

INDIAN LEASE LAND

The following information provides a general overview of what Indian lease land is and how it works. It is meant only to provide this overview, and does not apply to any specific lease or sub-lease. Any buyer or seller of property located on Indian lease land should carefully read that property's lease and all supplements, attachments and addendums of said lease. Scott Lyle Realtors is not responsible for any inaccuracies that might be contained in the following information, which is solely the opinion of Scott Lyle Realtors and based upon their experiences with leased land.

Land is laid out by sections in a checkerboard fashion throughout Palm Springs and also parts of Cathedral City and Rancho Mirage. Approximately every other section of this checkerboard is owned by the Agua Caliente Indians. Over 23,000 residential properties along with some commercial properties are located on Indian lease land. Most of the residential properties are owned individually by tribal members, and all leases are administered through the Bureau of Indian Affairs. The lease fee paid covers long term use of the land. Although you do not own the land, the lease gives you legal right to the use of the land for the duration of the current lease. This is similar to the concept of condo ownership where technically you do not own the land it sits on, and you pay fees to the condo ownership association.

Though fee simple (where you own the land) is the standard type of ownership in California, there are some benefits to buying a home, condo or lot located on leased land. I have been selling real estate in Palm Springs continuously since 1978 and have sold many homes on Indian lease land. I have watched homes on Indian lease land appreciate at the same rate as homes on fee simple property. Often I'm asked if I would purchase a home on Indian land and the answer is a resounding yes. But the home would have to be priced right, given the fact that you do not own the land. Leases generally run from \$2,000 to \$4,000 per year, depending on the property and the current lease. It's been my experience that homes on lease land generally sell for 15% to 20% less than a similar home built on fee simple land.

Let's use the following as an example. Let's say a home on fee simple land is priced at \$500,000. That same home on Indian lease land would be \$400,000 to \$425,000. If the home is \$75,000 less, the value of that money at today's interest rate (7%) would be \$5,250 per year. If the lease on that property is \$3,000 a year, you would be saving \$2,250 each year and have the same quality of life that you'd have if you'd bought on fee simple land. There are no signs that indicate you are entering Indian land, and your family and guests will enjoy the newer congruent neighborhoods that are found on developed Indian land. Also your property taxes will be based on the lower amount, resulting in additional savings. Since you bought the home for only \$425,000 versus \$500,000, if you wanted to sell the property down the road, you would be able to price the property that much better than fee simple land. Of course, the biggest reason for purchasing a home on Indian land is that some of the most scenic and beautiful property to be found in Palm Springs is located on Indian lease land, many with underground utilities.

The maximum lease period is 65 years, and lease extensions all being done all the time. The Indians have no desire to let the leases expire and own the improvements. Historically, leases are getting extended when they get down below 30 years. I have seen no leases get down much below 25 years left to extend. The majority of the leases are extended between the 30th and the 35th year left to go. So if you are concerned about leaving the property to your family after you're gone, you can certainly know that the improvements will still be there, the lease will be intact, and the value of that property will still be in place. Be sure to find out if a property you are considering buying is on leased land and what the terms of that particular lease are. And most importantly, as a home buyer you need to read and make certain you understand the terms of the sublease.

If you'd like to learn more about Indian lease land, please contact the Bureau of Indian Affairs, TESA Branch at (760) 416-3289.



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483 North Palm Canyon Drive, Palm Springs, CA 92262