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February 16, 2009

Mr. Don Stoughton, President
And Members of the
Newport Mooring Association
P.O. Box 1118
Newport Beach, CA 92659-0118

Re: Critique Netzer's 10-9-06 Opinion
Mooring Market Rent
Newport Harbor

File No. 6050

Dear Mr. Sloughton, Ladies & Gentlemen:

I have been asked to review and comment on one particular aspect of the Netzer & Associates' appraisal entitled Commercial Tidelands-Newport Harbor, dated October 9, 2006, prepared for the Revenue Division of the City of Newport Beach; specifically, **Mooring Market Rent**.

Netzer's opinion therein of the monthly fair market rent for all moorings in Newport Harbor at \$7.25 plf is entirely and directly tied to the *going yacht club all-inclusive member rate* at both the Balboa Yacht Club (BYC) and the Newport Harbor Yacht Club (NHYC). The Netzer opinion is void of adjustments or any recognition whatsoever given the included benefits enjoyed by members of both yacht clubs built into these monthly mooring fees, benefits not enjoyed by the tenants of individually permitted moorings. The value-added benefits include but are not necessarily limited to:

- √ 24/7 dingy access; storage and available launch ramps
- √ Shore boats
 - Storage
 - Gas & oil
 - Insurance
 - Maintenance & depreciation
- √ Boatmen
 - Wages & taxes
 - Workmen's comp
 - Insurance
 - 401K match
- √ Dock space
 - For land
 - For crains/lifts
 - Maintenance & depreciation of these facilities

- √ Members' privileges
 - Private parking & access
 - Dining
 - Security
 - Showers & restrooms
 - Utilities & ice

- √ Permits & licenses

- √ Mooring maintenance

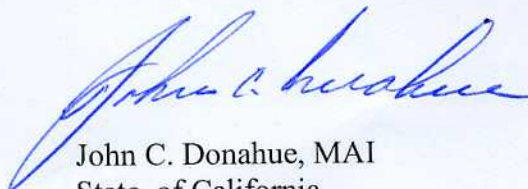
It follows that the *all-inclusive yacht club member rate cannot be related to the rent charged by the City for individually permitted moorings or for those rented en bloc to the yacht clubs.*

Netzer's market rent opinion is flawed and fails on this comparative basis. There are annual mooring fees published for other harbors along the California coast which could be looked to as evidence of Market Rent for moorings. As such, adjustments might be considered for location, number, type and length instead of downward adjustments necessary from the *all-inclusive BYC and NHYC yacht club member rate* which, frankly, would be difficult to quantify and might result in net rents that are shown to be subsidized by these clubs in any event.

Please understand that the above opinions are not outcoming from an independent study nor do they qualify as an "appraisal" or estimate of Market Rent for moorings in Newport Harbor. Further, that the undersigned is not a member of either referenced yacht club nor does he have other personal interests in the outcome of the City's harbor facilities rent policies.

Respectfully submitted,

DONAHUE HAWRAN & MALM, LLC



John C. Donahue, MAI
State of California

OREA Certified General #AG015778