be a fixed annual payment or some combination of a fixed payment plus supplemental payments based on financial performance. However, a private sector lease model will generate less compared to the amount received if the City operated La Villita directly at approximately market rents and it ran a profit. The City would possibly have lower costs with a private sector lease model; however, the City's net income would be lower because only a portion of the net income from La Villita's operations would be payable as rent.

La Villita's low retail and rental revenue as well as the inability for drastic change to site lines, alter buildings, etc. may distract interest from private sector individuals or companies to operate. In addition, with a operating loss, it may be difficult to establish a Trust model, without some sort of subsidy from the City.

Management Efficiency

Private sector management is capable of responding more quickly to some kinds of retail management issues (e.g., changes in marketing program due to last minute changes at a convention, citations for breaking the lease) because there is less need for public process and for reporting up through layers. In addition, the risk of media attention causing delays is mitigated.

An independent Trust can, in theory, be more efficient than a direct City operation as there are fewer layers and the Directors of the Trust could reasonably be expected to be more focused on La Villita's issues and less sensitive to political repercussions. In practice, this depends heavily on the composition, knowledge, and motives of the Directors. If Directors are appointed who are community-service oriented, have some understanding of business and retail matters, and are focused on achieving profitable operations, the Trust can be efficient.

Potential Impact on the Character and Image of La Villita

Management structure can, over time, affect the character and image of La Villita in two principal ways:

- ▶ The retailer mix
- ▶ The public's informal use of the space.

In order to maintain their unique niche image, most retail centers must carefully manage their retailer mix. This is vitally important for La Villita given the relatively small retail square footage. The retailer mix should exhibit the following characteristics:

- ▶ Diversity and variety including some retailers who can add visual interest and customer appeal even if they are not high rent payers – particularly, unique artisans and craftspeople that provide exceptional quality.
- ▶ Predominantly owner-occupied rather than businesses owned by parties that do not take an active role in on-site retailing. Personality and customer relations are one of the ways La Villita can differentiate itself competitively from other retail operations in the City.
- ▶ Businesses that are unique or at least unique in the regional marketplace. One implication of this is that chains and franchises are regarded as inappropriate for La Villita.

Artist-based retail centers, including artist cooperatives, tend to exhibit these retailer mixes more often than private sector shopping areas including malls, lifestyle centers, and historic redevelopments. Private sector historic retail centers often strive to adhere to these principles but have difficulty turning down the high rent that can be offered by national and regional chains. Leasing agents for private sector managers tend to go for the high covenant retailers (i.e., those retailers that can provide a guarantee related to solvency and rent payment, which then may be used as part of private sector management's ability to borrow funds). These high covenant retailers tend to be national chains.

Under the City operation or Trust models, the City can retain complete control over the retailer mix for the long-term benefit of La Villita. This can mean foregoing some short-term income, which may be necessary for the long-term viability of La Villita.

The second potential difference can impact the public's informal use of La Villita space. As stated, La Villita also functions as an open air museum and experiential art area. Pass through traffic is vital to La Villita and what it stands for.

Shopping centers tend to use security guards and other means to discourage what the owners might consider "loiterers and undesirables." Publicly owned space, on the other hand, tends to be more open to a wide range of people. While illegal activities and truly disruptive behavior cannot be tolerated at La Villita, there may be more latitude in tolerating people hanging out for long periods. Given the original charter for the City to open plazas for public use and enjoyment, the City should maintain an open attitude for the public areas.

Accountability to the City

The City has a large investment in La Villita and has made a commitment to improvements through raising additional funds through the bond process. As such, the City is quite anxious to ensure that La Villita is operated in a manner that maximizes the chances for long-term success and that will make a strong contribution to the vitality of San Antonio and the Downtown.

On the surface, direct operation of La Villita by the City would appear to offer the best way to ensure that La Villita operates in accordance with the City's goals and objectives as originally intended in the Villita Ordinance. However, if the City delegates authority to a Trust, accountability to the City can be achieved by carefully setting up the arrangement, choosing the appropriate board members, and having good reporting and feedback systems.

No management structure is inherently better than the others. All of the options have strengths and weaknesses including the potential to produce very good and very poor results. Vague policies, inconsistent decisions, over-politicization of decisions, or inappropriate personnel can prevent success under any of the management options.

The strengths and weaknesses of the options are summarized on the following table:

	City Operations	Non-profit Trust	Private Sector Management
Rental Revenue Potential	▶ Can have the greatest risk of under-achieving because the City can find it difficult to push for market rents	▶ With enough independence, can match private sector's ability to achieve market rents	▶ Best chance to maximize rental income
Costs	▶ Can have a hard time minimizing costs due to lack of incentive for cost reduction	▶ May have the same problems as the City operations and conflicts over responsibility (e.g., maintenance, marketing)	▶ Best chance to achieve minimum operating costs
Administrative Efficiency	▶ Has the potential to be less efficient than other options, but this depends heavily on the organizational structure and individuals	▶ Can match the private sector because the Trust is focused on La Villita	▶ Likely to be the leanest organization
Net Income to City	▶ Paradoxically can generate most cash to the City because no funds are retained by the Trust or private sector	▶ Can produce the same result as the City operations unless the Trust retains significant reserves	▶ Can produce the lowest payment to the City because the private sector operator requires profit and is essentially only paying rent for the building
Character of La Villita	▶ Should be little risk of gradual erosion of La Villita character due to retailer mix problems and should produce the optimal community public space	▶ Probably the same as under City operations	▶ Greater risk of gradual shift in the retailer mix to enhance revenues but possibly at the expense of local unique character. Probably more regimented in terms of the public's use of the space

2.10 Summary

La Villita is a historically wonderful community of artists and craftspeople. Retailers are passionate about the village and are concerned over its future. The largest issue is the inconsistent experience at La Villita. Improved emphasis on retail leadership by a strong retail management system is required, with additional emphasis on management and marketing. In addition, there are very real concerns regarding the state of the buildings at La Villita. The City needs to work towards improving all their properties to be competitive with surrounding retail spaces in the downtown before any management alternative is considered.

3.0 ACTION ITEMS

3.1 Vision

The vision for La Villita is to become a historically unique artisan and crafts retail center in Downtown San Antonio. All retail and events will be geared to promoting this image within San Antonio and the tourism market. La Villita will be able to combine aspects of the early 1800s, Texas independence, and spirit of immigration with a contemporary artist experience. The differentiating factor for La Villita will be the unique artisans, craftspeople, and arts and craft retailers who will make the area a truly experiential, learning environment. The overall emphasis of quality products, artists, and buildings/landscaping will be the foundation.

The overall image of one village that combines with the notion of so many lives as manifested in the history, artists, and retailers is an important defining characteristic. Respect for the past but moving forward with modern shopping experiences is important for La Villita's future.

3.2 Management

Based on the preceding analysis, the Trust model has the potential to combine the preservation and enhancement of La Villita's unique historic and cultural strengths available through a City managed operation and the business management and marketing skill available through a private sector leasing.

The City has an obligation to ensure that La Villita is operated in such a way that it provides high quality, competitive retail services for the customers, as well as a duty to ensure that the retailers who lease space from them are able to earn a quality living in a safe environment. In addition, the City will want to ensure the historic and cultural attributes of La Villita are maintained and enhanced to the best benefit. A non-profit Trust model is the best alternative for the following reasons:

- ▶ The current City operations are too bureaucratic for a competitive functioning retail operation. Operations are layered with bureaucracy and approvals making action slow, and retailer contact with elected officials circumvents lines of authority. La Villita will be in a better position to be competitive with other tourism shopping, eating and drinking, and entertainment businesses by having the professional management skills and autonomy to act quickly and efficiently.
- ▶ Under the current model of City management, La Villita has not been able to achieve a retailer mix with quality artisans, craftspeople, and arts and craft retailers combined with a business-management structure that provides leadership and direction.

- ▶ The City will still be able to maintain control over La Villita so that it continues to operate as a unique San Antonian community asset while improving the arts, cultural, and educational programming.
- ▶ The Trust's Board will be composed of professionals who understand both marketing, leasing, and operations of retail markets as well as cultural programming skills required to ensure this is a valuable City asset that promotes an authentic and quality artisan and craftspeople environment and remains true to the San Antonian history and culture.
- ▶ The risk of a national or international private sector leasing firm changing the character of La Villita is great. There is a risk of chain retailers being allowed to operate at La Villita. The only exception would be for a local professional operator to take on the management of La Villita rather than a national/international firm. Strict use and operating clauses must be in place between the City and the private sector operator to ensure the unique character of La Villita remains intact if this option is chosen.

Recommendation

The City should move towards an independent Trust model with the aim of giving the Trust complete autonomy over the City owned space of La Villita's operations under the umbrella of the goals and policies defined by the City¹³. This includes both the retail and the facilities rental.

La Villita Manager

Having the most effective, efficient management structure and a La Villita Manager is the most important factor in success.

La Villita Manager's responsibilities will be to:

- ▶ Handle the overall retail, event, and cultural programming management of La Villita;
- ▶ Set the leasing policy and review all new leasing deals;
- ▶ Take over leasing when appropriate from the contracted leasing person (see Retailer Recruitment section);
- ▶ Propose and manage operational budgets;
- ▶ Develop and implement a marketing plan including events and public relations for La Villita, and hire a part-time or shared¹⁴ Marketing Coordinator to fulfill this role;
- ▶ Manage staff, coordinate the activities of volunteers (if appropriate), and contract services;

¹³ An alternative would be for the non-profit to oversee both La Villita and Market Square with the same manager and staff but separate boards. While this may produce economic cost savings it will be need to be assessed based on cultural sensitivities associated with each property.

¹⁴ Shared with Market Square. Alternatively, the La Villita Manager can fulfill this function.

- ▶ Be a spokesperson, advocate, and liaison person for La Villita with the City and tourism, and other downtown partners. This includes community functions.

The type of person best suited to this position would be someone with a successful record in retail experience. A person who has managed retailers, a strip mall, or a small shopping complex would be ideal. It is important that whoever is chosen have some property management, leasing, or real estate experience. Additional experience with arts and crafts related industries would be considered an additional strength.

Administration and marketing during the initial transition should be coordinated by the La Villita Manager. Special events may also be contracted out until a new part-time marketing coordinator is hired. There may be opportunities to share resources with other City-owned facilities such as Market Square. As noted, this may include a shared marketing coordinator or pool resources to hire the same cleaning service or security firm in order to negotiate a better rate.

Board of Directors

La Villita will transition to a non-profit Trust model that is overseen and operated by a Board of Directors that could be created by the City of San Antonio. The Board could be appointed by City Council. It may include a combination of Mayoral appointees, City Council appointees, and other appointees chosen by an advisory council. This is a situation that is similar to Pike Place Market. The Board should be working at a level once removed from the actual management of La Villita, except as they are able to assist the Manager by providing special skills or knowledge. The only direct management responsibility that the Board should have is to continue to staff the Manager's position. The Board will do its work through a series of committees, which will be made up of at least two Board members but may use volunteers depending on their specialization. The committees may include:

- ▶ Executive Committee – set agenda and act as a central authority to identify issues to be discussed and voted on by the entire Board.
- ▶ Audit Committee – ensure that La Villita's financial transactions are in order and review budgets.
- ▶ Marketing Committee – assist the Manager in the development and evaluation of a marketing plan. This committee may be involved in the hiring process for the part-time Marketing Coordinator.

- ▶ Government Relations – act as a liaison to public officials to build and maintain two-way communication on issues related to La Villita.
- ▶ Business Assistance Committee – plan for and contribute to the Business Assistance program and the Small Business Enterprise programs offered by the City of San Antonio. The aim will be to assist small entrepreneurs in developing space at La Villita (e.g., merchandising, display, circulation, signage, product sourcing, financing, insurance).

Tenants' Association

The tenants' associations will be able to provide additional marketing and business start-up assistance to the retailers. This includes where to source insurance, financing, and graphic designers, among other business start-up needs.

3.3 Retailer Mix

Given the relatively small amount of retail space at La Villita, there is a need to carefully manage the retailer mix and product lines. It is important to remember that there are no set rules on the retailer mix and product lines but rather that the manager should be encouraged to experiment to find the right balance.

The key is specialization to create a diverse and unique retail offering that carries through with the theme of one village – so many lives. For example, a pottery retailer sells pottery, not sweaters. This specialization has several advantages:

- ▶ It produces the reality and the perception of a larger number of small retailers rather than a smaller number of large retailers – this is good for diversity, which is key to a successful retail center.
- ▶ Specialization tends to produce better quality – the retailer is focused on good quality, good presentation, uniqueness, and variety (within that category); mass merchants do not have this level of focus.
- ▶ Instances when there is blurring of product lines tend to detract from the image and appeal of the unique product offering (i.e., it is no different than elsewhere at La Villita or in Downtown). The instances where there are two jewelers may be acceptable if they create and/or sell completely different lines of jewelry.

The retail mix will include:

- ▶ Working studios – arts and craft products that are made on the premises;
- ▶ Galleries and crafts – arts and craft products that are made elsewhere;
- ▶ Prepared food – sit down, café, casual;
- ▶ Other places such as a museum, house of worship, and services.

The product line will include a range of different media that may include the following:

- ▶ Pottery and ceramics
- ▶ Enamel
- ▶ Textile – fibers, apparel, leather
- ▶ Glass
- ▶ Jewelry
- ▶ Painting, drawing
- ▶ Photography
- ▶ Printmaking
- ▶ Sculpture (large and small)
- ▶ Decorative arts
- ▶ Mixed media.

Layout Considerations

Given the high cost of moving buildings to create improved sight lines, the following recommendations are intended to improve the layout from a retailer mix perspective:

- ▶ Encourage active merchandising along the porches of each retail building
- ▶ If possible, keep doors open (depends on air conditioning, outside heat, and comfort factors)
- ▶ Trim back some of the hedges surrounding the retail buildings to allow for easy access
- ▶ Cafés need to be brimming with activity and have outdoor patio space and quality tables – at least one café in the center of La Villita to pull customers through the site with outdoor seating
- ▶ Consider outdoor seating along Villita Street (The Fig Tree, Little Rhein Steak House, other cafés may develop along the street)
- ▶ Consider placing strong destination-type retailers deeper in the site to pull customers through the area
- ▶ The more main-stream and traditional the retailer, the further from Villita Street it should be located
- ▶ Working studios should be located at prime visibility entrances and corridors. It should always be the retail location strategy to place your best retailers in the most visible and high traffic areas.

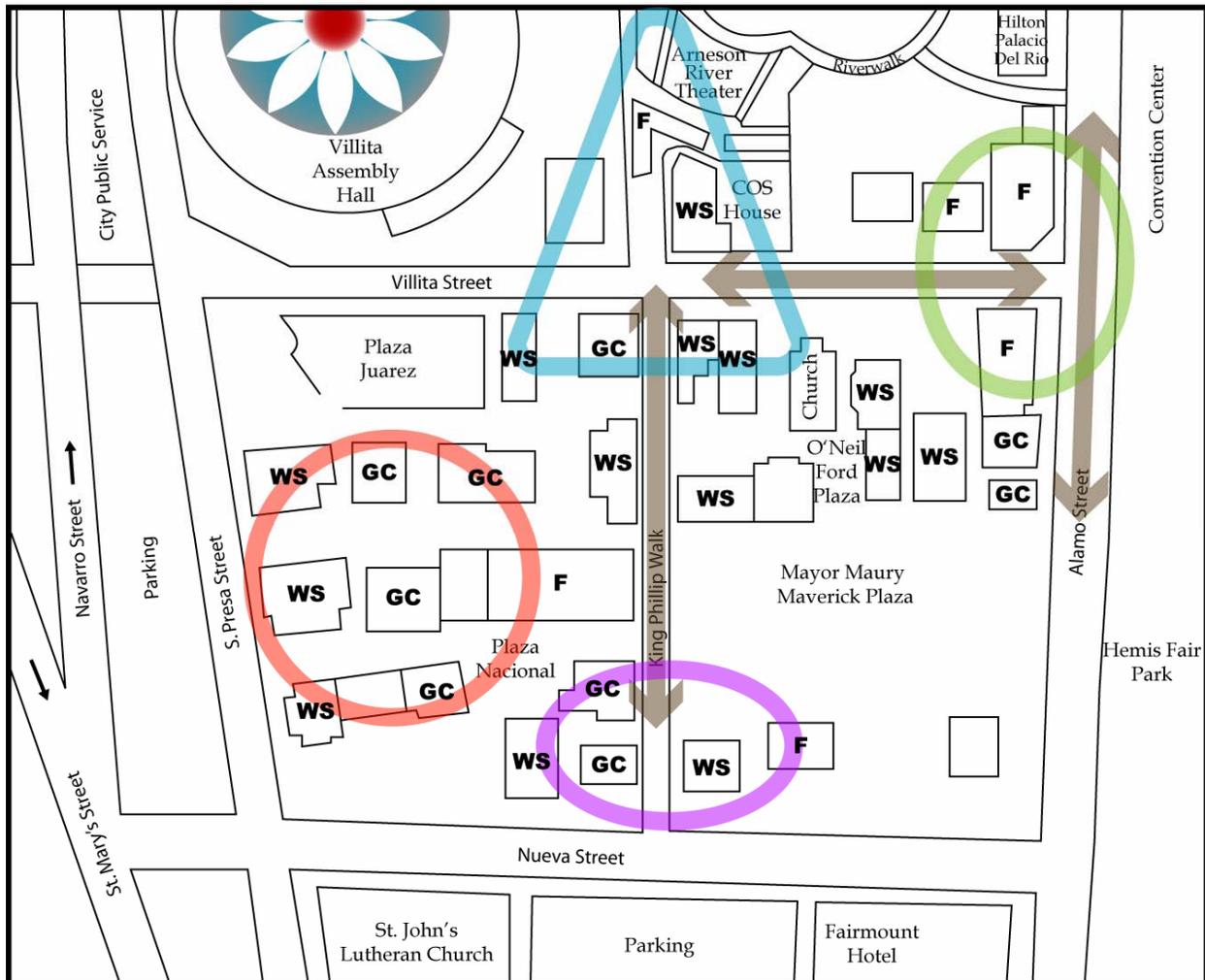
- ▶ Consider adding more retail space or converting other buildings (e.g., event facilities, washrooms) to retail and artist space
- ▶ Consider a retail/café opportunity at the Arneson River Theatre building so that River Walk traffic can visually see a retail operation at the top of the stairs
- ▶ Infill paths with push cart retailers – consider eight to ten
- ▶ Entrances should be colorful. retailers located near the major entrances should be well merchandised on the outside to draw attention to La Villita
- ▶ Consider changes to the exterior wall. Include exciting images of artists at work that are lit up at night; cut holes in the wall to allow passersby to see into La Villita
- ▶ Consider adding images to the signs along the River Walk of La Villita or providing a display case of a rotating selection of artist work from La Villita
- ▶ There should be a hierarchy of paths that lead customers to retailers – same paving material that is well lit
- ▶ The retailer lease agreement must include signage design guidelines. Guidelines on height, size, and colors need to be given to all retailers and prospective retailers. Signs should be creative and fun within these guidelines. Individuality should be encouraged
- ▶ Retailers should pay for all the on-floor fixtures, furniture, and equipment. There is no central storage area
- ▶ Any outdoor craft push carts and/or retailer tables need to be of a standard design and will be provided by La Villita.

Additionally, there needs to be increased wayfinding throughout Downtown San Antonio geared to pedestrians. This includes a horizontal and vertical wayfinding system that incorporates the River Walk and Downtown streets.

The following map illustrates four major retail clusters and three major retail corridors for La Villita. There should be a combination of cafés and restaurants along with a cluster of arts and crafts retailers associated with each cluster. The corridors are needed linkages between the clusters that need banners, signage, and activity to provide the economic, physical, and marketing linkage between the clusters.

A retailer layout for La Villita is included. Management should be encouraged to experiment with the retailer layouts including placing excellent working studios at high visibility locations.

La Villita Retail Clusters and Corridors



- WS** - Working Studio
- GC** - Galleries and Crafts
- F** - Prepared Food, Restaurants, Cafés

Not to scale

Merchandise

The lease agreement must have specific product controls in order to ensure a variety of arts and craft retail mix and product lines. This means that the lease will specify the retailer type and the products that will be sold, and must receive permission only from La Villita management to sell any other products. Other “product line” specifications are as follows:

- ▶ Preference is given to local artisan and craftspeople
- ▶ Must be high quality
- ▶ Source/origin of product must be marked
- ▶ Prices must be clearly visible
- ▶ Pricing must be competitive with other shopping areas
- ▶ All prepared foods must be properly labeled according to government and Federal, State, and local health regulations.

Other Considerations

- ▶ Receiving and loading. This highly-important area must accommodate frequent, small deliveries. Strict rules on the amount of time retailers can park at the loading area, hours, and rules on no idling need to be enforced. Management may also attempt to coordinate with the private sector businesses to consolidate garbage areas in one location.
- ▶ Customer quality service experience programs should be developed such as secret shoppers to help build upon strengths in the retailing experience and assess and eliminate weaknesses in the shopping experience.

Retailer Recruitment

These are required elements of the retailer recruitment plan:

- ▶ A detailed layout of La Villita should be available for discussions regarding potential retailer locations.
- ▶ A firm schedule for further redevelopment plans for La Villita with substantial completion dates included so that the retailer is aware of major construction issues and possible future benefits to the space for lease.
- ▶ A lease instrument must be presented. Prospective retailers will want to see the form of lease that they will be expected to sign.
- ▶ Basic business terms such as rent rates, expected operating costs, and provisions (if any) for financial assistance with retailer fit-out must be in place so that prospective retailers can be advised of the expected total occupancy costs.
- ▶ Proposed days and hours of operation must be established.

- ▶ Retailer fit-out guidelines and requirements must be in place. These will include signage guidelines and regulations, design guidelines for retail units, mechanical and electrical specs, etc.

With these in hand, active recruitment work can begin:

- ▶ Management must work with all existing full-time retailers to determine if they have an interest in continuing to rent space at La Villita. Management will want to re-sign existing retailers that are high quality, financially strong, well suited to La Villita's artisan and craftspeople theme, and willing to make a commitment. It is a very good strategy to keep good retailers that are known to local customers and that have a good following. La Villita will need a core of existing retailers carried over to the new operation. It should be noted that all previous leases and contracts with the retailers are null and void based on the new lease.
- ▶ A multi-pronged approach to recruitment needs to be considered. While an RFP or ad in the local media outlets should be considered, management should also hire an individual or a company that is responsible for recruiting and negotiating leases. This may be a broker or specialized arts and craft person with connections in the community. This person will search out artisans and craftspeople to gauge their level of interest in becoming a retailer at La Villita. The La Villita Manager will act as a back up for leasing.
- ▶ An advertising program aimed at recruiting retailers – ads should be placed in local/regional newspapers and relevant newsletters and websites. This would be coordinated with advertising for part-time retailers and push cart retailers as well. There should not be too much reliance on this ad program but it is a source of candidates.
- ▶ Plan on making direct contact with potential retailers. These include existing, well-known, and good quality artisans, craftspeople, and retailers who may be looking for new or multiple locations or local entrepreneurs who do not have a local retail outlet.
- ▶ Ideally, all retailers will be owner-operated businesses with no or few other outlets in the region. The retailer will not be allowed to have another retail operation within one mile of La Villita. Chains and franchises are not allowed.

Days/Hours of Operation

La Villita should operate seven days per week. If six days is determined to be the best, the closing should be Monday. La Villita must be open seven days during high tourism and convention season.

A 10:00 a.m. start and an 8:00 p.m. closing are ideal year round. Overall, there is a need for consistency in the hours of operation. The current practice of closing for lunch must be discontinued.

For eating and drinking operations, they may open earlier or stay open later. Individual retail merchandise retailers may stay open longer or open earlier. However, the posted hours will be for retail merchandise operators.

Parking

Given the amount of parking nearby, additional parking at La Villita is not required in the short-term. Better marketing of parking programs and locations is required to ensure that La Villita is easy to find and use. This may include valet parking programs as well as increased partnerships with owners of nearby lots and garages.

Business Assistance Programs

The management at La Villata will need to determine whether they should assist current and potential retailers. There are a number of programs in place within the City of San Antonio Economic Development Department's Small Business Division (SBD). These programs include: First Point Business Information Office (First Point); Small Business Economic Development Advocacy Program (SBEDA); South Texas Women's Business Center (STWBC); Procurement Technical Assistance Center (PTAC); and, South Texas Business Fund (STBF). The overall goal is not to replicate these services but to add to them, complement them, and infill with more specialized services unique to La Villata's requirements. Under the proposed management changes, a Business Assistance Committee (BAC) of La Villata's Board of Directors could be established to oversee the need for coordinating retailer assistance and augmenting where required. This will be complemented by the Tenant's Associations' (TAs) activities.

The BAC will need to determine the best course of action to assist current and potential retailers. These programs can be developed internally or through other organizations as mentioned. It will be important for the BAC to work closely with the SBD and the Tenant's Associations to coordinate services and ensure there is not excessive overlap on delivery. For example, while the SBD may offer general good retailing seminars that are applicable to many small businesses, the BAC can be very focused on training and workshops specific to La Villata retailer issues (such as Downtown tourism and how to gain sales during festivals and events). Additional assistance with Texas A&M Center for Retailing (www.crstamu.org) may be a potential partner.

Assistance can include the following:

Activities	Responsibilities
Assessment of business needs	First Point, STWBC
Business plan development	STWBC
Small, minority, women business certification assistance	SBEDA
Assistance in completing forms required by City Small Business Policy	SBEDA
Loan programs; access to capital	STBF
Stall design, signage, merchandising, displays	STWBC, BAC
Coaching, one-on-one	STWBC, BAC
Rent abatement during the start up	BAC
Start up kit - where to source insurance, accounting firms, design firms, inventory pooling	First Point, SBEDA, TAs
Seminars, events, learning	First Point, STWBC, PTAC, BAC
Women Business Center	STWBC
Referral to other agencies for more assistance	First Point, STWBC, BAC, TAs
Relocation - smaller space, higher visibility, better adjacencies	BAC

The services offered by the SBD are subject to the conditions and controls of each program. In some instances, there are conditions on the size of assets, net profit, and number of employees, among others, that must be followed to gain assistance. As a result, some retailers at La Villata will not qualify. Important criteria for the BAC to offer support will have to be met.

Some programs such as seminars, workshops, training, referrals, and some other advice on tweaking of store design and displays can be offered to all retailers either collectively or on a one-on-one basis as determined by the BAC's resources. Other assistance may come in the form of offering to watch their retail space while they attend a business seminar, coaching, or financial meeting. It is important to note that some retailers will ask for assistance directly, which BAC will determine if they meet their criteria. It will also require proactive and tactful management to approach retailers that have not asked for assistance and whom the management views as in need of assistance.

Some retailer categories are unique and management may believe that the concept will be very good but the retailer may need assistance. An example would be an artist who produces excellent work but lacks the business acumen to successfully price, merchandise, market, and sell the product. In this situation, management may decide to provide additional assistance.

This may include a rent abatement program for the first three to four months whereby rent is gradually increased to standard La Villata rents. In addition, management may opt to work with the retailer on stall design, financial systems, and servicing customers, among other programs.

All retailers at La Villita deserve an opportunity to demonstrate their willingness to work within the guidelines set out in the recommendations. There are proposed restrictions on the types of products that must be adhered to. If retailers are unwilling to work within the guidelines in these recommendations, it will be management's decision whether to renew (short-term or long-term) or whether to terminate their lease and search out another retailer who will work within the parameters established. Each retailer, on condition of renewing his or her lease, must submit a detailed business plan that meets management's approval. This includes the look of the retail space, design materials used, products sold, financial and inventory control processes that they are going to use, sales reporting methods, staffing requirements, sales projections, demonstrations, and any marketing programs they are going to undertake. Only upon acceptance of the plan by management will a retailer be allowed to lease space at La Villita. An example is provided in Appendix F.

Evaluation Criteria

La Villita management must determine which retailers qualify for additional assistance beyond those offered to all retailers. La Villita will want to ensure that any assistance delivered either from the Business Assistance Committee, the Tenant's Association, or through the SBD mitigates risk. Evaluation criteria for risk mitigation may include a combination of these three factors:

Sales Activity

As retailers will provide sales activity levels to management, they will be able to gauge which businesses are doing well and which ones are faltering. If management believes that the retailer's concept is good but that the retailer's sales could benefit from changes, this is a desirable goal. It is easier to improve an existing tenant rather than to end the lease and recruit a new retailer. Management can determine whether they can offer the required assistance or refer them to the SBD for further programs such as loans. If a retailer is performing well in the eyes of La Villita management, they will be less likely to receive additional assistance.

Size of Retailer

The strength of La Villita will be on the small independent nature of the retailers. An overall goal will be to assist small independent retailers first over those retailers with retail locations outside of La Villita. The exact criteria may be determined by the Business Assistance

Committee. There has to be a “carrot” approach to the assistance offered, and it should work towards moving the vision of La Villita closer to reality.

Retailer Commitment

Any program or assistance offered by the Business Assistance Committee or SBD must meet eligibility requirements, and this will include a sign of good faith from the retailer that they want this help and they are willing to commit time and resources to make it a success. Where there is financial assistance involved, generally the assisting organization requires that the retailer spend their money first. There may be requirements that the retailer commit a certain percentage of time in the retail space, or submit detailed financial goals and daily/weekly sales activity for close monitoring. It is important to realize that sales activity is dependent on other factors, from the general state of the economy, to tourism and weather.

Overall Success

The Business Assistance Committee will be able to determine if there is success by the monthly sales reporting by each retailer. If the majority of the retailers are experiencing a downturn in sales, they will know that it is less likely the individual retailer and more a reflection of the state of the economy, and increased marketing may be required. If one or two retailers are losing sales while others are gaining sales, they will be able to pinpoint the retailers and work through a program of putting their business plan back on track.

Lease Structure

La Villita should have a standard form of lease¹⁵ that will be used by all retailers and push cart retailers. This form of lease should, in many ways, be similar to a standard commercial lease used in shopping centers. Each retailer will have to sign the lease agreement, which will stipulate all the rights and expectations of the retailer and management. All previous leases, deals, and negotiations are considered null and void. The following notes focus on elements that should be tailored to a market leasing situation.

- ▶ Term: an initial term of three years for new retailers may be shorter for retailers that take space in 14B. After you have experience with retailers and are convinced you want to keep them, five-year terms are reasonable.
- ▶ Renewal: retailers will want to know that, if they are successful, they will be able to continue to occupy their space. However, La Villita needs to be able to actively manage the retailer and merchandising mix through eliminating or replacing weak performers. In this situation, leases need to be renewed on a regular basis (e.g., not automatically renewed). This ensures that retailers are operating to management's expectations and this is assessed on a regular interval. This process helps to mitigate the risk of renewing a retailer who should be terminated.
- ▶ Product lines: the leases must be very specific regarding the product lines the retailer is allowed to sell. There can be a tendency in retail centers for product lines to "wander" in ways that may benefit an individual retailer in the short term but are damaging to the overall retail center concept in the long term. This is happening at La Villita whereby retailers are adding more product lines to help boost sales but the overall quality is falling. When several retailers act this way, the situation that results is duplication of products. This can be prevented by drafting and enforcing specific clauses governing the retailers' allowable use and product lines.
- ▶ Exclusivity: generally, retailers should not be granted exclusive rights to any product. This does not mean that there should be overlap in categories, but that individual retailers should never be in a position to control or limit the addition of new retailers. Management has the responsibility to ensure that categories do not become overloaded.

¹⁵ La Villita may consider license agreements. Both leases and license agreements are equally effective. The choice may partially depend on La Villita Managers' and leasing agent's knowledge and experience with either lease or license agreements.

- ▶ Rent structure: a percentage-based rent structure is ideal for La Villita. In addition, retailers will pay their proportional share of the common area maintenance costs plus the greater of a fixed base rent or a fixed percentage of sales volume. The advantage of a percentage-based system includes the requirement to report sales. This gives management excellent feedback on the performance of individual retailers, the performance of categories, the effects of marketing campaigns, and required modifications to the retailer mix. In addition, management is given the ability to set base rents low (for new retailers) so that retailers know that during the “ramp-up,” following their opening and as they establish themselves, their rent will be commensurate with their sales volume. Retailers normally resist, mainly because they do not want to report sales volumes, but the benefit of this sales volume information is vital to a successful management program. Percentage rents give retailers an incentive to do well, providing a carrot in terms of performance. The changes and lease renewals at La Villita is the ideal time to introduce a percentage system, as it becomes a condition of the lease. Introducing it after the fact is very difficult. Currently, the retailers do not report sales to management. Percentage rents in a similar retail center usually range between 3% and 5% for craft categories to 8% to 10% for prepared food, candy, and other similarly high margin products. Whether or not a percentage system is used, it is important to structure the rent system so that retailers pay their proportion of the CAM charges beyond the facilities rental share. It is important that retailers understand that CAM is simply a cost recovery and not rent.

Appendix G includes a copy of a draft lease from Pike Place Market and London Covent Garden Market.

3.4 Marketing, Promotions, and Special Events

In terms of market positioning, the image of La Villita should reflect the aspects that make it a cultural and historical unique place in San Antonio. According to the research and workshops, these include:

- ▶ Unique arts and crafts including artisans and craftspeople;
- ▶ Historical significance;
- ▶ Special events that reflect the arts, culture, and history of La Villita's past and present;
- ▶ Education and learning related to the history of San Antonio and La Villita;
- ▶ The personal contact with artisans, craftspeople, and retailers who made or sourced the high quality product;
- ▶ Convenience and centrality to the River Walk, Henry B. Gonzalez Convention Center, and Downtown;
- ▶ An interactive people meeting place for relaxation and socialization.

Upon careful review of La Villita's marketing, it appears clearly that if the go ahead is given to proceed with the much needed management changes and retailer re-alignment, a rethinking of La Villita's marketing must take place.

The current marketing campaign is too one-dimensional. It primarily showcases the unique products that can be bought but does little to convey the emotional benefits of a visit to La Villita. For the full depth of the experience, marketing should start by using the three positives of La Villita. These were re-enforced by the consumer surveys, key person interviews, and workshops. This includes:

- ▶ The Product – quality hand made arts and crafts;
- ▶ The Place – historic place, cultural atmosphere, oasis, socialization opportunities;
- ▶ The People – exceptional artisans, craftspeople, and retailers who are making the product at La Villita or can relate the history of the product they are selling and the history of La Villita itself.

The marketing program should be a mix of reality and perceptions in the minds of desirable customers, such that they choose La Villita over other options in the area. La Villita will be the place to go for unique artisan and craft related experiences, socializing and San Antonio history learning.

The first phase of the marketing program should focus on advertising that helps build positive perceptions. This is similar to all brand campaigns. It must deliver unique emotional propositions and, as a result, must establish a multi-pronged foundation of strong brands: relevance, differentiation, knowledge, and esteem. In addition, there must be consistency in the positioning conveyed through a coordinated program of advertising, special events, and promotions.

The Challenges

The challenges are many but not insurmountable:

- ▶ Retailers are generally responsible for their own operations and profitability, but without the knowledge and/or the understanding of what some marketing could or would do to improve their individual bottom line. As a result, management must do La Villita marketing.
- ▶ La Villita cannot single-handedly solve the problem of drawing customers up off of the River Walk.
- ▶ La Villita needs to keep a consistent theme for retail mix, marketing, special events.
- ▶ La Villita needs to build its reputation for quality, unique artisans, craftspeople, as well as products to compete with retailers elsewhere in San Antonio and the U.S. and set itself apart from shopping centers that have souvenir items.
- ▶ La Villita must consider itself in competition with other tourist attractions and shopping centers. The marketing program must be on the same level of a major attraction in San Antonio. Its programming and budget must be in-line with a goal of becoming a retail venue that generates approximately \$6 million in retail sales revenue annually (excluding the Little Rhein Steak House and The Fig Tree).
- ▶ A tourist information program, including an Ambassador Program, placed at entrances and on the River Walk will be able to provide retailer and historical and cultural information on La Villita.

Marketing/Promotional Budget

An estimated budget of \$170,000 is required for La Villita from both the management and the retailers. A breakdown of the budget is as follows:

- \$ 50,000 (estimated retailer contribution)
- \$120,000 (estimated management contribution)
- \$170,000 (total budget)

Other important considerations include the following:

- ▶ If a percentage of rent is implemented, the \$170,000 investment in marketing quickly affects the bottom line, sales increases, and percent rent increases.
- ▶ A creative agency should be used to develop visuals but they should not do the media buying because agency rates are too high. The agency should be local, if possible, with good community and media understandings.
- ▶ A Marketing Coordinator should be someone who coordinates all activities and events as well as the timing and execution of all media buys. They develop relationships with the community and media.

Retailer Communication and Motivation

Retailers should be informed of and involved in all special events held at La Villita. The main focus behind this involvement is the Tenants' Association's representation on the Marketing Committee. A regular newsletter and email to the retailers should be used to provide timely information on upcoming events and instructions on how retailers should be participating. An example is provided in Appendix H.

Point-of-purchase materials, special signage, displays, and decorative themes are some of the instruments that can be used to involve each retailer in a given promotional event.

3.5 Financial

While critical mass and visibility are issues, a typical retail center this size should be able to achieve sales volume of \$300 to \$400 per square foot. This is equivalent to approximately \$6 to \$8 million in retail sales for all retailers.

An estimated pro forma for La Villita's operating budget includes revenue of approximately \$1 million. Expenses will be related to operations such as salaries for a La Villita Manager, support staff, marketing, and retailer recruitment. The building operations expenses are related to keeping the buildings clean and safe. These expenses are charged back to the retailers in terms of CAM.

The break-even rent scenario has an average rent for all of the retailers being approximately \$16 per square foot. However, rent will be charged on a base rent and percentage rent basis. Increased rent will provide additional reserve funds for future renovations, repairs, and small capital projects.

- ▶ The \$50,000 Marketing Fee is charged to each retailer pro rata and is considered a flow through expense.
- ▶ CAM charges are for Common Area Maintenance and reflect the Building Operations Expenses section of the pro forma business plan. In this situation, retailers are charged back the expenses as they occur.
- ▶ Office and administrative expense will vary. Some of the expense items will be contingent on whether La Villita pays for the expense or the City does. An example would be accounting and auditing expenses.
- ▶ Custodial and security expenses are itemized separately as these services may be contracted out separately. This is also true of security expenses. The security expense includes fees for an Ambassador Program that includes tourist information. This may be supplemented with volunteers.
- ▶ Marketing costs represent the total contribution of both the retailers and La Villita. Salaries for the Marketing Coordinator are placed in the Salaries and Wages line item.
- ▶ Salaries include La Villita Manager, Marketing Coordinator, and administrative assistance.
- ▶ Retailer recruitment may be higher or lower depending on the vacancy at La Villita. An estimated \$5,000 annual fee to assist in recruiting retailers along with additional marketing will be required.

Revenue		Proposed
Rental revenue		\$350,000
Marketing fee		\$50,000
CAM		\$610,000
Total revenue		\$1,010,000
Expenses		
Market operations		
	Salaries and wages	\$150,000
	Advertising and publicity	\$170,000
	Retailer recruitment	\$5,000
	Office and administration	\$75,000
Total market operations expenses		\$400,000
Building operations		
	Custodial and maintenance wages	\$350,000
	Facilities management	\$180,000
	Security and ambassador program	\$80,000
Total building operations expenses		\$610,000
Total Expenses		\$1,010,000
Net income (loss)		\$0

4.0 PROCESS

As stated, the primary challenge will be to change the management structure of La Villita to ensure that there is the creative direction and leadership to enforce effective leases with the retailers. This process will take time to develop. The most effective organization for La Villita is a non-profit Trust of the City of San Antonio to manage the affairs of La Villita. However, the requirement for building improvements is important and must be considered when developing the management structure.

The next steps for the City of San Antonio require City Council's approval to accept the analysis in this report and to direct Downtown Operations staff to assess the implications of potentially moving towards a non-profit association. This would include legal, financial, staffing, among others. Alternatives such as joint management with Market Square will need to be assessed. A time line for transitioning La Villita should be developed.

La Villita, San Antonio Retail Management Study

Appendices

Appendix A – Destination SA Study

Appendix B – Key Person Interviews, Resident Surveys, Tourism Surveys, Pedestrian Flow Analysis

Appendix C – Building Condition Audit

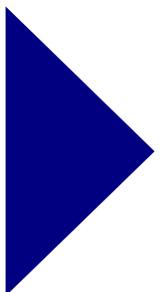
Appendix D – San Antonio Tourism Statistics

Appendix E – Case Studies

Appendix F – Retailer Requirement Example

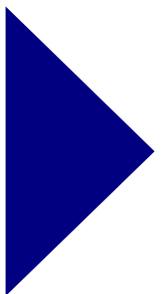
Appendix G – Sample Lease Documents

Appendix H – Newsletter and Marketing Plan

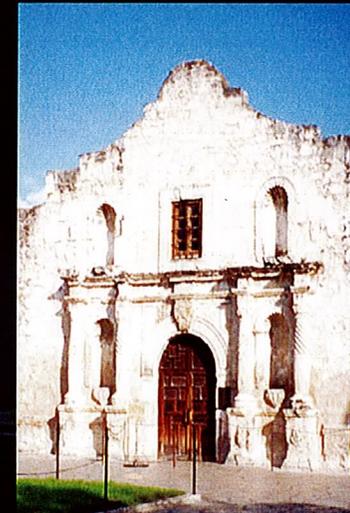


Appendix A

Destination SA Study



Destination SA: Strategic Planning for Visitor Industry Growth in San Antonio



Presented to the:
City of San Antonio
March 22, 2006



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Acknowledgements

Conventions, Sports and Leisure International (“CSL”), on behalf of the entire consulting team, would like to thank the important participation of a wide variety of individuals, and organizations throughout the community. Their input has been instrumental throughout the research process, and in refining and commenting on the study findings. Certainly, many study participants outside those listed below contributed to the process, and we wish to thank them as well.

Visitor Industry Organizations and Associations

- San Antonio Convention & Visitors Bureau
- San Antonio Sports Foundation
- San Antonio River Foundation
- Office of Cultural Affairs
- San Antonio Parks Foundation
- Texas Travel Industry Association
- San Antonio Concierge Association
- San Antonio Restaurant Association
- Councilman Roger Flores' office
- Centro San Antonio
- UTSA, Tourism Management Program
- UTSA, Health Sciences Center
- San Antonio Area Tourism Council
- Downtown Alliance
- San Antonio Hotel & Lodging Association
- San Antonio Visitors Center
- Chamber of Commerce
- Historical Preservation Society
- San Antonio Film Commission
- Paseo del Rio Association
- Alamodome
- San Antonio River Authority
- San Antonio International Airport

Other Visitor Industry Attractions and Resources

- Bromley Communications
- Aztec on the River
- River Walk Plaza Hotel
- Spurs Sports and Entertainment
- Fiesta Texas
- SeaWorld
- Southwest Airlines
- Americans for the Arts
- theFund
- San Antonio Museum of Art
- Marriott River Walk
- Martin/Feldman Associates
- Venture Art
- Silver Ventures
- Alameda Theater
- Warm Springs
- Intervistas Consulting
- Hyatt Regency Hill Country Resort & Spa
- Museo Americano
- Urban Land Institute
- AT&T Center
- Henry B. Gonzalez Convention Center

Consulting Team

- CSL International
- Brand Insights
- Custom Intercept Solutions

1.0 DESTINATION SA INTRODUCTION & BACKGROUND

In 2005, CSL International, in conjunction with Brand Insights, was retained to help facilitate the creation of a formal long-range strategic plan for the San Antonio visitor industry. Titled Destination SA, the basic objectives of the study are to provide the community with a plan to:

- Enhance the attractiveness of the destination for visitors and residents.
- Protect and enhance the unique cultural and historical characteristics of the San Antonio destination.
- Enhance the ability of the visitor industry to create significant economic benefits for the residents of San Antonio.

1.1 Importance of Visitor Industry Strategic Planning

Unique among economic development initiatives, investment in the visitor industry can bolster local tax revenues thereby reducing the tax burden on residents, can improve the quality of life aspects for residents, and can increase the exposure of the destination to business leaders from around the country and globally. The importance of comprehensive policy, development and organizational planning with respect to this industry is difficult to overstate.

Past studies have estimated the economic impact of the visitor industry in San Antonio at nearly \$7.2 billion, generating nearly \$100 million in taxes and fees to the city of San Antonio and supporting 86,380 jobs within the economy¹. When prepared in 2002, these estimates were characterized as conservative. The actual importance of the visitor industry is magnified when considering the fact that the current corporate base in San Antonio and the locally-generated disposable income lag behind competitive markets reviewed, with the exception of New Orleans.

(1) San Antonio's Hospitality Industry Economic Impact in 2002 – Chamber of Commerce.

While significant progress has been made in establishing San Antonio as a desirable destination for corporate relocation, the visitor industry will continue to play a very important role in supporting the overall economic health of the region.

We recognize that no visitor destination will remain constant in its overall economic contribution; patterns of growth or decline will continually take place. In San Antonio, significant investment in the visitor industry and associated features have been implemented over the past 20 years, yet in some sense, a plateau may have been reached in terms of industry growth. Either continued investment and positioning of the visitor industry in San Antonio will take place, or the positive impacts enjoyed by residents will begin to erode.

One objective of Destination SA is to outline steps needed to protect and grow the visitor industry and associated impacts. We have developed a model designed to calculate potential increases to the economic impact of the visitor industry associated with Destination SA recommendations. By assessing opportunities to extend the stay of current visitors, expand into other visitor markets, increase the level of spending per visitor and increase convention activity, growth in economic impact of 30 percent is a realistic and achievable target. This would represent over \$2.0 billion in added annual impact to the San Antonio economy and an added \$29 million in annual City tax revenues.

Expanding Economic Impact, Benefiting Residents

Tax revenues generated by the visitor industry will not remain static. Without continued strategic investment, combined with policies and structures to guide these investments, these revenues can decrease. Destination SA is designed in part to ensure that the positive financial impact of the visitor industry grows by at least 30 percent. The resulting \$29 million in added annual tax revenues lessens the financial burden for San Antonio residents.

1.2 An Extensive Study Process

Key elements of the study process include significant stakeholder outreach and consensus-building within the community, evaluating the organizational structures which are charged with implementing any planning recommendations, stressing the uniqueness of the San Antonio product, developing guidelines for a San Antonio branding effort and building value for the benefit of residents of San Antonio.

As part of Destination SA, we have conducted the following research efforts:

- Over 50 interviews with local industry/business/political leaders.
- Focus groups with area visitor industry, business and community leaders.
- Over 2,000 intercept interviews in the San Antonio area, including the Alamo/visitors center, Convention Center, Alamodome, Market Square, area hotels, Sea World and Fiesta Texas.
- Interviews with over 150 planners of nationally-rotating conventions and tradeshow.
- Interviews with past Convention Center users.
- Intercept interviews with travelers residing outside the San Antonio market.
- Review of the existing San Antonio area visitor industry amenities and organizational structures.
- Review of past development and strategic planning documents.
- Evaluation of competitive and comparable destinations.

Based on this research, we have developed the Destination SA Strategic Plan highlighting specific findings/recommendations and implementation steps designed to meet the community objectives stated at the outset of this report. An extensive presentation of supporting

documentation under separate cover can be reviewed to gain a greater perspective regarding the study research.

1.3 Building on Current Atmosphere of Progress

Visitors to the San Antonio area are attracted to a wide variety of entertainment alternatives, encompassing the downtown area and its world-class amenities, expanding outwards to the theme parks, golf and resort facilities, historic Missions, and attractions within a broader (100 - mile) radius of San Antonio. The uniqueness of the San Antonio product, well marketed over the past ten years, has positioned it among a select set of cities as a national destination, drawing visitors from throughout the country.

Beyond the existing set of attractions, we recognize that the San Antonio visitor industry infrastructure does not exist in a static state. Numerous and significant development and improvement projects are currently taking place within the community that will impact the visitor industry, with many more being planned.

Extensive Visitor Industry Investment Underway

- *San Antonio River Improvements*
- *Mission Trails*
- *Convention Center Hotel*
- *Market Square Reinvestment*
- *San Antonio International Airport Expansion*
- *Pearl Brewery Development*
- *Houston Street Upgrades and Improvements*
- *Cibolo Canyon (TPC)*
- *UTSA Expansion Plans*
- *Signage-Downtown Wayfinding System*
- *Museo Americano/Alameda Theater*
- *Aztec Theater/Alamo National Bank Redevelopment*
- *HemisFair Park Plans*

In addition, fund raising is progressing very quickly to address improvements to the Japanese Tea Gardens and the Sunken Garden Theater; planning is in final stages for tournament-quality sports venues outside the downtown area; the Fund for arts, culture and community ("theFund") was recently launched; and numerous other initiatives are being discussed in the community that will impact the visitor industry.

Combined, these projects clearly indicate that the San Antonio visitor product is evolving and progressing. Destination SA will serve as a guide to strategic planning that combines current initiatives with recommended future development, all within the context of necessary changes to visitor industry policy and organizational structures.

2.0 CURRENT VISITOR INDUSTRY CONDITIONS & LIMITATIONS

As far as the San Antonio visitor industry has come over the past ten to twenty years in terms of developing market-wide visitor industry features, our research points out issues that will begin to limit growth, or even decrease the impact and benefit to residents generated by the visitor industry. Specific issues are noted below.

- 2.1 **Density of pedestrian traffic on the River Walk** – particularly with the significant improvement/expansion to the Convention Center and the opening of the Convention Center hotel, the level of pedestrian activity on the River Walk will increase. Over time, the quality of the experience offered to visitors will diminish as signs of overcrowding take place.
- 2.2 **Elements of La Villita and Market Square** – both features, highly unique and very important to the success of the visitor industry in San Antonio, have noted weaknesses. In particular, the hours of operation are not conducive to visitor schedules, controls on the authenticity of product offered at these venues are not as tight as they should be and various infrastructure/exterior improvements need to be made (particularly at Market Square). At La Villita, a significant opportunity is being missed by not programming significant arts and cultural activities on the site, particularly those that involve the resident artisans.
- 2.3 **Elements of HemisFair Park** - HemisFair Park has been cited by visitors in our intercept surveys as not fully meeting expectations. The Park has not risen to the level of other attractions in the area including La Villita, River Walk and the Alamo. The recently developed HemisFair Master Plan identifies a range of improvements that will benefit the Park. The City should consider building on these recommendations with a focus on the visitor industry.
- 2.4 **Downtown housing** – we tend to think of successful economic development from three perspectives: housing, office and visitor. There are a multitude of relationships between these platforms, each delivering critical activity to a development area in different ways during different timeframes. Together, they serve to create a desirable, 24-hour presence

beneficial to both residents and visitors. Within this context, the existing base of downtown housing is insufficient to support many of the features of a 24-hour city. Current efforts to attract and incentivise development are moving in the right direction, yet could be enhanced as the market for downtown housing continues to emerge.

- 2.5 **Lack of extended stay potential** – San Antonio is viewed by many visitors as a two to three day destination, with insufficient amenities available to justify a more extended stay. To some degree, this may be a result of a focus on the River Walk and Alamo as central themes in marketing and branding efforts (efforts which have resulted in tremendous growth in visitor industry activity over the past ten years). To a large degree, this perception is not fully accurate, as San Antonio does offer diverse historical, cultural and entertainment amenities. The challenge is that visitors are seeking three things: convenience, value and uniqueness. The value and uniqueness are present in the market, however the broad set of amenities in the San Antonio market can be difficult to conveniently package and deliver to the visitor, resulting in a perception of the destination as a short-term visit. In a sense, experiencing Disney is easy, but you have to “work” for the experience in a highly unique and culturally/historically diverse destination. The key is to make this effort as convenient as possible.
- 2.6 **City policies may not fully encourage “Authentic”** – in several ways, current City policies don’t reflect an appreciation of bringing the authentic character of the destination to the visitor and resident. For example, City policies are punitive towards street performances that have the potential to introduce authentic art and culture to the visitor. To some degree, City policies regarding fees charged to local entrepreneurs may make it difficult for authentic locally-owned restaurants, retail and other outlets to succeed, particularly along the River Walk. Every effort must be made to bring the history and culture of San Antonio to the visitor (in most cases they won’t work very hard to find it themselves). A flourishing local arts, music, food and retail industry wrapped around the authenticity of the destination needs to be pursued more aggressively.

2.7 Lack of street level atmosphere – the character of the River Walk area is not generally present at street level within the downtown area. This creates a discontinuity of experience for residents and visitors, going back and forth between the world-class atmosphere of the River Walk to a more generic experience at street level. Not all of downtown can maintain a consistent atmosphere, however there are important areas – linkages between the River and key street level attractions – that require an authentic flavor.

2.8 Air access – particularly for convention planners, there is a concern regarding sufficient air access to deliver large numbers of delegates to the destination within short periods of time.

None of these issues presents an immediate threat to the viability of the San Antonio visitor industry. However, over time, if these issues are not addressed, a significant opportunity to expand the economic base of the community will be lost, and the current positive impact of the visitor industry in San Antonio (at over \$7 billion annually) may begin to erode. As stated aptly by travel writers interviewed as part of this project, the biggest threat to the San Antonio product is gradual conversion to "generic", or becoming just another Dallas or Houston.

By considering the extensive research conducted as part of Destination SA, we will identify elements of physical development, policy/procedure and organization that are designed to address the types of concerns noted above and to position San Antonio for an extended period of significant growth in the visitor industry.

3.0 KEY RESEARCH FINDINGS

Before we present the specific set of recommendations that encompass Destination SA, it is useful to review the major research findings that have been developed. These findings are the result of thousands of interviews with visitors, travelers outside San Antonio, event planners, travel writers, local officials and representatives of competitive destinations. A very brief summary of applicable research is included within this section. The full set of research is presented in a separate document.

3.1 The View from Travel Writers

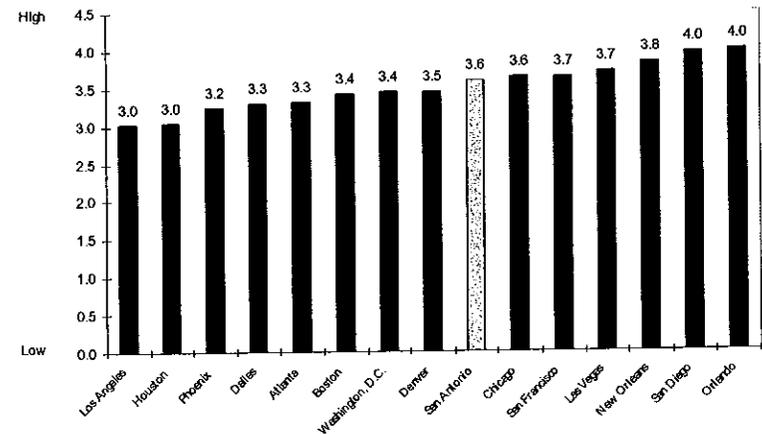
- The River Walk and Alamo are central to the visitor industry appeal of the destination, but other elements are also important. Descriptors such as "fun, party, color, cultural pride, romantic, old Spanish and nice" represent an important diversity of characteristics that in many ways are unique to San Antonio. Future branding and marketing efforts will need to stress variety in a way that captures these unique elements.
- Themed or generic tourism related projects may not provide the greatest impact on San Antonio visitor levels. Rather, any future visitor industry development initiatives must be infused with the authentic San Antonio features of art, culture and history.
- In reviewing travel writer feedback, the concept emerges of a visitor destination that can center around the River Walk and Alamo, but that is much more diverse than that, and that is infused with a very unique or authentic history and culture. This authenticity must be protected at all costs.

Continued vigilance is needed to protect "San Antonio Authenticity", and to prevent a gradual slide into "generic".

3.2 Conversation with Event Planners

- As an event destination, San Antonio is highly-rated, ranking ahead of established convention and tradeshow destinations such as Denver, Washington D.C., Boston, Atlanta and Dallas. The size of the Convention Center in San Antonio is comparatively small. As a result, there will consistently be opportunities to "pick and choose" the events that are held in the market during peak demand seasons.

Ranking of Competitive and Comparable Markets (All Respondents) – National Conventions & Tradeshows



Source: CSL Interviews, 2005

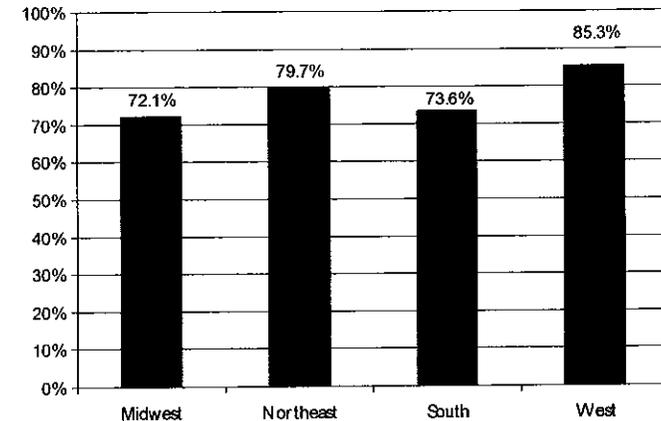
- The strengths of the San Antonio destination are significant and revolve around a central location within the U.S., friendly people and an interesting/unique destination. In a highly competitive convention and tradeshow market, these strengths can set San Antonio apart from other destinations.
- In some sense, planners perceive the River Walk and Alamo as the "hook and bait" needed to lure the attendees, with the other attractions serving to extend the visitor stay and ensure return visits.

- The weaknesses are also tangible, and include limited air access into the destination and a perception of recent price increases. Significant efforts are underway to improve the physical conditions at the airport and to increase capacity into the destination on major carriers. Pricing issues, particularly with the hotel product, may be a function of increases in room demand, allowing hotels to increase rate.

3.3 Extensive Visitor Research

- Visitation to San Antonio originates from around the country, placing the destination within a select set that is national in scope. San Antonio marketing efforts should continue to broaden beyond Texas/Southwest.
- Visitors from all regions of the country have positive perceptions of the San Antonio destination (as opposed to somewhat positive or neutral). Between 72 and 77 percent of visitors from the Midwest, Northeast and South held very positive perceptions of the San Antonio destination. Respondents from the West cited a very positive perception 59 percent of the time (with an additional 32 percent citing somewhat positive perceptions of the destination).
- Of visitors that had made a decision to come to San Antonio (and thus surely had a positive opinion of the destination going in), between 72 and 85 percent (segmented by region of the country) stated they had a better experience in San Antonio than expected. This provides an indication that branding and marketing efforts in past years may even be understating the value and desirability of the destination. In essence, these efforts may be “under-promising” relative to the actual appeal of the destination.
- Of first time visitors to San Antonio, just over 74 percent stated they had a better experience in San Antonio than expected. Just over 76 percent of return visitors to San Antonio stated they had a better experience than expected.

Percent of Respondents with a Better Experience in San Antonio than Expected by Region



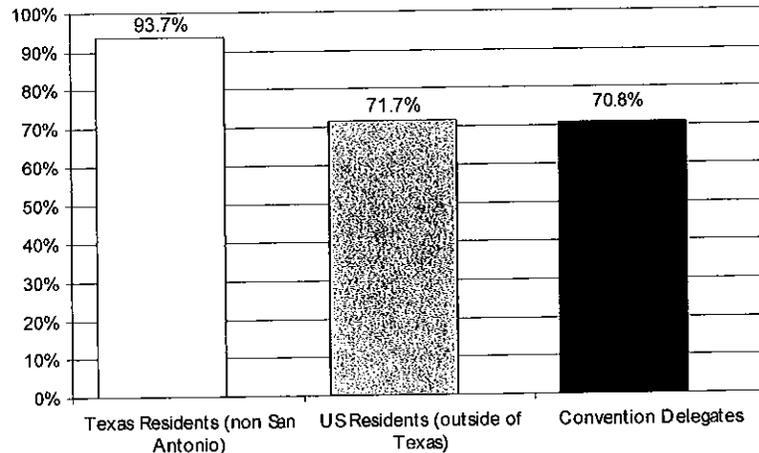
Source: Custom Intercept #11/01/06, 2006

- Return visitors to San Antonio are highly satisfied with the destination, with nearly all recording a very positive perception. This finding places some validation behind past efforts to continue to draw visitors from drive markets that represent a majority of repeat visitors. Sixty-five percent of visitors to San Antonio for the first time recorded very positive perceptions of the destination.
- Slightly over 70 percent of first-time visitors would plan a return visit. Similarly, visitors from all areas of the country have registered significant interest in returning to San Antonio in the future. These visitors represent a potential source of future growth in the San Antonio visitor industry. To realize the return visit potential from first time visitors, it will be very important to offer an extensive package of amenities, sufficient to create motivation for return visits.
- For Texas residents, the strength of the San Antonio destination is well established. For non-Texas visitors, our research indicates that 62 percent are visiting San Antonio for the first time. Yet, as noted above, 71 percent want to return. Combined, this indicates that greater

emphasis could be placed on attracting non-Texas visitors and on drawing them to the destination for return visits.

- The vast majority of visitors from within Texas show an interest in returning, and nearly 72 percent of non-Texas leisure travelers feel the same way. Very importantly, nearly 71 percent of convention attendees registered an interest in returning to San Antonio. Given that the large majority of event attendees don't choose the destination in which a convention is held (i.e. they didn't choose to be in San Antonio), the 71 percent potential return rate is very high. Future sections of this report discuss means of capitalizing on repeat visit potential.

Percent of Respondents Planning a Return Trip to San Antonio by Region – VIC/Alamo Surveys



Source: Custom Intercept Solutions, 2005

- Over 62 percent of non-Texas visitors are arriving in San Antonio for the first time, and as noted previously, these visitors are pleasantly surprised with the amenities in the destination and are very interested in returning.
- Over 71 percent of non-Texas visitors stay more than three nights in the destination, generating significant economic impact. Slightly over 50

percent of Texas residents stay for more than three nights. The relatively close proximity of Texas residents to San Antonio certainly allows for shorter visits. Greater penetration of the national convention and leisure market will pay disproportionately higher dividends given the longer stay potential.

3.4 A Conversation With Area Hotel Concierge Staff

- The attractions that concierge staff recommend to visitors are very diverse and include both the primary features of the Alamo and River Walk, as well as amenities such as the Botanical Gardens, Spanish Governors Palace, the Cathedral and area museums. Missing from this list is the diverse set of locally-oriented music, art and cultural facilities, many emanating from the neighborhoods surrounding the downtown area. Also of note, these amenities have remained relatively unchanged for many years. Going forward, if the return visit potential for the destination is to be realized, and if the length of stay in San Antonio is to be increased, added amenities will need to be developed.
- Concierge staff indicated some negative visitor feedback concerning La Villita and Market Square, particularly related to hours of operation. These two amenities are part of the authentic fabric in San Antonio and must be protected. Similarly, HemisFair Park appears to us as an untapped asset; not currently rated highly by visitors.
- Other issues cited by visitors related to basic "livability" amenities such as grocery stores and laundromats, and are features that are often associated with a viable 24-hour downtown.
- The Amigo program and police on bike offer a feeling of friendliness and security that is very important in a destination. In order to capitalize on these qualities, consideration should be given to blending them into future branding and marketing efforts.

3.5 Demographic Comparisons

- Population growth in greater San Antonio has outpaced growth in competitive and comparable cities, as well as the United States as a whole.
- The average household income within the San Antonio CBSA approximates \$59,400. Only one market, New Orleans, has a lower average household income (when ranked by CBSA) than San Antonio.
- Estimated total retail sales for the greater San Antonio metropolitan area totaled more than \$24 billion in 2004, ranking second to last among the 19 cities reviewed. New Orleans, with nearly \$16 billion in total retail sales, ranked last (prior to Hurricane Katrina).
- Although conditions are improving markedly, the number of corporate headquarters and branches currently in San Antonio is well behind the majority of markets reviewed in this analysis. Specifically, the San Antonio CBSA, with a total of approximately 830 corporations and branches employing more than one hundred people, ranks second from the bottom of the selected competitive and comparable markets. Among competitive and comparable markets, an average of 2,400 such corporations and branches exist.
- San Antonio, though ranking near the bottom in terms of both CBSA population and total inventory of hotel rooms among the competitive and comparable markets, ranks near the top in hotel rooms per person. This is an indication that the market has a very well developed visitor industry. This comparison is also indicative of the fact that San Antonio may have more of the supporting visitor industry infrastructure (i.e., restaurants, retail, tourist attractions, etc.) already in place.
- Clearly, an important economic strength and source of the tax revenue resides in the San Antonio visitor industry.

4.0 RECOMMENDATIONS FOR FUTURE INDUSTRY DEVELOPMENT AND GROWTH

The recommendations presented herein are based on the extensive research conducted as part of Destination SA, and focus on areas of physical development, policy and organizational structure. Within these areas, recommendations are made that are in some cases very specific, and in other cases more general in nature to provide decision makers with a framework for future initiatives.

The recommendations contained herein cannot be implemented by a single entity or agency. In fact, participation from a variety of public and private sector entities will be necessary to realize the potential of Destination SA. Various implementation efforts are discussed in a later section of this report.

4.1 Protecting the Authenticity of the Destination

Great emphasis has been placed on maintaining the historical and cultural integrity of the San Antonio community as part of any enhancement to the visitor industry, almost giving the impression that this is a **limiting constraint** to future growth. In fact, our research indicates that maintaining the historical and cultural integrity of the San Antonio area represents a **significant opportunity** for future visitor industry growth, and that these characteristics serve to define the uniqueness of the destination.

This gives rise to our first recommendation, that a community-wide authenticity campaign be initiated to protect the unique (and highly marketable) assets and character of the destination.

Authenticity Campaign in Practice

We do not provide specific rules as to how such a program should be formed and maintained. We do however suggest several guidelines for use in developing the program.

- The mission of a San Antonio authenticity program should be simply to encourage the public and private sector to make decisions with respect to policy and development that protect and highlight the history and culture of the destination.
- Responsibility for the program should be housed within the CVB and Office of Cultural Affairs. There need be no dedicated staff, nor any bureaucratic function. A simple statement of purpose could be drafted that relates to the encouragement of authentic San Antonio history and culture. Perhaps representatives of these departments could sponsor an annual reception to recognize individuals and organizations that have made decisions in the best interest of highlighting authentic San Antonio history and culture.
- As examples, perhaps a local transportation company that educates its drivers on the area history and culture and encourages them to share these stories with customers; or a restaurant that similarly educates staff on history/culture issues. Perhaps a city staff person that routinely encourages developers to include references to history and culture in private projects. There is an incredibly wide range of opportunities for recognition as part of an authenticity campaign for San Antonio.
- The concept of such an authenticity campaign should be tied to future destination branding and marketing initiatives. The program will help deliver on a promise to visitors and residents that when they travel to San Antonio, their experience will be unique not generic - and authentic not artificial.

In addition to these guidelines, there are several City policies that should be addressed in the spirit of enhancing and protecting the authenticity of the destination. Two potential areas of focus are addressed below.

- Modify existing City code to encourage legitimate street performances in targeted areas. Current code discourages and even prohibits performance of local artists in the downtown area. The City should consider a process to license groups (at a very low fee), and schedule performance times at various downtown locations, particularly at street level. This will provide local arts groups with an added source of income, and will create opportunities to bring the authentic San Antonio culture to visitors and residents in the downtown area. Responsibility for this effort could be undertaken by the Office of Cultural Affairs.

- Modify existing City code to encourage locally-owned establishments to locate along the River. This effort may also involve working to educate local business owners as to programs that currently exist. Currently, our concern is that various fees and licensing costs may negatively impact the ability of smaller local businesses from achieving the operating margins necessary for success. Larger chain establishments tend to have a greater ability to absorb various fees and other expenses. This type of initiative is important to prevent against a creeping expansion of franchise/chain establishments in a destination in which visitors are seeking "authentic." While national chains will always be part of any successful development, interviews with travel writers and visitors clearly indicate that a potential threat to the success of the visitor industry in San Antonio is a process by which the unique character of the destination is dulled by significant development of more generic restaurant/retail outlets.

4.2 Investing in Infrastructure, Tied to a Theme

In this section, we seek to outline a broad set of community-wide features that can be developed or enhanced in order to meet objectives of significantly enhancing the profile and economic impact of the visitor industry in San Antonio.

We have structured the Destination SA recommendations for infrastructure into four areas, as listed below.

- Development along the Northern Stretch of the River
- Development within the Downtown Area
- Development along the Southern Stretch of the River
- Broader Market and Region-Wide Development

Three of the areas of recommendation relate to the River and immediate surrounding vicinity. Research clearly indicates that it is the River, more specifically the River Walk area, that visitors consistently respond very positively to. It occurs to us that the best course of action will be to play off a strength, as the River Walk is nationally and internationally known as a high quality and uniquely San Antonian feature. Rather than deemphasize the River in future

planning and marketing efforts, it is our recommendation to significantly expand and enhance the broader River experience. The resulting improvements will serve as a thread upon which many features within the downtown, broader San Antonio area and the entire region can be linked – in some cases physically, and in other cases through a concerted, strategic marketing effort.

By way of background, the San Antonio River Improvements Project is a ten-year, \$140 million City, County and Federal investment in a four-mile segment of the river from Hildebrand to Lexington ("Museum Reach") and a nine-mile segment from South Alamo Street to Mission Espada ("Historic Mission Reach"). The focus of the project is largely infrastructure, flood control and restoring natural amenities. Elements that could directly benefit visitors (and at the same time, the residents of San Antonio) are not a major component of current planning, primarily due to budget conditions.

The River Improvements Project offers a very timely opportunity to (1) extend the visitor elements of the River Walk, thereby mitigating crowding issues and (2) add/upgrade significant signature features along and nearby the River allowing visitors to extend their stay beyond one or two days. Suggestions for improving the River experience are discussed below.

Development along the Northern Stretch of the River (Museum Reach)

On the northern reach of the River improvement section, the City should identify opportunities and areas for creation and enhancement of specific attractions. The phrase "attraction" is used in this report, and is not intended to suggest a manufactured or artificial feature. On the contrary, this study characterizes an attraction as a link to the history and culture of the community, while providing a desirable amenity for the visitor. The objective is to give the visitor a unique and authentic San Antonio experience along and near the River lasting for several days. Examples of attractions that could populate the northern stretch of the River include the following:

- 4.2.1 Planned Development Along the Turning Basin** - The terminus of the navigable River to the north takes place at a turning basin located near Grayson Street. The areas surrounding the turning basin offer an opportunity to create a visitor industry draw. One suggestion for such a

feature encompasses the concept of a "chataqua", or an indoor/outdoor plaza area at which visitors could view and participate in a wide variety of authentic craft and music demonstrations, and gain insight into area history and culture, all within an entertainment/educational framework. This effort responds well to the growing concept of "family edutainment", offering entertainment as well as a family learning experience. Consideration could be given to partnering with the Institute of Texan Cultures to produce such an attraction. Other options for development of attractions in this area should also be explored during future planning efforts. To fully develop the visitor industry potential of the River in this way, land acquisition will be required.

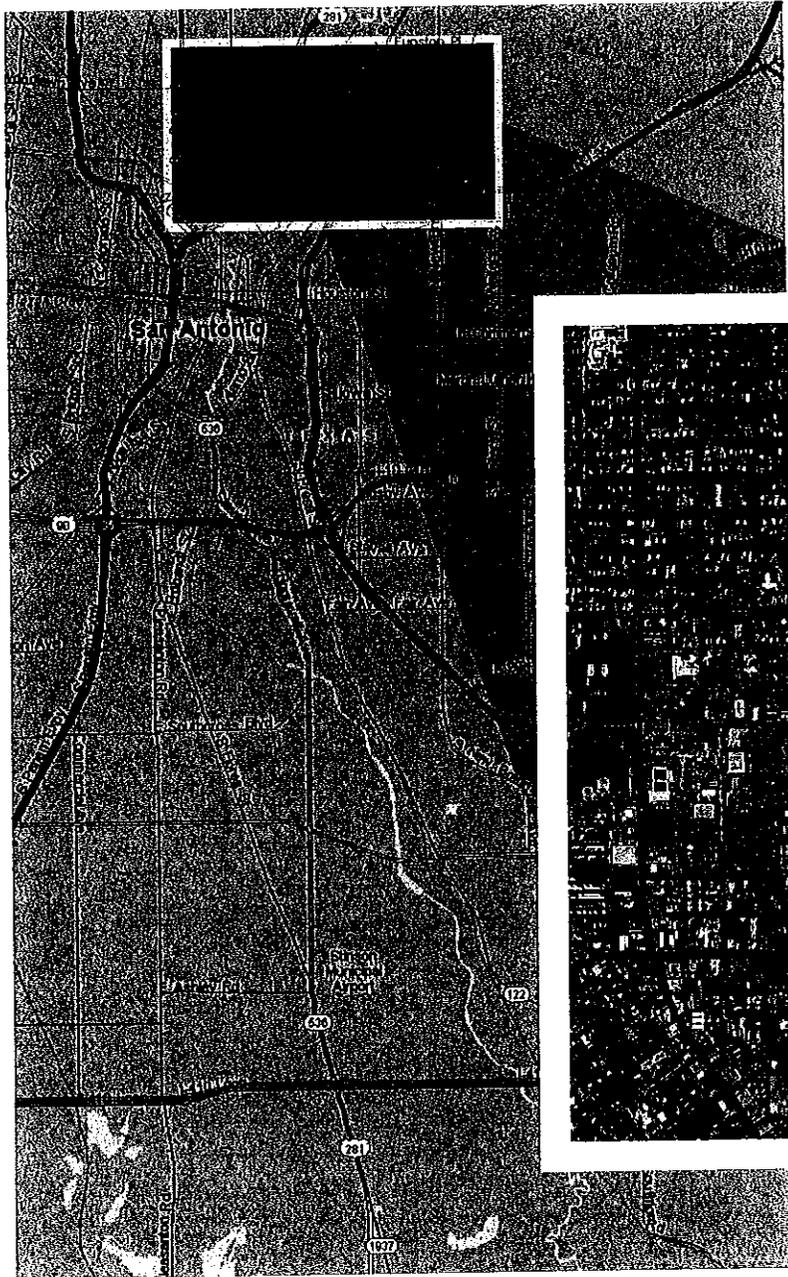
- 4.2.2 Linkages from the Turning Basin to Brackenridge Park** - From the turning basin area, visitors could use rental transportation to traverse a well landscaped pathway to Brackenridge Park, the Zoo, the Witte Museum and related amenities. The modes of transportation could include bicycles, pedi-cabs and even Segway units. Guided tours could also be conducted. The journey itself between the turning basin and the Park becomes part of the attraction.
- 4.2.3 Pearl Brewery** - Pearl Brewery could represent a destination, with a mixed-use restaurant, retail and entertainment zone. Visitors could also participate in a "culinary experience" associated with the Culinary Institute of America. The concept might include day-long cooking classes with world-class chefs.
- 4.2.4 Museum of Art** - The Museum of Art is considering significant investment, including the development of performance space and sculpture gardens. Combined with an aggressive music/entertainment/event programming schedule, this could represent a distinct attraction.
- 4.2.5 River Locks** - The River Locks themselves will offer the visitor an interesting and unique experience. From a River navigation perspective, the development of the Locks are critical. Without them, the navigable portion of the River is severely limited. Funding for the Locks project is nearly secured and must be finalized in order to ensure the ability to navigate the northern stretch of the River.

4.2.6 Land Acquisition Initiatives - To achieve several of the objectives noted above, the City will have to be very proactive in terms of land planning, land acquisition, developer interactions and related efforts. Funding for land acquisition efforts will have to be identified, and could include use of funds dedicated for parks, CEID fund, land swap opportunities, bond issues or other such sources. These and other potential revenue sources will need to be explored by the City further in order to raise necessary capital, which could be substantial depending on the level of land acquisition and/or development pursued.

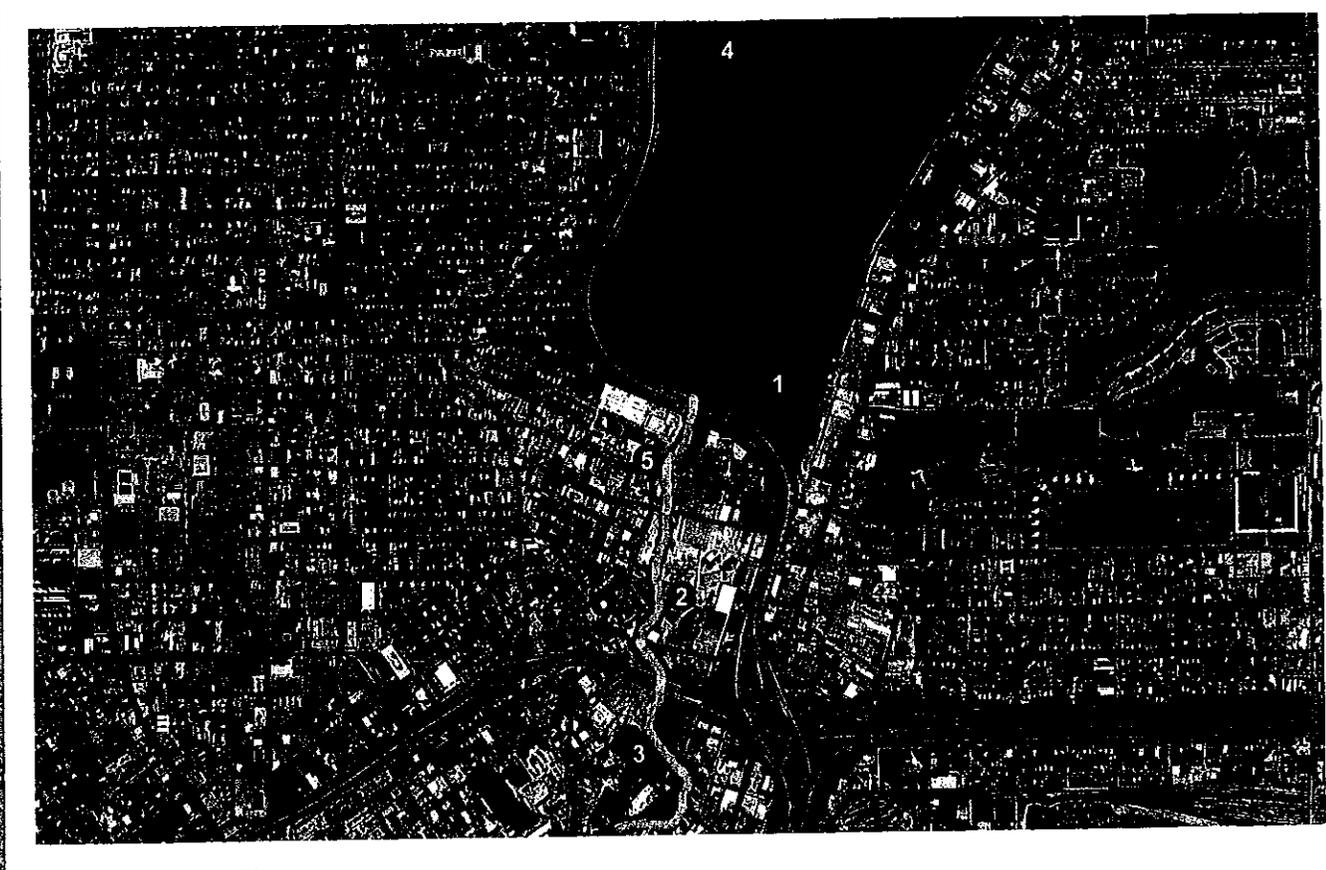
4.2.7 Supporting Private Sector Development - Opportunities exist at various points along the northern stretch to create residential, retail and other mixed use developments. As this area of the River is critical to the overall visitor industry in San Antonio, efforts to work with developers in order to coordinate private sector initiatives, along with desirable public sector efforts (as described above) should take place.

Through these efforts, a visitor to San Antonio could begin by experiencing the many current and future amenities of the River Walk. Ride the River north to experience museum, culinary and entertainment amenities. Continue on to the turning basin for highly authentic exposure to art/culture/crafts and related amenities. The visitor could continue north via landscaped passages to Brackenridge Park, the Witte Museum, the Zoo and related attractions.

An image of the River highlighting these opportunities is presented on the following page.



- SAN ANTONIO NORTH**
1. Brackenridge Park – Witte Museum
 2. Pearl Brewery
 3. San Antonio Museum of Art
 4. San Antonio Zoo
 5. Turning Basin



Development Within the Downtown Area

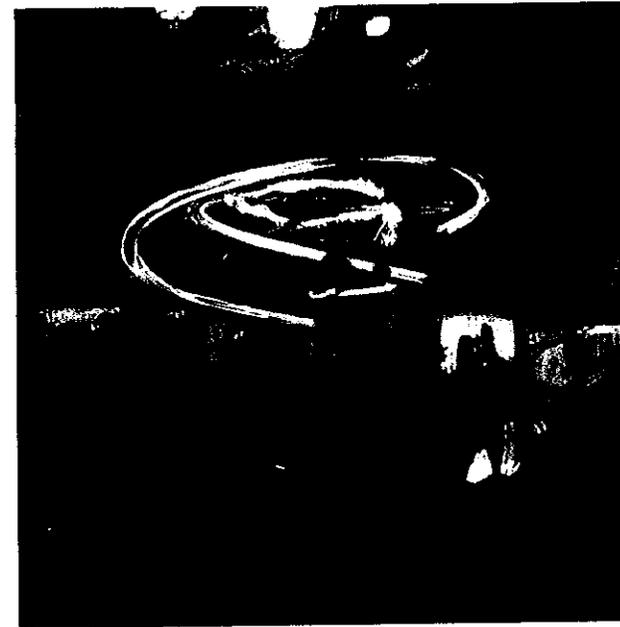
Research clearly indicates that the River Walk area is unique among destination features in its ability to impress visitors and to help secure their return visit. Shortcomings of the current infrastructure, as previously noted, include the likelihood that pedestrian congestion will negatively impact some of the character of the area, and the fact that the current River Walk experience lasts only a day or two.

As part of Destination SA, we have identified several specific initiatives for the downtown area that we believe will be important in creating the type of destination that can generate significant increases in visitation/economic impact.

4.2.8 Important Street Level Linkages – East West Connectors - There are several opportunities to develop important street level linkages in the downtown area. (1) *Connecting the River to Market Square/Museo Americano/Alameda Theater* - Develop active, inviting, well-landscaped and shaded corridors at street level between the River and various downtown attractions. With the relocation of various County functions, the linkages along Delorosa/Market and Commerce would be a natural area in which to invest in a new corridor plan. The proposed redevelopment of Main Plaza (Plaza de las Islas) would also add significantly to the concept of east/west connectivity. The Plaza, at the historical center of downtown, would serve as a major focal point for event activity in a well-landscaped environment. In addition, ongoing redevelopment along Houston Street will provide an opportunity to introduce landscaping/signage to create an additional east/west linkage to the Museo/Alameda Theater. The goal of these efforts should be to create well-landscaped, appropriately themed corridors between the River Walk and the important assets of Market Square, Museo Americano and Alameda Theater (together forming potential for a nationally recognized base of Latino art and culture). (2) *Connecting downtown to Sunset Station/Saint Paul Square* – A ULI report (2004) details opportunities to create these linkages or gateways through I-37, primarily along Commerce connecting to the River Walk Mall. The report outlines specific steps to be taken (the connection of the Bricktown area of Oklahoma City to the downtown serves as a potential

example of this type of connectivity). Through these efforts, a visitor to the destination, as well as local residents, could experience the unique flavor of San Antonio arts and culture. The upcoming downtown master plan should include a prominent section focusing on the types of initiatives designed to bring out the unique characteristics of the city at street level.

4.2.9 Performance/Resting Spaces - Along with the landscaped linkages in the downtown area as described above, a prominent feature of the overall atmosphere improvements should include the development of small areas designed to accommodate live performances by licensed local arts groups. Such space could be scheduled by local arts groups, bringing the sound and sights of local art and culture to the street level in targeted areas of the downtown.



Street performances along key pedestrian connectors

4.2.10 La Villita - Address concerns regarding La Villita operations, particular the early closing times. The City should also consider policies that encourage actual artist demonstration in the La Villita area. This could also be part of a City-sponsored Authenticity Campaign. La Villita is at the same time a unique community treasure and a business-oriented retail zone. The tremendous visitor industry benefits of the area cannot be fully realized if the business of the site is not carefully managed. Currently, the Parks and Recreation Department directly manages La Villita, along with 200 parks, sports facilities, cemeteries, pools and other recreation facilities. To maximize the visitor activity at La Villita, consideration should be given to contracting operations to an experienced vendor with expertise in hospitality based retail. The firm would have day-to-day management responsibility, with a contract tied in part to financial and customer service success. Emphasis would be placed on enhancing the atmosphere of authenticity, quality of the product and the activity centered around art and music.

4.2.11 Market Square - Address concerns regarding Market Square operations, particularly closing hours. The City could push for identifying several days for extended hours of operation. For example, days on which significant convention activity takes place could be targeted for extended hours. Also, the City should consider policies that encourage authentic craft versus imported products (China, Indonesia, etc.). The City could promote the "Authenticity Campaign" within Market Square. As with La Villita, consideration should be given to contracting with a private hospitality retail vendor to operate the overall enterprise on behalf of the City.

4.2.12 HemisFair Park - The Park has been cited by visitors in our intercept surveys as not fully meeting expectations. Looking forward, the Park should be considered as a future opportunity to attract and entertain both visitors and local residents. The recently developed HemisFair Master Plan identifies a range of improvements that will benefit the Park. The City should implement the recommendations of the plan and consider building on these recommendations with a focus on the visitor industry. Areas of focus contained within the Master Plan that should be pursued, and in some cases intensified in the context of attracting visitors to the destination, include:

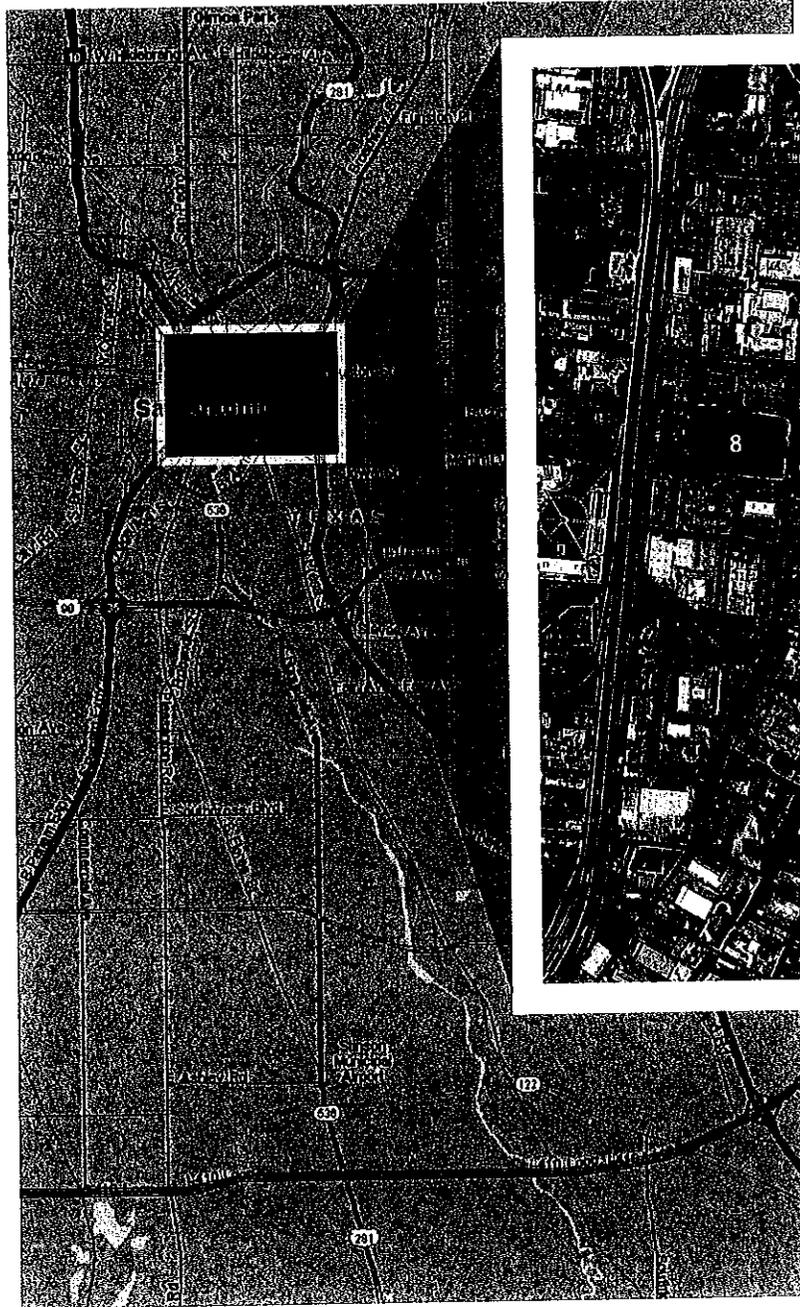
- *Alamo Street Area* – creating a "children's activity area," or on a broader level, creating a family friendly environment rising to the level of a distinct destination within the downtown area. The existing historic structures in the area could be developed to provide recreation amenities such as bike rentals, limited retail or space for historical displays. These structures could also provide office space for appropriate non-profit organizations. Any such opportunity would require sufficient public investment to improve the base structures, after which potential public/private initiatives could be considered. Consideration could also be given to locating additional, historically appropriate structures at the area to enhance the attractiveness and visitor industry potential of the Park. Attention will have to be paid to creating linkages across Alamo to La Villita. It will also be important to go beyond physical structures to include the programming of events, perhaps tied to the era of the original facilities located at the site. While some of these concepts go beyond the Master Plan, they would directly address an objective of creating an attraction to include within the fabric of the downtown/River area.
- *Open Space/Tower of the Americas Area* – centered around the newly renovated Tower, this area could provide a "central park" element to the city. Perhaps more a place for residents, but also serving as an area that a visitor can access for a slower paced urban park experience.
- *Institute of Texan Cultures (ITC) Area* – reorienting the outdoor exhibit area towards the west side of the Park, providing for a more obvious and visual linkage to the center of the Park. Improved linkages between the ITC and the remainder of the Park could be created through relocation of parking inventory.
- *Regional Transportation* – sufficient land exists within the confines of the Park to allow for consideration of some form of destination/downtown transportation hub. The hub could accommodate tour buses with visitors able to disperse into the downtown area. It could also provide for transportation elements including trolley and personal transportation options such as bike, pedi-cab, segway and/or other creative modes.

4.2.13 Downtown Housing – As noted earlier in this report, downtown housing is an important component to creating a 24-hour destination that offers the amenities and presence that can energize the visitor industry. Efforts to lure housing development downtown have succeeded, with the higher end product developed as part of the new Convention Center hotel, the project at Houston and Broadway, La Cascada, Villaje de Rio (under construction) and numerous other existing and potential projects. While some progress is being made to expand this base, there are challenges in that site acquisition costs are high relative to potential unit sales prices. At the same time, demand for downtown is in an early stage of growth, with a level of uncertainty sufficient to delay significant investment. Future planning efforts regarding downtown housing should proceed in two ways. First, continue to leverage public financial support programs to assist developers with the economics of particular projects. These programs include tax increment reinvestment zones, tax abatements and rebates, and CEID fund grants and loans. The City should also consider offering subsidized parking as part of selected developer-led downtown housing projects. This effort could also help alleviate an overall shortage of downtown parking. Secondly, efforts could be considered to spur demand for downtown housing, leading to potential increases in pricing, including the following.

- Investigate enhancements to the downtown living environment, including wi-fi offerings, security, landscaping and other amenities important to residents.
- Regularly provide current market information on downtown housing to brokers, retailers, employers, developers, appraisers, lenders and other interested parties.
- Develop media articles to highlight downtown's inviting and vibrant residential living options.
- Implement a campaign to encourage people to live downtown (for example, Denver's "Center Yourself" in Denver initiative).

4.2.14 Alamodome – The Alamodome has the potential to host additional major soccer tournaments and other entertainment events, as long as the facility is well maintained and bid fees can be secured. In addition, UTSA Football could be pursued as an anchor tenant. The Alamodome linkages to HemisFair Park and Sunset Station also help to support a vibrant entertainment/leisure area.

An exhibit highlighting the features of the downtown area as discussed in this section of the report is presented on the following page.



- SAN ANTONIO DOWNTOWN**
- | | |
|---|---|
| 1. Henry B. Gonzalez Convention Center | 13. Korean War Memorial / Vietnam Vets Memorial |
| 2. The Alamo | 14. Children's Museum |
| 3. HemisFair Park / Tower of the Americas | 15. Family/Children Activities, Transportation/Recreation Hub |
| 4. Institute of Texas Cultures | 16. Western Museum (potential) |
| 5. La Villita | 17. Aztec Theater |
| 6. Alamodome | 18. Majestic Theater |
| 7. King William Historic District | 19. Buckhorn Museum |
| 8. El Mercado | 20. Museo Americano |
| 9. Spanish Governor's Palace | 21. Alameda Theatre |
| 10. San Fernando Cathedral | 22. Artpace |
| 11. Sunset Station | 23. Convention Center Hotel |
| 12. Travis Park | 24. Main Plaza |

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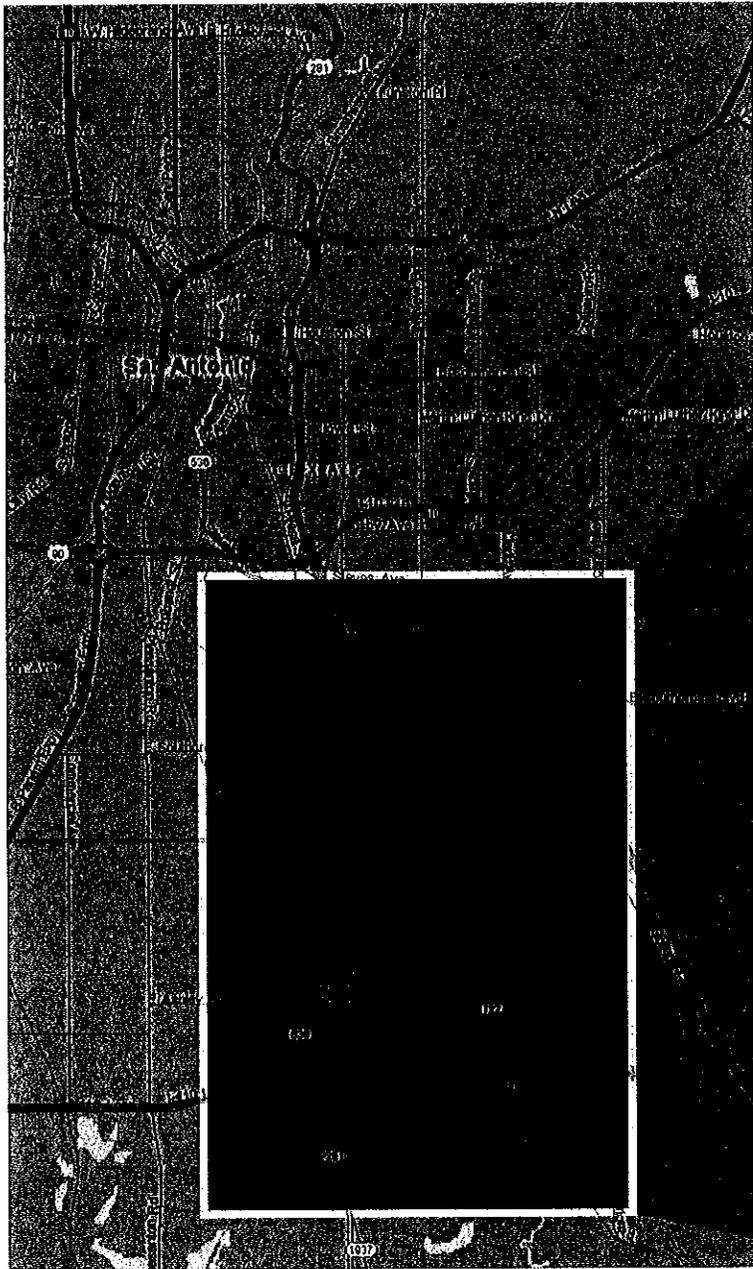
Development along the Southern Stretch of the River (Mission Reach)

A very distinct experience could take place along the southern stretch of the River focusing on ecotourism and the historic Missions. The current River Improvements Project sets the stage for a significant enhancement in the ability to draw visitors to the area. Amenities such as canoeing, birding, hiking and experiencing the history of the Missions could extend and diversify the visitor experience. Virtually all of these experiences are uniquely and authentically based in the history of San Antonio. A focus on this region takes advantage of the significant research that indicates visitors are motivated in part by the unique character of the San Antonio destination.

- 4.2.14 Outdoor Recreation Hub** – To take advantage of the outdoor recreation amenities, consideration should be given to developing an operational hub for bike and canoe rental, providing maps and guidance for hiking, providing historical information related to the area and other such functions. This type of feature expands on the traditional concept of Visitor Center, which currently exists along the southern stretch. The Parks and Recreation Department, although already stretched in terms of its responsibilities relative to budget, may be the appropriate entity to maintain such an operation.
- 4.2.15 Mission Trails** – Consideration should be given to placing an extensive series of exhibits and displays highlighting local natural and historical conditions. In addition, in order to best accommodate potential sporting events (i.e. marathons) the surface material used should be "runner friendly," assuming sufficient engineering specifications can be met. Finally, connecting the Trail system to the downtown for pedestrian access should be a public priority.
- 4.2.16 Event Programming at the Missions** – The historic Missions, connected by the Mission Trails, represent the primary visitor destination within the southern stretch of the River. Consideration should be given to creating events within the Mission sites that could include offering evening dining experiences, or the proposed Spanish Colonial Demonstration Farm at Mission San Juan.
- 4.2.17 Creating Linkages** – The southern stretch of the River contains many of the most historic components within the destination,

including the Missions, acequias and surrounding historic sites. Future development of links to these features from the Mission Trails is incorporated in current River planning and should be aggressively pursued. The recreation hub concept noted above should also be linked to this system. The transportation hub identified for consideration at HemisFair Park could be linked to an outdoor recreation hub along the southern stretch of the River to allow visitors the ability to bike the southern stretch, visit historic sites, take advantage of canoeing opportunities and experience the restored natural conditions along the River.

An exhibit highlighting the features of the southern stretch of the River is presented on the following page.



- SAN ANTONIO SOUTH**
- 1. Mission Espada
 - 2. Mission San Juan
 - 3. Mission San Jose
 - 4. San Antonio Missions Visitor Center
 - 5. Mission Concepcion
 - 6. Potential Recreation Hub



Broader Market and Region Wide Development

Beyond the River and downtown areas, there are numerous existing features of the destination that constitute important visitor industry amenities. These include the theme parks (SeaWorld and Fiesta Texas), the various resorts and golf courses and the important historic and cultural districts/neighborhoods that surround the downtown area.

To build on these amenities, there are several initiatives that should be considered as part of visitor industry infrastructure development within the broader market area, as discussed below.

4.2.18 Financial Support for Arts Organizations - The current direct arts group funding from the Office of Cultural Affairs (\$2.1 to \$2.4 million annually distributed to approximately 30 groups) should be increased by as much as 50 percent initially, and potentially more as the arts community continues to develop. This will be important in creating and supporting the authentic artistic content that visitors respond to and seek when traveling to San Antonio. In competitive destinations such as Orlando or San Diego, this type of arts investment may have less impact on the visitor industry. However, in San Antonio, research clearly indicates that the history, culture and related artistic features are an important part of the appeal for visitors. This aspect offers San Antonio a unique advantage among destinations, and should be exploited. Added funding for this initiative should not negatively impact the funding for the CVB. It should be noted that the residents of San Antonio are very fortunate in that they benefit from very successful non-profit entities that support arts and culture, as well as the recently launched Fund for arts, culture and community ("theFund").

4.2.19 Cultural Districts as a Means of Bringing Visitors to the Neighborhoods – The broader San Antonio area encompasses numerous distinct districts or neighborhoods that offer unique opportunities for cultural and/or artistic experiences. The Office of Cultural Affairs (OCA) has developed a comprehensive set of Neighborhood Tour Guides that go into detail as to the unique elements of particular neighborhoods. The challenges are (1) bringing these

opportunities to the attention of the visitor and (2) providing the necessary logistics for visitors to find and explore the particular neighborhoods. In reality, there will be a subset of the overall visitor base that is energized to travel to individual neighborhoods and will "dig deep" to experience authentic visual, performance and related art forms. To reach these individuals, the website maintained by the CVB should be used aggressively to assist visitors in planning their neighborhood experience. To create the appropriate logistics for these visits, appropriate signage will be needed and visitor industry staff (visitor center, amigo's, etc.) will have to be fully educated as to neighborhood features, location and direction.

4.2.20 Building a Connection Between Arts Groups and the Visitor – Local arts organizations in San Antonio, more than in most destinations, support the overall visitor industry message of authenticity and cultural heritage. However, in many cases, visitors to the destination will not seek out neighborhood arts organizations. To reach the broader visitor base, local arts groups will have to bring art to the visitor. To achieve this, consideration should be given to working with OCA and/or the CVB to maintain an inventory of groups, their focus and their availability for performances/displays. Coordination can then take place with event planners, tour group operators and local visitor industry businesses to schedule arts activities targeted towards the visitor and produced by local artists within the community. This effort can be greatly assisted with participation from the various private sector destination management organizations.

4.2.21 Amateur Sports Facility/Industry Development – Youth and amateur sports events can provide significant room night generation for hotels outside the downtown area and economic impact for the entire community. Numerous projects within the destination have been approved, including two 20-field tournament soccer complexes, two four-field baseball complexes and the National Swimming Center. These projects offer an opportunity to generate increased visitation to the destination, and their implementation should be expedited. This may require City management efforts to assist in securing land currently controlled by the San Antonio Water System. In addition, current contractual policy regarding required Police support for outdoor

recreation and sporting events may be resulting in a cost-prohibitive situation for sponsors of events such as marathons, road races and related events.

The exhibit on the following page ties together the set of existing and recommended attractions for the San Antonio destination. Together, they enhance the ability of the destination to attract visitors from a national audience, to extend their stay in the destination, to draw from specific sub-markets (culinary, arts/cultural, eco tourism, etc.) and to protect and enhance the authentic character of the destination.



SAN ANTONIO

- | | |
|--|---------------------------------------|
| 1. Henry B. Gonzalez Convention Center | 21. Alameda Theatre |
| 2. The Alamo | 22. Artpace |
| 3. HemisFair Park / Tower of the Americas | 23. Convention Center Hotel |
| 4. Institute of Texas Cultures | 24. San Antonio International Airport |
| 5. La Villita | 25. Six Flags Fiesta Texas |
| 6. Alamodome | 26. SeaWorld San Antonio |
| 7. King William Historic District | 27. Turning Basin / Pearl Brewery |
| 8. El Mercado | 28. San Antonio Museum of Art |
| 9. Spanish Governor's Palace | 29. Mission Concepcion |
| 10. San Fernando Cathedral | 30. Mission San Jose / Visitor Center |
| 11. Sunset Station | 31. Mission San Juan |
| 12. Travis Park | 32. Mission Espada |
| 13. Korean War / Vietnam Vets Memorial | 33. Hyatt Regency Hill Country |
| 14. Children's Museum | 34. McNay Art Museum |
| 15. Family/Children Activities, Trans/Rec. Hub | 35. National Swimming Center |
| 16. Western Museum (potential) | 36. AT&T Center |
| 17. Aztec Theater | 37. Guadalupe Cultural Center |
| 18. Majestic Theater | 38. Potential Recreation Hub |
| 19. Buckhorn Museum | 39. Brackenridge Park / S.A. Zoo |
| 20. Museo Americano | 40. Cibolo Canyon (TPC) |
| | 41. Main Plaza |

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Strategic Planning for Visitor Industry Growth in San Antonio

4.3 Specific Industry Initiatives Designed to Maximize Visitation to the Destination - CVB Policies and Procedures

The following recommended modifications to CVB policies and procedures are designed to increase the level of visitation to the San Antonio destination and the resulting tax revenue/economic impact benefiting residents of the community. In many cases, the CVB is currently addressing aspects of the recommended changes. The individual points below should serve as guidelines for further policy refinement and focus.

- 4.3.1 The Convention Center is relatively small in terms of exhibit space compared to competitive venues. At the same time, San Antonio is rated as a highly attractive destination by national event planners. This “supply/demand” characteristic plays strongly in favor of the San Antonio destination. As a result, the CVB is in a position to attract events that yield high economic impact. In some cases, the CVB may forego events that would rotate to San Antonio if their economic impact is less than desired. This research suggests that the CVB should continue to reject some events willing to come to San Antonio due to low room night/economic impact levels.
- 4.3.2 Several national companies market and operate web-based services allowing visitors to select various attractions within a destination and to purchase admission prior to arriving. Packages can be developed by theme (history, sports, amusement/attractions, culture, arts, culinary, etc.). This feature would help draw visitors into specific areas of the community based on their interests. The Tourism Council is exploring this concept, and the CVB should be very involved in these discussions. The CVB website should be the primary portal for this initiative, and for all such initiatives that impact the convention and tourism industry for San Antonio.
- 4.3.3 The CVB should continue to pursue coordination of its marketing strategies with efforts underway at area attractions, particularly Sea World and Fiesta Texas. These private entities invest very significantly in marketing on a local, regional and national basis, and closer coordination could generate greater reach and impact for CVB marketing initiatives. In the past, the private attractions have been

reluctant on occasion to share details of marketing initiatives on a corporate policy basis. Perhaps a quarterly meeting could be scheduled with an “all cards up” philosophy. It is certainly possible to protect the confidentiality of the information shared by each party at such a meeting, perhaps through various legally binding confidentiality agreements.



Example of a focus on culinary tourism – New Orleans CVB website.

- 4.3.4 Our survey research indicates a very high likelihood to return to San Antonio, even for first time visitors and convention attendees. Efforts should be made to aggressively reach out to these visitors to secure return visits to the destination. To accomplish this, there is a wealth of untapped visitor contact information that CVB representatives generate from attendee lists at past events, area hotels and attractions and website visits. The CVB should partner with these entities to offer a package or “invitation” to return to San Antonio with various discounts. For example, the CVB could allow an association to send its members

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the "invitation" to return to San Antonio, thereby benefiting the association by giving them something of value to share with their members and at the same time increasing repeat visitation to the Destination.

- 4.3.5 Similarly, the CVB could develop a plan to present hotel guests with a leave-behind invitation in their room prior to departure. This approach could also be taken for event attendees, with the leave-behind included as part of event information.
- 4.3.6 The Tourism Council and the CVB are generally focused on a common purpose of promoting visitation in the San Antonio destination. Within this overall purpose, there needs to be a clear distinction of responsibilities between the two organizations. The CVB should continue to be the community-wide leader in convention and visitor sales, marketing, branding, research and related efforts. The role of the Tourism Council can continue to focus on advocacy of policies that can benefit the industry. Over time, consideration could be given to combining the board/Oversight Committee of the CVB and Tourism Council, or even combining the two entities under the CVB umbrella.
- 4.3.7 The relationship between a CVB and the wide variety of visitor industry businesses in a community has to be strong and productive. As previously noted, the community should always look to the CVB as the resource for convention and visitor industry research, expertise, sales and marketing. Recent efforts undertaken by the San Antonio CVB to reach out to the visitor industry as business partners (quarterly meetings, newsletters, etc.) are very important and should be continued. While not a public relations effort per se, the CVB should work with local media, business leaders and elected officials to definitively represent the convention and visitor industry.
- 4.3.8 The CVB currently maintains several convention service staff to coordinate various needs of event planners such as managing hotel room blocks, supporting attendee-building initiatives and interfacing with other city departments on behalf of the planner. As an event is booked, the planner is notified that a particular event service person will be working with them. As the date of the event approaches, an event coordinator from the Center becomes part of the process, with

responsibility for the actual production of the event at the Center. Consideration should be given to more closely coordinating the CVB and Center efforts related to event service. In effect, an event planner would get joint CVB/Center notification that specific individuals (one event coordinator and one convention service staff) will be working with them during planning and through the conclusion of the event.

- 4.3.9 Currently, Center event sales responsibilities are divided between Center and CVB staff, with the CVB responsible for long-term leads and Center staff filling in short-term gaps in the event schedule. Consideration could be given to allocating all Center event sales and marketing responsibilities to the CVB. This would eliminate the need for the Center to staff a sales department, and would allow for coordinated managing of the Center event schedule to maximize economic impact generating events. Center management would retain all authority over Center pricing and policies.
- 4.3.10 Consideration should be given to housing CVB event sales staff at the Center. This could be accomplished on a rotational basis, with some portion of the staff housed at the Center for periods of six months to a year. The exposure of sales staff to the asset that they are selling has shown to have positive effects at other CVB's.
- 4.3.11 Culinary tourism is a niche opportunity that provides San Antonio the ability to capitalize on a growing trend nationally. The CVB/City should partner with the Culinary Institute of America (assuming they participate in the Pearl Brewery development) to create and market a "San Antonio cuisine." The CVB website can target visitor segments that respond to culinary amenities. Cooperative marketing opportunities between restaurants and visitor industry organizations are necessary to highlight this aspect of San Antonio culture, and the CVB could take the lead in coordinating these efforts.
- 4.3.12 There are numerous attractions and unique destinations within a 150-mile radius of San Antonio (Gulf coast, historic communities, natural attractions, etc.). As the largest metropolitan area within this region, San Antonio could serve as a hub within a broader hub and spoke system of visitor amenities. Visitors could take part in the numerous amenities within San Antonio, and extend their stay by traveling to other

area destinations and attractions. There have been efforts in the past to co-promote a broader region with a San Antonio hub, however these efforts have been deemphasized in recent years. Consideration should be given to reaching out to surrounding visitor bureaus to develop a co-promotion program designed to bring visitors to San Antonio with extended stays in surrounding areas of the region.

5.0 VISITOR INDUSTRY STRUCTURE, GOVERNANCE AND FUNDING

No visitor industry plan, including Destination SA, can be successfully implemented without the leadership of a well structured and funded destination marketing organization, governed in a way that highlights creativity and minimizes distracting political influences. In this section of the report, we address these areas as they relate to current conditions in San Antonio and present recommendations for future initiatives.

5.1 Organizational Structures

Most CVB's are organized as 501(c)(6) not-for-profit enterprises, operating under a contract with the public sector to conduct destination sales and marketing operations. The public sector provides financial resources (generally in the form of hotel taxes) and the CVB commits to represent the destination to the broader visitor industry. Of the 14 destinations reviewed in this study (including major San Antonio competitors), only Las Vegas, Saint Louis and San Antonio are operated outside the 501(c)(6) construct.

Typically cited advantages of the common not-for-profit structure include the ability to insulate the CVB from political influence, the ability to develop operating policies unconstrained by public sector restrictions, the ability to set compensation levels commensurate with competitive destinations and the ability to instill a "private sector" responsiveness and business approach. In some cases, a lack of these characteristics has negatively impacted the ability of the San Antonio CVB to operate competitively. However, progress has been made in several areas including creating incentive plans for sales staff and adjusting compensation levels.

Having reviewed the San Antonio model closely, there are tangible benefits of this model that are unique among competitive destinations. These include the close linkages with City departments that can impact the visitor industry (i.e. convention center, police, fire, public works); the financial benefits related to City-paid rent, hosting fees and other items; and a comparatively strong benefits program for employees. In addition, operating with a City management position

in charge of the Convention Center, CVB and OCA affords a unique opportunity within the industry to coordinate all primary activities relating to the San Antonio visitor industry, including structure, policy, investment and related matters. There may be an opportunity to better leverage the potential advantages of this situation under the existing structure, as discussed later in this section.

As part of our analysis process, we have considered two alternative approaches to improving the ability of the CVB to implement Destination SA; (1) conversion to a 501(c)(6) and (2) substantive modifications to the existing structure.

A 501(c)(6) Organization

Conversion to this type of organization involves pulling a city department outside of the city structure, and may require a restructuring according to any resulting changes to budget levels. Issues to be addressed could include:

- Accommodating personnel transition (including allowing for employees on both City and CVB payroll for a period of time).
- Developing new financial reporting structures.
- Develop agreed-upon funding levels and formulas.
- Developing new organizational structures and staffing levels as necessary.
- Developing new compensation, procurement and other business policies.
- Modifying sales/marketing plans as necessary.
- Developing/modifying human resource policies.
- Procuring necessary software and support tools.
- Securing office space.

Such a conversion would be a major undertaking and would likely require a period of two years to identify, implement and solidify policies, procedures and structures.

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Modifications to Existing Structure

Several of the limitations of the existing structure and the benefits of a 501(c)(6) structure have been presented above. The objective of the modified structure is to mitigate limitations and to take advantage of benefits inherent in the not-for-profit structure.

We have had preliminary discussion with City legal staff, and it appears that opportunities exist to approach City Council with a package of operating responsibilities that could be more directly controlled by the CVB without direct Council input. These responsibilities could include:

- Ability to set rental rates and offer discounts.
- Ability to procure services and products, within more flexible limitations than currently exist.
- Added ability to set pay scales commensurate with competitive businesses and destinations (some flexibility currently exists).

In all cases, the City Council could retain ultimate authority to review and reverse decisions as part of an annual review process. While further research is needed, it does appear that the potential exists to implement modifications to the existing structure in order to retain existing benefits and capture many of the benefits of the 501(c)(6) model.

Of particular interest, the opportunity to create/modify a position in city government that is designed to coordinate all primary aspects of the visitor industry from a strategic planning perspective is appealing. While the current Assistant to the City Manager position has overall responsibility for convention and tourism issues, a greater emphasis, or a rejuvenation of the role as it relates to the visitor industry, could be considered. This position would be charged solely with representing the convention, tourism and arts/cultural industry within all public and private sector initiatives that impact the industry.

For example, the following issues could have in the past, and can in the future, benefit by proactive hands-on input at a high level on behalf of the visitor industry.

- River Walk improvement/extension
- Improvements to Market Square
- Policy issues related to Market Square and La Villita
- Pearl Brewery development
- Area museum/attraction development (both public and private sector)
- Houston Street development
- HemisFair development
- City policies impacting the industry
- City assets that impact the visitor industry
- Downtown master plan
- Downtown signage initiatives

Significant discussion and/or development is taking place in each of these and other such areas, and the visitor industry needs to be fully represented. Alone among competitive destinations, the current organizational structure allows San Antonio to place a senior level city official in charge of coordinating all strategic aspects of competing successfully in one of the most important industries in the local economy.

Currently, the challenges to providing this city-led representation include the following.

- The CVB director must focus on selling, marketing and brand management within the destination, and cannot fully address broader community-wide visitor industry infrastructure issues.

- The Center director must focus on ensuring a well run, customer friendly and secure facility and similarly does not have the time resources to commit to broader infrastructure issues.
- The current Assistant to the City Manager to which the CVB, Center and Alamodome report is (1) also currently responsible for other projects and assignments (such as the recent interim role as the Airport Director) and (2) hasn't been tasked to focus solely on aggressive representation of the visitor industry.

Of the three positions noted above, the Assistant to the City Manager would be the most logical choice to champion the interests of the visitor industry. By increasing the focus of the Assistant to the City Manager position directly on the visitor industry, San Antonio could have a competitive advantage over other major destinations which don't typically have a coordinated planning regime for infrastructure and policy development within the convention and visitor industry.

It is important to note that this position will not be directly involved in day-to-day operations of the Center or CVB. The focus of this position will be directly on:

- Short and long-term planning related to visitor industry infrastructure, including implementation of many of the recommendations contained herein.
- Interacting with other City departments and various foundations that impact the visitor industry, playing an important hands on planning role versus just attending meetings.
- Reviewing City policies and procedures for positive/negative impact on visitor industry.
- Coordinating CVB, Center, Alamodome and related City assets from a strategic coordination perspective.

Consideration could also be given to folding economic development under this city leadership position, however this may not be critical as an initial step. Alternatively, the Assistant to the City Manager position discussed above could also provide *visitor industry* guidance and vision to the Economic Development Department while remaining separate.

The formal recommendation of the Destination SA report is to pursue modifications to the existing structure as noted above and evaluate the results after one year. If it becomes clear that much of the operational flexibility inherent in the 501(c)(6) structure cannot be achieved within a City department, a move to the non-profit structure could be considered. Little is lost in pursuing this approach, and if it successful, many of the benefits associated with City control would be retained.

5.2 Board Governance

An Advisory Commission for the Convention Center, CVB and Alamodome currently exists, with limited responsibilities to advise staff on operational matters and to make recommendations to City Council as important issues arise. Unlike the board governance for many 501(c)(6) structures, the Advisory Commission operates with a relatively low profile. As an important aspect of the structural recommendations noted above, consideration should be given to increasing the authority and profile of the Advisory Commission.

Added Authority

We previously noted that consideration should be given to delegating several convention and visitor industry operational aspects away from the City Council, including aspects of compensation, procurement, pricing and discounting, among others. The Advisory Commission should be the recipient of these responsibilities. The Commission would then have the authority to work with management within the Center, CVB and perhaps OCA to implement business oriented policies and changes as appropriate. The Assistant to the City Manager would maintain overall responsibilities for representing the visitor industry in all public and private sector initiatives that impact the visitor industry, but would have less input in day-to-day operational aspects.

Added Profile

The boards of major CVB's around the country are often staffed with high level business executives from within the community. Similar to the existing Advisory Commission in San Antonio, these boards include general management of area hotels, attractions and other visitor industry establishments. In addition to these

positions, CVB board governance in many competitive communities consists of individuals with titles such as:

- Regional Managing Director, Wells Fargo
- President, San Francisco Giants Enterprises
- Executive Vice President, Cendant
- Publisher, Atlanta Business Chronicle
- Vice President, Georgia Power
- Vice President, Corporate Affairs, Turner Broadcasting Systems
- President & General Manager, WXIA-TV
- President, U.S. Poultry & Egg Association
- President & CEO, Public Broadcasting Atlanta
- Vice President, Advertising & Marketing, Cingular Wireless
- Senior Vice President, Bank of America

While the existing Advisory Commission is comprised of highly qualified individuals from various industry sectors, our recommendation is that membership for future iterations of the Commission *expand* on this track record by including additional professionals at the highest level of their profession, with the highest level of business and political profile outside the visitor industry.

With these initiatives, we have laid out a structure that is business-oriented, that takes advantage of synergies inherent in being a City department, and that is governed by high level executives and industry leaders.

5.3 CVB Budget Issues

Providing resources to the CVB that are at least consistent with competitive destinations should be an important objective of the community. This is particularly true given the importance of the visitor industry to the overall San

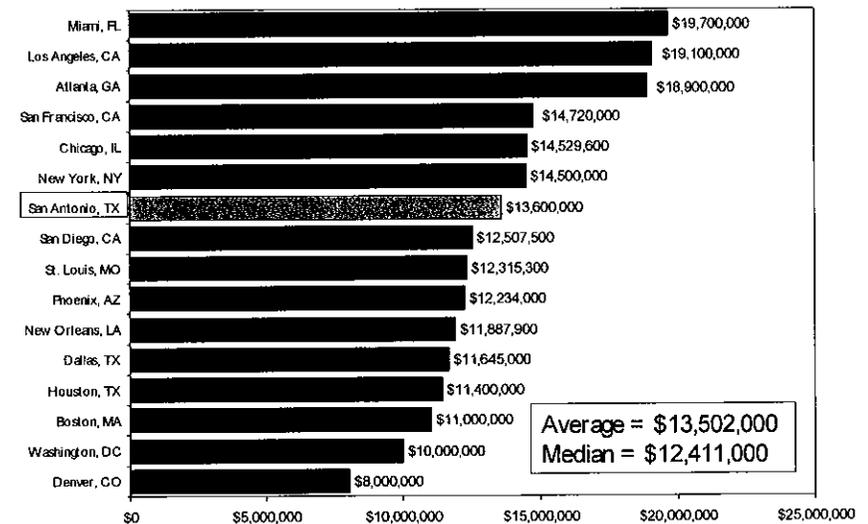
Destination SA

Antonio economy. The approximate \$14 million budget for the San Antonio CVB ranks just above the average among the 15 comparable and competitive destinations reviewed.

As indicated in the corresponding exhibit, the San Antonio budget is an average of approximately \$2.4 million higher than budgets for cities including San Diego, St. Louis, Phoenix, New Orleans, Dallas, Houston, Boston, Washington D.C. and Denver. Six CVB's within the set reviewed operate with budgets greater than that in San Antonio.

There does not appear to be evidence that the current budget for the San Antonio CVB is unnecessarily high or low. Consideration could be given to assessing specific budgetary allocations, however there is no compelling reason to make overall budget changes.

Comparison of Annual CVB Budget –
Competitive & Comparable Markets



Note: The Las Vegas Convention and Visitors Authority operates with a \$163.5 million budget. The Orlando/Orange County Convention and Visitors Bureau operates with a \$41.3 million budget. Neither have been included in average and median calculations.
N/A = not available
Source: Convention and Visitors Bureaus

Finally, consideration should be given to setting the percentage of HOT tax allocated to the CVB at a fixed level. While such a policy change won't result in a set annual funding amount, it will give the CVB (1) a clearer understanding of their revenue levels for purposes of long term planning and (2) a revenue stream that can increase with the expansion of the overall visitor industry and related CVB responsibilities. For example, with the new Convention Center hotel, revenue will likely increase, as will the need for the CVB to focus resources on filling the hotel. The funding structure should automatically adjust for the expansion (and contraction) of the visitor industry, and setting a percentage of HOT tax allocated to the CVB will accomplish this. While implementation of the current discretionary approach attempts to protect investment in the visitor industry, the percentage of HOT tax allocated to the CVB has dropped from an average of 39.0 percent between fiscal years 2001 to 2003 to 36.3 percent between fiscal years 2004 to 2006. Applied to 2006 gross HOT collections, this change in allocation percentage translates to a \$1.1 million impact. While current City management may be acting responsibly, the existing discretionary approach to CVB funding leaves open the possibility of future decisions that may not be in the best interest of the visitor industry.

6.0 IMMEDIATE FOLLOW-UP AND IMPLEMENTATION EFFORTS

The findings and recommendations presented in this report serve as a roadmap for public and private sector decision makers, providing guidance as to the steps that need to be undertaken to significantly and appropriately expand the success and positive impact of the San Antonio visitor industry. Within the remainder of this report, we highlight numerous specific initiatives that will have to be pursued immediately in order to move from a conceptual stage towards implementation of recommendations.

For each of these initiatives, we provide a brief description of the particular task, and a listing of the agencies and organizations that will have to be involved, under the direction of the City. In order to begin the process, we strongly suggest that the forces behind the initiation of Destination SA convene an initial, day-long planning session to discuss the specific recommendations and to begin the process of delegating tasks with specific timelines. The particular areas in which the focus should be placed are highlighted below.

6.1 Land Acquisition to Control Specific Areas of Development Along the River, Particularly to the North of Downtown.

In reality, there will be a fairly select number of properties/areas along the River that should be targeted for public control. One of these (area of the turning basin) has been identified herein. Any more detailed discussion of particular parcels as part of this planning effort may cause unnecessary speculation. Therefore, a process to identify other potential locations that may be central to the development of the River should take place involving key agencies and organizations as listed below, under the direction of the City. This process could include identifying, assessing value and developing an acquisition strategy/funding source for acquiring identified parcels. This effort should include participation by:

- Assistant to the City Manager - Visitor Industry
- Economic Development Department representation
- Parks and Recreation Department representation

- Department of Asset Management
- River Authority/Foundation representatives
- Real estate consultants (if needed)
- CVB representation
- Finance Department representation

The goal of this group should be to report back to the City with a plan outlining land acquisition targets and strategies within six months.

6.2 Plan for Future Visitor Industry Development Along and Proximate to the River

This represents perhaps the most extensive effort to be undertaken. With a successful land acquisition strategy, the focus will shift to planning for the actual development of various features and attractions. Development efforts will take two forms; either City-controlled initiatives or public/private ventures. Beginning within the next three to five months, and continuing for a period of six months, recommendations should be developed as to necessary public sector input into projects as diverse as development along the Riverbanks, Pearl Brewery, the Locks, HemisFair Park, sports facilities and other projects as outlined in this Strategic Plan. A thorough exercise in evaluating development options that spur visitation and support the quality of life for residents should take place. Departments and organization that could be involved in this process, under the direction of the City, include:

- Assistant to the City Manager - Visitor Industry
- Economic Development Department representatives
- River Authority/Foundation representatives
- Sports Foundation
- Land use/real estate consultants
- Parks Department
- Historic Preservation Office
- Paseo del Rio Association
- City Architect

As noted above, in some cases the initiative may be controlled entirely by the public sector through land acquisition and planning for development of particular attractions that are respectful of the history and authenticity of the community. In other cases, there will certainly be opportunities to create public/private partnerships on privately controlled land. These partnerships can be used to encourage/incentivise developers to create amenities and attractions that conform to the goal of creating entertaining, significant and authentic attractions along the River. Particular areas of focus for the public/private venture opportunities should be placed on partnerships with the Museum of Art, Pearl Brewery and with land owners/developers controlling parcels currently targeted for mixed use development south of the proposed locks on the west side of the River. With zoning, permitting, condemnation and a wide variety of other powers, the City should have significant leverage in these efforts.

6.3 Identify Opportunities for Connecting the Turning Basin with Brackenridge Park

This will be an important linkage in the effort to extend a visitor/resident experience northward from the turning basin, and in maximizing the use and attractiveness of the Park and its amenities. The linkage should encompass various modes of personal transportation along a well landscaped and inviting connection. Modes of transportation could include bike rental, Segway and pedi-cabs. This effort will require coordination with private sector vendors.

Entities assigned to this task, under the direction of the City, could include the following.

- Assistant to the City Manager - Visitor Industry
- Economic Development Department representatives
- Department of Asset Management
- River Authority/Foundation representatives
- Parks Department representatives
- City Architect

6.4 Develop Linkages Between the River and Various Downtown Amenities

The objective is to extend the River experience into various downtown amenities such as Market Square/Museo Americano/Alameda Theater, La Villita, HemisFair Park and Sunset Station. The efforts to create linkages would generally include landscaping, creating shade and creating small resting pockets/performance areas. Houston Street, Market/Delorosa, Commerce and Alamo are viewed as appropriate targets for creating necessary linkages. Entities assigned to this task, under the direction of the City, could include the following.

- Assistant to the City Manager - Visitor Industry
- Economic Development Department representatives
- Department of Asset Management
- CEO of the CVB
- River Authority/Foundation representatives
- Parks Department representatives
- City Architect
- Downtown Alliance

This group should consider developing these efforts in the context of the downtown master plan effort scheduled to commence in the near future.

6.5 Develop a “San Antonio Authenticity” Campaign

Research clearly indicates that visitors respond positively to the unique historical and cultural characteristics of the San Antonio destination. As such, a formal effort should be undertaken by the City with a primary goal of protecting and enhancing the “authenticity” of the San Antonio destination. A committee of visitor industry and community leaders should be commissioned to review a wide variety of San Antonio assets and policies with a fundamental question in mind: “have we represented to the fullest extent possible, the unique and authentic attributes of our

community?" We know that San Antonio is a highly desirable destination, and that there are unique features that set the San Antonio destination apart from competitors such as Orlando, New Orleans and San Diego. It is very important to be proactive in protecting and enhancing these unique features.

Entities assigned to this task, under the direction of the City, could include the following.

- Assistant to the City Manager - Visitor Industry
- CEO of the CVB
- Historical preservation representatives
- City Architect
- Office of Cultural Affairs
- Private sector cultural/historical representation

6.6 Develop Modifications to Various City Policies and Regulations

There are various City policies that need to be reviewed in terms of their impact on the visitor industry. These include policies related to:

- Street performances.
- La Villita (vendor responsibilities and hours of operation).
- Market Square (vendor responsibilities and hours of operation).
- Fees charged to restaurant, retail and other entrepreneurs (with a focus on benefiting local establishments).
- Allocation of Hotel Tax revenues and consideration of a set percentage allocation to the CVB.
- Criteria used to allocate CEID funds (approximately \$10 million per year).
- Consideration of reorganizing the Advisory Commission and providing the entity with limited additional authority over setting rates/discounts, booking policies, sales efforts, marketing strategies and related matters regarding the CVB and Center.

A review of these policies should be undertaken immediately, and a report back to City Council should be made within six months. Departments and entities that should be involved in this process include:

- Assistant to the City Manager - Visitor Industry
- City Attorney's office
- CEO of the CVB
- Office of Cultural Affairs
- Downtown Alliance

6.7 Develop Modifications to Various CVB Policies and Procedures

There are various CVB policies that need to be reviewed in terms of their impact on the visitor industry. These include policies related to:

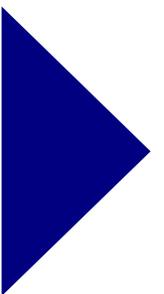
- Priority booking at the Convention Center.
- Web based packaging of area attractions.
- Programs to solicit return visitation.
- Establishment of the CVB as the primary source of convention and tourism industry expertise through various measures.
- Coordinated marketing strategies with area attractions.
- Develop a more seamless approach to CVB and Center staff servicing of event planner needs.
- Pursuing culinary tourism, in conjunction with the attraction of the Culinary Institute of America.

Over the next six months, CVB leadership, in conjunction with the Assistant to the City Manager in charge of visitor industry initiatives should evaluate the specific implications of each of these recommendations and should report back to City Council with an action plan for implementation.



Appendix B

**Key Person Interviews, Resident
Surveys, Tourism Surveys,
Pedestrian Flow Analysis**



KEY PERSON INTERVIEWS - LA VILLITA RETAILERS

Overall, La Villita retailers indicated the following characteristics of their customer base:

Busy and Slow Seasons

- ▶ Best time for art sales is early Spring and Fall
- ▶ Best time is Oct to Dec (Holiday season)
- ▶ Slow Christmas season – hard to compete with the malls
- ▶ Spring and Fall are the busiest times

Tourist/Local Split

- ▶ 70%/30%
- ▶ 75%/25%
- ▶ 10%/90%
- ▶ 60%/40%
- ▶ 99%/1%

Consumers

- ▶ Business convention visitors tend to favor buying art
- ▶ Some work with local interior designers
- ▶ Sixty percent of visitors fly to San Antonio – need to develop goods that can be taken onto a plane or make it easy to ship
- ▶ Some repeat tourists
- ▶ Able to sell wholesale
- ▶ Use the Internet to boost business
- ▶ Appeals to a wide variety of consumers – whole range of economic families
- ▶ Have a database of customers, mailing lists – conduct relationship marketing

Theme

- ▶ Has an overall anti-mall theme
- ▶ Historic, walled in
- ▶ Known for being an art place
- ▶ Historically wonderful – people love it once they find it

Issues

- ▶ Perimeter signage
- ▶ Majority of people do not know what is going on at La Villita
- ▶ Should retailers be juried and, if so, by whom
- ▶ Better promotion required
- ▶ Some retailers are selling junk

- ▶ Able to eek out a living
- ▶ Business has slacked off in the last few years
- ▶ Parking is difficult
- ▶ People don't know what La Villita is – identity crisis
- ▶ Building issues – cracks in walls
- ▶ Leaking roof
- ▶ Too many conflicting themes
- ▶ Too many regulations on what you can and cannot do, especially with signage
- ▶ Loitering issues – visitors are put off by undesirable people
- ▶ Not sure that advertising works to draw people
- ▶ Too many products made in China are creeping into the store inventories
- ▶ La Villita is the City's step child – way down on the priority list
- ▶ La Villita is isolated, dead end streets
- ▶ Isolated and lacks visibility
- ▶ There are less people visiting and those who do visit are spending less
- ▶ Lack of security at dusk
- ▶ Revenues go in the general fund
- ▶ Have now been lumped together with Hemisfair Park
- ▶ Landscaping used to be gorgeous – now almost no life
- ▶ Too much emphasis on conventioneers who only make up a very small proportion of all leisure and business travelers
- ▶ Leasing decisions should not be decided by the core retailers
- ▶ Marketing budget is too small and not applied correctly
- ▶ La Villita does not offer opportunities for hospitality industry to see what they have to offer

Requirements

- ▶ Retailers need to have passion for La Villita
- ▶ Need to have a majority focus on artists
- ▶ Deep desire to be at La Villita – match artist’s personality
- ▶ Need to sponsor more events related to arts and crafts
- ▶ More promotions
- ▶ Need to make it more festive – music and landscaping
- ▶ Need better food options – for every six shops there should be one form of food such as sweets, coffee shop, etc.
- ▶ Need to establish strong linkages with concierges – offer wine and cheese party, give them 10% discounts so they will promote La Villita or your business
- ▶ More signs
- ▶ Restrooms need a complete restoration
- ▶ More lights
- ▶ Want a relationship with the business owner/artist
- ▶ Need quality spending traffic
- ▶ More demonstrations of art
- ▶ Increased experience

KEY PERSON INTERVIEWS - LA VILLITA STAKEHOLDERS

- ▶ Notice a decrease in caterers who are using La Villita
- ▶ City charges caterers a surcharge on food and beverages - driving convention business back to hotels
- ▶ City needs to be more creative on how they market themselves for catering functions
- ▶ Authenticity of the product is mixed - sends mixed messages to the consumer
- ▶ Retail is self managed - manage themselves within the Tenants' Association
- ▶ Lack of City leadership
- ▶ Very little marketing - small businesses are doing it on their own
- ▶ Signage is important - tourists do not know what La Villita is - there needs to be a bigger effort to tell their story
- ▶ Consumers are intimidated regarding parking situation but there is ample parking nearby
- ▶ Needs more activity going on in the plazas
- ▶ Need to have artists working on their goods
- ▶ It is missing an identifying theme - there is nothing that makes you remember it
- ▶ Heritage tourism is important - research shows that these tourists spend more than other tourists
- ▶ Market the adobe buildings, early Texas
- ▶ Need to get back to the unique cultural excellence - unique and different
- ▶ Lack of visibility from River Walk - used to be a challenge to get people onto the River Walk now it is a challenge to get them off of it
- ▶ Arneson Theatre is primarily used in summer
- ▶ Not programming arts and cultural activities that involve artisans
- ▶ La Villita is its own group
- ▶ Getting up and off the river is a challenge - need to tell people
- ▶ Signage is poor on River and Downtown
- ▶ Do not participate in the organization even though they are members
- ▶ Liaison with City and other operators helps to drive traffic
- ▶ Good value in marketing in tourist magazines
- ▶ Should privatize them - retailers cannot afford the renovations required
- ▶ No nationals allowed
- ▶ Create partnerships for marketing - put on the front cover of the Yellow Book
- ▶ Create events that drive traffic
- ▶ Found it by bumping into it
- ▶ Fix up the facilities
- ▶ Market it
- ▶ No more band aid solutions
- ▶ Needs to be well lit at night
- ▶ If people are not comfortable they will not come back

- ▶ Restrooms need to be updated
- ▶ Marketing should focus on print and electronic (radio and TV) and events – find radio and TV station partners – follow with print ad inviting people to visit La Villita
- ▶ Currently La Villita does not have the right people with the right skill set to do marketing
- ▶ Get buildings and infrastructure fixed
- ▶ Need to be on public relations 24/7, got to be out there with associations, neighborhood meetings, and conventions constantly checking things out
- ▶ Need to have more concierge programs – incentives, give lunch away
- ▶ Difficult to create art in the very fragile buildings
- ▶ Has a direct connection to River Walk but steps are a barrier – lack of traffic
- ▶ Concern with early closing times
- ▶ Great restaurants
- ▶ Hours of operation are a problem
- ▶ La Villita is not super welcoming
- ▶ Works as an artisan type village
- ▶ Not being promoted properly
- ▶ Consumer is not sure what they should do there
- ▶ Inconsistent image and experience
- ▶ No one working on relationship marketing
- ▶ La Villita is not designed well for events – missing infrastructure, plumbing
- ▶ Difficult to get answers back for event bookings – not responsive
- ▶ Retailers become upset that events interfere with sales
- ▶ Events coordination requires more communication with tenants and all stakeholders
- ▶ Events at La Villita – there is no back up location for bad weather – cannot use Villita Assembly Hall
- ▶ Rentals are high for the no improvements
- ▶ La Villita is an awesome location for events, it is close, good ambiance, and reflects San Antonio
- ▶ Difficult and expensive to rent plazas
- ▶ Plazas need a facelift, lower prices, and to be fixed up
- ▶ La Villita can be all things – museum, retail arts and crafts, and special events
- ▶ Stumble into it – access and visibility issues
- ▶ Not too commercial
- ▶ Nothing very visual on the outside unless you go through the doors of the retailers
- ▶ Needs to be a way for the buildings to come alive
- ▶ Retailers do not stand out in shoppers' minds
- ▶ Bolivar – needs more food options
- ▶ La Villita has better quality but low on entertainment
- ▶ So much emphasis on being historically correct – but the message is not being conveyed correctly – visitors have no clue on the history or what is there

- ▶ La Villita is not connected – limited to convention facility
- ▶ No real anchors
- ▶ Low marketing budget
- ▶ CBD helps
- ▶ Tenants are haphazard
- ▶ Not a friendly place
- ▶ Infrastructure issues that must be addressed
- ▶ Chilled water system and window units
- ▶ Additions are haphazard
- ▶ Historical and political barriers
- ▶ They do plans but they don't follow through with them
- ▶ Need to change the quality
- ▶ Need buy in
- ▶ Great asset to take out-of-town visitors to
- ▶ Old San Antonio
- ▶ Not typical touristy traps
- ▶ Emphasis on crafts people and unique shops
- ▶ Lack of food
- ▶ About 30% know about La Villita
- ▶ Need more events at La Villita
- ▶ More signage – central
- ▶ Hot for a large portion of the year and makes it difficult to be outside
- ▶ Don't get the feeling that you are “back in time”
- ▶ Need to get Conservation Society on side
- ▶ Identity crisis – is it a public plaza with additional retail or a retail area with public plazas?
- ▶ Strayed too far from original purpose
- ▶ Not differentiated enough, not recognizable in people's minds
- ▶ No locals go to La Villita except for NIOSA
- ▶ No differentiation of product at La Villita compared to elsewhere in the City – same low quality product
- ▶ Mediocre product offering
- ▶ Public space is the primary use of La Villita – not intended to pay for itself
- ▶ Critical mass of retail is needed – more retail space
- ▶ Need to change the mix of retail – no reason to go there now
- ▶ Most retailers are not selling their own hand crafted items
- ▶ Need to have part manufacturing part theater – complete experience – e.g., see someone throwing pots
- ▶ No visible leadership at La Villita
- ▶ Walls are a barrier
- ▶ Lack of prep room for banquets

- ▶ It is about 10 years behind on improvements
- ▶ Lack of demonstrations by artists
- ▶ A lot of suburban competition
- ▶ Lack of parking
- ▶ Clean area
- ▶ Needs an outside property manager for La Villita and improved leasing – proactive leasing
- ▶ Look at Destination Management Services as an example
- ▶ Need to clean up the neighborhood
- ▶ Rents for events are too high
- ▶ Grounds are impressive
- ▶ Tenant mix is underwhelming
- ▶ Low pedestrian counts
- ▶ Missed opportunity
- ▶ Have to actively recruit – find quality tenants
- ▶ Could rent out space to small meetings – related to convention center

General Tourism or Downtown Issues

- ▶ Visitor industry is \$7.2 Billion and 86,380 jobs – conservative numbers from 2002 study
- ▶ Very important industry
- ▶ There are repeat, loyal customers – some want new experiences and some want same experiences
- ▶ Goals are to extend stay of current visitors and expand into other markets, increase spending per visitor, and increase convention activity
- ▶ Consumer is looking for value, convenience, and uniqueness – La Villita and Market Square can deliver on value and uniqueness
- ▶ Perception is that the visitor market is a short-term visit, too much emphasis on River Walk and Alamo
- ▶ La Villita and Market Square are missing authenticity
- ▶ Challenge is not to become too generic
- ▶ High number of hotel rooms per capita – one of the highest in the country
- ▶ Leisure market is more than convention market
- ▶ Helping to push for better downtown signage
- ▶ Need cooperative marketing efforts
- ▶ San Antonio marketing is very cooperative – much better opportunities for partnership, willing to help one another
- ▶ La Villita and Market Square are part of the culture of San Antonio, engrained – history, arts, people
- ▶ Very easy for brands to plug into La Villita and Market Square
- ▶ 2007 was an off year for tourism
- ▶ Future potential looks strong for tourism

RESIDENT SURVEY

Executive Summary

Overall, San Antonio residents view La Villita favorably as a tourist venue. Just under half of residents surveyed who had been Downtown had visited La Villita in the past year. It is also viewed as a good place for local residents to take out-of-town visitors. Residents recognize the relative isolated nature of La Villita as well. They recognize that the overall cultural significance and overall appearance are very pleasing but there is room for improvement related to the quality and types of retailers and eating operations. In addition, they believe that the area can be improved with additional emphasis on cleanliness, parking, and landscaping.

Background and Methodology

Resident surveys were undertaken as part of the research required to understand the consumer market situation at La Villita including its strengths, weaknesses, opportunities, and threats as it relates to developing a retail strategy for the area. The telephone survey examined the behavior of a wide cross-section of San Antonio Metropolitan Statistical Area (MSA)¹⁶ residents and their attitudes towards La Villita as a local and tourist destination. Also, the survey includes an examination of residents who do not visit La Villita but visit Downtown.

Four hundred telephone surveys were conducted throughout the San Antonio MSA during October 2007 and included those who had visited Downtown San Antonio in the past few years. The survey was conducted by Core Research in San Antonio. La Villita visitors were a segment of the total four hundred respondent surveys.

Downtown Incidence

Of the telephone interviews conducted, the incidence of San Antonio residents who had visited Downtown in the past few years was 89%.

Of the respondents who had visited Downtown San Antonio, 49% had visited La Villita in the past year. This is equivalent to over 900,000 residents based on 1.9 million residents.

¹⁶ Includes the following counties: Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson.

Respondent Profiles

Before proceeding to analyze the survey results, it is important to understand the way the profile of the various survey respondents differs from one another, and from the population of San Antonio MSA (benchmark). Differences in demographic characteristics offer important insights that can help explain survey results.

Demographics	La Villita Visitor	Non-Visitors	All Downtown	San Antonio MSA Benchmark
Age Profile				
18 to 24	15.2%	17.8%	16.2%	11.8%
25 to 34	20.2%	18.3%	19.4%	20.2%
35 to 44	20.6%	15.5%	18.6%	20.4%
45 to 54	14.0%	15.3%	14.6%	19.0%
55 to 64	11.4%	8.7%	10.3%	13.2%
65 +	18.7%	24.6%	21.0%	15.6%
Gender				
Female	51.3%	50.7%	51.1%	50.9%
Male	48.7%	49.3%	48.9%	49.1%
Ethnicity				
Hispanic, Latino	68.1%	48.4%	60.3%	59.0%
Anglo, Caucasian, White	22.8%	38.9%	29.3%	24.0%
African American, Black	2.9%	6.5%	4.3%	7.0%
Other	6.1%	6.2%	6.1%	10.0%
Survey Language of Choice				
English	75.4%	89.7%	81.0%	n/a
Spanish	24.6%	10.3%	19.0%	n/a
Household Size				
1 Person/Single	12.4%	15.8%	13.7%	28.0%
2-3 People	51.7%	40.9%	47.5%	38.1%
4-5 People	27.1%	39.5%	31.9%	20.2%
6 or more People	8.8%	3.9%	6.8%	3.6%

Demographics	La Villita Visitor	Non-Visitors	All Downtown	San Antonio MSA Benchmark
Tenure in San Antonio				
Less than one year	1.9%	5.7%	3.4%	n/a
One to two years	6.7%	5.8%	6.3%	n/a
Three to five years	8.4%	6.3%	7.7%	n/a
Six to ten years	10.0%	7.8%	9.1%	n/a
Over ten years	73.1%	74.1%	73.5%	n/a
Other	0.0%	0.4%	0.1%	n/a
Household Income				
Under \$10,000	7.0%	5.9%	6.6%	9.5%
\$10,000 to \$19,999	16.7%	11.0%	14.4%	11.9%
\$20,000 to \$39,999	29.6%	22.9%	26.9%	24.8%
\$40,000 to \$59,999	14.5%	28.8%	20.0%	19.5%
\$60,000 to \$79,999	11.3%	11.0%	11.1%	10.5%
\$80,000 to \$99,999	8.1%	5.1%	7.2%	10.4%
\$100,000 or more	12.9%	15.3%	13.8%	13.4%

A summary of some of the most significant differences between the respondent groups is provided below:

La Villita Visitors

- ▶ Appeals to broad age range except slightly higher proportion of 25 to 44 year olds
- ▶ Slightly higher proportion of female visitors compared to non-visitors and All Downtown visitors
- ▶ Higher proportion of Hispanic, Latino residents compared to non-visitors, All Downtown visitors, and the San Antonio resident population
- ▶ High proportion of households with two or more people
- ▶ Low proportion of visitors who recently arrived in San Antonio
- ▶ Higher proportion of households who earn \$10,000 to \$39,999.

Non-visitors to La Villita (but Downtown Visitors)

- ▶ Under 24 years of age or over 65 years of age
- ▶ Mid-to-upper income households

Reasons for Visiting Downtown San Antonio

Residents who visit Downtown San Antonio do so for the following activities:

Activities in Downtown San Antonio

	La Villita	All Downtown
Eat and drink	70.4%	67.0%
Take visitors when they come to town	70.6%	65.7%
Shop	61.2%	56.7%
Attend Fiesta events	55.9%	50.5%
Concerts	33.4%	32.4%
Visit friends and family	28.6%	25.7%
Events, wedding, reunion	27.4%	28.8%
Other	25.9%	28.9%
Work downtown or meetings	15.3%	13.1%
Live downtown	0.4%	1.2%

Why do you usually go downtown?

The primary reason residents visit Downtown San Antonio is for eating and drinking. Equally, they believe that Downtown is a great place to take visitors when they come to town. Shopping ranks very high with over 56 stating they come Downtown to shop. In addition, Fiesta also draws upon 50% of local residents to come Downtown.

La Villita shoppers are slightly more inclined to participate in other Downtown activities as the general Downtown visitor.

Visitation

Just less than 35% of Downtown visitors have visited La Villita in the past week and a further 27 have visited in the past month. La Villita visitors are slightly more loyal to Downtown visitation.

Downtown Visit

	La Villita	All Downtown
Within the past week	39.2%	34.9%
Within the past month	30.8%	27.4%
Within the past six months	15.4%	17.4%
Longer than six months ago	14.6%	20.2%

When was the last time you were in Downtown San Antonio?

Thirty-eight percent La Villita visitors have visited at least ten times annually. This is much higher than the average frequent Downtown visitor. La Villita has a small core of very loyal shoppers.

Frequency of Downtown Visit

	La Villita	All Downtown
Once	9.3%	13.5%
Twice	5.4%	7.0%
Three to four	24.2%	23.6%
Five to ten	21.6%	20.2%
Over ten	38.0%	30.2%
None	1.5%	5.4%

How often have you been Downtown in the past year?

Favorite Places to Take Tourists

Residents who visit Downtown were asked to state their favorite places to take tourists, friends, and relatives when they visit San Antonio. While the River Walk and The Alamo were the top listed attractions, which follows national surveys, La Villita was listed fourth highest. Eighteen percent of residents who visit Downtown stated that La Villita was one of their favorite places to take tourists. Among La Villita visitors, 30% stated it was one of their favorites.

Favorite Places to Take Tourists

	La Villita	All Downtown
River Walk	82.9%	78.2%
Alamo	45.8%	42.2%
Market Square	32.5%	23.0%
La Villita	30.0%	18.1%
Restaurants, bars	15.2%	16.0%
Fiesta Texas	11.7%	11.3%
Malls, shopping centers	9.9%	9.6%
Missions	9.8%	9.5%
Parks, zoos	7.7%	11.1%
Sea World	7.7%	9.8%
Museums	7.6%	5.8%
Churches	5.3%	4.6%
Events, parades	4.4%	3.0%
Home tours, King William	2.9%	2.0%
Institute of Texan Cultures	2.8%	2.1%
Sporting events	2.1%	1.8%
Home, car, boat shows	1.2%	0.9%
Golf courses	1.0%	1.3%
Governor's Palace	0.8%	0.8%
Other	0.8%	0.5%
Military bases	0.3%	0.4%

What are your favorite places to take tourists when they visit you in San Antonio?

Visitation to Downtown Attractions

Fifty-two percent of local residents who visit Downtown have been to La Villita in the past year. Of the local residents who visit La Villita, there is a very high degree of synergy between River Walk. There is also a smaller but significant degree of synergy with Rivercenter Mall and Market Square.

Downtown Attraction Visitation

	La Villita	All Downtown
River Walk	81.9%	72.9%
Rivercenter Mall	74.9%	70.8%
Market Square	72.2%	61.2%
La Villita	--	51.7%
Alamo	59.9%	48.7%

Which of the following places Downtown have you visited within the past year?

Shopping Priorities and La Villita Ratings

Residents who visit Downtown San Antonio and La Villita visitors were asked to rank the importance of factors in determining where they take tourists when they come to San Antonio (1 = not at all important; 5 = very important). They were also asked to rate these factors when determining whether to visit La Villita. The following table summarizes the answers to these questions.

Tourist Factor Importance and La Villita Ratings

	La Villita	All Downtown
Safe and secure feeling	4.27	4.41
Cleanliness, appearance	4.15	4.33
Reasonable prices	4.01	3.96
Location easy to get to	3.99	4.22
Represents authentic San Antonio culture	3.91	4.21
Entertainment	3.78	4.19
Wide selection of goods	3.78	3.93
Available parking	3.73	3.68
Cost of parking	3.68	3.59
Buy quality products	3.65	3.58
Locally produced goods	3.45	3.49
Visit unique stores	3.40	3.20

On a scale of 1 to 5, with 5 being the most important, how important are each of these factors to your decision to visit La Villita or take a tourist when they visit San Antonio?

Strengths and Weaknesses

The top factors for any decision differ slightly from those for La Villita. Safety and security rank as the top consideration. Cleanliness, appearance, and easy to get to are also very important. Additional considerations include an authentic San Antonio experience and entertainment.

For the La Villita visitor, safety, cleanliness, and ease of getting there are very important. The authentic San Antonio experience needs to be there as well. However, reasonable prices is pushed higher on the importance factor for La Villita compared to other San Antonio attractions.

Overall, local residents who visit La Villita are very happy with the appearance of La Villita. There are good to very good ratings for the restaurants. However, the shopping needs some improvement.

Grade for La Villita

	A	B	C	D	F
Restaurants	43.9%	45.5%	9.6%	0.5%	1.1%
Shopping	37.3%	44.1%	16.2%	2.0%	0.5%
Appearance	60.3%	30.6%	7.9%	0.8%	0.4%

How would you grade your last visit to La Villita?

The majority of La Villita visitors feel that La Villita is just as good as other places in San Antonio. Over 30% believe it is better. A further 9% believe there is room for improvement.

La Villita Compared to Other Places in San Antonio

	La Villita
Better	31.3%
Same	60.4%
Worse	8.3%

Compared to your favorite place to go in San Antonio, would you rank La Villita...?

Specific things La Villita visitors like about La Villita include:

	Number of Responses
Cultural, historic, unique	22
Beautiful, cute, charming, nice	13
Fiesta, NIOSA, special events, art shows	12
Good shopping, eating	11
Visitors wanted to go, expected to go, first time visit	8
Fun, relaxing, able to stroll around	7
No one would know about unless you took them	2
Part of River Walk	2
Nearby	2
Feel safe	1
Clean	1
Many things to do	1
Stumbled upon it	1
Children's entertainment	1

Reasons why local residents do not visit include:

	Number of Responses
No interest, nothing there, boring	54
Unfamiliar with it	14
Ability issues, old age	13
Too busy	13
Don't go Downtown	5
Lack of parking	4
No out-of-town visitors	2
Safety and security issues	1
Not Hispanic	1
Inconvenient to get there	1
Shops were closed	1
Weather	1

Improvements to La Villita include the following:

	Number of Responses
Parking	29
Cleanliness	12
Better diversity of shopping	12
Landscaping, decorations, music, shade, banners, benches	11
Better restaurants	10
More events, better events	10
Safety and security	8
Lower prices	8
Expand, make bigger	7
Increase advertising	5
Improved hours of operation	4
Improved access	4
Better, cleaner restrooms	3
Too small	2
Family friendly	2
Improve buildings	2
Friendlier shop staff	1
Better cluster of businesses	1
Teen friendly	1
Bigger stores	1
Increase sense of preservation, history	1
No NIOSA	1

Summary

La Villita ranks very high in terms of recognition and visitation by San Antonio residents who visit Downtown. There is a noted small core of very loyal shoppers. In addition, there are areas for improvement, mostly noted in terms of the quality of the shopping and eating places and the need to ensure that consumers are getting value for money. Parking is a significant concern. In addition cleanliness, landscaping, and wayfinding are also important.

TOURISM SURVEYS

A web survey of 49 individuals associated with San Antonio tourism, downtown, and tourists was conducted in December 2007. Given the small sample size, a qualitative assessment of the information is provided.

Why do tourists go to La Villita?

	La Villita
Shopping	24
Historical	17
Convenient close to nearby attractions	12
Local artisans	9
Charming, quaint, attractive	6
Events	5
Unique, different	5
Eating and drinking	3
Curiosity	2
Reputation, told to go there	2

What do tourists dislike about La Villita?

	La Villita
Lack of variety in merchandise	9
Lack of restaurants, food options	8
Difficult to navigate, get around	8
Don't know	8
Hours of operation	7
No clear theme, identity	4
Unkempt	3
Lack of historical information	3
Parking - accessibility	3
Structural issues	2
Lack of traffic	2
Unfriendly entrances - Villita Street	1

What should the priorities be for La Villita to appeal to tourists?

	La Villita
Better retail and merchandising	12
Increase marketing	9
Increase events and quality	7
Increase visibility and signage	6
Better food options	6
Increase cultural awareness	5
Cleanliness	5
More artisans	4
Longer evening hours	4
More mid range price options	4
Parking - easy and accessible	3
Consistent hours	2
Create identity	2
Fix structural issues	2
Overall visual look, lighting	2
Period costumes	1
Safety	1
Comfortable	1
Market to locals	1
Work with tourism industry	1

Why did you go to La Villita the last time you were there?

	La Villita
Event	9
Shopping	9
Work, conduct tours, events there	8
Eating	5
Stroll, walk, pleasure	2
Take visitors	2
Affiliated with nearby property	1
Fiesta	1

How could La Villita improve?

	La Villita
Events, entertainment	8
More retail variety	7
Parking - accessibility	6
Landscaping, lighting	6
Longer hours of operation	4
Better value food options	3
Art classes, demonstrations	3
Kiosks and vendors	3
Signage	3
Increase marketing and promotions	3
Cleanliness	2
Improve historical character	2
Central theme, identity	1
Fix and repair buildings	1
Increase visibility	1
Seating	1
Tours	1

La Villita Importance Ratings

	La Villita
Visit unique stores	4.6
Safe and secure feeling	4.4
Cleanliness, appearance	4.3
Location easy to get to	4.3
Buy quality goods	4.3
Locally produced goods	4.0
Reasonable prices	4.0
Wide selection of goods	4.0
Available parking	3.8
Cost of parking	3.6
Entertainment	3.3

INTERCEPT SURVEYS

Background and Methodology

Intercept surveys were conducted in Spring 2008 at both La Villita and Market Square to add to the existing primary research. The research was carried out by City of San Antonio staff and La Villita and Market Square volunteers. The sample size is too small to make any analysis but is included for reference. For this reason, the absolute number of respondents is given for each question rather than percentages. In total twenty-two surveys were begun. Not every question was completed by all respondents.

Respondent Profiles

Demographics	Respondent
Age Profile	
18 to 24	1
25 to 34	4
35 to 44	1
45 to 54	5
55 to 64	8
65 +	1
Gender	
Female	12
Male	9
Ethnicity	
Hispanic, Latin American	5
Anglo, Caucasian, White	14
African American, Black	0
Other	2
Household Size	
1 Person/Single	0
2-3 People	10
4-5 People	5
6 or more People	3

Demographics	Respondents
Tenure in San Antonio	
Less than one year	0
One to two years	0
Three to five years	0
Six to ten years	0
Over ten years	4
Resident of San Antonio	
Yes	4
No	17
Visit San Antonio Previously	
Yes	11
No	6
Length of Stay in San Antonio	
<1 day	0
One to two days	4
Three to five days	9
Six to ten days	4
Over ten days	0

Reasons for Visiting Downtown San Antonio

Respondents who visit Downtown San Antonio do so for the following activities:

Activities in Downtown San Antonio

	Respondents
Eat and drink	3
Shop	3
Take visitors when they come to town	2
Events, wedding, reunion	2
Attend Fiesta events	1
Other – look around	1
Visit friends and family	1
Concerts	0
Work downtown or meetings	0
Live downtown	0

Why do you usually go downtown?

Visitation

Frequency of Downtown Visit in the Past Year

	Respondents
Once	0
Twice	0
Three to four	1
Five to ten	2
Over ten	1
None	0

How often have you been Downtown in the past year?

Favorite Places to Take Tourists

Favorite Places to Take Tourists

	Respondents
River Walk	4
Restaurants, bars	3
Alamo	1
La Villita	1
Fiesta Texas	1
Parks, zoos	1
Missions	1
Malls, shopping centers	1
Museums	1
Institute of Texan Cultures	1
La Villita	0
Sea World	0
Churches	0
Events, parades	0
Home tours, King William	0
Sporting events	0
Golf courses	0
Governor's Palace	0
Home, car, boat shows	0
Military bases	0
Other	0

What are your favorite places to take tourists when they visit you in San Antonio?

Visitation to Downtown Attractions

Downtown Attraction Visitation

	Respondent
River Walk	20
Rivercenter Mall	11
La Villita	11
Market Square	13
Alamo	16

Which of the following places Downtown have you visited within the past year?

Shopping Priorities and La Villita Ratings

Residents who visit Downtown San Antonio and La Villita visitors were asked to rank the importance of factors in determining where they take tourists when they come to San Antonio (1 = not at all important; 5 = very important). They were also asked to rate these factors when determining whether to visit La Villita. The following tables summarize the answers to these questions.

Tourist Factor Importance and La Villita Ratings – Small Sample Size

	La Villita Respondents	Respondents
Reasonable prices	4.8	4.0
Cleanliness, appearance	4.6	4.0
Safe and secure feeling	4.5	4.3
Location easy to get to	4.5	4.8
Wide selection of goods	4.5	3.8
Locally produced goods	4.2	3.3
Represents authentic San Antonio culture	4.1	4.0
Available parking	4.0	4.8
Cost of parking	4.0	4.0
Buy quality products	3.9	3.5
Visit unique stores	3.9	3.3
Entertainment	3.8	3.8

On a scale of 1 to 5, with 5 being the most important, how important are each of these factors to your decision to visit La Villita or take a tourist when they visit San Antonio?

Strengths and Weaknesses

Grade for La Villita

	A	B	C	D	F
Restaurants	0	1	5	0	0
Shopping	1	8	2	0	0
Appearance	8	3	1	0	0

How would you grade your last visit to La Villita?

La Villita Compared to Other Places in San Antonio

	La Villita
Better	9
Same	3
Worse	0

Compared to your favorite place to go in San Antonio, would you rank La Villita...?

Specific Reasons Why Visitors go to La Villita

	La Villita
Shopping	11
Dining	2
Cultural	1
Other	1

Why do you think visitors go to La Villita?

Reasons Why Local Residents do not Visit La Villita

	Respondents
Closed by time I got there	1
Too busy	2
Don't know it	1
Too hard to find	1
Not into crafts	1
Don't know	1

Why haven't you visited La Villita recently?

Improvements to La Villita

	Respondents
Connectivity	1
More cafes	1
More entertainment	1
More outdoor seating	1
Recycle	1
Nothing	3

How could La Villita improve?

PEDESTRIAN FLOW ANALYSIS

Task

To document pedestrian traffic at La Villita and map patterns. Two locations at each site were selected for constant monitoring, and other locations were periodically observed to confirm that the two permanent locations were the most appropriate.

	Incoming Per Hour - Average	Percentage of Women	Percentage of Men	Percentage of Children
Total	201	49%	38%	13%
Alamo Street	115			
Presa Street	68			
Other	52			

Source: Core Research

Description of Methodology

1. Research staff trained to record pedestrians entering and leaving each location, at a minimum of two focal points.
 - ▶ Count only visitors (no workers with specific responsibilities in locations, such as wait staff, letter carriers, maintenance crew). Workers include retailers who can be spotted with coolers, outside food, rolling cases. Additionally, we excluded Halloween (Dia de las Muertos) parade participants.
 - ▶ Count only those who walk, not children carried by parents or in strollers.
 - ▶ Record in half-hour increments. Take one-hour breaks every 3 hours or when necessary with inclement weather conditions.
 - ▶ Switch venues with other team members to stay "fresh".
 - ▶ Record during normal business hours (varied by location).
 - ▶ Collect pedestrian volume by day, time, and direction of traffic flow.
 - ▶ Four weekdays and four weekend days at each site.
2. Gender and age tallies recorded when possible.

Observations

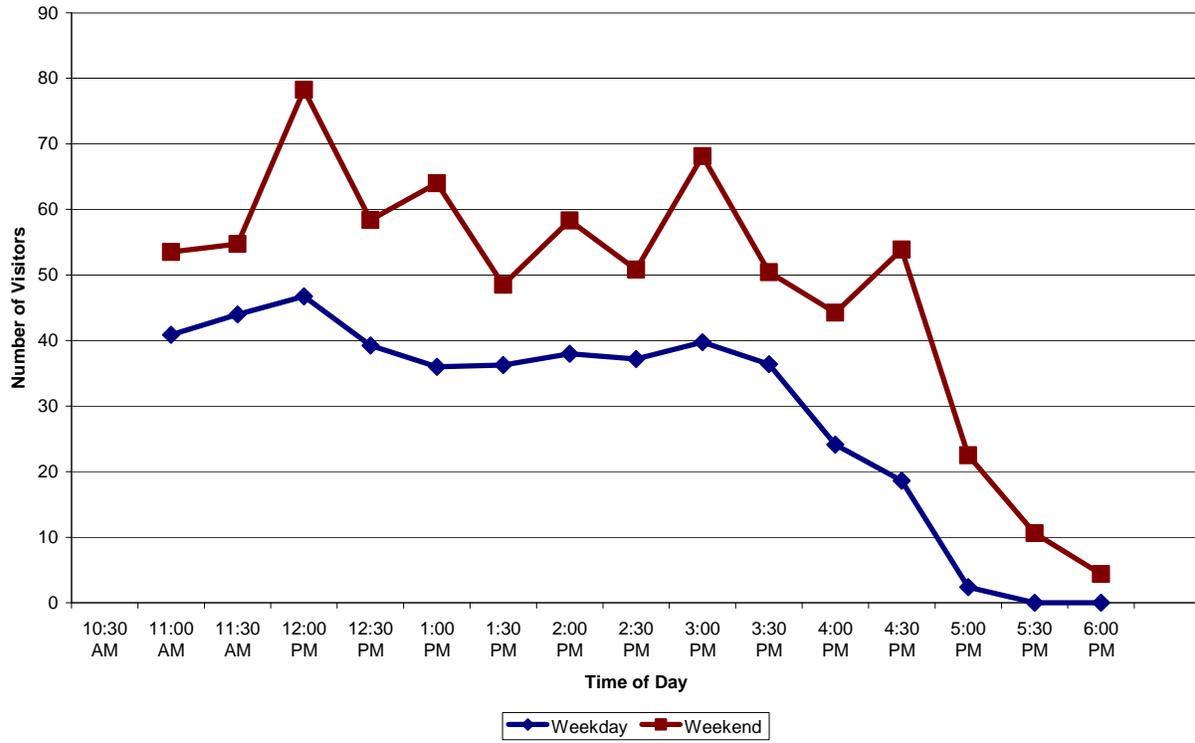
General Observations

- ▶ Interviews were conducted on four weekdays and four weekends from 11:00 am to 6:00 pm. The days included October 6th, 7th, 10th, 11th, 25th, 26th, 27th, and 28th, 2007.
- ▶ For all eight days at each location, weather was warm and dry.
- ▶ Our staff was often approached by tenants requesting information about the project and/or offering opinions. Core Research staff was urged to respond in a friendly manner, but not to comment on tenants' remarks, and refrain from conversations that would impede their ability to carefully record all pedestrian traffic.
 - In addition to the two staff members stationed at the most active entry points at both locations, we posted other staff at additional areas periodically to document the relative importance of these additional locations.

Observations

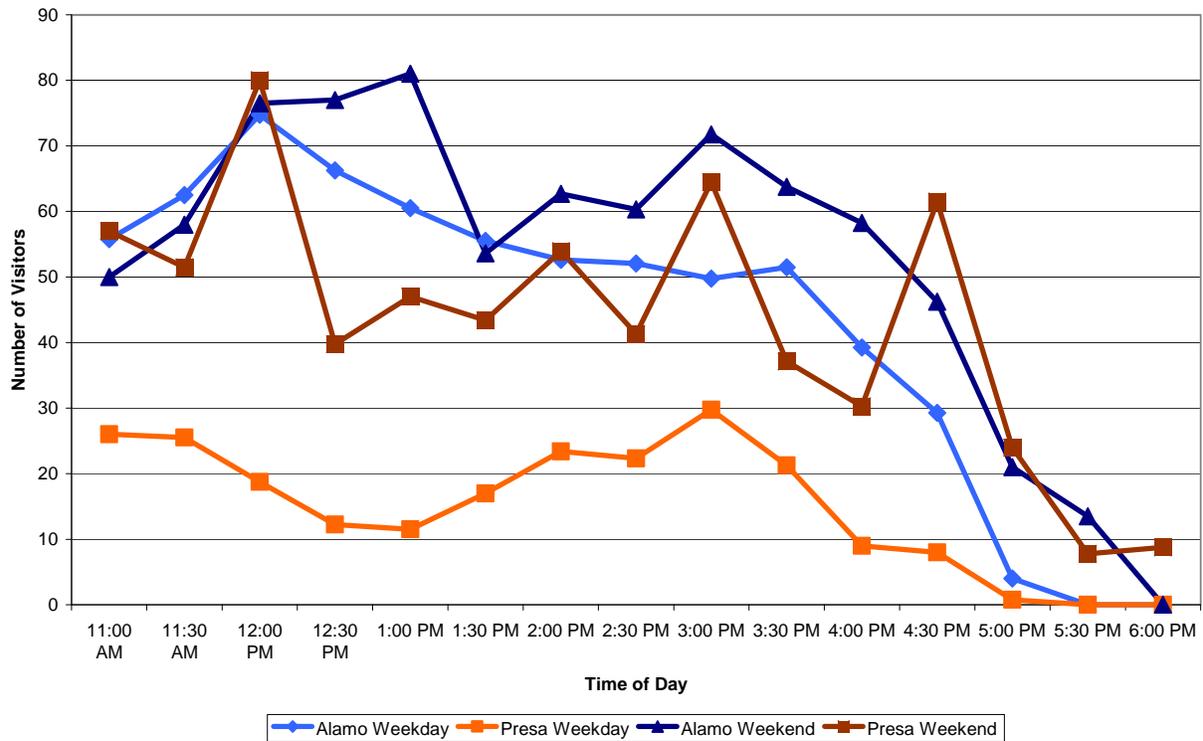
- ▶ During the Art Show on October 6-7 it was a challenge to record pedestrians only, since many of the retailers walking in and out did not have identifying outfits and/or accoutrements, so they may have been included in the tally.
- ▶ The report includes these locations as "other" categories: the Nueva entrance as well as Arneson Theatre via the River Walk.
- ▶ The team noticed that throughout the weekend The Fig Tree garbage doors remained open, which detracts from the overall La Villita image of quality, especially at a highly used entrance.
- ▶ Tour buses unload at the Nueva Street entrance. It would be helpful to ask for total customer counts during these days to validate our counts.
- ▶ Some tourists would approach our staff with questions such as "Are there any good restaurants here for lunch?"
- ▶ On one week day, an exceptional number of students came to visit.
- ▶ On Saturdays, several weddings occurred. We did not count those who merely entered and left, but did count those who visited stores (as evidenced by purchasing food and/or carrying shopping bags).
- ▶ One Saturday morning City work crews occupied most of the Alamo Street entrance area for three hours from The Fig Tree down to Maverick Plaza, prohibiting easy observation of pedestrian traffic.
- ▶ One Saturday, October 26th, 2007, a large youth cheerleading event occurred all day in the Arneson River Theatre.

La Villita Pedestrian Counts



Source: Core Research

La Villita Pedestrian Count - Entrances



Source: Core Research

- ▶ Weekends are approximately 50% busier than weekdays.
- ▶ Busiest times are early afternoon.
- ▶ Alamo Street entrance is slightly busier than the Presa Street entrance.

PUBLIC MEETINGS

A workshop with La Villita (public and private) retailers and nearby property owners was conducted on November 8th, 2007. Notes were made during this session. In addition, a downtown and tourism workshop was held on November 8th, 2007.



Retail Management Study
Public Meeting
November 14, 2007
City of San Antonio
Development and Business Services Center

The City of San Antonio (COSA) contracted Urban Marketing Collaborative to study The Shops at La Villita Historic Arts Village as well as Historic Market Square to recommend a preferred management structure for both retail properties. Urban Marketing Collaborative hired Ximenes & Associates to conduct public meetings for both properties. The La Villita public meeting was held on Wednesday, November 14, 2007, at 6:30 p.m. in the training room at the COSA Development and Business Services Center (One-Stop.) Thirteen (13) members of the public, twenty (20) La Villita merchants/tenants, and six (6) COSA staff or elected officials representatives attended. The purpose of the meeting was to present the preliminary findings from Urban Marketing Collaborative's study and to gather additional information about visitor and consumer experiences.

Paula Stallcup, COSA Director of Downtown Operations, opened the meeting and welcomed everyone. She explained the study's objectives and the purpose of the evening's meeting. Ms. Stallcup introduced John Archer with Urban Marketing Collaborative and Linda Ximenes with Ximenes & Associates. Mr. Archer then presented a PowerPoint of the preliminary findings.

Mr. Archer presented information related to the purpose and methodology of the study and the results of a resident telephone survey conducted by Core Research. Mr. Archer also outlined the strengths, weaknesses, opportunities, and threats (SWOT) for La Villita as well as examples of other unique retail properties. Subsequently, attendees were invited to ask questions or make comments related to the presentation. Mr. Archer then turned the meeting over to Ms. Ximenes for a facilitated discussion.

Ms. Ximenes asked attendees to think about their experience at La Villita and then asked them what worked well about that experience and what they would like to see in the future that would make it better. She asked non-tenants to respond first to the questions, and then took responses from La Villita tenants.

In terms of what attendees currently like or works well at La Villita, many said they enjoy bringing friends and family to visit, the historical significance, and proximity to the River Walk. They also appreciate the variety of activities (eating, shopping, church) as well as the handcrafted wares offered by the local, long-term merchants. Overall, the current experience was described as complete, but La Villita could use some improvements.

Attendees generally indicated they would like to see the shops stay open later, more effort placed on marketing, and the property (buildings, sidewalks, restrooms) refurbished. There were several ideas about events and entertainment that could be offered on a regular basis. Ideas included offering live local entertainment, a farmer's market, and more events with a focus on handmade artisan crafts to promote tenant wares and La Villita's historic significance. Additional suggestions for improving the overall experience included adding benches, shade-providing planters and landscaping, attention-getting signage, a full service restaurant that serves affordable meals, and a coffee shop or Internet café. The use of the Downtown Alliance Amigos or some other volunteer organization to provide information and direction was mentioned as another added convenience for La Villita visitors.

Parking was mentioned repeatedly and attendees want La Villita to have a designated parking facility. There was concern about handicapped and overall access, and the need for a conspicuous entrance to La Villita from the River Walk. In general, the community would like to see a great public space for congregating, shopping, eating, and staging special events that can be enjoyed by locals and tourists alike. Ms. Ximenes concluded the discussion portion of the meeting. Please see attached transcripts for additional discussion details.

Attendees were informed that they will receive notice of Urban Marketing Collaborative's management recommendation and the schedule for the presentation to City Council. Everyone was thanked for their time and attendance.

La Villita

Public Meeting Transcripts

11/14/2007

Likes/Works

- ▶ Bring suburban friends to downtown
- ▶ Bring out-of-town friends to see unique pieces of artists and craftsmen
- ▶ Historical information about the site
- ▶ Not as busy as Market Square
- ▶ Aesthetically speaking - authentically SA, pleasing to the eye, nice to walk around there
- ▶ People love the history and being on the river
- ▶ Home-made place, slower pace
- ▶ Unique things and people
- ▶ Longevity of tenants, people know us
- ▶ Customers visit a variety of shops
- ▶ Watch people's families grow up
- ▶ Work together, check on each other, environment of caring and community
- ▶ Oasis in middle of city
- ▶ Keep prices down
- ▶ Have everything, food, church, public restrooms, gift shops, souvenirs, fine art, jewelry
- ▶ Not a miniature Market Square
- ▶ Just need to improve on it
- ▶ Complete experience
- ▶ Local owned, people looking for other than franchises

Improvements

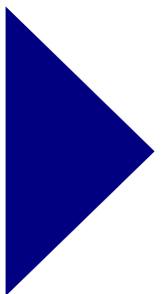
- ▶ Bigger budget for advertising
- ▶ Not so many vacancies in the shops
- ▶ More restaurants
- ▶ Closed shops, can't count on them to be open
- ▶ Improvements of walkways and general repairs
- ▶ Quite inaccessible, parking and getting from parking
- ▶ Inadequate signage
- ▶ Specific derelict buildings, need attention
- ▶ Better bus parking - loading and unloading

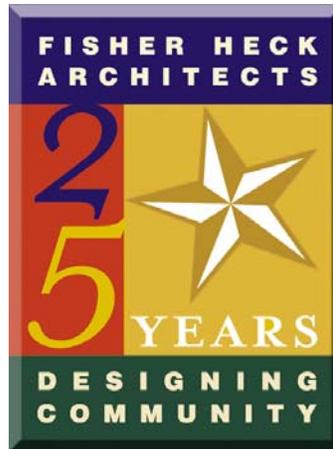
- ▶ Not marketed properly
- ▶ More “spirit” – things that are exciting and alive
- ▶ Antiquated restaurants – jazz, wine bars, Internet café
- ▶ No incentive to come shop and sit, places to meet for breakfast, business meetings
- ▶ Plaza for Farmer’s Market
- ▶ Have events there – too difficult to have events; should be fun; comes across as nothing going on – nice quiet village o.k., but vibrant
- ▶ Artists with art, work along the walks
- ▶ Designated bus parking is not a loading and unloading zone – stay there; results in “20 minute” shopping
- ▶ Parking not enforced for La Villita for buses
- ▶ Difficult for handicapped; loading and unloading
- ▶ Buildings handicapped accessible
- ▶ City says it’s a park, but no tables or benches for lunch, etc.
- ▶ Better lighting and security – could extend hours if so; nothing changes with Park Police follow-up; consistent police presence
- ▶ More plants and landscaping
- ▶ What happened in parking survey?
- ▶ Every restroom steam cleaned, especially after NIOSA
- ▶ Update restrooms, open more
- ▶ Trees for shade – planters; could be removed for events
- ▶ Bring good restaurants and coffee shops into the center – open at night – entertainment
- ▶ Sabotaged by the occupant of Bolivar Café
- ▶ Four flag poles from four corners to be seen from several blocks away – recognizable something
- ▶ Exterior walls are imposing
- ▶ No place to sit inside
- ▶ Muzak system throughout – advertise between music – (who would pick the music?)
- ▶ Promote as a venue for special events for SA residents – be affordable
- ▶ Temporary events, retailers need to augment what’s already there – book, antique, cut flower shows, Living History Assoc.
- ▶ Easier and more direct path from the River Walk to La Villita
- ▶ Signage showing where La Villita is from the River – both directions
- ▶ Large metal archways over the entrances – permanent
- ▶ Directional signs – attractive, “old timey”
- ▶ People walking around giving directions and answering questions
- ▶ Amigos; get Hilton concierge in tune
- ▶ Interesting food carts; unique and upscale fruit cups, frozen drinks; service and concern for guests; maybe have alcoholic bev – coop agreement with City
- ▶ Starbucks in a push cart

- ▶ Buy an ad in the tourist magazines – not the ones we have with the poor maps; show building locations on map
- ▶ Get volunteers to do some of the things that could be done – maybe high school volunteers or corporate volunteers
- ▶ Bring children and youth both to La Villita to realize that art is a part of life
- ▶ Permanent kiosks with info about shops and maybe volunteer to staff it

Appendix C

Building Condition Audit





Assessment of Facilities in
La Villita & Market Square
San Antonio, Texas

Prepared
for
Urban Marketing Collaboration
(a division of J.C. Williams Group)

Fisher Heck, Inc., Architects
915 S. St. Mary's Street
San Antonio, Texas 78205

Emil Swize & Associates, Inc.
MEP Engineers
1100 NW Loop 410, Ste 460
San Antonio, Texas 78216

January 29, 2008

INTRODUCTORY REMARKS

The following general comments are intended to provide a better understanding of the specific assessments of individual buildings and public spaces in La Villita and Market Square.

HISTORIC PERSPECTIVE FOR THE REPORT

Any assessment of present conditions is illuminated by knowing the process whereby a building or facility came to be in its present condition.

La Villita:

The first seven buildings in La Villita were restored in the late 1930's. Around 1970, La Villita became an official City historic district and has remained under design review by the Historic Preservation Office since that time.

The last major renovation of La Villita occurred in 1980 – 1982. The major goals of that project were to:

- (1.) Renovate the deteriorating buildings, and
- (2.) Improve the pedestrian spaces, and in particular, create pedestrian ties from the buildings restored in the WPA period with buildings and facilities acquired from 1945 until the 1970's.

The 1980 budget allowed the City to restore the exteriors of the buildings, but did not allow for improvements to the interiors of the buildings. The tenants that rented the spaces were required to complete their own tenant finish-outs. However, little guidance was given to the tenants in terms of Design Standards or required materials. As a result, these small business owners, who could seldom afford architectural services, constructed typical interior spaces within some of the most historic structures in downtown. Over the years, tenants added other lease space improvements that did not always reinforce the desired image and character of La Villita. Design Standards were not originally provided to the tenants. These standards could have required that the historic interiors were respected. As a result, the experience of being within some of the historic structure is lost when a visitor enters a La Villita business.

The City of San Antonio should be commended for the maintenance of the exteriors of the buildings and the public spaces and facilities within La Villita. It is obvious that even though some maintenance is now needed, those responsible for La Villita have done a great job of maintaining an entire district that is heavily used by thousands of people per year.

Market Square:

Market Square was first renovated during a 1970's urban renewal project. Over the past 30 years the area has evolved with the introduction of new business and several renovations of the City-owned buildings and spaces. The latest renovation work has occurred in the last year

with the opening of the Museo Alameda of the Smithsonian Institution, and the repaving of the eastern end of Produce Row and Concho Place.

Market Square was never made an historic district. As a result, the buildings and public spaces of the market area have changed more in the last thirty years when compared to the preserved atmosphere of La Villita.

HISTORIC CHARACTER AND MAINTENANCE

This assessment was done with an eye for historic preservation. Historic properties are best served by tenants who appreciate the buildings as what they are, survivors in time. Historic buildings and places are best appreciated if they look old. Therefore it is better to accept the weathering and patina of time than to make buildings look new or be perfectly restored. In this regard, I have not noted items such as worn wooden trim, weathered floor boards or tiles, and out of kilter features, unless this represents active deterioration. This patina of time is what adds character to the historic structures. On the other hand, walls in a shop need not be dirty or made of cheap contemporary building materials. The City will need to carefully describe in future lease agreements the character and quality of the lease spaces that must be achieved or maintained, in order to get the type of experience that is desired for visitors. All major retail centers and well-managed historic areas require this type of control. If this is not required, a great deal of effort to improve La Villita will again be lost because of inappropriate “improvements”.

HISTORIC BUILDING RENOVATIONS

Historic buildings that are not subject to structural problems often remain in serviceable use for many years with little change. However, if a change in occupants occurs, or if improvements are desired, even simple changes often precipitate significant additional repairs. For instance, more electrical outlets may be desired. The cost of adding the outlets is small, but the impact of adding the outlets can be enormous, especially if the outlets are required to be hidden from view. Installing the outlets requires that the wall is opened to install the wiring or conduit. This may damage additional wall finishes and expose structural problems that must be addressed while the wall is open. This domino effect of changes is likely in almost every instance and is one of the reasons that repairs to historic buildings are expensive.

“Minor” renovations of buildings in La Villita can cause great discomfort to the tenants because of this domino effect. It is usually necessary to close a shop while renovations are done, in order to protect merchandise that would become damaged by construction dust and dirt. It is most appropriate to make renovations when there is a change in occupants so the work can be done cost effectively and with the least discomfort to tenants.

HISTORIC BUILDING FOUNDATIONS

Most masonry buildings in San Antonio, built before 1910, are built directly in the ground. As long as the ground is stable the building above it is stable. Unfortunately, if water penetrates into some soils in San Antonio, the soils expand and cause upward pressures on building. If these same soils become extremely dry, they lose their bearing capacity and the

building may move downward. The wet-dry cycles can be caused by rain or drought, plumbing leaks, and many other occurrences. As a result, many structures experience movement that causes cracks in the structure's walls. It is very difficult to retrofit historic buildings and stabilize them from all ground movement. Therefore, minor cracking is accepted as typical and treated during normal maintenance periods and with procedures to keep the soils as stable as practical. With this understanding, we have not attempted to note the presence of every instance of building movement. However, where cracking has been discussed, additional monitoring should be done and some remedial procedures undertaken.

Constructing masonry buildings directly on or within the ground results in the passage of moisture up through the walls as the moisture moves from the damp or wet ground to the drier masonry and then into the air above grade. This phenomenon, sometimes described as rising damp, is common. It is also extremely difficult to stop. Therefore, minor instances of rising damp are generally accepted as typical and are treated during normal maintenance periods. With this understanding, we have not attempted to note the presence of every instance of rising damp, but where surface discoloration and flaking of surface materials were noted, additional study should be done and remedial procedures undertaken. Often these procedures relate to proper drainage around the building.

BUILDING CODE REQUIREMENTS FOR HISTORIC BUILDINGS

The International Existing Building Code does not require that existing buildings be continually updated to meet the latest adopted code. Rather, the intent of the Code is to “provide flexibility to permit the use of alternative approaches to achieve compliance with minimum requirements to safeguard the public health, safety, and welfare insofar as they are affected by the repair, alteration, changes of occupancy, addition and relocation of existing buildings.” Furthermore, any existing building “shall be permitted to continue without change, except as is specifically covered in this code...” These provisions are important as they allow buildings to maintain their significant historic features that otherwise might have to change because of contemporary building codes. Therefore this facilities assessment report is not a complete code review of all facilities, but rather it highlights issues that became apparent in our brief review.

Smaller buildings with smaller occupant loads generally have less restrictive code requirements than larger buildings. For instance, smaller buildings and smaller sized occupancies require few exits. Buildings and occupancies of less than 1500 square feet, at ground level, only require one exit. Therefore many of the small businesses covered by this report fall in this level of code requirements.

1	Property: La Villita		
	Historic Name: Kirchner House, c. 1870		
Current Tenant: Villita Stained Glass			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Masonry walls in satisfactory condition. Plaster finish in fair condition but is loose in areas with some repairs required.			
Roof: Metal roof in Fair condition; metal roof at slightly sloping area needs to be cleaned and entire roof repainted to prolong its function. Gutters need to be cleaned.			
Windows and Doors: Windows in fair condition but need caulking and repainting.			
INTERIOR FEATURES			
Floors: Tenant provided Carpet.			
Ceilings: Painted wooden boards in good condition.			
Walls: Painted plaster walls in good condition. Walls are partly covered by tenant provided display boxes.			
Air Conditioning and Heating: See Engineer's report.			
Plumbing: See Engineer's report.			
Electrical: See Engineer's report.			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">1</p>	<p style="text-align: center;">Current Tenant: Villita Stained Glass</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Air conditioning and heating by 1980's chilled water/electric heat fan-coil reported by tenant to be sufficient. Unit does not bring in outside air.</p>
<p>PLUMBING:</p>	<p>Space has laundry sink with cold water only; no leaks reported.</p>
<p>ELECTRICAL:</p>	<p>The interior panelboard appears to be in working order but does not have an interior cover and does not have any additional capacity.</p> <p>Counter top receptacle near sink is not GFCI type.</p>

2	Property: La Villita		
	Historic Name: Losana House, c. 1860		
Current Tenant: Lone Star Mercantile			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: East wall has experienced movement. Monitors should be installed to indicate degree of movement. Remaining masonry walls appear to be structurally sound. Plaster finish has lost adhesion in some areas. East wall should be completely re-plastered. Porch column bases are rotted.</p> <p>Roof: Fair condition on roof but flat area may be subject to early deterioration. Paint to prolong life. Tenant reports that there is an occasional roof leak through the ceiling at the east wall of the front room.</p> <p>Windows and Doors: Windows and doors in Fair condition but need caulking. Shutters missing from several locations.</p>			
INTERIOR FEATURES			
<p>Floors: Various types of clay tile probably from the era of WPA work. Appropriate patina of age, but may eventually need stripping and re-sealing.</p> <p>Ceilings: Wooden beams with plaster in between. Painted. Good condition. Rear ceilings are of painted rough cedar boards. All in good condition.</p> <p>Walls: Painted plaster in good condition.</p> <p>Air Conditioning and Heating: Does not keep building properly cooled even though there are two units. The condensation pan on one unit has rusted out. See Engineer's Comments Plumbing: See Engineer's Comments Electrical: See Engineer's Comments</p>			
<p>Comments: Accessible only at rear entrance; steps within the house. Fire box and windows covered with display materials and merchandise hiding some of the character of the structure.</p>			

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<p style="text-align: center;">2</p>	<p style="text-align: center;">Current Tenant: LONE STAR MERCANTILE</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Two (2) 1980's chilled water cooling/electric heating fan-coil units serve space. Drain pan on assumed 2-ton unit rotted out and there are condensate drips. No issues observed on 3-ton unit. Neither system brings in outside air. Cooling and heating capacities said by tenant to be adequate.</p>
<p>PLUMBING:</p>	<p>Water closet and lavatory are old, but they work. No leaks reported.</p>
<p>ELECTRICAL:</p>	<p>Interior panelboard appears to be in working order but is an older model and may be increasingly difficult to acquire new circuit breaker replacements. Panelboard is installed above hand sink thus does not have adequate working clearance.</p> <p>Exterior porch lights do not function as reported by tenant.</p>

3	Property: La Villita		
	Historic Name: Hessler House, c 1870		
	Current Tenant: Angelita		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Masonry walls in good structural condition but plaster is in poor condition. Plaster at south wall is mainly not adhered to masonry.</p> <p>The front porch is built of limestone with a brick porch paving. The limestone is deteriorating and some of the brick paving is losing its mortar. Porch floor requires significant masonry repairs, or a wooden porch similar to building #7, should be built to replicate its original porch. Porch columns and railing in good condition.</p> <p>Roof: Metal roof in fair condition. Repaint.</p> <p>Windows and Doors: Wooden windows and doors in fair condition but repairs are required.</p>			
INTERIOR FEATURES			
<p>Floors: Combination of painted concrete, painted wood and clay tile. Good condition.</p> <p>Ceilings: Painted beaded boards. Some peeling of paint indicating possible roof leak, condensation problem, or heat related issue.</p> <p>Walls: Walls have been re-plastered with what appears to be an appropriate lime-based plaster. Moisture is causing some flaking of the plaster in at least two locations. General appearance is good.</p> <p>Air Conditioning and Heating: See Engineer's report.</p> <p>Plumbing: See Engineer's report.</p> <p>Electrical: See Engineer's report.</p>			
<p>Comments: House contains handsome original fireplace and wooden mantle. Good visual condition.</p>			

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<p style="text-align: center;">3</p>	<p style="text-align: center;">Current Tenant: ANGELITA'S</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Tenant perceives cooling capacity to be undersized for this 1980's chilled water cooling/electric heating fan-coil and reports there have been a lot of recent problems (i.e., service call appears to solve the problem, but it soon returns). System does not bring in outside air. External appearance of fiberglass ductwork appears to be in good shape.</p>
<p>PLUMBING:</p>	<p>Cold water-only sink appears to be in good shape. No leaks reported.</p>
<p>ELECTRICAL:</p>	<p>One of two panelboards mounted in exterior closet does not have adequate front working clearance. Panelboard appear to be modern and in good working order.</p>

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<p>Washroom – Building 3</p>	<p>Current Tenant:</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>No air conditioning or heating. Only ventilation that seemed to be operating properly.</p>
<p>PLUMBING:</p>	<p>Men’s only toilet fixtures appeared to be operating properly without any leaks or clogs.</p>
<p>ELECTRICAL:</p>	<p>Public washrooms do not appear to have egress illumination.</p>

4	Property: La Villita		
	Historic Name: Tejada House, c. 1870		
	Current Tenant: Casa Clasal Copper Gallery		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Masonry walls in structurally sound condition. Plaster finish is generally well adhered to masonry. Porch floor on south needs wood decking repairs and repainting.			
Roof: Roof appears to be in good condition.			
Windows and Doors: Windows and doors in serviceable condition.			
INTERIOR FEATURES: New tenant finishes were installed in mid-2006.			
Floors: Combination of vinyl tiles and oak boards. Both in new condition.			
Ceilings: Old sheet rock over painted boards has recently been painted. An area of ceiling was removed to access the attic, and this area needs patching.			
Walls: Painted plaster and wood paneling at storage/mechanical closet. Good condition			
Air Conditioning and Heating; Presently the system works well. New parts were added to the unit in recent years and the unit itself has probably been replaced once since 1880. See Engineer's Comments			
Plumbing: None			
Electrical: See Engineer's Comments			
Comments:			
Building has fireplace and mantle.			
Building is only accessible from the south side, which is acceptable to TAS.			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">4</p>	<p style="text-align: center;">Current Tenant: CASA CLASAL COPPER GALLERY</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Tenant considers existing 1980's chilled water cooling/electric heating fan-coil to be an "antique" and marginal in ability to maintain temperature during the summer. No outside air is brought in by the system. Condensate drips thru the connecting pipe insulation.</p>
<p>PLUMBING:</p>	<p>None, except condensate piping.</p>
<p>ELECTRICAL:</p>	<p>Interior panelboard appears to be in working order but is an older model and may be increasingly difficult to acquire new circuit breaker replacements.</p> <p>Surface raceway along interior stucco walls appears to "rusting" at potential attachment points. Tenant pointed out "drips" along wall that appear to emanate from the raceway.</p>

5	Property: La Villita		
	Historic Name: Herrera House, c. 1855		
Current Tenant: Bonsai Arbor			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Masonry walls with palisade or half-timber framing are sound. Plaster mostly non-adhered and is bulging outward on west wall. Plaster probably needs to be replaced. Rear porch columns are rotted at bases- failure imminent; Need replacement. Beam for porch at south side is lower than allowed by code for head room, presently at 5’-6”. Decision needs to be made regarding whether or not this historic porch configuration can be changed. (HDRC).</p> <p>Roof: Roof is sagging along its gabled peak. Possible indication for deterioration of framing in attic and roof decking. Metal Roof materials showing signs of deterioration. Metal roof material probably dates from 1940. Roof leaking near fireplace. Probably requires replacement. Termite damage or rot at decking of south porch.</p> <p>Windows and Doors: Windows and doors are in repairable condition except for one, an historic rear door that is 2’-11”x5’-9” which does not presently meet code. This door should be enlarged if it is permitted to remain in use.</p>			
INTERIOR FEATURES			
<p>Floors: Clay tiles in serviceable condition, with some tiles damaged or broken.</p> <p>Ceilings: Wooden beams with plaster between. There is deterioration present at some beams, with slight bowing at center. Possible from water damage and rotting.</p> <p>Walls: Painted plaster over masonry. In good condition with minor cracks at ceiling connection.</p> <p>Air Conditioning and Heating: Unit in working condition; recently refurbished by City. Plumbing: N/A Electrical: No improvements made by present tenant. Tenant wants additional power outlets. Breakers have occasionally been tripped.</p>			
<p>Comments: Palisado or half-timber construction reflects primitive building techniques. Rodents are invading the attic through openings at north porch. Openings need to be sealed off.</p>			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">5</p>	<p style="text-align: center;">Current Tenant: BONSAI ARBOR</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Tenant considers unit to be undersized for both cooling and heating even though the assumed 3-ton Magic-Aire unit was reworked a few years ago. No problems reported with condensate drips. Outside air is not brought in through the system.</p>
<p>PLUMBING:</p>	<p>No plumbing other than for air conditioning condensate piping. It does not reportedly have any problems.</p>
<p>ELECTRICAL:</p>	<p>Panelboard for tenant space is located in locked adjacent storage area and does not appear to be readily accessible.</p> <p>Exterior porch receptacles do not appear to be GFCI type.</p>

5B	Property: La Villita		
	Historic Name: WPA era addition to building 5		
Current Tenant: Women's rest room, storage room with electrical and mechanical equipment, and outdoor service counter with storage.			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Walls in structurally sound condition but the clay tiles used as parapet caps are deteriorated and need to be replaced. Cedar posts used as lintel over recessed doorway appear to be rotted and in need of replacement.			
Roof: Flat roof probably covered by built up roofing system and is in need of replacement.			
Windows and Doors: Wooden Doors in need of replacement. No windows.			
INTERIOR FEATURES			
Floors: Concrete in concession area. Ceramic Tile in women's room. Combo ceramic tile and concrete in Villita storage/ mechanical room. Concrete in concession storage room.			
Ceilings: Rest room: Painted boards. Other spaces: exposed wooden framing and decking.			
Walls: Painted plaster over masonry. Decorative Ceramic tile at women's room.			
Air Conditioning and Heating: N/A			
Plumbing: Drain gets stopped up. See Engineer's Comments			
Electrical: See engineer's comments.			

Comments:

Bell tower feature needs substantial rehabilitation including replacement of cedar beam that is supporting the bell. Possible failure of beam could harm passerby.

Women's room is not accessible according to TAS standards, even though City rents plaza as a public facility.

Storage room has an uneven floor, no ventilation, all new finishes needed.

Tile at exterior entrance need replacing/repair to avoid tripping hazard.

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<p style="text-align: center;">5B</p>	<p style="text-align: center;">Current Tenant: WOMEN'S RESTROOM & OUTDOOR SERVICE WITH CHIMNEY; MECHANICAL/ ELECTRICAL CLOSET</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Chilled water pipes with hose bibbs (indicates need to drain lines of sediment), but building itself has no air conditioning or heating.</p>
<p>PLUMBING:</p>	<p>Space has laundry sink with cold and hot water in makeshift counter with unfinished plywood top; sink has no strainer. Existing 30 gallon electric water heater in good condition provides hot water to the laundry sink. Water heater temperature and pressure relief valve is not properly routed; it just deadends and in the event of a discharge, will just spill on the floor within the room.</p>
<p>ELECTRICAL:</p>	<p>Public washroom does not appear to have egress illumination.</p> <p>Interior panelboards appear to be in working order but are older models and may be increasingly difficult to acquire new circuit breaker replacements. Panelboards did not have exterior covers installed.</p> <p>Sheathed cable was observed in the lease storage not installed in UL listed raceway.</p> <p>Receptacle box in lease storage did not appear to be secured to wall.</p>

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>Washroom – Building 5</p>	<p>Current Tenant: Public restrooms</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>No air conditioning or heating. Only ventilation that seemed to be operating properly.</p>
<p>PLUMBING:</p>	<p>Women’s only restroom with water closets and lavatories with hot and cold water.</p>
<p>ELECTRICAL:</p>	<p>Public washrooms do not appear to have egress illumination.</p>

6

Property: La Villita

Historic Name: Kitchen building, c. 1939

Current Tenant: Casa Manos Alegres



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Painted plaster in good condition. Arbor beams are deteriorating and in need of repairs/replacement.

Roof: Standing seam metal roof needs cleaning and repainting.

Windows and Doors: Numerous windows. Windows recently repaired and painted, but repairs are superficial. Lower sash of windows and sill are deteriorating.

INTERIOR FEATURES

Floors: Combination of clay tile and carpet. Serviceable condition.

Ceilings: Painted wooden roof decking exposed between wooden beams. Good condition.

Walls: Painted plaster walls in good condition. Moisture is seeping through north wall under windows. Moisture probably caused by moisture trapped in adjacent planting bed. Remove planting bed and waterproof lower level of wall/foundation before installing paving at plant bed.

Air Conditioning and Heating: See Engineer’s comments.

Plumbing: See Engineer’s comments.

Electrical: See Engineer’s comments.

Comments:

Roof needs new rigid insulation under new metal roof to be energy efficient.

Consider eliminating some area of windows to increase display wall area and provide better energy efficiency.

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<p style="text-align: center;">6</p>	<p style="text-align: center;">Current Tenant: CASA MANOS ALEGRES</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Two (2) 1980's chilled water cooling/electric heating fan-coil units serve this space. It is our understanding from the tenant that cooling has not been sufficient for the last four (4) years although the coil on the "front" unit were cleaned. Heating was also insufficient, but reportedly now works after five (5) years after a relay was replaced in the "rear" unit. However, the tenant understands that a safety backup for that unit was not repaired at that time.</p>
<p>PLUMBING:</p>	<p>Space has only one (1) cold water-only sink that reportedly has no leak problems.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p>

7	Property: La Villita		
	Historic Name: Hessler House, c 1870		
Current Tenant: Angelita			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Plaster is loose in several locations, especially at north and south walls. Replace soon.			
Roof: Main roof is in good condition but needs cleaning and painting. East facing porch is very rusted from tree acids. Clean and inspect. Possibly needs replacement.			
Windows and Doors: Windows need repairs and new cap flashings.			
INTERIOR FEATURES			
Floors: Clay tile floor in serviceable condition. Floors in rear office are of glazed hand-painted tiles from the WPA period. Floor should be covered to protect this interesting feature.			
Ceilings: Painted boards at rear room in good condition. Front rooms has a painted “Celotex” paneled ceiling that is inappropriate and should be replaced with a proper material.			
Walls: Interior plaster is loose and needs replacement.			
Air Conditioning and Heating: New air conditioning unit recently installed by City.			
Plumbing: One sink in serviceable condition.			
Electrical: Old unused light fixture should be removed from ceiling.			
Comments:			
Interior spaces currently under tenant renovation.			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">7</p>	<p style="text-align: center;">Current Tenant: ORIGINALS</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Tenant reports air conditioning and heating are sufficient for this 4-ton fan-coil chilled water cooling/electric heating unit provided in August, 2007; unit is a replacement.</p>
<p>PLUMBING:</p>	<p>No plumbing other than for air conditioning condensate piping; no problems reported.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p>

8	Property: La Villita		
	Historic Name: Weaving Building, c.1939		
Current Tenant: Village Weavers			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Plaster walls in fair condition but some repairs required.</p> <p>Roof: Roof is from 1939 era; leaking at chimney and possibly at dormers. Replace. Rafters framing into chimney appear to be rotted and possibly are not supporting the roof. Rigid Insulation should be installed under roofing for energy conservation.</p> <p>Windows and Doors: Windows are poorly fitted and leak air and water. Replacement is probably required. The number of windows at the south wall should be examined from energy use and historic importance views to determine if fewer windows would be acceptable. North door with sidelights needs to be replaced soon. Rear door needs to be replaced.</p>			
INTERIOR FEATURES			
<p>Floors: Clay tile at front needs mortar repairs and sealing. Carpet over concrete at rear. Check loading of mezzanine floor by tenant.</p> <p>Ceilings: Exposed beams and underside of roof decking. Note rotten members mentioned above.</p> <p>Walls: Painted plaster in fair condition with deterioration at north wall and elsewhere.</p> <p>Air Conditioning and Heating: Ventilate Mechanical electrical closet on west side of building to reduce moisture problem that is rusting M/E equipment. See engineer's comments.</p> <p>Plumbing: Sink only in serviceable condition. See engineer's comments.</p> <p>Electrical: Equipment in M/E closet is severely rusted. And needs replacing. See engineer's comments.</p>			
Comments:			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">8</p>	<p style="text-align: center;">Current Tenant: VILLAGE WEAVERS</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Tenant reports cooling capacity of this 10 ton 1980's chilled water cooling/electric heating fan-coil unit is sufficient, but could be larger. System does not bring in any outside air. Floor under unit indicates no condensate leaks.</p>
<p>PLUMBING:</p>	<p>Cold water-only sink in storeroom is unusual; it is a wheel handle garden hose bibb. No problems reported with plumbing.</p>
<p>ELECTRICAL:</p>	<p>Counter top receptacle near sink is not GFCI type.</p> <p>Interior panelboard appears to be modern and in good working order.</p>

9	Property: La Villita		
	Historic Name: Bolivar Hall, c. 1939; O'Neil Ford, architect		
	Current Tenant: Restrooms, La Villita Offices, and Conservation Society exhibit		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Limestone veneer over concrete frame. Stone in Fair condition.			
Roof: Painted Standing seam metal. Not accessible for inspection.			
Windows and Doors: Doors in fair condition but need refinishing. Windows from 1939 are not weather-stripped, nor have energy efficient glass. Windows do not fit tightly and allow considerable air infiltration.			
INTERIOR FEATURES			
Floors: First floor: clay tile are heavily worn and need extensive maintenance or replacement. Second Floor: Clay tile at offices and oak flooring at museum; both areas in fair to good condition.			
Ceilings: First Floor ceilings are varnished cypress boards, fair condition but would be improved by stripping and refinishing. Second floor ceilings are plaster in good condition.			
Walls: Painter plaster walls are in good condition. Need painting.			
Air Conditioning and Heating: See engineer's comments			
Plumbing: See engineer's comments			
Electrical: See engineer's comments			

Comments:

Electrical system recently improved and fire alarm system added.

Deteriorated Clay tile steps at exterior to first floor need to be replaced. Handrails are required but not provided at these locations as required by current codes.

Handrails and guardrails at steps and porches to and at second floor are not to present code heights. Explore replacing with safer handrails that are acceptable to HDRC.

Public rest rooms at ground level are in need of complete renovation. These rest rooms are open every day while other restrooms are only open for events. Rest rooms seem old and are very dirty and smelly. Clay tile floors are not appropriate for rest room flooring, as they absorb moisture/urine and hold smells. Better ventilation is needed. Fixtures in need of replacement. Rest room layout not according to TAS standards.

Building has full, concrete basement used by La Villita maintenance staff, and is a storage area for various items. Basement also serves as mechanical and electrical rooms for several adjacent buildings.

Building has an elevator that connects all three levels, including providing access to public offices at second floor.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">9</p>	<p style="text-align: center;">Current Tenant: RESTROOMS, LAVILLITA OFFICES, AND CONSERVATION SOCIETY EXHIBIT</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Upstairs spaces served by two (2) large attic chilled water cooling/electric heating fan-coil units. One (1) serves the exhibit area; the other serves the offices/restroom spaces. Their size indicates they are original to the 1980's and would be very expensive to remove/replace through the damaged single pull-down ceiling access door. Neither unit brings in outside air, but internally lined sheet metal duct appears in good condition. Despite their age, the fan-coils run quietly. Single wall switch operated ceiling exhaust fan in each of Men's and Women's toilets, but Men's room fan does not operate.</p> <p>Basement Storage/Workrooms: No heating since existing units were removed and use of fireplace discontinued. Space never had air conditioning.</p>
<p>PLUMBING:</p>	<p>Spaces are accessible by elevator, but the single electric water cooler in hall would not meet today's accessibility standards. Single flush valve water closet and lavatory with hot and cold water in each of the two (2) toilets are adequate and do not appear to be experiencing any leaks.</p>
<p>ELECTRICAL:</p>	<p>Majority of building has recently undergone a major electrical renovation including addition of a local fire alarm system.</p> <p>Main basement electrical gear does not appear to be protected from dips from pipes above.</p> <p>A basement exit sign and main level exit sign did not appear to be working.</p> <p>Exterior gear and panelboards near King Philip do not have adequate protection from elements. Panelboards do not have interior covers and contain non-functioning breakers according to maintenance staff. Exterior receptacle at this location is not weatherproof or is GFCI type.</p> <p>Second Floor panelboard located in Men's restroom appears to be in working order but is an older model and it may be increasingly difficult to acquire new circuit breaker replacements.</p>

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>Washroom – Bolivar Hall</p>	<p>Current Tenant: Public space</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>These Men’s and Women’s toilets have neither air conditioning nor heating, only exhaust ventilation that seems to be operating properly.</p>
<p>PLUMBING:</p>	<p>Men’s: Space features three (3) water closets with flush valve and one (1) trough urinal, a fixture that is no longer allowed by Code (cleanliness issues). Cold water-only lavatories are adequate.</p> <p>Women’s: Flush valve operated water closets appear to be operating properly, as do cold water-only lavatories.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p>

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">9B</p>	<p>Current Tenant: BOLIVAR CAFE</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Single 1980's chilled water cooling/electric heating fan-coil suspended in kitchen conditions the seating area. Both cooling and heating to the seating area are said to be adequate. Kitchen is reported to be hot during the summer, but that is not unusual for kitchens. No outside air is brought in through the fan-coil unit. Kitchen hood does not seem to be operating properly and upblast exhaust fan on the outside of the building appears to need maintenance (fan is noisy and grease accumulations can be seen on the hood and ground underneath). Extra box fan located above the hood to get heat out of the kitchen does not appear to be working and may be a fire hazard due to apparent dust and grease buildups.</p>
<p>PLUMBING:</p>	<p>Cooler unit leaks at the floor. Plumbing functions, but it is our understanding there are frequent clogs in the sewer lines around this building. This should be confirmed.</p> <p>The kitchen's sole grease interceptor is an above ground model connected to the three (3) compartment sink.</p>
<p>ELECTRICAL:</p>	<p>Portion of front panelboard clearance located in café appeared to be blocked by cooler. There did not appear to be GFCI receptacles in kitchen proper or near sinks. Light fixtures in food preparation areas did not appear to have lenses to protect lamps. There did not appear to be any egress illumination and the exit signage did not appear to have means of illumination during power outage.</p>

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">9</p>	<p>Current Tenant: BOLIVAR BLDG. STORAGE RM.</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not applicable. However, chilled water lines in this space are insufficiently insulated. Makeshift “trough” hung from sweating lines directs drips to room’s exterior wall, but does not actually send it to an approved drain; condensate drips on floor near exterior wall. Adequate insulation should be provided.</p>
<p>PLUMBING:</p>	<p>Not applicable.</p>
<p>ELECTRICAL:</p>	<p>Panelboard located in exterior closet does not have a cover. Panel also has non-functioning breakers according to maintenance staff. Apparently, the panel is located in a highly damp space; therefore the panel has a considerable amount of rust.</p>

<h1>10</h1>	Property: La Villita		
	Historic Name: Part of St. Philips College group, c. 1898		
	Current Tenant: Village Gallery		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Brick walls re-pointed in 1982. Brick walls in good condition, but an area on the west wall needs re-pointing. Wooden porch (two stories in good condition, with decking requiring repairs at first level and replacement at second level. Several columns need repairs or replacement.</p> <p>Roof: Roof in good condition</p> <p>Windows and Doors: Wooden window frames and sash in need of general repairs and repainting. Replace three windows and door in stairwell. Windows into basement need to be replaced or openings need to be filled with masonry or used for ventilation.</p>			
INTERIOR FEATURES			
<p>Floors: Pine boards in good condition but need to be re-varnished or covered to preserve floor material.</p> <p>Ceilings: Painted Gypsum board in good condition.</p> <p>Walls: Painted plaster, painted gypsum board, painted brick and painted siding in good condition</p> <p>Air Conditioning and Heating: See engineer's comments.</p> <p>Plumbing: See engineer's comments.</p> <p>Electrical: See engineer's comments.</p>			
<p>Comments:</p> <p>Rear doors suffering from water damage. Doors need to be properly sealed, glazed and painted, or replaced.</p> <p>Oleanders should be removed from the planting bed along King Philip V Street and paving on a sand base installed where bed is located. This is to prevent further damage to masonry walls.</p>			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">10</p>	<p style="text-align: center;">Current Tenant: VILLAGE GALLERY</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Single 5-ton chilled water cooling/electric heating fan-coil installed in 2006 would not adequately cool and heat this 2-story space were it not for a window unit installed in one of the upstairs rooms. The upstairs toilet does not have an exhaust fan.</p>
<p>PLUMBING:</p>	<p>Tank water closet and cold water-only lavatory in a “private” toilet that is not identified as such and only intended to be used by the business’ workers, not member of the general public. Despite this, the water closet does not adequately flush toilet paper without regularly clogging. There is a “put [soiled] toilet paper in box” sign at the lavatory and on the box itself. This condition is not acceptable and is reminiscent of what we have seen in Mexico. The cold water lavatory faucet drips.</p>
<p>ELECTRICAL:</p>	<p>Several disconnects within space do not appear to have adequate clearance.</p> <p>First level panelboard appears modern and in good working order. Panelboard on second level appears to be in working order but is an older model and it may be increasingly difficult to acquire new circuit breaker replacements.</p>

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">10</p>	<p style="text-align: center;">Current Tenant: FIG TREE - STORAGE AREA ONLY</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>No cooling or heating for this basement space.</p>
<p>PLUMBING:</p>	<p>No plumbing for this space.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p>

<h1>11</h1>	Property: La Villita		
	Historic Name: Part of St. Philip College group, c. 1898		
	Current Tenant: Chamade Jewelry		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Brick walls are in good condition with a few cracks. (completely re-pointed in 1982) Miscellaneous re-pointing required, especially at two areas on south walls.</p> <p>Roof: Metal Roof appears to be in good condition but tenant says the roof leaked numerous times in the summer of 2007. Leak may be from an isolated piece of flashing around chimney or a hole in roof. Repair required.</p> <p>Windows and Doors: Wooden window frames and sash need to be reworked to repair sash weights and provide proper locking mechanisms. Doors acceptable.</p>			
INTERIOR FEATURES			
<p>Floors: Wooden Floors in satisfactory condition but could be upgraded with new wooden flooring.</p> <p>Ceilings: Gypsum board ceilings at upper level needs repair from roof leak and chilled water system leak.</p> <p>Walls: Walls are a combination of exposed brick, gypsum wall board and plaster. Satisfactory condition.</p> <p>Air Conditioning and Heating: Previous leak in chilled water lines caused ceiling damage. Currently in functional condition. See engineer's report.</p> <p>Plumbing: See engineer's report.</p> <p>Electrical: See engineer's report.</p>			

Comments:

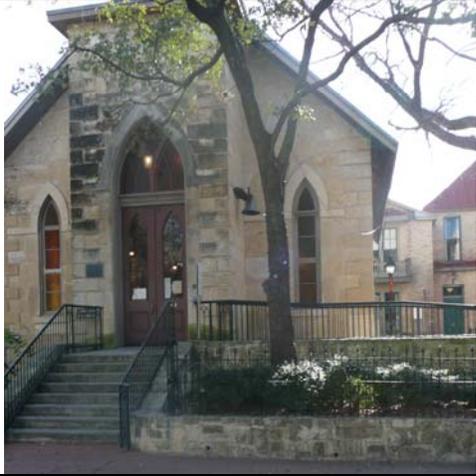
Building not accessible because of raised floor level at retail level. Second level (offices and work areas only accessible by stairs.

This building contains a basement that is used for various purposes, including storage, electrical panels, telephone equipment, and chilled water distribution. Basement appeared dry but should be considered as building area when budgeting for maintenance.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">11</p>	<p>Current Tenant: CHAMADE JEWELRY</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Downstairs: Chilled water cooling/electric heating unit serving this space is said to have just been reworked and it is sufficient. However, if the unit is left on overnight during the heating season, heat sensor alarms go off.</p> <p>Upstairs: Chilled water cooling/electric heating unit in the attic space provides insufficient cooling (tenant installed window unit in 1997 and replaced it with a new unit again in 2007) to this space used as a workroom/storage area. The fan-coil is in the worst shape of any we saw (i.e., foam sealant used to plug leaks in the cabinet). Condensate leaks have destroyed the upstairs lath and plastic ceiling below the fan-coil.</p>
<p>PLUMBING:</p>	<p>Downstairs toilet: Water closet and cold water-only lavatory function, but faucet leaks.</p> <p>Upstairs work sink: It is just that, a work sink for a jewelry workshop. Nothing pretty. A vacuum cleaner hose substitutes for a condensate drain from the upstairs fan-coil to the upstairs sink.</p>
<p>ELECTRICAL:</p>	<p>Panelboard appears to be modern and in good working order but front access is blocked by built-in cabinets.</p> <p>Counter mounted receptacle near sink is not GFCI protected.</p>

<h1>12</h1>	Property: La Villita		
	Historic Name: Part of St. Philip College group, c. 1898		
	Current Tenant: Offices & food program of Little Church of La Villita; Starving Artist Art Gallery		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Brick walls are in good condition with a few cracks. Apparent moisture problem on north wall, akin to rising damp. Miscellaneous re-pointing required. Front Porch in good condition; rear porch in need of repairs and painting.</p> <p>Roof: Metal Roof appears to be in good condition</p> <p>Windows and Doors: Wooden window frames and sash need to be reworked to repair sash weights and provide proper locking mechanisms. Doors acceptable.</p>			
INTERIOR FEATURES			
<p>Floors: Wooden Floors in worn condition. (Floors appear to have been sanded several times previously, causing the boards to be very thin. The top lip of the floor is splitting off in numerous locations. Currently this is only a cosmetic problem.</p> <p>Ceilings: Varnished beaded boards in good condition.</p> <p>Walls: Walls are gypsum wall board and plaster. Satisfactory condition. Some peg board for displays.</p> <p>Air Conditioning and Heating: See Engineer's Comments Plumbing: See Engineer's Comments Electrical: See Engineer's Comments</p>			
Comments:			
<p>Building not accessible because of raised floor levels. Second level only accessible by stairs. Planting area along the north side of the building should be removed and replaced with paving on sand. Assure positive drainage away from building.</p>			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">12</p>	<p style="text-align: center;">Current Tenant: OFFICES & FOOD PROGRAM OF LITTLE CHURCH OF LA VILLITA; STARVING ARTIST ART GALLERY</p>
<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>	
<p>AIR CONDITIONING AND HEATING:</p>	<p>1st Floor: Floor served by two (2) 1980's chilled water cooling/electric heating systems located above toilet; mechanical space is extremely congested and access is from toilet and return air grilles at stair landing between floors. Maintenance is all but impossible and would not meet today's standards. Units do not bring in outside air. One (1) unit serves the gift shop and food assistance "kitchen" (cooking is no longer done and existing commercial kitchen hood is no longer in use). A second unit serves the offices at the rear of the floor. Cooling capacity is sufficient in both units, but heating has to be supplemented; a noisy wall-mounted forced air fan electric heater is located in each space.</p> <p>2nd Floor: Two (2) similar 1980's fan-coils in the attic serve this floor, each accessible through its own pull-down ceiling stair. Neither bring in their own outside air, but both provide sufficient cooling and heating for the community room and offices they serve. The range in the warming kitchen on this floor has a residential quality vent hood with carbon filter.</p>
<p>PLUMBING:</p>	<p>1st Floor: A single toilet with water closet and lavatory with cold and hot water serve this floor, as does a three (3) compartment sink in the food program serving kitchen. The electric water heater is under the stair. Both are adequate.</p> <p>2nd Floor: A toilet with water closet, lavatory and shower are located on this floor. The lavatory and shower have hot and cold water, as does a kitchen sink located in the community room. It is understood the drain between the 1st and 2nd floors may be restricted in size and can become clogged. A sign in the 2nd floor restroom asks users to flush nothing "heavier" than toilet paper down the toilet bowl.</p> <p>The building has no commercial grease interceptor for either floor, but commercial kitchen activity seems to have been suspended at this time.</p>
<p>ELECTRICAL:</p>	<p>Panelboards are located in small closet below stairs and head room requirements are not fulfilled. Location of panelboards is accessed through 24" tall door and panels are prone to be blocked by piles of storage. Panelboards appear to be in working order but are older models and it may be increasingly difficult to acquire new circuit breaker replacements.</p> <p>Receptacles in kitchen proper and near restroom sinks are not GFCI type.</p> <p>There appears to be a lack of general purpose branch circuits in kitchen and in gallery. Tenant experiences frequent "nuisance" tripping of breakers and must rely heavily on use of extension cords and plug strips to serve loads.</p> <p>Tenant has been instructed not to use an incandescent lamp larger than 60W due to inadequate wiring, consequently, the lighting throughout is "dim" and the tenant must supplement with task lighting.</p> <p>Second floor pendant light fixture does not function as reported by tenant.</p>

13	Property: La Villita			
	Historic Name: Methodist Church c. 1879			
Current Tenant: Little Church of La Villita				
				
GENERAL ASSESSMENT RATING				
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis				
EXTERIOR FEATURES				
Walls: Limestone walls are in good condition. (completely re-pointed in 1982) Miscellaneous re-pointing required.				
Roof: Metal Roof appears to be in good condition.				
Windows and Doors: Wooden window frames and sash need to be reworked to repair missing stops and provide proper locking mechanisms. Doors acceptable.				
INTERIOR FEATURES				
Floors: Wooden Floors in satisfactory condition with carpet runner at center aisle.				
Ceilings: Painted wooden board ceiling in good condition				
Walls: Walls are exposed limestone. Good condition.				
Air Conditioning and Heating: Currently in functional condition. See Engineer’s Comments				
Plumbing: See Engineer’s Comments				
Electrical: See Engineer’s Comments				
Comments: Building has been made accessible through the addition of a ramp in recent years.				

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">13</p>	<p style="text-align: center;">Current Tenant: LITTLE CHURCH OF LA VILLITA</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Church sanctuary is the only space. Each side is served by a single chilled water cooling/electric heating fan-coil located in the crawl space accessible through the floor access on the right just inside the front doors. Unit ages could not be easily determined, but cooling/heating capabilities said to be adequate. Floor opening does not seem large enough to remove either fan-coil without enlargement. Neither unit brings in outside air. Supply and return floor grilles. Fan-coil units sit directly on the crawl space dirt floor, a problem if not for the fact that the floor does not appear to have been damp recently. Corrosion could still be possible, but not seen since the sits in the dirt.</p>
<p>PLUMBING:</p>	<p>No plumbing other than condensate pump and associated condensate piping in the crawl space. Crawl space dirt floor in the area of the two (2) fan-coils appeared dry and condensate pump appeared to be operating normally.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order. No issues reported by tenant.</p>

14	Property: La Villita		
	Historic Name: Florian House c.1855 and 1885		
Current Tenant: River Art Group			



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Building was built in at least two phases. Stone house in front has plastered walls. Rear addition has painted brick walls that are in good condition. Miscellaneous re-pointing required.

Roof: Metal Roof appears to be in serviceable condition, but needs to be cleaned and repainted.

Windows and Doors: Wooden window frames and sash need repairs. Replace door and door frame at mechanical closet door.

INTERIOR FEATURES

Floors: Current floor in stone house and front part of brick structure are completely covered by carpet, condition unknown. Storage room and restroom have tile flooring in serviceable condition.

Ceilings: Dropped, lay-in acoustical ceiling tiles, in good condition.

Walls: Main spaces walls are completely covered by tenant with peg board, condition unknown. Storage room has some peg board and painted wood paneling, restroom has tile and painted wood paneling both rooms are in good condition.

Air Conditioning and Heating: See Engineer’s Comments

Plumbing: See Engineer’s Comments

Electrical: See Engineer’s Comments.

Comments:

Mechanical room located on the east side of building is in poor condition. Floor openings to crawl space. Install new floor and floor finish. No fire ratings on walls or ceiling. Replace exterior door.

Stone house contains two original stone fireplaces with stone hearths. Both are in good condition.

Upper floor and rear unit of two-story addition was not accessible for review.

Upper floor of rear addition is not TAS accessible and would be infeasible to make so. Use space for non-public uses.

Gardener's storage at end of building is unsightly and should be relocated to new shed or maintenance building.

Portable metal ramp for disability access has been installed under rear porch to serve River Art Gallery.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">14</p>	<p style="text-align: center;">Current Tenant: RIVER ART GROUP</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>This space, space 14B and the space above are served by a single unit located in a space accessible through a downstairs filter grille. This space was not accessible during our visit. Air conditioning and heating are said by the space 14 tenant to be sufficient, but since the single thermostat is located in the downstairs tenant space, the downstairs tenant would have modify their temperature settings were the upstairs space occupied.</p>
<p>PLUMBING:</p>	<p>A single water closet and cold water-only lavatory in the toilet at the rear of the space were some of the best we saw in these numbered tenant spaces. The space also has a hot and cold water to sink with electric hot water heating under the sink it serves. The plumbing is considered adequate by the downstairs tenant. There is no plumbing in the upstairs space.</p>
<p>ELECTRICAL:</p>	<p>Counter top receptacle near sink is not GFCI type.</p> <p>Interior panelboard appears to be modern and in good working order.</p> <p>Exterior panelboard is missing cover and appears to be in working order but is an older model and it may be increasingly difficult to acquire new circuit breaker replacements.</p> <p>Disconnecting means for HVAC in exterior closet is mounted above the maximum allowed height.</p>

ESA	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
14B	Current Tenant: VACANT - Behind River Art Group
	Mechanical, Electrical, and Plumbing Report - January 28, 2008
AIR CONDITIONING AND HEATING:	Space is served by same unit in space 14; space was being occupied by a new tenant at time of walkthrough, but since admittance was not allowed when the tenant was not there, we do not know if temperature control in space 14B was sufficient.
PLUMBING:	This space has no plumbing.
ELECTRICAL:	Electrical appears to be in good working order.

<h1>15</h1>	Property: La Villita		
	Historic Name: Faville House c. 1855		
	Current Tenant: Monte Wade Fine Arts		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3- Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Plastered masonry walls are in fair condition with a few cracks and some loose plaster. Plaster repairs required.</p> <p>Front porch in fair condition but need careful rehabilitation to replace deteriorated elements especially at the columns.</p> <p>Roof: Metal Roof appears to be in good condition</p> <p>Windows and Doors: Wooden window frames and sash need in need of extensive repairs/replication.</p>			
INTERIOR FEATURES			
<p>Historic interior features hidden by tenant finishes and merchandise</p> <p>Floors: Completely carpeted, condition unknown.</p> <p>Ceilings: Combination painted plaster, gypsum wall board, and dropped lay-in acoustic tiles. Visible water damage at bathroom dropped ceiling, possibly from roof leak.</p> <p>Walls: Combination plastered masonry, painted beaded board, and wall paper. Plaster in storage room is flaking and cracking and will need replacement.</p> <p>Air Conditioning and Heating: See Engineer's Comments</p> <p>Plumbing: See Engineer's Comments</p> <p>Electrical: See Engineer's Comments</p>			

Comments:

Building contains a significant front courtyard that could be better utilized. Courtyard needs to be redesigned to solve problems of accessibility, drainage and economic function. **Steeply sloping ramp at courtyard entrance does not comply with codes and could be dangerous when wet.**

Inappropriate exterior window coverings. Inappropriate exterior porch/merchandise lighting. Building is not accessible.

Rear addition of CMU is not historically significant; windows in this area may be allowed to be closed up with masonry rather than repaired or replicated.

Exterior areas behind building are not kept clean. Ground surfaces need to be sloped to drain and properly repaved in an appropriate material. Remove volunteer tree.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">15</p>	<p style="text-align: center;">Current Tenant: MONTE WADE FINE ARTS</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Space is served by a 5 ton residential gas furnace with duct-mounted chilled water coil, both located in the attic accessible through the storeroom. Presence of supplementary wall air conditioning unit in a back room and conversation with tenant indicates capacity of the chilled water cooling/electric heating system in attic is insufficient. Front room temperature said to sometimes reach 95°F. Toilet exhaust fan does not work. A sign on the fan “on-off” switch indicates it nearly started a fire when it was once operated.</p>
<p>PLUMBING:</p>	<p>Water closet and cold water-only lavatory in this “private” toilet are adequate.</p>
<p>ELECTRICAL:</p>	<p>Exit signage did not appear to have means of illumination during power outage.</p> <p>Panelboard appears to be in working order but is an older model and it may be increasingly difficult to acquire new circuit breaker replacements.</p>

<h1>16</h1>	Property: La Villita		
	Historic Name: McAllister House and Store		
	Current Tenant: See below		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Limestone and caliche block walls are in good condition with a few cracks. (completely re-pointed in 1982) Miscellaneous re-pointing required.</p> <p>Roof: Metal Roof not accessible for inspection, but gutter at west wall indicates that there may be leaks as the soffit is deteriorated.</p> <p>Windows and Doors: Wooden window frames and sash need to be rehabilitated and some need to be replicated. Rear doors and windows are in poor condition and need to be replicated. Balconies and porches in good repair.</p>			
INTERIOR FEATURES			
<p>Guadalajara Grill – First level</p> <p>Floors in customer area: Wooden Floors in satisfactory condition. Rest rooms: ceramic tile, good condition. Kitchen: concrete floor in poor condition. Mechanical room: wooden floor in highly deteriorated condition. Dangerous.</p> <p>Ceilings: Tenant finishes covers original materials.</p> <p>Walls: Walls are a combination of exposed limestone, gypsum wall board and plaster. Satisfactory condition. Rest rooms are clean, attractive and appear to have been recently renovated, but builder did not follow TAS Standards. Accessible route to rest rooms blocked by steps.</p> <p>Guadalajara Grill - Second floor</p> <p>La Villita staff reported that fire department will not allow the use of second floor for certain purposes. Wooden floors over wooden framing need complete structural inspection to determine loading capabilities.</p>			

Walls above the Grill are of exposed limestone that was poorly repointed with dark mortar. Producing an ugly wall finish. These walls should be plastered. Some walls above Mustang Gray's were whitewashed, but unfortunately the whitewash was painted, turning a proper "breathable" finish into a sealed finish which is not appropriate for the building. Ceilings: Ceilings are a combination of painted wooden boards and Gypsum board. New finishes required.

Air Conditioning and Heating: See engineer's comments.

Plumbing: See engineer's comments.

Electrical: See engineer's comments.

MUSTANG GRAY'S

This ground floor lease space is not accessible because of the raised floor at the entrance. The steps that occur directly at the threshold could be a dangerous feature, as current codes require a level landing at each side of a door.

Floors: Painted wood and carpet over unknown substrate. Good condition.

Walls: Plaster walls, exposed limestone walls and Gypsum Board. Fair condition.

Ceilings: suspended acoustical tile and suspended metal panels, fair condition. These ceilings are not appropriate for a historic interior. Tenant reports that she can hear material falling on top of the ceiling panels when people are walking on the floor above. This may indicate that an old plaster ceiling above the suspended tile is crumbling when the floor framing is stressed. **See recommendation for checking floor bearing capacity.**

The west door has rotted.

Leaks from rest room plumbing above have entered this lease space.

Tenant has inappropriately covered mantle with merchandise and displays.

Windows are in poor condition and need to be replaced/rehabilitated.

Comments:

This is the largest historic structure in La Villita and it is well located at the intersection of Villita and Alamo streets. Therefore, it has the greatest economic potential. Unfortunately, virtually none of the building is accessible by TAS standards. The second floor doubles its economic potential but is not accessible. An Elevator is required to make this space accessible. The central stairway to the second floor is not of historic construction, does not meet the design standards of the building code, and does not follow TAS standards for a stairway. Stairway should be completely rebuilt. A second stairway from the second floor is present, but it too does not meet code from a number of standpoints. It too should be entirely rebuilt.

The mechanical room is dangerous from several perspectives. (Holes in floors, lack of clearances at electrical panels, openings for rodents, storage of paints, etc.)

Tenant (Guadalajara Grill) has installed a raised floor at first level that blocks accessible route from main entrance to the rest rooms. Doors from restaurant to sidewalk dining are not to code. (No level landing on each side of door.) Second level, if used by the public should be made accessible.

Entire structure should be structurally reassessed to determine adequacy of structure. This is not possible at this time as it would require invasive demolition to exposed concealed structure.

Second floor

Second floor not TAS accessible. See comments above.

Floors are very unlevel; check condition of framing to determine proper bearing capacities.

Walls are exposed stone, which were improperly re-pointed with cement -based mortar. Walls should be properly re-pointed and plastered.

Ceilings; Condensate leak or roof leak apparent in damaged gypsum board ceilings.

A large commercial oven/range was found on the second floor. **Architect recommends that the floor structure be analyzed to determine if the weight of this equipment exceeds structural bearing capacity of the floor.** Ceiling in the upper level kitchen is of suspended tile. (Not allowed in food service areas.) Tiles are missing exposing wood framing and roof deck above. (Lack of gypsum board ceiling to protect structure in case of fire.

The second floor has two small restrooms, but these are not TAS accessible. These may be allowed to remain if other restrooms are provided that are accessible to persons using the second floor.

It appears as if the tenant has made numerous modifications to the building without the use of engineers, architects or building permits. **This building is in need of a major rehabilitation.**

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<p style="text-align: center;">16</p>	<p>Current Tenant: MUSTANG GREY</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Space served by single chilled water cooling/electric heating fan-coil that is said by tenant to be sufficient. No outside air is being brought in by the unit.</p>
<p>PLUMBING:</p>	<p>Water closet and cold water-only lavatory in back room. Cold water-only corner lavatory said by tenant to double as receptor for primary condensate from air conditioning unit. This could not be confirmed at the time of our walkthrough since outside air temperatures were relatively cool and dry.</p>
<p>ELECTRICAL:</p>	<p>Interior panelboard in modern and in good working order but does not have adequate front working clearance.</p>

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">16</p>	<p>Current Tenant: GUADALAJARA GRILL</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Upstairs rental spaces served by two (2) chilled water cooling/electric heating located in the attic space; they appear to be of the 1980's and neither are capable of bringing in outside air. Heating for both units is adequate. Larger unit serving meeting room reported to have sufficient cooling capacity for space's fifty (50) person occupancy, but not when exterior door are frequently opened. Unit serving "support" rooms on the south end reported to have sufficient cooling capacity. Upstairs kitchen has been turned into a storeroom; gas range and kitchen hood have reportedly been abandoned in place. Gas-fired water heater in upstairs closet would not meet today's combustion air opening requirements. Exhaust fans in both toilets, but fan in Women's toilet does not work.</p> <p>Downstairs Guadalajara Grill served by single chilled water cooling/electric heating fan-coil unit; unit at rear of space is not easily accessible and would be expensive to replace even though cooling capacity is noted by tenant to be inadequate. No outside air is being brought in by the unit. Therefore, restaurant is at negative pressure with respect to the outside which means unfiltered outside air is being brought into the restaurant and kitchen. Kitchen exhaust hood was not adequately catching cooking smoke on its right side during our visit and it may be as simple as positioning all cooking surfaces at least six (6) inches within the hood per the Code to correct. There is no exhaust-only hood over the dish machine. Neither toilet exhaust fan was functioning during our walkthrough.</p>
<p>PLUMBING:</p>	<p>Upstairs: Toilets have both water closets and lavatories with hot and cold water. They seem to be operating properly.</p> <p>Restaurant: Water flow to Women's lavatory faucets is inadequate whether or not it is hot and cold. Air conditioning condensate overflow extends into Men's urinal, the first time we have seen this. Normally it only drips into the adjacent Men's lavatory, a condition that did exist before the PVC piping extension was provided.</p>
<p>ELECTRICAL:</p>	<p>Egress light fixture near stairs is not working.</p> <p>Second floor panelboard appears to be modern and in good working order but is missing internal cover.</p> <p>First floor electrical gear is located in a space that is difficult to access due to equipment placed on the floor. Electrical gear front working clearances appear to be blocked by cooler. Disconnect and one panelboard each do not have a cover.</p>

17	Property: La Villita		
	Historic Name: None, c 1950		
Current Tenant: Alice Knight's Paintings, Portraits, Pottery			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Walls are in good condition.			
Roof: Metal Roof appears to be in good condition.			
Windows and Doors: Wooden window frames and sash in good condition.			
INTERIOR FEATURES			
Floors: Finished concrete floor, partially covered with rugs. Appear to be in good condition.			
Ceilings: Gypsum board ceilings, minor cracking, but in good condition.			
Walls: Painted gypsum wall board in satisfactory condition.			
Air Conditioning and Heating: Currently in functional condition. See Engineer's Comments			
Plumbing: See Engineer's Comments			
Electrical: See Engineer's Comments			
Comments: Building not accessible because of raised floor level at retail level.			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">17</p>	<p>Current Tenant: ALICE KNIGHT</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Air conditioning and heating capacities said by tenant to be not more than adequate for this 1980's chilled water heating/electric heating fan-coil unit. However, condensate appears to have damaged the wood platform/plenum the unit sits on and that platform/plenum is in very bad shape. Unit has experienced some clogging of chilled water coil in the past and hose bibbs are installed in the lines to flush them. Hose bibbs sometimes leak, but this was not happening during our walkthrough. Ductwork in the room is also in bad shape.</p>
<p>PLUMBING:</p>	<p>"Private" toilet for this space has a water closet and cold water-only lavatory. The lavatory is said to leak and times and should be replaced. Sometimes the water closet leaks at the wax ring. When floor bolts become loose.</p>
<p>ELECTRICAL:</p>	<p>Panelboard appears to be modern and in good working order but front access is blocked by built-in cabinets.</p>

18	Property: La Villita		
	Historic Name: Cos House, c. 1830		
Current Tenant: Rental facility of City			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>Walls: Adobe walls are in good condition with the need for minor plaster repairs. (Completely re-pointed and replastered in 1982) Miscellaneous re-pointing required.</p> <p>Roof: Wood shingle roof appears to be in good condition, but it is 26 years old. Flat roof (rolled asphalt roofing) at rest rooms, kitchen and porch may need to be replaced. Clean and inspect.</p> <p>Windows and Doors: Wooden window frames and sash in need of repairs. Interior and exterior doors should be rebuilt to provide better closure. Small step at doors to porch may cause a tripping hazard. Doors to rest rooms are not to TAS standards. Consider eliminating door at west wall because steps into the building are not to code and pose a liability risk to the City.</p>			
INTERIOR FEATURES			
<p>Floors: Clay tile floors (probably from 1930's) are very worn but charming.</p> <p>Ceilings: Diagonal wood boards between beams. Ceiling needs to be repaired and re-painted to highlight this feature.</p> <p>Walls: Painted plaster; Satisfactory condition.</p> <p>Air Conditioning and Heating: No air conditioning; one inadequate electric heater. One functioning fireplace and one non-functioning fireplaces</p> <p>Plumbing: See engineer's comments.</p> <p>Electrical: See engineer's comments.</p>			

Comments:

Building is only accessible from courtyard, but paving at ramped entry is very rough and may not be sloped to be technically accessible.

Rest rooms are extremely small and are in dilapidated condition. **Access route is dangerous even for a non-disabled person because of steps and changes of level at doorways. High degree of liability risk for City.** Rest rooms and kitchen area should be entirely rebuilt.

Newish stairway from Arneson theater upper level intrudes on space and could be a “head-banger” at rear door.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">18</p>	<p>Current Tenant: COS HOUSE</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>No air conditioning although there appear to be chilled water lines to the building (visible in Women’s toilet). Heating provided by two (2) small forced air electric heater heaters. The gas water heater appears to be vented properly through the roof.</p> <p>Assembly room has ceiling fans to keep the air moving in this room.</p> <p>Existing gas 4-burner range has no kitchen exhaust hood or integral Ansul fire suppression system. This may put the building at risk if a grease fire were to occur.</p>
<p>PLUMBING:</p>	<p>Existing gas meter located in the building serves a gas water heater and gas 4-burner range. The water heater appears to serve both the Men’s toilet lavatory and the two (2) compartment kitchen sink located in this space. However, hot water could not be detected at the kitchen sink during our walkthrough for this otherwise properly operating fixture.</p> <p>Men’s toilet has a flush valve water closet and lavatory with cold and hot water. These fixtures appear to be functioning properly.</p> <p>Single flush valve water closet and cold water-only lavatory serve this building’s Women’s toilet. Both seem to be operating properly.</p>
<p>ELECTRICAL:</p>	<p>Panelboards appear to be modern and in good working order but are missing internal covers.</p> <p>There did not appear to be GFCI receptacles in kitchen proper or near sinks. Exterior receptacles were not GFCI type.</p>

<h1>19A</h1>	Property: La Villita		
	Historic Name: Arneson River Theater Concession building, c 1939		
Current Tenant: Leased for events			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Masonry walls are in good condition with a few cracks. Miscellaneous repairs required. Repaint.			
Roof: Metal Roof over arch way is rusting. Paint to avoid replacement. Upper roof not inspected. Canvas awning over concession area needs to be replaced. (This may be a tenant improvement, not a City improvement.			
Windows and Doors: Doors in need of painting. Only one windows; acceptable condition. Theatre stair aisles: city should maintain stone faces steps to provide safe walking surface for users. Fix broken paving at stair nosings.			
INTERIOR FEATURES			
Floors: Concrete at lower level; wood at second floor.			
Ceilings: Painted plaster. Satisfactory condition.			
Walls: Satisfactory condition.			
Air Conditioning and Heating: See engineer's comments.			
Plumbing: Functional. See engineer's comments.			
Electrical: See engineer's comments.			
Comments: Adjacent historic water fountain is not accessible.			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">19</p>	<p style="text-align: center;">Current Tenant: ARNESON RIVER THEATER CONCESSION BUILDING</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>1st Floor: Space is served by a single chilled water cooling/electric heating suspended unit ventilator. Capacities are said to be sufficient, but unit that has much rust and on it and it should be replaced. A fly fan is positioned across the doors to the outside.</p> <p>2nd Floor: Space is served by a single chilled water cooling/electric heating floor-mounted unit ventilator. Unit is said to be adequately sized for the space it serves, but it appears to be in poor condition and should be replaced.</p>
<p>PLUMBING:</p>	<p>Space is served by both a three (3) compartment sink and hand sink. Both have cold and hot water connections, but it could not be determined where hot water heater was located and hot water was not detected in the line at the time of our walkthrough. Fixtures said to drain properly.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p> <p>Exterior receptacles are not GFCI type and in some cases do not have weatherproof covers.</p>

<h1>19B</h1>	Property: La Villita		
	Historic Name: Arneson River Theater Backstage building		
	Robert HH Hugman, Architect; with later additions.		
Current Tenant: Leased for events			
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Masonry walls are in good condition with a few cracks. Miscellaneous repairs required.			
Roof: Clay tile at Original section; Roof at additions not accessible.			
Windows and Doors: Doors in need of painting. Provide typical repairs.			
INTERIOR FEATURES			
Floors: Painted Concrete at lower level; vinyl tile at second floor.			
Ceilings: Painted plaster.			
Walls: Paint and surface of walls is peeling, indicating a problem with moisture. The building is not continually heated or cooled and is closed without ventilation for days. This may result in moisture condensing on the interior walls as was found the day we visited the building			
Air Conditioning and Heating: Separate DX type unit.			
Plumbing: Functional. See Engineer's Comments			
Electrical: See Engineer's Comments			
Comments: Dressing rooms are not accessible per TAS Standards. Toilet stalls and lavatory counters not to TAS Standards. City should determine if these spaces need to meet accessibility standards, ie is it a public accommodation?			
Upper level rooms accessed by stairway that does not meet tread design requirements of IBC. Could present a liability problem for City.			
There is a re-occurring problem with the floor tile on the second floor. Vinyl tile come loose from substrate. This may indicate another moisture problem due to lack of continuous air conditioning / ventilation.			

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>ARNESON RIVER THEATRE DRESSING ROOMS</p>	<p>Current Tenant:</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Rooms have three (3) ductless split system air conditioning units to condition the spaces. These reportedly are functioning properly.</p>
<p>PLUMBING:</p>	<p>Flush valve water closets, cold water-only sink. One sink with hot and cold water does not provide hot water because the electric water heater reportedly does not work. An outdoor water fountain with remote electric chiller is said to operate properly. There were no reported leaks or drainage problems.</p>
<p>ELECTRICAL:</p>	<p>Portion of the building electrical service has recently undergone a major electrical renovation and appears to be in good working order. Exterior receptacles do not appear to be GFCI type.</p>

20

Property: La Villita

Historic Name: Dosch-Rische House, c. 1880

Current Tenant: Galleria II – Fine Arts and Crafts



GENERAL ASSESSMENT RATING

5 – Excellent 4-Good **3-Fair** 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Stone walls are in good condition with a few cracks. Miscellaneous re-pointing required.

Roof: Metal Roof appears to be in good condition.

Porch and decorative wooden brackets are in fair condition.

Windows and Doors: Wooden window frames and sash need to be reworked to repair sash weights and provide proper locking mechanisms. Doors acceptable.

INTERIOR FEATURES

Floors: Wooden Floors are painted and in satisfactory condition but could be upgraded with new wooden flooring.

Ceilings: Painted plaster or Gypsum Board ceilings in good condition.

Walls: Walls are painted plaster, and partially covered by tenant's peg boards. Between the top of the pegboard and the ceiling, the plaster is flaking and delaminating in the front spaces of the house, and significant cracking and delaminating is occurring in the store room. Plaster will need to be replaced.

Air Conditioning and Heating: See Engineer's report.

Plumbing: See Engineer's report.

Electrical: See Engineer's report.

Comments:

Building is not accessible from Presa Street because of raised floor but a rear entrance, which is accessible, functions as main entrance.

Storage / mechanical room and gardener's room are apart of this structure. Both spaces are in need of new flooring and floor finish to protect historic structure, and general renovation of walls, ceilings, windows and doors. Remove unused restaurant exhaust and patch walls inside and outside.

Public Rest Rooms for Plaza Nacional are attached to this building. Rest rooms pre-date ADA and TAS standards. No "accessible" stalls. **Restrooms need to be completely renovated and brought up to TAS standards.** Ceramic tile in need of repairs or replacement. Ceilings should be replaced with durable, appropriate materials, (not suspended acoustical tile as at present.)

Repair rotted wood siding at north wall of rest rooms. Electrical panels (recessed and surface mounted) are causing the wood to rot.

Remove asphalt paving at the base of wall on north side of building; re-grade to slope away from building, and install gravel or paving on sand that allows water to evaporate from soil around limestone wall.

Re-point limestone base of building wall and re-point soft limestone walls.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">20</p>	<p>Current Tenant: GALLERIA II</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>A 1980's chilled water cooling/electric heating fan-coil is said by the tenant to provide adequate cooling and heating to this space. However, condensate or water of some kind seems to have damaged the top of the platform/plenum and may have even rotted it. This should be further investigated and repaired as necessary.</p>
<p>PLUMBING:</p>	<p>There is no plumbing other than condensate piping in this space. There were no reported problems with the condensate piping.</p>
<p>ELECTRICAL:</p>	<p>Panelboard for space located in locked adjacent storage area and does not appear to be readily accessible. Panelboard does not have internal cover and is located in a room without a permanently installed lighting fixture.</p>

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>Washroom – Between Bldgs. 20 and 21</p>	<p>Current Tenant: Public space</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>No air conditioning or heating, but abandoned in place chilled water lines in Storage Room between Women’s toilet and Space 21. Hose bibbs in lines probably indicate sediment at one time had to be bled from the chilled water lines. Ventilation only that appears to be adequate although the toilets were locked during the time of the year that the walkthrough was conducted.</p>
<p>PLUMBING:</p>	<p>Flush valve water closets in both Men’s and Women’s toilets, but two (2) water closets do not flush well (i.e., multiple flushes will be required to fully evacuate bowl contents). Wall flush valve urinals in Men’s toilet. Cold water-only lavatories in both toilets, but one (1) self-closing Men’s lavatory faucet is missing a part and is not operable.</p>
<p>ELECTRICAL:</p>	<p>Public washrooms do not appear to have egress illumination.</p>

21	Property: La Villita		
	Historic Name: New York Star Cleaning and Dye Works, c. 1911		
	Current Tenant: Scentchips		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
Walls: Exterior brick in fair condition.			
Roof: Standing seam metal in serviceable condition, Clean, inspect and paint if rust is beginning to form.			
Windows and Doors: Major repairs or replacement is required on most windows. Replace north door and large sliding door at south wall.			
INTERIOR FEATURES			
Floors: Carpet over plywood at east room; Check for deteriorated floor framing. Concrete in factory area. Acceptable for current use.			
Ceilings: Exposed wooden trusses and wooden roof decking.			
Walls: Exposed brick. Re-point all brick on inside.			
Air Conditioning and Heating: See engineer's comments.			
Plumbing: See engineer's comments.			
Electrical; See engineer's comments.			

Comments: Water infiltrates building along the north wall. Remove planting area. Waterproof base of wall/foundation and install paving on sand adjacent to wall.
Northeast corner of building has cracked and buckled, probably from ground movement caused by water. Wall needs to be rebuilt from approximately 4 feet above the floor to the roof.
Replace paving at main entrance door to create single gently sloping area to meet TAS.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">21</p>	<p>Current Tenant: SCENT CHIPS</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Existing 1980's 5-ton chilled water cooling/electric heating fan-coil reported by tenant to be sufficient since the chilled water coil was recently replaced.</p> <p>There is no hood over the electric equipment used to make the scent chips.</p>
<p>PLUMBING:</p>	<p>There is no plumbing other than condensate piping; no problems reported.</p>
<p>ELECTRICAL:</p>	<p>Panelboard appears to be in working order but is an older model and it may be increasingly difficult to acquire new circuit breaker replacements.</p> <p>Exterior junction and device boxes are held together with tape or are exposed to elements.</p> <p>Exterior receptacles are not GFCI type.</p>

22

Property: La Villita			
Historic Name: Shafer House, c. 1888			
Current Tenant: Nueva Gallery			



GENERAL ASSESSMENT RATING

5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Framed walls with wooden siding are in good condition.

Roof: Metal Roof appears to be in good condition. Some rust and should be painted.

Windows and Doors: Wooden window frames and sash, in good condition.

INTERIOR FEATURES

Floors: Wooden Floors in satisfactory condition may need refinishing. Partially covered by carpeting.

Ceilings: Combination wood boards, beaded board, and gypsum wall board. Slight water damage visible at gypsum wall board, but in good condition.

Walls: Walls are a combination of exposed, gypsum wall board and wooden boards. Good condition. Storage room has evidence on moisture damage at wooden boards.

Air Conditioning and Heating: Previous problem caused ceiling damage. Currently in functional condition.

Plumbing: See Engineer’s Comments

Electrical: See Engineer’s Comments

Comments:
Building is technically inaccessible because of a larger than allowed threshold at rear door. Easily corrected.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">22</p>	<p style="text-align: center;">Current Tenant: NUEVA STREET GALLERY</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Existing chilled water cooling/electric heating capacities said by tenant to be sufficient for this 1980's chilled water cooling/electric heating fan-coil, but mildew appears on outside of the unit and adjacent visible ductwork. System does not bring in any outside air. Condensate leak appears to have rotted some adjacent wood. Toilet does not have an exhaust fan.</p>
<p>PLUMBING:</p>	<p>Plumbing was recently upgraded by the addition of a kitchen sink with cold and hot water, the hot water coming from an electric hot water heater within the cabinet work. The toilet lavatory on the other side of the kitchen sink has hot and cold water. There is a water closet, too. The toilet and kitchen facilities are by far the best in the La Villita complex of buildings even if they are not handicapped-accessible.</p>
<p>ELECTRICAL:</p>	<p>Panelboard appears to be modern and in good working order but does not have adequate front access.</p> <p>Receptacles in the restroom, in the break area near sink and along the exterior are not GFCI type.</p>

23

Property: La Villita

Historic Name: Esquida-Downs-Dietrich House, c. 1845

Current Tenant: Little Studio Gallery



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: walls are in good condition with a few cracks. (completely re-pointed in 1982)
Miscellaneous re-pointing required.

Roof: Metal Roof appears to be in good condition. Some rust visible, may need repainting.

Windows and Doors: Wooden window frames and sash, and doors are acceptable.

INTERIOR FEATURES

Floors: Completely covered by tenant's carpet, condition unknown.

Ceilings: Combination painted wood boards and beaded board, in good condition.

Walls: Walls are a combination of exposed beaded board and plaster. Walls are almost completely covered by tenant's peg boards. Satisfactory condition.

Air Conditioning and Heating: Currently in functional condition. See engineer's Comments.

Plumbing: See Engineer's report.

Electrical: See Engineer's report.

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>23</p>	<p>Current Tenant: LITTLE STUDIO</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Suspended existing chilled water cooling/electric heating fan-coil unit said by tenant to be adequately sized. Condensate leaks occur occasionally.</p>
<p>PLUMBING:</p>	<p>Cold water-only sink functions properly and reportedly is without problems.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order. Exterior receptacle is not weatherproof or GFCI type.</p>

24

Property: La Villita

Historic Name: No historic name, c. 1855

Current Tenant: Vacant



GENERAL ASSESSMENT RATING

5 – Excellent 4-Good **3-Fair** 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Masonry with cement based stucco. Stucco should be tested for cement content, and if it is found to contain cement rather than lime, the stucco should be removed and replaced with lime based plaster. Crack in north wall through larger window.

Roof: Metal Roof appears to be in good condition. Rear gutter is not properly attached and therefore is not catching rainwater. Repair. Downspout is mashed so that it does not allow water to freely flow away from structure. Clean and repaint roof.

Windows and Doors: Wooden window frames and sash need to be reworked at four locations. Repair/replace rear door.

INTERIOR FEATURES

Floors: Wooden Floors in satisfactory condition. Refinish or cover to protect.

Ceilings: Beaded boards, painted. Ceiling is sagging or moving indicating possible roof rafter problem or ceiling deterioration.

Walls: Walls are a combination of exposed stone, gypsum wall board and plaster. Fair condition. Signs of rising damp in walls.

Air Conditioning and Heating: See Engineer's Comments

Plumbing: See Engineer's Comments

Electrical: See Engineer's Comments

Comments:

Building not accessible because of raised floor level at retail level. Risers greater than present code allows. Install Handrails at front entrance.

Eliminate planting beds at north side of building, including removal of large tree which could damage foundation of house. Assure proper drainage away from building on all sides.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">24</p>	<p>Current Tenant: VACANT</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Although space was vacant at the time of the walkthrough, tenant in #23 provided some history since they once occupied the space: chilled water cooling/electric heating unit said to be undersized and reportedly had frequent problems with condensate overflow.</p>
<p>PLUMBING:</p>	<p>Existing cold water-only two (2) compartment sink with Formica countertop appears to be a salvaged-from-home tenant finish-out. Water was backed up into both sink bowls on the day of our walkthrough.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p> <p>Receptacle near sink is not GFCI type.</p>

25

Property: La Villita			
Historic Name: Cirilus Gissi House, reconstructed c. 1969			
Current Tenant: Artistic Endeavors Fine Art Gallery			



GENERAL ASSESSMENT RATING

5 – Excellent 4-Good **3-Fair** 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Walls are in good condition with a few cracks. Miscellaneous re-pointing required.

Roof: Metal Roof appears to be in good condition.

Windows and Doors: Wooden window frames and sash and doors need typical repairs.

INTERIOR FEATURES

Floors: Wooden Floors in satisfactory condition but could be upgraded with new wooden flooring. Some deterioration at rear, possibly from rot or termites.

Ceilings: Gypsum wall board in good condition.

Walls: Walls are painted plaster in satisfactory condition. Mostly covered by tenant.

Air Conditioning and Heating: See Engineer’s Comments

Plumbing: See Engineer’s Comments

Electrical: See Engineer’s Comments

Comments:

Building was moved and relocated to this site c. 1969.

Building not accessible because of raised floor level at retail level. Building could be enlarged and an accessible entry created at rear.

Currently this building does not have an on-site breaker box, located inside Bolivar Hall

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">25</p>	<p>Current Tenant: ARTISTIC ENDEAVORS</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Chilled water cooling/electric heating 1980's fan-coil reported by tenant to be sufficient on average cooling days, but insufficient on extremely hot days. Fan sounds noisy even though belt has been changed.</p>
<p>PLUMBING:</p>	<p>No plumbing other than condensate drain. However, occasional backups reported due to clogged drain.</p>
<p>ELECTRICAL:</p>	<p>Building electrical originates from building 9; therefore tenant does not have local control of circuits. Tenant also concerned that it appears only two branch circuits feed lighting and receptacle loads for this building.</p> <p>Local photocell for streetlights does not work as reported by tenant. Timer for building exterior lighting does not work as reported by tenant.</p> <p>The disconnecting means for the interior air HVAC unit is located on the outside of the building and does not seem readily accessible.</p>

26

Property: La Villita			
Historic Name: Concession Building built in 1982			
Current Tenant:			



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GENERAL ASSESSMENT RATING
5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES
Walls: Plastered and painted CMU walls are in good condition.

Roof: Metal Roof appears to be in good condition

Windows and Doors: Good condition

INTERIOR FEATURES
Floors: Concrete

Ceilings: Stained wooden boards in good condition.

Walls: Painted CMU

Air Conditioning and Heating: N/A. Ceiling fan should be installed in concession area; ventilation should be installed in storage area.
Plumbing: See engineer's comments.
Electrical: See engineer's comments.

Comments:
Storage room contains shelving not in use. Room not big enough to hold all chairs and tables used in this plaza so some percentage of chairs and tables are stored outside, not under cover. Building could be expanded to south to allow for more storage area.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">26</p>	<p style="text-align: center;">Current Tenant: Maury Maverick Plaza Concession Building (1982)</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not Applicable, including any ventilation other than when windows are opened. However, operators reportedly bring portable fans to keep workers cool during warm periods; permanent ventilation for worker comfort should be considered.</p>
<p>PLUMBING:</p>	<p>Kitchen sink with hot and cold water; drain reported to work fine. Hot water provided by 6 gallon electric low-boy water heater. Cold drink ice bin drain functions, but foot pedal drain operator no longer works.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p> <p>Counter mounted receptacle near sink is not GFCI type.</p>

27

Property: La Villita

Historic Name: Rest room facility 1982

Current Tenant: Rest rooms for Maverick Plaza



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Plastered and painted CMU walls are in good condition. Repaint building.

Roof: Metal Roof appears to be in good condition

Windows and Doors: No windows. Replace two exterior doors that have deteriorated. (storage and plumbing chase.)

INTERIOR FEATURES

Floors: Unglazed Ceramic tile in restrooms

Ceilings: Stained wooden boards in good condition.

Walls: Glazed ceramic tile to 6 ft. above floor; painted CMU above. Good condition.

Air Conditioning and Heating: None; Improve ventilation.

Plumbing: See engineer’s comments.

Electrical: See engineer’s comments.

Comments:

Rest rooms were designed prior to ADA; Not to TAS Standards. Largest stalls only 41” wide with only side wall grab bars. Urinals at 24” above floor; trough type not allowed by present code. See engineer’s comments.

New signage needed.

Rest rooms should be entirely renovated to meet current standards.

Storage area behind building needs to be cleaned up and made more functional. Dispose of unused batteries; remove volunteer plant materials;

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">27</p>	<p style="text-align: center;">Current Tenant: RESTROOMS FOR MAURY MAVERICK PLAZA</p>
	<p style="text-align: center;">Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>No air conditioning or heating; however, toilets exhausted by continuously operating exhaust fan.</p>
<p>PLUMBING:</p>	<p>Toilets feature flush valve water closets that flush with adequate pressure and cold water-only lavatories. Men’s toilet has two (2) trough urinals with manual cross-handle valves (manual operation lessens chance they will be used to wash urinal). Trough urinals have been prohibited by the Plumbing Code for many years for cleanliness reasons. Accessible plumbing chase for maintenance between the toilets is a plus. Drains reportedly work satisfactorily.</p>
<p>ELECTRICAL:</p>	<p>Public washrooms do not appear to have egress illumination.</p> <p>Receptacles near sink are not GFCI type.</p>

28

Property: La Villita

Historic Name: Rest room facility 1982

Current Tenant: Rest rooms for CPS Assembly patio and Arneson Threatre



GENERAL ASSESSMENT RATING

5 – Excellent 4-Good **3-Fair** 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Walls: Plastered CMU walls are in good condition. Repaint building.

Roof: Metal Roof appears to be in good condition. Wooden ventilation features above roof are showing signs of deterioration. Gutters discharge rainwater into planting bed which is then trapped in soil under building and is contributing to the moister problems inside.

Windows and Doors: No windows. Repaint doors.

INTERIOR FEATURES

Floors: Terrazzo Floors, in fair condition but moisture, urine and mildew have stained the floors near the fixtures. Floors “cannot be kept clean” and do produce odors. Explore ways to clean, seal, and maintain terrazzo.

Ceilings: Painted beaded boards in good condition.

Walls: Patch wall in women’s room; Repaint interiors.

Air Conditioning and Heating: None; Improve ventilation. The floors were wet from condensation on the cool and humid day when this review was done, but maintenance crew says that moisture is almost always present.

Plumbing: See engineer’s comments.

Electrical: See engineer’s comments.

Comments:

Rest rooms need general upgrading. See engineer’s comments.

New signage needed.

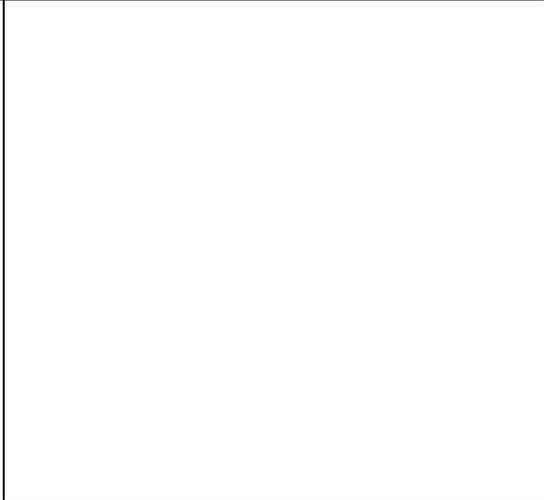
Remove planting bed on east side of building and replace with paving.

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>Washroom – Villita St.</p>	<p>Current Tenant: Public space</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>No air conditioning or heating. Continuously operating exhaust ventilation fan only.</p>
<p>PLUMBING:</p>	<p>Flush valve operated water closets and cold water-only lavatories appear to be operating properly, as to three (3) stall urinals in Men’s even though these fixtures have not been allowed by Code for many years. It appears that there are not drain problems.</p>
<p>ELECTRICAL:</p>	<p>Public washrooms do not appear to have egress illumination.</p> <p>Adjacent electrical service appeared to contain abandoned gear that has not been removed.</p>

PUBLIC SPACES Garbage and Receiving	Property: La Villita			
	Historic Name:			
				
GENERAL ASSESSMENT RATING				
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis				
EXTERIOR FEATURES				
<p>This space, located off of South Presa Street is enclosed with a plaster wall and two gates. Both gates are in functional condition. Walls have at least one vertical crack, but are serviceable. The wall should be repaired and painted. The area is paved in asphalt that is in fair condition. This space contain a trash compactor and its motor. The area is also used to store the electric-powered cart. The space is also used for parking.</p> <p>There are several large electrical panels in this area. Their functions need to be reviewed in an overall assessment of the electrical system, and then they should be removed or repaired.</p>				
Comments: The curbed area adjacent to Building #20 should be modified as described in the assessment of that building. Gates should be kept closed to conceal area from pedestrians.				

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>BOLIVAR HALL GARBAGE</p>	<p>Current Tenant: BOLIVAR HALL GARBAGE AND RECEIVING AREA</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not applicable.</p>
<p>PLUMBING:</p>	<p>Not applicable.</p>
<p>ELECTRICAL:</p>	<p>Electrical appears to be in good working order.</p>

PUBLIC SPACES JUAREZ PLAZA	Property: La Villita		
	Historic Name: Juarez Plaza, c. 1939; O'Neil Ford, architect		



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Central space is paved in colored concrete tile that were smooth faced for dancing. Tiles should be cleaned and sealed to prolong life and expose colors.

Plaza is enclosed by a limestone wall on the north and west sides. Stone and mortar in good condition but could use miscellaneous repairs. Stage at east end. Cistern/well is in fair condition above grade; condition unknown below grade.

Comments:
 Plaza is recessed into the ground, and accessed from walkway along the south side by four sets of stairs. No handrails on steps, but it is unlikely HDRC would allow adding handrails to these steps. Check history of complaints/injuries. Accessible walk is provided at southwest corner of plaza.
 Plaza lighting is thought to be inadequate. Old stage lighting inadequate. Electrical system is very old and needs improvements, possibly replacement. Electrical service for events could be better distributed for users.

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>JUAREZ PLAZA</p>	<p>Current Tenant: Public space</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not Applicable.</p>
<p>PLUMBING:</p>	<p>Not Applicable.</p>
<p>ELECTRICAL:</p>	<p>Cluster of electrical gear near Villita Street has panelboards with non-functioning breakers as reported by maintenance staff. In some cases, required working clearances in front of panelboards are not met.</p> <p>Exterior receptacles are not GFCI type.</p> <p>Portable panel near building 1 is missing an interior cover.</p>

PUBLIC SPACES KING PHILIP V STREET	Property: La Villita		
	Historic Name: King Philip V Street (Womble Alley)		



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

This narrow street creates the only direct path through la Villita in the north-south direction, and creates a direct path to the River Walk through the Arneson Theater. It is paved in a “Pigeon Blood” stone from Guadalajara, Mexico. The texture is rougher than preferred by accessibility standards. Street is lighted by lamppost fixtures.

Comments:

Trees and shrubs along the street provide shade and softness to the path, but the City must be aware that vegetation and the required irrigation can cause problems for building foundations and walls. Plant materials should be removed within five feet of structural walls where possible. Remove oleanders at building #10 and ground cover at building #23. Repave both areas with paving on sand.

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>KING PHILIP V STREET</p>	<p>Current Tenant: Public space</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not Applicable.</p>
<p>PLUMBING:</p>	<p>Not Applicable.</p>
<p>ELECTRICAL:</p>	<p>Exterior receptacles were not GFCI type.</p>

PUBLIC SPACES MAURY MAVERICK PLAZA	Property: La Villita		
	Historic Name: Maury Maverick Plaza, c. 1970		



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Largest rentable exterior space in La Villita.

Central area of Plaza is paved in a combination of pebble-finished concrete, smooth finish concrete for dancing, and D’Hanis clay tile. Areas at the north and south sides of the Plaza are paved with precast concrete pavers set on sand. (Removable pavers were selected to allow the City to relocate other endangered historic structures into this area to enclose the central Plaza.) These pavers have cracked or been crushed in some places, and have settled in other places creating trip hazards.

Center of Plaza is accented by a limestone fountain. Fountain is covered during NIOSA.

Wooden arbor on the west and north sides of plaza is serviceable, but will eventually require maintenance.

Limestone wall on east and south sides is in good condition.

Plaza contains two portable power distribution panels for use by NIOSA and other events, but electricians must connect to the panels and distribute power to various booths. Some power provided from surrounding walls.

Lighting is from a lamppost style fixtures and overhead strings of lights.

Building 26 serves as a concession building and a chair and table storage building. More chair and table storage needed. Gardener’s shed needed.

Building 27 serves as rest rooms.

Comments:

Plaza is located at a particularly important corner of La Villita directly across from the entrance to HemisFair Plaza and across from the Fairmount Hotel. However, La Villita seems to turn its back to this opportunity by presenting a wall to the adjacent city. In addition, large sidewalk with tree planters along Alamo street is greatly under-utilized. Together these two spaces hold the key to a more dynamic La Villita and Alamo Street.

PUBLIC SPACES PLAZA NACIONAL	Property: La Villita		
	Historic Name: Plaza Nacional, c. 1976		



GENERAL ASSESSMENT RATING

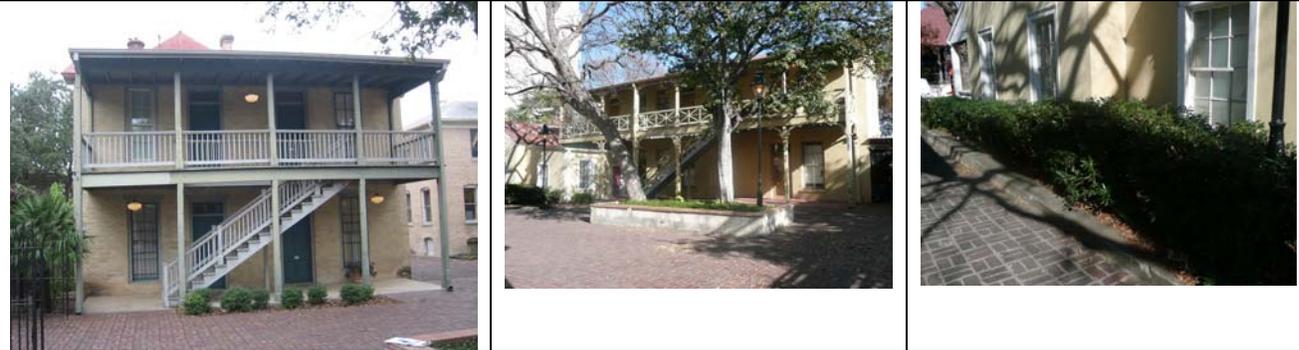
5 – Excellent 4-Good **3-Fair** 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

This Rentable courtyard is a “Z” shaded space that is virtually divided into two areas. The eastern area features a central fountain surrounded by excessively sloped paving. The western space contains a wooden arbor that is in need of repairs. Several large trees shade the spaces.

Comments:
 If possible, the fountain should be reconstructed at a lower level (or simply removed from the plaza) to allow a more evenly sloped plaza. This would require removing most of the paving in the eastern area and replacing it. The fountain is not appreciated by some users as it blocks the center of the space for other uses.
 Remove several large trees that are within five feet of historic masonry buildings. Leave remaining trees.

<p style="text-align: center;">ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p style="text-align: center;">PLAZA NACIONAL</p>	<p>Current Tenant: Public space</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not Applicable.</p>
<p>PLUMBING:</p>	<p>Not Applicable.</p>
<p>ELECTRICAL:</p>	<p>Exterior receptacles are not GFCI type.</p>

PUBLIC SPACES O'NEIL FORD PLAZA	Property: La Villita		
	Historic Name: O'Neil Ford Plaza		
			
GENERAL ASSESSMENT RATING			
5 – Excellent 4-Good 3-Fair 2 Deteriorated 1- Crisis			
EXTERIOR FEATURES			
<p>This small space is paved with a variety of materials indicative of its evolving history and La Villita's historic character. An anaqua tree and a pecan tree with a surrounding planter wall accents the center of the space.</p>			
<p>Comments:</p> <p>Some of the paving units are rougher than preferred by accessibility standards. Check to see if there is a history of falls or complaints about this paving.</p> <p>Planting materials should be removed from the west side of Building 14, as the plants and irrigation can cause deterioration of the house's wall and floors. This planter area should be repaved with brick pavers set to match the existing walkway. Set on sand so the soil can give up its moisture.</p>			

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>O'NEIL FORD PLAZA</p>	<p>Current Tenant: Public space</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not Applicable.</p>
<p>PLUMBING:</p>	<p>Not Applicable.</p>
<p>ELECTRICAL:</p>	<p>Exterior receptacles were not GFCI type.</p>

PUBLIC SPACES VILLITA STREET	Property: La Villita		
	Historic Name:		



GENERAL ASSESSMENT RATING

5 – Excellent **4-Good** 3-Fair 2 Deteriorated 1- Crisis

EXTERIOR FEATURES

Villita Street was converted from a vehicular street with curbs and sidewalks to a pedestrian street with limited vehicular access around 1969. At that time, Clay tile pavers were used to pave the sidewalks and lamppost fixtures were added. Currently, the clay tile pavers are worn and in some cases cracked. The Mexican stone used at the intersection of King Philip V Street and Villita, has faired even less well, and has cracked and has broken loose of its substrate.

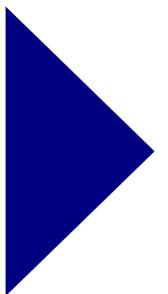
Comments:

The overall look of the street is rather boring with its flat surface and deteriorated materials. The western end of the street connects to South Presa Street with large diameter curbs suggestive of high speed roadways, when in fact traffic should be controlled and low-speed. Reducing the radii of the curbs would increase the pedestrian character and remove the large expanse of asphalt. At the Alamo Street end of the street, landscape planters and large scale plants block the view into Villita Street from the north, when the urban design should be directing pedestrians into La Villita. **The entire length of the street should be redesigned to fit with a vision of what La Villita should be in the years to come.**

<p>ESA</p>	<p style="text-align: center;"><i>MEP Engineer</i> Emil G. Swize & Associates, Inc. 1100 NW Loop 410 – Suite 460 San Antonio, Texas 78213 (210) 342-3483 Tel. (210) 342-3641 Fax.</p>
<p>VILLITA STREET</p>	<p>Current Tenant:</p>
	<p>Mechanical, Electrical, and Plumbing Report - January 28, 2008</p>
<p>AIR CONDITIONING AND HEATING:</p>	<p>Not Applicable.</p>
<p>PLUMBING:</p>	<p>Not Applicable.</p>
<p>ELECTRICAL:</p>	<p>Exterior receptacles were not GFCI type.</p>

Appendix D

San Antonio Tourism Statistics





SAN ANTONIO | 2003-2004 VISITOR PROFILE



June 2005 | D.K. Shifflet & Associates, Ltd. | Excellence in Travel IntelligenceSM



San Antonio CVB's Mission

To promote and market San Antonio as a premier visitor and convention/meeting destination for the purpose of positively affecting the city's economy.





Contents

- Highlights
- Study Background
- U.S. General Travel Trends
- U.S. Travel Volume Trends
- San Antonio Travel Volume Trends



Highlights

- 21.35 million visitors in 2004
 - Up 7% from 2002
- 9.13 million overnight leisure visitors in 2004
 - 43% of all visitors and fastest growing market segment
- Of overnight leisure visitors to San Antonio:
 - Texas residents = 76% (increased over past few years)
 - Top 5 visitor markets:
 - Houston, Dallas, Corpus Christi, Waco & Austin
 - Top trip purposes:
 - Visit friends or relatives (33%)
 - General vacation (22%)
 - Getaway weekend (22%)
 - Greatest competitive advantage in these activities:
 - Theme amusement park, visit historic site, sightseeing, shopping
 - Satisfaction and value ratings among highest of U.S. cities



PERFORMANCE/MonitorSM Methodology



Travel Definition

- Any overnight trip or any day-trip greater than 50 miles one-way

Collection of Data

- Average of 45,000 households surveyed every month
- Synovate, Inc. mail panel stratified to match U. S. census
- Returned sample is re-balanced demographically and geographically
- Key advantages of panel: high response rate, know to whom surveys are sent...from whom received, household characteristics already known



DKS&A Client List



States: Alabama, Arizona, Arkansas, California, Florida, Illinois, Indiana, Kansas, Kentucky, Louisiana, New York, Michigan, Minnesota, Mississippi, Missouri, Pennsylvania, Texas, Utah, Vermont, West Virginia and Wisconsin.

CVBs: Asheville, Atlantic City, Baltimore, Boston, Branson, Buffalo, Chicago, Cleveland, Dallas, Detroit, Hilton Head, Las Vegas, Los Angeles, Louisville, Kansas City, Kissimmee/St. Cloud, Laurel Highlands, Miami, Myrtle Beach, Nashville, New York City, Niagara Falls, Orlando, PA Dutch/Lancaster, Phoenix, Pigeon Forge, Poconos, Providence, Orlando, Salt Lake City, San Antonio, San Francisco, Savannah, Traverse City, and Tulsa.

International: British Columbia, Canadian Tourism Commission, Israel, and Ontario.

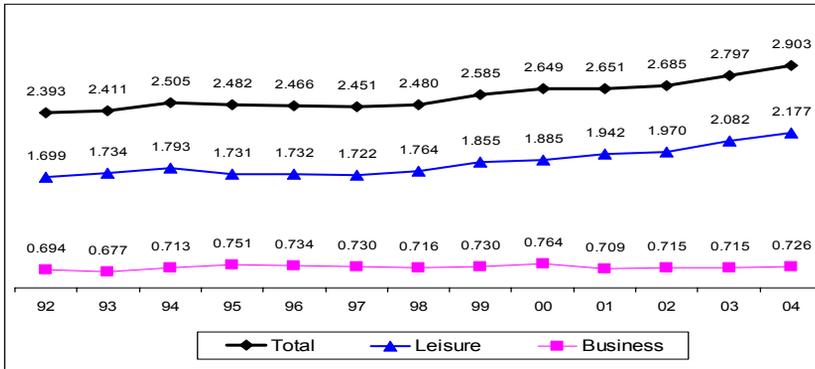
Attractions: Numerous attractions including most major theme park companies, Colonial Williamsburg Foundation.

Hotel/Motels: Cendant (8 Brands), Marriott (7 Brands), Accor (3 Brands) and Six Continents (3 Brands). Other hotel clients include Extended Stays America, Microtel Inns, Hilton, Hyatt, Radisson, Best Western, La Quinta, and Studio Plus.

Other Clients: AAA, ARDA, AVIS, Bear Stearns, Bluegreen, Discovery Communications, Enterprise Rent-A-Car, Ernst & Young, Fairfield Communities, General Electric, IAAPA, IACVB, Marriott Vacation Club, PWC, TV Guide, USA Today, and VISA USA. **DKS&A recently partnered with the Travel Industry Association of America (TIA) to be the traveler data provider for TIA's destination clients. One important product of this partnership will be a single respected source of travel volume and traveler data.**

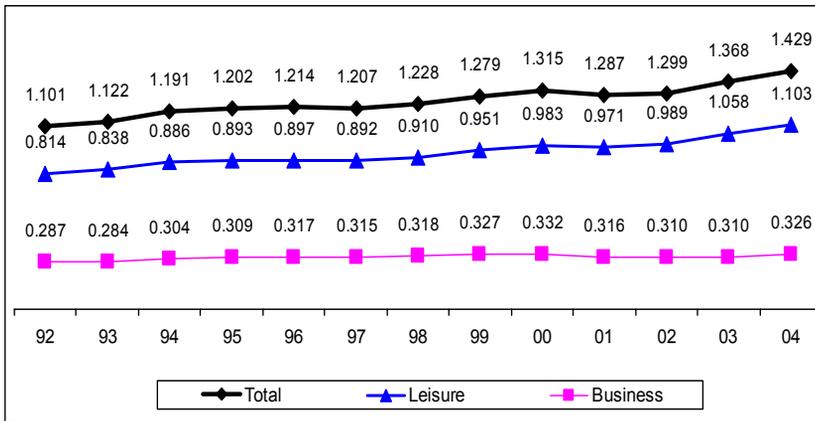
1992-2004 U.S. Visitor Volume: Business vs. Leisure billions

Person-trips, or travelers, rose throughout the 90s and reached a high of 2.90 billion in 2004. The leisure segment lead this growth by increasing each of the past 7 years; the business segment has been up and down...most recently down. Leisure's sustained growth has increased its share of total travelers to 75%. Most of the leisure growth in the past few years is from more travel parties; a small portion is from larger average party size.



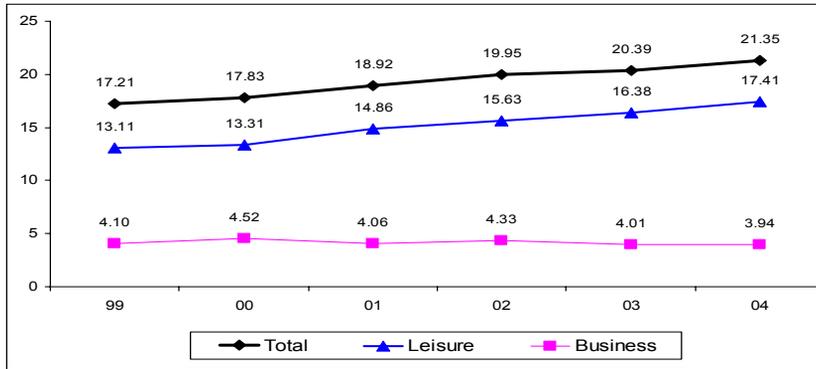
1992-2004 U.S. Overnight Visitor Volume: Business vs. Leisure billions

Overnight person-trips, or travelers has increased by more than 300 million over the past ten years to reach 1.43 billion. Most of this growth is from the leisure segment. Overnight business rebound some in 2004, but remains down from the 2000 record level of 332 million.



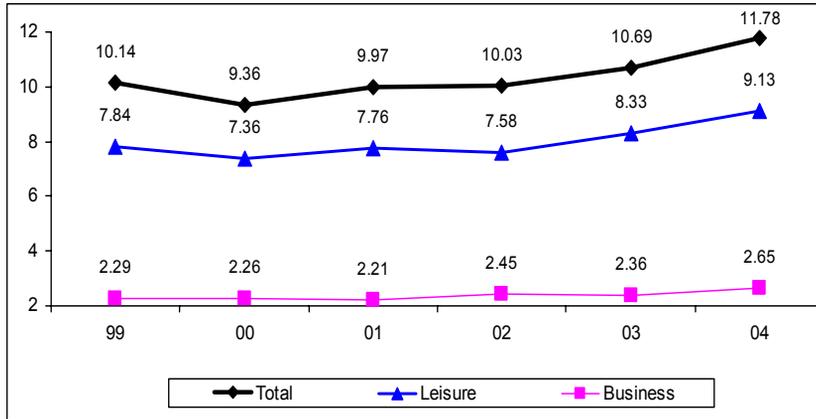
1992-2004 San Antonio Total Visitor Volume millions

San Antonio visitor volume reached a record high of 21.35 million in 2004 following consistent growth over the past seven years. This growth trend was produced by the leisure segment. Business was down in three of the last four years and is 13% lower than the 2000 record level.



1992-2004 San Antonio Overnight Visitor Volume: Business vs. Leisure billions

Overnight person-trips, or travelers has increased in four of the past five years to reach a record 11.78 million. As with U.S. overnight trends, most of this growth is from the leisure segment. Overnight business rebounded in 2004 to reach a record level of 2.65 million. San Antonio is one of a few destinations that can claim growth in the overnight business segment over the past five years.

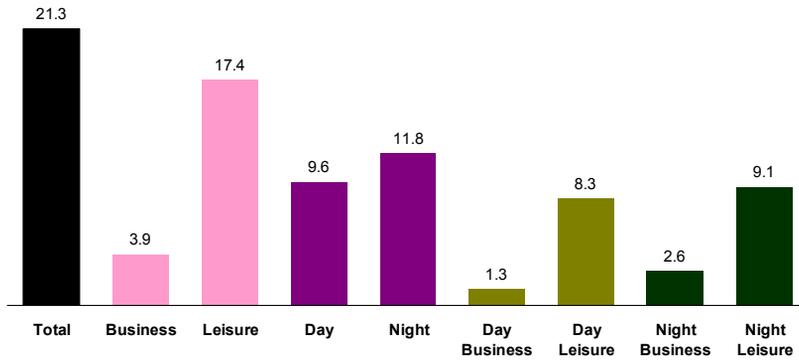




San Antonio Person-Trips Volume Summary 2004 / millions of visitors



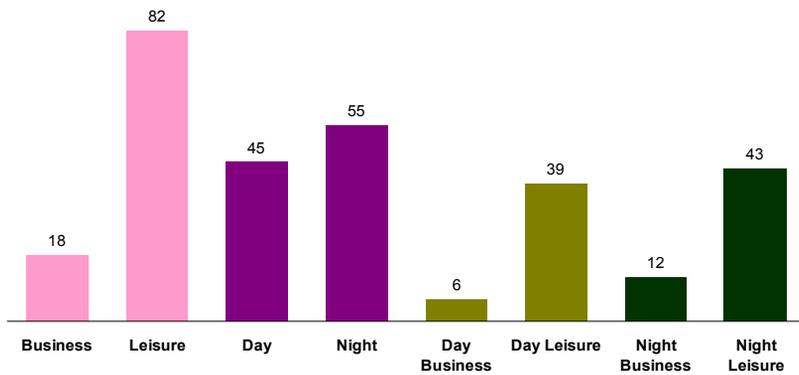
San Antonio's person-trip volume, or travelers was a record 21.3 million in 2004. All leisure segments produced record levels of travelers in 2004. Business segments were up in 2004, but remain lower than record levels several years earlier.



San Antonio Person-Trips Volume Summary 2004 / % of total visitors

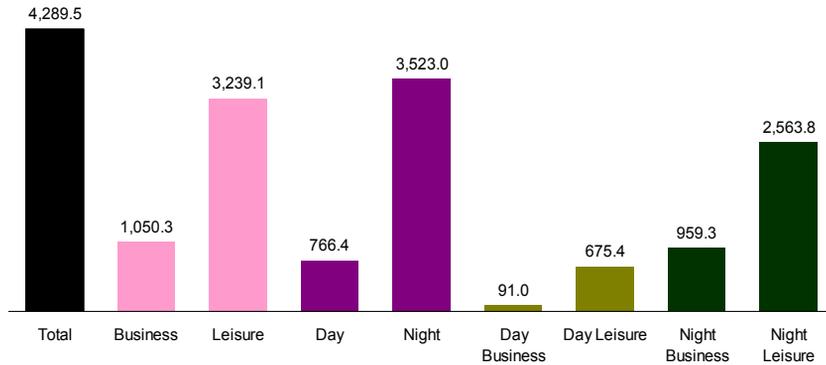


The leisure segment accounts for four out of five San Antonio travelers. Overnight visitors hold a slight edge over day trip visitors. Overnight leisure travelers--the focus of this profile--account for 43% of all travelers.



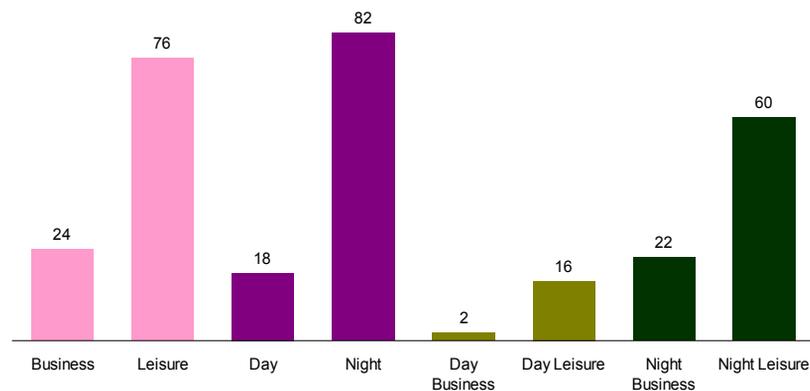
San Antonio Spending Summary 2004 / \$millions

This chart summarizes San Antonio traveler spending for each of the travel segments discussed in this report. Visitor spending is direct spending (no indirect or induced spending impacts included) and includes spending by travelers on transportation, accommodations, food and beverage, shopping, entertainment, and other miscellaneous purchases within the destination. Visitor spending was \$4.29 billion in 2004, down slightly from the record level a few years earlier. For overnight leisure visitors average daily per person spending was \$92.



San Antonio Spending Summary 2004 / % of total spending

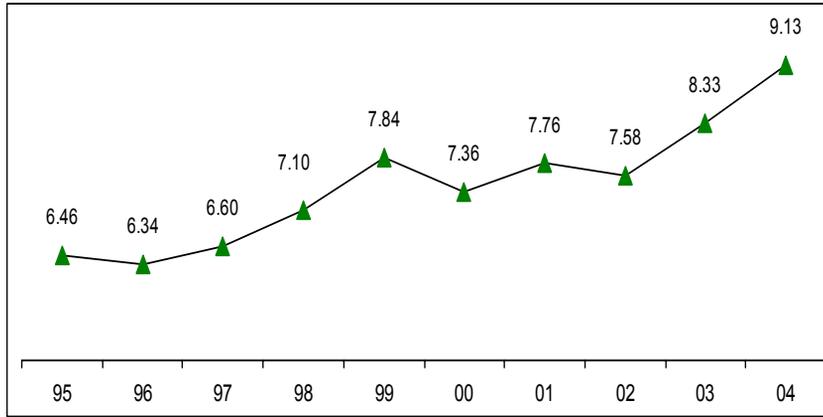
The leisure segment's domination is reduced somewhat for traveler spending because of the relatively higher spending by business travelers. Conversely, the overnight segment dominates the day segment in spending by four-to-one. Overnight leisure's proportion of total spending jumps to 60%.



San Antonio Visitor Volume

2004 / millions of overnight leisure visitors

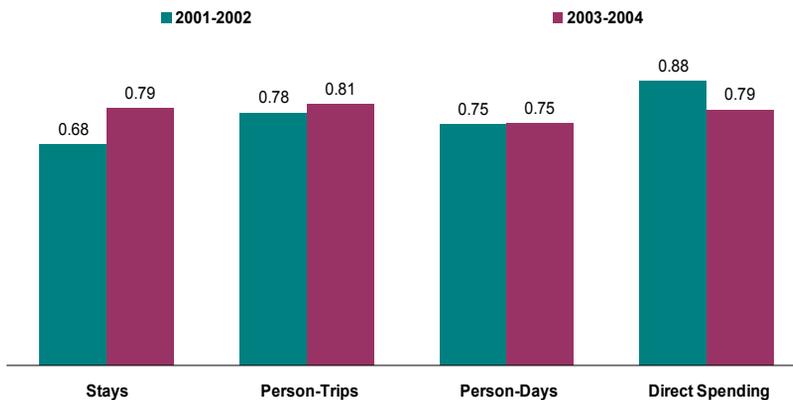
Overnight leisure visitor counts rose throughout the end of the 90s, was flat prior and post 9/11, but has provided solid growth in each of the past two years to reach a record 9.13 million travelers.



San Antonio Share of U.S. Travel

2001-2002 vs. 2003-2004 / % of overnight leisure travelers)

San Antonio's share of travel volume grew in the important measure of stays, or travel parties from the 2001-2002 to the 2003-2004 time periods. Share of total was statistically unchanged from person-trips and person-days. Share of U.S. spending declined over the period due to a lower average travel party spending level.





Top 10 Cities for Overnight Leisure Travel

2003-2004; (change from 01-02) / person-trips

1. Orlando--2.23% (UP)
2. Las Vegas (up)
3. New York (up)
4. Myrtle Beach (up)
5. Chicago (up)
6. San Diego (down)
7. Atlantic City (UP)
8. Atlanta (flat)
9. Los Angeles (flat-up)
- 10. San Antonio--0.81%(flat-up)**

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2004 San Antonio Overnight Leisure Visitor Profile

2003-2004 / % of overnight leisure person-trips

Compared to U.S. average and competitive set:

- High and growing proportion of 18-34 age group (42%).
- Correspondingly high but stable lifestage household structure of 18-34, *family*.
- Greater proportion have children in household (51%)..tied with Dallas-Ft. Worth.
- Median household income (\$65,000) is just below national average and second lowest in competitive set to Houston.
- High proportion of visitors traveling for general vacation or getaway weekend trips.
- Higher proportion of travel parties are families (37%).
- Higher average party size (2.47 people).
- Stay length (2.88 nights) is just below U.S. average and in the middle of competitive set.
- Relies more heavily on repeat visitation
- Higher proportion stay in hotels (60%)

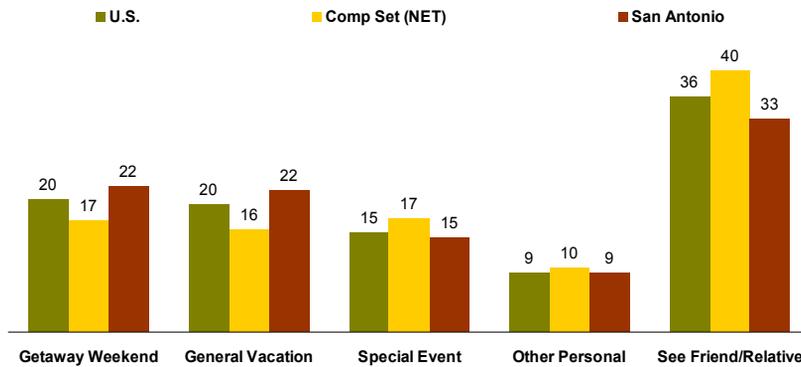
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Purpose of Stay Distribution: U.S., Competitive Set, and San Antonio

2003-2004 / % of overnight leisure person-trips

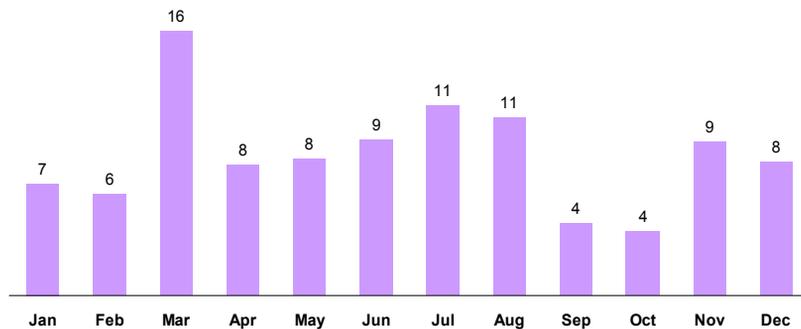
San Antonio overnight leisure travelers most often were visiting to see friends or relatives. The 2003-2004 level of 33% is higher than the previous two-year period. The level also increased for the U.S., but declined for the comp set destinations.



San Antonio Month Trip Started

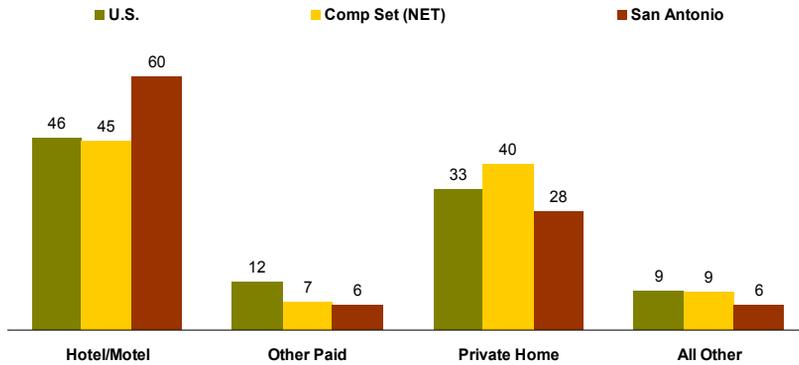
2003-2004 / % of overnight leisure person-trips

The greatest proportion of overnight leisure visitors is now in March--the proportion grew from 10% in 2001-02, to 13% in 2002-03, to 16% in 2003-04.



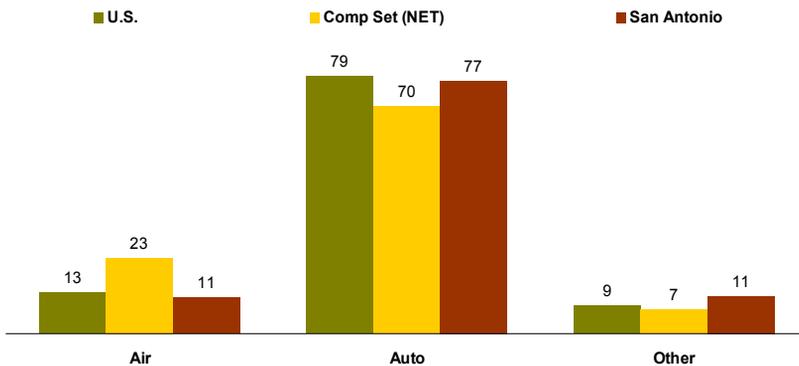
Accommodations Type: U.S., Competitive Set, and San Antonio 2003-2004 / % of overnight leisure person-trips

At 60%, paid hotel/motel proportion of overnight leisure accommodations is the highest over the last five years and much higher than the U.S. and comp set (net) averages. The exception is New Orleans at 66%.



Main Mode of Transportation: U.S., Competitive Set, and San Antonio 2003-2004 / % of overnight leisure person-trips

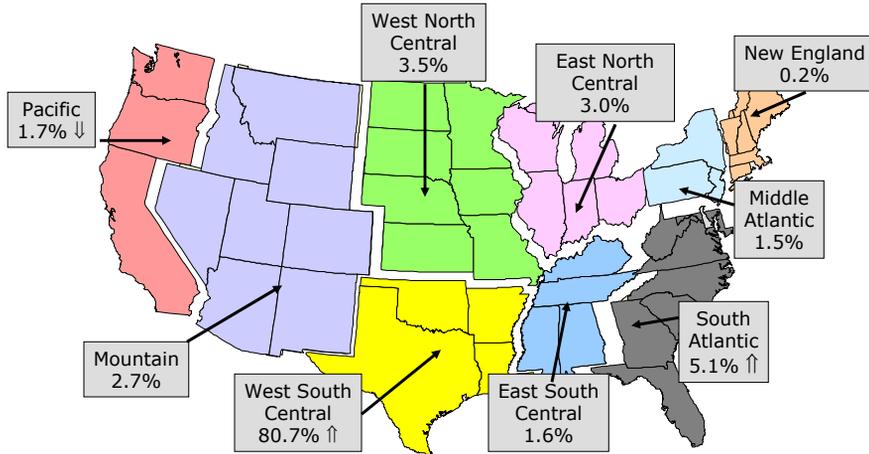
San Antonio overnight leisure visitors most often travel by auto. Air use is slightly lower than U.S. average and half the comp set (net) level. 88% of overnight leisure travelers come to San Antonio by car, truck, RV or bus.



Top Origin Regions for Overnight Leisure Travel to San Antonio

2003-2004 / % of overnight leisure person-trips

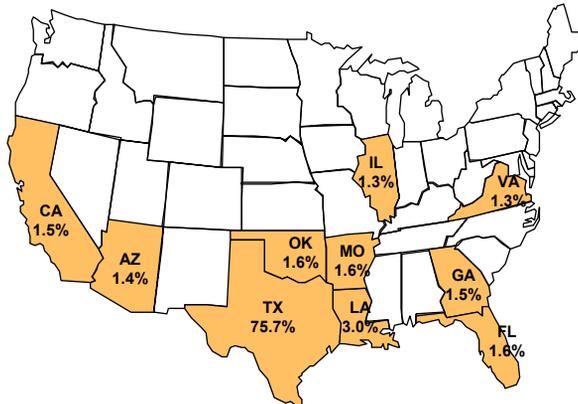
The U.S. Bureau of Census groups states into nine divisions. The bulk of San Antonio visitors come from the West South Central region.



San Antonio Top Origin States

2003-2004 / % of overnight leisure person-trips

The bulk of San Antonio overnight leisure visitors come from Texas. The top ten states produce 91% of San Antonio overnight leisure visitors.





Top Origin DMAs

% of overnight leisure person-trips

Visitor origin market data has been combined for three years--2002, 2003, and 2004--to provide better stability or reliability of the findings. The top ten markets account for about 68% of all San Antonio overnight leisure visitors.

1	Dallas-Ft. Worth	17.5%	7	Harlingen, et al.	3.3%
2	Houston	17.1%	8	Abilene	2.6%
3	Corpus Christi	7.7%	9	San Angelo	1.9%
4	Waco-Temple	6.6%	10	El Paso	1.8%
5	Austin	5.7%	11	Phoenix	1.7%
6	San Antonio	3.6%	12	Tyler	1.5%



Top Activities at the Destination

(2003-2004/% of Overnight Leisure Person-Trips)

The following two charts show activities in which visitors participated at the destination on the trip. Data are sorted in descending order by San Antonio visitors. San Antonio has participation rates well above the U.S. average on dining, sightseeing, entertainment, shopping, theme parks, and history. San Antonio, visitors are very active in terms of activity participation.

	U.S.	San Antonio	Comp Set	Dallas-Austin	Dallas-Fort Worth	Houston	New Orleans	Phoenix	San Diego
Dining ¹	31%	38%	34%	32%	33%	26%	45%	33%	39%
Sightseeing	29%	38%	31%	29%	22%	19%	55%	30%	37%
Entertainment ¹	24%	36%	28%	25%	26%	23%	35%	25%	33%
Shopping ¹	26%	35%	31%	26%	31%	30%	36%	29%	31%
Theme Park	9%	31%	12%	9%	11%	10%	7%	2%	24%
Visit Historic Site	7%	21%	7%	12%	4%	3%	21%	4%	6%
Night Life	9%	14%	14%	19%	13%	10%	42%	8%	10%
Museum, Art Exhibit	5%	7%	6%	9%	4%	10%	9%	4%	5%
Natl./ State Parks	10%	6%	6%	8%	5%	2%	5%	9%	8%
Concert/Play/Dance	5%	4%	6%	9%	8%	6%	7%	4%	4%

¹ These activities are based on minimum spending levels. All other activity incidence is based on activities selected from a list.



Top Activities at the Destination (continued)

(2003-2004/% of Overnight Leisure Person-Trips)



The remaining activities are enjoyed by a small proportion of San Antonio visitors.

	U.S.	San Antonio	Comp Set	Austin	Dallas-Fort Worth	Houston	New Orleans	Phoenix	San Diego
Camping	6%	4%	3%	2%	2%	2%	2%	2%	6%
Festival, Craft Fair	5%	4%	5%	4%	3%	4%	14%	4%	3%
Watch Sports	5%	3%	9%	8%	13%	7%	6%	10%	6%
Group Tour	4%	3%	5%	4%	7%	2%	7%	3%	5%
Nature, Eco-Travel	4%	2%	4%	2%	4%	5%	5%	4%	2%
Golf	3%	2%	3%	4%	1%	3%	1%	7%	2%
Hike, Bike	5%	2%	4%	6%	2%	2%	2%	4%	6%
Other Advent. Sports	3%	1%	2%	2%	2%	1%	2%	3%	2%
Gamble	8%	1%	4%	1%	1%	1%	17%	4%	5%
Beach, Waterfront	12%	1%	10%	2%	1%	5%	3%	1%	31%
Hunt, Fish	4%	1%	2%	1%	1%	1%	4%	4%	1%
Boat, Sail	3%	1%	1%	2%	1%	1%	2%	2%	1%
Consumer Shows	1%	0%	1%	2%	1%	2%	1%	1%	1%
Snow Ski	1%	0%	0%	0%	0%	0%	0%	0%	0%

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Top Destinations for Selected Activities

2003-2004 / % overnight leisure person-trips



This chart shows the destinations having the highest proportions of visitors who participated in select activities at the city destination.

Theme/Amusement Park

Avg. 9%
Min. 0% - Max 91%

- 1 Anaheim, CA
- 2 Hershey, PA
- 3 Orlando, FL
- 4 Sandusky, OH
- 5 Kissimmee, FL
- 12 San Antonio, TX (31%)**

Visit Historic Site

Avg. 7%
Min. 0% - Max. 54%

- 1 Williamsburg, VA
- 2 Washington, DC
- 3 Gettysburg, PA
- 4 Savannah, GA
- 5 St. Augustine, FL
- 19 San Antonio, TX (21%)**

Sightseeing

Avg. 29%
Min. 6% - Max 82%

- 1 Maui, HI
- 2 Honolulu, HI
- 3 Anchorage, AK
- 4 Savannah, GA
- 5 Newport, RI
- 55 San Antonio, TX (38%)**

Entertainment

Avg. 24%
Min 4% - Max 53%

- 1 Reno, NV
- 2 Las Vegas, NV
- 3 Maui, HI
- 4 Orlando, FL
- 5 Lake Tahoe
- 33 San Antonio, TX (36%)**

Night Life

Avg. 9%
Min. 0% - Max. 44%

- 1 Las Vegas, NV
- 2 New Orleans, LA
- 3 Greenville, SC
- 4 Atlantic City, NJ
- 5 Key West, FL
- 43 San Antonio, TX (15%)**

Shopping

Avg. 26%
Min. 6% - Max. 57%

- 1 Maui, HI
- 2 Anaheim, CA
- 3 Traverse City, MI
- 4 Newport, RI
- 5 Honolulu, HI
- 54 San Antonio, TX (35%)**

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1. **Alamo**
2. **River Walk**
3. Six Flags over Texas
4. San Marcos Outlet Malls
5. South Padre Island
6. **SeaWorld San Antonio**
7. State Capital
8. **Six Flags Fiesta Texas**
9. **San Antonio Zoo**
10. Padre Island National Seashore

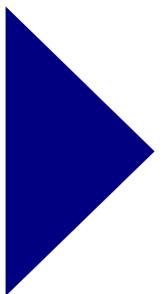
Source: Office of the Governor, Texas Economic Development & Tourism



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Appendix E

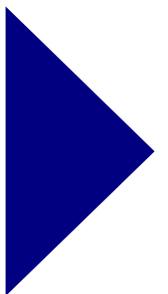
Case Studies



	Covent Garden Market, London ON	St. Lawrence Market, Toronto	Granville Island Public Market	Quartier Petit Champlain, Quebec City	Pike's Place Market, Seattle	Poble Espanyol, Barcelona	Old Town San Diego - State Park
Type	Market and retail	Market and craft	Market, shops, craft, and entertainment	Retail street - crafts	Market, shops, craft, entertainment, residential	Arts and Craft Village - paid entrance fee	Historic State Park with retail surrounded by retail streets
Size (square feet)					9 acres	530,000	
Indoor	47,500 of which 29,000 is leasable	South Building is approximately 60,000 on two floors North Building is approximately 10,000	Market building is 41,939 - other retail and commercial space is located on the island	38,000	420,000		
Outdoor	30,000	Yes	37 acres for the island				
Parking							
On-site	Yes	No	Yes but limited	No	575 on-site free parking - one hour	Yes	Yes
Free Parking on-site or nearby	Yes	No	Limited	No	Yes	Yes	Yes
Other parking details	0.5 hours on weekdays and 2 hours on weekends with validation	Discounted parking nearby	Up to 3 hours free parking				
Retail Commercial Businesses/Vendors	51	120	50 vendors and 275 businesses	50 commercial spaces - additional 10 owned privately	200 commercial businesses, 190 crafts people, 120 farmers	40 craftspeople, 22 merchants, 12 restaurants, 4 music/bars	100 commercial businesses, 10 galleries, 24 restaurants for entire area
Other Services	Up to 25 day stalls on Thurs., Sat., and some day programs	70 day stalls		38 residential apartments	300 apartment units	Plazas, schools, offices for foundations and associations, performance space	10 accommodation, museums, performing arts space
	Skating rink, TV station, community theater	Art gallery, private sector retail surrounds the market	Art school, theater, galleries, hotel	Very low turnover			
Management structure	City owned, non-profit operated	City owned and operated	Owned by Federal Government - operated by a trust	Cooperative of 40 merchants who own 26 buildings	City owned and non-profit operated as a public corporation. Overseen by 12 member Council	City owned private sector operated by PEMS AU. Contract to be renewed in 2036	State owned park managed by private sector by Delaware North. There is private sector ownership surrounding the park
					Manage 80% of properties on 9 acre site		
Tenants or Business Association			Business and Community Association traffic, safety, events, and communication	All members must pay into the cooperative	Three tenant associations - merchants, market, day stall - advocate for and serves member by providing access to professional services	Associated with Barcelona Shopping Line - a shopping axes promoted by Barcelona Tourism	Old Town Chamber of Commerce/BID provides services for the entire district
Revenue				\$2 million	\$8 million +		State Park retail: used to generate \$25m and has been reduced to less than 60%
Expenses				Give back surplus to owners	\$6 million		
Marketing budget	\$301,000	\$400,000	\$349,000	\$200,000	\$660,000 (11% of budget)		
Other financial support	Not usually but can request			No			
Visitors			12 million	2 million	10 million	1.5 million	
Rental Rates	Market rate, discount for real farmers and crafts people	Market rate, discounts for real farmers and crafts people	Market rates but able to vary depending on the desired tenancy	Market Rates plus membership of \$10,000 spread over 10 yrs	Charge market rates for businesses but able to charge less for start up businesses		Delaware North pays minimum \$2m plus percentage based on gross sales (8.5% to 9%)

Appendix F

Retailer Requirement Example



Dallas Farmers Market

Shed 2 – Vendor Package
&
Initial Application Information

November 2007

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6. Leases / Insurance Requirements	21
7. Rental Rates and Stall Layout	22
8. Shed 2 – Initial Application	25

Contents of this document, Shed 2 -Vendor Package of November 2007, replace all previous Communications, including the Shed 2 Vendor Package dated April 10, 2007 and September 2007. To reduce the burden of keeping up with changes to this package existing Shed 2 vendors and those who have submitted applications for space in Shed 2 will receive highlighted copies of the changes until the document is finalized.

This document represents a work in progress and may change.

Shed 2 Renovation, Vision and Schedule

Shed 2 at the Dallas Farmers Market was constructed in 1994 as an enclosed produce shed. In 2006 a study conducted by Boka Powell Architects recommended the approximate 26,000 sq. ft. Shed 2 be renovated to support approximately 10,000 sq. ft. of food related businesses and a “public market” to include food and food related products complimenting the open air sheds. A limited number of merchants will be permitted to sell non-food related products including home and garden gifts and other artisan products.

The Vision:

The Dallas Farmers Market will strive to create a welcoming and dynamic market place for all visitors while celebrating our unique and diverse culture along with the spirit of the American Farmer and a healthy family lifestyle. Distinctive and energetic businesses will produce, grow and sell a varied mix of food and food related products along with a number of home, garden and artisan gift items.

Visitors interested in cooking and eating will be thrilled by the inspiring displays of fresh meats, poultry, seafood, baked goods, confections, spices, fresh-cut produce or other food and food related products. The market place will offer long time Dallas favorites along with new and exciting and products. The market will bustle with customers stopping by for breakfast, lunch, or dinner and shoppers purchasing flowers or gift items for their offices or homes. Community members will bring visiting family and friends for a leisurely stroll through the marketplace and relish the unique and creative seasonal food and gift items. Commuters will stop on their way to work or home to purchase prepared food for meals or special occasions. Businesses will serve the needs of the community while offering a fascinating look into the Dallas Texas culture for tourists and visitors.

Renovation Improvements / Schedule:

A contract for renovation of Shed 2 has been bid and awarded by City Council. The renovation improvements include the addition of heat and air conditioning; upgrades to electric, gas, water, and sanitary sewer; and a centralized grease trap system. Vendors may add exhaust and fire suppressions systems needed to accommodate food service or food manufacturing. In addition, the restrooms and mechanical closet will be moved outside and upgraded with additional facilities providing a clear view of Shed 2 from Harwood Street and increasing the amount of leasable space. The proposed construction schedule follows:

Shed 2 - Construction Schedule

- | | |
|--|----------------------------|
| 1. 1st Advertise | February 7, 2007 |
| 2. 2 nd Advertise | February 14 2007 |
| 3. Pre proposal Conference / Walk thru | February 15, 2007 |
| 4. Open Proposals | April 4, 2007 |
| 5. Council Authorization | May 23, 2007 |
| 6. Notice to Proceed: start construction | July 2, 2007 |
| 7. Complete Construction | January 1, 2008 (Proposed) |

Tenant Finish Out

- | | |
|--------------------------------|----------------------------|
| 8. Tenant Finish Out Begins | January 1, 2008 (Proposed) |
| 9. Tenant Finish Out Completed | March 1, 2008 (Proposed) |

Shed 2 Opening Gala

To Be Determined

Market Analysis & Special Events Strategy

Market Analysis: The Boka Powell study indicates that Shed 2 has the ability to anchor approximately 10,000 sq. ft. of grocery, dining and specialty food uses with the adjacent residents and other downtown and citywide residents. Office employees and visitors/tourists are currently underserved by the Dallas Farmers Market and add considerable opportunity for the Dallas Farmers Market. As the DFM is repositioned it will become a catalyst for additional retail opportunities in the district

The following chart summarizes the adjacent residential development for the Dallas Farmers Market:

	Residential	Status
Camden Farmers Market (Canton St. /S. Central Exp/ Farmers Rd.)	610 Rental	Completed
Camden Townhomes – (Along Canton / E of Central)	17 Owner	Completed
Camden Lofts & Apartments (Farmers Rd)	284 Rental	Completed
2220 Canton Lofts	48 Rental	Completed
Harlan Building	5 Rental (4 office/retail)	Completed
312 S. Harwood	3 Rental	Completed
Urban Innovations Townhomes (Canton St.(North-side) & S. Central Expwy	28 Owner	Under Construction
Perry Homes Townhomes (Central Exp)	44 Owner	Under Construction
Camden future Apts (Farmers between Perry Homes and Camden Lofts)	310 Rental	Planned
Urban Innovations (4 Acre site)	119 Owner*	Planned
Total	1,260 Rental 208 Owned	Completed/Planned
Note: 967 completed units	1,468 Total	

*Developer is in process of designing new retail, office, parking and some retail for this site.

The Boka Powell study further recommends the Dallas Farmers Market seek a critical mass of retail activity, beyond Shed 2 to become a fully successful Market District. The Dallas Farmers Market is committed to partnering with private developers to make this vision a reality. Currently, plans are underway for a private developer to construct additional retail, parking, office and residential on an approximate 4 acre tract of land adjacent to the Dallas Farmers Market. This property is bounded by Canton Street, Pearl Street, Marilla Street and South Central Expressway. In addition, an existing building within the general boundaries of the Farmers Market bounded by Marilla Street, Pearl Street, Taylor Street and South Central Expressway is also considering renovation for additional retail. The Dallas Farmers Market has committed to assist these developments in anyway possible and to partner with land owners in the future to develop a successful Dallas Farmers Market District for the residents and visitors to Dallas.

The last component recommended in the Boka Powell study was to develop predicable and consistent large special events. Toward this end the Dallas Farmers Market has developed a three tiered Marketing and Special Events Strategy to promote the Market and our vendors.

Although the Dallas Farmers Market - Marketing and Special Events Strategy is comprehensive it is not designed to supplant the vendors need to develop and implement their own marketing strategies to increase sales and build their customer base. Vendors should add a specific line item in their business budget for promotions and marketing. The Dallas Farmers Market - Marketing and Special Events Strategy follows:

Marketing & Special Event Strategy

The Dallas Farmers Market will continue to seek marketing and special events to increase awareness of the Market as a destination experience for both community members and visitors:

- Two annual festivals are planned including the Farm and Flower Festival held the first weekend in June and a fall harvest festival held the last weekend in October. These events are designed to increase awareness of the Market and amplify the Market experience.
- Additional monthly events are planned to begin in Spring 2008 to highlight the spirit of the American farmer, healthy life styles and the many products available at the Dallas Farmers Market.

The Dallas Farmers Market will promote the Market however all vendors must also take an active role in promoting their products and businesses to the community.

Approved Products - Product Mix

The Product mix for Shed 2 is designed to be consistent with the core purpose of the Dallas Farmers Market – to provide fresh, local, Texas and other unique food items from the region, the United States and world. Although a preferred focus on Texas and local products is important, opportunities to “broaden the market” wherever possible will also be undertaken. It is the goal of the Market to offer as many unique products as possible.

Ground Rules:

1. All Shed 2 businesses **must** be open 7 days a week. Minimum hours of operation will be from 9:00 a.m. to 6:00 p.m. daily. Eateries and other vendors may operate on extended hours, to be approved at a later date, to accommodate breakfast and/or dinner patrons or other customers.
2. Shed 2 is not a “food court” but a marketplace where customers purchase products for use off site along with the possibility of purchasing some food products for consumption on-site.
3. Vendors may have a maximum of two (2) businesses in Shed 2 pending approval of application.
4. A few businesses will be allowed to sell “non-food” related products such as imports, garden, artisan or handcrafted products.
5. Five (5) import businesses have been identified to remain in Shed 2. No additional import businesses will be considered.
6. Businesses selling artisan or handcrafted items must demonstrate compliance with approved product guidelines for artisan / handcrafted products.
7. All vendors must outline and provide photographs of products. Additional products cannot be sold without first submitting a written proposal to the Dallas Farmers Market Administrator requesting approval and receiving a written approval. Vendors attempting to sell products not listed on their approved business plan will be required to remove unapproved products immediately.

The following product mix guidelines are included to assist vendors in identifying the types of businesses allowed in Shed 2. This listing is not all inclusive and vendors are encouraged to provide unique, creative suggestions for quality food and food related products.

All Shed 2 Vendors are encouraged to purchase products from other Market vendors. Our goal is to provide fresh, local, healthy whole food products to our customers.

- A. **Eateries (3):** Shed 2 will accommodate approximately 3 eatery spaces including one café/diner with a broad menu, and two other eateries. The Dallas Farmers Market will seek businesses interested in providing healthy, whole foods and fresh menu items. Eateries may include, but are not limited to the following:
 - (1) Mexican
 - (2) Barbecue
 - (3) Fish/ Seafood
 - (4) Pasta / Pizza
 - (5) Vegetarian
 - (6) Asian, Greek or other international foods
- B. **Specialty Foods:** The following specialty food items are suggestions and not limited to other opportunities.
 - (1) Bakery
 - (2) Two (2) meat / butcher vendors
 - (3) Deli meat and cheese case – may also provide sandwiches
 - (4) Smoothie/ juices
 - (5) Ice cream or gelato
 - (6) Coffee and Teas
 - (7) Soup and Salads
 - (8) Wine Shop

- (9) Fresh Pasta
- (10) Confections
- (11) Nuts
- (12) Fresh Herbs
- (13) Fresh Tortillas and Salsas
- (14) Fresh cut and roasted produce such as pineapples, fruits, onions, peppers etc.
- (15) Picnics with baskets or Dinners-to-Go

C. **Prepared Foods:** DFM will seek a unique balance of prepared foods and increase the number and variety of prepared foods throughout the building. The following prepared food items are suggestions.

- (1) Fine chocolate shop
- (2) Olive oil with olive oil tasting
- (3) Jams & jellies
- (4) Dressings, Mustards, Condiments, etc.
- (5) Spices

D. **Food and Kitchen Related Products:** DFM will seek a balance of other food related products including for example:

- (1) Kitchen store with kitchen products
- (2) Table cloths, napkins, dishes
- (3) Cook books
- (4) Vintage table cloths, or other kitchen items
- (5) Picnic Baskets, Tailgate party, lunch bags, lunch boxes

Permitted Handcrafted Artisan Products

The Dallas Farmer Market is not seeking additional non-food related vendors at this time.

Handcrafted and artisan products will be considered on a case-by-case basis.
Guidelines for Permitted Handcrafted Artisan Products are available upon request.

Shed 2 – Vendor Build-Out Design Standards

Goals/Purpose:

1. To establish and promote a consistently “high standard” of build out of spaces at the Market.
2. To create a unique shopping atmosphere that offers a “variety” of visually pleasing images.
3. Create an environment that stimulates vendor sales & boost revenues and conveys quality.
4. To encourage “vendor creativity and quality” in the promotion and display of their products.

Ground Rules

1. All improvements and equipment must meet applicable federal, state and local regulations including for example, City of Dallas Health Code, Fire Code, Building Codes and the American’s with Disabilities Act (ADA).
2. To assist in the process each stall / business will receive a unique address. All permitting and licenses will be addressed to you at that address.
3. All designs and improvements must be submitted in writing in advance and approved no later than 30 days prior to construction by the Dallas Farmers Market for consistency with the following design standards. This must occur prior to submitting plans for approval to the Building Inspection Departments.
4. All costs associated with build-out of leased space it the responsibility of the vendor.

Design Standards

Potential Manufactured Wall Systems:

The Dallas Farmers Market is attempting to identify a manufactured wall system to assist vendors in stall build out. In the event a wall system is identified we will notify existing Shed 2 vendors and those who have submitted applications for space in Shed 2.

Fire Code

From a Fire Protection perspective, Shed 2 is considered a Type IIB building due to the exposed structural elements. The following information is provided to assist you in understanding some of the standards required by Building Inspection as it relates to the Fire Code. Your architect or design professional will be more familiar with specific requirements needed to comply with all Building Permits.

1. Structural elements needed to construct vendor stalls can not include combustible (wood) framing or wall systems. For example, structural elements require metal framing and sheet rock or other non-combustible wall systems for construction.
2. Non-Structural elements, like shelving and displays, are considered furniture and can be constructed using wood.
3. Shed 2 does include a fire sprinkler system. Vendors adding a ceiling, as required by the health code for cooking, must hire a fire sprinkler company to develop a design and submit plans to the Fire Engineers in the Building Inspection Department for approval and permitting.
4. All exhaust hoods must include the appropriate fire suppression systems and permits.

Display Equipment (Shelving, Counters, Cases etc.)

1. Pre-manufactured or professionally designed and constructed displays are required.
2. All displays **must** be finished, i.e. painted, stained/sealed, plastic laminate etc. No unfinished wood or other unfinished materials are permitted.
3. All display equipment in food service spaces **must** meet Health Code requirements and must allow for ease of cleaning and pest control.
4. All product displays **must** be organized, “artistically” presented and well lighted.
5. Product displays can be fixed or moveable. No products are allowed to encroach into the aisles.
6. Products in outdoor areas **must** be brought back into the vendor’s space at end of each business day and secured by the vendor. Only specific spaces will accommodate this and it will be limited. Space for this purpose will be defined and vendors must comply with the space definition.
7. Dallas Farmers Market is not responsible for any loss to inventory and vendor is responsible for securing their space and products.

Product Display & Presentation Quality:

1. Vendors will be responsible for securing their own product inventory at the end of each business day.
2. Products/Displays can not generate noise or unpleasant odors that will disturb customers or other businesses. All requests to cease must be obeyed.
3. DFM reserves the right to make design recommendations & changes to vendor displays.
4. Displays can not block other vendors products or encroach into the customer circulation aisles

Vendor Space Lighting - Product Display:

1. Vendors must utilize standard overhead track lighting as their primary display lighting source.
2. The use of “custom light fixtures” must be compatible with the “vendors design theme” and be approved in advance by DFM.
3. Other accent or task lighting is acceptable as secondary display lighting only and must be integrated into the product display or equipment. (i.e. shelf lighting, table lamps etc).

Examples of acceptable lighting follow:



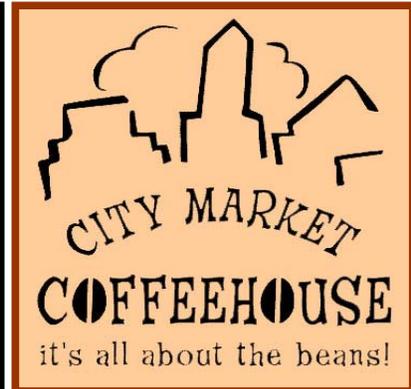
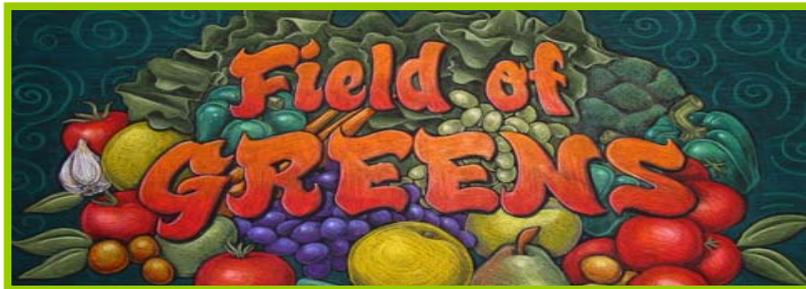
Sign & Graphics Design Standards:

1. All businesses must include a minimum of three (3) signs.
 - a. Business Name – It is suggested the business name include a reference to the type of products being sold (example: Cowboy Creamery or Pat's Picnic Baskets). Vendors are encouraged to develop a simple, appealing logo to help communicate the name of business. The business name sign can not exceed 4 feet by 2 feet.
 - b. Vendor Identification Sign - This sign includes the business name, Shed 2 address, and phone number. This sign must be 12 inches x 6 inches and no larger and include fonts no smaller than ½ inch.
 - c. **Vendor Hours** – This sign includes the days of the week and hours of operation. This sign must be at least 12 inches by 6 inches and no larger with the font sizes no smaller than 1 inch.

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2. All signage must be submitted to and approved in advance by DFM for design compliance.
3. Signage must be rigid in construction (no banners or flimsy poster board).
4. Signage must be lighted for maximum effect.
5. Signage must have a professional, high quality “artistic” image.

The following examples are provided:



Menu Boards:

1. Menu boards must follow general signage standards note above. However, the size is not defined.
2. The design, size and placement of menu boards must be submitted and approved in advance.

Examples of menu boards follow:



Vendor Stall Security:

During non-operational hours Shed 2 will be locked. Vendors will be responsible for providing their own product security at all times, including operational and non-operational hours. Cabinets, storage units and display cases that lock are recommended. Vendors may want to provide additional stall security.

Dallas Farmers Market is not responsible for any loss to inventory and vendor is responsible for securing their space and products.

Although several stall security gate systems exist one simple and attractive method is provided for your reference, although a local source has not been identified:

A heavy canvas tarp (oilcloth or coated and water proof fabric) rolled like a window shade above the stall. The tarp includes brass grommets (brass metal holes) along both sides of the tarp. Chains are then pulled through the grommets and attached to the floor or near the bottom with eye hooks and locks.

Health Code Guidelines

The following guidelines are provided to answer some of the most frequently asked questions regarding permitting, licensing and certification requirements for new or remodeled food and drink establishments. This is by no means all inclusive and **additional detailed requirements are covered in City of Dallas Chapter 17, Food and Drug Code**. This information is available from:

Training, Education and Enforcement
City of Dallas, Environmental and Health Services
Food Protection and Education Division
Department of Environmental and Health Services
7901 Goforth Rd
Dallas, TX 75238
(214) 670-8083

Construction Plans & Permitting Office:
City of Dallas, Building Inspection
320 E. Jefferson Blvd., Room LL16
Dallas, TX 75203
(214) 948-4429
Office Hours: 8 a.m. to 4:30 p.m. Monday through Friday
Permit Hours: 8:30 a.m. to 4 p.m. Monday through Friday

Texas Department of State Health Services, Food Establishment Regulations

The Texas Department of State Health Services, Food Establishment Group sets regulations and enforces food establishment laws. The City of Dallas has adopted the State regulations and, in some cases, has instituted more stringent requirements and the State relies on the City of Dallas to enforce these regulations. The City of Dallas, Environmental and Health Services Department, Food Protection and Education Division is the group responsible for this task.

Requirements for licensing, permitting and certification vary based on the type of food product and the distribution method. All vendors interested in opening a food establishment at the Dallas Farmers Market must meet with the City of Dallas, Food Protection and Education Division to clarify what is required to operate a food establishment at the Dallas Farmers Market.

For additional information on local food establishment requirements contact the City of Dallas, Food Protection and Education Division. The office is open Monday through Friday between 8:00 a.m. to 12:30 p.m. and 1:00 p.m. to 4:30 p.m.

Food Protection and Education Division
Department of Environmental and Health Services
7901 Goforth Rd
Dallas, TX 75238
(214) 670-8083

The Dallas Farmers Market will require copies of all permits, licenses and certifications required.

Food Establishments Construction Guidelines

The following summary is provided to assist in understanding some of the City of Dallas requirements for construction of food establishments. The information has been provided by the City of Dallas, Building Inspection Division and does not include all building code related issues. Questions relating to this section should be directed to:

Plan Submittal and Initial Permit Processing
320 E Jefferson; Suite 118
Dallas, Texas 75203
214/948-4480

Food Establishment Permit: Before construction of a fixed food and drink establishment, you must apply for a Food Establishment Permit at the Oak Cliff Municipal Center at 320 E. Jefferson Blvd. This application must be obtained in order to submit plans to the Building Inspection Division of the Public Works Department. Two identical sets of plan blueprints are required. Plans must show floor, fixture, equipment layout, room finish schedule, location of floor and hub drains, etc. A new facility or a facility that is not in operation must obtain approval prior to operating.

For future reference purposes only, remodeling of a food establishment requires a new application be made with the Department of Environmental and Health Services at 7901 Goforth Rd for an existing permitted facility if there is a change of ownership or extensive remodeling and/or renovation. All equipment and facilities in an existing permitted food or beverage establishment must meet requirements of the **City of Dallas Chapter 17, Food and Drug Code** if there is change of ownership, the nature of the operation changes, or the establishment is extensively remodeled/renovated. Facilities that change ownership **must** be approved within 30 days of date of application.

Extensive remodeling is defined as the expenditure of at least \$10,000.00 or an amount equal to at least 10 percent of the assessed value of the facility, whichever is more, for the purpose of repairs or remodeling.

Section I.

Plans and Permit Applications

1. New Construction: (Note: Applies to Shed 2 Vendors)

- a. Before construction of a fixed food and drink establishment, you must apply for a Food Establishment Permit at the Oak Cliff Municipal Center (320 E. Jefferson).
- b. The application must be obtained in order to submit plans to the Department of Developmental Services.
- c. Two identical sets of plan blue prints are required. Plans must show floor, fixture, equipment layout, room finish schedule, location of floor and hub drains, etc.

2. Existing and Remodel: (Note: Applies to future improvements in Shed 2)

- a. A new application must be made with the Department of Environmental and Health Services for an existing permitted facility if there is a change of ownership or extensive remodeling and/or renovation.
- b. All equipment and facilities in an **existing** permitted food or beverage establishment must meet requirements of the City of Dallas Chapter 17, Food and Drug Code if there is change of ownership, the nature of the operation changes, or the establishment is extensively remodeled or renovated.
- c. Facilities that change ownership **must** be approved within 30 days of date of application.

Section II.

Construction of Building

- a. Shed 2 will include buildings, doors, windows and utility inlets to be rodent and insect proof according to the Dallas City Code; Chapters 17 and 40.
- b. Utility lines in Shed 2 will be overhead in a utility tray. Vendors will be responsible for accessing utilities and connecting equipment in accordance with Building Codes. Utility lines are not allowed on the floor. Extension cords are not permitted.
- c. Note: Flooring in Shed 2 is graded to drain into a floor drain to prevent standing water. Any adjustments to the floor must be submitted in writing and approved prior to construction.

1. Exterior Doors

- a. Shed 2 exterior doors leading to the outside will be self-closing and tight fitting, to be effective against the entrance of insects and rodents.

2. Floors

- a. In food/beverage handling and preparation areas, utensil washing areas, and restrooms, floors must be constructed of smooth, easily cleanable impervious materials, such as smooth sealed concrete, terrazzo, ceramic, or quarry tile, and graded to trapped floor drains.
- b. Wood or absorbent materials are not permitted.
- c. Carpet will not be allowed in Shed 2.
- d. Grouting shall be non-absorbent and impregnated with epoxy, silicone or polyurethane.

3. Walls

- a. In food/beverage handling and preparation areas, utensil washing areas and restrooms sheetrock or similar type walls are to be covered with a rigid, high density, non-absorbent, smooth, light-in-color, easily cleanable material such as fiberglass-reinforced plastic panels, ceramic or quarry tiles, stainless steel, etc.
- b. Joint finishes shall be smooth and compatible with the wall finish.
- c. Walls in a dry storage area may be painted with a light color oil-based enamel or epoxy paint if no open food is present. Note: Chipping paint in these areas is a violation and will require immediate correction.
- d. Areas constructed of smooth brick, concrete block or similar masonry may be painted as stated above. Grouting must be non-absorbent and impregnated with epoxy, silicone, polyurethane or an equivalent compound.
- e. Joints between walls and floors shall be coved or radiused with appropriate materials.
- f. FRP or other plastic laminated panels **are not** recommended behind heat radiating equipment such as fryers, griddles, ranges, etc.

4. Ceilings

- a. Ceilings are required to cover structural members and must be in place over cooking and preparation areas.
- b. Construct the ceiling of a smooth, non-absorbent and easily cleanable material or T-type lay-in acoustical tiles.
- c. Ceilings must be light-in-color in the kitchen, dish wash area, over bar, wait stations and storage rooms.

5. Dressing Room

- a. A dressing room or locker area outside the food and utensil wash area is required for storage of employees clothing and personal articles.

6. Toilets

- a. Toilets will be provided in Shed 2 for both employees and customers.

7. Storage Room

- a. A separate storage room equal to approximately 25 percent of the kitchen area is recommended.
- b. Food stock and paper goods must be stored at least six inches above the floor.
- c. Wood shelving coated with light-colored, oil-based enamel paint is permitted only in dry storage rooms.

Section III.

Minimum Sink Requirements

1. Hands Wash Sinks

- a. Must be located within 25 unobstructed linear feet to handling and utensil washing areas and must be located within these work areas.
- b. A door is considered an obstruction in regards to accessibility to hand wash sinks.

2. Utility/ Mop Sinks

- a. Shed 2 will include approximately 5 utility /mop sinks to meet the Health Code requirement for stainless steel, free standing utility sink at least 14" deep on bullet legs or a curbed (34" curb height), built-in cleaning facility with a trapped drain is required in all food service establishments. The larger eateries may require additional mop sinks.
- b. A utility sink **may not** be used as a hand wash sink.

3. Utensil and Equipment Washing Sinks or utensils the customer comes into contact with

- a. are required to be **either** a three-compartment sink on bullet legs with a drain board **or**
- b. a commercial dishwasher meeting National Sanitation Foundation Standards.

4. Bar Sinks

- a. Are required to be a four compartment stainless steel sinks on bullet legs with attached drain boards.

5. Additional Utensil Washing Facilities

- a. Scrap sinks, pre-rinse, or additional pot washing sinks may be required.
- b. All spray hoses shall be properly installed with approved back siphonage devices.

6. All sinks must be provided with hot and cold running water tempered by means of a mixing valve. Metered faucets are not allowed for hand washing in food handling or dish wash areas.

Section IV

Plumbing

1. Backflow devices

- a. All plumbing fixtures and equipment shall be installed to protect against backflow and back siphonage with an air gap at least twice the diameter of the water supply inlet if not provided between the water supply inlet and the fixtures flood level or other approved devices.
- b. A hose shall not be attached to a faucet unless a backflow prevention device is installed.

2. Air Gap

- a. All food contact equipment including food preparation sinks, three compartment sink (if used as food preparation sink), ice bins, and ice machines shall be drained indirectly through an air gap to prevent back siphonage.

3. Drains - shall be located adjacent to equipment which discharges waste.

Section V

Equipment and Installation

1. Equipment

- a. All equipment must meet or exceed National Sanitation Foundation (NSF) design standards and must be mounted on six inch bullet legs, casters, completely sealed to the floor, or on a smooth concrete or masonry platform (minimum height - 2").
- b. Adequate space should be provided between the walls and fixtures or equipment to permit free access for cleaning.
- c. Food preparation equipment and food storage equipment is not allowed to be installed under open stairwells or exposed sewer lines.

2. Equipment and Utensils - must be designed and fabricated for durability under conditions of normal use and must be resistant to denting, buckling, pitting, chipping and crazing.

3. Facilities To Maintain Product Temperature - (refrigeration and hot holding units) must be provided to maintain the required temperature of potentially hazardous foods. Units should meet

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- standards for commercial use, such as NSF or equivalent. Numerically scaled thermometers must be provided for each unit.
4. **Auxiliary Equipment** - such as a water heater, remote refrigerator compressor, or air conditioner may not be located in food preparation or utensil washing areas. Automatic fire extinguisher tanks must be located outside food preparation and utensil washing areas or installed in a smooth, easily cleanable metal case.
 5. **Laundry Equipment** - (washer and dryer) shall be located in a separate room with tight-fitting, self-closing doors. If a washer is installed, a dryer is required.
 6. **Grease Traps** – **Shed 2 has 2 centralized grease traps designed into the building and will serve all sinks, dishwashers and floor drains in the food preparation areas.**
 7. **All Lighting** – Shed 2 will provide ceiling overhead lights to illuminate the general facility and walkways.
 - a. Vendors will be required to add light sources needed in areas in which food is prepared, or in which utensils are washed, shall be provided with at least 50 foot-candles of light on food preparation work levels and at utensil washing work levels.
 - b. At least 10 foot-candles of light at 30 inches above the floor shall be provided in all other areas, including storage rooms and walk in units. This shall not include dining and lounge areas except during cleaning operations. Fixtures shall be kept clean and in good repair.
 - c. Light bulbs in food preparation, storage and display areas shall be shatterproof, tuff-coated or shielded so as to preclude the possibility of broken bulbs or lamps falling into food.
 - d. Heat lamps shall be protected against breakage by a shield surrounding and extending beyond the bulb, leaving only the face of the bulb exposed.
 - e. As aforementioned, decorative lighting (i.e. neon bulbs) is required to conform to all applicable lighting requirements.
 8. **Vented Hoods** - with removable filters are required over all cooking surfaces and must comply with plumbing and mechanical codes. City codes allow two types of exhaust hoods. Type 1 hoods are to be installed where cooking appliances produce grease or smoke, as occurs with griddles, fryers, broilers, ovens, ranges and wok ranges. Type 1 hoods require fire suppression systems. Type 11 hoods are to be installed where cooking or dishwashing appliances produce heat or steam and do not produce grease or smokes as occurs with steamers, pasta cookers and dishwashing machines. These definitions do not include all requirements; vendors must confirm hood requirements with Building Inspectors prior to installation.
 9. **Ice Machines** - or other food preparation equipment must be installed in an area approved for food preparation and must provide adequate ventilation that complies with all. Plumbing/mechanical codes. Ice machines and ice storage bins must be supplied with a 1" minimum air gap between the drain lines and the sewer system.
 10. **Domestic refrigerators, dishwashers or ranges are not approved for use in commercial food establishments.**
 11. **Food Contact Surfaces** - shall be constructed of non-corrosive materials such as stainless steel, anodized aluminum, etc. Painted surfaces, laminated wood or galvanized materials are not allowed.
 12. **Non-Food Contact Surfaces** - which are exposed to splash, food debris, or which require frequent cleaning, must be smooth, washable, free of unnecessary ledges, projections, or crevices, and must be constructed of such material and in good repair to be easily cleaned.
 13. **Exposed Wood or Particle Board in food preparation, utensil-washing areas or in walk-in refrigerators is not permitted.** (Exception: hard rock maple or equivalent non-absorbent material may be used for cutting blocks, boards, salad bowls or baker's tables). Formica and similar plastic laminates may be used to cover shelving, serving counters and other fixtures **not** subject to heavy soiling or splash.
 14. **Poisonous Substances** - Provisions must be made for storing pesticides, cleaning agents, caustics, acids, or other poisonous substances in separate cabinets identified for such storage.
 15. **Bars, Wait Stations, Buffet Lines, Customer Self-serve areas, and Exhibition/Demonstration displays** - are considered food preparation and food handling areas and must meet all City of Dallas Chapter 17, Food and Drug Code guidelines.

Dallas City Code Chapter 17 requires that a valid food service manager is required at time of permit approval.

Dallas City Code Chapter 17 requires that all defects be corrected prior to approval of health permit.

Application and Permit Fees:

- a. Pre inspection \$50
- b. Plan Review \$150
- c. Application fee \$ 350
- d. Annual Permit fee Greater than 2,000 sq. ft. \$425
- e. Second facility (in the same building) \$350
- f. Less than 2,000 sq. ft. \$300
- g. Second facility (in the same building) \$250

**City Of Dallas
Plans & Permitting Site Evaluation and Contact Form**

1. Make planning approval or permit submission to:	
a. Name of Department:	<p>Plan Review and Consultation 320 E Jefferson Suite 105 Dallas, Texas 75203 214/948-4480</p> <p>Plan Submittal and Initial Permit Processing 320 E Jefferson Suite 118 Dallas, Texas 75203 214/948-4480</p> <p>Environmental & Health Services Food & Protection and Education (additional permits and pre-inspection) 7901 Goforth Rd Dallas, Texas 75238 214/670-8083</p>
b. Name of Contact:	<p>Cynthia Hardage, Plans & Permitting 214/948-4255</p> <p>Samuel James, Plans & Permitting 214/948-4131</p>
c. Phone number(s)	<p>Food & Protection and Education 214-670-8083 Building Inspection (RM 105) 214-948-4480 Fire Inspection 214-670-4319 Building Permit Center (RM 118)</p>
d. Cost of Health Permits & Plan Review	<p>Health Permit \$350.00 Plan Review 150.00 Total \$550.00</p>

2. Submission Requirements	
a. New or Remodeled existing food establishment. (Health application is required)	Must submit two copies of blueprints to the Building Permit Center. Plans will be reviewed, stamped and corrections will be noted. Additional corrections may be required following an onsite inspection.
b. Submit cut sheets for all equipment related to receiving, storing/holding, preparing and distributing all food. (Kitchen equipment plan and finish schedules required)	Must be submitted and processed with the above requirement
c. Submit a copy of the proposed menu, expected number meals served and expected operating hours.	Must be submitted and processed with the above requirement.
d. A Pre-inspection Site Evaluation is available for a fee of \$50.00. Payable at 7901 Goforth, Dallas, TX 75238	A plan's inspector will note all violations to bring facility into good standing with Dallas Health codes.
3. Code Requirements	
a. Authority	Ord. 20026 Ch. 17 Retail Food, Ch. 19 Health and Sanitation, Ch. 30 Noise, Ch. 40 Rat Control, Ch.41 Smoking, Ch. 42A Special Events, Ch. 50 Street Vending, Ch. 51A-4.603 Use of a conveyance as a building.
b. Is a written copy of Ch. 17 (written guidelines) available?	Yes, call Food & Protection Education at 214-670-8083 or go to www.dallascityhall.org
4. Site Evaluation & General Guidelines	
a. Building and accessible openings insect & rodent proof.	All exterior doors, drive through windows and outer openings must be self-closing and tight fitting. No gaps or incomplete closings allowed.
b. Premises properly drained and free of litter.	No standing water in outside lots and a covered refuse container afforded.
c. Water supply must be from an approved source.	All plumbing must be from the city water system.
d. Floors of smooth, easily cleanable and non-absorbent material.	Sealed concrete, terrazzo tile, or ceramic tile.
e. Floors subject to grease splash, and/or flush cleaning constructed of smooth, easily cleanable and non-absorbent material sloped to a covered floor drain.	Sealed concrete, terrazzo tile, or ceramic tile.
f. Walls to be good repair and constructed of a smooth, easily cleanable and non-absorbent material in all work areas and restrooms. Walls to be light in color	Fiberglass reinforced polyester (FRP), Sealed concrete, or ceramic tile.
g. Ceilings to be good repair and constructed of a smooth, easily cleanable and non-absorbent	T-grid ceilings with acoustical tile are acceptable.

material in all work areas and restrooms. No dark ceilings are allowed in the food prep area.	
h. Equipment properly installed and drained.	All equipment must be drained to the sanitary sewer system via an approved grease trap/interceptor.
i. Ice machine located within the food service or preparation area with an approved ceiling and correctly plumbed to the floor drain.	Must provide a 1" air gap in the drain line to the floor drain to prevent backflow into ice bin.
j. Auxiliary equipment cannot be located in food preparation areas. Must be in a finished room with self-closing door.	Water heater (if in the food prep area, it requires a closet or enclosure), washing machine & dryer, etc. If only a washing machine will be used apply for dryer exemption from Health Department Manager at 214/670-8083.
k. Grease trap-if to be located outside of food preparation area, however, if located in food preparation area must be flush with floor.	Building inspection (PH: 214/948-4468) will determine correct size to install.
l. No unnecessary exposure of pipes and service lines.	No lines may be exposed in food service areas, all pipes will be enclosed and have accessibility for cleaning and maintenance.
m. Food service equipment and utensils meet design and construction standards.	Provide cut sheets- All equipment must be National Sanitation Foundation (NSF) approved. No home-style equipment allowed for commercial use.
n. Cooking equipment properly vented.	All equipment that emits grease, water vapor must be under an approved ventilation system. Determined by building inspection.
o. Lighting adequate	All lighting including recessed lights must be shielded in exposed food and utensil areas. Provide 50-foot candles in all other areas. .
p. Hot and/or Cold storage facilities adequate and properly functioning temperature devices furnished.	Thermometers must work and be placed in a conspicuous location acceptable to the inspector.
q. Water heater must be of adequate design to meet hot water requirements (120F or above) of food establishments.	To all dishwashing facilities and hand washing facilities. For sizing assistance, please call Building Inspection (214/948-4468)
5. Multiuse Utensil Washing and Sanitizing Facilities	
a. Approved 3-compartment sink with sloped drain board.	Must be stainless steel and large enough to submerge largest piece of equipment used in food preparation.
b. Provide a utility/mop sink.	Must be stainless steel or porcelain and be ∞16"L x 16"W x 14"D.
c. A curbed cleaning facility may substitute for a utility/mop sink.	Must be ∞ 16"width x 16" length x 6" depth and be made of concrete or fiberglass.

d. A 4-compartment sink may be used behind bars.	A 3-compartment sink in addition with a hand sink will be acceptable.
e. Approved dishwashing machine with adequate scrapping, pre-rinse, and drain, plus utility sink.	Automatic dish machines may be hot water (water temp. 180°F, all utensils must reach 160°F) or chemical sanitization.
f. Additional pot or produce washing sinks may be required.	Subject to extent of food preparation.
6. Additional Items	
a. Adequate storage facilities for cleaned and sanitized utensils.	
b. Restrooms to have toilets properly constructed and vented. Restrooms must have mechanical ventilation provided. Doors to be self-closing.	There is to be no exposed wood surfaces, all surfaces in a restroom to be smooth & easily cleanable, impact resistant, non-absorbent and light in color, FRP or better from floor to 4' at a minimum.
c. Tempered water through a non metered valve	Hot and cold water must be provided to restrooms. Minimum water temperature 110°F.
d. Hand washing facilities convenient to food service areas and dishwashing areas.	Hand sink coverage to all food service areas. Hand sink coverage is 25' with no obstructions, i.e., doors, walls, etc. per area. Areas must have more than 50% common openings to be considered one area.
e. Dry storage adequate for type of operation.	Based on size of kitchen, good rule of thumb is dry storage should be 20% minimum of kitchen area.
g. Facilities for storing cleaning and maintenance gear are adequate.	
h. Provision for garbage disposal adequate.	Easily cleanable and non-absorbent material, covered and dumpsters must have drain plugs in place.
I. Living and sleeping quarters separate, no animals. NOTE: The Dallas Farmers Market does not allow anyone to live on site.	No mixed-use operations are allowed. The living area must be physically separated from the food area and approved by Building Inspection. NOT ALLOWED IN SHED 2

Leases / Insurance Requirements

The Dallas Farmers Market will require leases for vendors in Shed 2. Examples of standard City of Dallas leases have been provided in the past. The Market is in the process of finalizing additional terms and conditions specific to the Dallas Farmers Market and will provide additional information when available.

Long Term Lease means any lease agreement between the City of Dallas and another party for a period greater than 1-year and requiring City Council approval.

Farmer / Grower Rental– It is the goal of the Dallas Farmers Market to encourage farmers to participate in the Dallas Farmers Market. Shed 1 is established as the Farmer / Grower shed, however, farmers, ranchers, and producers of value-added products, such as farm raised or produced meats, cheeses, and other products are also eligible to locate in Shed 2.

Day Stall Rental – The Dallas Farmers Market will not allow daily stall rentals inside Shed 2.

Dallas Farmers Market License (Currently \$250/ year)

All Dallas Farmers Market vendors shall obtain a vendor’s license from the Customer Services Office of the Dallas Farmers Market before participating in the Market. With implementation of the lease agreement, Shed 2 vendors, except those classified as farmers, will be required to provide annual vendor licenses.

Insurance Requirement

The Dallas Farmers Market will require the following types of insurance from all vendors leasing space in Shed 2 prior to operating at the Market and at least 30 days prior to any renewal dates. Please be advised the insurance requirements are under review and may change in the future. As soon as the requirements are finalized we will notify existing Shed 2 vendors and those and those who have submitted applications for space in Shed 2.

1. **Workers' Compensation** with statutory limits; **Employers Liability** with minimum limits for bodily injury: a) by accident, \$100,000 per each accident b) by disease, \$100,000 per employee with a per policy aggregate of \$500,000.
2. If vehicles will be used in the performance of services under the contract, then, **Business Automobile Liability Insurance** covering owned, hired, and non-owned vehicles, with a minimum combined bodily injury (including death) and property damage limit of \$500,000 per occurrence.
3. **Commercial General Liability Insurance** including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors and Contractual Liability with minimum combined bodily injury (including death) and property damage limits of \$1,000,000 per occurrence, \$1,000,000 products/completed operations aggregate. Additional coverage shall include: Fire Legal Liability with minimum limit of \$250,000.
4. If Alcoholic Beverages provided, then, **Liquor Liability Insurance** with minimum limit of \$1,000,000 each claim.
5. All vendors will indemnify the City and add the City of Dallas as an additional insured on policies and provide a Certificate of Insurance to the Market Administrator.

Although not required, it is recommended that all vendors purchase insurance to protect their inventory. The lease agreement will include the following language:

“The City nor its agents shall be liable or responsible for any damage that may occur due to fire, explosion, flood, power failure or any other cause, to Contractors’ business personal property, including, but not limited to goods, merchandise, equipment, or inventory that is kept in the City facility, nor to Contractors’ employee’s personal property or belongings that is at the facility.”

Rental Rates

The Dallas Farmers Market is a public institution dedicated to the principals of providing farm fresh and unique food products for customers and visitors to the Dallas Farmers Market. In this endeavor the Market will not seek profits. It is the goal of the Market to offset the costs associated with the operation, management and promotion of the Dallas Farmers Market with revenues paid by vendors, and users of the Market, plus no more than 10% reserves for unanticipated situations needing immediate attention.

The following policies relate to rental of stalls in Shed 2 of the Dallas Farmers Market.

1. Insurance and Deposit:

Vendors must provide proof of insurance and pay a deposit equal to one months rent (the deposit is at 100% of the rental amount with no discounts applied). The deposit will not be the same as the “last months rent” and will be returned after all other conditions are met for vacating the property.

2. One-Month Free Rent:

Vendors will be given one month rent-free to assist during build-out or renovation of spaces in the future.

3. Rents from January 1, 2008 thru January 1, 2011:

The market will phase the rents over a three year period, beginning January 1, 2008 to January 1, 2011. The phased rents vary based on the use of space in Shed 2. New vendors coming in during the above noted dates will benefit for the applicable remaining time period. New vendors coming in after this period will not be provided discounts.

4. No Guarantee of Exclusivity for Products:

The Market Administrator is responsible for establishing and managing the product mix for Shed 2 and although existing products will be considered in approving applicants, the Market will not provide a guarantee of exclusivity for any product.

5. Seniority:

The Market Administrator will establish a committee to review all applications and placement requests. Although the Market will continue to value existing vendors, seniority will not be the **only** basis for selection, placement or approval in Shed 2.

6. Electricity:

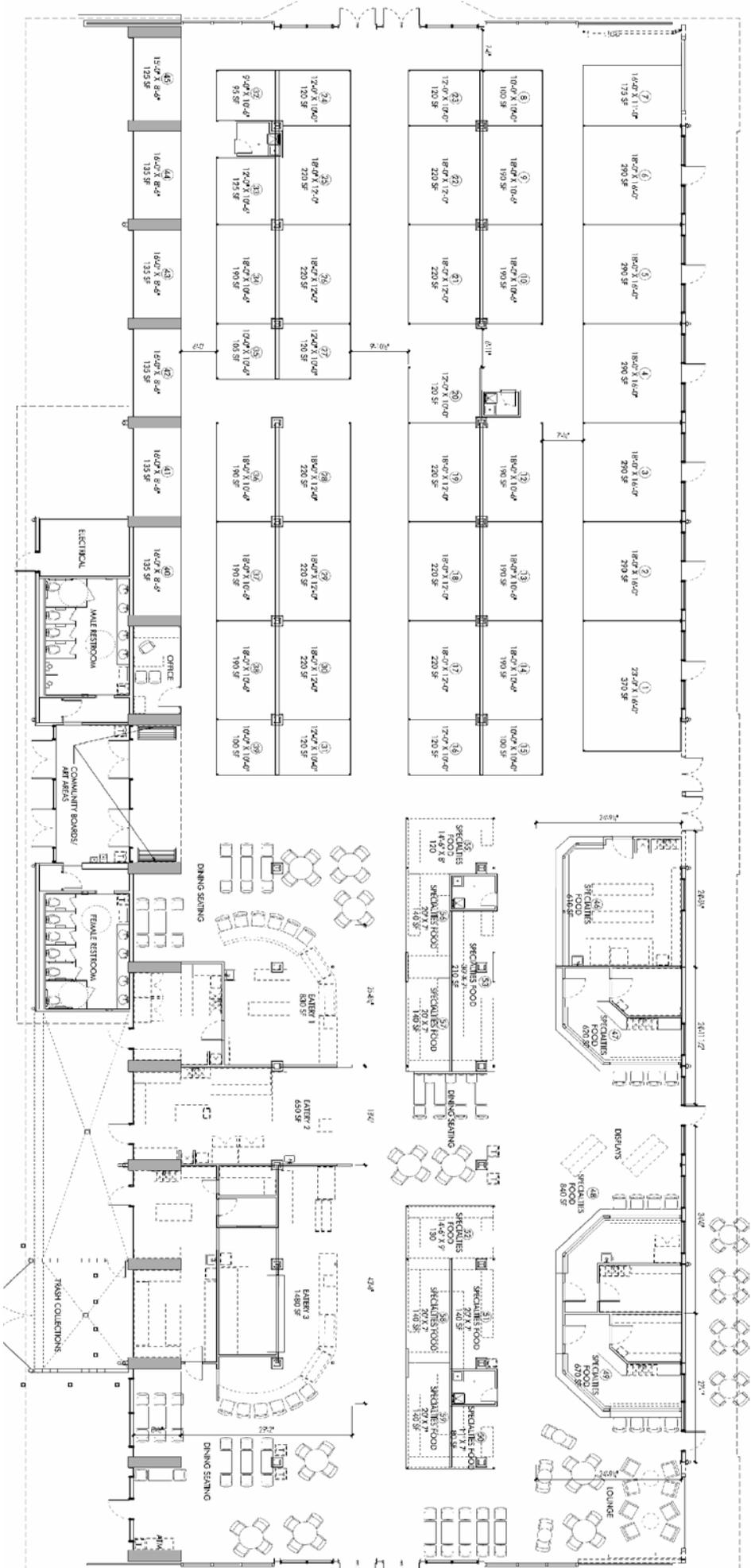
Vendors not metered separately for electricity, will be accessed a monthly utility fee for commercial food service or other equipment beyond standard retail equipment such as lighting, cash register or a personal computer. Vendors are encouraged to use Energy Star rated equipment to reduce utility costs.

The rental rates noted on the following page are established for the period between January 1, 2008 and January 1, 2011.

Shed 2 Rental Rates – Phased Over 3 Years							
Stall#	2008 Monthly Rent	2009 Monthly Rent	2010 Monthly Rent	Door & Outdoor Sales	Main Corridor	End Cap	Sewer/ Grease Trap
1	\$ 2,220	\$ 2,498	\$ 2,775	D	C	N	S
2	\$ 1,353	\$ 1,523	\$ 1,692	D			
3	\$ 1,353	\$ 1,523	\$ 1,692	D			
4	\$ 1,643	\$ 1,849	\$ 2,054	D			S
5	\$ 1,353	\$ 1,523	\$ 1,692	D			
6	\$ 1,353	\$ 1,523	\$ 1,692	D			
7	\$ 397	\$ 446	\$ 496	D			S
8	\$ 567	\$ 638	\$ 708				
9	\$ 1,013	\$ 1,140	\$ 1,267			N	S
10	\$ 1,077	\$ 1,211	\$ 1,346			N	S
12	\$ 1,077	\$ 1,211	\$ 1,346			N	S
13	\$ 1,013	\$ 1,140	\$ 1,267			N	S
14	\$ 1,013	\$ 1,140	\$ 1,267				S
15	\$ 633	\$ 713	\$ 792				S
16	\$ 840	\$ 945	\$ 1,050		C	N	S
17	\$ 1,247	\$ 1,403	\$ 1,558		C		S
18	\$ 1,247	\$ 1,403	\$ 1,558			N	S
19	\$ 1,247	\$ 1,403	\$ 1,558				S
20	\$ 760	\$ 855	\$ 950			N	S
21	\$ 1,393	\$ 1,568	\$ 1,742			N	S
22	\$ 1,247	\$ 1,403	\$ 1,558				S
23	\$ 760	\$ 855	\$ 950				S
24	\$ 760	\$ 855	\$ 950			N	S
25	\$ 1,247	\$ 1,403	\$ 1,558			N	S
26	\$ 1,247	\$ 1,403	\$ 1,558				S
27	\$ 760	\$ 855	\$ 950				S
28	\$ 1,393	\$ 1,568	\$ 1,742				S
29	\$ 1,247	\$ 1,403	\$ 1,558			N	S
30	\$ 1,247	\$ 1,403	\$ 1,558				S
31	\$ 840	\$ 945	\$ 1,050				S
32	\$ 538	\$ 606	\$ 673		C	N	S
33	\$ 667	\$ 750	\$ 833			N	S
34	\$ 1,013	\$ 1,140	\$ 1,267				S
35	\$ 595	\$ 669	\$ 744				S
36	\$ 1,077	\$ 1,211	\$ 1,346			N	S
37	\$ 1,013	\$ 1,140	\$ 1,267			N	S
38	\$ 1,013	\$ 1,140	\$ 1,267				S
39	\$ 633	\$ 713	\$ 792				S
41	\$ 306	\$ 344	\$ 383				
42	\$ 306	\$ 344	\$ 383				
43	\$ 306	\$ 344	\$ 383				
44	\$ 306	\$ 344	\$ 383				
45	\$ 283	\$ 319	\$ 354				
46	\$ 1,550	\$ 2,325	\$ 3,100				
47	\$ 1,450	\$ 2,175	\$ 2,900	D	C		S
48	\$ 1,750	\$ 2,625	\$ 3,500	D	C		S
49	\$ 1,500	\$ 2,250	\$ 3,000	D	C		S
50	\$ 560	\$ 630	\$ 700	D	C	N	S
51	\$ 840	\$ 945	\$ 1,050		C	N	S
52	\$ 867	\$ 975	\$ 1,083		C		S
53	\$ 1,096	\$ 1,233	\$ 1,370		C	N	S
55	\$ 800	\$ 900	\$ 1,000		C	N	S
56	\$ 887	\$ 998	\$ 1,108		C	N	S
57	\$ 933	\$ 1,050	\$ 1,167		C		S
58	\$ 887	\$ 998	\$ 1,108		C	N	S
59	\$ 933	\$ 1,050	\$ 1,167		C		S
60	\$ 2,250	\$ 3,375	\$ 4,500	Eatery	Eatery	Eatery	Eatery
61	\$ 1,500	\$ 2,250	\$ 3,000	Eatery	Eatery	Eatery	Eatery
62	\$ 1,875	\$ 2,813	\$ 3,750	Eatery	Eatery	Eatery	Eatery

Note: Stalls #11, #40 & 54 are not available for leasing.

Shed 2 – Conceptual Layout November 2007



Shed 2 – Vendor Application

The vendor application is divided into two parts. The Initial Application requirements are provided in this document. Upon approval of the Initial Application a more formal and detailed application will be provided for completion by the prospective vendor. Completion of the Initial Application does not guarantee acceptance as a vendor.

Purpose of Initial Application:

The Initial Application is designed to seek sufficient information for the Dallas Farmers Market to determine:

1. If proposed product mix, source of raw materials and price ranges are consistent with the Market's plans for Shed 2.
2. If the applicant's business history and experience indicate the potential for success as a vendor in Shed 2
3. If the applicants space and other facility requirements are able to be accommodated and are consistent with plans for Shed 2

All costs associated with applying to become a vendor and all costs associated with design and construction of tenant space is the sole responsibility of the applicant.

Hand written applications will not be accepted – please provide a typed or electronic version of application.

INITIAL APPLICATION

Cover Page

Today's Date:	Type of Business:
Business Name:	Day Phone:
Contact Name:	Title:
Contact Phone No.	Years with Business:
Mailing Address	
Email:	Website (if applicable):
Brief list of products you wish to offer:	

A. Description of Business / Legal Structure of Business:	
1.	Provide a short description of your business history and the number of locations where you are currently operating your business.
2.	Describe the legal structure or type of business (partnership, corporation, sole proprietor, co-op)
3.	Describe your financial strategies to fund start up costs including build out of space
B. Products or Services	
1.	Provide a listing and attach photographs of products you would like sell.
2.	Provide prices or price ranges for each type of product listed. Note: once approved vendors are not allowed to add additional products without written approval from Market Management.
3.	Describe how the product is manufactured and the source for raw materials. How will product be packaged?
4.	Describe how the product supports the goal of the Dallas Farmers Market, to provide farm-fresh, local food products whenever possible along with other unique food and food related products and a limited number of home, garden and artisan gift items:

Initial Application - Page 3

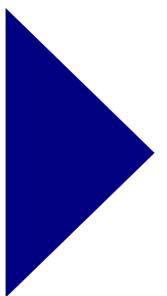
C. Personnel and Management Resources	
1.	Describe you plans to ensure sufficient staffing to operate your business in a safe, customer friendly manner.
2.	Provide a summary of your experience, skills and background that make you qualified to successfully operate this business. Attach resumes for key personnel.
D. Marketing Plan	
1.	Describe your strategy for marketing your product and building your business
2.	Describe your target customer. Who would be interested in your product?
3.	Describe seasonal or other marketing opportunities or trends that may apply to your product?
E. Space Requirements and Location Request	
1.	Using the Shed 2 Layout (found on Page 25) provide the location and stall space number(s) requested for your business.
2.	Describe conceptual plans for the types of equipment, utility needs, grease trap and exhaust/suppression hoods needed to operate your business in Shed 2 - Dallas Farmers Market.
3.	Describe or attach conceptual (not detailed) drawings/plans for proposed space at the Dallas Farmers Market in Shed 2.

Please submit your Initial Application to:

**Janel Leatherman, Administrator
Dallas Farmers Market
1010 S. Pearl Expressway
Dallas, TX 75201**

Appendix G

Sample Lease Agreements



LEASE

THIS LEASE, dated this ___ day of _____ 19__ by and between the Pike Place Market Preservation and Development Authority, a Washington public authority ("Landlord"), and ___, DBA ___("Tenant").

Landlord and Tenant do hereby agree:

SECTION 1. FUNDAMENTAL LEASE PROVISIONS

(A) Premises: The leased premises consist of ___(the "Premises") located in the building known as ___(the "Building"), and shown on the Space Plan attached hereto as Exhibit B and made a part hereof. For the purpose of this Lease, the agreed upon floor area of the Premises is ___square feet (the "Floor Area of the Premises"). The Premises constitutes a part of the Pike Place Market, which is referred to in this Lease as the "Project", and which consists of all real property owned or controlled by Landlord. The Premises may or may not be a portion of what is referred to in this Lease as a "Larger Parcel" by which term is meant any one of the complexes known in Landlord's standard usage as the "Leland", the "Fairley", and the "North Arcade" etc. The term "Floor Area of the Larger Parcel" shall mean the aggregate number of square feet (as measured by Landlord) available for the exclusive use and occupancy of Tenants within the Larger Parcel where the Premises are located. The "Floor Area of the Building" is ___ square feet. The Building is located on the real property described in Exhibit A.

(B) Lease Term: The parties anticipate that the term of this Lease shall commence on ___(the "Estimated Commencement Date"). The actual date on which the Lease Term shall commence (the "Commencement Date") shall be the earlier of (i) the date Tenant or anyone claiming under or through Tenant, first occupies any of the Premises for conduct of business, or (ii) ten days after Landlord's written notice to Tenant that the Tenant's space is available for Tenant's access to accomplish Tenant's leasehold improvements. The Lease shall be for a term of ___ "Lease Years" (defined below) following the Commencement Date, and shall expire at Midnight on the last day of the last such Lease Year, unless sooner terminated as herein provided. "Lease Year" shall mean a period of twelve (12) consecutive calendar months beginning on the first day of the first full calendar month in the Lease Term. Occupancy occurring prior to the first Lease Year is referred to herein as a "Partial Lease Month".

(C) Minimum Monthly Rent: The Minimum Monthly Rent for the Premises shall be \$___ for the first Lease Year; \$___ for the second Lease Year; and \$___ for the third Lease Year; or escalated annually per Exhibit G.

(D) Sales Based Rent Percentage: The Sales Based Rent Percentage shall be ___ percent (%) and as further defined in Exhibit M (if applicable).

(E) Consideration for Lease: \$_____, (already on hand), which shall be held through the term of this Lease.

(F) Utilities Used on the Premises: As billed pursuant to Section 14 hereof.

(G) Common Area Maintenance Charges: As billed pursuant to Sections 21, 23 and 24 hereof.

(H) Common Area Utility Charges: As billed pursuant to Sections 22, 23 and 24 hereof.

(I) Permitted Uses: The Premises shall be used for only those uses listed or described on Exhibit D and for no other purposes.

(J) Business Hours: As set forth in Exhibit E.

(K) Tenant's Trade Name: _____

(L) Tenant's Notice Address: _____

(M) Landlord's Address: PDA, Room 500, 85 Pike Street, Seattle, Washington 98101.

(N) Exhibits or Other Attachments Made a Part of This Lease:

Exhibit A-	Legal Description
Exhibit B-	Space Plan and Location
Exhibit C-	Location and Description of Permitted Signage
Exhibit D-	Permitted Uses
Exhibit E-	Business Hours
Exhibit F-	Owner-Operated Business
Exhibit G-	CPI Adjustment
Exhibit H-	Option to Renew
Exhibit I-	Sales Records
Exhibit J-	Insurance Requirements
Exhibit K-	Minimum Advertising Requirements
Exhibit L-	PDA Trademark Usage Guidelines
Exhibit M-	Artificial Breakpoint and Sales Based Percentage Rent
Exhibit N-	Customer Service Standards

(O) Exhibits or Other Attachments Deleted from or Not Applicable to This Lease:

SECTION 2. LEASE OF PREMISES

Subject to and in accordance with the covenants and conditions herein contained, Tenant leases from Landlord and Landlord leases to Tenant the Premises, together with the non-exclusive use of the Common Areas (as defined in Section 19); but excepting and reserving to Landlord the use of the exterior thereof (other than the store front of the Premises), the roof and all space above the ceiling, all space beneath the floor, and the right to install, maintain, use, and repair, relocate and replace pipes, ducts, conduits and wires leading through the Premises in locations which do not materially interfere with Tenant's use thereof.

SECTION 3. QUIET POSSESSION

Landlord covenants that subject to the terms and provisions of this Lease, if and so long as Tenant keeps and performs each and every covenant, agreement, term, provision and condition herein contained on its part to be kept or performed, then Tenant shall have and quietly enjoy the Premises without hindrance or ejection by Landlord for the Lease Term, subject to the terms of any ground and underlying leases and mortgages which now or hereafter affect this Lease as provided in Section 50 hereof.

SECTION 4. DELIVERY OF POSSESSION

In the event of Landlord's inability to deliver possession of the Premises on the Estimated Commencement Date for any reason whatsoever, Landlord shall not be liable for any damage caused thereby nor shall this Lease be void or voidable. If Landlord permits Tenant to enter into possession of the Premises prior to the Commencement Date, all of the terms and conditions of this Lease shall apply during such prior period, except for payment of Minimum Monthly Rent or Sales Based Rent as hereinafter defined.

SECTION 5. SURRENDER OF POSSESSION

Upon the expiration or other termination of the Lease Term, Tenant shall promptly and peacefully surrender the Premises to Landlord, broom clean, in good condition and repair, except for ordinary wear and tear, and Tenant shall remove all of its trade fixtures and equipment from the Premises. Any damage caused by such removal shall be repaired by Tenant at its expense.

Any trade fixtures and equipment not removed by Tenant on or prior to the expiration or earlier termination of the Lease Term shall be deemed abandoned and shall become the property of Landlord and may be removed and disposed of by Landlord without accountability to Tenant and at the sole cost and expense of Tenant. If Landlord sells such trade fixtures and equipment, Landlord may receive and retain the proceeds of such sale as the property of Landlord, and such amounts shall not be offset against other amounts due under this Lease. Tenant shall also deliver all keys belonging to the Premises to Landlord or Landlord's agent on the date the Lease expires or

otherwise terminates; provided, however, the delivery of keys to any employee or agent of Landlord shall not operate as a termination of this Lease or a surrender of the Premises.

SECTION 6. ACCESS BY LANDLORD

Landlord and its agents shall have the right to enter into and upon the Premises at all reasonable times for the purposes of inspecting, cleaning, repairing, altering, adding to, or improving the Premises or the Building, but this right shall not be construed as an agreement on the part of Landlord to perform such acts. Landlord shall have the right to show the Premises to prospective tenants for six months prior to the expiration of the lease term and to place and maintain "For Rent" signs in a conspicuous place on the Premises for thirty (30) days prior to the expiration of the Lease Term.

SECTION 7. ABANDONMENT

Tenant agrees that, in the event that Tenant fails to open for business for thirty (30) consecutive days, Landlord shall be entitled to deem the Premises abandoned. Without waiving any other rights hereunder, if Landlord deems the Premises abandoned it shall post conspicuously on the door of the Premises a notice that the Premises are deemed abandoned and mail a copy of such notice pursuant to Section 51. If Tenant fails to appear before Landlord at the offices of the PDA, personally or through a representative authorized to accept service of process, and such failure continues for ten (10) days following the posting of the notice of abandonment, Landlord shall be entitled to re-enter and retake the Premises by any reasonable means, including, without limitation, removing and/or replacing the locks. Landlord shall also be entitled to re-let the Premises, and sell any or all goods found thereon. Tenant waives any and all claims for damages based upon Landlord's re-entry, re-letting of the Premises, or sale of goods in compliance with this Section. Landlord's rights under this Section 7 are in addition to all other rights and remedies available to Landlord for breach of any provision of this Lease.

SECTION 8. HOLDOVER TENANCY

If Tenant shall retain possession of the Premises or any part thereof following the expiration or sooner termination of this Lease for any reason, Tenant shall become a tenant from month to month at a minimum monthly rental of 150% of the amount of the Minimum Monthly Rent for the last month of the Lease Term, provided that Landlord may increase such holdover rent on twenty (20) days notice. Such tenancy shall be subject to all of the conditions, provisions and obligations of this Lease insofar as the same are applicable to a month to month tenancy and shall continue until terminated by Landlord by twenty (20) days notice to Tenant or until terminated by Tenant by sixty (60) days notice to Landlord.

SECTION 9. MINIMUM MONTHLY RENT AND ADDITIONAL RENT

Tenant agrees to pay rent to Landlord, without notice or demand and without setoff or deduction, at Landlord's address set forth in Section 1, or such place as Landlord may by notice to Tenant from time to time direct, as follows:

(A) The Minimum Monthly Rent set forth in Section 1(C), in advance on the first day of each month of the Lease Term and any extensions thereof; except that (i) the first month's installment of Minimum Monthly Rent shall be paid by Tenant upon the execution of this Lease, and (ii) on the Commencement Date Tenant shall pay 1/30th of the Minimum Monthly Rent multiplied by the number of days in any Partial Lease Month.

(B) All charges other than Minimum Monthly Rent and Sales Based Rent payable by Tenant hereunder shall be deemed Additional Rent and Landlord shall have the same remedies for a default in payment of Additional Rent as for a default in the payment of Minimum Monthly Rent or Sales Based Rent. The failure of any bank to honor a check of Tenant in payment of Minimum Rent, Sales Based Rent, or Additional Rent shall be a default hereunder. The Minimum Monthly Rent, Sales Based Rent and Additional Rent (including, without limitation, any charges due under this Lease) are sometimes herein collectively referred to as "Rent."

SECTION 10. SALES BASED RENT

(A) Sales Based Rent. In addition to Minimum Monthly Rent, Tenant shall pay to Landlord, without any setoff or deduction, Sales Based Rent in an amount equal to Tenant's "Gross Sales" (defined below) during each month of the Lease Term (or any partial month occurring during the Lease Term), multiplied by the Sales Based Rent Percentage set forth in Section 1(D) above, less an amount equal to the Minimum Monthly Rent paid during such month or partial month.

(B) Payment of Sales Based Rent and Report of Gross Sales. Within twenty (20) days after the end of each calendar month during the Lease Term, including the twentieth (20th) day of the month succeeding the last month of the Lease Term, Tenant shall submit to Landlord a written report in a form acceptable to Landlord setting forth Tenant's Gross Sales for the prior month and the Sales Based Rent, if any, due for such month, together with a payment equal to the amount of such Sales Based Rent. Tenant or an officer of Tenant shall certify that such report is a true and correct statement of Tenant's Gross Sales for the applicable month. Tenant, by the twentieth (20th) day of the following month, shall furnish Landlord with a copy of each retail sales tax report which Tenant is required to make to the State of Washington, certified by Tenant to be correct.

(C) Definition of Gross Sales. The term "Gross Sales" as used in this Lease means the total amount in dollars of the actual price charged (including finance charges) whether for cash or for credit for all sales of goods, merchandise, services, gift or merchandise certificates

and all other receipts of the business of Tenant conducted in, upon or from any part of the Premises by Tenant or any other person or entity.

Gross Sales include but are not limited to sales or charges for cash, barter or on credit; sales by mechanical, electronic, computer or vending devices, including coin telephones; mail, telex, telecopier, telephone or other orders received on Premises but filled elsewhere; sales by any sublessee, concessionaire or licensee or otherwise; and sales arising from goods produced on the Premises but sold elsewhere.

Each sale upon installment, layaway or credit shall be treated as a sale for the full price in the month during which the sale is made, irrespective of when Tenant shall receive payment from its customer, and no deduction shall be allowed for uncollectible payment by customers or uncollected or uncollectible credit accounts.

Gross Sales shall not include:

- (i) returns or refunds to customers,
- (ii) the amount of any sales tax or other excise tax imposed upon sales and charges (but only if such sales taxes, excise taxes or other taxes are billed to the customer as a separate item),
- (iii) any exchange of merchandise between stores of Tenant where such an exchange is made solely for the convenient operation of a Tenant's business, and not for the purposes of consummating a sale made in, at or for the purpose of depriving Landlord of the benefit of a sale which would otherwise be made in, at or from the Premises, and
- (iv) sales of fixtures and equipment after use thereof in the business of Tenant (provided that this Section 10(C) shall not be interpreted as permitting the sale of fixtures which belong to Landlord under other provisions of this Lease or applicable law).

(D) Presumption in the Absence of Sales Reports. If Tenant fails to provide any monthly report of Gross Sales as required by this Lease, Tenant's Sales Based Rent for the month or months for which reports are not provided shall be deemed to be twenty percent (20%) of Tenant's Base Monthly Rent for such period. If subsequent accounting shows Tenant's Sales Based Rent to be greater than above, then Tenant shall pay the deficiency within fifteen (15) days. If, however, subsequent accounting shows Tenant's Sales Based Rent to be less, then no adjustment shall be made.

SECTION 11. BOOKS AND RECORDS

Tenant shall accurately record all sales. To ensure accurate recording, Tenant shall use such devices or methods as are approved and/or designated by Landlord. Tenant shall keep full and accurate books of account, records and other pertinent data showing all Gross Sales and business relating to the Premises (including the Gross Sales of any subtenant, licensee or

concessionaire), including, without limitation, all tax reports, dated cash register tapes, sales slips, sales checks, sales books, bank deposit records and other supporting data. Such books and records shall be kept for a period of three (3) years after the close of each calendar year and shall be made available to Landlord, its agents or representatives on two weeks notice. The receipt by Landlord of any statement or payment of Sales Based Rent for any period shall not bind it as to the correctness of the statement or the payment.

Landlord shall have the right at any time to have its accountants or representatives perform a preliminary examination (the "Preliminary Examination") of the statements of Gross Sales, and in connection with such Preliminary Examination to examine all Tenant's books, including all supporting data and any other records from which Gross Sales may have been determined.

Landlord shall also be entitled to have an audit (the "Audit") of Tenant's books of account, records, cash receipts and other pertinent data to determine Tenant's Gross Sales. If the Audit shows that there is a deficiency in the payment of any percentage rent, the deficiency shall become immediately due and payable. The cost of the Audit shall be paid by Landlord unless the Audit shows that Tenant understated Gross Sales for any month by more than three percent (3%), in which case Tenant shall pay all Landlord's costs of the Audit. The furnishing by Tenant of a monthly or annual statement which understates Gross Sales shall constitute a default under this Lease. The deliberate concealment or falsification of Gross Sales data in any form or manner shall constitute a non-curable default of this Lease and shall constitute grounds for immediate termination of this Lease by Landlord, without limiting Landlord's remedies hereunder.

If at any time during the Lease Term, financial statements covering the Tenant's operations are prepared, including those prepared for the purpose of obtaining loans from financial institutions, Tenant shall promptly furnish a copy of such financial statements to Landlord.

Financial information of Tenant obtained by Landlord pursuant to this Lease shall be kept confidential to the fullest extent permitted by law, except to the extent disclosure is reasonably necessary in litigation or in accordance with Landlord's reasonable business needs.

SECTION 12. LATE CHARGES

Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any master lease, mortgage, or deed of trust covering the Premises. Accordingly, if any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee by the end of business hours on the fourth day after the day such amount was due, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount or \$25.00, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment of Tenant.

Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount nor prevent Landlord from exercising any of the other rights and remedies granted hereunder including, without limitation, Landlord's option to declare that the Lease is terminated.

Where Tenant is in arrears in payment of Rent or any other charges due hereunder, Landlord shall have the right, in its sole and absolute discretion, to apply any monies received from Tenant to the overdue charges or to any amounts due hereunder, regardless of any designation of such payments made by Tenant.

SECTION 13. TAXES

On the first day of each month, Tenant shall pay to Landlord, in advance, one-twelfth (1/12) of the estimated Taxes Applicable to the Premises. "Taxes" shall mean and include all real estate taxes, assessments, governmental levies, municipal taxes, county taxes or any other governmental charge, general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind or nature whatsoever, which are or may be assessed, levied or imposed upon all or any part of the land, the Building and the sidewalks, plazas or streets in front of or adjacent thereto, including any tax, excise or fee measured by or payable with respect to any rent and levied against Landlord and any expenses incurred by Landlord in contesting any of the foregoing or assessed valuations. If, due to a future change in the method of taxation or in the taxing authority, a new or additional real estate tax or a franchise, income, transit, profit or other tax or governmental imposition, however designated, shall be levied against Landlord, the Building, and/or all or any part of the Project, or sidewalk, in addition to or in substitution for, in whole or in part, any tax which would constitute Taxes or in lieu of additional Taxes, such tax or imposition shall be deemed for purposes hereof to be included within Taxes. "Taxes Applicable to the Premises" shall mean in the case of any Building which is separately assessed, the proportion which the Floor Area of the Premises bears to the Floor Area of the Building. In the event the Premises or Building are not separately assessed but are part of a Larger Parcel for assessment purposes, "Taxes Applicable to the Premises" shall be based on the proportion which the Floor Area of the Premises bears to the Floor Area of the Larger Parcel.

Tenant shall also pay to Landlord as Additional Rent Tenant's share (based on the same proportion as is used to calculate the "Taxes applicable to the Premises") of the cost and expenses paid or incurred by Landlord for professional or other services (including but not limited to fees and expenses of consultants, attorneys, appraisers and experts) in connection with contesting Taxes or assessments or in connection with the efforts to secure lowered real estate tax assessments on the Building or Larger Parcel or to resist increased assessments. Tenant shall be liable hereunder only for such costs and expenses incurred in connection with Taxes assessed or to be assessed for tax periods occurring within the Lease Term. To the extent such costs and expenses are attributable to taxes assessed for tax periods which are only partially included within the Lease Term, Tenant's share shall be prorated. Tenant shall pay Additional Rent hereunder upon demand therefor by Landlord accompanied by suitable evidence of the amount demanded.

Tenant shall also promptly pay when due any taxes applicable to its leasehold interest and any personal property taxes levied against property of Tenant situated on the Premises directly to the appropriate taxing authority.

SECTION 14. UTILITY USAGE ON THE PREMISES

Tenant hereby covenants and agrees to pay promptly all charges for heat, light, water, sewer, garbage, pest control and for all other utilities used on or in connection with the Premises during the Lease Term. In the event the Premises are a part of a Building or Larger Parcel to which such charges are charged as a whole, then Landlord shall allocate the utility charge (including charges for Common Areas in such Building or Larger Parcel) among all or other users of such utility in such Building or Larger. Amounts allocated to Tenant (the "Direct Utility Charge") shall be paid by Tenant at the same time and in the same manner as the Minimum Monthly Rent. Any portion of the utility charge allocated to Common Areas shall be included in the Common Area Utility Charge as hereinafter defined. Common Area Utility Charges shall be governed by Sections 22 through 24 of this Lease.

SECTION 15. USE OF PREMISES AND PROJECT FACILITIES

Tenant shall use the Premises solely for the purposes set forth in this Lease and for no other purpose without obtaining the prior written consent of Landlord. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or with respect to the suitability of the Premises or the Project for the conduct of Tenant's business, nor has Landlord agreed to undertake any modification, alteration or improvement to the Premises or the Project, except as provided in writing. Tenant shall promptly comply with all laws, ordinances, orders and regulations affecting the Premises and the Project, including, without limitation, any rules and regulations that may be attached to this Lease and to any reasonable modifications to these rules and regulations as Landlord may adopt from time to time. Tenant acknowledges that, except for Landlord's obligations pursuant to this Lease, Tenant is solely responsible for ensuring that the Premises comply with any and all governmental regulations applicable to Tenant's conduct of business on the Premises, and that Tenant is solely responsible for any alterations or improvements that may be required by such regulations, now existing or hereafter adopted. Tenant will not perform any act or carry on any practices that may injure the Premises or the Project; that may be a nuisance or menace to other tenants in the Project; or that shall in any way interfere with the quiet enjoyment of such other tenants.

SECTION 16. BUSINESS HOURS

The Business Hours of Tenant's business shall be as set forth in Exhibit E hereto. The Business Hours shall consist of Mandatory Business Hours, during which Tenant must remain open for business and conduct and carry on business in the entire Premises; Optional Business Hours, during which Tenant may conduct business but shall not be required to conduct business;

and Business Closed Hours, during which Tenant's business must be closed. Landlord may, in its sole discretion, from time to time change the Business Hours for this Lease including, without limitation, modification of the hours or days of opening, on sixty (60) days prior written notice to Tenant.

Failure of Tenant to remain open for business during the Mandatory Business Hours and closed during the Business Closed Hours shall constitute a default under this Lease and may, pursuant to Section 42, result in termination of the Lease.

If Tenant fails to remain open for business as required by this Section 16, Landlord shall have, in addition to any and all remedies herein provided (including the right to declare a default hereunder), the right at its option to collect not only the Minimum Monthly Rent herein provided, but Additional Rent at the rate of one-fifteenth (1/15) of the Minimum Monthly Rent herein provided for each and every day or partial day that Tenant shall fail to conduct its business as herein provided. Said Additional Rent shall not reduce the Sales Based Rent due by reason of the actual Gross Sales made by Tenant during the times Tenant is open for business.

SECTION 17. HISTORICAL COMMISSION

The Premises are within the boundaries of the Pike Place Market Historical District (Ordinance No. 100475, as modified). Tenant hereby acknowledges receipt of a copy of the ordinance and agrees to abide by all rules and regulations of the Historical Commission now or hereafter applicable to the Premises.

SECTION 18. SIGNS

Tenant will display no lettering, sign, advertisement, notice or object (collectively, "Display") and permit no such Display in the windows or doors of the Premises or upon any exterior part of the Building, except with the prior written approval of Landlord of both the content and style of the sign. In the event Landlord approves any Display, Tenant will nonetheless remove same at the expiration or termination of the Lease and repair any damage or injury caused thereby, and if not so removed by Tenant, then Landlord may remove same and repair any damage at Tenant's expense. In the event there becomes due to the City of Seattle a charge connected with any Display of Tenant, Tenant shall pay said charge in a prompt manner directly to the City.

SECTION 19. COMMON AREAS DEFINED

"Common Areas" shall mean the landscape areas, area-ways, roads, walks, corridors, malls, public toilets, public stairs, ramps, elevators, escalators, shelters, streets, parking facilities, and any other public or semi-public facilities or improvements serving multiple premises now or hereafter constructed, owned, operated or maintained by Landlord as part of or for the benefit of the Project.

SECTION 20. USE OF COMMON AREAS

Landlord hereby grants to Tenant and to its employees, agents, customers and invitees the non-exclusive right, in common with all other occupants of the Project, whether as tenants or as owners, and their employees, agents, customers and invitees, for and during the Lease Term, to use the Common Areas as they may exist from time to time, such use to be in accordance with rules and regulations established by Landlord from time to time by notice to Tenant. Landlord shall at all times have exclusive control and management of the Common Areas and no regulation thereof shall be deemed a constructive or actual eviction or entitle Tenant to compensation or a reduction or abatement of rent. The rules and regulations established by Landlord may include limitations on the hours during which Tenant may use the Common Areas for access to the Premises. Landlord reserves the unrestricted right, without the same constituting an eviction and without incurring any liability to Tenant therefor, to make changes in the Common Areas including, but not limited to, closing off, reducing the size of, or eliminating all or a portion of the Common Areas or changing the arrangement, size, and or location of public entrances, passageways, doors and walks. Landlord shall have the right to make such changes in the plan of the Project as Landlord deems necessary and, in respect thereto, shall have the right to erect additional sales areas, buildings, or structures and planter boxes, fountains, and other landscaping devices or features and shall have the right to erect promotional and other Displays within the Common Areas as Landlord may from time to time deem desirable.

SECTION 21. COMMON AREA MAINTENANCE CHARGE (COMA)

Tenant shall pay Tenant's prorata share (calculated in accordance with Section 23) of the Common Area Maintenance Charge. The "Common Area Maintenance Charge" shall mean all costs and expenses of every kind or nature paid or incurred by Landlord by reason of its ownership, operation or maintenance of the Project (except utility charges provided for in Section 22), including, without limitation, the costs and expenses of (a) operating, maintaining, policing, and securing the Common Areas, (b) making repairs and replacements to the Common Areas, (c) liability and property insurance, (d) advertising done by Landlord for the benefit of the Pike Place Market, (e) taxes levied on the Common Areas, (f) a reasonable allowance for the depreciation of maintenance equipment used in Common Area maintenance, and (g) a management charge of fifteen percent (15%) of such gross costs and expenses. The Tenant's Prorata Share of the Common Area Maintenance Charge shall be determined pursuant to Section 23 and shall be paid pursuant to Section 24.

SECTION 22. COMMON AREA UTILITY CHARGE (CAUT)

Tenant shall pay Tenant's prorata share (calculated in accordance with Section 23) of the Common Area Utility Charge. "Common Area Utility Charge" shall mean all costs and all expenses incurred or expended for all utility services related to the Common Areas including,

without limitation, (a) heating, (b) lighting, (c) garbage, (d) pest control, and (e) a management charge of fifteen percent (15%) of such gross cost and expenses. The Tenant's prorata share of the Common Area Utility Charge shall be determined pursuant to Section 23 and shall be paid pursuant to Section 24.

SECTION 23. PRORATA SHARE OF COMMON AREA CHARGES

Landlord may calculate Tenant's prorata share of the Common Area Maintenance Charge and the Common Area Utility Charge (collectively, the "Common Area Charges") based on any of the following methods (Landlord may change methods at any time upon thirty (30) days prior written notice to Tenant):

(i) the relationship between the Floor Area of the Premises and the Floor Area of the Project; or

(ii) as a fraction of Tenant's Minimum Monthly Rent, which fraction shall be the same for all tenants in the Project during the period to which the charges apply.

Landlord may adjust the allocation of the Common Area Charges among the various buildings in the Project in order to take into account specific circumstances related to individual buildings. Landlord need not select the same method to calculate Tenant's Prorata Share of the Common Area Maintenance Charge and the Common Area Utility Charge. Landlord shall uniformly apply to all occupants within the same building the method selected to calculate the Common Area Maintenance Charge. The Landlord shall uniformly apply to all occupants within the same building the method selected to calculate the Common Area Utility Charge.

SECTION 24. PAYMENT OF THE COMMON AREA CHARGES

Tenant's prorata share of the Common Area Charges shall be considered Additional Rent and shall be paid in monthly installments on the first day of each calendar month of the Lease Term (prorated for any fractional month) in advance in an amount estimated by Landlord. Within 90 days after the end of each fiscal year, Landlord shall make available to Tenant a statement of costs and expenses paid or incurred by Landlord during such period for the Common Area Maintenance Charge and the Common Area Utility Charge. Within 120 days after the end of each fiscal year, Landlord shall rebate to Tenant any payment of Common Area Charges in excess of Tenant's actual Common Area Charges calculated pursuant to Sections 21, 22 and 23.

SECTION 25. SHOP COVENANTS

(A) Tenant acknowledges that Landlord desires to establish and maintain a high standard for the image and reputation of the Pike Place Market and that the nature, character and manner of use of the Premises and the nature and character of the occupants therein will have a

significant impact on Landlord's ability to establish and maintain the unique character and image of the Pike Place Market. Accordingly, Tenant covenants and agrees to promptly take the necessary steps to remove the cause of Landlord's dissatisfaction with respect to the following items and matters, which Tenant agrees are subject to Landlord's approval:

- (i) the architectural character, decor, design and layout of the Premises;
 - (ii) the display and decor visible from areas outside of the Premises;
 - (iii) the materials, colors, signs, finishes and furnishings used in and about the Premises; and
 - (iv) the nature, kind, and quality of merchandise and/or services offered, and the manner of merchandising, displaying, and advertising by occupants of the Premises.
- (B) Tenant further covenants and agrees that it will at its expense:
- (i) maintain personal property insurance having a limit of not less than the full replacement value of Tenant's personal property located on the Premises including, without limitation, fixtures and inventory;
 - (ii) keep the Premises clean and in a neat, sanitary condition, keep all plumbing in the Premises and sanitary systems and installations serving the Premises in a good state of repair and operating condition to the points they connect with the main vertical risers and stacks of the Building;
 - (iii) promptly replace any and all glass (including mirrors) in the Premises and in the perimeter walls thereof, the frames for such glass, and any lettering and ornamentation on such glass, which may be broken or damaged;
 - (iv) keep all portions of the Premises open for business during the Business Hours established by Landlord, with a sufficient number of employees and amount of inventory to properly service and operate the business being conducted at the Premises;
 - (v) not use, play or operate or permit to be used, played or operated any sound making or sound reproducing device in the Premises, except in such manner and under such conditions so that no sound shall be heard outside of the Premises, and Tenant covenants and agrees to comply with and adopt such means and precautions as Landlord may from time to time establish with respect thereto;
 - (vi) cause all rubbish, garbage, waste and other debris generated on the Premises to be removed to such reasonable location and in such manner as may be specified by Landlord from time to time;

(vii) not install, place or permit any awning on the perimeter walls of the Premises unless approved in writing by Landlord, and each such awning so approved shall, to the satisfaction of Landlord, be kept clean and in good order and state of repair and appearance by and at the expense of Tenant including, whenever necessary in the judgment of Landlord, the replacement of awning coverings with materials approved by Landlord; and

(viii) adhere to those rules and regulations which Landlord shall establish from time to time including, without limitation, merchandising and customer service standards.

SECTION 26. PEST CONTROL

Tenant shall operate its business in and on the Premises in such a way that no vermin will come from the Premises to other parts of the Building. Tenant will, at its own expense, keep in force a regular service contract which includes, unless waived by Landlord in writing, monthly service of the Premises, by an exterminator approved by landlord. In the event Tenant fails to contract for regular pest control services, Landlord may undertake such pest control directly and charge Tenant for the expense thereof.

SECTION 27. MERCHANDISING STANDARDS

Landlord shall be entitled to adopt, from time to time, merchandising standards setting forth minimum merchandising standards, including but not limited to methods of display, presentation, weighing, and conduct relative to purchasers. Said merchandising standards shall be effective upon thirty (30) days notice. Violation of said merchandising standards shall be deemed a default under this lease.

(A) Hawking

Tenant shall not engage or permit any employee or tenant to engage in the following:

i. Calling aloud to passers-by who have not yet expressed interest in vendor's goods or services.

ii. Advertising, demonstrating, selling, or displaying merchandise or attempting to sell goods or services outside of the leased premises and/or in the common areas without obtaining prior approval of Landlord.

iii. Other activities deemed by Landlord to routinely interfere with the ability of others to conduct business in the Pike Place Market.

(B) Sales Rules

i. No Tenant may hold a "Going Out of Business" sale without the prior written permission of Landlord.

ii. Promotion of discounts of general merchandise off regular price shall be limited to no more than six weeks in any calendar year. Any discounting in excess of this sales period will be considered deceptive merchandising.

(C) Refund/Exchange Policy

Tenant agrees to adopt and post in clear public view a written policy regarding merchandise refunds and/or exchanges.

(D) Display Guidelines

Landlord and Tenant agree that the Premises shall be considered the interior area bounded by the store walls as defined in Exhibit B of Lease attached hereto.

Landlord acknowledges that in the regular course of business, Tenant may place displays in the Common Area hallway. Tenant further agrees to any restrictions whatsoever applied by Landlord regarding such displays. Tenant also agrees to immediately remove any such displays at Landlord's request. If Tenant fails to remove displays or property from Common Area or Landlord finds Tenant's displays located outside permitted ~~said~~ display boundaries, or Tenant otherwise violates hallway display guidelines, Landlord may fine Tenant \$50 per incident and remove hallway display privileges, in addition to other remedies provided by this Lease.

SECTION 28. ADVERTISING

Tenant shall expend during each calendar month of the Lease Term an amount (the "Advertising Funds") not less than the greater of (a) one-half of one percent (.5%) of its monthly Gross Sales, or (b) three percent (3%) of its Minimum Monthly Rent, in advertising relating to the business conducted in the Premises. Tenant may elect either to (i) spend the Advertising Funds directly by purchasing newspaper or other advertising, or (ii) contribute the Advertising Funds to an advertising pool approved by PDA. Tenant shall, upon not less than ten (10) days' prior written notice, certify to Landlord in writing and provide evidence of the amounts expended by Tenant pursuant hereto.

SECTION 29. USE OF PIKE PLACE MARKET TRADEMARK

Tenant acknowledges PDA ownership and authority over use of the registered trademarks described in Exhibit L, "PDA Trademark Usage Guidelines", and agrees to observe and abide by the trademark policies and practices contained therein.

In addition, Tenant shall not use PDA Trademarks in, or as, brand identification for products of any kind without prior written permission of the PDA. This restriction includes the use of PDA Trademarks on product packaging or labeling in any way other than to identify Tenant's commercial address or Market location.

Tenant shall not use the name "Pike Place Market" or other PDA Trademarks in any way intended to derive benefit primarily from the name or mark itself, such as in souvenir materials.

Tenant is permitted to use the name "Pike Place Market" and other PDA Trademarks exclusively to identify and promote the Premises subject to this Lease, and for no other use whatsoever. Tenant shall not use PDA Trademarks in relation to commercial premises or operations of any kind outside the Market Historical District, including expansion of the business activity subject to this Lease, without prior written permission of the PDA which may be withheld in PDA's sole discretion. Such permission, if granted, shall be in the form of amendment to this Lease and will be subject to all terms and conditions contained herein including expiration, cancellation, and transfer of the Lease.

SECTION 30. MERCHANTS' ASSOCIATION

Tenant agrees that it will become and remain during the entire Lease Term a member of the Pike Place Market Merchants' Association, or such other merchants' association as Landlord may from time to time designate. The purpose of said association shall be the general furtherance of the business interests of the Pike Place Market as a whole, including advertising, promotion and special events calculated to benefit the tenants of the Pike Place Market. The association shall make its own rules and regulations with respect to such matters. Tenant shall pay monthly all charges assessed against the Tenant by the association.

SECTION 31. CARE OF PREMISES

Tenant has inspected the Premises and accepts them in their present condition, "as is" and "where is" and without warranty of any kind or nature whatsoever. Tenant will at all times maintain and preserve the Premises, including but not limited to interior walls and wall coverings, floors and floor coverings, and fixtures in good order, condition and repair, reasonable wear and tear excepted. Tenant shall use the Premises and the Common Areas only in accordance with reasonable business standards and practices. Tenant will not permit or commit waste, damage, or injury to the Premises or cause any such waste, damage, or injury to the Common Areas. In addition, Tenant will at all times maintain the gas, steam, sewer and water pipes up to, but not beyond, the point at which such pipes connect with Tenant's Premises and the premises of other tenants. Tenant shall maintain all pipes and plumbing fixtures on Tenant's Premises, other than any pipes that run through Tenant's Premises without being used by Tenant. If Tenant operates any type of food service business, it shall clean out all grease traps at least monthly and, upon request of Landlord, shall provide evidence of such periodic maintenance acceptable to Landlord, which may

include copies of current service contracts. All maintenance and repairs to be performed by Tenant shall be at Tenant's sole cost and expense.

If Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. In the event Tenant fails to commence such work within ten (10) days of notice and to diligently prosecute it to completion, then Landlord shall have the right, at its option, and in addition to all other remedies, and without waiving Tenant's default, to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly on demand. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work.

All work performed in maintenance and repair of Tenant's fixtures or Leased Premises and/or Building including but not limited to roof top HVAC equipment shall be subject to prior approval of Landlord. All work shall comply with construction specification as then provided by Landlord. Tenant, or its contractors or their representatives, agents or employees performing such work, shall have relevant licenses and expertise, and shall be bonded and approved by Landlord.

SECTION 32. GREASE CONTROL

Tenant shall not dispose of any grease and/or cooking oils except via methods and in containers approved by Landlord. Grease and/or cooking oils may not be disposed of through any drains. If Tenant operates any type of food service business, Tenant may be required by Landlord to install and maintain grease traps. Tenant shall clean out all grease traps monthly and shall provide evidence of such periodic maintenance acceptable to Landlord, which may include copies of current service contracts. All maintenance and repairs to be performed by Tenant shall be at Tenant's sole cost and expense.

In the event Tenant fails to perform regular service to grease traps, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. In the event Tenant fails to commence such work within ten (10) days of notice and to diligently prosecute it to completion, then Landlord shall have the right, at its option, and in addition to all other remedies, and without waiving Tenant's default, to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly on demand as Additional Rent. Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing such work.

SECTION 33. ALTERATION, ADDITION AND IMPROVEMENT

Tenant shall not make or allow to be made any alteration, addition or improvement to the Premises, structural or non-structural, ordinary or extraordinary, without the prior written consent of Landlord. All alterations, additions and improvements shall be at the sole cost and expense of Tenant and shall become the property of Landlord, remaining in and surrendered with the Premises as a part thereof at the expiration or termination of this Lease, without disturbance, molestation or injury. In performing alterations, additions or improvements, Tenant shall comply with all applicable laws, ordinances, rules and regulations of the City of Seattle or any other authorized public authority, Tenant shall also indemnify and hold Landlord harmless from all damages, loss, liens or expenses arising out of the said work.

SECTION 34. TENANT'S IMPROVEMENTS

Tenant shall obtain Landlord's approval of Tenant's working drawings and specifications prior to commencing construction of any improvements on the Premises. Tenant shall adhere to the then current PDA Construction Specification Manual throughout the duration of improvement work. Landlord's approval of plans or specifications shall not constitute an assumption of the responsibility for the accuracy or sufficiency of such plans and specifications or their compliance with applicable codes, regulations or statutes, which responsibility is solely Tenant's. All design, architectural and engineering costs of or related to improvements shall be borne by Tenant.

If Landlord approves Tenant's plans, Tenant shall, at Tenant's sole cost and expense, cause the construction of any improvements to be undertaken promptly and diligently, continuously performed, and completed within 30 days of the date construction commences in the Premises, in a good and workmanlike manner, substantially according to the plans and specifications approved by Landlord and otherwise in accordance with this Lease, the then current PDA Construction Specification Manual, and applicable law. Tenant, or its contractors or their representatives, agents or employees, shall check in with PDA office prior to commencing work. Tenant or its contractors or their representatives, agents or employees, performing construction work shall be licensed and bonded in the state of Washington and shall be solely responsible for obtaining any necessary permits required by the City of Seattle. Repair or construction work shall be limited to ensure minimal disruption to other occupants of the Project.

Tenant shall ensure compliance with the Americans with Disabilities Act (ADA) in all work and improvements made to the Premises and/or Building.

Landlord and its representatives, agents or employees shall have the right without any interference on the part of the Tenant or its contractors or their representatives, agents or employees, at all reasonable times to examine and inspect the improvements during the course of construction and post notices of non-responsibility. Tenant, its architect and its general contractor shall, within thirty (30) days after Tenant opens for business in any of the Premises, certify in writing to Landlord that (i) the improvements have been completed in accordance with

the plans and specifications therefor as approved by Landlord, and (ii) Tenant and contractor have paid all labor, materials and other costs incurred in the design or construction of such improvements for which a lien might be asserted against the Premises and have obtained full and complete releases of any and all such lien rights. Tenant shall also, concurrently therewith, furnish Landlord with evidence reasonably satisfactory to Landlord that all amounts due to possible lien claimants have been paid or otherwise released. If Landlord determines at any time that work is incomplete or defective or that potential lien claims remain, Landlord may give Tenant notice thereof and Tenant shall promptly, and in any event within twenty (20) days, cause such defective work to be completed or lien claims to be resolved to Landlord's complete satisfaction.

Upon completion of tenant improvement work, Tenant shall provide as-built drawings to Landlord. Tenant may also be required to update PDA's standard building records. Landlord shall have the right to inspect work and post notices of non-responsibility.

SECTION 35. ALTERATION OF BUILDING

If Landlord elects to perform any alteration, renovation, remodeling, repair or other building operations (collectively "Building Operations") on the Premises or the Building, Tenant shall permit Landlord, its agents, employees, licensees and contractors to enter and perform in the Premises such activities as are reasonably necessary to accomplish the Building Operations. If the effect of the Building Operations is to prevent Tenant from utilizing all or a portion of the Premises for more than seven business days, the Minimum Monthly Rent applicable to the total days of such prevention shall be abated by the proportion which the area of the Premises Tenant is prevented from utilizing bears to the whole. In the event such alteration would prevent Tenant from utilizing 50% or more of the Premises for remainder of the Lease Term, Landlord may, at its option and upon sixty (60) days written notice, terminate Tenant's Lease. Landlord shall not be liable for any inconvenience, disturbance, loss of business, or any other annoyance arising from the Building Operations.

SECTION 36. CASUALTY DAMAGE OR DESTRUCTION

In the event the Premises is destroyed or damaged by fire, earthquake, or other casualty to such an extent to render the same untenable in whole or in substantial part, Tenant shall give Landlord immediate notice of the occurrence of any such casualty and Landlord may elect either to repair or rebuild the Premises or to terminate this Lease upon giving notice of such election in writing to Tenant within ninety (90) days of the occurrence of the casualty. If Landlord elects to repair or rebuild the Premises, during such period the Minimum Monthly Rent and Additional Rent of the Premises shall be abated in the same ratio that the portion of the Premises rendered for the time being unfit for occupancy shall bear to the Floor Area of the Premises; provided, however, Landlord shall in no event be required to repair or replace any property of Tenant. If, 180 days after Landlord's election, Landlord has not completed the repair or rebuilding so that the Premises are available for Tenant's occupancy, Tenant may terminate the Lease by 30

days written notice to Landlord. Should Tenant re-occupy a portion of the Premises for the purpose of conducting business during the period the restoration work is taking place and prior to the date that the Premises are made completely tenantable, or until the Landlord's termination of the Lease is effective, the Minimum Monthly Rent payable by Tenant shall be abated to that part of the Premises occupied by it. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises or of the Building. Landlord shall use its best efforts to effect any such repair or restoration in such manner as not unreasonably to interfere with Tenant's occupancy.

If the Building is damaged or destroyed to such an extent that, in Landlord's opinion, it is not practical to repair or rebuild, then Landlord may, at its option, terminate this Lease by notice to Tenant within ninety (90) days of the occurrence of the casualty.

SECTION 37. ACCIDENTS AND INDEMNITY

All personal property on the Premises shall be at the risk of Tenant. Landlord or Landlord's agent shall not be liable for any damage either to person or property, sustained by Tenant or others, including, without limitation, damage caused by: any defects now or hereafter occurring in the Premises or the Building, interruption of utility services (including but not limited to the loss of power, gas, water, telephone, cable or other utility service), fire, natural disaster, force majeure, or any act or neglect of co-tenants or other occupants of the Premises or the Project or any other person, or the happening of any accident from whatsoever cause in or about the Building. Landlord or Landlord's agent shall not be liable for any damage caused by bursting or leaking of water, gas, sewer, or steam pipes. Tenant agrees to indemnify, defend and hold Landlord and Landlord's agents harmless from any and all injury, loss, claims, liability, cost or expense, or damage to any person or property arising from, related to, or in connection with the Premises unless caused by the gross negligence of Landlord or Landlord's agents or employees.

Tenant agrees to indemnify, defend, and hold Landlord and Landlord's agents harmless from any and all injury, loss, claims or damage to any person or property anywhere occasioned by any act, omission, neglect or default of Tenant, and its agents, employees and contractors.

SECTION 38. INSURANCE

Tenant shall carry and maintain in full force and effect, throughout the Lease Term, at its own cost and expense, commercial general public liability and property damage insurance with an insurance company authorized to transact business within the State of Washington and with a Best's rating of A or better. The policies shall afford protection in an amount of not less than \$300,000 for injury, death or property damage arising out of any one occurrence or in any increased amount reasonably required by Landlord, protecting Landlord, Landlord's employees and agents and Tenant as insureds as against any and all claims for injury, death or property damage occurring

in, upon, adjacent to or connected with the Building or any part thereof. Such amounts may be further defined in Exhibit J attached hereto.

All commercial general liability and property damage insurance shall name Landlord as an additional insured, and shall insure performance by Tenant of the indemnity provisions of Section 34. The policies shall also provide that they may not be materially changed, amended, reduced, canceled or allowed to lapse without thirty (30) days' prior written notice from the insurance company to Landlord and if requested, Landlord's mortgagee. Tenant shall furnish Landlord with a certificate of insurance evidencing the issuance of such policies prior to occupying the Premises and continually thereafter.

SECTION 39. COOKING SURFACES: FIRE INSURANCE PREMIUM

Tenant shall provide all cooking surfaces with hood, vent and fire suppression systems that have been approved by the Washington Surveying & Rating Bureau to issue maximum fire insurance rate credit. If by reason of any act or omission on the part of Tenant, whether or not Landlord has consented to the same, Landlord's fire insurance premium on the Building is increased, Tenant shall reimburse Landlord for the increased portion of the premium, which sum shall be Additional Rent and payable on demand.

SECTION 40. WAIVER OF SUBROGATION

Tenant hereby waives any and every claim against Landlord that arises or may arise in Tenant's favor or in favor of anyone, including any insurance company, claiming through or under Tenant (by way of subrogation or otherwise) for any loss or damage to any building, structure or tangible personal property, even though such loss or damage might have been occasioned by the negligence of Landlord, its agents or employees, if such loss or damage is covered by insurance benefiting Tenant or was required under the terms of this Lease to be covered by insurance procured by Tenant.

Landlord hereby waives any and every claim that arises or may arise in favor or in favor of anyone, including any insurance company, claiming through or under Landlord (by way of subrogation or otherwise) for any loss or damage to any building, structure or tangible personal property, even though such loss or damage might have been occasioned by the negligence of Tenant, its agents or employees, if such loss or damage is actually covered by insurance benefiting Landlord.

SECTION 41. INSOLVENCY

Landlord, Tenant (as either debtor or debtor-in-possession), any Tenant's guarantor and any appointed trustee ("Trustee"), agree that if a petition is filed by or against Tenant to have

Tenant adjudicated a bankrupt, or if any petition for reorganization or arrangement is filed by or against Tenant (each a "Petition") under any chapter of Title 11 of the United States Code as it now exists or is hereafter amended (the "Bankruptcy Code"), the following provisions shall apply:

(A) Landlord, Tenant and Trustee hereby acknowledge that this Lease is a "lease of real property in a shopping center" for the purposes of Section 365(b)(3) of the Bankruptcy Code.

(B) Tenant, Trustee or Tenant's guarantor shall perform each and every obligation of Tenant under this Lease, including but not limited to the obligations set forth in Section 16, when and as required under the provisions of this Lease, until such time as this Lease is terminated, rejected or assumed.

(C) Within fifteen (15) days after the filing of the Petition, Tenant, Trustee or Tenant's guarantor shall provide Landlord with adequate protection for the performance of Tenant's obligations under this Lease from the date of filing until such time as this Lease is terminated, rejected, or assumed. The adequate protection shall be effected by the establishment of an escrow fund (to be held by the court or an independent escrow agent approved by Landlord and the court) in the amount at issue or by bonding.

(D) Reasonable compensation for the use and occupancy of the Premises shall be an amount equal to the sum of all Monthly Minimum Rent, all Additional Rent, all Sales Based Rent and all other charges otherwise due under the provisions of this Lease, including legal fees incurred in enforcing Tenant's post-petition obligations and in obtaining relief from the stay.

(E) Tenant or Trustee shall reject or assume this Lease within sixty (60) days after the filing of a Petition under any chapter of the Bankruptcy Code.

(F) Tenant or Trustee shall give Landlord at least thirty (30) days prior written notice of any abandonment of the Premises.

(G) Tenant or Trustee shall give Landlord at least thirty (30) days prior written notice of any proceeding relating to administrative claims.

(H) If Tenant fails to timely and fully perform any its obligations under this Lease before the filing of the Petition, whether or not Landlord has given Tenant written notice of said default and whether or not any time period for performance or cure set forth in Section 42 expires before the filing of the Petition, Tenant shall be deemed to have been in default on the date the Petition was filed for all purposes under the Bankruptcy Code, including but not limited to the application of Section 365(b)(1) and Section 365(b)(4).

(I) Neither Tenant nor Trustee may assume this Lease unless Tenant or Trustee: (1) cures or provides adequate assurance that it will promptly cure all defaults under this Lease; (2) compensates or provides adequate assurance that it will promptly compensate Landlord for any pecuniary loss (including attorneys' fees and costs incurred in enforcing Tenant's obligations) resulting from such default(s); (3) provides adequate assurance that it will fully and timely perform

all of Tenant's future obligations under this Lease; and (4) satisfies any additional requirements for assumption set forth in the Bankruptcy Code, as is now exists or is hereafter amended.

(J) For the purposes of Section 365(b)(1) of the Bankruptcy Code, prompt cure shall mean cure within thirty (30) days after assumption.

(K) Tenant's interest in this Lease may not be assigned unless Tenant or Trustee assumes this Lease and provides Landlord with adequate assurance that the proposed assignee will fully and timely perform all of Tenant's future obligations under this Lease.

(L) For the purposes of Section 365(b)(1), Section 365(b)(3) and Section 365(f)(2) of the Bankruptcy Code, adequate assurance of future performance of this Lease by Tenant, Trustee or any proposed assignee will require that: (a) Tenant, Trustee or the proposed assignee deposit an amount equal to three (3) months of Monthly Minimum Rent, three (3) months Additional Rent and one-quarter (1/4) of the annual monthly Sales Based Rent paid in the three (3) Lease Years immediately preceding the Lease Year during which the Petition is filed, into an escrow fund (to be held by the court or an independent escrow agent approved by Landlord and the court) as security for such future performance; (b) the reorganized Tenant or Trustee demonstrate that it has retailing experience in shopping centers of comparable size and financial ability to operate a retail store out of the Premises in the manner contemplated by this Lease and that it meets all of Landlord's other reasonable criteria met by Tenant as of the Commencement Date; (c) the Sales Based Rent due under this Lease will not decline substantially; (d) the tenant mix and balance within the Shopping Center will not be disrupted; (e) the use of the Premises will be subject to all provisions of this Lease, and (f) the use of the Premises will not cause Landlord or Bold to be in breach of any provisions set forth in any other lease or financing agreement or other agreement relating to the Shopping Center at the time. In addition, if this Lease is to be assigned, adequate assurance of future performance by the proposed assignee shall require that: (i) the assignee demonstrates that it satisfies Section 48; (ii) the assignee pays, when due to the mortgagee, the full amount of any payments which Landlord may be obligated to make to any mortgagee as a result of such assignment; (iii) the assignee satisfies all requirements of Section 48; and (iv) the assignee agrees to perform fully and completely and assumes in writing any and all of Tenant's obligations relating to the Premises or this Lease, including but not limited to any obligation to pay for improvements constructed by Landlord contained in any agreement or instrument other than this Lease, if any.

(M) If Tenant or Trustee intends to assume this Lease, Tenant or Trustee shall provide Landlord with thirty (30) days prior written notice of the proposed assumption, which notice shall be separate from and in addition to any notice given to creditors generally and shall set forth any adequate assurance of prompt cure, compensation for pecuniary loss and adequate assurance of future performance to be provided to Landlord.

(N) If Tenant or Trustee intends to assign this Lease, Tenant or Trustee shall provide Landlord with thirty (30) days prior written notice of the proposed assignment, which notice shall be separate from and in addition to any notice provided to creditors generally and shall set forth: (a) the name, address, state and federal tax identification numbers, and any other federal,

state or local registration numbers of the proposed assignee; (b) all of the terms and conditions of the proposed assignment; and (c) the assignee's proposed adequate assurance of future performance to be provided to Landlord, including all terms and provisions of this Lease with special reference to Section (17) Historical Commission.

(O) If Tenant is in default under the provisions of this Lease, Landlord shall not be required to provide Tenant or Trustee with incidental services or supplies under this Lease before Tenant assumes this Lease unless Tenant compensates Landlord for such services and supplies as required under this Lease and before assumption.

(P) No default under this Lease by Tenant, either before or after the filing of the Petition, shall be deemed to have been waived unless specifically waived in writing by Landlord.

SECTION 42. DEFAULT AND RE-ENTRY

(A) Tenant shall be deemed to be in default immediately upon breach of any term or condition of this Lease or any other agreement between Landlord and Tenant relating to the Premises including without limitation any agreement relating to the construction of tenant improvements, whether entered into concurrently herewith, or during the term of this Lease, it being understood that timely payment and performance is of the essence herein. Tenant shall, however, have the right to cure defaults relating to payment of Rent for a period of three (3) days after written notice from Landlord describing such default, and shall have the right to cure any other default for a period of ten (10) days after written notice from Landlord describing the nature of such default. If the default is other than failure to pay Rent, and by its nature cannot be cured within ten (10) days, then Tenant shall have a total period of no more than thirty (30) days from the notice of default to cure such default; provided that Tenant commences such cure within ten (10) days of the notice of default, and thereafter diligently prosecutes such cure to completion within such 30-day period. The foregoing cure rights shall not apply to deliberate concealment or falsification of Gross Sales data, as provided in Section 11.

IF TENANT, RECEIVES MORE THAN 3 NOTICES OF DEFAULT WITHIN ANY TWELVE (12) MONTH PERIOD, ANY PROVISION OR PROVISIONS THIS LEASE, THEN REGARDLESS OF WHETHER SUCH PRIOR DEFAULTS HAVE BEEN TIMELY CURED, THE FOURTH SUCH DEFAULT (EVEN IF OF A DIFFERENT NATURE) SHALL CONSTITUTE A NON-CURABLE DEFAULT AND LANDLORD SHALL BE ENTITLED TO TERMINATE THIS LEASE BY THIRTY (30) DAYS NOTICE TO TENANT.

On the date specified in a notice of termination (whether for a default that is not timely cured or for a non-curable default), the Lease Term shall terminate, whereupon Tenant shall not be entitled to possession of the Premises but shall forthwith quit and surrender the Premises to Landlord in accordance with Section 5 of this Lease, but Tenant shall remain liable as hereinafter provided. If this Lease shall have been so terminated by Landlord, Landlord may, at any time thereafter, recover possession of the Premises by any lawful means and remove Tenant or other occupants and their effects. Such termination of this Lease by notice, lawful entry or otherwise

shall be without prejudice to any remedies which Landlord might otherwise have for arrears of Rent or for prior breach of the provisions of this Lease.

(B) If this Lease is terminated due to default by Tenant, Tenant shall indemnify Landlord against all expenses or loss of Rent and any other payments due hereunder, without limitation, the amounts specified in Section 42(C).

(C) Items of expense for which Tenant shall indemnify Landlord shall include but not be limited to, all costs incurred in collecting amounts due from Tenant under this Lease (including attorneys' fees, cost of litigation and the like); all amounts to which Landlord is entitled under the provisions of Section 9; all reasonable costs incurred by Landlord in attempting to relet the Premises (including advertisements, brokerage commissions, remodeling, subdividing the Premises, and the like) and all Landlord's other reasonable expenditures proximately caused by the termination. All sums due in respect of the foregoing shall be due and payable immediately upon notice from Landlord that an expense has been incurred, without regard to whether the expense was incurred before or after the termination of this Lease. In the event proceedings are brought under any bankruptcy or insolvency law, including proceedings brought by Landlord, which relate in any way to this Lease, including, without limitation, proceedings for the termination, assumption or assignment thereof or proceedings to secure adequate protection for Landlord or Landlord's claim (in any of such cases, a "Proceeding"), then Landlord shall be paid, in addition to any and all amounts due Landlord pursuant to the terms of this Lease, such further amount as shall be sufficient to cover all expenses incurred by Landlord with respect to the Proceeding, which expenses shall include the reasonable compensation, expenses, disbursements and advancements of Landlord, its agents and attorneys.

(D) In any case where Landlord has recovered possession of the Premises by reason of Tenant's default, Landlord may, at Landlord's option, leave the Premises vacant, occupy the Premises or relet all or any part of the Premises as agent of Tenant or otherwise, for a term or terms to expire prior to, at the same time as, or subsequent to the original expiration date of this Lease. Landlord shall apply rent received from such re-letting first, to the payment of Landlord's expenses in connection with the recovery of possession; second, to expenses incurred in re-letting the Premises; and third, to the payment of damages related to Tenant's non-performance of any Lease covenants.

(E) Tenant agrees, whether or not Landlord has relet, to pay damages upon demand to Landlord equal to the aggregate Rent and other sums that Tenant agrees to pay in this Lease for the entire balance of the Lease Term, including, without limitation, those expenses specified in Section 42(C), less the reasonably anticipated net proceeds of the re-letting. In re-letting the Premises, Landlord may grant rent concessions and Tenant shall not be credited with such concessions. No such re-letting shall constitute a surrender and acceptance or be deemed evidenced thereof. Landlord's remedies hereunder are in addition to any remedy allowed by law.

(F) If Tenant fails to perform any term, covenant or condition of this Lease on its part to be performed, Landlord, without thereby waiving such default and without liability to Tenant in connection therewith, may, but shall not be obligated to, perform or cause to be performed such covenant or condition. Tenant shall be obligated to pay immediately the reasonable cost of such performance by Landlord, including attorneys' fees.

SECTION 43. INTEREST

Whenever in this Lease any sum payable to Landlord is not paid when due, the same shall, at Landlord's option, bear interest at the greater of (i) eighteen percent (18%) per annum, or (ii) eight percent (8%) over the prime rate of interest as announced and charged by Seattle-First National Bank for short-term, unsecured loans; provided that if a maximum rate of interest is ever imposed by law and the interest rate charged hereunder would otherwise exceed such maximum rate, the interest rate shall be deemed automatically reduced to the maximum rate permitted by law.

SECTION 44. CONSIDERATION FOR LEASE

Tenant has paid the consideration for lease (the "Consideration for Lease") as consideration to Landlord for entering into this Lease. If Tenant, fully, completely and punctually performs all of the terms, covenants, and conditions of this Lease, Landlord shall return the Consideration for Lease at the expiration of the Lease Term. However, if Tenant defaults in the performance of any of the terms of this Lease, including the payment of Rent, the Consideration for Lease shall not be returned to the Tenant, but shall be the property of Landlord without deduction or off-set therefor.

SECTION 45. EMINENT DOMAIN

(A) If all of the Premises shall be taken by eminent domain or destroyed by the action of any public or quasi-public authority, or in the event of conveyance in lieu thereof, the Lease Term shall cease as of the date possession shall be taken by such authority, and Tenant shall pay Rent up to that date with an appropriate refund by Landlord of such Rent as shall have been paid in advance for a period subsequent to the date of the taking of possession.

(B) If only a part of the Premises are so taken or conveyed, then the Minimum Monthly Rent shall be abated in the same proportion as the area so taken bears to the total area of the Premises prior to the taking and this Lease shall continue in full force and effect as to the portion of the Premises remaining after such taking or conveyance. If a substantial part of the Premises or a substantial part of the access thereto is taken or conveyed, Landlord or Tenant may terminate this Lease by written notice to the other within thirty (30) days after the extent of the partial taking is finally settled and known to both parties.

(C) If a portion of the Building is taken or conveyed, whether or not the Premises is affected, then Landlord may terminate this Lease by notice to Tenant within sixty (60) days after possession is taken by the public authority.

(D) All compensation paid for any such taking or conveyance, whether for the whole or a part of the Premises or the Building, shall be the property of Landlord, whether such damages shall be awarded as compensation for diminution in the value of the leasehold or of the fee, and Tenant hereby assigns to Landlord all of Tenant's right, title and interest in and to any and all such compensation; provided, however, that Tenant shall be entitled to claim, prove and receive in the condemnation proceedings such award as may, under the laws of the State of Washington, be expressly allocated to Tenant's stock and trade fixtures or relocation expense, provided that such award shall be made by the court in addition to, and not result in reduction of, the award made to Landlord.

(E) It is expressly understood and agreed that the provisions of this Section shall not be applied to any condemnation or taking for governmental occupancy for a limited period of time.

SECTION 46. KEYS

If Tenant uses locking devices other than those provided by Landlord, Tenant agrees to provide Landlord, at the time of the installation of such devices, with keys or the locking combination to the Premises for use by Landlord or its agent.

SECTION 47. NON-WAIVER; ACCORD AND SATISFACTION

The failure by Landlord to insist on strict performance of any of the covenants, terms, conditions and agreements of this Lease or to exercise any right, remedy or option therein conferred by this Lease in any one or more instances shall not be construed to be a waiver or relinquishment of any such covenants and agreements or any other covenants or agreements, but the same shall be and remain in full force and effect.

No payment by Tenant or receipt by Landlord of a lesser amount than the Rent and other charges payable hereunder or any endorsement or statement on any check or any letter accompanying any check or payment for Rent or additional charges shall be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent and additional charges or pursue any other remedy provided herein or by law.

SECTION 48. ASSIGNMENT OR SUBLEASE

Tenant shall not assign, sell, convey, mortgage, pledge, or in any manner transfer its interest in this Lease or the Premises whether voluntarily or by operation of law, or sublease all or any part of the Premises, or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the Premises, without first obtaining Landlord's and PDA's written consent. Landlord may withhold its consent for such reasons as it deems proper, in its sole and absolute discretion. Any assignment, encumbrance, or sublease without Landlord's consent shall be void and, at Landlord's election, shall constitute a default. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any assignment, subletting, or other transfer.

The cumulative (i.e., in one or more sales or transfers, by operation of law or otherwise) transfer of an aggregate of fifty percent (50%) or more of the capital stock issued and outstanding on the date of this Lease, including creation of or issuance of new stock, of a corporation which is Tenant, or any corporate assignee of Tenant, or any corporation which is a general partner of a general or a limited partnership which is Tenant or assignee of this Lease, or the cumulative transfer of an aggregate of fifty percent (50%) or more of the ownership interest in a general or limited partnership or limited liability company which is Tenant or assignee of Tenant, by which an aggregate of 50% or more of such stock or ownership interest shall be vested in a party or parties who are not stockholders or general partners, as the case may be (except as a result of transfers by gift or inheritance), shall constitute an assignment for the purposes of this Section 45 and no such transfer shall be effective without Landlord's prior written consent pursuant to this Section.

By giving consent to any assignment, encumbrance or sublease, Landlord shall not be deemed to have waived the right to refuse to grant its consent to any further assignment, encumbrance or sublease. Tenant will reimburse Landlord, upon demand, for reasonable attorneys' fees incurred by Landlord in connection with reviewing any request for consent to an assignment, encumbrance or sublease.

SECTION 49. SUCCESSORS

All of the terms, covenants and conditions contained in this Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.

SECTION 50. SUBORDINATION

(A) This Lease is and shall be subject and subordinate to all mortgages or deeds of trust which may now or hereafter affect this Lease or the Premises, to all renewals, modifications, replacements and extensions thereof, and to all applicable regulations of the United States Department of Housing and Urban Development and Economic Development Authority.

The provisions of this Section 50(A) shall be self-operative and no further instrument of subordination shall be required. In confirmation of such subordination, Tenant shall promptly execute and deliver, at its own cost and expense, whatever instruments may be required for such purposes, and in the event Tenant fails to do so within ten (10) days after demand in writing, Tenant does hereby make, constitute and irrevocably appoint Landlord as its attorney-in-fact and in its name, place and stead so to do.

(B) Tenant covenants and agrees that if the leasehold estate of Landlord in the Premises is terminated by a sale, assignment, transfer, foreclosure of Landlord's interest in the Premises or by reason of a default under any underlying lease, mortgage, security instrument or otherwise, then Tenant, at the option and upon request of transferee of Landlord's interest ("Successor Landlord") shall (i) fully and completely attorn to and perform all the terms, covenants and conditions of this Lease on Tenant's part to be performed for such Successor Landlord with the same force and effect as if said Successor Landlord was the Landlord originally named in this Lease, or (ii) enter into a new Lease with said Successor Landlord, as Landlord, for the remaining Lease Term on the same terms and conditions and with the same options, if any, then remaining. The foregoing provisions of clause (i) of this Section 50(B) shall inure to the benefit of such Successor Landlord, shall be self-operative upon the exercise of such option, and no further instrument shall be required to give effect to said provisions. Tenant agrees to execute upon demand of any such Successor Landlord, from time to time, any instruments which may be necessary or appropriate to evidence such attornment and setting forth the terms and conditions of its tenancy. Tenant hereby constitutes and appoints Landlord or any such Successor Landlord to be Tenant's attorney-in-fact, irrevocably and coupled with an interest, to execute and deliver such instrument of attornment or such new lease if Tenant refuses or fails to do so promptly upon request. Tenant further waives the provisions of any statute or rule of law now or hereafter in effect which may give or purport to give Tenant any right of election to terminate this Lease or to surrender possession of the Premises in the event any proceeding is brought by the mortgagee or holder. Tenant further agrees that this Lease shall not be adversely affected in any way whatsoever by any such proceeding.

(C) If a lender requests reasonable modifications of this Lease as a condition of the obtaining, continuing or renewing of financing for which the Building, land or the interest of the lessee under any ground or underlying lease represents collateral, in whole or in part, Tenant will not unreasonably withhold its consent thereto, provided that such modifications do not materially and adversely either increase the obligations of Tenant hereunder or affect the rights of Tenant under this Lease.

SECTION 51. NOTICES

Any demand, request or notice which either party hereto desires or may be required to make or deliver to the other shall be in writing and shall be deemed delivered when personally delivered, or when delivered by private courier service (such as Federal Express) or two (2) days after being deposited in the United States Mail, in registered or certified form, return receipt

requested, addressed to the addresses in Sections 1(L) and 1(M) or such other addresses as shall have been last designated by notice in writing from one party to the other.

SECTION 52. NAME OF BUILDING

Landlord reserves the right to change the name of the Building, in its sole discretion, without notice or liability to Tenant.

SECTION 53. ESTOPPEL CERTIFICATES

Within ten (10) days following any written request which Landlord may make from time to time, Tenant shall execute and deliver to Landlord a statement certifying: (a) the date of commencement of this Lease; (b) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications hereto, that this Lease is in full force and effect, as modified, and stating the date and nature of such modifications); (c) the date to which the Minimum Monthly Rent and other sums payable under this Lease have been paid; (d) the fact that there are no current defaults under this Lease by either Landlord or Tenant except as specified in Tenant's statement; and (e) such other reasonable and pertinent matters as are requested by Landlord. Landlord and Tenant intend that any statement delivered pursuant to this Section 53 may be relied upon by any mortgagee, beneficiary, purchaser or prospective purchaser of the Building or any interest therein. If Tenant shall fail to respond within ten (10) days of receipt of a written request by Landlord, Tenant shall be deemed to have given a certificate as above provided without modification and shall conclusively be deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee, that this Lease is in full force and effect, that there are no uncured defaults in Landlord's performance, that the Consideration for Lease is as stated in this Lease and that not more than one month's Minimum Monthly Rent has been paid in advance.

SECTION 54. BROKER'S COMMISSION

Tenant represents and warrants that Tenant has had no dealings or negotiations with any broker or agent in connection with this Lease, and Tenant agrees to hold harmless and indemnify Landlord from and against any and all cost, expense (including reasonable attorneys' fees) or liability for any compensation, commissions or charges claimed by any broker or agent with respect to this Lease or the negotiation thereof.

SECTION 55. ATTORNEYS' FEES

Tenant hereby waives and releases any and all right it may have to a jury in any matter arising out of or in connection with this Lease.

If in connection with any default by Tenant in the performance of any of the provisions of this Lease, Landlord employs an attorney, Tenant shall pay all costs, expenses, and attorneys' fees expended or incurred by Landlord in connection therewith.

In the event of litigation between the parties hereto, declaratory or otherwise, for the enforcement of any of the covenants, terms or conditions of this Lease, the non-prevailing party shall pay the cost thereof and attorneys' fees actually incurred by the prevailing party, which shall be determined and fixed by the court as part of the judgment.

SECTION 56. THIRD PARTIES

This Lease shall not create any rights in any other tenant or occupant of the Project, nor shall any lease between Landlord and any other tenant or occupant of the Project create any rights in Tenant under this Lease. No action of Landlord in enforcing or waiving any provision of any lease between Landlord and another tenant or occupant of the Project shall obligate Landlord to enforce or waive any similar provision in this Lease, nor shall any action of Landlord under this Lease obligate Landlord to take any similar action under any other lease.

SECTION 57. ENTIRE AGREEMENT

This instrument, along with any exhibits and attachments hereto, constitutes the entire agreement between Landlord and Tenant relative to the Premises and this agreement and the exhibits and attachments may be altered, amended or revoked only by an instrument in writing signed by both Landlord and Tenant.

TENANT ACKNOWLEDGES AND UNDERSTANDS THAT THE LEASING GUIDELINES ADOPTED FROM TIME TO TIME BY LANDLORD DO NOT CONFER ANY RIGHTS ON TENANT, AND THAT TENANT'S RIGHTS ARE DESCRIBED EXCLUSIVELY IN THIS LEASE.

No waiver by Landlord of any of the terms, covenants or conditions of this Lease shall be effective unless in writing and signed by Landlord.

There are no oral agreements or representations between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements or representations and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof.

This Lease shall be governed by and construed in accordance with the laws of the State of Washington and, if any provisions of this Lease shall to any extent be invalid, the remainder of this Lease shall not be affected thereby. The titles of the several Sections contained herein are for convenience only and shall not be considered in construing this Lease. Unless repugnant to the context, the words "Landlord" and "Tenant" appearing in this Lease shall be

construed to mean those named above and their respective heirs, personal representatives, executors, administrators, successors and assigns.

SECTION 58. LIMITATION OF LIABILITY

Tenant agrees to look solely to Landlord's estate and interest in the land and Building, or the lease of the Building, or of the land and Building and the Premises, for the satisfaction of any right or remedy of Tenant for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord, in the event of any liability by Landlord, and no other property or assets of Landlord shall be subject to levy, execution, attachment, or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder, Tenant's use and occupancy of the Premises, or any other liability of Landlord to Tenant.

SECTION 59. REQUIREMENTS OF LAW

Tenant shall comply with all laws, orders and regulations of federal, state, county and municipal authorities, and with any direction of any public officer or officers, pursuant to law, which shall impose any violation, order or duty upon Landlord or Tenant with respect to the Premises or the use or occupation thereof.

SECTION 60. NUMBER AND GENDER; ADVERBS

The terms "Landlord" and "Tenant" whenever used herein shall be applicable to one or more persons, as the case may be, and the singular shall include the plural and neuter shall include the masculine and feminine and if there be more than one, the obligations thereof shall be joint and several. The adverbs "herein", "hereunder", "hereto", "hereby", "hereinafter", etc., whenever the same shall appear herein, shall mean and refer to this Lease in its entirety and not to any specific Section or other part thereof.

SECTION 61. NO PARTNERSHIP OR JOINT VENTURE

Nothing contained herein shall be deemed or construed to create the relationship of principal and agent, or partnership, or joint venture between the parties hereto, it being understood and agreed that neither the method of computing of rent nor any other provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of Landlord and Tenant.

SECTION 62. IMMUNITY OF MUNICIPALITY

Pike Place Market Preservation and Development Authority is organized pursuant to Ordinance 103389, as amended, of the City of Seattle and Chapter 37, Laws of 1974, First Extraordinary Session (43rd Leg. 3rd Extra. Sess.). Chapter 37, Laws of 1974, First Extraordinary Session (43rd Leg. 3rd Extra. Sess.) provides as follows: All liabilities incurred by such public corporation, commission or authority shall be satisfied exclusively from the assets and credit of such public corporation, commission or authority and no creditor or other person shall have any right of action against the city, town or county creating such corporation, commission or authority on account of any debts, obligations or liabilities of such public corporation, commission or authority.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

LANDLORD:
PIKE PLACE MARKET PRESERVATION AND
DEVELOPMENT AUTHORITY

By _____
Shelly Yapp
Executive Director

TENANT(S):

By _____

By _____

EXHIBIT C

LOCATION AND DESCRIPTION OF PERMITTED SIGNAGE

LEASE DATED:

ENDING:

TENANTS NAME:

BUSINESS NAME:

DESCRIPTION OF PERMITTED SIGN:

Only as approved by Market Historical Commission.

ATTACHMENTS:

TENANTS INITIALS: _____

for PDA: _____

2/7/96

EXHIBIT D

PERMITTED USES

LEASE DATED:

ENDING:

TENANTS NAME:

BUSINESS NAME:

PERMITTED USE:

Tenant shall occupy the premises for the following Permitted Use and for no other purpose whatsoever:

(MHC /).

TENANTS INITIALS: _____

for PDA: _____

2/7/96

EXHIBIT E

BUSINESS HOURS

(per PDA Council Resolution 97-18 Amended – 5/27/97)

Business Hours defined in Exhibit E of the standard PDA commercial lease shall be defined as follows *effective June 1, 1997*:

Mandatory Retail Business Hours

Tenants conducting retail business must be open from 10:00 a.m. to 6:00 p.m. Monday through Saturday excluding holidays subject to the following exceptions:

For retail business operations on Flower Row and DownUnder (levels 300, 400 and 500 of the Fairley and Leland buildings), mandatory business hours shall be from 11:00 a.m. to 5:00 p.m. Monday through Saturday.

For DownUnder businesses on level 300, mandatory business hours shall be 11:00 a.m. to 5:00 p.m., for each of five days Monday through Saturday, with one regular posted day off permitted per week on Monday, Tuesday, Wednesday, or Thursday.

For restaurants with direct street level access, minimum business hours shall be eight hours per day six days per week subject to approval by Landlord.

Regular business hours must be posted by the tenant in clear public view.

Optional Business Hours

Sundays and holidays announced by Landlord as optional business days.

For businesses with direct street level access and those in Main Arcade, businesses may open as early as 7:00 a.m.

During the months of June, July, August and September, businesses other than those in DownUnder levels may remain open until 7:00 p.m. on Thursday, Friday and Saturday.

During the months of June, July, August and September, businesses on DownUnder levels may remain open until 6:00 p.m. on Thursday, Friday and Saturday.

Business Hours for Office, Social Service and Manufacturing Uses

Business hours for non-retail businesses are optional at tenant's discretion between the hours of 7:00 a.m. and 6:00 p.m. Monday through Saturday. Operation of a business and access to space during other hours will be subject to special arrangement with Landlord. Landlord deserves the right to assess tenant for additional rent fees or deposits related to after-hours use of leased space.

Specific Landlord approval is required for operation of business at times other than those outlined above. Tenants approved to operate after regular business hours are responsible for limiting noise and other disruptions to levels compatible with the surrounding residential community. Tenants, regardless of type, whose business or patrons repeatedly disturb neighbors or cause other disturbances between the hours of 10:00 p.m. and 7:00 a.m. maybe forbidden by landlord to operate during some or all of that times period.

Holidays

The Market shall be closed on each of the following holidays:

New Year's day

Easter Sunday

Sunday and Monday of Memorial Day Weekend

Independence Day (except when the 4th of July falls on a Saturday)

Labor Day

Thanksgiving Day and

Christmas Day

No business activities are permitted in the Market during Holidays unless by special prior arrangement and consent of the Landlord. Landlord reserves the right to assess additional rent, fees and deposits for business activities permitted during Holidays.

TENANTS INITIALS: _____

for PDA: _____

EXHIBIT F

OWNER-OPERATED BUSINESS

Tenant hereby agrees and covenants that the business shall be Owner operated. As used herein, "Owner" means _____(regardless of whether the primary Tenant is a corporation).

The following criteria shall be relevant to determining whether the business, during the term of this Lease, is continuing to be Owner operated; (a) Owner makes or specifically authorizes major purchases; (b) Owner is present on the premises during a significant portion of the business hours; (c) Owner signs business checks; (d) Owner receives the major portion of profits of the business; (e) Owner signs legal documents relating to the business; (f) bank account for business is in name of Owner or the Tenant herein if Tenant is a corporation.

Tenant hereby agrees and covenants to make available for inspection by Landlord the following documents which are hereby deemed relevant to a determination whether the business is being Owner operated; (a) federal and state income, excise, and Business & Occupation tax returns of Owner and of Tenant if Tenant is a corporation; (b) financial statements provided banks or other lenders in relation to any financing of the business; (c) the books and records of the business (as further disclosable pursuant to Section 11 hereof).

Default. Defaults in Tenant's covenant to maintain the business as Owner operated shall be treated as follows: If Landlord believes that Tenant is not maintaining the business as Owner operated, Landlord shall give Tenant 90 days notice to cure the default, which cure shall include Tenant demonstrating to Landlord's satisfaction that the business is Owner operated. If Tenant fails within 90 days to demonstrate to Landlord's satisfaction that the business is Owner operated, the Landlord shall be entitled to terminate this Lease on 30 days additional notice. Tenant recognizes and acknowledges that determination of "Owner operated" includes a number of balanced factors, not susceptible to absolute definition. Accordingly, Tenant hereby agrees that, if a dispute arises over the determination of "Owner operated," that dispute shall be turned over to binding arbitration. In such cases, Tenant shall select one arbitrator, Landlord another and the two arbitrators shall select a third. If costs are incurred from this process, they shall be borne in full by the party that loses such arbitration.

TENANTS INITIALS: _____

for PDA: _____

EXHIBIT G

CPI ADJUSTMENT

The Base Monthly Rent shall be subject to adjustment annually as of each calendar year during the Lease term (each such __ hereinafter called a "Rental Adjustment Date") to reflect any increase, but no decrease over the prior year, in the cost of living. The adjustments, if any, shall be calculated on the basis of the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for all Urban Consumers, for Seattle-Tacoma (1982-84-100) (hereinafter referred to as the "Index").

The latest published Index as of the commencement date of this Lease shall be the base (the "Base Index").

Lessor shall give to lessee notice showing the computation of the new monthly rent. If at any Rental Adjustment Date there shall not exist the Index in the same format as referred to in this paragraph, Lessor will substitute a comparable index based upon the cost of living or purchasing power of the consumer dollar for the nearest city or region.

In the event that Tenant fails to provide Landlord with verifiable daily sales records as required in Section 10 and 11 of the Lease, Base Monthly Rent shall be increased by no less than five percent (5%) annually retroactive to the commencement date of the Lease. Pursuant to Section 11 and Exhibit I, daily sales records shall be kept in format outlined in Exhibit I or other format as approved in writing by Landlord.

TENANTS INITIALS: _____

for PDA: _____

EXHIBIT H

OPTION TO RENEW

OPTION TO RENEW FOR () YEARS AFTER _____ EXPIRATION DATE OF PRIOR TERM). BASE RENT WILL BE ADJUSTED ANNUALLY BY THE INCREASE IN THE CPI.

Options: (a) Provided that Lessee is in possession of the demised premises, and that this Lease is not previously canceled or terminated by either party as in this Lease provided, by operation of law or otherwise, and further provided that Lessee has faithfully complied with and performed all of the covenants and conditions in this Lease on its part to be performed during the term, and any extension of said term, and is not in default at the time of exercise of this option, then Lessor and Lessee covenant and agree that Lessee shall have the option to extend the term of this lease for __ years commencing at the expiration of the term of this Lease, upon the same terms, covenants and provisions set forth in the Lessor's then current standard commercial lease format, with an adjustment in monthly base rent as hereinafter provided. The option for said Renewal Term shall be exercised by Lessee giving Lessor not less than one hundred twenty (120) days written notice of intention so to extend the term prior to the expiration of the term of the Lease.

CPI: (b) The annual rental rate payable hereunder during the renewal term shall be adjusted by the Consumer Price Index (CPI) as follows:

The Base Monthly Rent shall be subject to adjustment annually as of each calendar year during the Lease term (each such _____ hereinafter called a "Rental Adjustment Date") to reflect any increase, but no decrease over the prior year, in the cost of living. The adjustments, if any, shall be calculated on the basis of the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for all Urban Consumers, for Seattle-Tacoma (1982-84-100) (hereinafter referred to as the "Index"). The latest published Index as of the commencement date of this Lease shall be the base (the "Base Index"). For example, when an index is published semi annually, for those leases with anniversary dates in March through August inclusive, the December index shall be used as the latest published index. For those leases with anniversary dates in September through February inclusive, the June index shall be used as the latest published index.

OPTION TO RENEW

Lessor shall give to lessee notice showing the computation of the new monthly rent. If at any Rental Adjustment Date there shall not exist the Index in the same format as referred to in this paragraph, Lessor will substitute a comparable index based upon the cost of living or purchasing power of the consumer dollar for the nearest city or region.

In the event that Tenant fails to provide Landlord with verifiable daily sales records as required in Section 10 and 11 of the Lease, Base Monthly Rent shall be increased by no less than five percent (5%) annually retroactive to the commencement date of the Lease. Pursuant to Section 11 and Exhibit I, daily sales records shall be kept in format outlined in Exhibit I or other format as approved in writing by Landlord.

In the event the Tenant sells their business or assigns it to a third party, this option is not transferable.

TENANTS INITIALS: _____

for PDA: _____

EXHIBIT I

SALES RECORDS

Pursuant to Section 11 of Lease, Lessee will agree to maintain sales records in the method described below.

Use a cash register for all sales transactions; retain the summary portion of each cash register tape; maintain a written reconciliation of daily sales versus cash on hand and daily bank deposit; retain copies of all bank deposit slips and bank statements; as well as retain copies of State Excise tax statements.

TENANTS INITIALS: _____

for PDA: _____

2/7/96

EXHIBIT J

ADDITIONAL INSURANCE REQUIREMENTS

Further to Section 35 herein, Tenant shall carry and maintain in full force and effect throughout the Lease Term, at its sole cost and expense, commercial general comprehensive public liability and property damage insurance with an insurance company authorized to transact business within the State of Washington and with a Best's Rating of A or better. This policy shall afford protection in the amount of not less than \$1,000,000 for injury, death or property damage arising out of any occurrence or in any increased amount reasonably required by Landlord, protecting Landlord, Landlord's employees and agents and Tenants as insureds against any and all claims for injury, death or property damage occurring in, adjacent to or connected with the Building or any part thereof.

TENANTS INITIALS: _____

for PDA: _____

EXHIBIT K

MINIMUM FIRST YEAR ADVERTISING STANDARDS

Further to Section 28 herein, Tenant shall expend during the first twelve months of the Lease Term an amount not less than \$500.00 in the PDA Co-Op Advertising Program if such a program is available. In the cop-op advertising program, the Landlord will match funds expended by Tenant to advertise Tenant's business provided advertisement includes one of the Landlord's approved co-op advertising slogans. Further questions about this program will be directed to the PDA Marketing Department at (206) 682-7453.

TENANTS INITIALS: _____

for PDA: _____

EXHIBIT L

PDA TRADEMARK USAGE GUIDELINES

The PDA is a non-profit corporation chartered to protect and preserve the structures, traditional uses, and character of the Market Historical District. In so doing, the PDA exercises its right to ownership and exclusive use of the following registered trademarks:

Names: THE PIKE PLACE MARKET
 THE PIKE PLACE PUBLIC MARKET
 THE PIKE PLACE FARMERS MARKET

Graphic Symbol: The graphic representation of the rooftop sign located at the junction of Pike Place and Pike Street. The image includes the sign's structural framework, the words PUBLIC MARKET CENTER and the clock face; as viewed from all perspectives or as depicted by other letter forms and graphic treatments:



Infringement Policy

The PDA is committed to enforcing its right to exclusive use of Pike Place market trademarks. In addition to guarding against direct infringement of the specific, registered trademarks listed above, the PDA acts to protect the Market's interest under the spirit and intent of trademark law, which prohibits use of other names and marks "in connection with similar goods or services in this state either in identical forms thereof or in such a near resemblance there to as might be mistaken therefor or as might be calculated to deceive".

PDA TRADEMARK USAGE GUIDELINES

This type of infringement would occur, for example, if a non-Market business chose to use the words "Pike Place" to identify its location, goods or services. Since Pike Place street lies wholly within Historic District boundaries, use of words "Pike Place" to identify or promote a business outside the Market must be considered an attempt to mislead consumers into falsely affiliating the business with the special character of the Pike Place Market. For this reason, use of the words, "Pike Place", though not identical to PDA registered trademarks, would still be regarded as an infringement of the PDA's trademark rights.

TENANTS INITIALS: _____

for PDA: _____

EXHIBIT M

ARTIFICIAL BREAKPOINT AND SALES BASED PERCENTAGE RENT

Section 10 herein is modified so that Tenant's Sales Based Rent shall not be subject to any deduction of Minimum Monthly Rent.

Throughout the term of this Lease, Sales Based Rent shall be calculated as follows:

Sales Based Percentage Rent shall be ____ (___%) over sales of \$_____ per month without any setoff or deduction in Minimum Monthly Rent.

TENANTS INITIALS: _____

for PDA: _____

2/7/96

EXHIBIT N

MINIMUM MERCHANDISING STANDARDS FOR CUSTOMER SERVICE

PURPOSE

The following minimum merchandising standards are required as a condition of lease for all commercial tenants, as applicable to the specific business of the merchant. The standards are intended to ensure that the high quality of customer service for which the Market is known is maintained and upheld by all merchants, for the benefit of the Market as a whole.

MINIMUM STANDARDS FOR SALE OF FRESH FOOD AND ITEMS SOLD IN BULK

- All food shall be displayed and sold with an honest representation of its quality, size, weight and value. When food is sold in containers, the quality of the product throughout the container shall be equal to or better than what is open to view.
- A customer shall have the right either to personally select any item for purchase or to inspect any item prior to purchase. To the extent practical, merchandise selected by the business employee must be shown to the customer for inspection prior to bagging or wrapping.
- For products sold by weight, customers must be able to either weigh the merchandise themselves prior to purchase or have the merchandise weighed at their request, with the scale register in full view.
- Prices for all food products shall be clearly posted or marked on the product.

MINIMUM STANDARDS FOR ALL BUSINESS

- Business hours shall be clearly posted on the business frontage and business hours shall be consistently maintained.
- Refund and exchange policies must be clearly posted near locations where money is exchanged or sale conducted.
- On request, customers shall be given a receipt with their purchase.

MINIMUM MERCHANDISING STANDARDS FOR CUSTOMER SERVICE

- All customers shall be treated in a courteous manner.
- Merchants shall employ staff knowledgeable about the products they sell.
- Customer complaints that cannot be resolved amicably on-site shall be immediately referred to the PDA office for resolution.

ENFORCEMENT OF MINIMUM STANDARDS

The PDA may monitor compliance with minimum standards through investigation of customer complaints and through use of "hired shoppers" to make purchases for the purpose of monitoring compliance with minimum merchandising standards. Businesses identified as violating the minimum standards will be notified that they are in default of their lease, apprised of the specific problem, and required to take corrective action.

TENANTS INITIALS: _____

for PDA: _____

COVENT GARDEN MARKET CORPORATION

(Landlord)

and

**Owner's name
operating as "trade name"**

(Tenant)

and

(Indemnifier)

LEASE

**The COVENT GARDEN MARKET
130 King Street
London, Ontario, N6A 1C5**

Store No. -

**LERNER & ASSOCIATES
Barristers & Solicitors
80 Dufferin Avenue
P.O. Box 2335
London ON N6A 4G4
James W. Dunlop**

(July 7, 1999)

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THIS LEASE is dated the [insert day] day of [insert month], 200 .

IN PURSUANCE OF THE *SHORT FORMS OF LEASES ACT* (ONTARIO)

B E T W E E N:

COVENT GARDEN MARKET CORPORATION

(hereinafter referred to as the "Landlord")

of the First Part;

- and -

OWNER'S NAME
operating as "TRADE NAME"

(hereinafter referred to as the "Tenant")

of the Second Part.

ARTICLE I
Definitions

The parties hereto agree that when used in this Lease or in any Schedule attached to this Lease the following words or expressions have the meanings hereinafter set forth.

1.1 "Additional Rent" means any and all sums of money or charges required to be paid by the Tenant under this Lease (except Minimum Rent) whether or not the same are designated "Additional Rent" or whether or not the same are payable to the Landlord or otherwise, and all such sums are payable in lawful money of Canada without deduction, abatement, set-off or compensation whatsoever. Additional Rent is due and payable with the next monthly instalment of Minimum Rent unless otherwise provided, but in any event is not payable as part of Minimum Rent. Additional Rent may be estimated by the Landlord from time to time and such estimated amount is payable in monthly instalments in advance with annual adjustments and all Additional Rent is deemed to be accruing due on a day-to-day basis.

1.2 "Arbitration" means that the specified dispute is to be resolved pursuant to either of the following procedures chosen at the option of the Tenant: (a) Section 197 of the *Municipal Act*, R.S.O. 1990, c.M.45, or any successor of such section as shall then be in force; or (b) the *Municipal Arbitrations Act*, R.S.O. 1990, c.M.48, or any successor thereto. Each party is to bear its own costs and share equally in the fees and expenses of the Arbitrator and the Arbitration. The Tenant may not seek Arbitration of a decision of the Landlord, (a) more than ninety (90) days after notice of any such decision has been given to the Tenant; or (b) before any amount claimed due by the Landlord is paid by the Tenant.

1.3 "Architect" means the architect from time to time named by the Landlord. The decision of the Architect whenever required hereunder and any certificate related thereto shall be final and binding on the parties hereto and shall be addressed to the Landlord and the Tenant.

1.4 "Common Areas and Facilities" means (a) those areas, facilities, utilities, improvements, equipment and installations in the Market which, from time to time, are not designated or intended by the Landlord to be leased to the Tenants of the Market, and (b) those areas, facilities,

utilities, improvements, equipment and installations which serve or are for the benefit of the Market, whether or not located within or adjacent to, the Market and which are designated from time to time by the Landlord as part of the Common Areas and Facilities and which are directly attributable, and of significant use and benefit, to the Market. Common Areas and Facilities includes, without limitation, all areas, facilities, utilities, improvements, equipment and installations which are provided or designated (and which may be changed from time to time) by the Landlord for the use or benefit of the Tenants and their employees, customers and other invitees in common with others entitled to the use or benefit thereof in the manner and for the purposes permitted by this Lease, the roof, exterior wall assemblies including weather walls, exterior and interior structural elements and bearing walls in the buildings and improvements comprising the Market; all vestibules for and entrances and exits of the Market and all structural elements thereof; truck courts; driveways; truckways; surface parking areas; delivery passages; loading docks and related areas; pedestrian sidewalks; landscaped and planted areas; all open and enclosed malls, courts and arcades; public seating and service areas; administrative offices and facilities; corridors; equipment, furniture, furnishings and fixtures; first aid stations; tenants' common and public washrooms; electrical, telephone, meter, valve, mechanical, mail, storage, service and janitor rooms and galleries; music, fire prevention, security and communication systems; general signs; columns; pipes; heating, ventilating, air-conditioning, electrical, plumbing, drainage, mechanical, and all other installations, equipment or services located therein or related thereto as well as the structures housing the same; but excluding the underground parking areas, the elevators, the mezzanine area (other than the administrative offices and facilities) and The Civic Square including the skating facility, the revenues and expenses for which will be maintained separate and apart from Market revenues and expenses and will not adversely affect the Tenant under this Lease.

1.5 "Costs and Expenses, Market, Common Areas" (see Section 6.2).

1.6 "Market" means all those lands and premises located at 130 King Street, in the City of London, in the Province of Ontario, which lands are more particularly described in Schedule "A" attached, or as such lands and premises may be altered, expanded or reduced from time to time, and the buildings, improvements, equipment and facilities erected thereon or situate from time to time therein, and includes those areas, if any, designated or intended to be leased for retail, service and storage purposes and those areas not so designated or intended and all Common Areas and Facilities, the whole being generally known as COVENT GARDEN MARKET.

1.7 "Gross Sales" means the aggregate of the total amount of the actual selling price of all goods sold and services performed from business conducted on, at or from the Leased Premises by the Tenant, and all licensees, concessionaires and subtenants of the Tenant and all departments or divisions of the Tenant's business operations on the Leased Premises, and any other person conducting business on or from the Leased Premises whether or not such sales are made or such services are performed at the Leased Premises or elsewhere, in the same manner and with the same effect as if such sales or services had been made or performed on the Leased Premises.

Without limiting the generality of the foregoing, Gross Sales includes:

- (a) the amounts received for the sale or leasing of goods, wares and merchandise on, at or from the Leased Premises;
- (b) the amounts received for services performed on, at or from the Leased Premises;
- (c) the amount of all orders taken or received at the Leased Premises, whether such orders are filled from the Leased Premises or elsewhere;
- (d) all deposits given on merchandise purchased from the Leased Premises and not refunded to purchasers;
- (e) the amounts received on account of loss of sales from the proceeds of any business interruption insurance; and

- (f) all other receipts and receivables whatsoever (including all interest, instalment and finance charges) from all business conducted upon or from the Leased Premises,

in each case whether such sales or other receipts or receivables are evidenced by cheque, cash, credit, charge account, debit card, exchange or otherwise and whether such sales are made by means of mechanical or other vending devices in the Leased Premises. There is no deduction allowed for bank charges or uncollected or uncollectible credit accounts or charges made by collection agencies and no allowances will be made for bad debts. In addition, each charge or sale made on instalment or credit will be treated as a sale for the full selling price in the month during which such charge or sale is made, irrespective of the time when the Tenant receives payment (whether full or partial) therefor.

Gross Sales does not include, or there shall be deducted from Gross Sales, as the case may be:

- (g) sales of merchandise for which cash has been refunded, but only to the extent of such refund, provided that the selling price of such merchandise shall have been previously included in Gross Sales;
- (h) the selling price of merchandise returned by customers for exchange, provided that the selling price of such merchandise shall have been previously included in Gross Sales and provided that the selling price of merchandise delivered to the customer in exchange shall be included in Gross Sales;
- (i) the amount of any retail tax imposed by any federal, provincial, municipal or other governmental authority directly on sales and collected from customers at the point of sale by the Tenant acting as agent for such authority, and provided that the amount thereof is added separately to the selling price and does not form part of the quoted price for the article or service and is actually paid by the Tenant to such authority;
- (j) any transfers of merchandise between the Tenant's stores and returns of merchandise to the Tenant's suppliers, provided that any such transfers or returns are carried out for convenience only and not for the purpose of reducing Gross Sales; and
- (k) discounts provided to employees, sales or transfers of redundant trade fixtures or equipment and delivery charges shown separately on the sales voucher.

1.8 "Indemnifier" means the Person who has executed or agreed to execute the Indemnity Agreement which is attached to this Lease as Schedule "E", if applicable.

1.9 "Land Surveyor" means the accredited land surveyor from time to time named by the Landlord. The decision of the Land Surveyor whenever required hereunder and any certificate related thereto shall be final and binding on the parties hereto and shall be addressed to the Landlord and the Tenant.

1.10 "Landlord" means the party of the First Part. Wherever the word "Landlord" is used in this Lease, it is deemed to have the same meaning as "lessor", and includes the Landlord, its duly authorized representatives and those for whom the Landlord is in law responsible.

1.11 "Lease Commencement Date" means the date set out in Section 3.3 for the commencement of the Term of the Lease.

1.12 "Leased Premises" means the premises leased to the Tenant as referred to and described in Section 3.1 hereof.

1.13 "Minimum Rent" means the annual rent payable by the Tenant pursuant to and in the manner set out in Section 4.2 hereof.

1.14 "Mortgagee" means any mortgage or hypothecary creditor (including any trustee for bondholders), from time to time, of the Market, or any part thereof.

1.15 "Opening Date" means a date established by the Landlord for the common or general opening for business of the Market or a phase or part of the Market in which the Leased Premises are located.

1.16 "Percentage Rent" means the rent payable by the Tenant pursuant to Section 4.3 hereof.

1.17 "Person", if the context allows, includes any person, firm, partnership, corporation, or other entity or any group of persons, firms, partnerships, corporations, or other entities or any combination thereof.

1.18 "Proportionate Share" means a fraction which has as its numerator the Rentable Area of the Leased Premises, and as its denominator the Rentable Area of the Market being approximately 29,900 square feet.

1.19 "Rent" means all Minimum Rent, Percentage Rent, Additional Rent and all other sums payable pursuant to this Lease.

1.20 "Rent Free Period" means the period of time, if any, as set out in Schedule "C".

1.21 "Rentable Area of the Market" means the aggregate of all areas as defined in Section 1.22, Rentable Area of the Leased Premises, excluding the mezzanine.

1.22 "Rentable Area of the Leased Premises" means the area expressed in square feet (or, at the Landlord's option, in square metres) as certified by the Architect or Land Surveyor of all floors of the Leased Premises, measured from (a) the exterior face of all exterior walls, doors and windows; (b) the exterior face of all interior walls, doors, counters, seating areas and windows separating the Leased Premises from Common Areas and Facilities, if any; and (c) the centre line of all interior walls or exclusive use areas separating the Leased Premises from adjoining leasable premises; but excluding the ground floor area of columns, structural or non-structural, which form part of the Common Areas and Facilities.

If the Leased Premises are a free-standing kiosk or area, all dimensions shall be determined by the Landlord in accordance with the Landlord's formula for the Market and shall be adjusted, if necessary, upon completion of construction and installation of the Leased Premises, but shall include all projections or extensions protruding from the kiosk or area, and all counter seating areas or adjacent table and seating areas designed to serve that kiosk or area.

1.23 "Rental Year" means from January 1st to December 31st and each twelve calendar months thereafter if the Lease Commencement Date is the first day of the calendar year. If the Lease Commencement Date is not the first day of a calendar year, then the first Rental Year shall commence on the Lease Commencement Date and end on the last day of the calendar year in which the Lease Commencement Date occurs and thereafter during the Term the Rental Year shall be a period of twelve calendar months from and including the first day of the calendar year, except for the last month of a Term that does not end on December 31st in which case the last Rental Year of the Term shall be the period between January 1st and the last day of the Term. The Landlord shall have the right from time to time by written notice to the Tenant, to designate any other twelve month period as the Rental Year for the purposes of administering this Lease.

1.24 "Retail Leasable Premises" means those premises located within the Market, other than the Common Areas and Facilities, designated or intended from time to time to be used and occupied by businesses which sell or lease goods or services to the public, and, in addition to retail, retail/wholesale stores include, without limitation, chartered banks, trust companies, finance companies, governmental agencies and public institutions (other than offices of such), launderers, laundromats, dry cleaners, restaurants and take-out food establishments, bowling lanes and other recreational sports and health facilities.

1.25 "Rules and Regulations" means the rules and regulations adopted and promulgated by the Landlord from time to time.

1.26 "Storage Areas" means those areas which (a) are used or intended from time to time by the Landlord to be used by the tenants or others for storage, and (b) are designated by the Landlord from time to time as Storage Areas.

1.27 "Tenant" means the party of the Second Part and is deemed to include the word "lessee" and to mean each and every Person mentioned as Tenant in this Lease, whether one or more. If there is more than one Tenant, any notice required or permitted by this Lease may be given by or to any one of them and has the same force and effect as if given by or to all of them. Any reference to "Tenant" includes, where the context allows (and it is agreed that in Section 10.5 the context allows), the servants, employees, agents, invitees and licensees of the Tenant and all others over whom the Tenant may reasonably be expected to exercise control and those for whom the Tenant is in law responsible.

1.28 "Term" means the period of time referred to and described in Section 3.3 hereof.

ARTICLE II

Intent and Interpretation

2.1 **Net Lease.** The Tenant acknowledges and agrees that it is intended that this Lease is a completely carefree net lease to the Landlord, except as expressly set out in this Lease, that the Landlord is not responsible during the Term for any costs, charges, expenses and outlays of any nature whatsoever arising from or relating to the Leased Premises, or the use and occupancy thereof, or the contents thereof or the business carried on therein, and the Tenant shall pay all charges, impositions, costs and expenses of every nature and kind relating to the Leased Premises except as expressly set out in this Lease.

2.2 **Obligations as Covenants.** Each obligation or agreement of the Landlord or the Tenant expressed in this Lease, even though not expressed as a covenant, is considered to be a covenant for all purposes.

2.3 **Captions and Section Numbers.** The captions, section numbers, article numbers and Table of Contents appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such sections or articles of this Lease nor in any way affect this Lease.

2.4 **Extended Meanings.** The words "hereof", "hereunder" and similar expressions used in any section or subsection of this Lease relate to the whole of this Lease and not to that section or subsection only, unless otherwise expressly provided. The use of the neuter singular pronoun to refer to the Landlord or the Tenant is deemed a proper reference even though the Landlord or the Tenant is an individual, a partnership, a corporation or any other entity, or a group of two or more individuals, partnerships, corporations or other entities. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to either corporations, associations, partnerships, other entities, or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

ARTICLE III

Grant and Term

3.1 **Leased Premises.** In consideration of the rents, covenants and agreements herein contained on the part of the Tenant to be paid, observed and performed, the Landlord leases to the Tenant, and the Tenant leases from the Landlord, those certain premises (the "Leased Premises"), now or hereafter to be erected as part of the Market, which are presently designated as Store No., [insert store number], containing an area of approximately [insert square footage – proper words] ([square foot number]) square feet ([insert number] square metres). The Rentable Area of the Leased Premises shall be measured or calculated by the Land Surveyor or Architect

and shall be certified by him in accordance with Section 1.22 and the Rent shall be adjusted accordingly. The approximate location of the Leased Premises is shown cross-hatched in black on the plan attached as Schedule "B".

If the Leased Premises are entirely self-enclosed, the boundaries of the Leased Premises extend (a) to the exterior face of all exterior walls, doors and windows; to the exterior face of all interior walls, doors and windows separating the Leased Premises from the Common Areas and Facilities, if any; and to the centre line of all interior walls separating the Leased Premises from adjoining Retail Leasable Premises; and (b) from the top surface of the structural subfloor to the bottom surface of the structural ceiling. If the Leased Premises have no ceiling abutting the demising walls or are open to the ceiling, the boundaries of the Leased Premises extend from the top surface of the structural subfloor to the height of the demising walls as determined by the Landlord.

If the Leased Premises are a kiosk, this Lease and the terms, covenants and conditions contained in this Lease shall be read, interpreted and applied, as determined by the Landlord, having regard to the fact that the Leased Premises are a kiosk.

3.2 Use of Common Areas and Facilities. The use and occupation by the Tenant of the Leased Premises includes the non-exclusive and non-transferable right or license to use the Common Areas and Facilities in common with others entitled thereto, and for the purposes for which they are intended and during such hours as the Market may be open for business, as determined by the Landlord from time to time, subject in each case to this Lease and to the Rules and Regulations.

3.3 Commencement and Ending Date of the Term. The Tenant shall have and hold the Leased Premises for and during the Term which shall be, unless sooner terminated pursuant to the other provisions hereof, the period of [insert term – proper words] ([number]) years, commencing on the [commencement day] day of [commencement month], 200 and to be fully completed and ended on the [ending day] day of [ending month], 200 .

3.4 Notice and Certificates. Within one hundred and twenty (120) days after the Lease Commencement Date, the Architect or Land Surveyor shall, unless previously certified, provide a certificate as to the Rentable Area of the Leased Premises measured in accordance with the provisions of Section 1.22 hereof, and such certificate shall form a part of this Lease.

3.5 Supplemental Terms, Renewal Rights. See Schedule "F".

3.6 Special Amendments. See Schedule "G".

ARTICLE IV

Rent

4.1 Covenant to Pay. The Tenant covenants to pay Rent. The Tenant waives the benefit of Section 35 of the *Landlord and Tenant Act*, R.S.O. 1990, c.L.7, or any statute that may be substituted therefor, as from time to time amended and agrees to pay Rent without any deduction, abatement or set-off whatsoever.

4.2 Minimum Rent. The Tenant shall pay from and after the Lease Commencement Date to the Landlord at the office of the Landlord, or at such other place designated by the Landlord, in lawful money of Canada, without any prior demand therefor and without any deduction, abatement, set-off or compensation whatsoever, as Minimum Rent, the annual sum of [annual rent – proper words] (\$[annual rent – number]) payable in equal consecutive monthly instalments of [monthly rent – proper words] (\$[monthly rent – number]) each in advance on the first day of each calendar month of each Rental Year. The Minimum Rent is based upon an annual rate [rent per square foot – proper words] Dollars (\$[rent per square foot – number]) per square foot of the Rentable Area of the Leased Premises and when the Rentable Area of the Leased Premises is certified by the Architect or Land Surveyor, the Minimum Rent shall, if necessary, be adjusted accordingly.

If the Lease Commencement Date is on a day other than the first day of the calendar month, then the Tenant shall pay, upon the Lease Commencement Date, a portion of the Minimum Rent pro-rated on a per diem basis from the Lease Commencement Date to the end of the month in which the Lease Commencement Date occurs, based upon a period of three hundred and sixty-five (365) or three hundred and sixty-six (366) days, as the case may be.

Unless other arrangements are agreed to in writing between the Landlord and Tenant, the Tenant shall at the Tenant's cost present to the Landlord thirty (30) days prior to the commencement of each Rental Year throughout the Term, a series of monthly postdated cheques for each such year of the Term, or by way of automatic debiting system by which payments are deducted from the Tenant's bank account and credited to the Landlord's bank account at Tenant's cost in respect of the aggregate of the monthly payments of annual Minimum Rent and any payments of Additional Rent and Percentage Rent estimated by the Landlord in advance, and any other payments required by this Lease to be paid by the Tenant monthly in advance. If the Tenant changes its bank or financial institution upon which such postdated cheques are drawn or debiting arranged, the Tenant shall immediately notify the Landlord in writing and provide the Landlord with new postdated cheques or debit authority to replace those in the Landlord's possession at that time, so that there is no gap in the continuity of payments to the Landlord.

4.3 **Percentage Rent.**

(a) In addition to the Minimum Rent, the Tenant shall pay to the Landlord, in the manner and upon the conditions and at the times hereinafter set forth during each Rental Year, Percentage Rent. Percentage Rent is the sum equivalent to the amount, if any, by which [percentage override – proper words] Percent ([percentage override – number]%) of Tenant's Gross Sales for any Rental Year exceeds the Minimum Rent for such Rental Year.

(b) Percentage Rent is to be calculated and payable monthly on a cumulative basis within fifteen (15) days of each month of the Term, based on the Gross Sales for such month, at the office of the Landlord or at such other place the Landlord designates, in lawful money of Canada, without any prior demand therefor and without any deduction, abatement, set-off or compensation whatsoever. The Landlord may, at its option, collect Percentage Rent at longer intervals.

(c) For the purpose of computing the Percentage Rent payable hereunder, if any Rental Year does not correspond to a twelve (12) month period, Percentage Rent shall be calculated for such Rental Year on a per diem basis based upon the number of days in such period.

4.4 **Reports by the Tenant.** The Tenant shall deliver to the Landlord on or before the fifteenth (15th) day following the end of each calendar month during the Term and including the fifteenth (15th) day of the month following the end of the Term, at the place then fixed for the payment of Rent, a written statement signed by the Tenant and certified by it to be true and correct and in such detail and form as the Landlord reasonably determines, showing the amount of Gross Sales for all preceding months of such Rental Year; and on or before the thirtieth (30th) day following the end of each Rental Year (including the last Rental Year of the Term) at the place then fixed for the payment of Rent, a written statement signed by the Tenant, certified to be true and correct and in such detail and form as the Landlord reasonably determines, showing the amount of Gross Sales during the preceding Rental Year, and duly audited by independent chartered accountants of recognized standing, whose professional opinion shall, without qualification, state specifically that they have examined the report of Gross Sales for the preceding Rental Year, and that their examination included a general review of the Tenant's accounting procedures and such tests of the Tenant's books and records and other supporting evidence as they or the Landlord considers necessary in the circumstances, and that in their opinion, such report presents fairly and accurately the Gross Sales of the preceding Rental Year in accordance with the provisions of this Lease and generally accepted accounting principles applied on a basis consistent with that of the Rental Year immediately preceding (if any), together with payments of the annual Percentage Rent. The Tenant will not change its procedure relating to any aspect of its reporting of Gross Sales without the prior written consent of the Landlord, which consent will not be unreasonably withheld.

4.5 **Electronic Sales Reports.** Tenant will install and maintain on the Leased Premises, at Tenant's cost, electronic sales registers or computerized cash registers.

4.6 **Tenant's Records.** For the purposes of ascertaining the amount payable as Percentage Rent, the Tenant shall prepare and keep on the Leased Premises or at the Tenant's principal office in the Province of Ontario for at least three (3) years following the end of each Rental Year, adequate books and records which shall show inventories and receipts of merchandise at the Leased Premises, and daily receipts from all sales, charges, services and other transactions on, at or from the Leased Premises made by the Tenant and any other Persons conducting any business upon or from the Leased Premises. Such records shall include all records an independent chartered accountant would normally require for review in order to prepare the written opinion referred to in Section 4.4 above and any of the following that are applicable to the Tenant's business:

- (a) purchase orders or packaging or delivery receipts of inventory and merchandise delivered to the Leased Premises;
- (b) cash register tapes;
- (c) serially-numbered sales slips;
- (d) the originals of all mail orders at and to the Leased Premises;
- (e) the original records of all telephone orders at and to the Leased Premises;
- (f) settlement report sheets of transactions with sublessees, concessionaires and licensees;
- (g) sales tax returns, goods and services tax returns;
- (h) the original records showing that merchandise returned by customers was purchased at the Leased Premises by such customers;
- (i) memorandum receipts or other records of merchandise taken out on approval;
- (j) such other sales and inventory records, if any, which would normally be examined by an independent chartered accountant qualified to practice publicly pursuant to accepted auditing standards in performing an audit of the entire business affairs and sales of the Tenant, at, in, upon or from the Leased Premises; and
- (k) the records specified above of sublessees, concessionaires or licensees, or other Persons doing business from the Leased Premises.

The Tenant and all other Persons conducting business on or from the Leased Premises shall record at the time of sale in the presence of the customer, all receipts from sales, charges, services or other transactions, whether for cash or credit, in its electronic sales registers or computerized cash registers having a sealed cumulative total and such other control features as are required and approved by the Landlord from time to time, acting reasonably.

4.7 **Right to Examine.** The receipt or use by the Landlord of any statement of Gross Sales from the Tenant or any payment of Percentage Rent based thereon, shall neither constitute acceptance of such statement or of the Percentage Rent payable with respect to any period, nor constitute a waiver by the Landlord of any obligation of the Tenant hereunder and shall be without prejudice to the Landlord's right to an examination of the Tenant's books and records relating to the Gross Sales and the inventories of merchandise at the Leased Premises and at the Tenant's principal office in the Province of Ontario for the period covered by any statement issued by the Tenant as above set forth. The Landlord and the Landlord's authorized representatives shall have the right to examine the Tenant's records and procedures aforesaid during regular business hours, and shall have the right to have a Person on the Leased Premises to check, verify and tabulate Gross Sales, or to examine accounting records and procedures including control features affecting the determination of Gross Sales.

4.8 **Audit.** The Landlord may at any reasonable time cause a complete audit to be made of the Tenant's business and records relating to the calculation of Gross Sales. If the auditor or chartered accountant performing such audit reports to the Landlord that in his opinion, the Tenant's records and procedures are insufficient to permit a determination of Gross Sales for any Rental Year, or part thereof, or if the Tenant is not complying with each of the provisions of Article IV hereof, the Tenant shall immediately after notice from the Landlord take such steps as are necessary to remedy such default. If the Tenant is unable to satisfy forthwith the objections contained in the auditor's report aforesaid, the Landlord may thereafter deliver to the Tenant an estimate by the Landlord of Gross Sales for the period under consideration (which estimate shall be based on any further information or records of the Tenant that have been made available and such other information as the Landlord considers relevant) and the Tenant shall immediately pay to the Landlord any amount shown thereby to be owing on account of Percentage Rent. The Landlord's estimate shall be final and binding on the Tenant, subject to the Tenant's right to proceed to Arbitration as defined in Section 1.2.

If the Landlord's auditor or chartered accountant reports that the Tenant is in default pursuant to the requirements of Article IV hereof, or that, in his opinion, the Tenant's records and procedures are insufficient to permit a determination of the Tenant's Gross Sales, or if such audit discloses that Gross Sales for the period in question is understated by three percent (3%) or more, the Tenant shall forthwith after notice from the Landlord pay to the Landlord as Additional Rent the cost of such audit in addition to the deficiency, which deficiency is payable in any event. If there is any substantial, continuing or repeated breach by the Tenant of the requirements of Article IV hereof, or if the Tenant substantially, continually or repeatedly fails to produce records and procedures sufficient to permit a determination of Gross Sales, or if Gross Sales is understated by three percent (3%) or more as aforesaid, then, in addition to any other remedies of the Landlord under this Lease or otherwise, the Landlord may terminate this Lease upon five (5) days notice to the Tenant. The report of the Landlord's auditor from time to time is final and binding on the parties hereto.

4.9 **Special Rent Provisions.** Despite anything contained in this Lease to the contrary, if in the third (3rd) Rental Year of the Term or in any Rental Year of the Term thereafter, the Tenant has not paid to the Landlord Percentage Rent equal to at least twenty-five percent (25%) of the Minimum Rent payable in respect of each such Rental Year, then the Landlord may, at its option, in addition to any other rights or remedies, (a) either require Tenant to pay such amount as will remedy the deficiency, or (b) terminate this Lease, upon giving the Tenant six (6) months written notice, in which event the Tenant shall surrender the Leased Premises and deliver up vacant possession thereof to the Landlord upon the expiration of such six (6) month notice period, and all rent shall be adjusted as of the expiration of such period, and the Tenant shall be liable for the deficiency in Percentage Rent.

4.10 **Tenant's Failure.** If the Tenant fails to deliver any of the statements to the Landlord provided for by this article and within the times herein provided, the Landlord, in addition to any other rights or remedies hereunder, has the right thereafter (provided the Landlord first gives the Tenant five (5) days written notice of any such failure) to employ a chartered accountant or auditor to examine such of the Tenant's books and records as are necessary to certify the amount of Gross Sales for such period as is related to the statement in question, and the Tenant shall pay to the Landlord on demand, as Additional Rent, the cost of any such examination, together with any and all sums shown to be owing on account of Percentage Rent pursuant thereto.

4.11 **Rent Past Due.** If the Tenant fails to pay, when the same is due and payable, any Minimum Rent, Percentage Rent, Additional Rent or other amount payable by the Tenant under this Lease or any Schedule, such unpaid amounts bear interest from the due date thereof to the date of payment at a rate of five (5) percentage points in excess of the minimum lending rate to prime commercial borrowers current at such time charged by any Canadian chartered bank designated by the Landlord from time to time.

4.12 **NSF Cheques.** If at any time the Tenant's Rent cheque or debit charge is returned or refused by the Tenant's bank due to insufficient funds in the Tenant's account, or the account is

inactive, or for any other reason whatsoever Rent is unpaid, the Tenant will within two (2) days after receiving written notice, provide the Landlord with a certified cheque for the amount of the unpaid Rent, as well as a service charge of Fifty (\$50.00) Dollars. The service charge will be due and collectible as Additional Rent.

ARTICLE V

Taxes

5.1 **Taxes - Definition.** "Taxes" means all real property taxes, rates, duties and assessments (including business taxes and local improvement taxes), impost charges or levies, whether general or special, that are levied, rated, charged or assessed against the Market or any part thereof from time to time (including, without limitation, the Common Areas and Facilities) by any lawful taxing authority whether federal, provincial, municipal, school or otherwise, and any taxes or other amounts which are imposed in lieu of, or in addition to, any such real property taxes whether of the foregoing character or not or whether in existence at the Lease Commencement Date or not, and any such real property taxes levied or assessed on account of the ownership or operation of the Market or the businesses and activities carried on therein.

5.2 **Taxes Payable by the Landlord.** The Landlord shall pay all Taxes which are levied, rated, charged or assessed against the Market or any part thereof, subject to Sections 5.3, 5.4 and 6.2 hereof. However, the Landlord may defer payment of any such Taxes, or defer compliance with any statute, law, by-law, regulation or ordinance in connection with the levying of any such Taxes, in each case to the fullest extent permitted by law, so long as it diligently prosecutes any contest or appeal of any such Taxes.

5.3 **Taxes Payable by the Tenant.** The Tenant shall pay all real property taxes, including local improvement charges and business taxes, levied, charged or assessed against the Leased Premises as attributed thereto by the Landlord, such attribution being based upon the Leased Premises being assessed as a separate tax lot and the cost of all appeals relating to such assessments; and pay as Additional Rent directly to the Landlord in each Rental Year during the Term the Tenant's Proportionate Share of that portion of the Taxes (as defined in Section 5.1) allocated by the Landlord to the Market, including the Common Areas and Facilities, whether or not there are separate real property tax bills or separate real property assessment notices issued by any lawful taxing authority for the Leased Premises.

5.4 **Business Taxes and Other Taxes of the Tenant.** In addition to the Taxes payable by the Tenant pursuant to Section 5.3, the Tenant shall pay as Additional Rent to the lawful taxing authorities, and shall discharge in each Rental Year when the same become due and payable all taxes, rates, duties, assessments and other charges that are levied, charged or assessed against or in respect of all improvements, equipment and facilities of the Tenant on or in the Leased Premises, the Storage Area, or the Market or any part or parts thereof; and every tax and license fee which is levied, rated, charged or assessed against or in respect of any and every business carried on in the Leased Premises or in respect of the use or occupancy thereof or any other part of the Market by the Tenant and every subtenant or licensee of the Tenant, as the case may be; all of the foregoing being collectively referred to as "Business Taxes", and whether in any case, any such taxes are rated, charged or assessed by any federal, provincial, municipal, school or other body during the Term. If there are not separate tax bills provided for Business Taxes, the Landlord is entitled to allocate Business Taxes to the Tenant on an equitable basis.

5.5 **Tenant's Responsibility.** The Tenant shall upon request by the Landlord promptly deliver to the Landlord for inspection, receipts for payment of all Taxes payable by the Tenant; promptly deliver to the Landlord notices of any assessments of any Taxes or other assessments received by the Tenant which relate to the Leased Premises; and furnish such other information in connection with any such Taxes and as the Landlord reasonably determines from time to time.

The Tenant shall deliver to the Landlord at least ten (10) days prior to the last day permitted for filing of an appeal, notice of any appeal or contestation the Tenant intends to institute with respect to any such Taxes payable, and consult with and obtain the prior written approval of the Landlord to any such appeal or contestation. If the Tenant obtains approval, the

Tenant shall deliver to the Landlord such security for the payment of such Taxes as the Landlord deems advisable and the Tenant shall diligently prosecute any such appeal or contestation to a speedy resolution and shall keep the Landlord informed of its progress in that regard.

The Tenant shall promptly indemnify and keep indemnified the Landlord from and against payment for all losses, costs, charges and expenses occasioned by or arising from all such Taxes and any taxes which may in future be levied in lieu of such Taxes or which may be assessed against any rentals including, without limitation, any increase whensoever occurring in Taxes arising directly or indirectly out of an appeal or contestation by the Tenant of the Taxes relating to the Leased Premises or the Market or any part thereof. The Tenant shall deliver to the Landlord such security for any such increase in Taxes as the Landlord deems advisable.

5.6 **Per Diem Adjustment.** If any Rental Year during the Term of this Lease is less than twelve (12) calendar months, the Taxes that the Tenant is required to pay shall be subject to a per diem adjustment on the basis of a period of three hundred and sixty-five (365) days or three hundred and sixty-six (366) days, as the case may be.

ARTICLE VI

Market and Common Areas and Facilities - Control and Payment

6.1 **Control of the Market by the Landlord.** The Landlord shall build, operate, maintain and repair the Market in such manner as the Landlord determines from time to time, and in a first-class and reputable manner as would a prudent municipality landlord of a similar commercial development having regard to size, age and location, in compliance with all relevant legislation.

The Market is at all times subject to the exclusive control and management of the Landlord. Without limiting the generality of the foregoing, the Landlord has the right, in its control, management and operation of the Market to establish Rules and Regulations and general policies with respect to the management and operation of the Market or any part thereof and at all times during the Rent Free Period and throughout the Term, to:

- (i) construct, maintain and operate lighting facilities and heating, ventilating, air-conditioning and central refrigeration systems;
- (ii) provide supervision, fire/sprinkler protection and security services;
- (iii) close all or any portion of the Market to such extent as may be necessary to prevent the acquisition of any property rights by any Person or Persons therein;
- (iv) grant, modify and terminate easements and other agreements pertaining to the use and maintenance of all or any part of the Market;
- (v) obstruct or close off all or any part of the Market for the purpose of repair or construction;
- (vi) employ all personnel, including supervisory personnel and managers necessary for the operation, maintenance and control of the Market. The Tenant acknowledges that the Market may be managed by such Person as the Landlord designates in writing from time to time;
- (vii) use any part of the Common Areas and Facilities, from time to time, for merchandising, display, decorations, entertainment and structures designed for retail selling or special features or promotional activities;
- (viii) designate the areas and entrances and the times in, through and at which loading and unloading of goods shall be carried out;
- (ix) control, supervise and regulate the delivery or shipping of merchandise, supplies and fixtures to and from the general shipping and receiving areas and Retail Leasable Premises and

Storage Areas in such manner as the Landlord determines is necessary for the proper operation of the Leased Premises and the Market;

(x) designate and specify the kind of container to be used for garbage and refuse and the manner and the times and places at which same is to be placed for collection. The Tenant shall not burn any trash or garbage of any kind in or about the Leased Premises or any part of or near the Market;

(xi) from time to time, change the area, level, location, arrangement or use of the Market or any part thereof;

(xii) construct other buildings, structures or improvements in the Market and make alterations thereof, additions thereto, subtractions therefrom, or re-arrangements thereof, build additional storeys on any building in the Market and construct additional buildings or facilities adjoining or proximate to the Market;

(xiii) construct multiple deck, elevated or underground parking facilities, and expand, reduce or alter same in any manner whatsoever;

(xiv) relocate or rearrange the various buildings, parking areas, pillars, columns, structures and other parts of the Market from those existing at the Lease Commencement Date and, with the consent of the Tenant, which consent shall not be unreasonably withheld, relocate or rearrange the Leased Premises. The Tenant acknowledges that the location of the Leased Premises shown on Schedule "B" is approximate as to location and configuration; and

(xv) do and perform such other acts in and to the Market as, in the use of its business judgment, the Landlord determines to be advisable for the more efficient and proper operation of the Market.

Notwithstanding anything contained in this Lease, it is understood and agreed that if as a result of the exercise by the Landlord of its rights set out in this section the Leased Premises are affected or the Common Areas and Facilities are affected, diminished or altered in any manner whatsoever, the Landlord is not subject to any liability, nor is the Tenant entitled to any compensation or diminution or abatement of Rent, nor is any alteration or diminution of the Common Areas and Facilities deemed constructive or actual eviction, or a breach of any covenant for quiet enjoyment contained in this Lease, provided the Tenant's business is not materially and adversely affected by such changes.

6.2 Tenant to Bear Proportionate Share of Costs and Expenses. In each Rental Year, the Tenant shall pay to the Landlord, as Additional Rent, its Proportionate Share of the costs and expenses incurred in maintaining and operating the Market and the Common Areas and Facilities, and incurred in maintaining and operating the Market which are applicable to or attributable by the Landlord to the maintenance and operation of the Market and the Common Areas and Facilities, and the costs and expenses of maintaining and operating other portions of the Market leased specifically to tenants but made available for use in common by the tenants of the Market for the period of such common use.

The costs and expenses incurred in maintaining and operating the Market will be attributed by the Landlord to the Market and the Common Areas and Facilities in accordance with reasonable and current retail commercial centre practices and on a basis consistent with the nature of the particular costs and expenses being attributed and major capital expenses shall be appropriately amortized.

The costs and expenses set out above include, without limitation, the total of:

(a) the total annual net costs and expenses of insuring lands, buildings, improvements and equipment and other property in the Market and the Common Areas and Facilities from time to time owned or operated by the Landlord or for which the Landlord is legally liable, in such manner and form, with such companies, funds, deductibles and coverage and in such amounts as the Landlord from time to time determines, and any other form of insurance which the Landlord

reasonably requires from time to time for insurable risks and in amounts against which a prudent municipality landlord would insure;

- (b) cleaning, sweeping, washing, snow removal, garbage and waste collection and disposal;
- (c) lighting, electricity, public utilities, loudspeakers, public address and musical broadcasting systems, and any telephone answering service facilities and systems used in or serving the Market and the Common Areas and Facilities and the cost of electricity for any signs designated by the Landlord as part of the Common Areas and Facilities;
- (d) policing, security, supervision and fire protection systems;
- (e) salaries of all personnel including on-site management staff and other supervisory personnel employed to carry out the maintenance and operation of the Market and the Common Areas and Facilities, including contributions and premiums towards fringe benefits, unemployment and Workers' Compensation insurance, pension plan contributions and similar premiums and contributions;
- (f) the cost of the rental of any equipment and signs, and the cost of building supplies used by the Landlord in the maintenance of the Market and the Common Areas and Facilities;
- (g) audit or accounting fees incurred by the Landlord in preparation of statements delivered or required to be delivered to the tenants of the Market;
- (h) all repairs (including major repairs), redecorating and replacements to and maintenance and operation of the Market and the Common Areas and Facilities and other systems, facilities, and equipment serving the Market and the Common Areas and Facilities, and the rentals of machinery and equipment in connection therewith (including, without limitation, all escalators, elevators and other transportation equipment and systems);
- (i) gardening, landscaping and pest control;
- (j) depreciation or amortization of those portions of the Market's Common Areas and Facilities which, by their nature, require periodic repair or replacement, determined by the Landlord in accordance with generally accepted sound accounting principles, unless they are charged fully in the Rental Year in which they are incurred;
- (k) that portion of the operating costs of the heating, ventilating, air-conditioning and central refrigeration equipment and systems and all other systems allocated by the Landlord;
- (l) all real property taxes, business taxes and other taxes, if any, from time to time allocated by the Landlord; and
- (m) an administration fee of fifteen percent (15%) of such total annual costs, excluding Common Area utilities costs and the costs of items (a) (e) (j) and (l) above.

From the total of the above costs and expenses set out above, there shall be deducted:

- (n) net recoveries, which reduce the expenses incurred by the Landlord in operating and maintaining the Market and the Common Areas and Facilities, received by the Landlord from any tenant not subject to Proportionate Share contribution and from any tenant as a result of any act, omission, or breach by such tenant of the provisions of its respective lease; and
- (o) net proceeds received by the Landlord for insurance policies taken out by the Landlord to the extent that such proceeds relate to costs and expenses incurred in the maintenance and operation of the Common Areas and Facilities.

6.3 Payment of the Tenant's Proportionate Share. The amounts of Additional Rent payable by the Tenant may be estimated by the Landlord for such period as the Landlord determines from time to time, and the Tenant agrees to pay to the Landlord the Tenant's

Proportionate Share, as so estimated, of such amounts in monthly instalments in advance during such period as Additional Rent. Notwithstanding the foregoing, after bills for all or any portion of the said amounts so estimated are received, the Landlord may bill the Tenant for the Tenant's Proportionate Share, but not more frequently than monthly, and the Tenant shall pay the Landlord such amounts so billed (less all amounts previously paid by the Tenant on the basis of the Landlord's estimate as aforesaid) as Additional Rent on demand.

Within a reasonable period of time after the end of the period for which such estimated payments have been made, the Landlord shall deliver to the Tenant (a) a statement of the amounts and costs of the Taxes payable by the Landlord, together with a statement of the Tenant's Proportionate Share of such amounts and costs pursuant to Section 5.3; and (b) a statement of the costs and expenses referred to in Article VI, together with a statement of the Tenant's Proportionate Share of such costs and expenses payable, all in reasonable detail. If necessary, an adjustment shall be made between the parties in the following manner. If the Tenant has paid in excess of the amounts due, the excess shall be applied to Rent or Additional Rent as it becomes due. If the amount the Tenant has paid is less than the amounts due, the Tenant agrees to pay such additional amounts due with the next monthly payment of Minimum Rent. If any Rental Year during the Term is greater or less than any such period determined by the Landlord as aforesaid, the Tenant's Proportionate Share shall be subject to a per diem, pro rata adjustment. It is hereby acknowledged and agreed that the statement delivered by the Landlord to the Tenant shall be final and binding between the parties as to all matters contained therein, unless the Landlord or the Tenant shall subsequently demonstrate that same is in error. The Tenant shall be entitled to review the Landlord's records of expenses upon reasonable written notice and during office hours.

ARTICLE VII

Utilities, Heating, Ventilating and Air-Conditioning and Central Refrigeration

7.1 **Charges for Utilities.** The Tenant shall be solely responsible for and shall promptly pay to the Landlord, or as it otherwise directs, in the manner hereinafter provided as a charge with respect to the Leased Premises (the "Charge") the aggregate, without duplication, of the total cost of supplying water, fuel, power, and other utilities (the "Utilities") used or consumed in or with respect to the Leased Premises, and all costs incurred by the Landlord in determining or allocating the Charge or determining the Utilities including, without limitation, professional, engineering and consulting fees, all costs incurred by the Landlord in connection with the installation, operation, maintenance, repair or replacement of energy saving equipment, machinery or other devices installed by the Landlord or the Tenant in or servicing the Leased Premises. The following conditions apply to the Charge for Utilities:

- (a) If the Landlord elects, for the more efficient and proper operation of the Market, or is required by municipal by-law or the suppliers of the Utilities to supply the Utilities or any of them for the Market, the Tenant shall purchase such Utilities and pay for such Utilities as Additional Rent forthwith on demand to the Landlord at rates not in excess of appropriate rates for such Utilities;
- (b) The Tenant shall pay to the Landlord, as Additional Rent, the Charge for Utilities in monthly instalments in advance based on estimates by the Landlord;
- (c) If required by the Landlord, the Tenant shall install at its own expense in a location designated by the Landlord its own separate check meter for the purpose of measuring, without limitation, the consumption of utilities in the Leased Premises;
- (d) In no event is the Landlord liable for, nor has the Landlord any obligation with respect to, an interruption or cessation of, or a failure in the supply of any such Utilities, services or systems in, to or serving the Market or the Leased Premises, whether or not supplied by the Landlord or others, other than to take prompt action to have same remedied;
- (e) In no event shall the Tenant be obligated to pay in respect of its consumption of the Utilities a rate exceeding that which would be payable by the Tenant to the applicable utility

authorities were such Utilities supplied by the utility authorities directly to the Leased Premises.

(f) The Landlord shall determine the Charge applicable to the Leased Premises by the connected load in the Leased Premises or by readings from the check meters installed in the Leased Premises.

(g) The Tenant shall pay its Proportionate Share of the Utilities or the Charge allocated to the Common Areas and Facilities pursuant to Article VI or to the Leased Premises.

7.2 Heating, Ventilating, Air-Conditioning and Central Refrigeration. The Landlord and the Tenant shall, throughout the Term, operate and regulate those portions of the heating, ventilating, air-conditioning and central refrigeration equipment, if any, within and serving the Leased Premises and the Common Areas and Facilities in such a manner as to maintain such reasonable conditions of temperature and humidity within the Market as determined by the Landlord. The Tenant shall comply with all Rules and Regulations of the Landlord pertaining to the operation and regulation of such equipment where the Tenant is provided with individual controls to regulate heating, ventilating, air-conditioning and central refrigeration equipment. If the Tenant fails to comply with such Rules and Regulations, the Landlord shall be entitled to take such steps as it deems advisable to correct such defaults (including, without limitation, entering upon the Leased Premises and assuming control of such equipment) without liability to the Tenant, and the Tenant will pay to the Landlord forthwith upon demand as Additional Rent all costs and expenses incurred by the Landlord in so doing.

ARTICLE VIII

Promotion Fund and Merchants' Association

8.1 Promotion Fund. The Tenant shall pay to the Landlord, as Additional Rent in each Rental Year for the purpose of the creation and maintenance of a common fund (the "Promotion Fund") for the promotion or benefit of the Market, an annual payment equal to the greater of:

(a) One Thousand Dollars (\$1,000.00), or

(b) The aggregate of \$1.50 per square foot (\$16.15 per square metre) for each of the first 1,000 square feet of the Rentable Area of the Leased Premises and \$1.00 per square foot (\$10.77 per square metre) for the balance of the Rentable Area of the Leased Premises.

The Promotion Fund payment shall be made in monthly instalments in advance as Additional Rent on the first day of each calendar month during each Rental Year of the Term. The Promotion Fund payment may be increased by the Landlord for each Rental Year following the first Rental Year by four percent (4%) compounded annually.

The Promotion Fund shall be used by the Landlord for the promotion or benefit of the Market in such a manner as the Landlord from time to time decides. The Landlord may pay all or any part of the Promotion Fund to any association which has or may be formed as hereinafter provided, and any such payment is a good and sufficient discharge of the Landlord's obligation in respect of the amount so paid. It is understood and agreed that if any such monies paid by the Tenant to the Landlord under this provision are paid by the Landlord to any such association, such payment to the association is in payment or in part payment of any assessment by such association upon the Tenant unless the assessment is levied by the association as supplementary to the Promotion Fund. It is understood and agreed that any and all amounts to the Landlord under this section are not deemed income of the Landlord but shall be expended by it as provided in this Section 8.1.

8.2 Merchants' Association. If and when an association or corporation of merchants or tenants (the "Association") is incorporated comprising all of the tenants of the Market, the Tenant shall forthwith become a member of such Association, or if such an Association has already been incorporated, the Tenant shall forthwith become a member thereof, and the Tenant shall retain its membership in such Association during the entire Term and shall abide by all rules, regulations, by-laws, decisions, directions, dues and assessments of the Association which

shall be in addition to the Tenant's Promotion Fund contribution. The Tenant shall join with other such tenants in an application for Letters Patent (in accordance with the provisions of the *Corporations Act* (Ontario), and amendments thereto) incorporating such an Association as a corporation. Nothing in the by-laws, rules and regulations of the Association shall be in conflict with or derogate from the provisions of this Lease, including any future Rules and Regulations, or in any way affect the rights of the Landlord, and all such by-laws, rules and regulations shall at all times be subject to the prior approval of the Landlord. The Landlord is entitled to be a member of the Association and to appoint representatives of the Landlord to the executive committee and board of directors and the Landlord will at all times be entitled to retain a majority voting control on the executive committee and board of directors.

ARTICLE IX

Use of the Leased Premises

9.1 **Use of the Leased Premises.** The Tenant shall use the Leased Premises solely for the purpose of conducting the business of the sale, at retail of [insert use clause] and the Tenant will not use or permit, or suffer the use of the Leased Premises or any part thereof for any other business or purpose. In connection with the business to be conducted by the Tenant on the Leased Premises, the Tenant shall only use the advertised name Trade Name and will not change the advertised name of the business to be operated in the Leased Premises without the prior written consent of the Landlord, not to be unreasonably withheld or delayed.

9.2 **Prohibited Activities.** The Tenant acknowledges and agrees that it is only one of many tenants in the Market. Therefore, the Tenant shall conduct its business in the Leased Premises in a good and efficient manner consistent with the best interests of the Tenant and the Market as a whole. Without limiting the generality of the foregoing and of the conditions of the use of the Leased Premises, the Tenant will not use or permit, or suffer the use of the Leased Premises, or any part thereof, for any of the following businesses or activities unless expressly permitted in writing by the Landlord:

- (a) the sale of second hand goods or surplus articles, insurance salvage stock, fire sale stock or bankruptcy stock;
- (b) the sale of firecrackers or fireworks of any kind;
- (c) an auction, bulk sale (other than a bulk sale made to an assignee or sublessee pursuant to a permitted assignment or subletting hereunder), liquidation sale, "going out of business" or bankruptcy sale, or warehouse sale;
- (d) any sale or business which, because of the merchandising methods or quality of operation likely to be used, would, in the Landlord's opinion, tend to lower the character of the Market;
- (e) any practice of unethical or deceptive advertising or selling procedures;
- (f) catalogue sales in or from the Leased Premises except for merchandise which the Tenant is permitted to sell "over the counter" in or at the Leased Premises pursuant to Section 9.1.

The Landlord shall have the right to cause the Tenant to discontinue and the Tenant shall thereupon forthwith discontinue the sale of any item, merchandise, commodity, or the supply of any service, or the carrying on of any business, any of which is either prohibited by this section or which the Landlord determines is not directly related to the business set out in this section dealing with the use of the Leased Premises.

9.3 **Conduct of Business.** The Tenant shall occupy the Leased Premises from and after the Lease Commencement Date and thereafter throughout the Term shall conduct continuously, diligently and actively the business set out for the use of the Leased Premises in the whole of the Leased Premises. In the conduct of the Tenant's business pursuant to this Lease, the Tenant shall:

- (a) operate its business with due diligence and efficiency and maintain an adequate staff to

properly serve all customers; install in the Leased Premises and keep in good order and condition, free from liens or rights of third parties, only fixtures and equipment of first-class quality and appearance; and carry at all times stock of goods and merchandise of such size, character and quality as is consistent with good business practices;

(b) conduct its business in the Leased Premises during such hours and on such days as the Landlord from time to time requires or permits and during hours that businesses in the trade area of the Market are customarily open; however, nothing herein requires the Tenant to carry on its business during any period prohibited by any law or by-law regulating the hours when such business may be carried on;

(c) install and maintain at all times displays of merchandise in the display window or areas (if any) of the Leased Premises. The Tenant shall keep the display windows and signs, if any, in the Leased Premises well lighted during such hours as the Landlord designates from time to time;

(d) store and stock in the Leased Premises only such goods, wares and merchandise as the Tenant intends to offer for sale at retail at, in, from or on the Leased Premises and the Tenant shall not use any portion of the Leased Premises for office, clerical or other non-selling purposes other than such minor parts as are reasonably required for the Tenant's business in the Leased Premises;

(e) abide by all Rules and Regulations and general policies formulated by the Landlord from time to time relating to the delivery of goods and merchandise between the general shipping and receiving areas and the Leased Premises. If the Landlord, from time to time, for the more efficient operation of the Market, requires that the movement of all goods and merchandise between such shipping and receiving areas and the Leased Premises be effected by the Landlord or any nominee of the Landlord, the Tenant shall reimburse the Landlord as Additional Rent payable forthwith on demand, for the actual cost incurred with respect to all deliveries to and from the Leased Premises and temporary holding of goods related thereto. Notwithstanding anything herein contained to the contrary, the Landlord is not liable for any material loss or damage to any of the goods and merchandise of the Tenant, or of others, which are received or handled, directly or indirectly, from any cause whatsoever, as a result of the delivery and shipping of such goods and merchandise by the Landlord or any nominee of the Landlord, unless the Landlord is negligent;

(f) not commit or suffer or permit to be committed any waste upon, or damage to, the Leased Premises or any nuisance or other act or thing which disturbs the enjoyment of any other tenant or occupant of premises in the Market or which unreasonably disturbs or interferes with or annoys any Person within 500 feet of the boundaries of the Market; and not perform any acts or carry on any practices which may damage the Market;

(g) not do, nor suffer or permit to be done, any act in or about the Common Areas and Facilities or the Market which, in the Landlord's opinion, hinders or interrupts the flow of traffic to, in and from the Market and not do, nor suffer or permit anything to be done which, in the Landlord's opinion, in any way obstructs the free movement of Persons doing business in the Market;

(h) not solicit business, nor shall it suffer or permit its employees or agents to solicit business or sell merchandise in any part of the Market other than the Leased Premises, nor display any merchandise elsewhere within the Market outside of the Leased Premises at any time;

(i) wherever possible, use the name "COVENT GARDEN MARKET" and all insignia and other identifying names and marks which the Landlord instructs the Tenant to use in connection with such name in the advertising of its business conducted in the Leased Premises. Notwithstanding the foregoing provisions of this subsection, the Tenant does not have nor will it acquire any rights in such names, marks or insignia and, at the option of the Landlord, the Tenant will promptly abandon or assign to the Landlord any such rights which the Tenant may acquire by operation of law, and will promptly execute such documents as in the opinion of the Landlord are or may be necessary to give effect to this subsection;

(j) not install or allow on the Leased Premises any transmitting device, other than normal telecommunication devices, nor erect any aerial on the roof of any building forming part of the Market or on any exterior walls of the Leased Premises or in any of the Common Areas and Facilities. Any such installation shall be subject to removal by the Landlord without notice at any time and such removal shall be done and all damages as a result thereof shall be made good, in each case, at the cost of the Tenant, payable as Additional Rent forthwith on demand;

(k) not use any travelling or flashing lights, or any signs, television or other audio-visual or mechanical devices in a manner so that they can be seen outside of the Leased Premises, and not use any loudspeakers, television, phonographs, radios or other audio-visual or mechanical devices in a manner so that they can be heard outside of the Leased Premises, without in each case the prior written consent of the Landlord. If the Tenant uses such equipment without receiving the prior written consent of the Landlord, the Landlord shall be entitled to remove such equipment without notice at any time and such removal shall be done and all damages as a result thereof shall be made good, in each case, at the cost of the Tenant, payable as Additional Rent forthwith on demand;

(l) co-operate with the Landlord in the conservation of all forms of energy in the Market, including, without limitation, in the Leased Premises; comply with all laws, by-laws, regulations and orders relating to the conservation of energy affecting the Common Areas and Facilities, the Leased Premises and the Market or any of them; and at its own cost and expense comply with all reasonable requests and demands of the Landlord made with a view to such energy conservation. It is understood and agreed that any and all costs with respect to and expenses incurred by the Landlord, so far as the same apply to or are reasonably apportioned to the Market by the Landlord, shall be included in the Landlord's costs and expenses of maintaining and operating the Market and the Common Areas and Facilities for the purposes of Article VI; and the Landlord shall not be liable to the Tenant in any way for any loss, costs, damages or expenses whether direct or consequential, paid, suffered or incurred by the Tenant due to any reduction in the services provided by the Landlord to the Tenant or to the Market or any part thereof as a result of the Landlord's compliance with such laws, by-laws, regulations or orders;

(m) not permit or allow any odours, vapours, steam, water, vibration, noises or other undesirable effects to emanate from the Leased Premises or any equipment or installation therein which, in the Landlord's opinion, are not normal for the Tenant's business and are objectionable or cause any interference with the safety, comfort or convenience of the Market by the Landlord or any occupants thereof or their customers or invitees. If the Tenant is in default of any of the foregoing, the Landlord shall have the right to verbally inform the Tenant's manager in the Leased Premises thereof, whereupon the Tenant shall forthwith take such steps as are necessary to cure any such default, and cease selling the offending item or items, as the case may be;

(n) not, nor shall it suffer or permit its employees or agents, to solicit business in any of the Common Areas and Facilities;

(o) not cause, permit or suffer any machines selling merchandise or vending services, including vending machines and machines operated by coins, credit cards or otherwise, to be present in the Leased Premises, unless expressly permitted by this Lease or in writing by the Landlord;

(p) not have or permit to be or suffer on the Leased Premises any machines providing entertainment, whether operated by coins, credit cards or otherwise, unless expressly permitted by this Lease or in writing by the Landlord; and

(q) not mortgage, charge or encumber this Lease or the Tenant's interest herein.

Any business, conduct or practice promulgated, carried on or maintained by the Tenant, whether through advertising or selling procedures or otherwise, which in the opinion of the Landlord, acting reasonably, may harm or tend to harm the business or reputation of the Landlord or reflect unfavourably on the Market, the Landlord or other tenants in the Market or which may tend to confuse, mislead, deceive or be fraudulent to the public, shall be immediately discontinued by the Tenant at the request of the Landlord.

9.4 **Concessions, Franchises and Licences.** The Tenant shall not permit any business to be operated in or from the Leased Premises by any concessionaire, franchisee, licensee or others.

9.5 **Observance of Law.** The Tenant shall, at its sole cost and expense and subject to the provisions of this Lease, promptly:

(a) observe and comply with all provisions of law including, without limitation, all requirements of all governmental authorities, including federal, provincial and municipal legislative enactments, by-laws and other regulations now or hereafter in force which pertain to or affect the Leased Premises, the Tenant's use of the Leased Premises or the conduct of any business in the Leased Premises, or the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the Leased Premises;

(b) observe and comply with all requirements of, and pay for all costs and expenses in connection with the controls imposed by governmental authorities for ambient air and environmental standards;

(c) observe and comply with all police, fire and sanitary regulations imposed by any governmental authorities (whether federal, provincial or municipal), or made by fire insurance underwriters; and

(d) carry out all modifications, alterations or changes of or to the Leased Premises and the Tenant's conduct of business in or use of the Leased Premises which are required by any such authorities as are set out above.

9.6 **Licences.** If at any time during the Term, the Tenant is or becomes a corporation which, under the laws of the Province of Ontario, is required to obtain an extra-provincial license in order to carry on business in the Province of Ontario in a manner contemplated by this Lease and to hold the leasehold interest hereby granted throughout the Term, the Tenant shall obtain any such licences as are so required and shall promptly and at its sole cost and expense take all steps that are necessary to maintain same in good standing throughout the Term. The Tenant shall from time to time, at the request of the Landlord, provide the Landlord with evidence satisfactory to the Landlord and its solicitors of the status and the particulars of any such licences, or the basis on which the Tenant is not so obliged to maintain such licences.

9.7 **Radius Clause.** It is understood and agreed and it is a condition precedent to the execution of this Lease by the Landlord that the Tenant acknowledges that the Market draws its customers from a large geographic area and that the success of the Market is dependent upon the generation of Gross Sales. The Tenant agrees that throughout the Term it shall not suffer or permit any Person under its control or connected or affiliated with it whether as partner, shareholder, lender, employee or otherwise, to engage directly or indirectly in any business which is the same as or similar to, or in competition with, the Tenant's business in the Leased Premises within any building or building complex, any portion of which is located within a radius of one (1) mile from any point on the perimeter of the Market.

To give effect to the foregoing, if the Tenant shall breach the foregoing covenant, or if another business as described in this section is operated within the radius aforesaid, the Landlord, in addition to any other remedy available to it, is entitled to require that the gross sales (calculated in the same manner as Gross Sales) from and in respect of any such other business be included in the computation of Gross Sales hereunder, as though such gross sales had actually been made from the Leased Premises and the Landlord has the same rights of inspection and audit with respect to the gross sales of any such other business as it has with respect to Gross Sales pursuant to this Lease. The Tenant agrees that by entering into this Lease, it will not offend or be in breach of any restriction by which it is bound under any other lease or agreement to any other Person.

9.8 **Hazardous Substances.**

(a) Tenant will not bring upon the Market or any part thereof any Hazardous Substance.

(b) "Hazardous Substance" means any substance which is hazardous to persons or property and includes, without limitation: radioactive materials; explosives; any substance that, if added to water, would degrade or alter or form part of a process of degradation or alteration of the quality of that water to the extent that it is detrimental to its use by man or by any animal, fish or plant; any solid, liquid, gas or odour or combination of any of them that, if emitted into the air, would create or contribute to the creation of a condition of the air that endangers the health, safety or welfare of persons or the health of animal life, interferes with normal enjoyment of life or property or causes damage to plant life or property; toxic substances; and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority having jurisdiction over the Landlord, the Tenant or the Market; any waste composed in whole or in part of substances that are corrosive, ignitable, pathological, radioactive, reactive, toxic or liquid that cannot be disposed of through municipal sewers; and substances controlled under any environmental laws.

(c) Without limiting the generality of any other provision of this Lease, the Tenant will comply with all laws and regulations from time to time in force relating to the Leased Premises and Hazardous Substances and will immediately give written notice to the Landlord of the occurrence of any event on or about the Leased Premises constituting an offence thereunder or being in breach thereof and, if the Tenant, either alone or jointly with others, causes the happening of such event or brings any Hazardous Substance upon the Market or any part thereof, the Tenant will, at its own expense:

(i) immediately give the Landlord written notice to that effect and thereafter give the Landlord from time to time written notice of the extent and nature of the Tenant's compliance with the following provisions of this section;

(ii) promptly remove the Hazardous Substances from the Market in a manner which conforms with all laws and regulations governing movement of the same; and

(iii) if requested by the Landlord, obtain from an independent consultant designated or approved by the Landlord a report, verifying the complete and proper removal thereof or, if such is not the case, reporting as to the extent and nature of any failure of the Tenant to comply with this section.

Tenant will reimburse the Landlord for all of its costs and expenses in remedying any damage to the Market caused by such event or by the performance of the Tenant's obligations under this section as a result of such occurrence.

If any governmental authority having jurisdiction requires the cleanup of any Hazardous Substance held, released, spilled, abandoned or placed upon the Market by the Tenant or released into the environment by the Tenant or as a result of the Tenant's use or occupancy of the Leased Premises, then the Tenant will, at its own expense, prepare all necessary studies, plans and proposals and submit the same for approval, provide all bonds and other security required by governmental authorities having jurisdiction and carry out the work required and will keep the Landlord fully informed and provide to the Landlord full information with respect to proposed plans and comply with the Landlord's requirements with respect to such plans, provided that if the Landlord determines that the Landlord, its property or its reputation is placed in any jeopardy by the requirement for any such work, the Landlord may itself undertake such work or any part thereof at the cost and expense of the Tenant.

(d) The Tenant authorizes the Landlord to make enquiries from time to time of any government or governmental agency with respect to the Tenant's compliance with any and all laws and regulations pertaining to the operation of the Tenant's business at the Leased Premises including, without limitation, laws and regulations pertaining to Hazardous Substances and the protection of the environment, and the Tenant will provide to the Landlord, from time to time, such written authorization as the Landlord may reasonably require in order to facilitate the obtaining of such information.

(e) The Tenant will comply with all laws and regulations from time to time in force

regulating the manufacture, use, storage, transportation or disposal of Hazardous Substances and will make, obtain and deliver all reports and studies required by all governmental authorities having jurisdiction. The Landlord may at any time, and from time to time, inspect the Tenant's goods upon the Leased Premises and the Tenant's records relating thereto for the purpose of identifying the nature of the goods and the existence or absence of any Hazardous Substances and the Tenant will assist the Landlord in doing so.

(f) If the Tenant brings or creates upon the Leased Premises any Hazardous Substance or if the conduct of the Tenant's business causes there to be any Hazardous Substance upon the Leased Premises, then, notwithstanding any rule of law to the contrary, such Hazardous Substance will be and remain the sole and exclusive property of the Tenant, and will not become the property of the Landlord, notwithstanding the degree of affixation of the Hazardous Substance or the goods containing the Hazardous Substance to the Leased Premises and notwithstanding the expiry or earlier termination of this Lease.

(g) The obligations of the Tenant relating to Hazardous Substances will survive the expiry or earlier termination of this Lease, save only that, to the extent that the performance of those obligations requires access to or entry upon the Market or any part thereof, the Tenant will have such entry and access only at such times and upon such terms and conditions as the Landlord may from time to time specify, and the Landlord may, at the Tenant's cost and expense, undertake the performance of any necessary work in order to complete such obligations of the Tenant, provided that notwithstanding that the Landlord may have commenced such work, it will have no obligation to the Tenant to complete such work.

9.9 **Environmental Matters.**

(a) The Tenant will cooperate with the Landlord in the conservation of all forms of energy in the Market, including, without limitation, the Leased Premises, and in all recycling efforts and general environmental initiatives prescribed by the Landlord.

(b) The Tenant will comply with all laws, by-laws, regulations and orders relating to the conservation of energy, recycling and general environmental initiatives and affecting the Leased Premises or the Market. Notwithstanding any other provision of this Lease, the Tenant will fully comply with all applicable environmental laws. If Tenant is charged with any offence which relates to the Leased Premises or the Market, and which is contrary to any applicable environmental law, the Tenant shall immediately notify the Landlord in writing, shall provide a copy of such charge and related correspondence to the Landlord along with such notice in writing and shall proceed immediately to rectify any such alleged breach and continue diligently to rectify same, failing which the Landlord will have the option, at its sole discretion, to terminate this Lease forthwith by notice in writing and the Landlord will not be liable for damages of any kind however caused arising out of such termination.

(c) The Tenant will, at its own cost and expense, comply with all reasonable requests and demands of the Landlord made with a view to such energy conservation, recycling requirements and general environmental initiatives.

(d) Any and all costs and expenses paid or incurred by the Landlord in complying with such laws, regulations and orders so far as they same will apply to or reasonably be apportioned to the Market by the Landlord, will be included in the computation of cost of maintenance and operation of the Common Areas and Facilities and the Market.

(e) The Landlord will not be liable to the Tenant in any way for any loss, costs, damages or expenses whether direct or consequential, paid, suffered or incurred by the Tenant as a result of any reduction in the services provided by the Landlord to the Tenant or to the Market as a result of the Landlord's compliance with such laws, by-laws, regulations or orders provided the Landlord effects compliance in a manner that is as minimally adverse to the operations of the Tenant as is reasonably possible.

(f) The Tenant will obtain and comply with the terms of all licenses, certificates of approval, permits and other approvals necessary or appropriate under applicable environmental laws for

the safe and lawful conduct of its business at or from the Leased Premises.

(g) The Tenant will design, install, operate, repair, replace and maintain, or cause to be designed, installed, operated, repaired, replaced and maintained, all equipment located in the Leased Premises, and will train all of its staff, so as to minimize the risk of spills and other accidents, particularly those accidents which might result in a discharge of contaminants. If the Tenant uses pollution control equipment, or any pollution control equipment is located in the Leased Premises, the Tenant will conduct regular preventative maintenance of such equipment, and will keep it in good working order at all times.

(h) The Tenant will not use pesticides in the Leased Premises or the Market unless the Tenant has first obtained written consent from the Landlord to do so and all necessary permits under applicable environmental laws.

(i) The Tenant will store and dispose of all of its waste or Hazardous Substances in a lawful manner. In particular, the Tenant will use the garbage collection service provided by the Landlord only to dispose of solid waste (which is not a Hazardous Substance) which can lawfully be transported to, and dumped at, the closest landfill site without requiring payment of surcharges or penalties, and will use the sewers only to dispose of liquid waste (which is not Hazardous Waste) which may be lawfully discharged into the municipal sewer. All other wastes will be disposed of by the Tenant, at its expense, at least once every three months, using a properly licensed waste hauler retained by the Landlord, subject to the Landlord's right to require the Tenant, by giving the Tenant notice thereof, to retain a properly licensed waste hauler to take away all or part (as designated by the Landlord) of the Tenant's waste. Regardless of whether the waste hauler is retained by the Landlord or the Tenant, the Tenant and not the Landlord, shall be deemed to be the generator of the Tenant's waste.

(j) Where the Landlord provides separate waste collection facilities for different types of waste, the Tenant will separate its waste and will deliver each waste to the appropriate facility. If contamination of separated waste occurs as a result of the Tenant's failure to comply with the foregoing sentence, the Tenant will indemnify the Landlord for all damages and costs incurred by the Landlord with respect to such contamination, together with an administration fee equal to 20% of such costs. If the Tenant is required by environmental laws to keep any waste at the Market for more than three months, the waste will be stored in a manner and location which complies with all environmental laws, at the Tenant's expense. The Tenant will permit the Landlord to perform an audit of the Tenant's waste, its operation and the Leased Premises as may be required by the Landlord from time to time, at the Tenant's cost. The Tenant will comply with any waste reduction workplan prepared by the Landlord from time to time (if any), at the Tenant's cost. The Tenant will comply with all reasonable requirements imposed by the Landlord with respect to the implementation of a system for the storage, disposal, and separation of waste at the Market as contemplated by this Section.

(k) The Tenant will not authorize, cause or permit a discharge of contaminants except in accordance with environmental laws. Where a discharge does occur, the Tenant will immediately report the occurrence of the discharge to all authorities (governmental, court) to whom notification is required under environmental laws in the circumstances, and to the Landlord. The Tenant will then immediately clean up the discharge and restore the natural environment affected by the discharge to the satisfaction of the Landlord and all authorities, and will provide the Landlord with a certificate from the Tenant's duly qualified consulting engineer and/or the appropriate authorities confirming such authorities' satisfaction.

(l) If the Tenant fails or refuses to promptly clean up the discharge and to restore the natural environment affected by the discharge, or if, in the Landlord's opinion, the Tenant is not competent to do so, the Landlord:

- (i) may elect in writing to carry out the whole or any part of the clean up and restoration at the Tenant's expense, and
- (ii) will have the option, at its sole discretion, to terminate this Lease forthwith by notice in writing, and the Landlord will not be liable for any damages of any kind

however caused arising out of such termination.

The Tenant will permit the Landlord to perform an audit of the Tenant's discharges of contaminants into the natural environment, at the Tenant's cost. The Tenant will comply with a discharge reduction workplan prepared by the Landlord (if any).

(m) No refrigerant may be vented to the atmosphere at any time. When it is necessary to remove refrigerants from equipment for servicing, or when equipment containing refrigerant is to be removed from service, the Tenant will ensure that the refrigerants are recaptured into approved refrigerant recovery cylinders and drums. The Tenant will be responsible for complying with all environmental laws relating to the recapture and transportation of recaptured refrigerants.

(n) The Tenant will fully comply with all orders of an authority which may be directed to the Tenant and which relate to the Leased Premises or the Market, including orders to provide financial assurance, to perform studies, to improve pollution control, to remove waste, to conduct investigations or to prepare or perform an environmental cleanup of the Leased Premises or the Market. Should an order of an authority be issued to the Landlord, requiring the Landlord to do anything in relation to an environmental problem caused by the Tenant, the Tenant will, upon receipt of written notice from the Landlord, carry out the order at the Tenant's expense.

(o) If the Tenant fails or refuses to promptly and fully carry out an order referred to in this Section and where it is reasonably necessary to perform a cleanup or to carry out an order in order to prevent further environmental problems, the Landlord will have the right to prevent the Tenant from obtaining access to the Leased Premises for a reasonable period of time (taking into account the circumstances), but no such prevention from obtaining access will constitute an eviction or entitle the Tenant to any abatement of Rent. If the Tenant fails or refuses to promptly and fully carry out an order referred to in this Section the Landlord will have the option, at its sole discretion, to terminate this Lease forthwith by notice in writing, and the Landlord will not be liable for any damages of any kind however caused arising out of such termination.

(p) Upon the expiration of the Term or other termination of this Lease, the Tenant will leave the Leased Premises clean of contaminants and Hazardous Substances and suitable for immediate reuse for any commercial or residential purpose. The Tenant will be obliged to continue to pay Rent until it has removed from the Leased Premises and the Market and lawfully disposed of all such waste and other contaminants.

(q) The Landlord may, at any time, inspect the Leased Premises and the Tenant's records to determine whether the Tenant is fully complying with all environmental laws and its environmental obligations under this Lease. The Landlord may also, at any time, inspect the Leased Premises to evaluate the risk of discharges referred to in this Section. Where the Landlord reasonably considers it necessary, the inspection may be performed in whole or in part by experts, and may include sampling, monitoring, and other tests, all performed at the Tenant's expense. If the Landlord's inspection discloses a breach of an environmental law, or a fact situation which could reasonably be anticipated to result in a breach of an environmental law, the Landlord will have the right upon giving notice in writing to the Tenant to take whatever steps are reasonably required to rectify such breach, or prevent such breach from occurring, as the case may be.

(r) Where the Landlord has carried out an order referred to in this Section, or has cleaned up or restored a discharge referred to in this Section, or has otherwise incurred any expense or damage relating to an environmental problem caused by the Tenant, the Tenant will indemnify the Landlord for all costs incurred by the Landlord with respect to any of the foregoing including administration costs and legal fees.

(s) The provisions of this Section will survive and continue to apply following the expiry or earlier termination of this Lease.

ARTICLE X

Insurance and Indemnity

10.1 Tenant's Insurance.

(a) The Tenant shall during the Rent Free Period and throughout the entire Term, at its sole cost and expense, take out and keep in full force and effect, in the names of the Tenant, the Landlord and the Mortgagee, as their respective interests may appear, the following insurance:

(i) insurance upon property of every description and kind owned by the Tenant, or for which the Tenant is legally liable, or installed by or on behalf of the Tenant, and which is located within the Market including, without limitation, fittings, installations, alterations, additions, partitions, fixtures and anything in the nature of a leasehold improvement and the Tenant's stock-in-trade, furniture and movable equipment, in an amount of not less than the full replacement cost thereof, with coverage against at least, the perils of fire and standard extended coverage, including sprinkler leakages, earthquake, flood and collapse. If there is a dispute as to the amount which comprises full replacement cost, the decision of the Landlord shall be conclusive;

(ii) business interruption insurance in such amount to cover at least twelve (12) months projected revenue, as will reimburse the Tenant for direct or indirect loss of earnings attributable to all perils insured against in this section and other perils commonly insured against by prudent tenants or attributable to prevention of access to the Leased Premises or the Market as a result of such perils;

(iii) Comprehensive General Liability Insurance, on an occurrence basis, including personal injury liability, contractual liability, non-owned automobile liability, employers' liability, property damage, broad form property damage, products liability and owners' and contractors' protective insurance coverage with respect to the Leased Premises and the Tenant's use of the Common Areas and Facilities, all such coverage to include the activities and operations conducted by the Tenant and any other Person on the Leased Premises, and by the Tenant and any other Person performing work on behalf of the Tenant and those for whom the Tenant is in law responsible in any part of the Market; such policies shall be written on a comprehensive basis with inclusive limits of not less than \$5,000,000.00 and such higher limits as the Landlord, acting reasonably, requires from time to time and shall contain a severability of interests clause and a cross-liability clause; the Landlord is to be included as an additional insured, rather than a named insured, under all liability coverage under this subsection;

(iv) tenants' legal liability insurance for the replacement cost of the Leased Premises, including loss of use thereof;

(v) standard owner's form automobile policy providing third party liability insurance with Two Million (\$2,000,000.00) Dollars inclusive limits, and accident benefits insurance, covering all licensed vehicles owned or operated by or on behalf of the Tenant, provided such vehicles are used in connection with the operation of the Tenant's business; and

(vi) any other form of insurance as the Landlord or the Landlord's mortgagee requires from time to time, in forms, amounts and for insurance risks against which a prudent tenant should insure in similar circumstances.

(b) All policies required to be written on behalf of the Tenant pursuant to Sections 10.1(a)(i), 10.1(a)(ii) and 10.1(a)(iii) shall contain a waiver of any subrogation rights against the Landlord and against those for whom the Landlord is in law responsible, whether any such damage is caused by the act, omission or negligence of the Landlord or those for whom the Landlord is in law responsible.

(c) All policies shall be taken out with insurers acceptable to the Landlord, shall be in a form satisfactory from time to time to the Landlord, shall be non-contributing with, and shall apply only as primary and not as excess to any other insurance available to the Landlord, shall not be

invalidated as respects the interests of the Landlord by reason of any breach or violation of any warranties, representations, declarations or conditions contained in the policies and shall contain an undertaking by the insurers to notify the Landlord in writing no less than thirty (30) days prior to any material change, cancellation or termination thereof.

(d) The Tenant agrees that certificates of insurance of each such insurance policy will be deposited with the Landlord as soon as practicable after placing, renewing or replacing of the required insurance and that no review or approval of any such insurance certificate by the Landlord shall derogate from or diminish the Landlord's rights or the Tenant's obligations contained in this Lease including, without limitation, those contained in this article.

(e) The Tenant agrees that if the Tenant fails to take out or to keep in force any such insurance referred to in this section, or should any such insurance not be approved by the Landlord and should the Tenant not commence to diligently rectify (and thereafter proceed diligently to rectify) the situation within forty-eight (48) hours after written notice by the Landlord to the Tenant (stating if the Landlord does not approve of such insurance the reasons therefor) the Landlord has the right, without assuming any obligation in connection therewith, to effect such insurance at the sole cost of the Tenant and all outlays by the Landlord shall be immediately paid by the Tenant to the Landlord as Additional Rent to the first day of the next month following said payment by the Landlord, without prejudice to any other rights and remedies of the Landlord under this Lease.

10.2 Increase in Insurance Premiums. The Tenant shall not keep, use, sell or offer for sale in or upon the Leased Premises any article which may be prohibited by any property insurance policy in force from time to time covering the Leased Premises or the Market. If the occupancy of the Leased Premises, the conduct of business in the Leased Premises, the sale of any merchandise from or on the Leased Premises (whether or not the Landlord has consented to the sale of such merchandise) or in any other portion of the Market where permitted by the Landlord or any acts or omissions of the Tenant in the Market causes or results in any increase in premiums for the insurance carried from time to time by the Landlord with respect to the Market, the Tenant shall pay any such increase in premiums as Additional Rent forthwith after invoices for such additional premiums are rendered by the Landlord. In determining whether increased premiums are caused by or result from the use or occupancy of the Leased Premises, or the sale of any article therein or therefrom, a schedule issued by the organization computing the insurance rate on the Market showing the various components of such rate shall be conclusive evidence of the several items and charges which make up such rate. The Tenant shall comply promptly with all requirements of the Insurer's Advisory Organization or of any insurer now or hereafter in effect, pertaining to or affecting the Leased Premises.

10.3 Cancellation of Insurance. If any insurance policy upon the Market or any part thereof shall be cancelled or shall be threatened by the insurer to be cancelled, or the coverage thereunder reduced in any way by the insurer by reason of the use and occupation of the Leased Premises or any part thereof by the Tenant or by an assignee of the Tenant, or by anyone permitted by the Tenant to be upon the Leased Premises, and if the Tenant fails to remedy the condition giving rise to cancellation, threatened cancellation, or reduction of coverage within forty-eight (48) hours after notice thereof by the Landlord, or within such longer period of time as may be granted or set by the insurer, the Landlord may, at its option, either re-enter and take possession of the Leased Premises forthwith by levying upon the Leased Premises a notice in writing of its intention and thereupon the Landlord shall have the same rights and remedies as are contained in this Lease, or enter upon the Leased Premises and remedy the condition giving rise to such cancellation, threatened cancellation or reduction, and the Tenant shall forthwith pay the cost thereof to the Landlord, which cost may be collected by the Landlord as Additional Rent and the Landlord shall not be liable for any damage or injury caused to any property of the Tenant or of others located on the Leased Premises as a result of any such entry. The Tenant agrees that any such entry by the Landlord is not a re-entry or a breach of any covenant for quiet enjoyment contained in this Lease.

10.4 Loss or Damage. The Landlord shall not be liable for any death or injury arising from or out of any occurrence in, upon, at, or relating to, the Leased Premises or the Market, or damage to property of the Tenant or of others located on the Leased Premises, nor shall it be responsible

for any loss of or damage to any property of the Tenant or others from any cause whatsoever, unless such death, injury, loss or damage results from the negligence of the Landlord, its agents, servants or employees or other persons for whom it may, in law, be responsible. Except as aforesaid, the Landlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, flood, snow or leaks from any part of the Leased Premises or from the pipes, appliances, plumbing works, roof, or subsurface of any floor or ceiling, or from the street or any other place, or by dampness or by any other cause whatsoever. The Landlord shall not be liable for any such damage caused by other tenants to Persons in the Market or by occupants of adjacent property thereto, or the public, or caused by construction or by any private, public or quasi-public work. All property of the Tenant kept or stored on the Leased Premises shall be so kept or stored at the risk of the Tenant only and, except as aforesaid, the Tenant shall indemnify the Landlord and save it harmless from any claims arising out of any damages to the same, including, without limitation, any subrogation claims by the Tenant's insurers.

10.5 Landlord's Insurance. Notwithstanding the Landlord's insurance and notwithstanding any contribution by the Tenant to the cost of insurance premiums, the Tenant is not relieved of any liability arising from or contributed to by its negligence or its wilful acts or omissions, and no insurable interest is conferred upon the Tenant under any policies of insurance carried by the Landlord and the Tenant has no right to receive any proceeds of any such insurance policies carried by the Landlord and the Landlord is not accountable to the Tenant for the use of such proceeds.

10.6 Indemnification of the Landlord. Notwithstanding any other terms, covenants and conditions contained in this Lease including, without limitation, the Landlord's obligations to repair, to take out insurance and the Tenant's obligation to pay its Proportionate Share of the costs of insurance, the Tenant shall indemnify the Landlord and save it harmless from and against any and all loss (including loss of all Rent payable by the Tenant pursuant to this Lease), claims, actions, damages, liabilities and expenses in connection with loss of life, personal injury, damage to property or any other loss or injury whatsoever arising from or out of this Lease, or any occurrence in, upon or at the Leased Premises or the Market, or the occupancy or use by the Tenant of the Leased Premises or the Market, or any part thereof, or occasioned wholly or in part by any act or omission of the Tenant or by anyone permitted to be on the Leased Premises or the Market by the Tenant. If the Landlord shall, without fault on its part, be made a party to any litigation commenced by or against the Tenant, then the Tenant shall protect, indemnify and hold the Landlord harmless and shall pay all costs, expenses and reasonable legal fees incurred or paid by the Landlord in connection with such litigation. The Tenant shall also pay all costs, expenses and legal fees (on a solicitor and his client basis) that may be incurred or paid by the Landlord in enforcing the terms, covenants and conditions in this Lease, unless a Court shall decide otherwise.

ARTICLE XI

Maintenance, Repairs and Alterations

11.1 Maintenance and Repairs by the Tenant. The Tenant shall, at all times during the Term at its sole cost, keep and maintain in good order, first-class condition and repair (which shall include, without limitation, periodic painting and decorating) as determined by the Landlord, and shall, subject to the provisions of this Lease make all needed repairs and replacements with due diligence and dispatch to the whole of the Leased Premises (including, without limitation, entrances, all glass, show window mouldings, doors and store fronts), all signs, partitions, doors and fixtures (including the Tenant's fixtures) located in or upon the Leased Premises and all fixtures, equipment and systems, electrical, mechanical and plumbing within and serving the Leased Premises, appurtenances of the Leased Premises and improvements to the Leased Premises (including, without limitation, lighting, wiring, plumbing fixtures and equipment and those portions of HVAC system which are not part of the Common Areas and Facilities) if such fixtures, equipment and systems are located within or affixed to the Leased Premises. The Tenant covenants and agrees that it shall keep the Leased Premises in a

clean and sanitary condition and provide janitorial services for same at reasonably regular intervals.

11.2 Landlord's Approval. The Tenant shall not make any improvements, repairs, alterations, replacements, decorations or improvements to any part of the Leased Premises without first obtaining the Landlord's written approval. The Tenant shall submit to the Landlord, the proposed contractors, details of the proposed work, including drawings and specifications prepared by qualified architects or engineers and conforming to good engineering practice; such indemnification against liens, costs, damages and expenses as the Landlord requires; and evidence satisfactory to the Landlord that the Tenant has obtained, at its expense, all necessary consents, permits, licences and inspections from all governmental and regulatory authorities having jurisdiction.

All such contractors, repairs, replacements, alterations, decorations or improvements by the Tenant to the Leased Premises approved of by the Landlord shall be performed at the sole cost of the Tenant, by competent workmen, in a good and workmanlike manner, in accordance with the drawings and specifications approved by the Landlord and subject to the reasonable regulations, controls and inspection of the Landlord, as set out in Schedule "C".

Any such repair, replacement, alteration, decoration or improvement made by the Tenant without the prior written consent of the Landlord or which is not made in accordance with the drawings and specifications approved by the Landlord shall, if requested by the Landlord, be promptly removed by the Tenant at the Tenant's expense and the Leased Premises restored to their previous condition.

Notwithstanding anything contained in this Lease, if any maintenance, repairs, alterations, decorations, additions or improvements to the Leased Premises or to any improvements installed by or on behalf of the Tenant for the benefit of the Leased Premises which are approved by the Landlord affect the structure of the Leased Premises or any part of the Market other than the Leased Premises, or are installed outside of the Leased Premises, or are installed within the Leased Premises but are part of the Common Areas and Facilities, such work shall be performed only by the Landlord, or if they affect those portions of the HVAC System within the Leased Premises, such work may, at the Landlord's option, be performed only by the Landlord, but in all cases, at the Tenant's sole cost and expense. Upon completion thereof, the Tenant shall pay to the Landlord, upon demand, both the Landlord's costs relating to any such repairs, alterations, decorations, additions or improvements, including the fees of any architectural and engineering consultants, plus a sum equal to fifteen percent (15%) of the total cost thereof representing the Landlord's overhead. No repairs, alterations, additions, decorations or improvements to the Leased Premises by or on behalf of the Tenant shall be permitted which may weaken or endanger the structure or adversely affect the condition or operation of the Leased Premises or the Market or diminish the value thereof, or restrict or reduce the Landlord's coverage for zoning purposes.

11.3 Maintenance and Repairs by the Landlord. The Landlord shall, at all times throughout the Term, but subject to the provisions of this Lease, maintain and repair, or cause to be maintained and repaired, as would a prudent owner of a reasonably similar commercial development having regard to size, age and location, the structure of the Market including, without limitation, the foundations, exterior wall assemblies including weather walls, subfloor, roof, bearing walls, and structural columns and beams of the Market and all services and equipment, including the central refrigeration system, serving the Common Areas and Facilities and not exclusive to any particular Leased Premises. The cost of such maintenance and repairs shall be included in the Tenant's Proportionate Share of expenses as governed by this Lease, unless the Landlord is required, due to the business carried on by the Tenant, to perform such maintenance or make such repairs by reason of the application of laws or ordinances or the direction, rules or regulations of any duly constituted regulatory body, or by reason of any act, omission to act, neglect or default of the Tenant, or those for whom the Tenant is in law responsible, in which event the Tenant shall be liable and responsible for the total cost of any such maintenance and repairs, plus a sum equal to fifteen percent (15%) of the total cost of such repairs representing the Landlord's overhead, which shall immediately become due and payable to the Landlord as Additional Rent upon demand. Notwithstanding the Landlord's obligations

contained in this section, the Tenant shall be liable and responsible for the cost of any maintenance and repairs required to be made by the Landlord and which result from any of the circumstances referred to in the immediately preceding sentence.

If the Tenant refuses or neglects to carry out any maintenance, repairs and replacements properly as required pursuant to this article, and to the reasonable satisfaction of the Landlord, the Landlord may, but shall not be obliged to, perform such maintenance, repairs and replacements without being liable for any loss or damage that may result to the Tenant's merchandise, fixtures or other property or to the Tenant's business by reason thereof, and upon completion thereof, the Tenant shall pay to the Landlord on demand, both the Landlord's costs relating to any such maintenance, repairs and replacements, plus a sum equal to fifteen percent (15%) thereof representing the Landlord's overhead. The Tenant agrees that the making of any maintenance, repairs and replacements by the Landlord pursuant to this section is not a re-entry or a breach of any covenant for quiet enjoyment contained in this Lease.

11.4 Repair on Notice. In addition to the obligations of the Tenant contained in this article, the Tenant shall effect all work referred to therein according to notice from the Landlord, but failure to give such notice shall not relieve the Tenant from its obligations under this article.

11.5 Surrender of the Leased Premises. At the expiration or earlier termination of the Term, the Tenant shall peaceably surrender and yield up the Leased Premises to the Landlord in as good condition and repair as the Tenant is required to maintain the Leased Premises throughout the Term, and the Tenant shall surrender all keys for the Leased Premises to the Landlord at the place then fixed for the payment of Rent and shall inform the Landlord of all combinations of locks, safes and vaults, if any, in the Leased Premises. The Tenant shall, however, remove all its trade fixtures and equipment and any alterations or improvements if requested by the Landlord as provided in this article before surrendering the Leased Premises as aforesaid, and shall forthwith repair any damage to the Leased Premises caused by their installation or removal. The Tenant's obligation to observe and perform this covenant shall survive the expiration of the Term or earlier termination of this Lease.

11.6 Repair Where the Tenant at Fault. Notwithstanding any other terms, covenants and conditions contained in this Lease, or the Landlord's obligations to repair and to take out insurance, or the Tenant's obligation to pay its Proportionate Share of the cost of insurance for the Market or any part thereof including, without limitation, the Common Areas and Facilities (including those Common Areas and Facilities within or passing through the Leased Premises) or any equipment, machinery, facilities or improvements contained therein or made thereto, or the roof or outside walls of the Market or any other structural portions thereof, if any such repair, damage or destruction is caused by or through the negligence, carelessness or misuse of the Tenant or through it in any way stopping up or damaging the heating apparatus, water pipes, drainage pipes or other equipment or facilities or parts of the Market, the cost of the resulting repairs, replacements or alterations, plus a sum equal to fifteen percent (15%) of the cost thereof representing the Landlord's overhead shall be paid by the Tenant to the Landlord forthwith upon presentation of an account of such expenses incurred by the Landlord.

11.7 Tenant Not to Overload Facilities. The Tenant shall not install any equipment which will exceed or overload the capacity of any utility, electrical or mechanical facilities in the Leased Premises and the Tenant will not bring into the Leased Premises or install any utility, electrical or mechanical facility or service without prior written approval by the Landlord, which may be unreasonably withheld. The Tenant agrees that if any equipment installed by the Tenant requires additional utility, electrical or mechanical facilities, the Landlord may, in its sole discretion, if they are available, elect to install them at the Tenant's expense and in accordance with plans and specifications to be approved in advance in writing by the Landlord, and the cost of any such installation, plus a sum equal to fifteen percent (15%) of the cost thereof representing the Landlord's overhead shall be paid by the Tenant to the Landlord forthwith upon presentation of an account of such expenses incurred by the Landlord.

11.8 Tenant Not to Overload Floors. The Tenant shall not bring upon the Leased Premises or any part thereof, any machinery, equipment, article or thing that by reason of its weight, size or use, might in the opinion of the Landlord damage the Leased Premises and shall not at any

time overload the floors of the Leased Premises. If any damage is caused to the Leased Premises by any machinery, equipment, object or thing or by overloading, or by any act, neglect, or misuse on the part of the Tenant, or any of its servants, agents, or employees, or any person having business with the Tenant, the Tenant will forthwith repair such damage, or at the option of the Landlord, pay the Landlord forthwith on demand the cost of repairing such damage, plus a sum equal to fifteen percent (15%) of such costs representing the Landlord's overhead.

11.9 Removal and Restoration by the Tenant.

(a) All alterations, decorations, additions and improvements made by the Tenant, or made by the Landlord on the Tenant's behalf (other than the Tenant's trade fixtures, which include refrigerators, freezers, coolers and similar special equipment), shall immediately become the property of the Landlord upon affixation or installation, without compensation therefor to the Tenant. Such alterations, decorations, additions or improvements shall not be removed from the Leased Premises either during or at the expiration or earlier termination of the Term, except that the Tenant may during the Term in the usual or normal course of its business remove its trade fixtures, provided such trade fixtures have become excess for the Tenant's purposes or the Tenant is substituting new and similar trade fixtures therefor, and provided that in each case, the Tenant is not in default under this Lease and such removal is done at the Tenant's sole cost and expense; and the Tenant shall, at the expiration of the Term, at its own cost, remove all its trade fixtures and such of its leasehold improvements and fixtures installed in the Leased Premises as the Landlord requires to be removed.

(b) If the Tenant does not remove its trade fixtures at the expiration or earlier termination of the Term, the trade fixtures shall, at the option of the Landlord, become the property of the Landlord and may be removed from the Leased Premises and sold or disposed of by the Landlord in such manner as it deems advisable.

(c) The Tenant shall, in the case of every such installation or removal, either during or at the expiration of the Term, effect the same at times designated by the Landlord and promptly make good any damage caused to the Leased Premises or the Market by the installation or removal of any such alteration, decoration, addition or improvement.

(d) For greater certainty, the Tenant's trade fixtures shall not include any heating, ventilating or air-conditioning systems, facilities and equipment in or serving the Leased Premises, floor covering affixed to the floor of the Leased Premises, light fixtures, store front and doors or internal stairways, all of which are deemed to be leasehold improvements.

11.10 Notice by the Tenant. The Tenant shall, when it becomes aware of same or when the Tenant, acting reasonably, should have become aware of same, notify the Landlord of any damage to, or deficiency or defect in any part of the Market, including the Leased Premises, any equipment or utility systems, or any installations located therein, notwithstanding the fact that the Landlord may have no obligations with respect to same.

11.11 Tenant to Discharge all Liens. The Tenant shall at all times during the Rent Free Period and throughout the Term promptly pay all its contractors, suppliers and workers and all charges incurred by or on behalf of the Tenant for any work, materials or services which may be done, supplied or performed at any time in respect of the Leased Premises, and the Tenant shall do any and all things necessary so as to ensure that no lien is registered against the Market or any part thereof, against the Landlord's interest in the Market, or against the Tenant's interest in the Leased Premises, and if any such lien is made, filed or registered, the Tenant shall discharge it or cause it to be discharged forthwith at the Tenant's expense.

If the Tenant fails to discharge or cause any such lien to be discharged as aforesaid, then, in addition to any other right or remedy of the Landlord, the Landlord may, but it shall not be obligated to, discharge the same by paying the amount required to discharge the lien into Court or directly to any such lien claimant and the amount so paid by the Landlord and all costs and expenses, including solicitor's fees (on a solicitor and his client basis) incurred as a result of the registration of any such lien including, without limitation, the discharge of such lien, shall be immediately due and payable by the Tenant to the Landlord on demand.

11.12 Signs and Advertising. The Tenant shall not paint, affix, display or cause to be painted, affixed or displayed, any sign, picture, advertisement, notices, lettering or decoration on any part of the Leased Premises or any other part of the Market without, in each instance, obtaining the prior written approval of the Landlord. If the Landlord, acting reasonably, objects to any sign, picture, advertisement, notice, lettering or decoration which may be painted, affixed or displayed in any part of the interior of the Leased Premises and which is visible from the exterior thereof, the Tenant shall forthwith remove same at the Tenant's sole cost and expense. The Tenant shall erect and maintain an identification sign or signs of a type or types and in a location or locations specified in writing by the Landlord and in accordance with the Landlord's sign policy for the Market. The Landlord may require that any such sign be illuminated. Any such sign shall remain the property of the Tenant and shall be maintained by the Tenant at its sole cost and expense and the Tenant shall pay for the electricity consumed by such sign. If the electricity consumption for any of the Tenant's signs is not separately metered, the Tenant shall pay as Additional Rent, forthwith on demand, such portion of the cost of such electricity as is equitably apportioned to the Leased Premises by the Landlord. At the expiration or earlier termination of the Term, the Tenant shall remove any such sign from the Leased Premises at the Tenant's expense and shall promptly repair all damage caused by any such removal. The Tenant's obligation to observe and perform this covenant shall survive the expiration of the Term or earlier termination of this Lease.

The Tenant hereby waives any statutory right now or hereafter granted under any municipal by-law with respect to any sign erected by or on behalf of the Landlord, from time to time, in or on any portion of the Market, and the Tenant shall immediately execute any waivers, certificates or other documents which the Landlord requests in order to give effect to the foregoing.

11.13 Pest Extermination. In order to maintain satisfactory and uniform pest control throughout the Market, the Landlord shall engage for the Leased Premises at the Tenant's cost such pest extermination contractor as the Landlord directs and at such intervals as the Landlord requires and in accordance with appropriate procedures and safeguards having regard to the nature of the Tenant's use of the Leased Premises.

ARTICLE XII

Damage and Destruction, Expropriation and Redevelopment

12.1 Destruction of the Leased Premises.

(a) If the Leased Premises are at any time destroyed or damaged (including, without limitation, smoke and water damage) as a result of fire, the elements, accident or other casualty required to be insured against by the Landlord or otherwise insured against by the Landlord and if as a result of such occurrence:

(i) the Leased Premises are rendered untenable only in part, this Lease shall continue in full force and effect and the Landlord shall, subject to this article, commence diligently to reconstruct, rebuild or repair the Leased Premises to the extent only of the Landlord's work set out in Schedule "C" and then only to the extent of the insurance proceeds actually received by the Landlord, and exclusive of the Tenant's Work as therein set out, and only Minimum Rent (but not Additional Rent or Percentage Rent) shall abate proportionately to the portion of the Leased Premises rendered untenable from the date of the destruction or damage and until the Leased Premises have been restored or rendered tenable by the Landlord to the extent required by this section;

(ii) the Leased Premises are rendered wholly untenable, the Landlord shall, subject to this article, commence diligently to reconstruct, rebuild or repair the Leased Premises to the extent of the Landlord's Work as set out in Schedule "C" and then only to the extent of the insurance proceeds actually received by the Landlord, and only Minimum Rent (but not Additional Rent or Percentage Rent) shall abate entirely from the date of the destruction or

damage and until the Leased Premises have been restored and rendered in whole or in part by the Landlord to the extent required by this section;

(iii) the Leased Premises are not rendered untenable in whole or in part, the Lease shall continue in full force and effect, the Rent and other amounts payable by the Tenant shall not terminate, be reduced or abate and the Landlord shall, subject to this article, commence diligently to reconstruct, rebuild or repair the Leased Premises to the extent required by this section;

(b) Upon the Tenant being notified in writing by the Landlord and the Landlord's Work as set out in Schedule "C" (to the extent required by this section) has been substantially performed within the meaning of the *Construction Lien Act*, R.S.O. 1990, c.C.30, the Tenant shall forthwith complete all Tenant's Work including, without limitation, such work as set out in Schedule "C", and all work required to fully restore the Leased Premises for business fully fixtured, stocked and staffed (in any case, without the benefit of any capital allowance or payments made at the time of original construction by the Landlord or the Tenant in connection with the work set out in Schedule "C"). The Tenant shall diligently complete the Tenant's Work and, if the Leased Premises have been closed for business, reopen forthwith for business, but in any event no later than thirty (30) days after notice that the Landlord's Work is substantially completed.

(c) Nothing in this section requires the Landlord to rebuild the Leased Premises in the condition and state that existed before any such occurrence and nothing in this section shall be construed to permit the abatement in whole or in part of Percentage Rent, but for the purpose of the computation of Percentage Rent shall be based upon the revised Minimum Rent as the latter is abated pursuant to this section.

12.2 Destruction of the Market.

(a) Notwithstanding anything contained in this Lease and specifically notwithstanding the provisions of this article, if:

(i) thirty-five percent (35%) or more of the Rentable Area of the Market is at any time destroyed or damaged (including, without limitation, smoke and water damage) as a result of fire, the elements, accident or other casualty, whether or not the Leased Premises are affected by such occurrence; or

(ii) thirty-five percent (35%) or more of the area of the Common Areas and Facilities is at any time destroyed or damaged (including, without limitation, smoke and water damage) as a result of fire, the elements, accident or other casualty, whether or not the Leased Premises are affected by such occurrence; or

(iii) thirty-five percent (35%) or more of the total area of the Market is at any time damaged or destroyed as aforesaid,

then and so often as any such event occurs, the Landlord may, at its option (to be exercised by written notice to the Tenant within ninety (90) days following any such occurrence), elect to terminate this Lease. In the case of such election, the Term and the tenancy hereby created shall expire on the thirtieth (30th) day after such notice is given, and subject to the provisions of this Lease, without indemnity or penalty payable or any other recourse by one party to or against the other and the Tenant shall, within such thirty (30) day period, vacate the Leased Premises and surrender them, the Landlord having the right to re-enter and repossess the Leased Premises discharged of this Lease and to expel all Persons and remove all property therefrom. Minimum Rent, Percentage Rent and Additional Rent shall be due and payable without reduction or abatement to the destruction or damage and until the date of termination, unless the Leased Premises shall have been destroyed or damaged as well, in which event Section 12.1 shall apply.

(b) If all or any part of the Market is at any time destroyed or damaged as set out in this section, and the Landlord does not elect to terminate the Lease in accordance with the rights hereinbefore granted, the Landlord shall, following such destruction or damage, commence

diligently to reconstruct, rebuild or repair, if necessary, that part of the Market immediately adjacent to the Leased Premises, but only to the extent of the Landlord's responsibilities pursuant to the terms of the various leases for the premises in the Market and exclusive of any tenant's responsibilities set out therein.

If the Landlord elects to repair, reconstruct or rebuild the Market or any part thereof, the Landlord may use plans and specifications and working drawings other than those used in the original construction of the Market, or any part thereof.

12.3 Expropriation. Both the Landlord and the Tenant agree to co-operate with each other in respect of any expropriation of all or any part of the Leased Premises or any other part of the Market, so that each may receive the maximum award to which they are respectively entitled at law. Subject as aforesaid, if and to the extent that any portion of the Market other than the Leased Premises is expropriated, then the maximum available proceeds accruing therefrom or awarded as a result, shall belong to the Landlord and the Tenant hereby assigns to the Landlord any rights which the Tenant may have or acquire by operation of law to such proceeds or award and will execute such documents as in the sole opinion of the Landlord are or may be necessary to give effect to this intention. If at any time during the Term: (a) more than twenty percent (20%) of the Rentable Area of the Market or (b) more than twenty percent (20%) of the area of the Common Area and Facilities or (c) more than twenty percent (20%) of the total area of the Market, is acquired or expropriated by any lawful expropriating authority, or if any reasonable access to the Leased Premises is materially and adversely affected by any such acquisition or expropriation, then in any of such events, at the option of the Landlord, this Lease shall cease and terminate as of the date of the interest acquired or expropriated vesting in such expropriating authority and the Tenant shall have no claim against the Landlord for the value of any unexpired Term or for damages or for any reason whatsoever. If the Landlord does not so elect to cancel this Lease by notice as aforesaid, this Lease shall continue in full force and effect without any reduction or abatement of Rent, provided that if any part of the Leased Premises is expropriated and as a result thereof the area of the Leased Premises is physically reduced, then from and after the date of such physical reduction, the Rentable Area of the Leased Premises shall be adjusted to take into account any such reduction in area, and the Minimum Rent payable by the Tenant shall be adjusted on the basis of the rental rate set out therein.

12.4 Architect's Certificate. The certificate of the Architect shall bind the parties as to the percentage of the Rentable Area of the Market or the percentage of the area of the Common Areas and Facilities or the total area of the Market damaged or destroyed; whether or not the Leased Premises are rendered untenable and the extent of such untenability; the date upon which the Landlord's Work or Tenant's Work of reconstruction or repair is completed and the date when the Leased Premises are rendered tenable; the state of completion of any work of either the Landlord or the Tenant under this Lease; whether reasonable access to the Leased Premises is materially and adversely affected by expropriation; and the percentage of the Rentable Area of the Market or the area of Common Areas and Facilities, or the Market which is acquired or expropriated pursuant to this Lease.

ARTICLE XIII

Assignment and Subletting

13.1 Consent Required. Subject to Sections 13.3 and 17.24 of this Lease, the Tenant may not assign this Lease in whole or in part, nor sublet all or any part of the Leased Premises, nor mortgage or encumber this Lease or the Leased Premises or any part thereof, nor suffer or permit the occupation of, or part with or share possession of all or any part of the Leased Premises by any Person (all of the foregoing being collectively referred to in this article as a "Transfer"), without the prior written consent of the Landlord in each instance. The consent by the Landlord to any Transfer, if granted, shall not constitute a waiver of the necessity of such consent to any subsequent Transfer. This prohibition against Transfer is construed so as to include a prohibition against any Transfer by operation of law and no Transfer shall take place by reason of failure by the Landlord to give notice to the Tenant as is required by this Article.

The Landlord may collect Rent from the assignee, subtenant or occupant (all of the foregoing being hereinafter collectively referred to as the "Transferee"), and apply the net amount collected to the Rent required to be paid pursuant to this Lease, but no acceptance by the Landlord of any payments by a Transferee shall be deemed a waiver of this covenant, or the acceptance of the Transferee as Tenant, or a release of the Tenant from the further performance by the Tenant of the covenants or obligations on the part of the Tenant herein contained. Any document or consent evidencing such Transfer of this Lease if permitted or consented to by the Landlord shall be prepared by the Landlord or its solicitors, and all legal costs with respect thereto shall be paid by the Tenant to the Landlord forthwith upon demand. Any consent by the Landlord shall be subject to the Tenant causing any such Transferee to promptly execute an agreement directly with the Landlord agreeing to be bound by all of the terms, covenants and conditions contained in this Lease as if such Transferee had originally executed this Lease as Tenant. Notwithstanding any such transfer permitted or consented to by the Landlord, the Tenant shall be jointly and severally liable with the Transferee on this Lease and shall not be released from performing any of the terms, covenants and conditions of this Lease.

If the Tenant is a corporation or if the Landlord has consented to a Transfer of this Lease to a corporation, the Tenant shall be prohibited from effecting or suffering or permitting to be effected any transfer or issue by sale, assignment, bequest, inheritance, operation of law or other disposition, or by subscription, from time to time of all or any part of the corporate shares of the Tenant or of any parent or subsidiary corporation of the Tenant or any corporation which is an associate or affiliate of the Tenant (as those terms are defined pursuant to *The Business Corporations Act* (Ontario) and amendments thereto), which results in any change in the present effective voting control of the Tenant by the Person holding such voting control at the date of execution of this Lease (or at the date a Transfer of this Lease to a corporation is permitted) without first obtaining the prior written consent of the Landlord in each instance, which consent may not be unreasonably withheld. If the Tenant receives consent pursuant to this section, it may be subject to the condition that the Minimum Rent payable pursuant to this Lease shall be increased in the manner and on the terms and conditions set out in this article. In addition, if any Transfer of all or any part of the corporate shares of the Tenant is attempted with the consent of the Landlord, the Landlord shall have the option to cancel this Lease as set out in Section 13.3.

A change in the membership of a Tenant, where it is a partnership, shall be deemed to constitute a Transfer.

The Tenant shall make available to the Landlord, or its lawful representative, all corporate or partnership books and records of the Tenant for inspection at all reasonable times, in order to ascertain whether there has been any Transfer or change in control of the Tenant corporation.

However, this section shall not apply to a Tenant which is a public corporation the shares of which are traded and listed on any recognized stock exchange in Canada or the United States; or to a Tenant which is a private corporation but is controlled by a public corporation defined as aforesaid; so long as in either case prior to or as soon as reasonably possible after any such change of control of the Tenant, the Landlord receives assurances satisfactory to the Landlord that there will be a continuity of the existing management of the Tenant and of its business practices and policies (including those affecting the advertising and promotion of the business in the Leased Premises), notwithstanding any such change of control. If the Tenant fails to supply such assurances satisfactory to the Landlord then the Landlord shall have the option to cancel this Lease as set out in Section 13.3.

13.2 Condition of Consent. If the Tenant requests consent to a Transfer, the Landlord may require as a condition of consent that the Minimum Rent payable by any such Transferee thereafter shall be not less than the greater of:

- (a) an amount equal to the average annual combined Minimum Rent and Percentage Rent payable by the Tenant during the three (3) full 12-month Rental Years immediately preceding any such Transfer, or

(b) the highest annual combined Minimum Rent and Percentage Rent since the Lease Commencement Date if the Tenant at the time of the Transfer has been occupying the Leased Premises less than three (3) full 12-month Rental Years.

The Tenant and the Transferee shall promptly execute an agreement prepared by the Landlord or its solicitors amending this Lease in order to provide for the payment of any revised Minimum Rent during the remainder of the Term and all legal costs with respect thereto shall be paid by the Tenant to the Landlord forthwith on demand.

13.3 Landlord's Option. If the Tenant intends to effect a Transfer of all or any part of the Leased Premises or this Lease, in whole or in part, or any estate or interest hereunder, then and so often as such event shall occur, the Tenant shall give sixty (60) days prior written notice to the Landlord of such intent. The notice shall specify therein the name of the Transferee and shall provide such information with respect thereto including, without limitation, information concerning the principals thereof and such credit, financial or business information relating to the proposed Transferee as the Landlord requires. It is understood that the commencement of the sixty (60) day notice period above referred to shall only occur after the Landlord has received all information with respect to the proposed Transferee as is satisfactory to the Landlord.

The Landlord shall within thirty (30) days after the expiry of the sixty (60) day notice period and receipt of all such necessary information, notify the Tenant in writing either that it consents or does not consent to the Transfer in accordance with the provisions and qualifications in this article, or that it elects to cancel this Lease in preference to the giving of such consent (together with any conditions or compensation the Landlord is willing to offer), the Landlord covenanting to act reasonably and fairly and in the best interests of the Market. If the Landlord elects to terminate this Lease as aforesaid, the Tenant shall notify the Landlord in writing within fifteen (15) days thereafter of the Tenant's intention either to refrain from such transfer or to accept the cancellation of this Lease. If the Tenant fails to deliver such notice within such period of fifteen (15) days, this Lease will thereby be terminated upon the expiration of the said fifteen (15) day period. If the Tenant advises the Landlord it intends to refrain from such transfer, then the Landlord's election to terminate this Lease as aforesaid shall become null and void in such instance.

13.4 No Advertising of the Leased Premises. The Tenant shall not advertise the whole or any part of the Leased Premises or this Lease for the purpose of a Transfer and shall not print, publish, post, display, or broadcast any notice or advertisement to that effect and shall not permit any broker or other Person to do any of the foregoing, unless the complete text and format of any such notice, advertisement or offer is first approved in writing by the Landlord. Without in any way restricting or limiting the Landlord's right to refuse any text or format on other grounds, any text or format proposed by the Tenant shall not contain any reference to the rental rate of the Leased Premises.

13.5 Assignment by the Landlord. The Landlord shall have the absolute right to assign its interest in this Lease to any assignee who agrees to assume the Landlord's obligations hereunder and gives notice thereof to the Tenant. The Landlord shall be liable for the performance of its covenants and obligations pursuant to this Lease only throughout the currency of its ownership of the Market, and in the event of any sale, lease or other disposition of the Market or any part thereof, or the assignment of this Lease or any interest of the Landlord hereunder, the Landlord shall, thereupon and without further agreement, be relieved of all liability with respect to such covenants and obligations.

ARTICLE XIV

Access and Alteration

14.1 Right of Entry. The Landlord and its agents have the right to enter the Leased Premises at all times to examine the same and to make such repairs, alterations, changes, adjustments, improvements or additions to the Leased Premises, the Market, or any part thereof or any

adjacent property as the Landlord considers necessary or desirable, including without limitation, the pipes, conduits, wiring, ducts and other installations of any kind in the Leased Premises where necessary to serve another part of the Market, and for such purpose, the Landlord may take all material into and upon the Leased Premises which is required therefor without this constituting a re-entry or a breach of any covenant for quiet enjoyment contained in this Lease or implied by law. The Rent required to be paid pursuant to this Lease shall not abate or be reduced while any such repairs, alterations, changes, adjustments, improvements or additions are being made due to loss or interruption of business of the Tenant or otherwise, and the Landlord shall not be liable for any damage, injury or death caused to any Person, or to the property of the Tenant or of others located on the Leased Premises as a result of such entry.

The Landlord and its agents have the right to enter the Leased Premises at all times to show them to prospective purchasers, lessees or mortgagees and during the twelve (12) months prior to the expiration of the Term, the Landlord may place upon the Leased Premises the usual "For Rent" or "For Sale" notices which the Tenant shall permit to remain thereon without molestation or complaint.

If the Tenant is not personally present to open and permit an entry into the Leased Premises at any time when for any reason an entry therein is necessary or permissible, the Landlord or its agents may forcibly enter the same without rendering the Landlord or such agents liable therefor, and without in any manner affecting the obligations and covenants of this Lease. Nothing herein contained, however, is deemed or construed to impose upon the Landlord any obligation, responsibility or liability whatsoever for the care, maintenance or repair of the Leased Premises, or any part thereof, except as otherwise herein specifically provided. The Tenant agrees that any entry by the Landlord upon the Leased Premises in accordance with this section is not a re-entry or a breach of any covenant for quiet enjoyment contained in this Lease or implied by law.

14.2 Excavation. If an excavation is made upon land adjacent to the Leased Premises, or is authorized to be made by the Landlord or its duly authorized representatives, the Tenant shall grant the Person making or authorized to make such excavation permission to enter upon the Leased Premises for the purpose of doing such work as the Landlord considers necessary to preserve the walls of the building, of which the Leased Premises form a part, from injury or damage and to support the same in any appropriate manner, without giving rise to any claim for damages or indemnification against the Landlord or any diminution or abatement of Rent. The Tenant agrees that any entry made and any work undertaken by or on behalf of the Landlord pursuant to this section is not a re-entry or breach of any covenant for quiet enjoyment contained in this Lease or implied by law.

ARTICLE XV

Status Statement, Attornment and Subordination

15.1 Status Statement. Within ten (10) days after written request therefor by the Landlord, the Tenant shall deliver, in a form supplied by the Landlord, a status statement or a certificate to any proposed assignee, lessee, mortgagee or purchaser, or to the Landlord, stating (if such is the case):

- (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and identifying the modification agreements) or if this Lease is not in full force and effect, the certificate shall so state;
- (b) the Lease Commencement Date;
- (c) the date to which Rent has been paid under this Lease;
- (d) whether or not there is any existing default by the Tenant in the payment of any Rent or

other sum of money under this Lease, and whether or not there is any other existing or alleged default by either party under this Lease with respect to which a notice of default has been served and if there is any such default, specifying the nature and extent thereof;

(e) whether there are any set-offs, defences or counterclaims against enforcement of the obligations to be performed by the Tenant under this Lease; and,

(f) with reasonable particularity, details respecting the Tenant's and Indemnifier's financial standing and corporate organization.

15.2 **Subordination and Attornment.**

(a) It is a condition of this Lease and the Tenant's rights granted hereunder, that this Lease and all of the rights of the Tenant hereunder are, and shall at all times be, subject and subordinate to any and all mortgages, trust deeds and the charge or lien resulting from, and any instruments of, any financing, refinancing or collateral financing and renewals or extensions thereof from time to time in existence against the lands, buildings and improvements forming the Leased Premises, or the Market. Upon request, the Tenant shall subordinate this Lease and all of its rights hereunder in such form as the Landlord requires to any and all mortgages, trust deeds and the charge or lien resulting from, and any instrument of, any financing, refinancing or collateral financing and to all advances made or hereafter to be made upon the security thereof, and, if requested, the Tenant shall attorn to the holder thereof or to the registered owners of the Market.

(b) The Tenant shall, if possession is taken under, or any proceedings are brought for the foreclosure of, or in the event of the exercise of the power of sale under any mortgage, charge, lease or sale and leaseback transaction, deed of trust, or the lien resulting from any other method of financing, refinancing or collateral financing made by the Landlord or otherwise in existence against the Leased Premises, or the Market, attorn to the Mortgagee, chargee, lessee, trustee, other encumbrancer or the purchaser upon any such foreclosure or sale and recognize such Mortgagee, chargee, lessee, trustee, other encumbrancer or the purchaser as the Landlord under this Lease.

(c) The foregoing rights shall only take effect if the Tenant is granted a non-disturbance agreement confirming the right of the Tenant to remain in possession of the Leased Premises so long as the Tenant complies with the terms of this Lease.

15.3 **Attorney.** The Tenant shall, upon request of the Landlord or the Mortgagee or any other Person having an interest in the Market, execute and deliver promptly such instruments and certificates to carry out the intent of Article XV as are requested by the Landlord. If ten (10) days after the date of such a request by the Landlord, the Tenant has not executed the same, the Tenant hereby irrevocably appoints the Landlord as the Tenant's attorney with full power and authority to execute and deliver in the name of the Tenant any such instruments and certificates provided Section 15.2(c) is complied with.

15.4 **Financial Information.** The Tenant shall, within ten (10) days after written request therefor by the Landlord, provide the Landlord with such information as to the Tenant's or the Indemnifier's financial standing and corporate organization as the Landlord or the Mortgagee requires. Failure of the Tenant to comply with the Landlord's request herein shall constitute a default under the terms of this Lease and the Landlord shall be entitled to exercise all of its rights and remedies provided for in this Lease.

ARTICLE XVI

Default

16.1 **Right to Re-enter.** Whenever one or more of the following occurs:

(a) the Tenant fails to pay any Rent on the day or dates appointed for the payment thereof;

- (b) the Tenant fails to observe or perform any other of the terms, covenants or conditions of this Lease to be observed or performed by the Tenant (other than the terms, covenants or conditions set out below in subsections (c) to (l), inclusive, for which notice shall not be required) provided the Landlord first gives the Tenant ten (10) days written notice, or such shorter period of time as is otherwise provided herein, written notice of any such failure to perform, and the Tenant within such period of ten (10) days fails to commence diligently and thereafter to proceed diligently to cure any such failure to perform;
- (c) the Tenant or any agent of the Tenant falsifies any report, oral conversation or other document required to be furnished to the Landlord pursuant to this Lease;
- (d) the Tenant or any Indemnifier of this Lease or any Person occupying the Leased Premises or any part thereof becomes bankrupt or insolvent or takes benefit of any act now or hereafter in force for bankrupt or insolvent debtors or files any proposal or makes any assignment for the benefit of creditors or any arrangement or compromise;
- (e) a receiver or a manager is appointed for all or a portion of the Tenant's, Indemnifier's or occupant's property;
- (f) any steps are taken or any action or proceedings are instituted by the Tenant or by any other party including, without limitation, any court of governmental body or competent jurisdiction for the dissolution, winding-up or liquidation of the Tenant or its assets;
- (g) the Tenant makes a sale in bulk of any of its assets at the Leased Premises, other than a bulk sale made to an assignee or sublessee pursuant to a permitted assignment or subletting hereunder and pursuant to *The Bulk Sales Act* (Ontario);
- (h) the Tenant abandons or attempts to abandon the Leased Premises, or sells or disposes of the goods and chattels of the Tenant or removes them from the Leased Premises, except that the Tenant may sell goods and chattels in the ordinary course of business if replacements therefor have been purchased and delivered to the Leased Premises before such sale, disposal or other removal;
- (i) the Leased Premises, not being subject to an event under Article XII, are not open for business for a period of five (5) consecutive days or are used by any Persons other than such as are entitled to use them hereunder;
- (j) the Tenant assigns, transfers, encumbers, sublets or permits the occupation or use of the parting with or sharing possession of all or any part of the Leased Premises by anyone or effects or permits to be effected a transfer or other disposition of the shares of the Tenant or any parent, subsidiary, associated or affiliated corporation except in a manner permitted by this Lease;
- (k) this Lease or any of the Tenant's assets are taken under writ of seizure and sale; or
- (l) re-entry is permitted under any other terms of this Lease,

then and in every such case the Landlord, in addition to any other rights or remedies it has pursuant to this Lease or by law, has the immediate right of re-entry upon the Leased Premises and it may repossess the Leased Premises and enjoy them as of its former estate, and may expel all Persons and remove all property from the Leased Premises and such property may be removed and sold or disposed of by the Landlord as it deems advisable or may be stored in a public warehouse or elsewhere at the cost and for the account of the Tenant, all without service of notice or resort to legal process and without the Landlord being considered guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

16.2 Right to Relet. If the Landlord elects to re-enter the Leased Premises as herein provided, or if it takes possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Lease or it may from time to time without terminating this Lease make such alterations and repairs as are necessary in order to relet the Leased Premises, or any

part thereof for such term or terms (which may be for a term extending beyond the Term) and at such Rent and upon such other terms, covenants and conditions as the Landlord in its sole discretion considers advisable.

Upon each such reletting all Rent received by the Landlord from such reletting shall be applied, first to the payment of any indebtedness other than Rent due hereunder from the Tenant to the Landlord; second, to the payment of any costs and expenses of such reletting including brokerage fees and solicitor's fees and of costs of such alterations and repairs; third, to the payment of Rent due and unpaid hereunder; and the residue, if any, shall be held by the Landlord and applied in payment of future Rent as the same becomes due and payable hereunder. If such Rent received from such reletting during any month is less than that to be paid during that month by the Tenant hereunder, the Tenant shall pay any such deficiency, which shall be calculated and paid monthly in advance on or before the first day of each and every month. No such re-entry or taking possession of the Leased Premises by the Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention is given to the Tenant. Notwithstanding any such reletting without termination, the Landlord may at any time thereafter elect to terminate this Lease for such previous breach.

If the Landlord at any time terminates this Lease for any breach, in addition to any other remedies it may have, it may recover from the Tenant all damages it incurs by reason of such breach, including the cost of recovering the Leased Premises, solicitor's fees (on a solicitor and his own client basis) and including the value, at the time of such termination of the excess, if any, of the amount of Rent required to be paid pursuant to this Lease and the remainder of the stated Term in excess of the then reasonable rental value of the leased Premises for the remainder of the stated Term, all of which amounts shall be immediately due and payable by the Tenant to the Landlord. If such termination takes place after the expiration of two or more 12-month Rental Years, the annual Rent for each Rental Year after such termination shall be equal to the average Minimum Rent and Percentage Rent payable by the Tenant during the last two 12-month Rental Years. If such termination takes place before the expiration of two 12-month Rental Years, the annual Rent so payable in each Rental Year after such termination shall be conclusively presumed to be equal to twelve (12) times the average monthly payments of Minimum Rent and monthly payments of Percentage Rent based on Gross Sales during each such month.

In any of the events referred to in Section 16.1 hereof, in addition to any and all other rights, including the rights referred to in this section and in Section 16.1 hereof, the full amount of the current month's instalment of Minimum Rent and Additional rent including, without limitation, the aggregate of the monthly contributions towards Taxes, insurance premiums, the Tenant's Proportionate Share of costs of maintaining and operating the Market and the Common Areas and Facilities, and any other payments required to be made monthly hereunder (the "Payments"), together with the next three (3) months' instalments of Minimum Rent and the aggregate of such Payments estimated for the next three (3) months, all of which shall be deemed to be accruing due on a day-to-day basis, shall immediately become due and payable as accelerated Rent, and the Landlord may immediately distrain for the same, together with any arrears then unpaid.

16.3 Expenses. If legal action is brought for recovery of possession of the Leased Premises, for the recovery of Rent or any other amount due under this Lease, or because of the breach of any other terms, covenants or conditions herein contained on the part of the Tenant to be kept or performed, the Tenant shall pay to the Landlord all expenses incurred therefor, including solicitor's fees (on a solicitor and his client basis), unless a court shall otherwise award.

16.4 Removal of Chattels. In case of removal by the Tenant of goods and chattels of the Tenant from the Leased Premises, the Landlord may follow same for thirty (30) days in the same manner as is provided for in the *Landlord and Tenant Act* (Ontario).

16.5 Waiver of Exemption from Distress. The Tenant hereby agrees with the Landlord that notwithstanding anything contained in section 30 of the *Landlord and Tenant Act* (Ontario), or any other statute or provision subsequently passed to take the place of or amend the said Act or section 30, none of the goods and chattels of the Tenant at any time during the continuance of the

Term hereby created on the Leased Premises shall be exempt from levy by distress for Rent in arrears by the Tenant as provided for by any section or sections of the said Act or any amendment or amendments thereto, and that if any claim is made for such exemption by the Tenant or if a distress is made by the Landlord, this covenant and agreement may be pleaded as an estoppel against the Tenant in any action brought to test the right to levy upon any such goods as are named as exempted in any sections of the said Act or any amendments thereto; the Tenant waiving, as it hereby does, all and every benefit that could or might have accrued to the Tenant under and by virtue of any sections of the said Act, or any amendments thereto but for this covenant.

16.6 Landlord May Cure the Tenant's Default or Perform the Tenant's Covenants. If the Tenant fails to pay, when due any Rent, the Landlord may, without notice, but shall not be obliged to, pay all or any part of the same. If the Tenant is in default in the performance of any of its covenants or obligations hereunder (other than the payment of Rent) the Landlord may from time to time after giving such notice as it considers sufficient (or without notice in the case of an emergency) having regard to the circumstances applicable, perform or cause to be performed any of such covenants, obligations, or any part thereof, and for such purpose may do such things as may be required including, without limitation, entering upon the Leased Premises and doing such things upon or in respect of the Leased Premises or any part thereof as the Landlord reasonably considers requisite or necessary. All expenses incurred and expenditures made pursuant to this section plus a sum equal to fifteen percent (15%) thereof representing the Landlord's overhead shall be paid by the Tenant as Additional Rent, or otherwise as may be the case, forthwith upon demand. The Landlord shall have no liability to the Tenant for any loss or damages resulting from any such action or entry by the Landlord upon the Leased Premises under Articles XIV and XVI and same is not a re-entry or a breach of any covenant for quiet enjoyment contained in this Lease.

16.7 Lien on Trade Fixtures. If the Tenant at any time during the Rent Free Period, or throughout the Term or at the expiration or earlier termination of the Term, is in default under any covenant or obligation contained in this Lease, the Landlord has a lien on all stock-in-trade, inventory and fixtures, equipment and facilities of the Tenant as security against loss or damage resulting from any such default by the Tenant and said stock-in-trade, inventory, fixtures, equipment or facilities shall not be removed by the Tenant until such default is cured, unless otherwise permitted in writing by the Landlord. The provisions of this section shall survive the expiration of the Term or the earlier termination of this Lease.

16.8 Charges Collectible as Rent. If the Tenant is in default in the payment of any amounts or charges required to be paid pursuant to this Lease, they shall, if not paid when due, be collectible as Rent with the next monthly instalment of Minimum Rent thereafter falling due hereunder, but nothing herein contained is deemed to suspend or delay the payment of any amount of money at the time same becomes due and payable hereunder, or limit any other remedy of the Landlord. The Tenant agrees that the Landlord may, at its option, apply or allocate any sums received from or due to the Tenant against any amounts due and payable hereunder in such manner as the Landlord sees fit.

16.9 Failure of the Tenant to Carry on Business.

(a) The Tenant shall take possession of the Leased Premises upon notification by the Landlord that the Leased Premises are ready for occupancy and shall open the whole of the Leased Premises for business, fully fixtured, stocked and staffed on the Lease Commencement Date (but in no event prior to the Opening Date as defined in Schedule "C"), and thereafter throughout the Term conduct continuously, diligently and actively on the whole of the Leased Premises at all times, its business operations duly and strictly in accordance with the terms, covenants and conditions of this Lease.

(b) If the Tenant fails to take possession of and to open or to re-open the Leased Premises for business, fully fixtured, stocked and staffed within the times herein provided, or to carry on business at all times during the Term duly and strictly in accordance with the terms, covenants and conditions contained in this Lease, the Landlord shall be entitled to collect (in addition to the Minimum Rent, Additional Rent and all other charges payable hereunder) an additional charge at

a daily rate of Ten Cents (\$0.10) per square foot of the Rentable Area of the Leased Premises or Three Hundred Dollars (\$300.00), whichever is the greater, for each and every day that the Tenant fails to commence to do or to carry on business as herein provided; such additional charge is a liquidated sum representing the minimum damages which the Landlord is deemed to have suffered, including damages as a result of the Landlord's failure to receive Percentage Rent under this Lease and is without prejudice to the Landlord's right to claim a greater sum of damages. The Landlord shall also be entitled to avail itself of any other remedies for the Tenant's breach hereunder, including obtaining an injunction or an order for specific performance in a court of competent jurisdiction to restrain the Tenant from breaching any of the provisions of this section and to compel the Tenant to comply with its obligations under this section, as the case may be, including a mandatory injunction to compel the Tenant to open or re-open the whole of the Leased Premises for business to the public fully fixtured, stocked and staffed, and the Tenant hereby consents to the Landlord obtaining such injunction, order or mandatory injunction upon establishing by affidavit or other evidence that the Tenant has breached or the Landlord has reasonable cause to believe that the Tenant is about to breach any of the provisions of this section. If the Tenant fails to open the Leased Premises for business within fifteen (15) days after the Lease Commencement Date, the Landlord may terminate this Lease without the necessity for any legal proceedings and without prejudice to any other rights or remedies.

16.10 Security Deposit.

(a) The Tenant has deposited with the Landlord, the sum of [insert deposit – proper words] Dollars (\$insert deposit – number), receipt of which is hereby acknowledged, as security for the faithful performance by the Tenant of all of the terms, covenants and conditions of this Lease by the Tenant to be kept, observed and performed. The Landlord shall accrue interest on the above sum at the rate of three (3%) per cent per annum on the last day of each Rental Year, such sum and interest being the "Security Deposit."

(b) If at any time during the Term the Rent or other sums payable by the Tenant to the Landlord hereunder are overdue and unpaid, or if the Tenant fails to keep and perform any of the terms, covenants and conditions of this Lease to be kept, observed and performed by the Tenant, then the Landlord at its option may, in addition to any and all other rights and remedies provided for in this Lease or by law, appropriate and apply the entire Security Deposit, or so much thereof as is necessary to compensate the Landlord for loss or damage sustained or suffered by the Landlord due to such breach on the part of Tenant. If the entire Security Deposit, or any portion thereof is appropriated and applied by the Landlord for the payment of overdue rent or other sums due and payable to the Landlord by the Tenant hereunder, then the Tenant shall, upon written demand of the Landlord, forthwith remit to the Landlord a sufficient amount in cash, money order or certified cheque to restore the Security Deposit to the original sum deposited, and the Tenant's failure to do so within five (5) days after receipt of such demand constitutes a breach of this Lease. If the Tenant complies with all of the terms, covenants and conditions and promptly pays all of the rent and other sums herein provided and payable by the Tenant to the Landlord, the Security Deposit shall be returned in full to the Tenant without interest within ninety (90) days after the end of the Term, or within ninety (90) days after the earlier termination of the Term, as the case may be.

(c) The Landlord may deliver the Security Deposit to any purchaser of the Landlord's interest in the Leased Premises or the Market, if such interest is sold, and thereupon the Landlord is discharged from any further liability with respect to the Security Deposit, subject to Section 13.5.

16.11 Remedies Generally. Mention in this Lease of any particular remedy of the Landlord in respect of the default by the Tenant does not preclude the Landlord from any other remedy in respect thereof, whether available at law or in equity or by statute or expressly provided for in this Lease. No remedy shall be exclusive or dependent upon any other remedy, but the Landlord may from time to time exercise any one or more of such remedies generally or in combination, such remedies being cumulative and not alternative. Whenever the Tenant seeks a remedy in order to enforce the observance or performance of one of the terms, covenants and conditions contained in this Lease on the part of the Landlord to be observed or performed, the Tenant's only remedy shall be for such damages as the Tenant shall be able to prove in a court of competent jurisdiction that it has suffered as a result of a breach (if established) by the Landlord in the observance and performance of any of the terms, covenants and conditions contained in this Lease on the part of the Landlord to be observed or performed.

ARTICLE XVII

Miscellaneous

17.1 Rules and Regulations. The Rules and Regulations adopted and promulgated by the Landlord from time to time, acting reasonably and in such manner as would a prudent landlord of a reasonably similar commercial development, are hereby made a part of this Lease as if they were embodied herein, and the Tenant shall comply with and observe the same. The Rules and Regulations existing as at the Lease Commencement Date are contained in Schedule "D". The Rules and Regulations may differentiate between different types of business. The Tenant's failure to keep and observe the Rules and Regulations constitutes a default under this Lease in such manner as if the same were contained herein as covenants. The Landlord reserves the right

from time to time to amend or supplement the Rules and Regulations applicable to the Leased Premises or the Market. Notice of the Rules and Regulations and amendments and supplements, if any, shall be given to the Tenant and the Tenant shall thereupon comply with and observe all such Rules and Regulations.

17.2 Overholding - No Tacit Renewal. If the Tenant remains in possession of the Leased Premises after the end of the Term with the consent of the Landlord but without having executed and delivered a new lease or extension agreement after receipt thereof from the Landlord, there is no tacit renewal of this Lease and the Term hereby granted, notwithstanding any statutory provisions or legal presumption to the contrary, and the Tenant shall be deemed to be occupying the Leased Premises as a Tenant from month to month at a monthly Minimum Rent payable in advance on the first day of each month equal to the aggregate of the following:

- (a) the monthly amount of Minimum Rent payable during the last month of the Term;
- (b) one-twelfth (1/12th) of the highest amount of Percentage Rent payable for any Rental Year of the Term;
- (c) one-twelfth (1/12th) of the amount of Additional Rent payable by the Tenant in the last full twelve month Rental Year of the Term;

and otherwise upon the same terms, covenants and conditions as are set forth in this Lease (including the payment of all Percentage Rent and Additional Rent), so far as these are applicable to a monthly tenancy.

17.3 Successors. All rights and liabilities herein granted to, or imposed upon the respective parties hereto, extend to and bind the successors and assigns of the Landlord and the heirs, executors, administrators and permitted successors and assigns of the Tenant, as the case may be. No rights, however, shall enure to the benefit of any assignee or other successor of the Tenant unless the assignment or other succession to such assignee has been approved by the Landlord in writing as provided in this Lease. If there is more than one Tenant, all are bound jointly and severally by the terms, covenants and conditions herein.

17.4 Tenant Partnership. If the Tenant is a partnership (the "Tenant Partnership"), each Person who is presently a member of the Tenant Partnership, and each Person who becomes a member of any successor Tenant Partnership hereafter, shall be and continue to be liable jointly and severally for the full and complete performance of, and shall be and continue to be subject to, the terms, covenants and conditions of this Lease, whether or not such Person ceases to be a member of such Tenant Partnership or successor Tenant Partnership, and each Partner shall execute the Indemnity Agreement, Schedule "E".

17.5 Waiver. The waiver by the Landlord of any breach of any term, covenant or condition herein contained is not deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or of any other term, covenant or condition herein contained. The subsequent acceptance of Rent hereunder by the Landlord is not deemed to be a waiver of any preceding breach by the Tenant of any term, covenant or condition of this Lease, regardless of the Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No term, covenant or condition of this Lease is deemed to have been waived by the Landlord unless such waiver is in writing by the Landlord.

17.6 Accord and Satisfaction. No payment by the Tenant or receipt by the Landlord of a lesser amount than the Rent due hereunder is deemed to be other than on account of Rent due hereunder, nor is any endorsement or statement on any cheque or any letter accompanying any cheque or payment as Rent deemed an acknowledgement of full payment or an accord and satisfaction, and the Landlord may accept and cash such cheque or payment without prejudice to the Landlord's right to recover the balance of such Rent or pursue any other remedy whether available at law, or in equity or by statute or expressly provided for in this Lease.

17.7 Brokerage Commissions. The Tenant acknowledges and agrees that it has not dealt

with any agent or broker representing or purporting to represent the Landlord in connection with its leasing of the Leased Premises other than The L.J. Simmons Group Ltd. Any brokerage fees or commissions personal to the Tenant shall be paid for by the Tenant and the Tenant agrees to indemnify and hold harmless the Landlord therefrom.

17.8 No Partnership or Agency. The Landlord does not in any way or for any purpose become a partner of the Tenant in the conduct of its business, or otherwise, or a joint venture or a member of a joint enterprise with the Tenant, nor is the relationship of principal and agent created. The provisions of this Lease relating to Percentage Rent are included solely for the purpose of providing a method whereby the Rent is to be determined.

17.9 Force Majeure. Notwithstanding anything to the contrary contained in this Lease, if either party hereto is bona fide delayed or hindered in or prevented from the performance of any term, covenant or act required hereunder by reason of strikes, labour troubles, inability to procure materials or services, power failure, restrictive governmental laws or regulations, riots, insurrection, sabotage, rebellion, war, act of God, or other reason whether of a like nature or not which is not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, then performance of such term, covenant or act is excused for the period of the delay and the party so delayed shall be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay; however, the provisions of this section do not operate to excuse the Tenant from the prompt payments of Minimum Rent, Percentage Rent, Additional Rent or any other payments required by this Lease.

17.10 Notices. Any notice, demand, request or other instrument which may be or is required to be given under this Lease shall be delivered in person or mailed by registered mail and shall be addressed.

- (a) to the Landlord, to: Market Manager,
Covent Garden Market Corporation,
130 King Street,
London, Ontario N6A 1C5,

or to such other Person or at such other address as the Landlord designates by written notice in accordance with this section, and

- (b) to the Tenant, at the Leased Premises, with a copy to:

[Owner's Name]
[Owner's address]
[London, Ontario]
[Postal Code]

Any such notice, demand, request or consent is conclusively deemed to have been given or made on the day upon which such notice, demand, request or consent is delivered or on the third day following posting by registered mail. The Landlord may at any time give notice in writing to the Tenant of any change of address for the Landlord and from and after the giving of such notice, the address therein specified is deemed to be the address of the Landlord for the giving of notices hereunder.

17.11 No Option. The submission of this Lease for examination does not constitute a reservation of or option to lease for the Leased Premises and this Lease becomes effective as a Lease only upon execution and delivery thereof by the Landlord and the Tenant.

17.12 Registration.

- (a) Neither the Tenant nor anyone on the Tenant's behalf or claiming under the Tenant shall register this Lease or any assignment or sublease of this Lease or any document evidencing any interest of the Tenant in the Lease or the Leased Premises, against the lands or any part thereof comprising the Market or the Leased Premises. If either party intends to register a document for the purpose only of giving notice of this Lease or of any assignment or sublease of this Lease,

then, upon request of such party, both parties shall join in the execution of a short form or notice of this Lease ("Short Form") solely for the purpose of supporting an application for registration of notice of this Lease or of any assignment or sublease against the interest of the Landlord, or any part thereof in the lands comprising the Market. The form of the Short Form and of the application to register notice of this Lease or of any assignment or sublease shall (i) be prepared by the Landlord or its solicitors at the Tenant's expense; (ii) include therein a provision for, and require consent to, such registration by or on behalf of the Landlord; and (iii) only describe the parties, the Leased Premises and the Lease Commencement Date and expiration date of the Term and any renewal rights.

(b) The Short Form shall contain a provision whereby the Tenant constitutes and appoints the Landlord and its nominees as the agent and attorney of the Tenant for the purpose of executing any instruments in writing required from the Tenant to give effect to the provisions of Section 15.2 of this Lease, including the right to make application at any time and from time to time to register postponements of this Lease or the Short Form in favour of any mortgage or other interest referred to in Article XV. All costs, expenses and taxes necessary to register or file the application to register notice of this Lease or of any assignment or sublease shall be the sole responsibility of the Tenant and the Tenant will complete any necessary affidavits required for registration purposes, including affidavits necessary to register the power of attorney contained in the Short Form. If requested by the Landlord, the Tenant shall execute promptly a power of attorney at any time and from time to time as may be required to give effect to this section.

17.13 No Obligation. The Landlord is not obligated to proceed with or complete the construction of the Market or any part thereof for any reason whatsoever as the Landlord, acting equitably, determines and, if (a) the Landlord decides not to proceed with or complete such construction, or (b) if such construction is not completed on or before the second (2nd) anniversary of the Opening Date, this Lease shall, after thirty (30) days notice from the Landlord in the case of subsection (a), or immediately in the case of subsection (b), cease and terminate and each of the parties hereto shall be relieved and discharged from any and all liability and responsibility hereunder. If this Lease is terminated as provided in this section, the Landlord and the Tenant are each relieved of all obligations and are completely discharged and relieved from all liability and all claims, rights or causes of action hereunder. If the Tenant is not in default hereunder, and has executed an instrument in registerable form containing a release and surrendered to the Landlord of all of its right, title and interest in and to the Leased Premises and the Market granted under this Lease, or otherwise, the Landlord shall return to the Tenant without interest the Security Deposit paid if any.

17.14 Right of Early Termination Due to Redevelopment.

(a) If, after the year 2009, the Landlord wishes to substantially renovate the Market in whole or in part or to extend the height of the Market or to erect a new building over the Market, the Landlord shall have the right to relocate the Tenant to leased premises of similar quality and size to the Leased Premises. If the Tenant chooses not to accept the relocation, the Tenant may cancel this Lease upon three (3) months' written notice to the Landlord.

(b) If, after the year 2009, the Landlord wishes to demolish the Market, in whole or in part, the Landlord shall have the right to require the Tenant to vacate the Leased Premises upon at least six (6) months' prior written notice given to the Tenant. The Tenant shall, upon the expiration of the said period of six (6) months, or such longer period as is stipulated in the said notice, give vacant possession of the Leased Premises to the Landlord.

(c) Upon the Tenant delivering vacant possession of the Leased Premises to the Landlord, Rent and Additional Rent shall be apportioned and paid as of such date and the Landlord shall not be liable for any compensation, damages, loss, costs or expenses whatsoever incurred or suffered by the Tenant and shall not be responsible for any property left in the Leased Premises.

17.15 Metric Conversions. If the Landlord elects to express measurements in metric measure in this Lease, the following conversion factors apply: 1 metre = 3.2808 feet; 1 square metre =

10.7639 square feet; 1 foot = .3048 metres; and 1 square foot = .0929 square metres.

17.16 Quiet Enjoyment. If the Tenant pays the Rent and other sums herein provided, and observes and performs all the terms, covenants and conditions on the Tenant's part to be observed and performed, the Tenant is entitled to peaceably and quietly hold and enjoy the Leased Premises for the Term without interruption by the Landlord or any other Person lawfully claiming by, through or under this Landlord subject, nevertheless, to the terms, covenants and conditions of this Lease.

17.17 Partial Invalidity. If for any reason whatsoever any term, covenant or condition of this Lease, or the application thereof to any Person or circumstance, is to any extent held or rendered invalid, unenforceable or illegal, then such term, covenant or condition:

(a) is deemed to be independent of the remainder of the Lease and to be severable and divisible therefrom, and its invalidity, unenforceability or illegality does not affect, impair or invalidate the remainder of the Lease or any part thereof; and

(b) continues to be applicable to and enforceable to the fullest extent permitted by law against any Person and circumstances other than those as to which it has been held or rendered invalid, unenforceable or illegal.

Neither party is obliged to enforce any term, covenant or condition of this Lease against any Person, if, or to the extent by so doing, such party is caused to be in breach of any laws, rules, regulations or enactments from time to time in force and nothing in this Lease entitles the Landlord to stipulate the price or price range at which any article or service is to be supplied, offered or advertised by the Tenant.

17.18 Entire Agreement. This Lease and the Schedules attached set forth all the covenants, promises, agreements, conditions and understandings between the Landlord and the Tenant concerning the Leased Premises and there are no covenants, promises, agreements, conditions or understanding, either oral or written, between them other than as herein set forth. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon the Landlord or Tenant unless in writing and signed by the Tenant and a duly authorized representative of the Landlord.

17.19 Governing Law. This Lease shall be construed in accordance with and governed by the laws of the Province of Ontario.

17.20 Time of the Essence. Time is of the essence of this Lease and of every part hereof.

17.21 Acknowledgement by Tenant. The Parties acknowledge that nothing contained in this Lease fetters the rights of The Corporation of the City of London in its capacity as the registered owner of the Market.

17.22 Rights, Obligations and Capacity of the Landlord. The Landlord confirms its capacity to act as Landlord pursuant to the *City of London Act* (Covent Garden Market Corporation), 1993, S.O., 1993, C.Pr.4.

17.23 Communication or Dealing with the Landlord. No communication or dealing between the Tenant and any department, committee or body functioning under the administration of The Corporation of the City of London shall be deemed to be a communication or dealing under the provisions of this Lease between the Tenant and the Landlord as parties to this Lease or to affect the Landlord with notice of any such communication or dealing; it being intended and agreed that any communication or dealing between the Landlord and the Tenant as parties to this Lease shall only be effective if in the manner provided by this Lease. No communication or dealing between the Tenant as a party to this Lease and pursuant to the provisions of this Lease and the Landlord as a party to this Lease shall relieve the Tenant from the responsibility of discharging its lawful obligations to The Corporation of the City of London imposed by statute, regulation, by-law or by any other lawful manner separate and apart from the obligations of the Tenant imposed by this Lease.

SCHEDULE "A"

Attached to and forming part of this Lease

TENANT: OWNER'S NAME
operating as "TRADE NAME"

STORE NO.: [insert store number]

DATE:[insert date]

LEGAL DESCRIPTION OF THE MARKET LANDS registered in the name of the Corporation of the City of London.

In the City of London, in the County of Middlesex and Province of Ontario, being composed of part of Lots 12, 13, 14 and 15 south of west Dundas Street, Lots 13, 14 and 15 north of West King Street, Lots A, 1 and 8, Plan 160(W), Part of Lots B and 2, Plan 160(W), Part Lot 7, Plan 160(W), and Part 3 on Plan 33R-11363, save and except: together with as in EB2939, subject to as in EB2917, EA8520, EA8461, EC16052, LD2175, EA8630, EA8662, EA8471, EA8462; being the whole of P.I.N. 08321-0145(LT) and being those lands bounded on the South by the northerly limit of King Street, on the West by the easterly limit of Talbot Street and on the North and East by Market Lane.

SCHEDULE "B"

Attached to and forming part of this Lease

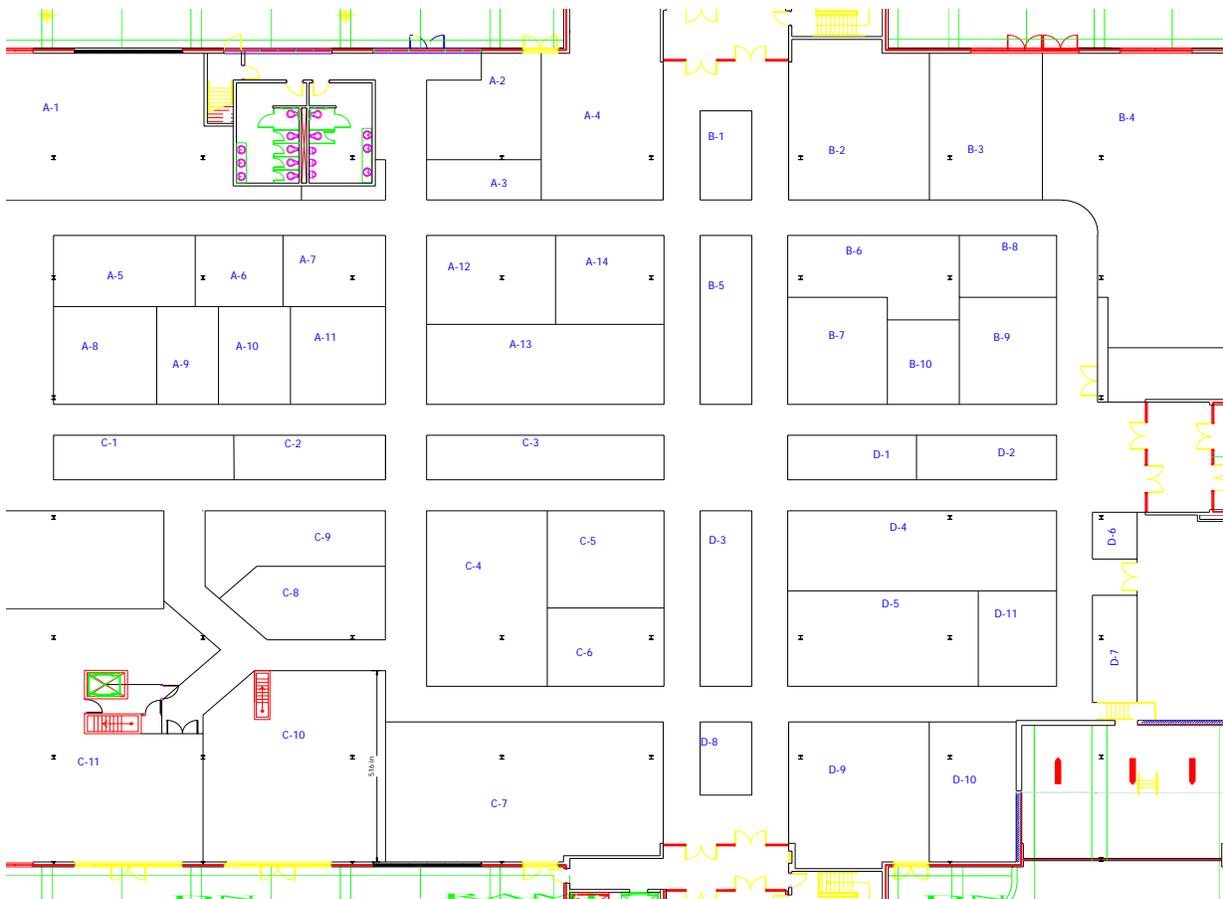
TENANT: OWNER'S NAME
operating as "TRADE NAME"

STORE NO.: [insert store number]

DATE: [insert date]

FLOOR PLAN OF THE MARKET

The Purpose of this plan is to identify the approximate location of the Leased Premises in the Market. The Landlord reserves the right at any time to relocate, rearrange or alter the buildings, structures, and Common Areas and Facilities as set out in the Lease.



SCHEDULE "C"

Attached to and forming part of this Lease

TENANT: OWNER'S NAME
operating as "TRADE NAME"

STORE NO.: [insert store number]

DATE:[insert date]

**CONSTRUCTION OF THE LEASED PREMISES
- LANDLORD'S AND TENANT'S WORK**

1. Landlord's Work

1.01 The Landlord is not required to provide any materials or to do any work to or in respect of the Leased Premises except the work and materials listed below ("Landlord's Work") and Landlord's Work will be performed in accordance with Landlord's choice of materials and will comply with all laws.

1.02 The Landlord's work shall be as follows:

- (a) Floor - finished concrete
- (b) Plumbing - cold water and sanitary loop with tap in intervals at the Landlord's designated points for Tenant connections and floor drains as shown on the Landlord's drawings.
- (c) Electrical - 120/208 volt power at regular distribution points throughout the Market for the Common Areas and to the Landlord's designated point in the Leased Premises, with further distribution from such points at the cost of the Tenant, as shown on the Landlord's drawings. Bulk metering for Common Areas. Separate metering or sub-metering at the Leased Premises where practical in the discretion of the Landlord.
- (d) Sprinkler Main - a sprinkler system sufficient to protect the Common Areas and any undivided Leased Premises and as applicable to all governmental authorities having jurisdiction.
- (e) Heating, Ventilating, and Air-Conditioning System - heating, ventilating and air-conditioning equipment and distribution system, in accordance with Landlord's mechanical and design specifications.
- (f) Telephone line from the main junction box to the Leased Premises.
- (g) When the Landlord has substantially completed the Landlord's Work it will notify Tenant of a date (the "Inspection Date"), at least three (3) working days after the date of notification, for the Tenant to inspect the Leased Premises. On the Inspection Date, the Tenant or its authorized agent may inspect the Premises with a representative of the Landlord. The Tenant will notify Landlord in writing within five (5) days after the Inspection Date, setting out any defects in the Landlord's Work. If the Tenant does not so notify the Landlord, the Tenant will be considered for all purposes to have accepted the Leased Premises in their condition as of the Inspection Date and Landlord will not have any further obligation with respect to any defects, except latent defects, that would not be apparent on a careful inspection. If there are any defects in the Landlord's Work and

the Tenant notifies the Landlord as required, the Landlord will remedy the defects.

(h) Reviewing and approving Tenant's plans and work.

1.03 The Landlord reserves the right, at any time and from time to time, to make such changes in construction and material under section 1.02 of this Schedule "C" as it may deem necessary or desirable, without necessity of any formality, notice or recourse by the Tenant.

1.04 In addition to the Landlord's Work as outlined above, the Landlord agrees to supply and install at it's sole cost and expense the following;

- (i) electrical panel or sub-panel, "check" meter and telephone line from main junction box to the Leased Premises; and
- (ii) access to floor drain, cold water "bib" and sanitary loop.

2. Tenant's Work

2.01 The Tenant's Work shall be in conformity with the "Tenant Design Criteria" prepared by the Landlord and shall comprise all work not included in the Landlord's Work under section 1 of this Schedule "C" which is necessary to complete the Leased Premises for the purposes for which it is leased under the Offer to Lease and the Lease. All Tenant's work is required to be submitted to the Landlord in the form outlined in the Tenant Design Criteria for the Landlord's prior written approval. The Tenant's Work will be at the Tenant's own expense and shall include, without limiting the generality of the foregoing, the following:

- (a) Storefront or Kiosk - The Tenant shall install its storefront or kiosk on or within the lease line as determined by the Landlord's architect or surveyor.
- (b) Plumbing - Except for the Landlord's Work under Section 1.02(b) of this Schedule "C", all internal plumbing, plumbing equipment and plumbing accessories and all other fixtures required by the Tenant to serve its own Leased Premises, all in accordance with the Landlord's specifications. If the Tenant is engaged in a business required by law to have public washroom accommodation within the Leased Premises, the installation of water-closets, wash-basins, water heaters and plumbing pertaining thereto and all finishing of such washrooms shall be carried out by the Tenant at the Tenant's expense and in accordance with the Landlord's specifications. Additional water and drainage lines, as may be required for such installation, will be brought by the Landlord to the Leased Premises at the Tenant's expense. Equipment to prevent clogging of the Landlord's drains shall be installed in the Leased Premises by the Tenant at the Tenant's expense.
- (c) Electrical - Except for the Landlord's Work under section 1.02(c) of this Schedule "C", all electrical work and installations shall be performed by contractors acceptable to the Landlord at the Tenant's Expense in accordance with the Landlord's specifications, and shall include signs, electrical distribution panel, all branch wiring, electrical lighting fixtures, lamps, time clock, exit signs if required, emergency lighting if required, appliances, a hydro check meter and other equipment required by the Tenant, including any light fixtures and lamps. Where the Tenant's electrical requirements exceed the capacity provided for by the Landlord, the upgrading of this service will be provided by the Landlord at the Tenant's expense. The Tenant shall make all necessary arrangements with and pay all fees to the local utility for the provision and connection of service.

- (d) Communications - Extension of the telephone conduit and lines terminated at the Leased Premises, all necessary conduits and wiring for security or fire alarm systems shall be terminated at the main junction box in the Market.
- (e) HVAC - Except where Landlord provides ventilation and exhaust systems under section 1.02(e) of this Schedule "C", Tenant to install all necessary ductwork, fans, openings and wiring and carry out such other work as may be required to exhaust any odours from the Leased Premises which the Landlord deems to be objectionable or as required by the governmental authority having jurisdiction. All such work and installations to be subject to prior approval of the Landlord.
- (f) Interior Finishes - Interior wall finishes on all sales areas of the Leased Premises. All other interior finishes and installations, including without limiting the generality thereof, storefront and sign, floor covering, painting, show windows, enclosures, display platforms, partitions, special wall or ceiling finishes, vertical and horizontal equipment, all trade fixtures and security vault (if any). Where the Tenant is handling perishable items, the Tenant shall install at the Tenant's expense refrigeration equipment for such items, if required by the Landlord or by any governmental authority having jurisdiction, subject to the Landlord's limitations and approval.
- (g) Sprinklers - Except for the Landlord's Work under Section 1.02(d) of this Schedule "C", all revisions or additions to the Landlord's sprinkler system in the Leased Premises will be approved by the Landlord and other governmental authorities having jurisdiction, and this work will be performed by the Landlord's sprinkler contractor at the Tenant's expense.
- (h) Other Fire Protection - The Tenant shall pay for any other fire-fighting and emergency-lighting equipment in and about the Leased Premises, whether required by the Landlord, any governmental authority having jurisdiction, or any insurer, and whether required before or during the Term of the Offer to Lease and Lease.
- (i) Any damage to the Premises or the Market caused during the performance of the Tenant's Work by the Tenant, its contractors, sub-contractors, tradesmen or material suppliers shall be repaired immediately, by the Tenant, or, at the Landlord's option, by the Landlord at the expense of the Tenant, and the Tenant shall also pay to the Landlord upon demand as Additional Rent an administration fee of 15% of the cost of the work and materials.

3. General Procedures

3.01 Tenant Construction:

- (a) The Tenant will provide the Landlord with plans, drawings, specifications and other information describing the proposed contractors, work and repairs. The Tenant must also submit complete revisions if required by the Landlord, satisfactory to the Landlord.
- (b) Before the Tenant commences any work in the Leased Premises, the Tenant must first be in receipt of the Landlord's final written approval of all the Tenant's Work for the Leased Premises, including the Tenant's contractors.
- (c) When the Tenant has received the notification referred to in section 3.01(b) of this Schedule "C" the Tenant will proceed diligently to

complete the Tenant's Work within sixty (60) days or within such longer period as the Landlord determines (the Tenant's "Fixturing Period"). The Tenant's Fixturing Period must commence at least sixty (60) days prior to the Commencement Date.

- (d) Before the Tenant commences any work or repairs, the Tenant must first be in receipt of all necessary consents, approvals, permits licences and inspections from all governmental and regulatory authorities having jurisdiction and post in the Leased Premises all Permits as required and issued by the City of London and all other governmental authorities having jurisdiction. Should the Tenant fail to obtain any required permit, licence, or certificate, the Landlord may, but shall not be obligated to, obtain it on behalf of the Tenant at the Tenant's expense, and the Tenant will pay to the Landlord the costs and expenses thereof as Additional Rent on demand plus an administration fee of fifteen per cent (15%) of such costs and expenses.
- (e) Access to the Leased Premises - The Landlord or public utility companies shall have the right throughout the construction to perform all necessary work required to complete the Landlord's Work and the Tenant's Work.
- (f) Architect's Opinion - The opinion in writing of the Landlord's Architect shall be binding on both the Landlord and the Tenant respecting all matters of dispute regarding the Landlord's Work and the Tenant's Work including the state of completion and whether or not work is completed in a good and workmanlike manner and in accordance with this Schedule "C".
- (g) The Landlord, without prejudice to the Landlord's other remedies, may at the Tenant's expense, remove any Tenant's Work undertaken without the Landlord's prior written approval and restore the Leased Premises to their prior condition, and the Tenant will pay to the Landlord on demand the costs of removal together with an administration fee of 15% of such costs.
- (h) Tenant's Declaration - The Tenant shall provide the Landlord, within sixty (60) days after the completion of any work within the Leased Premises, with a statutory declaration (the "Declaration"): (i) stating that the Tenant's Work has been performed in accordance with all of the provisions of this Schedule "C" and that all deficiencies (if any) which the Landlord has brought to the Tenant's attention have been corrected and; (ii) stating that there are no Construction Liens, Worker's Compensation Liens, or other liens and encumbrances affecting the Leased Premises or the Market with respect to work, services or materials relating to the Tenant's Work. The Landlord agrees to pay to the Tenant its Fixturing Allowance forthwith upon presentation of such Declaration.

4. Payment Schedule

Any equipment or work, other than that stipulated as Landlord's Work, which is supplied or performed by the Landlord at the request of the Tenant, or any excess or additional cost in the Landlord's Work occasioned by the Tenant's requirements or revisions to such requirements, shall be paid for by the Tenant as Additional Rent as follows:

- (i) Thirty-five per cent (35%) of the amount payable (as estimated by the Landlord) will be paid by the Tenant to the Landlord prior to the supply of the equipment of performance of the work; and
- (ii) The balance will be paid by the Tenant to the Landlord within fifteen (15) days after the receipt of a request for it.

The cost of the equipment or work will include (in addition to direct labour, materials and applicable taxes) architectural and contractor's fees, any costs to the Landlord which are attributable to changes requested by Tenant after approval of Tenant's Plans by the Landlord, and an additional overhead charge for the Landlord's supervision equal to fifteen per cent (15%) of the aggregate costs of the equipment and work.

5. Commencement Date

The first day of the Term of the Lease is the "Commencement Date". The Tenant's obligation to pay rent shall commence on the Commencement Date PROVIDED ALWAYS that if the Leased Premises are not ready for possession by the Tenant by the Commencement Date for any reason not attributable to any failure or neglect of the Tenant, the Commencement Date shall be postponed until the Leased Premises are ready for possession by the Tenant, but the date on which the Term shall be completed and ended shall not be varied as a result thereof nor shall the Tenant have any claim against the Landlord as a result of such postponement. In the event that the obligation to pay rent commences on a day other than the first day of a month, then all terms and conditions of this Lease shall apply from such date, and the Tenant shall pay upon the day the obligation to pay rent commences, a pro rata portion on a per diem basis of the fixed minimum monthly rent and estimated additional rent from such date until the last day of the month in which such date occurs. PROVIDED FURTHER HOWEVER, that if the Leased Premises are not ready for possession by the Tenant on the Commencement Date due to any act or failure to act on the part of the Tenant, then the rent and the Term shall commence on that date as though the Leased Premises were ready for possession by the Tenant and all the provisions of the Lease shall apply.

6. Tenant's Fixturing Allowance

The Landlord will pay [tenant allowance – proper words] Dollars (\$[tenant allowance – number]) per square foot of the Rentable Area of the Leased Premises as a Tenant's Allowance to be applied towards the actual costs of the Tenant's work hereunder including leasehold improvements, fixtures and equipment.

7. Tenant's Free Rent

- (a) the Fixturing Period of sixty (60) days Section 3.01(c) shall be Rent free;
- (b) the first [rent free period – proper words] ([rent free period]) months of the Term following the Commencement Date shall be free of Minimum Rent and Percentage Rent;

SCHEDULE "D"

Attached to and forming part of this Lease

TENANT: OWNER'S NAME
operating as "TRADE NAME"

STORE NO.: [insert store number]

DATE: [insert date]

RULES AND REGULATIONS

These rules and regulations made by the Landlord from time to time are applicable to any licensee, tenant, vendor or occupant of the Market building (the "Tenant") and the premises leased or licensed to them (the "Leased Premises"). A breach of these rules and regulations constitutes default under the licence or lease (the "Lease"), as applicable. The Landlord may remedy any breach by the Tenant and all costs thereof shall be charged to the Tenant as additional rent.

1. HANGING ITEMS

Tenant shall not hang or suspend from any wall or ceiling or roof, or any other part of the Leased Premises or the Market building, any equipment, fixtures, signs or displays without the prior written approval of the Landlord.

2. ELECTRICAL EQUIPMENT

If any Tenant requires additional electrical equipment, Tenant shall obtain the Landlord's written approval to perform electrical changes, which shall meet all the applicable regulations or requirements of any government or other competent authority, the Association of Insurance Underwriters and Landlord's insurers, all at the sole cost and expense of the Tenant.

3. PLUMBING

No plumbing facilities shall be used for any purpose other than that for which they were designed and no foreign substance of any kind shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from a violation of this provision by a Tenant or by any person for whom the Tenant is responsible shall be borne by the Tenant. No garburators shall be installed by a Tenant without the prior written approval of the Landlord.

4. HVAC OPERATION

4.01 Tenant shall operate or permit to be operated its own heating, ventilating, air conditioning and other equipment, if any, in such manner that there will be no direct or indirect appropriation or dissemination of heating or cooling from or to other portions of the Market building.

4.02 Tenant shall not leave open any doors or windows to the exterior of the Market building which would adversely affect the performance of any heating, ventilating or air-conditioning equipment in the building.

5. SIGNS, ADVERTISING, DISPLAY WINDOWS

5.01 Tenant shall not erect or install any exterior signs or interior window or door signs or advertising media or window or door lettering or placards without the prior written consent of the Landlord.

5.02 Tenant shall not use any advertising media that the Landlord or other tenants shall

deem objectionable to it or to other tenants, such as, without limiting the generality of the foregoing, loudspeakers, phonographs, televisions, public address systems, sound amplifiers, radios, broadcasts, CD players or telecasts within the building in a manner capable of being heard or seen beyond the Leased Premises.

- 5.03 Tenant shall not install any exterior lighting, exterior decorations or build any aerial or mast, or make any change to the store front of the Leased Premises, without the prior written consent of the Landlord.
- 5.04 Tenant shall keep all display windows neatly dressed and, together with any other windows, store fronts and lighted signs in, upon or affixed to the Leased Premises, illuminated until such times as required by Landlord.
- 5.05 Any installation requiring Landlord's consent which has not received such consent shall be subject to immediate removal without notice at Tenant's cost.

6. **NO SOLICITATION**

The Tenant, or Tenant's employees and agents, shall not solicit business in the parking areas or other common areas of the Market building and shall not distribute any handbills or other advertising material therein without prior written consent of the Landlord.

7. **DELIVERIES**

- 7.01 The Tenant shall receive, ship, take delivery of, and allow and require suppliers and others to deliver or take delivery of, merchandise, supplies, fixtures, equipment, furnishings and materials only through the appropriate service and delivery facilities designated by the Landlord, at such times as the Landlord may reasonably specify and in accordance with the reasonable directives and further rules and regulations of the Landlord.
- 7.02 Tenants shall inform suppliers of such times and rules and regulations respecting delivery so as to accommodate the ease of delivery to and from the Market building.
- 7.03 Tenants shall remove all such merchandise and other delivered items from the loading area or other common areas immediately upon such delivery.
- 7.04 Boxes and empty cartons, and all other items are not permitted to be placed in the aisle adjacent to the Leased Premises except as being loaded or unloaded. Containers and garbage are to be disposed of promptly and in accordance with waste management guidelines issued by Landlord from time to time.
- 7.05 Tenant acknowledges passageways and aisles of the Market building must be kept clear of merchandise, deliveries, garbage or any other blockage unless in special circumstances, Landlord has given permission. Tenant shall comply with all regulations designated under the Ontario Fire Code, Ontario Building Code and all Public Health legislation.
- 7.06 Tenant acknowledges hand carts may be used for deliveries and unloading of merchandise only and that goods shall not be stored on hand carts or in aisle space outside the Leased Premises. While being unloaded at Leased Premises, Tenant will keep carts out of pedestrian flow.

8. **LOADING DOCK**

Any vehicle owned or operated by Tenant may be parked at the loading areas for a maximum of posted time limit for the purposes of delivering and unloading only. Tenant may move unloaded items to the Leased Premises, but shall remove the vehicle from the loading areas

before unpacking and set-up of delivered goods.

9. **PESTS**

Should the Leased Premises become infested with rodents, vermin or the like, Tenant shall forthwith remedy the same and shall use, at Tenant's cost, such pest extermination contractor as Landlord may direct and at such intervals as Landlord may require as being necessary by reason of the conditions in the Leased Premises.

10. **NOTICE OF ACCIDENT, DEFECTS**

The Tenant shall give immediate notice to Landlord in case of fire or accident in the Leased Premises or of defects therein or to any fixtures or equipment therein.

11. **EMERGENCY CONTACTS**

Tenant shall provide Landlord with the names, addresses and telephone numbers of two (2) authorized employees of the Tenant, who may be contacted by the Landlord in the event of an emergency relative to the Leased Premises.

12. **PERMITS, LICENCES**

Tenant shall be responsible for obtaining, from the appropriate governmental authority or other regulatory body having jurisdiction, all permits, licences or approvals as may be necessary for the operation of its business, the whole to the entire exoneration of the Landlord.

13. **PROHIBITED USES**

Tenant shall not allow the Leased Premises to be used for sleeping, nor shall any pets or animals be allowed on the Leased Premises without the consent of the Landlord.

14. **AFTERHOURS**

Tenant shall not be entitled to a key to the exterior doors of the building (except where Leased Premises exit to the street) and Tenant shall have no right or access to the Leased Premises before or after hours of business except as set out herein or in accordance with Landlord's Security Procedures or except with the express permission of a duly authorized representative of Landlord.

In the event that Tenant is permitted access to the Market building before or after hours, Tenant shall sign a "sign-in" sheet or adhere to any other means of monitoring or control that the landlord has in effect regarding entrance and exit from the building.

15. **HOURS OF BUSINESS**

Tenant shall carry on business from the Leased Premises, during the business hours of the market, being Monday to Friday from 8:00 a.m. to 7:00 p.m., Saturday from 8:00 a.m. to 6:00 p.m. and Sunday from 11:00 a.m. to 5:00 p.m. of every week (subject to statutory holidays). Any special request for variations shall be made in writing to the Landlord who shall have the authority to approve or deny any request. Tenants with exterior wall, self-contained premises may open earlier and stay open later. The Landlord may vary such hours of business from time to time, acting reasonably, as set out in Section 9.3 of the Lease.

16. **SMOKE FREE BUILDING**

Tenant acknowledges the Market building is a "smoke free" building subject to the by-laws of the City of London .

17. **CLEANLINESS**

In regard to the use and occupancy of the Leased Premises and the common areas and facilities, Tenant shall:

- 17.01 keep clean the inside and outside of all glass in the doors and windows of the Leased Premises;
- 17.02 keep clean all exterior storefront surfaces of the Leased Premises;
- 17.03 replace promptly, at its expense, any cracked or broken window glass of the Leased Premises with glass of like kind and quality;
- 17.04 keep all mechanical apparatus free of vibration and noise which may be transmitted beyond the Leased Premises; and
- 17.05 operate the stand or store of the Leased Premises in first class market vendor fashion, keep the same fully stocked and in a neat and tidy condition at all times, and adhere to the Landlord's policies regarding waste management and recycling programs.

In regard to the use and occupancy of the Leased Premises and the common areas and facilities, Tenant shall not:

- 17.06 cause, permit or suffer any machines selling merchandise, rendering services or providing, however operated, entertainment, including vending machines, to be present on the Leased Premises unless consented to in advance in writing by Landlord; and
- 17.07 abandon any equipment, materials or merchandise in any portion of the Market building, but shall have such equipment, materials or merchandise removed from the building at Tenant's own expense.

18. **POINT OF SALE EQUIPMENT**

Tenant shall install and maintain at Tenant's expense such point of sale/point of purchase electronic equipment (such as Interac or Equal) as is required by the Landlord from time to time to allow customers of the Tenant to use debit cards for purchases.

19. **CONFIDENTIALITY**

The details of Tenant's Offer to Lease and Lease with the Landlord and the negotiations leading to them are confidential and Tenant shall not disclose such details or negotiations to any person other than Tenant's necessary legal, financial and business advisers.

20. **FURTHER RULES AND REGULATIONS**

For the general benefit and welfare of the Landlord and the Tenants generally of the Market building, Landlord may amend these rules and regulations, by alteration or addition, and such amended rules and regulations shall be binding on Tenant.

21. **FINES**

Tenants shall be subject to the following fines for breaches of the Lease and these Rules and Regulations, which fines are in addition to and not in substitution for any other remedy of the Landlord under the Lease and are collectible as additional rent:

- 21.01 N.S.F. cheque - \$50.00 per cheque returned plus all bank charges;
- 21.02 late payment of rent unless prior arrangement made with Landlord - \$50.00 per

day;

- 21.03 opening for business late or closing for business early, without just cause in opinion of Landlord - \$50.00 per occurrence;
- 21.04 failing to be open for business without just cause in opinion of Landlord - \$300.00 per day or rateable part thereof;
- 21.05 blocking passageways or loading docks, setting displays in passageways or other common areas - \$50.00 per item per hour or part thereof; and
- 21.06 any other breach not listed above - \$50.00 per item per day.

22. **LANDLORD'S RIGHT TO REMEDY**

Notwithstanding the Landlord's right to levy fines against the Tenant for breaches of these rules and regulations, the Tenant acknowledges the right of the Landlord to remedy any default of the Tenant at the cost of the Tenant as set out in Section 16.6 of the Lease and the rights of the Landlord generally under Article XVI of the Lease in respect of any default of the Tenant.

23. **VIOLATIONS**

Violation of these rules and regulations may result in termination of the lease. Landlord will review each instance individually, taking into account past performance. Repeated violations may result in the Tenant being declared a troublesome tenant and as such in default of the Lease and not eligible for the renewal rights set out in Schedule "F" to the Lease.

SCHEDULE "E"

INDEMNITY AGREEMENT

THIS AGREEMENT is dated the day of , 199 .

BETWEEN: **COVENT GARDEN MARKET CORPORATION**

(the "Landlord")

of the First Part

- and -

and

(the "Indemnifier")

of the Second Part

In order to induce the Landlord to enter into the lease (the "Lease") dated the day of , 199 and made between Covent Garden Market Corporation as Landlord and as Tenant, and for other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the Indemnifier hereby makes the following indemnity and agreement (the "Indemnity") with and in favour of the Landlord:

1. The Indemnifier hereby agrees with the Landlord that at all times during the Term of the Lease and any extension or renewal of the Lease it will (a) make the due and punctual payment of all Rent, monies, charges and other amounts of any kind whatsoever payable under the Lease by the Tenant whether to the Landlord or otherwise and whether the Lease has been disaffirmed or disclaimed; (b) effect prompt and complete performance of all and singular the terms, covenants and conditions contained in the Lease on the part of the Tenant to be kept, observed and performed; and (c) indemnify and save harmless the Landlord from any loss, costs or damages arising out of any failure by the Tenant to pay the aforesaid Rent, monies, charges or other amounts due under the Lease or resulting from any default by the Tenant in observing or performing any of the terms, covenants and conditions contained in the Lease.

2. This Indemnity is absolute and unconditional and the obligations of the Indemnifier shall not be released, discharged, mitigated, impaired or affected by (a) any extension of time, indulgences or modifications which the Landlord extends to or makes with the Tenant in respect of the performance of any of the obligations of the Tenant under the Lease; (b) any waiver by or failure of the Landlord to enforce any of the terms, covenants and conditions contained in the Lease; (c) any assignment of the Lease by the Tenant or by any trustee, receiver or liquidator; (d) any consent which the Landlord gives to any such assignment or subletting; (e) any amendment to the Lease or any waiver by the Tenant of any of its rights under the Lease; or (f) the expiration of the Term.

3. The Indemnifier hereby expressly waives notice of the acceptance of this Agreement and all notice on non-payment or non-observance on the part of the Tenant of the terms, covenants and conditions contained in the Lease. Without limiting the generality of the foregoing, any notice which the Landlord desires to give to the Indemnifier shall be sufficiently given if delivered in person to the Indemnifier at the Leased Premises, and every such notice is deemed to have been given upon the day it was so delivered in person. The Indemnifier may designate by notice in writing a substitute for that set forth above and thereafter notices shall be directed to such substitute address. If two or more Persons are named as Indemnifier, any notice given hereunder or under the Lease shall be sufficiently given if delivered in the foregoing manner to anyone of such Persons.

4. In the event of a default under the Lease or under this Agreement, the Indemnifier waives any right to require the Landlord to (a) proceed against the Tenant or pursue any rights or remedies against the Tenant with respect to the Lease, (b) proceed against or exhaust any security of the Tenant held by the Landlord, or (c) pursue any other remedy whatsoever in the Landlord's power. The Landlord has the right to enforce this Indemnity regardless of the acceptance of additional security from the Tenant and regardless of any release or discharge of the Tenant by the Landlord or by others or by operation of any law.

5. Without limiting the generality of the foregoing, the liability of the Indemnifier under this Indemnity is not and is not deemed to have been waived, released, discharged, impaired or affected by reason of the release or discharge of the Tenant in any receivership, bankruptcy, winding-up or other creditors' proceedings or the rejection, disaffirmance or disclaimer of the Lease in any proceeding and shall continue with respect to the periods prior thereto and thereafter, for and with respect to the Term as if the Lease had not been disaffirmed or disclaimed, and in furtherance hereof, the Indemnifier agrees, upon any such disaffirmance or disclaimer, that the Indemnifier shall, at the option of the Landlord, become the Tenant of the Landlord upon the same terms and conditions as are contained in the Lease, applied mutatis mutandis. The liability of the Indemnifier shall not be affected by any repossession of the Leased Premises by the Landlord, provided, however, that the net payments received by the Landlord after deducting all costs and expenses of repossessing and reletting the Leased Premises shall be credited from time to time by the Landlord against the indebtedness of the Indemnifier hereunder and the Indemnifier shall pay any balance owing to the Landlord from time to time immediately upon demand.

6. No action or proceedings brought or instituted under this Indemnity and no recovery in pursuance thereof shall be a bar or defence to any further action or proceeding which may be brought under this Indemnity by reason of any further default hereunder or in the performance and observance of the terms, covenants and conditions contained in the Lease.

7. No modification of this Indemnity shall be effective unless the same is in writing and is executed by both the Indemnifier and the Landlord.

8. The Indemnifier shall, without limiting the generality of the foregoing, be bound by this Indemnity in the same manner as though the Indemnifier were the Tenant named in this Lease and principal obligor and not merely an indemnifier or surety.

9. If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) execute this Indemnity as Indemnifier, the liability of each such individual, corporation, partnership or other business association hereunder is joint and several. In like manner, if the Indemnifier named in the Indemnity is a partnership or other business association, the members of which are by virtue of statutory or general law subject to personal liability, the liability of each such member is joint and several.

10. All of the terms, covenants and conditions of this Indemnity extend to and are binding upon the Indemnifier, his or its heirs, executors, administrators, successor and assigns, as the case may be, and enure to the benefit of and may be enforced by the Landlord, its successors and assigns, as the case may be, and any mortgagee, chargee, trustee under a deed of trust or other encumbrancer of all or any part of the Market referred to in the Lease.

11. The expressions "Landlord", "Tenant", "Rent", "Term", and "Leased Premises" and other terms or expressions where used in this Indemnity, respectively, have the same meaning as in the Lease.

12. This Agreement shall be construed in accordance with the laws of the Province of Ontario.

13. Wherever in this Indemnity reference is made to either the Landlord or the Tenant, the reference is deemed to apply also to the respective heirs, executors, administrators, successors and assigns and permitted assigns, respectively, of the Landlord and the Tenant, as the case maybe, named in the Lease. Any assignment by the Landlord of any of its interests in the Lease

SCHEDULE "F"

Attached to and forming part of this Lease

TENANT: OWNER'S NAME
operating as "TRADE NAME"

STORE NO.: [insert store number]

DATE:[insert date]

SUPPLEMENTAL TERMS, RENEWAL RIGHTS

ARTICLE III - Grant and Term

The following Section is added at the end of Article III:

Section 3.5 Renewal

- (a) The Tenant will have the right to renew this Lease (the "First Renewal Lease") as at the expiration of the Term only if all of the following conditions are satisfied:
 - (i) Tenant has delivered a written request for renewal of this Lease to Landlord not less than six (6) months before the end of the Term;
 - (ii) Tenant has not been in material default under the terms of this Lease at any time during the Term of this Lease and, in particular, is not in default under the terms of this Lease at the time Tenant delivers such written request for renewal to Landlord; and
 - (iii) Tenant has not assigned this Lease in whole or in part or sublet all or any part of the Premises without Landlord's consent.
- (b) The term of the First Renewal Lease (the "First Renewal Term") will be for a period of three (3) years.
- (c) Tenant will pay to Landlord as Minimum Rent under the First Renewal Lease the average of the Minimum Rent and Percentage Rent paid over the last two (2) years of the Term, but not less than 125% of the Minimum Rent in the last year of the Term.
- (d) Tenant will pay Percentage Rent as negotiated with the Landlord, but at a rate not less than the rate in Section 4.3 of this Lease.
- (e) The First Renewal Lease will be upon the same terms, provisos and conditions of this Lease excepting as aforesaid and except for rent-free periods, tenant allowances, Landlord's work and other similar inducements and as otherwise amended in this Section, and Tenant will have no further right of renewal.
- (f) If Tenant fails to exercise this right to renew this Lease within the time and in the manner as aforesaid, or if the other conditions set out in this Section are not satisfied, this renewal provision shall be null and void.

SCHEDULE "G"

Attached to and forming part of this Lease

TENANT: OWNER'S NAME
operating as "TRADE NAME"

STORE NO.: [insert store number]

DATE:[insert date]

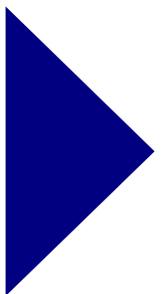
SPECIAL AMENDMENTS

Those Sections of the Lease listed below are hereby substituted for the original provisions of the Lease as amendments thereto:

Section Number of Lease	Amendment
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Appendix H

Sample Newsletter and Marketing Plan





NORTH MARKET

Summertime at The Market

Summer 2007



Photo: Mary Phillips

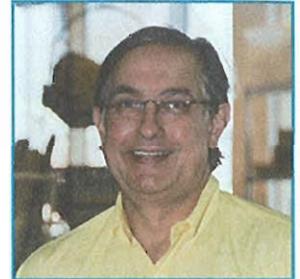
Merchants

The Archive	224-4410
A Touch of Earth	224-7624
Barry's New York Style Deli	221-6601
Benevolence, A Bakery	221-1833
Best of the Wurst	469-8778
Better Earth	224-6196
Bluescreek Farm Meats	228-5727
Bubbles, Tea & Juice Co.	280-1400
CaJohns Flavor & Fire	229-4273
China Market	361-1866
Curds & Whey	621-0333
Firdous Express	221-4444
The Fish Guys	228-4903
Flavors of India	228-1955
Gatterdam Eggs	463-9664
Grapes of Mirth	221-9463
Heil's Family Deli	461-4778
Jeni's Fresh Ice Creams	228-9960
Jose Madrid Salsa	224-3085
Lac Viet Market	221-0777
Market Blooms	228-7760
Mozart's North Market Bakery	227-0441
Nida's Sushi	228-4470
North Market Cookware	621-2041
North Market Poultry & Game	221-7237
North Market Produce	484-0081
Omega Artisan Baking	224-9910
Pam's Market Popcorn	222-1850
Pastaria/Pastaria Seconda	228-2850
Pure Imagination Chocolatier	221-5433
Sabor Mexicano	224-9488
Sarefino's	228-7300
The Source by Wasserstrom	225-0776

Market Hours

Tuesday-Friday, 9a.m.-7p.m.
Saturday, 8a.m.-5p.m., Sunday, Noon-5p.m.
Optional business hours
Monday, 9a.m.-5p.m.
(614) 463-9664

Letter from David



Dear North Market Shopper,

Things continually evolve, don't they? There are new ways of eating and these days it seems there's a new way of communicating.

Eating locally has replaced organic as the latest food trend and blogging, it seems, is creeping into the mainstream lexicon as an increasingly popular source for seeking information.

On the eating front, we've come to learn that local food is fresher and tastes better than food shipped long distances from other states or countries. Buying local food keeps your dollars circulating in your community. Local food doesn't have to travel far. This reduces fuel costs, carbon dioxide emissions and packing materials. Buying local food also helps to make farming more profitable and selling farmland for development less attractive. Getting to know the producers who sell your food builds relationships based on understanding and trust; the foundation of strong communities.

In the communications department we've recently come to know the work of "The Restaurant Widow." The Restaurant Widow hails from the Columbus area and has a web blog, www.restaurantwidow.com, devoted to anything and everything food-related in our area.

She's passionate about food and passionate about finding the very best ingredients possible. She's a self-described "locavore," one who is committed to finding food from local sources. She's also a fabulous writer; engaging, witty, colorful...talents not always found in the world of web blogging these days. She scours farmers markets and is a regular visitor to North Market.

The Restaurant Widow normally has lots of nice things to say about our Market, but that's not why I'm devoting this space to her blog. I'm intrigued with her relatively new mode of communication and I find myself reading her comments on a daily basis. It's fun, interesting and informative. She packs a lot of information into a pretty efficient package.

I've never met her, but I feel like I know her. You see, I share her passion for great, local food. And that's something you can surely find everyday here at the Market.

I wholeheartedly encourage your to visit The Restaurant Widow. A trip through her website is not unlike a trip to North Market — fresh, fun and lots to see.

The North Market. More than 35 local businesses, more than 30 local farms... our selection is tremendous, the freshness is unsurpassed and as always, the advice is free.

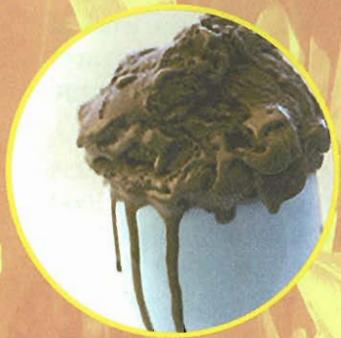
Looking forward to seeing you here.

David Wible

Market Notes

Jeni's in Dean & DeLuca Catalog

The lazy days of summer leaving you too lazy to get out for Jeni's ice cream? Order it online or from the catalog! "One taste of these mouth-watering flavors and you'll melt. Try the nine pint pack of: Goat's Cheese with Balsamic Cherries, Butterscotch and Cocoa Nibs, Coriander and Raspberry, Lemon Yogurt and Blueberries, Salty Caramel and Dark Cocoa Gelato, Strawberry Buttermilk, Honey Vanilla and Bourbon Buttered Pecan. Also available in a six pint set." Nine pints \$100.00. Or just call the shop and ship it to your favorite sweet tooth. Jeni's 614-228-9960. www.deandeluca.com



Pure Imagination Chocolatier

Pure Imagination is celebrating summer with fresh-dipped Market strawberries that will be available through the season. Afraid your chocolates will perish in the heat on your way home? Fear not. We're providing free ice packs for your summertime indulgence. Confectionally yours, Daniel Cooper, Chocolatier

The 6th Annual North Market Food and Ohio Wine Festival

Presented By National City

With its fertile soil and drainage and latitude similar to that of the great wine-producing countries of Europe, Ohio is ideally suited for growing a variety of grapes. From the Lake Erie coast to the Ohio River shoreline, Ohio has 96 wineries scattered throughout its borders. Come savor tastes of select vintages from 15 Ohio wineries at the 6th Annual North Market Food and Ohio Wine Festival presented by National City. The North Market will host a weekend celebration of Ohio's finest wines and great foods to pair with them during the weekend of July 13th-15th. Sponsoring organizations include National City, Ohio Grape Industries, smartUSA, Master Clean and Columbus Alive.

The festival will kick off on Friday night with a special preview party from 7-10 p.m. Tickets to the event are \$20 and include a customized wine glass and 10 tasting tickets with proceeds benefiting the historic North Market. Columbus celebrities will serve as guest pourers for the wineries. Local favorite New Basics Brass Band will have guests dancing in the street with their dynamic music. Discount coupons good for \$5 off Preview Party admission are available at local National City Bank branches.

Throughout the weekend the following wineries from around Ohio will offer select wines by the taste (50 cents to \$1.00 each), glass, bottle and case: Chalet Debonne Vineyard, Madison; Ferrante Winery, Geneva; Firelands Winery, Sandusky; Henke Winery, Cincinnati; Maize Valley Winery, Hartsville; Markko Vineyard, Conneaut; Mon Ami Winery, Port Clinton; Ravens Glen Winery, West

Lafayette; Slate Run Vineyard, Canal Winchester; St. Joseph Vineyards, Thompson; Stoney Ridge Winery, Bryan; Troutman Vineyards, Wooster; The Winery at Wolf Creek, Norton; Valley Vineyards, Morrow and Viking Vineyard, Kent.

*Come savor
tastes of select
vintages from 15
Ohio wineries*



Barrels of family fun to be had include shopping at the farmers' market on Saturday and a craft fair on Sunday, live music, culinary demonstrations by some of Columbus' finest chefs and children's activities including, face painting, balloon twisting and a chance to scale the Ohio Farm Bureau's corn

climbing wall!

Good things come in small packages and the smart fortwo automobile is no exception. Each model's revolutionary design conveys innovation, functionality and joy of life. Be one of the first in the US to drive the smart fortwo at the North Market Food and Wine Festival on Friday, July 13th, Saturday, July 14th, and Sunday, July 15th. For more information on smart, please visit www.smartUSA.com.

Festival hours are Friday, July 13, 7-10 p.m., Saturday, July 14, 10 a.m. - 7 p.m. and Sunday, July 15, 1 - 6 p.m. Preview Party admission is \$20 with \$5 discount coupons available at local National City Bank branches. Saturday and Sunday admission is free. A \$5 tasting fee includes souvenir glass and 2 tasting tickets. Additional tasting tickets available for purchase at \$.50 apiece. For additional information on the North Market Food and Ohio Wine Festival, please call 614-463-9664 or visit www.northmarket.com.

North Market Food and Ohio Wine Festival

Schedule of Activities

Friday, July 13th

Admission \$20

(includes souvenir glass, 10 tasting tickets)

Festival Hours, 7 – 10 p.m.

- 7 – 10 p.m. Ohio Wineries open for tasting, North Market remains open
- 7 – 10 p.m. Meet the winemakers, celebrity wine pourers, music by New Basics Brass Band
- 7 – 10 p.m. Test drive the smart fortwo at Smart Road Show

Saturday, July 14th

Tasting admission \$5

(includes souvenir glass, 2 tasting tickets)

Festival Hours, 10 a.m. – 7 p.m.

- 8 a.m., North Market, Farmers' Market, open for business
- 9 a.m. – 12 p.m., music by Willie Phoenix on porch
- 10 a.m., Ohio wineries open for tastings
- 10 a.m. – 7 p.m., test drive the smart fortwo at Smart Road Show
- 10 a.m. – 12 p.m., bluegrass music by Hillbilly Hippy Folk on Spruce Street Stage
- 10 a.m. – 5 p.m., Ohio Farm Bureau Corn Climbing Wall
- 11 a.m., culinary demonstration TBA
- 12 – 2 p.m., music by the Rock Island Plow Company on porch
- 12 – 2 p.m., Joy Unspeakable, the living statue, as the god of wine
- 12 – 4 p.m., airbrush face painting by Tattoo-U
- 12 p.m., culinary demonstration TBA
- 1 – 3 p.m., music by Traveler's Dream on Spruce Street Stage
- 1 p.m., culinary demonstration TBA
- 2 – 4 p.m., music by Hope Vitellas on porch

- 2 p.m., culinary demonstration TBA
- 3 p.m.—5 p.m., music by Men of Steel on Spruce Street Stage
- 3 p.m., culinary demonstration TBA
- 4 – 6 p.m., music by the Folk Wood Players on porch
- 4 p.m., culinary demonstration TBA
- 5 p.m. – 7 p.m., music TBA on Spruce Street Stage
- Roving entertainers throughout the day

Sunday, July 15th

Tasting admission \$5

(includes souvenir glass, 2 tasting tickets)

Festival Hours, 12 – 6 p.m.

(wine tasting begins at 1 p.m.)

- 12 p.m., North Market and Craft Vendors' Market open for business
- 12 – 3 p.m., music by Willie Phoenix on porch
- 1 – 6 p.m., test drive the smart fortwo at Smart Road Show
- 1 p.m., culinary demonstration TBA
- 1 – 3 p.m., music by Men of Steel on Spruce Street Stage
- 1 – 3 p.m., Joy Unspeakable, the living statue, as the god of wine
- 1 – 5 p.m., airbrush face painting by Tattoo-U
- 2 p.m., culinary demonstration TBA
- 2 – 4 p.m., CD101 prize wheel, you spin, you win!
- 3 p.m., culinary demonstration TBA
- 3 – 6 p.m., music by Eileen Howard Jazz Trio on Spruce Street Stage
- 3 – 5 p.m., music by Hope Vitellas on porch
- Roving entertainers throughout the day



Chris Wank's

Star Salsa Recipe

**First place winner
at the
Cinco D'Ohio Festival**

Pineapple

Starfruit

Pear

Zest of lemon, lime and orange

Dice the various fruit in quantities suitable for you and add citrus zest to taste.

Chill out in the fridge to let the flavors "mellow" for an hour or two and enjoy!

Cool Summer Appetizers

Looking for a starter for your next barbeque? It's as easy as a trip to the North Market.

Come to **Omega Artisan Baking** for a loaf of crusty bread (Ciabatta is the traditional choice, but we also like a baguette or even whole wheat Italian), and pick up a bottle of extra virgin olive oil at **Curds & Whey**. Pour some of the oil into shallow bowls, then drop in a mashed garlic clove or some fresh herbs snipped from your garden (no garden this year? See **North Market Produce** for a great selection), any herb will do, but our favorites are rosemary, basil, thyme or sage. You can even top with a grating or two of Romano or parmesan, or just a sprinkle of sea salt. Cut the bread into chunks and serve with the oil for dunking. Fast, easy and delicious. Also try the white cheddar encrusted olives, or the parmesan-rosemary savory crackers from Omega.



Photo: Amy Lozier

Jeni Britton, Jeni's Splendid Ice Creams

Farmer's Market Ice Creams

Every year when the weather turns warm it fills me with joy in anticipation of farmer's market produce. The wait can be excruciating, but it is well worth it! Eventually one by one we begin to see strawberries and blueberries, cherries and raspberries (red and black), cucumbers, melons, fresh mint and sweet corn! And BEETS! Eventually it will be squash and sweet potatoes...we are lucky to be in Ohio. These exquisite fruits will be transformed in our kitchen into a lovely ice cream that someone will enjoy - perhaps while perusing the market.

The pace in our ice cream kitchen picks up this time of year - and not just because of the increased demands of hot weather! You'll see us picking through many pounds of organic peppermint (to get the bugs out) or rinsing 100 pounds of fresh blueberries and getting them ready to freeze! Many berries and fruits are only available for a short while so we have to hoard them and freeze them. The work that we do to clean them, freeze them on sheet trays and bag them for use all summer is time consuming, but worth every minute! We are proud of our Ohio farmers. They make us happy and healthy. Our ice cream tastes better because of their work. And our jobs are more fun too!

First Of The Season:

We're doing strawberry sundaes now! Shelly Mott and her lovely family grew us the most amazing tiny strawberries and we are serving them, macerated in sugar, over your favorite ice cream. My favorite ice cream with fresh strawberry sauce is our Lemon Yogurt or our Honey Vanilla Bean - made with Ohio honey and Madagascar vanilla. Yum. A perfect summer treat and worth the trip down to the market! You will also find these little berries flavoring our Strawberry Buttermilk ice cream. A perfect ice cream to eat while strolling the market! (FYI, Steve from North Market Produce and I are fighting for these strawberries, so you'll also find them for sale at his shop!)



Photo: See? Gie!

Jacki Gansh, North Market Cookware

The Corn is Coming, the Corn is Coming!

Hearty yellow sweet corn or succulent white Silver Queen, nothing says summer like a fresh ear of corn on the cob! Add a tall glass of lemonade or a burger if you must. Or, if you're a corn on the cob purist, just heat up a stockpot full of boiling water, add a bit of salt and sugar, throw in a dozen or so ears of freshly picked corn and call it a meal. A 12 or 16 quart Le Creuset enamel over steel stockpot is ideal for a corn boil. Steve at North Market Produce already has a supply of sweet corn from our southern states as the corn season makes its way north and North Market Cookware has a supply of stockpots in a variety of colors and sizes.

The latest device for buttering corn is the Butter Boy. This cute little guy holds a half stick of butter and easily glides across a warm ear of corn. Put two or three Butter Boys on your picnic table this summer for instant fun!

If you love fresh corn but prefer not to eat it off the cob, we have a gadget for you. The Corn Zipper easily removes the entire corn, leaving the kernel intact. It's great for use in recipes and for mess-free enjoyment of fresh corn.

Barbequed ribs, shrimp or chicken go great with fresh corn. Check out the new silicone barbeque brush and mop by Grill Friends. Heat resistant "super silicone" won't melt and they're dishwasher safe for easy cleanup! (And no bristles on your barbequed chicken!) Come browse the terrific selection of cookware and gadgets at North Market Cookware.

And visit the North Market often- it's a cool place to be on a hot summer day.

Bluescreek Farm Meats

Get Grilling!

It is that time of the year... SUMMER! So drag out your grill and enjoy!

- Homemade sausage patties and links
- Bratwurst
- Mild Italian
- Hot Italian
- Polish
- Mexican Chorizo
- Cajun Andouille
- Homemade chuck patties
- Goat chops (loin, rib, sirloin) – really Yummy! Really!
- Pork chops (bone in & boneless)
- Lamb chops (loin, sirloin, leg & arm)
- Beef- Oh the amazing beef! Grassfed, hormone & antibiotic-free!
- Steaks for everyone from filet to charcoal steaks...
 - Filet
 - Ribeye
 - Boneless top sirloin
 - Tri tip
 - Chuckeye
 - London broil
 - Sirloin tip
 - Charcoal





2007 Dates

Food and Ohio Wine Festival
July 13-15

Farmers' Festival
August 18

Microbrew Festival
September 15

Harvest Festival
October 6

Halloween Party
October 28

Holiday Food Festival
November 10

Holiday Open House
December 1

Summer School at the Dispatch Kitchen

Enrollment starting now, \$50 per person. Call Amy at 614-463-9664 to register.

Saturday, August 11 at 11AM, "From Market to Table" with chef John Dornback of basi italia

Sunday, August 19 at 1PM, "Summer Cooking" with Robin Davis, Food Editor of the Columbus Dispatch

Thursday, September 20 at 6:30PM, "Dutch Oven Meals" with Kay Davenport of North Market Cookware

Wednesday, October 3 at 6:30PM, "Cooking with Chile Peppers" with John Hard of CaJohns Flavor & Fire

Marty McGreevy, Market Blooms

Tablescapes

I grew up in a very small house in a very small town in a fairly large family. The seven of us shared about 1000 square feet, no air conditioning, and one tiny bathroom. Needless to say, when spring arrived there was great relief in knowing that we had just gained another 200 square feet known as the 'front porch'. This was the place where card games were won, Barbie and GI Joe made out, curlers were placed in our hair, and the Mouseketeers met weekly. We drank iced tea, split popsicles, and on special nights enjoyed "Jell-O 123."

My love of sitting on the porch has never waned and I start and end each day on my beautiful back porch. Recently, I read an article that baby boomers are spending as much money on their outside as on their inside décor.

We are creating living rooms, dining rooms, and kitchens in our own backyards. Gracious entertaining at home is an embraced lifestyle rather than a burden. Your dining table is now a palette and it's time to let your creative energies flow!

Setting the dinner party table has always been fun for me and I like to think outside the box at times. Multiple small floral pieces down the table have replaced one large one, individual place

setting arrangements are fun and allow each guest a parting gift, napkins can be tied with raffia and adorned with a special bloom, and don't forget the fresh vegetables. Flowers can be placed in just about anything that holds water. A hollowed out bell pepper works perfectly, a cored zucchini or cucumber can work as a bud vase, votives fit nicely down inside a cored apple, and tie that napkin with a Chinese long bean. Market Blooms is always ready to encourage you get your creative energies flowing!

The addition of the Dispatch Kitchen at The North Market and Robin Davis's broadcasting on WBNS-10TV has given our customers a new local food experience. Between Robin and the 35 North Market Merchants we can now help you with what to cook, how to buy it, how to make it, and most importantly...how to make it look good on the table. Under one roof we offer you the Food Network, HGTV, the History Channel, and at times Comedy Central. Tune in this wonderful cast of character weekly and you won't be disappointed.



Photo: Mary Phillips

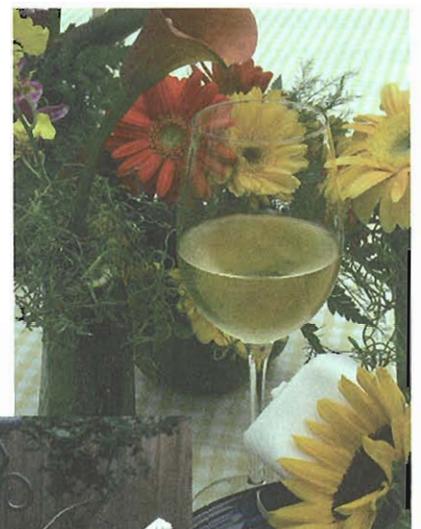


Photo: Mary Phillips



Photo: Mary Phillips

Rosé, Rosato, Rosado, Pink

As temperatures rise in Spring and through the Summer, most of us naturally gravitate toward lighter bodied wines as well as ones that are served at a cooler temperature. Whites? Maybe. Lightly chilled Pinot Noir or Beaujolais? That's good, too. Why not a rosé? Too many people overlook these wines completely!

Rosés originated by winemakers doing what the French call the saignée method.

Saignée means 'bled' and that's pretty much what happens. You drain some juice off of the red-wine-in-progress in the fermentation tank. This allows the skins to add a deeper color and fuller flavors to the remaining juice. Results are a nice full red wine and some leftover pink stuff. Hey, what if we ferment that like a white wine? The result is a nice fruity quaff perfect for summer. And, yes, 95% of all the rosé out there is dry.

Rosés were often kept by the vintner as something fun and tasty to have throughout the year and were shared with the winery's friends and family. Over time, more people saw what the wineries sold only locally (if at all) and demand grew. Today there are several noted wine regions that produce rosés and no white wines. Now many, if not most, rosés are now created for the sake of being rosé, not just as a byproduct of red wine production.

Flavors on rosés range from lean and grapefruit-citrusy through peachy and raspberry flavors to full blown mouthfuls of watermelon and strawberry. Color varies from the palest salmon to dark as the average Pinot Noir. Prices go from \$6 up the \$40 range for some of the finest Bandol rosés. They're made on every continent save Antarctica. There's rosé made from

Pinot Noir, Cabernet Sauvignon, Syrah, Sangiovese, and even Zinfandel! Yep, that White Zinfandel has been a marketing coup for Sutter Home ever since somebody opened a valve too early at the winery and they had to do something with all of that pale pink juice. It was the seventies, and there was much more sweet wine in general coming out of California, so a sweet rosé style (now often called 'blush' instead) was born... But also know that Graziano Winery makes a great completely dry Zinfandel rosé that we stock at Grapes of Mirth!



What do these wines go with? Well, just about anything short of a big meaty steak or heavily garlicky lamb roast. You can enjoy them with fish or fowl, summer salads and milder Asian dishes. Try a glass with a sandwich from Lac Viet or the mushroom salad from Firdous.

Just last week I covered a platter with romaine lettuce, and then layered on some garlicky sautéed zucchini and yellow squash, sautéed snow peas, and a dozen flash-seared sea scallops from the Fish Guys. Lastly, I sautéed a tablespoon each of minced red onion, green onion, red bell pepper, grated fresh ginger and a teaspoon of jalapeno in the skillet. Adding the juice of a lime, 1 tbsp. sherry vinegar & 1/4 cup ginger ale, I deglazed the pan to get a tangy dressing for a wonderful dinner. Wonderful, that is, with a bottle of rosé.

Grapes of Mirth carries a wide selection of rosés year-round and we will gladly help you find one that's perfectly suited to your tastes and budget!

Market Notes

Columbus Dog Connection Schedule

Folks in search of canine companionship will have one more option for finding the perfect pooch this summer...they can visit the North Market! On the fourth Saturday of each month through September, doggy foster parents with Columbus Dog Connection will bring a selection of their available adoptable dogs to be introduced to Market patrons and potential new owners on the farmers' market plaza at the North Market between the hours of 11 a.m and 1 p.m.

Columbus Dog Connection volunteers will be on hand at the North Market from 11 a.m. – 1 p.m. on July 28, August 25 and September 22. Those considering adopting a dog are invited to mingle with the available dogs at the North Market farmers' market. If you find the pooch who's perfect for you and your family, a CDC volunteer will bring the dog to your home to introduce it to your setting and any other furry family members.



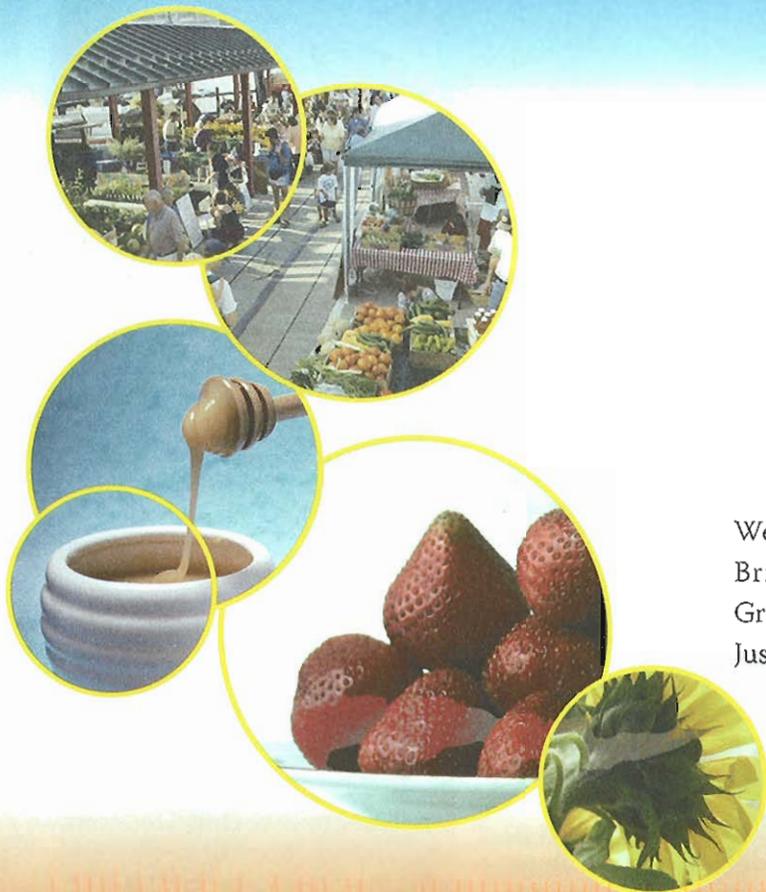
Better Earth Beyond Beads

BEBB is offering a beginning beading class on June 30 at 1:00 p.m. in the North Market with jeweler, Theresa Colson. We'll also create a class for your group (or party), just call in advance to make the necessary arrangements! 614-224-6196

The Farmer's Market is Open!

Come shop at the
North Market Farmers' Market
every Saturday from 8 a.m.
until the farm fresh produce is gone!

Welcome back your favorite farms: Anderson Orchard, Bridgman Farm, Combs Fresh Herbs, Ehmann & Sons Greenhouse, Elizabeth Telling Farm, Gypsy Bees, H-W Organic, Just this Farm, Oakvale Farmstead Cheese, The Orchard of Bill & Vicky Thomas, Persinger Farms, Quiverfull Farm, Rhoads Farm Market, Somerset Herbs, Summer Thyme Farm, Toad Hill Organic Farm, Toby Run Growers, Wayward Seed Farm and Wishwell Farm Produce.



00101/2404

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NORTH MARKET



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T1 P1
MAUREEN ATKINSON
URBAN MARKETING COLLABORATIVE
3RD FLOOR
17 DUNDONALD
TORONTO ON M4Y 1K3
CANADA

UNITED STATES POSTAGE
FIRST CLASS PERMIT NO. 1000 COLUMBUS, OH
02 1M
\$00.69
0004227971 JUL 03 2007
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'06

Marketing Plan



Serving with a smile since 1845

Full of Food - Full of Life!

***One of the Top 10
Markets in Canada***



2006

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Serving with a smile since 1845

Full of Food - Full of Life!

EXECUTIVE SUMMARY

After reviewing recent research (statistical and anecdotal) and utilizing The Market's "Strategic Vision for Vendor Success" (April 2004), the Covent Garden Market 2006 marketing plan follows a natural progression from the 2005 plan to seize opportunities for continued success.

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Covent Garden Market's 2006 marketing plan will alter slightly the **People Product Place** brand building that was established in 2005 and move to a **No.1 in Product People Place** branding campaign that focuses on unique and special market products that are the primary "market sales drivers" and vital to the facility's success.

However, the 2006 marketing plan will continue to be mindful of the Market vendors who are on the front-line of customer interaction and whose personalities and friendliness are essential to overall satisfaction of shopping at The Market.

The 2006 marketing plan's focus is to imprint a mix of reality and perceptions in the minds of desirable customers, such that they choose Covent Garden Market — and continue to choose it — over other options. Like all effective brand advertising, the 2005 campaign helped build perceptions. It delivered unique, emotional propositions. And as a result, the campaign succeeded in establishing the four-pronged foundation of strong brands: relevance, differentiation, knowledge and esteem.

The 2006 plan will solidify and grow that foundation because **"There is no substitute for Covent Garden Market — one of the Top 10 markets in Canada."**



2006

The Challenges

THE CHALLENGES FOR 2006:

- Vendors are generally owner-operated establishments, responsible for their own operations and profitability, but without resources to carry out their own advertising promotions. Vendors contribute to CGM's promotional fund and therefore look to CGM to produce quality, cost-effective and result-driven promotions.
- Retailers on the Mezzanine level face the challenge of generating customer traffic. A recent study found only 24% of CGM traffic ventures upstairs. This number has been unchanged over the last couple of years.
- CGM is a popular "food court" destination at lunch hour and experiences significant evening rush hour grocery traffic, but only downtown residential development will drive grocery sales throughout the day. But there is good news on this front: The recent London Planning Department "State of Downtown" report notes that since 1998 more than 1,100 residential units have been constructed downtown, attracting more than 2,000 new residents to the core. An additional 300 residential units will come on line within the next 2 years.
- A recent King's College study suggests that pricing at CGM averages 10% - 20% more than supermarkets and other competitors. Internal studies have shown a gradual reduction of this perceived price difference. The bright, modern facility conveys a "Boutique Style" environment that did not appeal to many of the loyal customers of the previous market. CGM internal studies indicate a greater appreciation of the new market.
- The recent entry of new competition in the marketplace (Remark, Sunripe, Angelo's) and improved produce displays at area grocery store chains will continue to have an impact on CGM sales.
- CGM cannot single-handedly solve the problem of customer migration to suburban malls and big box stores. In many ways, it will be most effective to concentrate limited resources on those Londoners who already do come downtown, to convince them to shop more at the Market.
- The Market must be seen as more than just a place to buy veggies and meat, but as a "cool" place to go out and be entertained by festivals, events and buskers.



2006

Meeting the Challenges

THE EMPHASIS FOR 2006: NO. 1 IN PRODUCT, PEOPLE, PLACE
ONE OF THE TOP 10 MARKETS IN CANADA.

CGM must emphasize several key messages in all its communication, points of contact, and interactions with the public and with shoppers:

Ambience: CGM offers a unique food shopping experience for the whole family — whether because of culinary festivals or skating on the Rotary Rink, kids’ art or drama lessons, buskers or Orchestra London.

Character: CGM merchants are owner-operators with unique personalities. The Market’s a friendly, fun place with a sense of community. We’re a family. We’re your neighbours.

Quality: CGM offers an abundance of fresher produce, meat and baked goods that will last longer. Wholesome farm-fresh products and organics. They’re worth paying a little more for.

Multicultural: CGM is the cultural and international hub of our city. Come to the Market for ethnic food, ethnic groceries and ethnic festivals. The world comes to your doorstep at the Market!

Natural: Buy your groceries the traditional way, since 1845 with a smile. Wholesome fresh food, organics. The Market needs to appear low-tech and rustic, not sterile or slick.

Connoisseurs: The Market is the place where gourmets shop. People who care about their food. People who know what’s good.

5



FUN, FRESH FLOWERS

Express yourself with flowers!
The market is a flower buffet - arrangements, fresh cut bouquets, a single rose. Perfect petals every day.

Serving with a smile since 1845.



COVENT GARDEN MARKET
Since 1845
Full of Food - Full of Life!

130 King Street
Mon. to Thurs. 8 to 6 pm Fri. 8 to 7:30 pm
Sat. 8 to 6 pm Sun. 11 to 4 pm
www.coventmarket.com



2006

Meeting the Challenges

COVENT GARDEN MARKET 2006 - PROMOTIONAL/MARKETING

Total Budget	\$251,500.00
A Channel Contra	-95,000.00
Rink	-2,000.00
Outdoor Market	-8,000.00
General Market	-146,500.00
	<hr/>
	\$251,500.00

COVENT GARDEN MARKET 2006 - PROMOTIONAL MARKETING EXPENDITURES

6

Total Budget	\$251,500.00
A Channel	-95,000.00
Radio Including Creative	-63,500.00
London Free Press	-40,000.00
Creative, Agent posters	
Banners and Point of Sale	-40,000.00
Festival and Events	-10,000.00
Sponsorship and Miscellaneous	-3,000.00
	<hr/>
	\$ 251,500.00

POTENTIAL INCOME

- Above the Markets and Vendors contribution.
- \$35,000 Labatt's puts back into Festivals and Events
- Bob FM on air time Market hosts Christmas staff & Client Party.



2006

Marketing Plan

Given the success of the 2005 campaign, there is a real benefit to continue the branding of the Market as offering fresh, unique products and as a fun place to shop, peopled with friendly vendors in an environment that is safe, inviting and exciting.

CGM must also make potential visitors aware of the abundance of inexpensive parking at CGM itself and at area parking lots.

Further, all aspects of the CGM **No. 1 in Product, People, Place** branding and marketing campaign must be consistent across all advertising platforms.

PRINT:

- The 2005 campaign featured vendors photographed on site, surrounded by their product offerings. The ads were not price-point driven.
- The advertisements appeared in The London Free Press in full colour.
- The advertisements were then recreated as full colour posters and currently hang from the mezzanine railings.

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There is a need now to feature more product in 2006; to show more unique product offerings. We will be using The Free Press as the print carrier with MMI brokering the ad buy to secure the best rate and to maximize discounted colour positioning.

OHH LA LA!

There are four basic food groups: milk chocolate, dark chocolate, white chocolate, and chocolate truffles. The market is your source for chocolate. How sweet!

Serving with a smile since 1845.

COVENT GARDEN MARKET
Since 1845
Full of Food - Full of Life!

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Mon. to Thurs. 8 to 6 pm Fri. 8 to 7:30 pm
Sat. 8 to 6 pm Sun. 11 to 4 pm
www.coventmarket.com




Schedule – En Route

23 insertions throughout 2006

Each week A Channel presents **En Route**.
En Route features up to five businesses promoting area restaurants, night clubs, places and events in the Southwestern Ontario region. Each **En Route** is thirty or sixty seconds in length with ten-second exposures for the feature businesses included.

AIRTIMES
 Monday-Sunday - 20 occasions
 R.O.S. - All Dayparts with a minimum of 20% in prime time

WEEKLY RATE
 20 insertions in Summer at \$475 each = \$9,100
 Awareness, Farmers' Market and festivals
 3 insertions in December at \$475 each = \$1,475
 Ice rink opening

En Route Investment - \$10,575



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Summary

Annual Campaign - 2006

Winter - January – February - 4 weeks – January 2, 16, February 6 and 27
 \$10,980 – 30 second commercials

Spring - March – May – 6 weeks – March 13, 27, April 10, 24, and May 8(x2)
 \$16,470 – 30 second commercials

Summer - May – August – 8 weeks – May 22, June 5, 12, 19, July 3, 17, 21 and August 14
 \$12,200 – 30 second commercials
 En Route - May 15– August 28 – 16 weeks (19 in total) – \$9,100
 includes festivals and Farmers Market

Fall - September – October – 5 weeks – August 28, September 11, 25, October 9 and 23 -
 \$13,725 – 30 second commercials

Christmas - November – December – 6 weeks – November 6, 13, 20, 27, December 4 and 11
 \$26,370 - 30 second commercials
 En Route – November 27-December 11– 3 weeks - \$1,425

Production and Miscellaneous - \$4,730

Total Annual Investment - \$95,000





Schedule – Summer

8 weeks – May 22, June 5, 12, 19, July 3, 17, 31, Aug 14

Day(s)	Time	Program	Occasions	A18+ Audience (000)	Summer Investment
M-Su	10:59P-11:35P	A-Channel News at 11	1	42	\$ 425.00
M-Su	5:58-11:35P	Prime Rotation	1	43	\$ 240.00
M-F	6:58A-9:00A	A-Channel Morning	4	9	\$ 80.00
M-F	5:28P-6:00P	Access Hollywood	3	9	\$ 60.00
M-F	11:33P-12:35A	Jay Leno (s)	3	14	\$ 95.00
M-F	12:33A-1:35A	Conan (s)	3	2	\$ 25.00
Totals			15	196	\$ 1,526.00

Weekly Investment \$ 1,525.00

Number of Weeks 8

Total Number of thirty-second announcements 120

Total Campaign Investment \$ 12,200.00 C.P.M. \$7.78

Please Note: Rates Valid for 5 Working Days



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Schedule – Christmas

6 weeks – November 6 – December 17

Day(s)	Time	Program	Occasions	A18+ Audience (000)	Christmas Investment
M-Fr	5:56P-7:00P	A-Channel News at 6	2	120	\$ 975.00
Sa-Su	5:58P-6:30P	A-Channel Weekend News at 6	1	83	\$ 675.00
M-Su	10:58P-11:35P	A-Channel News at 11	2	42	\$ 425.00
M-F	6:58A-9:00A	A-Channel Morning	4	9	\$ 80.00
M-F	5:28P-6:00P	Access Hollywood	4	9	\$ 60.00
M-F	11:33P-12:35A	Jay Leno (s)	3	14	\$ 95.00
M-F	12:33A-1:35A	Conan (s)	3	2	\$ 25.00
Totals			19	627	\$ 4,396.00

Weekly Investment \$ 4,395.00

Number of Weeks 6

Total Number of thirty-second announcements 114

Total Campaign Investment \$ 26,370.00 C.P.M. \$8.34

Please Note: Rates Valid for 5 Working Days

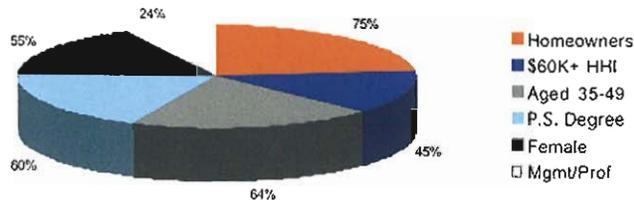




Late Night Audiences

Adults 25-54 / London EM / M-F 11:30PM - 1:30AM

Reaching **45,600** adult 25-54 viewers weekly
London area viewers are:



Source: BBM Spring 2005 / CFP L / FC, London EM / 1130p - 130a / A25-54

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Schedule – Winter, Spring, Fall

15 weeks – See dates below

Day(s)	Time	Program	Occasions	A18+ Audience (000)	Fall Investment
M-Fr	5:56P-7:00P	A-Channel News at 6	1	120	\$ 975.00
M-Su	10:58P-11:35P	A-Channel News at 11	2	42	\$ 425.00
M-F	6:58A-9:00A	A-Channel Morning	4	9	\$ 80.00
M-F	5:28P-6:00P	Access Hollywood	4	9	\$ 60.00
M-F	11:33P-12:35A	Jay Leno (s)	3	14	\$ 95.00
M-F	12:33A-1:35A	Conan (s)	3	2	\$ 25.00
Totals			17	324	\$ 2,745.00

Weekly Investment \$ 2,745.00

Number of Weeks 15

Total Number of thirty-second announcements 255

Total Campaign Investment \$ 41,175.00

C.P.M. \$8.47

Please Note: Rates Valid for 5 Working Days

On air dates as follows: **Winter**-Jan 2, 16, Feb 6, 27 **Spring**-Mar 13, 27, Apr 10, 24, May 8x2 **Fall**-Aug 28, Sept 11, 25, Oct 9, 23



Afternoon Audience

Adults 25-54 / M-F 6:30AM – 6:00PM

Reaching **82,300** adult 25-54 viewers weekly!
London area viewers are:

Demographic	Percentage
Homeowners	79%
\$60K+ HHI	30%
Aged 35-49	62%
P.S. Degree	38%
Female	53%

All My Children

Source: BBM Spring 2005; C/F PL / FC, London EM / M-F 12p-9p / A25-54

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Primetime Audiences

Adults 25-54 / London EM / M-SU 7PM – 11PM

Reaching **262,000** adult 25-54 viewers weekly!
London area viewers are:

Demographic	Percentage
Homeowners	85%
\$60K+ HHI	45%
Aged 35-49	58%
P.S. Degree	47%
Professional	10%

Source: BBM Spring 2005; C/F PL / FC, London EM / M-SU 7pm-11pm / A25-54



News Now at Six

Adults 25-54 / London EM / Population vs. CFPL Reach / M-F 6-7PM

A-Channel News at Six reaches **101,400** London EM adult 25-54 viewers weekly
 These viewers watch A-Channel News at Six an average of **2.4** hours / week

Demographic	Percentage
Female	53%
P.S. Education	41%
Prof/Mgmt	17%
\$60,000+ HHI	47%
Homeowners	81%

Source: BBM Spring 2005 / CFPL / London EM / M-F 6p-7p / A25-54

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Morning Audiences

Adults 25-54 / London EM / M-F 6A-12P

Reaching **80,100** adult 25-54 viewers weekly!
 London area viewers are:

Demographic	Percentage
Homeowners	84%
\$60K+ HHI	53%
25-49	30%
Female	68%
Professional	14%

Source: BBM Spring 2005 / CFPL / FC / London EM / M-F 6:00a-12p / A25-54




A-Channel Morning

The perfect way to start your day!

Reaching **42,800** adult 25-54 viewers weekly!

A-Channel Morning delivers community-focused television with:

- News
- Variety
- Entertainment
- Contests

London's A-Channel Morning adult 25-54 audience are:

- 67% female
- 59% 35-49
- 58% \$60,000+ HHI
- 86% homeowners
- 30% Professional / Management / Proprietor




Source: BBM Spring 2005 / CFPL / FC + London EM / M-F 7a-9a / A25-54

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A-Channel News

Local. Live. Community-Oriented

A-Channel News, delivering community-focused news programming every day.

- We are *unrivaled* in the London market with the:
 - #1 News at Six
 - #1 News at Eleven
- A-Channel news programming reaches **169,200** viewers ages 25 to 54 weekly

London's Adult 25-54 viewers are:

- 59% 35-49
- 43% post-secondary degree
- 44% \$60,000+ HHI
- 83% homeowners




Source: BBM TV Surveys Spring 2005 / CFPL / FC, London EM / A25-54



Covent Garden Market 2006 Television Marketing Plan

September 20, 2005 | John White
Don Creighton
A-Channel
PO Box 5810
London, ON N6A 4E9
P: 519.686.8822 x 7319
F: 519.686.4031
E: www.creighton@channel5.com



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A-Channel London

Providing you maximum coverage

Covering the heart of Southwestern Ontario!
A-Channel London is also available on ...



Source: Coverage Rating Board





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'06

Television Campaign



Serving with a smile since 1845

Full of Food - Full of Life!



2006 Campaign Investment

SPOT SCHEDULES

Q97.5:	294 x 30 second commercials @ \$70 each	=	\$20,580
	44 x 30 second Bonus spots @ No Charge	=	\$0
BX93:	483 x 30 second commercials @ \$40 each	=	\$19,320
	44 x 30 second Bonus spots @ No Charge	=	\$0
CJBK:	399 x 30 second commercials @ \$25 each	=	\$9,975
	220 Paul Harvey Sponsor credits @ No Charge	=	\$0
	SPOT CAMPAIGN INVESTMENT:	=	\$49,875

REMOTES

Q97.5:	1 Remote @ \$2,450, Feb. 11, 2005	=	\$2,450
BX93:	2 Remotes @ \$1,900 each, May 13 & July 15, 2005	=	<u>\$3,800</u>
	TOTAL CAMPAIGN INVESTMENT:	=	\$56,125





THE PLAN

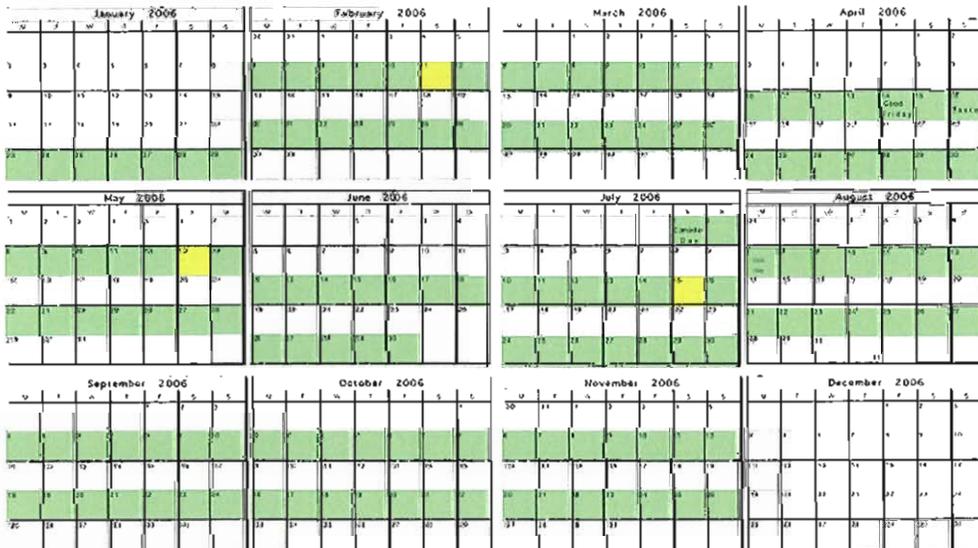
- The three requested remote dates have been secured. The remote package includes 25 x 30-second spots, effectively providing a longer schedule, Monday to Thursday.
- Schedules will begin January 24th and continue until November 26th.
- Weekly Spots: Q97.5: Wednesday-Friday (5:30am-12:00 midnight) x 14
 BX93: Wednesday-Friday (5:30am-12:00 midnight) x 23
 CJBK: Wednesday-Friday (6:00-9:00am & 4:00-6:00pm) x 19
- As a bonus, over the 10 months, you will receive 8:00 a.m. News Sponsorship Saturday mornings on BX93 and the 9:00 a.m. Saturday News Adjacency on Q97.5.
- We will also bonus you sponsorship of Paul Harvey Monday-Friday at 8:57 a.m. for 10 months.
- The schedule, as presented, will reach:
84,828 Adults 25-64 an average of 4.1 times per week!



12



Schedule of On-Air Weeks during 2006





2006 Advertising Campaign for



Pete Leyland, CRM

Retail Sales Supervisor

(P) 691-2370 (F) 686-2556 pleyland@sri.ca



Standard Radio, 743 Wellington Road South, London, Ontario N6C 4R5

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OVERVIEW

Based on our meeting October 17th, 2005, it was your desire to...

- Run a campaign as close to the 2005 schedule as possible.
- Utilize Q97.5, BX93 and Newstalk 1290 CJBK.
- Schedule to run Wednesday, Thursday and Friday each week, concurrently on all three stations.
- Special attention to schedule for Easter, Thanksgiving, Mothers' Day and Fathers' Day.
- Using a \$49,000 budget, target \$20,000 for Q97.5, \$19,000 for BX93 and \$10,000 for Newstalk 1290.
- Schedule Saturday remotes, 9:00 a.m. to 1:00 p.m., February 11, on Q97.5, May 13 and July 15 on BX93. Further remotes are possible.
- Remotes are over and above \$49,000 spot schedule.
- Total budget, \$58,000.





10

'06 Radio Campaign



Serving with a smile since 1845

Full of Food - Full of Life!



2006 MARKETING PLAN

DIRECT MAIL:

More people are choosing to live downtown: 440 units in Drewlo's City Place on Dundas Street, Tricar's 80 condo units on Pall Mall, Old Oak's 175 apartments on Talbot at Kent, as well as ongoing loft restorations throughout the core.

People who choose to live downtown are a prime customer base for CGM. MMI will create **No. 1 in Product, People, Place** themed direct marketing pieces; first as an introduction to CGM and followed up with pieces detailing special product offerings, events, coupons, contests, etc.

DOWNTOWN WORKERS:

There are an estimated 30,000 people who work in the downtown core, many who already use CGM for lunch or rush-hour grocery purchases. MMI will approach downtown business employee associations with specific product offerings, coupons, contests, etc. designed to increase their use of CGM.



#1 in Product, Place & People



Being #1 isn't always easy but at Covent Garden Market it's always fun. We're #1 for fine fresh foods from superb meats and cheeses to delicious fruits and vegetables; #1 for the best flowers & gifts and quality eateries; #1 for the best shopping experience in London and #1 for personal service.

Free parking with validation
(2 hours on weekends & 1/2 hour on weekdays)

Enter to win a \$750 Downtown shopping spree.
2 Chances to WIN

For complete details visit Covent Garden Market.



COVENT GARDEN MARKET
Serving with a smile since 1845

Full of Food - Full of Life!

130 King Street
Mon. to Thurs. 8 to 6 pm Fri. 8 to 7:30 pm
Sat. 8 to 6 pm Sun. 11 to 4 pm
www.coventmarket.com





2006

Marketing Plan

SIGNAGE:

The 2006 advertisements will again lend themselves to being recreated as posters for mezzanine-level positioning or as outdoor banners to help broadcast the Market product to patrons entering and leaving events at the John Labatt Centre and Market Square during festivals.

Some vendors also need assistance with marketing at the counter level. MMI will create simple, eye-catching, low-cost colour informational posters and point-of-purchase pieces that can promote featured products, sales, upcoming events, etc.

MMI will create more effective signage to promote mezzanine-level tenants.

TELEVISION:

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All television advertisements will focus on and be consistent with the **No. 1 in Product, People, Place** theme.

RADIO:

All radio advertisements will focus on and be consistent with the **No. 1 in Product, People, Place** theme.

WEB:

The market website must be consistent with the **No. 1 in Product, People, Place** theme.



GET LUCKY

The Covent Garden Market is a winning place for fresh produce, unique crafts, flower arrangements, sweet treats and so much more. Even your lucky lottery tickets.

Serving with a smile since 1845.



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Since 1845
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Sat. 8 to 6 pm Sun. 11 to 4 pm
www.coventmarket.com

Consumer Survey