

Memorandum

Date: June 18, 2021

To: Brian Bugsch, Chief
Land Management Division

Grace Kato, Assistant Chief
Land Management Division

From: Chaun Wong
Associate Property Appraiser
Land Management Division

Subject: Lake Tahoe Category 2 Benchmark 2021 - Rental rate for non-water dependent use areas extending on and over sovereign land in Lake Tahoe, Placer and El Dorado Counties, California

As requested, I have conducted research relevant to establishing a benchmark rental rate for non-water dependent use areas extending onto and over sovereign land in Lake Tahoe, Placer and El Dorado Counties, California. These non-water dependent uses consist of sundecks, fill, and other residential-related improvements that extend onto and over sovereign lands and essentially represent extensions of the usable area of the adjoining residential lots.

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). The compiled research, analyses, and conclusions presented in this appraisal represents a correlation of residential land values into benchmark rental rates for non-water dependent use areas located on Lake Tahoe. The benchmark is intended to be used by Commission staff in negotiations with lessees. It should also be noted that this appraisal has been performed and the report has been prepared in substantial compliance with USPAP as it relates to value of sovereign land. Presented on the following pages are the introduction, the scope of the research, and discussions of the pertinent findings resulting in the benchmark rental rate.

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 land 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

The State Lands Commission is responsible for leasing sovereign lands at Lake Tahoe. These sovereign lands consist of the bed of Lake Tahoe waterward of the low water mark at elevation 6,223-feet Lake Tahoe Datum. The area between the low and high-water mark (6,228.75-feet Lake Tahoe Datum) is subject to the Public Trust easement for access, recreation, navigation, fisheries, and environmental preservation. The Commission currently has more than 715 leases for piers, buoys, and other water-related structures at Lake Tahoe. The rent for these improvements is covered by the Lake Tahoe Category 1 benchmark.

Some of the piers at Lake Tahoe have sundecks, sleeping quarters, or other non-water dependent uses. Additionally, there are some areas where fill has been placed, thereby extending the usable upland residential property. This benchmark is intended to address these improvements and uses.

Methodology

The Commission's authority to lease lands and charge rent comes from the California State Constitution, the Public Resources Code, and the California Code of Regulations.

The Commission's mandate to charge rent comes from the Gift Clause of the California State Constitution, which states in part that:

"The Legislature shall have no power to...make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever..." Cal. Const. Art. XVI -6.

Section 6503 of the Public Resources Code states that:

"The Commission shall appraise the lands and fix the annual rent or other consideration thereof."

The California Code of Regulations¹ provides the Commission with broad discretion in all aspects of leasing.

"Leases or permits may be issued to qualified applicants and the Commission shall have broad discretion in all aspects of leasing including category of lease or permit and which use, method or amount of rental is most appropriate...based on what it deems to be in the best interest of the

¹ Title 2, Administration, Division 3, State Property Operations, Article 2 Section 2000, General (b).

State”

The Code of Regulations then outlines the types of leases and the methods of setting rent for each. Of these, the “9% of the appraised value of the leased land”² method is considered the most directly applicable. The land to be leased is sovereign land located waterward of the low water mark. Since there is not an active real estate market for sovereign land, the basis for the benchmark rental rate is the adjoining upland property. At Lake Tahoe, the adjoining upland property generally consists of single-family homes on residential lots. The rent to be set is based on the value of the underlying land and does not include the value of any improvements. Thus, for valuation purposes, the value of lakefront residential lots at Lake Tahoe is the basis of the rental rate.

The market value of residential land is typically estimated through use of the Sales Comparison Approach. In this approach, recent sales and current listings of similar properties are compared to the subject on the basis of pertinent factors such as location, size, shape, etc. Typically, an indication of value is then concluded based on a comparative analysis of these factors. Lakefront residential lots are typically valued on either a per-lot or on a per-lakefront-foot basis. However, because the lease areas generally do not represent a full residential lot, the unit of comparison used is the price per square foot of land area. Per the California Code of Regulations, rent is then set based on 9% of the appraised value of the leased land. It should be noted that because this is a benchmark appraisal – intended to be applied to a number of different lease areas – there is no specific subject property or lease area. Accordingly, there are no specific adjustments (for location, size, shape, etc.) made. Instead, the benchmark rental rate is intended to represent the general characteristics of the benchmark’s geographic area.

Market Value of Upland Property

On LandVision³, a search was made to find recent sales of vacant residential lots (typical in size, ranging from 0.10 acre to two acres)⁴ fronting on Lake Tahoe in Placer and El Dorado Counties. The search also entailed conversations and verifications with the county Assessor’s Offices. However, due to its built-up nature, only one comparable sale of a vacant lakefront lot was found. Rather than use comparable sales that do not front the lake, which would necessitate adjustments for location, an allocation method⁵ is employed. In this analysis, residential land values are removed from recent sales of single-family houses in the Lake Tahoe area through use of the improvement

² Title 2, Administration, Division 3, State Property Operations, Article 2 Section 2003(a)(1).

³ LandVision is a map-based real estate application that provides real estate, government, and many other industries with comprehensive map-based property search, analysis, management, and presentation capabilities.

⁴ The typical residential lot size around Lake Tahoe is judged to be between approximately 0.10 acre and two acres. Properties below 0.10 acre in size are typically sales of condominiums or townhouses, where the lot size is usually determined by the footprint of the building. In the appraiser’s opinion, these sales are not considered indicative of land value. Properties above two acres in size are not considered in the appraiser’s land value dataset due to the scarcity of these sales along the lakefront.

⁵ Allocation is the general process of separating value between the component parts of a property. A method of estimating land value in which sales of improved properties are analyzed to establish a typical ratio of land value to total property value and this ratio is applied to the property being appraised or the comparable sale being analyzed.

percentage assigned by the Placer County and El Dorado County Assessor's Offices. For instance, if a house sold for \$1,000,000 and had an improvement percentage of 40%, then the allocated value of the land is 60%, or \$600,000. For analysis purposes, the unit of comparison used is the price per square foot of land area.

Summarized in the table on pages 7 - 11 are the pertinent details of 60 sales of single-family residences and one sale of a vacant residential lot (land value of \$135/SF) in Placer and El Dorado Counties. The sales took place between June 2018 and March 2021. All of these sales involve lakefront lots on the California side of Lake Tahoe in Placer and El Dorado Counties. The lot sizes range from 4,953 to 81,457 square feet, with a mean of 23,271 square feet and a median of 18,730 square feet. The sale prices for the lakefront lots ranged from a low of \$437,500 to a high of \$30,250,000, with a mean of \$5,304,492, and a median of \$4,275,000. According to the Assessor's allocations, the value of the land in these transactions accounted for between 7.37% and 100.00% of the total price. Based on these percentages, the value of unimproved residential lakefront land lies between \$11 and \$594 per square foot. The mean unit value is \$160 per square foot, while the median is \$127 per square foot.

Analysis of the sales revealed no recognizable trends relating to typical lot area and land value relationships (i.e., unit prices decreasing as sizes increase). The lack of a size/price relationship is illustrated in the following table. The presentation of the sales is based on the lot area (SF) of the sales, going from smallest to largest.

Lake Tahoe Category 2 Benchmark

Lot Area (SF)	Land Value Per SF
4,953	\$423.99
5,134	\$389.56
5,227	\$100.77
5,332	\$225.06
5,662	\$410.57
6,286	\$594.48
6,405	\$37.90
7,840	\$117.98
8,020	\$310.44
8,276	\$250.18
8,276	\$132.91
8,712	\$337.73
8,883	\$135.09
8,937	\$328.42
9,583	\$60.00
10,304	\$278.64
11,007	\$216.83
11,761	\$204.06
11,761	\$83.32
12,087	\$184.82
12,426	\$64.56
12,775	\$289.63
13,068	\$67.47
14,468	\$361.61
14,917	\$139.12
16,117	\$103.20
16,552	\$110.88
16,552	\$106.01
16,861	\$181.38
17,315	\$26.15
18,730	\$88.09

Lot Area (SF)	Land Value Per SF
19,581	\$26.75
19,899	\$20.94
20,152	\$81.70
20,473	\$127.00
20,473	\$140.51
20,825	\$264.86
21,052	\$42.49
21,765	\$145.13
22,215	\$112.54
22,651	\$10.54
22,651	\$129.15
23,958	\$104.35
24,224	\$154.81
24,829	\$62.19
25,228	\$381.14
26,279	\$47.57
26,547	\$169.51
28,787	\$111.43
30,056	\$122.63
30,741	\$10.63
36,154	\$155.06
36,154	\$80.21
52,272	\$20.07
53,578	\$46.66
63,597	\$82.33
64,904	\$123.77
74,052	\$126.94
74,919	\$76.75
75,839	\$131.86
81,457	\$306.66

As mentioned earlier, lease areas impacted by the Lake Tahoe Category 2 Benchmark are of various lot areas, lake frontages, locations, shapes, topographies, zonings, etc. Due to the uniqueness of each lease area and the lack of significant land value trends relating to the above elements of comparison; no particular sale is deemed a better indicator in concluding a land value benchmark. Therefore, an analysis of the overall dataset is warranted and deemed appropriate in concluding land value for the Lake Tahoe Category 2 Benchmark. As previously stated, the value of the unimproved land

lies between \$11 and \$594 per square foot. The mean unit value is \$160 per square foot, while the median is \$127 per square foot. Based on all the data gathered and analyzed (including the recent sale of a vacant residential lot which sold at \$135/SF), a unit value of \$145 per square foot is concluded as reasonable for the typical upland residential property.

Market Value of Upland Property \$145 per square foot

Benchmark Rental Rate

Applying the 9% annual rate of return to the previously concluded market value of the upland property results in an annual rental rate of \$13.05 per square foot⁶.

Benchmark Rental Rate

\$13.05 per square foot

The concluded value is based on the leased land having the same utility as the adjoining upland. If the leased land does not have the same utility, then a discounted benchmark rental rate may be warranted.

⁶ Calculated as $\$145 \times 0.09 = \13.05 .

Lake Tahoe Category 2 Benchmark

LAND VALUE INDICATIONS

Allocated Assessed Land Values from Recent Land Sales

Lake Tahoe

No	APN	Address	City	County	Sale Date	Lot Area	Lake Frontage (LF)	Sale Price	% Assessed Land Value	Land Value	Land Value Per SF	Land Value Per LF of Lake Frontage
1	094-175-007-000	15 Aspen St	Tahoe City	Placer	3/26/2021	8,883	49.81	\$1,200,000	100.00%	\$1,200,000	\$135	\$24,092
2	085-250-008-000	4250 W Lake Blvd	Homewood	Placer	3/23/2021	81,457	203.35	\$30,250,000	82.58%	\$24,979,840	\$307	\$122,842
3	085-222-011-000	3955 Belleview Ave	Homewood	Placer	2/17/2021	17,315	75.99	\$1,875,000	24.15%	\$452,804	\$26	\$5,959
4	091-174-001-000	4480 N Lake Blvd	Carmelian Bay	Placer	1/19/2021	8,937	51.89	\$5,336,500	55.00%	\$2,935,075	\$328	\$56,563
5	098-210-011-000	208 Pine St	Tahoma	Placer	12/23/2020	12,087	124.40	\$7,200,000	31.03%	\$2,233,977	\$185	\$17,958
6	016-063-001-000	8305 Meeks Bay Ave	Tahoma	El Dorado	11/25/2020	30,056	106.80	\$6,625,000	55.64%	\$3,685,864	\$123	\$34,512
7	085-280-045-000	3135 W Lake Blvd	Homewood	Placer	11/24/2020	14,917	72.00	\$3,495,000	59.38%	\$2,075,243	\$139	\$28,823
8	016-063-016-000	8307 Meeks Bay Ave	South Lake Tahoe	El Dorado	11/24/2020	36,154	276.00	\$7,400,000	75.76%	\$5,606,093	\$155	\$20,312
9	085-343-025-000, 085-344-007-000	4523 W Lake Blvd	Homewood	Placer	10/26/2020	30,741	93.86	\$3,550,000	9.20%	\$326,648	\$11	\$3,480
10	022-431-001-000	6 Lighthouse Shores Dr	South Lake Tahoe	El Dorado	10/7/2020	24,829	67.58	\$4,350,000	35.50%	\$1,544,103	\$62	\$22,849
11	022-381-014-000	225 Beach Dr	South Lake Tahoe	El Dorado	9/30/2020	20,473	98.11	\$5,200,000	55.32%	\$2,876,614	\$141	\$29,320
12	093-072-044-000	3212 Edgewater Dr	Tahoe City	Placer	9/28/2020	28,787	90.02	\$5,525,000	58.06%	\$3,207,773	\$111	\$35,634

Lake Tahoe Category 2 Benchmark

13	029-101-023-000	3779 Beach Rd	South Lake Tahoe	El Dorado	9/23/2020	16,117	99.93	\$2,700,000	61.60%	\$1,663,311	\$103	\$16,645
14	084-132-003-000	2570 W Lake Blvd	Homewood	Placer	9/9/2020	25,228	64.77	\$12,500,000	76.92%	\$9,615,388	\$381	\$148,454
15	117-180-018-000	7780 N Lake Blvd	Tahoe Vista	Placer	9/8/2020	10,304	50.43	\$6,495,000	44.20%	\$2,871,101	\$279	\$56,932
16	117-130-037-000	7412 N Lake Blvd	Tahoe Vista	Placer	8/27/2020	6,405	50.14	\$3,295,000	7.37%	\$242,731	\$38	\$4,841
17	115-010-019-000	5472 N Lake Blvd	Carnelian Bay	Placer	8/21/2020	14,468	211.75	\$9,500,000	55.07%	\$5,231,798	\$362	\$24,707
18	098-191-018-000	32 Moana Cir	Homewood	Placer	8/14/2020	19,899	73.19	\$768,500	54.22%	\$416,656	\$21	\$5,693
19	117-010-012-000	6229 N Lake Blvd	Carnelian Bay	Placer	8/11/2020	52,272	81.69	\$4,438,500	23.63%	\$1,049,005	\$20	\$12,841
20	094-160-009-000	1600 N Lake Blvd	Tahoe City	Placer	8/3/2020	12,426	108.48	\$3,000,000	26.74%	\$802,248	\$65	\$7,395
21	018-291-002-000	2147 Cascade Rd	South Lake Tahoe	El Dorado	7/31/2020	16,552	99.95	\$2,400,000	76.47%	\$1,835,312	\$111	\$18,362
22	016-051-026-000	8245 Meeks Bay Ave	Tahoma	El Dorado	7/31/2020	13,068	40.77	\$2,001,500	44.05%	\$881,662	\$67	\$21,625
23	085-280-047-000	3155 W Lake Blvd	Homewood	Placer	7/24/2020	21,052	94.39	\$1,832,000	48.83%	\$894,491	\$42	\$9,477
24	016-221-015-000, 016-221-007-000	8823 Rubicon Dr	South Lake Tahoe	El Dorado	7/21/2020	63,597	183.15	\$8,750,000	59.84%	\$5,235,945	\$82	\$28,588
25	016-211-006-000	8781 Lakeside Dr	South Lake Tahoe	El Dorado	7/17/2020	18,730	88.58	\$3,300,000	50.00%	\$1,650,000	\$88	\$18,627
26	115-070-001-000	4762 N Lake Blvd	Carnelian Bay	Placer	7/10/2020	11,007	100.05	\$4,817,000	49.55%	\$2,386,623	\$217	\$23,854
27	022-261-001-000	319 Beach Dr	South Lake Tahoe	El Dorado	7/7/2020	8,712	100.80	\$4,050,000	72.65%	\$2,942,286	\$338	\$29,189
28	093-083-042-000	3360 Edgewater Dr	Tahoe City	Placer	7/2/2020	20,152	80.71	\$4,250,000	38.74%	\$1,646,333	\$82	\$20,398

Lake Tahoe Category 2 Benchmark

29	085-202-008-000	3765 Belleview Ave	Homewood	Placer	6/16/2020	16,861	68.99	\$4,500,000	67.96%	\$3,058,254	\$181	\$44,329
30	029-093-002-000	3999 Beach Rd	South Lake Tahoe	El Dorado	5/8/2020	16,552	100.30	\$2,900,000	60.51%	\$1,754,668	\$106	\$17,494
31	083-162-012-000	1340 W Lake Blvd	Tahoe City	Placer	2/13/2020	74,052	145.14	\$11,750,000	80.00%	\$9,400,000	\$127	\$64,765
32	027-371-010-000	950 Balbijou Rd	South Lake Tahoe	El Dorado	1/31/2020	5,662	49.73	\$3,685,000	63.08%	\$2,324,644	\$411	\$46,745
33	016-081-029-000	8401 Meeks Bay Ave	Tahoma	El Dorado	12/5/2019	8,276	50.16	\$3,435,000	60.28%	\$2,070,500	\$250	\$41,278
34	026-022-021-000	753 Lakeview Ave	South Lake Tahoe	El Dorado	11/14/2019	23,958	119.70	\$5,100,000	49.02%	\$2,500,000	\$104	\$20,886
35	022-431-011-000	26 Lighthouse Shores Dr	South Lake Tahoe	El Dorado	10/31/2019	22,215	65.81	\$5,300,000	47.17%	\$2,500,000	\$113	\$37,988
36	117-130-032-000	7460 N Lake Blvd	Tahoe Vista	Placer	10/25/2019	5,332	60.74	\$1,605,000	74.77%	\$1,200,000	\$225	\$19,756
37	090-141-035-000	8734 Brockway Vista Ave	Kings Beach	Placer	10/22/2019	5,134	37.67	\$4,275,000	46.78%	\$2,000,000	\$390	\$53,093
38	032-120-012-000	3115 Jameson Beach Rd	South Lake Tahoe	El Dorado	10/11/2019	36,154	125.30	\$5,600,000	51.79%	\$2,900,000	\$80	\$23,144
39	022-431-009-000	22 Lighthouse Shores Dr	South Lake Tahoe	El Dorado	8/9/2019	22,651	65.81	\$437,500	54.59%	\$238,849	\$11	\$3,629
40	026-022-008-000	765 Lakeview Ave	South Lake Tahoe	El Dorado	7/9/2019	5,227	25.37	\$1,205,000	43.71%	\$526,749	\$101	\$20,763
41	016-051-058-000	8193 Meeks Bay Ave	Tahoma	El Dorado	6/28/2019	22,651	87.61	\$3,835,000	76.28%	\$2,925,321	\$129	\$33,390
42	115-070-013-000	4694 N Lake Blvd	Carnelian Bay	Placer	5/17/2019	6,286	63.05	\$5,475,000	68.25%	\$3,736,905	\$594	\$59,269
43	022-381-024-000	219 Beach Dr	South Lake Tahoe	El Dorado	5/14/2019	53,578	155.39	\$4,780,000	52.30%	\$2,500,000	\$47	\$16,089
44	117-020-024-000	6123 N Lake Blvd	Carnelian Bay	Placer	5/10/2019	26,279	140.00	\$2,518,000	49.64%	\$1,250,000	\$48	\$8,929
45	029-071-002-000	4025 Lakeshore Blvd	South Lake Tahoe	El Dorado	4/5/2019	7,840	49.82	\$1,250,000	74.00%	\$925,000	\$118	\$18,567

Lake Tahoe Category 2 Benchmark

46	091-165-006-000	4510 N Lake Blvd	Carnelian Bay	Placer	1/31/2019	12,775	102.03	\$4,300,000	86.05%	\$3,700,000	\$290	\$36,264
47	016-051-033-000	8201 Meeks Bay Ave	Tahoma	El Dorado	12/27/2018	11,761	50.11	\$1,425,000	68.77%	\$979,906	\$83	\$19,555
48	083-202-016-000, 083-202-017-000	1250 W Lake Blvd	Tahoe City	Placer	12/7/2018	74,919	101.60	\$6,995,000	82.20%	\$5,750,000	\$77	\$56,594
49	094-173-007-000	2780 Lake Terrace Ave	Tahoe City	Placer	12/3/2018	24,224	106.00	\$4,750,000	78.95%	\$3,750,000	\$155	\$35,377
50	097-122-026-000	5046 W Lake Blvd	Homewood	Placer	10/4/2018	26,547	103.80	\$5,950,000	75.63%	\$4,500,000	\$170	\$43,353
51	094-160-008-000	1590 N Lake Blvd	Tahoe City	Placer	9/25/2018	11,761	89.68	\$2,800,000	85.71%	\$2,400,000	\$204	\$26,762
52	117-020-006-000	6061 N Lake Blvd	Carnelian Bay	Placer	9/21/2018	19,581	85.67	\$1,000,000	52.38%	\$523,810	\$27	\$6,114
53	090-231-038-000	111 Chipmunk St	Kings Beach	Placer	9/13/2018	4,953	57.85	\$2,957,000	71.02%	\$2,100,000	\$424	\$36,301
54	016-101-083-000	8523 Meeks Bay Ave	Tahoma	El Dorado	8/28/2018	8,276	51.23	\$1,220,000	90.16%	\$1,100,000	\$133	\$21,472
55	097-182-007-000	5620 W Lake Blvd	Homewood	Placer	8/14/2018	20,825	81.12	\$7,000,000	78.80%	\$5,515,759	\$265	\$67,995
56	084-154-002-000	2010 W Lake Blvd	Tahoe City	Placer	7/20/2018	64,904	219.70	\$24,000,000	33.47%	\$8,033,473	\$124	\$36,566
57	092-142-002-000	3940 N Lake Blvd	Carnelian Bay	Placer	7/16/2018	8,020	52.54	\$4,600,000	54.12%	\$2,489,716	\$310	\$47,387
58	026-033-012-000	869 Lakeview Ave	South Lake Tahoe	El Dorado	7/5/2018	9,583	52.26	\$1,150,000	50.00%	\$575,000	\$60	\$11,003
59	092-110-032-000	3740 N Lake Blvd	Carnelian Bay	Placer	6/15/2018	21,765	89.87	\$5,386,500	58.64%	\$3,158,718	\$145	\$35,148
60	092-100-009-000	3840 N Lake Blvd	Carnelian Bay	Placer	6/11/2018	20,473	100.13	\$3,420,000	76.02%	\$2,600,000	\$127	\$25,966
61	094-160-016-000, 094-160-017-000	1870 N Lake Blvd	Tahoe City	Placer	6/8/2018	75,839	136.13	\$22,866,000	43.73%	\$10,000,000	\$132	\$73,459

Lake Tahoe Category 2 Benchmark

Overall Indications

Low	4,953	\$437,500	7.37%	\$238,849	\$11	\$3,480
High	81,457	\$30,250,000	100.00%	\$24,979,840	\$594	\$148,454
Mean	23,271	\$5,304,492	57.99%	\$3,106,167	\$160	\$32,121
Median	18,730	\$4,275,000	55.64%	\$2,386,623	\$127	\$24,707