

**Memorandum**

Date: December 29, 2017

To: Brian Bugsch, Chief **RBB**  
Land Management Division

Grace Kato, Assistant Chief  
Land Management Division

From: Chaun Wong, Associate Property Appraiser **CW**  
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Subject: Lake Tahoe Category 1 Benchmark 2017  
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 the seasonal nature of uses at Lake Tahoe as reflected by the market data. The current update for the buoys component is based on 5% of the gross income attributable to boat berthing, which is not the same as prior benchmark calculations.

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

<b>LAKE TAHOE BENCHMARK SUMMARY</b>		
<b>Benchmark Date</b>	<b>2012</b>	<b>2017</b>
<b>Berths / Slips</b>		
Rental Rate (Per Sq. Ft.)	\$0.790	\$0.417
<b>Buoys / Mooring Poles</b>		
Per Buoy	\$377	\$194

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.

### **Introduction**

Leases are issued by the California State Lands Commission for private recreational facilities such as docks, piers, and buoys. These facilities offer many of the same amenities as a commercial marina, such as a place for the docking and mooring of boats and the loading and unloading of passengers and equipment. In this manner, these privately-owned facilities represent a substitute for a commercial marina slip/buoy. Accordingly, the method of valuation used in estimating a fair return and 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 is a fairly good substitute for 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.

### **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 marinas as to the number and type of moorings (berths/slips/buoys), occupancy rate, mooring sizes and rates.
- Compiling the survey results into averages for slip size, buoy size, and rate incorporating seasonality.
- 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 annual rental rate(s) 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 value of the leased area (pier, swim area, etc.), it will be necessary to determine: what income can typically be generated by a commercial marina; the area occupied by a marina slip in a well-designed marina; what the rental charge would be for a typical sized boat; and the rate of return the state should receive for the use of its land.

The Commission typically charges 5% to 6% of gross income for boat berthing for sites leased to commercial marina operators, with most of the leases set at 5% of gross income.

The Commission has a set rate of return of 9% of the appraised value of the leased land.<sup>1</sup>

In terms of buoys, the annual rent is based on an average of what commercial marinas pay the California State Lands Commission for the use of state land under buoys, which is 5% of the gross income attributable to boat berthing.

### **Berth / Slip Rent**

According to the survey, there are seven marinas with berths / slips<sup>2</sup> available to the public. These marinas reported a total of 679 slips<sup>3</sup>, or an average of 97 slips per marina. The in-season marina occupancy rate was reported at 100%, with all of the marinas reporting full 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 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 since 2012.

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 are more commonly rented on a seasonal basis. According to the survey respondents, the rental season ranges from four to six months, with most reporting an approximate five-month season (May – September). The seasonal rates reported range from \$2,156 to \$8,863, with an average of \$5,880. Since there is generally little or no boating outside the boating season due to inclement weather and rough water conditions and temperatures, the seasonal rate is effectively the annual rate. Consequently, in the appraiser's opinion, the average seasonal rate represents what gross annual income per berth per year can typically be generated by a commercial marina.

The gross annual income is then multiplied by 5% to get the income attributable to the submerged land. Then the rates are converted to a per square foot basis for use by the Commission in determining lease amounts. This is accomplished by dividing the amount of submerged land needed to accommodate the average berth length within a marina.

The submerged land area needed to accommodate an average berth is found in a publication entitled "Layout and Design Guidelines for Small Craft and Berthing

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<sup>1</sup> Per the California Code of Regulations, Title 2, Division 3, Chapter 1, Article 2, Section 2003 Rental.

<sup>2</sup> Note: Slip and berth are used interchangeably in the text hereafter.

<sup>3</sup> 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).

Facilities" by the State Department of Boating and Waterways. 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 was 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 the aforementioned into account, the current benchmark rental rate and land value for Lake Tahoe is calculated as follows:

- Average seasonal rate / average gross annual income: \$5,880/berth/year
- Average boat length: 27 linear feet
- Submerged land area necessary to accommodate a 27-foot boat slip: 705 sq. ft.
- Typical percent of income attributable to the submerged land: 5%

$\$5,880 \times 5\%$  of gross income = \$294

$\$294 \div 705$  square feet = \$0.417 per square foot rental rate

**Benchmark Rental Rate =**

**\$0.417 per sq. ft.**

The indicated benchmark rental rate for Lake Tahoe area is \$0.417 per square foot. In contrast, the 2012 benchmark was \$0.790 per square foot. The new benchmark therefore represents an overall decrease of \$0.373 from the 2012 benchmark. The decrease in the rental rate is attributed to a change in the methodology from the previous Lake Tahoe benchmark for slips.

### **Buoy Rent**

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 85% to 100%, with an average occupancy rate of 98%. Seven of these facilities reported occupancy rates of 100%; two reported 95%, and another 85%.

Like boat slips, mooring buoys on Lake Tahoe are commonly rented on a seasonal basis<sup>4</sup>, with the typical season running from May through September, a period of five months. For the same reasons as the berth / slip rent, the seasonal rate is effectively the annual rate. The survey indicated that seasonal rates on Lake Tahoe range from

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<sup>4</sup> 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 overall average number of months in a season, or 5 months.

Lake Tahoe Benchmark

\$2,100 to \$7,170, with an average of \$3,880. As mentioned in the methodology section above, 5% of the average in-season buoy rate is determined to be a fair rent. This results in a rental rate of **\$194 per buoy** ( $\$3,880 \times 0.05$ ).

The new benchmark therefore represents an overall decrease of \$183 from the 2012 benchmark. 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	Season (Months)	In-season Occupancy Rate	In-Season Rates	Equivalent Rate (\$/LF/Mo.)	Comments
1	Lakeside Marina	El Dorado	63	20	May 15 - September 30	4.5	100%	\$2,156	\$23.96	In-season is 4.5 months (May 15 - September 30). The in-season rate of \$2,156 is based on an average \$23.96/LF/Mo.
2	Ski Run Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No public slips available. All slips are reserved for rental boats and fishing boats.
3	Timber Cove Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No slips available.
4	Tahoe Keys Marina	El Dorado	259	35	May 1 - October 31	6	100%	\$6,867	\$32.70	In-season is 6 months (May 1 - October 31). Verified online. The in-season rate of \$6,867 includes the \$120 additional monthly fee per slip and is based on an average \$32.70/LF/Mo.
5	Camp Richardson Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No slips available.
6	Meeks Bay Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Closed all season due to stormwater violations.
7	Obexer's Boat Company	Placer	40	28	May 1 - September 30	5	100%	\$6,644	\$47.46	In-season is 5 months (May 1 - September 30). The in-season rate of \$6,644 is based on an average \$47.46/LF/Mo.
8	Homewood Marina	Placer	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No slips available. Only dry boat storage.
9	Sunnyside Marina	Placer	24	24	June 1 - September 30	4	100%	\$5,640	\$58.75	In-season is 4 months (June 1 - September 30). The in-season rate of \$5,640 is based on a seasonal rate of \$235/LF/Season or \$58.75/LF/Mo. The average length of 24 LF is a ballpark figure from Mike Schenone.
10	Tahoe City Marina	Placer	159	25	May 1 - October 31	6	100%	\$6,588	\$43.92	In-season is 6 months (May 1 - October 31). Verified online. The in-season rate of \$6,588 does not include the 61 slips located in the marina expansion area as most of these slips are not rented seasonally. The in-season rate of \$6,588 is based on an average \$43.92/LF/Mo.
11	Sierra Boat Company	Placer	117	24	June 1 - September 30	4	100%	\$4,400	\$45.83	In-season is 4 months (June 1 - September 30). The in-season rate of \$4,400 and average length of 24 LF are based on ballpark figures from Mac Scott as a breakdown of slip counts by size and rate were unavailable. The \$45.83/LF/Mo is based on the \$4,400 in-season rate.
12	North Tahoe Marina	Placer	17	32	May 1 - September 30	5	100%	\$8,863	\$55.39	In-season is 5 months (May 1 - September 30). The in-season rate of \$8,863 is an estimate based on reported range of \$5,700 - \$10,400 per season depending on slip size. Cathy Walsh was unable to provide a breakdown of slip counts by size and rate. The average length of 32 LF is a ballpark figure from Cathy Walsh.

Totals 679  
Average 97 27 5 100% \$5,880 \$44.00

LAKE TAHOE SURVEY  
BuOys

No.	Name	County	Total BuOys	Swing Area (Feet)	In-Season	In-Season (Months)	In-Season Occupancy Rate	In-Season Rates	Rate Per Month	Comments
1	Lakeside Marina	El Dorado	10	75	May 15 - September 30	4.5	100%	\$2,100	\$467	In-season is 4.5 months (May 15 - September 30).
2	Ski Run Marina	El Dorado	71	50	May 1 - September 30	5	85%	\$2,450	\$490	In-season is 5 months (May 1 - September 30). The in-season rate of \$2,450 is based on an average of \$2,200 per season (<28') and \$2,700 per season (>28').
3	Timber Cove Marina	El Dorado	80	75	May 15 - September 30	4.5	95%	\$2,550	\$567	In-season is 4.5 months (May 15 - September 30). The in-season rate of \$2,550 is based on an average of \$2,300 per season (<28') and \$2,800 per season (>28').
4	Tahoe Keys Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	No buoy field.
5	Camp Richardson Marina	El Dorado	88	75	May 15 - October 15	5	95%	\$2,550	\$510	In-season is 5 months (May 15 - October 15). The in-season rate of \$2,550 is based on an average of \$2,300 per season (<28') and \$2,800 per season (>28'). There are 110 buOys total, but approximately 20% (or 22 buOys) are left vacant for short-term guests only. Approximately 88 buOys are rented.
6	Meeks Bay Marina	El Dorado	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Closed all season due to stormwater violations.
7	Obexer's Boat Company	Placer	15	N/A	May 1 - September 30	5	100%	\$3,501	\$700	In-season is 5 months (May 1 - September 30). The in-season rate of \$3,501 is based on an average of \$3,313 per season (<28') and \$3,689 per season (>28').
8	Homewood Marina	Placer	125	62	May 1 - September 30	5	100%	\$7,000	\$1,400	In-season is 5 months (May 1 - September 30).
9	Sunnyside Marina	Placer	24	50	June 1 - September 30	4	100%	\$3,500	\$875	In-season is 4 months (June 1 - September 30).
10	Tahoe City Marina	Placer	41	75	May 1 - September 30	5	100%	\$4,100	\$820	In-season is 5 months (May 1 - September 30). The in-season for the buOys is reportedly one month shorter than the in-season for the slips. The in-season rate of \$4,100 is based on an average of \$3,800 per season (<28') and \$4,400 per season (>28').
11	Sierra Boat Company	Placer	15	65	N/A	N/A	100%	N/A	\$975	No seasonal rate; only rents monthly. Three month minimum is required.
12	North Tahoe Marina	Placer	48	N/A	May 1 - September 30	5	100%	\$7,170	\$1,434	In-season is 5 months (May 1 - September 30). The in-season rate of \$7,170 is an estimate based on reported range of \$5,000 - \$9,350 per season depending on the boat size.
<b>Totals</b>			<b>517</b>	<b>66</b>		<b>5</b>	<b>98%</b>	<b>\$3,880</b>	<b>\$824</b>	
<b>Average</b>			<b>52</b>	<b>66</b>		<b>5</b>	<b>98%</b>	<b>\$3,880</b>	<b>\$824</b>	