



# City of Des Moines Marina Rate Assessment



City of Des Moines  
June 1, 2017

# Agenda

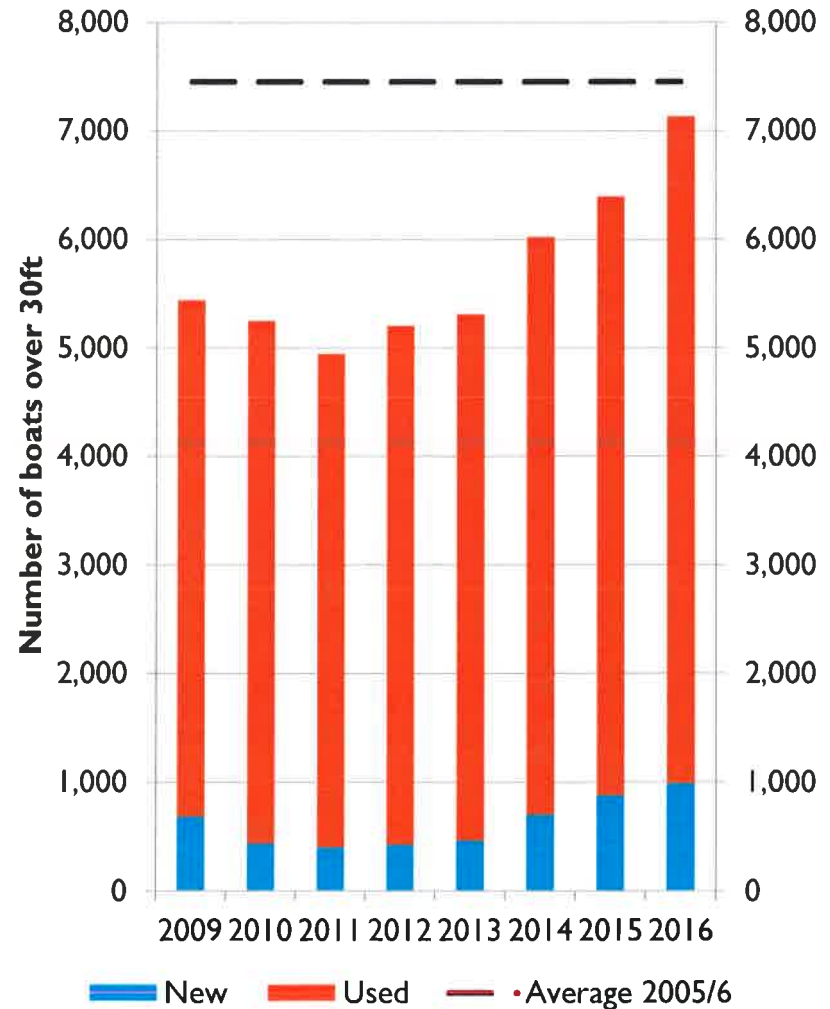
---

- ▶ Overall Market Conditions
- ▶ Des Moines Marina Market Assessment
- ▶ Des Moines Marina Financial Performance
- ▶ Rate Assessment
- ▶ Recommendations

# Market fundamentals are attractive

Source: Brunswick, NMTA

- ▶ Continued market growth
  - ▶ Continued GDP growth forecasted through 2019
  - ▶ Consumer confidence at 10 year high
  - ▶ Dealer sentiment is upbeat
  - ▶ Interest rate and lending environment remains favorable
  - ▶ Improving business climate in United States
- ▶ Washington State
  - ▶ Boat sales approaching pre-recession levels.



# Issues of Concern

---

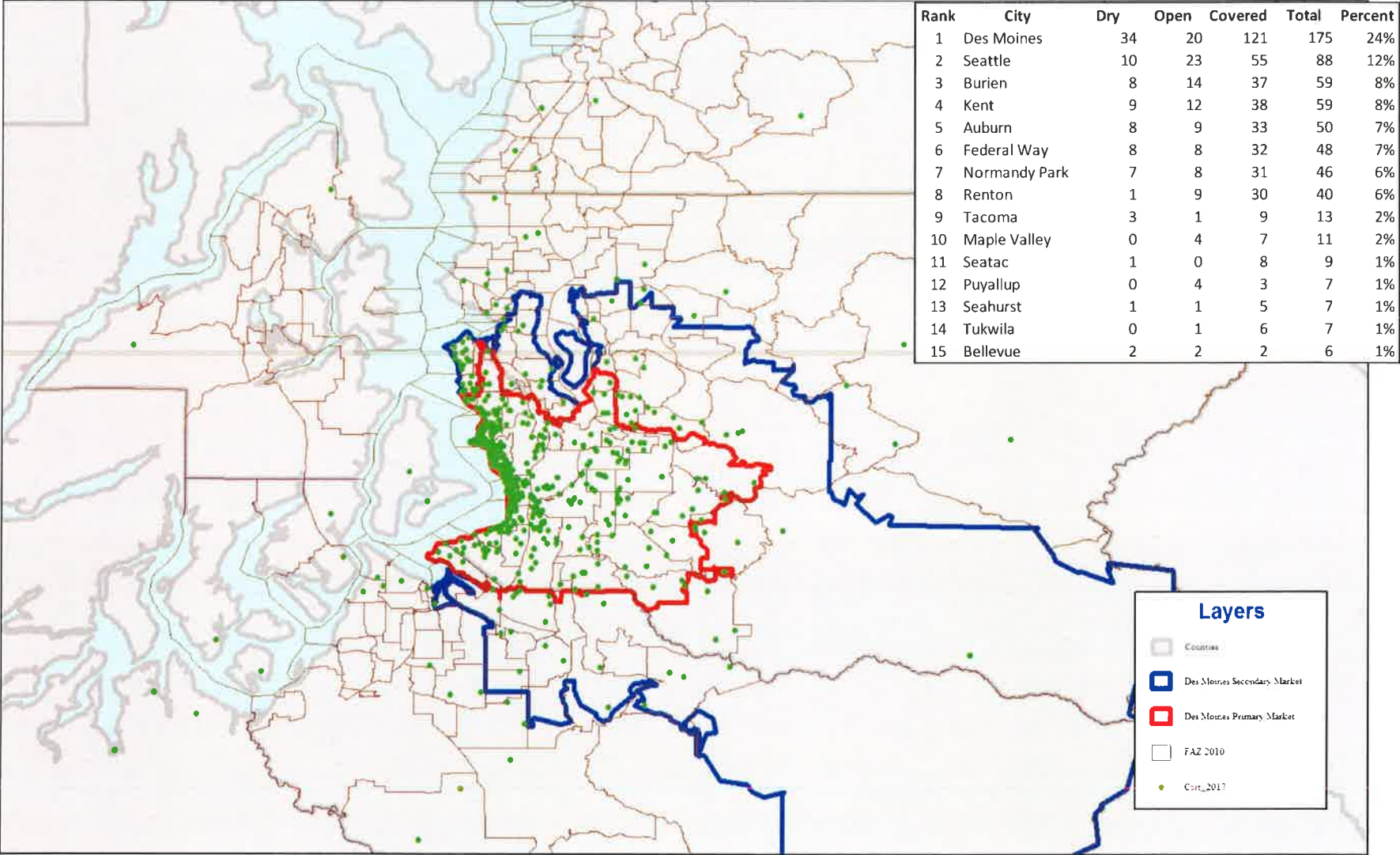
## ▶ Fishing

- ▶ Important to recreational boat owners.
- ▶ Fishing opportunity affects slip occupancy at smaller slips in Des Moines.

## ▶ Increasing age of boaters

- ▶ The average of boat owners crept up at around .4 to .5 years per year during the past 10 years.
- ▶ Participation and ownership rates by Millennials is still uncertain.

# Des Moines Marina Market (2017)



# Des Moines Marina Market Assessment

Category	Marinas			
	Des Moines	Edmonds	Everett	Harbor Island
Population 16+	2,039,000	1,745,000	2,918,000	601,000
Median HH Income	\$75,000	\$80,000	\$72,000	\$77,000
% over \$75k	48%	52%	46%	49%
% over \$100k	35%	38%	32%	37%
Number of Boats				
21 foot & over	19,000	19,000	30,000	6,000
31 foot & over	5,000	5,000	8,000	2,000
House Values				
Average 2016	\$430,000	\$581,000	\$451,000	\$535,000
Value inc since 2000	\$190,000	\$237,000	\$189,000	\$230,000

- ▶ Des Moines Marina's market is quite large in terms of both population base (2 million persons are 16 years and older) and number of boats (nearly 19,000 boats over 20 feet).
- ▶ Household income in the Des Moines marina market compares favorably with Edmonds, Everett and Harbor Island.
- ▶ House values are slightly lower in the Des Moines marina market but the average increase in house values is similar (all areas increased in value by more than 40% since 2000)
- ▶ Sources: Marinas (hinterland number of tenants by zip code; US Census American Fact Finder (population and household income); Washington State Department of Licensing (number of boats); Zillow (house values)

# Evaluation of 2016 Rates & Occupancy

Excludes LET

Covered Slip Length	2016 Rates				Estimated Actual Wt Avg	Slip Utilization				Occupancy	
	Permanent		Seasonal			# Slips	Avg Mo Vacancies	Monthly Tenants	Prepay Tenants	Physical	Financial
Monthly	Prepaid	Monthly	Prepaid								
20	\$7.84	\$6.08	\$13.48	\$11.46	\$6.22	29	0.4	12.3	15.0	92%	79%
24	\$8.99	\$6.97	\$14.93	\$12.69	\$5.76	141	28.9	33.0	73.0	78%	64%
28	\$9.74	\$8.77	\$14.69	\$12.49	\$8.25	157	21.2	98.0	35.0	75%	85%
30	\$9.74	NA	NA	NA	\$9.54	7	0.6	6.4	-	93%	98%
32	\$10.37	NA	NA	NA	\$10.23	50	2.9	47.1	-	99%	99%
36	\$11.81	NA	NA	NA	\$11.05	41	1.8	38.1	-	97%	94%
40	\$12.53	NA	NA	NA	\$11.20	27	1.0	23.8	-	99%	89%
50	\$14.63	NA	NA	NA	\$14.10	11	0.8	10.2	-	99%	96%
Open Slip Length	2016 Rates				Estimated Actual Wt Avg	Slip Utilization				Occupancy	
	Permanent		Seasonal			# Slips	Avg Mo Vacancies	Monthly Tenants	Prepay Tenants	Physical	Financial
Monthly	Prepaid	Monthly	Prepaid								
20	\$6.31	\$4.89	\$10.80	\$9.18	\$3.65	9	4.3	2.5	2.0	70%	58%
24	\$7.04	\$5.48	\$11.79	\$10.02	\$5.21	50	8.8	18.4	21.0	77%	74%
28	\$7.33	\$6.60	\$11.60	\$9.86	\$7.84	96	-	81.3	14.0	95%	107%
30	\$7.83	NA	NA	NA	\$0.92	7	6.2	0.8	-	90%	12%
32	\$8.01	NA	NA	NA	\$8.36	18	0.1	17.9	-	99%	104%
36	\$8.49	NA	NA	NA	\$9.17	28	-	27.5	-	100%	108%
40	\$9.07	NA	NA	NA	\$8.81	38	1.5	35.4	-	97%	97%
50	\$10.25	NA	NA	NA	\$10.53	16	-	15.5	-	97%	103%
54	\$10.63	NA	NA	NA	\$10.04	2	-	2.0	-	NA	94%
62	\$10.63	NA	NA	NA	\$10.14	3	-	3.0	-	NA	95%
65	\$10.63	NA	NA	NA	\$0.00	1	1.0	-	-	NA	NM

Financial is estimated actual compared to Permanent Monthly rates

Physical as reported by City of Des Moines Marina (Over 50 unavailable for physical)

# Status of Tenants – Small Slips

Covered Slip Length	Est Number of Slips				Percent		
	Monthly	Annual	Vacant	Total	Monthly	Annual	Vacant
20	12.3	15.0	1.7	29	43%	52%	6%
24	33.0	73.0	35.0	141	23%	52%	25%
28	98.0	35.0	24.0	157	62%	22%	15%
subtotal	143.3	123.0	60.7	327	44%	38%	19%
Open Slip Length	Est Number of Slips				Percent		
	Monthly	Annual	Vacant	Total	Monthly	Annual	Vacant
20	2.5	2.0	4.5	9	28%	22%	50%
24	18.4	21.0	10.6	50	37%	42%	21%
28	81.3	14.0	0.8	96	85%	15%	1%
subtotal	102.2	37.0	15.8	155	66%	24%	10%

Relatively high percentage of prepaid annual and/or seasonal tenants.  
Discount for seasonal and prepaid are too high.



# Moorage Rate Methodologies

---

- ▶ **Cost recovery**
  - ▶ Captures rate required to cover annual O&M costs plus annualized cost recovery requirements
- ▶ **Competitive rates**
  - ▶ Provides comparison with competitive marinas
- ▶ **Annual inflation adjustment**
  - ▶ Use CPI or another index to increase rates

# Cost Recovery Results

Excludes LET

Covered Slip Length	Cost Recovery Rates		Actual 2016	Compared to 2016	
	Case 1	Case 2		Case 1	Case 2
20	\$6.87	\$10.32	\$7.84	12%	-32%
24	\$7.45	\$11.19	\$8.99	17%	-24%
28	\$8.34	\$12.53	\$9.74	14%	-29%
30	\$9.36	\$14.06	\$9.74	4%	-44%
32	\$9.36	\$14.06	\$10.37	10%	-36%
36	\$10.26	\$15.41	\$11.81	13%	-30%
40	\$11.60	\$17.41	\$12.53	7%	-39%
50	\$11.91	\$17.89	\$14.63	19%	-22%

Open Slip Length	Cost Recovery Rates		Actual 2016	Compared to 2016	
	Case 1	Case 2		Case 1	Case 2
20	\$4.33	\$6.50	\$6.31	31%	-3%
24	\$4.38	\$6.58	\$7.04	38%	7%
28	\$4.90	\$7.36	\$7.33	33%	0%
30	\$5.29	\$7.95	\$7.83	32%	-2%
32	\$5.29	\$7.95	\$8.01	34%	1%
36	\$5.68	\$8.53	\$8.49	33%	0%
40	\$6.70	\$10.06	\$9.07	26%	-11%
50	\$7.89	\$11.85	\$10.25	23%	-16%
54	\$7.89	\$11.85	\$10.25	23%	-16%
62	\$7.89	\$11.85	\$10.63	26%	-11%
65	\$7.89	\$11.85	\$10.63	26%	-11%

## ▶ Case 1

- ▶ Includes depreciation (\$500k) as proxy for capital cost
- ▶ Indicates current 2016 rates are higher than Cost recovery rates
- ▶ Finding: depreciation significantly under-reports cost replacement

## ▶ Case 2

- ▶ Includes updated replacement cost (\$1.5 million) for capital cost
- ▶ Case 2 indicates most rates are too low (exceptions are smaller open slips)
- ▶ Most rates are significantly below cost recovery, increase should be considered over time

# Competitive Rates Covered Slips

Covered Rates (w LHT, fees)										
Marina	Area	Ownership	20	24	28	30	32	36	40	50
Foss Waterway Marina	Tacoma	Private		\$12.65	\$12.64			\$13.19		
Narrows Marina	Tacoma	Private		\$10.73	\$9.96	\$9.97	\$9.34			
Tyee Marina	Tacoma	Private		\$11.05			\$11.05			
Stimson Marina	Seattle	Private		\$11.60		\$11.67			\$14.00	\$14.30
Bellevue Marina	Bellevue	Public		\$12.42	\$11.80	\$11.66				
Edmonds Marina	Edmonds	Public		\$14.30	\$13.44	\$15.77	\$16.27	\$18.46	\$19.80	\$22.53
Everett Marina (main)	Everett	Public			\$11.11	\$11.07	\$12.37	\$14.14	\$14.98	\$15.79
La Conner Marina	La Conner	Public		\$9.58		\$9.57			\$14.40	\$15.58
		<b>Comparisons</b>								
		<b>High</b>	NM	\$14.30	\$13.44	\$15.77	\$16.27	\$18.46	\$19.80	\$22.53
		<b>Low</b>	NM	\$9.58	\$9.96	\$9.57	\$9.34	\$13.19	\$14.00	\$14.30
		<b>Average</b>	NM	\$11.76	\$11.79	\$11.62	\$12.26	\$15.27	\$15.80	\$17.05
		<b>Median</b>	NM	\$11.60	\$11.80	\$11.37	\$11.71	\$14.14	\$14.69	\$15.68
		<b>Upper Quartile</b>	NM	\$12.54	\$12.64	\$11.67	\$13.34	\$16.30	\$16.19	\$17.47
<b>Des Moines</b>	Existing Rates	Public	\$8.85	\$10.14	\$10.99	\$11.49	\$11.70	\$13.33	\$14.14	\$16.58
% under market	Existing Rates	% under average	NM	-14%	-7%	-1%	-5%	-13%	-10%	-3%
% under market	Existing Rates	% under top quartile	NM	-19%	-13%	-2%	-12%	-18%	-13%	-5%

# Competitive Rates

## Open Slips

Open Rates (w LHT, fees)			20	24	28	30	32	36	40	50	54/55	60+
Marina	Area	Ownership										
Arabella's Landing	Gig Harbor	Private				\$10.00		\$10.00		\$10.00		\$10.00
Foss Harbor Marina	Tacoma	Private		\$7.71	\$10.04	\$10.03	\$11.00	\$10.56	\$10.60	\$11.08		
Tyee Marina	Tacoma	Private			\$8.40	\$8.40		\$9.05	\$9.05			
Delin Docks	Tacoma	Private				\$10.79		\$10.68		\$11.80		
Chinook Landing Marina	Tacoma	Private				\$8.83		\$9.31	\$9.50	\$9.40		
Shilshole Bay Marina	Seattle	Public					\$11.98	\$13.90	\$14.22	\$15.66		\$16.66
South Park Marina	Seattle	Private	\$9.50	\$9.50	\$9.50	\$9.50	\$9.50	\$9.50	\$9.50	\$9.50	\$9.50	\$9.50
Harbor Island Marina	Seattle	Public		\$10.56			\$10.56		\$10.78	\$10.97		
Fishermen's Terminal	Seattle	Public		\$11.39	\$11.39	\$11.39	\$11.39	\$11.39	\$11.39	\$12.29	\$12.39	\$13.41
Bellevue Marina	Bellevue	Public		\$11.84	\$11.60	\$13.39	\$11.69	\$14.52	\$16.14	\$17.01	\$17.01	
Carilon Point Marina	Kirkland	Private				\$15.27		\$15.56	\$16.10	\$16.76		\$18.57
Edmonds Marina	Edmonds	Public	\$10.78		\$10.46	\$11.56	\$11.75		\$13.31	\$15.50	\$16.85	\$16.73
Everett Matinas	Everett	Public										
Main Basin	Everett	Public	\$7.11	\$8.10	\$7.99		\$9.13	\$9.72	\$10.29	\$12.42		
North Basin	Everett	Public							\$12.27	\$13.16	\$13.63	\$14.13
Cap Sante Marina	Anacortes	Public			\$8.14	\$9.25	\$9.99	\$10.36	\$10.73	\$11.47	\$15.91	
La Conner Marina	La Conner	Public				\$7.61			\$8.65	\$9.98		
		<b>Comparisons</b>										
		<b>High</b>	\$10.78	\$11.84	\$11.60	\$15.27	\$11.98	\$15.56	\$16.14	\$17.01	\$17.01	\$18.57
		<b>Low</b>	\$7.11	\$7.71	\$7.99	\$7.61	\$9.13	\$9.05	\$8.65	\$9.40	\$9.50	\$9.50
		<b>Average</b>	\$9.13	\$9.85	\$9.69	\$10.50	\$10.78	\$11.21	\$11.61	\$12.47	\$14.22	\$14.14
		<b>Median</b>	\$9.50	\$10.03	\$9.77	\$10.02	\$11.00	\$10.46	\$10.75	\$11.80	\$14.77	\$14.13
		<b>Upper Quartile</b>	\$10.14	\$11.18	\$10.69	\$11.43	\$11.69	\$12.01	\$13.05	\$14.33	\$16.61	\$16.69
<b>Des Moines</b>	Existing Rates	Public	\$7.12	\$7.94	\$8.27	\$8.84	\$9.04	\$9.58	\$10.23	\$11.57	\$11.57	\$11.99
% under market	Existing Rates	% under average	-22%	-19%	-15%	-16%	-16%	-15%	-12%	-7%	-19%	-15%
% under market	Existing Rates	% under top quartile	-30%	-29%	-23%	-23%	-23%	-20%	-22%	-19%	-30%	-28%

# Comparison of Rates

Covered Slip Length	Actual 2016	Cost Rec Case 2	Avg Comp Rates	Actual to	
				CRR	Comp
20	\$8.85	\$11.65	NM	NM	NM
24	\$10.14	\$12.63	\$11.76	-20%	-14%
28	\$10.99	\$14.14	\$11.79	-22%	-7%
30	\$10.99	\$15.86	\$11.62	-31%	-5%
32	\$11.70	\$15.86	\$12.26	-26%	-5%
36	\$13.33	\$17.38	\$15.27	-23%	-13%
40	\$14.14	\$19.65	\$15.80	-28%	-10%
50	\$16.51	\$20.18	\$17.05	-18%	-3%
Open Slip Length	Actual 2016	Cost Rec Case 2	Comp Rates	Actual to	
				CRR	Comp
20	\$7.12	\$7.34	\$9.13	-3%	-22%
24	\$7.94	\$7.42	\$9.85	7%	-19%
28	\$8.27	\$8.30	\$9.69	0%	-15%
30	\$8.84	\$8.97	\$10.50	-2%	-16%
32	\$9.04	\$8.97	\$10.78	1%	-16%
36	\$9.58	\$9.62	\$11.21	0%	-15%
40	\$10.23	\$11.35	\$11.61	-10%	-12%
50	\$11.57	\$13.37	\$12.47	-13%	-7%
54	\$11.57	\$13.37	\$14.22	-13%	-19%
62	\$11.99	\$13.37	\$14.14	-10%	-15%
65	\$11.99	\$13.37	\$14.14	-10%	-15%

Current rates at Des Moines are generally lower than either competitive rates or cost recovery rates.

Cost recovery rates are generally higher than average competitive rates for covered slips but not open slips.

- The premium for covered slips over open slips is too low.

By either comparison, current Des Moines moorage rates are low.

# Recommended Rate Increase for 2017

Type	Des Moines Marina					Competitive Marinas			Cost Recovery Rates - Case 2		
	Actual	Occupancy Rate		Recommended	2017	Average Rates			% of Des Moines Rates		
	2016	Financial	Physical	Increase		2017	2016	2017	2017	2016	2017
<b>Covered</b>											
20	\$8.85	79%	92%	2.0%	\$9.02	NM	NM	NM	\$11.65	-24.0%	-22.5%
24	\$10.14	64%	78%	2.0%	\$10.35	\$11.76	-14%	-12%	\$12.63	-19.7%	-18.0%
28	\$10.99	85%	75%	3.0%	\$11.32	\$11.79	-7%	-4%	\$14.14	-22.2%	-19.9%
30	\$10.99	98%	93%	4.0%	\$11.43	\$11.62	-5%	-2%	\$15.86	-30.7%	-28.0%
32	\$11.70	99%	99%	4.0%	\$12.17	\$12.26	-5%	-1%	\$15.86	-26.2%	-23.3%
36	\$13.33	94%	97%	4.0%	\$13.86	\$15.27	-13%	-9%	\$17.38	-23.3%	-20.3%
40	\$14.14	89%	99%	3.0%	\$14.56	\$15.80	-10%	-8%	\$19.65	-28.0%	-25.9%
50	\$16.51	96%	99%	4.0%	\$17.17	\$17.05	-3%	1%	\$20.18	-18.2%	-14.9%
<b>Open</b>											
20	\$7.12	58%	70%	2.0%	\$7.26	\$9.13	-22%	-20%	\$7.34	-2.9%	-1.0%
24	\$7.94	74%	77%	2.0%	\$8.10	\$9.85	-19%	-18%	\$7.42	7.0%	9.2%
28	\$8.27	107%	95%	4.0%	\$8.60	\$9.69	-15%	-11%	\$8.30	-0.3%	3.6%
30	\$8.84	12%	90%	2.0%	\$9.01	\$10.50	-16%	-14%	\$8.97	-1.5%	0.5%
32	\$9.04	104%	99%	4.0%	\$9.40	\$10.78	-16%	-13%	\$8.97	0.8%	4.8%
36	\$9.58	108%	100%	4.0%	\$9.96	\$11.21	-15%	-11%	\$9.62	-0.5%	3.5%
40	\$10.23	97%	97%	4.0%	\$10.64	\$11.61	-12%	-8%	\$11.35	-9.8%	-6.2%
50	\$11.57	103%	97%	4.0%	\$12.03	\$12.47	-7%	-4%	\$13.37	-13.5%	-10.0%
60	\$11.99	94%	NA	4.0%	\$12.47	\$14.22	-16%	-12%	\$13.37	-10.3%	-6.7%

Adjust rates 2% to 4% per year, depending on occupancy rate.

Des Moines rates remain lower than competitive rates in 2017.

Apply rate on July 1, 2017.

# Four year rate adjustment (2017-2020)

---

## ▶ Recommendations:

- ▶ Apply 2017 rate increase annually for 2018 through 2020
  - ▶ Caution - need to evaluate vacancy rates and adjust accordingly
- ▶ Winter and seasonal moorage
  - ▶ Keep annual growth rates consistent with permanent monthly moorage
- ▶ Reduce discounts for prepays to a one-month level by 2020 (12 mos moorage for 11 mos pay)
- ▶ Sublease and liveboards
  - ▶ Increase premium over monthly moorage from 20% in 2016 to 30% in 2020
- ▶ Dry sheds and storage
  - ▶ Increase at 4% per year 2017-20

---

# Questions?

**Paul Sorensen**  
**BST Associates**  
**PO Box 2224**  
**Anacortes, WA 98221**  
**[bstassoc@seanet.com](mailto:bstassoc@seanet.com)**  
**(425) 486-7722**

---

