

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

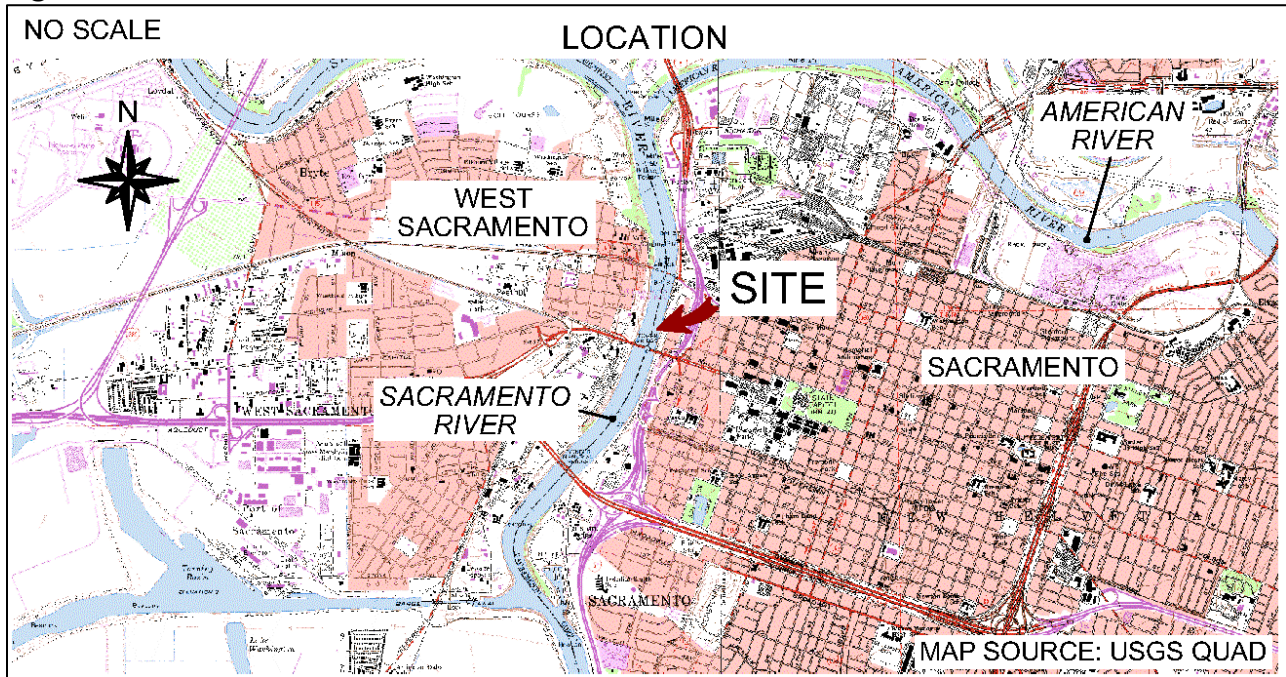
PROPOSED ACTION:

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

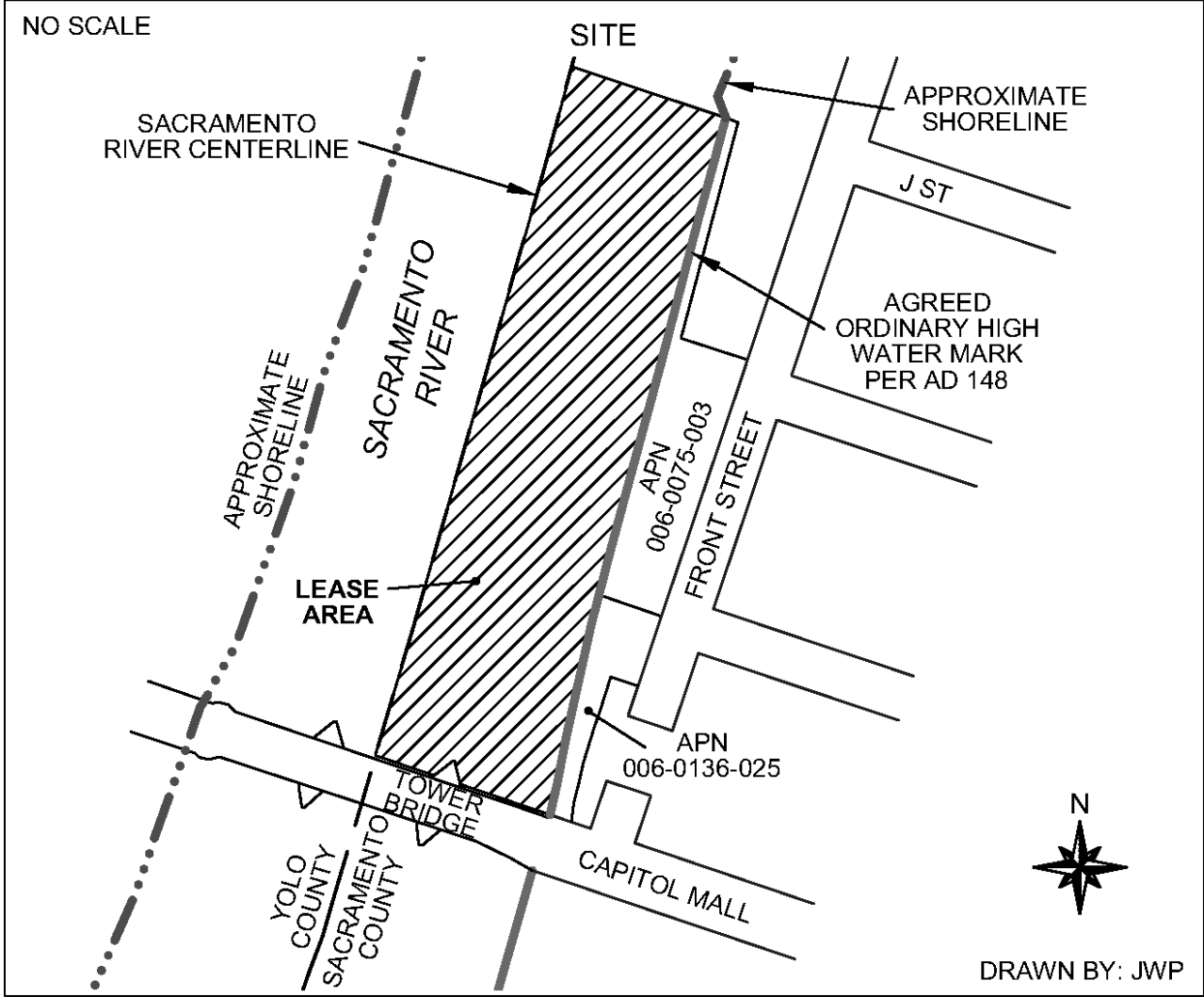


AUTHORIZED USE:

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.