

Meeting Date: 7/30/2013

Report Type: Consent

Report ID: 2013-00595

Title: Lease Agreement: Sacramento Horsemen's Association for the Equestrian Facility in Del Paso Regional Park

Location: 3200 Longview Drive, District 2

Issue: City Council approval is required to lease City property to a non-profit organization without competitive bidding.

Recommendation: Pass a Motion 1) finding that it is in the best interest of the City to continue to lease the equestrian facility in Del Paso Regional Park to the non-profit Sacramento County Horsemen's Association without competitive bidding and at no cost due to the specialized nature of the facility and long-term operation and maintenance provided by the Association; and 2) authorizing the City Manager or the City Manager's designee to execute a three-year lease agreement with a two-year renewal option with the Association.

Contact: Lori Harder, Support Services Manager, (916) 808-5172, Department of Parks and Recreation

Presenter: None

Department: Parks & Recreation Department

Division: Fiscal And Management Services

Dept ID: 19001011

Attachments:

1-Description/Analysis

2-Lease with SHA

City Attorney Review

Approved as to Form

Sheryl Patterson

7/25/2013 2:10:28 PM

Approvals/Acknowledgements

Department Director or Designee: Jim Combs - 7/25/2013 10:44:41 AM

Description/Analysis

Issue Detail: The City of Sacramento has leased the equestrian facility in Del Paso Regional Park to the Sacramento County Horsemen's Association (SHA), a nonprofit organization, for over 50 years. The current lease has expired and the lease has continued on a month-to-month basis. Staff recommends a new three-year lease be approved with an option for one, two-year extended term with consent from the City.

Policy Considerations: This recommendation is consistent with policy contained in the Council adopted *Parks and Recreation Master Plan 2005-2010* including: formalize partnership agreements with a range of public entities to improve and maintain public facilities and grounds, and provide programs and activities through partnerships and collaborations to maximize facility utilization.

Economic Impacts: None.

Environmental Considerations: This continued operation of the equestrian facility is exempt from environmental review under Section 15301 of the California Environmental Quality Act (CEQA) Guidelines.

Sustainability: This program has been reviewed to ensure its consistency with the goals, policies, and targets of the City's Sustainability Master Plan (SMP).

Commission/Committee Action: None with this item.

Rationale for Recommendation: Staff recommends a new lease for three years, with an option to renew for an additional two years with the consent of the City. SHA has continually leased and provided services at the 14-acre site since 1959. They maintain the horse barn and stables, arena, clubhouse building and associated structures, creek trails and overflow parking area. SHA pays all utilities and maintenance costs. They have maintained the property and improvements well, have provided and managed a venue for novice equestrian events, provided services to law enforcement agencies utilizing horses in enforcement and ceremonial activities, provided free parking and access to Arcade Creek for horse riders, and are good stewards of Arcade Creek and the trail system within Del Paso Regional Park.

Financial Considerations: : In lieu of rent, SHA will continue to pay for all utilities, upkeep, improvements, maintenance and operations. Under the prior lease, SHA paid \$9,000 annually to reimburse City Park Maintenance Operations for flail mowing the property, and to reimburse City Recreation Services for on-site camps and recreation activities. Under the terms of the new lease, SHA would be responsible for flail mowing, and will continue to provide opportunities for youth to participate in programs and events at the site. In addition, under the prior lease SHA was required to invest at least \$1,000 per year on capital improvements to the Premises. Because the Premises is now fully improved and the Lessee is responsible for maintenance of the facilities, there is no need to retain this annual obligation. The recession, coupled with increasing utility costs and a horse illness that affected the use of the barn and stables, SHA was challenged in operations and finances. As a result, over the past two years SHA was unable to pay the full amount of rent per month. SHA mounted a fundraising campaign this past spring, and is able to pay half the back rent owed or

\$7,237. The Department of Parks and Recreation can absorb the loss of lease revenue as Recreation did not incur the cost of program delivery the past few years.

Emerging Small Business Development (ESBD): Not applicable.

**LEASE AGREEMENT
3200 LONGVIEW DRIVE, DEL PASO REGIONAL PARK**

THIS LEASE AGREEMENT ("Lease"), is made as of _____, 2013 ("Execution Date") by and between the CITY OF SACRAMENTO, a municipal corporation ("City" or "Lessor"), and the SACRAMENTO COUNTY HORSEMEN'S ASSOCIATION, INC., a California nonprofit corporation ("Lessee").

RECITALS

- A. Within the Del Paso Regional Park, there is a horse barn or stables, arena, clubhouse building and associated structures, and overflow parking area which Lessor has continually leased to Lessee since 1959. The 24 stall horse barn was constructed by Lessee in part with funds provided by Lessor under the terms of the 1962 lease. Over the years, Lessor and Lessee had made the other improvements and the lease has included a minimum amount that Lessee must spend annually on further improvements. Since the leased area has been fully built-out, there is no need to continue to impose a capital improvement obligation over and above maintenance and upkeep.
- B. Lessee maintains the improvements and operates the facility for horse-related recreational activities and programs which are open to the public, as well as public access to the bridle trail along Arcade Creek that is maintained by Lessee. Lessee is to encourage and promote the sport of equestrianism and offer to the public rental of the stables and retain such funds to off-set its maintenance obligations and to make rent payments.
- C. Under the prior leases, Lessee was required to invest at least \$1,000 per year on capital improvements to the Premises. Because the Premises is now fully improved and the Lessee is responsible for maintenance of the facilities, there is no need to retain this annual obligation.
- D. In the past the lease include an obligation for the Lessee to provide instructional programs regarding horsemanship skills and trail rides in coordination with the City's Park and Recreation Department's ("Department") recreational programs. The last lease issued in 2007 required Lessee to host three programs annually aimed at youth in partnership with the Department's recreational programs and youth organizations in the area. A portion of the rent covered the Department's cost to help organize such programs and provide transportation, supervision and equipment. Due to the Department's staffing and recreational program cutbacks over the past few years, these youth programs have not been held as planned. As a result the amount of rent can be reduced.
- E. Over the past two years, Lessee has been unable to pay the full amount of rent per month under the prior lease due to a reduction in the demand for rental of the clubhouse and horse stables caused by economic conditions, horse illnesses,

and increasing utility costs. The City believes it is still important to offer to the public the opportunity to board and ride horses at Del Paso Regional Park, to rely on Lessee to maintain and operate the facilities, and to maximize use of the facility by the public by insuring that the rates charged by Lessee for horse-related recreational activities and programs are as low as possible based on a more reasonable rental rate.

- F. The prior lease expired on April 30, 2013, but Lessee remains in possession of the facility as a holdover tenant to allow time for the parties to negotiate the terms of a new lease. Lessee owes \$14,750 in back rent, payment of which shall be waived in consideration for a lump sum payment of approximately half that amount or \$7,237.05 within thirty days from execution of this new lease.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual commitments as hereinafter set forth, Lessee and Lessor enter into this Lease for the purpose of establishing each party's rights and obligations with regard to the occupancy, use and maintenance of the Premises as follows:

1. DESCRIPTION OF PREMISES.

- a. For and in consideration of the payment of rents and performance of the covenants herein contained Lessor leases to Lessee and Lessee leases from Lessor the land and facilities ("Premises") owned by Lessor, commonly known as 3200 Longview Drive, Sacramento, CA 95821, located in the County of Sacramento, State of California, described as follows:

Tract of land containing approximately 14.43 acres, as shown on Exhibit "A" attached hereto, bounded on the North by Longview Drive, on the East by an easement of the Sacramento Municipal Utility District, on the South by the north bank of Arcade Creek, and thence westerly to a line one hundred fifty (150) feet West of, and parallel to, the West end of the main arena, which contains one twenty-six (26) stall horse barn, two clubhouse buildings, two horse arenas and attached structures, and one modular home.

The existing improvements to the Premises as described above are referred to herein collectively as the "facility" or the "facilities."

- b. Lessor does hereby also allow the non-exclusive use by Lessee of an approximately two acre undeveloped site (the "Parking Area") west of the Premises, beginning 150 feet west of the main arena and outlined by post and cable as an overflow parking lot, subject to the following:

1. Lessee shall maintain and groom the Parking Area, maintain any post and cable barrier to protect natural areas, remove debris, and work to eradicate star thistle. Lessee shall perform the first spring mowing and maintain a firebreak.

2. Lessee's use of the Parking Area shall be secondary to Lessor's jurisdiction of this site. Any decision made by the Director of the Parks and Recreation Department of the City of Sacramento ("Director") or Director's designee regarding use of the site shall be final. Lessee's use of the Parking Area is subject to all terms and conditions of this Lease

2. TERM.

a. The initial term of this Lease is three (3) years commencing on August 1, 2013 ("Initial Term"), and will terminate on July 31, 2016 ("Expiration Date"), subject to prior termination by Lessor in the event of breach of any of the terms and conditions of this Lease and/or subject to termination in accordance with Section 29 herein. If Lessee shall for any reason holdover beyond the term with Lessor's consent, express or implied, such holding over shall not be a renewal of this Lease but shall be a month-to-month tenancy subject to the terms and conditions of this Lease or subject to such other terms as Lessor may specify.

b. Subject to Lessor's consent, Lessee may have the option to one two (2) year extended term ("Extended Term") following the Expiration Date, by giving written notice of Lessee's request for extension ("Option Notice") to Lessor not less than six (6) but not more than nine (9) months before the Expiration Date. Within ninety (90) days from receipt of Lessee's written request for extension, Lessor shall notify Lessee of Lessor's decision concerning such request. Notwithstanding the foregoing, Lessee shall have no right to extend the Initial Term if Lessee is in default on the date the Option Notice is given to Lessor or if Lessee is in default on the date the Extended Term is to commence, the Extended Term shall not commence.

3. RENT.

a. In lieu of rent, Lessee shall assume responsibility to undertake additional maintenance responsibilities for the premises as set forth in Section 9 and shall encourage public use of the facilities as described in Section 5.

b. Lessee shall pay Lessor a lump sum of \$7,237.50 as payment for back rent owed under the prior lease prior to Execution Date of this Lease.

c. Any monthly rent for the Extended Term shall be mutually agreed to by the parties within ninety (90) days of Lessor's consent to the Extended Term as specified in Section 2 herein. In the event that Lessor does not consent to the Extended Term or the parties cannot reach agreement on monthly rent, this Lease will terminate at the end of the Initial Term.

4. CAPITAL IMPROVEMENTS.

Intentionally omitted.

5. PERMITTED USE.

a. Because the Premises are part of publicly-owned land and Lessor desires as wide a use of the Premises as possible, it is agreed by Lessee that the Premises and any or all of the facilities developed thereon shall be available to all persons desiring to use the same, subject, however, to necessary rules and regulations invoked by Lessee for the purpose of conducting its activities and protecting the Premises and the rights of all persons who desire to use the facilities in a safe, peaceful and lawful manner. Notwithstanding the foregoing, Lessor shall have the right from time to time to promulgate rules and regulations of the Parks and Recreation Department of the City of Sacramento ("Parks and Recreation Department") and Lessee acknowledges that such rules and regulations shall supersede those of Lessee.

b. Lessee shall, during the term of this Lease, occupy, maintain, and operate the Premises to meet its nonprofit purposes to:

1. Encourage and promote the sport of the equestrianism;
2. Disseminate information about the sport of equestrianism;
3. Cooperate with public law enforcement agencies and organizations that utilize horses in emergency response efforts;
4. Provide and facilitate horse-related recreational activities for the community at large, and
5. Provide public access to the bridle trail along Arcade Creek.

Lessee may rent the Premises to users for other purposes to raise funds to support Lessee's maintenance and operational obligations, and to provide equestrian recreational programs. Rental activities may include providing housing for horses and equipment within the barn.

The failure of Lessee to so occupy, maintain, and operate the Premises shall, at Lessor's option, result in termination of this Lease. No other use of the Premises shall be permitted without the written consent of Lessor.

c. Because the Premises are part of publicly-owned parkland, there will be no long term outdoor storage of privately owned property with the exception of horse trailers owned by the barn stall renters. Such horse trailers shall be in good operating condition. Privately owned property is allowed within the existing barn structure in compliance with Lessee's rules and regulations for rental areas within of the barn.

d. Lessee shall provide programs of interest to horsemen of varying degrees of skill as well as to the general public on a continuing basis. Lessee may charge a reasonable fee for such programs and shall provide public notification of programs offered and fees charged in its monthly newsletter. At the request of the Director, Lessee shall submit to

the Parks and Recreation Department a written account, in the form requested by Director.

e. Lessee shall neither permit nor carry on any activity nor allow any condition on the Premises which is a public or private nuisance or that will increase the existing rate or cause cancellation of insurance on the Premises.

f. Lessee shall not operate any amplified sound or music system in a manner which interferes with the reasonable enjoyment by the public of adjacent areas or by private citizens within adjacent private property. Lessee shall immediately comply with any written request of the Director concerning the use of such sound system including, but not limited to, a request to: (1) cease the use of said equipment; (2) restrict the hours of use of such system; or (3) reduce the level of sound output of such system.

6. NO WARRANTIES BY LESSOR.

Lessor makes no representation or warranty of any kind, express or implied, as to the suitability of the Premises for the specified use. Lessee represents and warrants that it has independently made a full and thorough investigation and examination of the Premises and that it is entering this Lease relying only upon facts ascertained from said independent investigation.

7. LESSOR'S RIGHT OF ENTRY.

a. Lessee agrees to annually each spring mow the fire break, which separates the Premises from the natural area in the park, and the Parking Area.

b. Lessor reserves the right to enter the Premises at reasonable times to carry out any building management or business purpose in or about the Premises. Lessor, at its sole discretion, may make a detailed and formal inspection and evaluation annually to ensure compliance with this Lease by Lessee. Each such inspection will be followed by a report in writing with a copy given to Lessee.

8. TERMS AND CONDITIONS APPLICABLE TO CAPITAL IMPROVEMENTS.

a. During the term of this Lease, Lessee may elect to perform of the Premises, providing that all construction or improvements made by Lessee, with the exception of temporary installations, shall be done in accordance with specifications approved in writing in advance by the Director.

b. In requesting the Director's approval, Lessee shall provide an enumeration of improvements to be made, the equipment and fixtures to be installed, including installation cost, and a detailed listing of name, model, manufacturer, and specification sheet for same. All submissions shall be sufficient in detail to enable Lessor's Facilities Maintenance staff to make an informed judgment concerning the quality of the contemplated improvements, remodels, renovations and changes to the Premises.

Lessor shall work closely with Lessee to accomplish the mutually described objectives of the improvements; however, Lessor retains the right of final approval.

c. Once the work is begun, Lessee shall, with reasonable diligence, pursue to completion all construction of improvements, additions, or alterations. Capital improvement projects shall be completed within six (6) months after commencement of construction, and all capital improvements shall be completed and ready for use by the end of the term of this Lease. Except for good cause as approved by the Director, failure to complete construction in accordance with the aforementioned schedule shall, at Lessor's election exercised by notice, terminate this Lease.

d. All work shall be performed in a good and workmanlike manner, shall substantially comply with plans and specifications submitted to Lessor as required by this Lease, and shall comply with all applicable governmental permits, laws, ordinances, and regulations including, but not limited to, building codes, fire codes, zoning, the Americans with Disabilities Act ("ADA"), Access for the Disabled, and the California Environmental Quality Act ("CEQA"). Lessee shall assume all fees and charges levied in connection with the issuance of permits and/or conformance to the ADA.

e. Lessee shall notify Lessor at agreed upon stages of construction in order to permit Lessor to inspect the progress of construction, the quality of improvements and the installation of mechanical equipment. Prior to final acceptance, Lessor may make a final inspection and provide a written report to Lessee of deficiencies, if any. Lessee agrees to correct all deficiencies as a condition precedent to receiving Lessor's approval for improvements.

f. On completion of any work of improvement, Lessee shall give Lessor notice of all changes in plans or specifications made during the course of the work. Lessor acknowledges that it is common practice in the construction industry to make minor changes during the course of construction. Changes that do not substantially alter plans and specifications previously approved by Lessor do not constitute a breach of Lessee's obligations.

g. Lessee shall not suffer or permit to be enforced against the Premises or any part of it any mechanic's, material man's, contractor's, or subcontractor's lien arising from any work of improvement, however it may arise. Lessee shall give written notice to Lessor at least fourteen (14) days before any materials or services of any type are delivered to, or on the Premises for any purpose for which a mechanic's, material man's, contractor's, or subcontractor's lien may attach to the Premises, so as to enable Lessor to post a notice of non-responsibility on the Premises. Lessee may in good faith, and at Lessee's own expense, contest the validity of any such asserted lien, claim, or demand, provided Lessee has furnished the bond required in California Civil Code Section 3143 (or any comparable statute hereafter enacted for providing a bond freeing the Premises from the effect of such a lien claim).

h. Lessee shall defend and indemnify Lessor against all liability and loss of any type arising out of work performed on the Premises by Lessee, together with reasonable

attorneys' fees, whether for outside counsel or the City Attorney, and all costs and expenses incurred by Lessor in negotiating, settling, defending, or otherwise protecting against such claims.

i. Upon termination or expiration of this Lease, any improvements placed by Lessee shall become the property of Lessor without the requirement of reimbursement to Lessee therefore. Lessee may provide, at its sole cost and expense, any legal security devices, installations or equipment designed for the purpose of protecting the Premises from theft, burglary or vandalism providing that written approval for any such installation be first obtained from the Director.

9. OPERATION AND MAINTENANCE OF PREMISES.

a. Lessee agrees that the facility shall be operated by a nonprofit corporation and on a nonprofit basis.

b. Lessee agrees that no discrimination, distinction, or restriction shall be made on account of sex, color, race, religion, disability, ancestry, sexual orientation, medical condition, marital status, or national origin contrary to the provisions of Section 51 of the Civil Code of the State of California, which is incorporated herein by reference as if set forth herein in full, or any other applicable federal, state, or local law prohibiting discrimination. Upon a final determination by a court of competent jurisdiction that Lessee has violated this subparagraph 9, Lessor may, at its option, terminate this Lease.

c. Lessee agrees to promptly comply with written reasonable orders that may be issued from time to time by the Director as to matters concerning the operation of the facility as it may affect the best interests of the public using the facility including, but not limited to, the manner and hours of operation and the cleanliness of the area. Hours of operation shall be publicly posted.

d. The sales prices of any food which may be sold on Premises must be publicly posted and prices must be reasonable as compared to the average prices charged by other vendors in the area.

e. Rental fees for non-members shall be reasonable. The regulations governing rental and the rate differential for non-members shall not effectively exclude non-member rentals. Membership rates shall be reasonable and shall not prevent or discourage City residents from becoming members.

f. Lessee shall conduct its activities in a safe and professional manner and in accordance with all applicable regulations and ordinances of the City and County of Sacramento and the laws of the State of California and the United States.

g. Lessee shall use reasonable efforts to stay informed of equine health and/or safety issues and shall implement any governmental mandates related to equine health and/or safety.

h. Lessee shall pay all charges and assessments for: heat, gas, electricity, water, sewer, telephone, internet, janitorial and cleaning services; the disposal of garbage, refuse, waste and rubbish; and all other public service conveniences used on the Premises during the term hereof.

i. At Lessee's sole cost and expense, Lessee shall maintain and repair the Premises including, but not limited to: water system for grassed areas, protective fencing, parking area, overflow parking site, road, septic tank, trees, and sewage system; maintenance of grounds, buildings, and improvements; and all other incidentals necessary for the operation of the facility. In addition, Lessee shall keep all furniture, furnishings and equipment (whether owned by Lessor or Lessee) in good order, condition and repair, reasonable wear and tear excepted. Upon Lessee's failure to so properly maintain or repair the Premises, Lessee shall allow Lessor to perform such work, but such right shall not be construed as constituting a duty upon Lessor to perform such work. Lessee shall reimburse Lessor for costs of the work within ten (10) days after written notice from Lessor requesting reimbursement. Prior to Lessor performing such work, Lessor shall give written notice of its intention to perform the work, and allow Lessee a reasonable time to complete its obligation.

j. Lessee shall comply with all laws and regulations regarding the proper disposal of water that has been used for drinking, bathing, washing, cleaning, cooking, elimination of bodily wastes or other purposes that would normally require treatment. Lessee will pay particular attention to preventing used, untreated water from entering Arcade Creek. In addition, Lessee will make every effort to implement Best Management Practices for Urban Water Conservation as developed by the State of California.

k. Lessee shall keep the Premises used, and the areas immediately adjacent thereto, in a high degree of cleanliness and repair at all times and shall conduct its operation in such a way as to prevent the escape of debris from these activities.

l. Lessee shall notify Lessor within ten (10) days in the event that any major damage occurs to or is discovered on the Premises. Major damage is damage valued at \$5,000 or more which occurs as a result of any single incident or discovered at any single time. At any time during the term of this Lease, Lessor may require Lessee to prepare a report of damage that has occurred on the site as a result of a storm or disaster. Such report shall be submitted by Lessee within fifteen (15) calendar days of the date of the request.

m. Lessee shall comply with all environmental measures as set forth in Exhibit "B", during the term of this Lease.

n. Lessee shall actively seek to publicize facilities and activities through the Internet, informational flyers, newspaper coverage, radio and television public service announcements.

o. Lessee shall not cause or allow the placement of permanent signage, including,

without limitation, directional, commercial and advertising signage, in or on the Premises, except with the prior written consent of Lessor. Any signage placed in violation of this subparagraph 9(o) shall be subject to immediate removal by Lessor without compensation or liability to Lessee whatsoever, and Lessee shall be responsible for all costs associated with such removal.

p. Lessee shall abide by all regulations and requirements governing the employment of minors as set forth by the Federal Department of Labor, the State of California Employment Development Department, and local school district jurisdictions.

10. REPORTING AND NOTIFICATION REQUIREMENTS.

a. At the request of the Director, Lessee shall provide a record of all facility use. Records are to stipulate arena use, clubhouse use, and/or grounds use, and shall distinguish between paid and non-paid use. In addition, records are to indicate the user of the facilities, whether Sacramento County Horsemen's Association, other public or nonprofit functions, or private user.

b. Lessee shall provide the Parks and Recreation Department with a copy of the membership fees, rental fees, and food merchandise prices in effect at the time this Lease is executed. Lessee shall notify Lessor when membership and rental fees change.

c. Lessee shall provide the Parks and Recreation Department with an annual financial statement indicating revenues produced from the operation of the facility and the manner in which said revenues were expended or retained. This statement must detail the gross amount realized from each and every revenue source including horse shows, membership fees, barn rental fees, building rental fees, arena rental fees, proceeds from the sale of food and beverages, from special events and from fund-raising activities. The annual statement shall be submitted on or before March 15th for the previous calendar year.

d. Upon execution of this Lease, and from time to time thereafter, the Lessee's Board of Directors shall select a board member to act as Lease Liaison Officer for Lessee and notify the Parks and Recreation Department of Lessee's selection. It shall be the Lease Liaison Officer's responsibility to ensure that Lessee complies with the terms and conditions of this Lease and that Lessor is provided with proof of compliance with all provisions of the Lease as required herein.

11. LICENSES AND ASSESSMENTS.

a. Lessee agrees to secure all necessary licenses and permits and provide the Parks and Recreation Department with current copies of said licenses and permits and with copies as they are renewed.

b. Lessee agrees to pay before delinquency all lawful taxes, assessments, fees, or charges which at any time may be levied by the State of California, County of

Sacramento, City or any tax or assessment-levying body on any interest in this Lease or any possessory right which Lessee may have in or to the Premises covered hereby or improvements thereon by reason of the use or occupancy thereof. This Lease creates a possessory interest subject to taxation by the County of Sacramento. The possessory interest tax shall be paid by Lessee unless Lessee obtains an exemption from the County of Sacramento.

c. Lessee agrees to pay before delinquency all taxes, assessments, fees, licenses and charges on goods, merchandise, fixtures, appliances and equipment owned or used by Lessee in or about the Premises.

12. INDEMNITY AND HOLD HARMLESS.

Lessee shall assume the defense of, and indemnify and save harmless, Lessor, Lessor's officers, employees, and agents, and each and every one of them, from and against all actions, damages, costs, liability, claims, losses, and expenses of every type and description to which any or all of them may be subjected by reason of, or resulting from, directly or indirectly, the performance of this Lease by Lessee. The foregoing includes, but is not limited to, any attorney fees reasonably incurred by Lessor, whether for outside counsel or the City Attorney.

13. INSURANCE REQUIREMENTS.

During the term of this Lease, Lessee shall maintain in full force and effect at its sole cost and expense, the insurance coverage specified on Exhibit "C", attached hereto and incorporated herein by reference.

14. COMPLIANCE WITH LAW.

Lessee and its agents or employees shall at all times comply with and abide by all pertinent or applicable regulations and ordinances of the City of Sacramento, the County of Sacramento, and the laws of the State of California and the United States insofar as the same or any of them are applicable, including the ADA, and to obtain and keep in effect all necessary permits and licenses required for any and all operations permitted herein.

15. ASSIGNMENT, SUBLET, HYPOTHECATION.

a. Lessee shall not directly or indirectly assign, sublet, or hypothecate any interest in the leasehold estate under this Lease. Lessee is directly responsible for all events, activities, services, or merchandise conducted or provided on the Premises. The conducting of said events and activities and the offering or provision of goods and services must be under the auspices of authorized officers, employees, or volunteers of Lessee and all revenue realized within the scope of this Lease must be reflected in Lessee's financial records. Use of the Premises by some other person or organization shall not relieve Lessee of its obligations under this Lease.

b. Lessee shall not directly or indirectly use, or permit to be used, the Premises or improvements for security for any debt. Excepting only a change in name, the term "assignment" shall include any change in the form of business entity of Lessee, any merger or consolidation of Lessee from that of a California nonprofit corporation whether voluntarily or by operation of law providing; however, that a change of status due only to a change in the California Corporation Code shall not be deemed to be an assignment.

16. VIOLATION(S) OF LEASE PROVISIONS.

a. The Director may terminate this Lease in the event that Lessee violates any provision hereof. Lessee may appeal any termination of this Lease to the City Council within thirty (30) days after the date of mailing the notice of termination by Director. Lessee's written notice of appeal shall specify the grounds for appeal. The decision of the City Council shall be final and conclusive.

b. In the event Lessee fails or neglects to perform any of the duties required to be performed by it by virtue of the provisions of this Lease, Lessor may enter upon the Premises and perform such duties in accordance with subparagraph 9(i) herein.

c. Either the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, a general assignment by Lessee for the benefit of creditors, or any action taken or suffered by Lessee under any insolvency or bankruptcy act, shall constitute a breach of this Lease by Lessee. Should such action occur against Lessee, Lessee shall have thirty (30) days to cure the action or suit prior to being considered in default of this Lease.

17. SURRENDER.

At the end of the term of this Lease, or at any time this Lease may be terminated, Lessee shall peaceably vacate the Premises and any and all improvements located thereon and deliver up the same to Lessor in a reasonably good condition, ordinary wear and tear excepted. Within thirty (30) days of termination, Lessee or Lessee's representatives shall remove, at its sole cost and expense, its own furniture, furnishings, equipment, inventory and trade fixtures and the Premises shall be restored to its original condition, ordinary wear and tear excepted. Should Lessee fail to remove said items within the thirty-day period, Lessee shall lose all right, title and interest in and to said items, and Lessor may elect to keep same upon the Premises or to sell, remove or demolish them without the requirement to reimburse Lessee therefore.

18. CAPTIONS.

The captions of the various articles and paragraphs of this Lease are for convenience and ease of reference only and do not define, limit, augment, or describe the scope or intent of this Lease or any part or parts of this Lease.

19. WAIVER.

The waiver by either party of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained.

20. CONDEMNATION.

In the event any entity with the power of eminent domain shall take the Premises, or any part thereof, actually using the power of eminent domain or negotiating under the threat of the use of the power of eminent domain, then;

a. In the event of taking of the entire Premises, this Lease shall be terminated when title passes to the condemner or when possession is obtained by the condemner, whichever shall first occur; or

b. In the event of taking of less than the entire Premises, Lessee shall have the right to terminate this Lease by giving thirty (30) days advance written notice to Lessor.

21. EXCUSABLE DELAYS.

Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefore, enemy or hostile government action, civil commotion, fire or other casualty, and other causes beyond the reasonable control of any party obligated to perform, shall excuse performance by such party for a period equal to such prevention, delay or stoppage.

22. NOTICES.

Any notices and orders that may be given under this Lease may be served by first-class mail or in person as follows, or to such other address as either may provide to the other in writing:

To Lessor:
City of Sacramento

General Services Department
5730 24th Street, Building 4
Sacramento, CA 95822

To Lessee:
Sacramento County Horsemen's
Association
3200 Longview Drive
Sacramento, CA 95821
Attn: President

Attn: Facilities/Real Property Management

with a copy to:

City of Sacramento
Parks and Recreation Department
New City Hall
915 I Street, 3rd Floor
Sacramento, CA 95814
Attn: Director

Service shall be deemed complete upon deposit in the mail or upon personal delivery. Notice to Lessee of termination of this Lease shall be made by Lessor by certified mail to Lessee's Director of Operations.

23. ATTORNEY FEES.

In any action or proceeding brought by either party against the other under this Lease, the prevailing party shall be entitled to reasonable attorney fee and costs of suit, whether for outside counsel or the City Attorney.

24. AMENDMENT IN WRITING/SUCCESSORS.

Any amendment to this Lease shall be in writing and signed by both parties. The covenants and conditions herein contained shall, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of all of the parties hereto.

25. SEVERABILITY.

The invalidity of any portion of this Lease shall not affect the remainder, and any invalid portion shall be deemed rewritten to make it valid so as to carry out as near as possible the expressed intention of the parties.

26. NO JOINT VENTURE.

The parties to this Lease do not constitute a joint venture, partnership or association other than that of landlord and tenant pursuant to this Lease.

27. TIME OF THE ESSENCE.

Time is of the essence in the performance of Lessee's obligations under this Lease.

28. GOVERNING LAW.

This Lease shall be construed and enforced in accordance with the laws of the State of California.

29. TERMINATION.

Notwithstanding Section 2 herein, Lessor may terminate this Lease if by majority vote the City Council determines it is in the best interest of the City to do so, and upon giving 180 days written notice. Lessee may terminate this Lease by giving 180 days written notice to Lessor.

30. AUTHORIZATION.

Each individual executing this Lease on behalf of any entity represents and warrants that he or she has been authorized to do so by the entity on whose behalf he or she executes this Lease and that said entity will thereby be obligated to perform the terms of this Lease.

31. ENTIRE AGREEMENT.

This Lease constitutes the entire agreement and supercedes any prior written or oral agreements between the parties with respect to the matters contained herein.

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease on the date hereinabove first written.

LESSOR: CITY OF SACRAMENTO,
a municipal corporation

By: _____
James L. Combs, Director
Department of Parks and Recreation
For: John F. Shirey, City Manager

APPROVED AS TO FORM:

By: _____
Senior Deputy City Attorney

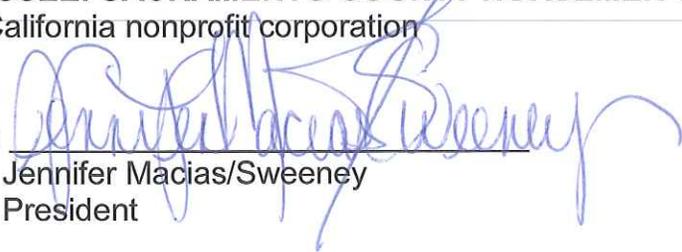
ATTEST:

By: _____
City Clerk

LESSEE: SACRAMENTO COUNTY HORSEMEN'S ASSOCIATION,
a California nonprofit corporation

By: _____

Jennifer Macias/Sweeney
President



Attachments:

- Exhibit A: Lease Area Map – page 16
- Exhibit B: Lease Site Environmental Plan - page 17
- Exhibit C: Insurance Requirements - pages 18-20

Exhibit A: Lease Area Map

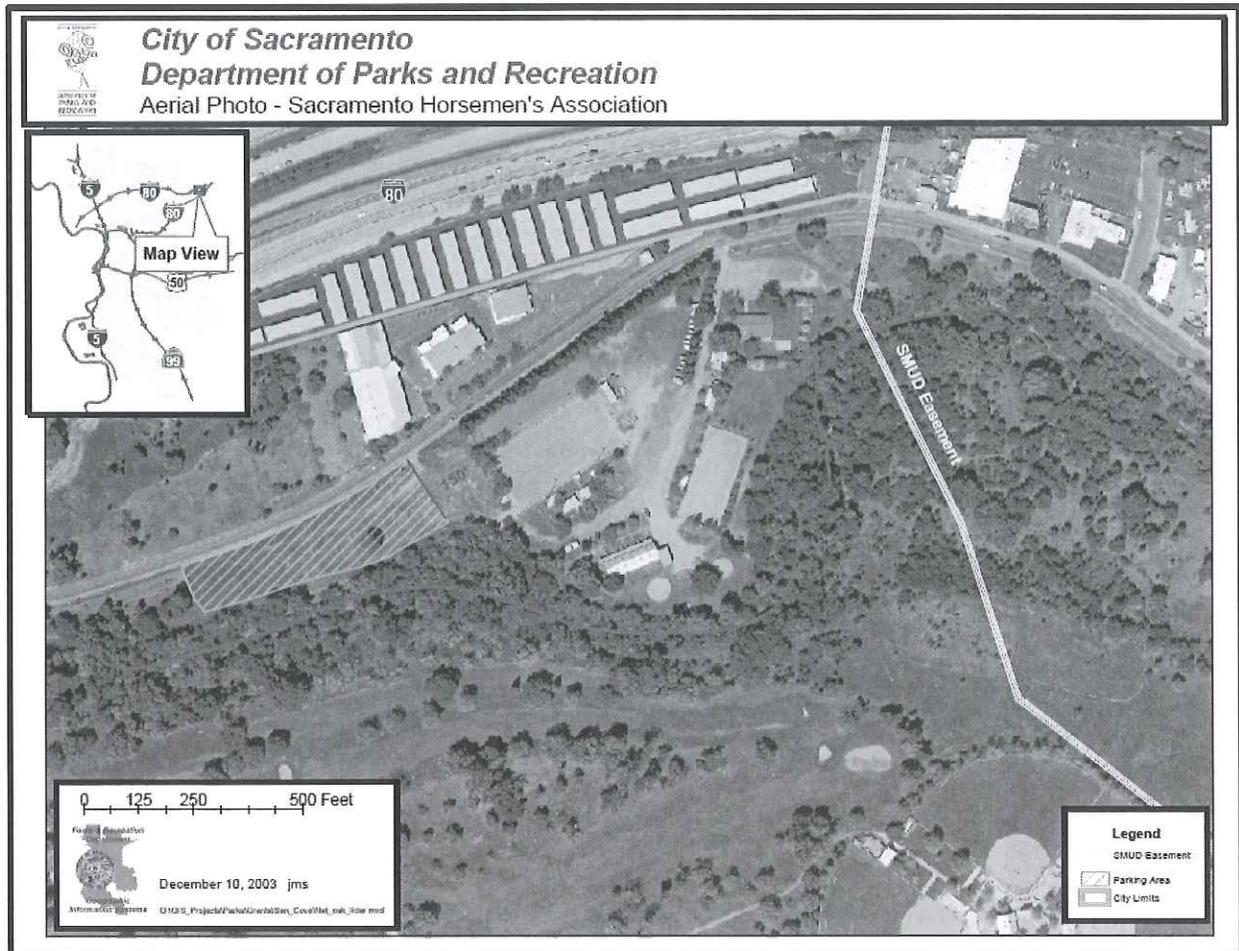


EXHIBIT B: ENVIRONMENTAL PLAN

1. Lessee shall continue to eradicate star thistle and other noxious non-native vegetation from the Premises and provide a report to Lessor citing the eradication progress, if requested.
2. The use of herbicide within the riparian zone of Arcade Creek (or the vegetative corridor along the creek) is prohibited, unless prior written approval has been received from the Lessor.
3. Lessee shall informally patrol Arcade Creek and report any instances of dumping or other illegal camping or any other activity to the proper authorities.
4. Lessee shall cooperate with Lessor and other civic organizations in a city-wide cleanup day by removing debris from Arcade Creek. In addition Lessee will be an active participant with Creek Week.
5. Lessor may, but is not required to, assist Lessee in the removal of debris accumulated on the Premises as a result of these projects at no cost to the Lessee. Debris will be piled in specific locations, with prior approval of the Parks and Recreation Department.
6. Lessee shall not, under any circumstances, allow any foreign material within the creek channel.
7. Lessee shall not remove any vegetation, living or dead, from the riparian corridor along Arcade Creek without prior written approval from the Lessor, except for clearing vegetation and/or debris from the existing bridle trail as needed.
8. Within the riparian corridor along Arcade Creek, the Lessee may not discharge, dump, burn or store any rubbish, garbage, grass clippings, dredge material, chemicals (including fertilizers, pesticides and other household chemicals), or any other wastes or fill material.

EXHIBIT C: INSURANCE REQUIREMENTS

During the term of this Lease Agreement, and until final completion and acceptance of any work required by this Agreement, Lessee shall maintain in full force and effect at its own cost and expense the following insurance coverages. By requiring the insurance herein, Lessor or City does not represent that the coverage and limits will necessarily be adequate to protect Lessee. It is understood and agreed by the Lessee that the required insurance coverage and limits shall not be deemed as a limitation on Lessee's Liability under the indemnities granted to the Lessor in this Lease Agreement.

Insurance requirements are subject to review and revision every five (5) years to assure that policy terms, conditions, and limits are maintained in accordance with current insurance industry standards for comparable premises and buildings.

A. Minimum Scope & Limits of Insurance Coverage

- (1) General Liability Insurance is required providing coverage at least as broad as ISO CGL Form 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. The policy shall include coverage for premises, operations, products and completed operations and contractual liability for the term of the policy. The policy shall include a fire legal liability limit of \$100,000 per occurrence.
- (2) Auto Liability Insurance is required providing coverage at least as broad as ISO Form CA 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) combined single limit. The policy shall provide coverage for owned, non-owned and/or hired autos as appropriate to the operations of the Lessee.
- (3) Workers' Compensation Insurance is required with statutory limits, including a waiver of subrogation in favor of City and Employers' Liability Insurance with limits of not less than one million dollars (\$1,000,000).
- (4) All Risk Property Insurance is required for all tenant improvements, fixtures and equipment located on or about the premises against loss of damage including fire, flood or other acts of nature and vandalism. Tenant improvements, fixtures and other equipment shall be insured for replacement value. The proceeds from any such policy shall be used by the Lessee for replacement of personal property and restoration of Lessee's tenant improvements or alterations.

B. Additional Insured Coverage

- (1) Commercial General Liability Insurance: The City, its officials, employees and volunteers shall be covered by policy terms or endorsement as additional insureds as respects general liability arising out of activities performed by or on behalf of Lessee, including products and completed operations of Lessee and premises owned, leased or used by Lessee.
- (2) Automobile Liability Insurance: The CITY, its officials, employees and volunteers shall be covered by policy terms or endorsement as additional insureds as respects auto liability.

C. Other Insurance Provisions

The policies are to contain, or be endorsed to contain, the following provisions:

- (1) Lessee's insurance shall be primary as respects City, its officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officials, employees or volunteers shall be in excess of Lessee's insurance and shall not contribute with it.
- (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to City, its officials, employees or volunteers.
- (3) Coverage shall state that Lessee's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- (4) The City will be provided with thirty (30) days written notice of cancellation or material change in the policy language or terms.

D. Acceptability of Insurance

Insurance shall be placed with insurers with a Bests' rating of not less than A:V. Self-insured retentions, policy terms or other variations that do not comply with the foregoing requirements must be declared to and approved by the City Risk Management Division in writing prior to execution of this Agreement.

E. Verification of Coverage

Lessee shall furnish City with certificates and required endorsements evidencing the insurance required. The certificates and endorsements shall be forwarded to the City's representative named in Section 22. Copies of policies shall be delivered to the City on demand. Certificates of insurance shall be signed by an authorized representative of the insurance carrier.