

meeting.

CALENDAR ITEM

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C 0 6

12/12/90
PRC 6962
Dugal

RENT REVIEW FOR GRAZING LEASE

LESSEES: Henry and Dorothy Schechert Trust
12486 Foothill Blvd.
Yuma, Arizona 85365

AREA, TYPE LAND AND LOCATION:
A 2,057+-acre parcel of State school and lieu
land approximately ten miles north of Honey
Lake, Lassen County.

LAND USE: Livestock grazing.

TERMS OF EXISTING LEASE:

Initial period: Ten years beginning April 1,
1986.

Consideration: \$267.47 per annum; five-year
rent review.

BASIS FOR CONSIDERATION:

Staff has reviewed this lease pursuant to the
lease terms and in accordance with the
Commission's rental regulations (2 Cal. Code
Regs. 2003).

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 2, Div. 3;
Title 14, Div. 6.

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AB 884:

N/A.

BACKGROUND:

Data obtained from the Lassen County Assessor's Office indicates when the County calculates possessory interest taxes, the Assessor's office places a value per AUM (Animal Unit Month) in the range of \$30-\$40 per AUM. This data is collected by means of a confidential survey which is forwarded to a rancher by the Assessor's office when a parcel is transferred. When the property is sold, the grantor also assigns his interest in a BLM grazing allotment. The value placed on an AUM by a rancher is a value based on receiving the BLM allotment, in addition to the land purchased, which in turn adds more grazing range to the rancher's operation.

This value per AUM represents the difference between the market rental rate and BLM's contract rental rate which can then be capitalized at a suitable rate of return. The difference added to BLM's current rate should equal fair market rent.

$$\$30/\text{AUM} \times 9\%(\text{CAP rate}) = \$2.70 \text{ AUM}$$

$$\$2.70 + \$1.81 \text{ (BLM's current rate)} = \$4.51 \text{ per AUM}$$

The historical carrying capacity for this lease is 82.28 AUMs.

$$\$4.51/\text{AUM} \times 82.28 \text{ AUMs} = \$371.$$

Additionally, as a cost-saving measure for the State and the Lessees, staff has requested the Lessees to pay the remaining five years of rent in advance. The lessee may pay the remaining rent on this lease, without penalty and without amending the lease terms.

By letter dated October 22, 1990, staff notified the Lessees of the proposed change in rent, as stipulated in the lease terms, and has given the Lessees the opportunity to comment on the proposed change. As of this date, staff has not received any negative comments from the Lessees.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because

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the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE THE INCREASE IN RENT TO \$371 ANNUALLY, FOR HENRY AND DOROTHY SCHECHERT TRUST, LESSEES OF LEASE PRC 6962, EFFECTIVE APRIL 1, 1991, FOR THE ENSUING FIVE-YEAR RENTAL PERIOD; ALL OTHER TERMS AND CONDITIONS OF THE LEASE REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT.

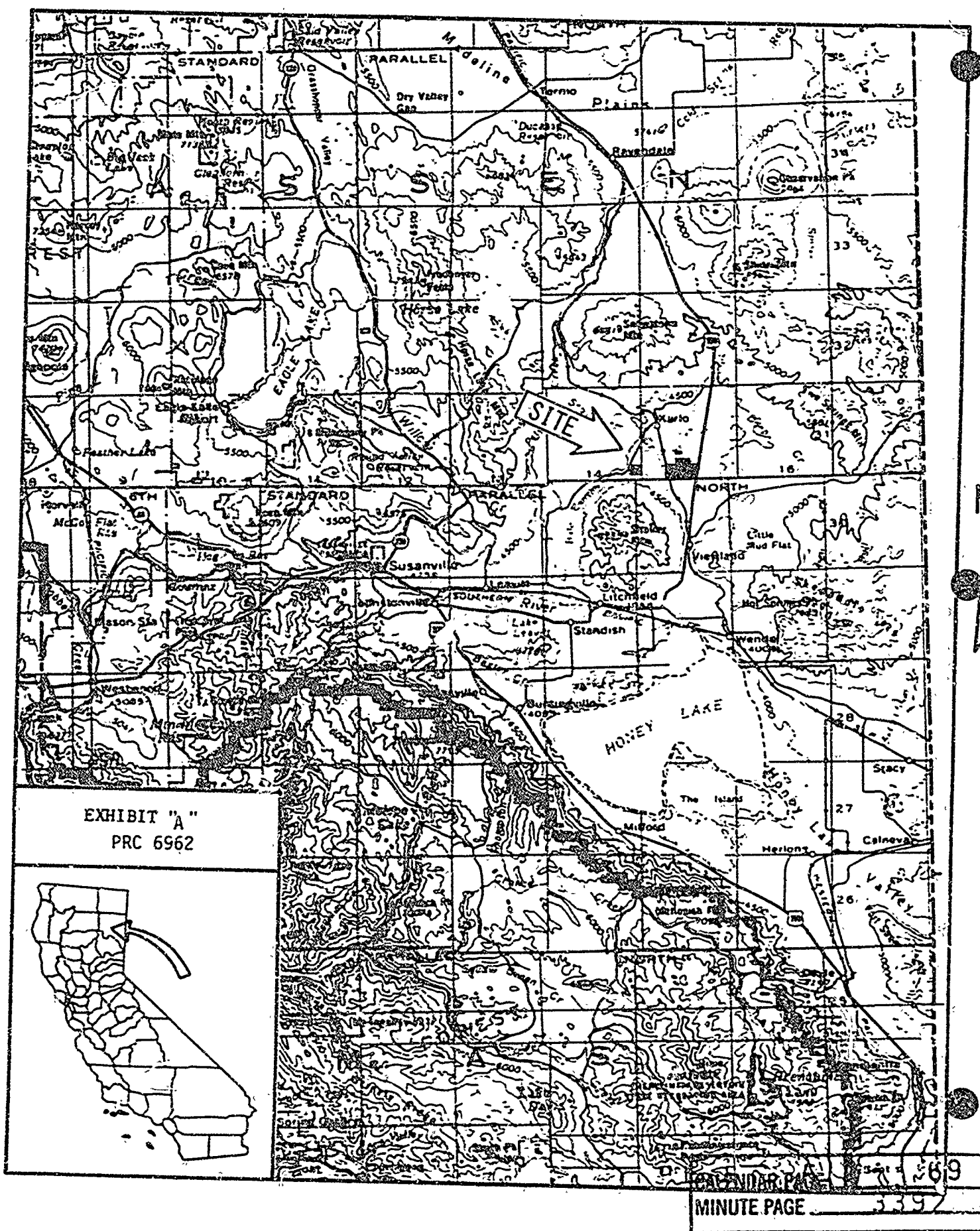


EXHIBIT "A"
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