

BEACHES

Everyone agrees Pensacola Beach's lease system is broken. Now how do we fix it?

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Sitting next to his Pensacola Beach neighbor at a recent Santa Rosa Island Authority meeting, Mark DeNunzio gave beach leaders one example the often inequitable and frequently nonsensical system that determines the amount of taxes and lease fees beach residents pay for their homes.

His Ariola Drive neighbor's 99-years lease is automatically renewable while his own 99-year lease must be renegotiated at the end of its term. That difference means DeNunzio cannot be assessed property taxes on the land underneath his home while his neighbor must pay taxes on her land.

"My lease won't be up for another 40 years, so I will have 40 years worth of tax savings," DeNunzio said. "That is a substantial amount of money that is being lost by Escambia County," he added as his neighbor listened and shook her head.

Lease fee increase on the table

Escambia County and Pensacola Beach leaders hope to bring some uniformity to the complicated lease system that has governed development on the beach since 1947, but their task isn't easy.

The Santa Rosa Island Authority took a first step in the complicated process Wednesday night during a lengthy discussion about the more than 4,700 leases that the authority controls on the beach.

As part of the discussion, the authority members discussed raising the annual lease fees they charge beach residents.

The authority also said it wants to see a thorough review of every beach lease when it comes up for a renewal, a move that could mean delays for people wanting to buy or sell beach properties.

History of the issue: Decades of tax disputes, no answers on Pensacola Beach ownership

Some pay more than others: Pensacola Beach lease and tax system unfair, county and beach leaders agree

Escambia County Commissioner Robert Bender said beach residents should be aware of the terms of their lease before they list their properties. Lenders often require lease terms of 30 years or longer for mortgage financing.

"The onus might be on Realtors to tell people to check how much time is on their lease," he said. "(They should) make sure they have their lease properly situated before they get a contract on their house."

In the past, the authority members said they have felt pressured to rush through lease changes for residents or businesses needing approval from banks.

How did we get here?

All Pensacola Beach property is leased rather than owned because of a 1947 agreement, which deeded much of Santa Rosa Island to Escambia County from the federal government. The deed agreement prohibited the county from selling the land and stipulated the land must be used to benefit the public.

In the 1950s, county leaders decided to promote the beach as a tourist attraction and created the system of 99-year leases governed by the authority to allow commercial and residential development.

The wording of the beach leases changed through the decades, creating a hodgepodge of guidelines for properties dating to when a lease was last modified. Some leases must be renegotiated when they expire, other leases are automatically renewable, some lease fees increase throughout the term of the lease based on the Consumer Price Index, while other lease fees never increase.

A big vote: Pensacola Beach referendum passes with overwhelming support

Navarre pass connection: Sen. Nelson withdraws support for federal bill to allow private ownership of local beaches

Longtime Pensacola Beach Realtor Trey Manderson said the leases are an important and often overlooked part of beach real estate transactions.

"All leases are different and it is a good idea to read your lease and know what it says," said Manderson, who added that he thinks it is a good thing beach leaders are trying to bring uniformity to the leases.

The language in beach leases became an issue after Hurricane Ivan because some beach leases stipulated that homes had to be rebuilt with a certain period of time or the lease was terminated, Manderson said.

He said condominium leases are also complicated because some are governed by master leaseholders while others are not.

Dr. Thomas Campanella, a beach resident and longtime island authority member, said his lease changed when he refinanced his home in the 1990s. The language of the lease was amended so that his lease fees were adjusted based on the Consumer Price Index.

The debate isn't over: Advocates of beach ownership changes push for new legislation despite recent vote

Beach fight: Pensacola Beach public access: Escambia County leaders, activists still at odds

The refinancing also changed his lease to the automatically renewable status, which meant he shouldn't have paid property taxes on his land. But Campanella said he continued to pay taxes on the land for eight years without realizing the lease had changed.

Campanella said his situation is one of many examples of how complex the beach lease situation is.

"But there is no easy solution," he said. "There is a whole lot in this big net we are trying to cast."

Trying to change the system

When the lease system started, the beach properties were advertised as tax-free because the land was leased rather than owned.

County leaders turned the beach land into a source of property tax revenue after the island was heavily developed. The move prompted lawsuits and legislative attempts to unravel the lease system that have continued for 40 years.

An advocacy group fought a 2017 legislative effort to overturn the 1947 deed agreement and allow the county to give people outright titles to their leased properties. While the move would have eliminated the complicated lease system, its opponents said it would have created the sort

of widespread beachfront development and no trespassing signs common on other beaches throughout the state.

A non-binding referendum supported by the advocacy group to prohibit privatization of Santa Rosa Island through sale or lease of currently unleased properties passed by more than 80 percent of the vote in November.

The complex lease system: Untangling Pensacola Beach's lease system: Leaders struggle to find fair solution

Bender, the county commissioner, said officials need to do something now to create a more uniform lease system rather than waiting and making the system even more complicated for future generations.

"We don't want another board to be sitting here in 80 or 90 years from now with five different varieties of leases," he said.

Authority member Jerry Watson agreed.

"We need to have uniformity in this process rather than making decisions based on individuals' requests. We need to be making standard decisions for every lease renewal," he said.

Also Wednesday, authority members discussed raising lease fees. Paolo Ghio, director of the island authority, suggested the board look at anticipated expenses to determine whether lease revenues would cover those needs.

"We have to ask ourselves if we are keeping pace with the requirements of managing this island," he said.

But Karen Sindel, chairman of the authority board, said she wanted to see a careful review of the finances before raising lease fees.

"It has never been our intent to say that we are going to raise more money just to have more money or to come up with a project for no reason," he said. "Before we start talking asking for more money, let's look at how we are spending what we are taking in."

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