

NEWPORT HARBOR FOUNDATION LUNCHEON  
MOORINGS PRESENTATION  
MAY 15, 2024

Two of the harbor related issues which have received the most attention recently are the proposed increase in the fair market rent, or mooring fees, to be paid by the mooring permittees and the Open Water Initiative, which is the proposed reconfiguration of the mooring fields to make navigation safer and to reduce the mooring field footprints.

Let's first discuss the fair market rent. By way of background, almost all of what we know as Newport Harbor is owned by the State of California and is referred to as public tidelands.

Pursuant to the California Constitution and legislation more commonly known as the Beacon Bay Bill, the City of Newport Beach is obligated to manage most of the public tidelands. The County of Orange also has responsibility for managing a small portion of the public tidelands as well as the Newport Dunes.

Both state and local legislation require the payment of fair market rent wherever private parties use or occupy these public tidelands. It is important to note that these rents go into the Tidelands Fund. Money in the Tidelands Fund can only be used for harbor related expenditures, including the funding of the Harbor Department.

**SHOW SLIDE #2**

Review of early maps of Newport Harbor show designated mooring fields as far back as the early 1940's. This map of mooring fields is dated February 16, 1946. It is interesting to note that there were mooring fields to the southwest of Collins Island and off the northwest tip of Harbor Island and a designated anchorage area for fishing boats immediately north of the Coast Highway bridge.

At some point in the mid 1960's the Harbor Patrol contracted with the City of Newport Beach to assume responsibility for the management of the moorings. This arrangement continued until 2017 when the City elected to reassume the responsibility of managing the moorings.

Those obtaining a permit for a mooring were required to pay an annual fee. For many years the annual fee for the permit was \$10.00 per lineal foot for an onshore mooring and \$20.00 per lineal foot for an offshore mooring irrespective of the length of the vessel. Two of the requirements of the mooring permit were that the permittee must maintain a vessel on the mooring and that the permittee could not transfer the permit or rent the mooring. Because the annual mooring permit fee was so reasonable, those who had mooring permits but did not have a boat would place a derelict vessel on their mooring in order to retain the mooring permit. Also because the demand for moorings exceeded the supply, a black market for mooring permits was created. In order to circumvent the non-transferability of the mooring permit the permittee would sell the derelict vessel and request that the buyer also be allowed to assume the mooring permit with the vessel which was allowed.

In 2010 in order to reduce the environmental risk caused by the derelict vessels and eliminate the visual blight, Ordinance 2010-26 was passed which eliminated the requirement that a mooring permittee must maintain a vessel on the mooring. The Ordinance also sunset mooring permit transferability but the sunset provision was later reversed and the practice of selling the right to a mooring permit was allowed to continue. As a result there currently is a tremendous equity value held by the mooring permittees.

In 2007 the Orange County Grand Jury issued a report which was highly critical of this practice alleging among other things that private profits are being made from the current procedures used in transferring the mooring permits and that the last assessment of the fair market rent of the mooring permits was well over 10 years ago. Interestingly, the Grand Jury report also recommended that the mooring rates “be based on a percentage of slip or berthing rates” in the harbor.

In response to the Grand Jury report, in 2010 the City Council increased the annual mooring permit fees significantly. Following the Council’s revisions to the annual dock and pier permit fees, more commonly known as the dock tax, the City Council reduced the annual mooring permit fees in 2016.

The Beacon Bay Bill and local legislation require the City to revisit the annual fair market rents to be paid for the mooring permits every 5 years. As a result the Harbor Commission recommended that an appraisal be conducted to

determine the annual fair market rent that should be charged for an onshore mooring and that appraisal was completed and presented to the Harbor Commission in January, 2022.

That appraisal was followed by an appraisal of the annual fair market rent for an offshore mooring which was completed in December, 2023. During the past two plus years there have been many stakeholder meetings, meetings with Newport Mooring Association officials and Harbor Commission meetings where the annual fair market rents have been discussed and debated.

In April, 2024 the Harbor Commission unanimously adopted the recommendation of the Ad Hoc Committee tasked with determining the fair market rents for the moorings and those recommendations will now be presented to the City Council for action.

### **SHOW SLIDE #3**

The far right column in this slide contains the fair market rents adopted by the Harbor Commission which are well below the column in red which are the fair market rents contained in the appraisal.

After debate and analysis, the Harbor Commission's recommendations mirrored the recommendation contained in the 2007 Orange County Grand Jury report that the annual mooring permit fair market rent should be based on a percentage of slip and berthing rates in Newport Harbor. The Harbor Commission is recommending that the fair market rent for the moorings should be 24% of the slip fees charged at the City controlled Balboa Yacht Basin. For information, the slip fees at Balboa Yacht Basin are based on an index of 6 marinas in Newport Harbor which are considered low or moderately priced marinas. For this reason slip fees at Balboa Yacht Basin are under market and there currently is a significant waiting list for slips.

### **SHOW SLIDE #4**

To make the increases in fair market rents for the mooring permits less burdensome, the Harbor Commission is recommending a 5 year phase in of the proposed new rates. One big change, however, is that the rate per lineal foot will vary depending on vessel length as is the case with all slip rates as

opposed to the current practice where all vessels pay the same rate per lineal foot irrespective of vessel length.

If adopted by the City Council, the monthly fair market rent per lineal foot being proposed by the Harbor Commission for an onshore mooring will increase from \$1.67 today to \$2.27 in January, 2025 and to \$7.71 by July, 2029. The monthly fair market rent per lineal foot being proposed for an offshore mooring for a 40' vessel will increase from \$3.34 today to \$4.16 in January 2025 and to \$12.02 in July, 2029.

As confirmation that these mooring rates are at or below fair market rents, the City has created 16 new moorings as a result of the Harbor Commission's Open Water Initiative which we will discuss next, and the demand for these new moorings has far exceeded the supply. Unlike the existing moorings, transfer of these new moorings is prohibited. The monthly rate per lineal foot for a new 40' mooring is \$13.52, which is well above what is being proposed for the current mooring permittees for the same length mooring, and there is a waiting list for these new moorings.

Now let's discuss the Harbor Commission's Open Water Initiative. One of the Harbor Commission's Objectives was to provide guidelines to better define rows and fairways within the mooring fields to improve navigation and safety and improve optimization of space within the mooring fields. After significant time and effort the Ad Hoc Committee charged with this task presented their recommendations to the Harbor Commission on March 8, 2023.

The Ad Hoc Committee found that currently there are cluttered and narrow fairways, current spacing between vessels presents challenges for mariners, and there is limited and unsafe public access within the mooring fields.

## **SHOW SLIDE #5**

The Committee's proposed solutions create a double row of moorings versus the current single row configuration. According to the Committee this will improve public access and utilization of the waters over public tidelands, increase the size of the navigational channels adjacent to the mooring fields, widen and better define the fairways within the mooring fields, increase the spacing between moorings in the same row, provide more room when

navigating to or from a mooring, and allow the creation of space for new moorings within each of the mooring fields.

The revised configurations reduce the overall footprint of the mooring fields thus providing more open water within the harbor.

## **SHOW SLIDE #6**

For example, mooring fields H and J contain approximately 200 moorings covering almost 30 acres. A similar mooring field in San Diego Harbor utilizing the double row configuration contains approximately 180 moorings within a 15 acre area. That's 90% of the moorings in half the space.

The proposal by the Ad Hoc Committee adopted by the Harbor Commission and approved by the City Council is to use the C mooring field as a test case to confirm that the proposed mooring field reconfigurations function better. The reconfiguration of the C mooring field will increase the width of the channel between the mooring field and the peninsula docks and beaches, reduce the C mooring field size by over 2 acres, and create 7 new long term city moorings. The goal is to achieve the same beneficial results with the reconfiguration of the other mooring fields.

The Open Water Initiative also addresses the issue of mooring length extensions, places vessels of the same length together, and provides flexibility for future innovative ideas such as multiple vessel mooring systems, helix anchoring devices and other new technologies. By the way, the devices currently being used by the mooring permittees to keep their vessels in place include oilfield pumps, engine blocks, train wheels, steamer anchor chains and even a sailboat keel.

The C mooring field test reconfiguration is currently being reviewed by the California Coastal Commission and the City is hopeful that approval will be obtained by the end of 2024.

The increased revenue in the Tidelands Fund resulting from the increase in the fair market rents for the mooring permits and the mooring field reconfigurations proposed by the Open Water Initiative will be very beneficial to Newport Harbor. Our harbor is not getting larger but the use of our harbor is steadily increasing. Also, the increased revenue will allow the City to

provide enhanced services. Both the increase in the fair market rents and the Open Water Initiative have been supported by the Newport Harbor Foundation.

In closing I would personally would like to acknowledge and thank Harbor Commission Vice Chair Ira Beer for his diligence and dedication on the mooring fair market rent and mooring reconfiguration objectives. He has dedicated a tremendous amount of time and effort bring these objectives to fruition.

**SHOW SLIDE #7**

### QUESTIONS FOR IRA

1. What is the onshore mooring rate? Is it \$2.27/foot in Jan. 25? **Yes and then it goes to \$7.71 July 2029**
2. When was the Open Water Initiative adopted by the Harbor Commission? **March 8, 2023 HC Meeting**
3. When was it approved by the City Council? **May 23, 2023 CC Meeting**
4. When do you anticipate approval by the Coastal Commission? **We are hoping NTL Sept 1 , 2024, no assurance**

### QUESTIONS FOR PAUL

1. How much of the Harbor Department annual budget is funded from the Tidelands Fund?
2. When was the requirement that a permittee must keep a vessel on their mooring removed?
3. What is the monthly rate per lineal foot for one of the new 40' moorings? **\$13.52 – See below schedule approved by City Council**

New City Owned Mooring Type	LOA for Slip or Mooring	Newport Beach Harbor Commission Recommended New City Mooring License Rates per Lineal Foot/Month
<i>Onshore</i>	18'	8.70
Offshore	30'	10.69
Offshore	40'	13.52
Offshore	50'	16.36
Offshore	60'	19.08
Offshore	70'	20.00
Offshore	80'+	21.86