

APPRAISAL OF
Fair Market Rental Value
City Tide and Submerged Land Parcels
Newport Beach, California

Date of Value:

June 1, 2001

Date of Report:

July 16, 2001

Our File No.:

1099-8

Submitted To:

Mr. Homer Bludeau
City Manager
City of Newport Beach
3300 Newport Boulevard
P.O. Box 1768
Newport Beach, CA 92658-8915

Submitted By:

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July 16, 2001

Mr. Homer Bludau
City Manager
City of Newport Beach
3300 Newport Boulevard
P. O. Box 1768
Newport Beach, CA 92658-8915

Re: City Tide and Submerged Lands
Appraisal of Fair Market Rent

Dear Mr. Bludau:

In accordance with your request and contract authorization, we have investigated and analyzed certain City tide and submerged land parcels, for the purpose of grouping the parcels into asset classes and rendering an opinion of their current fair market rental value.

Our appraisal of fair market rental value assumes occupancy pursuant to an annual harbor permit issued under City Harbor Permit Policies H-1. We have also analyzed fair market rent for a 25 year lease considering a typical parcel devoted to boat berthing.

The date of value for this appraisal is June 1, 2001.

After investigation of the tidelands parcels and matters pertinent to their fair rental value, we have grouped the parcels into the following classifications and formed the opinion that fair market rental value for occupancy by annual harbor permits is as set out below. More than 80% of the parcels are in classification No. 1. Boat Berthing, which may include boats involved in ancillary uses such as boat rentals, tour boats, charter boats, sport fishing, boat sales, yacht clubs, and sailing clubs.

FAIR MARKET RENTAL VALUE CONCLUSIONS:

<u>Classification</u>	<u>Fair Market Rent</u>
1. Boat Berthing:	\$0.53/sq. ft./year
2. Boat Repair Yards:	\$0.44/sq. ft./year
3. Tour Boats:	5.0% of gross receipts
4. Balboa Pavilion:	\$0.53/sq. ft./year

5. Fuel Docks:

Chevron (Boat Services, Inc. Permit #11208131) \$5,840/year

Fuel Dock and public access area plus
boat berthing in westerly 3,000 square feet.

Union (Island Marine Permit #256040611) \$4,250/year

Fuel Dock and public access area only.

Shell (Landing Associates Permit #11205031) \$5,850/year

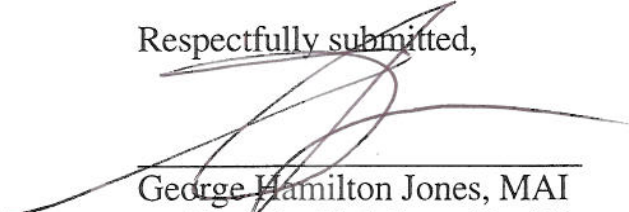
Fuel Dock, no public access area, and
boat berthing/rental.

Our analysis of fair market rental considering a 25 year lease for a hypothetical typical marina resulted in indicated percentage rent ranging from 9.5% to 10.25% of gross slip rental income. This would produce rent which is approximately 5.0% higher than our opinion of fair market rent involving the annual harbor permit fee for boat berthing. The higher rent is due primarily to a lower capitalization rate supported by the reduced risk associated with the long term lease. Although all of the marina market data expresses rent as a percentage of gross slip rental income, the rent in proposed city leases could be expressed as a fixed dollar amount, subject to periodic adjustment.

Your attention is directed to the following summary appraisal report which sets forth premises and limiting conditions, descriptions, exhibits, factual data, discussion, computations, and analyses which form, in part, the basis of our value conclusions.

Please note Item #13 of Limiting Conditions (pages 7&8) which relates to the restriction against dissemination of the contents of this report or portions thereof to the public without approval of the authors.

Respectfully submitted,


George Hamilton Jones, MAI
(State Certified General Real Estate
Appraiser No. AG005632)



Kent Harvey, MAI
(State Certified General Real Estate
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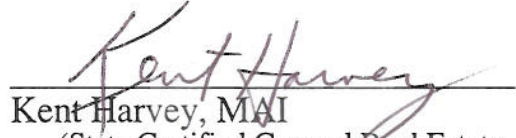
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CERTIFICATION

The undersigned hereby certify that:

1. We have inspected the subject tidelands parcels and surrounding area on various occasions. The most recent inspections of the 67 parcels by Mr. Harvey and Mr. Jones took place at various times from February 8, 2001 through July 3, 2001.
2. To the best of our knowledge and belief, the statements of fact contained in this report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the assumptions and limiting conditions stated herein, and are the personal, unbiased professional analyses, opinions, and conclusions of the undersigned. Those limiting conditions (imposed by the terms of the assignment or by the undersigned) considered to affect the analyses, opinions, and conclusions are contained in this report.
4. We have no present or prospective interest in the property that is the subject of this report. We have no personal interest or bias with respect to the subject matter of this report or the parties involved.
5. The compensation for this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
6. This report is not conditioned upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. This summary appraisal report, and the analyses, opinions, and conclusions contained herein, have been made in conformity with and are subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice (USPAP).
8. No one other than the undersigned prepared the analyses, conclusions, and opinions or provided other significant professional assistance concerning the real property interests that are the subject of this report.
9. The Appraisal Institute conducts a program of continuing education for its designated members. As of the date of this report, Mr. Jones and Mr. Harvey have completed the requirements of the continuing education program of the Appraisal Institute.


George Hamilton Jones, MAI
(State Certified General Real Estate
Appraiser No. AG005632)


Kent Harvey, MAI
(State Certified General Real Estate
Appraiser No. AG006753)

LIMITING CONDITIONS

The Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, as well as the Uniform Standards of Professional Appraisal Practice (USPAP), require that all assumptions and limiting conditions that affect the analysis be clearly and accurately set forth. To assist the reader in interpreting this report, the primary assumptions and limiting conditions affecting the analysis of the subject property are set forth below. Other assumptions and conditions may be cited in relevant sections of the following report.

1. The date of value to which the conclusions and opinions expressed in this report apply is June 1, 2001. The dollar amount of any value opinion herein rendered is based upon the purchasing power of the American dollar existing on that date.
2. The appraisers assume no responsibility for economic or physical factors which may affect the opinion herein stated occurring at some date after the date of value.
3. The appraisers reserve the right to make such adjustments to the valuation herein reported, as may be required by consideration of additional data or more reliable data that may become available.
4. No opinion as to title is rendered. Data related to ownership and legal description was obtained from public records, and is considered reliable. Title is assumed to be free and clear of all liens and encumbrances, easements and restrictions, except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management, and available for its highest and best use.

Investigation of the property's history is confined to examination of recent transactions or changes in title or vesting, if any, and does not include a "use search" of historical property utilization.

5. No engineering survey has been made by the appraisers. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
6. Maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.
7. As a premise of this report it is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the following analysis.
8. No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. It is assumed that there are no hidden or unapparent conditions of the property that render it more or less valuable. No responsibility is assumed for such conditions or for the arranging of studies that may be required to discover them.

LIMITING CONDITIONS - continued

The function of this report is to provide an opinion of the value of the real property as herein defined. Under no circumstances should this report be considered as providing any service or recommendation commonly performed by a building inspector, structural engineer, architect, pest control inspector, geologist, etc.

9. No special soils or engineering studies were available. It is a premise of this report that the tidelands parcels are physically suitable for the highest and best use of boat berthing or indicated special use not involving boat berthing to which the parcels are currently employed.
10. No specific information was available for our review relating to hazardous materials or toxic wastes that may affect the appraised property. Unless otherwise stated in the report, we did not become aware of the presence of any such material or substance during our investigation or inspection of the appraised property. However, we are not qualified by reason of experience or training to identify such materials or substances. The presence of such materials and substances may adversely affect the value of subject property.

This valuation is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would prevent or impair development of the land to its highest and best use or otherwise affect its value. The appraiser assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state, and local environmental laws, regulations, and rules.

11. The reader should note that the owner may be subject to additional financial expenditures in accordance with the Americans With Disabilities Act (ADA), a federal law codified at 42 USC Section 12101 et seq. Among other requirements of the ADA that could apply to this property, Title III of the ADA requires owners and tenants of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons by January 26, 1992. The regulations under Title III of the ADA are codified at 28 CFR part 36. The reader should note that the appraiser is not a qualified expert as to the subject's compliance or noncompliance under the ADA. In recognition of this law's recent enactment, some of the requirements may be subject to interpretation. It may be advisable for the client to retain the services of a qualified independent expert/advisor concerning the interpretation and application of the ADA and to determine the subject's compliance. The value reported herein is subject to revision should it be later determined that additional expenditures are required.
12. This report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

LIMITING CONDITIONS - continued

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute, or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the authors.

14. This is a Summary Appraisal Report of a Complete Appraisal, prepared in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice. Therefore, this report presents summary discussions of the data, reasoning and analysis used in the valuation process. Additional supporting documentation regarding factual data and analyses is retained in our files.

INTRODUCTION TO THE APPRAISAL PROBLEM

Purpose:

The purpose of this appraisal is to render an opinion of the current fair market rental value of those certain City Tide and Submerged Lands (hereinafter "tidelands") parcels within lower Newport Harbor, not currently under city lease, which in joinder with adjacent uplands are being employed to commercial usage.

Use of the Appraisal:

The client is the City of Newport Beach. This appraisal is made to assist in setting rental rates for commercial use of City tidelands in accordance with the City's Harbor Permit Policies and consistent with the requirements of the prevailing tidelands grant statutes.

Definitions:

Tidelands:

For the purpose of this study, tidelands are considered to consist of that water area extending from the established U.S. Bulkhead Line to either the Pierhead Line or Project Line, depending on the location of the existing pier and floats within said area.

Fair Market Rental Value¹:

The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of the appraisal.

The definition is clarified by the following guidelines:

Fair Market Rental Value is the most probable rental amount in terms of cash, cash equivalents, or other precise terms that the property should bring, as of the specified date (i.e., the date of value), in a competitive and open market after reasonable exposure, reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted use and expense obligations; the lessee and lessor each acting prudently, knowledgeably, and assuming the rent is not affected by undue stimulus, or other fees, costs, or credits that may be incurred in the transaction.

¹ Dictionary of Real Estate Appraisal, Appraisal Institute, 3rd Edition, 1993

Fair Market Value²:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special financing or creative financing or sales concessions granted by anyone associated with the sale.

Commercial Use:

Commercial use is considered to be that use which is basically intended to produce or enhance revenue, including but not limited to the rental or leasing of piers and slip space to boat owners, or their use in conjunction with retail outlets, offices, boatyards, fuel docks, private clubs, etc.

Terms of Occupancy:

Harbor Permit:

Our estimate of fair rental value for all parcels considers that occupancy of the water parcels will be on an annual permit basis. In those cases where the city and tenant elect to enter into a longer term lease, the basis of rent is discussed in a separate section. The terms and conditions of occupancy are defined by City Harbor Permit Policies H-1, and pertinent provisions are as follows:

Payment:	Paid annually in advance, on March 1st.
Term:	Year to year

² Definition agreed upon by agencies that regulate federal financial institutions per USPAP 2000.

INTRODUCTION TO THE APPRAISAL PROBLEM - continued

Fee Adjustment: The rent is adjusted annually based on changes in the CPI. The rent is recalculated every 10 years, based on an appraisal by an MAI member of the Appraisal Institute.

Lease Terms:

Our assignment includes consideration of factors involved in estimating fair market rent when a long term lease is implemented, in lieu of the annual permit. Fair market rent reflects the conditions and circumstances of the individual parcel and lease. We have therefore considered a hypothetical marina with characteristics typical of commercial marinas in the harbor with the following basic lease terms:

- Term:** 25 years
- Minimum Rent:** An amount fixed for a set period, subject to periodic adjustment, which is intended to provide the lessor assurance of a minimum return on investment. It also considers the lessee's ability to meet the rental obligation during periods of reduced income due to cyclical downturns and other unforeseeable events beyond lessee's control
- Percentage Rent:** The percentage rent component of the fair rental value estimate is the excess (if any) over the minimum rent generated by multiplying the appropriate percentage rate times the monthly gross slip rents.
- Rental Payment:** Minimum rent is payable in advance on the first of each month. Percentage rent is payable 15 days after the close of each calendar month.
- Rent Adjustment:** Minimum and percentage rents are subject to review and adjustment at specified periods.

Tidelands Asset Classification:

The city staff has classified the tidelands parcels in general use categories as follows:

1. Slips for building tenants and property owners only.
2. Commercial Marina - slip rental to general public.
3. Commercial Marina Plus - slip rental to general public plus other

INTRODUCTION TO THE APPRAISAL PROBLEM - continued

- businesses operated on docks.
- 4. Yacht Clubs - members only.
- 5. Shipyard - slips used in shipyard business only.
- 6. Gas Docks - no slip rental
- 7. Sailing Club - Members only

In accordance with the requirements of our assignment, we have reviewed the parcels and uses thereon and assigned the tidelands parcels into the following five primary asset classifications:

1) Boat Berthing:

This category includes more than 80% of the subject tidelands parcels and involves those parcels which are used for berthing boats. The berthed boats may be involved in ancillary uses such as boat rentals, tour boats, charter boats, sport fishing, boat sales, yacht clubs, and sailing clubs.

2) Fuel Docks:

There are three fuel docks in the harbor, all of which are located on subject tidelands parcels. Their primary function is to sell diesel fuel and gasoline and perform related services to boats in the harbor.

3) Boat Repair Yards (Shipyards):

There are a total of nine (9) boat repair yards in the harbor. Eight (8) of the yards are located on subject tidelands parcels and are considered in this report. All of these yards have capability to haul boats of varying sizes out of the water to adjoining privately owned upland yards for maintenance and/or repairs.

4) Balboa Pavilion:

This is a unique and specialized use of the tidelands, involving an historic structure built on pilings and a platform over the subject tidelands parcel.

5) Tour Boats:

Tour boats may operate and board passengers out of various tidelands parcels. There are currently 14 approved boarding locations within the harbor. The tour boat may or may not be berthed at the boarding location.

Types of Upland Uses:

There are a variety of uses on the uplands adjoining the tidelands parcels. These uses may be devoted exclusively to boating or may be unrelated uses which share the uplands required to support the uses on the water. These upland uses include:

- | | |
|--|-------------------------------------|
| 1. Restaurants | 6. Fuel Sales |
| 2. Shipyards | 7. Misc. (Charter, Fun Zone, etc.) |
| 3. Boat Sales and Rentals | 8. Sport Fishing |
| 4. Marina Offices, Parking, or Dry Storage | 9. Marine Contractors |
| 5. Private Clubs | 10. Retail Shops & Offices |

The upland areas, which vary considerably in size, are employed either fully or in part to provide the necessary shore facilities to serve the adjacent boat berthing areas. The City of Newport Beach Harbor Permit Policies H-1 requires 0.75 parking space for each slip, or for each 25 feet of available berthing space not classified as a slip, in commercially operated marinas. Many of the marinas share the parking with other uses on the upland parcel which effectively reduces the upland area required to support the marina.

The current City Harbor Resource Division inventory of commercial piers and slips includes several where the upland use is multi-family residential (condominiums or apartments), based on the presumption that the piers and slips are rented on a commercial basis. These parcels have been included in this study, without independent evaluation of their commercial character, under the category of "Miscellaneous".

Scope of the Appraisal:

The scope of the work required to formulate a supportable opinion of market rental value is extensive. Some of the more significant factors to be investigated, verified, and/or quantified during the appraisal process include:

Site Analysis: Documentation of the physical characteristics of the tidelands and adjoining uplands parcels and their surroundings.

- Regional and Local Area Analysis: Patterns of use, trends in development, nature of existing and future population, economic influences, etc.
- Highest and Best Use: Analyze and support conclusions regarding legal, physical, feasible, and most profitable uses for the tidelands.
- Market Data: Search for boat slip rents, vacancy and incentive data, land and water lease data, boat slip income and expense data, rates for amortization of improvements, for overall capitalization, and for discounting future income to present value. Verification of data.
- Valuation Analysis: Comparability analysis of empirical lease and rental data to provide indications of land and water rent. Residual analysis to isolate income attributable to land and water as a check on empirical percentage land rent indications. This requires estimates of income, expenses, taxes, and annual amount necessary for return on and recapture of improvements.
- Allocate total land/water rent for marina purposes between land and water to equalize the return to each considering the highest and best use of each.

Introduction to Valuation Methodology:

Fair market rental value is based on the highest and best use of tidelands, as if vacant. Our investigation indicates that highest and best use of the typical tidelands parcel is for development of boat berthing spaces in joinder with adjacent uplands consistent with applicable laws and regulations.

For the four special use classifications of tidelands not involving boat berthing, highest and best use also involves joinder with the uplands. For these special uses, alternate methodologies are employed which recognize pertinent rent comparables and the economic characteristics of the use.

Uses independent of the uplands, such as offshore moorings, generate less income and may not be feasible or may interfere with the rights of the upland owner. Without joinder to the adjacent uplands, the tidelands have only nominal or speculative economic value.

Our investigation indicates that there is insufficient data on the rental of water area alone (without supporting uplands) for marina purposes to provide reliable rental value indications. However, there is ample data on the rental of water and land combined for marina use. Economic analysis can be used for allocation of the rent between the land and water. Therefore, our methodology for the boat berthing classification considers:

1. Estimating fair market rental for land and water in joinder for marina use.
2. Allocating the rent between the land and water based on an equalized rate of return to each, considering the highest and best use of each.

The fair market rental conclusion for the tidelands can be influenced by marina configuration and value of adjoining commercial uplands required for the marina (e.g. parking, restroom and storage requirements). A recent survey by the city indicates that some boat slip operations do not have 0.75 car parking spaces per boat slip as required by city regulations. However, the amount of rental received by the City should not be governed by special circumstances of the upland owner. Therefore, the analysis for the boat berthing classification is based on typical marina configuration in compliance with city regulations, with market slip rents and typical commercial upland values.

The methodology employed for the special use classifications is based on empirical rent comparables and economic analysis pertinent to the specific use.



HARBOR DESCRIPTION AND PARCEL INVENTORY

Newport Harbor:

Newport Harbor, located on the central coast of Orange County, is one of the largest pleasure boat harbors in the world, with more than 2,200 marina slips, 1,200 moorings (offshore and onshore combined), and 1,200 private residential piers. There are 25 miles of bay frontage within Newport Harbor. Tourism is an important part of the economy with estimates of daily visitors during the summer months ranging from 20,000 to in excess of 100,000.

Newport Harbor has the highest slip rent of any of the Southern California harbors. The California Recreation Company (Irvine Company), which owns the greatest number of slips in Newport Harbor, has, since 1997, continued to increase slip rental rates. This has had no discernible impact on demand since the harbor is effectively at 100% occupancy with substantial waiting lists at all marinas for slips in the 35' and greater range.

Locational characteristics vary markedly within the harbor. At its western most extreme travel time to the entrance jetty and ocean access can be on the order of 45 minutes. In contrast the closest commercial marina, the Bayside Marina, is only 10 - 15 minutes from the entrance. Two major marinas, the Dunes Resort and DeAnza, are located on the north side of a Pacific Coast Highway bridge in Upper Newport Bay and are not a part of this appraisal. As in Huntington Harbor, this feature effectively limits these facilities to powerboats or the few sailboats capable of lowering their masts adequately.

Land access to Newport Harbor is attained at various points by a well developed system of surface streets serving the community of Newport Beach. The Pacific Coast Highway runs along the north side of the harbor. The aforementioned bridge, (23' clearance at Mean High Tide) which separates Upper Newport Bay from the main harbor, is adjacent to the Turning Basin at the east-west midpoint of the harbor. Running time to the open ocean is approximately 30 minutes from this point. Newport Boulevard, a major arterial, intersects with the west end of the harbor. It runs in a generally north-south direction and connects with the Costa Mesa Freeway (55) which, in turn, connects with the San Joaquin Transportation Corridor (73) and the San Diego Freeway (405). North-south arterials leading into the more easterly section of the harbor are Jamboree Road and MacArthur Boulevard, both of which connect to the 73 and 405.

Once in the ocean, a variety of destinations and safe harbors are within easy reach of this centrally located harbor. These include Dana Point to the south, Huntington Harbor and Long Beach to the north as well as Santa Catalina Island approximately thirty miles southwest.

DESCRIPTION AND INVENTORY - continued

Approximately 70% of the subject tidelands water area is occupied by commercial marinas with the primary function of renting boat slips. These marinas are described as follows:

Bayside Marina:

One of the more desirable facilities in Newport Harbor, due to its easy access to the ocean and its convenient location to shore side amenities, Bayside Marina is suitable to both large and small vessels. Owned by the California Recreation Company and managed by the Bellport Group, the facilities are basic but maintained to very high standards.

In addition to the easy ocean access, the most noteworthy characteristic of this marina is its proximity to Balboa Island, a well recognized tourist destination. There is a good range of retail shops, restaurants and markets within easy walking distance. Jamboree Road, which offers direct access to the 73 and 405 Freeways is immediately adjacent to the site. Parking is adequate though shared with offices and businesses nearby.

Balboa Marina:

Also owned by the California Recreation Company and managed by the Bellport Group, this marina is located in a far less desirable portion of bay. It is situated adjacent to the Pacific Coast Highway where the bridge divides Upper and Lower Newport Harbor. It is immediately opposite the north finger of Linda Isle. In addition to the negative aspects of the PCH traffic, it is directly below the John Wayne Airport overflight path with its attendant noise and pollution considerations. Also, siltation has historically occurred in the adjoining private channel. Transit time to the harbor entrance is estimated to be on the order of 30 minutes.

The dock structures are in good condition. The configuration of the slips is skewed towards smaller vessels with all but 12 of the 134 slips below 38' and nearly half below 30'. This has a direct impact on marketability due to the greater demand for larger slips. However, Balboa Marina is currently 100% occupied and waiting lists are large.

Villa Cove Marina:

Situated on the west side of the Balboa Island bridge, this small marina is very similar to the Bayside Marina but for the fact of its location on the side of the bridge opposite easy ocean access. Because

of its limited vertical and horizontal clearance created by the bridge, this impacts many motor vessels as well as sailboats, forcing them to pass around the west end of Balboa Island into the main channel to get to the ocean, adding considerably to the travel time to open water. Due to the fact that it shares its uplands with the small Newport Beach Yacht Club, parking is problematic. Boaters have access to the parking area for loading and unloading only. Parking is across Main Street/Jamboree Road at the Bayside Marina.

While the physical facilities of the marina are basic, easy walking access to Balboa Island and the Bayside shopping center is considered a significant benefit. Land access to this marina is the same as that for Bayside Marina.

Bayshores Marina - Not on City Tidelands:

This marina is uniquely located in the exclusive gated community of Bayshores. It is also situated adjacent to the Balboa Bay Club and the Turning Basin, in central Newport Harbor. The physical facilities are standard but well maintained. The location within Bayshores does not allow for pedestrian access to off-site amenities though many businesses are within a short drive on the Pacific Coast Highway.

Lido Peninsula Yacht Anchorage:

This relatively large marina (265 slips) is located at the western end of Newport Harbor south of Lido Isle on the 20± acre promontory known as the Lido Peninsula. The marina extends around the peninsula from the West Lido Channel into the small portion of the harbor known as the Rhine Channel. The docks and associated amenities at this facility are good but standard only. However, much of the general surrounding area is oriented to yachting activities and provides easy access to marine associated businesses. Due to the close proximity of Lido Isle, there are also a number of exclusive shops, restaurants, and markets in the area.

While the facility caters to vessels of all sizes, it is noteworthy as the home to some of the largest yachts in the harbor, capable of handling boats up to 135' in length. The most pronounced negative characteristic of this marina is its 3.5 mile distance to the jetty. Accordingly, travel time to the ocean is on the order of 45 minutes.

The Harbor Marina:

The Harbor Marina is located at the westernmost extreme of Newport Harbor immediately adjacent to the Pacific Coast Highway. It is impacted by traffic noise and pollution from both PCH and Newport Boulevard. The physical facility is good but standard. Its great distance from the ocean entrance, similar to that of the Lido Yacht Anchorage, is considered a negative characteristic. However, discussions with professionals familiar with this marina and the Newport Harbor market generally, indicated that the Harbor Marina has great appeal to many tenants due to its location within the "Mariner's Mile" portion of the Pacific Coast Highway. This area has numerous restaurants and nightclubs making it a hub of weekend social activity.

The professionals interviewed believed that the priorities of many boaters have changed from the tradition of active sailors intent on "getting to sea", to those who frequently utilize their vessels effectively as "waterfront condominiums." It is a common opinion that this factor counters the negative characteristics of street influence and distance to harbor entrance.

Calypso Marina:

Like the Harbor Marina, the Calypso Marina is located in the heart of Mariner's Mile, but it is a much denser facility in terms of dock and vessel maneuvering space as well as upland parking. The physical condition is below average and security is negligible, yet it is able to maintain high slip rental rates. In our opinion, this is attributable to its proximity to restaurants, bars and marine associated businesses. There is a small shipyard on an adjacent property.

Upper Newport Bay Marinas - Not On City Tidelands:

There are two commercial marinas in the Upper Newport Bay which do not involve city tidelands and are not part of this appraisal. The marinas are described below for general information as competitive alternatives to the Lower Newport Bay marinas which do occupy city tidelands.

Newport Dunes Resort Marina:

This is an extremely well-presented and well-maintained facility. In addition to good slip and dockside features, the Dunes offers excellent on-site amenities including a newer clubhouse,

pool/spa, boat launch, dry storage and wash rack. There is also excellent parking and security. Association with the Dunes Resort provides additional recreational amenities.

However, these positive features are counterweighted by the major disadvantage of being on the inland side of the PCH bridge. With clearance of only 23± feet, the Dunes is therefore restricted to powerboats or the few sailboats that can lower their masts. Furthermore, travel time to the harbor entrance is significant.

DeAnza Bayside Village Marina:

Located immediately adjacent to the Dunes, the DeAnza Marina lacks that facility's amenities, general overall condition and atmosphere. It is adequate for general boating purposes, but offers little more than standard features.

Like the Dunes it is disadvantaged by the PCH bridge and the distance to the harbor entrance. Both these marinas are beneath the John Wayne Airport flight path, subjecting the vessels moored there to noise and jet exhaust pollution.

Balboa Yacht Basin - City Owned and Operated

This 172 slip facility is owned and operated by the city and is not a part of this appraisal, but is discussed for information only as a competitive influence. The Balboa Yacht Basin has a good marine supply store, an experienced boatyard operation and a popular cafe on site. Land access is good, and in a quiet neighborhood.

Because of the Balboa Island bridge, travel to the jetty requires that sailboats and most powerboats take the longer way around the west end of Balboa Island. The North Bay channel offers limited maneuverability for yachting and is considered primarily as a transportation corridor only.

Tidelands Parcel Inventory and Classification:

A detailed inventory of the commercially employed tidelands parcels and adjoining upland uses which are the subject of this study appears at the end of this section of the report. It should be noted that some parcels are included in the inventory for analysis purposes but are excluded in whole or in part from application of the Commercial Harbor Permit Fee because they lie inland of the established U.S. Bulkhead Line, within County tidelands areas, or are subject to lease with the City.

DESCRIPTION AND INVENTORY - continued

The City of Newport Beach, Division of Harbor Resources, is the agency generally responsible for administering the Harbor Permit Policy and for determining the tidelands area subject to the Harbor Permit Fee in individual cases. Estimates of area contained in the inventory are subject to change upon detailed verification.

Summary of Inventory:

Pertinent characteristics of the tidelands parcel inventory may be summarized as follows:

Number of parcels	67
Total water area	2,037,641 s.f.
Less Water area inland of bulkhead line	<u>-528,502 s.f.</u>
Estimated gross tidelands area	1,506,106 s.f.
Less Exclusions	
City leases	260,272 s.f.
County tidelands	158,720 s.f.
	<u>-418,992 s.f.</u>
Estimated net area subject to City permit fee	1,073,627 s.f.
*(estimated area only - subject to change upon detailed verification)	
Range of areas of tidelands parcels subject to City permit fee	330 s.f. to 203,971 s.f.
Range of frontage @ Mean High Tide Line:	30' to 3,350'
Range of Pierhead, Project Line	11' to 126'

Classification of Tidelands Parcels for Valuation:

<u>Classification</u>	<u>No. of Parcels</u>
1. Boat Berthing	55
2. Boat Repair Yards	8
3. Tour boats	(included in boat berthing)
4. Balboa Pavilion	1
5. Fuel Docks	3

Survey of Berthing Space Characteristics:

The inventory of marinas with more that 30 slips was expanded to include number of berthing spaces, average area per space, total linear feet for berthing spaces, and average length per berthing space. This data was correlated appears on the facing page. This information is helpful in evaluating tidelands use potentials and in estimating income expectancies which are more fully explained in the Valuation section of this report.

The average characteristics of each category is summarized below:

<u>Category</u>	<u>Average L.F./Berth</u>	<u>Average Water Area Per L.F. Berth</u>	<u>Per Berth</u>
Typical	35.5'	35.2 s.f.	1,249 s.f.
High Density	34.1'	25.7 s.f.	876 s.f.
Special Cases	35.8'	41.0 s.f.	1,467 s.f.

Distribution of Adjacent Upland Uses:

Commercial Marina Ownership Patterns

Most marinas in Southern California have been developed with both the water area (tidelands) and uplands in common ownership vested in a governmental agency, such as a port district, port authority, city or county. The following is a partial list of these marina developments and the public agency owners:

<u>Project</u>	<u>Owner/Agency</u>
Santa Barbara Harbor	City of Santa Barbara
Ventura Marina	City of Ventura
Channel Islands Harbor	County of Ventura
Marina del Rey	County of Los Angeles
King Harbor	City of Redondo Beach
Los Angeles Harbor	Port of Los Angeles
Long Beach Marina	City of Long Beach

DESCRIPTION AND INVENTORY - continued

Sunset Aquatic Park Huntington Harbor	County of Orange
Dana Point Harbor	County of Orange
Oceanside Harbor	Oceanside Harbor District
Mission Bay	City of San Diego
Harbor Island	Port of San Diego
Shelter Island	Port of San Diego
Marriott Marina	Port of San Diego
Chula Vista Marina	Port of San Diego

In these governmentally developed projects, both upland and adjacent water mass are under common ownership or trust, and are either operated by the agency or leased out in joinder to a private operator. In most cases, the uplands are dedicated to this use by a project master plan or other means of control.

In lower Newport Harbor, however, a fundamentally different condition exists. With few exception, such as the Arches Marina, Balboa Bay Club Yacht Basin, and the American Legion Marina, the uplands within the subject inventory are privately owned. These privately owned lands are not dedicated to joint use, but actually could function independently of the tidelands if the owners so desired. Conversely, there is no economically significant alternative use available to the tideland area.

Therefore, in Newport Harbor, full economic utilization of the tidelands requires joint use with the privately held adjacent uplands. Alternative (non-marina) use of the uplands is not generally available in government financed marina projects, where the main reason for their existence is to satisfy the requirement for berthing of small craft with the necessary upland supporting facilities.

Upland Uses in the Newport Survey Area:

The ten categories of use listed above are distributed throughout the survey area and many of the upland parcels support uses in two or more of the categories, e.g. for retail, restaurant, and/or boat sales.