



THOMAS A. MILLER

Chief Real Estate Officer
400 West Civic Center Drive, 5th Floor
Santa Ana, CA 92701

April 25, 2024

Mr. Bryon Ward
Burnham-Ward Properties
860 Newport Center Drive, Suite 100
Newport Beach, CA 92660

Mr. Joe Ueberroth
Bellwether Financial Group
610 Newport Center Drive, Suite 490
Newport Beach, CA 92660

Mr. Robert Olson
R.D. Olson Development
520 Newport Center Drive, Suite 600
Newport Beach, CA 92660

Re: Slip Rate Increases at Dana Point Harbor

Dear Mr. Ward, Mr. Ueberroth, and Mr. Olson,

The County is writing to address the letter dated April 22, 2024, from the Marina at Dana Point to slip tenants detailing intentions to implement a slip rate increase effective June 1, 2024.

While acknowledging that Dana Point Harbor Partners (“DPHP”) fulfilled their obligation to notify the County of the proposed slip rate increase, as required in section 11.9 of the Lease, by letter dated February 22, 2024, DPHP did not receive the County’s concurrence regarding the rationale and methodology for the increase. The lack of concurrence was evident by the County’s request to postpone release of the notification until a discussion could be had between the County, The Fifth District and DPHP. Despite repeated attempts by the County to initiate discussions and set up a meeting, DPHP proceeded to inform slip tenants of their intention to implement the slip rate increase. This failure to collaborate is particularly disappointing, given our partnership and the inherent need for cooperation to ensure the successful and compliant implementation of the Dana Point Harbor Revitalization.

Several issues require immediate attention:

- **Lack of Collaborative Discussion:** Despite prior attempts to schedule a coordination meeting to discuss the slip rates and the 5-year plan with Supervisor Foley's office, DPHP proceeded with notifications before engaging in the requested discussion. This pattern of disregarding County input or direction undermines the spirit of cooperation and mutual understanding essential for the successful management of Dana Point Harbor ("Harbor"). It also contributes to the larger pattern where DPHP fails to keep the County informed of sensitive matters with significant impact on the Harbor. For example, despite the County's explicit request on March 20, 2024, to notify us in advance, following your previous action of notifying dry storage tenants of rate changes without our knowledge, it is concerning that on April 22, 2024, slip tenants were informed of an increase without the requested advance coordination and notice.
- **Lack of Responsiveness to County Communications:** DPHP routinely disregards County communications, including requests for information, meetings, and other correspondence, necessitating repeated follow-ups from the County. This chronic lack of responsiveness undermines effective collaboration and communication between DPHP, Supervisor Foley's Office and the County, hindering progress and cooperation on important matters related to Harbor operations. A prime illustration of this issue occurred on November 9, 2023, following a meeting initiated by DPHP with the County CEO and CFO to discuss the upcoming financing event. Even during that meeting, it was indicated that updated financial documents would be needed. Despite this, when staff formally requested the necessary documents on November 9th to facilitate the approval of DPHP's estoppel for their Citizens Bank Loan and to initiate construction of the Commercial Core Parking, it took several months of repeated emails and calls before the requested information was finally provided. Notably, only after it was made clear that without the requisite information, neither the loan approval nor the commencement of construction could proceed, did DPHP finally provided the requested information. Such delays not only hamper our efficient oversight of Harbor operations, but they also hinder our ability to address crucial matters in a timely manner.
- **Rationale and Methodology:** Section 11.9 of the Master Ground Lease stipulates that DPHP must provide advance written notice to the County and all tenants of any slip rental rate increases, including the rationale and methodology behind such adjustments. The County sought to fulfill this requirement by meeting with DPHP to fully understand the rationale and methodology behind the increase. Unfortunately, DPHP did not facilitate this opportunity for discussion and failed to reply to numerous requests for a meeting, hindering transparency and collaboration. Notably, at the April Oversight Committee Meeting, Deputy Chief of Staff Alyssa Napuri announced, with Joe Ueberroth in attendance that DPHP would be presenting their proposed slip rate increase to the committee at the May meeting, prior to its release. However, DPHP proceeded to release the slip rate increase notice to tenants without including the County and prior to the meeting thereby missing a valuable opportunity for productive engagement with interested stakeholders.



- **Impact on Slip Tenants:** The unilateral decision to implement a slip rate increase without collaborative discussion has not only led to confusion and frustration among slip tenants but also undermines the extensive collaborative effort between the County, the boating community, and DPHP which aimed at providing boaters with predictability by scheduling increases while avoiding sudden spikes. The lack of transparency regarding the rationale and methodology behind the increase has left tenants feeling ill-informed about the process. It should be noted that the methodology document provided to the County by DPHP was marked 'Confidential,' even though the methodological explanation is explicitly required by the lease. This undermines trust and jeopardizes the cooperative relationship between the County, DPHP, and Harbor tenants/visitors, which is crucial for the long-term success of Harbor operations. We expect that DPHP will be present at the Dana Point Harbor Advisory Committee meeting on May 1st to address the notices sent out and the 5-year plan.
- **Compliance with Lease Agreement:** The failure to obtain the County's concurrence regarding the slip rate increase raises concerns about compliance with the Master Ground Lease agreement between the County and DPHP. Section 11.9 explicitly outlines the requirements for notifying the County and tenants of any rate increases and the need to provide rationale and methodology for such adjustments.

Moving Forward

To ensure open communication and prevent similar situations in the future, the following will be implemented:

- **Bi-Weekly Coordination Meetings:** The County will schedule bi-weekly coordination meetings with DPHP Principals and the Fifth District to discuss matters pertaining to the Harbor, including but not limited to future rate adjustments. The County proposes these meetings to be held on the 1st and 15th of each calendar month to facilitate regular and timely discussions. If other days work better, please let us know immediately.
- **Transparency and Collaboration:** We emphasize the importance of transparency and collaboration on issues impacting the Harbor. The County remains committed to working with DPHP in a constructive manner to achieve mutually beneficial outcomes. We believe that transparent communication and collaborative efforts are essential for the successful management of the Harbor. To date, this has been severely lacking with DPHP appearing to feel that the County does not need to be kept in the loop in major decisions and actions related to the Harbor, and that documentation specifically required by the lease terms can be withheld.

We expect your prompt response regarding the implementation of bi-weekly coordination meetings. We believe this will foster a more collaborative approach and ensure all parties are informed and involved in discussions concerning the Harbor.



We look forward to working together to improve communication and coordination between the County and DPHP.

Regards,



Thomas A. Miller

Chief Real Estate Officer
County of Orange

cc: Supervisor Katrina Foley, Fifth District
Alyssa Napuri, Deputy Chief of Staff, Fifth District
Frank Kim, CEO
Lilly Simmering, Deputy CEO
Dylan Wright, Director, OC Community Resources
Pam Passow, Director, OC Parks





BELLWETHER
FINANCIAL GROUP

Mr. Thomas (Mat) Miller
Chief Real Estate Officer
County of Orange
County Administration North
400 W. Civic Center Dr., Fifth Floor
Santa Ana, CA 92701

February 22, 2024

Dear Mr. Miller,

In accordance with Section 11.9 Pricing of the Master Ground Lease Agreement, please accept this letter on behalf of Dana Point Harbor Partners, LLC (DPHP) as its advance written notice to the County of raises in the slip rental rates at the Marina at Dana Point. In the attached report, DPHP presents a five-year plan of annual slip rate increases for slips in the Marina at Dana Point, see slides 2-6. As we know, DPHP commenced construction of new slips in the harbor starting in August 2022, and now landside facilities starting January 2024. In January 2024, DPHP secured \$60 million of financing from Citizens Business Bank to support our ongoing construction. The rationalization for such raises is to support the financial plan provided to Citizens Business Bank as well as support future financing with the goal of completing construction over the next five years.

Our methodology regarding slip rates is consistent with our previous rate increase more than two years ago. In the attached presentation, slide 7 shows the location of our existing tenants, and slide 8 shows the location of the more than 2,000 boaters on the waitlist. Both slides illustrate that our tenants are overwhelmingly from Orange County and Riverside County and supports our rationale that our market is Orange County boaters. As such, our market remains Orange County marinas (see slide 9 & 10 for the market selection as well as a comparison of their amenities,) as proximity is an overwhelming factor in marina selection, and the fact that all the mariners operate in the same county.

Although we strongly believe that the Marina at Dana Point will set the standard for marinas in Orange County after the revitalization, the attached slides (11-20) illustrate that over the next five years, our plan for rate increases will continue to price the slips at the Marina at Dana Point lower than most marinas in our market, providing tremendous value to our tenants, ensuring our desire to maintain a full marina throughout construction.

In this 5-year plan, each year we will notify slip tenants of the rate increases in the latter half of April with the rates going into effect on June 1st.

DPHP respectfully requests that the County acknowledges that DPHP has provided advance written notice to the County of slip increases for 2024, 2025, 2026, 2027 and 2028, and our rationale for such raises, as well as our methodology for determining the same.

Respectfully,

A handwritten signature in blue ink, appearing to read "Joe Ueberroth", with a long horizontal flourish extending to the right.

Joe Ueberroth

Manager, Dana Point Harbor Partners, LLC