



NEWPORT BEACH

Harbor Commission Staff Report

January 12, 2022
Agenda Item No. 7.2

TO: HARBOR COMMISSION

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

ABSTRACT:

The City of Newport Beach (City) manages portions of the tidelands in Newport Harbor including areas of the shore that are permitted for onshore 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 onshore moorings has been conducted under the direction of the Harbor Commission subcommittee responsible for 2021 Harbor Commission Objective 1.3. The 2021 appraisal report for onshore 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) Issue a recommendation to the City Council regarding this matter.

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 is required to charge fair market rent. 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 temporary use of a mooring in the nearshore perimeter of Newport Harbor perpendicular to the shoreline (onshore mooring) 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 478 onshore moorings (including approximately 44 permits issued to and managed by the Lido Isle Community Association) under the City's jurisdiction in Newport Harbor, which are in various locations around Balboa Island, Newport Island, Lido Isle, and along the bay side of the Balboa Peninsula. A map showing the locations of the mooring areas 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). Onshore mooring rental rates were set as a percentage of the appraised value of the off-shore mooring rental rates, but were not separately appraised.

The City currently charges an annual permit rent of \$18.92 per lineal foot for onshore moorings; on March 1, 2022, the rate will adjust to \$19.29 per lineal foot per year. Vessels are limited to no more than 18 feet in length in for onshore moorings.

Table 1 lists the annual rental rates the City has charged since fiscal year 2019, and the annual revenues the City has collected.

Table 1		
On-shore Moorings Rental Rate and Revenues		
Fiscal Years 2019-2021		
<u>Fiscal Year</u>	<u>Annual Rent/LF</u>	<u>Total Annual Revenues</u>
2019	\$18.42	\$144,233
2020	\$18.79	\$159,301
2021	\$18.92	\$160,759

2021 Onshore Mooring Appraisal

Pursuant to the 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 issued the appraisal report dated December 21, 2021, which is included as Attachment A.

The report employs a variety of methodologies to evaluate market rent, including performing a market rent analysis of comparable tidelands properties in Southern California, comparable rentals in Newport Harbor, an analysis of the ratio of mooring rent to a typical slip rent in several harbors in California, analysis of the cost of living rent adjustments to the City’s current onshore mooring rental rate since 2016, and comparison to alternative dry storage and storage yard options in the area. The report reconciles the benefits and disadvantages of the various valuation methodologies and gives more or

less weight to the approaches based on their similarity to the onshore mooring permits in question.

The appraisal concluded the monthly fair market rent for onshore moorings in Newport Harbor have a value of **\$20 per linear foot, or \$360 per month**. This would equate to an annual cost of \$4,320 for an onshore mooring permit.

Recommended Rental Rates

To achieve the appraised market rate for onshore moorings, the Harbor Commission could recommend to City Council to implement the rent changes in two phases, as shown in Table 2. Phase 1 would begin upon approval of the new rates, estimated as of July 1, 2022, and Phase 2 would begin six months later, estimated as of January 2023.

Table 2			
Recommended Onshore Mooring Rental Rates			
(Monthly Rate per Linear Foot)			
		<u>Recommended Rates</u>	
<u>Current Rent</u> \$/LF	<u>2022 Rent</u> \$/LF	<u>Phase 1:</u> <u>July 2022</u>	<u>Phase 2:</u> <u>January 2023</u>
\$1.58	\$1.61	\$10.00	\$20.00

Staff recommends continuation of annual rent adjustments based on the Consumer Price Index, similar to what is currently being performed. Additionally, staff recommends

continuing fair market adjustment to the rent every five years pursuant to an appraisal to be performed by a Member of the Appraisal Institute (MAI) appraiser.

Table 3 reflects the anticipated revenue if the rates recommended in the appraisal report are approved by City Council, during phase-in and once the proposed rates are fully phased-in.

Table 3		
Proposed Rate Onshore Mooring Rent Revenues (Annual, Estimated)		
<u>2022 Revenues (Est.)</u>	<u>Phase 1 Revenues (Est.)</u>	<u>Phase 2 Revenues (Est.)</u>
\$165,971	\$1,032,480	\$2,064,960

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