

APPRAISAL OF
Market Rental Value
City Tidelands and Submerged Land
Newport Beach, California
Phase 2

Date of Value:

March 15, 2016

Date of Report:

July 12, 2017

Our File No.:

417-1

Submitted To:

Mr. Dave Kiff
City Manager
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

Submitted By:

George Hamilton Jones, Inc.



George H. Jones, MAI
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Casey O. Jones, MAI

July 12, 2017

Mr. Dave Kiff
City Manager
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

Re: Appraisal of Market Rental Value of City of Newport Beach Tidelands, as
Dedicated to Various Commercial and Other Uses – Phase 2 Appraisal Report

Dear Mr. Kiff:

In accordance with your request and authorization, I have made an investigation and analysis of various tideland parcels in Newport Harbor for the purpose of rendering an opinion of the market rental value of those State of California Tidelands, currently held in Trust by the City of Newport Beach (“City Tidelands”) and proposed to be leased to private upland owners for various commercial and other uses.

The date of value of this appraisal is March 15, 2016.

This appraisal is undertaken in consideration of the general facts and conditions prevailing at the date of value as set out in the Appraisal Report, dated April 7, 2016, which was previously submitted by our office, and is considered a supplement to it. In the earlier appraisal, we formed an opinion of the market rental value of the City of Newport Beach Tidelands for commercial marina use.

That analysis was based upon the hypothetical condition of a subject property described as being a “large” commercial marina of 56,000 square feet of vacant tidelands with immediate access to the vacant uplands necessary to support a commercial marina operation. All prevailing legal constraints and development requirements, for both the tidelands and the supporting uplands, were considered to be in effect and operative in determining the highest and best use of the hypothetical subject property.

The previous assignment explicitly recognized that, over the course of more than half a century, Newport Harbor had been developed with a wide range of commercial marinas. The commercial marina operations existing at the date of value varied widely in terms of overall size, improvement configuration, access to and character of upland amenities, conformance with current legal/land use standards, harbor location, and other key features. Accordingly, the appraisal was not based upon the specific characteristics of the tidelands associated with any particular marina in the harbor. This approach was undertaken in an attempt to provide as balanced and equitable an analysis of the tidelands in a harbor-wide context as possible.

The market rent conclusion for the hypothetical 56,000 square feet of tidelands as dedicated to commercial marina use, which was presented in the April 7, 2016 Appraisal Report, was 8.50% of the gross revenue generated by the marina operation. Expressed on an annual square foot basis, this market rent conclusion was equivalent to \$1.17 per square foot of tidelands per year.

In the current assignment – Phase 2 – I have been requested to expand the analysis undertaken in the previous appraisal to include other tidelands uses throughout Newport Harbor. The additional categories for which I have developed and expressed an opinion of the market rental value are as follows:

- Medium Commercial Marinas
- Small Commercial Marinas
- Fuel Docks
- Shipyards
- HOA Marinas
- Yacht Clubs (Guest/Instructional Use)
- Boat Rentals
- Sport Fishing Charters
- Restaurant Guest Slips
- Vessel Charters
- All Others

The definition of market rent used in this assignment is consistent with that set out in the Dictionary of Real Estate Appraisal, Sixth Edition:

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs.)

By instruction, the market rent conclusions for each category are to be expressed in terms of annual rent per square foot of tidelands. As will be discussed in the report, the preponderance of the market data to be found in harbors and port districts along the Southern California coast sets market rental rates for various categories of use based upon a percentage of the gross income generated by that use. Furthermore, the market data included land and water area combined, whereas the subject is tidelands only. This situation created significant appraisal challenges in correlating the data to the subject.


Extensive investigations and analyses were undertaken to extract out those empirical elements from the data that could be most usefully employed in shedding light on market rent for the subject tidelands. This involved economic inquiries, paired sales/rental analyses, studies of the reciprocal relationships between uses and other methodologies and reasoning. Summary discussions of these analyses will be presented in the following Appraisal Report. Details are held in my files and are available for review upon request.

As a result of all my investigations and analyses, I have formed the opinion, that, as of March 15, 2016, market rent for the various categories of use of the subject City Tidelands, expressed on an annual per square foot basis, was as follows:

COMMERCIAL USE CATEGORY	RATE PER SQ. FT.
Large Commercial Marinas (>30,000 square feet)	\$1.17
Medium Commercial Marinas (13,000-30,000 square feet)	\$0.89
Small Commercial Marinas (<13,000 square feet)	\$0.76
Fuel Docks	\$0.76
Shipyards	\$0.38
HOA Marinas (residential use)	residential rates
HOA Marinas (commercial use)	commercial marina rates based on size
Yacht Clubs (Guest/Instructional Use)	\$0.38
Boat Rentals	\$0.76
Sport Fishing Charters	\$0.76
Restaurant Guest Slips	\$0.38
Vessel Charters	\$0.76
All others	\$0.76

Your attention is invited to the following Appraisal Report which was developed in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). The report sets forth, in brief, premises and limiting conditions, descriptions, exhibits, factual data, discussions, computations, and analyses which formed, in part, the basis of my value conclusions. Supporting documentation and analyses are retained in my files.

Respectfully submitted,



Casey Jones, MAI
(State Certified General Real Estate
Appraiser No. AG041862)

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INTRODUCTION TO THE APPRAISAL PROBLEM

Purpose:

The purpose of this appraisal is to render an opinion of the market rent for those State of California tidelands currently held in trust by the City of Newport Beach (“City Tidelands”) under the proposed use of being leased to adjacent upland owners for the various purposes set out below:

- Medium Commercial Marinas (13,000 – 30,000 square feet)
- Small Commercial Marinas (< 13,000 square feet)
- Fuel Docks
- Shipyards
- HOA Marinas
- Yacht Clubs (Guest/Instructional Use)
- Boat Rentals
- Sport Fishing Charters
- Restaurant Guest Slips
- Vessel Charters
- All Others

The opinions of market rent shall be expressed in terms of annual rent per square foot of tidelands.

Date of Value:

March 15, 2016

Client/Intended User:

Dave Kiff, City Manager for the City of Newport Beach.

Intended Use:

The intended use of the report is to assist in setting the market rental rate for various uses of the tidelands throughout Newport Harbor.

Property Rights Appraised:

The market rent of the fee simple interest of the tidelands within the lower bay of Newport Harbor allocated for the various described uses.

Definitions:

Tidelands:

For the purpose of this study, the public tidelands are considered to consist of that water area extending from the established U.S. Bulkhead Line to the Pierhead Line.

Market Rent¹ (Fair Rental Value):

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs.)

Market Value²:

The most probable price that 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:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;

¹ *The Dictionary of Real Estate Appraisal*, The Appraisal Institute, Sixth Edition, 2015.

² This definition of market value is used by agencies that regulate financially insured financial institutions in the United States.

- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12C.F.R. Part 34.42(g); 55 *Federal Register* 34696, August 24, 1990, as amended *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994.)

Scope of the Appraisal:

The scope of the work required to formulate a reliable opinion of value for the appraised properties is outlined below.

Assignment Analysis:

Define the basic elements of the appraisal problem, and the purpose and intended use of the report. Identify the properties and research property history including current use, prior use, prior leasing information, and current market activity.

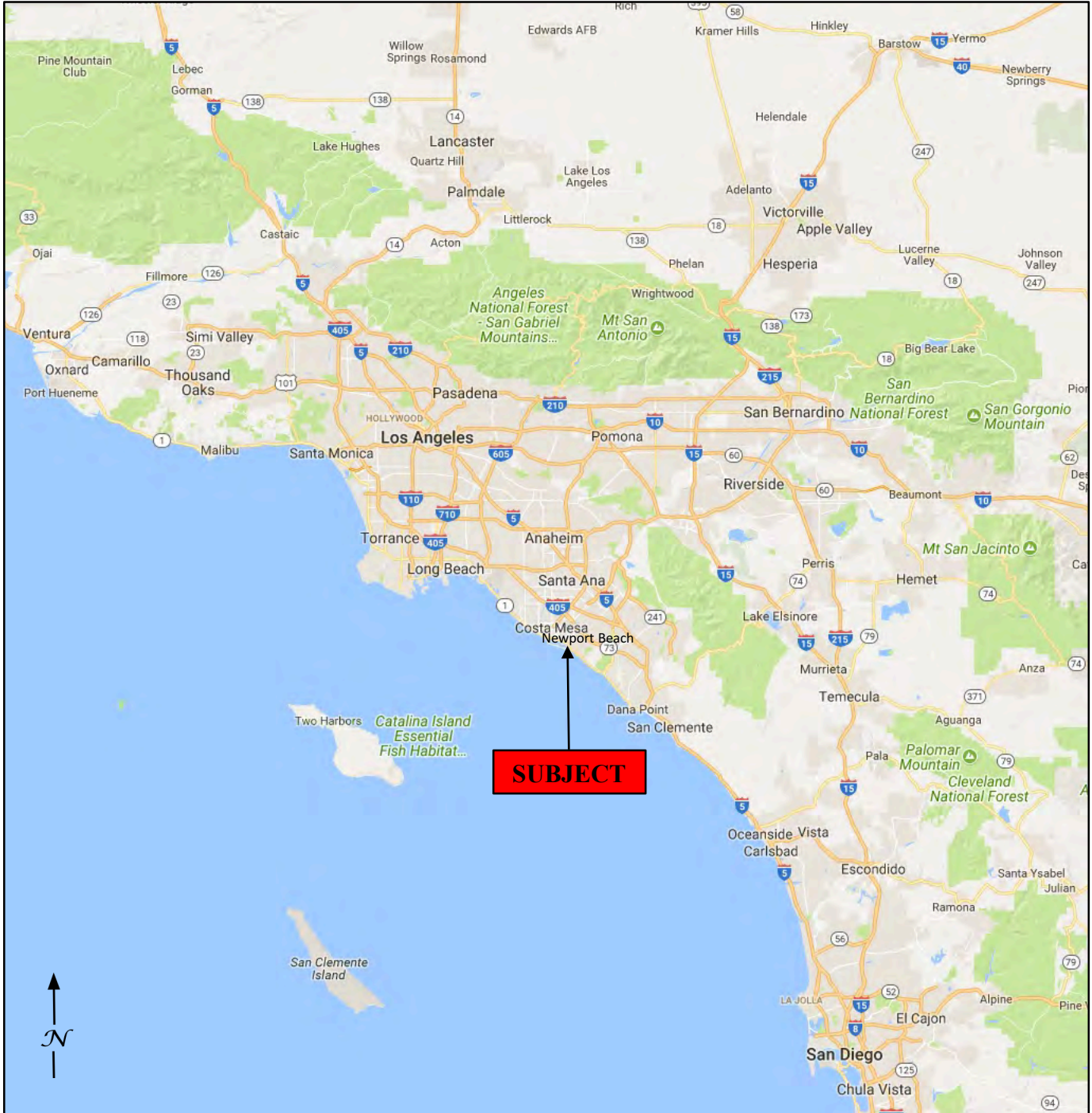
Site Description and Analysis:

Document the physical characteristics of the sites and their surrounding influences. Review and interpret applicable zoning, general plan, environmental restrictions, and developmental agreements that may apply to the subject properties. Analyze the impact of private tidelands that may be adjacent to subject sites.

Improvement Description and Analysis:

Describe the improvements on the sites, if any. This includes size, construction, finish, age, and condition. Analyze the utility of the existing improvements and the current demand as configured.

REGIONAL MAP



This assignment is to form an opinion of the market rent of the tidelands only, absent any improvements. However, the impact of the existing improvements on the highest and best use is appropriate to consider given development/redevelopment constraints imposed by the California Coastal Commission and ADA compliance regulations.

Market Analysis:

Identify pertinent economic, governmental, social and environmental forces that may influence real property values and market rent considerations for subject tidelands.

Highest and Best Use:

Analyze highest and best use of the subject tidelands sites as though vacant and as improved. Potential uses and configurations of the tidelands sites were tested to determine which use or uses were physically possible, legally permitted, financially feasible, and maximally productive. Analysis of the economic and legal (land use) issues related to redevelopment of existing improvements on the subject tidelands was undertaken.

Market Data:

Search and acquire market rental data of properties comparable to the various subject categories of use:

- Obtain and verify information of California State Lands Commission benchmark rates for tideland leases.
- Obtain and verify information regarding public leases of land and water in joinder for the various use categories that are the subject of this analysis. These data came from Orange County, San Diego County, Los Angeles County and Ventura County.
- Investigate economic factors that influenced the lease rates for the various uses analyzed in these different jurisdictions. This included slip rental rates, number of boats in the harbors, density of boat berthing, fuel retail

prices, historic fuel gallonage rates, adjacent upland values and other factors.

Valuation:

Commercial Marinas:

Reference was made to the data, economic analyses and reasoning that led to the market rent conclusion set out in the previously submitted, April 7, 2016, Appraisal Report. The conclusion reached in that appraisal reflected a reconciliation between a market data approach and two economic analyses. The result was expressed as a percent of the gross revenue and as an annual rental amount per square foot; specifically, \$1.17 per square foot of tidelands.

This reconciled indication was used as a benchmark for subsequent studies of different marina sizes. An economic analysis was then undertaken wherein all the key elements leading to a tidelands residual were held constant while only the size of the tidelands area leased for marina use was changed. This led to an indication, derived from these economic factors, that supported a distinction between tidelands rental rates based on the relative size of tidelands area leased.

The conclusions of these analyses were as follows:

Large Marinas:	> 30,000 square feet
Medium Marinas:	13,000 to 30,000 square feet
Small Marinas:	< 13,000 square feet

Market rent indications were tested under different potential marina configurations within each size category to yield a reconciled conclusion of the appropriate rental rate for each commercial marina size category.

Fuel Docks:

Extensive investigations were undertaken analyzing rental rates for fuel docks in harbors from Marina del Rey to the San Diego Port District. These jurisdictions charge rent for tidelands and supporting uplands in joinder based on either a dollar amount (in practice, ¢) per gallon of fuel pumped or as a percentage of the total revenue generated by fuel sales. Information relating to gallons of fuel pumped, the retail price of the fuel and other factors were considered. Adjustments were also made for the economics of the uplands requirements that operators in Newport Harbor face and are distinct from those in other jurisdictions.

Shipyards:

Paired sales analyses were made between rental rates charged for shipyards in other jurisdictions relative to uplands and tidelands rental rates for higher uses in these other harbors. These ratios were then correlated to similar higher uses in Newport Harbor (such as the large commercial marina benchmark of the previous report) to yield an indication for tidelands rent for a shipyard in Newport Harbor.

HOA Marinas

An HOA Marina which is restricted to use by residents of the HOA shall be charged tidelands rent at the appropriate residential rates already established and approved.

When an HOA Marina makes its facilities available to the general public, it is, in effect, functioning as a commercial marina. Accordingly, the tidelands lease rate should be consistent with the commercial marina rates of a comparable size category.

Yacht Clubs – Guest/ Instructional Use

This “guest/instructional use” category is distinct from a commercial marina where the operator might also be a yacht club. The guest/instructional use category is considered effectively to be

a “transit” use, where there is no permanent berthing and the tidelands are primarily intended for temporary docking and to facilitate access from the water to the land, or vice versa. There is effectively no economic activity generated within the tidelands with this use. Accordingly, such a use was considered to be at the low end of the economic range of tidelands use. The California State Lands Commission benchmark, while not directly comparable to this use, was a helpful indicator.

Restaurant Guest Slips

These were judged to be comparable to Yacht Club – guest/instructional use. No income is directly generated by the tidelands; rather, the tidelands are an ancillary convenience to the economic driver (the restaurant) which is primarily served by uplands parking. Comparable rent was indicated.

Boat Rentals, Sport Fishing Charters and Vessel Charters

Comparable rental data from other harbors was examined. All comparable data are based on a percentage of revenue, depending on specific use. These uses include different income potentials and different upland land area requirements.

Leverage from a variety of factors is acknowledged in any residual economic analysis with these uses. Such was also the case with the small commercial marina analyses. Accordingly, due to comparability of size and the uncertainty of residual economic utility depending on various use factors, these commercial uses were judged to be in line with small commercial marinas and market rent was estimated accordingly.

All Others

For general (other) income generating uses in the small marina size category, my analyses indicated that a rental rate comparable to small commercial marinas, boat rentals, charters, etc. is appropriate.



Northeasterly view showing Balboa Peninsula, Lido Peninsula, Lido Isle, Bay Island and Balboa Island - circa 1921.



Comparable view – current.

PROPERTY DESCRIPTION

Introduction:

Due to the multi-faceted nature of this assignment, there is no specific subject property to be described. However, all the properties which are being appraised lie within the tidelands of Newport Harbor, which, among all the harbors and port districts along the Southern California coast, is unique in a number of ways. These harbor-specific characteristics are important factors that have been considered in this valuation assignment and warrant a brief review.

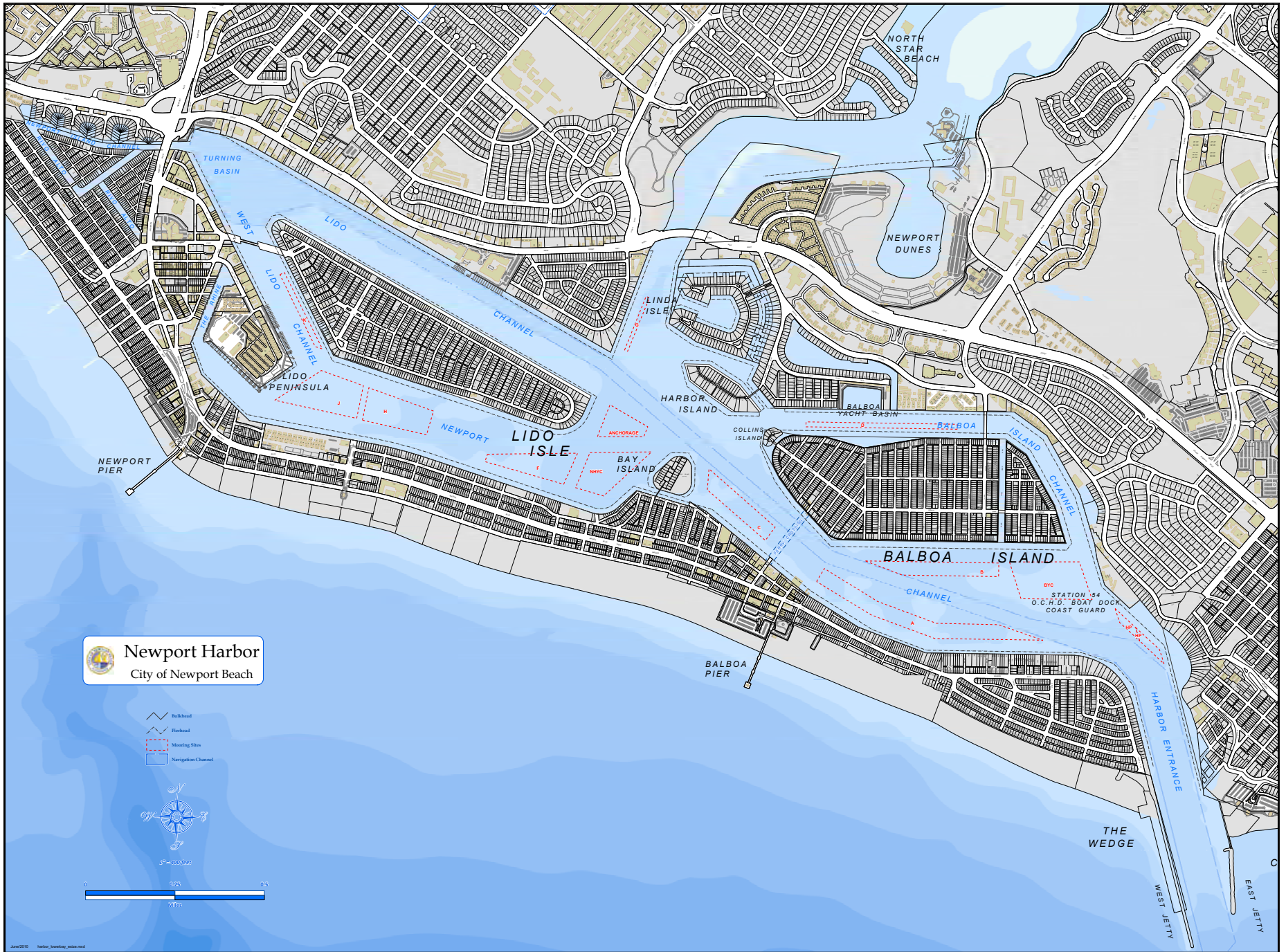
In the broadest context, it must be borne in mind that the tidelands of Newport Harbor have been undergoing a slowly evolving process of transformation for more than a century. These changes have been driven by a variety of interdependent forces that have played out in the specific manner they have due, in no small measure, to the private, as opposed to public, ownership of the uplands parcels adjacent to the tidelands.

Private ownership, responsive as it is to market forces, has literally shaped the physical characteristics of the harbor over time. One need only think of the creation of Lido Isle from submerged tidal flats, or, in more recent memory, the transformation of Shark Island into the exclusive homes of Linda Isle, as high-profile examples. Demand for the finite supply of waterfront property in an area of broad appeal has provided a strong economic impetus to extract as much utility from the harbor as possible. However, offsetting a strictly mercantile emphasis on the direction of development, there has also arisen social, environmental and conservation considerations that have, and will in the future, continue to shape the harbor.

It is in the organic interplay of these forces that the well-recognized charm of Newport Harbor has arisen. Diversity is a hallmark of the land and tidelands uses in the harbor, and this unique feature plays a significant role in attracting large numbers of visitors to the area.

Further, from a valuation perspective, private ownership of the uplands adjacent to the tidelands is perhaps the most critical economic influence that distinguishes these waters from so many other port districts

NEWPORT HARBOR TIDELANDS



along the Southern California coast, where a public jurisdiction generally controls both water and adjacent uplands.

In summary, the dynamic interplay of forces (economic, governmental, social and environmental) resulted, over time, in there being a wide range of tideland uses and improvement characteristics in Newport Harbor at the date of value.

As part of this analysis, each of the tidelands parcels in Newport Harbor currently permitted for use by the City of Newport Beach have been reviewed and analyzed. These investigations took into account various defining features, including, but not limited to, use, size, location, association with private tidelands, and the nature of the supporting uplands.

The permitted tidelands parcels reviewed and considered to have been in place at the date of value are summarized in the Addenda section of this report¹ with further details held in my files.

It will be noted that the permit holders are for individual types of uses of the tidelands (such as commercial marina, boat rentals, etc.), as well as, in some instances, for combined uses. Again, while taking into account a variety of factors that may influence market rent, this valuation will ultimately be based on the use to which the tidelands are put, not the unique characteristics of a particular parcel or how a specific permittee has utilized his/her tidelands and/or adjacent uplands.

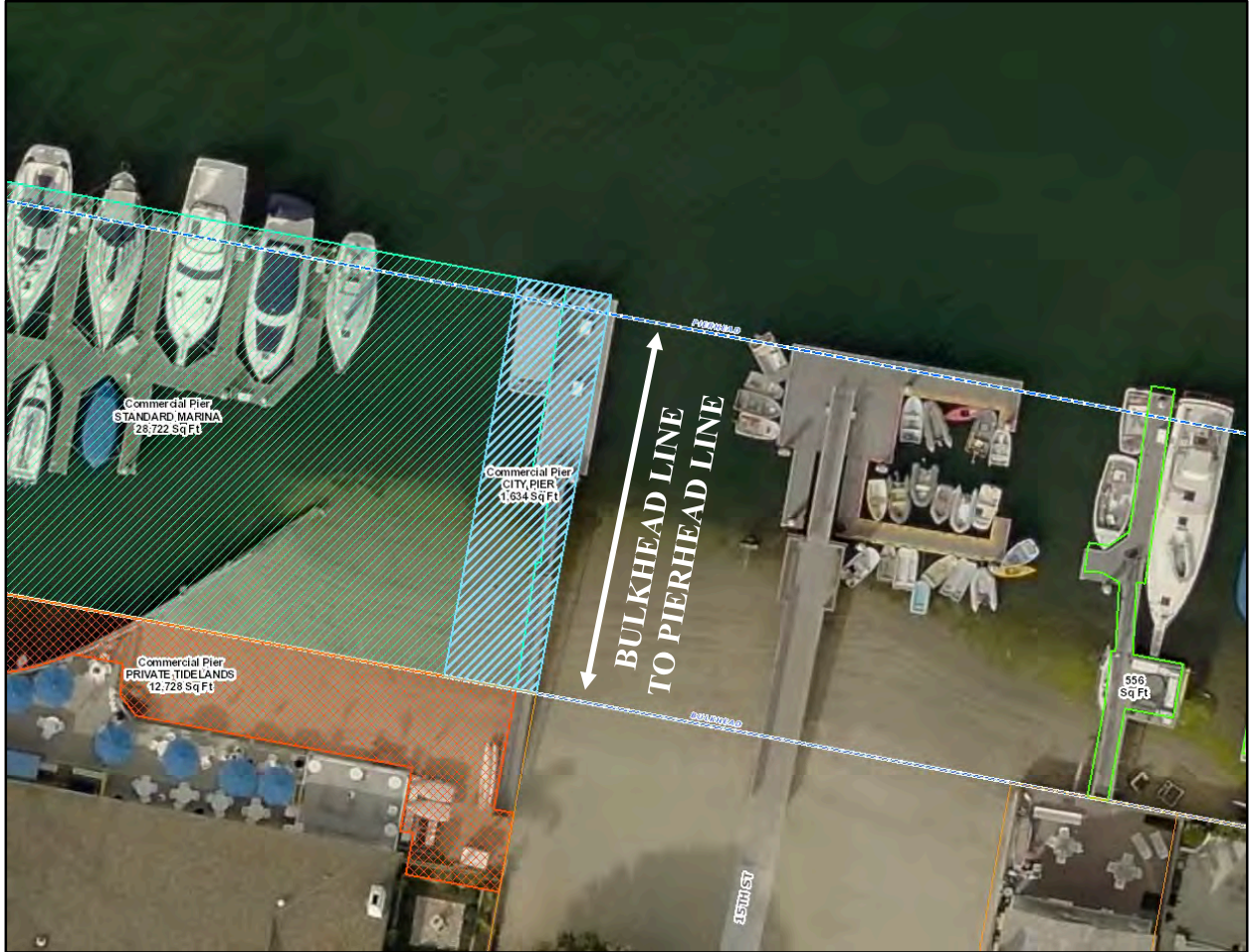
Location:

All subject tidelands are in the lower bay of Newport Harbor. They typically include the water area extending from the established U.S. Bulkhead Line to the Pierhead Line. (There are certain exceptions where they project beyond the Pierhead Line.)

Because each parcel within the subject tidelands is part of the greater Newport Harbor whole, as well as a contributing component to the surrounding Newport Beach community, they have not been analyzed

¹ This information is taken from the City of Newport Beach website:
<http://nbgis.newportbeachca.gov/NewportHTML5Viewer/?viewer=pierpermitsinfo>

EXAMPLE: BULKHEAD LINE TO PIERHEAD LINE



as strictly independent entities. Joinder within the larger network of harbor and coastal oriented real property interests is an inarguable influence on the nature of the demand for, as well as the economic utility of, each tidelands use.

Accordingly, each category of use of the tidelands has been considered in terms of its integrated role within the larger context of Newport Harbor as a whole, as well as its function in the larger community.

Apparent Owner:

Fee Interest:

The subject tidelands are held in fee by the State of California, in Trust to the City of Newport Beach. There has been no change in the ownership of the fee interest for in excess of 10 years.

Leasehold Interest:

It is recognized that the tidelands parcels that are the subject of this appraisal are not intended to be encumbered by conventional long-term leases, but, rather, by annual permits. It is an assumption of this report that the leasehold/permittee interest in the subject tidelands is held by a well-informed investor and/or operator who is utilizing the property at its effective highest and best use.

Parcel Size and Shape:

The subject parcels are of various sizes and shapes.

The market rent conclusions presented in this report are expressed on an annual dollars per square foot basis. While these rates are intended to be applied to the total area of the tidelands leased to reflect the total market rent for each parcel, with the exception of commercial marinas, or uses analogous to commercial marinas, the rates themselves are based on use and not influenced by the size of the tidelands parcel.

PROPERTY DESCRIPTION - continued

However, as will be seen in a following section of this report, a distinction, supported by economic analyses, has been made between commercial marinas in three size categories. These are as follows:

Small Commercial Marinas:	< 13,000 square feet
Medium Commercial Marinas:	13,000 – 30,000 square feet
Large Commercial Marinas:	> 30,000 square feet

HOA Marinas, when made available to the public on an open market basis, were judged to have the same rate structure as commercial marinas.

Utilities:

As an independent parcel, the subject tidelands have no access to public utilities because they have no legal access to the adjacent uplands from whence the utilities can be obtained. In order to value the subject properties for the various uses wherein utilities are required to facilitate that use, it is an extraordinary assumption of this appraisal that access to utilities from the adjacent uplands is permitted.

Access:

The subject property possesses legal rights of access from the bayward water area only. Littoral rights of access to the water from the uplands reside within the property rights of the upland property adjacent to the subject tidelands. Again, in order to develop a meaningful indication of subject value for the various uses presented in this report, it is an extraordinary assumption of this appraisal that the subject tidelands parcels will have access from the adjacent uplands.

Land Use Regulations:

The subject tidelands are under the regulatory supervision of several public entities in addition to the City of Newport Beach. These include the State of California Division of Boating and Waterways, the California Coastal Commission, as well as oversight by the Army Corps of Engineers, the California Department of Fish and Wildlife and others.

The standards of development and use of the tidelands themselves are set out in Section 17 of the City of Newport Beach Municipal Code (Harbor Code). However, in order to develop the subject tidelands with the various commercial uses being appraised, it is required that the tidelands be supported by uplands area sufficient to meet the standards that are specific to each particular use.

Our previous report, dated April 7, 2016, discussed the uplands requirements for a large (> 30,000 sq. ft.) commercial marina. The requirements for other uses vary significantly. I have reviewed the parking requirements set out in Section 20.40 of the City of Newport Beach Municipal Code and analyzed the development standards for parking areas of 20.40.070 as they may pertain to the various uses considered in this analysis. I have also investigated ADA development standards that may be applicable to the various uses.

The impact of regulatory requirements is of significant consequence in considering highest and best use decisions regarding the various tidelands parcels and their potential uses. As an example, market demand for marina configuration has evolved in terms of size (boats have gotten bigger) since many marinas were originally constructed. This exerts a pressure for upgrading and reconfiguration of the marina improvements. At the same time, incorporating ADA requirements has become a critical design factor. A well-informed marina investor/operator must also take into account Coastal Commission and environmental requirements when considering upgrades and/or renovation. The agendas of these various regulatory agencies and economic forces can often be in conflict.

This has resulted in circumstances where legal non-conforming uses have been “grandfathered in”, and, as permitted, thereby can represent the effective highest and best use. This is because it may not be financially feasible for the operator to make the capital expenditure necessary to upgrade the facilities, meet regulatory obligations, and receive an economic return that warrants the undertaking. In this way, the economic potential of the tidelands may be constrained to the existing use.

The financial implications that land use regulations can play in estimating the market rent of the tidelands is not limited to the tidelands

themselves. Zoning has a direct impact on value of the uplands parcels. This, in turn, sets the level of economic return required for the uplands area that supports the tidelands use. The higher the level of return necessary, the less residual income is available to pay rent for the tidelands. As discussed at length in the previous Appraisal Report, the division between the return to the uplands and tidelands from the tidelands use must be calibrated to incentivize the uplands owner to dedicate land to tidelands support use.

This analysis has taken into account the fact that the same tidelands use may be supported by uplands with different highest and best use potentials arising from different zoning designations. While this would have an implication for residual tidelands rent on a case by case basis, an equitable balance in a harbor-wide context of this influence was judged to be the appropriate basis for determining market rent in this assignment.

Current Improvements:

The subject tidelands were improved with a wide range of structures at the date of value. Please refer to aerial photos in the Addenda for details.

It is an extraordinary assumption of this report that the various subject parcels are adjacent to an uplands parcel with an existing bulkhead and that the bulkhead is considered to be an improvement of the uplands parcel.

Market Analysis:

The subject properties, in their various uses and configurations, combine to provide the fundamental economic framework that gives Newport Harbor its vibrancy and broad-based appeal. A recent study by Tourism Economics² indicated that “Newport Harbor generates \$202.4 million annually in economic impact to Newport Beach, making it one of the city’s most significant economic anchors.”

² Reported Daily Pilot, October 13, 2016; The Log, December 1, 2016

NEWPORT HARBOR ACTIVITIES



The breakdown of this total indicated that the harbor generated \$46 million in annual tax revenue and an additional \$156.4 million from harbor visitors who take advantage of retail, dining, and water-oriented recreational opportunities. Further, the study indicated the economic effects extend to Orange County as whole, with \$348.1 million dollars in benefits rippling out to the larger community.

As noteworthy as these figures may be, visitors and residents alike appreciate that the harbor's value lies in far more than just its economic benefits. The "bay" has always been the defining focal point of Newport Beach. As such, it is central in creating the general lifestyle that distinguishes the city from other coastal communities in Southern California.

Pertinent to this analysis, it is recognized that the value of Newport Harbor is unquestionably more than the sum of its parts; that the balanced interplay between different property interests and uses is critical in sustaining the harbor's viability and its fundamental value as a whole.

Accordingly, the well-recognized appraisal principle of "zones of value" appears to be operative and well supported when considering the Newport Harbor tidelands as an integrated subject parcel dedicated to various uses. While each use may have inherently different economic potential, they are all ultimately dependent upon each other. Therefore, it is consistent with the zones of value concept that market rent be different as well, depending upon various factors to be presented in the Valuation section of this report.

The long history of Newport Harbor shows that there exists established demand for the various uses that are the subject of this appraisal. Further, based upon empirical information presented in the recent Tourism Economics report, there appears to be strong evidence indicating that local residents and the tourism-based users drawn to the harbor will continue to seek out the various commercial uses available. This combination of factors leads to the conclusion that it is reasonable to project that the existing tidelands uses will continue to capture sufficient commerce to remain economically viable into the foreseeable future.

Highest and Best Use:

Highest and best use is that use or combination of uses, selected from reasonably probable and legal alternatives, that results in the highest land value as of the date of value. The definition of highest and best use is as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value³.

Details of the criteria impacting highest and best use conclusions were discussed in the previous (April 7, 2016) appraisal and can be appropriately applied to the various commercial uses addressed in this appraisal.

As the foregoing market analysis indicated, all subject tidelands uses appear to be physically possible, legally permissible and financially feasible. Because no specific parcel is being appraised in this report, it is beyond the scope of this analysis to form a judgment as to a maximally productive use that could be applied to each existing tidelands parcel.

It is therefore an extraordinary assumption of this report that the use categories which are the subject of this appraisal are the effective highest and best use of those tidelands parcels which are utilized for that use.

³ *The Appraisal of Real Estate*, 14th Edition, Appraisal Institute.

VALUATION

Introduction:

The purpose of this appraisal is to form an opinion of the market rent, expressed on annual price per square foot basis, of the various commercial tidelands uses existing in Newport Harbor at the March 15, 2016 date of value. An earlier Appraisal Report, dated April 7, 2016, submitted by this office provided a market rent conclusion for large commercial marinas at the same date of value. That report is considered to be a companion to this Phase 2 Appraisal Report. Certain factual information and data in that document is incorporated in this report by reference.

Fundamentally, the objective of this assignment is to form opinions of market rent for the various uses in a manner that reflects the economic potential of each *individual* use as well as the synergistic relationship that exists *between* the uses. In this way an equitable balance, supported by economic analysis and reference to market data, between tidelands lease rates throughout Newport Harbor may be achieved. As discussed earlier, this principle is supported by the zones of value concept that is a well-accepted fundamental in real property valuation.

The tidelands market data found throughout the Southern California region, is, with the few notable exceptions discussed in the earlier large commercial marina report, inclusive of *both tidelands and supporting uplands*. This is not the situation in Newport Harbor, where the subject tidelands are “owned” by the City of Newport Beach and the supporting tidelands are under private ownership. Therefore, a direct correlation of the market data (water and land) cannot properly be made with the subject tidelands (water only) without adjustments. The significance of this was presented in the previous appraisal. The reader’s attention is directed to that report for detailed discussions of the economic implications of this situation for tidelands use and the market rent thereof. Again, that report pertained specifically to large marinas, but the principle of the need to allocate the income generated from tidelands use between land and water is the same for the other commercial uses that are the subject of this report.

An additional complexity in analysis of the market data arose from the fact that, for the uses that are the subject of this market rent study, the annual rent amount in other jurisdictions is typically tied to a percentage of the

gross income that is generated by the use. It is not directly tied to the square footage of the area leased. Adjustments were required to correlate these indicators of market rent into the annual price per square foot conclusions that are required in this assignment.

The appraisal challenge, therefore, was one of supportably reflecting and reconciling both market data, quantified in different economic terms, and the distinctions that are required to be made between that data and the subject tidelands in regard to the allocation of market rent between land and water that is unique in the Newport Harbor context.

Extensive comparative economic analyses were undertaken to incorporate these elements. Summary discussions will be presented in the following pages. Details are retained in my files.

Commercial Marinas:

The April 2016 Appraisal Report provided an extensive analysis of the factors leading to an annual market rent conclusion for a large commercial marina. The template selected was a 56,000 square foot tidelands with appropriate supporting uplands.

Part of this assignment was to determine if a market rent distinction between commercial marina sizes was warranted and supported by empirical information. While the earlier report provided limited market data of relatively large tidelands only leases, there was no such data available for smaller size categories. Therefore, to form an opinion as to whether a distinction in annual market rent rates was warranted for commercial marinas based on size, economic analyses between various marina sizes were required.

While it may seem at first impression that “tidelands are tidelands are tidelands”, this is not the case in terms of use. The income generated is different and the relative uplands requirements vary depending upon use *and* size. This dynamic is perhaps most readily appreciated when comparing vacant land. Market evidence shows that a commercial parcel has different value than a comparable residential property. This speaks to use. Further, differences in size impact the unit basis of that value as well. These criteria apply to the tidelands, just as they do vacant land.

**Commercial Marina Residual Tidelands Rent
Size Transition Study**

Tidelands Square Footage:	5,000	10,000	12,000	13,000	15,000	20,000	25,000	30,000	40,000	50,000	60,000
Average Slip Size	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Number of Slips	4.0	8.0	10.0	11.0	13.0	17.0	21.0	26.0	34.0	43.0	52.0
Average Slip Length	38	38	38	38	38	38	38	38	38	38	38
Lineal Feet	152	304	380	418	494	646	798	988	1,292	1,634	1,976
Overhangs/sideties (5%)	8	15	19	21	25	32	40	49	65	82	99
Total Lineal Feet	160	319	399	439	519	678	838	1,037	1,357	1,716	2,075
Average Slip Lease/ LF/ Mo.	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00	\$35.00
Potential Gross Income/ Mo.	\$5,586	\$11,172	\$13,965	\$15,362	\$18,155	\$23,741	\$29,327	\$36,309	\$47,481	\$60,050	\$72,618
x 12 = Annual PGI	\$67,032	\$134,064	\$167,580	\$184,338	\$217,854	\$284,886	\$351,918	\$435,708	\$569,772	\$720,594	\$871,416
Vacancy (5%)	<u>(\$3,352)</u>	<u>(\$6,703)</u>	<u>(\$8,379)</u>	<u>(\$9,217)</u>	<u>(\$10,893)</u>	<u>(\$14,244)</u>	<u>(\$17,596)</u>	<u>(\$21,785)</u>	<u>(\$28,489)</u>	<u>(\$36,030)</u>	<u>(\$43,571)</u>
Effective Gross Income:	\$63,680	\$127,361	\$159,201	\$175,121	\$206,961	\$270,642	\$334,322	\$413,923	\$541,283	\$684,564	\$827,845
Annual Rent for Uplands/Tidelands in Joinder @ 25% of EGI	\$15,920	\$31,840	\$39,800	\$43,780	\$51,740	\$67,660	\$83,581	\$103,481	\$135,321	\$171,141	\$206,961
Uplands Requirements:											
No. of Parking Spaces (0.6/ slip)	2.4	4.8	6.0	6.6	7.8	10.2	12.60	15.6	20.4	25.8	31.2
Sq. Ft. Uplands/ Space	350	350	350	350	350	350	350	350	350	350	350
Total Sq. Ft. for parking	840	1,680	2,100	2,310	2,730	3,570	4,410	5,460	7,140	9,030	10,920
Restrooms/shower/office	250	250	250	250	250	250	250	250	250	250	250
Total Sq. Ft. Required	1,090	1,930	2,350	2,560	2,980	3,820	4,660	5,710	7,390	9,280	11,170
Uplands Value/ Sq. Ft.	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00	\$315.00
Total Value, Dedicated Uplands	\$343,350	\$607,950	\$740,250	\$806,400	\$938,700	\$1,203,300	\$1,467,900	\$1,798,650	\$2,327,850	\$2,923,200	\$3,518,550
Required Return to Uplands:											
Return at 5%	\$17,168	\$30,398	\$37,013	\$40,320	\$46,935	\$60,165	\$73,395	\$89,933	\$116,393	\$146,160	\$175,928
Residual to Tidelands @ 5%	-\$1,247	\$1,443	\$2,788	\$3,460	\$4,805	\$7,495	\$10,186	\$13,548	\$18,928	\$24,981	\$31,034
Percentage of EGI	-1.96%	1.13%	1.75%	1.98%	2.32%	2.77%	3.05%	3.27%	3.50%	3.65%	3.75%

Note: Adjustment to slips to whole numbers only: all other factors constant; this assumes an implicit adjustment of size/parking space to accommodate

The initial phase of the study was to review the various elements that informed the large marina analysis, reported in April 2016. That appraisal concluded at 8.5% of the potential gross income, expressed as \$1.17 per square foot per year. That conclusion was based on a reconciliation of two economic approaches to value and a market data approach to value. The conclusion, therefore, implicitly incorporated all approaches.

The strictly economic analysis yielded a result of tidelands rent at 4.61% of the effective gross income, which was then adjusted based on the market data and secondary economic analysis to the final conclusion of \$1.17 per square foot. This economic analysis and its 4.61% indicator was used as a reference point in subsequent economic analyses that were conducted to determine the implications, if any, of marina size on market rent.

For the sake of consistency, this study utilized the criteria set out in the April 2016 appraisal. The constants were average slip size, average slip length, average slip lease rate, vacancy factors, relative uplands area requirements, and uplands land value. The variable was marina size. Due to a variety of factors, perhaps the most significant of which was uplands requirements (primarily parking) relative to the number income-generating slips, there was a downward trend in residual income available to the tidelands as the square footage of marina tidelands area decreased.

While it was a sliding scale, significant points of demarcation were noted at approximately 30,000 square feet and 13,000 square feet. The residual percentages of effective gross income to be allocated to the tidelands that resulted from this analysis were not the basis for measuring the relative market rent for different marina sizes. This study was primarily intended to measure if, all other things being equal, size had an impact on market rent for commercial marinas.

This being established, further studies were undertaken. These used existing commercial marinas, but incorporated variables for improvement configuration (number and size of slips), uplands legal requirements (and reasonable variances thereof), and uplands land value. (It is recognized that land value is significantly impacted by zoning, location and size.)

It is beyond the scope of this report to present all variables considered. In general, it was recognized that marina configuration can impact highest

and best use in terms of maximizing the economic utility of the available tidelands. However, for existing marinas, reconfiguring to a higher use may not be legally or financially feasible, based on regulatory constraints and the costs of redevelopment.

Uplands requirements include parking spaces, restrooms and showers, and (potentially) office space. The design and implementation of these elements will naturally be adjusted with marina size. Parking will not only change in terms of the number of parking spaces required, but also the configuration of the parking area, which can be dependent upon both the size of the uplands parcel and the size of the marina. All these elements were considered.

Further, the price of the uplands and the corresponding level of the return required to support the tidelands use is highly variable throughout Newport Harbor. Market data of waterfront land values in the different settings where existing marinas are located were reviewed. These figures were incorporated in the analysis to provide a range of indications of residual income available for tidelands rent.

All these economic studies were reconciled to conclusions, which, in my judgment, reflected an equitable balance between the various influences that are to be found throughout Newport Harbor. (Details of these analyses are retained in my files.)

The \$1.17 per square foot previously concluded incorporates both economic and market data analyses. The economic analysis for tidelands market rent was 4.61% of the effective gross income.

The study for the medium and small marinas related the conclusions of the economic analysis for each size to the benchmark of 4.61% in a proportional relationship to the \$1.17 per square foot reconciled conclusion.

Medium Size Marinas (13,000 – 30,000 sq. ft.):

Conclusion of % EGI:	3.50%
$3.50\% / 4.61\% =$	0.76
$0.76 \times \$1.17 =$	\$0.89

Small Size Marinas (< 13,000 sq. ft.):

Conclusion of % EGI:	3.00%
3.00% / 4.61% =	0.65
0.65 x \$1.17 =	\$0.76

Fair Market Rent Conclusion
Annual Rent per Square Foot of Tidelands per Year
Commercial Marinas

Small Commercial Marinas:	\$0.76
Medium Commercial Marinas:	\$0.89
Large Commercial Marinas:	\$1.17

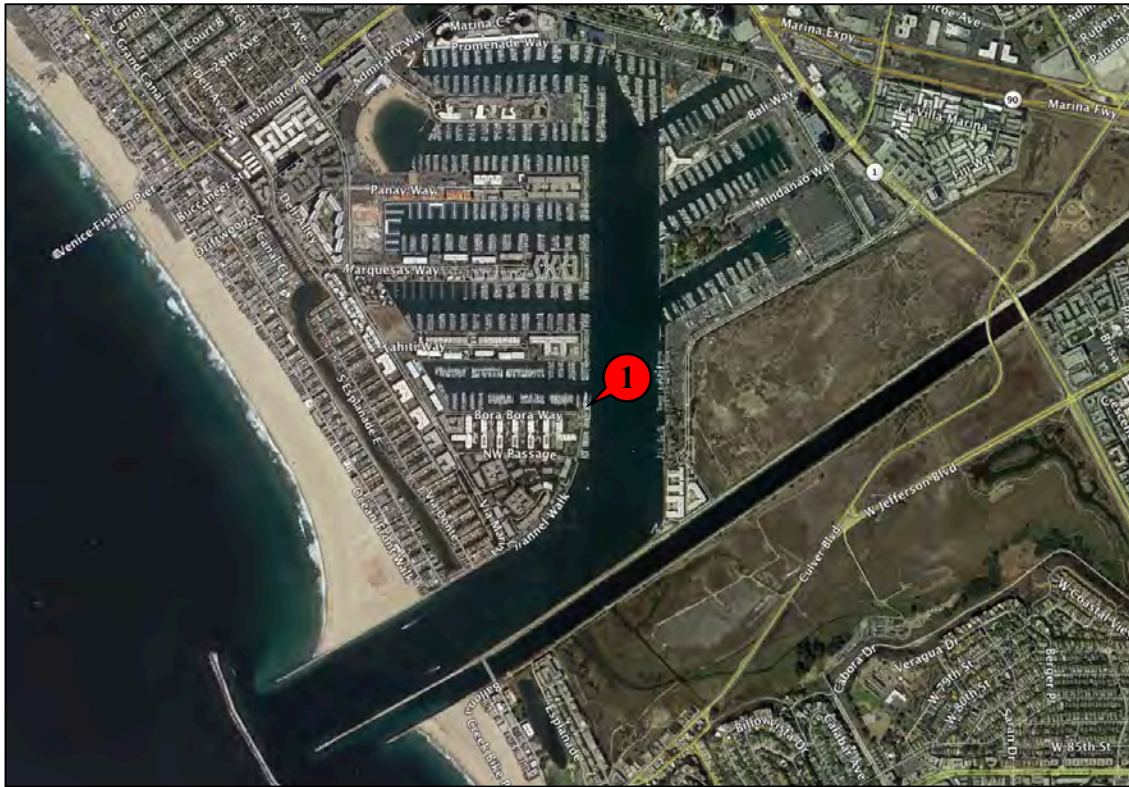
Fuel Docks:

Fuel docks play an indispensable role in the stable and ongoing operations of nearly all water-oriented commercial and recreational activities within and around a harbor. The importance of this fact was underscored recently in Huntington Harbor, where the only fuel dock was closed from October 1, 2015 to May 25, 2016. This created a significant disruption in harbor activities, with some waterfront homeowners even expressing concern about the potential impact on property values.

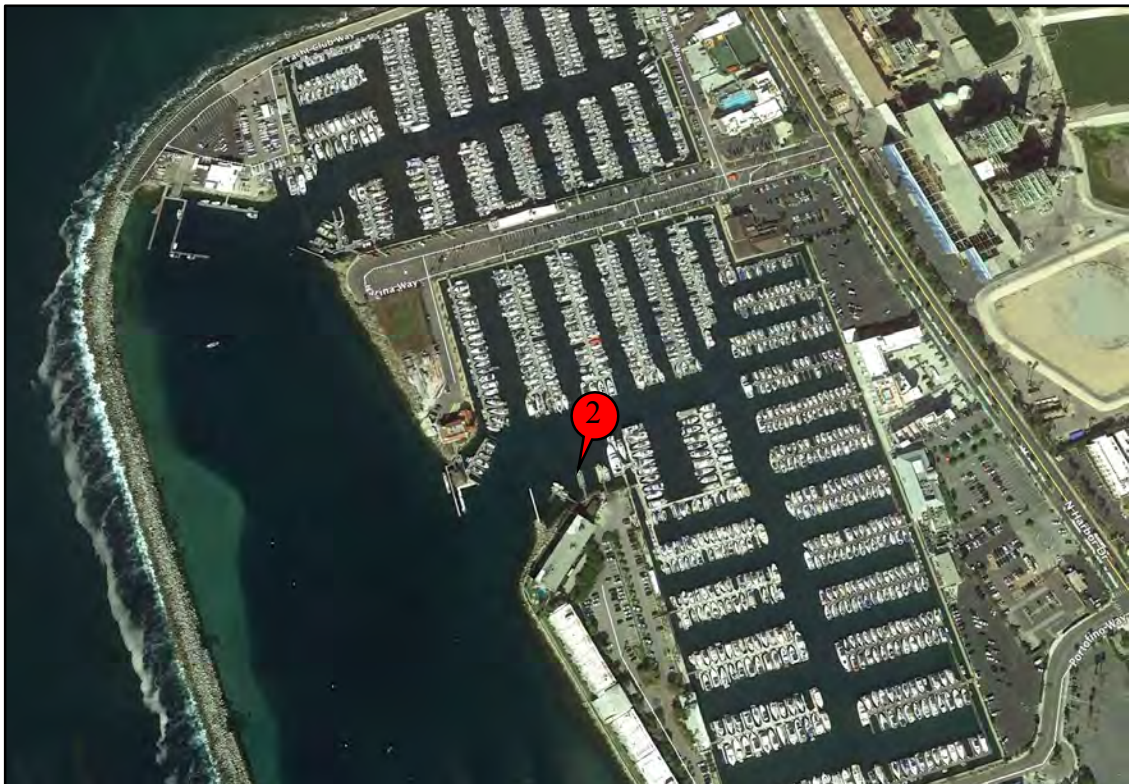
It is widely recognized that fuel docks are difficult businesses to operate. In addition to uncontrollable fluctuations in fuel prices, commensurate variations in demand, and strict environment controls, narrow fuel profit margins create a challenging business environment.

It is undoubtedly due to these factors that market rent for fuel docks throughout Southern California harbors is based on either a percentage of the income generated from fuel sales or on the volume of fuel pumped. As with commercial marinas, the area leased for fuel dock operations in these other jurisdictions includes both land and water. In some cases, improvements are included in the leased area as well.

Adjusting the available market data for comparison to the subject tidelands, as dedicated to fuel dock use, involved investigations into a number of factors. These included, but were not limited to, retail fuel rates (diesel and gas) at the various data locations for comparison with the subject,



No. 1: Del Rey Fuel, 13800 Bora Bora Way, Marina del Rey



No. 2: Rocky Point Marine Fuel, 310 Portofino Way (King Harbor), Redondo Beach

direct and indirect analysis of the volume of fuel pumped at the data locations, and consideration of the relative uplands contribution of the different data items. (Review of uplands market data indicated that the price per square foot of the land necessary to support the tidelands for fuel dock use in Newport Harbor is significantly higher relative to the land values in other jurisdictions where the comparable fuel dock data is located.)

The table below summarizes the primary data reviewed and analyzed. Aerial images of the data items can be found on facing pages.

MARKET DATA

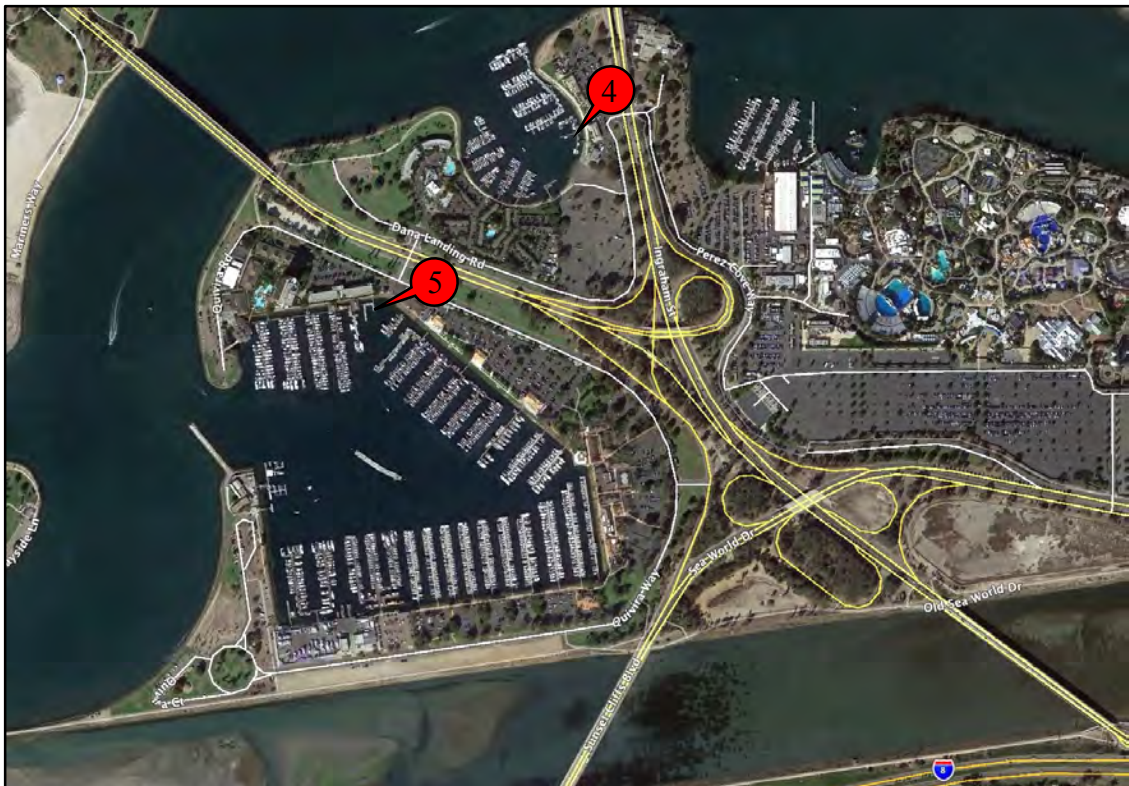
	Fuel Dock	Regular	Diesel	Rental Basis
1	Del Rey Fuel 13800 Bora Bora Way Marina del Rey	\$5.20	\$3.91	\$0.15/gallon of all fuel sales
2	Rocky Point Marine Fuel 310 Portofino Way King Harbor Redondo Beach	\$5.38	\$4.01	5.5% of all fuel sales
3	Dana Point Fuel Dock 34661 Puerto Place Dana Point	\$3.49	\$2.67	Diesel = 2.5% of sales Gasoline = 3.0% of sales
4	Dana Landing 2590 Ingraham Street Mission Bay, San Diego	\$4.00	\$3.35	Diesel = 1.5% gross Gasoline = 3.0% gross
5	Hyatt Regency Spa & Marina 1441 Quivira Road Mission Bay, San Diego	\$4.19	\$3.49	Diesel = 1.5% gross Gasoline = 3.0% gross
6	Harbor Island West 2040 Harbor Island Drive San Diego Port District	\$4.42	\$4.32	Diesel = \$0.02/gallon Gasoline = \$0.04/gallon
7	Pearsons 2435 Shelter Island Drive San Diego Port District	\$3.92	\$3.67	Diesel = \$0.02/gallon Gasoline = \$0.04/gallon
8	High Seas 2540 Shelter Island Drive San Diego Port District	\$4.00	\$3.45	Diesel = \$0.02/gallon Gasoline = \$0.04/gallon

As can be seen, a distinction is typically made between the percentage rent applied to diesel fuel and gasoline. On average the ratio of demand for diesel in comparison to gasoline is on the order of 80% to 20%.

Blending these ratios and applying them to a market rent per gallon indications can give an average rent per gallon indication. As an example,



No. 3: Dana Point Fuel Dock, 34661 Puerto Place, Dana Point



No. 4: Dana Landing, 2590 Ingraham Street (Mission Bay), San Diego
No. 5: Hyatt Regency Spa & Marina, 1441 Quivira Road, (Mission Bay), San Diego

the San Diego Port District charges rent based on \$0.02 per gallon for diesel and \$0.04 per gallon for gas. Applying the ratio results in the following:

80% x \$0.02 =	\$0.016
20% x \$0.04 =	<u>\$0.008</u>
Combined:	\$0.024 per gallon

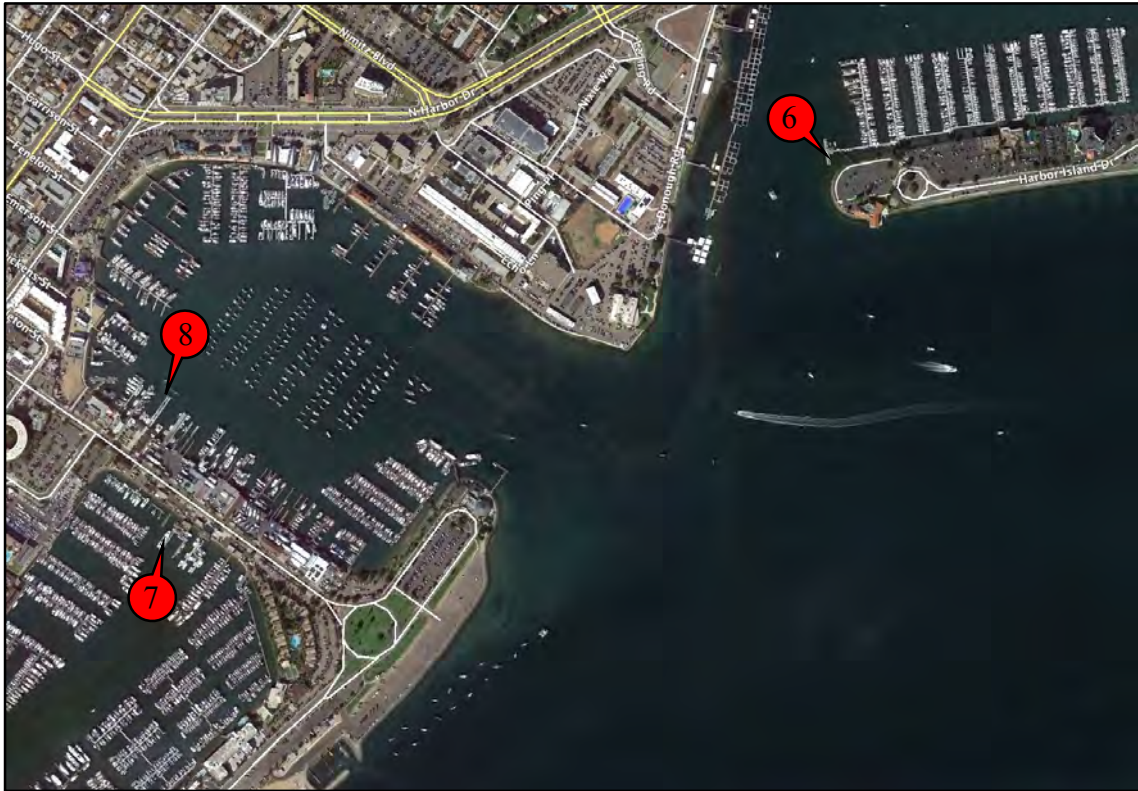
Likewise, in the City of San Diego, where rent is based on a percentage of the gross income, the charge is 1.5% for diesel and 3.0% for gasoline.

80% x 1.5% =	1.20%
20% x 3.0% =	<u>0.60%</u>
Combined:	1.80% of revenues

There was strong data from the Beaches and Harbors Division of the County of Los Angeles indicating that the Del Rey Fuel Dock (Parcel 1) in Marina del Rey pumped approximately 745,000 gallons in 2016. This was in a marina comprising approximately 5,500 vessels. A recent study in Newport Harbor indicated that there are approximately 4,000 – 5,000 boats in the harbor. Based on comparison with Marina del Rey, this would correlate to a demand of approximately 600,000 gallons per year in Newport Harbor.

This information was processed through various comparative analyses based on projected income and projected volume at a “typical” subject fuel dock while taking into account the particular characteristics of the tidelands use of the two primary fuel docks in the harbor – Island Marine Fuel and Hill’s Boat Service. This included the surrounding influences and the high level of supporting uplands land value. No consideration of the relative gallonage or retail prices between these two competitors was given. As with all the commercial operations in the harbor, it was the utility of the tidelands, not a particular operation, that was the basis for setting market rent.

As a result of these analyses, I formed the opinion that the annual market rent for subject tidelands, dedicated to fuel dock use, was \$0.76 per square foot.



No. 6: Harbor Island West, 2040 Harbor Island Drive, San Diego

No. 7: Pearsons, 2435 Shelter Island Drive, San Diego

No. 8: High Seas, 2540 Shelter Island Drive, San Diego



Parcel 53: The Boat Yard, 13555 Fiji Way, Marina del Rey

**Annual Fair Market Rent Conclusion
Fuel Dock Use**

\$0.76 per square foot

Shipyards:

Like fuel docks, shipyards are a necessary component to any harbor. They are also similar to fuel docks in terms of the varied challenges that operators face both in terms of economics and governmental regulations (primarily environmental.) A further consideration for this analysis is that the bulk of the operations occur on land; the tidelands are typically little more than a transit zone facilitating the movement of vessels from the water to the “dry” work area.

Shipyards rental arrangements in various jurisdictions were investigated. They are typically quite complex and intermingled with other elements that are not directly applicable to the subject analysis. However, Parcel 53 in Marina del Rey (“The Boat Yard”) provided useful information for analysis.

On Parcel 53, the area dedicated to shipyard use is approximately 77,500 square feet of uplands and 13,000 square tidelands. (This is exclusive of the adjacent marina use, which is also on Parcel 53.) Therefore, the total area dedicated to shipyard use was approximately 90,500 square feet.

The percentage rent charged for boat hauling and launching, repairs and pump out was 4% of gross income. Office space used for a commercial repair shop for boat services was 16% of the gross. The total rent paid for the years 2014 – 2016 for the shipyard use was equivalent to \$1.01, \$1.22 and \$1.66 per square foot for the 90,500 square feet. Approximately 85% of this area was land that was dedicated to industrial shipyard use.

This land rent was compared to the higher residential use of apartments found at nearby Parcel 64, a very comparable parcel of land. This was done in order to judge the discount that the County of Los Angeles deemed to be warranted, in terms of rent received, to facilitate the existence and operation of an essential shipyard use in Marina del Rey. The ratio ranged from 23% to 35%. Again, this includes the land, not just the tidelands.

It is worth noting that Parcel 65 (UCLA Boathouse), which is restricted to eleemosynary (non-profit/educational) use, paid rent at generally the same level (\$1.32 - \$1.69 per square foot) as Parcel 53 for shipyard use over the same period. This implicitly supports the concept that a shipyard provides essential services and benefits to the harbor as a whole. Market evidence indicates that this use is incentivized by a discounted rental rate relative to other for-profit commercial uses.

Application of this principal to the “highest use” benchmark tidelands rent of \$1.17 per square foot in Newport Harbor indicates that shipyards should pay 25% to 35% of that amount. This is equivalent to \$0.29 to \$0.41 per square foot per year.

The State Lands Commission Benchmark rental rate for tidelands under its jurisdiction in Southern California was established in October 2016 at \$0.374 per square foot per year¹. It is recognized that this benchmark was intended primarily for recreational uses and is not directly comparable to the subject shipyard use, but, in my judgment, it provides a solid lower limit indicator. This is particularly true in the context of Newport Harbor where overall rates and values are significantly higher than the average used in the State Lands Commission study.

In light of the above, as well as other analyses retained in my files, I have concluded that the market rent for subject tidelands, as dedicated to shipyard use, should be \$0.38 per square foot per year.

**Annual Fair Market Rent Conclusion
Shipyard Use**

\$0.38 per square foot

HOA Marinas

Our investigations indicate that HOA-owned marinas can be utilized either exclusively for the use of the residents of the homeowners association, or they can be offered to the public generally.

¹ California State Lands Commission, Calendar Item 65, 10/13/16.

In the case of exclusive use by homeowner residents, my independent analysis and investigations uncovered no information or data that would suggest the tidelands should be charged at any rate other than the established rate for residential tidelands use.

On the other hand, when the same tidelands are put to a profit generating use with the capacity to receive market slip rental rates comparable to other commercial marinas in the harbor, there was similarly no supportable information indicating that the tidelands rental rate should be any different than the market rent charged for comparable commercial marinas.

Annual Fair Market Rent Conclusion HOA Marinas

**Exclusive Use by Residents: Established Residential Rates
Commercial Use by Public: Market Rates – Commercial Marinas**

Yacht Clubs (Guest/ Instructional Use):

Yacht clubs are typically non-profit entities that, in addition to serving the needs of their membership, provide educational and recreational activities that enhance the overall balance of water-oriented uses throughout the harbor. Community benefits are created by attracting visitors to Newport Beach for regattas and other affiliated activities. Further, yacht club members are recognized to offer experienced stewardship of the waters in Newport Harbor and the surrounding ocean in a wide range of areas. The beneficial dynamics inherent in yacht club presence within the harbor is implicitly recognized by the fact that the land zoning for yacht clubs is PI (Public Institutions).

In this subject use category, the tidelands are considered to be for guest/instructional use. They are not intended for long-term berthing such as would be the case with a marina. The subject tidelands are to serve as a transit area for members and guests between the bay and shore, as well as for short-term docking of vessels. There is no for-profit income directly generated by the use of this tidelands area.

In many ways, a yacht club use can be compared to Parcel 65 (UCLA Boathouse) in Marina del Rey (discussed above). This is a non-profit/

educational use that serves both its own constituency and members of the public drawn to the facility for regattas and other related activities.

While not directly comparable, it is also worth noting that in Newport Harbor the County of Orange leased The School of Sailing and Seamanship to Orange Coast College and the Newport Sea Scout Base on a rent-free basis because these were considered to be non-profit uses that benefit both the harbor and the community at large. The County also leased uplands and tidelands in Dana Point to the Ocean Institute for \$1.00 per year.

The available market data for yacht club uses related primarily to income sources generated by the uplands and were not judged to be reflective of the specific tidelands use that is the subject of this analysis.

Based on the non-incoming generating nature of the yacht club (guest/instructional) tidelands use, the ancillary benefits which yacht clubs contribute to the harbor environment, and reference to non-profit/ educational lease rates in Newport Harbor as well as other jurisdictions, I concluded that market rent for this category was indicated to be at the low end of the range, comparable to shipyard use, or \$0.38 per square foot per year.

**Annual Fair Market Rent Conclusion
Yacht Clubs (Guest/ Instructional Use)**

\$0.38 per square foot

Restaurant Guest Slips:

The use of tidelands for guest slips to serve adjacent, privately owned restaurants is undoubtedly a benefit to the restaurant, but not a use upon which the operation of the restaurant is dependent. A small percentage of the guests of waterfront restaurants avail themselves of guest docks; most use uplands parking.

There is no direct fee charged to the guest/users of the tidelands that generates income to the restaurant. Like the yacht club guest/instructional category, this tidelands use facilitates transit for customers/guests between the bay and the land-based restaurant. These are short-term users, and no effective enhancement in profit is generated by this use.

One key element distinguishing this ancillary use of the tidelands from commercial uses *dependent* on the tidelands for income generation is the fact that guest slips do not require supporting uplands parking; in fact, they reduce parking and traffic burdens on the city streets by replacing vehicle transport. Further, guest slips generate wider, multi-purpose activity on the water. This is considered to be a positive enhancement of the overall atmosphere of the harbor environs, particularly for visitors to the area.

There was no comparable market data information from other jurisdictions for this narrowly defined use.

I have considered it appropriate to analyze restaurant guest slips by the same criteria as I did other non-income generating uses of the tidelands. Accordingly, I concluded that market rent for restaurant guest slips was \$0.38 per square foot per year on the date of value.

**Annual Fair Market Rent Conclusion
Restaurant Guest Slips**

\$0.38 per square foot

Boat Rentals, Sport Fishing Charters, Vessel Charters, Others:

The Percentage Rent Survey in the Addenda Section of this report provides a summary of percentage lease rates for a variety of uses in various jurisdictions throughout Southern California. As mentioned several times previously, these rental rates are for *land and water in joinder*. The subject properties in this appraisal are the tidelands only, under the assumption of joint use with the adjacent privately-owned uplands.

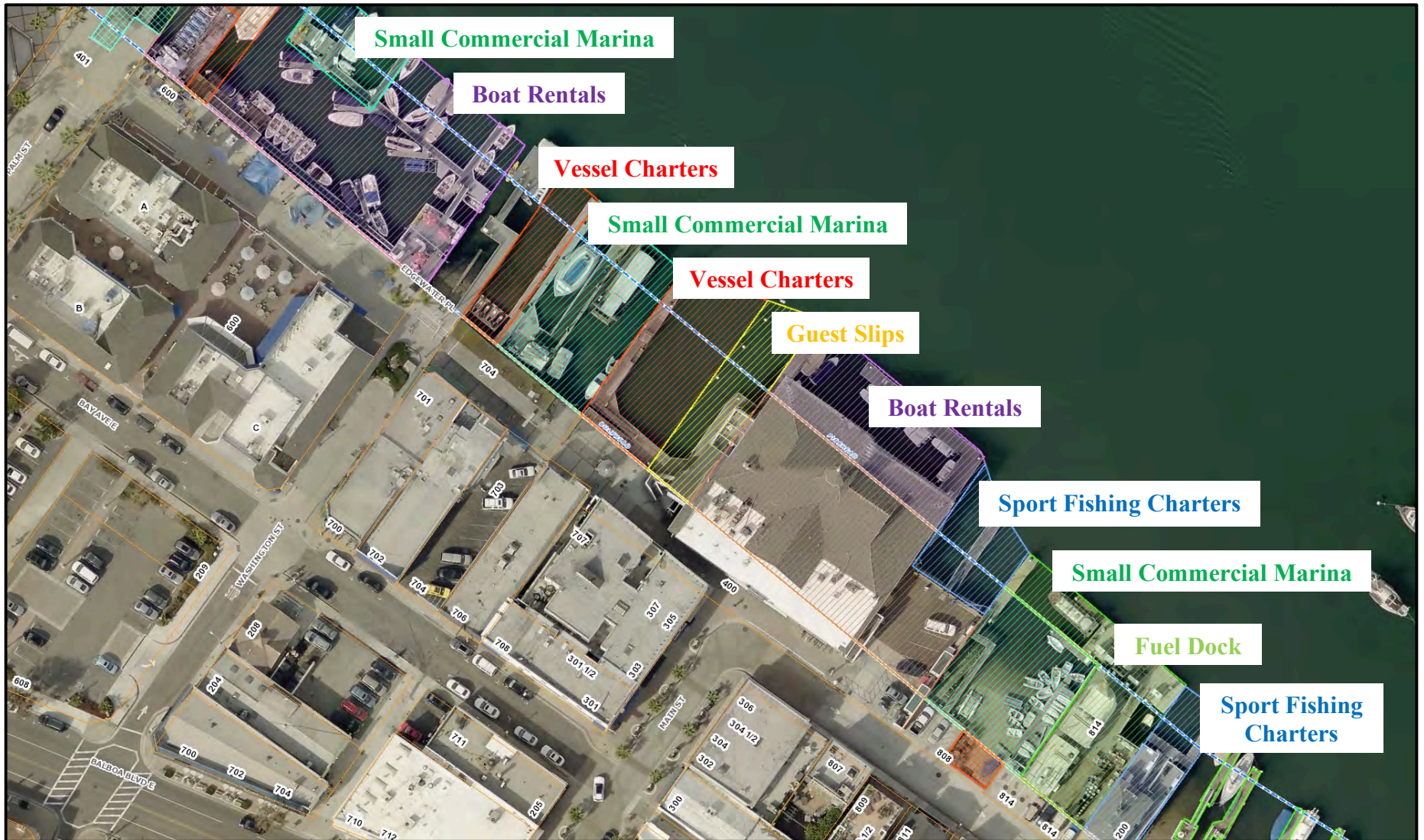
The percentage rents of the market data are based on projections of the income generating capacity for the various uses identified. They differ based on the anticipated level of income for each use, as well as demand and other factors. This assignment is not to reach a percentage rent conclusion for these various commercial uses, but, rather, to form an opinion of market rent on an annual dollars per square foot of tidelands basis.

As the Percentage Rent Survey shows, percentage rents for a particular use can vary significantly between jurisdictions. For example, the data for sport fishing charters ranges from 3.5% to 10% of gross income, while the range for boat rentals is also generally from 3.5% to 10% but with King Harbor showing a range of 12.5% to 20.0%. The difficulty and uncertainty of extracting the tidelands contribution from the uplands (and, in some cases, improvement) contribution embedded in this market rent data is apparent. Further, correlating percentage rent to a price per square foot amount creates several challenges as well.

However, these data were a useful guide of the relative relationships of rent levels between the various uses. In those instances where actual rental amounts could be correlated to the tidelands and uplands area used (as was discussed in the shipyard section of this report with Parcel 53 in Marina del Rey), a meaningful relationship of rental levels could be developed.

It was particularly helpful to analyze the actual tidelands uses in Newport Harbor and to study the relationships between them. An example of this is presented on the following facing page where six tidelands use categories are adjacent to each other.

With the exception of the guest slips, all categories in this example require the direct use of the tidelands to generate the primary business



Balboa Peninsula – Pavilion Area – Commercial Tidelands

income. This characteristic distinguishes them from the yacht club and restaurant guest slip analyses discussed immediately above.

The concluded small commercial marina rate (\$0.76/ sq. ft.) previously presented in this report was supported by correlation of the conclusion from the April 2016 report for large marinas through economic analyses to reflect the small marina size. The fuel dock rental rate conclusion (\$0.76/ sq. ft.) was based on an extensive analysis of market data and an empirically supported estimate of fuel demand (gallonage) in Newport Harbor. It can be seen that, in the illustration opposite, these two uses essentially bookend the other categories of use. Further, these uses also generally share the feature of requiring relatively small tidelands areas to operate efficiently.

In some sense, then, the specific areas allocated for these tidelands uses can be seen to be somewhat interchangeable. When this consideration is combined with the fact that use of the tidelands is mutually indispensable to their business operations, a certain equity between the uses, in terms of a reasonable rental obligation, is indicated.

Accordingly, I have concluded that these relatively small-in-size, tideland-dependent commercial uses pay rent at the same level as small commercial marinas and fuel docks. This rate is \$0.76 per square foot of tidelands per year.

Annual Fair Market Rent Conclusion

Boat Rentals
Sport Fishing Charters
Vessel Charters
Others

\$0.76 per square foot

Summary of Conclusions:

In light of all the foregoing, and a result of all my investigations and analyses, I have formed the opinion, that, as of March 15, 2016, market rent for the various categories of use of the subject City Tidelands, expressed on an annual per square foot basis, was as follows:

COMMERCIAL USE CATEGORY	RATE PER SQ. FT.
Large Commercial Marinas (>30,000 square feet)	\$1.17
Medium Commercial Marinas (13,000-30,000 square feet)	\$0.89
Small Commercial Marinas (<13,000 square feet)	\$0.76
Fuel Docks	\$0.76
Shipyards	\$0.38
HOA Marinas (residential use)	residential rates
HOA Marinas (commercial use)	commercial marina rates based on size
Yacht Clubs (Guest/Instructional Use)	\$0.38
Boat Rentals	\$0.76
Sport Fishing Charters	\$0.76
Restaurant Guest Slips	\$0.38
Vessel Charters	\$0.76
All others	\$0.76

Addenda

City of Newport Beach Pier Permit Exhibits
(Alphabetical by Permittee)

<p>126 Properties LLC (Morehart)</p> <p>Address: 2812 Lafayette</p> <p>Commercial Marina: 497 s.f. Private Tidelands: 816 s.f. Total: 1,313 s.f.</p>	
<p>Bahia Corinthian Yacht Club</p> <p>Address: 1601 Bayside Drive</p> <p>Commercial Marina: 65,655 s.f. Private Tidelands: 10,109 s.f. Total: 75,764 s.f.</p>	
<p>Balboa Boat Yard</p> <p>Address: 2414 Newport Blvd.</p> <p>Shipyard: 1,443 s.f. Private Tidelands: 1,039 s.f. Total: 2,482 s.f.</p>	

<p>Balboa Manor (Balboa Pavilion)</p> <p>Address: 400 Edgewater</p> <p>Vessel Rental Facility: 6,703 s.f.</p> <p>Vessel Charter Business: 5,646 s.f.</p> <p>Restaurant: 3,961 s.f.</p> <p>Sport Fishing Charter: 2,885 s.f.</p> <p>Building Over Tidelands: 13,196 s.f.</p> <p>Total: 32,391 s.f.</p>		
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<p>Balboa Yacht Club</p> <p>Address: 1801 Bayside Drive</p> <p>Yacht Club Guest Slips: 8,541 s.f.</p> <p>Total: 8,541 s.f.</p>		
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<p>Barton/Beek (Island Marine Fuel)</p> <p>Address: 406 S. Bay Front</p> <p>Fuel Dock: 3,617 s.f.</p> <p>Total: 3,617 s.f.</p>		
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Boat Service, Inc. (Hill's)

Address: 814 E. Bay Avenue

Commercial Marina: 5,767 s.f.
 Fuel Dock: 6,793 s.f.
 Private Tidelands: 583 s.f.
 Total: 13,143 s.f.

California Recreation Co., LLC
 (Balboa Yacht Club Marina)

Address: 1701 Bayside Drive

Commercial Marina: 62,912 s.f.
 Private Tidelands: 27,152 s.f.
 Total: 90,064 s.f.

California Recreation Co., LLC
 (Bayside Marina)

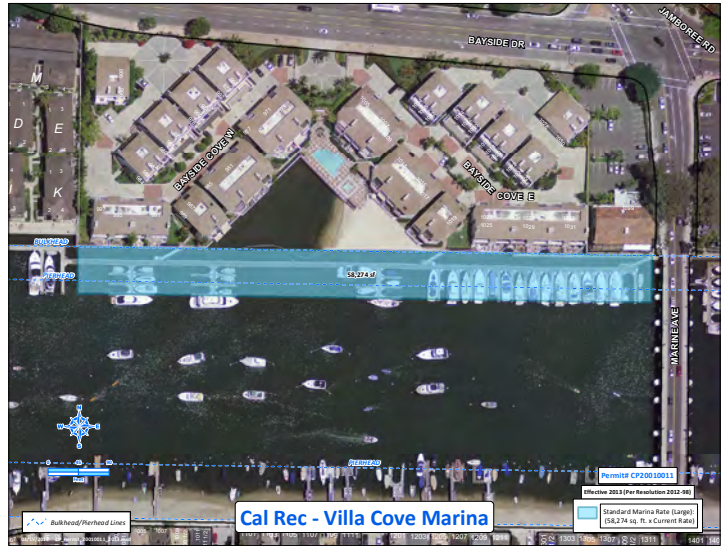
Address: 1137 Bayside Drive

Commercial Marina: 128,560 s.f.
 Total: 128,560 s.f.

California Recreation Co., LLC
(Villa Cove Marina)

Address: 1001 Bayside Drive

Commercial Marina: 58,274 s.f.
Total: 58,274 s.f.



Cannery LLC

Address: 3010 Lafayette

Restaurant: 2,202 s.f.
Total: 2,202 s.f.



Cannery Village LLC (Condominiums)

Address: 700 Lido Park Drive

Commercial Marina: 3,540 s.f.
Private Tideland: 13,993 s.f.
Total: 17,533 s.f.



**Cannery Village Marina Partners
(28th Street Marina)**

Address: 2602 Newport Blvd.

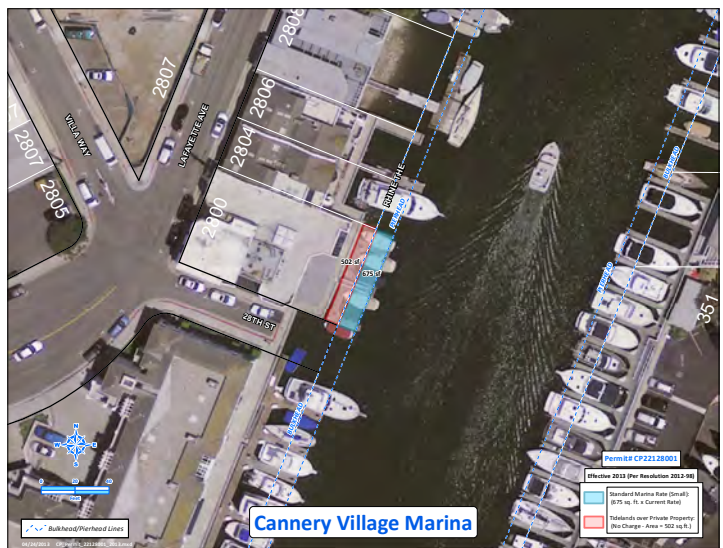
Commercial Marina: 8,034 s.f.
 Private Tidelands: 8,481 s.f.
 Total: 16,515 s.f.



**Cannery Village Marina Partners
(Cannery Village Marina)**

Address: 2800 Lafayette

Commercial Marina: 675 s.f.
 Private Tidelands: 502 s.f.
 Total: 1,177 s.f.



Dicks Dock LLC (Rusty Pelican)

Address: 2735 W. Coast Hwy.

Commercial Marina: 8,761 s.f.
 Total: 8,761 s.f.



Elks Lodge #1767

Address: 3456 Via Oporto

Commercial Marina: 2,803 s.f.
 Total: 2,803 s.f.

Fun Zone Boat Company

Address: 700 Edgewater Place

Commercial Marina: 6,630 s.f.
 Vessel Charter Business: 2,660 s.f.
 Total: 9,290 s.f.

Gilbert Property, LLC (Newport Landing)

Address: 503 Edgewater

Vessel Rental Facility: 4,351 s.f.
 Sport Fishing Charter: 3,134 s.f.
 Fuel Dock: 1,616 s.f.
 Total: 9,101 s.f.

**Golden Hills Properties, LLC
dba Newport Harbor**

Address: 3333 W. Coast Hwy.

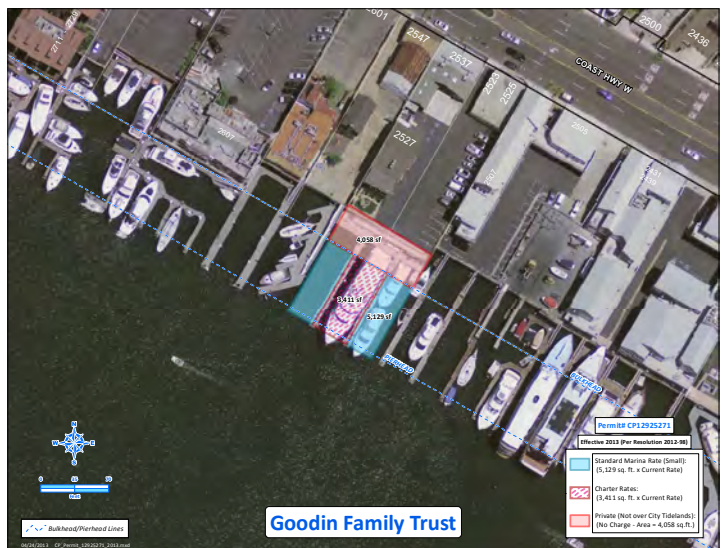
Commercial Marina: 58,166 s.f.
 City Tidelands: 13,595 s.f.
 Private Tidelands: 2,069 s.f.
 Total: 73,830 s.f.



Goodin Family Trust (Norman P. Goodin)

Address: 2527 W. Coast Hwy.

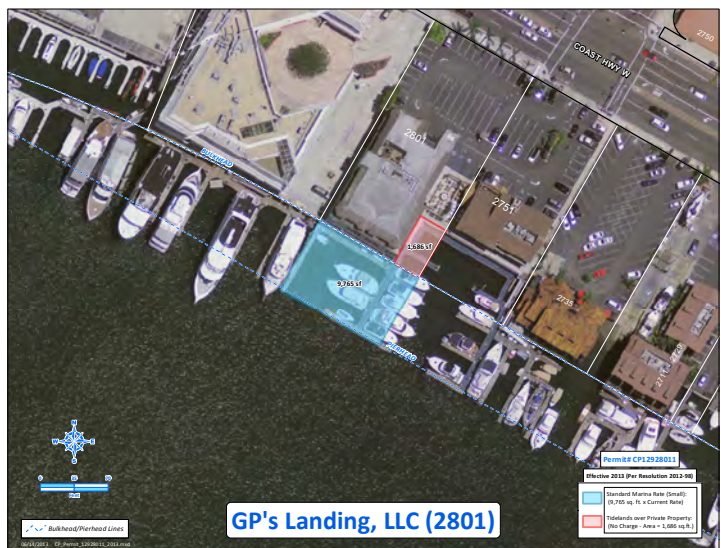
Commercial Marina: 5,129 s.f.
 Vessel Charter Business: 3,411 s.f.
 Private Tidelands: 4,058 s.f.
 Total: 12,598 s.f.



Khoshbin's Landing, LLC

Address: 2801 W. Coast Hwy

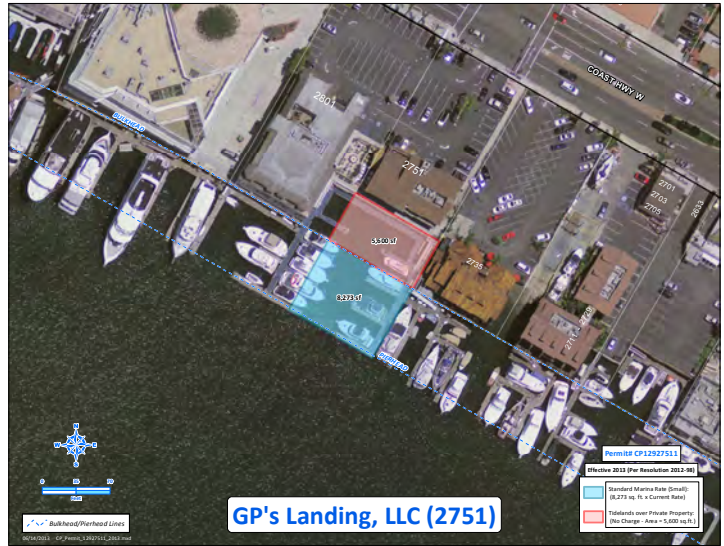
Commercial Marina: 9,765 s.f.
 Private Tidelands: 1,686 s.f.
 Total: 11,451 s.f.



Khoshbin's Landing, LLC

Address: 2751 W. Coast Hwy

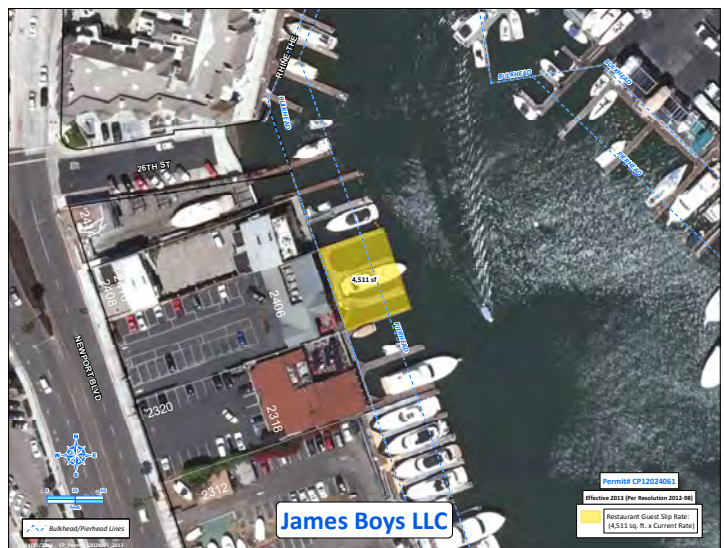
Commercial Marina: 8,273 s.f.
 Private Tidelands: 5,600 s.f.
 13,873 s.f.



James Boys, LLC (James, Steve)

Address: 2404 Newport Blvd.

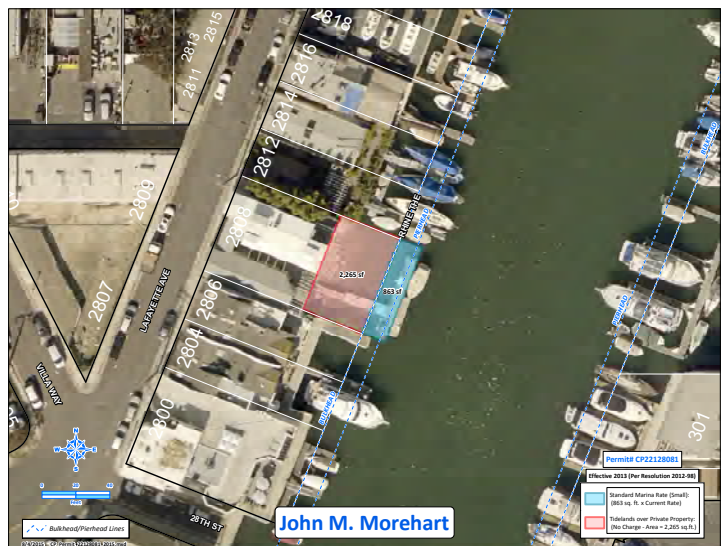
Restaurant: 4,511 s.f.
 Total: 4,511 s.f.



Morehart, John M.

Address: 2808 Lafayette

Commercial Marina: 863 s.f.
 Private Tidelands: 2,265 s.f.
 Total: 3,128 s.f.



JRNP, LLC (Schock Boats)

Address: 2818 Lafayette

Shipyard: 1,002 s.f.
 Private Tidelands: 2,248 s.f.
 Total: 3,250 s.f.

JRNP, LLC (Schock Boats)

Address: 2900 Lafayette

Shipyard: 1,756 s.f.
 Private Tidelands: 2,733 s.f.
 Total: 4,489 s.f.

Lido Group Retail, LLC

Address: 3400 Via Oporto

Commercial Marina: 55,010 s.f.
 Vessel Charter Business: 16,030 s.f.
 Vessel Rental Facility: 10,790 s.f.
 Total: 81,830 s.f.

Lido Park Place Condominium

Address: 621-633 Lido Park Drive

Homeowners Association

Non-Members: 12,534 s.f.

Members Only: 2,735 s.f.

Total: 15,269 s.f.

Lido Peninsula Company, LLC dba Lido

Address: 711 Lido Park Drive

Commercial Marina: 15,242 s.f.

Total: 15,242 s.f.

Lido Peninsula Company, LLC dba Lido Peninsula Yacht Anchorage

Address: 717 Lido Park Drive

Commercial Marina: 185,938 s.f.

Shipyards: 19,177 s.f.

Private Tidelands: 68,651 s.f.

Total: 273,766 s.f.

Lido Sail Club Prop (Windward Sailing)

Address: 3300 Via Lido

Commercial Marina: 11,166 s.f.
 Total: 11,166 s.f.



Marina Properties (Parker)
 (Joe's Crab Shack)

Address: 2607 W. Coast Hwy.

Commercial Marina: 9,608 s.f.
 Total: 9,608 s.f.



Mariners Mile LLC
 (VMA Mariner's Mile)

Address: 2505 W. Coast Hwy.

Commercial Marina: 8,365 s.f.
 Shipyard: 3,635 s.f.
 Private Tidelands: 7,367 s.f.
 Total: 19,367 s.f.



**Mariners Mile LLC
(VMA Mariner's Mile – Hornblower)**

Address: 2439 W. Coast Hwy.

Vessel Charter Business: 12,000 s.f.
 Private Tidelands: 6,965 s.f.
 Total: 18,965 s.f.



**Mariners Mile South, LLC
(Dwyer/Olinco) (Duffy Boats)**

Address: 2001 Coast Hwy.

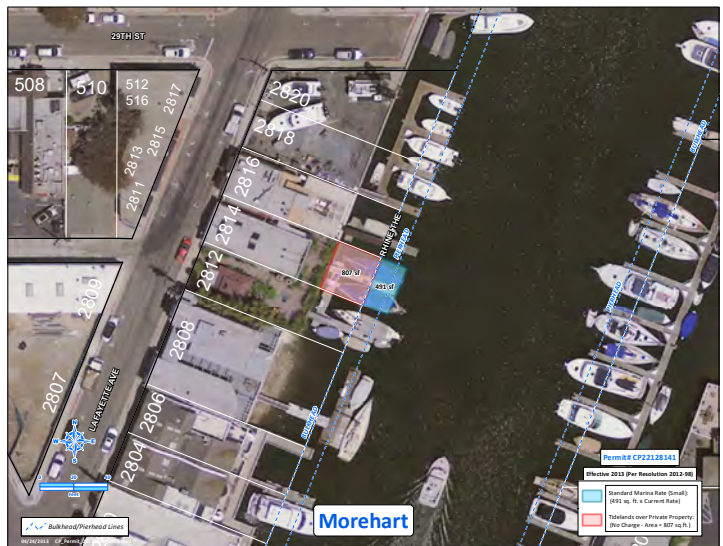
Vessel Rental Facility: 8,000 s.f.
 Private Tidelands: 1,070 s.f.
 Total: 9,070 s.f.



Morehart / Cervantes

Address: 2814 Lafayette

Commercial Marina: 491 s.f.
 Private Tidelands: 807 s.f.
 Total: 1,298 s.f.



NB Mariner's Mile LLC

Address: 2101 W. Coast Hwy.

Commercial Marina: 55,999 s.f.
 Private Tidelands: 24,459 s.f.
 Total: 80,458 s.f.



**Newport Bay Management LLC
 (The Larson Group)**

Address: 2703 W. Coast Hwy.

Commercial Marina: 4,360 s.f.
 Shipyard: 3,639 s.f.
 Total: 7,999 s.f.



Newport Bay Towers

Address: 310 Fernando

Homeowners Association
 Non-Members: 14,896 s.f.
 Total: 14,896 s.f.



Newport Bay Villas, LLC (340 Inc)

Address: 2408 Newport Blvd.

Commercial Marina: 3,007 s.f.
 Total: 3,007 s.f.



Newport Harbor Nautical Museum
 (Discovery Cube's OceanQuest)
 (Explorocean)

Address: 600 E. Bay Ave.

Commercial Marina: 2,685 s.f.
 Vessel Rental Facility: 15,566 s.f.
 Vessel Charter Business: 3,112 s.f.
 Total: 21,363 s.f.



Newport Harbor Yacht Club

Address: 720 & 800 W. Bay Avenue

Commercial Marina: 14,252 s.f.
 Yacht Club Guest Slips: 27,624 s.f.
 Private Tidelands: 15,092 s.f.
 Total: 56,968 s.f.



NP Beach Marina LLC
(Newport Bay Marina)

Address: 2300 Newport Blvd.

Commercial Marina: 26,110 s.f.
Private Tidelands: 5,657 s.f.
Total: 31,767 s.f.



Overstreet, Dennis/Christine

Address: 2816 Lafayette

Commercial Marina: 494 s.f.
Private Tidelands: 812 s.f.
Total: 1,306 s.f.



Plaza del Sol (Jakosky)

Address: 3101 Coast Hwy.

Commercial Marina: 6,219 s.f.
Vessel Charger Business: 6,909 s.f.
Private Tidelands: 14,946 s.f.
Total: 28,074 s.f.



Port Calypso (Parker)

Address: 2633 Coast Hwy.

Commercial Marina: 9,000 s.f.
 Private Tidelands: 5,989 s.f.
 Total: 14,989 s.f.



Primm Family Trust (Div Bar)

Address: 2601 W. Coast Hwy.

Restaurant: 4,000 s.f.
 Private Tidelands: 1,814 s.f.
 Total: 5,814 s.f.



RREF II – WPG Waterfront, LLC

Address: 919 Bayside Drive

Commercial Marina: 29,453 s.f.
 Private Tidelands: 8,500 s.f.
 Total: 37,953 s.f.



South Coast Shipyard
 (leased from Sea Spray Boatyard – Pappas)

Address: 226 21st Street

Commercial Marina: 4,840 s.f.
 Shipyard: 1,640 s.f.
 Private Tidelands: 463 s.f.
 Total: 6,943 s.f.



South Coast Shipyard

Address: 223 21st Street

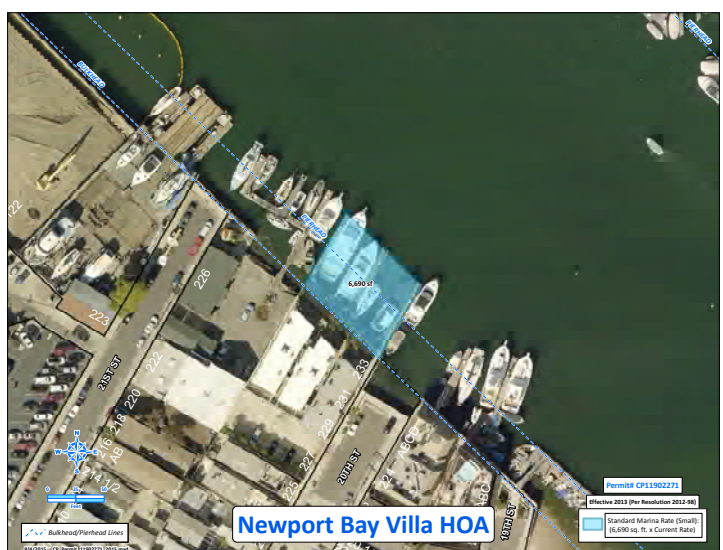
Shipyard: 3,630 s.f.
 Total: 3,630 s.f.



Sullivan, Robert L.

Address: 227 20th Street

Commercial Marina: 6,690 s.f.
 Total: 6,690 s.f.



Teller, Robert

Address: 504 S. Bay Front

Commercial Marina: 8,657 s.f.
 Total: 8,657 s.f.

Teller - 504 Bay Front S

The Winery, LP (3131 Pacific Coast)

Address: 3131 W. Coast Hwy.

Restaurant: 1,075 s.f.
 Private Tidelands: 6,055 s.f.
 Total: 7,130 s.f.

The Winery, LP

Ursini Family Limited Partnership and Blue Lido Real Estate Investment LP (Ursini, Francis / Bluewater)

Address: 630-670 Lido Park Drive

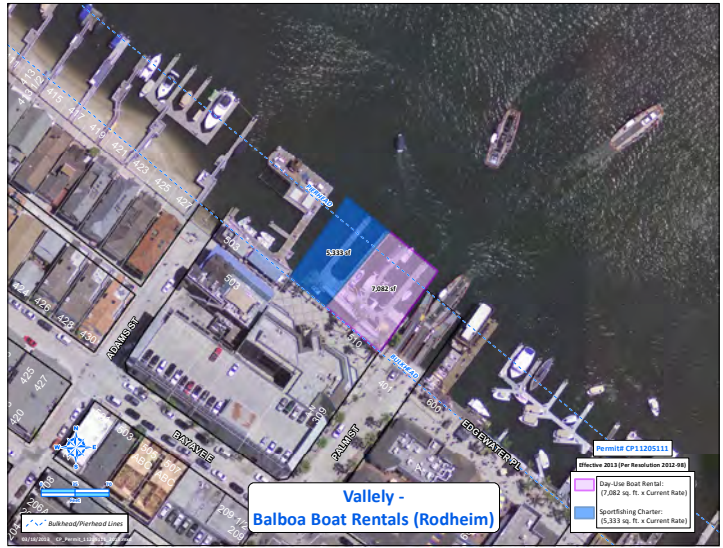
Commercial Marina: 4,929 s.f.
 Restaurant: 1,218 s.f.
 Vessel Charter Business: 3,539 s.f.
 Private Tidelands: 3,785 s.f.
 Total: 13,471 s.f.

Bluewater Marina

Vallely Investments
(Balboa Boat Rentals – Rodheim)

Address: 511 Edgewater Place

Vessel Rental Facility: 7,082 s.f.
 Sport Fishing Charter: 5,333 s.f.
 Total: 12,415 s.f.



Vallely Marina

Address: 508 S. Bay Front

Commercial Marina: 3,159 s.f.
 Total: 3,159 s.f.



Vikings Port Marina, LLC
(Lenich Living Trust)

Address: 2547 W. Coast Hwy

Commercial Marina: 4,000 s.f.
 Private Tidelands: 2,090 s.f.
 Total: 6,090 s.f.



Vista del Lido

Address: 611 Lido Park Drive

Commercial Marina: 15,674 s.f.
 Total: 15,674 s.f.



Waterfront Newport Beach, LLC

Address: 2901 W. Coast Hwy.

Vessel Charter Business: 15,224 s.f.
 Total: 15,224 s.f.



Woody's Wharf

Address: 2318 Newport Blvd.

Restaurant: 4,510 s.f.
 Total: 4,510 s.f.



PERCENTAGE RENT SURVEY

FUEL SALES

JURISDICTION	% RENT RANGE
Marina del Rey	\$0.15/gallon
King Harbor/Redondo Beach	5.50%
Dana Point	Diesel = 2.5% Gas = 3.0%
Mission Bay/San Diego	Diesel = 1.5% Gas = 3.0%
San Diego Port District	Diesel = \$0.02/gal Gas = \$0.04
Port of Los Angeles	Diesel = \$0.005-0.025/gal Gas = \$0.025/gal
Ventura Harbor	Diesel = \$0.018/gal Gas = \$0.015/gal

SPORT FISHING CHARTERS

JURISDICTION	% RENT RANGE
Marina del Rey	4.5-6.0%
Mission Bay/San Diego	7.0%
San Diego Port District	6.0%
Port of Los Angeles	3.5%
Ventura Harbor	6.0-8.5%
Sunset Harbor, Huntington Beach	10.0%
Channel Islands Harbor, Oxnard	5.0%

BOAT RENTALS

JURISDICTION	% RENT RANGE
King Harbor/Redondo Beach	12.5-20.0%
Mission Bay/San Diego	7.0-10.0%
San Diego Port District	10.0%
Port of Los Angeles	3.5-5.0%
Ventura Harbor	7.0%
Sunset Harbor, Huntington Beach	10.0%
Channel Islands Harbor, Oxnard	5.0%

SHIP CHANDLERY

JURISDICTION	% RENT RANGE
Marina del Rey	2.0%
King Harbor/Redondo Beach	4.0-5.0%
Mission Bay/San Diego	2.0-4.0%
San Diego Port District	4.0%
Port of Los Angeles	1.0-4.0%
Ventura Harbor	3.0%
Sunset Harbor, Huntington Beach	5.0%
Channel Islands Harbor, Oxnard	3.0%

BAIT SALES AND EQUIPMENT RENTAL

JURISDICTION	% RENT RANGE
Marina del Rey	4.0-5.0%
King Harbor/Redondo Beach	5.5%
Mission Bay/San Diego	7.0%
San Diego Port District	6.0%
Port of Los Angeles	3.0-3.5%
Ventura Harbor	5.0%
Sunset Harbor, Huntington Beach	5.0%
Channel Islands Harbor, Oxnard	5.0%

BOAT SALES - New and Used

JURISDICTION	% RENT RANGE
Marina del Rey	1.0%
King Harbor/Redondo Beach	1.0-1.5%
Mission Bay/San Diego	2.0%
Port of Los Angeles	1.0%
Ventura Harbor	1.0%
Sunset Harbor, Huntington Beach	1.0%
Channel Islands Harbor, Oxnard	1.0%

YACHT CLUB DUES AND GUEST FEES


JURISDICTION	% RENT RANGE
Marina del Rey	15.0%
King Harbor/Redondo Beach	6.0%
Mission Bay/San Diego	7.0%
San Diego Port District	9.4%
Channel Islands Harbor, Oxnard	10.0%
Santa Barbara Harbor	10.0%

CERTIFICATION

The undersigned hereby certifies that:

1. I have made personal inspections of the subject properties throughout Newport Harbor on various occasions over the past 25 years.
2. To the best of my 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. I have no present or prospective interest in the properties that are the subject of this report. I have no personal interest or bias with respect to the subject matter of this report or the parties involved. This report is Phase 2 of an appraisal of City of Newport Beach Tidelands. The first report (Phase 1), the subject of which was tidelands dedicated to large commercial marina use, was submitted by this office on April 7, 2016. Otherwise, I have not performed any services, as an appraiser or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding the acceptance of this assignment.
5. The engagement of my firm and the compensation for this assignment are not contingent upon the development or reporting of a predetermined value or result, 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 directly related to the intended use of this appraisal.
6. This report is not conditioned upon a requested minimum valuation, a specific valuation, or the approval of a loan.

7. This 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.
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, I have completed the requirements of the continuing education program of the Appraisal Institute.



Casey O. Jones, MAI
(State Certified General Real Estate
Appraiser No. AG041862)

LIMITING CONDITIONS

The Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute 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 properties are set forth below. Other assumptions and conditions may be cited in relevant sections of the following report.

1. That the date of value to which the conclusions and opinions expressed in this report apply is March 15, 2016. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American dollar existing on that date.
2. That the appraiser assumes no responsibility for economic or physical factors which may affect the opinion herein stated occurring at some date after the date of value.
3. That the appraiser reserves 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. That 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. That no engineering survey has been made by the appraiser. 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. That 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.

LIMITING CONDITIONS - continued

8. That 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.

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. That no soil reports concerning the subject property were available. This valuation is based upon the premise that soil and underlying geologic conditions are adequate to support standard construction consistent with highest and best use.
10. That no specific information was available for my review relating to hazardous materials or toxic wastes that may affect the appraised property. Unless otherwise stated in the report, I did not become aware of the presence of any such material or substance during our investigation or inspection of the appraised property. However, I am 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 properties 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. This Appraisal Report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is 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 author.

QUALIFICATIONS OF CASEY O. JONES, MAI

Member of the Appraisal Institute
California Certified General Real Estate Appraiser, License No. AG041862

Education:

University of Southern California, Bachelor of Arts

Advanced Study - University of Southern California, Master of Fine Arts, 1978

Real Estate Appraisal Courses (*Appraisal Institute*):

Appraisal Principles
Appraisal Procedures
Basic Income Capitalization
Standards of Professional Practice
Business Practices and Ethics
Apartment Valuation
Advanced Income Capitalization
General Market Analysis and Highest and Best Use
Advanced Sales Comparison and Cost Approaches
Report Writing and Valuation Analysis
Advanced Applications
Comprehensive Appraisal Workshop
Litigation Professional Program
Federal and California Statutory and Regulatory Law Course

Real Estate Appraisal Seminars (Partial List)

Litigation Seminars, 2007, 2009-2012, 2014-2016
Market Trends Seminars: LA/ OC/ Inland Empire
Conservation Easement Valuation
Real Property Damages Valuation
Project Delay Economics
Hydraulic Fracking and Property Rights
Entitlements in Real Property Appraisals

Professional Affiliations:

Appraisal Institute (MAI Member No. 12935)

Regional Representative (Region VII), 2012-2015

International Right of Way Association

Chapter 67 Valuation Chair, 2011-2012, 2014-2017

Employment:

1/91 - Present: Real Estate Appraiser and Consultant
George Hamilton Jones Inc., Newport Beach, California

Scope of Experience (Partial List):

Appraisal experience includes valuations of most categories of real property and appraisal reviews. Interests appraised include fee simple, leased fee, leasehold, fair market rent, partial acquisitions, easements and rights-of-way. Work has been primarily carried out throughout Southern California.

Property Types:

Single Family Residences	Apartments
Condominiums	Residential Subdivision Acreage
Commercial Buildings	Retail Buildings
Industrial Buildings	Office Buildings
Retail Centers	Service Stations
Vacant Lots/ Land (All types)	Medical Buildings
Mobile Home Communities	Marinas
Conservation/Mitigation Land	Leasehold/ Leased Fee (Residential and Commercial)
Church	Waterfront and Oceanfront Properties
Hotels	Yacht Clubs
Right of Way Corridors	Wetlands
Tidelands	Shipyards

Speicalized Properties and Assignments (Partial List):

Marina Pacifica – 569-unit condominium underlying land revaluation, Long Beach
Kilroy Airport Center Office Complex, Long Beach
Leasehold Residential Subdivision Land, Custom Waterfront Lots, Newport Beach
Tidelands, fair rental value at Harbor Island, Newport Beach
Tidelands, Lido Marina Village, Newport Beach
Colonies Parkway, Upland – commercial/residential planned community/water rights
Inland Center Mall – partial acquisition freeway on/off ramp
Residential Subdivison – Regulatory Taking, Inverse Condemnation, San Juan Capistrano
BNSF Railway – aerial and other easement acquistions, Anaheim
Valley View Grade Separation – land and easement acquisitions, Santa Fe Springs
245 acres of conservation/mitigation land, San Diego County
100 acres wetlands, Huntington Beach
Avalon Canyon Road right of way acquisition, Avalon, Catalina Island
Mt. Ada Historic Property, value restricted to elemosynary purposes, Avalon
Residential subdivision land for mitigation/low-cost housing, Avalon
H.U.D Apartment Project, Downey
12-acre vineyard and residence, Bel-Air
Dana Point Yacht Club, fair market rent

Newport Beach Tennis Club
Lyon Copley Corona Association – 950-acre planned unit community
Port of San Pedro, Terminal and Wharf Facility, leasehold interest
Properties with soils, subsidence or construction defects issues in Southern California
Fair rental land valuations in Marina del Rey
Rancho Mission Viejo – Trampas Reservoir
Mt. Ada/Wrigley Estate (Catalina Island) – eleemosynary valuation

Clients – Attorneys & Corporations (Partial List):

Anglin, Flewelling, Rasmussen, Campbell & Trytten, LLP – John Anglin, Attorney
Ayres Hotels
The Bixby Ranch Company
Barger & Wolen – Don Adkinson, Attorney
Borchard Redhill, LP
Curci Companies
Endangered Habitat League
Greenberg Traurig, LLP – Cris K. O’Neill
Hines Hampton LLP – Brian Pelanda, Nicole Hampton
The Irvine Company
The Kilroy Realty Corporation
La Jolla Bank
Lanphere Law Group – Michael A. Lanphere
Nossaman, Guthner, Knox & Elliott – Alvin S. Kaufer, James C. Powers, Attorneys
Mira Mesa Shopping Centers
Munger, Tolles & Olson LLP – Richard Volpert, Attorney
Murphy & Evertz – John Murphy, Jennifer Dienhart, Attorneys
Palmieri, Tyler, Wiener, Wilhelm & Waldron – Michael H. Leifer, Attorney
The Santa Catalina Island Company
Rutan & Tucker, LLP – Stephen A. Ellis
Sall Spence Callas & Kreuger – Suzanne Burke Spencer
Stephens Friedland LLP – Todd Friedland
Waldron & Bragg, LLP – Gary Waldron, John Olson, Attorneys

Clients – Public Agencies, Governmental (Partial List):

City of Newport Beach
City of San Juan Capistrano
City of Long Beach
County of Orange
County of Los Angeles Beaches and Harbors
County of Los Angeles Board of Harbor Commissioners
Santa Margarita Water District
State of California Department of Transportation (Caltrans)
State of Nevada Department of Transportation (NDOT)
University of California
(Updated 1/17)