

**TO:** James L. App, City Manager  
**FROM:** Julie Dahlen, Director of Library and Receptions Services  
**SUBJECT:** Centennial Pool Lease/Private Operation  
**DATE:** October 4, 2011

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- NEEDS:** For the City Council to consider soliciting private operators to lease Centennial Pool.
- FACTS:**
1. The City's annual costs to operate the pool at Centennial Park are \$80,900 for pool maintenance and \$138,638 in staffing.
  2. To reduce operational cost/impact to the General Fund the pool was closed effective February 15, 2011.
  3. Historically the pool provided recreational swim for the public and educational use by the School District as part of its physical education program.
  4. City Council has discussed the potential of reopening the pool under a lease to a private company or individual(s).

**ANALYSIS &**

**CONCLUSION:** The construction of Centennial Park was accomplished using public/private monies and donations. It has since been operated by the City using General Fund revenues to cover associated costs. As a result of economic conditions and need to reduce impacts to the General Fund the swimming pool at Centennial Park was closed.

Out-sourcing the operation of Centennial Pool to a private organization or individual(s) has been suggested. Lease to a private operator will need to include:

- Indemnification of the City against potential claims and insurance.
- Compliance with water slide inspection and operation requirements as set by OSHA.
- Transfer of operational permits, issued by County Environmental Health, from City to lessee(s).
- The facility is served by a single water, gas and electrical meter. To accurately track costs, separate meters will need to be installed.

**POLICY**

**REFERENCE:** Council action on 2-15-2011 eliminating specific programs.

**FISCAL**

**IMPACT:** Initial costs to separate pool utility meter, plus legal review/lease preparation, is estimated to cost between \$20,000 and \$24,000.

- OPTIONS:**
- a. City Council direct staff to issue a Request for Proposal.
  - b. City Council direct staff to maintain closure of the pool until such time as it can be reopened and operated by the City.
  - c. Amend, modify or reject the above option.

**ATTACHMENTS:**

- Request for Proposals
- Sample Lease

**REQUEST FOR PROPOSALS (RFP)  
LEASE OF PUBLIC SWIMMING POOL  
CITY OF PASO ROBLES, CA**

**I. OPPORTUNITY**

The City of Paso Robles seeks interested and qualified parties to submit proposals to lease and operate a City owned swimming pool.

In 2011, Centennial Pool at 600 Nickerson Drive was closed as a temporary cost-saving measure. Facing continued financial challenges, the City is considering leasing the facility to a private individual or individuals.

The City is open to varied business structures provided proposals are mutually beneficial and financially viable.

**II. FACILITY SPECIFICATIONS**

- Constructed: 1989
- Approximately 15,600 sq. ft. of lawn and 11,500 sq. ft. of hardscape fully fenced
- Two (2) pools (7000 sq. ft. recreational pool and 700 sq. ft. children's wading pool)
- Outdoor cold shower
- Men's and Women's changing/restrooms (approximately 1000 sq. ft. each),
- Office area (370 sq. ft.)
- 340 sq. ft. area appropriate for snack concessions
- The pools are heated by natural gas
- Public parking (approximately 80 shared spaces) are available at the pool complex entrance

**III. SERVICES**

Proposals should be "turnkey" in that the provider would be solely responsible for all costs/expenses of operation and maintenance of Centennial Pool, but be entitled to all revenues from the operation of the pool. Proposals should include a description of the proposed aquatic activities business plan.

**IV. COMPLIANCE WITH LAWS AND REGULATIONS and RISK MANAGEMENT**

The successful operator will be expected to be knowledgeable of and able to comply with all federal, state and local laws and regulations as well as industry standards related to pool and aquatic safety and program operations.

**V. REQUEST FOR PROPOSALS**

Interested parties ("operator") shall submit written proposals containing the following essential elements:

- A summary of the operator's business plan.
- Identification of the principal persons responsible for the operation and their respective qualifications and experience levels.
- The scope and extent of services to be offered, proposed charges, days and hours of operation, and anticipated staffing, training, safety and risk management procedures.
- Subcontractors (if any) that would be needed to perform the required services in the proposal and a description of their role.
- The expected timetable for setup, occupancy, and startup of services, once approved to proceed.

- A description of the Provider's experience, affiliation and memberships with any aquatics or related organizations (i.e. American Red Cross).

Optional supplemental elements which may be helpful and also submitted:

- Sample pricing to be offered.
- Marketing, advertising and promotion plans.
- List any special terms and conditions that would be anticipated in any agreement with the City, such as length of lease/contract.

Tours of the facility may be arranged prior to the date the RFP is due.

Responses to this RFP must be received by the City at:

**City of Paso Robles  
Office Library and Recreation Services  
1000 Spring Street  
Paso Robles, CA 93446**

**No later than 5:00pm, Monday, November 14, 2011**

## **VI. SELECTION PROCESS**

The City will evaluate the proposals submitted on the basis of:

1. The quality and thoroughness of the proposal response in relation to the factors listed in **SECTION V**, above.
2. Demonstrated expertise and experience in the industry, and ability to implement operation of the facility operation in a reasonable time frame.
3. Proposed schedule, hours of operation and scope of service to be provided.
4. References.

The Selection Committee will conduct oral interviews of top candidates and evaluate the quality and responsiveness of the proposals. A person or firm may be chosen to further negotiate a lease. Successful proposers should anticipate the request for additional information/documentation for the oral interview.

The City reserves the right to reject any or all proposals, and to negotiate modifications or acceptance of parts of a proposal. Other terms and conditions will be negotiated at the time of selection and will be subject to the approval of the City Attorney.

All Proposals and Statements of Qualifications submitted to the City in response to this RFP become the property of the City.

## **VIII. LEASE NEGOTIATION**

1. The successful proposer will enter into a lease agreement with the City. A City lease is attached for illustrative purposes only; additional or different terms and conditions may apply to the lease based on the use of the property for pool operations.

October 4, 2011 Centennial Pool Request for Proposal

2. At the time of lease negotiations, the successful proposer will be required to submit both a business and financial plan to demonstrate the viability of the pool operations proposal.
3. For the purpose of generating a Business Plan, the proposer can assume:
  - Base term of up to two (2) years (depending on demonstrated need and strength of proposal)
  - Options for lease extension (subject to demonstrated performance)
4. Tenant shall be responsible for securing all required permits, license and taxes to operate on the premises.
5. Tenant shall be responsible for payment of Possessory Interest Tax and any other special, levied taxes or assessments in connection with the premises and the operation.
6. The final draft of the lease agreement, including all agreed upon deal points will be reviewed by a City Council subcommittee and then presented for full Council review and approval.

**[ILLUSTRATIVE] LEASE AGREEMENT<sup>1</sup>**

[Centennial Pool]

This Lease Agreement (the "Lease") is entered into as of \_\_\_\_\_, 2012, by and between the CITY OF EL PASO DE ROBLES, a municipal corporation of the State of California, hereinafter referred to as "Landlord", and \_\_\_\_\_, hereinafter referred to as "Lessee."

**Recitals**

A. Landlord is a municipal corporation of the State of California, owning that certain real property designated for use as a public City park called Centennial Park. Landlord desires to lease a portion of the property that is improved with a 7,000 sq. ft. recreational pool, water slide, a 700 sq. ft. wading pool, changing rooms and attendant office space (the "Property"), which is more particularly described in Exhibit A, attached hereto and incorporated herein. The pool facility has been closed to the public since spring, 2011 to reduce operational cost/impact to the City's General Fund.

B. Lessee's specific and primary purposes are to develop, operate and maintain Centennial Pool in accordance with the terms set forth herein.

C. Landlord and Lessee desire to enter into this Lease in order that the Property is reopened for public use in accordance with the terms and conditions set forth herein.

**Agreements**

NOW, THEREFORE, in consideration of their mutual promises and covenants herein contained, and subject to the terms, conditions and provisions hereof, the parties hereto agree as follows:

1. Property. The Property consists of the real property situated in the City of El Paso de Robles, County of San Luis Obispo, State of California, shown on the Map attached hereto as Exhibit B and made a part hereof, and more particularly described in Exhibit A, attached hereto and made a part hereof. The Property consists of the land, two pools, a water slide, men's and women's changing rooms, office area, and storage/concession area. Approximately 80-100 shared parking spaces are adjacent to the property which is located at 600 Nickerson Drive in the City of El Paso de Robles, and prior to execution of this Lease, was operated as a municipal swimming pool.

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<sup>1</sup> This Illustrative Lease is provided for illustrative purposes only and shall not be deemed to constitute an offer or commitment by the City of Paso Robles as to the terms and conditions that will apply to the lease of the Property. In addition, this Illustrative Lease shall not be construed as containing all of the provisions that would be required in the lease of this Property.

2. Lease. Landlord does hereby lease to Lessee and Lessee hereby hires from Landlord the Property, on the terms, conditions and provisions hereinafter set forth.

3. Term.

A. Initial Term. The term of this Lease shall be a period of \_\_\_\_ years commencing on the date first set forth above, and terminating at 11:59 p.m. on \_\_\_\_\_, 20\_\_ (the day \_\_\_\_ years thereafter). This Lease may be terminated by either party upon three (3) months written notice to the other party. This Lease may be modified and/or renewed at its termination only by the mutual consent of the parties hereto. Throughout the initial term of this Lease, the Pool shall be open to the public not less than six (6) days per week, or 42 hours per week, whichever is less.

B. Option to Extend Term. If this Lease has not been previously terminated, then Lessee shall have the option to extend the term of this Lease for up to two additional terms of \_\_\_\_\_ years each, for a total possible term of \_\_\_\_ years.

Provided that Lessee is not in default of any of the terms of this Lease (as evidenced by delivery to Lessee of a written notice from Landlord regarding such default), Lessee may exercise its option to extend the term of this Lease by providing written notice to Landlord not later than 90 days prior to the termination date of the initial term, or any such extended term, as applicable. In the event of any such extension(s), references herein to the term of this Lease shall mean and refer to the initial term, plus any such extended term, as applicable.

4. Rent. Lessee shall pay to Landlord, as and for rent for the Property, an amount equal to \_\_\_\_\_ per year during the term of this Lease. The entire rent amount may be payable in advance on or prior to the commencement date of this Lease, or, at the option of Lessee, may be paid annually. If Lessee elects to pay rent annually, the rent for each year shall be paid in advance, with rent for the first year due and payable in advance on or prior to the commencement date of this Lease, and the rent for each subsequent year shall be due and payable in advance on each anniversary of the commencement date of this Lease.

All other monetary obligations of Lessee of any kind under this Lease shall be considered as additional rent, due and payable in full upon demand by Landlord. Landlord shall have such rights and remedies for failure to pay such monetary obligations as Landlord would have if Lessee failed to pay the annual rent hereunder.

All rent shall be paid, without any off-set, counterclaim or deduction whatsoever, at City of El Paso de Robles, 1000 Spring Street, Paso Robles, CA 93446. If any portion of rent shall be due and unpaid for more than five (5) days, a late charge of Five Cents (\$.05) for each dollar so overdue shall be paid by Lessee for the purpose of defraying the expense incident to handling such delinquent payment, together with interest at the per annum rate equal to two percent (2%) per annum greater than the prime rate of interest announced from time to time by Bank of America, as the same may change from time to time, from the due date until the date of payment thereof by Lessee.

In the event this Lease is terminated by the Landlord, a prorated portion of the pre-paid rent shall be returned to Lessee. The obligation of Lessee with respect to the payment of rent shall survive the termination of this Lease.

Lessee hereby acknowledges and agrees that this Lease is intended to be a complete net lease to the Landlord, except as expressly herein set out, that Landlord is not responsible for any costs, charges, expense and outlays of any nature whatsoever arising from or relating to the Property, or the use and occupancy thereof, or the contents thereof or the business carried on therein, and that Lessee shall pay all charges, impositions, costs and expenses of every nature and kind relating to the Property, except as expressly otherwise agreed to herein.

5. Possession. If Landlord, for any reason whatsoever, cannot deliver possession of the Property to Lessee at the commencement of the Lease term hereunder, this Lease shall be voidable at Lessee's option, but Landlord shall not be liable to Lessee for any loss or damage resulting therefrom.

6. Abandonment. Lessee shall not vacate or abandon the Property at any time during the term of this Lease; and if Lessee shall abandon, vacate or surrender the Property, or be dispossessed by process of law or otherwise, Landlord shall have the right to immediate possession of the Property, and any improvements or fixtures thereon. All personal property of Lessee, in such event, shall be removed within thirty (30) days. All personal property of Lessee which is not so removed within such period of time shall be deemed to be abandoned, at the option of the Landlord, and title to any such personal property shall pass to Landlord. For purposes of this Lease, Lessee shall be deemed to have abandoned the Property if Lessee fails to use, operate and/or maintain the Property in accordance with this Lease for a period of thirty (30) consecutive days. The provisions of this Section shall not apply during any period that the Pool is undergoing renovations or repair due to any damage to or destruction of the improvements, provided Lessee is diligently pursuing such renovations or repairs pursuant to plans approved by the City.

7. Permitted Uses and Purposes; Income Derived From the Property.

A. The Property shall be used solely for the operation of a public swimming pool and related administrative office uses. Prior to the commencement of operations of the Pool, Lessee shall submit to City for City's approval, a detailed business plan describing the programs and activities to be offered, hours of operations, staffing levels, charges and anticipated other sources of revenue, costs of operation and maintenance, and any other information reasonably requested by Landlord.

B. During the initial term of this Lease, the Pool shall be open to the public a minimum of \_\_\_\_\_ days per week, or \_\_\_\_\_ hours per week, whichever is less.

C. Within one hundred twenty (120) days after the end of each fiscal year, Lessee shall submit to the Landlord a certified financial statement summarizing the activities of Lessee and events held on the Property during the previous year. All such financial statements

shall be submitted in a form acceptable to the Landlord, and shall identify the activities and events from the prior year and the income and expenses of Lessee relating to such activities and events, operating expenses incurred by Lessee during the prior year, together with any other information the Landlord may reasonably request.

8. Uses Prohibited.

A. Lessee shall not, directly or indirectly, use or suffer the Property or any part thereof, or any improvements or fixtures to be constructed thereon, to be used in violation of any federal, state or local laws, rules, regulations or ordinances. Further, Lessee shall not use or suffer the Property or any part thereof, or any improvements or fixtures to be constructed thereon, to be used for any purpose or purposes inconsistent with those for which the Property is hereby leased, without first obtaining the express written consent of the City Manager, consent to be issued upon a finding by the City Manager that such use or facilities will be consistent with the purpose of this Lease, or are required by circumstances not anticipated at the time of execution hereof but are determined by the City Manager to be reasonable. This remedy shall be in addition to any others afforded by law or by this Lease.

B. Lessee and those acting by, through or under Lessee, shall not improperly store, handle, treat, use release, dispose of, discharge or produce any hazardous substances or hazardous waste, or any pollutant, contaminant or toxic substance as those terms are defined in or as may be regulated or governed by any federal, state or local laws or ordinances intended to protect health, safety or the environment. Lessee shall be responsible to remediate and clean up any and all such hazardous substances, pollutants, contaminants or toxins. Lessee agrees to release, to defend with counsel acceptable to Landlord, indemnify and to hold Landlord harmless of, from and against any and all claims, expense, loss or liability suffered by Landlord by reason of Lessee's breach of any of the provisions of this Section or any claims by Lessee's employees, agents, contractors, visitors or assigns, if permitted under this Lease, caused by, related, to, or arising from such breach. The indemnity contained in this Section shall survive the expiration or earlier termination of this Lease.

The parties recognize that no adequate remedy at law may exist for Lessee's breach of this Section. Accordingly, Landlord may obtain specific performance of any provision of this Section.

9. Waste, Nuisances. Lessee shall not commit, or suffer to be committed, any waste upon the Property; nor shall Lessee maintain, or suffer to be maintained, any nuisance or any other act or thing which may disturb the enjoyment or the use of any other property or public streets adjacent to the Property.

10. Rights of Landlord. Landlord shall have the following rights:

a. To hold all keys and passkeys to the Property, including the improvements thereon.



b. On reasonable prior notice to Lessee, to show the Property to prospective tenants during the last six (6) months of the term of this Lease (or extended term, as applicable), and to any prospective purchaser, mortgagee, or assignee of any mortgage on the Property and to others having a legitimate interest in the Property at any time during the term of this Lease.

c. At any time in the event of an emergency, and otherwise at reasonable times upon not less than twenty-four (24) hours prior notice, Landlord shall have the right to access the Property and to take any and all measures, including making any inspections, repairs, alterations, additions or improvements to the Property, as may be necessary or desirable for the safety, protection or preservation of the Property or Landlord's interests, or as may be necessary or desirable in the operation or improvement of the Property, including the improvements thereon, or in order to comply with all laws, orders, and requirements of governmental or other authorities. Landlord shall not be in default hereunder nor have any liability to Lessee, nor shall Lessee have any right to terminate this Lease or claim an offset against or reduction in rent payable hereunder, due to any damage, annoyance or inconvenience resulting from any such inspections, repairs, alterations, additions or improvements. Lessee shall fully cooperate with Landlord and Landlord's agents or contractors in carrying out any such inspections, repairs, alterations, additions or improvements.

11. Furnishings, Fixtures and Equipment. Lessee shall furnish and equip the Property with all fixtures, furnishings, equipment and other personal property, including without limitation movable office, furniture, trade fixtures and office and professional equipment (collectively, "Personal Property") of a quantity and quality as necessary to operate the Property and the improvements thereon for the purposes set forth in Section 8 of this Lease (except for those fixtures, furnishings, equipment and other Personal Property that are provided by the exhibitors or other users of the Property). Lessee shall take good care of such Personal Property, and keep the same in good order and condition, and promptly, at Lessee's own cost and expense, make all necessary repairs, replacements and renewals thereof. Any and all fixtures, furnishings, equipment and other personal property placed in, on or about the Property by Lessee shall be the Personal Property of Lessee during the term of this Lease, subject to the rights of the Landlord as set forth in this Lease.

Lessee may remove any Personal Property from time to time, during the term of this Lease, and within thirty (30) days following expiration of the term of this Lease, that may be removed without damage to the structural integrity of the Property and the improvements thereon or that may be removed without impairing or adversely affecting, in the reasonable good faith determination of the Landlord, the Property. Lessee shall repair all damage caused by any such removal and shall leave the Property in a clean and neat condition.

Any Personal Property not removed by Lessee within thirty (30) days following expiration of the term of this Lease shall be deemed to be abandoned by Lessee and shall, without compensation to Lessee, then become Landlord's property, free and clear of all claims to or against them by Lessee or any other person.

12. Renovation, Alterations and Construction.

A. Lessee's Improvements. Prior to making any alterations, improvements or additions to the Property, Lessee shall apply for and obtain all approvals required from the City of El Paso de Robles and other governmental agencies with jurisdiction over such work of all plans and permits relating to any such alterations, improvements or additions, and obtain any and all permits required for such alterations, improvements or additions and operation and use of the Property, including without limitation, building permits and/or use permits. All renovation and improvements to be constructed on or made to the Property shall be completed in accordance with plans approved by the Landlord, and shall comply with all applicable codes, ordinances, rules, and regulations.

B. Lessee agrees that those usual fees charged by the City of El Paso de Robles for permits for and inspections of development and construction shall be charged to Lessee, and Lessee will be required to pay any charges related to connection and installation of utilities, if any, and any other charges or fees imposed by or on behalf of agencies other than the City of El Paso de Robles relating to the renovation and construction of improvements on the Property.

C. Mechanic's Liens. Lessee shall not suffer or permit any mechanic's lien to be filed against the interest of the Landlord or Lessee in the Property, the improvements, or any portion thereof. If because of any act or omission of Lessee, its employees, agents, contractors or subcontractors, any mechanic's lien, charge or order for the payment of money shall be filed against Landlord, or against all or any portion of the Property, the improvements, or any portion thereof, Lessee shall, at its own cost and expense, cause the same to be discharged of record within thirty (30) days after the filing thereof, and Lessee shall indemnify and save harmless Landlord against and from all costs, liabilities, suits, penalties, claims and demands, including reasonable attorneys' fees, resulting therefrom.

D. At termination of this Lease, title to any and all improvements constructed on the Property, including any and all alterations, improvements, and permanent fixtures which may be added to the Property, whether temporary or permanent in character, shall become Landlord's property and shall remain upon the Property, without compensation to Lessee (excepting only Lessee's Personal Property which may be removed pursuant to Section 11). Landlord and Lessee covenant for themselves and all persons claiming under or through them that the improvements and permanent fixtures are real property.

13. Operating Costs and Expenses. Lessee shall, at its sole cost and expense, furnish all labor, equipment and expenses necessary for the operations and maintenance of the Property for the purposes set forth herein. Lessee agrees that, during the term of this Lease, Lessee shall not request from Landlord any funding or other financial assistance for the operation of the pool or maintenance or repair of the Property or any portion thereof; provided nothing herein shall prohibit Lessee from applying to the City for grants or other funds (such as Community Development Block Grant funds) which may be available through the City.

14. Maintenance; Management. Lessee shall, at its sole cost and expense, keep and maintain the Property, every part thereof, every improvement and fixture thereon, and every utility structure, piping, or wiring necessary thereto in good, working and sanitary order, condition and repair, reasonable wear and tear and damage by casualty not caused by the negligence of Lessee or its agents, contractors or employees excepted.

Landlord shall have the right to review and approve any contract or agreement ("Management Agreement") that Lessee may enter into for the management of the Property, which approval shall not be unreasonably withheld; provided, Landlord's review and approval shall be limited to that extent necessary to ensure compliance with the terms and conditions of this Lease. Landlord shall have the right to approve any property manager retained by Lessee to manage the Property, which approval shall not be unreasonably withheld, and Lessee shall promptly notify Landlord of any change in the property manager, and.

15. Utilities. Lessee shall be solely responsible for applying to the appropriate utility service provider to ensure utility service is provided to the Property, as needed by Lessee. Lessee shall subscribe to garbage service consistent with the requirements of the City's Municipal Code. Lessee shall, at its sole cost and expense, pay for the consumption of all utilities used at or on the Property, including without limitation any and all electric, gas, telephone, sewer, water, garbage and other services and utilities necessary for the operation of the Property and the improvements located thereon.

Lessee acknowledges that any one or more such services may be suspended by reason of accident or of repairs, alterations, or improvements necessary to be made, or by strikes or lockouts, or by reason of operation of law, or other causes beyond the reasonable control of Landlord. Lessee shall have no right to any off-set or reduction in rent nor shall Landlord have any liability for any such interruption or suspension of such services.

16. Compliance with Governmental Rules and Regulations.

A. Lessee shall, at its sole cost and expense, comply with all requirements of all municipal, state, and federal authorities now in force, or which may hereafter be in force, pertaining to the Property, purposes, and operations, and shall faithfully observe in the use of the Property and in the conduct of its operations all the municipal, state and federal statutes now in force or which may hereafter be in force. Lessee shall be responsible for determining whether any renovations, alterations and improvements to be undertaken by Lessee on the Property will require the payment of prevailing wages for such work, and, if so, shall comply with all applicable requirements.

B. Lessee shall conduct its business in accordance with the requirements of the American with Disabilities Act of 1990 (the "Act") and with all other applicable statutes, rules, regulations and ordinances relating to handicapped accessibility. Any renovations, alterations and improvements to be undertaken by Lessee on the Property, shall be performed in compliance with the applicable provisions of the Act and with all other applicable statutes, rules, regulations and ordinances relating to handicapped accessibility.

C. Landlord shall have the right to make such other rules and regulations as in the reasonable judgment of Landlord may from time to time be necessary for the safety, appearance, care and cleanliness of the Property and the surrounding neighborhood, the safety and well being of the users of the Property, and for the preservation of good order therein.

17. Nondiscrimination.

A. During the term of this Lease, Lessee agrees as follows:

1. Lessee shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, age, handicap, medical condition, sexual preference, marital status, ancestry or national origin. Lessee shall, in all solicitations or advertisements for employees placed by or on behalf of Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, age, handicap, medical condition, sexual preference, marital status, ancestry or national origin.

2. There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, age, handicap, medical condition, sexual preference, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, and the Lessee itself, or any person claiming under or through it, shall not establish or permit any such practice of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof.

3. Lessee shall refrain from restricting the rental, sale or lease of the Property, or any portion thereof, on the basis of race, color, creed, religion, sex, age, handicap, medical condition, sexual preference, marital status, ancestry or national origin of any person.

18. Taxes and Assessments. Lessee recognizes and understands that this Lease may create a possessory interest subject to property taxes levied on such interest.

Lessee agrees to pay, as and when due, all lawful taxes, assessments, fees or charges from which it is not exempt, which at any time may be levied by the state, county, Landlord or any tax or assessment levying body upon any interest in this Lease or on any possessory right which Lessee may have in or to the property, or improvements or fixtures thereon, by reason of its use or occupancy thereof or otherwise, as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, and equipment used by it, or related to its operations or the hiring and employment of agents and employees, provided or used by it, in, about, or for the operation and maintenance of the Property.

19. Liens. Lessee shall keep the Property free from any liens arising out of any work performed, materials furnished, or obligations incurred by Lessee. Lessee shall give Landlord no less than ten (10) days advance written notice of commencement of any work of improvement on

the Property. Landlord shall be entitled to enter the Property for the purpose of posting notices of nonresponsibility.

20. Indemnity. Lessee agrees that Landlord shall not be liable for and hereby releases Landlord from (i) any injury to Lessee's business or any loss of income therefrom or for damage to any machinery or equipment or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Property; (ii) the loss of or damage to any property of Lessee by theft or otherwise; or (iii) any injury or damage to persons or property resulting from fire, steam, electricity, gas, water, rain or snow, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or HVAC systems or lighting fixtures, or from any other cause whatsoever (whether similar or dissimilar to those above specified), whether the same damage or injury result from conditions arising in the Property, or at or on portions of the building or the Property, or from other sources or places, except to the extent caused by Landlord's intentional misconduct or gross negligence. Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, if any, of the Property. This waiver, release and indemnification does not apply to claims or damages arising from any act or neglect of any other tenant or person not the agent or any person doing business with Lessee.

Lessee shall indemnify and hold harmless the Landlord, its officers, officials, directors, employees, agents, and volunteers from and against any and all claims, damages, losses and expenses, including attorneys fees arising out of the occupancy of the Property described herein, caused in whole or in part by any negligent act or omission of the Lessee, any sublessee, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence or willful misconduct of the Landlord.

Landlord and Lessee each waives any and all rights of recovery against the other or against the directors, officers, employees, agents and representatives of the other, for loss of or damage to such waiving party or its property or the property of others under its control, where such loss or damage is insured against under any insurance policy in force at the time of such loss or damage. Landlord and Lessee shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

It is understood that any indemnification obligation of Lessee under this Lease shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for Lessee under workers' or workmen's compensation acts, disability benefit acts or other employee benefits acts.

21. Insolvency and Bankruptcy. In the event of either a) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or b) a general assignment by Lessee for the benefit of creditors, or c) any action taken or suffered by Lessee under any insolvency or bankruptcy act, or d) any liquidation or other cessation of Lessee's corporation or business, this Lease shall terminate immediately. Landlord shall have the right of

immediate possession of the Property and any improvements or fixtures thereon. Title of any Personal Property of Lessee remaining on the Property after thirty (30) days shall be deemed to pass to Landlord.

22. Insurance. Lessee shall procure and maintain during the terms of this Lease, at its sole cost and expense, insurance against claims for injuries to persons or damages to property which may arise from or in connection with Lessee's operation and use of the Property. The cost of such insurance shall be borne by the Lessee.

A. Minimum Scope of Insurance. Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage ("occurrence" form CG0001).

2. Workers' Compensation insurance as required by the State of California and Employer's Liability insurance.

3. "All Risk" property insurance, including extended coverage, insuring the Landlord's buildings, structures, fixtures, equipment and furniture.

4. Property insurance against all risks of loss to any tenant improvements or betterments.

B. Minimum Limits of Insurance. Lessee shall maintain limits no less than:

1. General Liability: Five million dollars (\$5,000,000) per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

2. Employer's Liability: One million dollars (\$1,000,000) per accident for bodily injury or disease.

3. Property Insurance: Full replacement cost with no coinsurance penalty provision for tenant improvements and betterments, Landlord's buildings, structures, fixtures, equipment and furniture.

C. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the Landlord. At the option of the Landlord, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Landlord, its officers, officials, employees and volunteers; or the Lessee shall procure a bond or other acceptable security guaranteeing payment of losses and related investigations, claim administration and defense expenses.

D. Other Insurance Provisions.

1. The general liability policy is to contain, or be endorsed to contain, the following provisions:

a. Landlord, its officers, officials, employees and volunteers are to be covered as insureds as respects: liability arising out of property owned, occupied or used by Lessee. The coverage shall contain no special limitations on the scope of protection afforded to the Landlord, its officers, officials, employees or volunteers.

b. The Lessee's insurance coverage shall be primary insurance as respects the Landlord, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the Landlord, its officers, officials, employees or volunteers shall be excess of the Lessee's insurance and shall not contribute with it.

c. Any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the Landlord, its officers, officials, employees or volunteers.

d. Coverage shall state that the 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.

e. Each insurance policy required by this section shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt required, has been given to the Landlord.

2. The workers' compensation/employers' liability policy is to contain, or be endorsed to contain, the following provisions:

a. Waiver of Subrogation provision in favor of the Landlord.

b. Coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the Landlord.

E. Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII.

F. Verification of Coverage. Lessee shall furnish the Landlord with original endorsements effecting coverage required by this clause. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. The endorsements are to be forms provided by the Landlord. All endorsements are to be received and approved by the Landlord before occupancy commences. As an alternative to the Landlord's forms, the Lessee's

insurer may provide complete, certified copies of all required insurance policies, including endorsements effecting the coverage required by these specifications.

G. Subcontractors. Lessee shall include all subcontractors as insureds under its policies or shall furnish or cause to be furnished separate certificates and endorsements for each contractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

23. Repairs. Lessee shall, at Lessee's own expense, keep the Property and each part thereof in good order, condition and repair during the term of this Lease. Lessee shall give to Landlord prompt written notice of any damage to, or defective conditions in, any part or appurtenance of the Property's plumbing, electrical, heating, air-conditioning or other systems serving, located in, or passing through the Property. If any damage results from any act or neglect of Lessee or its agents, contractors or employees, Landlord may, at Landlord's option, repair such damage and Lessee shall promptly thereupon pay to Landlord the total cost of such repair. Any repairs made to the Property by Lessee shall be subject to the requirements set forth in Section 13 of this Lease, as applicable.

24. Destruction of the Property.

A. In the event of damage to or destruction of the Property caused by fire or other casualty, or any such damage or destruction to the Property or the facilities necessary to provide services and normal access to the property, Lessee shall undertake to make repairs and restorations with reasonable diligence, unless this Lease has been terminated as hereinafter provided. In the event (i) the damage is of such nature or extent that, in Lessee's reasonable judgment, more than one hundred twenty (120) days would be required (with normal work crews and hours) to repair and restore the part of the Property which has been damaged, or (ii) the Property is so damaged that, in Lessee's reasonable judgment, it is uneconomical to restore or repair the Property or portion thereof damaged, or (iii) less than eighteen (18) months then remain in the current term of this Lease, or (iv) insurance proceeds are not available or insurance proceeds that are available for the Property are insufficient to repair or rebuild the damage, or (v) any mortgagee shall not permit the application of adequate insurance proceeds for repair or restoration, either Lessee or Landlord shall, within ninety (90) days after any such damage or destruction, have the right to terminate this Lease by written notice to the other party, as of the date specified in such notice, which termination date shall be no later than thirty (30) days after the date of such notice. Rent shall be adjusted proportionately as of the date of the termination and Lessee shall promptly vacate the Property; provided that prior to any such vacation, Lessee shall take such actions as are necessary to ensure that the damaged or destroyed portions of the improvements remaining on the Property shall be left in a safe condition.

B. Provided this Lease is not terminated and is otherwise in full force and effect, Lessee shall proceed diligently to restore the Property to substantially its condition prior to the occurrence of the damage, subject to any delay due to reasons beyond Lessee's control.



C. During the period when Lessee shall be deprived of possession of the Property by reason of such damage of the Property is, in Landlord's judgment, rendered untenable, Lessee's obligation to pay rent shall abate in proportion to the area of the Property not usable.

25. Assignment and Subletting.

A. Lessee shall not, without Landlord's prior written consent, (i) assign, convey, mortgage, pledge, encumber or otherwise transfer, (whether voluntarily or otherwise) this Lease or any interest under it; (ii) allow any transfer of or any lien upon Lessee's interest by operation of law; (iii) sublet the Property or any part thereof; or (iv) permit the use or occupancy of the Property or any part thereof by anyone other than Lessee and its employees.

B. Lessee's request for consent to any sublet or assignment shall be in writing and shall contain the name, address, and description of the business of the proposed assignee or subtenant, its most recent financial statement and other evidence of financial responsibility, its intended use of the Property, and the terms and conditions of the proposed assignment or subletting.

C. For purposes of this Section 25, any transfer or change in control of Lessee by operation of law or otherwise shall be deemed an assignment hereunder, including, without limitation, any merger, consolidation, dissolution or any change in more than 30% of the interests of Lessee, whether in a single transaction or a series of related transactions.

D. If, with the consent of the Landlord, this Lease is assigned or if the Property or any part thereof is sublet or occupied by anybody other than Lessee, Landlord may, after default by Lessee, collect rent from the assignee, subtenant, or occupant, and apply the net amount collected to the rent to be paid by Lessee hereunder. If Landlord consents to any such subletting or assignment, it shall nevertheless be a condition to the effectiveness thereof that a fully executed copy of the sublease or assignment be furnished to Landlord and that any assignee assumes in writing all obligations of Lessee hereunder. No consent to any assignment, subletting or occupancy shall be deemed a waiver of any of Lessee's covenants contained in this Lease nor the acceptance of the assignee, subtenant or occupant as Lessee, nor a release of lessee from further performance of any covenants and obligations under this Lease, unless otherwise agreed to by Landlord.

E. Any consent given by Landlord to an assignment or subletting of this Lease shall not constitute a waiver of the necessity of such consent to any subsequent assignment or subletting.

F. Should Landlord consent to an assignment or sublease of the Property, all rent received by Lessee from its subtenants in excess of the rent payable by Lessee to Landlord under this Lease shall be paid to Landlord, and all sums to be paid by an assignee to Lessee in consideration of the assignment of this Lease shall be paid to Landlord, unless otherwise agreed to in writing by Landlord.

G. If Lessee requests Landlord to consent to a proposed assignment or subletting, Lessee shall pay to Landlord, whether or not consent is ultimately given, Landlord's reasonable attorneys' fees incurred in connection with each such request.

26. Condition of Premises. Landlord represents that, to the best of its knowledge, there are no existing hazardous substances located upon the Property. Lessee agrees to accept the Property, including the land and the buildings and improvements thereon, in an "as is" and in its present condition. No promise of Landlord to alter, remodel, repair or improve the Property, or any of the buildings or improvements located thereon, and no representation respecting the condition of the Property or the buildings or improvements thereon, have been made by Landlord to Lessee, other than as is specifically set forth in this Lease or in a specific work letter agreement signed by Landlord and Lessee.

Except with respect to a termination resulting from damage or destruction, which shall be governed by Section 24, at the termination of this Lease, Lessee shall return and surrender the Property in as good condition as when Lessee took possession, ordinary wear and tear and loss by fire or other casualty not caused by the negligence of Lessee or its agents, contractors or employees excepted. If Lessee fails to comply with the previous sentence, Landlord may restore the Property to the condition the Property was in when Lessee took possession, and Lessee shall pay the cost thereof on demand.

27. Eminent Domain. In the event that title to the entire Property shall be lawfully condemned or taken in any manner for any public or quasi-public use or conveyed in lieu of condemnation, this Lease shall automatically terminate as of the date possession is required to be delivered to the condemnor. In the event that only a portion of the Property is taken and the Property is thereby rendered unsuitable for the conduct of Lessee's business, either party may terminate this Lease as of the date when possession of the portion of the Property so taken is delivered to the condemning authority. In the event of any taking, Landlord shall be entitled to receive the entire amount of any award relating to the Property, including all real property improvements thereon, and Lessee shall be entitled to an award to recover damages resulting from the taking of its Personal Property, if any, diminution in value of its operation, leasehold value and for Lessee's moving expenses and Lessee's business interruption, if any. Notwithstanding the foregoing, Landlord agrees that it shall not acquire Lessee's leasehold interest by eminent domain during the term of this Lease.

28. Waivers. The waiver by either party of any breach of any term, condition, or provision herein contained shall not be deemed to be a waiver of such term, condition, or provision herein contained.

29. Termination.

A. In the event that Lessee shall be in default of the payment of rent or any other amount due and owing under this Lease for a period of ten (10) days following written notice of such default from Landlord, or if Lessee shall fail or neglect to do or perform or observe any of the other covenants or agreements contained in this Lease on its part to be kept or

performed, and such failure and neglect shall continue for a period of not less than thirty (30) days after Landlord has notified Lessee in writing of Lessee's default, and Lessee has failed to correct such default within said ten (10) day or thirty (30) day period, whichever is applicable, then Landlord may terminate this Lease.

B. In the event Landlord is in default of any of its covenants or agreements contained in this Lease, and such failure and neglect shall continue for a period of not less than thirty (30) days after Lessee has notified Landlord in writing of Landlord's default, and Landlord has failed to correct such default within said thirty (30) day period, then Lessee may terminate this Lease.

C. Upon expiration or within thirty (30) days after earlier termination or mutual cancellation of this Lease, Lessee shall turn over to Landlord the Property in good and serviceable condition, damage by the elements and ordinary wear and tear excepted. If Lessee fails to surrender the Property within said thirty (30) days period, then Landlord may lawfully at its option, immediately or at any time thereafter, without demand or notice, enter into and upon the Property and in the name of the whole, repossess the same of its former estate, and expel Lessee, and those claiming by, through, or under Lessee, and remove their effects, if any, without prejudice to any remedy which otherwise might be used, for arrears, or rent, or other preceding breach of covenant. If Lessee fails to surrender the Property to Landlord as required by this Section, Lessee shall hold Landlord harmless for all damages resulting from Lessee's failure to surrender the Property.

D. If Lessee, with Landlord's express consent, remains in possession of the Property after the expiration or earlier termination of the term (including the initial term and any extended term), or after the date in any notice given by Landlord to Lessee terminating this Lease, such possession by Lessee shall be deemed to be a month-to-month tenancy terminable on 30 days' notice given at any time by either party. During such month-to-month tenancy, the rent required to be paid hereunder shall be increased by 50% over the rent of the last month prior to the expiration or earlier termination of the Lease, or such other amount as mutually agreed upon by the parties. Lessee shall pay such rent and all other sums required to be paid hereunder monthly on or before the first day of each month. All other provisions of this Lease except those pertaining to the term shall apply to the month-to-month tenancy.

E. No expiration or termination of this Lease (except as expressly provided herein) and no repossession of the Property or any part thereof shall relieve Lessee of its liabilities and obligations hereunder, all of which shall survive such expiration, termination or repossession, and Landlord may, at its option, sue for and collect all rent and other charges due hereunder at any time as when such charges accrue. In the event Landlord commences any suit for the repossession of the Property, for the recovery of rent or any other amount due under the provisions of this Lease, or because of the breach of any other covenant herein contained on the part of the Lessee to be kept or performed, and a breach shall be established, Lessee shall pay to Landlord reasonable expenses incurred in connection therewith, including reasonable attorneys' fees.

30. Estoppel Certificate by Lessee. After the commencement of this Lease, Lessee shall, upon request by Landlord, execute and deliver to Landlord within five (5) business days of such request, a written certification in recordable form: (a) ratifying this Lease; (b) setting forth the commencement date and expiration date; (c) certifying that Lessee is in occupancy of the Property; (d) certifying that this Lease is in full force and effect; (e) certifying that all conditions under this Lease to be performed by Landlord have been completed, or specifying the reasons if such is not the case; (f) certifying that there are no defenses or offsets against the enforcement of this Lease by Landlord; and (g) certifying any additional information that Landlord may reasonably request. Such certification shall be executed and delivered by Lessee as may from time to time be requested by Landlord, and shall entitle Landlord's mortgage lenders and/or purchasers to rely upon same. Lessee hereby appoints Landlord as Lessee's attorney-in-fact to execute any such estoppel certificate in the event Lessee does not execute and return such certificate within the time period set forth above.

31. Successors and Assigns. The terms, conditions, and provisions herein contained shall, subject to the provisions as to assignments, apply to and bind the heirs, successors, administrators, executors, and assigns of all the parties hereto.

32. Notices. All notices, demands, requests, consents, or approvals which may or are required to be given by either party to the other shall be in writing and shall be deemed given when sent by United States First-Class Mail, postage prepaid, or by reputable overnight delivery service or personal delivery (a) if for Lessee, addressed to Lessee at the Property, or at such other place as Lessee may from time to time designate by notice to Landlord; or (b) if for Landlord, addressed to the City of El Paso de Robles, 1000 Spring Street, Paso Robles, CA 93446, Attn: City Manager, or at such other place as Landlord may from time to time designate by notice to Lessee. All consents and approvals provided for herein must be in writing to be valid. If the term "Lessee" as used in this Lease refers to more than one person, any notice, consent, approval, request, bill, demand or statement given as aforesaid to any one of such persons shall be deemed to have been duly given to Lessee.

33. Brokerage. Lessee represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, and Lessee agrees to defend with counsel acceptable to Landlord, indemnify and hold Landlord harmless from and against and all claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Lessee with regarding to this leasing transaction. The provisions of this subsection shall survive the termination of this Lease.

34. Employment and Local Contracting.

A. Lessee hereby agrees to use its best efforts to hire qualified Paso Robles residents for any new positions created on the Property. Lessee shall, by December 1 of each year, submit to Landlord a list of the names and city of residence of its employees and officers, and shall periodically provide information to Landlord regarding its work force.

B. Lessee hereby agrees to use its best efforts to contract with Paso Robles businesses for services and/or products, as necessary.

C. Landlord acknowledges that the Lessee has the ultimate right to choose its employees and contractors.

35. Miscellaneous.

A. The section headings of this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease.

B. If any of the provisions of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision or provisions to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

C. Neither party has made any representations or covenants, except as contained herein, or in some further writing signed by the party making such representation or promise. All prior communications or understandings, oral or written, between Landlord and Lessee are superseded by this Lease and this Lease contains the entire agreement between the parties hereto with respect to the subject matter of this Lease, and shall not be amended, modified or supplemented unless by agreement in writing, signed by both parties.

D. Lessee shall look solely to the Property and rents derived therefrom for enforcement of any obligations hereunder or by law assumed or enforceable against Landlord, and no other property or other assets of Landlord shall be subjected to levy, execution or other enforcement procedure for the satisfaction of Lessee's remedies or with respect to this Lease, the relationship of Landlord and Lessee hereunder or Lessee's use and occupancy of the Property.

E. This Lease may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same instrument.

F. Time is of the essence of every provision of this Lease.

G. A memorandum of this Lease shall be recorded.

IN WITNESS WHEREOF, the parties have hereto executed this agreement in duplicate on the day and year first above written.

**LANDLORD:**

CITY OF EL PASO DE ROBLES

\_\_\_\_\_  
James L. App  
City Manager

APPROVED AS TO FORM:

\_\_\_\_\_  
Iris P. Yang  
City Attorney

ATTEST:

\_\_\_\_\_  
City Clerk

**LESSEE:**

\_\_\_\_\_

\_\_\_\_\_

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

[To Be Inserted.]

EXHIBIT B

MAP OF THE PROPERTY

[To Be Inserted.]