



Lyn Krieger
Director

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VENTURA COUNTY SUPERIOR COURT

JUL 22 2003

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July 21, 2003

The Honorable Bruce Clark
Presiding Judge of the Superior Court
Ventura County Hall of Justice
800 S. Victoria Avenue
Ventura, CA 93009

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**SUBJECT: 2002-2003 VENTURA COUNTY GRAND JURY REPORT
VENTURA COUNTY, CHANNEL ISLANDS HARBOR DEPARTMENT**

Dear Judge Clark:

I am writing in response to the Grand Jury Report issued on April 21, 2003, related to the Harbor Department. Specifically, the Grand Jury requested that the Department respond to Recommendations 3, 4, 5 and 6.

Recommendation 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.

Response: The Department has sought and will continue to seek legal advice regarding the Port Royal lease, and its lack of performance in the harbor on behalf of the County and its citizens. As Department staff explained to the Grand Jury, lease termination is a difficult and expensive process, in part to protect the investment of private parties from gratuitous seizure. Further, the Harbor Department inherited other properties with performance issues, such as Fisherman's Wharf and the Casa Sirena Hotel, which demanded more immediate attention. However, we agree with the Grand Jury's assessment that the Port Royal is an under-performing asset, and should be pursued closely.

Recommendation 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.

Response: As long as the Fisherman's Wharf development is under a ground lease, the County has no authority to rent space. In fact, because of poor performance, the

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Department has been negotiating for some time regarding a new transaction with the owner of the Fisherman's Wharf improvements, along with improvements in several other leaseholds including the Casa Sirena Hotel/Lobster Trap, Fisherman's Wharf, Villa Sirena I and II and adjacent marinas, Anchorage Apartments and marina, and Bahia Cabrillo and marina. In this transaction, scheduled for action by the Board of Supervisors on July 29, 2003, the Fisherman's Wharf development will be returned to the County for marketing to a new lessee/operator. The redrafted lease will have more requirements (and consequences) related to management and operations.

Recommendation 5: That the 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.

Response: The Department has a new lease which eliminates some outdated provisions and allows the County to make periodic adjustments. As lessees request lease extensions, these provisions are being incorporated into the lease amendments. However, since leases are long-term, this process moves very slowly.

Recommendation 6: That profit sharing lease provisions be keyed to only upward market trends.

Response: As stated above, these provisions are incorporated in the new lease language and applied to lease amendments when lessees request amendments of other provisions.

An additional comment was made by the Grand Jury, not requiring response, regarding a need for greater support from the County Executive Officer and the Board of Supervisors for an aggressive business plan at the harbor. Harbor Department staff believes the Harbor has the full interest and support of the County Executive Officer (CEO) and the Supervisors. In fact, the Board of Supervisors and CEO have dedicated a great deal of time and energy to the improvement of the harbor, given the numerous issues facing the County.

We appreciate the interest and support of the Grand Jury.

Sincerely,



Lyn Krieger
Director

c: Board of Supervisors
J. Johnston, CEO