

Staff Report 25

LESSEE/SUBLESSOR:

City of Sacramento

SUBLESSEES:

Hornblower Yachts, LLC, a California limited liability company

Diversified Restaurant Concepts, a California corporation

Sac Brew Boat LLC, a California limited liability company

PROPOSED ACTION:

Amendment of lease and endorsement of three subleases.

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Sacramento River, between the I Street Bridge and the Tower Bridge, Sacramento County (as shown in Figure 1), and known as the State Parcel.

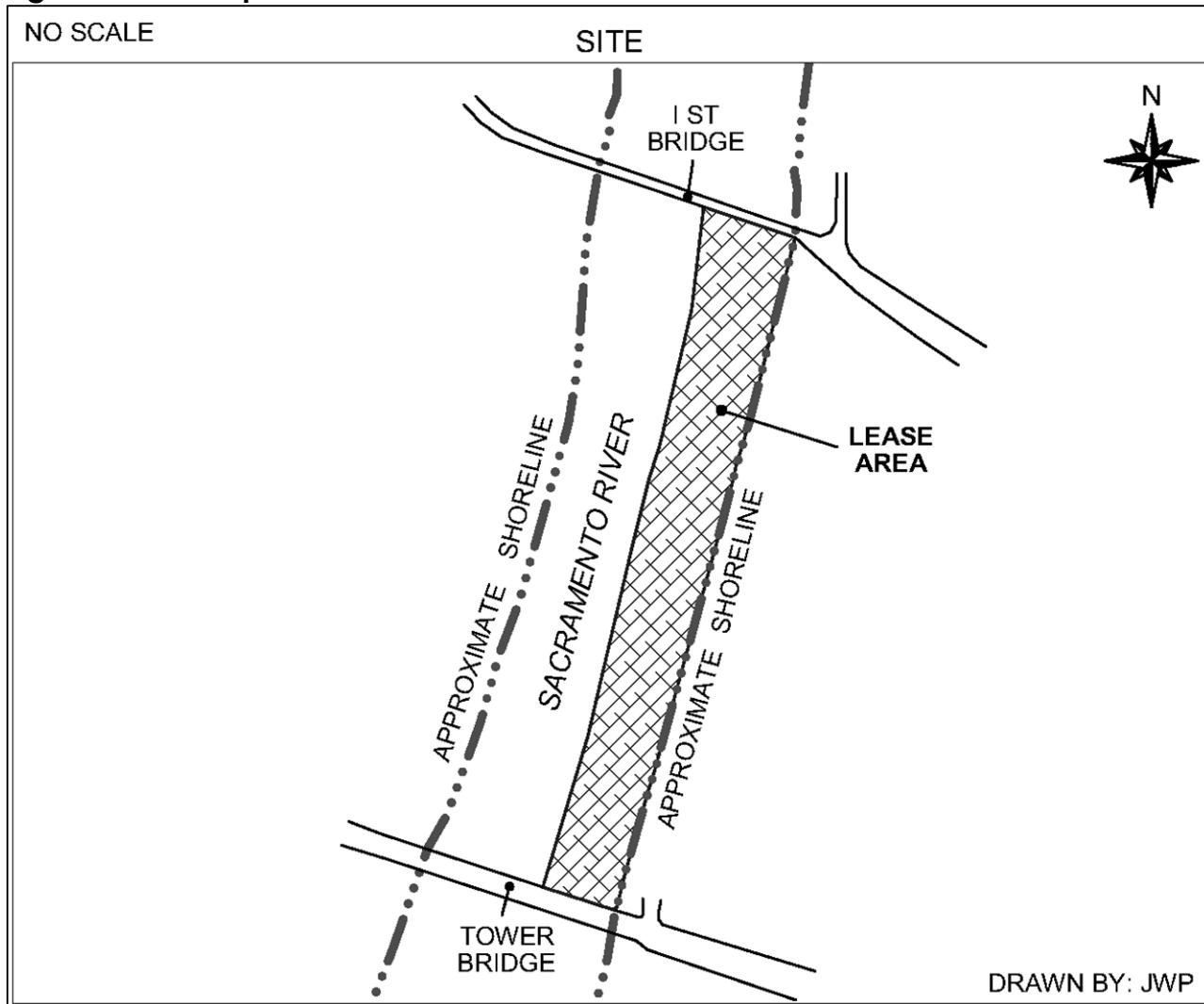
Figure 1. Location



AUTHORIZED USE:

Use and maintenance of docks, walkways, access ramps, floating vessels, and any other structure necessary or appurtenant to the development of the lease premises and for the mooring of vessels (as shown in Figure 2).

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:

49 years, beginning July 1, 1986.

CONSIDERATION:

Commencing with years 6 through 25, the State shall receive 20 percent of the gross annual rent the City receives from a sublessee. Annual rent for the term of the lease for years 26 through 49 is subject to adjustment as agreed to between the Commission and the City.

PROPOSED AUTHORIZATION:

The City of Sacramento (City) seeks to amend Lease 7001, for various uses along the Sacramento River waterfront to allow for assigning or subletting subleases for a period of 12 months or less ("short-term"), for Public Trust consistent uses of existing improvements, without the Commission's prior written approval. The City will submit notice of a proposed short-term sublease to the Commission at least 60 days before the short-term sublease takes effect. Subleases with a term longer than 12 months ("long-term") would still require Commission review and approval.

Additionally, the City seeks the Commission's endorsement of three long-term subleases.

- Hornblower Yachts, LLC, a California limited liability company: Use of the "Passenger Boat Dock" for the purpose of mooring and operating tour boats and other passenger vessels, such as the Capitol Hornblower and Empress Hornblower, with an option to operate a water taxi service; initial term of 5 years, effective May 23, 2025, with one optional extension period to run through April 1, 2035.
- Diversified Restaurant Concepts, a California corporation: Use of the "L Street Barge" for the purpose of mooring and operating a tour boat; initial term of 5 years, effective June 4, 2025, with one optional extension period to run through April 1, 2035.
- Sac Brew Boat LLC, a California limited liability company: Use of the "Visitors Boat Dock" for the purpose of mooring and operating a tour boat; initial term of 5 years, effective June 4, 2025, with one optional extension 5-year period to run through April 1, 2035.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections Public Resources Code sections 6005, 6216, 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 Lease PRC Number 7001, a General Lease Public Agency Use (Master Lease) to the City for an area covering a portion of the Sacramento River in Old Sacramento between the I Street Bridge and Tower Bridge ([Item 20, July 24, 1986](#)). The Commission has amended the Lease twice to adjust the rent, the due date of annual reports, and the expiration date of the Lease to June 30, 2035.

The City has now applied to amend the Lease to replace language on assigning or subletting. The proposed amendment would allow the City to issue subleases (including licenses) for a period of 12 months or less, for Public Trust consistent use of existing improvements, without the Commission's prior written approval.

Additionally, the City is requesting the endorsement of three subleases: Hornblower Yachts, LLC, a California limited liability company, Diversified Restaurant Concepts, a California corporation, and Sac Brew Boat LLC, a California limited liability company. The City is working to attract both short-term and long-term tenants. This action to allow the short-term leases and endorse subleases will provide them with the flexibility to get tenants in and generate the consistent revenue necessary to maintain and improve the lease premises, which is in the best interests of the State. We anticipate the City will submit an application soon for a new long-term Master lease.

Under the terms of the existing lease, the Lessee is required to "secure the State's written approval" of any and all sublessees and subleases, and of each sublessee's proposed use of the Lease Premises, before that sublessee places any improvements within or on the Lease Premises. Apart from the amendment of lease language on assigning or subletting, all other lease terms and conditions shall remain in effect and without change.

The Lessee has negotiated proposed licenses with three Sublessees, to manage and operate tourist-related services within the same footprint as their prior subleases. These are renewals of existing subleases for uses that have existed on the

waterfront for many years. The proposed use (tour boats and water recreation) trust-consistent activities which enhance public enjoyment of the river. The term/duration of the subleases does not extend past the term of the Master Lease. The subleases require the sublessees to indemnify and insure the State from liability.

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 amendment of lease and endorsement of subleases for these improvements would not impede and may improve public access. The proposed license agreements require the Sublessees to insure the lease premises and indemnify the State and the City. The authorized uses under the lease promote water-related public use of Public Trust land and provide a variety of visitor-serving amenities to help the public access and enjoy the land. The proposed amendment includes certain provisions intended to enhance public trust activities, visitor 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.

CONCLUSION:

For all the reasons stated above, staff believes that amendment of the Master Lease and endorsement of three subleases will not substantially impair the public rights to navigation and fishing or substantially interfere with the Public Trust needs and values at this location, at this time, and for the term of the Master Lease and subleases; is consistent with the 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 three 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. Approving the amendment of lease 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, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5)

RECOMMENDED ACTION:

It is recommended that the Commission:

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed amendment and endorsement of three subleases will not substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the lease and subleases; and is in the best interests of the State.

AUTHORIZATION:

1. Authorize the amendment of Lease 7001, a Master Lease, effective August 21, 2025, to replace language on assigning or subletting for short-term subleases; all other terms and conditions of the lease shall remain in effect without amendment.
2. Authorize, by endorsement, Hornblower Yachts, LLC, a California limited liability company, Diversified Restaurant Concepts, a California corporation, and Sac Brew Boat LLC, a California limited liability company between the Lessee/Sublessor and the Sublessees for use of improvements and activities located on the Lease Premises.