



LEASING



Elements of a Good Lease

The following is a partial list of important conditions to cover in a written agricultural lease. It is meant to guide the lease negotiation process, but it is not exhaustive and should not be used as a template for an actual lease.

TERMS COVERED:

- ☒ Preamble
- ☒ Description of leased property
- ☒ Term
- ☒ Rent
- ☒ Use
- ☒ Operating costs
- ☒ Maintenance
- ☒ Indemnification and liability insurance
- ☒ Taxes and assessments
- ☒ Initial condition of premises
- ☒ Assignment or subletting
- ☒ Compliance with law
- ☒ Default by tenant
- ☒ Dispute resolution

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Preamble

Describes lessor (landowner) and lessee (tenant). Includes mailing address for each. May also describe lease intent.



Use.

Allowable uses, restrictions or requirements regarding production and other activities, methods, etc.



Description of leased property

Attach map if possible. Use legal description from Preliminary Title Report.



Operating Costs.

Water district fees, electrical use, etc. How these will be assessed, who pays, how they'll be billed. Usually tenant must pay all business-related costs.



Term

How long does the lease last? Initial length, as well as terms of renewal.



Maintenance, repairs, alterations.

Who is responsible for maintenance of land/infrastructure? Allowable alterations, and whether permission is required.



Rent

Lease payment amount, how and when it'll be paid, installments, deposits.

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**Indemnification & liability insurance.**

Holds owner harmless (might also be written to also hold tenant harmless as well). Must tenant hold general liability policy? If so, specifies amount of coverage.

**Compliance with law.**

Reiterates that tenant is responsible for all applicable laws re: hazardous materials, labor, environmental regulations, etc.

**Taxes and assessments.**

Clarifies that owner is responsible for property taxes and tenant is responsible for all personal/business-related taxes.

**Default by tenant.**

What constitutes breach of lease, how it can be remedied or terminated.

**Initial condition of premises.**

Okay as-is? Improvements or upgrades required before start of lease?

**Dispute resolution.**

To avoid potentially costly attorneys' fees/court fees, specify mediation and then binding arbitration.

**Assignment or subletting.**

Allowable or not? If yes, include conditions.