

2024 QUARTER 3 REPORT

December 17, 2024

DANA POINT HARBOR PARTNERS



Marina and Drystack

Operations

Marina

Marina Improvement Project

- In September, DPHP received a letter from the California Coastal Commission (“CCC”) regarding slip layouts and slip counts. DPHP promptly responded and provided the requested drawings and addressed questions the CCC had. Joe Ueberroth met with the Commission on November 26th to conclude any outstanding items and follow up on any additional questions.
- Dock Phases 1-6 have been completed with certificates of occupancy issued by County of Orange Public Works for phases 1-6 on 5/28/24, 3/28/24, 1/19/24, 1/19/24, 2/29/24 and 9/17/24, respectively.
- Dock demolition of Phases 7-8 (West Island docks 16-21) commenced in September 2024 with initial Phase 7 slips expected to be delivered for occupancy starting in November.

Boaters Lawsuit

- Motion for summary judgement in boaters lawsuit granted by judge in favor of DPHP and entered on June 29, 2023. An appeal hearing has been filed and DPHP is awaiting schedule.
- On January 26, 2024, the judge granted DPHP’s motion for attorneys’ fees as the prevailing party in the litigation after summary judgement was granted in favor of DPHP.
- In June 2024, boaters filed an appeal.
- Oral arguments on the appeal have been set by the court for December 17, 2024.

Slip Rates

- On February 22, 2024, DPHP delivered to the County of Orange a notice of proposed increases in slip rates in accordance with the Master Lease, along with a comprehensive market rate survey, location analyses of current tenants and wait list participants, and a five-year rate plan.
- In April 2024, DPHP noticed tenants with slip rate increase letters notifying them of new rates effective June 1, 2024.
- On June 1, 2024, new rates went into effect with a weighted average increase of 7.9%.

Drystack

Operations

- Operations continue and are being managed to accommodate redevelopment work on premises and accommodate construction of the parking garage.
- On March 12, 2024, a notification was sent to Dry Storage tenants notifying them that the \$12 per foot rate that was put into effect in September 2021 will be enforced for all tenants, removing any and all discounts that had existed in the area.

Redevelopment

- Planning and entitlement efforts continue as DPHP looks to secure approvals with California Coastal Commission for revised layout. Not expected until 2025.
- On February 20, 2024, DPHP submitted to the City of Dana Point an updated parking and striping plan for the Embarcadero area. The plan is optimized to account for parking space requirements and on-site logistics. This is an interim plan during the construction of the parking garage and does not affect the Drystack building or parking which remain unchanged.
- In June 2024, DPHP was notified by the City of Dana Point's Director of Community Development that the DPHP Drystack changes substantially comply with the original CDP13-0018(I) approval and that DPHP was in compliance with the conditions outlined in the CDP. Redevelopment work is not scheduled to commence until 2026 at the earliest.

Financials

Attached are the 2024 financials for Dana Point Harbor Partners – Marina and Drystack components. As presented, the Marina component includes the Marina operations and Direct Tenants (Nordhavn, Shipyard and Fuel Dock). The Drystack component includes the Embarcadero operations (with Pure Watersports) and Direct Tenant (Verizon).

2024 to 2023 Marina Comparison

The following is a condensed comparison of September 2024 vs. September 2023 Marina results.

Year-to-date comparison indicates a 6% increase in revenue, a 3% decrease in operating expenses, and a 15% increase in operating income.

DPHP Marina	Current YTD 9/30/2024	Prior YTD 9/30/2023	% Change
REVENUES			
Slip Rental Income	14,152,992	13,654,569	4%
Total Guest Fees	249,993	328,090	-24%
Total Office Rent	180,625	90,972	99%
Sublease Income	1,548,862	1,071,458	45%
Broker & Charter Flat Fees	241,400	288,613	-16%
Direct Tenant Income	369,752	383,625	-4%
Parking Income	183,641	169,804	8%
Total Other Income	306,068	235,560	30%
TOTAL REVENUES	17,233,332	16,222,692	6%
TOTAL OPERATING EXPENSES			
Wages & Benefits	1,013,329	926,733	9%
Direct Expenses	2,794,454	2,527,720	11%
Administrative Expenses	2,063,314	2,044,053	1%
Capital Expense & Property Tax	187,591	831,091	-77%
County Rent	1,597,828	1,572,660	2%
TOTAL OPERATING EXPENSES	7,656,516	7,902,257	-3%
NET OPERATING INCOME	9,576,817	8,320,435	15%

2024 to 2023 Drystack Comparison

The following is a condensed comparison of September 2024 vs. September 2023 Drystack results. Launch ramp revenue has been increasing and administrative expenses have been reduced.

Year-to-date comparison indicates a 1% increase in revenue, a 7% decrease in operating expenses, and a 14% increase in operating income.

DPHP Drystack	Current YTD	Prior YTD	% Change
	9/30/2024	9/30/2023	
REVENUES			
Boat Storage Income	643,563	714,427	-10%
Wet Slip Rentals	27,260	31,870	-14%
Launch Ramp Income	285,830	243,005	18%
Charter Slip Income	21,684	21,684	0%
Merchant Income	253,132	210,485	20%
Total Other Income	10,316	10,044	3%
TOTAL REVENUES	1,241,785	1,231,516	1%
TOTAL OPERATING EXPENSES			
Wages & Benefits	333,413	322,732	3%
Direct Expenses	103,623	104,977	-1%
Administrative Expenses	124,063	177,167	-30%
Capital Expense & Property Tax	4,050	4,394	-8%
County Rent	154,012	163,443	-6%
TOTAL OPERATING EXPENSES	719,161	772,713	-7%
NET OPERATING INCOME	522,624	458,802	14%

Commercial Core and Parkscapes

Operations and Revitalization

- Parking Structure:
 - The parking structure's final floor (3rd floor) was poured on 10/31/24.
 - North end retaining wall construction complete. Backfill and landscaping are in progress, with an estimated completion of 12/31/24.
 - Parking structure finishes and underground utility work are in progress and are on schedule to be completed by 5/31/25.
 - SDG&E plan approval for Work Order #1 – Garage Power, received on 8/26/24.

- Balance of Commercial Core Project:
 - Continued predevelopment planning for future commercial core phases.
 - Commenced leasing discussions in November 2024 with existing and prospective tenants.
 - BWP met with the City in October who agreed to proposed plan for the temporary closure/realignment of Golden Lantern (Jan-Mar 2025) per the CDP.
 - Buildings 6,7,8,9,12 have been approved by the County and were reviewed by the City of Dana Point, who reconfirmed CDP compliance. Plans for buildings 1-5 are approved by the County and under cursory review by the City. Buildings 10 and 11 plans are with the County for final approval.
 - Reevaluating the scope of renovation work for the Dolphin Dave's building. Targeting completion of a revised plan by Q2 2025.

Financial Summary

The Commercial Core component includes retail shops, restaurants, whale watching, Catalina Express, office spaces, and yacht clubs.

2024 to 2023 Commercial Core Comparison

Below is a condensed comparison of the YTD September 2024 vs. YTD September 2023 Commercial Core financial results. Net Operating Income decreased by 14% primarily due to lower revenue because of three vacant restaurant suites, and higher expenses due to increases in building repairs and maintenance, insurance premiums, and parkscapes maintenance.

DPHP Commercial Core	Current YTD	Prior YTD	%
	09/30/24	09/30/23	Change
REVENUES			
Tenant Rent Income	3,814,640	4,010,021	-5%
Tenant Parking Income	520,916	525,267	-1%
Puerto Pl. Parking Income	100,081	102,729	-3%
Reimbursable Expense Income	434,480	478,422	-9%
Other Income	2,249	5,937	-62%
TOTAL REVENUES	4,872,366	5,122,376	-5%
OPERATING EXPENSES			
Wages & Benefits	195,469	212,374	-8%
Direct Expenses	1,235,171	1,082,695	14%
Administrative Expenses	350,461	270,536	30%
Property Tax	16,459	16,145	2%
Insurance	177,283	102,772	73%
County Rent	144,636	223,428	-35%
TOTAL OPERATING EXPENSES	2,119,478	1,907,950	11%
NET OPERATING INCOME	2,752,887	3,214,426	-14%

Other variances:

County Rent decreased by 35% due to rent abatement starting on March 1, 2024 (per section 4.2.1a of the Ground Lease) because of the commencement of redevelopment work. Percentage rent still applies. Direct Expenses are up primarily due to the addition of a parking shuttle program during construction (\$121K).

Administrative Expenses are up primarily due to costs associated with relocating the onsite management office (\$80K) due to construction.

Hotels – 3Q 2024

Operations and Revitalization Summary

Hotels

- Hotel Development Submittals (County)
 - Schematic Design Documents approved by the County on 06/05/2019.
 - Preliminary Plans & Specs to be submitted following the approval of the Local Coastal Program Amendment (LCPA) by the California Coastal Commission (CCC) and the City of Dana Point. Second reading of the LCPA by City Council is anticipated on 09/03/2024.
- Hotel Entitlement - LCPA (City and CCC)
 - LCPA approved by the City of Dana Point on 07/21/20.
 - City submitted the LCPA application to CCC on 07/29/20.
 - CCC approved a 12-month extension to review the LCPA on 10/07/20.
 - As mutually agreed by City and CCC, City withdrew the CCC LCPA application, and promptly resubmitted it on 11/30/2021. Contrary to the mutual agreement between CCC staff and City staff, CCC released a status letter of incomplete application on 12/13/2021. CCC released a second status letter (incomplete application) on 12/14/2022. CCC deemed the City LCPA application as complete on 04/17/2023.
 - During July 2023, CCC voted itself a 12-month extension (technically through August 2024) for the LCPA Hearing. This was its second 12-month extension.
 - On 10/31/2023, the City informed us that CCC District Supervisor Eric Stevens is no longer on our project or the LCPA. The District Supervisor replacement has been identified as Amrita Spencer.
 - Based on CCC staff availability, an LCPA coordination conference call was arranged and conducted on 11/20/2023. CCC staff was not available for a meeting between 11/20/2023-01/30/2024. An in-person meeting at CCC's Long Beach office was conducted on 01/30/2024. On 04/18/2024, CCC released a draft of suggested modifications (that appear to deviate from the last 16 months of coordination with CCC staff). Follow-up video conference calls occurred on 04/18-22/2024. The final draft of the suggested modifications was coordinated on 05/29/2024.
 - CCC unanimously approved the LCPA with Suggested Modifications on 06/14/2024.
 - The LCPA with Suggested Modifications was unanimously approved by the City of Dana Point on 07/16/24. A second reading of the LCPA by City Council occurred on 09/03/2024.
- Hotel Entitlement – EIR & CDP (City)
 - City has conducted an EIR Scoping Meeting at City Council Chambers on 08/14/2024.
 - City anticipates a remaining 6-month process for updating the EIR and CDP. Planning Commission is targeted for February/March 2025.

Financial Summary

Below are the YTD 2024 financials for Dana Point Harbor Partners – Hotel component. The Hotel component includes the Marina Inn operations. Revenues were up 3.2% and net operating income (NOI) was down 0.3% versus YTD 2023 through Q3.

DPHP Marina Inn	Current YTD 9/30/2024	Prior YTD 9/30/2023	% Change
REVENUES			
Rooms Revenue	3,785,459	3,773,026	0.3%
Other Revenue	263,674	151,980	73.5%
TOTAL REVENUES	4,049,133	3,925,006	3.2%
OPERATING EXPENSES			
Rooms Expenses	908,164	827,472	9.8%
Food Expenses	146,740	160,919	-8.8%
Administrative Expenses	1,023,865	1,021,150	0.3%
Association Fees	63,892	57,721	10.7%
Management Fees	145,051	148,575	-2.4%
Insurance	99,950	94,532	5.7%
Property Tax	27,238	36,818	-26.0%
County Rent	220,995	169,767	30.2%
Equipment Leases	2,260	2,210	2.3%
FF&E Reserve	161,910	152,411	6.2%
TOTAL OPERATING EXPENSES	2,800,065	2,671,575	4.8%
NET OPERATING INCOME	1,249,068	1,253,431	-0.3%