

Exhibit A

State of California

State Lands Commission

Memorandum

Date: June 11, 2024

To: Brian Bugsch, Chief
Land Management Division

Grace Kato, Assistant Chief
Land Management Division

From: Chaun Wong
Associate Property Appraiser
Land Management Division

Subject: Sandy Beach Category 2 Benchmark 2024 - Rental rate for non-water dependent use areas extending on and over sovereign land in the Mare Island Strait near Sandy Beach Road, Solano County, 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 the Mare Island Strait near Sandy Beach Road, Solano County, California. These non-water dependent uses consist of porches, sundecks, small portions of residences, 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 Sandy Beach. 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 the 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

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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 recommend updates to the benchmarks every five 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. The Sandy Beach Category 2 benchmark was last updated on May 4, 2018. It was last taken to the Commission on August 23, 2018.

Introduction

The subject properties consist of 51 parcels of patented tidelands located along the Mare Island Strait near the city of Vallejo, Solano County in an area known as Sandy Beach. All properties with encroachments onto sovereign lands are currently under lease. The uplands and adjoining subject tidelands were subdivided and developed into small residential lots of various sizes. Access to the residential lots is via Sandy Beach Road which is a private road exclusively used by the homeowners. There is no beach area along any of the subject properties and little, if any, opportunity for the general public to make use of these sovereign lands. A 1955 survey performed by California State Lands Commission staff determined that many of the porches, decks, and small portions of some residences located along Sandy Beach Road encroached below the low water line. Although the residential use of the subject properties is not consistent with the Public Trust, it may be authorized at Sandy Beach only to the extent that the structures now exist, and for so long as the sovereign lands are not needed for Public Trust purposes.

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.

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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 State.”

The Regulations then outline the types of leases and the methods of setting rent for each. Of these, the “9 percent 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 Sandy Beach, 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 waterfront residential lots at Sandy Beach 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. Waterfront residential lots are typically valued on either a per-lot or on a per-waterfront-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 Regulations, rent is then set based on 9 percent 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

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

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

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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, fronting the Mare Island Strait along Sandy Beach Road in Solano County. However, due to its built-up nature, no comparable sales of vacant waterfront residential lots were found. Rather than use comparable sales that do not front the water, which would necessitate adjustments for location, an allocation method⁴ is employed. In this analysis, residential land values are removed from recent sales of single-family houses in the Sandy Beach area through use of the improvement percentage assigned by the Solano County Assessor's Office. For instance, if a house sold for \$1,000,000 and had an improvement percentage of 40 percent, then the allocated value of the land is 60 percent, or \$600,000. For analysis purposes, the unit of comparison used is the price per square foot of land area.

Summarized in the Comparable Sales Table (see Table 2) are the pertinent details of 11 sales of single-family residences fronting the Mare Island Strait along Sandy Beach Road in Solano County. The sales took place between July 2020 and March 2024. According to the Indications of Comparable Sales Table (see Table 3), the lot sizes range from 2,613 to 8,276 square feet, with a mean of 4,870 square feet and a median of 3,920 square feet. The sale prices for the waterfront lots ranged from a low of \$250,000 to a high of \$1,500,000, with a mean of \$755,455, and a median of \$650,000. According to the Assessor's allocations, the value of the land in these transactions accounted for between 26.93 percent and 69.44 percent of the total price. Based on these percentages, the value of unimproved residential waterfront land lies between \$25 and \$116 per square foot. The mean unit value is \$62 per square foot, while the median is also \$57 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

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 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.

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presentation of the sales is based on the lot area (SF) of the sales, going from smallest to largest.

Table 1. Lot Area to Land Value Per SF Table

Lot Area (SF)	Land Value Per SF
2,613	\$74
3,484	\$57
3,920	\$101
3,920	\$64
3,920	\$51
3,920	\$27
4,356	\$116
5,227	\$77
5,662	\$52
8,276	\$25
8,276	\$36

As mentioned earlier, lease areas impacted by the Sandy Beach Category 2 Benchmark are of various lot areas, waterfrontages, 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 Sandy Beach Category 2 Benchmark. As previously stated, the value of the unimproved land lies between \$25 and \$116 per square foot. The mean unit value is \$62 per square foot, while the median is also \$57 per square foot. Based on all the data gathered and analyzed, a unit value of \$60 per square foot is concluded as reasonable for the typical upland residential property.

Market Value of Upland Property \$60 per square foot.

Benchmark Rental Rate

Applying the 9 percent annual rate of return to the previously concluded market value of the upland property results in an annual rental rate of \$5.40 per square foot⁵.

Benchmark Rental Rate

\$5.40 per square foot

⁵ Calculated as $\$60 \times 0.09 = \5.40 .

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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.

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Table 2. Comparable Sales Table

Number	APN	Address	Sale Date	Lot Area (SF)	Sale Price	% Assessed Land Value	Land Value	Land Value Per SF
1	0062-020-100	6 Sandy Beach Rd	3/7/2024	3,920	\$1,200,000	32.87%	\$394,409	\$101
2	0062-020-220	7 Sandy Beach Rd	12/28/2023	4,356	\$725,000	69.44%	\$503,476	\$116
3	0062-030-240	40 Sandy Beach Rd	6/6/2023	8,276	\$575,000	36.36%	\$209,090	\$25
4	0062-020-160	11 Sandy Beach Rd	12/2/2022	2,613	\$620,000	31.25%	\$193,744	\$74
5	0062-020-180	14 Sandy Beach Rd	10/11/2022	5,662	\$700,000	41.67%	\$291,665	\$52
6	0062-020-140	9 Sandy Beach Rd	7/15/2021	3,920	\$650,000	38.46%	\$250,000	\$64
7	0062-030-010	16 Sandy Beach Rd	4/5/2021	8,276	\$950,000	31.58%	\$300,000	\$36
8	0062-030-110	26 Sandy Beach Rd	2/1/2021	3,484	\$570,000	35.09%	\$200,000	\$57
9	0062-030-030	18 Sandy Beach Rd	10/22/2020	5,227	\$1,500,000	26.93%	\$403,950	\$77
10	0062-030-170	32 Sandy Beach Rd	7/31/2020	3,920	\$570,000	35.09%	\$200,000	\$51
11	0062-020-130	8 Sandy Beach Rd	7/10/2020	3,920	\$250,000	42.46%	\$106,157	\$27

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Table 3. Indications of Comparable Sales Table

Indications	Lot Area (SF)	Sale Price	% Assessed Land Value	Land Value	Land Value Per SF
Low	2,613	\$250,000	26.93%	\$106,157	\$25
High	8,276	\$1,500,000	69.44%	\$503,476	\$116
Mean	4,870	\$755,455	38.29%	\$277,499	\$62
Median	3,920	\$650,000	35.09%	\$250,000	\$57