



TO: Dean Mealy, II CPPO
Town Purchasing Manager
CC: Duke Basha, Carolyn Stone

From: US Marina Group (USMG), a division of Marine Business Advisors, LLC

Re: Town of Palm Beach Marina Study Update

January 30, 2020

Analysis of Proposed Marina Operation Plan

Overall Summary:

Due to our background and experience in the marina space, USMG was engaged to perform an operational analysis of the proposed renovation of the Town of Palm Beach Marina. We were asked to complete the following:

- 1- Review the overall marina layout and master plan
- 2- Review the projected proforma revenues and expenses
- 3- Review the staff plan
- 4- Provide guidance on a marketing plan

USMG is very familiar with the marina and the area. We have seen many of the documents, including the DEP and Army Corps Permits as well as the Baird Study and the Town's updated financial projections. We have made various site visits and inspections of the Marina property and have also had discussions with personnel from the town. USMG has also been able to review some records of past revenues and expenses provided by the Town related to the Marina operations.

1. **Review overall master plan document for rebuilt marina, including assessment of layout and design. Review marina operational plan, including evaluation of functional flow of proposed facilities, access, and amenities. Includes site visits of existing facility as needed.**

Existing Marina Facilities

The Marina operates as a typical rental marina of public docks, publicly operated by the Town of Palm Beach on State Land Lease. There are currently 84 slips made up of 3 Piers. Slips are currently fixed structures and is set up to accommodate boats from approximately 50' up to 130' with 2 T-Docks for 172' and 262'.

The marina structures are dated, and the overall facilities are tired. There is inadequate power supply for many of today's bigger yachts, there is inadequate parking, the marina office is undersized, and the wi-fi is undersized to name just a few issues.

In the past, the majority of customers had Palm Beach residency. Today, according to the marina manager, less than 40% of the customers have Palm Beach residency.

At this time, the primary attraction to docking at the marina are 3 things:

- a. Location of being in Palm Beach
- b. Lower rates than currently being charged in other area marinas
- c. Limited supply of boat slips of the current sizes available in the area, despite renovations to many of the area marinas.

The marina has always maintained a reasonable waiting list of boats looking for long-term space, however, the majority of the boats (and slips) are under 130'

The current slip size mix is as follows:

1 x Police Boat slip

14 x 50' slips

15 x 60' slips

16 x 80' slips

8 x 100' slips

17 x 110' slips

5 x 120' slips

5 x 130' slips

2 x 172' side to slips (t-dock)

1 x 262' side to slip (t-dock)

TOTAL = 81 slips + 3 side to = 84/ 7305 lineal feet ***Average Length 87'*******

Brazilian—30 slips + 1 tdock= 31

Australian—30 slips + 1 tdock = 31

Peruvian—21 slips + 1 tdock = 22

******* (45 slips 80' and under, 35 slips 100' to 130', 3 slips 172' and over)*******

Proposed Marina Facilities

The proposed and DEP approved renovated marina (Alternative 3 with slight updates) will remain at 84 slips made up of 3 Piers, however, it is unclear about the use and slip count incorporating the approved 4th Pier.

The new marina will be floating concrete docks, which is far more desirable than today's fixed docks. The new marina will primarily be set up to accommodate boats from approximately 90' up to 290' with only 3 slips between 65' to 75'. This is a major shift to larger boat sizes

When complete, the primary attraction to docking at the renovated marina will be 3 things:

- a. Location of being in Palm Beach, close to Palm Beach inlet with deep water access
- b. Ability to handle many larger yachts
- c. New floating docks with new sufficient power

The approved new slip size mix will be as follows:

1 x Police Boat

1 x 60' slip

1 x 65' slip

1 x 75' slip

31 x 90' slips

1 x 105' slip

2 x 110' slips

1 x 120' slip

8 x 125' slips

13 x 130' slips

1 x 145' slip

12 x 150' slips

6 x 200' slips

1 x 120' side to slip

1 x 212' side to slip

1 x 214' side to slip

1 x 224' side to slip

1 x 294' side to slip

Total = 79 slips + 5 side to = 84 slips/ 10,856 lineal feet*****Average Length 129'*****

Brazilian—26 slips + 2 side to = 28 slips

Australian—26 slips + 1 T-dock = 28 slips

Peruvian—26 slips + 2 side to = 28 slips

******* (34 slips 90' and under, 39 slips 105' – 150', 10 slips over 200'*******

PLUS 500' Palm Way

The new marina will be a large shift in terms of average size of boats (from 87' up to 129') and numbers of larger boat slips as per above tables show. There will, however, be challenges and a cultural shift.

The primary challenges for the new marina will be 6 things:

- a. Competition for more large yacht customers will increase from current situation
- b. Larger Yachts move more globally and are less likely to commit to annual contracts
- c. Larger Yachts have larger crews and more service vendors so parking will be challenged
- d. Larger Yachts have more towable tenders that will need dock space—Palm Way?
- e. Focused sales efforts will be required to attract the Larger Yacht customer base
- f. Staff size must increase to service this larger base of larger yachts
- g. Billing Systems must become more professional
- h. More amenities must be readily available (fitness center, meeting space, wi-fi, etc)

Observations of New Marina configuration

- a. Fairways: The fairways will remain at 1.5 times the slips size. With more sophisticated boats, ability to maneuver does not always require 1.5 times fairways, so many slips will be able to accommodate boats 10% - 15% greater than the slip size. (Many of the 90' slips will be able to handle up to 100')
- b. Distance between piers is larger than necessary, but acceptable:
64' between slips, 92' between 200' slips on Peruvian
72' between 130' slips, 76' between 150' slips on Australian
56' between 90' slips, 92' wide between 200' slips on Brazilian
This leaves room for tenders "on the hip" for 200' slips
- c. Pilings: No pilings are proposed between slips as currently exists.
90' slips would benefit from those pilings as those boats are more likely to benefit from "dolphin" pilings.
- d. Main dock golf cart access: Proper Golf Cart use down all main docks is essential for the marina to offer proper services. It was noted that this practice is not currently allowed except in certain situations. 1 new cart should be acquired for each dock as part of capital equipment.
- e. Palm Way Dock:
This dock is permitted but it is unclear as to what is allowed on this dock as the slip count of 84 is used up on the main piers. (Not counting tenders that may go "on the hip"). This dock is ideal as a tender dock and all efforts should be made to use this for that purpose. Revenues can be achieved for that use as well. The currents and location deem it not desirable for other purposes.

f. Parking:

Increased parking supply is essential and will be a large factor. Parking for additional crew, additional service vendors, larger private parties, etc. all increase demands on parking with more and larger yachts

g. Power:

We did not see the power layout but were told by the marina manager how power would be set up for each slip with the majority being all 3/phase with both 480/200 and 400amps plus 208/100amp power. Based on what we were told, this is an excellent layout and should be sufficient for all boats that have 60HZ power; however, all smaller slips (less than 80' and Palm Way dock if used as a tender dock), will suffice with single phase 208v/ 50-100amp.

It should be noted though, that there are some large European built yachts that operate on 50HZ power and, unless they have a power conversion system on board, they would not be able to use land-based power supplies regardless and they would operate on generator power.

h. Fuel:

There will not be any access for landside fuel trucks as currently restricted. If a water-based fuel barge were to offer services to boats docked at the marina, would the town allow that? The marina could generate revenue from that, depending on how it is structured.

i. Dock Boxes:

Many boats prefer to have dock boxes at their slip. With a new marina, it is acceptable to regulate the size and look of those dock boxes and require customers to buy them or lease them directly from the marina. This is an opportunity for additional revenue and to control the look of the marina walkways. An alternative option is to disallow any dock boxes at all to maintain clean and unobstructed docks.

- 2. Review Pro-forma revenue and expense projections, as internally prepared by Town. Review revenue projections based on proposed slip mix, occupancy projections, rate projections, area competition and. Review expense projections based on expected operating expenses.**

Marina Rates

USMG made a review of existing rates and proposed rates. We reviewed TOPB proposed rates in Year 1 as well as proposed Baird rates, as well as our own recommendation of rates. Regardless of the final specific rates selected, the proposed rate increases will be closer to area market rates; however, the increases in average size combined with the increased rates will have an impact on the ability to attract the same level of yachts, particularly larger yachts on annual contracts.

Typical marina staff will have some flexibility over published rates and will use that flexibility "as needed" to secure business.

RATES ALL SHOWN AS PER FOOT PER DAY/ RANGES BASED ON BOAT SIZE:

DAILY WINTER CURRENT: \$3.70 - \$5.25
DAILY WINTER PROPOSED PER USMG: \$4.00 - \$6.00
DAILY WINTER PROPOSED PER TOPB: \$4.26 - \$5.83
DAILY WINTER PROPOSED PER BAIRD: \$3.95 - \$5.95

SEASONAL WINTER CURRENT: \$2.55 - \$4.25
SEASONAL WINTER PROPOSED PER USMG: \$3.00 - \$5.00
SEASONAL WINTER PROPOSED PER TOPB: \$2.57 - \$4.43
SEASONAL WINTER PROPOSED PER BAIRD: \$3.35 - \$5.50

DAILY SUMMER CURRENT: \$1.80 - \$3.10
DAILY SUMMER PROPOSED PER USMG: \$1.75 - \$3.50
DAILY SUMMER PROPOSED PER TOPB: \$2.18 - \$2.98
DAILY SUMMER PROPOSED PER BAIRD: \$3.59 - \$5.95

SEASONAL SUMMER CURRENT: \$1.58 - \$2.39
SEASONAL SUMMER PROPOSED PER USMG: \$1.75 - \$3.50
SEASONAL SUMMER PROPOSED PER TOPB: \$1.84 - \$2.14
SEASONAL SUMMER PROPOSED PER BAIRD: \$3.35 - \$5.50

ANNUAL CURRENT: \$1.26 - \$1.80
ANNUAL PROPOSED PER USMG: \$1.75 - \$3.50
ANNUAL PROPOSED PER TOPB: \$1.46 - \$3.03
ANNUAL PROPOSED PER BAIRD: \$3.25 - \$5.25

Utility charges:

Currently, utility fees are incorporated into the rate for the first 100amp single phase. This has resulted in even a lower actual rate for dockage than what is proposed. With new metered electric at each dock, seasonal and annual customers can now pay based on the metered fee plus dockage fees. Transient and short-term customers should be charged a flat daily rate.

In both cases, however, utility fees should be a revenue opportunity to capture not just electric, but also water, sewer, trash and wi-fi. (Example: if the metered rate cost is \$.15/KW Hour, a charge of \$.20/KW Hour can be passed on to recover the additional fees and services provided).

Pro-Forma of Slip Revenues

Due to the nature and size variation of the new slip mix, USMG prepared a pro-forma of expected slip revenues that could be reasonably achieved over the next 5 years by looking at individual slips rather evaluating a blanket evaluation of overall occupancy. Only after completing that exercise did we then compare against the TOPB Proforma and Baird Study of expected slip revenues.

The USMG spreadsheet is attached as part of this report and is completed with formulas that can be easily adjusted to evaluate different scenarios and different rates and occupancy levels. USMG used the format as provided by TOPB.

Baird Study/Marina Management Services: In the opinion of USMG, the projected revenues from this study are greatly overstated on several fronts

1. The proposed rates are projected to be the same in winter and summer. This will NOT occur.
2. They used 96 slips in the slip counts. The final count is 83
3. They project annual contracts to reach 90% by year 3. We believe this to be far too aggressive for reasons as stated throughout this report.

Expenses

On the expense side, we have also reviewed the Town projected expenses and have prepared our own version of expected direct and overhead costs, using the format as used by TOPB. Obviously, the Town has a history of expenses associated with the marina. While the renovated marina will have adjustments, many of the expenses will remain. The primary increase in expenses will occur in electric consumption, water usage, staff expense and marketing (see details in spreadsheet), as well as some additional incremental overhead. Conversely, with a brand-new marina, maintenance expense will decrease for a period of time.

3. Review marina staff plan, including evaluation of proposed full and part time staff, qualification requirements of staff, functions of staff.

Proper staff is obviously critical to the success of a marina. The larger yachts expect attentive and knowledgeable staff. With 3 piers plus Palm Way and a new configuration with larger yachts, the current staff level will need to increase.

Given the type of operation that will result, it is the opinion of USMG that, the new marina should operate with a dockmaster, an assistant dockmaster and 3 dock attendants (1 F/T, 2 ¾ time).

This staff must have knowledge in handling large yachts and crews as well as basic knowledge about 3-phase power and power hookup skills.

In addition, sales skills and industry connections are critical for the primary dockmaster and assistant dockmaster. The dockmaster may be asked to be away more often promoting the marina should that be the chosen direction for this position. Therefore, additional staffing support becomes more relevant.

Attached is a draft of a potential staffing schedule:

WEEKLY ASSIGNMENT SCHEDULE								
ASSIGNMENT	MON	TUE	WED	THU	FRI	Sat	Sun	Total hours
Dockmaster	x	x	x	x	x	off	off	40 salary
Assistant Dockmaster	off	off	x	x	x	x	x	40 salary
Dockhand	off	x	x	x	x	x	off	40 hourly
Dockhand	x	x	off	off	off	off	x	24 hourly +
Dockhand	x	off	off	off	off	x	x	24 hourly +

+ additional hours and days as needed for holidays, vacations, sales time for dockmaster, etc.

4. Advise on marketing plan for marina, including identifying primary events, shows, sponsorships, publications, branding, and potential PR and marketing firms to properly promote this new mega yacht Marina.

The Town has not had any active marketing of the marina for many years other than a web site and some scattered ads. With a new reconfigured marina where the average size of boats is increased dramatically to “superyacht” category, sales and marketing is more important than ever before.

The waiting list that has existed is a very good indicator of the ongoing demand, however, the increased size of boats the marina will now cater to and the new rates that the marina will charge will likely reduce that ongoing waiting list.

Sales will need external support and the competitive landscape will extend beyond the Palm Beach area and will not just include marinas such as Rybovich and Palm Harbor. The market competition for marinas will include all of South Florida and Caribbean, while the inventory of yachts to market to will extend across the globe.

With the new marina scheduled to open at the end of 2021, the intensified marketing does not really need to gear up until 1 year from now. Nonetheless, some “teaser” marketing should begin once the project starts.

Primary Marketing should include the following minimum support until the marina is stabilized:

- Participation in Boat Shows including Palm Beach, Ft. Lauderdale, Miami and Monaco
- Sponsorship of events such as Antigua charter show, Superyacht Summit, and various Superyacht Brokerage events throughout the year
- Advertising (digitally or in print) in publications such as Boat International, Yachts International, Superyacht Times, Dockwalk and Triton
- Membership in various trade organizations such as Marine Industry Association of South Florida and Palm Beach, US Superyacht Association, Superyacht brokerage associations
- Press releases to consumer and trade publications such as Int’l Boating Industry, Marina World, Marina Dockage, Soundings Trade
- Giveaways Hats and t-shirts and promotional giveaways

NOTE: This is just a sampling and not intended to be a comprehensive list at this point

Branding: The marina’s brand should also be re-vamped. The marina uses the name “Town Docks”, “Town of Palm Beach Docks”, and “Palm Beach Docks”. With 3 docks each with their own identity and “culture”, there are numerous ways and methods to rebrand. Certainly “Palm Beach” should be included under whatever method is adopted. “Town Docks” may be misunderstood by some and does not project the identity that a superyacht marina should convey.

Website: The website for the marina is sufficient but is also dated and a bit “governmental” in its presence. Once re-opened, the marina must have a new and revamped website to provide a consistent message and image with the other branding and marketing that will be adopted.

Sales Force: In addition to regular marketing requirements as outlined above, personal relationships and “being out there” in the industry is a very important and critical piece of the marketing program. Captains of larger yachts have as much influence as owners when it comes to choosing their marina and building the relationship with both groups is very important. Whether this is the dockmaster or other persons affiliated with the marina can be discussed, but all marinas need a “face” or two.

On-line “Reservation”: Systems exist in the industry that can be added to assist the sales cycle.

Budget: The annual marketing budget as presented by Baird and TOPB are low. It is the opinion of USMG that the marketing budget for a superyacht marina of this size should be between \$200,000 - \$300,000 with an inflated amount for advance marketing. This amount can decrease over time as annual occupancy increases, but it should be assumed that it will not drop below \$150,000.

Marketing Companies: Several companies are capable of providing the services required for marketing the marina. Some are local, or based in South Florida, or based around the country. USMG would like to have further conversations with the Town before recommending any specific companies.

Overall Summary:

The renovation of the marina is long overdue. The markets have changed, the boats have changed, and the opportunities have changed. The benefits to Palm Beach are significant and, if properly operated, staffed, marketed and managed, should allow for tremendous overall benefits for many years to come.