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Alamitos Bay Marina Rebuild At A Standstill Over Financing

City Auditor Calls For Fiscal Analysis, Renovation May Be Scaled Back



The first phase of the Alamitos Bay Marina rebuild project was scheduled to begin in April, but is being held up due to financial concerns. The plan is to replace the aging, wooden 1,967 slips with concrete docks. Seen here is an aerial view of the marina with Long Beach Yacht Club at top left. (Photograph by the Business Journal's Thomas McConville)

■ By **SEAN BELK**
Staff Writer

Tied up in planning stages for more than a decade, a project to rebuild the dilapidated Alamitos Bay Marina has hit another snag.

The Long Beach City Council and state officials are awaiting an official financial analysis of the long-awaited project after City Auditor Laura Doud released an audit April 5, sending a warning to city council that the city's marine bureau was to sink more than \$90 million in debt without properly analyzing how to pay it back. The first phase of the project had been scheduled to launch this month.

The audit states, "the financial analysis prepared by the marina to justify construction was incomplete, insufficient and lacked critical financial assumptions." Doud's report goes on to state, "Neither bond rating companies, underwriters nor brokers would agree to market any bonds the marina would contemplate issuing supported by this inadequate financial analysis."

Renovating the aging 55-year-old Alamitos Bay Marina involves: replacing wooden floorboards with concrete docks at

seven basins; repairing surrounding seawalls; and making substantial improvements to surrounding facilities and parking lots.

As of December 2010, total costs of the project are estimated at \$96.2 million, according to Doud. More than half of the project is being covered by the issuance of \$50 million in state municipal revenue bonds, while the other half is coming from \$40.4 million in loans from the California Department of Boating and Waterways (DBW), along with \$1.2 million in 2011 city budgeted expenditures and a 2010 marina fund balance transfer of \$5 million.

Typically, municipal bonds are issued by enterprises able to pay back the debt with interest through generated revenues, in this case through slip fees. However, exactly how much debt the marina fund is able to take on remains a question, along with how much the project may have to be scaled back to fit a more affordable budget.

At its April 12 meeting, the city council received and filed the audit report, with an agreement that marine bureau staff and financial management come back to council and the city auditor with a separate financial report within six months.

Mark Sandoval, marine bureau manager, told the Business

Journal the financial report should be released sooner than later. "I'm hoping we can do it within a month or so. We're working on it now," he said.

Although he wouldn't go into detail about the marina's potential bond rating or debt capacity, Sandoval said the project must move forward, no matter what can be afforded. "The marina needs to be rebuilt, whether the project has to be altered or delayed, we'll have to address that when we know the borrowing capacity. But at the end of the day, this marina needs to be rebuilt," he said.

While Doud's audit takes issue with the rebuild having a "single design and project cost," Sandoval said it's always been the case to do the project in phases since it was initially bid as a "design build" contract. "If we cannot identify or accumulate the funds necessary to build the project as conceptually designed, we would ask the contractor to make changes to the design to get the project to the level of funding we have available," he said. "It's been our plan all along."

In fact, the California Coastal Commission gave the final approval for the project in January, along with several conditions, indicating the project would be implemented in 12 phases over six years. After a slight delay, Sandoval said the city has been granted coastal development permits during the week of April 15, from both the commission staff and U.S. Army Corps of Engineers, to begin construction.

Unresolved Issues

So far, only 25 percent of the design concept has been completed, Sandoval said. Washington-based Bellingham Marine was awarded the bid contract, partnering with Manson Construction, Reyes Construction and Moffatt & Nichol. The contractor signed preliminary contracts for the project last year to complete part of the design for Phase 1, costing \$1.5 million, and to finish the first half of Phase 1 at a price of \$11.8 million, Sandoval said.

However, what Phase 1 will include remains to be seen. Originally, the plan was to start with Basin 4, mostly paid for by DBW loans that had already been granted. However, DBW staff notified the city, unofficially in late 2010, that loans for Basin 4 might be rescinded due to restricted public access issues surrounding the Long Beach Yacht Club. Under lease terms, yacht club tenants receive preferential treatment for slip occupancy, but one of the requirements to receive a small craft harbor loan from DBW is for boating facilities to provide public access, DBW staff said.

While Sandoval said the issue over the yacht club's lease should be resolved within coming weeks, some DBW loans still have yet to be finalized, and with time running out, the loss of state funding could complicate the issue.

An e-mail sent from Gloria Sandoval, DBW spokesperson (no relation to Mark Sandoval), states that since 2002-2003, the California Boating and Waterways Commission (BWC) has approved a total of \$21.4 million in loans for the project, while \$18.9 million in loan funding is still pending approval. However, until the city's financial report is released, all state funding remains in question.

"BWC required a full project funding plan and other contingencies prior to further consideration or approval of loans," the e-mail states. "The report commissioned by the Long Beach City Auditor on the Alamitos Bay Rebuild raises certain issues which have bearing on the availability of state funding. State funding can be released only after the full scope, costs, timelines and funding allocation are known for the project, and all required state approvals are completed."

Marina Financing

David Nakamoto, the city's acting financial management director, said the city is working with Loop Capital as a financial advis-

er to determine the debt capacity of the self-sustaining marina fund, along with impacts from DBW loans, ultimately narrowing down a prudent size of the project. "I've been assured through our conversations on our team with the city that the project is scalable," he said. "It's designed by basin with certain materials . . . I feel we can scale it back to what's affordable."

Nakamoto added that debt capacity for the project would be limited to the marina fund alone, without any bonds being backed by the General Fund or the tidelands fund. Councilmember James Johnson added, "What I'm hearing from you is that in discussions with underwriters, let them know that these bonds will only be backed by the marina fund, and they have to be comfortable with that . . ."

The marina fund remains a self-sustaining fund since it generates a surplus each year from various slip fees and other charges from three marinas, including the newly rebuilt Shoreline Marina, located downtown. Last year, the fund brought in roughly \$20 million in revenues, leaving a balance of about \$4 million after expenditures. However, that wasn't always the case.

According to a Business Journal interview last year with former financial director Lori Ann Farrell, the marina fund used to rely on being subsidized by the tidelands fund due to previous annual debt service obligations. Only in recent years has the marina been able to become self-sustaining, she said. In addition, the original plan was to use the combined revenue from all three marinas to pay for the project and bond payments as well.

To Rebuild, Or Rehab

During the council meeting, Councilmember Johnson questioned whether marina users would want a more expensive marina that would create higher slip fees down the road or a more affordable marina with lower fees.

Mike Lesner, who said he has lived at the Alamitos Bay Marina for 25 years, said he could live without the concrete slips, and it would be better to just repair the wooden ones. "We are the non-Marina del Rey," he said. "Instead of using the word rebuild, we should start using the word rehab."

However, Sandoval explained the issue had been vetted several years ago when developing the Alamitos Bay Master Plan. "This process has been going on for more than a decade," he said. "Without a doubt it was unanimous our users wanted concrete . . . They are more expensive than wood marinas, but over the life cycle maintenance is less."

Bud Lorbeer, a marina boater, testified for the need of a safer and modernized marina facility. "I want you to understand that this is a marina we need," he said. "I'm sick and tired of coming down to my boat, finding the refrigerator is shut off because the circuit breaker broke on the dock and the food is spoiled, the ice melted, it's all over the carpeting, and I step off the boat and I get a splinter in my foot."

Jon Nahhas, founder of the The Boating Coalition, an advocacy group for boaters, called the project "grossly over budgeted," saying, "By raising slip fees you are going to have some troubles, major problems." He also said eliminating smaller slips prices out today's boaters who can't afford luxury craft.

Sandoval, however, countered his remarks by saying when taking into account "non-marina costs," such as the cost of upgraded surrounding facilities and planning, the project cost would come out to roughly \$24,500 per slip, which is comparable to most marina projects. While the proposed design results in the loss of hundreds of small slips, he said marina tenants, the coastal commission and DBW staff have supported the proposed slip mix. "We believe we got it right," he said. ■