



## **Pensacola Beach Advocates Proposal for Structure of Lease Reduction**

The SRIA Board has asked Mike Stebbins, its attorney, and staff to draft a Policy Statement regarding the proposed 50% reduction in lease fees effective October 1, 2015. Pensacola Beach Advocates (PBA) encourages SRIA to implement the lease fee reduction across all classes by reducing each payers' rate equally.

The leaseholds on Pensacola Beach can be broken into three distinct classes:

1. **Direct Residential Leaseholders:** Approximately 1,417 (single family dwellings or multi-unit buildings such as townhouses in which each residence has a separate lease with the SRIA). SRIA believes that no change to the residential lease agreements is necessary to accomplish this reduction.

**Suggested Policy:** Lease fees shall be reduced by 50% of the Dollar Amount of the existing lease.

2. **Master Leaseholders:** Approximately 29 Master sublease to 2,479 Subleaseholders (for condominiums or multi-residential organizations). In most cases, the Master Leaseholders' sub-lease revenues are equal to the Master Lease fee (no "mark-up" or "profit factor" in the Sub-leases). In some cases, the Sub-lease revenues exceed the Master Lease fee, yielding the Master Leaseholder a "profit". In such situations, the Policy Statement shall not seek to infringe on or reduce the Master Leaseholder's "profit".

**Suggested Policy:** Master Leaseholders shall be *offered* a 50% reduction of the current Master Lease Fee contingent on an amendment to the Master Lease agreement that the Master Leaseholder pass on the Dollar Reduction (not the 50% reduction) on to its Sub-lessees in proportion to what they pay. For example, 100 subleases pay \$2,000 each, but the Master Leaseholder pays only \$120,000 for a lease fee (retaining \$80,000 in profit), the amended agreement would require the Master Leaseholder to pass along the entire reduction (50% of \$120,000 or \$60,000) to the Subleaseholders for an average savings of \$600. If the Master Leaseholder does not agree to that provision, it shall not receive any reduction.

3. **Commercial Leaseholders:** Approximately 80 Commercial Leaseholders pay a Percentage Lease Fee (typically 2% to 5%) of sales with a Minimum Annual Lease Fee. The Minimum Annual Lease Fee is paid at the start of the lease year and the percentage lease fee is paid when it exceeds the minimum.

**Suggested Policy:** Both the Percentage Lease Fee and the Minimum Annual Lease Fee paid by the Commercial Leaseholder shall be reduced by 50% pursuant to an amended lease. For example, a existing Percentage Lease Fee of 5.0% would be reduced to 2.5%;

a Minimum Annual Lease Fee of \$6,000 would be reduced to \$3,000. The lease amendment shall specify that the Commercial Leaseholder shall reduce the percentage fee it charges to its customers proportionately after Oct. 1, 2015.

**General Provision for all Three Classes:** A prior lease payment (paid prior to October 1, 2015) shall not be reduced for the time between October 1, 2015, and the end of the fiscal period that the prior lease payment currently covers. In other words, if a leaseholder paid a lease fee on July 1, 2015, for the fiscal year ending June 30, 2016, no refund or reduction of the lease fee paid July 1, 2015, shall be given even though the lease fee term extends beyond October 1, 2015.

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Pensacola Beach Advocates