

Harbor Charges: Moorings

Proposal

November 9, 2010

Study Session

Newport Beach City Council

Ad Hoc Committee Workplan

- Part I
 - Review/modify/adopt MGT proposal for fees based on cost of service (adoption Nov 9, 2010)
 - Balboa Yacht Basin slips, apartments, garages – set to market, implement slip changes over 3 periods (first increase Jan 2011).
 - Moorings – onshore and offshore (first increase effective for 2011).
 - Analyze tidelands commercial categories with State Lands Commission.
 - Oversee appraisal at Lido Marina Village's tidelands below commercial docks.
 - Consider protected Harbor Fund for any incremental increase in revenue – dedicate for dredging, harbor amenities and harbor services.

Committee Workplan – cont'd

- Part II

- Implement LMV changes via lease.
- Develop/approve long-term capital plan for harbor amenities and harbor services.

- Part III

- Oversee appraisal of Commercial Piers and other commercial harbor uses to “percentage of gross” that are now under a per square foot rate (when analysis in).
- Implement long-term capital plan for harbor amenities and harbor services.
- Review actions to date and determine whether any need revisions to maintain equity and fairness.

Not under Committee purview

- Making a determination (re: pricing or policy) regarding residential pier fees and rentals of residential piers for commercial purposes.
- However, the Committee has asked the City Attorney to review the legal issues associated with residential piers.

Part 2 (A – Moorings)



CHARGES BASED ON THE PRIVATE USE OF PUBLIC PROPERTY

Charges for the Private Use of Public Property

(current charges)

Charges Based on Use of Property	
<i>Description</i>	<i>Amount per Year</i>
Non-Commercial Pier Use - Renewal	\$ 100
Commercial Pier - Over City Tidelands	\$0.36/SF
Commercial Pier - Not Over City Tidelands	\$ 26.70
Onshore Moorings	\$10/LF
Offshore Moorings	\$20/LF

Key Principles - Moorings

- Outcome should:
 - Be fair, reasonable, and legally defensible.
 - Be phased in over time to minimize economic disruption.
 - Moorings should be a more affordable alternative for boat ownership and harbor access than slips.
 - Be responsive to market conditions.
 - Result in a charge that is annually updated.

Moorings

- Proposal:
 - Offshore moorings should be set at 14% of an average of slip rates in the harbor (they are now at about 5%).
 - Onshore moorings should be half of that.
 - Increases should be implemented over five periods. When “caught up” should catch up to 14% of slip rates in 2015.
 - Transfers:
 - Allow current permit holders one transfer to another person (not a family member) between now and 2015.
 - If a person purchases a boat on a mooring, they can have up to six months to stay on that mooring until they must relocate (similar to Balboa Yacht Basin rules).
 - No restrictions on transfers within immediate family if permit holder is deceased.

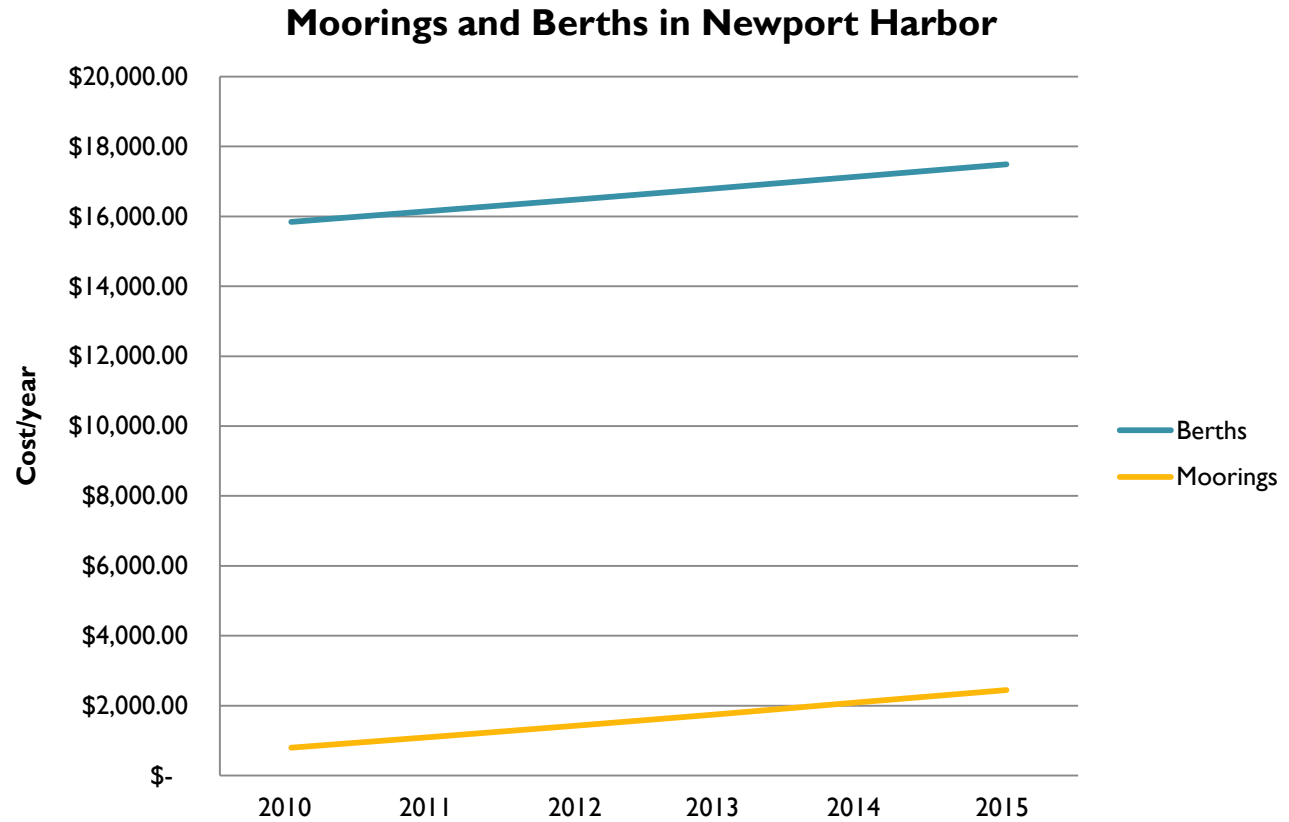
Process

- Process:
 - Determine an average rental rate of slip sizes in eight moderate- to low-priced NH commercial marinas.
 - *Index prices should be updated for Nov-Dec 2010.*
 - Get to 14% by 2015 with five adjustments (first increase 2011, next one 2012, etc).
 - Monitor vacancies, transfer prices, wait list during those five years to ensure that pricing is appropriate.

Example – Assume a 40' Mooring

Proposed Mooring Rate Changes										
	Target Ratio	Current Rate (LF/Mo)	NH Marina Index Rate (per LF/Mo)	Current Ratio in NH	2011 rate (LF/Mo)	2012 rate (LF/Mo)	2013 rate (LF/Mo)	2014 rate (LF/Mo)	2015 rate (LF/Mo)	Est Slip Rates in 2015 (LF/Mo)
Method: 14% of Slip Rates in an Average of NH Marinas, get there over 5 years using % increases as shown.	14%	\$ 1.67	\$ 33.01	5.06%	\$ 2.31	\$ 2.97	\$ 3.66	\$ 4.38	\$ 5.10	\$ 36.45
			<i>% mooring to slip =</i>		<i>6.9%</i>	<i>8.7%</i>	<i>10.5%</i>	<i>12.3%</i>	<i>14.0%</i>	
<i>current mooring price per month =</i>		\$ 66.80	<i>Total per mo² =</i>		\$ 92.38	\$ 118.95	\$ 146.55	\$ 175.21	\$ 204.10	\$ 1,458
			<i>Dollar Increase per mo² =</i>		\$ 25.58	\$ 26.57	\$ 27.60	\$ 28.66	\$ 28.88	
<p>¹ All assume a 40' slip and 40' mooring.</p> <p>² Total per month and dollar increase per month assumes a 2% per year increase in the \$33.01/LF/Mo marina index rate. To keep up with the market, proposal would not use dollar value, but the % increase in italics.</p>										

From 5% to 14% ...



Assumes 2% inflation for berthing rates

The *real* cost of moorings today

- They are a “more affordable” alternative (5% of slip rates) but:
 - Are they really affordable? Once you’re in, yes.
 - Barrier to entry is high:
 - Minimal to no movement of Wait List;
 - Pricing on a 12-month permit to an offshore mooring (surveyed June 2010, Craig’s List):
 - Ranged from \$32,500 to \$60,000
 - Average = \$45,167
 - Average of 40’ moorings = \$33,875
- Proposed rate is still 14% of slip rates.
- Using a 5% cap rate, the annual cost to the boater:
 - Today = \$2,493.75 per year (\$800 plus \$33,875 x 5%).
 - Proposal at 2015 = \$2,448.00 per year (40 feet x \$5.10/ft x 12 mos).

Other Suggestions

- Adjust by Consumer Price Index since 1996 (LA-Riv-OC)
 - *40' mooring would go to \$1,113.77/year*
- Comparing San Diego and Newport:
 - NMA's concept of proportionality.
 - Uses San Diego as a comparison (population, # of berths, # of moorings) to make assumptions about demand in the region.
 - “having more slips available would make the moorings less desirable...”

In Other Areas...

- Mission Bay
 - Mooring rates are ~14% of slip rates
 - Driscoll and Hyatt are marina comparisons. *Mooring permit holders own/maintain tackle*
- Monterey Bay
 - Mooring rates appear to be ~14.5% of slip rates
 - Outer Harbor Moorings and Breakwater Cove are comparisons. *Privately-held tackle in the Outer Harbor*
- Pillar Point
 - Mooring rates are about ~15% of slip rates. *Mooring district owns tackle.*
- San Diego
 - Mooring rates are ~18.5% of slip rates. *SD Mooring Co owns mooring tackle. It would be ~ 17% if adjusted to reflect private ownership of tackle.*
- Morro Bay
 - Mooring rates are about ~ 31.7% of slip rates.

Proposed NH Marina Index (sampled June 2010)

Newport Beach Marinas										
Slip Length	BYB	Bayshore Marina	Bayside Marina	Dunes Marina	Harbor Marina	Lido Marina Village	Lido Yacht Anchor.	Swales	Bayside Village Marina	Non BYB Average
		<i>Price per foot per month</i>								
20		\$ 23.80		\$ 23.75	\$ 19.50		\$ 18.75		\$ 20.00	\$ 21.16
22		\$ 23.85		\$ 23.75	\$ 19.50		\$ 18.75		\$ 20.00	\$ 21.17
25	\$ 16.00	\$ 25.45		\$ 23.75	\$ 19.50		\$ 18.75		\$ 20.00	\$ 21.49
28				\$ 23.75	\$ 19.50		\$ 18.75		\$ 20.00	\$ 20.50
29	\$ 17.38			\$ 23.75	\$ 19.50		\$ 18.75		\$ 20.00	\$ 20.50
30	\$ 18.60		\$ 31.65	\$ 29.00	\$ 24.00	\$ 35.00	\$ 18.75	\$ 17.00	\$ 25.00	\$ 25.77
32	\$ 18.00	\$ 31.00		\$ 29.00	\$ 24.00	\$ 35.00	\$ 20.75		\$ 25.00	\$ 27.46
36	\$ 18.00		\$ 33.22	\$ 31.25	\$ 24.00	\$ 35.00	\$ 24.00		\$ 26.00	\$ 28.91
40	\$ 19.00	\$ 32.94	\$ 39.62	\$ 39.50	\$ 37.50	\$ 38.00	\$ 26.50	\$ 18.00	\$ 32.00	\$ 33.01
45	\$ 19.00		\$ 41.84	\$ 39.50	\$ 37.50	\$ 38.00	\$ 26.50	\$ 20.00	\$ 32.00	\$ 33.62
46	\$ 19.00			\$ 42.00	\$ 37.50	\$ 38.00	\$ 26.50		\$ 35.00	\$ 35.80
50	\$ 23.00			\$ 42.00	\$ 41.00	\$ 41.00	\$ 27.75		\$ 35.00	\$ 37.35
54	\$ 25.56			\$ 42.00	\$ 41.00	\$ 41.00	\$ 27.75			\$ 37.94
55	\$ 25.09			\$ 42.00	\$ 41.00	\$ 41.00	\$ 27.75			\$ 37.94
60	\$ 23.00	\$ 50.34	\$ 49.07	\$ 42.00	\$ 45.00	\$ 45.00	\$ 29.00			\$ 43.40

Average of all 40' slips = \$33.01/LF/mo

NH Marina Index – 8 Marina Locations



Part 3



ABOUT HARBOR REVENUES AND EXPENSES

Harbor One-Time Costs

One-Time Capital Projects (assume 4-10 year payment plan)	Total Project Cost		
-- Rhine Channel Dredging & POLB Disposal	\$ 4,000,000	25%	\$ 1,000,000
-- Lower Bay Dredging -- One Time ¹	\$ 23,000,000	10%	\$ 2,300,000
-- West Newport Channels Dredging	\$ 5,000,000	25%	\$ 1,250,000
-- CEQA and Permitting for Rhine and LNB	\$ 500,000	25%	\$ 125,000
-- Marina Park Marina	\$ 9,000,000	25%	\$ 2,250,000
<i>Subtotal One-Time Capital Projects</i>	\$ 41,500,000.00		\$ 6,925,000

¹ City will actively seek additional federal contributions within Fed budget. Only about \$2 million assured now.

Harbor Ongoing Costs

Ongoing Maintenance - Annual Costs	
-- Lower Bay Dredging -- Annuity Contribution	\$ 1,000,000
-- Upper Bay Dredging -- Annuity Contribution	\$ 1,500,000
-- Public Pier Maintenance (Bay Piers)	\$ 190,000
-- Mooring Administration Fee	\$ 280,000
-- Regional General Permit 54 Renewal, Testing	\$ 150,000
-- Eelgrass Mapping & Maintenance	\$ 75,000
-- Harbor Trash Removal	\$ 20,000
-- Water Quality Protection (TMDLs, NPDES, more)	\$ 350,000
-- Upper Bay Management Assistance (includes BBSC)	\$ 100,000
-- Guest Amenity Improvements	\$ 50,000
-- Code Enforcement in Harbor	\$ 50,000
-- Bay Beach Sand Replenishment	\$ 75,000
<i>Subtotal Ongoing Maintenance</i>	\$ 3,840,000

Total Harbor Expenditures (est)

a subset of Tidelands Expenditures

Tidelands Harbor Costs (estimated)							
	2011	2012	2013	2014	2015	2016	2017
Harbor Resources (Sal/Ben) ^{1 2}	\$ 533,248	\$ 543,913	\$ 554,791	\$ 565,887	\$ 577,205	\$ 588,749	\$ 600,524
One-Time Harbor Costs	\$ 6,925,000	\$ 6,925,000	\$ 6,925,000	\$ 6,925,000	\$ 2,300,000	\$ 2,300,000	\$ 2,300,000
Ongoing Harbor Maintenance Costs ²	\$ 3,840,000	\$ 3,916,800	\$ 3,995,136	\$ 4,075,039	\$ 4,156,539	\$ 4,239,670	\$ 4,324,464
<i>Total Harbor Costs (est)</i>	\$ 11,298,248	\$ 11,385,713	\$ 11,474,927	\$ 11,565,925	\$ 7,033,744	\$ 7,128,419	\$ 7,224,987
<i>Cumulative Harbor Costs (est)</i>		\$ 22,683,960	\$ 34,158,887	\$ 45,724,813	\$ 52,758,557	\$ 59,886,976	\$ 67,111,963
¹ Direct costs only. Does not include any other City overhead - City Attorney, City Manager, Admin Services, etc.							
² Assumes 2% inflation on ongoing costs							

Total Harbor Revenues (est)

a subset of Tidelands Revenues

Tidelands Harbor Revenues (projected - assumes no change except 2% inflation)							
	2011	2012	2013	2014	2015	2016	2017
Onshore and Offshore Moorings	\$ 700,000	\$ 714,000	\$ 728,280	\$ 742,846	\$ 757,703	\$ 772,857	\$ 788,314
Residential Pier Permits	\$ 30,000	\$ 30,600	\$ 31,212	\$ 31,836	\$ 32,473	\$ 33,122	\$ 33,785
Commercial Pier Permits	\$ 566,000	\$ 577,320	\$ 588,866	\$ 600,644	\$ 612,657	\$ 624,910	\$ 637,408
Interest	\$ 75,000	\$ 76,500	\$ 78,030	\$ 79,591	\$ 81,182	\$ 82,806	\$ 84,462
American Legion	\$ 138,120	\$ 140,882	\$ 143,700	\$ 146,574	\$ 149,506	\$ 152,496	\$ 155,546
BYB - Slips	\$ 650,000	\$ 663,000	\$ 676,260	\$ 689,785	\$ 703,581	\$ 717,653	\$ 732,006
BYB - Garages	\$ 35,000	\$ 35,700	\$ 36,414	\$ 37,142	\$ 37,885	\$ 38,643	\$ 39,416
Balboa Bay Club - Marina Only	\$ 689,000	\$ 702,780	\$ 716,836	\$ 731,172	\$ 745,796	\$ 760,712	\$ 775,926
Balboa Island Ferry	\$ 75,319	\$ 76,825	\$ 78,362	\$ 79,929	\$ 81,528	\$ 83,158	\$ 84,821
Galley Café	\$ 20,511	\$ 20,921	\$ 21,340	\$ 21,766	\$ 22,202	\$ 22,646	\$ 23,099
Basin Marine Shipyard	\$ 70,000	\$ 71,400	\$ 72,828	\$ 74,285	\$ 75,770	\$ 77,286	\$ 78,831
OC Dock Lease	\$ 47,755	\$ 48,710	\$ 49,684	\$ 50,678	\$ 51,692	\$ 52,725	\$ 53,780
<i>Subtotal Tidelands Harbor Water-Related Revenues</i>	\$ 3,096,705	\$ 3,158,639	\$ 3,221,812	\$ 3,286,248	\$ 3,351,973	\$ 3,419,013	\$ 3,487,393
Water-Adjacent Activity Revenues							
Beacon Bay residences	\$ 928,177	\$ 946,741	\$ 965,675	\$ 984,989	\$ 1,004,689	\$ 1,024,782	\$ 1,045,278
BYB - Apartments	\$ 27,000	\$ 27,540	\$ 28,091	\$ 28,653	\$ 29,226	\$ 29,810	\$ 30,406
Balboa Bay Club - All Non-Marina	\$ 2,401,000	\$ 2,449,020	\$ 2,498,000	\$ 2,547,960	\$ 2,598,920	\$ 2,650,898	\$ 2,703,916
<i>Subtotal Tidelands Harbor Water-Adjacent</i>	\$ 3,356,177	\$ 3,423,301	\$ 3,491,767	\$ 3,561,602	\$ 3,632,834	\$ 3,705,491	\$ 3,779,600
<i>Total Tidelands Harbor-Related Revenues</i>	\$ 6,452,882	\$ 6,581,940	\$ 6,713,578	\$ 6,847,850	\$ 6,984,807	\$ 7,124,503	\$ 7,266,993

Net Surplus (Deficit) – Harbor Revenues and Expenditures (est)

Tidelands Harbor Costs (estimated)							
	2011	2012	2013	2014	2015	2016	2017
<i>Total Harbor Costs (est)</i>	\$ 11,298,248	\$ 11,385,713	\$ 11,474,927	\$ 11,565,925	\$ 7,033,744	\$ 7,128,419	\$ 7,224,987
<i>Cumulative Harbor Costs (est)</i>		\$ 22,683,960	\$ 34,158,887	\$ 45,724,813	\$ 52,758,557	\$ 59,886,976	\$ 67,111,963
Tidelands Harbor Revenues (estimated - assumes no change except 2% inflation)							
	2011	2012	2013	2014	2015	2016	2017
<i>Subtotal Tidelands Harbor Water-Related Revenues</i>	\$ 3,096,705	\$ 3,158,639	\$ 3,221,812	\$ 3,286,248	\$ 3,351,973	\$ 3,419,013	\$ 3,487,393
<i>Subtotal Tidelands Harbor Water-Adjacent</i>	\$ 3,356,177	\$ 3,423,301	\$ 3,491,767	\$ 3,561,602	\$ 3,632,834	\$ 3,705,491	\$ 3,779,600
<i>Total Tidelands Harbor-Related Revenues</i>	\$ 6,452,882	\$ 6,581,940	\$ 6,713,578	\$ 6,847,850	\$ 6,984,807	\$ 7,124,503	\$ 7,266,993
<i>Surplus (Deficit) Water Related Rev - Exp</i>	\$ (8,201,543)	\$ (8,227,074)	\$ (8,253,115)	\$ (8,279,677)	\$ (3,681,771)	\$ (3,709,406)	\$ (3,737,594)
<i>Cumulative Surplus (Deficit) Water-Related</i>	\$ (8,201,543)	\$ (16,428,616)	\$ (24,681,731)	\$ (32,961,409)	\$ (36,643,180)	\$ (40,352,586)	\$ (44,090,181)
<i>Surplus (Deficit) Total Harbor Rev over Expenditures</i>	\$ (4,845,366)	\$ (4,803,773)	\$ (4,761,349)	\$ (4,718,075)	\$ (48,937)	\$ (3,916)	\$ 42,006
<i>Cumulative Surplus (Deficit) Total Harbor Rev over Exp</i>	\$ (4,845,366)	\$ (9,649,139)	\$ (14,410,487)	\$ (19,128,563)	\$ (19,177,500)	\$ (19,181,416)	\$ (19,139,410)

Note: Chart only shows harbor-related costs associated with Tidelands Fund. Other costs not included above related to other Tidelands include Police, Fire, Lifeguards, more.

Unknown Costs

- Implementation of TMDLs:
 - Selenium
 - Trash
 - Fecal Coliform
 - Other WQ directives from SWRCB/RWQCB
- Seawall Deficiencies
 - Public seawalls, private seawalls
 - Sea level change impacts
- Others TBD

NH Mooring Areas - West



NH Mooring Areas - East

