



To enrich lives through effective and caring service



June 9, 2010

Santos H. Kreimann
Director

Kerry Silverstrom
Chief Deputy

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Santos H. Kreimann, Director
Department of Beaches and Harbors

SUBJECT: **MODIFIED ANCHORAGE 47 ANNUAL SLIP RENT ADJUSTMENT –
MARINA DEL REY**

On June 24, 2008, we reported to your Board that the County had assumed ownership and operation of the Parcel 47 leasehold improvements, including the yacht club building and the marina. As a result, the County became the lessor to the existing slip tenants and the Santa Monica Windjammers Yacht Club, whose lease you approved March 11, 2008. We secured approval from your Board for slip rental rate adjustments to bring the slip rates into market range and, thereafter, to keep them current. However, we believe we should **forego one portion of the slip rate adjustments for 2010**, given today's economic conditions and the rapidly deteriorated condition of our docks. Accordingly, **unless you instruct otherwise, this memo is to advise that we plan to implement a modified rate increase for 2010, the remainder of which will be accounted for in the 2011 calculation.**

Specifically, at the time the County resumed ownership of the anchorage, slip rental rates were substantially below the averages in Marina del Rey (MdR), because the former lessee did not make appropriate market adjustments for several years prior. Because the adjustment required to bring rates in line with market averages involved a substantial increase to all slip tenants, your Board approved a deferred rent adjustment split into three installments phased in over a three-year period to lessen the impact. In addition to the deferred adjustment, your Board also approved an annual adjustment to Anchorage 47 slip rental rates to ensure they remain in line with the market, using a weighted average for each slip size category obtained from surveying certain comparable marinas in MdR every April.

Both deferred and annual adjustments occurred on July 1, 2008 and July 1, 2009. The range of both adjustments computed for July 1, 2010 are between 6% and 15% above

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the existing 2009 rates for the majority of slips and between 24% and 29% above 2009 rates for the small number of wall-tie slips (first slip from the seawall at each dock). Although the new rates would account for the full market rates and are consistent with the methodology your Board approved, I believe they would not be reasonable as mentioned earlier. We are in the process of obtaining permits from various agencies, including the California Coastal Commission, to implement a replacement plan to modernize our docks. However, our docks are currently in much worse condition than those of other marinas from which we obtained rates for computation of weighted averages for our annual rate adjustment. Therefore, I recommend we implement on July 1, 2010 only that portion of the rate adjustment to implement the final one-third installment of the deferred increases. This would result in increases ranging between 3% and 11.5% for most slips and between 19% and 21% for the wall-tie slips. The annual MdR weighted average increases that are not applied to this year's adjustment will be accounted for in the 2011 calculation.

I believe the foregoing modified rate calculation methodology is fair to both the County and the slip tenants. Accordingly, as stated earlier, I plan to implement these modified rates within 10 days of the date of this letter unless you instruct otherwise.

Please feel free to contact me if you have need for more information or for clarification.

SHK:ks

c: Chief Executive Officer