

Fernandina Harbor Marina Site Assessment

PREPARED FOR

Passero Associates

Fernandina Beach, FL

PREPARED BY



Management Services, Inc.

1801 SOUTH FEDERAL HIGHWAY
BOCA RATON, FLORIDA 33432
338-5800 FAX (561) 338-5280
www.marinamanagement.com

March 28, 2005

Introduction.....	3
Current Operations.....	3
General Condition	3
Fuel Dock	4
Depth – Silting – Dock layout.....	5
Restrooms & Shower Facilities.....	5
Boat Ramp	6
Live-a-boards.....	7
Dockage Rates and Rate Structure	7
Commercial Tenants	8
Brett’s Waterway Cafe	8
Escapade Casino.....	9
Amelia Island Charter Boat Association.....	10
Atlantic Seafood.....	10
Future Development Plans.....	10

Introduction

This report recaps the site visit and analysis of The Fernandina Beach Marina by Marina Management Services, Inc. (MMS). MMS was asked to provide an independent assessment of Fernandina Harbor Marina in order to create and sustain the greatest economic benefit for the city. Most assumptions made have been based on the idea that of what we would do with the property if it were our own; a private sector's approach. Review and identify current and future areas of concern with the marina's operations, and use a cost and benefit analysis to determine the effect of mitigating these concerns. We were further asked to present these findings to the City Commission for their review and guide them in their course of action. The economic model that accompanies this report is the backbone of the analysis and provides an interactive tool for reviewing our suggested changes.

Current Operations

General Condition

The first thing we consider when conducting a site assessment is the general condition of the marina's grounds. We have a saying that we use at the facilities that we operate and it is that "Trash attracts Trash." It seems like an overly simple theory, but not following through on cleaning the property is one of the most common problems at marinas. Where one tire is discarded, there will inevitably be a second, or a battery or beer bottle to follow, which soon leads to a general feeling of empathy towards the property. This feeling runs through customers, guests to the property, and even employees. If someone sees garbage on the ground or in a bush, they won't think twice about throwing additional items to join it. If a facility is free of loose garbage the tendency to litter is given a second thought. This is not to say that if you clean the property once no one will ever litter, but by staying on top of the condition of your property you send a clear message that it is not okay to discard things where they don't belong, and slowly people will get with the program. A consistent landscaping program is a good way to clear hiding places for trash and improve the aesthetics of the property.



A formal employee training program can have a focus on overall policies which can include presentation and cleanliness. Starting the employees with good habits now will help instill pride in property for them, prior to spending millions of dollars on improvements. These principles can be applied to the appearance of

buildings, parking lots, restrooms, and the docks. If employees take pride in the condition of the property it shows and is an important training process in moving forward with the redevelopment and improvements. The benefits of a clean and organized marina are appreciated by paying customers as well as the general public. We observed the deteriorating condition of the property which appears to be continuing in this downward spiral. Although the property has major deferred maintenance issues and we are somewhat aware of the politics regarding the marina the staff appears in a caretaker role with a passive attitude towards trying to improve the marina within their own abilities.

Fuel Dock

The current fueling system cannot handle the modern day boater's need for speed of delivery and overall quantity demanded. Today's boaters expect to spend less time getting more fuel out of their visits to the fuel dock. This can present new operational issues including environmental concerns given higher rates of delivery, and new regulations for the increase in capacity. Given the transient nature of the facility we believe that by increasing overall capacity and the rate of delivery the marina will capitalize on an integral source of revenue that is currently being missed. The increased capacity, from 20,000 gallons to 36,000 gallons, will allow better economies of scale in the ability to purchase fuel more efficiently. The fuel supplier will be able to deliver full truckloads without compromising the fuel docks operations. The increase in the speed of delivery will promote the efficient use of the dock by decreasing total time spent and increase the total number of vessels served/gallons delivered. The current system is pumping at 10 gallons per minute, which is turning away a lot of business from vessels not willing to wait. The recommended rate of fuel delivery for this transient boating market is 35 gallons per minute.



There are several issues that need to be address with the current condition of the below ground tanks. The tanks will need to be replaced in 2009 to become compliant with new regulations. A standard above ground 2 wall tank is the most cost effective storage system but can only be used if it is at least 60 ft. from an occupied building. If it is closer than 60ft then most fire codes state that the tanks must be Fire rated and fire rated tanks are twice as expensive as the standard tanks. A new below ground tank system is equally as expensive as the fire rated tanks. It is our suggestion, given the public nature of the property, the need for safety and the overall aesthetical appearance, that the marina should install three new underground 12,000 gallon tanks with an average pumping speed of 35 gallons per minute. The cost associated with this upgrade, including the tanks, pumps, the piping to the dock, and 2 new double dispensers is approximately \$344,000. (Quote Provided by Petroleum Marine, LLC - www.petroliummarine.com).

Depth – Silting – Dock layout

The biggest, and most obvious, issue relating to the current condition of the property is the depth and silting issue. The first step in the plan for redeveloping and spending any additional dollars on this project should be an in-depth Hydrological Study to determine the exact cause of the silting. We understand that a number of studies have been conducted in past, we might suggest that instead of a new study that a qualified hydrological engineer be engaged to review all prior studies to determine if there is a correlation between all studies or if something new can be learned.

It is possible that there may not be a project design that will generate enough revenue to support the amount of maintenance dredging caused by natural conditions. The location of the marina along the bank of the ICW has a shape that may naturally attract large deposits of silt and river sediment. A hydrological study would be able to identify the source and cause of the silting and present a case for mitigating the issues.

Another issue related to the silting of the marina is the wear and tear on the docks. These docks were designed to float in water, not sit on the bottom. We have spoken with the manufacturer and agree with their determination that the floats are in good condition, and the refurbishment of the docks will primarily consist of replace the whalers and through-rods. We feel the only improvement to the docks would be the addition of an 8 foot section of floating dock to the inside of the break wall. This will improve the side tie docking on the inside of the break wall allowing larger vessels to dock. The costs associated with this improvement are based on verbal estimates form Bellingham Marine, the dock manufacturer.



Lastly, there has been considerable damage done to the reputation of the marina within the boating community. It will take time and word of mouth to recover from this Public Relations nightmare. If the silting problem is not corrected and becomes an issue in the near future the boating community will be less likely to come back to the marina. For our financial model we assumed an area of 1400 feet by 185 feet would need to be dredged to a depth of 7 feet. The removal of 67,148 cubic yards at a cost of \$30 per cubic yards represents an initial dredging cost of \$1.8 million dollars. In the model there is also reference to a dredging reserve which sets aside 10% of the initial dredge cost to be completed every three years. A maintenance dredging program should be a primary issue with any plans to redevelop and invest additional dollars in the marina.

Restrooms & Shower Facilities

The International Marina Institute (www.marinaassociation.org) conducted a study on transient boater's preferences and habits, and the number one amenity

for these boaters is clean restrooms and laundry facilities. The current condition of the facilities at the marina does not meet the expectations of these boaters. A good training program and preventative maintenance program will assist in keeping the newly developed facilities in good working order to meet the needs of the transient boaters. We will further suggest that any new facilities that are built have restricted access via key lock or code. There needs to be some level of security and control over an amenity that is designed to meet the needs of your paying customers. Having this type of building open to the public is not a good idea.

Boat Ramp

We feel that the boat ramp is not a commercially viable operation and that it currently adds little to no value to the marina. The benefit of having the ramp is outweighed by the negative impact the ramp has on the facility. There is a



liability issue that the marina is exposed to by having this launch ramp. People launching boats are subject to slips and falls that can result in serious injury. There is also a liability issue with the boats and boaters because the use is not compatible with the normal marina customer where you have over the road vehicles coming in contact with the water.

These are not paying customers or registered with marina, yet they are using and impacting the physical and operational components of the facility. The boat ramp customers have different boating habits that conflict with your paying customers. By eliminating the ramp you are opening up space and resources for better use within the facility. It does not make sense to have the ramp for only one of two events a year. There is currently not enough adequate parking to support what we consider an active launch ramp at the site.

It should be noted that the surrounding neighborhood streets were not designed to handle trailerable boat traffic, as the traffic runs through the traffic calming area of the historic district and narrow residential streets. There has been significant improvement to the downtown streets, but that improvement was not designed to accommodate boats, which often can be as long as three car lengths.

There is an excellent facility that the County has recently built which has better access to the ocean and superior parking accommodation. There are some problems with the design of the ramp, but we feel that they can be overcome and that the ramp has excellent potential. If the grant money that has to be returned to the State, approximately \$125,000, can be earmarked for improvement to the County's launch ramp that would be an ideal situation and would help ease public pressure from closing this ramp down. The Economic model also references an additional \$125,000 which is a figure attributed to the removal and improvement of the existing ramp.

Live-a-boards

The marina currently caters to over 20 permanent boaters that call the marina home. Upon visual examination it is clear that many of these vessels are no longer seaworthy, and their presence is a drain on the aesthetics of the property. Given the existing depth issues we understand that not many people would subject their boats to the mud slips, and that they at least providing some form of an income source. As we begin to identify plans for future development the city needs to look at the type of facility they desire, and the type of customer they want to attract. Many marinas are restricted by laws and ordinances that do not allow live-aboard boaters. But others have the choice whether or not to accept live-a-boards, and that decision should be made as a conscious business decision, and not by default or political pressure.

The submerged land lease states in section 29 that liveaboard boaters are not permitted. The city has been able to circumvent this by allowing liveaboard boaters to reside above the City owned land. This legal loophole has opened up a series of problems in the overall operation and condition of the marina that need to be addressed prior to redevelopment.

As a marina owner and operator, the first and foremost item to keep focused on is that a live-a-board boater is in your marina at your invitation and has to abide by your guidelines. Do not be afraid to expand the marina rules so that they may apply only to live-aboard boaters. The key here is to establish guidelines or rules that are designed for the overall safety and well-being of both the marina and its customers.



Some examples of guidelines that could apply only to live-a-boards: adults only, minimum boat size, minimum holding tank size, current state registration, and minimum shore power connection. Other measures that will give your rules and regulations some teeth is to require that all live-a-boards leave the marina at least once a year under its own power or have them undergo an annual boat safety inspection by

an outside agency such as the U.S. Coast Guard. The issue that you want to be clear on with any liveaboard community is that the boater who lives aboard is there because he or she has chosen that lifestyle, not because it is a form of “subsidized” housing. One of the easiest ways to determine the type of live-aboard boater you are dealing with is to look at the condition of the boat. Most likely, if the boat is in poor condition, you will have problems down the road. There should be a clearly defined set of rules and regulations, handed out to each vessel, with special provisions for the live aboard guests.

Dockage Rates and Rate Structure

Upon a brief examination of the local market, and given the current condition of the marina, we do not see any major room for increases in dockage rates until the property is improved. Our suggestion is to structure a rate system that can be used in the future development. The first part of the new rate structure is to

set a policy that the rates are to be reviewed every year. Annual review reduces the need to make large increases every three years, by making small revisions on a short term basis. Too often marinas will neglect proper revision of rates for several years, and when it comes time to increase rates the large increase are not well received by customers.

In the rate structure we are also suggesting a review of the current documentation and agreements that the marina is using. The Berthing Agreement that the city is currently using may leave them open to some liability, especially given the total numbers of liveaboard guests. We suggest that the city attorney review the document and consider revising the document to a license agreement. This will help separate the confusion that can arise from landlord tenant relationships. The revised document should also reference a set of rules and regulations, which is a separate document that can be changed and altered to meet the changing demands of the property. The ability of a marina to charge premium rates is a direct function of the level of service provided and the condition of the facility. As the property improvements take place the rates need to be adjusted to help off set the cost of development and reflect the condition of the property.

Commercial Tenants

This section of the report will look at the current mix of tenants, and make suggestions for future tenants. If this property is to reach its potential as a full service marina it will have to start operating and looking like a full service recreational marina. This not only includes the physical appearance of the docks but also the mix of tenants offering services to your boating community. In order to maximize revenues out of a property you need to command market rental rates, and this goes for the docks, as well as commercial space. The way to maximize rental rates is to offer products with the highest and best use for the property. A transient, recreational marina has different requirements than a commercial facility, cruise ship dock, or boat yard. A big element in bringing this property to its highest and best functional use is the tenant mix. Transient marinas need to have marine dependant uses, which include restaurants, fuel docks, ships store, parts, and communication centers. The ideal tenant is a business that caters to boaters but will also attract non-boaters to enjoy the marine environment. The marina needs to become a place that boaters not only have to stop at, but want to because it has been catered to meet their needs. The non-boating community will be attracted to the facility because it is on the waterfront and is a window into a world they are curious about.

Brett's Waterway Cafe

The restaurant, given its locations and clientele, represents an ideal tenant for a transient marina. The restaurant offers the water window that is a draw from both the boating and non-boating community. This water window represents the intrinsic value to the marina; it is the anchor tenant of the marina. Local boaters see the restaurant as a destination, transient boaters enjoy the convenience of

the location, and non-boaters come to enjoy the marine atmosphere and quality food.

The issue with the restaurant has nothing to do with the type of tenant; it has to do with the lease that the city has entered into with the Centre Street Restaurant Group, Ltd. The city is currently collecting approximately 5% of gross revenues from Centre Street, who is in turn collecting 6% from the current operator. By examining the lease it is easy to tell that this was not the original intent of the lease and therein lays the economic problem. If we look at the 2003 numbers, the city received \$13,901 which represents 5% of Centre Streets income. Working backwards we can see that Centre Street earned \$278,020 in 2003, which is 6% of \$4.6 million dollars. If the lease worked as it was originally intended the city should have received 5% of the \$4.6 Million, or \$231,683. The \$13,901 that the city did receive only represents 0.3% of the restaurants gross receipts.

It is our opinion that it would be worth significant investment to renegotiate, terminate, or buyout that lease as it is an economic drain on the property. The restaurant should be supporting a major portion of the marina's operating overhead cost and is a significant source of revenue to the overall operation. The financial model details the impact a buyout of the lease could have on the overall income of the marina.

Escapade Casino

The lease that has been entered into with the Escapade Casino boat represents a drain on the economics and infrastructure of the marina. The drain on the infrastructure is due to the fact that the break wall was not designed to handle a boat of this size and weight. Coupled with that is that the upland facility, particularly parking, was not designed to support an operation of this size. Other than the income generated from the lease there is no benefit added to the facility by having this type of operation. This tenant has no draw from the boating



public, and is more in tune with the operation of a commercial marina, which is not the intent of this property. The water window the marina provides is wasted on the community that this boat is serving. The gambling community at large is not attracted to the facility because of its waterfront location or view of the marina. They are attracted to the facility because there is gambling, and the only reason there is gambling on the boat is because it is illegal on the land. This represents a liability issue as you have pedestrian traffic in the marina who is largely non-boaters that are not used to walking on docks particularly floating docks. Most casino boat operations are set up so that the customers walk on a solid bulkhead, usually directly from the parking lot to the boat.

The original submerged land lease states in Section 30 that this type of operation is not permitted. The city has entered into an agreement, which has circumvented the lease in order to facilitate this vessel, but it should be noted

that submerged land leases were designed with environment and public interests in mind. Just because the city has found a way around this restriction does not mean that it is in the best interest of the marina or the city. The economics of the lease are also troublesome. The vessel is currently taking up approximately 220 feet of transient dock space, which represents an income potential of \$59,000 annually. The Escapade lease is currently generating \$36,000 annually, which means that the marina is currently sacrificing \$23,000 in potential income. It should also be noted that the casino boat adds little economic impact to the city's businesses. The gamblers drive to the boat, leave the dock, eat, drink, gamble, and when they return they leave the city. They spend little to no time on Center Street shopping or dining.

Amelia Island Charter Boat Association

The Charter Boat Association is an excellent example of a water dependant use that adds significant value to the marina. This tenant is attracting guests to the marina, whom are interested in actively participating in marine orientated activity. This is exactly the type of tenant that should be looked for in the future development of the facility.

Atlantic Seafood

This tenant is a classic example of a non-water dependant use that provides no benefit to the marina. Other than a favorable lease with the city this tenant has no reason to operate their business out of the marina, and plans should be made for identifying a new tenant that will add value to the property and be a draw for transient boaters.

Future Development Plans

In this section of the report we take a look at the plans that are on the table for the redevelopment of the marina. First we would like to make an observation that needs to be addressed prior to any redevelopment. We feel that the City may be trying to correct operational issues by altering the physical facility, which will not give the city a self sustaining marina. It is our opinion that the current lay out of the marina will provide the best economic benefit to the City, if the problems mentioned earlier in the report are corrected. The last page of the economic model highlights the costs associated with each redevelopment project and the annual debt service for earn improvement. The model is interactive and the fields in yellow are the assumptions made which can be changed and will affect the bottom line. The redevelopment of Fernandina Harbour Marina will be a long overdue improvement to the City's waterfront and will also add significant value to the entire city.