

FINAL: April 25, 2011

**Acme Township
Marina Feasibility Study – Market Analysis
Question-and-Answer Document**

1. Please explain how “financial feasibility” is determined for a marina.

A marina is determined to be “financially feasible” if:

(1) It can generate excess additional revenue, over operating costs, to allow the marina to pay for some of the capital costs to construct both revenue-producing components and possibly some of the non-revenue producing components in the project, and (2) it can generate operating revenues that exceed operating expenses with enough reserves to provide for replacement funding for long-term maintenance.

2. Is there a way to estimate the direct economic benefits to the community created by a proposed marina?

Yes. A *Boating Economic Impact Model* created by Drs. Ed Mahoney, Dan Stines, and Yue Cui of Michigan State University is being performed as part of this feasibility study.

3. There has been discussion that boat sizes are trending up to greater than 30-ft. sizes. Does the Michigan DNR have registration details on file that would help identify most appropriate sizes of slips if a new marina was to be constructed in Acme Township?

Registration information by hull length and county of residence is available from the Department of State, but this information is not particularly valuable since county of residence is often not where the boats are kept. The most specific information on demand for slips 35’ and over has been gathered during conversations with over 30 municipal marina harbormasters in the region and around Lake Michigan and multiple private marina owners across the state.

4. How would the proposed Acme Township location compare to others in the region, particularly East Bay vs. West Bay?

In terms of convenience to boaters residing in the Traverse City area or traveling through this area, the Acme Township location is competitive with Elk Rapids, Clinch, and Elmwood marinas and significantly better than marinas farther north.

In terms of transient destinations, the Acme Township location is less competitive than locations like Northport and Charlevoix that are located closer to regional cruising routes. Compared to Elk Rapids and Clinch, it is less competitive due to the relative lack of nearby, walkable attractions.

5. What if someone else builds or expands another marina in the bay and creates more competition? How might that affect a new marina in Acme Township?

While this is possible, the DNR has indicated that there are very few opportunities for marina expansion on bottomlands within the Bay. If Acme Township makes the decision to build a

new marina, the number of slips proposed within the next ten years is between 36 and 110, which is less than half of the demand that exists today as determined by the Market Analysis. As the newest marina on the bay, Acme Township's marina would remain competitive in terms of condition of facilities and amenities compared to older marinas.

6. Is Acme Township a good location for a transient marina?

No – not in the immediate future. While Acme Township is a much better location for seasonal slips today, it is believed there is a small market for transient slips – particularly during peak periods. Acme's location at the south end of the bay away from cruising routes and relative lack of nearby amenities are challenges. The location cannot be changed, but connections to existing amenities and construction of new ones can be accomplished over time, thus increasing the market for transient slips. For a municipal marina comprised of seasonal and transient slips to be successful in Acme Township, people must desire to lease in and visit this area.

7. What percentage of existing slip users in East Bay Harbor will remain, and will there be enough of the right size slips for them?

While there is no conclusive answer to this question today, it is thought that some East Bay Harbor slip owners and lease holders, area residents, and others who are on nearby waiting lists would be interested. We have plans to gauge that interest as part of this Study.

8. East Bay has far fewer boats than West Bay. Do boaters prefer busier or quieter waters?

Boater preferences vary, but generally the number of boats on the water only becomes a significant problem when there is high congestion and safety concerns. This typically occurs more often on inland lakes.

9. What size transient slips are in highest demand in East Bay?

The highest demand for transient slips is 30'-35' and larger. The nature of transient boating involves a more flexible approach due to the variable size of boats that may arrive at any given time. Transient slip mix is often geared towards longer slips, as smaller boats can use a longer slip, but larger boats cannot generally use a smaller slip.

10. Does Elk Rapids have plans to expand their marina?

Elk Rapids has plans to modify and improve their existing facilities, but no plans for major expansion beyond the limits of their current breakwater structures.

11. The market analysis for Acme Township indicates a demand of at least 316 slips. Is this the number of slips a proposed marina would include?

No. To increase the likelihood of 100% immediate occupancy and maximum revenue generation, a new marina should be approximately one third of identified demand. As an example, if Acme Township would purchase EBHC and re-build the marina, the initial build may be 80 – 100 slips and 3 boat launches (~30% of the 316 demand identified in the Market Analysis). Then, if the surrounding area grows with new businesses, restaurants, and

walkable attractions, there would be the opportunity to consider adding more slips – but still at a conservative rate as a percentage of demand (documented waiting list in Acme Township, etc). To accommodate cars and trailers for any addition beyond the 80 - 100 slips would require either a shift in US31 or remote parking. (See February 22, 2011, Marina Meeting drawings at www.acmetownship.org under the Marina tab.)

12. Does the current marina at East Bay Harbor meet current minimum municipal marina standards?

No. While the marina remains operational and provides basic marina services, the infrastructure was constructed in the early 1970s and would require complete reconstruction to achieve current standards.

13. How fast would a new marina achieve 100% occupancy, and how does the feasibility study address the absorption period in the financial projections?

The feasibility study is still in process. However, as an idea now, it is anticipated that an initial phase of 80 seasonal slips, for example, would be occupied within the first year, and no more than two years. Future phases could be constructed in increments of perhaps 50 – 75 slips based on waiting list demand and other measurements. The financial projections would be conservative and utilize an absorption period of three years.

14. What does it cost to put your name on the waiting list at Clinch or other marinas?

The price at Clinch and other very popular marinas is typically \$20 per year. Many marinas do not charge to be placed on the waiting list.

15. Have local businesses or developers been surveyed on their plans to locate or build in Acme Township near a [proposed] marina?

No – not specifically. Acme Township has been actively seeking public input from everyone on whether or not Acme should have a municipal marina. Understandably, due to competitive advantage, new developers would not be open with this type of information.

16. Are there other examples where construction of a marina directly caused expanded business or development nearby?

Yes. In the East Bay area, Elk Rapids is one example. Along the west coast of Michigan, there are several examples including harbors in Manistee, New Buffalo, and Ludington. Generally, marinas are a big attraction and supporter of the economy, but not the sole driver. The *Boating Economic Impact Model* being performed as part of this study will outline anticipated economic impacts on local businesses in Acme Township.

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