

35. LEASING POLICY - ADJUSTMENT OF RENTAL RATES FOR NEW SOVEREIGN LAND LEASES BY CONSIDERING NOMINAL RENTS FOR PRESENT LEASES - W.O. 5125.

After consideration of Calendar Item 28 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE CONSIDERATION, IN SETTING NEW LEASE RENTALS, OF THE EXISTENCE OF NOMINAL EXISTING RENTALS FOR THE SAME LEASE CLASSIFICATION WITHIN AN AREA AND IN DIRECT COMPETITION WITH A PROPOSED NEW OR RENEWAL LEASE.

Attachment

Calendar Item 28 (1 page)

LEASING POLICY-ADJUSTMENT OF RENTAL RATES FOR NEW SOVEREIGN LAND LEASES BY
CONSIDERING NOMINAL RENTS FOR PRESENT LEASES

A large number of leases are in effect covering sovereign land, primarily in the Delta Area, that have substantial remaining terms at rental rates below those which would presently be required for new leases of comparable properties. This situation cannot be remedied, pending expiration of the leases, as the lessees have vested rights. When the existing leases were issued, the value of tide and submerged lands was considered nominal. However, over the years an expansion of industrial, commercial, and recreational activity has increased the value of waterfront property, which, in turn, enhances the value of adjacent sovereign land.

Application of presently prescribed rates to new leases, or to the renewals of existing leases, during the remaining period of the older leases at lower rates, will create a competitive disadvantage to the new or renewal lessee, and could result in the abandonment of existing commercial sites where leases are up for renewal, and the stifling of new enterprises. It is believed this would be contrary to the public interest and would constitute an inequitable advantage to existing lessees whose lease terms do not expire for some years.

In order to alleviate this situation, it is suggested that new and renewal lease rates in a given area should be adjusted as necessary to meet the competition of existing nominal lease rental rates in the area. It is envisioned that new rentals will require review and escalation at intervals to agree with expiration dates of existing nominal leases so that by the mid-1970's all rentals in the various areas would be equalized.

The basic authority in the Commission to fix rental rates is contained in Sections 6301, 6321.2, 6501.2 and 6503 of the Public Resources Code.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE CONSIDERATION, IN SETTING NEW LEASE RENTALS, OF THE EXISTENCE OF NOMINAL EXISTING RENTALS FOR THE SAME LEASE CLASSIFICATION WITHIN AN AREA AND IN DIRECT COMPETITION WITH A PROPOSED NEW OR RENEWAL LEASE.