

# Ventura County

## Channel Islands Harbor Department

### Background

The Grand Jury undertook to survey the Channel Islands Harbor Department (Department) of the General Services Agency, because it appears to be economically distressed and its administration has been reviewed in the past and been found wanting in certain particulars.

### Methodology

In order to familiarize the Jury with Harbor Department operations, Grand Jury members first visited the Ventura Port District. Personnel from the Ventura Port District explained in detail their management philosophy and the current status of their operations. This briefing included a tour of the Port. Subsequently Jury members met with the Director and the Deputy Director of the Harbor Department on two occasions and were thoroughly briefed by them. They were also supplied documentation relevant to the operation and budget of the Department. The Grand Jury visited businesses in the Channel Islands harbor area (Harbor). In addition Jury members visited with the United States Coast Guard at its Harbor post for a briefing. The Coast Guard provided a tour of portions of the Harbor.

### Findings

- F-1 The County often views the Harbor as primarily a park or recreation area for the benefit of local residents and boaters.
- F-2 Regional pleasure boat slip accommodations are full or nearly full.
- F-3 The great majority of Department leases, including marina and business leases, are long-term leases running on the order of forty (40) years with one running to ninety-nine (99) years.
- F-4 The great majority of these Department business leases are “dirt” or land or marina leases that provide for modest rental income and some profit participation by the County but no management participation.
- F-5 Several leases are nearing expiration.
- F-6 Present Department management is trying to follow a business model in its management of the Department’s assets.
- F-7 Department management plans to improve the asset value of the Harbor through capital investment requirements in new leases and in renewals of expiring leases.
- F-8 Department management plans to expand usage of the Harbor in cooperation with California State University Channel Islands.
- F-9 The Port Royal Restaurant lease and its location have great value potential to the County, but are producing very little participation income for the County.

- F-10 The Port Royal Restaurant lease has approximately eleven (11) years to run.
- F-11 Rents paid to the County by the Port Royal Restaurant over the past two years were only about twenty nine percent (29%) of those paid to the County by the immediate neighboring restaurant, the Whale's Tail.
- F-12 Department management has attempted to effect improvement of the Port Royal Restaurant's deficient income production or effect a lease substitution, but has failed.
- F-13 There are two other restaurant facilities located at the Harbor (at Fishermen's Wharf and on the Peninsula) that have been unoccupied for some time.
- F-14 The Fishermen's Wharf area appears to have commercial gaps (empty stores and restaurant locations) in marketable areas surrounded by apparently thriving businesses.

### **Conclusions**

- C-1 The Harbor is economically viable and is a valuable business asset of the County. (F-3, 8)
- C-2 The Harbor, though offering recreational potential for some County citizens, should be considered primarily a business asset of the entire County. (F-2, 3, 6)
- C-3 County management fails to consistently endorse and support the Department's business model approach to management of the District. (F-1)
- C-4 The Department has failed to effect improvement of the Port Royal Restaurant's deficient income production or obtain a lease substitution because its lease interest does not include management oversight or responsibility. (F- 4,10, 12)
- C-5 The Port Royal leaseholder appears to be content with its relatively poor business and, therefore, is frustrating the County's purpose in leasing the land. (F-11,12)
- C-6 The poor business of the Port Royal restaurant has a negative impact on other restaurants and businesses in the proximity of the Port Royal. (F-12, 13)
- C-7 Areas of Fishermen's Wharf are languishing in marketable areas. (F-13, 14)
- C-8 With the exception of the Port Royal Restaurant, the Department has a business plan and management approach to maximize revenue from most leased parcels within the Harbor. (F-3, 7-9)
- C-9 The current State and County financial crises mandates that the County vigorously pursue all legitimate sources of revenue.

### **Recommendations**

- R-1 That the Board of Supervisors acknowledges that the Harbor is primarily a business asset of the entire County and not primarily a park or recreation area for local residents.
- R-2 That the Board of Supervisors and top County management endorse and push the Department's business approach in managing the Harbor's assets.
- R-3 That Department management vigorously seek legal advice, to include consideration of frustration of purpose, with a view to terminating the County's lease of the property currently occupied by the Port Royal Restaurant so that it can provide greater participation income to the County.
- R-4 That the Department pursue a special recruiting effort to obtain lessees for the Fishermen's Wharf area and especially with respect to the empty restaurant space there and on the Peninsula.
- R-5 That Department management continues to work toward maximizing the County's income through institution of leasing provisions that provide for periodic review and updating of profit sharing lease provisions.
- R-6 That profit sharing lease provisions be keyed to only upward market trends.

**Required Responses**

Board of Supervisors. (R-1, R-2)

County Executive Officer. (R-2)

Director, Harbor Department. (R-3, R-4, R-5, R-6)

**Commendation:**

The Harbor Department is to be commended for its aggressive business approach to the management of this valuable County asset. The Department is faced with long-term contractual impediments to lease adjustments that would reflect inflationary economic trends but has persistently tried to increase the economic viability of this County asset.