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Lust for Bigger Yachts Leads California Port to Tap Bond Market.

Long Beach, a blue-collar California town known for cargo freighters, is selling \$112 million of bonds to make itself a beacon for another kind of ship: the yachts of the prosperous Pacific coast.

Catering to the tiny-vessel owner has been a struggling business since the recession, as money-minded sailors left marinas to store their boats on land, said Rick DuRee, chairman of Long Beach's Marine Advisory Commission. That costs about half as much as parking at the docks.

So the city of 469,000 is replacing hundreds of small slips to make way for \$2 million pleasure craft, just as nearby wharves have done.

"This is an offshoot of the way the economy was going a few years ago," DuRee said. "Boating is an expensive activity, no way around it. The big boats are getting bigger, while the idea of keeping your boat on land is a better option for the middle-income boater."

Long Beach, an industrial hub known as the hometown of rapper Snoop Dogg, is scheduled to sell the bonds next week. About half the proceeds will repay loans from California for previous improvements. The rest will rebuild the Alamitos Bay Marina, which is some 20 miles (32 kilometers) north of Newport Beach, one of the state's wealthiest enclaves.

Long Overdue

The marina is partially vacant, as crews scoop up garbage from the water and tear up buckled wooden docks to replace them with concrete structures. The work is long overdue, said Phil Friedrich, an Orange County retiree who docks his 60-foot power boat, Blarney, in the marina.

"This work was supposed to be done years ago," he said. "But the finished product is just excellent." The Long Beach sale comes as investors are pushing up municipal bond yields, anticipating the Federal Reserve will raise a benchmark interest rate it's kept near zero since 2008.

The debt is backed by revenue from Long Beach's marina fund, which collects slip fees, rather than the general fund. Fitch Ratings ranks the securities BBB, two steps above junk.

Yields on 10-year revenue-backed bonds rated BBB rose Thursday to 3.27 percent, the highest in almost nine months, according to data compiled by Bloomberg. The difference in yield between those bonds and benchmark munis widened to 1 percentage point from 0.7 percent point in March.

Cautious Buyers

"You definitely have to be cautious about buying lower-rated paper in this environment unless you get paid for it," said Kenneth Naehu, a managing director at Banyan Tree Asset Management in Los Angeles. "Those are the things that widen the most in a rising interest-rate environment."

Long Beach, with a south-facing coastline buffered from the Pacific Ocean waves, is home to the nation's second-busiest container port. With a median household income of \$53,000, it has a more blue-collar character than other area marina towns, such as Newport Beach, where the income is twice as high.

Other ports are chasing bigger vessels, too. Los Angeles County, to the north, is eliminating more than a quarter of its slips at Marina Del Rey this year to replace them with larger ones. Dana Point Harbor, in Orange County, is making similar changes.

A recovering economy and retiring baby boomers with money to spend are driving the trend, said Wendy Larimer, legislative coordinator for the Association of Marina Industries in Washington.

\$2 Million

New 40-foot sailboats range in price from \$159,000 to \$565,000 on Yachtworld.com. Power-driven craft that size run as high as \$2 million.

Long Beach, whose three marinas can hold more than 3,000 ships, has rehabilitated two already by replacing rotting wooden docks and enlarging boat slips.

Next week's bonds will finance similar work at Alamitos Bay, which is eliminating some slips for boats shorter than 30 feet to add more than 200 spaces for those 35 feet or longer. The city projects that revenue from Alamitos Bay will increase from \$7.4 million this year to \$11.4 million by 2018, when the docks will be completely redone.

After the recession struck, Alfredo Fernandez, the owner of a 25-foot sailboat, saw mariners like himself move out. He said dry storage costs about \$100 a month for a 25-foot boat. A slip costs \$287.

"After 2008 I saw the smaller boats disappear," said Fernandez, who's on the board of the Long Beach Marina Boat Owners Association. "But the bigger boats stayed."

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