

## Acme Township Marina Feasibility Study Summary

July 26, 2011

Acme Township





## Marina Feasibility Study Objectives and Summarized Results

I. Determine whether or not a municipally operated marina within the Acme Shoreline project area is physically and economically viable for the short and long terms.

The Study has demonstrated:

- A municipal marina can be physically feasible if located within the land/water area currently occupied by East Bay Harbor Corporation and private lots immediately north and south.
- The area can accommodate up to four launch lanes; a market-supported mix of seasonal and transient slips; and parking per MDNR standards – without re-locating US31.
- Parking can be lowered so there is a view of the bay from US31.
- Overflow parking for 75 vehicle/trailers will need to be identified for holidays/peak periods. Both Grace Marina in Elk Rapids and Clinch Marina in Traverse City utilize existing publicly owned land and parking lots for this purpose. Another alternative would be to identify nearby retailers who may benefit from increased boater traffic and would consider allowing boaters to park on their lots.
- Phases One and Two can be enlarged in the future to accommodate more slips. However, this will require that US31 be re-located.
- Phase One/Two, combined, is the most economically feasible plan. It includes four launch lanes, 93 slips, a harbor services building, fish cleaning station, and fishing pier.
- Study supports that rates between the Regional Rates and DNR base rates can be charged. However, a marina can still be self-sustaining with 95% slip occupancy and charging DNR base slip rates.

## Market Analysis

For complete document: See *Market Analysis Study* on Acme Township web site

- 873 people currently waiting for slips on Grand Traverse Bay
- 548 want slips 30' or longer
- Determined that unmet demand in Acme is 316 slips at modern facility
- Regarding Best Site Selection, three distinct Acme Township sites were studied: Deep Water Point (including inland version), Saylor Park, EBHC
- EBHC area and neighboring private land identified as best site

## Economics of Best Site(s) and Plans

For complete document: See *Acme Township Marina Economic Analysis*, dated May 26, 2011, and the slides and speaker notes presented to the Board on June 7, 2011 – on web site

- Phase One/Two combined is most economically viable
- Market Analysis supports charging slip fees between Regional Average Rates and DNR base rates
- Still feasible at DNR base rates
- Operational expenses raised from 25% to 30%; bond changed from 30 to 20 years per Peer Review input
- Rate is assumed at 4.5%, AA rating
- Conclusion: municipal marina at EBHC location can be self-sustaining years 1 – 20



### Launch and Park-only Options – without Marina

For complete document: See *Acme Township Marina Economic Analysis Addendum*, dated June 7, 2011. Document contains Operational Expense Analysis, Slip Mix Variable Assessment, and alternative Park Scenarios per questions arising at and after May 23, 2011 Planning Commission meeting

- Launch and park-only options do not generate enough revenues to be self-sustaining
- Automated launch lanes and natural park/beach space require maintenance budgets

### Peer Review Input

For complete surveys: See *Peer Review surveys* on web site. These were obtained per request of Acme Township Board at June 7, 2011, meeting

- Ben Bifoss and Cheryl Werth filled out the two-page survey on the overall Feasibility Study. Jack Kelly and Mark Benedict did not return their surveys.

Both Ben and Cheryl agreed on: Validity of Market Analysis; belief that it is more cost-effective to build a large marina in one phase than in two smaller phases in separate years; Phase One/Two recommended slip mix; a focus on traditional boater service to optimize operational efficiency vs haul-out, winter storage, boat maintenance/repair; sufficiency of MDNR parking standards – with designated off-site parking for overflow; Phase One, operated cooperatively with EBHC may not be feasible; regarding Phase Three (a) and (b), moving US31 seems unlikely – but “if MDOT approves, great idea!”

Individual input/insights: Ben feels Phase One/Two is of sufficient size to support an efficient and profitable operation; Cheryl is unsure. Cheryl commented that, while more cost effective (to build a large marina in one phase than two smaller phases in separate years), it also carries greater financial exposure. Ben felt the operational expenses were about right; Cheryl felt maintenance and utilities were low and dredging was high. Cheryl believes expenses will exceed revenues for the initial two-year period and that revenue needs to be generated as soon as possible. She added hiring good staff and training them well has been paramount in Elk Rapids’ success. Ben said that haul out and winter storage can be profitable if we had existing space. Ben recommended that we look at 20-year bonds rather than 30-year bonds.

- The Cash Flow document includes the following adjustments based on Peer Review and public input: Operational expenses have been increased from 25% to 30% of gross revenues (at DNR Base Rates, 100% occupancy) with increases in areas where Cheryl had commented she felt they were low; changed from 30-year bond to 20-year bond per Ben’s recommendation. Used 4.5%, AA rating based on public input that 3.5% is too low.

### Cash Flow Analysis

The following table outlines the potential cash flow of phases one and two of the marina combined, ranging from the MDNR slip rates (lowest) to the regional average slip rates (highest) supported by the market analysis. Additionally, the table considers slip occupancy ranging from 90%-100% and the payments on \$2 million and \$3 million in bond funding. While the table demonstrates the high and low scenarios, there are several variables that could lead to other possible scenarios ranging between these two.



Cash Flow Years 1 - 20	Market Study Projection	Conservative Projection
<b>Variables</b>		
Slip Rates	Regional Average	DNR base rates
Seasonal Occupancy	100%	90%
Transient Occupancy	50%	35%
<b>Revenue</b>		
82 Seasonal Slips	\$370,060	\$219,771
11 Transient Slips	\$24,150	\$16,905
Boat Launch	\$18,500	\$18,500
<b>Gross Revenues</b>	<b>\$412,710</b>	<b>\$255,176</b>
<b>Expenses</b>		
Operations* at 30% Base DNR rates, 100% occupancy for 93 slips	\$86,052	\$76,553
<b>Net Revenue</b>		
<b>Gross Revenue minus Operations</b>	<b>\$326,658</b>	<b>\$178,623</b>
<b>Bond Payment</b>		
20 years, 4.5%, AA rating		
\$3M bond	\$230,628	
\$2M bond		\$153,752
<b>Net Profit Years 1 - 20</b>		
<b>Net Revenue minus Bond Payment</b>	<b>\$96,030</b>	<b>\$24,871</b>

\*Operational expenses include: Labor, utilities, maintenance, and dredging costs

OE at 30% Base DNR Rates	Breakdown of \$86,052
Labor/Wages @ ~\$332/slip	\$30,902
Utilities @ \$100/slip	\$9,300
Maintenance @ \$100/slip	\$9,300
Insurance @ \$100/slip	\$9,300
Dredging @ \$30/cubic yard	\$18,750
Admin/General @ ~\$90/slip	\$8,500



2. If viable, develop a concept plan that balances forward-thinking ideas and best practices with “desires” expressed by the public.

Concept plans have been developed. For this information, see Acme Township web site for public meeting presentations, public input, and the presentation, with speaker notes, made to the Board on June 7, 2011.



Phases One and Two of the marina provide 93 slips ranging from 30’-50’, including 11 transient or “guest slips”. Additional amenities include a four-lane boat launch, boater services building, fuel dock, pump-out, public promenade, fishing pier, 25 vehicle/trailer parking spaces, 87 car parking spaces, beach park, and non-motorized walk-in boater access. A new breakwater provides wave protection for the marina basin, and the existing access channel is maintained.



3. If project is viable, identify funding sources and a winning strategy to support it.

<b>CONSTRUCTION FUNDING CONSIDERATIONS</b>	<b>Market Study Projection</b>	<b>Conservative Projection</b>
Construction Cost Estimate:	\$9,386,000	\$9,386,000
Less Revenue Bond Funding (20 years at 4.5%)*:	\$3,000,000	\$2,000,000
Remaining Construction Funds to Identify:	\$6,386,000	\$7,386,000

<b>POTENTIAL FUNDING STRATEGY AND SOURCES</b>		
Federal Grants:	\$1,535,000	
State of Michigan Grants:	\$1,780,000	
MDEQ Grant Programs:	\$50,000	
Local Budgets, Foundations, Donors:	\$3,000,000	
Potential Funding Total:	\$6,365,000	

**Grant Funding Detail:**

<b>Federal Grants</b>	<b>Historical Ranges</b>	<b>Acme Target</b>	<b>Required Match</b>
Boating Infrastructure Grant	100% construction of transient infrastructure	\$1,500,000	25%
Clean Vessel Act	Cost of Facility	\$35,000	25%
Subtotal Potential Funding:		\$1,535,000	

<b>State of Michigan Grants</b>	<b>Yearly Limits</b>	<b>Acme Target</b>	
MDNR Waterways	\$300,000	\$600,000	50%
Michigan Natural Resources Trust Fund	\$15,000-\$300,000	\$600,000	25%
MI Land & Water Conservation Fund	\$30,000-\$100,000	\$200,000	50%
Great Lakes Fisheries Trust	\$300,000	\$300,000	none required
Passport to Recreation	\$7,500-\$30,000	\$30,000	25%
Michigan Coastal Zone Management	\$5,000-\$50,000	\$50,000	50%
Subtotal Potential Funding:		\$1,780,000	

\* Maximum bonding capacity based on total projected revenues at 4.5% for 20 years could provide an additional \$1,250,000 to the Market Study Projection or \$325,000 to the Conservative Projection



## Strategy

As outlined above, both Phase One and Phase Two of the marina can be considered financially feasible as they generate sufficient revenues to cover the cost of revenue-producing infrastructure, operations, and maintenance. This finding is reinforced by the consistent performance of surrounding marinas at Elk Rapids, Traverse City, and Elmwood, as well as other municipal marinas across the State of Michigan.

In addition to covering the cost of the revenue-producing infrastructure, both phases generate funds sufficient to contribute to the cost of non-revenue producing infrastructure, but not enough to cover all costs associated with the construction of the marina and landside infrastructure. As outlined above, the implementation strategy identifies a range of possible funding sources to cover the costs of the non-revenue producing infrastructure.

The next steps in the consideration of a municipal marina in Acme Township include two parallel efforts, the formation of a “Harbor Operations Board” and completion of a preliminary engineering study. The primary functions of the Harbor Operations Board would be:

- Assess the ability of Acme Township to secure the funding outlined above and begin the process of securing funds from both public and private sources.
- Oversee grant application process.
- Assess the ability and willingness of Acme Township to secure revenue bond funding.
- Confirm recommendation that Acme Township operate the marina, or consider alternate operational scenarios.
- Establish operating parameters, including staffing, rates, and policies.
- Oversee considerations related to East Bay Harbor Corporation.
- Determine if construction of the marina in one or more phases is most beneficial to Acme Township.
- Provide Owner oversight to preliminary engineering study.

The primary objective of the preliminary engineering study is to develop the proposed concept to a higher level of detail, confirm assumptions, and refine the cost estimate. Tasks include:

- Survey / Bathymetry / Geotechnical
- Preliminary Engineering Design and Calculations
  - Initial Marine Engineering Analysis
  - Initial Structural Engineering Analysis
  - Initial Geotechnical Analysis
  - Initial Site / Civil / Accessibility Analysis
  - Refined Cost Estimate
- Permit Application / Environmental Assessment (MDEQ and USACE)
- Permit Processing
- Specialized Studies that may be required by Environmental Assessment:
  - Wind/Wave Analysis
  - Archeological Assessment / Historic Preservation Assessment
  - Threatened and Endangered Species

**POSSIBLE CLONFLICT OF INTEREST. I have known and worked with and worked for Ron S. over the last 24 years. I have known Bob B for a similar time.**

**Acme Township Marina Feasibility Study: Peer Review**    Ben Bifoss

**A. Market Analysis**

1. What is your overall assessment of the Acme Township Marina Feasibility Market Analysis?

**Poor** \_\_\_\_\_      **Average** \_\_\_\_\_      **Good** x      **Excellent** \_\_\_\_\_

**Comments:** \_\_\_\_\_

2. Does the Market Analysis accurately represent the Grand Traverse market as you are experiencing it?

**Yes** x      **No** \_\_\_\_\_

**Comments:** \_\_\_\_\_

**B. Financial Analysis**

Per the Study, Edgewater Resources has stated that Phase One & Two, executed simultaneously, provides the best balance of construction efficiency, operational efficiency, optimal slip mix, and physical viability because it stays within the existing land west of US31.

1. Per your experience, do you believe it is more cost-effective to build a large marina in one phase than it is to build two smaller phases in separate years?    **Yes** x      **No** \_\_\_\_\_

**Comments** While more cost effective it also carries greater financial exposure.

2. Does the Phase One & Two slip mix appear viable based on your understanding of today's market? (14 - 30' slips; 23 - 35' slips; 36 - 40' slips; 14 - 45' slips; 6 - 50' slips for total of 93 slips)

**Yes** x      **No** \_\_\_\_\_

**Comments** \_\_\_\_\_

3. Do you feel the marina (combined Phase One & Two) is of sufficient size to support an efficient and profitable operation?    **Yes** x      **No** \_\_\_\_\_

**Comments** \_\_\_\_\_

4. To optimize operational efficiency, Edgewater has recommended focusing on traditional wet slip seasonal and transient boater services (safe, functional docks; fuel and pump out; clean and well-maintained overall facilities; organized guest services to direct visitors to amenities; etc) while excluding haul-out, winter storage, boat maintenance and repair because they require additional staff and land.

In your opinion, is this a viable program for a successful marina?

**Yes** x      **No** \_\_\_\_\_

**Comments** Haul out and winter storage could be profitable if you had existing unused space.

5. When you look at operational expenses, do you believe the numbers used in this feasibility study are realistic?

Insurance: \$100/slip per season  
Maintenance: \$75/slip season

Utilities: \$100/slip per season  
Dredging costs: \$30/cubic yard

Administrative overhead expenses excluding labor: \$400/slip per season  
(Includes office expenses, phone bills, internet service, utilities for common space, etc.)

Low \_\_\_\_\_ High \_\_\_\_\_ About right   x  

Comments \_\_\_\_\_

6. Recognizing that ample parking is critical, Edgewater has designed parking for every phase per the MDNR standards (one space per seasonal slip; one space per every four transient slips; 25 vehicle/trailer slips per each boat launch lane w/ designated off-site parking for overflow).

Have you found MDNR parking standards to be sufficient? Yes   x   No \_\_\_\_\_

Comments \_\_\_\_\_

**C. Phases One and Phases Three (a) and Three (b)**

1. Phase One by itself is 22 slips, 4 boat launch lanes – located adjacent to East Bay Harbor Corporation. Edgewater Resources has stated Phase One is inherently inefficient due to its small size. In order to make it a feasible option, it must be operated cooperatively with EBHC sharing staff and resources.

Do you believe Phase One can be feasible if operated cooperatively to share costs? Yes \_\_\_\_\_ No \_\_\_\_\_

Comments   Perhaps  

2. Phase Three (a) and (b) require that US31 be relocated. Do you have any comments, concerns or insights regarding either Phase Three (a) or Phase Three (b)?

Comments   Moving the highway seems unlikely  

**D. Summary**

1. Do you believe Phase One & Phase Two, executed simultaneously, is where the township’s focus should be at this time? Yes \_\_\_\_\_ No \_\_\_\_\_

Comments \_\_\_\_\_

2. After reviewing the Market Analysis and Financial Analysis, do you see any big questions or concerns that this Feasibility Study has failed to address? Yes \_\_\_\_\_ No \_\_\_\_\_

Comments **I would look at 20 year bonds rather than 30 and to get the rates quoted you will probably need a GO back on the Rev. Bonds. It will be time to refurbish or rebuild in 20 years.**

3. Overall, do you have any advice for Acme Township officials on operating a municipal marina?

\_\_\_\_\_

On behalf of Acme Township, thank you for reviewing the materials and expressing your views.

June, 2011

Acme Township Marina Feasibility Study: Peer Review

Cheryl Werth

**A. Market Analysis**

1. What is your overall assessment of the Acme Township Marina Feasibility Market Analysis?

Poor \_\_\_\_\_ Average \_\_\_\_\_ Good \_\_\_\_\_ Excellent X

Comments: \_\_\_\_\_

2. Does the Market Analysis accurately represent the Grand Traverse market as you are experiencing it?

Yes X No \_\_\_\_\_

Comments: \_\_\_\_\_

**B. Financial Analysis**

Per the Study, Edgewater Resources has stated that Phase One & Two, executed simultaneously, provides the best balance of construction efficiency, operational efficiency, optimal slip mix, and physical viability because it stays within the existing land west of US31.

1. Per your experience, do you believe it is more cost-effective to build a large marina in one phase than it is to build two smaller phases in separate years? Yes X No \_\_\_\_\_

Comments: Expenses will exceed revenues for the two year period. Need to generate revenue as soon as possible!

2. Does the Phase One & Two slip mix appear viable based on your understanding of today's market? (14 - 30' slips; 23 - 35' slips; 36 - 40' slips; 14 - 45' slips; 6 - 50' slips for total of 93 slips)

Yes X No \_\_\_\_\_

Comments: \_\_\_\_\_

3. Do you feel the marina (combined Phase One & Two) is of sufficient size to support an efficient and profitable operation? Yes \_\_\_\_\_ No \_\_\_\_\_

Comments: Unsure

4. To optimize operational efficiency, Edgewater has recommended focusing on traditional wet slip seasonal and transient boater services (safe, functional docks; fuel and pump out; clean and well-maintained overall facilities; organized guest services to direct visitors to amenities; etc) while excluding haul-out, winter storage, boat maintenance and repair because they require additional staff and land.

In your opinion, is this a viable program for a successful marina?

Yes X No \_\_\_\_\_

Comments: \_\_\_\_\_

5. When you look at operational expenses, do you believe the numbers used in this feasibility study are realistic?

Insurance: \$100/slip per season  
Maintenance: \$75/slip season

Utilities: \$100/slip per season  
Dredging costs: \$30/cubic yard

Administrative overhead expenses excluding labor: \$400/slip per season  
(Includes office expenses, phone bills, internet service, utilities for common space, etc.)

Low \_\_\_\_\_ High \_\_\_\_\_ About right \_\_\_\_\_

Comments: Insurance=about right Maintenance=low Utilities = low Dredging = high

6. Recognizing that ample parking is critical, Edgewater has designed parking for every phase per the MDNR standards (one space per seasonal slip; one space per every four transient slips; 25 vehicle/trailer slips per each boat launch lane w/ designated off-site parking for overflow).

Have you found MDNR parking standards to be sufficient? Yes X No \_\_\_\_\_

Comments: \_\_\_\_\_

### C. Phases One and Phases Three (a) and Three (b)

1. Phase One by itself is 22 slips, 4 boat launch lanes – located adjacent to East Bay Harbor Corporation. Edgewater Resources has stated Phase One is inherently inefficient due to its small size. In order to make it a feasible option, it must be operated cooperatively with EBHC sharing staff and resources.

Do you believe Phase One can be feasible if operated cooperatively to share costs? Yes \_\_\_\_\_ No X

Comments: \_\_\_\_\_

2. Phase Three (a) and (b) require that US31 be relocated. Do you have any comments, concerns or insights regarding either Phase Three (a) or Phase Three (b)?

Comments: If MDOT approves, great idea!

### D. Summary

1. Do you believe Phase One & Phase Two, executed simultaneously, is where the township's focus should be at this time? Yes X No \_\_\_\_\_

Comments: \_\_\_\_\_

2. After reviewing the Market Analysis and Financial Analysis, do you see any big questions or concerns that this Feasibility Study has failed to address? Yes \_\_\_\_\_ No X

Comments: \_\_\_\_\_

3. Overall, do you have any advice for Acme Township officials on operating a municipal marina?

Be sure to hire good staff and train them well, it's been paramount in our success.

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On behalf of Acme Township, thank you for reviewing the materials and expressing your views.