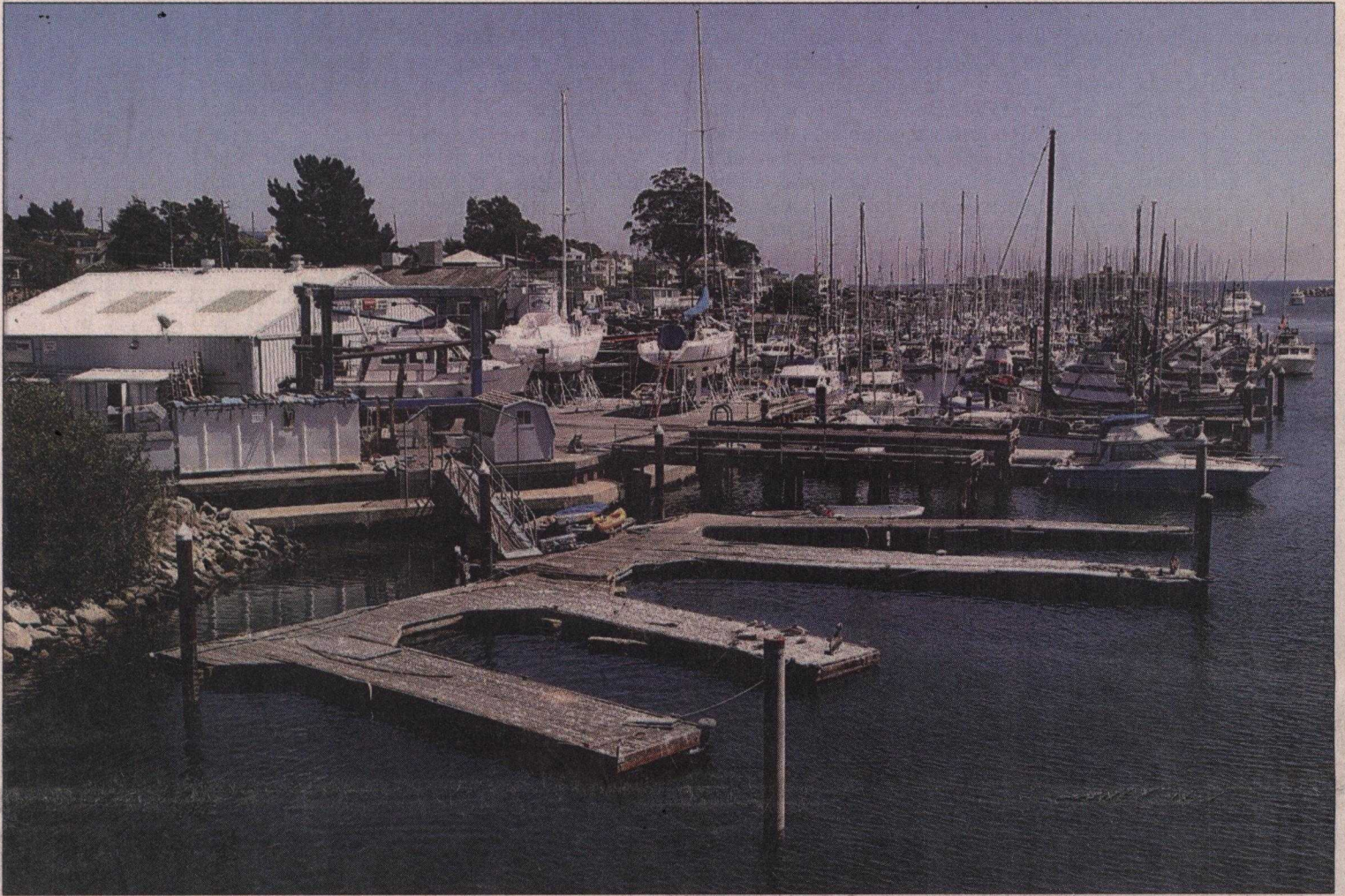


# RIPPLES OF DISCONTENT

Some **SANTA CRUZ HARBOR** businesses say Port District puts bottom line first



DAN COYRO/SENTINEL

Aquarius Boat Works owner Chaz Ebel says the Santa Cruz harbor is revoking his use of the docks behind his shop.

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Harbor

✓ SANTA CRUZ — A prolonged economic downturn, limited fishing seasons and this spring's tsunami have conspired to make the past few years difficult for many businesses at the Santa Cruz Small Craft Harbor.

Struggling to stay afloat, especially when the number of beachgoers and seafarers dwindles during the winter, some businesses are also growing increasingly concerned about what they see as a recent shift in how the Port District treats its tenants.

Several enterprises wrestling with harbor managers over their leases or the tsunami recovery say there seems to be a new ethic defining the district's approach toward businesses: Be firm, gain control and grab more revenue.

"They're pushing out businesses that are needed at the harbor," said Marc Kraft, the 29-year owner of Pacific Yachting & Sailing, who has been fighting an increase in his rent for several years. "The boating business is tough. The harbor doesn't give you support."

Harbor leaders couldn't disagree more, saying they cut a number



DAN COYRO/SENTINEL

Chelsea Wagner has operated a salvage and vessel assistance business in the Santa Cruz harbor for more than 10 years, and she wishes the harbor was doing more to put local businesses to work on tsunami recovery.

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# HARBOR

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of rental rates in 2009 and 2010 to ease the burden on recession-weary tenants, and have employed more than a dozen local businesses to assist with cleanup and rebuilding from March's tsunami. The commission also gives free or cut-rate slips for several educational organizations and recently renegotiated a long-term lease with the Santa Cruz Yacht Club to allow for an expansion.

Port leaders acknowledge they are working on a new revenue plan to cover the harbor's share of \$22 million in tsunami damage, estimated to be \$1.5 million to \$1.7 million once state and federal reimbursements are counted. Even as they are worried about the toll of losing \$1,000 a day in slip rental income as a result of damaged docks, port managers also face increasing costs for general harbor operations, which were weighing down the budget even before the tsunami hit.

The district recently upped fees for parking, boat launching and visitor berthing, and plans to study the possibility of increasing slip fees. But managers say there is no intention to hike rents or profit-sharing agreements across the board for businesses.

"There is no systematic program in place, period," Port Commission Chairman Reed Geisreiter said when asked if the harbor is trying to squeeze tenants. "The commission is clear that whatever the solution is, it needs to be broad-based."

The concerns raised by the sailing company and other marine businesses, including the boat yard and a vessel assist operation, come as the Port District is embroiled in a labor dispute over its \$1.2 million dredging program. A union that has represented the dredge crew for 25 years demonstrated in front of the Harbormaster's Office last week over a bitter end to their contract.

While the discord over the dredging is a much different scenario — the harbor sought more control by bringing the vital operation in house at a lower cost — the criticism of the district's handling of the matter nevertheless echoes complaints from businesses about an authoritarian management

was redirected in the 1990s under an agreement with the county and city of Santa Cruz — the harbor sits in both jurisdictions — the revenue from landside tenants became all the more important.

"We are a business just like other businesses," Geisreiter said.

Dan Haifley, executive director of the harbor-based O'Neill Sea Odyssey that educates 5,000 students every year about the ocean, said he understands the port's focus on finances.

"When the harbor was first built, I don't think anyone expected that the harbor would eventually become self-sufficient," he said. "Lisa's (Ekers) mandate, as I see it, was to increase revenue for the harbor and get control of harbor costs, and begin to find ways to repair aging infrastructure."

The leases for harbor tenants are not uniform.

The port's five restaurants pay a percentage of revenue to the district, while most other harbor businesses pay a flat rate and some pay a combination. Some, like O'Neill, have long-term leases, while others have month-to-month agreements.

## ROUGH SEAS

Several years ago, the Port District decided to base Pacific Yachting & Sailing's lease on a flat rate, rather than a percent of revenue. Geisreiter said the lease needed to be changed because it was easier for accounting and auditing.

Owner Marc Kraft, who has appealed the decision four times, said having to pay a flat annual rate of nearly \$10,000, regardless of the unpredictable seasonal nature of his business, makes it difficult to stay profitable.

Citing a 40 percent drop in revenue, Kraft wants to go back to a 5 percent-of-revenue formula that was in place several years ago, or at maximum continue with the \$6,500 he has paid since 2009 as part of a compromise with the harbor. Additionally, he and the owners of a dozen other boats used for his sailing charters and classes pay combined slip rental fees of more than \$5,000 per month, he said.

"We serve the public more than anyone down here," he said.

Although Geisreiter said he values Kraft training the next generation of slip renters, the commissioner said it's "not



DAN COYRO/SENTINEL

Marc Kraft of Pacific Yachting & Sailing has been working out of the Santa Cruz harbor for nearly 30 years.

investments in his business.

He is puzzled why the docks, an important source of winter income when boat repair work dries up, are not available for his use in the new lease. He said the harbor, which has collected 30 percent of his dock income for the past several years, should have better maintained the docks before the tsunami.

Ekers said the harbor had no such responsibility because his 2009 lease was never executed. She said the docks will be replaced eventually, but said they can't be included in a lease now if they're not operable.

With all the frustration, Ebel said he's thinking about pulling up stakes. Since Ekers was hired, he said, "The whole political climate has flipped."

## TSUNAMI RECOVERY

On the other side of the port, at Pacific Marine Salvage, Capt. Chelsea Wagner has complained about harbor patrol performing inner-harbor boat moves for maintenance or dock repair, moves that are her bread and butter.

And while she said Ekers was responsive to that concern, Wagner also complains that the harbor should be more regularly tapping local businesses, like her vessel assist operation, to help with tsunami recovery.

"The better our economic commerce is, the more people can rent slips, the stronger the community is," Wagner said. "They have the ability to guarantee that work in the harbor gets done locally."

Ekers agreed the harbor will no longer move boats for customers except when needed to properly manage the marina. As for tsunami recovery, however, Ekers said 17 local businesses, including Wagner's, were hired by the harbor or contractors to perform debris removal, dive inspections and salvage work.

Ekers said no local businesses bid on the specialized task of dock replacement.

The contracts approved to replace U Dock and V Dock, which went to firms in Solano County and Morro Bay, can't require local subcontractors, though Ekers said that

was encouraged. The harbor, which will celebrate the reopening of U Dock with a ribbon-cutting ceremony Friday, intends to replace 22 of its 28 docks.

## OTHERS FAIRLY SATISFIED

Other business owners say they are satisfied with their arrangements at the harbor.

"The port commissioners have always been helpful to us," said Margaret Collins, co-owner of the Kayak Connection who pays a fixed rental fee. "I don't know what the (new) philosophy will be, but hopefully it will be similar."

The harbor has not recommended raising her rent or that of Todd Fraser, whose family has owned nearby Bay-side Marine, a bait and tackle destination, for 22 years. As he cleaned squid on an afternoon last week, he said he appreciated a break in the rent several years ago when the salmon season closed, but said the price has gone back up.

He isn't happy about parking changes — some meters cost \$1 per hour now, up from 75 cents — and wants the har-

bor to better maintain his building. He said he understands the harbor has to keep revenue up, but said, "The best way to make it profitable is to get people down here."

Ciera Kash, a proprietor at Johnny's Harborside restaurant, which got a rental reduction in 2010 to offset the tough economy, said harbor maintenance has been reliable. She said the Port District is also supporting a deck building project.

"It's just not a problem for us," she said of relations with the harbor.

O'Neill Sea Odyssey, which earns its keep by turning over 16 percent of income from seven tenants, has brought issues to harbor managers in the past and worked them out.

Haifley, the organization's director, declined to elaborate, but said, "Overall, the harbor does have to stabilize its funding and does have to repair itself from the tsunami. I'm sure individuals doing business in the harbor may have some complaints, but that's no different than businesses anywhere else."



lower cost — the criticism of the district's handling of the matter nevertheless echoes complaints from businesses about an authoritarian management driven by the bottom line.

From their perspective, however, Port Director Lisa Ekers and Commissioner Geisreiter say they are working to keep businesses thriving while protecting the harbor's financial security and charting a course for tsunami recovery.

"As a manager, the question I ask myself is, 'What is fair?,' " Ekers said. "Everyone who comes here has an economic interest in the harbor. We all have an interest in its financial viability."

The two top port officials, both new in 2010, are no strangers to exacting efficiency in the workplace.

Ekers, a former emergency dispatcher and engineering manager for other agencies, was hired in 2010 after the Port District's 32-year director retired and a longtime charge departed after stepping in for two years. Geisreiter, who was elected to the five-member commission in 2010, is a senior vice president at Comerica Bank.

### **BUSINESS IS CRITICAL**

The harbor has 39 tenants whose leases or profit-sharing agreements provide \$1.2 million annually to the Port District.

That figure represented 19 percent of the district's \$6.4 million in total revenue last fiscal year. The remaining 81 percent in revenue is collected from slip rentals and other user fees.

When the Port District was created in 1950, based on the boundaries of the Santa Cruz City Schools district, a special property tax was levied within those boundaries to support the harbor. But after the tax

said. Although Geisreiter said he values Kraft training the next generation of slip renters, the commissioner said it's "not appropriate to allocate administrative time for smaller rent situations" when the harbor has to manage much larger businesses that operate on a percent-rent basis, like the Crow's Nest.

Kraft said that sounds like plain bureaucracy, and although he thinks he can afford to remain open, he will have to cut expenses.

### **ON A SHORT LEASE**

Chaz Ebel, owner of Aquarius Boat Works since 2004, isn't as sure he will stay in business.

Since 2009, he and the Port District have been at odds over the lease on his boat yard. The commission approved a 15-year lease that year, but Ebel was concerned about five-year renewal clauses that would have allowed the harbor to review the rent.

Although he never signed the lease, Aquarius operated on a month-to-month basis during a transition in harbor management. The boat yard hauls out vessels to perform maintenance, a service much in demand after the tsunami's powerful surge damaged hundreds of boats.

In July, Ekers, under direction from the Port Commission, presented Ebel with a revised, month-to-month lease that will take effect Sept. 1 while they negotiate terms for a longer period. The lease drops Ebel's monthly rent by a third to make up for the loss of two docks heavily damaged by the tsunami.

But Ebel, worried the district can oust him with just 30 days notice, still prefers a 15-year agreement that will provide security for getting loans and making other long-term

that are he