



WATERFRONT DEPARTMENT

WATERFRONT DEPARTMENT SLIP ASSIGNMENT POLICY

Harbor Commission Meeting

July 16, 2020



Waterfront Department Slip Assignment Policy

PRESENTATION OUTLINE

- Tidelands Grant
- Slip Assignment Defined
- Slip Assignment Policy
 - History
 - Recent Public Interest/Concern
 - Permit Transfer Fee and Market Values
- Discussion of Public Concerns
- Potential Changes and Impacts
- Harbor Commission Discussion & Public Comment

Tidelands Trust Grant

Waterfront Granted Lands – Chapter 78, Statutes of 1925

In 1925 the State of California granted to the City of Santa Barbara all of the right, title, and interest to all the tidelands and submerged lands fronting the boundary lines of the City of Santa Barbara.

Some Key Points:

- Encompasses all Waterfront land (roughly south of Cabrillo Blvd)
- Allows for uses such as harbors, wharves, docks, utilities, and buildings to support commerce and navigation
- Requires protection of wildlife habitat and natural resources
- Per City Charter and Tidelands Trust the maximum lease/encumbrance length is 50-years
- Requires that harbor shall always remain a public harbor
- Requires all funds received from activities within the tidelands grant area be kept in a separate fund and used only within the tidelands grant area
- State Lands Commission oversees and ensures compliance with public trust tidelands

Waterfront Slip Assignment Policy



Santa Barbara Harbor – 1934

- Breakwater Constructed 1927
- Accreted lands west of breakwater makeup current Harbor Business District
- Cabrillo Blvd essentially fronted the beach and ocean



Slip Assignment/Transfer Defined

Slip Assignment/Slip Transfer:

In general, a slip transfer occurs when a slip permittee sells their interest in a vessel and requests the new owner be assigned their slip permit.

Some Key Points:

- Entire Slip Assignment Policy can be found in **Municipal Code Section 17.20.005**
- Slip permits are revocable month to month licenses
- A spouse can be assigned a slip permit without initiating a transfer
- Slip permits cannot be transferred/inherited after death of sole slip permittee
- Comparably sized slips may be exchanged/traded
- Proof of vessel ownership required for all slip permittees
- Vessels in the Harbor must be operable to maintain a slip permit



History of Slip Assignment Policy

1975 – Council Adopts First Slip Assignment Policy

1982 – Grand Jury/State Lands Commission Report

- Review of Trust Revenues & Expenditures, Accounting Methods, Trust Uses (including slip transfers)
- Identified the need for policy updates to impose slip transfer fees to address concerns with slip transfer abuse and profiting off the trust owned land

1982 – Established Slip Transfer Fee of \$10/ft (Resolution 82-118)

- Harbor Commission/City Council approved in response to State Lands Report

1983 – Grand Jury Report

- Recommended improvements to maintenance and upkeep of harbor
- Recommended revisions to slip assignment policy to stop further abuses

1984 – Council Acknowledged and Approved Grand Jury findings

- Waterfront/City adopted changes to policy to address issues



History of Slip Assignment Policy

1987 – Increase Slip Transfer Fee to \$50/ft (Resolution 85-092)

- Per recommendations to increase slip fees over time and better match the market value

1990 – Grand Jury Report

- Made additional recommendations to tighten up slip transfer policy including
 - *No adding of partners to slips without transfer fee*
 - *Require strict compliance with current policy to avoid abuse*

1999 – Council Agenda Report

- Waterfront provided an in depth report on slip assignment policy to Council
- Outlined slip assignment policy and transfer fee history to-date

2001 – Grand Jury Report

- Indicated harbor is generally well run with main area of concern being Slip Assignment Policy
- Main point of concern is lack of fairness with existing system and conveying value of a public resource to private individuals
- Slip permit transfer fee is only a small portion of the private to private slip permit sale
- Eliminate slip assignments and move to waitlist approach

2016 – Grand Jury Report

- Found Waterfront/City is operating within applicable State and local regulations
- Discusses County taxation of slip permits due to exclusive access to a publicly owned asset



Slip Assignment Policy

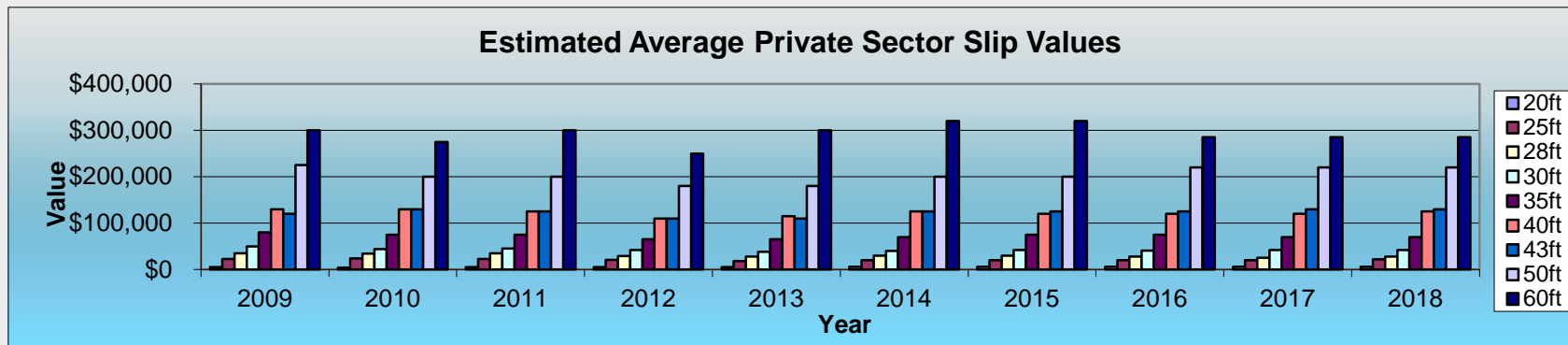
Current Assignment Policy

- Current policy is addressing the same concerns as originally intended
- Came about through decades of review and recommendations by Harbor Commission, Council, State Lands Commission, and the Grand Jury
- Not perfect, certainly complex, but deemed the best option for Santa Barbara Harbor
- Transfer fees have increased (most recently for larger slips above 30ft)
- Transfer fees have been frozen for slips 30ft and below

Recent Renewed Interest/Public Input:

- This review is in response to increased public interest in slip permit transfer fees
- Public concerns vary and include:
 - waitlist only, removal of fees altogether, reduction in fees, leave existing system in place, less abuse now than before, possessory interest tax, death/inheritance, adding children, Waterfront shifting reasoning
- Waterfront has been responsive to all email requests received
- Will discuss these concerns in detail in later slides

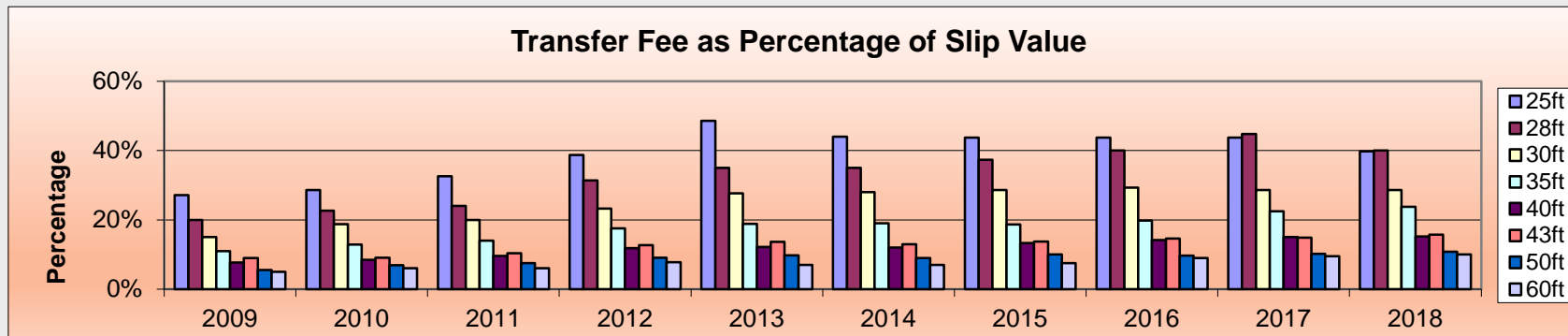
Slip Permit Market Values



Determining Market Values

- Not a perfect science
- Waterfront keeps tabs on slip permit market values annually
- Use sales data from brokers and County Tax Assessor
- As with real estate market ebbs and flows
- Have seen some decline in slip prices in recent years

Market Values vs. Slip Permit Transfer Fees



Fees Compared to Market Value

- Private market value still makes up bulk of cost of slip transfer
- Slip Permit Transfer Fees help do what they were intended to do:
 - Dampen demand
 - Retain some of the value of the public asset within the Waterfront as opposed to private parties
- Determine what percentage of market value is reasonable

Slip Transfer History

Annual Slip Transfer History												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Transfers (#)	54	57	53	50	64	59	77	73	72	88	71	82
Waitlist (#)	3	0	0	0	0	0	3	0	2	7	2	1

Number of annual slip transfers generally increasing over the last 10 years

Slip Inventory Sizing Breakdown														
Slip Length	20'	25'	28'	30'	35'	40'	43'	45'	50'	51'	60'	End Tie	Side Tie	TOTAL
# of Slips	73	243	161	131	232	87	33	22	69	19	29	28	16	1143
% of Total	6.4%	21.3%	14.1%	11.5%	20.3%	7.6%	2.9%	1.9%	6.0%	1.7%	2.5%	2.4%	1.4%	100.0%

Roughly 53% of slips are 30ft and below

Slip Transfer History by Slip Size

Slip Transfers by Slip Size												
	20'	25'	28'	30'	35'	40'	43'	45'	50'	51'	60'+	TOTAL
2008	5	18	8	5	9	2	1	1	3	3	2	54
2009	8	10	12	5	11	1	0	4	1	2	3	57
2010	6	15	7	5	15	1	0	1	2	0	1	53
2011	4	13	5	9	4	3	1	1	4	3	3	50
2012	9	15	10	7	6	8	4	0	2	1	2	64
2013	3	11	12	5	17	2	1	1	7	1	0	59
2014	5	20	6	14	14	8	7	1	2	1	2	77
2015	9	12	6	12	15	11	2	2	4	0	0	73
2016	7	13	10	7	14	9	2	0	7	3	2	72
2017	5	16	11	12	24	9	5	1	6	1	4	88
2018	4	14	9	10	18	5	2	1	1	2	7	71
2019	5	25	15	9	12	4	3	0	4	2	4	82



Discussion of Public Concerns

Transfer Fee Seen as Exorbitant

- Ranges between 5% and 35% of estimated market value of slips (high portion of smaller slips)
- Dampens/reduces demand/keeps some value within Waterfront trust owned property
- Slip transfer transaction increasing over the decade indicating willingness by the market

Disproportionate Fees for Work Provided

- Fee is not based on work provided but proportionate to the value of the asset at hand
- City can, and should, charge what the market will bear for the use of property

Inheritance/Adding Child

- Passing slips down generationally would likely further reduce supply and limit access
- These issues have been seen in other harbors/anchorages (Catalina)
- May violate City Charter/Tidelands Trust (Encumbrances on public lands greater than 50 years)

Discussion of Public Concerns

County Possessory Interest Tax

- Not a City function, assessed, calculated, and collected by the County Tax Assessor
- Waterfront Fund sees no portion of the County Possessory Interest tax
- Tax is levied due to user having exclusive access to a public resource and is upheld by Board of Equalization
- Recent June 1, 2020 appeal to County Assessment Appeals Board was denied
- Concerns with inclusion of Slip Permit Transfer Fee in valuation
 - Not added on top to existing slip permits. Only assessed when appraisal is required
 - County assesses tax based on full market value of slip
 - Includes all reasonable costs that a buyer would be willing to pay to acquire a slip permit (fair market)

Waterfront Budget

- Enterprise fund reliant on Waterfront revenues to cover expenditures
- Budget is publicly reviewed annually, all revenues fund operating costs and capital improvements
- Slip transfer fees make up roughly 6% - 8% of the total budget



Potential Changes & Impacts

Removing/Reducing Slip Permit Transfer Fee:

- Potentially recreate past situation with private profits and little or no benefit to the trust owned property
- Remove revenues in the range of 6% - 8% from the Waterfront budget that would need to be made up elsewhere to balance expenditures.

Freezing Slip Permit Transfer Fee:

- Frozen for all slips 30ft and below (\$200/ft @ 20ft, \$350/ft @ 25ft, \$400/ft @ 28ft & 30ft)
- Intend to progressively freeze larger slips as return to trust owned property becomes more balanced
- Following intended plan of progressively increasing fees until reflective of the market value

Shifting to Waitlist Only or Partial Waitlist Only:

- Limit the ability for a slip to be purchased with a vessel
- Improve fairness and access to slips in an equitable manner (no economic barrier to entry)
- Difficult for existing slip permit holders to recoup any of their costs of initial purchase
- Require significant enforcement to avoid schemes to subvert the waitlist
- Remove revenues in the range of 6% - 8% from the Waterfront budget that would need to be made up elsewhere to balance expenditures.

Discussion & Recommendation

That Harbor Commission receive a presentation from staff on the Waterfront Department Slip Assignment Policy and, as appropriate, provide direction to staff