

Attachment A

Appraisal Report – Fair Market Rent, Onshore Moorings, Netzer & Associates, dated
December 21, 2021

APPRAISAL REPORT

FAIR MARKET RENT
ONSHORE MOORINGS
NEWPORT BEACH, CALIFORNIA

DATE OF VALUE
DECEMBER 15, 2021

PREPARED FOR

LAUREN WOODING WHITLINGER
REAL PROPERTY ADMINISTRATOR
COMMUNITY DEVELOPMENT DEPARTMENT
CITY OF NEWPORT BEACH
100 CIVIC CENTER DRIVE
NEWPORT BEACH, CALIFORNIA 92660

PREPARED BY

NETZER & ASSOCIATES
170 E. SEVENTEENTH STREET, SUITE 206
COSTA MESA, CALIFORNIA 92627
FILE NO. 2021-028

NETZER & ASSOCIATES

Real Estate Appraisal & Consulting

December 21, 2021

File No. 2021-028

Lauren Wooding Whitlinger
Real Property Administrator
Community Development Department
City of Newport Beach
100 Civic Center Drive
Newport Beach, CA 92660

Re: RFP 21-53 Onshore Mooring Appraisal
Fair Market Rent - Onshore Moorings
City Administered/Managed Tidelands
Newport Beach, California

Dear Ms. Wooding Whitlinger:

In accordance with your request and authorization, I have undertaken the investigations and analyses necessary to estimate the Fair Market Rent, in the above referenced real property, which is the subject of this report. James B. Netzer conducted inspections of a representative sampling the subject properties in October and November 2021.

Based upon the work undertaken and my experience as a real estate analyst and appraiser, I have formed the opinion, as of the 15th day of December 2021, subject to the Assumptions and Limiting Conditions contained in this report, that the subject has the following market value:

Monthly Fair Market Rent - as of December 15, 2021
\$20.00 per Linear Foot of Mooring, or \$360.00 per Month

The outbreak of COVID-19, commonly referred to as the coronavirus, has caused significant disruption of the financial markets, both in the United States and worldwide. Because of the rapidly changing environment, market participants (buyers, sellers, brokers, lenders, appraisers, tenants) in the real estate market have yet to formulate their opinions on the impact the virus and related stay-at-home orders, business closures and social distancing recommendations, in making their real estate investment decisions. I have relied on the economic trends and comparable sale transactions, which occurred before and during the global pandemic, in this analysis. In the short-term it is very possible that there may be a significant slowdown in real estate transaction activity, which may impact pricing, return requirements and investment expectations. In addition, it may have an impact on operating expenses and occupancy levels. Only time will reveal how this pandemic will affect property value and the long-term impact on pricing cannot be predicated at this time and will depend on the length and severity of the global pandemic. I reserve the right to make such adjustments to the analysis, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Lauren Wooding Whitlinger
December 21, 2021
Page 2

This letter of transmittal must remain attached to this appraisal report, which contains 38 pages plus related exhibits, in order for the value opinions set forth to be considered valid.

I invite your attention to the following appraisal report which has been prepared in accordance with RFP 21-035, the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and is in compliance with the USPAP standards, and sets forth the data and analysis which my opinions are, in part, predicated. Thank you for the opportunity of serving you in this matter.

Respectfully submitted,



James B. Netzer, MAI
California General Appraiser No. AG003143

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CERTIFICATION

To the best of my knowledge and belief, I certify that:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved in the assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation 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.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the *Uniform Standards of Professional Appraisal Practice*.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

I have made a personal inspection of a representative sampling of the properties that are the subject of this report.

No one provided significant professional assistance to the person signing this report.

In accordance with the USPAP Competency Provision, I certify that I have the knowledge and experience to complete this assignment and have appraised this property type before.

Disclosure of the contents of this appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute. In furtherance of the aims of the Institute to develop higher standards of professional performance by its Members, the appraisers may be required to submit authorized committees of said Institute copies of this report and any subsequent changes or modifications thereof.

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAI's who meet the minimum standards of this program are awarded periodic

educational certification. As of the date of this report, I have completed the requirements under the continuing education program of the Appraisal Institute.

I have personally conducted an inspection of a representative sampling of the “onshore” moorings located throughout Newport Harbor, which are the subject of this report. Based upon my investigation and analysis, I have formed the opinion that the Monthly Fair Market Rent for the “onshore” moorings located on the tidelands managed by the City of Newport Beach, as of December 15, 2021, is: \$20.00 per Linear Foot of Mooring, which equates to an absolute rent of \$360.00 per month (\$20.00/LF x 18 LF).

Respectfully submitted,



James B. Metzger, MAI
California General Appraiser No. AG003143

INTRODUCTION

Purpose of Report

The purpose of this report is to set forth the data, analyses, and conclusions relative to my opinion of the current Fair Market Rent for the “onshore” moorings located upon City managed tidelands throughout Newport Harbor.

Function of Report

The function of this report is to estimate the current Fair Market Rent for the “onshore” moorings located upon City managed tidelands throughout Newport Harbor for the City’s internal purposes. The appraisal is made at the request of the City of Newport Beach, who is the intended user of this report.

Date of Value

The date of value presented in this report is December 15, 2021. Given the number of shore moorings involved in this report not every mooring was inspected individually and inspections of a representative sampling of the onshore moorings and the surrounding environs were completed during October and November 2021.

Scope of Investigation

This report conveys the results of my investigations and analyses concerning the subject property. The report includes a summary of the information utilized and the methodology used in determining an estimate of value.

Interest Appraised

The interest appraised and considered in this appraisal is the Fee Simple Estate, under the assumption that the subject moorings can be “leased” or “rented” in compliance with Harbor Code Chapter 17.60.040 to individual permit holders (lessee). The term “Fee Simple Estate”¹ is defined as follows:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

Market Value Defined

The term “Market Value”², as used in this report, is defined as follows:

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

¹ Appraisal Institute, The Dictionary of Real Estate Appraisal, Sixth Edition, (Chicago, 2015), p. 90.

² Appraisal Institute, The Dictionary of Real Estate Appraisal, Sixth Edition, (Chicago, 2015), p. 142.

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 own best interests;
3. A reasonable time is allowed for exposure on the open market;
4. Payment is made in 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 or creative financing or sales concessions granted by any one associated with the sale.

Market Rent Defined

The term “Market Rent”³, as used in this report, is defined as follows:

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

Bulkhead Line Defined

The term “Bulkhead Line”⁴, shall mean the harbor/land water perimeter lines established in Newport Harbor by the Federal Government which define the permitted limit of filling or solid structures that may be constructed in Newport Harbor. The establishment of the bulkhead lines does not necessarily allow the property owner to build to the limits of the bulkhead line due to potential environmental considerations established by the State of California and/or the Federal government.

Mooring Defined

The term “Mooring”⁵ shall mean a device consisting or a floating buoy or other object that is secured to the harbor bottom by an anchor system for purposes of securing a vessel and includes any apparatus used to secure a vessel in Newport Harbor which is not carried aboard such vessel as regular equipment when under way.

³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Chicago, 2015), p. 140.

⁴ City of Newport Beach, Harbor Code, Chapter 17.01.030.B.9.

⁵ City of Newport Beach, Harbor Code, Chapter 17.01.030.J.7.

Mooring Area Defined

The term “Mooring Area”⁶ shall mean an area designated for a group of moorings.

Offshore Mooring Defined

The term “Offshore Mooring”⁷ shall mean a mooring that is located bayward of the pierhead line and is comprised of a single or double buoy, weight and chain installed for the purpose of berthing a vessel, as provided in Chapter 17.25.

Onshore Mooring Defined

The term “Onshore Mooring”⁸ or “shore mooring” shall mean a mooring for vessels which is located in the nearshore perimeter of the harbor and its islands, perpendicular to the shoreline, where one end of the mooring line is attached to a point on or adjacent to the bulkhead, and the other end is attached to a single buoy, weight and chain installed for the purpose of berthing a vessel, as provided in Chapter 17.25.

Permittee(s) Defined

The term “Permittee(s)”⁹ shall be a person or entity who holds a validly issued permit under any provision of this title.

Pierhead Line Defined

The term “Pierhead Line”¹⁰, shall mean the harbor water area perimeter lines established in Newport Harbor by the Federal government or the City, in cooperation with private associations, that define the permitted limit of fixed pier, floating dock and other in-water structures which may be constructed in the harbor. The pierhead line typically shall define the limit of pier and floating dock structures and defines the limit of construction except as otherwise approved by the Harbor Commission.

Project Line Defined

The term “Project Line”¹¹, shall mean the harbor water area channel lines of the improvements and by the Federal Government in 1935 through 1936.

⁶ City of Newport Beach, Harbor Code, Chapter 17.01.030.J.8.

⁷ City of Newport Beach, Harbor Code, Chapter 17.01.030.L.1.

⁸ City of Newport Beach, Harbor Code, Chapter 17.01.030.L.2.

⁹ City of Newport Beach, Harbor Code, Chapter 17.01.030.M.3.

¹⁰ City of Newport Beach, Harbor Code, Chapter 17.01-030.M.6.

¹¹ City of Newport Beach, Harbor Code, Chapter 17.01-030.M.8.

Tidelands Defined

The term “Tidelands”/¹² or “Public Tidelands” shall mean all lands that were granted to the City by the State of California, including, but not limited to, submerged lands and/or lands that are located between the lines of mean high tide and mean low tide.

Uplands Defined

The term “Upland”/¹³ shall mean land with a shared property line with and immediately adjacent to Newport Harbor.

Probability of Change

The opinion of value is based upon my knowledge of conditions as of the date of this report. Constantly changing economic, social, political and physical conditions have varying effects upon real property values. Even after the passage of a relatively short period of time, property values may change substantially and require a review based on differing market conditions. **This is especially relevant due to the current issues surrounding the market’s reaction to the COVID-19 virus, and the impact on the market value as of the date of this appraisal cannot be measured.**

Legal Descriptions

I have not been provided with the legal description of the property; however, this does not impact the analysis or conclusions presented.

Owner of Record and Property History

It is assumed that title to all of the tidelands and submerged tideland properties being appraised is vested in the City of Newport Beach or the State of California and administered and managed by the City of Newport Beach. Unless specifically addressed in this report, none of the properties have transferred or been encumbered with long term leases in the recent past.

Assumptions and Limiting Conditions

The analyses and opinions in this report are subject to the following assumptions and limiting conditions:

Specific

The analysis presented is completed on a “global” basis to establish a “benchmark” Fair Market Rent for the “onshore” moorings and applies to all of the onshore moorings located upon the tideland properties that are under the jurisdiction of the City of Newport Beach. The use set forth in the report are assumed to be the Highest and Best Use of the tidelands. I reserve the right to make such adjustments to the analysis, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

¹² City of Newport Beach, Harbor Code, Chapter 17.01.030.P.1.

¹³ City of Newport Beach, Harbor Code, Chapter 17.01.030.Q.1.

General

No investigation of title to the property has been made, and the premises are assumed to be free and clear of all encumbrances, leases, use restrictions, easements, cases or actions pending, except as specifically discussed in this report. Title is assumed to be good and marketable, and that the property is under responsible ownership, competent management and available for its highest and best use.

No survey, legal, or engineering analysis of this property has been made by the appraiser. I assume no responsibility for any condition not readily observable from the customary inspection of the premises, and that there are no hidden or unapparent conditions of the property, subsoils or structures that render it more or less valuable, except as noted herein.

The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocation for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

The maps, plats, photographs, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the appraisal. They should not be considered as surveys nor relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

I assume no responsibility for economic or physical factors, which may affect the opinions herein, stated which might occur at some date after the date of value. I reserve the right to make such adjustments to the analysis, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Information contained in this appraisal has been gathered from sources, which are believed to be reliable, and where feasible, has been verified. No responsibility is assumed for the accuracy of information supplied by others.

No opinion is expressed as to the value of sub-surface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials except as expressly stated.

The property is appraised assuming to be in full compliance with all applicable federal, state, and local environmental regulations and laws, unless otherwise stated.

The property is appraised assuming that all applicable zoning and use regulations and restrictions have been complied with, unless otherwise stated.

The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based, unless otherwise stated.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA in estimating the value of the property has not been considered.

Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no material on or in the property that would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired. If the client is aware or becomes aware of any conditions, the appraiser should be consulted immediately to assess the impact, if any, upon the market value.

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.

No opinion is intended to be expressed, or implied, for matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.

I shall not be required, by reason of this appraisal, to give testimony or to be in attendance in court or any governmental or other hearing with reference to the property without prior arrangements having first been made with me relative to such additional employment.

Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser. I do not authorize out of context quoting, or partial reprinting of the report. In the event the report is placed in the hands of a third party, it is requested that such party be made cognizant of any and all limiting conditions resulting in the basis of my employment and the discussions thereto, as well as those set forth herein.

The submission of this report constitutes the completion of the service authorized. It is submitted upon the condition that the client will provide the appraiser customary compensation relative to any subsequent required deposition, conferences, additional preparation or testimony.

The appraiser respectfully requests that neither all nor part of the contents of this report shall be disseminated to the public through advertisement, public relations, news, sales, or other media, without written consent and approval of the author, particularly the valuation conclusions, the identity of the appraiser, or any reference to the Appraisal Institute or the MAI designation.

In the event the appraiser is subpoenaed for a deposition, judicial or administrative proceeding, and is ordered to produce his appraisal report and file, the appraiser will immediately notify the employer.

It shall be the responsibility of the employer to obtain a protective order.

The liability of Netzer & Associates and the appraiser responsible for this report is limited to the client only and to the fee actually received by the appraiser. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way responsible for any costs incurred to discover or correct any deficiencies of any type present to the property -- physical, financial, and/or legal.

It is agreed that the appraiser is not a necessary party in any inquiry or judicial proceedings. If called upon to testify in any litigation or other proceeding arising out the duties in this matter, and

is compelled to incur court costs, attorney's fees or other out-of-pocket expenses in connection with court proceedings, such costs or expenses, together with the appraisers' usual hourly per diem applicable for study, preparation, testimony or travel will be paid by the party (or parties) who acts to bring any suit requiring a judicial proceeding.

Any dispute or claim made with respect to this report shall be submitted to and resolved in accordance with the rules of the American Arbitration Association for arbitration, and the decision of the Association shall be binding. All appraisal services, pursuant to this report, shall be deemed to be contracted for and rendered in Orange County, California, and any arbitration or judicial proceedings shall take place in Orange County, California.

The signatory of this appraisal report is a member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member to control the use and distribution of each appraisal report signed by such member. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may not distribute copies of this appraisal report, in its entirety, without the written consent of the signatory of this report. The report and parts thereof and any additional material submitted, may not be used in any prospectus or printed material used in conjunction with the sale of securities or participation interests in any Public Offering as defined under US Security laws. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media, or other media for public communication without the prior written consent of the signatory of this appraisal report.

AREA DESCRIPTION

Newport Harbor is the focal point of the incorporated city of Newport Beach, which is located in coastal Orange County approximately 10 miles southwest of the Santa Ana Civic Center. The coastal city was incorporated on September 1, 1906. The U.S. Census Bureau reports an estimated population of 85,239 persons as of April 2020, an increase from 85,186 persons as of the 2010 Census. According to the City Chamber of Commerce, the influx of the tourist population during the summer months increases the population to over 100,000 persons.

Newport Beach is located 85 miles north of San Diego, 14 miles south of Long Beach and 50 miles from downtown Los Angeles. The City's elevation ranges from sea level to 691 feet. With the annexation of Newport Coast, the City is comprised of approximately 25 square miles of land area, approximately 25.5 square miles bay, harbor and ocean waters for a total area of approximately 50.5 square miles. The city has 6.1 miles of ocean frontage and 25.4 miles of harbor frontage. Newport Harbor is one of the largest pleasure craft harbors on the West Coast and is home to approximately 9,900 boats, 1,230 piers, 2,330 commercial slips and side ties and 1,160 moorings. Newport Harbor is formed by the Balboa Peninsula on south and the mainland on the north and extends inland to Jamboree Road and the north end of the Upper Newport Bay (Back Bay). The primary focus of this assignment is the Lower Newport Bay, which is generally defined as the water area south of the Coast Highway Bridge near the intersection of Coast Highway and Dover Drive. Traditionally, most of the boating activity within the harbor is concentrated in the Lower

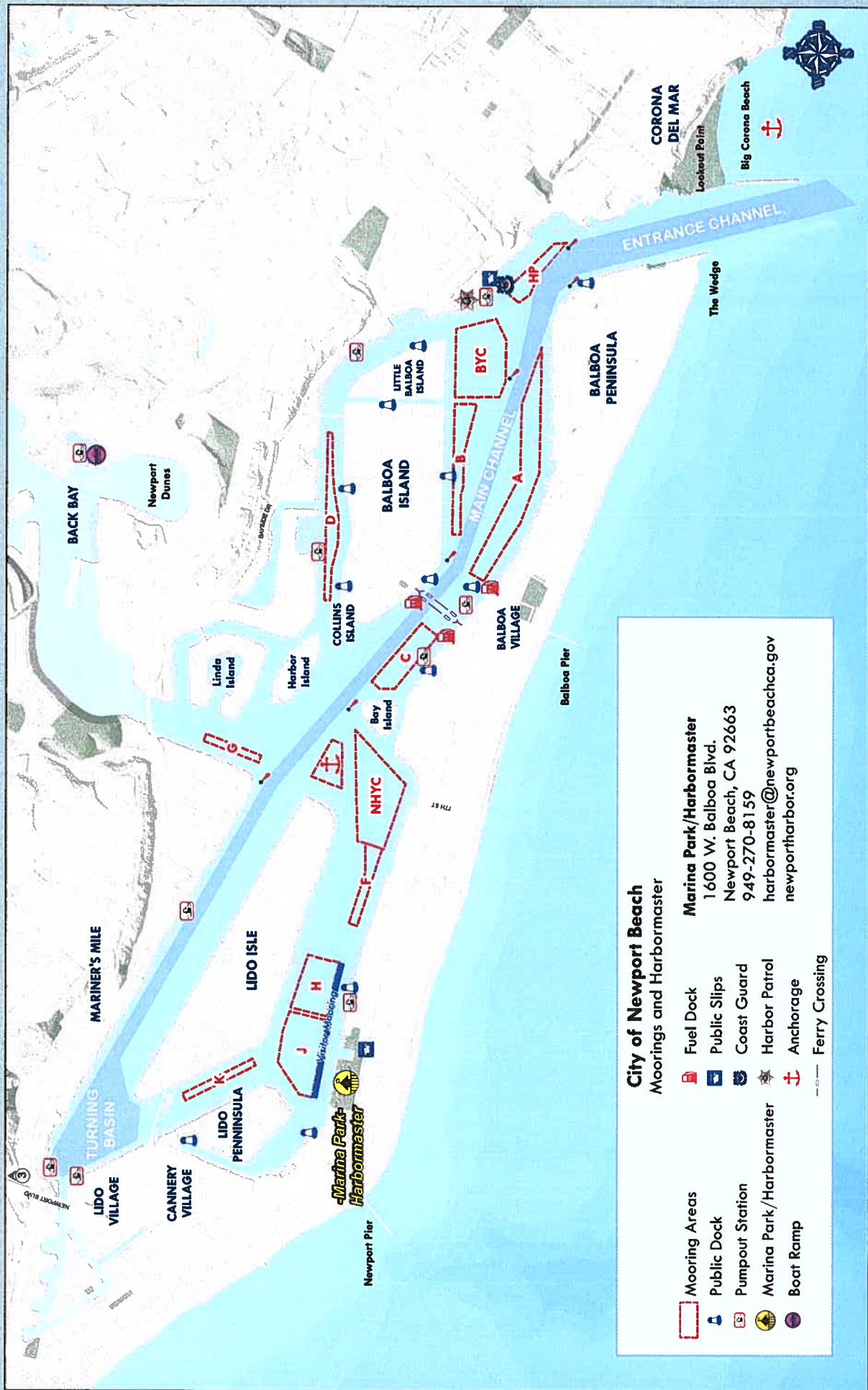
Bay as most of the Back Bay is an ecological preserve with limited boating facilities (Newport Dunes, Newport Aquatic Center, U.C.I. Rowing base, Bayside Village and Dover Shores). The Balboa Peninsula consists of all the contiguous land east of 45th Street extending to Peninsula Point and the jetty at the mouth of Newport Harbor. The south side of the Peninsula consists of sandy beaches on the Pacific Ocean while the north side of the Peninsula forms the southern perimeter of Newport Harbor.

MOORING DESCRIPTION

Within Newport Harbor there are “onshore” and “offshore” mooring occupying the tidelands that are managed by the City of Newport Beach. There are approximately 1,159 on-shore and off-shore moorings in Newport Harbor. The off-shore moorings are located at ten locations throughout the harbor with two additional locations located by the Newport Harbor Yacht Club and the Balboa Yacht Club. These two locations are largely for the exclusive use of the yacht club membership. The on-shore moorings are located surrounding Balboa Island, along various sections on the bay side of the peninsula from Peninsula Point to 20th Street, surrounding Newport Island and on sections of Lido Isle. Most Lido Isle shore moorings are for the exclusive use of members of the Lido Isle Community Association (LICA). A map showing the location of the moorings is included on the next page. The following table is a summary of the mooring areas based on information provided by the Harbor Department.

Mooring Area	Mooring Type	Area (Sq.Ft.)	No. of Moorings	Location
A	Offshore	964,786	133	N/S of Peninsula between A Street & L Street
B	Offshore	367,221	61	S/O Balboa Island between Collins & Grand Canal
BYC	Offshore	852,008	79	W/O Balboa Yacht Club – members & +17 private
C	Offshore	385,811	54	N/S of Peninsula between Medina Way & Adams Street
D	Offshore	319,247	56	N/S of Balboa Island between Emerald & Onyx
E	Onshore	--	32	E/S of Little Balboa Island
F	Offshore	N.Av.	22	N/S of Peninsula between 9 th Street & 12 th Street
G	Offshore	102,130	18	E/O Bayshores Community
H	Offshore	458,738	91	N/S of Peninsula between 13 th Street & 15 th Street
J	Offshore	672,686	122	N/S of Peninsula between 15 th Street & 18 th Street
K	Offshore	138,265	22	S/O Lido Isle between Via Genoa & Via Barcelona
L	Onshore	--	46	Lido Isle Community Association onshore moorings
LN	Onshore	--	15	N/S of Lido Isle
LS	Onshore	--	7	S/S of Lido Isle
N	Onshore	--	136	N/S of Balboa Island
NHYC	Offshore	N.Av.	73	N/O Newport Harbor Yacht Club – members only
S	Onshore	--	155	S/S of Balboa Island
W	Onshore	--	37	Newport Island/Marcus Ave./River Ave./Finley Avenue
Offshore - Subtotal			731	
Onshore - Subtotal			428	
Total Moorings:			1,159	

This report addresses the Fair Market Rent for the 428 onshore moorings.



City of Newport Beach Moorings and Harbormaster

	Mooring Areas		Fuel Dock
	Public Dock		Public Slips
	Pumpout Station		Coast Guard
	Marina Park/Harbormaster		Harbor Patrol
	Boat Ramp		Anchorage
			Ferry Crossing

Marina Park/Harbormaster
1600 W. Balboa Blvd.
Newport Beach, CA 92663
949-270-8159
harbormaster@newportbeachca.gov
newportharbor.org

HIGHEST AND BEST USE

Highest and Best Use" is an appraisal concept which is defined in The Dictionary of Real Estate Appraisal, Sixth Edition, as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria that must be met are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Inherent in this definition are several conditions, which must be satisfied by the existing or proposed use in order to develop the maximum value. The use must be physically possible for the site. Soil condition, topography, size and shape must be compatible with the proposed use. The use must be legally permissible in that it must conform to current or projected zoning. Similarly, the use must not be precluded by deed restrictions or other encumbrances, which may limit potential uses. Also, the use must be economically feasible. The market should indicate sufficient economic demand so as to support a proposed use of the site. Among the various uses that meet the above criteria, the use which creates the greatest rate of return and maximum productivity is considered to be the highest and best use of the site.

Highest and Best Use Criteria - As If Vacant/As-Improved

A complete Highest and Best Use study of the tidelands and submerged tidelands that support the onshore moorings is beyond the scope of this assignment. The analysis presented is on a "global" basis and it is a Specific assumption of the report that the Highest and Best Use of the tidelands properties "as if vacant" and "as improved" is for "onshore" moorings.

APPRAISAL PROCEDURES

The appraisal of real property generally involves one, two or three of the conventional approaches to value, and is based upon consideration of market-derived data, the experience of the appraiser, and opinions of other informed market participants.

Valuation Approaches

Three basic approaches to value are available to the appraiser: the Cost Approach, the Income Approach, and the Direct, or Sales Comparison Approach.

Cost Approach

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and economic factors affecting the property. The land value is then added to the depreciated cost along with an allowance for entrepreneurial profit to arrive at a value estimate.

Income Approach

This approach is based upon the theory that the value of property tends to be set by the net income that is to be realized by the owner. It is, in effect, the capitalization of expected future income into a present worth estimate. This approach requires an estimate of potential gross income, an analysis of all expense items, the selection of a capitalization rate, and finally, the processing of the net income stream into a value estimate.

Sales Comparison Approach

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they were acquired. This approach requires a detailed comparison of sales of comparable properties with the subject property.

Approaches Used in the Valuation of the Subject

The Sales Comparison Approach is based on the principal of substitution, which implies the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar desirability and utility within a reasonable amount of time. The Sales (or Lease) Comparison Approach is a process of comparing sale prices or lease rates paid for similar properties, prices asked by owners, and offers made by prospective buyers or lessees. The approach presents good evidence of value because it represents the actions of buyers and sellers, or in the case of leased properties Lessee's and Lessor's. Given the preceding discussion, and the interactions of market participants, the Sales (Lease) Comparison Approach is the most relevant approach in estimating the Market Value and Fair Market Rent and, as appropriate, is used in conjunction with the other methodologies.

TIDELANDS MARKET RENT ANALYSIS

The California Code of Regulations provides for rent based on the appraised land value multiplied by a rate of return. In the case of the onshore moorings, the **California State Lands Commission** has jurisdiction of the state's tidelands and submerged lands along the coastline extending from the shoreline out to three miles off-shore. One methodology used by the State Lands Commission to estimate tidelands rent for the "recreational" use of tidelands associated with upland properties is to multiply the "market value" by the "benchmark", or "mandated", annual rate of return. In the case of the onshore moorings, this is a four-step analysis with the basic steps set forth as follows:

- Step 1: Market Value of Upland Property (vacant site)
- Step 2: \times Discount(s) Applicable to Uplands Market Value

= Market Value of Tidelands
- Step 3: \times Applicable Rate of Return

= Market Rent of Tidelands required to Support Onshore Mooring
- Step 4: \times Square Feet of Tidelands to support Onshore Mooring

= Fair Market Rent for Onshore Mooring (then converted to rent per Linear foot)

The first step of this methodology is to determine the “market value” of the underlying land via the Sales Comparison Approach. In this approach, recent sales and current listings of similar properties are compared to the subject on the basis of the pertinent factors such as size, location, etc... An indication of value is then concluded based on a comparative analysis of these factors.

In the case of the onshore moorings the “land” is defined as the tidelands that support the mooring(s). This methodology is based on the premise that the highest and best use of the submerged land is to be used in conjunction with the upland property. Since there is no active real estate market for the sale of submerged tidelands, the Market Value of the State-owned tidelands that are administered by the City of Newport Beach, is based on an analysis of comparable upland sales. If the adjoining upland is a residential property, then the submerged land value can be estimated through the use of comparable sales of vacant residential lots or the allocated land value of nominally improved comparable sales. This appraisal method provides a “benchmark” uplands land value based on the sale of residentially zoned upland lots, which can then be utilized in estimating the current market rent based on the return on value analysis.

The upland land value may be discounted to reflect that the sovereign land (tidelands) to be leased may not have the same utility or intensity of use as the upland properties that were used to reach the concluded market value.

As noted, the Sales Comparison Approach is used to value the uplands as it has broad applicability and is persuasive when sufficient data is available. The Sales Comparison Approach is most useful when a number of similar properties have been sold in the subject market area. In the Sales Comparison Approach, I researched the Public Records, the local Multiple Listing Service (MLS) and conducted interviews with several market participants. In the Sales Comparison Approach, appropriate units of comparison provide a useful and meaningful method of analysis in estimating value. Vacant or nominally improved bayfront residential properties are generally compared on a price per square foot basis or a price per front foot along the bulkhead line.

In the case of estimating a “benchmark” market value for bay front land no specific upland “lot” or “site” within harbor was considered. However, the shore moorings are located over tidelands that do not have “joinder” with the uplands parcels; therefore, the comparable sale data have bayfront locations with property rights that extend to the Bulkhead Line with no joinder to the tidelands. The comparable sale data presented does not include properties that have a pier permit; therefore, there is no need to adjust that sale data for the incremental value associated with a residential pier permit, docking facilities and the permitted use of the tidelands between the Bulkhead and Pierhead Lines.

After identifying a number of potential sales, I selected the sales that had the most similar characteristics when compared to the subject property. The following table is a summary of the data, which is judged to be pertinent in the valuation of the subject.

BAYFRONT LAND SALE SUMMARY DECEMBER 2021						
Data No. Location Assessor Parcel No.	Sale Date Doc. No.	Site Area (Sq.Ft.)	Dimensions Frontage Depth	Orientation Property Condition	Total Sale Price	Sale Price \$/Sq.Ft. \$/Fr.Ft.
1/ 441 Via Lido Soud Lido Isle 423-205-11	7/29/2019 19-273835	2,700	30 LF 90 LF	Mid-block 1952 SFR Teardown	\$3,625,000	\$1,342.59 \$120,833
2/ 408 Via Lido Nord Lido Isle 423-181-05	7/7/2020 20-318117 3/8/2021 21-161507	3,150	35 LF 90 LF	Mid-block 1955 SFR Teardown	\$4,225,000 \$4,850,000	\$1,341.27 \$120,714 \$1,539.68 \$138,571
3/ 411 N. Bay Front Balboa Island 050-031-01	1/5/2021 21-30163	2,731	32.13 LF 91.03 LF (irregular)	Corner 1990 Teardown	\$4,530,000	\$1,658.73 \$140,990
4/ 139 N. Bay Front Balboa Island 050-021-02	6/15/2021 21-392763	2,564	30 LF 85.47 LF	Mid-block 1948 SFR Teardown	\$3,577,000	\$1,395.09 \$119,233
5/ 400 S. Bay Front Balboa Island 050-043-13 (renumbered)	7/19/2021 21-461499	2,591	30.48 LF 86.35 LF	Corner Vacant with Plans	\$5,150,000	\$1,987.65 \$168,963
6/ 402 S. Bay Front Balboa Island 050-043-13 (renumbered)	8/18/2021 21-520764	2,589	30.48 LF 86.30 LF	Mid-block Vacant with Plans	\$4,464,000	\$1,724.22 \$146,409
7/ 365 Via Lido Soud Lido Isle 423-167-04 (being subdivided)	Pending Sale	3,150	35 LF 90 LF	Interior Vacant with Plans	\$4,995,000 (list price)	\$1,585.71 \$142,714 (list price)

Discussion and Analysis

The six sales (including the re-sale of No. 2) and current listing are all bayfront sites that are located in Newport Harbor. All of the sales reflect the transfer of a fee simple interest and judged to reflect cash equivalent sale prices. All of the sales are considered relatively current and it was noted that the market, in spite of the COVID-19 pandemic and associated stay-at-home orders is active and appreciating. Relative to the “benchmark” property, the physical and legal characteristics (location, site area, topography, view, bay frontage, etc...) the sales data presented is judged to be reflective of the overall market for residential bay front land. As previously noted, the comparable

sale data ownership rights extend to the bulkhead line and do not include a residential pier permit, docking facilities and there is no incremental value associated with a residential pier permit and the permitted use of the tidelands between the Bulkhead and Pierhead Lines.

Comparable Sale One is located on the south side of Lido Isle with a “sunset” view across the harbor. The LICA shore moorings are located along this section of beach and there is 15-foot public right-of-way between the bayward property line and the Bulkhead Line that is improved with a common walkway. The site has 30-feet of frontage with a uniform depth of 90-feet. The site was improved with an approximately 2,370 square foot duplex that was constructed in 1952. The site was marketed as land value with plans for a 2,983 square foot single-family residence. A demolition permit was issued and then cancelled and the buyer completed an extensive renovation.

Comparable Sale Two is located on the north side of Lido Isle with an “inland” view across the harbor. The site has 35-feet of frontage with a uniform depth of 90-feet. The site has a 15-foot pedestrian right-of-way that separates it from the beach that supports LICA onshore moorings. The site was improved with a 2,800 square foot residence that was built in 1955. The site sold in July 2020 and re-sold in March 2021. It was marketed as having “great bones” and the buyer has applied for a demolition permit with a proposal to construct a new single-family residence. More emphasis is placed on the 2021 sale.

Comparable Sale Three is located on Balboa Island on the corner of Agate Avenue and N. Bay Front. The site is a parallelogram that has 32.13-feet of frontage on the Balboa Island boardwalk with a uniform depth of 91.03-feet. It has an “inland” view across the harbor. The site has a 10-foot pedestrian right-of-way between the bayside property line and the beach. The beach and tidelands at this location include a combination of onshore moorings and private piers. At the time of sale, the site was improved with a 2,731 square foot single-family residence that was built in 1990. The buyer has applied for a demolition permit to redevelop the site with a new 2,401 square foot single-family residence.

Comparable Sale Four is located near the west end of Balboa Island and has an “inland” view looking across the channel. The site has 30-feet of frontage on the boardwalk with a uniform depth of 90-feet. It was improved with a 920-square foot single-family residence. The buyer has applied for a Coastal Development Permit to raze the existing improvements and redevelop the site with a 2,301 square foot single-family residence.

Comparable Sales Five and Six are located near the Balboa Island Ferry and have “sunset” views (including the Pavilion) to the south across the channel. A larger, vacant site was subdivided into two lots that sold separately. Comparable Sale Five is a corner lot that has a wider view corridor to the south and southwest, relative to Sale Six that looks directly south. Comparable Sale Five included approved plans for a 2,703 square foot single-family residence with a 331 square foot

Junior Accessory Dwelling Unit (JADU). An application to construct a 2,721 square foot single-family residence and 308 square foot JADU had been submitted for Comparable Six; however, the approvals are pending. As Comparable Five and Six included approved (or submitted) plans they are given less emphasis in the final analysis.

Comparable Seven is the current listing of a site on Lido Isle. It has a “sunset “ view across the channel to the south. It is a larger site that is improved with a four-unit residential structure. The seller is in the process of subdividing the site and it is going to be delivered “vacant with approved plans”. This section of Lido Isle includes onshore moorings and the property rights extend to the 15-foot-wide public right-of-way that is improved with a pedestrian walkway. As this is a listing and reflects the asking price, which is reported to include approved plans, it is given secondary emphasis.

Comments & Conclusion

The sale data presented reflect the most pertinent data uncovered within the subject market area. The following is a summary of the items of comparison that have been considered in estimating the price per square foot and the market value for the subject property.

Market Conditions: When warranted, this is often referred to as a “time” adjustment.

Physical Characteristics: In general, the comparable properties have similar location, zoning, topography, view and are either vacant or were marketed as “land value” for their redevelopment potential. None of the sales include a pier permit, docking facilities or any property rights that extend beyond the Bulkhead line.

In order to estimate the market value of the subject as of the date of value, an analysis of the change in market conditions from the date the comparable property sold to the date of value is warranted. The preferred method of quantifying the change in market conditions is the “matched pairs” analysis. Using the “matched pairs” analysis to measure the change in market conditions attempts to isolate the difference in market value (price) by comparing properties with otherwise similar characteristics that sold at a different time, or under different market conditions. The most reliable measure is the sale and subsequent resale of the same property, where no improvements have been made to the property between the two sale dates. In theory, if the sale properties have similar physical and locational characteristics any difference in market value can be attributed to the “changing market conditions”.

Comparable Sale Two sold in July 2020 (\$4,225,000) and again in March 2021 (\$4,850,000). It was reported that there was no change in the property between the two dates. This sale suggests market appreciation of 14.79-percent (\$625,000 ÷ \$4,225,000) between July 2020 and March 2021, or a non-compounded rate of 1.85-percent per month.

A second method of measuring and quantifying the changing market conditions on a more global basis is an analysis using the median price for single-family residences in the Zip Code areas in and around the harbor (92661, 92662 & 92663). The period of interest is from July 2019 through the date of value. The market changes are analyzed based on the prices provided by Core Logic. The following table is a summary of the analysis for changing market conditions for sales occurring during that period. I have also included the Median figures for Orange County as a whole for the same time period. The median price is in the \$1,000's and the price per square foot is the actual figure. It should be noted that as of the date of this report the most recent statistics available are for October 2021.

	Time Period (A)	Time Period (B)	Absolute Difference (B - A = C)	Percentage Difference (C ÷ A = D)	Monthly Percentage (D ÷ C = E)
Date	7/2019	10/2021	27 months	N.A.	N.A.
Median Home Price (92661)	\$3,100	\$3,900	\$800	25.81%	0.96%
Median Price /Sq.Ft. (92661)	\$1,367	\$1,532	\$165	12.11%	0.45%
Total Sales – No. of Units	4	2			
Median Home Price (92662)	\$2,925	\$3,113	\$188	6.43%	0.24%
Median Price /Sq.Ft. (92662)	\$1,254	\$2,433	\$1,179	94.02%	3.48%
Total Sales – No. of Units	2	4			
Median Home Price (92663)	\$2,842	\$3,225	\$383	13.48%	0.50%
Median Price /Sq.Ft. (92663)	\$867	\$1,611	\$744	85.81%	3.18%
Total Sales – No. of Units	11	20			
Median Home Price (County)	\$800	\$1,040	\$240	30.00%	1.11%
Median Price /Sq.Ft. (County)	\$426	\$554	\$128	30.05%	1.11%
Total Sales – No. of Units	2,154	2,060			

Source: CoreLogic

The analysis of the median prices within the subject Zip Code areas indicates that both on an absolute basis and price per square foot, the market was increasing and the number of sales was relatively stable. On an absolute basis the Zip Code areas reflect an overall appreciation rate of under one-percent per month, while the price per square foot indications in two of the Zip Code areas showed significant appreciation – in excess of three-percent per month. This pattern is often seen in markets with older, smaller properties being purchased for renovation and re-sale or redevelopment. The countywide figures indicate that over the time period covered in both absolute terms and the price per square foot of living space were appreciating at a rate of approximately one-percent per month while the monthly sales volume was relatively stable. Based on the statistics presented, and recognizing some of the appreciation is the result of new construction and the rehabilitation/renovation of existing residential properties, I have concluded that a non-compounded adjustment of 1.0-percent per month for the change in market conditions between the sale date and the date of value is warranted.

The following table is a summary of the adjustment for the change in market conditions between the sale date and the date of the most recent statistics available (October 2021).

Sale No.	Sale Price	Sale Date	Months	Total Adjustment @ 1.0/Mo.	Adjusted Price (Rounded)	Adjusted \$/Sq.Ft. (site area)	Adjusted \$/Front Ft. (bulkhead)
1	\$3,625,000	7/2019	27	27.0%	\$4,600,000	\$1,703.70	\$153,333
2	\$4,225,000	7/2020	15	15.0%	\$4,860,000	\$1,542.85	\$138,857
2*	\$4,850,000	3/2021	7	7.0%	\$5,190,000	\$1,647.62	\$148,286
3	\$4,530,000	1/2021	9	9.0%	\$4,935,000	\$1,807.03	\$153,595
4	\$3,577,000	6/2021	4	4.0%	\$3,720,000	\$1,450.85	\$124,000
5	\$5,150,000	7/2021	3	3.0%	\$5,300,000	\$2,045.54	\$173,885
6	\$4,464,000	8/2021	2	2.0%	\$4,550,000	\$1,757.44	\$149,278
7	\$4,995,000	Listing	--	0.0%	\$4,995,000	\$1,585.71	\$142,714

After adjusting the sales for the change in market conditions, the absolute range for the comparable sales, is from \$3,720,000 to \$5,300,000. The price per square foot of site area ranges from \$1,450.85 to \$2,045.54 per square foot, and price per front foot indications ranging from \$124,000 to \$173,885 per square foot.

The determination of market value is typically based upon a combination of quantitative (price, price per square foot) criteria and qualitative (similar, inferior, superior) criteria to conclude value, based on a specific sites physical and locational characteristics relative to the comparable sale data. In the case of the subject, the market value is for a “benchmark” upland site and no particular site is being appraised. As no specific site is being appraised, the price per front foot analysis is not judged to be relevant to the valuation, and is included as a check of the per square foot conclusion assuming two Hypothetical sites with 30-feet of frontage on the Bulkhead and depths of 85- and 90-feet, similar to the comparable sale data presented.

In the final analysis, Comparable Sales One, Two (sale & re-sale), Three and Four are given primary emphasis as no plans or permits were included in the sale. After adjusting for market conditions, these comparable sales reflect a price per square foot range from \$1,450.85 to \$1,807.03 per square foot, and \$124,000 to \$153,595 per front foot. Comparable Seven, reflecting an asking price of \$1,585.71 per square foot, or \$142,714 per front foot, is judged to define the current upper limit of the market value range as it is a current listing and it was reported that it will include plans and permits for redevelopment of the site.

On the basis of the comparable market data presented, I have concluded that the “benchmark” upland site has a market value, fee simple interest, of \$1,500.00 per square foot. When this is applied to the two Hypothetical sites, assuming 30-feet of frontage on the Bulkhead line and depths of 85- and 90-feet, the price per front foot indications range from \$127,500 to \$135,000, which is calculated as follows:

**Newport Harbor Onshore Moorings
Newport Beach, California**

December 21, 2021

NETZER & ASSOCIATES

Site Area - 30' x 85' =	2,550 Sq.Ft.	Site Area - 30'x 90' =	2,700 Sq.Ft.
Market Value \$/Sq.Ft.:	x \$1,500	Market Value \$/Sq.Ft.:	x \$1,500
Total Site Value:	\$3,825,000	Total Site Value:	\$4,050,000
Bulkhead Frontage:	-:- 30 LF	Bulkhead Frontage:	-:- 30 LF
Indicated \$/Front Foot:	\$127,500	Indicated \$/Front Foot:	\$135,000

The price per front foot reflected by each of the hypothetical "benchmark" upland sites is well within the range reflected by the comparable sales presented.

Based on the analysis of the market data presented, I have formed the opinion that the "benchmark" uplands site has a Market Value, Fee Simple Interest, as of December 1, 2021, of: \$1,500.00 per square foot.

The second step of the analysis, recognizes that the submerged tidelands do not have the same utility or the intensity of use as the adjoining uplands, the value of the submerged tidelands is based on a varying percentage of the upland value and the use of the uplands and tidelands.

Within Newport Harbor, one case study was uncovered to quantify the percentage discount to apply to the upland land value to estimate the market value of the tidelands. The case study involves two commercial properties along Mariners' Mile in Newport Beach, that were purchased by the same buyer from two different sellers. The sites are part of a larger assemblage that is proposed for redevelopment, and it was noted that the sites were acquired for their redevelopment potential and the income at the time of sale was not a primary consideration. One site has 100-feet of frontage, an average depth of 179 feet, 17,900 square feet of uplands, with 1,000 square feet of private tidelands (100' x 10') and 8,000 square feet of public tidelands and related City Harbor Permit. The sale recorded in June 2016 for \$9,550,000, which equates to \$533.52 per square foot of uplands, or \$505.29 per square foot of uplands and private tidelands. The price per front foot is \$95,500 (\$9,550,000 :- 100 FF). This site was improved with two small structures; however, the buyer reported no value was given to the structures. The second site is located in the same block of Mariners' Mile. It has 100-feet of frontage, a uniform depth of 219.95-feet and a gross area of 21,995 square feet. While it is located on the bay front, this site has no rights to the adjoining private or public tidelands. The property sold in May 2017 for \$7,000,000, which equates to \$318.25 per square foot, or \$70,000 per front foot. This site is improved with asphalt paving. The buyer owns the property between the two sales, and adjoining properties along Mariners' Mile.

In addition to the above case study, the following table is a summary of various agencies and municipalities and the reported discount applied to the tidelands relative to the estimated market value of the adjoining upland parcels.

Agency/Municipality	Discount applied to Upland
Port of Los Angeles (City)	67.0%
County of Los Angeles – Department of Beaches and Harbor	No longer uses Upland/Tideland
Mississippi Department of Marine Resources	Up to 96.7%
Port of San Diego	75%
California State Lands Commission (Huntington Harbor)	75%

The discounts reported by the respective agency/municipalities support the discount reflected in the Mariners' Mile Case study; therefore, I have concluded that a discount of 75-percent should be applied to the concluded uplands market value. It should be noted, that in some cases the municipalities no longer lease tidelands based on a discount applied to the market value of the upland parcel. It should be noted that, commercial tidelands leased in conjunction with the uplands by the municipality or agency are more typically leased on a "percentage rent" basis with a nominal "base" rent.

The above discount (75.0%) applies when the uplands and tidelands are controlled by the same entity and the uplands and tidelands are owned or leased in "joinder". In the case of the tidelands that support the onshore mooring there is an intervening ownership and there is no "joinder" between the uplands and tidelands. There is very limited information to quantify the applicable discount to apply as a result of the uplands and tidelands not being owned in joinder. During the completion of prior tidelands appraisals, the County of Orange (who administer select tidelands in Newport, Huntington and Dana Point Harbors) report that they charged percentage rents for the tidelands if they were leased (or controlled) in joinder with the uplands of 25-percent of gross revenue (in the case of a marina). In the case(s) where the uplands and tidelands were not either leased in joinder with the upland, or the lessee did not control the adjoining uplands, the percentage rent applicable to the tidelands is 20-percent of gross revenue for a similar marina use. On its face, the difference in the nominal percentage rental rate is 5.0-percent (25% - 20%) as a result of not having "joinder"; however, when applied to gross revenues the difference in the 5.0-percent nominal rate is actually a 20-percent discount (5.0% :- 25.0%).

A case study to quantify the discount related to "joinder" involves two properties on Mariners' Mile. Both properties have the same ownership and involve the lease tidelands adjoining two restaurants during relatively similar time frames. One upland parcel includes 5,814 square feet of tidelands (4,000 Sq.Ft. public & 1,814 Sq.Ft. private). A single party leased both the uplands and tidelands and the lease includes rent for the uplands and a separate rent for the tidelands. The tidelands were leased in joinder with the upland property for \$9,000 per month, or \$1.55 per square foot of tideland.

The neighboring property, also improved with a restaurant, has the rights to 9,608 square feet of public tidelands. The tidelands were leased to a marina operator, exclusive of the uplands, for

\$9,000 per month, or \$0.94 per square foot. The Lessee's (marina operator) only rights related to the upland parcel are three parking spaces, the ability to cross the uplands to access the municipal parking in the area and access to a restroom on the exterior of the restaurant.

The calculation of the discount related to "joinder" is as follows:

Tidelands Rent with "Joinder" - \$/Sq.Ft.:	\$1.55
Less – Tidelands Rent without "Joinder" - \$/Sq.Ft.:	-0.94
Rent per Sq.Ft. Difference – Joinder v. Non-Joinder:	\$0.61
Divided by "Joinder" Rent - \$/Sq.Ft.:	-:- 1.55
Indicated Discount applicable to lack of Joinder:	0.3935

While this case study is somewhat imperfect, it suggests that a discount in the range of 40-percent is applicable to commercial tidelands that do not have "joinder" relative to similar tidelands that are leased in joinder.

The survey and market data indicate that the discount applicable to properties that do not have joinder to the uplands property is between 20- and 40-percent relative to parcels with joinder. In the case of the tidelands that support the onshore moorings and do not have joinder, an additional discount of 30-percent will be applied to the market value of the upland, after applying the discount (75%) for the tidelands utility relative to the uplands.

The third step of the analysis is to estimate the appropriate rate of return to apply to the concluded tidelands land value. Per the California Code of Regulations, the "mandated" annual rate of return is set at 9-percent of the concluded market value. This rate is used in the leases for the recreational tidelands (adjacent to residential properties) that have a 10-year term.

The City of Morro Bay leases numerous sites around their waterfront. In 2020 they adopted a "fair market rent" with the initial annual minimum rent of 8.0-percent of the appraised market value. The leases also include a percentage rent clause and the minimum rent adjustment is 75-percent of the average percentage rent over the previous five years, if it is greater than 8.0-percent of the appraised value.

As a check of the State Lands Commission benchmark 9.0-percent rate of return and the Morro Bay 8.0-percent rate of return, the table on the following page is a summary of additional market data I uncovered that relates to the initial rate of return applied to the land value for properties that were ground leased.

Location	Lease Date	Land Area (Sq.Ft.)	Property Use	Rate of Return On Land Value
1701 W. Whittier Boulevard La Habra	2018	55,000	Carwash	8.0%
1781 W. Whittier Boulevard La Habra	2018	34,400	Retail	8.0%
N/S Bristol, W/O Redhill Costa Mesa	2014	257,000	Lumberyard	7.8%
16381 Construction Circle Irvine	2014	43,560	Bus Yard	9.3%
15010 Imperial Highway La Mirada	2014	22,216	Starbucks	8.5%
2010 Harbor Boulevard Anaheim	2013	149,901	Hotel	8.75%
4501 E. Conant Steet Long Beach	2013	2,287,771	Industrial	9.9%
2780 Garnet Avenue San Diego	2012	16,261	Car Rental	9.8%
NEC Jeffery & Alton Irvine	2006	20,000	Bank	10.0%
6358 Irvine Boulevard Irvine	2005	45,000	Bank	10.0%
6540 Irvine Center Drive Irvine	2005	30,000	Bank	10.0%
SWC Katella & Batavia Orange	2006	34,000	Restaurant	9.0%
23719 Moulton Parkway Laguna Hills	2006	52,183	Market	10.0%

The comparable data included in the above table suggests that the overall return requirements for ground lease transactions over the past (2006 through 2018) have remained relatively constant; however, they have trended down regardless of the site area or the end use of the property. On the basis of the declining rates applicable to the ground lease transactions, and the recently adopted percentage rent adopted by the City of Morro Bay, I have concluded that an 8.0-percent rate of return is applicable to this analysis.

The final step of the analysis is to apply the estimated market rent, via the rate of return to land value analysis, to the tidelands required to support and onshore mooring. The onshore moorings are limited to 18-foot vessels; however, the tideland area required to support a shore mooring extends from the seawall or the redwood post on the upland side of the mooring to the mooring buoy (ball) that is anchored to the seafloor. The area between the seawall/redwood post and the point that the vessel is attached to the mooring is not considered part of the tidelands required to support an onshore mooring. On the basis of input from the Harbormaster, the “typical” area from the point of attachment to the mooring buoy is 36-feet, with a beam of 8-feet, indicating that the

“typical” onshore mooring encumbers 288 square feet (36’ x 8’) of tideland. This figure will be used in the analysis.

On the basis of the preceding, the Fair Market Rent for the Onshore Moorings, via the Tidelands Market Rent Analysis, is calculated as follows:

Upland Market Value Conclusion - \$/Sq.Ft.:	\$1,500.00
Upland/Tideland Site Utility/Intensity of Use Discount:	x (1 - 0.75)
Tideland Market Value Conclusion - with “Joinder”:	\$375.00
Discount for lack of “Joinder”:	x (1 - 0.30)
Tidelands Market Value Conclusion - No “Joinder”:	\$262.50
Annual Rate of Return - 8.0%:	x 0.08
Annual Tidelands Fair Market Rent - \$/Sq.Ft.:	\$21.00
Tidelands required to support Onshore Mooring - Sq.Ft.:	x 288
Total Annual Market Rent:	\$6,048
Converted to Monthly Rent:	-:- 12
Monthly Market Rent - Onshore Mooring:	\$504.00
Converted to Monthly Rent per Linear Foot - 18 Feet:	-:- 18
Monthly Rent per Linear Foot - 18-foot Onshore Mooring:	\$28.00

On the basis of the Tidelands Market Rent Analysis the monthly fair market rent for the City administered/managed onshore moorings is \$28.00 per linear foot.

COMPARABLE RENTAL ANALYSIS

As noted in the Introduction, one purpose and function of this report is to estimate the Current Fair Market Rent of the “onshore” moorings over the tidelands located throughout Newport Harbor. The onshore moorings are located surrounding Balboa Island, in the vicinity of Newport Island, on sections of Lido Isle and along various sections of the bay side of the peninsula from Peninsula Point to 20th Street and only the onshore moorings are addressed in this report.

The onshore moorings are somewhat unique to Newport Harbor and I did not uncover any other harbor or marina that provides onshore moorings. The following table is a summary of the onshore mooring information from the Lido Isle Community Association (LICA) that is judged to be relevant to the balance of the Newport Harbor onshore moorings.

MARKET RENT SURVEY – ON-SHORE MOORINGS OCTOBER 2021					
Data No. Name Location	Total Moorings % Occupied	Vessel Length (LF)	Total Monthly Rent	Monthly Rent \$/Linear Ft.* (mooring LF)	Equipment Maintenance Cost
1/ Lido Isle Community Association 701 Via Lido Soud Newport Beach (Lido Isle)	46 100%	18’	\$95.79	\$5.32	Landlord

The above information is for the 18-foot onshore moorings that are located on Lido Isle and managed by the Lido Isle Community Association (LICA). The annual payment was raised in 2021 from \$1,045 annually (\$4.83 per linear foot per month, to the current monthly rate of \$5.32 per linear foot). The lessee must be a “Qualified Lessee”, which means either a LICA property owner or resident renter and the vessel must be owned by a Lido Isle Resident. The vessel must occupy the mooring except when in use or being repaired (not to exceed 60 days) and the LICA has the right to terminate the Lease if the boat is not being “actively used”. Proof of vessel ownership, including annual updating, is required to maintain the individual mooring permit. Only one “permittee” is allowed on the lease, even if a vessel is “shared”. The moorings are not transferable (even to the owner of a “shared” boat) and revert back to the LICA upon termination of the lease. The inspection and maintenance of the mooring lines are the responsibility of the LICA. The management notes that there is an approximately two-year wait list, and there is “not much” turnover. These onshore moorings are not transferable and there is no initial investment to acquire a mooring; however, they are limited to either Lido Isle property owner’s or residents, suggesting that the cost of entry is not insignificant. A review of the local Multiple Listing Service (MLS) indicates the lowest sale price for a residence on Lido Isle in 2021 was \$1,250,000 for a condominium and \$1,900,000 for a single-family residence. The MLS indicates the lowest lease rate on Lido Isle is \$4,350 per month for a condominium and \$5,500 per month for a single-family residence. As noted, these moorings are for the exclusive use of residents of Lido Isle and as a resident of Lido Isle you are a member of the Lido Isle Community Association. The cost of entry, the membership in the community association that administers the moorings, the exclusive use of the moorings by residents, and the fact that the mooring rates are set by the community association suggest that this data point does not reflect the fair market rent for onshore moorings that do not have these considerations and exclusions.

My research indicates that there is a “private” market for the lease of individual moorings by mooring permittees to sub-permittees. The “private” market is somewhat underground as Section 17.25.020(L) of the Harbor Codes states:

Except as authorized in Section 17.060.040(B)(1)(a), no mooring may be leased or rented by the permittee to another person except with written permission of the Harbormaster.

I have compiled limited information from on-line classified ads, “For Rent” signs on moorings and local bulletin boards, and found that 18-foot onshore moorings surrounding Balboa Island have been offered for “sub-lease” from \$200 (\$11.11/LF) to \$500 (\$27.78/LF) per month, with a majority in the \$200 (\$11.11/LF) to \$350 (\$19.44/LF) per month range. One “combination” mooring (onshore & offshore moorings) sub-lease was uncovered that was offered at \$850 per month; however, the length of the offshore mooring was not disclosed and the monthly rent per

linear foot is not available. As noted, limited information was disclosed regarding the above transactions and the executed sub-lease rate as the parties involved in the “private” market were not willing to disclose specific information. An interview with a party that brokers moorings and slips throughout Newport Harbor, did not result in any specific examples of onshore mooring sub-lease transactions, but the general range from \$200 to \$500 per month was confirmed, which reflects a monthly rate from \$11.11 to \$27.78 per linear foot.

On the basis of the very limited comparable rental data uncovered, I have placed most emphasis on the indication from the “private” market (\$11.11-\$27.78/LF) as it does not have the cost of entry and exclusions associated with the Lido Isle Community Association. Due to the cost of entry, the closed market and exclusive use of the onshore moorings, the LICA rental rates are given secondary consideration. On the basis of the Comparable Rental Analysis the monthly fair market rent for the City administered/managed onshore moorings is in the range of \$15.00 to \$20.00 per linear foot.

“RATIO” ANALYSIS

One measure of estimating the market rent for moorings is to compare mooring rents to similar slip rents. This provides a ratio of the “mooring” rents as compared to “slip” rents in the same market, which is an option for a boat owner. Several harbors along the California coast have marinas and mooring fields that are owned and managed by the municipality; however, none of the harbors offer onshore moorings. These harbors reflect a price per linear foot of mooring to slip ratio (mooring \$/LF :- slip \$/LF) between approximately 14- and 50-percent. These include: Pillar Point (± 43 to $\pm 47\%$); Monterrey ($\pm 36\%$ to $\pm 37\%$) and Morro Bay ($\pm 14\%$ to $\pm 50\%$). The ratio is based on monthly rent per linear foot for the mooring length compared to a similar length slip. These harbors have different user profiles (more commercial in nature) compared to Newport Harbor and are not judged to be reflective of the ratio applicable to this analysis.

As set forth above, the Lido Isle Community Association leases onshore mooring to their residents. They also have a small community marina that has 18-foot slips that are leased on the same terms as the onshore moorings and the slip rates were increased at the same time as the mooring rates. The lease rate for an 18-foot slip at the community marina is \$4,434.65 annually, which equates to \$369.55 per month, or \$20.53 per linear foot per month. The mooring to slip ratio for Lido Isle is calculated as follows:

Monthly Mooring Rent - \$/LF:	\$ 5.32
Monthly Slip Rent - \$/LF:	:- \$20.53
Mooring to Slip Ratio:	<hr/> 0.2591

The LICA mooring to slip ratio is 25.91-percent, indicating that an onshore mooring rents for 25.91-percent of a similar sized marina slip.

In San Diego Harbor, the same company manages both Point Loma Marina and the America's Cup Harbor mooring field, which are both located in America's Cup Harbor. The rate for a 30-foot mooring is \$147.57 per month, or \$4.92 per linear foot (\$147.57 ÷ 30 LF) and \$157.07 per month for a mooring that will accommodate a vessel from 30- to 65-feet. The smallest slip in the Marina is 36-feet, and the monthly rent for a 36-foot slip in the marina is \$27.30 per linear foot. The mooring to slip ratio in America's Cup Harbor is 18.0-percent, which is calculated as follows:

Monthly Mooring Rent - \$/LF:	\$ 4.92
Monthly Slip Rent - \$/LF:	÷ \$27.30
Mooring to Slip Ratio:	<hr/> 0.1802

The operator noted that the mooring rates have not increased since 2006 and require Port District approval to be increased. They have applied to the Port to increase the mooring rates to an average of 52-percent of the slip rates in their adjacent marina; however, the Port has not addressed the request to increase the mooring rates and the operator is still requesting that the Port consider their request and authorize an increase. When surveyed in 2006 the rate for a 30-foot slip was \$19.50 per linear foot, reflecting a ratio of approximately 25-percent (\$4.92 ÷ \$19.50) . Given that the mooring rates have not been increased, the operator has applied to increase the rates to "market" and the slip rate has increased \$7.80 per linear foot, or 40.0-percent in 15 years, this Mooring to Slip Ratio is judged to reflect the extreme lower limit of the range.

There are several privately operated marinas throughout Newport Harbor and they generally reflect different levels of quality and condition and mix of slips and amenities. City of Newport administers the Balboa Yacht Basin (BYB) and the moorings in Newport Harbor and the Balboa Yacht Basin is judged to be a relatively average marina in terms of its overall quality, condition and amenities. The published monthly slip fees (included in Addenda) for the Balboa Yacht Basin range from \$27.32 per linear foot (20' slip) to \$59.55 for a 75' slip. For the ratio analysis, I will use the rate for a 20' slip with a monthly rate of \$27.32 per linear foot.

In the analysis, I will also use the average slip fee for an 18-foot slip in Newport Harbor based on my survey of the private marinas (excluding Balboa Yacht Basin) located in Newport Harbor. Not all private marinas have 18-foot slips; therefore, I will utilize the smallest slip space reported. At total of 15 private marinas were surveyed and nine provide slips that are 22-feet or less. The table on the top of the following page is a summary of the private marinas and the rates for slips 22-feet and under that are judged to be relevant to the "Ratio" analysis.

Marina	Length	Total	Rent \$/LF
28 th Street Marina	20'	\$700	\$35.00
Balboa Bay Club Marina	15'	\$390	\$26.00
Balboa Marina	Under 20'	\$940.50	\$49.50
Bayshore Marina	20'	\$1,010	\$50.50
Bayside Marina	20' Side-Tie	\$805	\$40.25
Bayside Village Marina	12' - 19'	\$324 - \$513	\$27.00
Lido Yacht Anchorage	6' - 19'	\$168 - \$532	\$28.00
Newport Dunes Resort & Marina	20'	\$810 (1 yr. lease) \$910	\$40.50 \$45.50
Newport Marina	20' Side-Tie	\$500	\$25.00
Port Calypso	18' - 22'	\$675	\$37.50
	Average	\$702.77	\$36.80
	Median	\$700.00	\$37.50

On the basis of the amenities provided and their overall quality and condition, the marinas that are judged to be most applicable to the “ratio” analysis are 28th Street, Bayside Village, Lido Yacht Anchorage, Newport Marina and Port Calypso. These five marinas reflect a range from \$25.00 to \$37.50 per linear foot, with an average of \$30.50 per linear foot and a median of \$28.00 per linear foot. From the private marinas surveyed, a figure of \$30.50 per linear foot is judged to be appropriate for the ratio analysis.

Assuming a 25-percent onshore mooring rate to slip rate ratio and the slip fees for comparable length slips using the Balboa Yacht Basin and the private marinas included in the survey, the Fair Market Rent for the onshore moorings in Newport Harbor is calculated as follows:

Marina	BYB	Survey
Monthly Slip Rent - \$/LF:	\$27.32	\$30.50
Mooring/Slip Ratio:	x 0.25	x 0.25
Monthly Onshore Mooring Rent - \$/LF:	\$6.83	\$7.63

Based on the market data uncovered, the “Ratio” analysis indicates that the monthly fair market rent for the City administered onshore moorings is between \$6.83 and \$7.63 per linear foot.

CPI ANALYSIS

Another methodology is to utilize the change in the Consumer Price Index and apply it to the “market” lease rates that were previously established by the City. On the basis of my research, the City set the onshore mooring rates at \$1.46 per linear foot in 2016 (Resolution No. 2016-17). The following data reflects current rent per linear foot based on the change in the CPI over the time period.

CPI 1/2016:	247.155
CPI 2021 (112021):	296.790
2016 to 2021:	296.790 :- 247.155 x \$1.46/LF = \$1.75/LF

The CPI analysis indicates that the current monthly rent for the onshore moorings should be \$1.75 per linear foot. This analysis assumes that the rent set in 2016 reflects “Fair Market Rent” and that the change in the CPI reflects the change in the market conditions for onshore moorings in Newport Harbor between 2016 and the current date. In 2016 the City did not complete an appraisal to determine the Fair Market Rent for the onshore moorings, rather the rent was determined based on a fraction of the off-shore mooring rate(s). It should be noted, that historically, the rent for the onshore moorings had been based on half the rate (50%) of the rate for the offshore moorings, which was the methodology used in 2016 without completing an appraisal of the onshore moorings.

The change in the CPI is typically applied on an annualized basis over the term of a lease, with a Fair Market Rent adjustment applied at the exercise of a lease option (typically every 5 years) or the commencement of a new lease to reflect the change in market conditions. The application of the CPI method over a long period reflects general price trends, but does not take into consideration changes in market conditions (supply & demand) for a specific good or service within a market area. As reflected in the mooring rates charged by LICA, they increased the rates by 10-percent in January 2021 over January 2020. This compares to a change in the CPI of 0.8724-percent between January 2020 and January 2021.

The CPI analysis indicates that the current monthly Fair Market Rent for the onshore moorings in Newport Harbor is \$1.75 per linear foot.

DRY STORAGE ANALYSIS

In addition to leasing a slip at one of the marinas in Newport Harbor, a potential mooring permittee has the option to keep their vessel in dry storage. The table at the top of the following page is a summary of my survey of the dry storage opportunities located throughout Newport Harbor.

DRY STORAGE SURVEY NOVEMBER/DECEMBER 2021					
Location	Type	Length (LF)	Monthly Fee	Monthly \$/LF	Launch Service Fees Other Services
LICA 701 Via Lido Soud Lido Isle Newport Beach	Open Lot	17' 19' 21' 25' 28'	\$77.26 \$90.74 \$101.85 \$127.23 \$161.44	\$4.54 \$4.78 \$4.85 \$5.09 \$5.77	Self-launch with community crane
Newport Dunes Resort 101 N. Bayside Drive Newport Beach	Open Lot (permanent)	25' min. 30' Max. 40' Max 45' Max. Trailer	\$362.50* \$387.50 \$335.00* \$372.00 \$435.00* \$496.00 \$491.00* \$558.00 \$150.00	\$14.50* \$15.50 \$11.17* \$12.40 \$10.88* \$12.40 \$10.91* \$12.40 N/A	\$35 - one way (one time) \$60 - round trip (one time) \$150 - monthly Launch service not available Launch service not available Launch service not available Trailer storage with no vessel
Lido Dry Slip 151 Shipyard Way Newport Beach	Dry Stack 3-levels	20'-24' 25'-29' 30'-34' 35'-39' 40'+	\$600-\$720 \$775-\$899 \$1,080-\$1,224 \$1,400-\$1,560 \$1,800+	\$30.00 \$31.00 \$36.00 \$40.00 \$45.00	Unlimited launches included w/ web-based launch App. Water line wash-down All engine flush Cover/uncover vessel

*Reduced rate for 12-month lease

The dry storage at the Lido Isle Community Association is restricted to property owners and residents of Lido Isle. It is an open lot that is striped and secured and the Association offers no services beyond the use of a crane to launch the vessel and hose bibs to wash down the vessel. The dry storage monthly rate per linear foot of \$4.54 to \$4.78 per linear foot for 17- to 19-foot vessels compares with the monthly rent of \$5.32 per linear foot for the 18-foot onshore moorings. At the Newport Dunes Resort they offer dry storage in two lots, with access to a seven-lane launch ramp. One of their lots offers access to launch services (truck that puts boat on water at ramp) that are \$35 for a "one-way" launch (either in or out of the water), \$60.00 for a round trip (in & out) and they offer a subscription for \$150 per month, which equates to \$6.00 per linear foot per month (\$150 ÷ 25' vessel). With the inclusion of the monthly subscription launch service, the monthly figure for a 25-foot vessel is \$512.50 (\$362.50 + \$150), or \$20.50 per linear foot (\$512.50 ÷ 25'). As with their slips they offer a discount for a 12-month lease. The monthly slip fees for 20- to 25-foot slip are \$40.50 per linear foot for a 12-month lease, and \$45.50 per linear foot on a month-to-month basis with a 90-day minimum. The slip renters have use of all of the resort facilities, while the dry storage have access to the launch ramp, wash racks, 24-hour security and 24-hour access.

The Lido Dry Slip offers a menu of services that are highly superior to the other dry storage options in Newport Harbor. The “Boat Cloud” app permits the vessel owner to schedule the time that they want their boat launched that is sent directly to the fork-lift driver and there is no limit to the number of monthly vessel launches. The services also include a water-line wash down, engine flush and covering and uncovering the vessel (vessel owner’s cover). The maximum vessel width is 11-feet, with a maximum weight of 10,000 pounds and any vessel over 9-feet high must go on the top rack. The monthly slip fees at the Lido Shipyard Marina are \$32 per linear foot for 20- to 29-foot slips, as compared to \$30/\$31 per linear foot for dry slip, \$37 per linear foot for 30- to 39-foot slips versus \$36 for a dry slip, \$45 for a 35- to 39-foot slip versus \$40 for a dry slip, and \$52.00 per linear foot for a 40- to 49-foot slip as compared to \$45 for a dry slip. Duffy’s in dry slips are assessed a monthly fee of \$25 per month for electric service.

The wide range in services and related monthly rent per linear foot for the dry storage does not provide a reliable indication of the monthly rent per linear foot for the onshore moorings; however, it is instructive in defining the likely lower limit of the market rent range for the onshore moorings. The comparable data suggests that the minimum monthly rent per linear foot is in the range of \$14.50 per linear foot as reflected by the Newport Dunes without the monthly launch service, or \$20.50 per linear foot including the monthly launch service.

STORAGE YARD ANALYSIS

In addition to the dry storage options outlined above, a potential mooring permit has the option to store a vessel in a storage yard located in proximity to the harbor and trailer their vessel to a launch ramp. The following is a summary of my survey of the storage yards located in proximity to Newport Harbor.

STORAGE YARD SURVEY NOVEMBER/DECEMBER 2021					
Location	Type	Length (LF)	Monthly Fee	Monthly \$/LF	Comments
1 st Class Storage 1660 Placentia Avenue Costa Mesa	Open Lot	Up to 40'	Varies	\$10.00	Open storage for vessels or vehicles up to 40-feet.
	Enclosed	35' x 16'	\$625	\$18.86	Fee based on vessel length Gated with 24-hour access
Public Storage 1604 Newport Blvd. Costa Mesa	Open Lot	25' x 10'	\$188	\$7.52	\$24 one-time initiation fee +\$15/month for insurance
	Enclosed	32' x 12' 25' x 10'	\$690 \$688	\$21.56 \$27.52	Gated, access 8 am to 9 pm
Public Storage 4501 W. MacArthur Blvd. Santa Ana	Open Lot	25' x 10'	\$188	\$7.52	\$24 one-time initiation fee +\$15/month for insurance Gated, access 9:30 am to 6 pm
Public Storage 17300 Newhope Street Fountain Valley	Enclosed	28' x 10'	\$440	\$15.71	\$24 one-time initiation fee +\$15/month for insurance Gated
Costa Mesa Mini-Storage 1950 Bear Street Costa Mesa	Open Lot	25' x 10'	\$273	\$10.92	Open parking storage for vehicles and vessels. Gated, access 7 am to 8 pm
Life Storage 3190 Pullman Costa Mesa	Open Lot	25' x 8'	\$255	\$10.20	Open parking, vehicle or vessel Gated, access 6 am to 10 pm

The above is a summary of the open storage and self-storage facilities that offer both open and enclosed vehicle and vessel storage. All of the facilities provide gated access and the hours of access vary from facility to facility. These facilities provide vessel storage options; however, they offer no other amenities and are off the water. The open storage rates range from \$188 to \$273 per month, or \$7.52 to \$10.92 per linear foot. On the basis of the open storage analysis, I have concluded that a minimum figure of \$10.00 per linear foot is well supported. This option does not include the time and cost associated with trailering the vessel to the launch ramp or any launch ramp fees, which will vary depending on the number of times the vessel is launched. This option is judged to define the extreme lower limit of the probable market rent range, as it does not provide the convenience of direct harbor access.

RECONCILIATION

The final step of the appraisal process is to reconcile the value conclusions indicated by the methods utilized in formulating the Fair Market Rent conclusion.

The current monthly Fair Market Rent indicated for the “onshore” moorings located upon City managed tidelands throughout Newport Harbor, as of the date of value, are as follows:

Tidelands Market Rent Analysis:	\$28.00 per Linear Foot
Comparable Rentals Approach:	\$15.00 to \$20.00 per Linear Foot
Ratio Analysis:	\$6.83 to \$7.63 per Linear Foot
CPI Adjustment Approach:	\$1.73 per Linear Foot
Dry Storage Analysis:	\$14.50 to \$20.50 per Linear Foot
Storage Yard Analysis:	\$10.0 per Linear Foot

The reconciliation process involves a thorough review of the valuation process and supporting data used in each of the valuation approaches. In this step of the appraisal process, I have considered the alternative value indications to arrive at a final rent estimate. The greatest weight is given to that approach in which there is a sufficient quantity of data, with a minimum of assumptions and maximum reliability.

The Tidelands Market Rent Analysis is consistent with the requirements and methodology used by the State Lands Commission when determining tidelands rent. It is based on the market value of the tidelands utilizing the Sales Comparison Approach applicable to the upland parcel that adjoins the tidelands. Discounts are applied to reflect the consideration that the tidelands do not have the same overall utility and intensity of use relative to the uplands, and in the case of the subject tidelands an additional discount was applied as they do not have joinder with the uplands property. Limited market studies and market data was presented to support the discounts for utility and joinder. A rate of return was applied to the concluded tidelands market value resulting in a fair market rent conclusion. The appropriate rate of return was estimated based on a combination of the rates used by agencies that lease tidelands and on comparable market data for ground leased upland properties. The strength of the Tidelands Market Rent analysis is that it is based on ample sale data of upland parcels and there is good market support for the “discounts” applied. The rate of return applied to the “market value” is a combination of the “benchmark”, or “mandated”, annual rates of return, which is supported by the initial rate of return for ground lease transactions of “upland” parcels. The weakness of the rate of return analysis is that the market value of the tidelands is based on upland market data that is discounted to reflect the lack of utility, intensity of use and joinder to the upland, rather than the actual sale of tideland properties.

In the Comparable Rentals Approach (Rent Comparison) the most relevant data was included; however, it is somewhat limited as one comparable property was uncovered where the rates could be confirmed with certainty. These onshore moorings are for the exclusive use of the residents of Lido Isle, who are members of the association that administers the moorings and the analysis does quantify the significant cost of entry to become a Lido Isle resident. There is a “private” market for moorings in Newport Harbor; however, the data available for the “private” market in Newport Harbor is somewhat limited and the parties interviewed and published information reviewed

lacked specificity. The strength of this approach is that it reflects the current rent being paid for onshore moorings located in Newport Harbor. The weakness is that the approach is the limited market data that includes one comparable that is essentially a “closed” market as the permittee must be a property owner, or resident of Lido Isle and the rates set by the LICA. The data relating to the “private” market is based primarily on the asking rates uncovered in published information and general input from persons operating in the “private” market. The mooring rates were analyzed based on the monthly price per linear foot for an 18-foot onshore mooring. The quality and quantity of the market data upon which I have based the comparable rental approach is considered good, but somewhat limited.

The Ratio Analysis is based on the options available to a vessel owner - to rent a slip or rent a mooring. The analysis of the slip/mooring monthly rent differential factors into that decision. The analysis attempts to estimate the market rent for onshore moorings as compared to the rent for similar slip spaces in the same marina or harbor. As shown in the analysis, the ratio can vary dramatically (14% to 50%); however, at one location in Newport Harbor that is a “closed” market (Lido Isle) an 18-foot onshore mooring rents for approximately 25-percent of a similar 18-foot wet slip. A second data point in San Diego was analyzed based on the difference between “offshore” moorings and an otherwise similar sized slip, both in the same location with the same operator. This data item reflects a ratio of 18-percent; however, slip rates have been increased by approximately 40-percent over the past 15 years, while the Port has not permitted the operators requested rent increase for the offshore moorings. The operator noted that the Port has not addressed their application to raise the mooring rates and opines that the lack of progress on raising the mooring rates is due to the potential blowback they will receive from the mooring permittees. In addition, this ratio reflects the difference between slip rates and offshore moorings, not onshore moorings. While a vessel owner looking at the berthing options may take this “ratio” into consideration (cost of a slip v. cost of a mooring) it is not judged to be the most reliable measure of Fair Market Rent. This analysis is given secondary consideration in the final reconciliation.

The CPI Analysis is a trending of the rental rates established in the past (2016) for the subject moorings. It is based on the assumption that the rental rate in the base year (2016) is market based and that the change in CPI reflects the change in market conditions for onshore moorings in Newport Harbor. The CPI is typically included as an annual adjustment to a lease, with periodic “market rent” adjustments applied to account for changes in market conditions as opposed to a trending of values based on a basket of goods. It was noted that the rental rates established in 2016 were not based on an analysis of fair market rent specifically for the onshore moorings, rather it was based on the “historic” ratio of 50-percent of the offshore mooring rates. On the basis of my research, the CPI analysis is not a reliable measure of the long-term supply and demand

characteristics for onshore moorings in Newport Harbor and is given little consideration in the final reconciliation.

Dry storage is an option available to a vessel owner and the rates for dry-storage in Newport Harbor was researched; however, the monthly range is from approximately \$4.50 to \$30.00 per linear foot, with a likely minimum figure of \$14.50 per linear foot, or \$20.50 per linear foot when the monthly launch subscription service is included. The range in price is based on the services provided and in two cases includes the storage of the trailer. Overall, the dry storage is instructive in defining the likely minimum fair market rental range for the onshore moorings, especially in the case where the cost of the vessel launch services can be quantified.

As dry storage is a reasonable substitution for an onshore mooring, storage in a lot or self-storage facility that has a location that is proximate to the harbor is the least desirable option. This option does not provide the convenience of an onshore mooring, or dry storage, as it requires that the vessel owner trailer the boat to a launch facility. The weakness of this analysis is it does not account the cost associated trailering and launching the vessel or the value of the convenience of having the vessel already in the water. This analysis defines the extreme lower limit of the probable fair market rent range.

Given the indications from the approaches utilized, and the quality and quantity of the available market data, I have given each approach some consideration with primary emphasis placed on the Tidelands Market Rent Analysis, the Comparable Rentals Approach and the Dry Storage Analysis with the launch services included. Based on my analysis of the market data uncovered, I have concluded that the subject 18-foot onshore moorings have a Monthly Fair Market Rent, as of December 15, 2021, of: \$20.00 per Linear Foot of Mooring. The concluded monthly figure of \$20.00 per linear foot equates to an absolute monthly rent of \$360.00 (\$20.00/LF x 18 LF).

VALUATION

Based upon the work undertaken, and my experience as a real estate analyst and appraiser, I have formed the opinion, as of the 21st day of December 2021, subject to the Assumptions and Limiting Conditions contained in this report, that the onshore moorings in Newport Harbor have the following value:

Monthly Fair Market Rent - as of December 21, 2021
\$20.00 per Linear Foot of Mooring, or \$360.00 per Month

ADDENDA

BYB Rate Sheet



Balboa Yacht Basin Marina
829 Harbor Island Drive
Newport Beach, CA 92660
www.newportbeachca.gov/byb

Slip Rates

July 2021 – June 2022

Slip Length	2021-2022 Slip Rate (per foot, per month)
20' Slip	\$27.32
25' Slip	\$28.61
31' Slip	\$29.90
32' Slip	\$31.30
34' Slip	\$34.14
35' Slip	\$34.14
37' Slip	\$34.24
40' Slip	\$37.75
45' Slip	\$42.02
50' Slip	\$46.83
60' Slip	\$53.89
75' Slip	\$59.55

Garages: \$395.53 per month

Apartments: \$2,982.22 per month

For information and slip availability, please contact:

BYB Marina Manager Ralph Grippo
949-569-0723
rgrippo@bellwetherfinancialgroup.com

Qualifications

QUALIFICATIONS

of

James B. Netzer, MAI

Professional Background

Prior to forming Netzer & Associates, he was associated for over three years with Urban Pacific Services Corp. Actively engaged as a real estate analyst, appraiser and consultant since 1987. Principal of the appraisal and consulting firm of Netzer & Associates with offices at:

170 E. Seventeenth Street, Suite 206
Costa Mesa, California 92627

Educational Activities

Bachelor of Arts in Liberal Studies with a Concentration in Economics, California State University, Long Beach, 1986.

Has successfully completed the following courses sponsored by the American Institute of Real Estate Appraisers and the Appraisal Institute:

A.I.R.E.A Course 1A-1: Principles of Real Estate Appraisal
A.I.R.E.A Course 1A-2: Basic Valuation Procedures
A.I.R.E.A Course 1B-A: Capitalization Theory and Techniques, Part A
A.I.R.E.A Course 1B-B: Capitalization Theory and Techniques, Part B
A.I.R.E.A Course SPP: Standards of Professional Practice
A.I. Course 2-1: Case Studies in Real Estate Valuation
A.I. Course 540: Report Writing and Valuation Analysis
A.I. Course 550: Advanced Applications

Has successfully completed numerous classes to meet the continuing education requirements of Appraisal Institute, California Office of Real Estate Appraisers and Bureau of Real Estate.

Professional Affiliations & State Licenses

Member of the Appraisal Institute - MAI Designation
State of California - Certified General Real Estate Appraiser - Certificate No. AG003143
State of California - Real Estate Broker License - License No. 01185682

Court Qualification

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, San Bernardino and San Diego Counties, U.S. Bankruptcy Court – Los Angeles Division.

Teaching Experience

Orange Coast College - Adjunct Professor (retired) - Business 140 "Real Estate Appraisal Principles"

Seminar & Panel Presentations

Los Angeles County Bar Association – Real Property Division: *Overholtzer Overhauled, An Update on Damages, Appraisals and Interim Loss under Title Insurance Policies*, September 2013

Scope of Experience

During the period in which Mr. Netzer has been engaged as a real estate appraiser and analyst, he has been involved in most aspects of the field having completed assignments for multiple purposes, including: estate planning; bankruptcy; conflict-of-interest analysis (Political Reform Act of 1974); construction defects litigation; soil subsidence; dissolution of marriage; ground lease re-valuation; leasehold & sub-leasehold valuation; property tax appeals; lease and ground lease arbitration; easement/access/encroachment/title disputes (based on *Overholtzer v. Northern Counties Title*); soils contamination litigation; mortgage lending; construction financing; portfolio valuation; market and feasibility analysis; fractional interest valuation; and, due diligence.

He has experience appraising the following property types:

Vacant Land

Residential lots, sub-division sites, condominium sites, commercial and industrial sites, mountainous acreage, raw acreage, mitigation land (Delhi Sands Flower Loving Fly, Stephens Kangaroo Rat & Open Space).

Residential

Single-family residences, condominiums, townhomes, planned unit developments, multi-family units, apartment buildings, mobile home parks, mobile home coaches, proposed and existing subdivisions and senior housing/memory care projects.

Commercial

Office buildings and condominiums, medical office buildings and condominiums, restaurant buildings, retail centers, neighborhood shopping centers, community centers, commerce centers, congregate care facilities, parking structures, golf courses, mixed-use developments, auto dealerships and gas stations.

Industrial

Manufacturing and warehouse buildings, distribution facilities, multi-tenant buildings, condominium developments and units, mini-storage facilities.

Special Use

Commercial and residential tidelands, boat harbors, auto ferry, bait barge, marinas, gas docks, mooring fields, commercial piers, municipal piers/docks, civic center, fire stations, police stations, emergency communication facilities, temporary construction easements, steel fabricating plant and car wash facilities.

PARTIAL LIST OF CLIENTS

ATTORNEYS, LAW FIRMS & ACCOUNTANTS

Barton Klugman & Oetting
Best, Best & Krieger
Boss Law Firm APLC
Bremer, Whyte, Brown & O'Meara
Browne & Woods LLP
Bryan Cave LLP
Burd & Naylor
Cozen O'Connor
Davis Law APC
Friedman, Stroffe & Girard, PC
Gibson, Dunn & Crutcher
Goldstein & Ward
Greines, Martin, Stein & Richland LLC
Harbin & McCarron
Hart King
Hart, King & Coldren
Jackson Tidus
Jeffer, Mangels, Butler & Marmaro LLP
Klein & Wilson
Kushner Carlson
Landels, Ripley & Diamond
Larsen & Associates
Latham & Watkins

Law Offices of Erik B. Michelsen
Law Offices of Michael Leight
Law Offices of Steven E. Briggs
Leech & Associates
Loeb & Loeb, LLC
Lynberg & Watkins
Manning & Kass, Ellrod, Ramirez, Trester
McDermott, Will & Emory
Millar, Hodges & Bemis
Palmieri, Tyler, Wiener, Wilhelm & Waldron
Richard Shaffer (Court Appointed Receiver)
Rubin & Eagan
Samuels, Green & Steel, LLP
Severson & Werson
Shulman Bunn LLP
Songstad, Randall, Coffee & Humphrey
Stradling, Yocca, Carlson & Rauth
Turner & Reynolds
Turner Law Firm
Richard Wildman, Attorney at Law
Wolf & Richards
Wright Ford Browning & Young
Wynne, Spiegel & Itkin

LENDING INSTITUTIONS

Bank Midwest, N.A.
Bank of America
Bankers Mutual (Berkshire Mortgage)
California Federal Bank
Citicorp Real Estate, Inc.
Credit Suisse
Comerica Bank
Escondido National Bank

GE Capital Investment Advisors
Hawthorne Savings
Huntington National Bank
Merrill Lynch Credit Corporation
Park View Mortgage
Strategic Mortgage Services
Tokai Bank
Wells Fargo Bank

GOVERNMENTAL AGENCIES

City of Costa Mesa
City of Carson
City of East Palo Alto
City of Glendora
City of Huntington Beach
City of Long Beach – Tidelands CID

City of Newport Beach
Costa Mesa Sanitation District
Federal Deposit Insurance Corporation (FDIC)
Orange County – Dana Point Harbor
Resolution Trust Corporation (RTC)
Securities & Exchange Commission (SEC)

GENERAL CLIENTS

AMRESO Management, Inc.
Arnold Construction
Balboa Yacht Club
The Boy's Republic
Capital Guardian Trust
Chicago Title Company
Continental Mobile Housing
Decron Management
Environmental Nature Center
Fidelity National Title Group
First American Title Insurance
Great American Insurance Company
Hamilton Company
Heritage Point Senior Living
Hornblower Cruises
Kinder Morgan Energy Partners
Lee & Associates
Lloyds of London

Monarch Bay Land Association
Newport Sports Collection Foundation
North American Title Insurance Company
O.C. Interfaith Shelter
Old Republic Title
Pulte Home Corporation
Real Advantage Title
S & A Properties
S & S Construction/Shappell Industries
St. Clair Company LLC
Santa Fe Pacific Pipeline Partners, L.P.
Simplex Realty
Staples, Inc.
State Farm Insurance
Stewart Title Guaranty Company
Texaco Refining & Marketing, Inc.
Westcor Land Title Insurance Company
Western National Properties