

Presentation to the Des Moines City Council
February 10, 2022




moffatt & nichol
& BST Associates

CITY OF DES MOINES MARINA

DOCK REPLACEMENTS



Project Background

- › 2020 Waggoner Study
- › Reid Middleton Condition Assessment Report
- › Funding Sources
- › Draft Marina Master Plan

- › Municipal Facility Meetings & Updates
- › Marina Working Group Meetings & Updates
- › Tenant Question & Answer Updates

Current Phase

- › Contracted with Moffatt and Nichol
 - › BST & Associates
- › Preliminary engineering and planning
- › Validate the Waggoner Report
- › Present a phasing plan for work for dock replacements
- › Final Design / Permitting / Construction

Economic / Financial / Design Feasibility

This Presentation Will Provide a Summary of Findings:

› Economic Analysis

- › Third party review and assessment of Waggoner Report findings
- › Macro-economic trends and future layout considerations

› Financial Analysis

- › Review by phase of development - 3 Phase Project Analysis
 - › Could be more, not likely less
- › Open moorage versus mix of open/covered slips

› Design Analysis

- › Marina basin layout
- › Operational logistics

Puget Sound Marinas included in Analysis and Rate Comparison

› Open Moorage:

- › Arabella's Landing
- › Foss Harbor Marina
- › Hylebos Marina
- › Marina at Browns Point
- › Delin Docks
- › Dock Street Marina
- › Chinook Landing
- › Elliott Bay Marina
- › Shilshole Bay Marina
- › South Park Marina
- › Harbor Island Marina
- › Fishermen's Terminal
- › Salmon Bay Marina
- › Carillon Point Marina
- › Edmonds Marina
- › Everett - Main and North Marinas
- › Anacortes Marina
- › Cap Sante Marina
- › La Conner Marina

› Covered moorage:

- › Marina at Browns Point
- › Narrows Marina
- › Tyee Marina
- › Salmon Bay Marina
- › Stimson Marina
- › Edmonds Marina
- › Everett Marina
- › Anacortes Marina
- › La Conner Marina

Slip Distribution Considerations

- › Des Moines serves a regional market.
- › Residents of King and Pierce Counties account for approx. 97% of tenants.
- › Des Moines residents:
 - › Account for approx. 21% of all marina tenants.
 - › Account for larger share of longer slips.
- › Future layouts should reflect the demands of the regional market.
 - › Marina is a business.
 - › C/B analysis is important for successful operations.
- › **By the completion of Phase 3, proposed slip distribution focuses on 30 to 59 foot ranges.** Takes into account:
 - › Size and growth rate of the Pierce-King county markets,
 - › Des Moines share of the regional market,
 - › Distribution of existing tenants (with no overhangs),
 - › Slip distribution at other large, regional marinas (Shilshole Bay Marina and Elliott Bay Marina).
- › Smaller boats:
 - › Seasonality of use reduces annual occupancy,
 - › Existing moorage rates do not cover costs,
 - › May be accommodated in dry stack and/or 30/32 foot slips.

Alternatives Analysis and Financial Considerations

Alternatives Analysis

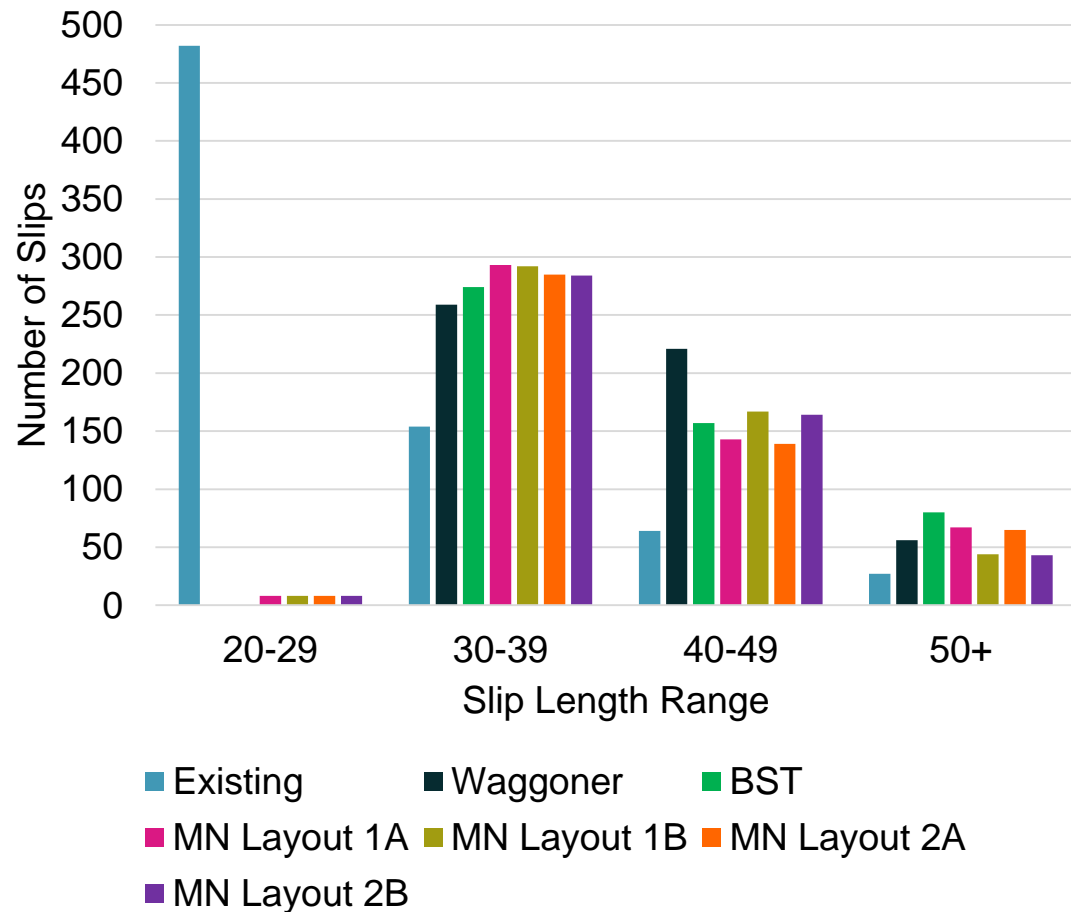
- › 3 Project Phases
- › 2 Layouts: Open Moorage and Mixed Moorage (Open/Covered)
 - › 2 Options related to phasing of L dock (Phase 1 or Phase 2?)

Financial Considerations

Cost estimates provided for both layouts (and both options), with three phases of development for each layout.

- › First step: Evaluate the construction schedule
 - › Estimate debt requirements for each layout and phase.
- › Second step: Prepare pro forma statements for each layout (and options), by phase
 - › Forecast revenues and expenses; net revenue available for debt service, existing and proposed debt service
- › Final step: Compare the benefit/cost ratio for each layout (and option)
 - › Net present value of revenues available for debt service by option (NPV) of the stream of revenues divided by the cost of the option.
 - › Evaluate open versus mixed (open/covered) moorage.

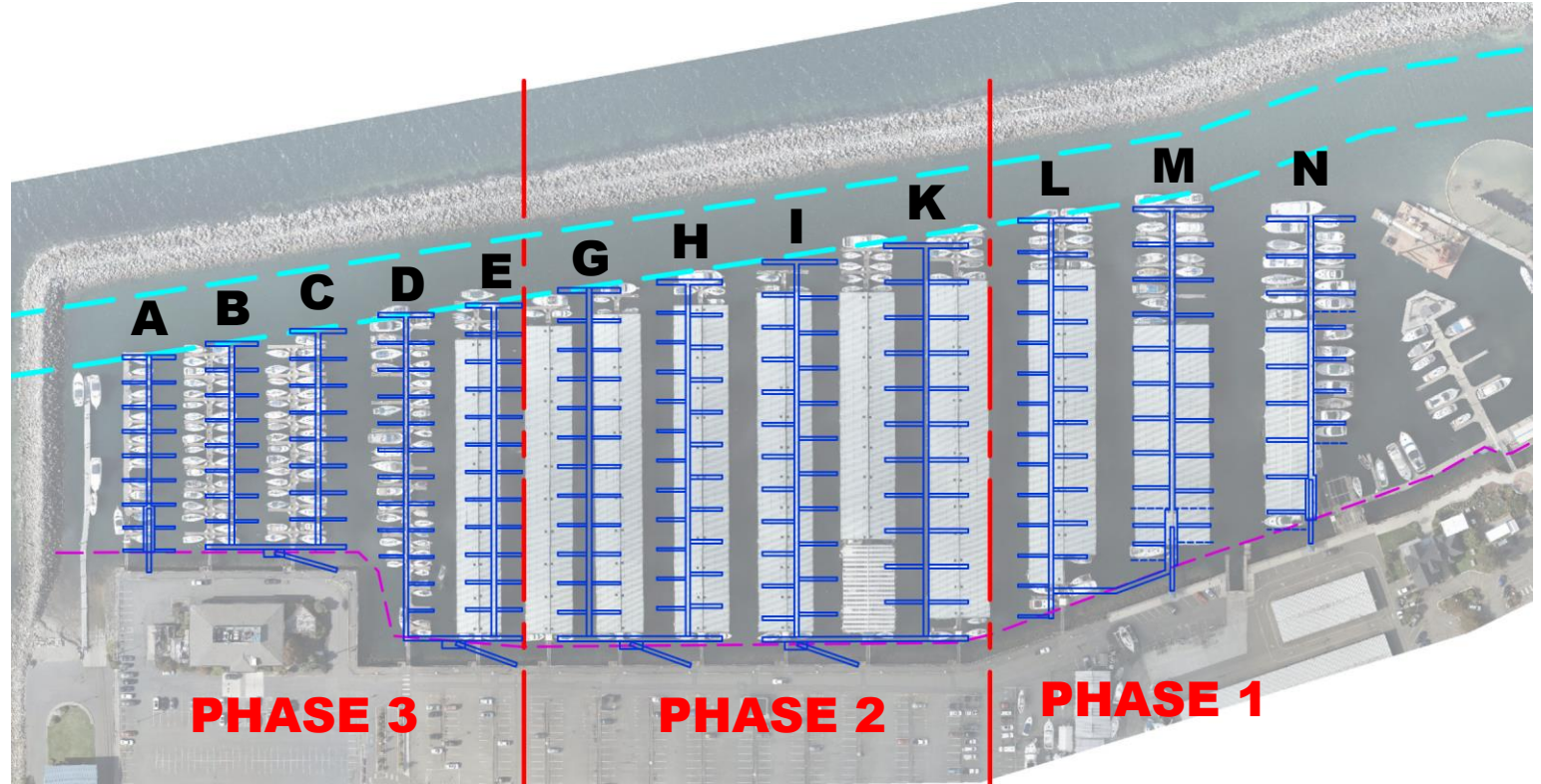
Comparison of Slip Distribution



- › Phasing of reconfiguration limits rebuild options
 - › First phase avoids impacts to:
 - › Guest moorage
 - › K Dock
 - › Travelift pier, et al.
 - › L, M, and N docks are functioning well (both occupancy and revenue)
- › All alternatives reduce 20-29 foot slips compared with the existing layout.
- › Differences between Waggoner report and BST and Moffatt Nichol layouts are minor.
- › BST concludes that the City approach is sound, and confirms Waggoner findings:
 - › Dry stack is a successful model for smaller power boats.
 - › Focus on 30-59 foot boats for the reconfiguration is reasonable.
 - › Financial analysis further evaluates the viability of the alternatives under consideration.
- › There is time to re-evaluate plans for docks A through K prior to finalizing the concept in the future.

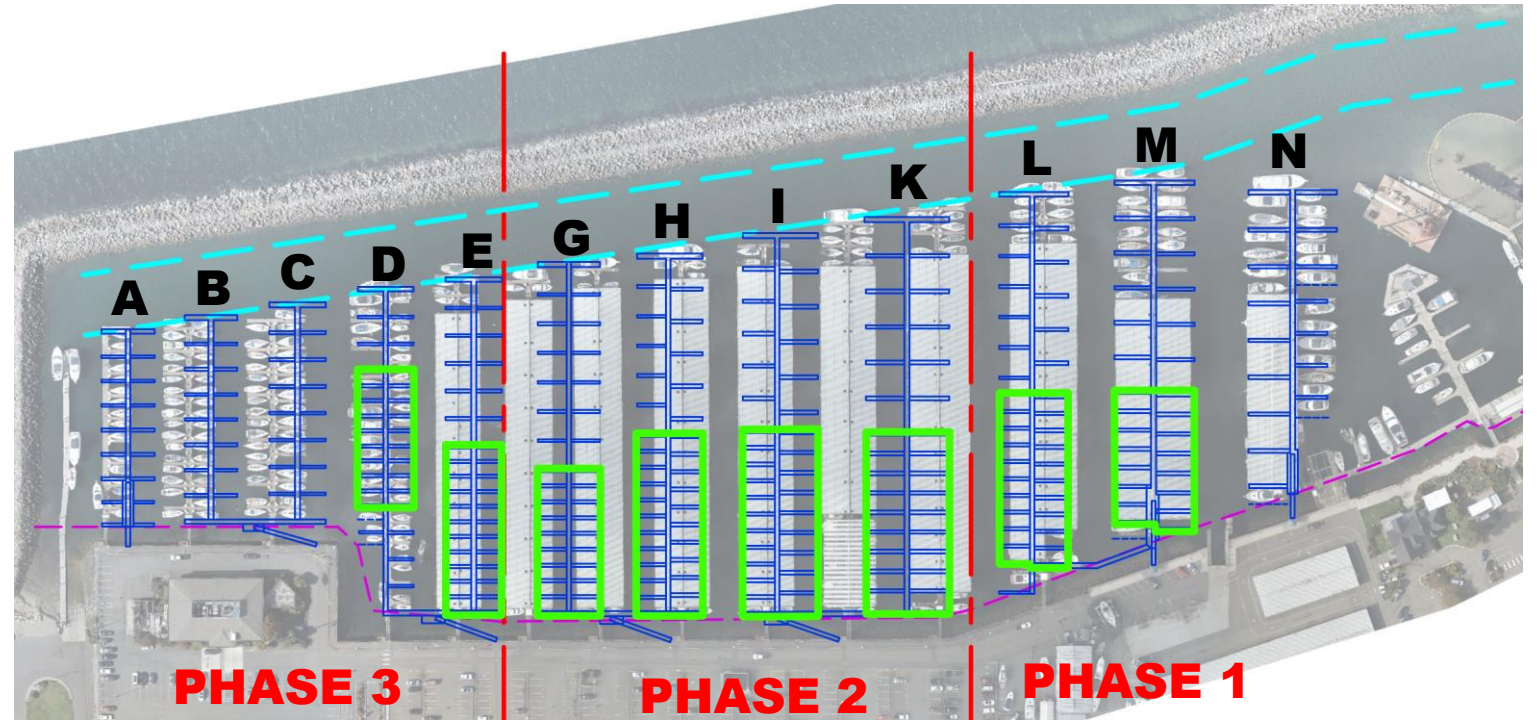
Layout 1: Open Moorage

- All open slips
- Phased construction:
 - Phase 1: L, M and N docks**
 - Phase 2: Future
 - Phase 3: Future
- An Alternative:
 - Layout for just M and N docks
 - (Not Shown)



Layout 2: Mix of Open and Covered Moorage

- Mix of covered and open slips
 - Docks D thru M
 - Approx. 30% covered
- Phased construction:
 - Phase 1: L, M and N docks**
 - Phase 2: Future
 - Phase 3: Future
- An Alternative
 - Layout for just M and N docks
 - (Not shown)



Construction Costs Current and/w Inflation

Layout	Phase	Present Value	Future Value		
		2021	2025	2032	2039

Open

Moorage:

1B	1	\$ 10.5	\$ 11.7		
1B	2	\$ 16.2		\$ 21.7	
1B	3	<u>\$ 13.1</u>			\$ 21.1
1B	Total	<u>\$ 39.9</u>			

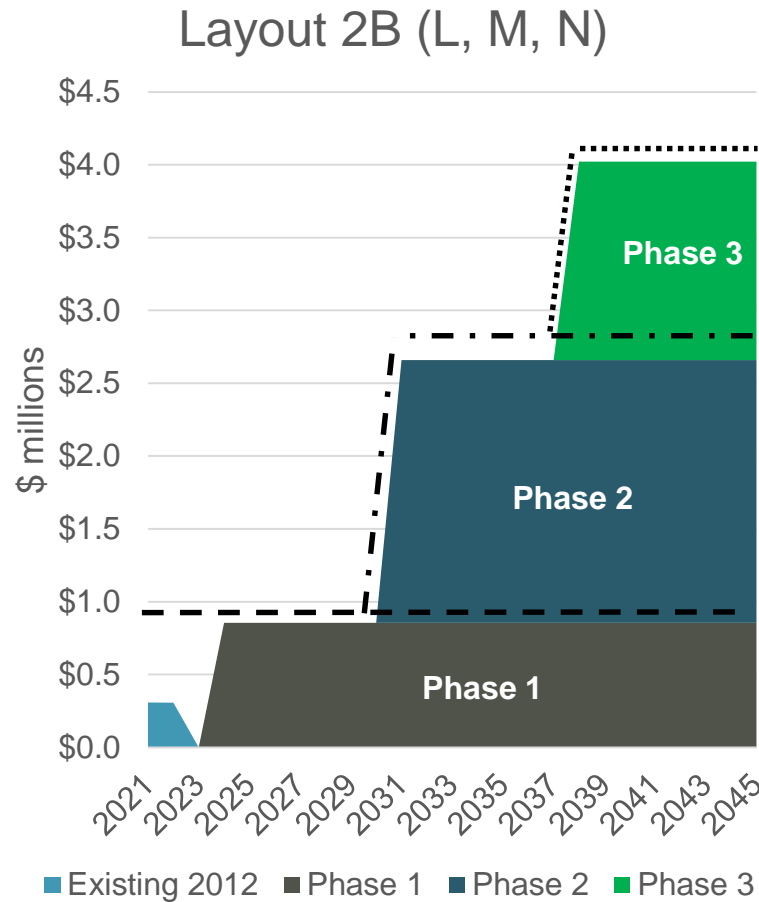
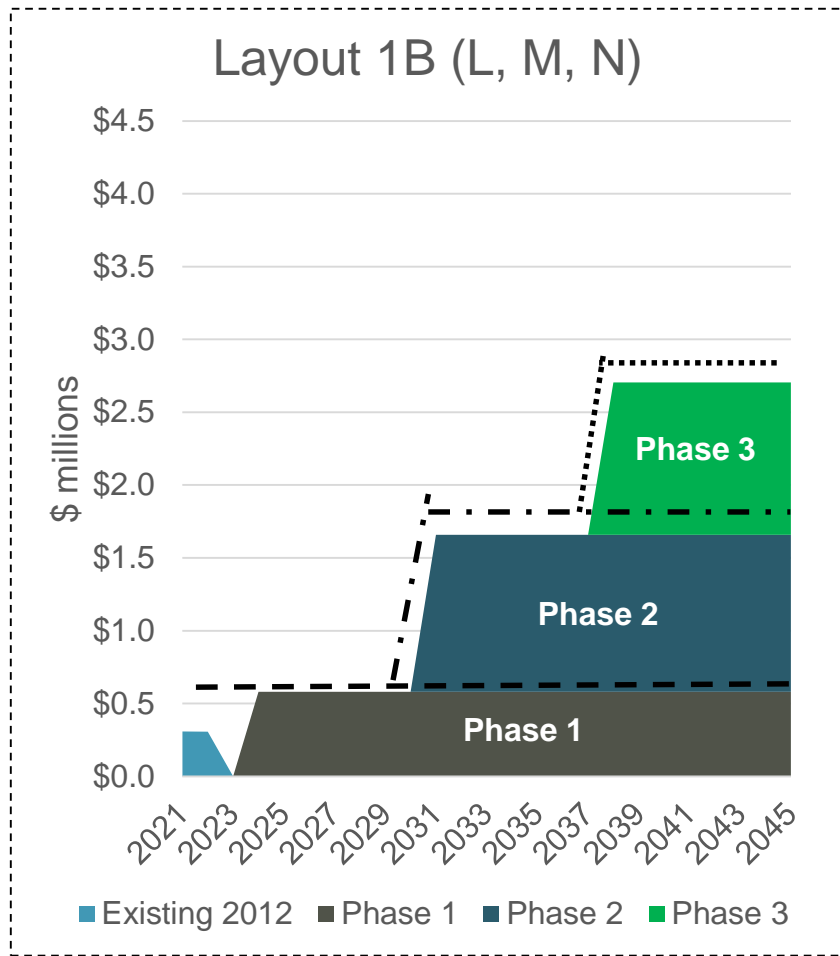
Mix of Open and Covered Moorage:

2B	1	\$ 15.5	\$ 17.2		
2B	2	\$ 27.2		\$ 36.3	
2B	3	<u>\$ 17.1</u>			\$ 27.4
2B	Total	<u>\$ 59.7</u>			

- › Assumes that construction occurs in three phases
 - › Phase 1 occurs in 2025
 - › Phase 2 occurs in 2032
 - › Phase 3 occurs in 2039
- › Construction costs are inflated at 2.7% per year
- › Layout 2 with 30% covered slips is \$20 Million more.

(Costs in Millions)

Debt Service Comparison Open/Covered Slip Layouts



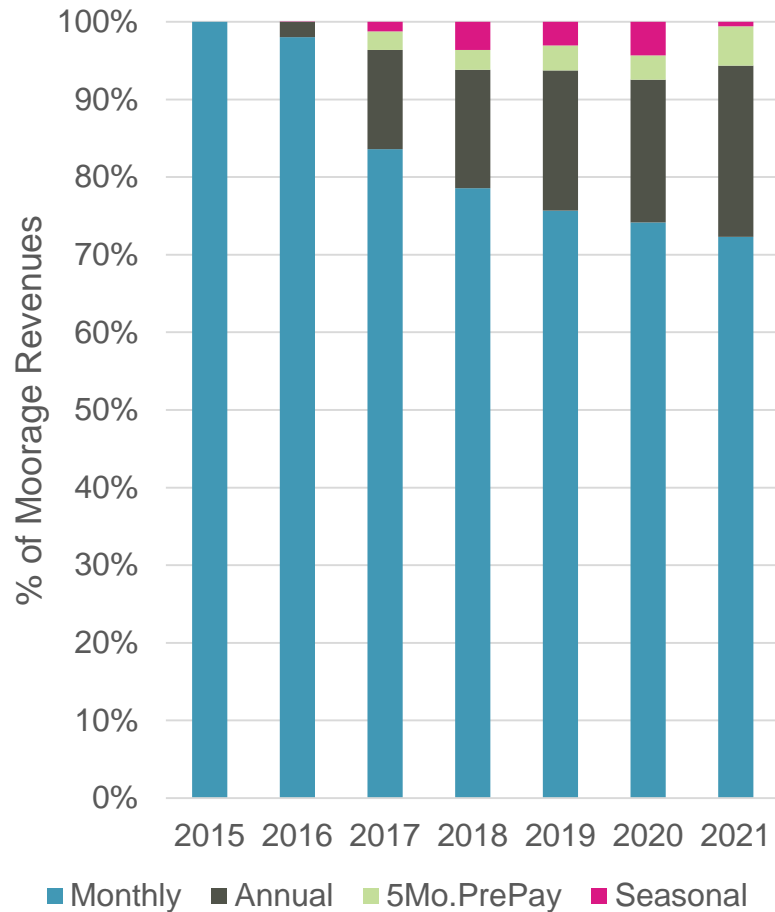
Open Moorage.

Mix of Open/Covered Moorage

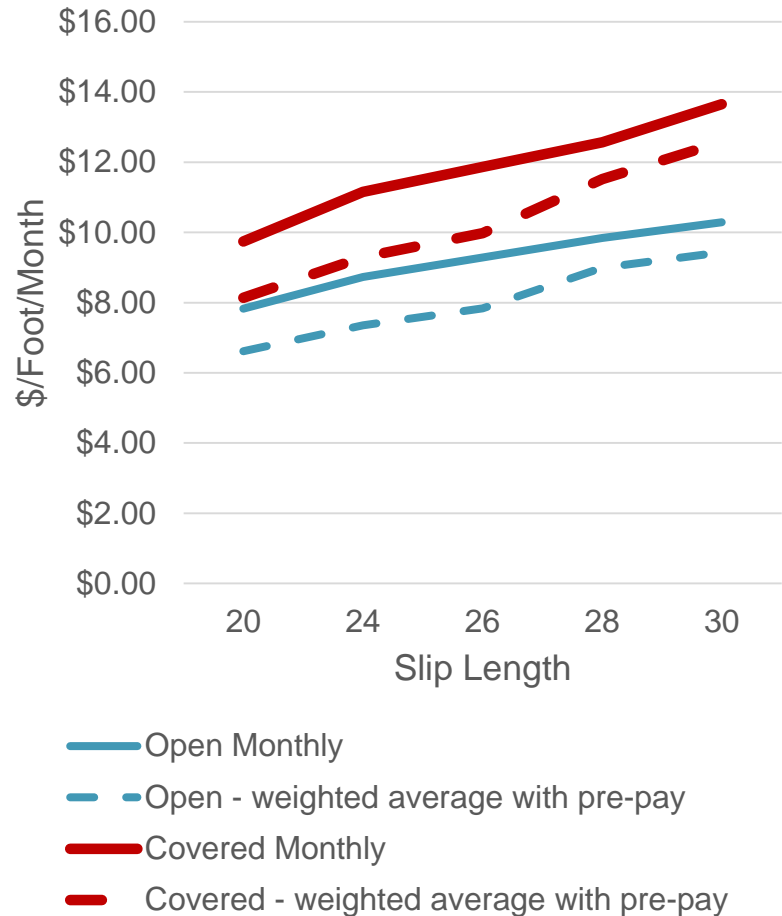
Assumes City issues 30-year LTGO bonds at 3% interest.

- › Existing debt is paid off in 2022.
- › Estimated cost of new projects:
 - › 1B = \$39.9 million
 - › 2B = \$59.7 million
- › Debt based on 30-year bonds at 3% interest.
- › Debt by phase:
 - › Phase 1
 - › \$580,000/year (1B)
 - › \$860,000/year (2B)
 - › Phase 1 & 2
 - › Cumulative debt:
 - › \$1.7 million/year (1B)
 - › \$2.7 million/year (2B)
 - › Phase 1, 2 & 3
 - › Cumulative debt:
 - › \$2.7 million/year (1B)
 - › \$4.0 million/year (2B)

Des Moines Moorage Rates Monthly and Discounted



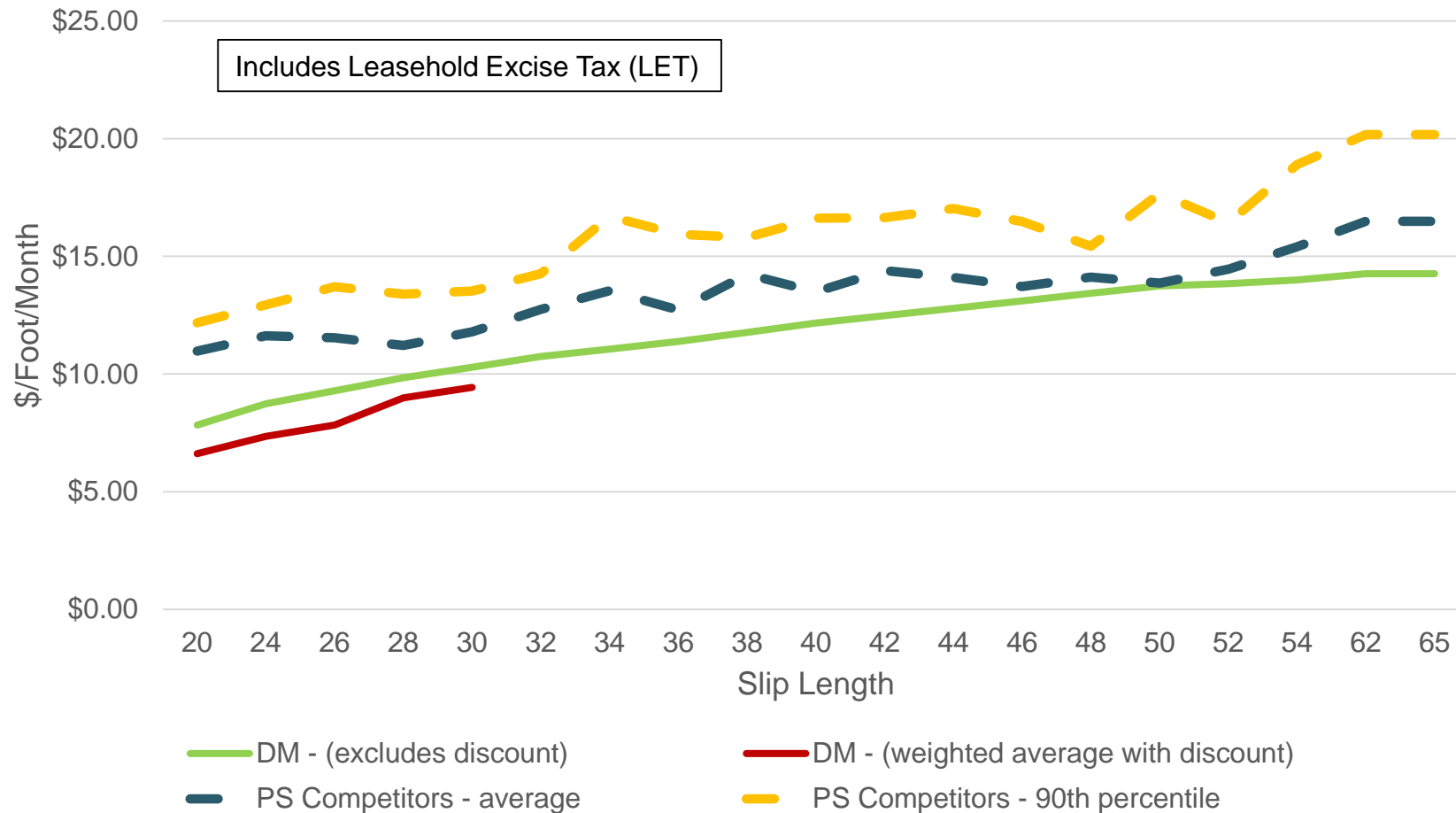
Includes Leasehold Excise Tax (LET)



- › The share of tenants paying monthly moorage rates declined from 100% in 2015 to 72% in 2021.
- › As a result:
 - › The weighted average rate is approx. 13% lower than the monthly rate for both small open and covered slips.
 - › Smaller slips represent approx. 68% of all slips.
- › The financial model assumes that these discounts are eliminated.

Rate Comparisons

Open Rates

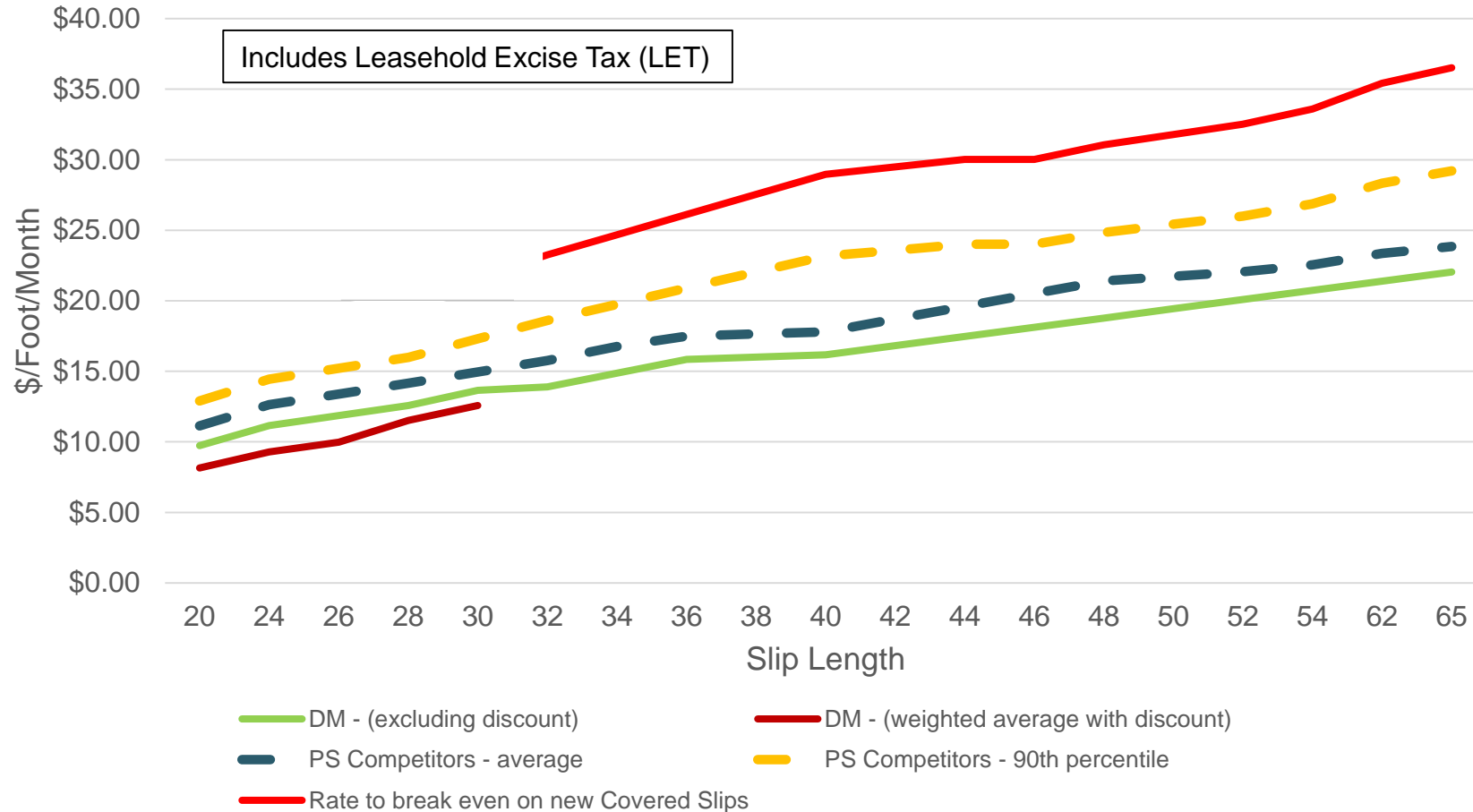


- › Des Moines monthly rates for open slips are approx. 12% less than the average rates of Puget Sound competitors.
- › Financial model assumes existing slips use Puget Sound average rates.
- › Des Moines monthly rates for open moorage are approx. 26% less than the 90th percentile rates of Puget Sound competitors.
- › Financial model assumes new slips use Puget Sound 90th percentile rates.

If 2021 rates were not available, they were estimated by interpolating from proximate rates.

Rate Comparisons

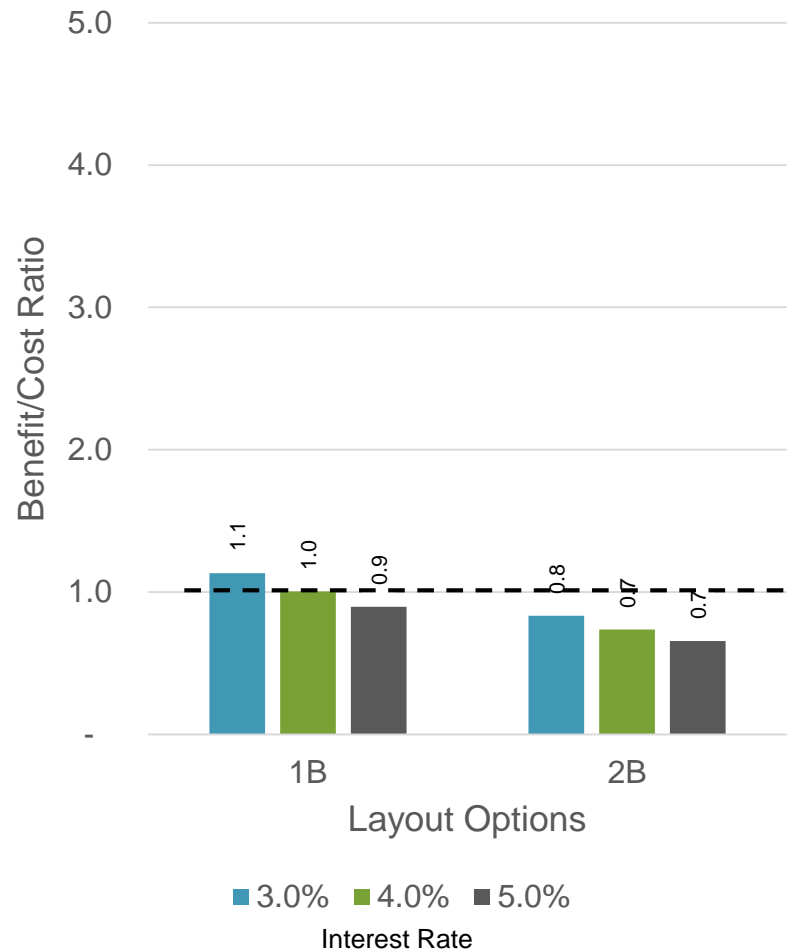
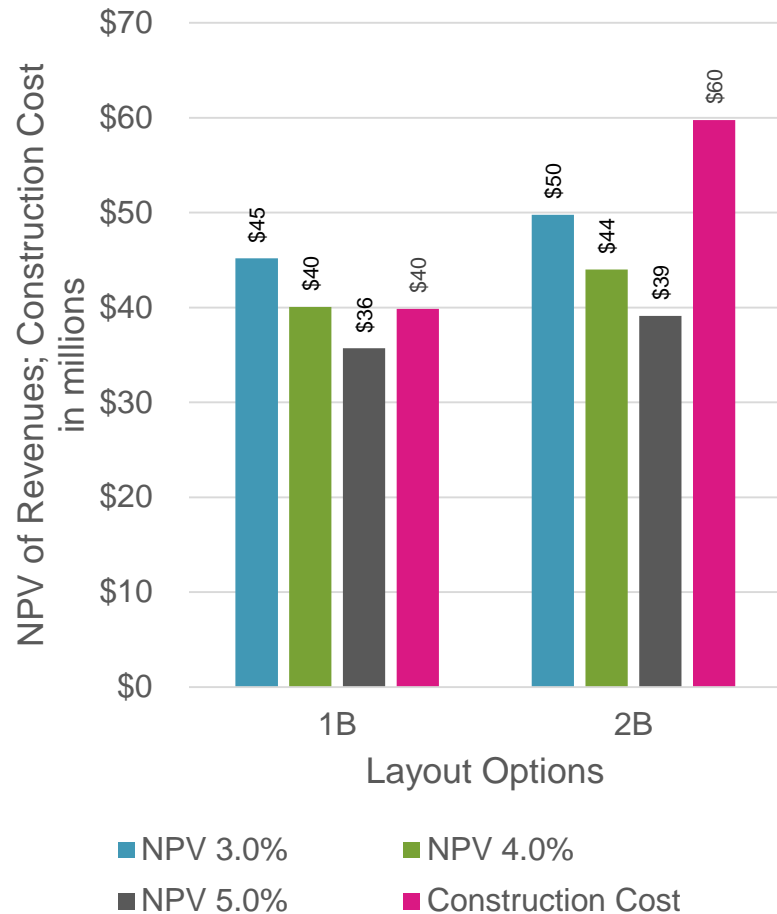
Covered Rates



- › Des Moines monthly rates for covered moorage are approx. 12% less than the average rates of Puget Sound competitors.
- › Financial model assumes existing slips use Puget Sound average rates.
- › Des Moines monthly rates for covered moorage are approx. 23% less than the 90th percentile rates of Puget Sound competitors.
- › Financial model assumes new slips use Puget Sound 90th percentile rates.
- › The break-even rates for new covered moorage are approx. 39% above current monthly rates.

If 2021 rates were not available, they were estimated by interpolating from proximate rates.

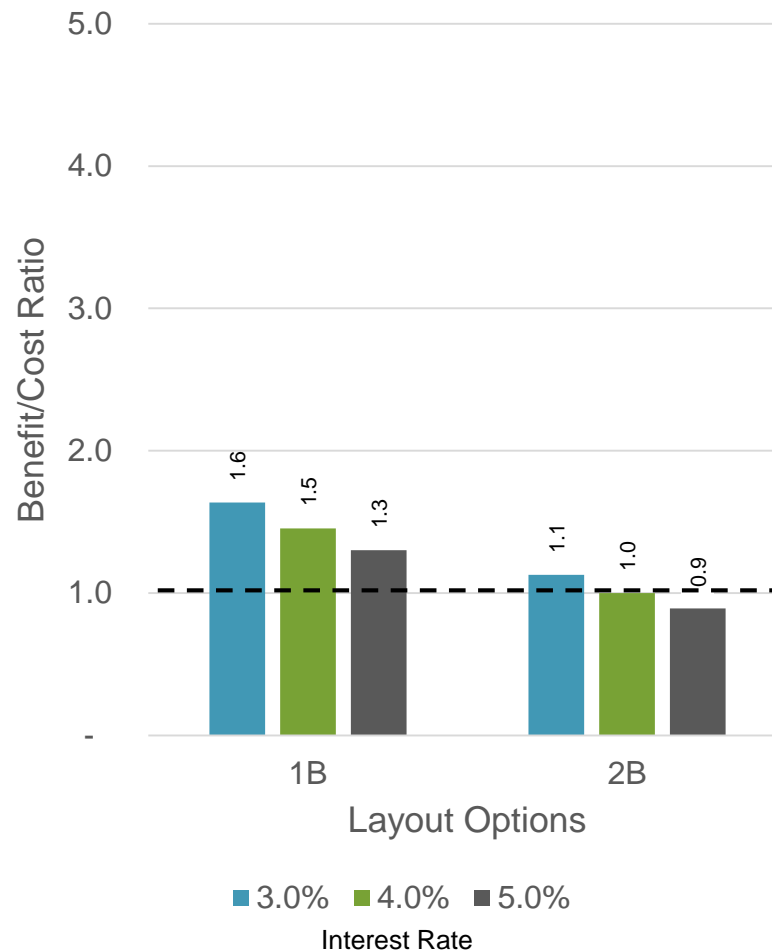
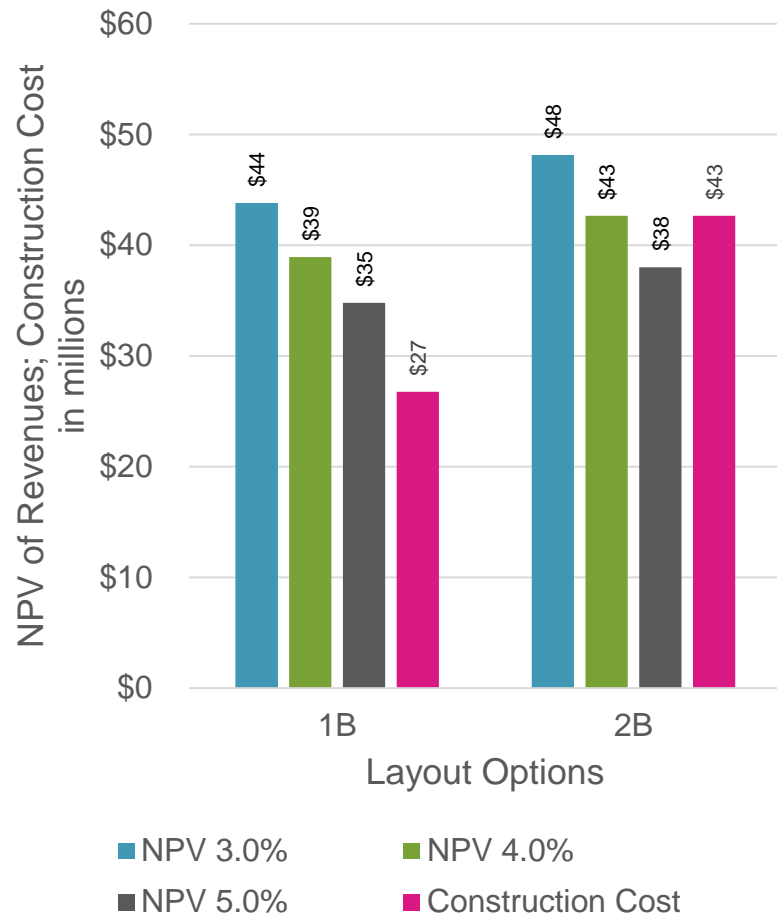
Benefit/Cost Ratios Phase 1, 2 & 3 (combined)



- › For Phases 1, 2 and 3 (combined), the estimated construction cost is higher than the NPV of net revenues for option 2B and options 1B at 5%.
- › Open slip layout option 1B meet or exceed the breakeven point at 3% and 4% interest rates and are below breakeven at 5%.
- › Mixed slip option 2B:
 - › Does not exceed the break-even point under any interest rate.

Layout Option 1B = LMN (open) Layout Option 2B = LMN (covered/open mix)

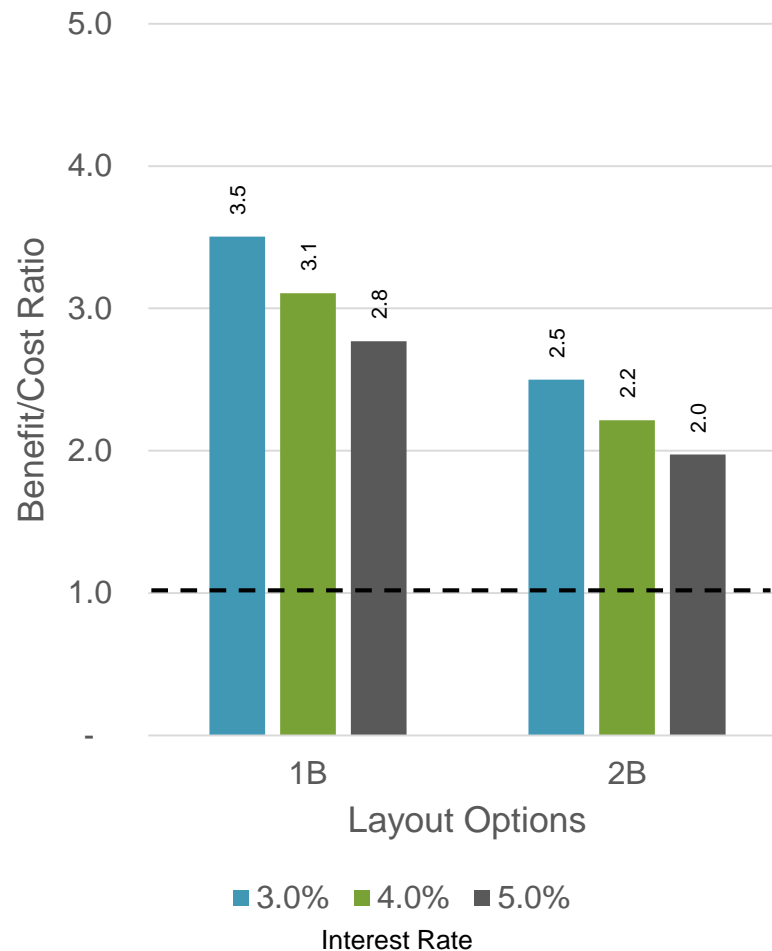
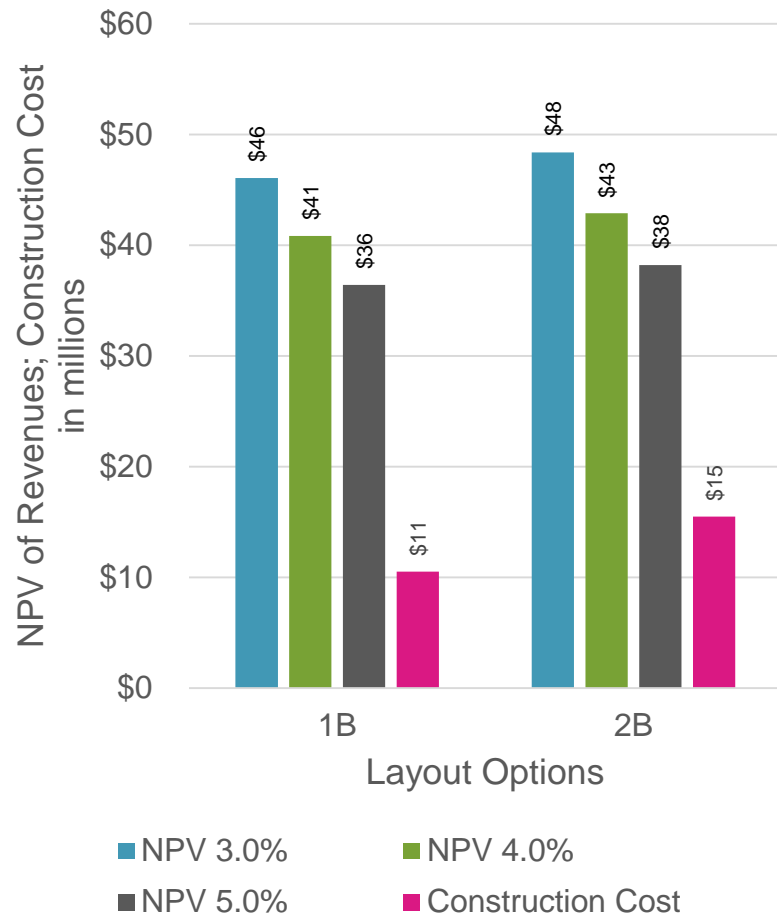
Benefit/Cost Ratios Phase 1 and 2 (combined)



- › For Phase 1 and 2 (combined), construction cost is lower than the NPV of net revenues for open layout options but not for all mixed layout options.
- › Open slip layout option 1B exceeds DSC at all interest rates.
- › Mixed slip option 2B:
 - › Meets or exceeds breakeven at 3% and 4% interest rates but not at 5%.

Layout Option 1B = LMN (open) Layout Option 2B = LMN (covered/open mix)

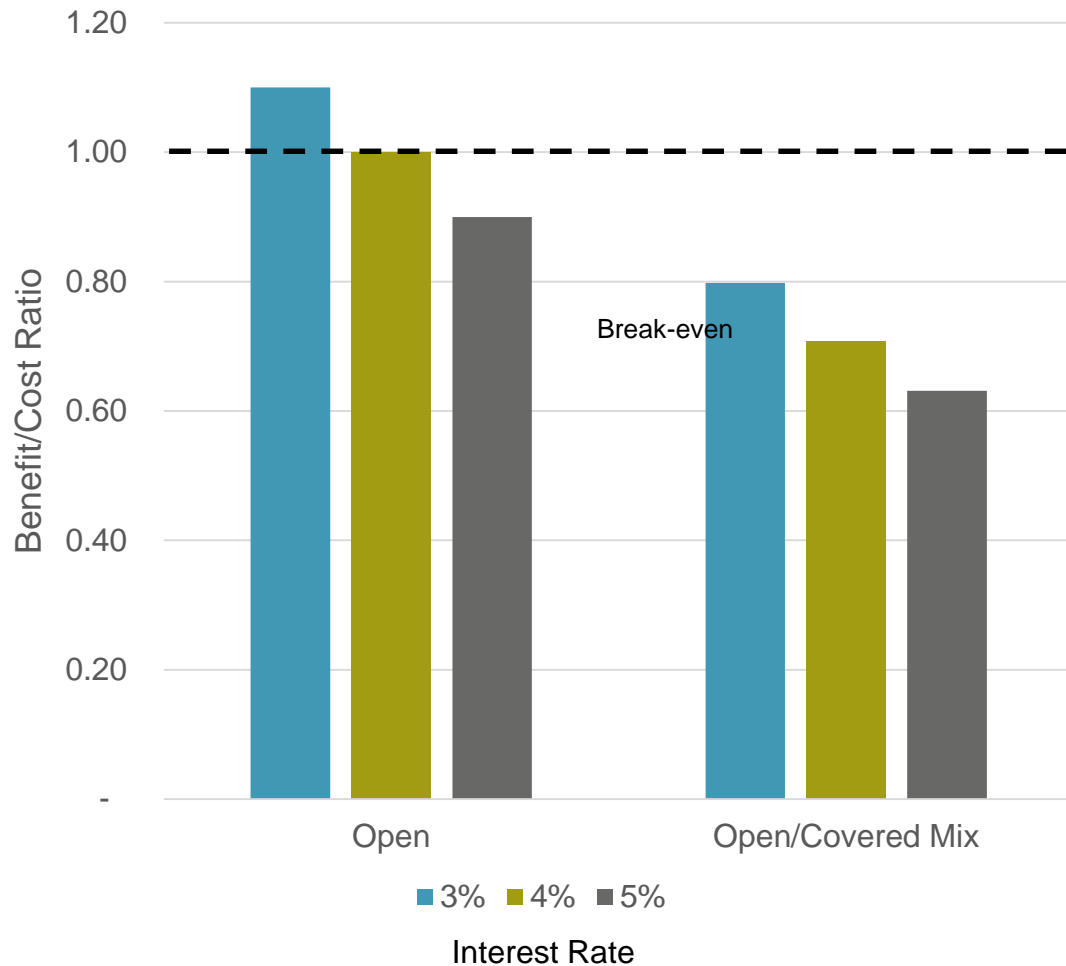
Benefit/Cost Ratios Phase 1



- › For Phase 1, the NPV of net revenue is significantly higher than the Phase 1 cost estimates for all alternatives.
- › NPV of revenues is defined as total marina revenues less operating and maintenance costs for the period 2022 to 2045 and discounted at interest rates ranging from 3% to 5%.
- › Construction costs were estimated by Moffatt-Nichol
- › The benefit/cost ratio (B/C) compares the NPV of the net revenue available for debt service with the associated cost of the project.
- › All layout options for Phase 1 are significantly above 1, which is breakeven (NPV of net revenues equals costs).

Layout Option 1B = LMN (open) Layout Option 2B = LMN (covered/open mix)

Benefit/Cost Covered vs Open Slips



- › Open slips produce better financial performance than covered slips:
 - › Cost per slip (across all three phases)
 - › Open approx. \$77,000
 - › Covered approx. \$218,000
 - › Benefit/Cost
 - › Open slips meet or exceed the break-even point with 3% and 4%, but not 5%.
 - › Covered slips do not meet the break-even point with any of the interest rates.

Findings - Financial

- › Phase 1:
 - › All Layouts meet financial requirements (B/C ratio equal to or greater than 1)
- › Phase 1 and 2:
 - › All open slip Layouts meet financial requirements
 - › Mixed slip Layouts meet financial requirements if interest rates are 3% or 4% but not 5%. However...
- › Phase 1, 2 and 3:
 - › Open slip Layouts meet financial requirements if interest rates are 3% or 4% but not 5%
 - › Mixed slip Layouts do not meet financial requirements under any interest rate
- › Phase 1
 - › Layout 1B (L, M, and N docks)
 - › Maximizes the number of slips replaced in Phase 1
 - › Meets market and financial requirements
- › Phase 2 and 3 are costly and require additional infrastructure and capital:
 - › Seawall reconstruction (and utilities)
 - › Adaptive Purpose Building (with drystack)
- › City could consider other options:
 - › Various forms of Privatization
 - › Allocation of City revenues for Marina construction
 - › Grants, among other funding sources
 - › Only addresses capitol (and not likely)
 - › Does not address structural operating issue with moorage rates

Conclusions

Conclusions

- › Covered moorage untenable.
 - › Would require additional capital from the City (\$20 million)
 - › Above and beyond the \$12 million infused for the bulkhead.
 - › Would also require Marina moorage rates to be subsidized.

- › Staff and Consultants are moving forward with final design and permitting on L, M, and N dock
 - › Open moorage (Layout 1B).
- › As a reminder we are only looking to move forward with Phase 1 only.
 - › Phases 2 and 3 are future – at least 10 years out.
 - › Additional feasibility assessment needed for future phases.
 - › Existing covered moorage in these areas would remain in place.

What Comes next....

- › Finalize Economic and Financial Reports.
 - › Finalize Marina Master Plan (Staff).
- › Continue Phase 1 Design (L, M, & N docks).
 - › Get feedback on design options.
 - › Develop a Staging Plan.
- › Permitting.
 - › Phase 1 (in context of the entire Marina)
- › Bidding – Approximately this time next year.
- › Construction Delivery Timeline (2-3 years)
- › Issue bonds – Fall/Winter 2022.
- › Environmental Mitigation

THANK YOU

