



NEWPORT BEACH

Harbor Commission Staff Report

January 10, 2024
Agenda Item No. 7.2

TO: HARBOR COMMISSION

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TITLE: Review of Appraisal and Discussion of Rental Rates for Off-Shore
Mooring Permits

ABSTRACT:

The City of Newport Beach (City) manages tidelands in Newport Harbor, including areas of the harbor located bayward of the pierhead lines and designated as mooring fields, for berthing vessels and which are permitted as offshore moorings. In 2016, the City Council adopted fair market value rent for moorings in Newport Harbor. Since 2016, these rental rates have been adjusted annually by changes in the cost of living pursuant to the Consumer Price Index (CPI). As prescribed by City Council Resolution No. 2016-17, a new appraisal of mooring rental rates for offshore moorings has been conducted under the direction of the Harbor Commission subcommittee responsible for 2021 Harbor Commission Objective 1.3. The 2023 appraisal report for offshore moorings is attached for the Harbor Commission's consideration and discussion (Attachment A).

RECOMMENDATION:

- 1) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- 2) Provide feedback and direction to the Harbor Commission subcommittee responsible for 2021 Harbor Commission Objective 1.3 on further refinement of a recommendation for updated rental rates for permitted moorings.

FUNDING REQUIREMENTS:

There is no fiscal impact related to this item.

DISCUSSION:

Tidelands

Pursuant to State of California statutes, the City holds and administers certain tidelands in Newport Harbor in Trust on behalf of the State. The City manages the public tidelands property under the guidance of the Beacon Bay Bill (Chapter 74 of the Statutes of 1978, as amended). The law states that when the City permits or leases public tidelands property to third parties for private use, the City shall make no discrimination in rates, tolls, or charges for any use. Newport Beach Municipal Code and City Council Policy also require the City to receive fair market rent for private third-party use of public lands.

Moorings

Pursuant to Section 17.60.040 of the Harbor Code, a permit is required for use of an offshore mooring in Newport Harbor over City-owned or controlled tidelands. In addition to other conditions, permit holders are required to pay fair market value rent, as established by City Council.

There are approximately 731 offshore moorings (including approximately 79 permits issued to and managed by Balboa Yacht Club, and approximately 73 permits issued to and managed by Newport Harbor Yacht Club) under the City's jurisdiction in Newport Harbor, which are in various locations throughout the harbor. A map showing the offshore mooring fields is included as Attachment B.

Current Rates and Revenues

In 2016, in compliance with the Municipal Code and Beacon Bay Bill, the City Council approved fair market value rental rates for moorings by adopting Resolution No. 2016-17 (Attachment C). Offshore mooring rental rates were set based on the findings of City Council and an appraisal report prepared by Netzer & Associates.

The City currently charges a monthly permit rent of \$3.34 (effective January 1, 2024) per lineal foot for offshore moorings. Vessels must not exceed the permitted length of the offshore mooring. Table 1 inventories the volume and lengths of the offshore mooring available throughout the harbor managed by the City.

Table 1	
Offshore Moorings Inventory	
<u>Length of mooring</u>	<u>Number in Harbor</u>
25	1
30	26
35	49
40	158
45	114
50	130
55	28

60	28
65	17
70	6
75	5
80	1
85	0
90	1
95	2

Table 2 lists the monthly rental rates the City has charged since fiscal year 2021, and the monthly revenues the City has collected.

Table 2		
Offshore Moorings Rental Rate and Revenues		
Fiscal Years 2021-2023		
<u>Fiscal Year</u>	<u>Monthly Rent/LF</u>	<u>Total Monthly Revenues</u>
2021	\$3.15	\$81,742.50
2022	\$3.22	\$83,559.00
2023	\$3.29	\$85,375.50

2023 Offshore Mooring Appraisal

Pursuant to Section 2 of City Council Resolution No. 2016-17, and under the direction of the Harbor Commission subcommittee responsible for 2021 Harbor Commission Objective 1.3, the City issued a Request for Proposals (RFP) No. 21-53 on April 8, 2021, seeking proposals from qualified appraisers to conduct an analysis to determine the fair market rent for onshore moorings in Newport Harbor. Four proposals were received, and Netzer & Associates was contracted to perform the appraisal work. Netzer & Associates provided a report regarding onshore moorings in December 2021. That report was previously submitted for the Harbor Commission’s review and consideration in 2022. In late 2023, the appraiser was directed to evaluate the offshore moorings and provided the report included as Attachment A, dated December 26, 2023.

The report employs a variety of methodologies to evaluate market rent, including performing a market rent analysis of uplands properties in Newport Beach proximate to Newport Harbor and applying discounts for the limited utility of tidelands and a rate of return, a comparison of the rental rates for offshore moorings in several harbors in California, an analysis of the ratio of mooring rent to a typical slip rent in Newport Harbor and several harbors in California, and an analysis of the cost of living rent adjustments to the City’s current offshore mooring rental rate since 2016. The report reconciles the

applicability of the various valuation methodologies and gives more or less weight to the approaches based on their similarity to the offshore mooring permits in question.

The appraisal concluded the monthly fair market rent for offshore moorings in Newport Harbor has a range of **\$10.50 to \$23.25 per linear foot, per month, depending on the mooring length**, as outlined in Table 3 below.

Table 3	
Fair Market Value Rent Offshore Mooring Permits	
<u>Length of Mooring</u>	<u>Monthly Rent/LF</u>
25	\$10.50
30	\$12.30
35	\$13.50
40	\$16.00
45	\$17.25
50	\$18.75
55	\$18.75
60	\$21.00
65	\$21.00
70	\$23.25
75	\$23.25
80	\$23.25
85	\$23.25
90	\$23.25
95	\$23.25

Recommended Rental Rates

Given the significant difference in the appraised fair market rent compared to the City's current monthly rate, the Harbor Commission could recommend to City Council to implement the rent changes in phases, or at a lower percentage of the slip to mooring ratio.

The Harbor Commission subcommittee responsible for 2021 Harbor Commission Objective 1.3 conducted a review of the subject appraisal and feels the Harbor Commission should consider making recommendations to the City Council with adjustments to the professional appraisal that reflect the unique characteristics and history of mooring permits in Newport Harbor, as well as the relationship between what mooring permittees pay relative to other users of tidelands in Newport Harbor including slip tenants at Balboa Yacht Basin and the licensees on the City moorings. The subcommittee has prepared the analysis in Attachment D and seeks feedback from the public and the full Harbor Commission on potential alternatives to the rates in the

appraisal and how those alternatives can be substantiated to comply with requirements outlined in the Beacon Bay Bill and Resolution No. 2016-17.

Beyond the change to the monthly rate, staff recommends the continuation of annual adjustments to the rental rates based on the Consumer Price Index, similar to what is currently being performed. Additionally, staff recommends continuing fair market adjustment to the rental rates at five or ten year intervals and/or at the direction of the Harbormaster, pursuant to an appraisal to be performed by a Member of the Appraisal Institute (MAI) appraiser.

ENVIRONMENTAL REVIEW:

Staff recommends the Harbor Commission find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Section 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and Section 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the Harbor Commission considers the item).

ATTACHMENTS:

Attachment A – Appraisal Report

Attachment B – Map

Attachment C – Resolution No. 2016-17

Attachment D – Offshore Mooring Appraisal Rate Analysis