File ID: 2026-00759 7/21/2026

Old Sacramento Waterfront State Lands Commission General Lease-Public Agency Use

File ID: 2026-00759

Location: Old Sacramento Waterfront, District 4

Recommendation: Adopt a **Resolution** authorizing the City Manager or designee to: 1) execute a lease agreement with the California State Lands Commission for City's lease of tide and submerged land in the Sacramento River between J Street and Capitol Mall for a 35-year term; and 2) terminate City Agreement 86013 between the City of Sacramento and California State Lands Commission.

Contact: Ellen Sullivan, Senior Development Project Manager, (916) 808-5758, eesullivan@cityofsacramento.org, Economic Development Department; Dustin Hollingsworth, Assistant Director, (916) 808-5538, djhollingsworth@cityofsacramento.org, Department of Convention and Cultural Services

Presenter: None

Attachments:
1-Description/Analysis
2-Waterfront Reinvestment Program Overall Project Site Plan
3-Resolution
4-Exhibit A General Lease-Public Agency Use
5-Quitclaim Termination of Master Lease
6-State Lands Commission Staff Report June 23, 2026

Description/Analysis

Issue Detail: On July 1, 1986, the City Council approved City Agreement 86013, a General Lease Public Agency Use (Master Lease) between the City of Sacramento (City) and State Lands Commission (SLC) for an area covering a portion of the Sacramento River in Old Sacramento between the I Street Bridge and Tower Bridge. The Master Lease has a 49-year term and expires on June 30, 2035. The lease has been amended three times to adjust the rent, the due date of annual reports, the expiration date of the Lease, and the language on assigning or subletting.
The City has subleases with several businesses that manage and operate tourist related services within the Master Lease area. The sublessees operate businesses that include waterfront dining,

tour boats, and the permanently moored Delta King hotel and restaurant.

On November 19, 2024, City Council approved a Resolution #2024-0339 directing staff to proceed with implementation of the Waterfront Reinvestment Program. Phase 1 identified six key tourism improvements as essential capital investments for Old Sacramento: the Public Market Buildings, the Waterfront Site Redevelopment Opportunity, Boardwalk Replacement, K Street Barge Hull Repair, River Docks and Native American-Themed Children's Play Area (Attachment 2). Phase 2 of the Waterfront Reinvestment Program involved continued redevelopment of City property on Front Street, including the full buildout of the Public Market Buildings. The approximate cost of the Phase 1 projects was $25 million to be paid by the issuance of bonds, secured by future Transient Occupancy Tax (TOT) revenues. Phase 2, was estimated to be an additional $15 million, paid by a second issuance of TOT bonds. After receiving Council direction, staff began working on the projects but encountered some significant challenges.

The Waterfront Site Redevelopment Opportunity, K Street Barge Hull Repair, and River Docks projects all fall within the boundary of the SLC leased area. The current Master Lease between the City and SLC expires June 30, 2035. With fewer than 10 years remaining in the lease term and a standard life for municipal bonds of 30-years there was not sufficient time left on the lease to cover the bonds. Staff was advised that bonding for waterside projects could not occur until a new lease with longer terms was secured. In August of 2025, the City submitted a request to terminate the existing lease and to simultaneously reissue a new lease.

On December 2, 2025, City Council approved a reimbursement resolution (R2025-0330) to allow reimbursement of Waterfront Project expenses from the future TOT bond issuance and directed staff to rephase the Waterfront Reinvestment Program with a focus on landside projects (Public Markets, Boardwalks, Children's Play Area) while the lease with SLC was being reissued..
City staff worked closely with SLC on developing a new lease based on the City's planned investment and rehabilitation of the waterfront and were able to come to agreement in June. On June 23, 2026, the State Lands Commission approved the issuance of a new General Lease - Public Agency Use (General Lease) with a 35-year term. The new General Lease will allow the City to secure TOT bond funding for both land and waterside projects as directed by Council, permit the existing businesses to continue to operate, and will provide the City greater flexibility in securing new tenants.

Policy Considerations: City Code Chapter 3.56 provides that City Council approval is required to enter into agreements over $250,000. The General Lease term of base rent is $867,755 over the 35-year term and the lease estimates $24,320 in reimbursement costs to SLC totaling $892,075, therefore, City Council approval is required.

Approval of the General Lease will further the visions, goals, and objectives of the 2035 General Plan, the 2003 Sacramento Riverfront Master Plan as approved by the cities of Sacramento and West Sacramento, and the Sacramento riverfront priorities set out by the Mayor and City Council.

Further, the General Lease will ensure the long-term vibrancy and control of the City's riverfront, a supporting asset that will aid the economic development efforts of the City, other civic organizations, and the private sector.

Economic Impacts: A vibrant Sacramento waterfront destination can have a significant, beneficial impact on Sacramento's ability to 1) capture increased sales and transient occupancy tax revenues from new waterfront business, 2) encourage visitors' choice of Sacramento as a leisure and convention destination, 3) market the region to new business relocations, and workforce attraction and retention, and 4) allow the City to continue public serving riverfront operations.

Further, the economic benefits of the General Lease will accrue to the entire Sacramento economy, but a concentrated benefit will also occur in the Old Sacramento Waterfront. An active and dynamic riverfront will increase visitor spending and demand, expand business revenue, and create new jobs, allowing for investment building infrastructure, new and improved businesses, amenities for residents, and serving as a catalyst for additional private infill development within an Opportunity Zone. The project will also support the underserved populations that have businesses within Old Sacramento by increasing visitation and activity in the area. The diverse businesses in Old Sacramento support businesses in other areas of the City by serving as the gateway and encouraging visitors to explore the larger City and its offerings.

Environmental Considerations: Pursuant to the California Environmental Quality Act (CEQA) the termination of the Master Lease and issuance of a General Lease for the Old Sacramento Waterfront with State Land Commission is exempt from CEQA pursuant to CEQA Guidelines Sections 15301 (Existing Facilities). The action consists of the operation, repair, maintenance, permitting, leasing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use.

Sustainability: Not Applicable.

Commission/Committee Action: Not Applicable.

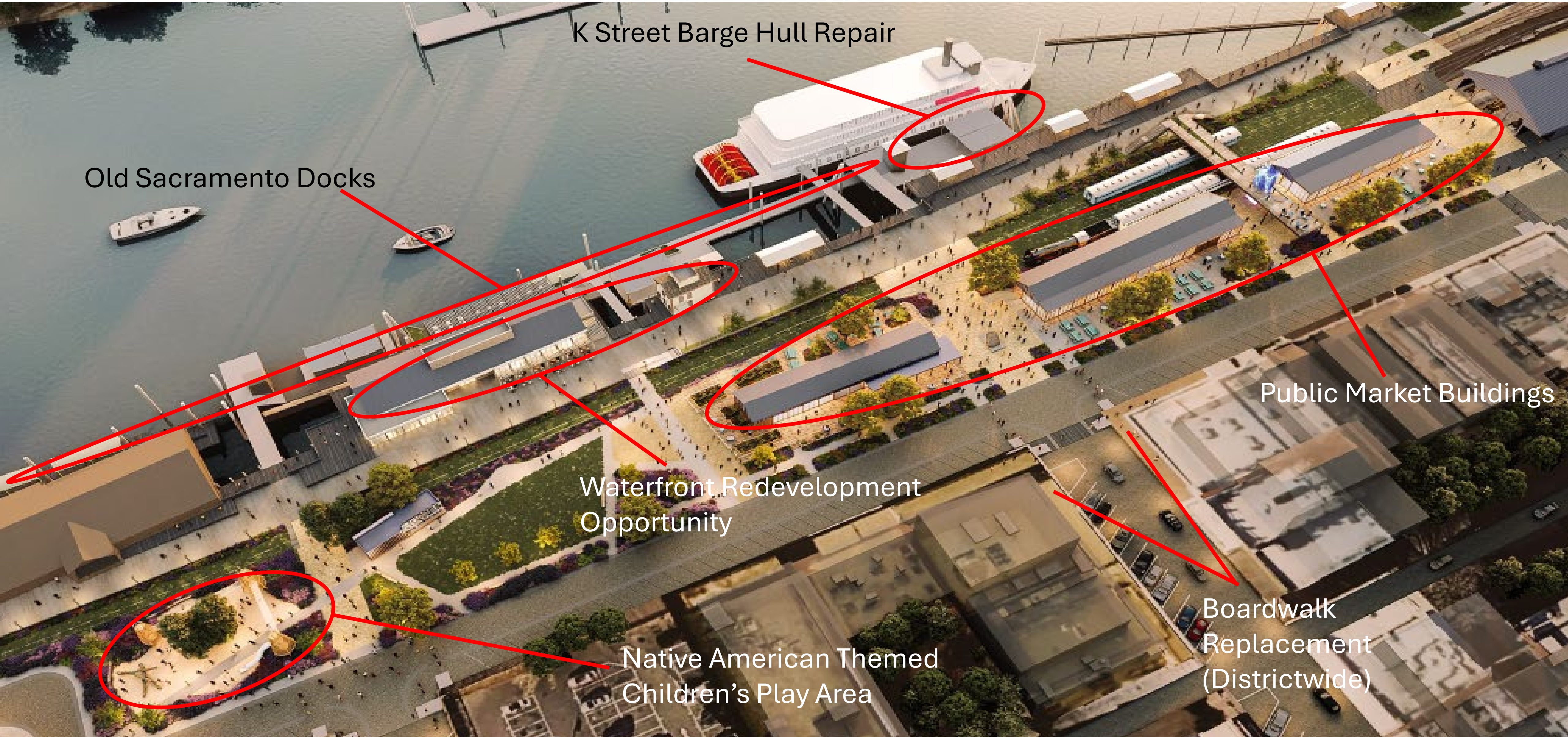
Rationale for Recommendation: As one of seven National Historic Landmark Districts in California, the Old Sacramento Waterfront is the most historically significant attraction in Sacramento. It attracts over 4 million visitors a year and contributes to the almost 1 million annual overnight hotel stays within the City. However, it has not reached its potential as a tourism visitor attraction or marketing asset. The approval of the General Lease will ensure the City is able to secure TOT bond funding. Additionally, the General Lease allows the City to maintain control over the historic riverfront, which acts as a destination for locals, business and leisure visitors and will continue to provide a unique asset for marketing and Sacramento region.

Financial Considerations: The current Master Lease requires the City pay SLC 20% of all income from subleases and license agreements in the leased area annually. In Fiscal Year 2025, the City paid SLC $109,647 and over the previous five-year period (between FY21 and FY25), the City received over $3,200,000 in rental income and made over $650,000 in payments to SLC, resulting in approximately $2,550,000 of income for the City. The new General Lease proposes a flat rate annual rent of $24,793 with an annual CPI adjustment and allows the State to modify the rental structure at ten-year intervals during the term of the lease. At the new annual rate, the City would be required to pay SLC $123,965 over five years, which could result in a significant increase in revenue for the City.

The new General Lease requires the City to retain an engineer who must create an inspection workplan for the facilities within the lease area within one year of the execution of the lease. The workplan will provide a timeline of inspections which must be completed within three years of the execution of the lease. The inspections may identify deficiencies or repairs that SLC may require the City to rectify at the City's expense. Sufficient funding exists in the Old Sacramento Revitalization and Improvement Project (C15002100) for the engineer and associated workplan. A funding source has not been identified for the future repairs.

Local Business Enterprise (LBE): Not applicable.

Waterfront Reinvestment Program



RESOLUTION NO. 2026-____

Adopted by the Sacramento City Council

__________, 2026

Lease of Real Property from the California State Lands Commission

BACKGROUND

A. On July 1, 1986, the City Council approved City Agreement 86013 (the "Master Lease") between the City of Sacramento ("City") and California State Lands Commission ("SLC") for the submerged and tide lands in the Sacramento River adjacent to Old Sacramento between the I Street Bridge and Tower Bridge. The Master Lease expires on June 30, 2035.

B. In August of 2025, the City submitted a request to SLC to terminate the Master Lease and to simultaneously reissue a new lease to facilitate the City's Waterfront Reinvestment Program.

C. On June 23, 2026, the SLC approved the issuance of a new lease agreement with a 35-year term.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Manager or designee is hereby authorized to execute the lease agreement, attached hereto as **Exhibit A**, with the SLC for tide and submerged land in the Sacramento River between J Street and Capitol Mall.

Section 2. The City Manager or designee is hereby authorized to terminate City Agreement No. 86013 and execute any associated quitclaim deed.

Exhibit A: General Lease – Public Agency Use

RECORDED AT THE REQUEST OF
AND WHEN RECORDED MAIL TO:
STATE OF CALIFORNIA
California State Lands Commission
Attn: Land Management Division
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

STATE OF CALIFORNIA
OFFICIAL BUSINESS
Document entitled to free recordation pursuant to Government Code Section 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

A.P.N.: 006-0136-025, 006-0075-003
County: Sacramento

A5147

LEASE 7001

This Lease consists of this summary and the following attached and incorporated parts:

Section 1	Basic Provisions
Section 2	Special Provisions Amending or Supplementing Section 1 or 3
Section 3	General Provisions
Exhibit A	Land Description
Exhibit B	Site and Location Map
Exhibit C	Best Management Practices for Berth Holders and Boaters

SECTION 1: BASIC PROVISIONS

THE STATE OF CALIFORNIA, hereinafter referred to as Lessor acting by and through the **CALIFORNIA STATE LANDS COMMISSION** (100 Howe Avenue, Suite 100-South, Sacramento, California 95825-8202), pursuant to Division 6 of the Public Resources Code and Title 2, Division 3 of the California Code of Regulations, and for consideration specified in this Lease, does hereby lease, demise, and let to the **CITY OF SACRAMENTO**, hereinafter referred to as Lessee, those certain lands described in Exhibit A hereinafter referred to as Lease Premises, subject to the reservations, terms, covenants, and conditions of this Lease.

MAILING ADDRESS:
City of Sacramento
Attn. Ellen Sullivan
915 I Street
3rd Floor, New City Hall
Sacramento, CA 95814

LEASE TYPE:
General Lease – Public Agency Use

LAND TYPE:
Sovereign

LOCATION:
Sacramento River, between J Street and Capitol Mall, Sacramento, Sacramento County as described in Exhibit A attached and by this reference made a part hereof.

LAND USE OR PURPOSE:
Operation and use of existing docks, walkways, access ramps, barges, floating vessels and any other structure necessary or appurtenant to the development of the lease premises and for the mooring of vessels and other approved commercial activity consistent with the Public Trust.

TERM:
35 years; beginning July 1, 2026; ending June 30, 2061, unless sooner terminated as provided under this Lease.

CONSIDERATION:
$24,793 per year, with an annual Consumer Price Index (CPI) adjustment, and subject to modification at 10-year intervals by Lessor as provided for in Section 2, Paragraph 1(A) and (B) – Special Provisions, and Section 3, Paragraph 2 – General Provisions. Lessee may elect to prepay this amount for the entire term, or any portion thereof, at any time during the term.

AUTHORIZED IMPROVEMENTS:

X___ **EXISTING:** Docks, walkways, access ramps, moorings, barges, floating vessels, slope protection, and commercial improvements, as authorized herein.

N/A__ **TO BE CONSTRUCTED**

CONSTRUCTION MUST BEGIN BY: N/A

CONSTRUCTION MUST BE COMPLETED BY: N/A

LIABILITY INSURANCE:
Self-insurance or third-party liability insurance coverage in an amount no less than $2,000,000 per occurrence.

SURETY BOND OR OTHER SECURITY:
$0

SECTION 2: SPECIAL PROVISIONS

BEFORE THE EXECUTION OF THIS LEASE, ITS PROVISIONS ARE AMENDED, REVISED, OR SUPPLEMENTED AS FOLLOWS:

1. **CONSIDERATION:**

   A. **Adjusted Annual Rent:** Rent shall be adjusted annually as provided in Paragraph 2.6 of Section 3. However, if the projected adjustment results in a lower rent amount than the prior year's rental amount, no adjustment shall be made or considered until the next rent review period occurs.

   B. **Rent Reviews:** Section 3, Paragraph 2.8, is replaced as follows: In addition, the Lessor may modify the method, amount, or rate of consideration effective on each tenth anniversary of the beginning date of this Lease. Should Lessor fail to exercise such right effective on any tenth anniversary, it may do so effective on any one (1) of the next nine anniversaries following such tenth anniversary, without prejudice to its right to affect such modification on the next or any succeeding tenth anniversary of the beginning date. No such modification shall become effective unless Lessee is given at least sixty (60) days' notice prior to the date of the Commission meeting wherein the rent modification is considered, or thirty (30) days' notice prior to the effective date of the increase, whichever provides a greater notice period.

2. **ASSIGNMENT, ENCUMBRANCE, OR SUBLET:**

   Paragraph 12.1 of Section 3, General Provisions is hereby amended to add the following:

   Notwithstanding the rest of this paragraph 12.1, the parties agree as follows:

   A. Lessor acknowledges Lessee's intent to sublet all or part of the Lease

Parcel to private parties or entities, provided that uses permitted under any sublet shall be consistent with and controlled by this Lease and the Public Trust for commerce, navigation, and fishing.

B. Lessee will secure Lessor's written approval of any and all subleases for a term greater than ten (10) years, such approval shall not be unreasonably withheld. Lessee may enter into subleases (including licenses) with a term of ten (10) years or less without Lessor's written approval. Lessee shall provide written notice and an electronic copy of any proposed short-term sublease or license to Lessor at least thirty (30) days before the sublease takes effect. Lessee may enter into a sublease (including a license) with an initial term of ten (10) years or less without Lessor's approval, even if such sublease includes one or more extension or renewal options that, if exercised, would extend the term beyond ten (10) years; provided, however, that Lessee shall obtain Lessor's prior written approval before exercising any such extension or renewal option. An exercised extension or renewal option beyond the sublease's initial 10-year term would require Commission authorization and submission of a new lease application for endorsement of a sublease.

C. Lessee shall secure the Lessor's written approval prior to the placement by a sublessee of any improvement within or on the Lease Parcel. For purposes of this paragraph, improvement means any permanent, fixed, or structural construction or installation that materially alters the physical condition of the Lease Parcel, including buildings and structural additions. Notwithstanding the foregoing, improvements shall not include (i) ordinary maintenance and repairs; (ii) non-structural alterations; (iii) interior tenant improvements or buildouts consistent with authorized Lease activity such as restaurant uses; or (iv) trade fixtures, furniture, furnishings, equipment, or other personal property not permanently affixed to the Lease Parcel. Lessor shall make every effort to grant such approval as quickly as possible, and such approval shall not be unreasonably withheld.

D. Upon request, Lessee will provide Lessor with a summary report of all sublessees in the lease area, including, but not limited to, the number of subleases in effect on the date of the report, the number of new subleases since the date of the last report, and the number of subleases terminated since the last report. This activity summary shall include monthly rental rates and assigned location.

E. Lessor retains the right to conduct a Public Trust audit and inspect Lessee's books and records with five (5) days' notice.

F. Lessee may sublet only for Public Trust-consistent uses, such as water-related commerce, navigation, fisheries, recreation, open space, dining, or uses otherwise approved by Lessor. Sublessees use of the lease area must be visitor attracting or enhancing public access.

G. No liveaboards or residential use shall take place on the Lease Premises.

3. DREDGING:

No dredging of any kind shall be conducted under the terms of this Lease without separate authorization from the Lessor.

4. REFUSE CONTAINERS:

Lessee shall provide containers on or immediately adjacent to the Lease Premises to receive trash, refuse, and recyclables generated aboard vessels using Lessee's docking or launching facilities. Refuse and recycle containers shall be located so as to be conveniently used by occupants of vessels using Lessee's facilities and shall be of sufficient size and number to contain the refuse generated aboard all vessels using Lessee's facilities. The containers shall be covered and emptied regularly enough to prevent them from overflowing or creating unhealthful, unsightly or unsanitary conditions. The contents of the containers shall be disposed of by Lessee at authorized landfills or other garbage and recycle reception areas as provided under law applicable at the time of collection.

5. PLASTICS:

Lessee shall include and incorporate the following provisions into all operating agreements/licenses/berth rental agreements/subleases entered into after the Effective Date of this Lease:

A. Lessee shall not provide for sale, or allow other parties to provide, any prepared food in polystyrene foam containers or packaging, nor shall Operator, or other parties, keep on the Lease Premises any polystyrene foam containers or packaging of a type, design and condition appropriate to the preparation of food for consumption on or off the Lease Premises.

B. All packaging for prepared food that is consumed on or off the Lease Premises, or for takeout service, shall be degradable. Lessee shall provide, upon demand, copies of paid invoices that verify the purchase of degradable containers in quantities sufficient to validate Lessee's compliance with this provision.

C. For purposes of this Lease, the following definitions are applicable.

1. "Prepared food" means foods or beverages which are prepared on the lease premises by cooking, chopping, slicing, mixing, freezing or squeezing, and which require no further preparation to be consumed.

2. "Food packaging" means all bags, sacks, wrapping, containers, bowls, plates, trays, cartons, cups, straws and lids which are not intended for reuse on or in which any foods or beverages are placed or packaged on the Lease Premises.

3. "Takeout food" means prepared foods or beverages requiring no preparation to be consumed and which are purchased in order to be consumed off the Lease Premises.

4. "Polystyrene foam" means any styrene or vinyl chloride polymer that is blown into a foam-like material, an example of which is commonly known as "Styrofoam".

5. "Degradable food packaging" means food packaging which within two years substantially reduces to its constituent substances through degradation processes initiated by natural organisms whose end products are substantially, but not necessarily entirely, carbon dioxide and water. Degradable food packaging does not include cellulose-based items that have a synthetic or plastic coating comprising more than 5% of the total volume of the item.

D. The above conditions shall be in effect until such time as the State Lands Commission adopts regulations and/or policies on the subject of plastic pollution. To the extent that such policies or regulations differ from the foregoing provisions and definitions, the parties hereby agree that the Lease will be amended to incorporate the policies adopted by the State Lands Commission and that implementation will begin after an adoption period of not less than 90 days after notice is provided to the Lessee.

6. SPILL PREVENTION CONTROL AND CONTINGENCY PLAN:

Annually, Lessee shall provide Lessor with a spill prevention control and contingency plan satisfying requirements of the California Office of Spill Prevention and Response and any other state, federal or local agency having jurisdiction over the facility.

7. PETROLEUM PRODUCTS HANDLING:

The draining or dumping of petroleum products on the Lease Premises is strictly prohibited. Lessee shall post notices and provide active enforcement against the draining or dumping of petroleum products, on the Lease Premises.

8. BEST MANAGEMENT PRACTICES:

Lessee agrees to implement the "Best Management Practices for Guest Dock Users and Boaters" attached as Exhibit C and by reference made a part hereof, including additional Best Management Practices (BMPs), Lessor subsequently deems appropriate. Lessee shall post the BMPs for "Guest Dock Users and Boaters", which are applicable to the Lease Premises, in prominent places within the Lease Premises. For purposes of this Lease, the definition of "marina", as referred to in the BMPs, is a boat basin that has docks, moorings, boat launching ramps, and/or other facilities for marine vessels.

Lessee shall include and incorporate the following provisions, to the degree they are applicable based on services provided by Lessee, into all operating agreements/licenses/berth rental agreements entered into after the Effective Date of this Lease:

A. A provision which requires that berth holders maintain their boats in a safe operating condition, including suitable restrictions on maintenance activities performed at the marina by berth holders, such as express prohibitions against any bottom paint application or removal and engine and hull washing;

B. A provision which requires that boat engines shall be in compliance with all applicable pollution control measures and that berth holders shall exercise their best efforts to reduce air and water pollution;

C. A provision which incorporates the BMPs for Berth Holders and Boaters as contained in **Exhibit C** to this Lease, and an acknowledgment by berth holders that the BMPs may be amended from time to time by Lessor. In addition, Lessee shall encourage its sublessees/tenants to follow the

BMPs for Berth Holders and Boaters by posting it in a prominent place within the Lease Premises.

9. The land described in Exhibit A of the Lease is subject to the Public Trust and is presently available to members of the public for recreation, waterborne commerce, navigation, fisheries, open space, or other recognized Public Trust uses and that Lessee's authorized activities and use of the Lease Premises shall not interfere with or limit the Public Trust rights of the public. Nothing in this Lease shall be construed to limit or restrict Lessee's exercise of its governmental or police powers.

10. Lessee shall not add, or allow the placement by any other party, any permanent improvements on the Lease Premises without the prior express written consent of Lessor. Lessee shall immediately remove, or cause to be immediately removed, any unauthorized improvement at no cost to Lessor in accordance with the provisions of this Lease and all appropriate legal and regulatory requirements.

11. No refueling or maintenance of vehicles, equipment, or watercraft shall take place within the Lease Premises. Notwithstanding the foregoing, a permanently moored vessel may undergo maintenance within the Lease Premises. Except as otherwise provided for by this Section 2, all major repairs, substantial modifications, additions or abandonment/removal, or activities that require shutdown and recommencement of operations of permanently moored vessels within the Lease Premises shall require prior review and approval by Lessor. This requirement does not apply to routine maintenance and repairs within the Lease Premises. Except as otherwise provided for by this Section 2, all major structural modifications, additions, or abandonment/removal of the improvements within the Lease Premises shall require prior review and approval by Lessor. This requirement does not apply to routine maintenance and upkeep of the Lease Premises. In the event of an urgent repair requiring immediate action, notification shall be made through Lessor's 24-hour emergency response number at (562) 590-5201.

12. REIMBURSEMENT OF STAFF EXPENSES:

A. REIMBURSEMENT OBLIGATION: Lessee shall reimburse any and all reasonable expenses incurred by Lessor or its staff in managing the Lease. This does not create an obligation for Lessor to perform any specific work or provide any specific services. Lessor assumes no liability for the work contemplated. The parties agree and acknowledge that this does not create an employment or fiduciary relationship. Any work performed by Lessor shall be done within Lessor's duties and obligations as a public agency. Lessor retains ownership of any work product created and retains full discretion to act in the best interests of the State in managing and monitoring this Lease. The reimbursement obligation and its terms are referenced as the Lease Maintenance Agreement (LMA) and described below.

B. The Lessor may modify the duration and estimated amount of the LMA effective on the 12th and 20th anniversary of the beginning date of this Lease. Should Lessor fail to exercise such right effective on the 12th and 20th anniversary, it may do so effective on any one (1) of the next anniversaries following such 12th and 20th anniversary, without prejudice to its right to affect such modification on the next or any succeeding anniversary of the beginning date. No such modification shall become effective unless Lessee is given at least thirty (30) days' notice prior to the date of the Commission meeting, wherein the LMA modification is considered, or sixty (60) days' notice prior to the effective date of the modification, whichever provides a greater notice period.

C. SCOPE OF WORK: Lessor's staff shall perform work required to manage the Lease including, but not limited to, reviewing submittals required by the Lease. Such work includes any staff costs for review of inspection reports, condition assessments, and other submitted documents related to Section 2 lease provisions as applicable to Subsection 13. INSPECTIONS AND REPORTING, and Subsection 11 (major structural modifications, additions, or abandonment/ removal).

D. ESTIMATED REIMBURSEMENT COSTS: The estimated cost for work which falls under the initial 20-year Lease Maintenance Agreement is twenty-four thousand three hundred twenty Dollars ($24,320) ("Estimated Total Cost"). Of this amount, engineering review is $22,320 and land management review is $2,000.

E. EXPENSE DEPOSIT AND BILLINGS: The total costs invoiced, including expense deposits, for the work authorized shall not exceed the Estimated Total Cost unless Lessor provides Lessee notice of such increase outlined below. Staff costs incurred by Lessor for the work described will be billed in arrears on a monthly basis. All payments are due thirty (30) days from the date of the invoice. Lessor reserves the right to demand an expense deposit equal to 10% of the Estimated Total Cost less any funds already paid for the remaining term of the Lease at any time by providing thirty (30) days written notice of such demand.

F. ADDITIONAL COSTS: In the event the actual costs for managing and monitoring compliance of the Lease exceeds the Estimated Total Cost, Lessor will provide written notice to Lessee. Such notice will estimate the additional funds needed for the remaining term. Upon notice, Lessee shall have the option to dispute or accept the increase with all the terms and conditions of the Lease remaining unchanged and in effect. Lessee shall notify Lessor in writing within fifteen (15) business days of receiving notice of the cost increase of any intent to dispute the increase. If Lessee agrees to the revised amount or fails to respond as required herein, Lessee will be deemed to have accepted the increase and the Estimated Total Cost will automatically increase to the amount stated on Lessor's notice of additional costs (Revised Estimated Total Cost).

G. DISPUTES: Any dispute arising under or relating to Lessor's work which is not disposed of by agreement of Lessee and Lessor's staff shall be decided by Lessor's Executive Officer or designee, who shall reduce their decision to writing in regard to the dispute and shall transmit a copy thereof to Lessee within thirty (30) days of notice of the dispute. The decision of the Executive Officer or designee shall be final and conclusive, unless within thirty (30) days from the date of receipt of such copy, Lessee transmits to Lessor a written appeal. Said appeal shall be supported with specificity.

H. In connection with any appeal proceeding under this clause, Lessee shall have an opportunity to be heard before the State Lands Commission within ninety (90) days of the receipt by staff of Lessee's written appeal and to offer evidence in support of its appeal. Pending the final decision of any such dispute, Lessee shall proceed in accordance with the written decision of the Executive Officer or designee, which is the subject of Lessee's appeal including the payment of invoices to Lessor.

I. The procedure described herein shall not prejudice or deny Lessee's remedies at law. However, Lessee agrees to exhaust the procedure described herein before pursuing remedies at law. All amounts paid to Lessor under protest shall be held by Lessor in trust until the dispute is resolved.

J. INVOICING AND PAYMENT: Lessee agrees to reimburse Lessor for all reasonable costs associated with lease management, including but not limited to the work and costs described in the Scope of Work above. Staff costs shall be computed in accordance with Section 8752 of the State Administrative Manual and shall include salaries and wages, related staff benefits, and administrative overhead. Invoices shall be mailed to Lessee at the address identified in Section 1 of this lease, unless otherwise directed in writing by Lessee. Payments shall reference the lease number, Lease 7001, and must be mailed to the following address:

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202
Attention: Accounting

K. NOTICES AND AUTHORITIES: Any notice or other written communications required or permitted may be personally delivered in writing, or may be sent by certified mail, return receipt requested, to the address stated above and shall, based on such delivery or sending, be deemed to have been effectively communicated. Any notice given other than as provided above, shall not be deemed to be effectively communicated until received in writing.

13. INSPECTIONS AND REPORTING:

A. Lessee will retain inspection personnel that satisfy the minimum qualifications in accordance with the 2025 American Society of Civil Engineers “Waterfront Facilities and Inspection Assessment” Manual No. 130 (Manual 130), Section 2.4, or any subsequently published Manual 130 or successor thereto, to complete all inspections required herein. The project manager or team leader (collectively, Engineer-of-Record (EOR)) must be State of California-licensed Civil or Structural Engineers.

B. Within one year of the effective date of this lease, Lessee will retain services for an EOR and in conjunction with the EOR will develop an inspection workplan that will provide a detailed schedule to satisfy the inspections required within this Paragraph 13. The workplan will be subject to Lessor’s approval. The workplan timeline will provide that the initial combined Baseline Inspection and Routine Inspection will be completed within three (3) years of the beginning date of this lease.

C. Upon approval of the workplan, Lessee’s EOR will conduct an initial combined Baseline Inspection and Routine Inspection to a Level III inspection effort for all existing improvements (docks, walkways, access ramps, moorings, barges, floating vessels, slope protection, and any other structure necessary or appurtenant to the development of the lease premises and for the berthing mooring of vessels) within the Lease Premises in accordance with Manual 130, Sections 3.2 and 3.5 within three (3) years of the beginning date of this lease.

I. An initial inspection proposed for less than a Level III inspection effort must be requested, justified, and certified (i.e., signed and sealed or stamped) by Lessee's EOR in writing and must be approved by Lessor's staff prior to commencing the inspection.

II. Utilizing "as-built" drawings if available, the Baseline Inspection will include above- and below-water tactile/visual inspections and note the water depth at all piles and other structures. Overall dimensions, pile plan, and other physical features will be confirmed. The inspection will note any differences or changes between the existing improvements and the "as-built" drawings.

III. If "as-built" drawings are unavailable, incomplete, or inaccurate, Lessee will develop plan and section drawings, prepared and certified by the EOR or other CA-licensed Civil or Structural Engineer, depicting all existing structural members, improvements, and the overall facility based on measurements to be taken at the same time the Baseline Inspection is conducted. Measurements will include thickness, length, width, height, and diameter as appropriate for all structural members including but not limited to the deck and abutment, with the composition and connecting method(s) noted for each.

IV. The initial Routine Inspection will be conducted with sufficient detail to evaluate each improvement's overall condition, to determine if repairs are necessary, and to prioritize maintenance and repairs. The initial Baseline and Routine Inspection's level of detail will be such that component condition, connection and reinforcing details, and strength and ductility characteristics are documented as required for structural analyses. Bathymetric survey results will be necessary to evaluate scour, sediment deposition, or changes in the bottom conditions at the mudline near all piles and other structures and vessel berth or slip areas.

V. Notwithstanding anything to the contrary in this Paragraph 13, the initial combined Baseline Inspection and Routine Inspection obligations shall not apply to any floating vessels operating under a sublease or license with Lessee which predates the effective date of this lease. If a new sublease or license is executed concerning any such floating vessel, an initial Routine Inspection shall be completed on the floating vessel within two (2) years of such execution.

D. Lessee will submit Baseline and Routine Inspection Reports (Inspection Reports) in accordance with Manual 130, Chapter 5, to Lessor, prepared and certified by the EOR, within 90 days of inspection field work completion. The Inspections Report submittal must include any "as-built" drawings utilized or prepared, note any damage and deficiencies, including drawings and notes documenting element-level damage ratings, and assign overall ratings for each structure. The Inspections Report must also provide a written narrative of all inspection activities conducted, any recommendations for use restrictions, repairs or replacements, and follow-up inspections, and any Recommended Actions.

E. Lessee will conduct subsequent Routine Inspections and submit Routine Inspection Reports (consistent with (C) above) at a frequency and Level as determined by the EOR and in accordance with Manual 130, Section 3.2, for Lessor's staff review. At no point shall these occur less than once every ten (10) years during the Lease term.

F. Within ninety (90) days of all Inspection Report submittals, including the initial Inspections Report and any subsequent Routine Inspection Reports, Lessee will submit a Structural Assessment Report for all improvements and permanently moored barges or vessels, prepared and certified by the EOR or other CA-licensed Civil or Structural Engineer.

I. All Structural Assessment Reports will quantitatively assess the global residual structural integrity (demand-to-capacity) of improvements for all applicable load cases, both operational and non-operational, as determined by the EOR in consultation with the Lessee/facility owner and Sublessee/facility operator, in accordance with the following codes, standards, and publications: 24 January 2017 Unified Facilities Criteria "Design: Piers and Wharves" (UFC 4-152-01); Title 24 California Code of

Regulations (Title 24) §3101F *et seq* (aka Marine Oil Terminal Engineer and Maintenance Standards or MOTEMS); ASCE 61-14: Seismic Design of Piers and Wharves; ASCE 80 Design Standards for Piers and Wharves (upon publication); PIANC Report No. 153 – 2016 Recommendations for the Design and Assessment of Marine Oil and Petrochemical Terminals or any applicable subsequent publications. Existing physical conditions as determined in the Inspection Reports shall be considered in the analyses (e.g., reduced capacities) unless repairs are imminent per the Recommended Action Plan. For operational load cases, Lessee will develop analyses for the allowable or permitted operational uses (demands) of the facility such as vessel and vehicular loads.

II. All Structural Assessment Reports must recommend operational load limits to be enforced at the facility. Lessee will mark the topside deck and place signage at the entrances to the facility to enforce operational load limits, such as marking safe parking and landing areas, speed, and vehicle size and axle limits, and vessel size and approach speed limits.

III. For subsequent Routine Inspections, if there are no significant changes in the defined purpose, operations or condition of the facility, new analyses may not be required and relevant prior Structural Assessment Reports may be referenced, provided written justification is provided and certified by the EOR and approved by Lessor's staff.

IV. If "as-built" structural documentation is available and there are no significant changes in the defined purpose, operations or condition of the facility, new analyses may not be required, provided the structural calculations and written justification are provided and certified by the EOR and approved by Lessor's staff.

G. Within ninety (90) days of all Inspection Report submittals, including the initial Inspections Report and any subsequent Routine Inspection Reports, Lessee will submit a Mooring and Berthing Analyses Report, prepared and certified by the EOR or other CA-licensed Civil or Structural Engineer.

I. All Mooring and Berthing Analyses Reports will quantitatively assess the mooring and berthing integrity (demand-to-capacity) of improvements and for safe vessel operations for all applicable load cases as determined by the EOR in consultation with the

Lessee/facility owner and Sublessee/facility operator, in accordance with the following codes, standards, and publications: 24 January 2017 Unified Facilities Criteria "Design: Piers and Wharves" (UFC 4-152-01); Title 24 California Code of Regulations (Title 24) §3101F *et seq.* (aka Marine Oil Terminal Engineer and Maintenance Standards or MOTEMS); ASCE 80 Design Standards for Piers and Wharves (upon publication); PIANC Report No. 153 – 2016 Recommendations for the Design and Assessment of Marine Oil and Petrochemical Terminals or any applicable subsequent publications. Existing physical conditions as determined in the Inspection Reports shall be considered in the analyses (e.g., reduced capacities) unless repairs are imminent per the Recommended Action Plan. For operational load cases, Lessee will develop analyses for the allowable or permitted operational uses (demands) of the facility for vessel loads.

II. All Mooring and Berthing Analyses Reports must recommend operational load limits to be enforced at the facility. Lessee will mark the topside deck and place signage at the entrances to the facility to enforce operational load limits, such as marking safe vessel parking and landing areas, mooring hardware capacities, and vessel size and approach speed and angle limits.

III. For permanently moored vessels, the Mooring and Berthing Analyses Reports must also substantiate that the mooring system can safely accommodate the most severe combination of environmental loads and limiting conditions, including but not limited to, currents (i.e. maximum ebb and flood currents, annual river runoffs, controlled releases), tide levels (i.e. highest high and lowest low), vessel loading conditions (i.e. ballast and maximum draft at berth), vessel motion limits (i.e. surge, sway, and yaw), and maximum wind velocities for a 30-second gust duration and a 25-year return period, obtained from historical data. Actual vessel and mooring line properties must be substantiated and evaluated.

IV. For subsequent Routine Inspections, if there are no significant changes in the defined purpose, operations or condition of the facility, new analyses may not be required and relevant prior Mooring and Berthing Analyses Reports may be referenced, provided written justification is provided and certified by the EOR and approved by Lessor's staff.

V. If "as-built" mooring and berthing documentation is available and there are no significant changes in the defined purpose, operations or condition of the facility, new analyses may not be required, provided the mooring and berthing calculations and written justification are provided and certified by the EOR and approved by Lessor's staff.

H. Lessee will notify Lessor as soon as possible following a significant damage-causing event, such as an earthquake, severe storm, vessel, or vehicular impact, fire, or any other similar event.

14. The Lease Premises and adjacent upland are located in an area that may be subject to effects of climate change, including sea level rise. To prepare for the potential effects of climate change and sea level rise, including but not limited to, flood damage, erosion damage, tsunamis, and damage from waves and storm-created debris, the Lessee acknowledges and agrees to the following:

a. Hazards associated with climate change and sea level rise may require additional maintenance or protection strategies regarding the Improvements on the Lease Premises.

b. Consistent with Lease Section 3, Paragraph 8, the Lessee assumes the risks associated with such potential hazards and agrees to be solely responsible for all damages, costs, and liabilities arising as a result of the impacts of such hazards on the Lease Premises. Any additional maintenance or protection strategies necessitated by such hazards may require additional approval by Lessor pursuant to Lease Section 3, Paragraph 9 and be subject to environmental review.

15. In the event of any conflict or inconsistency between the terms of Section 2 and Section 3, the terms of Section 2 shall prevail and control.

16. The following paragraphs of Section 3 do not apply to this Lease: 2.7 - 2.12, 3.1 - 3.3, 7.3, the final sentence of 14.1, 14.3, 14.4(B)-(C), the final two sentences of 14.5.

17. Section 3, Paragraphs 4.1-4.4 are replaced with the following: "Lessee shall, upon request from Lessor, provide evidence of self-insurance in an amount of no less than $2,000,000 per occurrence."

18. Section 3, Paragraph 10.1, is amended to include the following sentence: "Nothing in this Lease shall be construed to limit or restrict Lessee's exercise of its governmental or police powers."

19. Section 3, Paragraph 10.2, is amended to include the following sentence: "Nothing in this Lease shall be construed to limit or restrict Lessee's exercise of its governmental or police powers."

20. Notwithstanding anything to the contrary in Section 3, Lessee shall have no obligation to remove, and Lessor may not charge Lessee for removal of, any improvements upon the expiration or termination of the Lease which (i) predate this Lease, (ii) were authorized by Lessor, or (iii) were otherwise placed in accordance with the terms of this Lease.

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Section 3: General Provisions

Paragraph 1: Definitions

"**Applicable Laws**" are all local, state, and federal statutes, regulations, rules, codes (including building codes), ordinances, judgments, orders, notice requirements, and other requirements of governmental authorities pertaining to the use or condition of the Lease Premises and the conduct of Lessee's business thereon in effect as of the date of execution of this Lease or subsequently enacted and lawfully applied hereto.

"**Damages**" are all liabilities, demands, claims, actions, or causes of action whether regulatory, legislative, or judicial in nature; all assessments, levies, losses, fines, penalties, damages, costs, and expenses, including, without limitation: (i) reasonable attorneys', accountants', investigators', and experts' fees and expenses sustained or incurred in connection with the defense or investigation of any such liability, and (ii) costs and expenses incurred to bring the Lease Premises into compliance with Applicable Laws, Environmental Laws, a court order, or applicable provisions of a Regulatory Agency. The term "Damages" also includes those Damages that arise as a result of strict liability, whether arising under Environmental Laws or otherwise.

"**Environmental Laws**" are any and all federal, state, or local environmental, health, or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits, or permit conditions, treaties and conventions, currently existing and as amended, enacted, issued, or adopted in the future that are or become applicable to Lessee, and the Lease Premises with respect to: (a) the protection, preservation, or clean-up of the environment, wildlife, habitat, or natural resources; (b) the use, treatment, storage, transportation, handling, or disposal of Hazardous Materials; (c) the quality of the air and the discharge of airborne wastes, gases, particles, or other emissions; (d) the preservation or protection of waterways, groundwater, or drinking water; or (e) the health and safety of persons or property.

"**Hazardous Materials**" are any chemical, substance, material, controlled substance, object, condition, waste, living organism, or combination thereof that is or may be hazardous to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, mutagenicity, phytotoxicity, infectiousness, or other harmful or potentially harmful properties or effects, including, without limitation, tobacco smoke, petroleum and petroleum products, asbestos, radon, polychlorinated biphenyls (PCBs), and all of those chemicals, substances, materials, controlled substances, objects, conditions, wastes, living organisms, or combinations thereof that are now or become in the future listed, defined, or regulated in any manner by any Environmental Laws based on, directly or indirectly, such properties or effects.

"**Improvements**" are any modification, alteration, addition, or removal of any material and any other action that changes the condition of the Lease Premises from the natural state, whether situated above, on, or under the Lease Premises. Improvements include any construction situated on or placement of material within the Lease Premises regardless of value.

"**Lease**" is this document together with all subsequent amendments and exhibits.

"**Major Repairs**" means any work that requires a permit or approval from other agencies, requires environmental review, or requires rebuilding or replacing any of the authorized Improvement(s).

"**Mineral Resources**" includes timber, crops, sand, oil, gas, hard rock minerals and other mineral deposits as defined in Public Resources Code section 6407.

"**Natural Resources**" are all of the flora and fauna native to both the upland terrestrial, fresh water, coastal and marine ecosystems within, and adjacent to, the lease premises.

"**Public Trust**" means the constitutional, statutory, and common law doctrine providing the state's sovereign authority over the navigable waters of the state, including the tidelands and submerged lands underlying those waters that are held in trust for the benefit of all the people of the state and for purposes that include maritime or water-dependent commerce, navigation, fisheries, the preservation of lands in their natural state for scientific study, open space, wildlife habitat, and water-oriented recreation.

"**Repairs**" means work to maintain the Lease Premises and Improvements thereon in good, safe, and clean condition. Repairs are work that is minor in scope, do not require obtaining permits, approvals, or authorizations from other agencies, such as building permits, and do not require environmental review under State or Federal environmental laws.

Paragraph 2: Rent

2.1. **Absolute Triple Net Lease**. This Lease is an absolute triple net lease, meaning Lessor has no obligation with respect to the payment of taxes, insurance, the cost of maintenance, utilities, repairs, or other costs or obligations associated with the Leased Premises, except as expressly stated herein.

2.2. **Payment of Rent**. Lessee must pay rent annually, on or before each anniversary of this Lease unless this Lease specifies a different rent schedule. The first installment is due on the beginning date of this Lease or within 60 days of Lessor authorizing the Lease at a public meeting, whichever is later. Rent is due each year in advance. Should Lessee submit payments that are less than the full amount of rent due under this Lease, Lessor may provide a supplemental billing invoice. Rent will not be refunded or prorated if Lessee discontinues use of the Lease Premises during the term.

2.3. **Place for Payment**. All payments under this Lease must be submitted to Lessor's principal office as specified in this Lease. Lessee may contact Lessor's accounting staff for Lessor's current practices for payment by credit card or electronic fund transfer.

2.4. **Courtesy Invoices**. Lessor may send courtesy invoices to the address on file for Lessee at least thirty (30) days before a rent payment is due. Lessor's failure to, or delinquency in, providing invoices will neither excuse Lessee from paying rent nor extend the time for paying rent. If Lessor does not send a courtesy invoice, Lessee must submit rent in the amount of the prior year's rent when due and contact Lessor within thirty (30) days to determine the balance due.

2.5. **Penalties and Interest**. Penalties for late payments of any amounts due under this Lease and interest thereon are as provided in Title 2, California Code of Regulations section 1911(b). Timeliness of receipt of remittances shall be as provided in Title 2, California Code of Regulations section 1911(a).

2.6. **Annual Adjustment of Rent**. The rent specified in Section 1 of this Lease will be adjusted annually by the Consumer Price Index as specified in Title 2, California Code of Regulations section 1900(m) & (n) unless otherwise specified in this Lease.

2.7. **Review of Non-Monetary Consideration**. If rent is discounted or waived pursuant to Title 2, California Code of Regulations section 2003(e)(4), Lessor may review such determination at any time and set a monetary rental. Lessee shall be given at least thirty (30) days' notice prior to the date of the Commission meeting wherein the rent modification is considered, or thirty (30) days' notice prior to the effective date that the rent is changed, whichever provides more notice.

2.8. **Periodic Rent Review**. Lessor may modify the method, amount, or rate of consideration effective on each tenth anniversary of the beginning date of this Lease, in addition to the last two years of the Lease as provided in Provision 14.4 below. Lessor shall consider the factors provided in Title 2, California Code of Regulations section 2003(d) when determining whether a rent modification is appropriate and which rental method listed in section 2003(a) should apply. Should Lessor fail to exercise such right effective on any tenth anniversary, it may do so on any one (1) of the next nine (9) anniversaries following such tenth anniversary, without prejudice to its right to modify rent on the next or any succeeding tenth anniversary of the beginning date. No such modification shall become effective unless Lessee is given at least thirty (30) days' notice prior to the date of the Commission meeting wherein the rent modification is considered or thirty (30) days' notice prior to the effective date of the increase, whichever provides a greater notice period.

2.9. If Lessor elects to prepare an appraisal to establish a new rent, Lessee may, at its option, also provide a timely independent appraisal at its sole expense for Lessor's review and consideration. Prior to Lessee's contracting for such appraisal, Lessor and Lessee shall negotiate in good faith and agree upon the terms and conditions for such third-party appraisal, including but not limited to the highest and best use, appraisal methodology, and minimum appraiser credentials. Such appraisal shall be prepared in accordance with generally accepted and applicable appraisal standards as they are adopted from time to time by the Appraisal Standards Board of the Appraisal Foundation, and Lessor's Appraisal Guidelines.

2.10. **Books and Records**. Lessee must keep and maintain full and accurate accounting books and records of transactions from the Lease Premises in accordance with generally accepted accounting principles for at least the five (5) prior years. The accounting books and records kept and maintained by Lessee for audit purposes must include all records, receipts, journals, ledgers, and documents reasonably necessary to enable Lessor or its auditors to perform a complete and accurate audit of gross sales and exclusions from gross sales in accordance with generally accepted accounting principles. Lessee must also maintain an original receipt for the payment of taxes, assessments, or installments and deliver such to Lessor upon request.

2.11. **Report of Gross Income**. On Lessor's request, Lessee must submit a Report of Gross Income on a form provided by Lessor for the prior five (5) years. This report together with supporting documentation (hereinafter collectively referred to as "Income Reports") must include all business operations located on or over the Lease Premises. The gross income of sublessees and all others generating income on the Lease Premises must be reported separately and with sufficient organization and detail so that Lessor can identify the source of all gross income generated on the Lease Premises.

2.12. **Audits**. On not less than ten (10) days' prior written notice to Lessee, Lessor may cause an audit to be made of the Income Reports and all of Lessee's records and accounting books necessary (in Lessor's judgment) to audit such items. Lessee will make all such books and records available for the audit at the Lease Premises or at Lessor's offices. If the audit discloses an underpayment of Rent, Lessee will immediately pay to Lessor the amount of the underpayment with "Interest" (as provided in Paragraph 2.5), which will accrue from the date the payment should have been made through and including the date of payment. If the audit discloses an underreporting of rent in excess of two percent (2%) of the reported Gross Income, then Lessee will also immediately pay to Lessor all reasonable costs and expenses incurred in the audit and in collecting the underpayment, including auditing costs and attorney fees. If the audit discloses an overpayment of Rent, Lessee will be entitled to a credit in the amount of the overpayment against the next rent payment(s).

Paragraph 3: Surety

3.1. **Lessee to Obtain Surety**. Lessee shall provide a surety bond or other security device acceptable to Lessor when required by Section 1 of this Lease. Such security shall be for the specified amount, name the State of California, California State Lands Commission, as the assured, and guarantee to Lessor the faithful observance and performance by Lessee of all the terms, covenants, and conditions of this Lease.

3.2. **Lessor's Modification of Surety**. Lessor may require an increase in the amount of the surety bond or other security device to cover any additionally authorized Improvements, any modification of consideration, or to provide for inflation or other increased need for security. The surety bond or other security device may be increased: (i) if any additional Improvements or activities are authorized on the Lease Premises; (ii) if Lessee modifies any existing Improvements such that the cost for removal of such Improvements is increased; (iii) when a periodic rent review is conducted under section 2.8; (iv) on each fifth anniversary of this Lease, (v) Lessor determines it is in the best interest of the state; (v) within the last two years of the Lease. Should Lessor fail to exercise such right effective on any fifth anniversary, it may do so effective on any one of the next four anniversaries without prejudice to its right to modify the surety on the next fifth anniversary or as otherwise provided above. Lessor will provide at least thirty (30) days' notice prior to the date of the Commission meeting wherein the modification of the surety is considered, or thirty (30) days' notice prior to the effective date of the increase.

3.3. **Lessee's Modification of Surety**. Any security device required under this Lease must be maintained at all times during the Lease term. Lessee must first seek approval of Lessor before changing the surety holder or the type of security device used.

Paragraph 4: Insurance

4.1. **Lessee Must Insure Lease Premises**. Lessee must obtain and maintain in full force and effect during the term of this Lease comprehensive general liability insurance and property damage insurance against any and all claims or liability arising out of the ownership, use, occupancy, condition, or maintenance of the Lease Premises and all Improvements. The coverage limit must be no less than the amount specified in Section 1 of this Lease.

4.2. **Insurance Policy Requirements**. The insurance policy must identify the Lease by its assigned number. The coverage provided must be primary and non-contributing. Lessee must keep such policy current. At Lessor's request, Lessee must provide a full copy of the current insurance policy, along with any and all endorsements or other such documents affecting the coverage. Lessor will not be responsible for any premiums or other assessments on the policy.

4.3. **Notice to Lessor**. Lessee shall notify Lessor within five (5) business days if the insurance is canceled for any reason and shall act diligently to replace the insurance. Failure to timely replace the insurance may result in a default of the lease.

4.4. **Modification.** Lessor may require an increase in the amount of the insurance to cover any additionally authorized Improvements, any modification of consideration, or to provide for inflation or other increased need. Insurance coverage may be increased: (i) if any additional Improvements or activities are authorized on the Lease Premises; (ii) if Lessee modifies any existing Improvements or intensity of use; (iii) when a periodic rent review is conducted under section 2.8; (iv) on each fifth anniversary of this Lease; (v) Lessor determines it is in the best interest of the state; (vi)within the last two years of the Lease. Should Lessor fail to exercise such right effective on any fifth anniversary, it may do so effective on any one of the next four anniversaries without prejudice to its right to modify insurance requirements on the next fifth anniversary. Lessor will provide at least thirty (30) days' notice prior to the date of the Commission meeting wherein the modification of insurance is considered, or thirty (30) days' notice prior to the effective date of the increase.

Paragraph 5: Taxes, Assessments, and Fees

5.1. **Revenue and Tax Code Section 107.6 Statement**. Issuance of this Lease creates a possessory interest that may be subject to property taxation. The Lessee may be subject to, and is solely responsible for, any possessory interest taxes levied on the leasehold interest.

5.2. **Lessee to Pay All Taxes, Assessments, and Fees**. In addition to any Rent due under this Lease, Lessee must pay when due all real and personal property taxes imposed on or associated with the Lease Premises during the term of this Lease. This includes, without limitation: possessory interest taxes, assessments, special assessments, user fees, and service charges. If this Lease begins or ends during a tax year, Lessee must pay the taxes, assessments, and fees for the portion of the tax year the Lease was in effect.

5.3. **Reimbursement Agreements**. Lessee must pay in full any amount owed on the Application Reimbursement Agreement within 30 days of invoice.

5.4. **Records of Payments.** Lessee shall keep the official and original receipt for payments required by this paragraph 5 and provide to Lessor upon request.

Paragraph 6: Land Use

6.1. **Only Authorized Uses**. Lessee will use the Lease Premises only for the purposes stated in this Lease. Any additional uses or Improvements require separate authorization from Lessor. Lessee must submit a separate application to Lessor to amend this Lease if Lessee intends to add to or alter the Improvements on, or change the uses of, the Lease Premises.

6.2. **Lessee to Comply with All Applicable Laws**. Lessee, at Lessee's sole expense, will comply with all Applicable Laws. Lessee must give Lessor immediate written notice on Lessee's becoming aware that the use or condition of the Lease Premises is in violation of any Applicable Laws. Lessee must obtain and maintain all permits or other entitlements.

6.3. **Lease Does Not Substitute for Permits**. This Lease does not substitute for or provide preference in obtaining approval from other federal, state, or local agencies. Lessee is solely responsible for determining what approvals, authorizations, or certifications are required, and will be solely responsible for all costs incurred thereby.

6.4. **No Discrimination**. Lessee, in its use of the Lease Premises, must not discriminate against any person or class of persons on any basis protected by federal, state, or local law.

6.5. "**As Is**." Lessee accepts the Lease Premises "as is" and acknowledges that:

6.5.1. Lessor, including its officers and employees, made no representations or warranties as to the suitability of the Lease Premises for any uses authorized under this Lease. Lessee is solely responsible for determining the suitability of the Lease Premises for any proposed use or Improvements; and

6.5.2. Lessor, including its officers and employees, has made no representations or warranties as to the quality or value of any Improvements found on the Lease Premises, or of their conformity to Applicable Laws. Lessee agrees to inspect any preexisting Improvements at its own cost to determine whether such Improvements are safe and suitable for the Lessee's intended use; and

6.5.3. Damage to or destruction of any Improvements on the Lease Premises by any cause whatsoever does not entitle Lessee to any reduction in rent or extension of this Lease; and

6.5.4. Any Improvements on the Lease Premises are considered personal property and not fixtures; and

6.5.5. Lessee accepts the hazards involved in using or improving such lands. Lessor is not responsible for any damages or reduced use of the Lease Premises caused by: local or invasive flora or fauna, flooding, erosion, climate change, sea level rise, storms, freezing, inclement weather of any kind, acts of god, maintenance or failure of protective structures, and any other such hazards. Lessee will not be reimbursed or receive offset of rent for such hazards; and

6.5.6. The Lease Premises may be subject to pre-existing contracts, leases, licenses, easements, encumbrances, and claims. The Lease is made without warranty by Lessor of title, condition, or fitness of the land for the stated or intended purpose.

6.6. **Uses Inconsistent with the Public Trust Prohibited**. Unless specifically authorized in this Lease, any use of the Lease Premises which is inconsistent with the Public Trust is prohibited when the Lease Premises are lands subject to the Public Trust.

Paragraph 7: Climate Change

7.1. Lessee acknowledges that the Lease Premises and adjacent upland may be subject to the hazards exacerbated by climate change, including sea level rise. Potential hazards to the Lease Premises from climate change include but are not limited to flood damage, erosion damage, earthquakes, tsunamis, and damage from waves and storm-created debris. Lessee acknowledges that these impacts associated with climate change may require additional adaptation or protection strategies applied to the improvements on the Lease Premises and additional maintenance.

7.2. Lessee assumes the risks associated with such potential hazards and agrees to be solely responsible for all damages, costs, and liabilities arising as a result of the impacts of such hazards on the Lease Premises. Any additional maintenance or protection strategies necessitated by such hazards may be subject to environmental review and require additional approval by the Lessor.

Paragraph 8: Environmental Matters

8.1. **Lessee to Comply with Environmental Laws**. Lessee, at its sole cost and expense, will comply with all Environmental Laws.

8.2. **Hazardous Materials**. Lessee will immediately notify Lessor of any known violation of any Environmental Laws, along with any action, claim, demand, inquiry, or order relating to a violation of Environmental Laws on the Lease Premises. Lessee must immediately provide copies of all related documents upon Lessor's request. Lessee must immediately notify Lessor and the appropriate governmental emergency response agency, or agencies in the event of any release or threatened release of any Hazardous Material on or about the Lease Premises.

8.3. **Cleanup of Hazardous Materials**. If Hazardous Materials are located on or released onto or about the Lease Premises due to Lessee's activities on the Lease Premises, the Lessee is responsible for the cleanup and disposal of such Hazardous Materials consistent with all Applicable Laws. Lessee must submit a site assessment and removal/remediation plan prepared by a professional, licensed and qualified to remove or remediate the Hazardous Materials for review and approval by Lessor. If Lessor approves the plan in writing, Lessee must commence the removal/remediation at its sole expense, in conformance with all Applicable Laws. Alternately, Lessor may elect to perform the removal/remediation at Lessee's expense. Lessee must compensate Lessor for the actual cost of the removal/remediation within thirty (30) days of receiving a written invoice from Lessor.

8.4. **Inspection**. Lessee will permit Lessor or its agents to enter the Lease Premises on 24-hour notice to inspect, monitor, or take remedial action with respect to Hazardous Materials. If Hazardous Materials are generated, stored, or transported on the Lease Premises, Lessor may require Lessee to conduct an independent environmental site assessment or inspection for the presence or suspected presence of Hazardous Materials. If this assessment or inspection is required, Lessor will be allowed to review and approve the contractor, and the work will be done at Lessee’s expense.

8.5. **Conservation**. Lessee will cooperate with and participate in conservation programs for water, electricity, composting, natural gas and recycling programs, including those for the collection of cardboard, metals, plastics, and glass at Lessee’s expense.

Paragraph 9: Repairs, Major Repairs, and Alterations

9.1. **Lessee Required to Perform Repairs***.* Lessee is solely responsible for maintaining the Lease Premises, including all Improvements, in good order and repair and in a clean, safe, sanitary, and orderly condition. Lessee is not required to get Lessor’s advanced approval for routine Repairs.

9.2. **Major Repairs Require Lessor Approval**. Lessee must obtain Lessor’s advanced written approval prior to conducting any Major Repairs. The decision whether a Repair is a Major Repair, and the decision whether a lease amendment is necessary, will be made by Lessor and based on the scope, cost, and impacts of the work.

9.3. **Alterations Require Lessor Approval**. Any material change in the size, scope, density, type, nature, or intensity of Improvements on or uses of the Lease Premises from what is authorized in this Lease will be considered an Alteration. Lessee may not conduct any Alterations without a modification of this Lease approved by Lessor. The decision whether a change constitutes an Alteration will be made by Lessor and based on the individual facts.

9.4. **Improvements in Disrepair or Unsafe Condition.** Lessee's failure to maintain the Lease Premises or Improvements that have become unsafe or derelict entitle Lessor to require removal under Paragraph 14. After providing notice and opportunity to cure, Lessor may require submission of a written plan to restore the Lease Premises under Paragraph 14. Lessee's failure to comply shall entitle Lessor to terminate this Lease, remove the Improvements from the Lease Premises and recover the costs incurred in doing so from the Lessee.

Paragraph 10: Lessor's Reservation of Rights

10.1. **Non-Exclusive Lease**. Lessee's right of occupancy is non-exclusive. Lessee may control access to the Improvements on the Lease Premises. Unless otherwise stated in this Lease, Lessee may exclude persons from the Lease Premises only when their presence or activity constitutes a material interference with the Authorized Use of the Lease Premises.

10.2. **Lessee Responsible for Impacts to Natural Resources and Public Trust Uses**. When the Lease Premises include school lands or sovereign lands, the Lessee is responsible for any damage or adverse impacts to Natural Resources within or adjacent to the Lease Premises. It is the intention of Lessor to limit the transfer of rights under this lease to the minimum level required to carry out the primary purpose of the Lease. Lessee's use of the Lease Premises must minimize impacts to the Public Trust if the Lease Premises are subject to the Public Trust. Lessee must not interfere with public access or Public Trust uses authorized under statute and common law.

10.3. **Mineral Resources**. Mineral Resources may not be removed from the Lease Premises unless specifically authorized under this Lease. Lessee shall not extract, sell, damage, or use Mineral Resources found within the Lease Premises without specific authorization under this Lease. Lessor reserves the right to grant and transfer Mineral Resources along with the right to grant leases to third parties in and over the Lease Premises for the extraction of such Mineral Resources. Such leasing will not be inconsistent or incompatible with the rights or privileges of Lessee under this Lease.

10.4**. Right to Inspect**. Lessor reserves the right to inspect the Lease Premises. If access to the Lease Premises is reasonably accomplished by passing through adjacent property owned by Lessee, Lessor shall provide 24-hour notice prior to entry and Lessee shall grant such entry for inspection of the Lease Premises.

10.5. **Statutory Reservations**. Lessor reserves to the public an easement across the Lease Premises complying with Public Resources Code section 6210.4 and Public Resources Code section 6210.5.

10.6. **Multiple Overlapping Leases Allowed**. Lessor reserves the right to lease, convey, or encumber the Lease Premises, in whole or in part, during the Lease term for any purpose not inconsistent or incompatible with the rights or privileges of Lessee under this Lease.

Paragraph 11: Indemnity

11.1. **Lessee's Sole Risk.** Lessee's use of the Lease Premises and any Improvements thereon, including use by guests and invitees, is at Lessee's sole and exclusive risk.

11.2. **Lessee to Indemnify Lessor**. Except to the extent caused by the sole negligence or willful misconduct of the Lessor, Lessee shall indemnify, hold harmless, and, at the option of Lessor, defend Lessor, its officers, agents, and employees from any and all Damages resulting from Lessee's occupation and use of the Lease Premises. Lessee shall reimburse Lessor in full for all reasonable costs and attorneys' fees, specifically including, without limitation, any Damages arising by reason of: (1) The issuance, enjoyment, interpretation, or breach of this Lease; (2) The challenge to or defense of any environmental review upon which the issuance of this Lease is based; (3) The death or injury of any person, or damage to or destruction of any property from any cause whatever in any way connected with the Lease Premises, or with any of the Improvements or personal property on the Lease Premises; (4) The condition of the Lease Premises, or Improvements on the Lease Premises; (5) An act or omission on the Lease Premises by Lessee or any person in, on, or about the Lease Premises; (6) Any work performed on the Lease Premises or material furnished to the Lease Premises; (7) Lessee's failure to comply with any Applicable Laws or violation of any Environmental Laws; (8) The costs for any cleanup or other response costs relating to the release or threatened release of Hazardous Materials on the Lease Premises during Lessee's occupation of the Lease Premises. This obligation includes any prior leases between Lessee and Lessor and will continue until Lessee has performed all duties under Paragraph 14.

11.3. **Lessor Not Required to Defend**. Lessor need not defend itself against all or any aspect of any challenge to this Lease or any associated environmental review. However, Lessee may take whatever legal action is available to it to defend this Lease or any associated environmental review against any challenge by a third party, whether or not Lessor chooses to raise a defense against such a challenge.

11.4. **Lessee to Notify Lessor**. Lessee shall notify Lessor immediately in case of any accident, injury, or casualty on the Lease Premises.

Paragraph 12: Assignment, Encumbrance, or Sublet

12.1. **Lessor's Consent Required for Assignment**. Lessee shall not mortgage; hypothecate; encumber; assign; sublet; enter into franchise, license, or concession agreements; or otherwise transfer all or part of this Lease (collectively "Assign" or "Assignment") without Lessor's advanced and expressed consent at a properly noticed public meeting. Any purported Assignment without Lessor's consent will be void and of no force or effect and will not confer any estate or benefit on anyone. A consent to one Assignment by Lessor will not be deemed to be a consent to any subsequent Assignment by or to any other party.

12.2. **Lessee Actions Not Considered Assignments**. If Lessee is a public corporation whose stock is traded on a nationally recognized stock exchange, sale or transfer of such stock is not an Assignment.

12.3. **Procedures**. If Lessee desires to Assign this Lease, Lessee will apply to Lessor for the proposed Assignment. The Assignment will be considered by Lessor at a public meeting. Lessor may require any of the following in considering consent of an Assignment: (a) the nature, effective date, terms, and conditions of the assignment; (b) a description of the identity, net worth, and previous business experience of the proposed assignee; (c) a complete business plan prepared by the proposed assignee; and (d) any further information relevant to the proposed Assignment that Lessor reasonably requests. Lessor may either (i) consent to the proposed Assignment; (ii) refuse to consent to the proposed Assignment; or (iii) determine that it is preferable to terminate this Lease and issue a new lease to the proposed assignee.

12.4. **Standard for Consent**. Lessor may refuse its consent to the proposed Assignment on any reasonable grounds. Reasonable grounds include, without limitation: (a) the proposed assignee intends to use the Lease Premises for different activities or uses than those set forth in Section 1; (b) the proposed assignee's financial condition is deemed by Lessor to be inadequate to support the financial and other obligations of Lessee under this Lease; (c) the business reputation or character of the proposed assignee is not reasonably acceptable to Lessor; (d) the proposed assignee is not likely to conduct a business of a quality substantially equal to that conducted by Lessee; (e) the proposed assignee's planned use of the Lease Premises would increase the burden on the Lease Premises, involve an increased risk of the presence, use, release, or discharge of Hazardous Materials; or (f) Lessor has not received adequate assurance that all breaches will be cured before the effective date of the proposed Assignment.

12.5. **Additional Terms**. Lessee's Assignment of the Lease does not release Lessee from liability for any Hazardous Materials or ordinance manufactured, generated, used, placed, disposed, stored, or transported on the Lease Premises during Lessee's tenancy. An unauthorized assignment does not relieve Lessee from its covenants and obligations under this Lease.

Lessor's acceptance of any payment due under this Lease from any person other than Lessee will not be deemed to be a waiver by Lessor of any provision of this Lease or to be a consent to any Assignment.

12.6. **Bankruptcy**. If Lessee files a petition or an order for relief is entered against Lessee under the Bankruptcy Code (11 U.S.C. § 101, et seq.), then the trustee or debtor-in-possession must elect to assume or reject this Lease within sixty (60) days after filing of the petition or appointment of the trustee, or as that deadline may be extended by order of the court, or the Lease shall be deemed to have been rejected and Lessor shall be entitled to immediate possession of the Lease Premises. No assumption or assignment of this Lease shall be effective unless it is in writing and unless the trustee or debtor-in-possession has cured all breaches of this Lease (monetary and non-monetary) or has provided Lessor with adequate assurances (a) that within ten (10) days from the date of such assumption or assignment, all monetary breaches of this Lease will be cured; and (b) that within thirty (30) days from the date of such assumption, all non-monetary breaches of this Lease will be cured; and (c) that all provisions of this Lease will be satisfactorily performed in the future.

12.7. **Permitted Assignments**. The following Assignments are permitted under this Lease without Lessor's consent: (a) Assignment caused by the death of a spouse where the full interest of the deceased spouse is Assigned to a surviving spouse who is a co-lessee on this Lease, provided Lessor is notified in writing within thirty (30) days of the assignment; (b) assignment caused by the dissolution of the marriage of Lessee when the full interest of one spouse is assigned to the other spouse who is a co-lessee on this Lease, provided Lessor is notified in writing within thirty (30) days of the transfer; and (c) substitution or succession of a new trustee if the Lease is held in trust and the Lessee is a trustee or successor trustee thereof, provided Lessor is notified in writing no later than sixty (60) days after the named trustee as appears on the face of this Lease becomes unable or ceases to serve as trustee for any reason.

12.8. **Lessee Remedies**. If Lessor withholds or conditions its consent and Lessee believes that Lessor did so contrary to the terms of this Lease, then Lessee's sole remedy will be to prosecute an action for declaratory relief to determine if Lessor properly withheld or conditioned its consent, and Lessee hereby waives all other remedies.

Paragraph 13: Breach

13.1. **Events of Breach**. All covenants and agreements contained in this Lease are declared to be conditions to this Lease. Lessee's failure to pay rent when due or any other charges under this Lease for five (5) days after written notice from Lessor to Lessee will be considered a monetary breach. Lessee's failure to perform any other promise, covenant, or agreement under this Lease for more than thirty (30) days after written notice from Lessor to Lessee will be considered a non-monetary breach. If a non-monetary breach cannot be cured within the thirty (30)-day period, the breach will be deemed to be cured if Lessee begins to cure the breach within the thirty (30)-day period and continues to diligently complete the cure.

13.2. **Breach of Lease**. Lessor shall provide written notice to Lessee specifying the particulars of the breach. Should Lessee fail to cure the breach within the period specified in Paragraph 13.1, then Lessor may elect to pursue any available remedies under law, or those specified in paragraph 13.3, below.

13.3. **Remedies on Breach of Lease**. In addition to any other rights or remedies at law or equity, Lessor may, without further notice, (a) terminate this Lease, reenter and take possession of the Lease Premises and remove all persons and all Improvements therefrom at Lessee's cost; or (b) keep this Lease in effect without declaring this Lease terminated and without terminating Lessee's right to possession, reenter the Lease Premises and occupy the whole or any part for and on account of Lessee and collect any unpaid rentals and other charges that have become payable or that may thereafter become payable; or (c) terminate this Lease after reentering the Lease Premises as provided in subclause (b) above. Any notice required to be given by Lessor above will be instead of, and not in addition to, any notice required under the laws of the State of California.

13.4. **Determination of Rental Value**. If rent under this Lease is calculated as percentage of Lessee's income attributable to the Lease Premises and Lessee abandons the Lease Premises, then the reasonable rental value shall be the percentage of proceeds Lessor would have received had Lessee operated the Lease Premises in the usual and customary manner.

13.5. **Acceptance of Rent When Lessee is in Breach**. Lessor's acceptance of any rent shall not be considered a waiver of any preexisting Breach by Lessee other than the failure to pay the particular rent accepted regardless of Lessor's knowledge of the preexisting Breach at the time rent is accepted, unless the breach was a monetary breach and the payment occurs during the cure period specified in Paragraph 13.1.

13.6. **Acceptance of Payments After Lease Termination**. Lessee's submission or Lessor's acceptance of any payments after the expiration or termination of this Lease shall not reinstate or extend this Lease. Lessor may elect to retain any payment submitted and apply these payments to offset any damages claimed against Lessee; or Lessor may elect to allow a holdover tenancy under Paragraph 14.6; or Lessor may elect to refund the payments less a reasonable handling fee.

13.7. **Waiver of Rights**. The failure or delay of either party to exercise any right or remedy shall not be construed as a waiver of such right or remedy or any Breach by the other party.

Paragraph 14: Conditions of Lease Termination

14.1. **Use of State Land**. This Lease authorizes the use or occupation of state land for a fixed term of years without options or rights of renewal. Lessee accepts that future leases authorizing the continued existence of any Improvements constructed or maintained by

Lessee on the Lease Premises are subject to a discretionary action of the California State Lands Commission. Submission of an application for a new lease does not guarantee a new lease will be granted to Lessee. Lessee acknowledges that construction of Improvements on the Lease Premises and investment in or obtaining financing for the uses authorized under this Lease is done in full understanding that future leases are not guaranteed. Lessee also affirmatively represents that the cost of removing Improvements was considered before entering into this Lease and placing or assuming any Improvements on state land.

14.2. **Abandonment**. Lessee's right of access to the Lease Premises was a material consideration in Lessor issuing this Lease. If, without prior notice to Lessor, Lessee sells, abandons, or loses title to the upland property adjacent to the Lease Premises, or otherwise loses the legal right to access the Lease Premises, Lessor may deem this an abandonment of the Lease Premises. Lessee must actively maintain and manage any Improvements authorized by this Lease. Should Lessee discontinue use, management, or maintenance of the authorized Improvements, Lessor may deem this an abandonment and elect to terminate the Lease. Alternately, Lessor has the remedy described in California Civil Code section 1951.4 (Lessor may continue lease in effect after Lessee's breach and abandonment and recover rent as it becomes due if Lessee has right to sublet or assign, subject only to reasonable limitation). Abandonment of the Lease Premises shall not relieve Lessee of any obligations under this Lease.

14.3. **Restoration**. In issuing this Lease it is Lessor's understanding that all Improvements will be removed from state land at the expiration or termination of this Lease. If Lessee abandons the Lease Premises, or Lessor terminates this Lease, or this Lease expires without execution of a new lease authorizing Lessee's use of the Lease Premises, Lessee must: 1) remove all Improvements regardless of whether Lessee constructed or placed Improvements together with all debris at its sole expense and risk, restoring the Lease Premises to as close as possible to an unimproved condition to Lessor's satisfaction; and 2) immediately surrender possession of the Lease Premises. Lessor may, in its sole discretion, allow all or any portion of the Improvements to remain in place. In carrying out this obligation, Lessee acknowledges that further authorizations, review of the Restoration Plan, and environmental review may be necessary as outlined in Section 14.4 below.

14.4. **Two Years Prior to Expiration**. (A) If Lessee desires to continue the uses authorized under this Lease, Lessee shall submit an application together with all required fees at least two years prior to the expiration of this Lease. Submission of an application does not guarantee a new lease will be granted to Lessee. (B) If Lessee does not desire to occupy the Lease Premises beyond the term of this Lease, then two years prior to the expiration of this Lease, Lessee shall submit an application, including a detailed plan to remove all Improvements and restore the Lease Premises to the condition existing prior to the installation or construction of any Improvements. The plan must include a timeline for obtaining all necessary permits. The restoration plan may require a subsequent environmental review and approval from Lessor. (C) Lessor may modify annual rent, surety and insurance within the last two years of the Lease.

14.5. **Failure to Restore Lease Premises**. Lessee's failure to remove improvements, restore the Lease Premises, or surrender possession of the Lease Premises at the expiration or sooner termination of this Lease shall not constitute a renewal or extension and shall not give Lessee any rights in or to the Lease Premises or any part thereof. Lessee shall not be entitled to any compensation for Improvements left on the Lease Premises at the termination or expiration of this Lease. Lessor may, in its sole discretion, elect to treat the Improvements as abandoned and remove all or any portion of Improvements from the Lease Premises. Lessee's failure to adequately restore the Lease Premises imposes significant financial liability on Lessor. As a result, Lessee shall be responsible for all expenses incurred by Lessor in restoring the Lease Premises, including, without limitation, staff time, environmental work or permitting, contractor costs, and reasonable attorney's fees.

14.6. **Holdover**. This Lease terminates without further notice at the end of its term. Lessor may, in its sole discretion, choose to accept Rent for the Lease Premises and allow a period of holdover tenancy. Any holdover tenancy shall be on a month-to-month basis. Lessee's submittal of annual rent during holdover does not constitute tenancy longer than month-to-month. Any holdover tenancy shall be on the same terms as this Lease insofar as such terms can be applicable to a month-to-month tenancy. The rent for each month or any portion thereof during such holdover period is one hundred fifty percent (150%) of one-twelfth (1/12) of the total compensation for the most recent year paid. The month-to-month tenancy may be terminated by Lessor upon thirty (30) calendar days' prior written notice to Lessee.

14.7. **Holdover on Leases with No Monetary Consideration**. In the event this Lease does not require monetary consideration, 14.6 shall continue to apply, and in addition: 1) Lessor shall have the right to establish rent based on the fair market value of the Lease Premises, and 2) In no way shall the prior lease consideration limit damages for trespass.

14.8. **Quitclaim**. In the event this Lease is terminated prior to expiration, Lessee shall deliver a quitclaim of all rights under this Lease to Lessor on request. Lessee shall execute and deliver such quitclaim to Lessor in a form provided by Lessor. Should Lessee fail or refuse to deliver such a release, Lessor may record a written notice reciting such failure or refusal. This written notice shall, from the date of its recordation, be conclusive evidence against Lessee of the termination of this Lease and all other claimants.

Paragraph 15: Additional Provisions

15.1. **Conflict in Terms**. In the case of any conflict between these General Provisions and Special Provisions found in Section 2, the Special Provisions control.

15.2. **Boundaries**. This Lease does not establish the State's boundaries in so far as it relates to land and resource jurisdiction and ownership and is made without prejudice to either party regarding any land and water boundary or title claims which may be asserted presently or in the future.

15.3. **No Waiver**. Lessor's acceptance of a late or nonconforming performance shall not constitute a waiver unless such waiver is expressly acknowledged by Lessor in writing. Lessor's delay in or omission to exercise any right under this Lease shall not constitute a waiver.

15.4. **Time is of the Essence**. Time is of the essence for this Lease and each and all of its terms, covenants or conditions in which performance is a factor.

15.5. **Notice**. All notices required to be given under this Lease shall be given in writing, sent by U.S. Mail or other reputable private carrier with postage prepaid, to Lessor at the offices of the State Lands Commission and the Lessee at the address specified in this Lease. Lessor's staff and Lessee may agree to accept any notice by electronic mail. Lessee shall give Lessor notice of any change in its name or address.

15.6. **Consent**. Lessor's consent to one transaction or event shall not be deemed to be a consent to any subsequent occurrence.

15.7. **Changes**. This Lease may only be amended, revised, or supplement by written agreement of the Parties.

15.8. **Joint and Several Obligation**. If more than one Lessee is a party to this Lease, the obligations of the Lessees shall be joint and several.

15.9. **Captions**. The section and paragraph captions used in this Lease are for the convenience of the Parties. The captions are not controlling and shall have no effect upon the construction or interpretation of this Lease.

15.10. **Severability**. If any term, covenant, or condition of this Lease is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall remain valid and enforceable to the fullest extent permitted by law.

15.11. **Representations**. Lessee agrees that no representations have been made by Lessor or by any person or agent acting for Lessor except those stated in this Lease. This document contains the entire agreement of the Parties. No verbal agreements, representations, warranties, or other understandings affect this Lease. Lessor and Lessee, as a material part of the consideration of this Lease, waive all claims against the other for rescission, damages, or otherwise by reason of any alleged covenant, agreement, or understanding not contained in this Lease.

15.12. **Gender and Plurality**. In this Lease, words importing any gender include any or all genders, and the singular number includes the plural whenever the context so requires.

15.13. **Survival of Certain Covenants**. All covenants pertaining to bond, insurance, indemnification, restoration obligations, breach or remedies shall survive the expiration or earlier termination of this Lease until Lessee has fulfilled all obligations to restore the Lease Premises as required by this Lease.

15.14. **Counterparts**. This agreement may be executed in any number of counterparts and by different Parties in separate counterparts.

15.15. **Delegation of Authority**. Lessor and Lessee acknowledge that Lessor as defined herein includes the Commission Members, their alternates or designees, and the staff of the Commission. The ability of staff of the Commission to give consent, or take other discretionary actions described herein will be as described in the then-current delegation of authority to Commission staff. All other powers are reserved to the Commission.

15.16. **Successors.** The terms, covenants, and conditions of this Lease shall extend to and be binding upon and inure to the benefit of the heirs, successors, and assigns of the respective parties.

[Remainder of the page left intentionally blank.]

STATE OF CALIFORNIA - STATE LANDS COMMISSION

LEASE NUMBER: 7001

This Lease shall become effective only when approved by and executed on behalf of the State Lands Commission of the State of California and Lessee. The submission of this Lease by Lessor, its agent, or representative for examination by Lessee does not constitute an option or offer to lease the Lease Premises upon the terms and conditions contained herein, or a reservation of the Lease Premises in favor of Lessee. Lessee's submission of an executed copy of this Lease to Lessor shall constitute an offer to Lessor to lease the Lease Premises on the terms and conditions set forth herein.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date hereafter affixed.

LESSEE: CITY OF SACRAMENTO

By: ______________________________

Title: ____________________________

Date: ____________________________

LESSOR: STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: ______________________________

Robert Brian Bugsch

Title: Chief, Land Management___

Date: ____________________________

Execution of this document was authorized by the California State Lands Commission on ______________________________.

ATTACH ACKNOWLEDGMENT

EXHIBIT A

LEASE 7001

LAND DESCRIPTION

A parcel of tide and submerged land situate in the bed of the Sacramento River, City of Sacramento, County of Sacramento, State of California, and being more particularly described as follows:

> Said parcel bounded on the north by the westerly prolongation of the centerline of “J” Street as shown on that Record of Survey filed in Book 26 of Surveys, Map No. 18, Sacramento County Records; bounded on the west by the centerline of the Sacramento River; bounded on the south by a line parallel with and 50 feet northerly, measured at right angles, from the centerline of “Capitol Mall” and the westerly prolongation thereof as shown said Record of Survey; bounded on the east by the Agreed Ordinary High Water Mark along the left bank of the Sacramento River as described in Acquisition/Disposition # 148 (AD 148), on file in the offices of the California State Lands Commission.

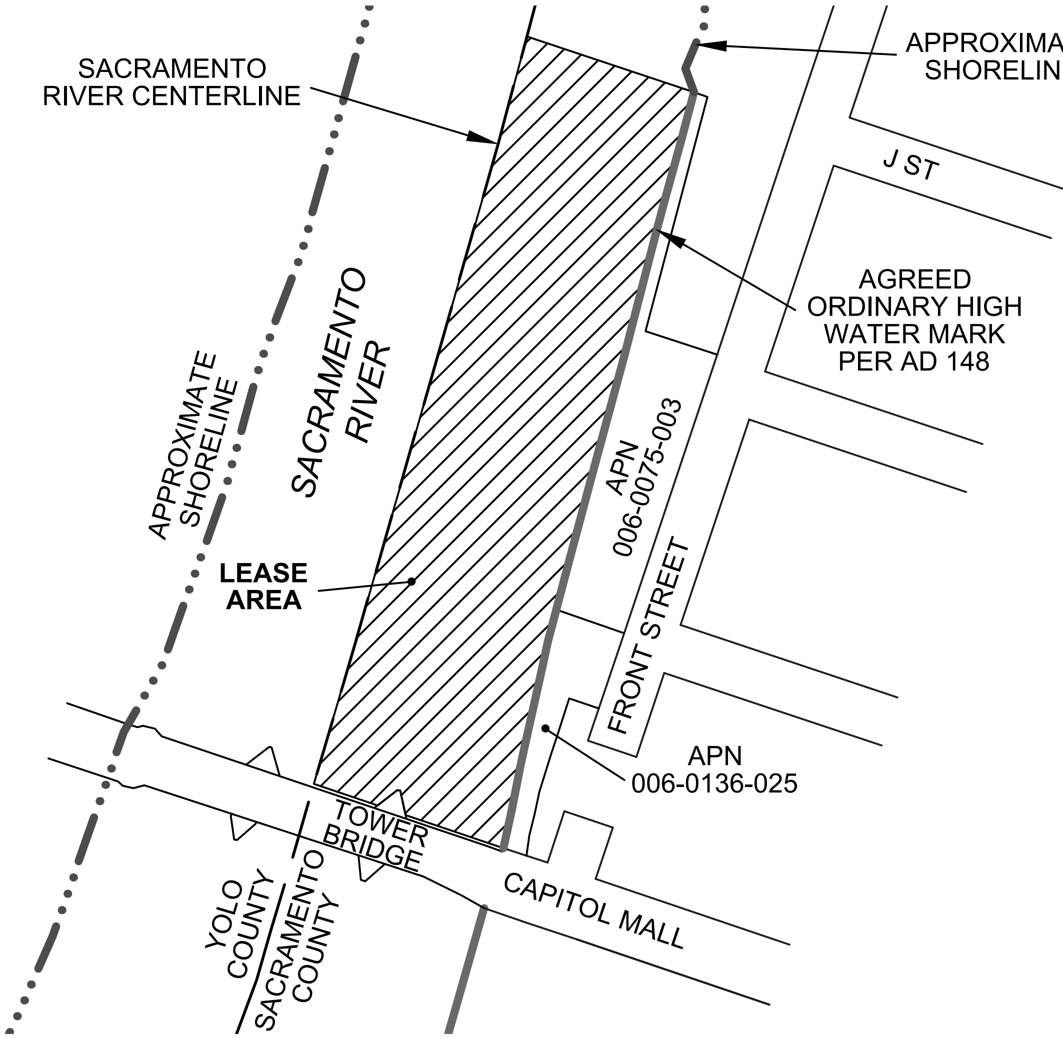
EXCEPTING THEREFROM any portions underlying the Tower Bridge.

END OF DESCRIPTION

Prepared 10/29/2025 by the California State Lands Commission Boundary Unit.

NO SCALE

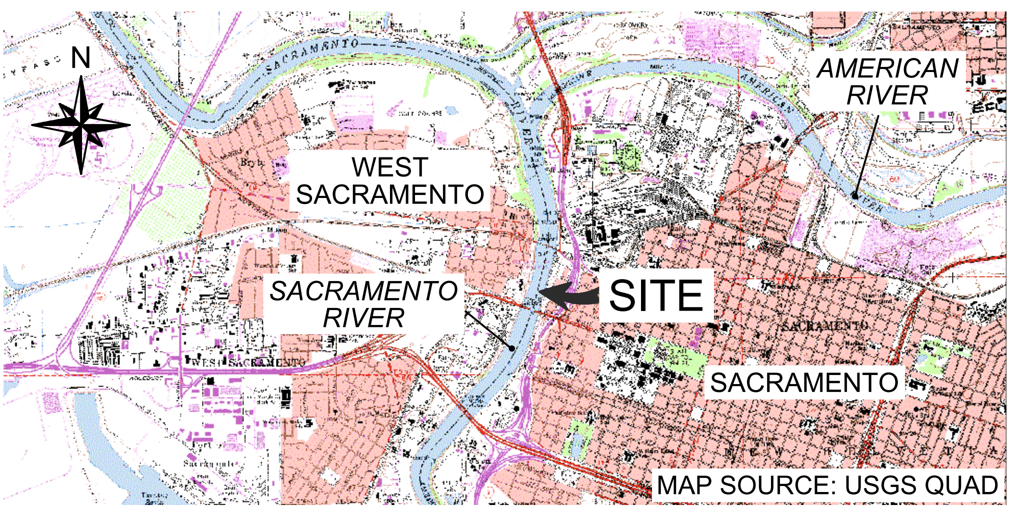
SITE



SACRAMENTO RIVER BETWEEN J STREET AND CAPITOL MALL

NO SCALE

LOCATION



THIS EXHIBIT IS SOLELY FOR PURPOSES OF GENERALLY DEFINING THE LEASE PREMISES, IS BASED ON UNVERIFIED INFORMATION PROVIDED BY THE LESSEE OR OTHER PARTIES AND IS NOT INTENDED TO BE, NOR SHALL IT BE CONSTRUED AS, A WAIVER OR LIMITATION OF ANY STATE INTEREST IN THE SUBJECT OR ANY OTHER PROPERTY.

EXHIBIT B

LEASE 7001
CITY OF SACRAMENTO
APNs 006-0136-025 &
006-0075-003
GENERAL LEASE - PUBLIC AGENCY USE
SACRAMENTO COUNTY

JWP 10/29/2025

EXHIBIT C

BEST MANAGEMENT PRACTICES FOR BERTH HOLDERS / GUEST DOCK USERS / BOATERS

Bilge Water Management

- Keep bilge area as dry as possible.
- Regularly check fittings, fluid lines, engine seals, and gaskets.
- Fix all oil and fuel leaks in a timely manner.
- Do not drain oil into the bilge.
- Fit a drain pan, if feasible, underneath the engine to collect drips and leaks.
- Consider the use of oil-absorbent pads, even in small boats.
- If a bilge contains oil, absorb as much free oil as possible with a pad. Then pump the bilge dry and wipe down the bilge and equipment. If a bilge is severely contaminated, use a pumpout service. Never pull the drain plug on a boat with a bilge full of oil, especially if it is on a launch ramp.
- Dispose of oil-soaked absorbents at a proper facility. Check with the marina operator for guidance.
- Do not use detergents or bilge cleaners unless the bilge can be pumped into an appropriate facility.

Petroleum Containment

- Fill portable fuel containers on land or on the fuel dock to reduce the chance of fuel spills into the water.
- Avoid overfilling fuel tanks and attend the fuel nozzle at all times.
- Perform all major engine maintenance away from surface water. Any maintenance work on an engine must be done in compliance with rules and regulations governing the marina.
- Use petroleum absorption pads while fueling to catch splash back and any drops when the nozzle is transferred back from the boat to the fuel dock.

- Keep engines properly maintained for efficient fuel consumption, clean exhaust, and fuel economy. Follow all manufacturers' specifications.
- Immediately report oil and fuel spills to the marina office and the U.S. Coast Guard National Response Center (Phone # 1-800-424-8802) and other appropriate agencies.

Hazardous Materials

- Hazardous wastes generated by recreational boaters are considered household hazardous waste. Dispose of household hazardous waste in properly marked containers if provided by the marina or at the nearest appropriate site.
- Improper handling of hazardous materials can cause harm to human health and the environment and can result in serious penalties and expensive cleanup costs if contaminations occur.

Vessel Sewage

- Boaters should never pump out any holding tank in waters inside the three nautical mile limit. Always remember that it is illegal to discharge raw sewage from a vessel into U.S. waters.
- Pumpout facilities should be used to dispose of stored waste whenever possible. They are fast, clean, and inexpensive.
- Marine sanitation devices (MSDs) must be maintained to operate properly. Keep your disinfectant tank full, use biodegradable treatment chemicals, and follow the manufacturer's suggested maintenance program.
- Do not dispose of fats, solvents, oils, emulsifiers, disinfectants, paints, poisons, phosphates, diapers, and other similar products in MSDs.
- Whenever possible, use land-based rest rooms rather than onboard ones.

Vessel Cleaning and Maintenance

- Ask your marina manager what types of maintenance projects are allowed in the slip.
- Minimize the use of soaps and detergents by washing your vessel more frequently with plain water.

- Do not use cleaners that contain ingredients such as ammonia, sodium, chlorinated solvents, or lye.
- Use hose nozzles that shut off when released to conserve water and reduce the runoff from boat washing.
- Ventilate your space to prevent the accumulation of flammable or noxious fumes.
- Use eye protection and a respirator when there is the possibility that dust and debris could damage eyes or lungs.
- Remove oil, debris, and clutter from your immediate work area and dispose of properly.
- Avoid spills in the water of all solvents, paints, and varnishes.
- Carefully read labels to ensure the products are used in a manner that is safe and won't harm the environment.
- Use teak cleaners sparingly and avoid spilling them or fiberglass polishers in the water.

Sanding and Painting

- When working in marinas, use designated sanding and painting areas. Check with the marina manager for the location and proper use of these areas.
- Work indoors or under cover whenever wind can potentially blow dust and paint into the open air.
- Where feasible, use environmentally friendly tools, such as vacuum sanders and grinders, to collect and trap dust. Some marinas have this equipment for rent; check with the manager.
- Clean up all debris, trash, sanding dust, and paint chips immediately following any maintenance or repair activity.
- Use a drop cloth beneath the hull to catch sanding dust and paint drops when working over unpaved surfaces.
- When sanding or grinding hulls over a paved surface, vacuuming or sweeping loose paint particles is the preferred cleanup method. Do not hose the debris away.

- Buy paints, varnishes, solvents, and thinners in sizes appropriate for the proposed work to avoid having to dispose of stale products.
- When possible, use water-based paints and solvents.
- Switch to longer lasting, harder, or non-toxic antifouling paint at your next haul out.
- Paints, solvents, and reducers should be mixed far from the water's edge and transferred to work areas in tightly covered containers of 1 gallon or less.
- Keep in mind that solvents and thinners may be used more than once by allowing the solids to settle out and draining the clean product off the top.
- When in doubt about proper disposal practices, check with your marina and/or appropriate government agency.
- Boaters should report any illegal discharge of boat sewage to the marina office or appropriate agency.
- Boaters should use environmentally sensitive cleaning supplies that may end up in your gray water.

Boat Hull Cleaning and Maintenance

- Ensure hull paint is properly applied and maintained to protect the hull from fouling organisms and thus improve your boat’s performance.
- Wait 90 days after applying new bottom paint before underwater cleaning.
- Schedule regular hull cleaning and maintenance to reduce the build up of hard marine growth and eliminate the need for hard scrubbing.
- Regularly scheduled gentle cleaning will also increase the effectiveness of the antifouling hull paint and extend its useful life.
- Repair paint bonding problems at haul out to avoid further chipping and flaking of paint in the water.
- Use, or ask your diver to use, non-abrasive scrubbing agents, soft sponges or pieces of carpet to reduce the sloughing of paint and debris.
- Boaters are encouraged to use boat hull cleaning companies and individuals that practice environmentally friendly methods.

Solid Waste

- Do not dump plastic or any other trash into the water.
- Use dumpsters, trash receptacles, and other approved containers to dispose of garbage and other waste.

RECORDED AT THE REQUEST OF
AND WHEN RECORDED MAIL TO:
STATE OF CALIFORNIA
California State Lands Commission
Attn: Title Unit
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

STATE OF CALIFORNIA
OFFICIAL BUSINESS
Document entitled to free recordation
pursuant to Government Code Section 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

A.P.N. 006-0136-025, 006-0075-003
County: Sacramento

LEASE QUITCLAIM DEED
LEASE 7001

WHEREAS, pursuant to lease designated Lease 7001, executed by the State Lands Commission, by and between the **State of California**, acting by and through the **State Lands Commission**, as Lessor, and the **City of Sacramento** as Lessee, said Lessee was granted for a term of forty-nine (49) years commencing July 1, 1986, the right to use the property herein described, for certain purposes specified in said lease; and

WHEREAS, pursuant to said lease, Lessee agreed to execute and deliver to State a good and sufficient quitclaim deed on the last day of said term or sooner termination of said lease.

NOW THEREFORE, the **City of Sacramento**, does hereby remise, release, and forever quitclaim unto the State of California any and all right, claim, title, or interest arising by virtue of or pursuant to that certain lease designated Lease 7001, and approved by the State Lands Commission on July 24, 1986, respecting lands located in Sacramento County, State of California, and described in Exhibit A ("Description of Lease Premises"), attached hereto. The State's Certificate of Acceptance is attached hereto as Exhibit B ("Certificate of Acceptance and Consent to Recording").

LESSEE: CITY OF SACRAMENTO

By: ________________________________

Title: ______________________________

In witness whereof, this Quitclaim Deed is executed this _____ day of _______________, ___________.

ATTACH NOTARY ACKNOWLEDGMENTS

EXHIBIT A

DESCRIPTION OF LEASE PREMISES

LEASE 7001

[BEHIND THIS PAGE]

EXHIBIT B

CERTIFICATE OF ACCEPTANCE AND CONSENT TO RECORDING
Government Code 27281

This is to certify that the **STATE OF CALIFORNIA**, acting by and through the **STATE LANDS COMMISSION ("Grantee"),** an agency of the STATE OF CALIFORNIA, hereby accepts from the **City of Sacramento ("Grantor"),** a Lease Quitclaim Deed effective June 30, 2026, of any and all of Grantor's right, claim, title, or interest arising by virtue of or pursuant to that certain lease designated as Lease No. 7001.

The STATE OF CALIFORNIA, acting by and through the STATE LANDS COMMISSION, an agency of the STATE OF CALIFORNIA, hereby consents to the recordation of this conveyance in the Office of the Recorder for the County of Sacramento.

This acceptance and consent to recording is executed by and on behalf of the STATE OF CALIFORNIA by the STATE LANDS COMMISSION, acting pursuant to law, as approved by [include Item or Minute Item] of its public meeting in California on ________________________________ by its duly authorized undersigned officer.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

____
ROBERT BRIAN BUGSCH
Chief, Land Management Division

Date: ____________________________

ATTACH NOTARY ACKNOWLEDGMENT

Meeting Date: 06/23/26
Lease Number: 7001
Staff: J. Holt

Staff Report 37

LESSEE/SUBLESSOR:

City of Sacramento

SUBLESSEES:

The Riverboat Delta King, Inc., a California corporation

Hornblower Yachts, LLC, a California limited liability company

Diversified Restaurant Concepts, a California corporation

Sac Brew Boat LLC, a California limited liability company

Landry's Inc., a Texas corporation

River City Entertainment LLC, a California limited liability company

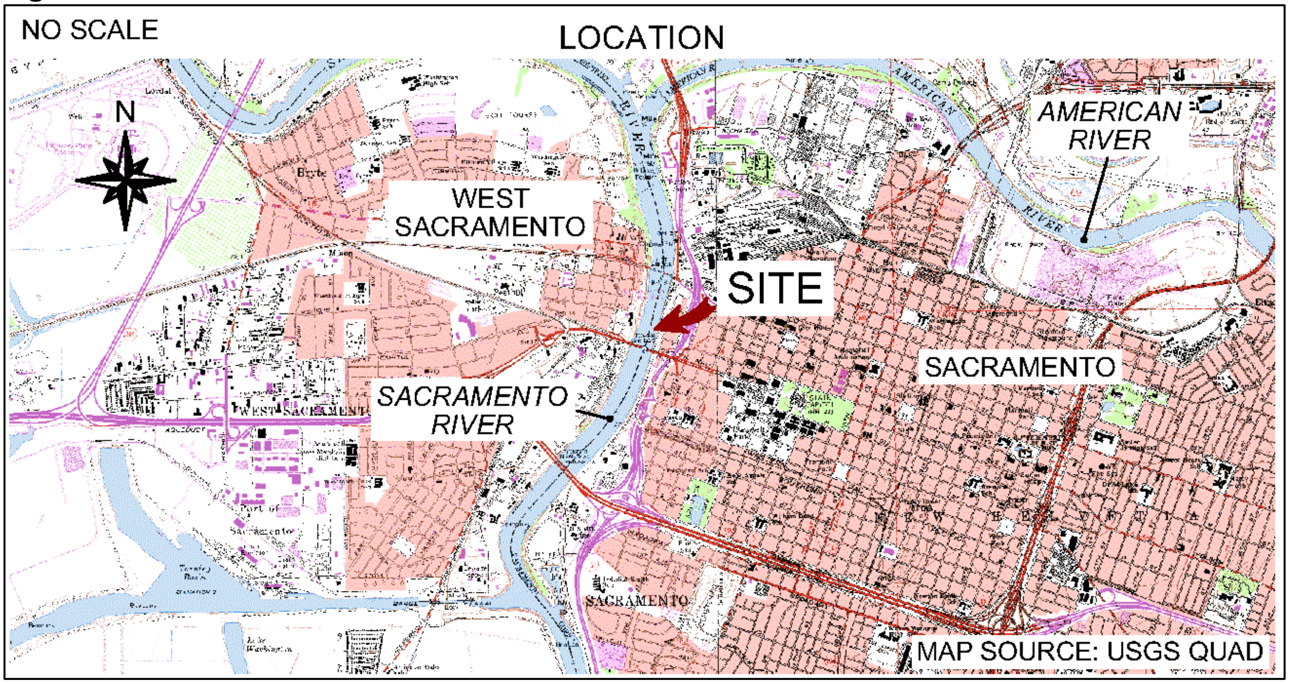
PROPOSED ACTION:

Acceptance of a Lease Quitclaim Deed, Issuance of a General Lease – Public Agency Use; and Endorsement of Six Subleases.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Sacramento River, between J Street and Capitol Mall, Sacramento, Sacramento County (as shown in Figure 1), and known as the State Parcel.

Figure 1. Location

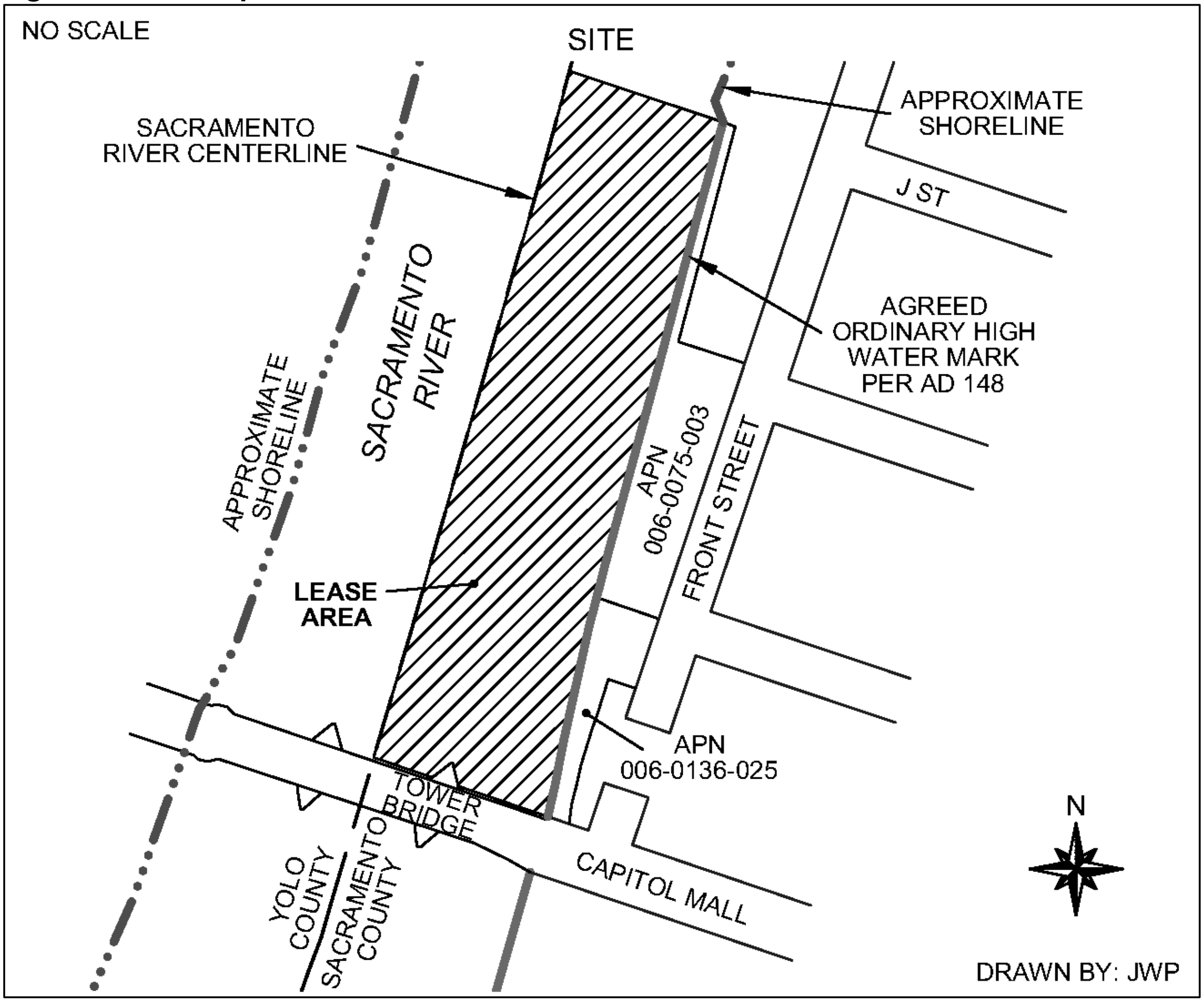


AUTHORIZED USE:

Lessee: Use of existing docks, walkways, access ramps, barges, floating vessels, and any other structure necessary or appurtenant to the development of the lease premises and for the mooring of vessels and other approved commercial activity consistent with the Public Trust (as shown in Figure 2).

Sublessees: Use of existing improvements in a designated area of the lease premises as documented in the sublease/license between the Sublessor and the Sublessee, and in alignment with Public Trust-consistent uses.

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

Lease: 35 years, beginning July 1, 2026.

Subleases: Varies, as stated in the sublease/license between the Sublessor and the Sublessee.

CONSIDERATION:

$24,793 per year, with an annual Consumer Price Index adjustment; and the State reserving the right to fix a different rent at ten-year intervals during the term of the lease.

SPECIFIC LEASE PROVISIONS:

- Self-insurance or third-party liability insurance coverage in an amount no less than $2,000,000 per occurrence.
- Lessee shall not add, or allow the placement by any other party, any permanent improvements on the Lease Premises without the prior express written consent of Lessor. Lessee shall immediately remove, or cause to be immediately removed, any unauthorized improvement at no cost to Lessor in accordance with the provisions of this Lease and all appropriate legal and regulatory requirements.
- Lessee may enter into subleases (including licenses) with a term of 10 years or less without the State's written approval. Lessee shall provide written notice and an electronic copy of any proposed short-term sublease or license to Lessor at least 30 days before the short-term sublease takes effect.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections Public Resources Code sections 6005, 6216, 6220, 6301, 6501.1, and 6503; California Code of Regulations, title 2, sections 2000 and 2003.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

On July 24, 1986, the Commission approved the issuance of a 49-year Lease PRC Number 7001, a General Lease Public Agency Use (Master Lease) to the City of Sacramento (City) for an area covering a portion of the Sacramento River in Old Sacramento between the I Street Bridge and Tower Bridge (Item 20). On August 21, 2025, the Commission approved an amendment of lease for modifications to language on assigning or subletting and endorsement of three sublessees (Item 25). The Master Lease expires on June 30, 2035. The Commission has amended the Lease three times to adjust the rent, the due date of annual reports, the expiration date of the Lease, and the language on assigning or subletting. To facilitate planned investment and rehabilitation of the waterfront (explained more below), the City is requesting closure of the current Master Lease 7001, and issuance of a new General Lease – Public Agency Use with a 35-year term. The City will provide a quitclaim deed to release its interest in the current Lease, effective June 30, 2026. Staff recommends starting the newly proposed lease on July 1, 2026, to align with the prior lease anniversary date.

Additionally, the City has negotiated licenses with six sublessees to manage and operate tourist-related services within the lease area. Five are renewals of existing subleases for uses that have existed on the waterfront for many years. One is a recently acquired sublessee which offers outdoor dining. The proposed uses (tour boats, water recreation, and waterfront dining) are trust-consistent activities which are visitor-serving, attract the general public to the waterfront, and enhance public enjoyment of the river. The subleases require the sublessees to indemnify and insure the State from liability. The City is requesting endorsement of six sublessees which include:

- The Riverboat Delta King, Inc., a California corporation; hotel, dining, event and entertainment venue.
- Hornblower Yachts, LLC, a California limited liability company; boat tours, group events, bar and concessions.
- Diversified Restaurant Concepts, a California corporation; The River City Queen, boat tours, charters, event venue.
- Sac Brew Boat LLC, a California limited liability company; pedal-powered boat tours and bar, group and teambuilding venue.
- Landry's Inc., a Texas corporation; Joe's Crab Shack, waterfront dining and event venue.
- River City Entertainment LLC, a California limited liability company; water view dining and beverages.

The term/duration of the subleases does not extend past the term of the proposed lease.

Over the next several years, the City plans to rehabilitate the waterfront area and existing improvements to create an attractive recreation area for use by the statewide public. This is part of a larger rehabilitation project for the Old Sacramento Historic District. The Old Sacramento Waterfront attracts approximately four million visitors a year.

In December 2025, the City approved the two-phase revitalization project. Phase A includes repairs outside of the Commission's jurisdiction. Work on Phase A has commenced. Phase B includes work to be completed to revitalize the waterfront area, including work on the currently shuttered deck adjacent to the Rio City Café; public docks and redevelopment of the K Street Barge Hull is within the Commission's jurisdiction and the subject of the proposed lease. Further, the City anticipates the proposed upgrades may draw new businesses/sublessees, which in turn leads to a more consistent revenue stream. The City will maintain and improve the lease premises over the 35-year lease term.

The Lease premises are used for the maintenance of docks, moorings, appurtenant structures, and facilities in and adjacent to Historic Old Sacramento providing recreational boating and visitor-serving retail and restaurants/uses. The recreational boating, visitor-serving retail, and restaurants have been developed on the Lease premises and reside adjacent to City-owned land. Preservation of historic waterfront facilities, as well as water-dependent recreational boating and visitor-serving amenities, are generally consistent with the common law Public Trust Doctrine. The subject structures are owned and maintained by the City.

The proposed lease includes certain provisions intended to enhance Public Trust activities, visitor-attracting services, and to protect the waterway and resources within the lease area. The services and related improvements have existed at this location for many years; they do not significantly alter the land, they do not permanently alienate the State's fee simple interest in the underlying land, and they do not permanently impair public rights.

CLIMATE CHANGE:

INTRODUCTION:

The climate crisis and rising sea levels are impacting California's coastal and inland waterways now. Likely impacts to the lease premises include, but are not limited to, sea level rise, saltwater intrusion, prolonged drought, extreme heat, and changes to the intensity and timing of precipitation events. These impacts can exacerbate natural hydrological processes such as erosion, scour, and sedimentation. These impacts may affect the existing docks, moorings, appurtenant structures, and facilities in and adjacent to Historic Old Sacramento, subject to the proposed lease, located on the Sacramento River, between J Street and Capitol Mall.

DATA & PROJECTIONS:

Water levels in tidally-influenced rivers will rise as sea levels rise. The California Ocean Protection Council updated the State of California Sea Level Rise Guidance in 2024 to provide a synthesis of the best available science on sea level rise projections and rates for multiple emissions scenarios. Commission staff evaluated the "intermediate-high" and "high" scenarios due to the vulnerability and exposure of the lease location and the continued global reliance on fossil fuels. The San Francisco tide gauge was used for the projected sea level rise scenario for the San Francisco region, as listed in Table 1.

Table 1. Projected Sea Level Rise for San Francisco

Year	Intermediate-High (feet)	High (feet)
2040	0.7	0.8
2050	1.0	1.3
2070	2.2	2.9
2100	4.8	6.5

Source: Table 6, State of California Sea Level Rise Guidance: 2024 Update
Note: Projections are with respect to a 2000 baseline.

In addition to rising seas, warmer temperatures have led California and the Southwest region to experience a megadrought from 2000 to 2022, measured as the driest 22 years in the past 1200 years, and more megadroughts are projected through the end of the century (Fifth National Climate Change Assessment: Southwest Region, 2023). Hotter and drier conditions have led to declines in snowpack volumes, higher-elevation snow lines, earlier snowmelt, and reduced overall runoff. Streamflow and river volumes are lower and will be drawn down farther as temperatures continue to rise and demand for water increases. Despite the region's increasing aridity, flooding from extreme precipitation events is projected to increase, attributed to earlier snowmelt, sea level rise, and more intense and frequent atmospheric rivers. Minor and moderate flooding (flooding events defined as disruptive to damaging), attributed to higher water levels, is expected to increase five to ten orders of magnitude by 2100, according to NOAA's 2022 Sea Level Rise Technical Report.

ANALYSIS:

The lease premises are likely to experience more extreme conditions over the lease term than in the past, due to climate change. Changes to the timing and amount of runoff from the higher elevations of the watershed, stronger storm surge, and rising water levels will result in higher flood risks. Bank stability may be compromised due to increased channel erosion and undercutting from more intense precipitation and floods. Structures on the lease premises may be exposed to saltier water and corrode faster than before. Conversely, drought could lower water levels for longer portions of the year and expose structures that were historically designed to be submerged to more air, wind, and heat. They could cease to function as intended, as water-related, water-dependent infrastructure (e.g., fixed docks could become disconnected from the water). Floating structures may be more adaptable to changing water levels than those that are fixed, but all structures may be at increased risk for damage from exposure to extreme heat and floods.

RECOMMENDATIONS:

To reduce the likelihood of adverse impacts to the lease premises and improvements, the lessee should consider the following adaptation strategies to improve resiliency to climate change: 1) reduce erosion along the riverbank by planting or restoring native vegetation (shrubs, trees); 2) inspect fixed structures frequently and monitor for degradation, replacing damaged parts when necessary and elevating or relocating structures when exposure to flooding compromises structural function and integrity; and 3) monitor floating structures for corrosion and degradation, especially joints, brackets, hinges, and piling hoops, and replace as necessary. Any future construction or activities on State land would require a separate authorization from the Commission. For more information regarding nature-based strategies, please refer to the 2023 Shoreline Adaptation and the Public Trust report.

Regular maintenance, as referenced in the lease, may reduce the likelihood of severe structural degradation or dislodgement. Pursuant to the proposed lease, the Applicant acknowledges that the lease premises and adjacent upland are located in an area that may be subject to the effects of climate change, including sea level rise.

CONCLUSION:

For all the reasons stated above, staff believes that acceptance of a lease quitclaim deed, issuance of the lease, and endorsement of six subleases will not substantially interfere with the Public Trust needs at this location, at this time, and for the term of the lease; is consistent with the common law Public Trust Doctrine; and is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. Approval or denial of the application is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands. If the Commission denies the application, the Lessee cannot move forward with the subleases. The Lessee has no right to a new lease or to renewal of any previous lease.
2. This action is consistent with the "Meeting Evolving Public Trust Needs Strategic Focus Areas of the Commission's 2021-2025 Strategic Plan.
3. The proposed lease requires the City to conduct baseline structural inspections of the existing improvements to document their condition and establish a schedule for routine follow-up inspections.
4. Acceptance of the quitclaim deed and endorsement of subleases are not projects as defined by the California Environmental Quality Act (CEQA) because they are administrative actions that will not result in direct or indirect physical changes in the environment.

   Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).
5. Staff recommends that the Commission find that issuance of the lease is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

   Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15061.

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that issuance of the lease is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed lease and endorsement of six subleases will not substantially impair the public rights to navigation and fishing or substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the lease; is consistent with the common law Public Trust Doctrine; and is in the best interests of the State.

AUTHORIZATION:

1. Accept a Lease Quitclaim Deed for Lease 7001, a Master Lease, effective June 30, 2026.
2. Authorize issuance of a General Lease – Public Agency Use to the Applicant beginning July 1, 2026, for a term of 35 years, for the use of existing docks, walkways, access ramps, barges, floating vessels, and any other structure necessary or appurtenant to the development of the lease premises and for the mooring of vessels and other approved commercial activity consistent with the Public Trust; annual rent of $24,793, with an annual CPI adjustment; and the State reserving the right to fix a different rent at ten-year intervals during the term of the lease term, as provided in the lease; and self-insurance or third-party liability insurance coverage in an amount no less than $2,000,000 per occurrence.
3. Authorize, by endorsement, the Riverboat Delta King, Inc., a California corporation, Hornblower Yachts, LLC, a California limited liability company, Diversified Restaurant Concepts, a California corporation, Sac Brew Boat LLC, a California limited liability company, Landry's Inc., a Texas corporation, and River City Entertainment LLC, a California limited liability company, between the

Lessee/Sublessor and the Sublessees for use of improvements and activities located on the Lease Premises.