

TOWN OF PALM BEACH

Information for Town Council Meeting on February 11, 2020

TO: Mayor and Town Council

VIA: Kirk W. Blouin, Town Manager

FROM: Carolyn S. Stone, Director of Business Development and Operations

RE: Marina Business Plan Update

DATE: 31 January 2020

STAFF RECOMMENDATION

Staff recommends Town Council review the information below and attached report for informational purposes and provide direction as necessary.

GENERAL INFORMATION

In anticipation of the financing and construction award approvals, staff engaged consulting services from US Marina Group (USMG), a division of Marine Business Advisors, LLC, to complete a peer review of the 2018 Baird Marina Business Plan, as well as a review of the staff developed pro forma.

The USMG engagement evaluated and provided input on the following:

- The overall marina layout and master plan.
- The pro forma revenues and expenses as previously prepared by Baird and also the pro forma developed by Town staff.
- The proposed staffing model.
- The proposed marketing strategies.

Overall, USMG's findings support that of the Baird Master Plan. The project is warranted based on the need to rehabilitate the docks due to their age. The market will support a new marina of the proposed scope and scale. The complete report is included in the agenda back up.

The report does present a more conservative and probable revenue scenario. USMG's findings support increased revenue but does not concur with the five year net revenue projection as indicated in the Baird Business Plan. The primary reasons for the net income discrepancy is the use of a high per foot/per day rate, which was annualized and likely not achievable. The same rate was used for winter and summer, which will not occur. Also, annual leases were projected at 90% by year three. Marinas with larger vessels have significantly fewer annual leases. Predicting a high annual occupancy rate skews the revenue significantly. Please see the attached written report

and spreadsheet for a detailed analysis.

Notwithstanding the more conservative numbers provided in the attached report, staff strongly recommends moving forward with the marina project as planned. The docks have outlived their useful life and replacement is necessary. There is market demand for larger vessels for Palm Beach and this project will generate much more net revenue than the current town docks and enhance the beauty of Palm Beach for years to come.

CC: Jay Boodheshwar, Deputy Town Manager
Jane Le Clainche, Finance Director
Mike Horn, Dock Master