

# Staff Report 68 (Informational)

## **PARTY:**

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California State Lands Commission

## **PURPOSE:**

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The Commission is required by regulations to recalculate minimum annual rents every 5 years for the various surface use lease and permit categories it authorizes. This informational staff report serves as notification to the public of the revised minimum rents.

## **BACKGROUND:**

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The minimum annual rent is used when the calculated rent utilizing other methodologies would result in a lower amount. These rents do not apply to the exploration or extraction of hard rock minerals, oil, gas, or other hydrocarbons, or geothermal resources.

The regulatory provision mandating the recalculated rents is contained in section 2003, subdivision (c), of title 2 of the California Code of Regulations:

*Effective July 1, 2014, the minimum annual rents for the various lease/permit categories will be recalculated every five (5) years, at the end of June, using the adjustment formula identified in section 1900(m). Regardless of whether the application of the Adjustment Formula results in an adjusted minimum annual rent that is greater or lesser value than the previous year's rent, the adjusted minimum annual rent will never be lower than the minimum annual rents set in section 2003(b).*

The adjustment formula in section 1900(m) uses the Consumer Price Index published periodically by the California Department of Industrial Relations.

The Commission has broad discretion in all aspects of leasing State-owned lands, including sovereign and school lands under its jurisdiction. Sovereign land generally includes natural, navigable waterways, and tide and submerged lands within the State's boundaries. School lands include lands granted to California in 1853 by the federal government to benefit public education.

The California Constitution, article XVI, section 6, expressly prohibits the Legislature from making or authorizing any gift of public money or thing of value to any individual, municipality, or corporation. A "thing of value" includes the use of State-owned land, and to allow its use or occupation for private benefit with no rent or consideration would constitute an impermissible gift.

The calculation method or amount of rent that is most appropriate, and how rent should be adjusted during the lease term, must be in the best interests of the State, and is generally based on one or more of the following methods:

- 9 percent of the appraised value of the leased land;
- A percentage of annual gross income, where the percentage is based on an analysis of the market for like uses and other relevant factors;
- A comparison to rents for other similar land or facilities;
- Benchmarks for regions with large concentrations of similar facilities, with benchmark rental rates based on an analysis of similar or substitute facilities in the local area;
- Other methods or information that are based on commonly accepted appraisal practices and principles; and
- For leases for recreational piers or buoys, rent is based on local conditions and local fair annual rental values.

In the event that calculated rent does not reach the threshold of the minimum rent for the relevant lease category, the minimum rent would apply. More information about the Commission's leasing and rent-setting authority may be found in the Public Resources Code, sections 6501.1, 6503, and 6503.5; and in the California Code of Regulations, title 2, sections 2000 and 2003.

### **RECALCULATION OF MINIMUM ANNUAL RENTS:**

The minimum annual rents for the various lease and permit categories are set forth in section 2003, subdivision (b) of title 2, the California Code of Regulations.

The new, recalculated minimum annual rents have been established as prescribed in the regulations, using the most recently published California Consumer Price Index, as shown in Table 1 below.

**Table 1. Comparison of Minimum Rents Current to Proposed**

<b>Lease Category</b>	<b>Current</b>	<b>Effective July 1, 2024</b>
Commercial	\$671	\$799
Industrial	\$671	\$799
Right-of-Way	\$503	\$599
Grazing	\$671	\$799
Agriculture	\$671	\$799
Recreational	\$140	\$167
Public Agency	\$140	\$167
Protective Structure	\$140	\$167
Dredging	\$140	\$167
Other <sup>1</sup>	\$140	\$167

**OTHER PERTINENT INFORMATION:**

1. This action is consistent with the Commission's Strategic Plan Guiding Principle of Accountability to "responsibly and meaningfully explain decisions and actions" and Strategic Plan Goal to "maintain fiscal integrity through transparency, accountability, and efficient and effective management of the revenue-generation portfolio."
2. The update to the minimum annual rents is not a project as defined by the California Environmental Quality Act because it is an administrative action 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, section 15378, subdivision (b)(5).

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<sup>1</sup> The annual rent for marker/speed buoys will be based on the most recent minimum annual rent unless a future appraisal or analysis indicates that the value should differ. The minimum annual rent will be applied for marker/speed buoys regardless of the number of buoys. To avoid double charging, this rent is only applicable to buoys located outside of a clearly defined lease premises where rent was already being charged. The annual rent for marker/speed buoys can be waived for leases with public agencies where there is a significant regional or statewide public benefit.

## **CONCLUSION:**

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Minimum annual rents for General Lease categories, effective July 1, are revised to be:

- \$799 for Commercial Use leases
- \$799 for Industrial Use leases
- \$599 for Right-of-Way Use leases
- \$799 for Grazing Use leases
- \$799 for Agricultural Use leases
- \$167 for Recreational Use leases
- \$167 for Public Agency Use leases
- \$167 for Protective Structure Use leases
- \$167 for Dredging leases
- \$167 for Other leases

The updated minimum annual rents will be in effect for 5 years, until June 30, 2029, when they will be recalculated again.