State of California State Lands Commission

Memorandum

Date: September 14, 2021

To: Brian Bugsch, Chief
Land Management Division

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From: Chaun Wong, Associate Property Appraiser
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Subject: Lake Tahoe Category 1 Benchmark 2021
Placer and El Dorado Counties, California

The Lake Tahoe Category 1 Benchmarks were last updated in 2012. While the current update for the boats / slips component of the benchmark follows essentially the same methodology as used in the prior benchmarks, it is now adjusted to reflect both the seasonal use and year-round occupancy of state land at Lake Tahoe as reflected by the market data. The updated buoy benchmark is 5 percent of the average market rental price for buoys.

The recommended benchmarks are summarized in the following table with the 2012 benchmarks.

LAKE TAHOE BENCHMARK SUMMARY		
Benchmark Date	**2012**	**2021**
Berths / Slips		
Rental Rate (Per Sq. Ft.)	$0.790	$0.814
Buoys / Mooring Poles		
Per Buoy	$377	$273

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, piers, and buoys) located on Lake Tahoe. And while titled the Lake Tahoe Category 1 Benchmark, the benchmark rates are also intended to be applied to similar facilities at Donner Lake in

Nevada County. The benchmark is intended to be used by Commission staff for rent setting purposes.

Benchmarks establish uniform rental rates in specific geographic regions with concentrations of similar facilities within the Commission's jurisdiction. (Cal. Code Regs., tit. 2, § 2003, subd. (a)(5).) For proposed leases involving certain types of improvements or uses in regions where benchmarks have been approved, staff will recommend an annual rent based on the applicable benchmark and the lease area. Benchmark rental rates are based on an analysis of similar uses or substitute facilities in the local area. Generally, staff recommends updates to the benchmarks every 5 years. The use of benchmarks improves consistency and transparency throughout a geographic region, improves staff efficiency in setting and adjusting rent for large numbers of leases, and saves time and money for both the applicant and the State.

Introduction

Leases are issued by the California State Lands Commission for private recreational facilities – such as docks, piers, and buoys – located on sovereign lands. These facilities offer a substitute for the essential functions of a commercial marina, such as a place for the docking and mooring of boats and the loading and unloading of passengers and equipment. In a market where there is significantly more demand than supply, these private structures afford the upland owners guaranteed access to mooring facilitates that they may not otherwise be able to obtain from commercial marinas. In this manner, these privately-owned facilities represent a substitute for a commercial marina slip or buoy. Accordingly, the method of valuation used in estimating 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 substitutes for the essential functions of a marina slip, 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. Both privately-owned facilities and commercial marinas occupy state land year-round. Although the majority of marinas derive most of their income during the in-season, at least a couple marinas offer in-water storage of boats during the winter off-season. From this market data, it is possible to extract not only the value of in-season use, but also the off-season occupation. This benchmark uses these two components to more accurately reflect a fair rate for occupation of state land year-round.

Scope

The scope of the research included the following:

- Identifying marinas with boat slips and / or buoy fields in the Lake Tahoe area.
- Surveying the number and type of moorings at marinas (berths / slips / buoys), occupancy rate, mooring sizes, in-season rates, and off-season rates.

- Compiling the survey results into averages for slip size, buoy size, in-season rate, and off-season rate. (Please see following discussion regarding the boating season at Lake Tahoe.)
- 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 mooring size.
- Calculating the in-season rate, off-season rate, and combined annual rental rate using the above information and State valuation guidelines.

A total of 12 marinas and / or buoy fields in Lake Tahoe were investigated. All of these marinas were contacted in the course of the survey and all cooperated to varying degrees.

Methodology

In order to determine the benchmark rent for a leased area (pier, swim area, etc.), it is necessary to determine the income that can typically be generated by a commercial marina[1]; the area occupied by the average or typical marina slip in a well-designed marina; and the rent for that average or typical sized boat. An annual rate of return is then applied to the product of the above.

The Commission typically charges 5 percent of gross income for boat berthing for sites leased to commercial marina operators.

In terms of buoys, the benchmark rent is based on a 5 percent rate of return applied to the average of the seasonal rents for buoys in the commercial marinas surveyed.

Berth / Slip Rent

According to the survey, seven of the twelve marinas surveyed contain berths / slips[2]. By choice, all seven marinas rent slips during the in-season and two of the seven marinas rent slips during the off-season. These marinas reported a total of 677 slips[3], or an average of 97 slips per marina. The in-season marina occupancy rate was reported at 97 percent, with six of the seven marinas reporting full occupancy. The off-season marina occupancy rate was reported at 25%, with one reporting 40% occupancy and the other reporting 10% occupancy. The survey found that most marina berths at Lake Tahoe range from 20 to 35 feet in length, with an average berth size of approximately

[1] It is noted that while a typical marina at Lake Tahoe does not generate slip income during the off-season as most marinas only rent slips during the in-season (by choice); two of the seven marinas with slips do generate income during the off-season. Therefore, consideration of off-season slip income must be accounted for in the lessee's annual rental rate. Furthermore, the annual rental rate must reflect the fact that a lessee's pier occupies state land all year round, during both the in-season and off-season.
[2] Note: Slip and berth are used interchangeably in the text hereafter.
[3] Ski Run Marina reported 69 slips, but because they are all reserved for use by rental boats and fishing boats, they are not included in the count above. Tahoe City Marina reported 220 slips, however, only 159 slips are rented seasonally (the remainder 61 slips are located in their expansion area, and most are not rented seasonally).

27 feet. By contrast, a 26-foot length was used in the 2012 Lake Tahoe Benchmark. The discrepancy of average berth sizes is attributed to the accuracy of the data provided by the marina operators because it is believed that the marinas have not significantly changed in size or layout since the last benchmark.

Rent for berths is commonly expressed in terms of dollars per linear foot. Most marinas rent berths on a monthly basis; however, at Lake Tahoe, berths and buoys are more commonly rented (by choice) on a seasonal basis. According to the survey respondents, the in-season ranges from four and one-half months to six months, with the typical season ranging from May to September. The in-season rates reported range is from $3,130 to $13,200, with an average of $8,362. The off-season rates reported range is from $3,114 to $6,571, with an average of $4,843.

While there is generally little or no boating during the off-season, a lessee's pier occupies state land year-round. There is also the possibility for private pier owners to use their facilities outside of the typical 5-month marina season for boating as well as other non-boating related activities. The piers at Lake Tahoe are fixed structures that are not removed during the winter. These large structures extend across the shore and into the water, meaning that pedestrian or non-motorized boaters will have to navigate around them at all times. The combination of the in-season and off-season rates accounts for the year-round occupation of state land as an annual rate.

Of the two marinas offering off-season rates, Tahoe Keys Marina has much higher rates, but is located in an artificial cut rather than on sovereign land. Additionally, the limited amount of market data and lower occupancy of marinas during the off-season also favor using the lower range of the off-season rates. Consequently, in the appraiser's opinion, taking into consideration both use and occupancy of state-owned land of a pier throughout the year, the average in-season rate plus the lowest off-season rate (which is still within the range of market data) represents the gross annual income per slip generated by a commercial marina making full use of state land in Lake Tahoe. This amount is considered a similar amount for the leased site as the state would receive for leasing the land to a commercial marina given the choice to rent their slips all year round.

The gross annual income is then multiplied by 5 percent to arrive at the income attributable to the submerged land. That amount is then converted to a per square foot basis for rent-setting purposes. This is accomplished through use of a publication entitled "Layout and Design Guidelines for Small Craft and Berthing Facilities" by the California Department of Boating and Waterways last updated in 2005. 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 represents the typical marina berth layout in the area and is the most economically efficient for the marina operator) and represents an average of the powerboat and sailboat areas.

From the tables in the publication, a submerged area of 705 square feet is shown as being necessary to accommodate the 27-foot average slip length indicated by the survey for Lake Tahoe. Taking all of the aforementioned into account, the current benchmark rental rate comprised of the average in-season rental rate (and land value) and the lowest off-season rental rate (and land value) for Lake Tahoe is calculated as follows:

- Average in-season rate / average in-season gross annual income: $8,362 / berth / year
- Lowest off-season rate / lowest off-season gross annual income: $3,114 / berth / year
- Average boat length: 27 linear feet
- Submerged land area necessary to accommodate a 27-foot boat slip: 705 sq. ft.
- Percent of income attributable to the submerged land: 5 percent

  $8,362 + $3,114 = $11,476
  $11,476 x 5% of gross income = $573.80
  $573.80 ÷ 705 square feet = $0.814 per square foot rental rate

Benchmark Rental Rate = $0.814 per sq. ft.

The indicated benchmark rental rate for Lake Tahoe area is $0.814 per square foot. In contrast, the 2012 benchmark was $0.790 per square foot. The new benchmark therefore represents an overall increase of $0.024 from the 2012 benchmark. The increase in the rental rate is attributed to the change in the methodology from the previous Lake Tahoe benchmark for slips.

Buoy Rent

The question of how to value the occupation of state land by buoys similarly required examination of both market data and the impacts of the occupation.

The survey revealed that there were 10 marina facilities in California on Lake Tahoe with mooring buoys. These facilities reported a total of 517 buoys. The in-season marina occupancy rate ranged from 80 to 100 percent, with an average occupancy rate of 95 percent. Seven of these facilities reported occupancy rates of 100 percent; two reported 85 percent, and another 80 percent. The survey indicated that the in-season rates on Lake Tahoe range from $3,750 to $9,920, with an average of $5,450. Mooring buoys on Lake Tahoe are commonly rented on a seasonal basis[4], with the typical season running from May through September. But unlike boat slips, none of the marinas on Lake Tahoe reported renting buoys in the off-season so there is no off-season

[4] All marinas but the Sierra Boat Company reported a seasonal rate. The Sierra Boat Company's seasonal rental rate is calculated by multiplying their reported monthly rate by the average number of months in a season according to the marina operator, or 4.5 months.

market data to report. Consequently, the in-season buoy rate is effectively the annual rate and accounts for all the income generated during the year. As mentioned in the methodology section above, 5 percent of the average in-season buoy rate is determined to be a fair rent. This results in a rental rate of **$273 per buoy** ($5,450 x 0.05).

Although a buoy block will occupy the bed of the lake year-round. Many buoy owners remove the float during winter. As the buoys will not have a boat attached and may even not be visible on the surface of the lake, the off-season impacts are minimal. Based on this, both the market data and impact of occupation support using the in-season rate as an annual rate.

Similar to the slip rental rate above, it should be noted that this rental rate is based on a different methodology from the previous Lake Tahoe benchmark for buoys.

LAKE TAHOE SURVEY
Boat Slips

No.	Name	County	# Slips	Avg. Length (feet)	In-Season	Months (In-Season)	In-season Occupancy Rate	In-Season Rates	In-Season Equivalent Rate ($/LF/Mo.)	Off-Season	Months (Off-Season)	Off-Season Occupancy Rate	Off-Season Rates	Off-Season Equivalent Rate ($/LF/Mo.)
1	Lakeside Marina	El Dorado	63	20	May 15 - September 30	4.5	80%	$3,130	$34.78	N/A	N/A	N/A	N/A	N/A
2	Ski Run Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Timber Cove Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4	Tahoe Keys Marina	El Dorado	259	35	May 1 - October 31	6.0	100%	$9,936	$47.31	November 1 - April 30	6	40%	$6,571	$31.29
5	Camp Richardson Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6	Meeks Bay Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Obexer's Boat Company	Placer	38	27	May 1 - September 30	5.0	100%	$9,091	$67.34	N/A	N/A	N/A	N/A	N/A
8	Homewood Marina	Placer	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	Sunnyside Marina	Placer	24	24	May 15 - September 30	4.5	100%	$7,500	$69.44	N/A	N/A	N/A	N/A	N/A
10	Tahoe City Marina	Placer	159	25	May 1 - October 31	6.0	100%	$7,176	$47.84	November 1 - April 30	6	10%	$3,114	$20.76
11	Sierra Boat Company	Placer	117	24	May 15 - September 30	4.5	100%	$8,500	$78.70	N/A	N/A	N/A	N/A	N/A
12	North Tahoe Marina	Placer	17	32	May 1 - September 30	5	100%	$13,200	$82.50	N/A	N/A	N/A	N/A	N/A
Totals			**677**											
Average			**97**	**27**		**5**	**97%**	**$8,362**	**$61.13**			**25%**	**$4,843**	**$26.03**
							El Dorado		$41.05					$31.29
							Placer		$69.17					$20.76

LAKE TAHOE SURVEY

Buoys

No.	Name	County	Total Buoys	Swing Area (Linear Feet)	In-Season	In-Season (Months)	In-Season Occupancy Rate	In-Season Rates	In-Season Rate Per Month	Off-Season	Off-Season (Months)	Off-Season Occupancy Rate	Off-Season Rates	Off-Season Rate Per Month
1	Lakeside Marina	El Dorado	10	75	May 15 - September 30	4.5	80%	$3,750	$833	N/A	N/A	N/A	N/A	N/A
2	Ski Run Marina	El Dorado	71	50	May 1 - September 30	5.0	100%	$4,000	$800	N/A	N/A	N/A	N/A	N/A
3	Timber Cove Marina	El Dorado	80	75	May 15 - September 30	4.5	85%	$3,750	$833	N/A	N/A	N/A	N/A	N/A
4	Tahoe Keys Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Camp Richardson Marina	El Dorado	88	75	May 15 - October 15	5.0	85%	$3,850	$770	N/A	N/A	N/A	N/A	N/A
6	Meeks Bay Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7	Obexer's Boat Company	Placer	15	N/A	May 1 - September 30	5.0	100%	$5,000	$1,000	N/A	N/A	N/A	N/A	N/A
8	Homewood Marina	Placer	125	62	May 1 - September 30	5.0	100%	$8,295	$1,659	N/A	N/A	N/A	N/A	N/A
9	Sunnyside Marina	Placer	24	50	May 15 - September 30	4.5	100%	$6,500	$1,444	N/A	N/A	N/A	N/A	N/A
10	Tahoe City Marina	Placer	41	75	May 1 - October 31	6.0	100%	$5,000	$833	N/A	N/A	N/A	N/A	N/A
11	Sierra Boat Company	Placer	15	65	May 15 - September 30	4.5	100%	$5,400	$1,200	N/A	N/A	N/A	N/A	N/A
12	North Tahoe Marina	Placer	48	N/A	May 1 - September 30	5	100%	$9,920	$1,984	N/A	N/A	N/A	N/A	N/A
Totals			**517**											
Average			**52**	**66**		**5**	**95%**	**$5,547**	**$1,136**					

By County	**Totals**	**Averages**			
El Dorado	249	4.8	87.50%	$3,838	$809
Placer	268	5.0	100.00%	$6,686	$1,353