

City Owned Property: Leasing Policy

June 26, 2025

Background

No policy for leasing City-owned property

- City Council approves leases (in open session)

Property may be leased:

- Expert operators to provide public services the City cannot directly provide (recreation, food services)
- Lease enhances long-term revenue growth
- Council determines it is in City's best interest

Current City Leases

Lessee/Business	Summary of Services	City-Owned Property
Capitola Boat and Bait	Bait and tackle shop, seasonal moorings, water taxi	Temporary structures on Wharf
Capitola Beach Company	Seasonal surf lessons, beach equipment rentals	256 square-feet of Esplanade Park
Brittania Arms	Patio dining	Area adjacent to restaurant & Esplanade Park

Other Leases:

Capitola Branch Library (99 years with County of SC)

Policy Development

Developed based on:

- Council request for transparency and standardization
- Best practices in municipal leasing
- Policies from Oceanside, Monterey, San Francisco
- *Not a common policy: Cities more commonly have Leasing & Property Management offices*
- *Includes special provisions for nonprofit/public agency leases*

Key Policy Points

1. Lease Approval & Selection

RFP process recommended

City may negotiate leases with non-profits and public agencies directly

2. Fair Market Value & Terms


Leases must reflect fair market value

Include rent escalation, insurance, and maintenance requirements

Lease Duration Options

Staff requests Council Direction

- Establish standard lease term:

 years (5, 8, 10?)

- Exceptions allowed for:
 - \$1M+ capital investment
 - Purpose-built facilities
 - Structures physically tied to private commercial property

Oversight & Accountability

- Annual report to City Council on:
 - Lease performance
 - Compliance with lease stipulations, area, etc.
 - Status of leased properties

Outdoor Dining Program

Administrative Policy I-36 (Outdoor Dining):

Not a lease, but use of public space with a permit

Coastal Commission-approved

Currently limited to 25 parking spaces

Proposed Update:

Align reallocation timeline with leasing policy or establish different timeline:

 -year reallocation cycle via lottery if program is full

Recommended Action

1. Provide Staff direction on:
 - *Lease threshold (5, 8, or 10 years?)*
 - *Establish timing to reallocate Outdoor Dining Program consistent with leases, or establish other timeline*
2. Approve policy draft (with recommendations) and revise Policy I-36: Outdoor Dining Program with Council-established timelines