

Meeting Date: 12/16/25
Lease Number: 3981
Staff: J. Holt

Staff Report 09

LESSEE/ASSIGNOR:

LCOF Lake Tahoe Investment, LLC and LCOF Lake Tahoe Operating, LLC

ASSIGNEE:

3411 Lake Tahoe LLC, a Delaware limited liability company

SECURED PARTY-LENDER:

Oceanview Life and Annuity Company, an Alabama corporation

PROPOSED ACTION:

Assignment of a General Lease – Commercial Use; and Agreement and Consent to Encumbrance of Lease.

AREA, LAND TYPE, AND LOCATION:

Sovereign land located in Lake Tahoe, adjacent to 3411 Lake Tahoe Boulevard, South Lake Tahoe, El Dorado County (as shown in Figure 1).

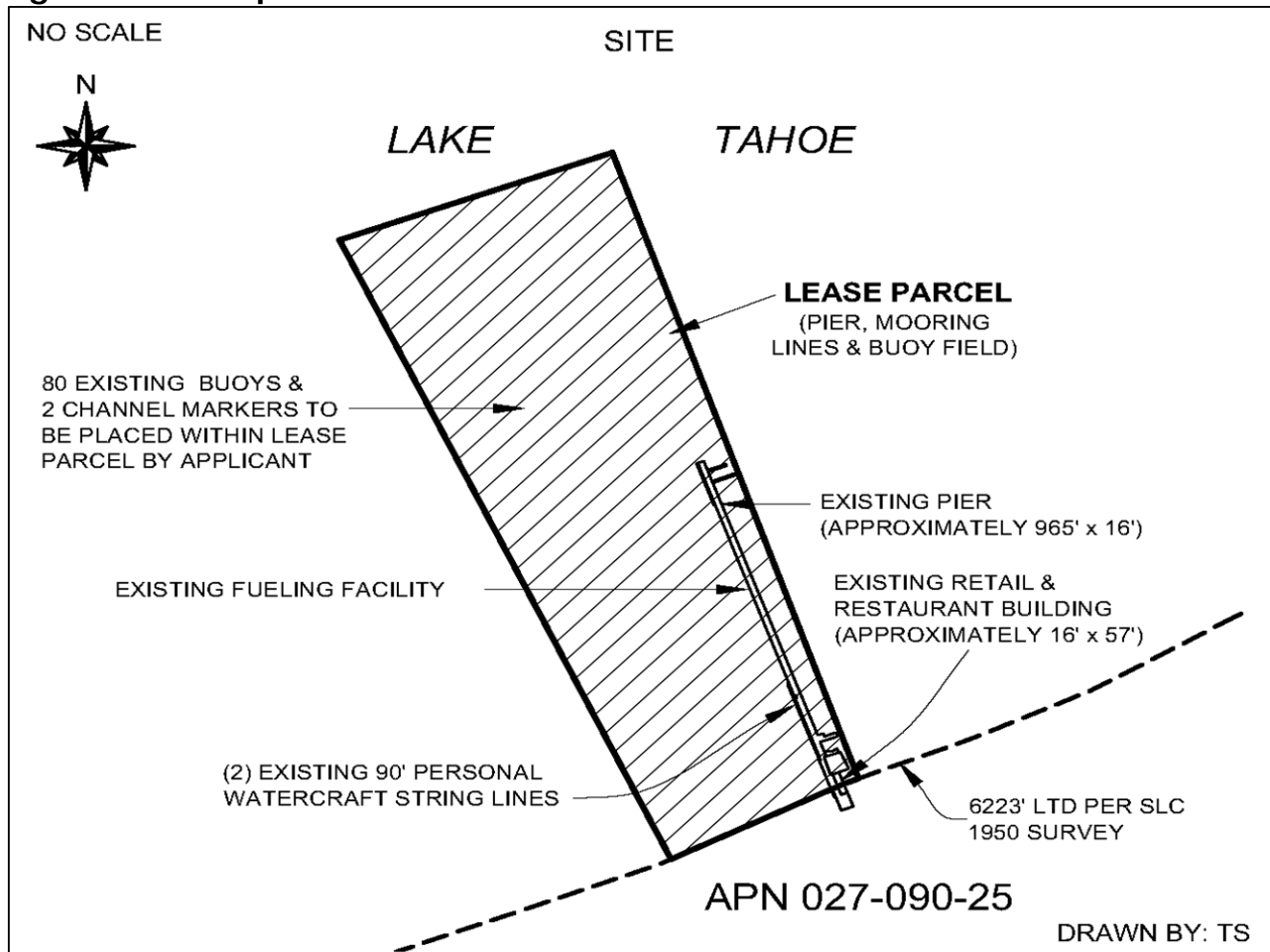
Figure 1. Location



AUTHORIZED USE:

Use, maintenance, and operation of an existing commercial marina facility known as Timber Cove Lodge Marina, consisting of an existing pier with a restaurant building and retail building, an existing fueling facility on the pier, 80 mooring buoys, two existing personal watercraft string lines, and two channel markers (as shown in Figure 2).

Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

TERM:

25 years, beginning May 19, 2011.

CONSIDERATION:

\$65,234 per year, against 5 percent of the gross annual income derived from the commercial activities of mooring, boat, and personal watercraft rentals, and retail sales; 3 percent of the gross annual income derived from food and beverage sales; and 1.5 cents per gallon of fuel sold annually on or over the Lease Premises to a maximum of 100,000 gallons and 2 cents per gallon thereafter, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6216, 6301, 6501.1, 6503, and 6503.5, California Code of Regulations, title 2, sections 2000 and 2003.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

On January 26, 2012, the Commission authorized issuance of a 25-year General Lease – Commercial Use to The Survivor's Trust under the George and Elsie Karadanis Revocable Family Trust, Robert Mitchell Karadanis, George Martin Karadanis and William Matthew Karadanis; and Lisa Maloff, Trustee of the Robert M. and Lisa Maloff Trust dated 7/7/03, dba Timber Cove Lodge Marina ([Item 18, January 26, 2012](#)). On August 14, 2012, the Commission authorized an assignment of Lease 3981 from The Survivor's Trust under the George and Elsie Karadanis Revocable Family Trust, Robert Mitchell Karadanis, George Martin Karadanis and William Matthew Karadanis; and Lisa Maloff, Trustee of the Robert M. and Lisa Maloff Trust dated 7/7/03, dba Timber Cove Lodge Marina to Urban Tahoe TC, LLC, a Delaware limited liability company ([Item 36, August 14, 2012](#)). On June 29, 2015, the Commission authorized an Agreement and Consent to Encumbrance of Lease in favor of Pacific Western Bank, a California state-chartered bank ([Item 7, June 29, 2015](#)). On February 4, 2019, the Commission authorized assignment of Lease 3981, a 25-year General Lease – Commercial Use from Urbana Tahoe TC, LLC, a Delaware limited liability company to LCOF Lake Tahoe Investment LLC, a Delaware limited liability company, for the continued use, maintenance, and operation of an existing commercial marina, known as Timber Cove Marina ([Item 26, February 4, 2019](#)). On December 8, 2021, Commission authorized endorsement of a sublease ownership transfer and deferral of the consideration to terminate an existing Agreement and Consent to Encumbrance of Lease 3981, a General Lease – Commercial Use, and deferral of consideration of a new Agreement and Consent to Encumbrance of Lease 3981 ([Item 37, December 8, 2021](#)). On April 4, 2024, the Commission authorized an Agreement and Consent to Encumbrance of Lease ([Item 13, April 4, 2024](#)). The lease will expire on May 18, 2036.

The subject improvements are located in Lake Tahoe (Lake), adjacent to 3411 Lake Tahoe Boulevard, South Lake Tahoe, El Dorado County. The improvements consist of an existing pier with a restaurant building and retail building, an existing fueling facility on the pier, 80 mooring buoys, two existing personal watercraft string lines,

and two channel markers in the Lake. On October 30, 2025, the upland and marina were transferred from LCOF Lake Tahoe Investment, LLC and LCOF Lake Tahoe Operating, LLC (collectively Lessee/Assignor) to 3411 Lake Tahoe LLC. The Lessee/Assignor and Assignee are applying for an assignment of the lease and for an Agreement and Consent to Encumbrance of the lease.

Staff recommends the lease assignment to reflect the change in ownership from the Assignor to the Assignee. The effective date of the assignment will be October 30, 2025, to coincide with the Assignee's purchase of the upland property. The Assignee is qualified to hold the lease. The lease is in good standing, and staff has not discovered any information that would provide a basis for withholding consent for the assignment. Staff believes that assigning the lease is in the State's best interest to ensure that a capable lessee is committed to managing the improvements and fulfilling the lease obligations. The proposed assignment does not alienate the State's fee simple interest or permanently impair public rights.

Under the terms of the current lease, the lessee is required to maintain liability insurance and a surety bond in the amount of \$50,000. These amounts are subject to increase over the lease term and serve to mitigate costs that might otherwise be shouldered by the State, including when the State must take restorative action on the leased premises upon lease termination or abandonment of the lease premises. The surety bond will be reviewed at the next rent review in 2026. The lease terms and conditions include indemnification and protection of the State's interest.

The lease premises are improved and used for water-dependent activities such as boating and fishing. These activities are consistent with Public Trust use. Approval of this lease assignment will not result in a change in the use of, or impacts to, Public Trust resources at this location, at this time, and for the remaining term of the lease. For these reasons, Staff recommend finding the proposed actions are in the best interests of the State.

The Assignee has applied for a new Agreement and Consent to Encumbrance of Lease, in favor of Oceanview Life and Annuity Company, an Alabama corporation, with a funding amount of \$82,475,000 to finance the initial acquisition and future renovation on the adjacent upland. The purpose of the loan is to acquire the commercial pier on sovereign land and the adjacent upland property. The pier is in good repair and does not need improvement and investment at this time. The onsite manager performs regular visual inspections of the improvements. The pier has a regular stream of recreational boaters and visitors to the Lake Tahoe region. It facilitates use of the waterway which is consistent with the Public Trust. These

include boating, fishing, and navigation of the Lake. The encumbrance of the lease is a condition of the Secured Party-Lender.

The encumbrance of the lease would be implemented through a document, "Agreement and Consent to Encumbrance of Lease," which will provide the Secured Party-Lender with certain protections if the Lessee defaults on the lease or is otherwise unable to perform. Some of the protections for the Secured Party-Lender include committing to (1) give the Secured Party-Lender sixty (60) days' notice and an opportunity to cure any lease default or breach prior to terminating the lease; (2) not amend, modify, replace, terminate the lease without receiving the written consent of the Secured Party-Lender; and (3) approve a prospective new lessee for the improvements under specific circumstances if the Executive Officer finds specific conditions are met. The Secured Party-Lender has also requested the pre-approval of Auto-Owners Reinsurance Trust 2020-1, a Delaware statutory trust as a potential assignee of the security interest provided by this document. The proposed Encumbrance Agreement authorizes this transfer provided the Secured Party-Lender provides notice of the assignment within 60 days of the assignment. Assignment to Auto-Owners Reinsurance Trust 2020-1, a Delaware statutory trust would involve the same provisions as the current Agreement and Consent to Encumbrance of Lease. Any proposed changes to the agreement language or other proposed assignments would be subject to approval by the Commission.

The Agreement and Consent to Encumbrance of Lease provides the Commission with another party who may be able to step in if a default of the lease occurs.

The encumbrance of the lease would not permanently alienate the State's fee simple interest in the underlying land, and it would not permanently impair public rights. Based on the foregoing, staff believes that the Agreement and Consent to Encumbrance will not substantially interfere with Public Trust needs, at this location, at this time, or for the foreseeable term of the proposed lease. By encumbering the lease, the lessee can obtain funds used to purchase the improvements under lease on state sovereign land and the lender effectively acts as the guarantor of lessee performance of its lease obligations. The existing lease requires the lessee to insure the lease premises and indemnify the State for any liability incurred as a result of Lessee's activities thereon. The lease also requires the payment of annual rent to compensate the people of the State for the occupation of the public land involved.

CLIMATE CHANGE:

INTRODUCTION:

Climate change significantly affects inland non-tidal lakes such as Lake Tahoe, and its effects are increasing throughout the Sierra Nevada mountains. According to [California's Fourth Climate Change Assessment](#) (2018), the most significant impacts of climate change in the Sierra Nevada Region are more intense heat, precipitation extremes, declining snowpacks, and changes in streamflow timing. These impacts create hazardous conditions like flooding, landslides, wildfire, drought, extreme heat, and severe storms. Structures along the shores of inland lakes are particularly vulnerable to the more frequent and extreme weather events, year-to-year changes in total precipitation, and shifts in seasonal characteristics.

DATA & PROJECTIONS:

Temperatures in the Sierra Nevada are expected to increase six to ten degrees Fahrenheit on average by the end of the century, causing the snowline to shift upslope 1,500 to 3,000 feet in elevation (California's Fourth Climate Change Assessment, 2018). The long-term warming trend will lead to warmer and shorter winters and longer and drier summers. The warmer winters will reduce winter snowpacks by up to 60 percent across most of the Sierra Nevada and will result in increased winter streamflows and floods and decreased spring and summer runoff. Loss of snowpack is expected to dry soils 15 to 40 percent below their historical norms. Hotter, drier summer seasons and low water years will increase stress to vegetation, elevating wildfire risk and fire severity in the Tahoe Basin.

Dry winters will be punctuated with exceedingly wet years and higher temperatures will result in more rain-on-snow events ([Integrated Vulnerability Assessment of Climate Change in the Lake Tahoe Basin](#), 2020). Atmospheric river systems will become more common. These events produce both flash floods and higher than normal seasonal flooding which may shift earlier in the year. Higher soil moisture will increase erosion and elevate landslide risk, particularly following intense wildfire seasons.

The lease is a 25-year General Lease – Commercial Use that began on May 19, 2011, and may be subject to the climate change effects provided above. Regular maintenance, as referenced in the lease, may reduce the likelihood of severe structural degradation and dislodgement. Further climate change impact analysis

on the leased facilities would be assessed if a new lease is considered in 2036, and would be based on projected climate change at that time.

CONCLUSION:

For all the reasons above, staff believes the approval of this lease assignment will not result in a change in the use of, or impacts to, Public Trust resources at this location, at this time, and for the remaining term of the lease; and is in the best interests of the State.

OTHER PERTINENT INFORMATION:

1. The Encumbrance Agreement identifies Auto-Owners Reinsurance Trust 2020-1, a Delaware statutory trust, as a pre-approved transferee of the security interest. Any other transferee will require prior written approval from the Commission.
2. Approval or denial of the application for assignment of lease is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as a trustee of the State's Public Trust lands authorized by law. The Lessee has no right to a new lease or to renewal of any previous lease.
3. This action is consistent with addressing the challenges and opportunities described in the Commission's 2021-25 Strategic Plan.
4. Assignment and encumbrance of lease are not projects as defined by the California Environmental Quality Act because they are administrative actions that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

RECOMMENDED ACTION:

It is recommended that the Commission:

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the proposed assignment of lease and agreement and consent to encumbrance of lease will not substantially impair the public rights to navigation

and fishing or substantially interfere with Public Trust needs and values at this location, at this time, and for the remaining term of the lease; is consistent with the common law Public Trust Doctrine; and is in the best interests of the State.

AUTHORIZATION:

1. Authorize assignment of Lease 3981, a General Lease – Commercial Use, from LCOF Lake Tahoe Investment, LLC and LCOF Lake Tahoe Operating, LLC to 3411 Lake Tahoe LLC, a Delaware limited liability company, to coincide with the Applicant's acquisition of the upland property, effective October 30, 2025.
2. Authorize the "Agreement and Consent to Encumbrance of Lease," allowing the Lessee's right, title, and interest in Lease 3981 to be pledged as partial security for a loan with a funding amount of \$82,475,000 to finance the acquisition and future renovation of the upland property, in favor of Oceanview Life and Annuity Company, an Alabama corporation and Auto-Owners Reinsurance Trust 2020-1, A Delaware statutory trust, in substantially the same form as that on file in the Sacramento office of the Commission, effective upon execution by all parties.