



# LAKE TAHOE BENCHMARKS

SACRAMENTO | JANUARY 18, 2018

CALIFORNIA STATE LANDS COMMISSION



California State  
Lands  
Commission





# Proposed Benchmark Updates

 **2018 Category 1 Lake Tahoe Berths Rental Rate**

 **2018 Category 1 Lake Tahoe Buoys Rental Rate**

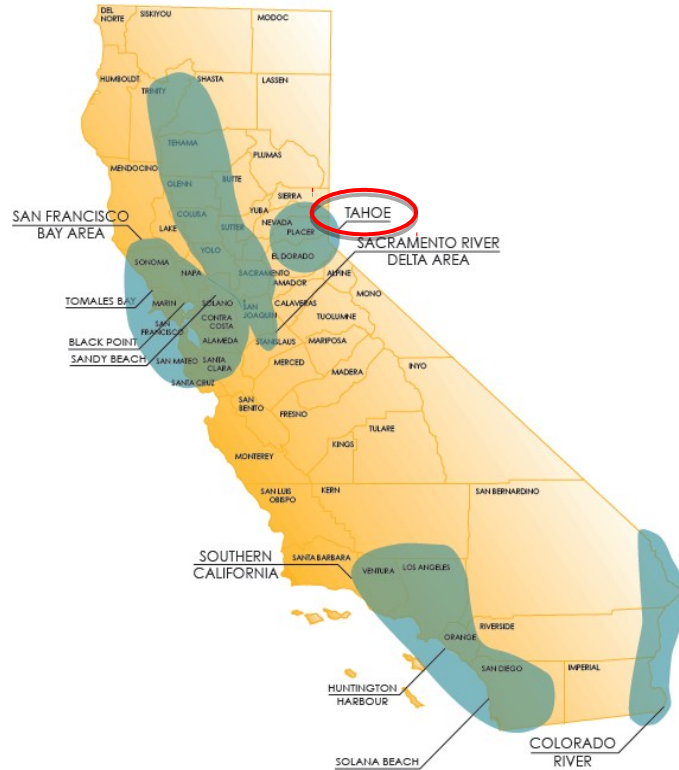
 **2018 Category 2 Lake Tahoe Rental Rate**

# Benchmark Overview

- ➔ Used to establish uniform rental rates in specific geographic areas with large concentrations of similar facilities (Title 2 CA CCR §2003(a)(5)).
- ➔ Improves consistency, transparency, and predictability throughout that geographic region.
- ➔ Improves staff efficiency in setting and adjusting rent for large numbers of leases with similar facilities.
- ➔ Generally updated by Commission appraisal staff every five years.

# Commission Benchmark Locations

CALIFORNIA STATE LANDS COMMISSION  
BENCHMARKS



# Commission Benchmark Rates

## State Lands Commission Benchmarks

Location	Rental Rate (\$/SF)	Last Updated	Proposed Update
<b>Category 1</b>			
Colorado River	\$ 0.171	February 2017	2022
San Francisco Bay Area	\$ 0.198	June 2016	2021
Lake Tahoe Berths	\$ 0.79	July 2012	2017
Lake Tahoe Buoys*	\$ 377	July 2012	2017
Sacramento River	\$ 0.214	March 2015	2020
Delta Area	\$ 0.165	March 2015	2020
Southern California	\$ 0.374	October 2016	2021
Tomales Bay Berths	\$ 0.114	December 2015	2020
Tomales Bay Buoys*	\$ 125	December 2015	2020
<b>Category 2**</b>			
Sandy Beach	\$ 2.16	May 2013	2018
Corte Madera	\$ 5.40	March 2014	2019
Black Point	\$ 0.35	May 2015	2020
Huntington Harbour	\$ 31.50	October 2016	2021
Solana Beach	\$ 46.80	October 2017	2022

\*per buoy

\*\* The Category 2 Benchmark may be discounted to reflect that the sovereign land being leased may not have the same utility as the upland property.

**Note:** Benchmarks are generally updated every five years.

# Current 2012 Benchmark Rates

## Category 1

→ Lake Tahoe **Berths**

**Rental Rate:**

**\$0.79** per square foot

## Category 1

→ Lake Tahoe **Buoys**

**Rental Rate:**

**\$377** per mooring buoy

# Comparison of Proposed Benchmarks

	2012 Benchmark	Initial Proposal	Current Proposal
Category 1 – Pier	\$0.79/square foot	\$1.01/square foot	\$0.417/square foot
Category 1 – Buoys	\$377/mooring buoy	\$516/mooring buoy	\$194/mooring buoy
Category 2 – Undiscounted	n/a	\$10.80/square foot	\$10.80/square foot
Category 2 – Discounted	n/a	\$2.70/square foot	\$1.13/square foot



# Initial Category 1 Lake Tahoe Berths Benchmark

## Methodology

7 marinas surveyed in Lake Tahoe, El Dorado and Placer Counties.

Multiplied average linear foot berth length and average monthly rental rate by 12 to determine annual income rate.

Multiplied annual income rate by 5% annual rate of return for use of sovereign land.

Adjusted income rate divided by square footage area associated with average berth length per CA Dept. of Boating and Waterways publication, "Layout and Design Guidelines for Marina Berthing Facilities".

## Calculations

→ Average berth length: 27 feet  
Average monthly rental rate: \$44.00/lf  
Submerged land needed: 705sf

→  $27\text{ft} \times \$44.00/\text{lf} \times 12 = \$14,256.00$

→  $\$14,256.00 \times 0.05 = \$712.80$

→  $\$712.80 / 705 \text{ sf} = \mathbf{\$1.01/\text{sf}}$



# Feedback

- Annual rental rate should be based on in-season marina rates, and not annualized.
- Annual rate should be the same as what marinas pay.
- Use “lowest” value in the range of in-season rates.
- Apply amenities and public benefit discounts.
- Create two separate benchmarks based on county.
- Benchmark should be simple and easy to understand.



# Proposed 2018 Category 1 Lake Tahoe Berths Benchmark

## Methodology

7 marinas surveyed in Lake Tahoe, El Dorado and Placer Counties.

Multiplied annual in-season marina rate by 5% annual rate of return for use of sovereign land.

Adjusted income rate divided by square footage area associated with average berth length per CA Dept. of Boating and Waterways publication, "Layout and Design Guidelines for Marina Berthing Facilities".

## Calculations

➔ Average in-season marina rate: \$5,880/berth/year  
Average berth length: 27 feet  
Submerged land needed: 705sf

➔  $\$5,880 \times 0.05 = \$294$

➔  $\$294 / 705 \text{ sf} = \mathbf{\$0.417/sf}$

# Initial Category 1 Lake Tahoe Buoys Benchmark

## Methodology

10 marinas surveyed in Lake Tahoe, El Dorado and Placer Counties.

Average surveyed rent per month compared to monthly rent reported in the prior benchmark update.

Percentage of change determined and then applied to the prior benchmark rate.

## Calculations

➔ Prior benchmark rate: \$377

➔ Average in-season rental rate: \$3,880  
Avg. monthly rental rate (2012): \$601  
Avg. monthly rental rate (2017): \$824  
Percentage increase in rates: 37%  
Factor based on increase: 1.37

➔  $\$377 \times 1.37 = \mathbf{\$516}$



# Feedback

- Use surveyed in-season marina rates.
- Annual rate should be the same as what marinas pay.
- Use “lowest” value in the range of in-season rates.
- Apply amenities and public benefit discounts.
- Create two separate benchmarks based on county.
- Benchmark should be simple and easy to understand.

# Proposed 2018 Category 1 Lake Tahoe Buoys Benchmark

## Methodology

10 marinas surveyed in Lake Tahoe, El Dorado and Placer Counties.

Multiplied average annual in-season rental rate by 5% annual rate of return for use of sovereign land.

## Calculations

➔ Average in-season rental rate: \$3,880

➔  $\$3,880.00 \times 0.05 = \$194.00$



# Category 2 Lake Tahoe Benchmark

## Non-Water Dependent Encroachments, such as:

Artificially Filled Area

Sundecks

## Utility Discount:

Up to 75%

# Initial Category 2 Lake Tahoe Benchmark

## Methodology

Identified 40 recent sales of single family residences and 2 sales of vacant residential lot adjoining Lake Tahoe in El Dorado and Placer Counties.

Isolated land value from sale price of single family residences.

Determined square foot land value.

Applied 9% rate of return for use of sovereign land to determine benchmark rate.

Applied 75% discount to determine rate for things like sundecks and sleeping quarters.

## Calculations

➔ Sales Range: \$259,741 to \$8,291,457

➔ Land Value Range: \$19 to \$289/sf

➔ Average Square Foot Land Value: \$120

➔  $\$120/\text{sf} \times 0.09 = \mathbf{\$10.80/\text{sf}}$   
(undiscounted)

➔  $\$10.80/\text{sf} \times 0.25 = \mathbf{\$2.70/\text{sf}}$   
(discounted)

# Feedback

- Use vacant land sales.
- Recognize value differences between Placer and El Dorado Counties.
- Apply 97% discount to determine rate for things like sundecks and sleeping quarters based on submerged land sale at Lake Tulloch.
- Apply seasonal discount of 58% in addition to 75% discount.



## Proposed 2018 Category 2 Lake Tahoe Benchmark

Methodology takes into account the physical and locational characteristics and identifies the most similar comparables to derive a value.

The undiscounted rate is based on the leased land having the same utility as the adjoining land.

Discounted rate applicable if the non-water dependent use is considered to have lower utility and same seasonal fluctuations as piers and buoys.

➔ Undiscounted: **\$10.80/sf** (Ex. Artificial Fill)

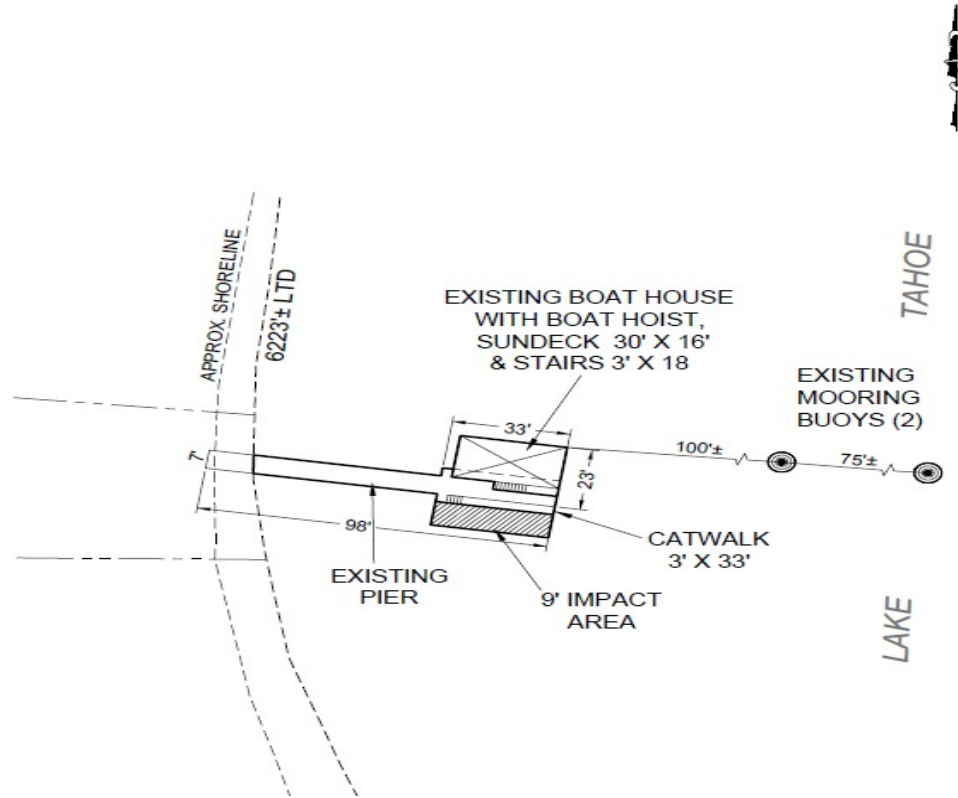
➔ Discounted: **\$1.13/sf** (Ex. Sundeck)

Utility Discount -  $\$10.80/\text{sf} \times 0.25 = \$2.70/\text{sf}$

Seasonal Discount -  $\$2.70/\text{sf} \times 0.42 = \$1.13/\text{sf}$

# Example -

Includes Pier, Boat House with Boat Hoist, Sundeck with Stairs, 9-Foot Impact Area, and Two Mooring Buoys



# 2012 vs. 2018 Benchmark Rates Comparison Example

2012

## Category 1

Applied to pier:

$$644.92 \text{ sf} \times \underline{\$0.79} = \text{\$509 annual rent}$$

Applied to 9-foot impact area:

$$297 \text{ sf} \times \underline{\$0.79} \times 33\% = \text{\$77 annual rent}$$

Applied to mooring buoys:

$$2 \text{ buoys} \times \underline{\$377} = \text{\$754 annual rent}$$

## Land Value

Applied to sundeck and stairs situated above boat house with boat hoist (discounted):

$$534 \text{ sf} \times \underline{\$2.70} = \text{\$1,442 annual rent}$$

Total Annual Rent = **\\$2,782**

2018

## Category 1

→ Applied to pier:

$$644.92 \text{ sf} \times \underline{\$0.417} = \text{\$269 annual rent}$$

→ Applied to 9-foot impact area:

$$297 \text{ sf} \times \underline{\$0.417} \times 42\% = \text{\$52 annual rent}$$

→ Applied to mooring buoys:

$$2 \text{ buoys} \times \underline{\$194} = \text{\$388 annual rent}$$

## Category 2

→ Applied to sundeck and stairs situated above boat house with boat hoist (discounted):

$$534 \text{ sf} \times \underline{\$1.13} = \text{\$603 annual rent}$$

→ Total Annual Rent = **\\$1,312**

# Proposed Benchmark Recommendation

Staff will recommend approval of:

➔ The 2018 **Category 1** Lake Tahoe **Berths Benchmark rate** of **\$0.417** per square foot.

➔ The 2018 **Category 1** Lake Tahoe **Buoys Benchmark rate** of **\$194** per mooring buoy.

➔ The 2018 **Category 2** Lake Tahoe **Benchmark rate** of **\$10.80** per square foot.

# Implementation of 2018 Benchmarks

- Effective February 27, 2018 if approved.
- Rent under current lease does not change dynamically.
- Lessee will need to submit application if they want to revise rent.
- If application submitted before lease anniversary, rent revision will be effective on first lease anniversary after February 27, 2018.



# Consumer Price Index Adjustment

- Annual CPI adjustments now part of leases.
- Being applied consistently statewide.
- Satisfies Bureau of State Audits recommendation.
- Reflects time value of money.

www.slc.ca.gov

# THANK YOU & QUESTIONS

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