

Memorandum

Date: February 12, 2020

To: Brian Bugsch, Chief
Land Management Division

Grace Kato, Assistant Chief
Land Management Division

From: Chaun Wong, Associate Property Appraiser
Land Management Division

Subject: Delta Area and Sacramento River Category 1 Benchmarks 2020

As requested, I have updated the benchmarks for the Delta Area and the Sacramento River. The Delta Area and Sacramento River Category 1 Benchmarks were last updated in March 2015. The current update follows essentially the same methodology as used in the prior benchmark report.

The recommended benchmarks are summarized in the following table with the 2015 benchmarks.

DELTA AREA AND SACRAMENTO RIVER BENCHMARK SUMMARY		
Benchmark Date	2015	2020
Sacramento River		
Land Value (Per Acre)	\$103,576	\$103,576
Rental Rate (Per Square Foot)	\$0.214	\$0.214
Delta Area		
Land Value (Per Acre)	\$79,860	\$81,312
Rental Rate (Per Square Foot)	\$0.165	\$0.168

An appraisal is the act or process of developing an opinion of value that must be numerically expressed as a specific amount, as a range of numbers, or as a relationship to a previous value opinion or numerical benchmark. This report constitutes an appraisal as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). Accordingly, this appraisal has been performed and the report has been prepared in substantial compliance with USPAP. The compiled research, analyses, and conclusions presented in this appraisal represent a correlation of market rents into benchmark rental rates for private recreational facilities (e.g. docks and piers) located within the Delta Area and along the Sacramento River. The benchmarks are intended to be used by Commission staff for rent setting purposes.

Introduction

Leases are issued by the California State Lands Commission for private recreational facilities such as docks and piers. These facilities offer many of the same amenities as a commercial marina, such as a place for the docking and berthing of boats and the loading and unloading of passengers and equipment. In this manner, these privately-owned facilities represent a substitute for a commercial marina slip/berth. Accordingly, the method of valuation used in estimating a fair return and a fair rental value in this analysis is based on what an individual would pay for a similar substitute site in a commercial marina.

Since a Commission-leased site for a privately-owned pier or dock is a fairly good substitute for a marina slip/berth, a lessee of the state land should pay a similar amount for the leased site as the state would receive for leasing the land to a commercial marina.

Scope

The scope of the research included the following:

- Identifying marinas with boat slips/berths in the Delta Area and Sacramento River Area.
- Surveying the marinas as to the number and type of slips/berths, occupancy rate, berthing sizes and rates.
- Compiling the survey results into averages for slip/berth size and rate.
- Using the “Layout and Design Guidelines for Marina Berthing Facilities” publication (last updated July 2005) from the State Department of Boating and Waterways to determine the amount of submerged land area necessary to accommodate a given berthing size.
- Calculating the annual rental rate(s) using the above information and State valuation guidelines.

There are estimated to be 115 total marinas in the Sacramento River and Delta Areas. In statistics, for very large populations, a random sampling method provides the best chance of an unbiased representative sample. Random marinas throughout the regions were contacted during the course of the survey. Marinas were contacted via phone, email, and/or site visits. Some marina operators did not want to participate in the survey. Some marina operators did not provide a clear breakdown of their berthing rental rates and/or berth sizes. While other marinas contacted during the course of the survey do not rent their berths on a long-term basis. As of February 12, 2020, a total of 46 marinas responded to the survey. Each of these marinas cooperated to varying degrees and provided relevant information for study purposes. A deliberate effort was made to make the samples representative of each target population. While not comprehensive, this survey is believed to be representative of the total marinas within each study area.

Methodology

In order to determine the value of the leased area (pier, dock, or other similar private recreational facilities), it will be necessary to determine: what income can typically be generated by a commercial marina; the area occupied by a marina slip/berth in a well-designed marina; what the rental charge would be for a typical sized boat; and the rate of return the state should receive for the use of its land.

The Commission typically charges 5% to 6% of gross income for boat berthing for sites leased to commercial marina operators, with most of the leases set at 5% of gross income.

The Commission has a set rate of return of 9% of the appraised value of the leased land.¹

Slip/Berth Rent

Slip/berth rental rates vary throughout the Sacramento – San Joaquin River Delta Area, therefore analysis of collected data is broken up into two distinct areas: the Sacramento Benchmark River Area and the Delta Benchmark Area. The Delta Benchmark Area is considered to be the area formed at the western edge of the Central Valley by the confluence of the Sacramento and San Joaquin Rivers which lies just east of where the rivers enter Suisun Bay. The southwestern side of the Delta Benchmark Area lies at the foothills of the California Coast Ranges, while to the northwest sit the lower Montezuma Hills. The Delta Benchmark Area is considered to be the area consisting of multiple islands and tracts surrounded by natural and man-made channels and sloughs within Contra Costa, Sacramento, San Joaquin, Solano and Yolo Counties. Although a portion of the Sacramento River is part of the Delta, for purposes of this study, the Sacramento River Benchmark Area is considered to be the area along the Sacramento River approximately north of the Walnut Grove Bridge. To note, the Walnut Grove Bridge is considered an approximate boundary only because it is the nearest identifiable crossing between the two distinct datasets. It should not be considered an absolute boundary for determining rent. The northern boundary of the Sacramento River Benchmark Area is considered to be approximately near the Keswick Dam, northwest of Redding, in Shasta County.

The survey found that the average berth size for the Sacramento River Benchmark Area was approximately 32 linear feet, while the average berth size for the Delta Benchmark Area was approximately 33 linear feet. In comparison, a 31-foot length was used in the 2015 Benchmark Update for the Sacramento River Area; and a 32-foot length was used in the 2015 Benchmark Update for the Delta Area. The discrepancy of average berth sizes may be attributed to the accuracy of the data provided by the marina operators because it is believed that marinas have not significantly changed since 2015. The discrepancy may also be attributed to the different marinas surveyed in 2015.

¹ Per the California Code of Regulations, Title 2, Division 3, Chapter 1, Article 2, Section 2003 Rental.

Berthing rates are reported on a per lineal foot basis for both covered and uncovered slips/berths. A combined average of covered and uncovered berthing rates was used to establish final average rates for all berths. For the Sacramento River Benchmark Area, the berthing rates based on data collected ranged from \$5.00 to \$21.04 per lineal foot and had an average of \$10.12 per lineal foot, representing a 1.81% increase over the 2015 average of \$9.94. For the Delta Benchmark Area, the berthing rates based on data collected ranged from \$4.17 to \$13.62 and had an average of \$8.03 per lineal foot, representing a 3.27% increase over the 2015 average of \$7.78. As previously indicated, the discrepancies may be attributed to the accuracy of data from marina operators or the different marinas surveyed in 2015.

Using the average berthing rates discussed above, the benchmark rental rate for berths is calculated by multiplying the average berth length by the average rental rate. This product is then multiplied by 12 months to arrive at the gross annual income. The gross annual income is multiplied by 5% to get the income attributable to the submerged land. The income attributable to the submerged land is then divided by the amount of submerged land needed to accommodate the average berth length within a marina.

The submerged land area needed to accommodate an average berth is found in a publication entitled "Layout and Design Guidelines for Marina Berthing Facilities" published by the State Department of Boating and Waterways. This publication provides formulas and tables for calculating the submerged land area needed to accommodate various sizes and layouts of berths in marinas. Among other variables, the formulas take into account the berth length, berth layout (single vs. double), and the type of vessel (powerboat vs. sailboat). The submerged land area used in this benchmark analysis is based on a double berth layout (on the premise that it was the most economically efficient for the marina operator) and represents an average of the powerboat and sailboat berths.

From the tables in the publication, a submerged area of 906 square feet is shown as being necessary to accommodate the 32-foot average slip/berth length indicated by the survey for the Sacramento River Benchmark Area and 947 square feet is shown as being necessary to accommodate the 33-foot average slip/berth length indicated by the survey for the Delta Benchmark Area. Taking all of the aforementioned inputs into account, the current benchmark rental rate and land value for both the Sacramento River Benchmark Area and Delta Benchmark Area are calculated as follows:

Sacramento River Benchmark Area:

- Average berth rate: \$10.12/lineal foot
- Average Sacramento River Benchmark Area boat length: 32 linear feet
- Submerged land area necessary to accommodate a typical boat slip/berth: 906 sq. ft.
- CSLC administratively set rate of return: nine percent (9%)

$$32' \times \$10.12/\text{linear foot} \times 12 \text{ months} = \$3,886.08$$

$$\$3,886.08 \times 5\% \text{ of gross income} = \$194.30$$

$$\$194.30 \div 906 \text{ square feet} = \$0.214 \text{ per square foot rental rate}$$

$$\$0.214/\text{square foot} \times 43,560 \text{ square feet} = \$9,321.84 \text{ rent/acre}$$

$$\$9,321.84 \div 9\% = \$103,576/\text{acre or } \$2.38/\text{square foot value}$$

Benchmark Rental Rate = **\$0.214/sq. ft.**

Benchmark Land Value = **\$103,576 per acre**

The indicated benchmark rental rate for the Sacramento River Benchmark Area is \$0.214 per square foot. By comparison, the 2015 benchmark was also \$0.214 per square foot. The new benchmark therefore represents no change from the previous benchmark.

Delta Benchmark Area:

- Average berth rate: \$8.03/linear foot
- Average Delta Benchmark Area boat length: 33 linear feet
- Submerged land area necessary to accommodate a typical boat slip/berth: 947 sq. ft.
- CSLC administratively set rate of return: nine percent (9%)

$$33' \times \$8.03/\text{linear foot} \times 12 \text{ months} = \$3,179.88$$

$$\$3,179.88 \times 5\% \text{ of gross income} = \$158.99$$

$$\$158.99 \div 947 \text{ square feet} = \$0.168 \text{ per square foot rental rate}$$

$$\$0.168/\text{square foot} \times 43,560 \text{ square feet} = \$7,318.08 \text{ rent/acre}$$

$$\$7,318.08 \div 9\% = \$81,312/\text{acre or } \$1.87/\text{square foot value}$$

Benchmark Rental Rate = **\$0.168/sq. ft.**

Benchmark Land Value = **\$81,312 per acre**

The indicated benchmark rental rate for the Delta Benchmark Area is \$0.168 per square foot. By comparison, the 2015 benchmark was \$0.165 per square foot. The new benchmark therefore represents an overall increase of less than 1 cent (\$0.003) per square foot between the two benchmarks.

Delta Area and Sacramento River Category 1 Benchmarks 2020

MARINAS											
Sacramento River Area											
Name	2015		2020		Amount Change		% Change		Total Berths	Average Slip Length	
	Open	Covered	Open	Covered	Open	Covered	Open	Covered			
	Slips	Slips	Slips	Slips	Slips	Slips	Slips	Slips			
Alamar Marina	\$8.00	\$8.21	\$8.33	\$8.83	\$0.33	\$0.62	4.13%	7.55%	25	30	
Boathouse Marina	\$8.87	\$9.19	\$9.66	\$9.70	\$0.79	\$0.51	8.91%	5.55%	62	30	
Clarksburg Marina	N/A	N/A	\$9.00	N/A	N/A	N/A	N/A	N/A	15	40	
Cliffs Marina	\$8.55	\$8.47	\$8.50	\$7.59	-\$0.05	-\$0.88	-0.58%	-10.39%	109	28	
Deckhand's Marine Supplies	\$8.00	N/A	\$8.00	N/A	\$0.00	N/A	0.00%	N/A	20	35	
Freeport Marina	\$7.00	\$9.00	\$9.00	\$9.00	\$2.00	\$0.00	28.57%	0.00%	144	31	
Grimes Boat Landing	N/A	N/A	\$6.50	N/A	N/A	N/A	N/A	N/A	20	22	
Metro Marina	\$9.00	\$8.04	\$9.00	\$8.93	\$0.00	\$0.89	0.00%	11.07%	12	28	
Riverbank Marina	\$19.48	\$19.14	\$20.91	\$21.04	\$1.43	\$1.90	7.34%	9.93%	179	30	
Riverview Marina	\$9.52	\$14.20	\$11.18	\$16.60	\$1.66	\$2.40	17.44%	16.90%	93	36	
Rocco's on the River	N/A	N/A	\$5.00	N/A	N/A	N/A	N/A	N/A	42	20	
Sacramento Marina	\$8.48	\$11.02	\$8.72	\$11.33	\$0.24	\$0.31	2.83%	2.81%	475	32	
Sheerwood Harbor Marina and RV Park	N/A	N/A	\$10.00	N/A	N/A	N/A	N/A	N/A	74	40	
Stan's Yolo Marina	N/A	N/A	\$9.00	N/A	N/A	N/A	N/A	N/A	28	40	
Lovey's Landing	N/A	N/A	\$6.25	N/A	N/A	N/A	N/A	N/A	24	22	
Verona Marina	N/A	\$8.00	\$8.00	\$8.24	N/A	\$0.24	N/A	3.00%	31	38	
Virgin Sturgeon	N/A	N/A	\$5.75	N/A	N/A	N/A	N/A	N/A	10	40	
Averages	\$9.66	\$10.59	\$8.99	\$11.25	-\$0.67	\$0.67	-6.91%	6.29%	80	32	

MARINAS											
Delta Area											
Name	2015		2020		Amount Change		% Change		Total Berths	Average Slip Length	
	Open	Covered	Open	Covered	Open	Covered	Open	Covered			
	Slips	Slips	Slips	Slips	Slips	Slips	Slips	Slips			
B&W Resort	N/A	\$7.71	N/A	\$7.71	N/A	\$0.00	N/A	0.00%	69	30	
Bethel Harbor	N/A	N/A	N/A	\$8.23	N/A	N/A	N/A	N/A	80	29	
Brother's Island Marina	\$6.50	N/A	\$7.00	N/A	\$0.50	N/A	7.69%	N/A	130	35	
Bullfrog Landing Marina	N/A	N/A	\$4.17	\$7.00	N/A	N/A	N/A	N/A	42	28	
Delta Marina Yacht Harbor	\$6.77	\$8.39	\$7.46	\$9.24	\$0.69	\$0.85	10.19%	10.13%	245	30	
Discovery Bay Yacht Harbor	\$8.00	\$9.00	\$8.00	\$9.00	\$0.00	\$0.00	0.00%	0.00%	264	36	
Emerald Point Marina	N/A	\$7.85	N/A	\$7.85	N/A	\$0.00	N/A	0.00%	47	26	
King Island Resort	N/A	N/A	\$5.75	\$7.00	N/A	N/A	N/A	N/A	213	40	
Korth's Pirates' Lair Marina	N/A	\$9.28	N/A	\$9.87	N/A	\$0.59	N/A	6.36%	212	28	
Lauritzen Yacht Harbor	\$6.26	\$7.08	\$6.26	\$7.45	\$0.00	\$0.37	0.00%	5.23%	158	27	
New Bridge Marina	N/A	\$6.55	N/A	\$6.50	N/A	-\$0.05	N/A	-0.76%	240	40	
Owl Harbor Marina	\$7.00	\$8.00	\$8.65	\$9.70	\$1.65	\$1.70	23.57%	21.25%	143	35	
Oxbow Marina	\$9.00	\$9.48	\$10.00	\$10.34	\$1.00	\$0.86	11.11%	9.07%	423	34	
Paradise Point Marina	\$6.32	\$6.57	\$6.32	\$6.43	\$0.00	-\$0.14	0.00%	-2.13%	124	27	
Perry's Boat Harbor	\$8.25	\$8.43	\$7.50	\$8.89	-\$0.75	\$0.46	-9.09%	5.46%	126	32	
Riverboat Marina	\$7.00	\$10.34	\$8.00	\$10.71	\$1.00	\$0.37	14.29%	3.58%	83	39	
RiverPoint Landing	\$9.59	\$11.06	\$10.54	\$12.71	\$0.95	\$1.65	9.91%	14.92%	127	44	
Sacramento Delta Bay Marina	\$6.56	\$8.27	\$8.00	\$8.00	\$1.44	-\$0.27	21.95%	-3.26%	125	41	
Sprindrift Marina	\$7.00	\$8.44	\$7.00	\$8.44	\$0.00	\$0.00	0.00%	0.00%	117	31	
Sugar Barge RV Resort and Marina	N/A	\$8.25	N/A	\$6.83	N/A	-\$1.42	N/A	-17.21%	38	29	
Tiki Lagun Resort Marina	N/A	\$7.40	N/A	\$8.08	N/A	\$0.68	N/A	9.19%	172	39	
Tower Park Marina	N/A	\$9.02	N/A	\$9.97	N/A	\$0.95	N/A	10.53%	185	36	
Turner Cut Resort	\$8.65	\$6.00	\$5.50	\$6.25	-\$3.15	\$0.25	-36.42%	4.17%	125	31	
Vieira's Resort	N/A	\$6.61	N/A	\$6.79	N/A	\$0.18	N/A	2.72%	127	24	
Village West Marina	\$8.00	\$8.63	\$8.77	\$8.72	\$0.77	\$0.09	9.62%	1.04%	624	35	
Walnut Grove Marina	N/A	N/A	\$6.87	\$8.76	N/A	N/A	N/A	N/A	141	40	
Willow Berm Marina	\$10.26	\$13.62	\$13.13	\$13.62	\$2.87	\$0.00	27.97%	0.00%	339	41	
Wimpy's Marina	\$4.50	N/A	\$4.50	N/A	\$0.00	N/A	0.00%	N/A	20	20	
Windmill Cove Resort and Marina	N/A	N/A	\$6.88	\$6.88	N/A	N/A	N/A	N/A	18	40	
Averages	\$7.48	\$8.45	\$7.52	\$8.55	\$0.04	\$0.10	0.48%	1.19%	164	33	