

**CALENDAR ITEM**

**65**

A 37, 44, 50, 62, 66, 70,  
72, 73, 74, 76, 78, 80  
S 19, 27, 28, 33, 34,  
35, 37, 38, 39, 40

10/13/16  
W 27041  
K. Foster

**CONSIDER APPROVAL OF THE 2016 CATEGORY 1 SOUTHERN CALIFORNIA  
BENCHMARK AND THE 2016 CATEGORY 2 HUNTINGTON HARBOUR  
BENCHMARK RENTAL RATES**

**PARTY:**

California State Lands Commission

**LAND TYPE AND LOCATION:**

*2016 CATEGORY 1 SOUTHERN CALIFORNIA BENCHMARK:*

Sovereign lands in Ventura, Los Angeles, Orange, and San Diego Counties.

*2016 CATEGORY 2 HUNTINGTON HARBOUR BENCHMARK:*

Sovereign lands in Huntington Harbour, in the city of Huntington Beach, Orange County.

**OVERVIEW OF BENCHMARKS FOR RENTAL RATES:**

Benchmarks are used to establish uniform rental rates in specific geographic regions with large concentrations of similar facilities, mostly private recreational improvements within the Commission's jurisdiction. (California Code of Regulations (CCR), title 2, section 2003, subdivision (a)(5).) For proposed leases involving certain types of structures in regions where benchmarks have been approved, Commission staff will recommend a rental rate 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, Commission staff updates the benchmarks for rental rates every 5 years. The use of benchmarks not only improves consistency and transparency throughout a geographic region, it also improves staff efficiency in setting and adjusting rent for large numbers of leases, saving time and money for both the applicant and the State. The Commission does not use benchmarks for industrial or commercial leases.

The Commission has two types of benchmarks for rental rates:

- Category 1, which are generally applied to private docks, piers, and buoys; and

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- Category 2, which are generally applied to cantilevered decks, sundecks, or other non-water dependent uses.

A map showing all the Commission's current benchmark areas is attached as Exhibit A ([Benchmark Map](#)), and a list of all the Commission's current benchmark rental rates is attached as Exhibit B ([Current Benchmark Rates](#)).

### **Category 1 Benchmark Methodology**

The Southern California Benchmark has been used by the Commission since the early 1980s and was last updated in 2011. The current methodology for piers is based on the principle of substitution. The first step in setting the Southern California Benchmark is to survey local marinas and buoy fields to determine their rental rates. Marinas usually rent their slips on a per lineal foot basis, based on the length of the slip or vessel. For benchmark purposes, the average surveyed rental rate is used. This rate is multiplied by the average or typical berth length as indicated by the survey data. Based on these inputs, the annual gross income is calculated. The State's rent is based on a 5 percent rate of return of this annual income. It represents a fair market compensation for the use of State-owned submerged land. The State's rent is then converted to a per square foot basis using a table calculated by a Department of Boating and Waterways (now California State Parks Division of Boating and Waterways) publication titled "Layout and Design Guidelines for Marina Berthing Facilities." ([Marina Guide](#))

### Category 1 Southern California Benchmark

As shown in Exhibit B, the 2011 Category 1 Southern California Benchmark rate is \$0.331 per square foot. This rate is generally applied to facilities used for the docking and mooring of boats and other uses within the southern California region where an individual appraisal of sovereign land is not cost effective to prepare.

Using the methodology described above, Commission appraisal staff surveyed 104 marinas in the southern California region, including marinas in Ventura, Los Angeles, Orange, and San Diego Counties, and calculated a 2016 Category 1 Southern California Benchmark rate of \$0.374 per square foot.

### **Category 2 Benchmark Methodology**

The Category 2 Huntington Harbour Benchmark has been used by the Commission since March 1, 2004, and was last updated in 2011. Category 2 benchmarks are based on nearby upland land values because the improvements (cantilevered decks, sundecks, or certain other non-water dependent encroachments) represent an extension of the private backyard of the upland

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residence—a purpose unrelated to the docking and mooring of boats. Commission appraisal staff uses the following general process to establish and update a Category 2 benchmark. First, staff conducts research to identify recent nearby upland property sales. The initial research seeks to identify land value only because the property being leased is the underlying sovereign land, as well as the area above the sovereign land, and not the privately-owned improvements. If vacant land sales are not available, then the assessed improvement values are subtracted from sales price of improved properties to reflect the land value of the sale property. Next, staff analyzes the sales data and determines a per-square-foot value representative of the area. The benchmark is calculated by applying a 9 percent annual rate of return to the appraised value of the leased land pursuant to title 2, California Code of Regulations, section 2003, subdivision (a)(1). The Category 2 benchmark may then be discounted to reflect that the sovereign land to be leased may not have the same utility or intensity of use as the upland properties from which the data were drawn, due to topography or other physical characteristics, the nature of the sovereign land use, certain legal constraints, or the upland owner's decision, but nevertheless still contributes to the value of the upland property.

### Category 2 Huntington Harbour Benchmark

Using the methodology described above, Commission appraisal staff researched 14 home sales adjoining sovereign land along the Main and Midway Channels within Huntington Harbour. The sales occurred between 2014 and 2016, with a sales range of \$950,000 to \$3,550,000 (with a land value range of \$778,000 to \$2,777,000).

The undiscounted benchmark rate, with the 9 percent rate of return applied, is \$31.50 per square foot. This benchmark rate applies to features such as enclosed cantilevered decks because, unlike an open deck, an enclosed deck has the full capacity to be utilized as residential living space, and thus should be given no reduction in utility or intensity of use as compared to the upland land value. For features such as an unenclosed cantilevered deck, Commission staff recommends the application of a discount of 75 percent to reflect the intensity of use of the sovereign lands occupied. This approach is consistent with how staff applies discounts for similar facilities throughout the state.

Table 1 summarizes the comparison between the 2011 and 2016 Category 1 and Category 2 benchmarks for rental rates, expressed on a per square foot (sf) basis.

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**TABLE 1**

Benchmark		2011	2016
Category 1 Southern California		\$0.331/sf	\$0.374/sf
Category 2 Huntington Harbour	Undiscounted	\$21.60/sf	\$31.50/sf
	Discounted*	\$5.40/sf	\$7.88/sf

\*Represents a 75 percent discount.

**STAFF ANALYSIS AND RECOMMENDATION:**

**Authority:**

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

**Public Trust and State's Best Interests Analysis:**

Article 16, Section 6 of the California Constitution specifically prohibits the Legislature from making or authorizing any gift of public money or thing of value to any individual, municipality, or corporation. A 'thing of value' includes the use of State-owned land for private benefit with no rent or compensation for such use.

Under Title 2, Division 3 of the California Code of Regulations, and the Public Resources Code, the Commission has broad discretion in all aspects of leasing state lands, including the method or amount of rent that is most appropriate, and how rent should be adjusted during the term (2CA ADC §2000(b)). Rents must be in the best interests of the State, and may be based on one or more of the following methods, including, but not limited to: 9% of appraised land value; a percentage of annual gross income, where the percentage is based on an analysis of the market for like uses and other relevant factors; a comparison to rents for other similar land or facilities; benchmarks for regions with large concentrations of similar facilities, with benchmark rental rates to be based on analysis of similar or substitute facilities in the local area; other such methods or information that are based on commonly accepted appraisal practices and principles; and for leases for recreational piers or buoys, rent shall be based on local conditions and local fair annual rental values. (2 CA ADC §2003 et seq.; PRC §6503.5 et seq.)

The Commission may consider the amount of rent the State would receive under various rental methods, and whether relevant, reliable and

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comparable data is available concerning the value of the leased land in determining which rent method should apply (2 CA ADC §2003 (d)(1)(2)).

Use of benchmarks improves the consistency and transparency of how the Commission establishes rent throughout a specific geographic region for a certain category of leases. It also 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. Approval of the new benchmark rental rates will not result in a change in the use of public resources or the impacts thereto, and taking into account the requirements discussed above, provides a reasonable method for determining rents in the geographic regions covered by the benchmarks. Commission staff believes approval of the new benchmarks does not have an impact to the common law Public Trust Doctrine and is in the best interests of the State.

**OTHER PERTINENT INFORMATION:**

1. In 2012, the Commission reviewed the current leasing practices including the use of benchmarks for recreational piers and buoys in Lake Tahoe ([Calendar Item 82, May 24, 2012](#)).
2. This action is consistent with Strategy 2.1 of the Commission's Strategic Plan to optimize returns for the responsible development and use of State lands and resources, both onshore and offshore; and Strategy 2.2 to ensure timely receipt of revenues and royalties from the use and development of State lands and minerals.
3. Approval of the 2016 Category 1 Southern California Benchmark rental rate and the 2016 Category 2 Huntington Harbour Benchmark rental rate 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, section 15378, subdivision (b)(5).

**EXHIBITS:**

- A. Benchmark Map
- B. Current Benchmark Rates
- C. 2016 Category 1 Southern California Benchmark Memorandum
- D. 2016 Category 2 Huntington Harbour Benchmark Memorandum

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**RECOMMENDED ACTION:**

It is recommended that the Commission:

**PUBLIC TRUST AND STATE'S BEST INTERESTS:**

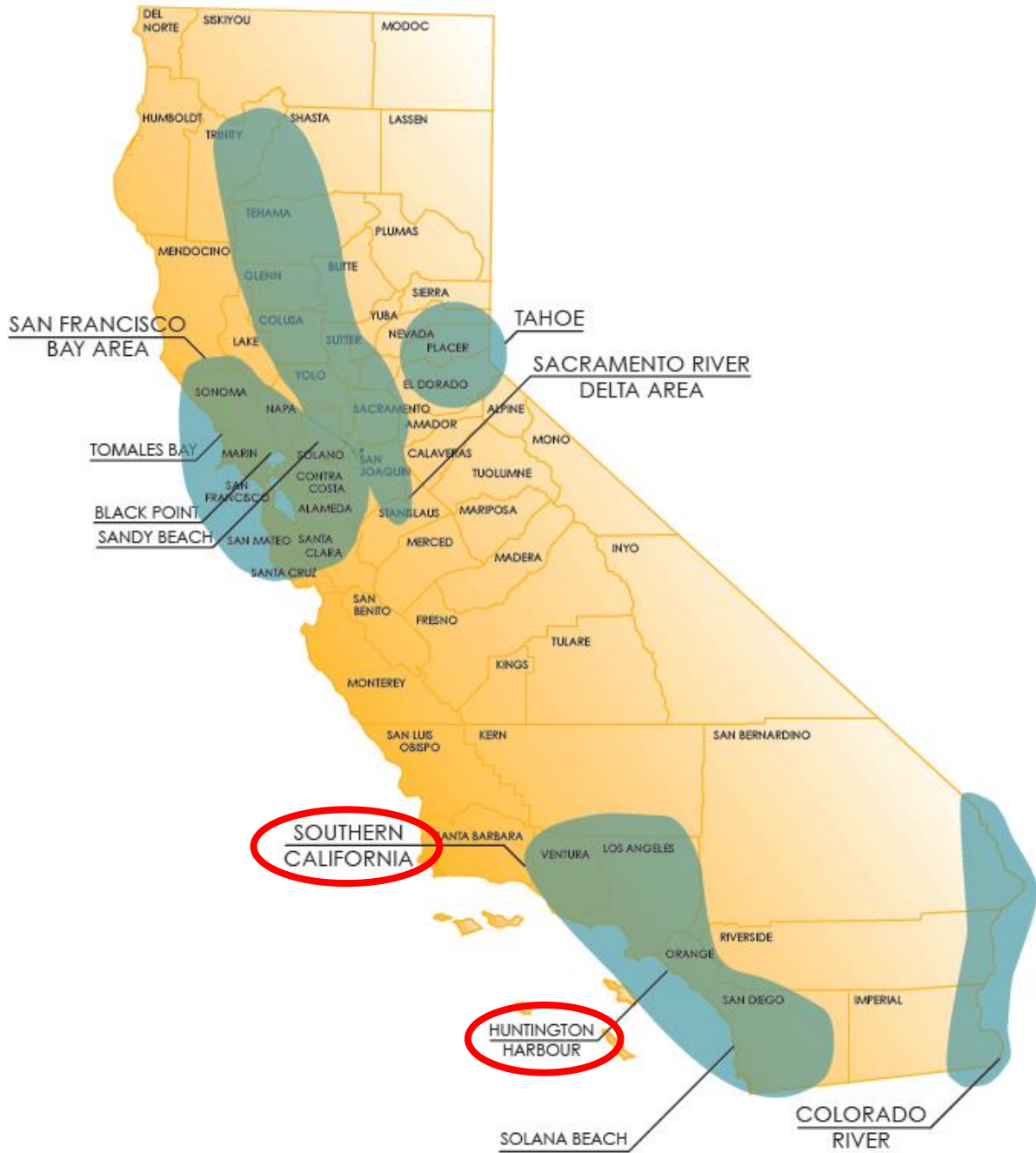
Find that approval of the benchmarks will not result in a change in the use of public resources or the impacts thereto, does not have an impact to the common law Public Trust Doctrine, and is in the best interests of the State.

**AUTHORIZATION:**

1. Approve the 2016 Category 1 Southern California Benchmark rental rate of \$0.374 per square foot, effective October 13, 2016.
2. Approve the 2016 Category 2 Huntington Harbour Benchmark rental rate of \$31.50 per square foot, and the application of a 75 percent discount to adjust for any reduced utility or intensity of use of the sovereign lands occupied, effective October 13, 2016.

EXHIBIT A

CALIFORNIA STATE LANDS COMMISSION  
BENCHMARKS



## EXHIBIT B

# State Lands Commission Benchmarks

Location	Rental Rate (\$/SF)	Last Updated	Proposed Update
<b>Category 1</b>			
Colorado River	\$ 0.146	January 2012	2017
San Francisco Bay Area	\$ 0.166	August 2011	2016
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
<b>Southern California</b>	<b>\$ 0.331</b>	<b>December 2011</b>	<b>2016</b>
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
Black Point	\$ 0.35	May 2015	2020
<b>Huntington Harbour</b>	<b>\$ 21.60</b>	<b>December 2011</b>	<b>2016</b>
Solana Beach	\$ 49.50	September 2012	2017

\*per each

\*\* 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.



# EXHIBIT C

State of California

State Lands Commission

## Memorandum

Date: September 23, 2016

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

Grace Kato, Assistant Chief  
Land Management Division

From: Chaun Wong *OW*  
Associate Property Appraiser  
Land Management Division

Subject: Benchmark Update  
General Lease – Recreational Use  
Southern California

As requested, I have updated the benchmark for General Leases – Recreational Use for the Southern California region. The benchmark was last updated by staff of the California State Lands Commission (Commission) in 2011. The current update follows essentially the same methodology as used in the prior benchmark. Reference is made to the 2011 study for additional background material that may be needed for the reader to more fully understand what the benchmark is used for and how it is set.

The recommended benchmarks are summarized in the following tables with the 2011 benchmarks.

### 2011 SOUTHERN CALIFORNIA BENCHMARK SUMMARY

Land Value (Per Acre)	\$160,200
Rental Rate (Per Sq. Ft.)	\$0.331

### 2016 SOUTHERN CALIFORNIA BENCHMARK SUMMARY

Land Value (Per Acre)	\$181,016
Rental Rate (Per Sq. Ft.)	\$0.374

It should be noted that this research does not constitute an appraisal of a specific property as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). Rather, this research is an attempt to establish a "benchmark" value to be used as the basis for developing annual lease rates in the Southern California region. The research is intended to be used by Commission staff in negotiations with lessees.

Presented on the following pages are the introduction, the scope of the current research, and discussions of the pertinent findings resulting in the updated benchmark rental rates.

## **Introduction**

Leases are issued by the Commission for recreational use private docks and piers. These privately-owned facilities offer many of the same amenities as a commercial marina, such as a place for boat storage or the loading and unloading of equipment and passengers.

Because such privately owned facilities represent a substitute for a commercial marina slip, 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 comparable substitute site in a commercial marina. The real estate economic principle that this method of valuation is based upon is known as the "Principle of Substitution".

The Principle of Substitution states that "when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution."<sup>1</sup>

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 in the Southern California region.
- Surveying the marinas as to the number and type of berths/slips, occupancy rate, mooring sizes and rates.
- Compiling the survey results into averages for slip size and rate.
- 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 berthing size.
- Calculating the annual rental rate(s) using the above information and State valuation guidelines.

A total of 118 marinas in Southern California were identified. Of the 118 marinas, a total of 104 marinas were surveyed on the attached Marina Survey Spreadsheet. Excluded marinas from the survey included one marina which only had guest slips, two marinas which did not have any slips, two marinas which only had mooring buoys/pilings, three

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<sup>1</sup> The Dictionary of Real Estate, Fifth Edition, page 190, Appraisal Institute, 2010.

marinas which had subsidized rates because they were for the exclusive use of members of the military, three marinas which had phone numbers disconnected, and three other marinas that did not return any phone calls or emails. Information collected from these 104 marinas was used in updating and establishing the fair market rental rate for the Commission's General Leases – Recreational Use in the Southern California region. While not comprehensive, this survey is believed to be representative of marinas in the study area.

### **Methodology**

In order to determine the value of the site, 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 percent to 6 percent of gross income for boat berthing for sites leased to commercial marina operators, with most of the leases set at 5 percent of gross income.

The Commission has a set rate of return of 9 percent of the appraised value of the leased land.<sup>2</sup>

### **Berth/Slip Rent**

The Southern California Benchmark consists of 104 marinas located in Ventura County, Los Angeles County, Orange County, and San Diego County (see the attached Marina Survey Spreadsheet). For purposes of this benchmark, the boundaries of the Southern California region are generally defined as the Ventura / Los Angeles county lines to the north, the Los Angeles / Orange / San Diego county lines to the east, the San Diego county line to the south, and the Pacific Coast of Ventura / Los Angeles / Orange / San Diego counties to the west.

The average berth size of the marinas surveyed in the Southern California region is approximately 37 linear feet. By contrast, a 36-foot length was used in the 2011 Southern California Benchmark Update. The discrepancy of average berth sizes is attributed to the accuracy of the data provided by the marina operators because it is believed that marinas have not significantly changed since 2011.

The responding marinas reported a total of 28,074 slips, or an average of 270 slips per marina. The average occupancy was reported at 88.5%, a minor increase from the 87.5% reported in 2011.

Berthing rates are reported on a per linear foot basis. For all of the above listed areas, the berthing rate, based on data collected, ranged from \$9.00 to \$55.86 per linear foot.

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

The lower rents were generally found in marinas located in Oxnard and Ventura of Ventura County; Long Beach, San Pedro, Terminal Island, and Wilmington of Los Angeles County; and Oceanside of San Diego County. The higher rents were generally found in marinas located in Newport Beach of Orange County. The average rent overall is \$19.40 per linear foot. This represents a 7.24% increase over the \$18.09 per linear foot used in the 2011 Benchmark.

Rates have been converted to a per square foot basis for use by the Commission in determining lease amounts based on the set rate of return of 9% of appraised value.

The benchmark rental rate for berths is calculated by multiplying the average berth length by the average monthly rental rate. This product is then multiplied by 12 months to arrive at the gross annual income. The gross annual income is multiplied by 5% to get the income attributable to the submerged land. The income attributable to the submerged land is then divided by 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 Marina Berthing Facilities" published in July 2005 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 berths.

From the tables in the publication, a submerged area of 1,153 square feet is shown as being necessary to accommodate the 37-foot average slip length indicated by the survey for the Southern California region. Taking all of the aforementioned into account, the current benchmark rental rate and land value for the Southern California region is calculated as follows:

Southern California:

- Average berth rate: \$19.40/linear foot
- Average boat length: 37 linear feet
- Submerged land area necessary to accommodate a typical boat slip: 1,153 SF
- California State Lands Commission set rate of return: 9 percent

$$37' \times \$19.40/\text{linear foot} \times 12 \text{ months} = \$8,613.60$$

$$\$8,613.60 \times .05 = \$430.68$$

$$\$430.68 \div 1,153 \text{ square feet} = \$0.374 \text{ per square foot rental rate}$$

**Southern California Benchmark**

\$0.374 per square foot rental rate x 43,560 square feet per acre = \$16,291.44 per acre rental rate

\$16,291.44 per acre rental rate ÷ .09 = \$181,016 per acre land value (or \$4.16 per square foot land value)

**Benchmark Rental Rate = \$0.374 per square foot**

**Benchmark Land Value = \$181,016 per acre**

The indicated benchmark rental rate for the Southern California region is \$0.374 per square foot. In contrast, the 2011 benchmark was \$0.331 per square foot. The new benchmark therefore represents an overall increase of just over 4 cents (\$0.043) per square foot between the two benchmarks.

## Southern California Benchmark

### MARINA SURVEY Southern California

No.	Name	Address	City	County	Total Slips	Occupancy Rate	Occupied Slips	Average Length	Average Rate
<b>Ventura</b>									
1	Bahia Marina	4200 Peninsula Road	Oxnard	Ventura	77	53%	41	39	\$16.25
2	Channel Islands Harbor Marina	3850 Harbor Boulevard	Oxnard	Ventura	419	80%	335	38	\$15.52
3	Pacific Corinthian Marina	2610 Harbor Boulevard	Oxnard	Ventura	148	100%	148	40	\$14.00
4	Peninsula Yacht Marina	3700 Peninsula Road	Oxnard	Ventura	357	69%	246	34	\$12.02
5	Village Marina	3150 S. Harbor Boulevard	Oxnard	Ventura	384	80%	307	35	\$13.78
6	Westport Marina	4300 Tradewinds Drive	Oxnard	Ventura	61	51%	31	30	\$10.41
7	Anacapa Isle Marina	3001 Peninsula Road	Ventura	Ventura	402	50%	201	34	\$15.08
8	Channel Islands Landing	3821 Victoria Avenue	Ventura	Ventura	115	90%	104	40	\$13.39
9	Seabridge Marina	1601 S. Victoria Avenue	Ventura	Ventura	230	40%	92	32	\$10.50
10	Ventura Harbor Marina and Yacht Yard	1644 Anchors Way Drive	Ventura	Ventura	12	100%	12	60	\$12.00
11	Ventura Harbor Village Marina	1583 Spinnaker Drive	Ventura	Ventura	79	94%	74	38	\$12.74
12	Ventura Isle Marina	1363 Spinnaker Drive	Ventura	Ventura	512	68%	348	39	\$14.90
13	Ventura West Marina	1198 Navigator Drive	Ventura	Ventura	534	93%	497	36	\$13.71
<b>Averages</b>						<b>74.5%</b>		<b>38</b>	<b>\$13.41</b>
<b>Los Angeles</b>									
14	Alamitos Bay Marina	205 N. Marina Drive	Long Beach	Los Angeles	1,053	94%	990	40	\$16.35
15	Cerritos Bahia Marina	6289 E. Pacific Coast Highway	Long Beach	Los Angeles	267	100%	267	28	\$10.21
16	Harborlight Landing at Hotel Maya	700 Queensway Drive	Long Beach	Los Angeles	27	99%	27	33	\$15.66
17	Long Beach Shoreline Marina	450 E. Shoreline Drive	Long Beach	Los Angeles	1,568	92%	1,443	37	\$15.82
18	Marina Pacifica Boat Slips	6380-B E. Pacific Coast Highway	Long Beach	Los Angeles	178	99%	176	30	\$13.25
19	Rainbow Harbor	200 B Aquarium Way	Long Beach	Los Angeles	89	76%	68	36	\$15.69
20	Anchorage 47	13575 Mindanao Way	Marina del Rey	Los Angeles	243	76%	185	29	\$17.09
21	Bar Harbor Marina	4242 Via Marina	Marina del Rey	Los Angeles	236	97%	229	32	\$13.72
22	California Yacht Club	4469 Admiralty Way	Marina del Rey	Los Angeles	262	98%	257	41	\$23.71
23	Catalina Yacht Anchorage	13505 Ball Way	Marina del Rey	Los Angeles	148	90%	133	27	\$11.32
24	Del Rey Landing	13800 Bora Bora Way	Marina del Rey	Los Angeles	5	100%	5	56	\$21.00
25	Del Rey Yacht Club	13900 Palawan Way	Marina del Rey	Los Angeles	295	97%	286	41	\$10.93
26	Dolphin Marina	13900 Panay Way	Marina del Rey	Los Angeles	424	99%	420	32	\$15.70
27	Esprit Marina	13900 Marquesas Way	Marina del Rey	Los Angeles	216	98%	212	46	\$27.73
28	Holiday Harbor Marina	14025 Panay Way	Marina del Rey	Los Angeles	182	88%	160	25	\$13.48
29	Marina City Club	4333 Admiralty Way, #10	Marina del Rey	Los Angeles	278	95%	264	38	\$18.97
30	Marina del Rey Marina	13524 Ball Way	Marina del Rey	Los Angeles	349	75%	262	31	\$16.73
31	Marina Harbor Anchorage	14120 Tahiti Way	Marina del Rey	Los Angeles	286	93%	266	40	\$23.75
32	Mariners Bay Apartments and Anchorage	14000 Palawan Way	Marina del Rey	Los Angeles	375	88%	330	34	\$14.24
33	Neptune Marina	14126 Marquesas Way	Marina del Rey	Los Angeles	180	99%	178	30	\$12.74
34	Panay Way Marina	13953 Panay Way	Marina del Rey	Los Angeles	139	100%	139	30	\$14.54
35	Pier 44 Marina	4637 Admiralty Way	Marina del Rey	Los Angeles	232	78%	181	27	\$12.32
36	Santa Monica Windjammers Yacht Club	13589 Mindanao Way	Marina del Rey	Los Angeles	243	73%	177	29	\$17.09
37	Tahiti Marina	13900 Tahiti Way	Marina del Rey	Los Angeles	214	97%	208	36	\$18.85
38	The Boat Yard Marina	13555 Fiji Way	Marina del Rey	Los Angeles	103	99%	102	31	\$15.73
39	The Harbor at Marina Bay	14015 W. Tahiti Way	Marina del Rey	Los Angeles	208	100%	208	35	\$18.26
40	Villa del Mar Marina	13999 Marquesas Way	Marina del Rey	Los Angeles	186	94%	175	42	\$20.34
41	Windward Yacht Center	13645 W. Fiji Way	Marina del Rey	Los Angeles	54	98%	53	44	\$18.91
42	California Yacht Marina - Port Royal Marina	555 Harbor Drive	Redondo Beach	Los Angeles	325	91%	296	29	\$14.55
43	King Harbor Marina	208 Yacht Club Way	Redondo Beach	Los Angeles	809	94%	760	29	\$14.00
44	Redondo Beach Marina	181 N. Harbor Drive	Redondo Beach	Los Angeles	58	91%	53	25	\$12.92
45	The Portofino Hotel and Marina	260 Portofino Way	Redondo Beach	Los Angeles	174	100%	174	38	\$26.35
46	Cabrillo Way Marina	2293 S. Miner Street	San Pedro	Los Angeles	697	55%	383	33	\$14.20
47	California Yacht Marina - Cabrillo Marina	224 Whalers Walk	San Pedro	Los Angeles	857	81%	694	35	\$14.81
48	Holiday Harbor - Cabrillo Marina	241 Watchorn Walk, Berth 34	San Pedro	Los Angeles	270	91%	246	36	\$14.46
49	Al Larson Marina	1046 S. Seaside Avenue	Terminal Island	Los Angeles	128	100%	128	30	\$9.00
50	California Yacht Marina - Wilmington Berth 202	Berth 202, Box 36	Wilmington	Los Angeles	265	81%	215	37	\$11.22
51	Cerritos Yacht Anchorage	1400 Anchorage Road	Wilmington	Los Angeles	96	90%	86	30	\$11.00
52	Holiday Harbor - Wilmington Marina	Berth 201	Wilmington	Los Angeles	146	80%	117	31	\$9.70
53	Leeward Bay Marina	611 N. Henry Ford Avenue, #1	Wilmington	Los Angeles	180	97%	175	33	\$11.00
54	Newmarks Yacht Centre	761 Peninsula Road, Berth 204	Wilmington	Los Angeles	250	75%	188	35	\$9.25
55	Pacific Yacht Landing	Berth 203	Wilmington	Los Angeles	150	100%	150	32	\$12.00
56	Yacht Haven Marina	720 Peninsula Road, Berth 202	Wilmington	Los Angeles	165	98%	162	38	\$11.00
<b>Averages</b>						<b>91.1%</b>		<b>34</b>	<b>\$15.34</b>

## Southern California Benchmark

### MARINA SURVEY Southern California

No.	Name	Address	City	County	Total Slips	Occupancy Rate	Occupied Slips	Average Length	Average Rate
57	Dana Point Marina Company	34555 Casitas Place	Dana Point	Orange	1,387	100%	1,387	30	\$16.50
58	Dana West Marina	24500 Dana Point Harbor Drive	Dana Point	Orange	846	90%	761	30	\$16.57
59	Davenport Marina	4052 Davenport Drive	Huntington Beach	Orange	65	95%	62	29	\$12.50
60	Huntington Harbor Marina	4281 Warner Avenue	Huntington Beach	Orange	167	92%	154	34	\$17.32
61	Peter's Landing Marina	16400 Pacific Coast Highway, Suite 108	Huntington Beach	Orange	278	97%	270	40	\$15.07
62	Sunset Aquatic Marina	2901 Edinger Avenue	Huntington Beach	Orange	244	95%	232	34	\$15.11
63	Balboa Yacht Basin	829 Harbor Island Drive	Newport Beach	Orange	171	100%	171	36	\$30.42
64	Bayshore Apartments and Newport Marina	2888 Bayshore Drive	Newport Beach	Orange	41	100%	41	39	\$31.39
65	Bayside Village Marina	300 E. Coast Highway	Newport Beach	Orange	197	100%	197	28	\$24.63
66	California Recreation Company - Balboa Marina	201 E. Coast Highway	Newport Beach	Orange	104	98%	102	33	\$46.17
67	California Recreation Company - Bayside Marina	1137 Bayside Drive	Newport Beach	Orange	101	99%	100	36	\$55.86
68	California Recreation Company - Bayshore Marina	2572 Bayshore Drive	Newport Beach	Orange	134	98%	131	31	\$49.17
69	California Recreation Company - Villa Cove Marina	1099 Bayside Drive	Newport Beach	Orange	42	99%	42	35	\$45.45
70	Harbor Marina (Harbor Tower Marina)	3335 W. Coast Highway	Newport Beach	Orange	50	98%	49	41	\$36.07
71	Lido Marina Village	3434 Via Lido	Newport Beach	Orange	23	61%	14	49	\$51.69
72	Lido Yacht Anchorage	151 Shipyard Way, Suite 7	Newport Beach	Orange	204	100%	204	39	\$35.88
73	Newport Dunes Resort and Marina	101 N. Bayside Drive	Newport Beach	Orange	405	99%	401	30	\$30.59
<b>Averages</b>						<b>95.4%</b>		<b>35</b>	<b>\$31.20</b>
<b>San Diego</b>									
74	Chula Vista Marina	550 Marina Parkway	Chula Vista	San Diego	541	76%	411	36	\$15.34
75	California Yacht Marina - Glorietta Bay Marina	1715 Strand Way	Coronado	San Diego	90	94%	85	38	\$19.44
76	Loews Crown Isle Marina	4000 Coronado Bay Road	Coronado	San Diego	57	96%	55	47	\$18.47
77	Pier 32 Marina	3201 Marina Way	National City	San Diego	250	85%	213	44	\$17.23
78	Oceanside Harbor	1950 Harbor Drive	Oceanside	San Diego	763	95%	725	32	\$14.53
79	Bahia Resort Hotel Marina	998 W. Mission Bay Drive	San Diego	San Diego	50	100%	50	30	\$13.50
80	Cabrillo Isle Marina	1450 Harbor Island Drive	San Diego	San Diego	418	95%	397	41	\$20.94
81	California Yacht Marina - Chula Vista Marina	640 Marina Parkway	San Diego	San Diego	339	55%	186	36	\$14.15
82	Campland on the Bay	2211 Pacific Beach Drive	San Diego	San Diego	124	95%	118	27	\$12.25
83	Crow's Nest Yachts	2515 Shelter Island Drive	San Diego	San Diego	7	80%	6	45	\$15.00
84	Dana Landing Marina	2630 Ingraham Street	San Diego	San Diego	78	100%	78	37	\$9.92
85	Driscoll Mission Marina	1500 Quivira Way	San Diego	San Diego	175	97%	170	37	\$12.21
86	Gold Coast Anchorage	2353 Shelter Island Anchorage	San Diego	San Diego	34	100%	34	59	\$22.75
87	Half Moon Marina	2323 Shelter Island Drive	San Diego	San Diego	134	95%	127	35	\$21.47
88	Harbor Island West Marina	2040 Harbor Island Drive	San Diego	San Diego	570	91%	519	36	\$16.84
89	Hyatt Regency Mission Bay Spa and Marina	1441 Quivira Road	San Diego	San Diego	178	100%	178	36	\$23.94
90	Intrepid Landing	2805 Dickens Street	San Diego	San Diego	26	100%	26	42	\$18.57
91	Kona Kai Marina and Resort	1551 Shelter Island Drive	San Diego	San Diego	519	99%	514	47	\$25.32
92	Marina Cortez	1880 Harbor Island Drive	San Diego	San Diego	423	89%	376	37	\$17.62
93	Marina Village Marina	1936 Quivira Way	San Diego	San Diego	611	86%	525	30	\$12.68
94	Marriott Marquis San Diego Marina	333 West Harbor Drive	San Diego	San Diego	394	100%	394	43	\$21.83
95	Point Loma Marina	4980 N. Harbor Drive, Suite 201	San Diego	San Diego	42	100%	42	59	\$25.11
96	Sea World Marina	1660 S. Shores Road	San Diego	San Diego	208	85%	177	26	\$11.00
97	Seaforth Marina	1677 Quivira Road	San Diego	San Diego	226	90%	203	34	\$13.42
98	Shelter Cove Marina	2240 Shelter Island Drive	San Diego	San Diego	245	93%	228	38	\$18.05
99	Shelter Island Marina	2071 Shelter Island Drive	San Diego	San Diego	175	100%	175	50	\$21.73
100	Sheraton San Diego Hotel and Marina	1380 Harbor Island Drive	San Diego	San Diego	45	100%	45	53	\$24.08
101	Sun Harbor Marina	5000 N. Harbor Drive	San Diego	San Diego	100	95%	95	45	\$18.48
102	Sunroad Resort Marina	955 Harbor Island Drive	San Diego	San Diego	600	90%	540	47	\$19.80
103	The Bay Club Hotel and Marina	2131 Shelter Island Drive	San Diego	San Diego	126	100%	126	36	\$17.73
104	The Dana Marina on Mission Bay	1710 W. Mission Bay Drive	San Diego	San Diego	127	100%	127	27	\$13.73
<b>Averages</b>						<b>93%</b>		<b>40</b>	<b>\$17.65</b>
<b>Overall Averages</b>						<b>88.5%</b>		<b>37</b>	<b>\$19.40</b>

## EXHIBIT D

State of California

State Lands Commission

### Memorandum

Date: September 23, 2016

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

Grace Kato, Assistant Chief  
Land Management Division

From: Chaun Wong *CW*  
Associate Property Appraiser  
Land Management Division

Subject: Huntington Harbour Category 2 Benchmark Update 2016 - Fair market rent for private decks extending beyond the bulkhead line in Huntington Harbour, Orange County, California

As requested, I have conducted research relevant to establishing the fair market rent for private decks extending beyond the bulkhead line in the Huntington Harbour area of the City of Huntington Beach, Orange County, California. The decks, which are the subject of this research, are built so as to extend out past the bulkhead and over the water into the Public Trust area. These decks essentially form extensions of the usable area of the adjoining residential lots.

It should be noted that this research does not constitute an appraisal of a specific property as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). Rather, this research is an attempt to establish a "benchmark" value to be used as the basis for developing annual lease rates. The research is intended to be used by Commission staff in negotiations with lessees.

#### Introduction

Huntington Harbour is an exclusive waterfront development located in the City of Huntington Beach in northwestern Orange County. The development is predominantly single family residential in nature and consists of several man-made islands and peninsulas situated around a series of channels. The islands and peninsulas have been developed with high-end waterfront homes, many of which have boat docks and cantilevered decks.

The development was originally designed by the Huntington Harbour Corporation in the early 1960s. It was created by dredging and filling the sloughs and marshlands lying in and around Sunset Bay. Prior to commencement of the project, the developer entered



into two agreements (BLA 18 and SLL 34) with the State Lands Commission. From these agreements, the State Lands Commission retained fee ownership of the Main and Midway Channels, while most of the remaining water-covered and land areas are privately owned.

## **Methodology**

The California Code of Regulations authorizes the California State Lands Commission to set the annual rent at 9 percent of the appraised value of the leased land<sup>1</sup>. In this case, the land to be leased is sovereign tide and submerged land<sup>2</sup> located waterward of the bulkhead. Since there is not an active real estate market for sovereign land, the basis for the annual market rent is the adjoining upland property. In this case, the adjoining upland property consists of single family homes on residential lots. Thus, for valuation purposes, the value of the residential lots in the Huntington Harbour development is the basis of the benchmark 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. For analysis purposes, the unit of comparison used is the price per square foot of land area. An indication of value is then concluded based on a comparative analysis of these factors. Per the California Code of Regulations, rent is then set based on 9 percent of the concluded value.

Although the improvements may extend onto and over tide and submerged land and undeniably provide a benefit to the upland, the value of the underlying sovereign tide and submerged land may not be the same as the more developable upland area. If the sovereign land is improved and used to the same extent as the adjoining upland, then the value of the underlying sovereign tide and submerged land should be close to, or the same as, the value of the adjoining upland. If not, then a lower value may be warranted. The value differential will be expressed as a percentage of the adjoining land.

Therefore, in summary, the method of valuation used first involves estimating the market value of residential land in the area. After concluding a reasonable unit value for the residential land, a 9 percent annual rate of return is applied to get the benchmark rental rate. Then, if applicable, the benchmark rate may be reduced to reflect a lower value.

## **Market Value of Upland Property**

Based on the single family residential nature of the upland property, a search was made

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

<sup>2</sup> Including vertical interests of subsurface and air rights.

for recent sales of vacant lots in the Huntington Harbour area. However, due to its built-up nature, no comparable sales of vacant lots were found in the area. Rather than use comparable sales from outside the area, which would necessitate adjustments for location, an allocation technique is employed. In this analysis, residential land values are extracted from recent sales of single family houses in the Huntington Harbour area through use of the improvement percentage assigned by the Orange County Assessor's Office. 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 following table are the pertinent details of 14 sales of single family homes in the Huntington Harbour development. The sales took place between July 2014 and May 2016. All of the sales are waterfront lots on the Main and Midway Channels. The lot sizes range from 2,820 to 7,620 square feet, with a mean of 5,281 square feet and a median of 5,000 square feet.

The sale prices for the improved properties ranged from a low of \$950,000 to a high of \$3,550,000, with a mean of \$2,432,857. According to the Assessor's allocations, the value of the land in these transactions accounted for between 56.69 percent and 87.22% of the total price. Based on these percentages, the value of the unimproved land lies between \$264 and \$499 per square foot. The mean unit value is \$355 per square foot, while the median is \$345 per square foot. Based on the data gathered, a unit value of **\$350** per square foot is concluded as reasonable for the typical upland residential property.

Market Value of Upland Property **\$350** 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 \$31.50 per square foot (rounded).<sup>3</sup>

**Benchmark Rental Rate** **\$31.50** per square foot

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<sup>3</sup> Calculated as  $\$350 \times 0.09 = \$31.50$ .

## Huntington Harbour Category 2 Benchmark

**LAND VALUE INDICATIONS**

Allocated Assessed Land Values from Recent Sales  
Huntington Harbour

No.	APN	Address	City	County	Sale Date	Lot Area (SF)	Sale Price	% Assessed Land Value	Land Value	Land Value Per SF
1	178-652-41	16772 Coral Cay Lane	Huntington Beach	Orange	05/20/2016	7,620	\$3,550,000	56.69%	\$2,012,470	\$264
2	178-791-05	3156 Portofino Circle	Huntington Beach	Orange	05/05/2016	4,590	\$2,000,000	79.52%	\$1,590,430	\$346
3	178-791-10	3182 Portofino Circle	Huntington Beach	Orange	02/16/2016	4,590	\$2,025,000	77.64%	\$1,572,275	\$343
4	178-053-09	16711 Carousel Lane	Huntington Beach	Orange	01/19/2016	5,000	\$2,250,000	79.35%	\$1,785,398	\$357
5	178-652-22	3575 Courtside Circle	Huntington Beach	Orange	01/15/2016	6,840	\$2,750,000	80.58%	\$2,216,030	\$324
6	178-791-09	3176 Portofino Circle	Huntington Beach	Orange	12/31/2015	4,590	\$2,000,000	78.97%	\$1,579,304	\$344
7	178-315-41	16941 Bolero Lane	Huntington Beach	Orange	10/02/2015	5,000	\$1,875,000	85.16%	\$1,596,732	\$319
8	178-532-43	16921 Park Avenue	Sunset Beach	Orange	09/02/2015	2,820	\$950,000	81.85%	\$777,598	\$276
9	178-791-07	3166 Portofino Circle	Huntington Beach	Orange	08/27/2015	4,590	\$2,075,000	77.25%	\$1,602,941	\$349
10	178-371-10	16801 Bolero Lane	Huntington Beach	Orange	07/09/2015	5,300	\$3,200,000	82.62%	\$2,643,821	\$499
11	178-713-12	3462 Venture Drive	Huntington Beach	Orange	04/07/2015	6,000	\$2,460,000	69.88%	\$1,719,091	\$287
12	178-315-40	16951 Bolero Lane	Huntington Beach	Orange	02/26/2015	5,000	\$2,700,000	74.66%	\$2,015,853	\$403
13	178-713-04	3542 Venture Drive	Huntington Beach	Orange	11/21/2014	6,000	\$2,725,000	87.22%	\$2,376,658	\$396
14	178-713-02	3522 Venture Drive	Huntington Beach	Orange	07/25/2014	6,000	\$3,500,000	79.33%	\$2,776,510	\$463
<b>Indications:</b>										
						2,820	\$950,000	56.69%	\$777,598	\$264
						7,620	\$3,550,000	87.22%	\$2,776,510	\$499
						5,281	\$2,432,857	77.91%	\$1,876,079	\$355
						5,000	\$2,355,000	79.34%	\$1,752,244	\$345