PCC 43rd Semi-Annual Conference
Sorry we're full…move on

BST Associates

September 21, 2017

Agenda

- Wet moorage
  - Market (short-term and long-term)
  - Financial (performance and sources of funding)
  - Economic Impact (impact on community)
- Other options to new moorage:
  - Dry Storage
  - Boat Launch

Owner's Philosophy

- Spectrum:
  - Profit center
    - Allocating scarce resources to best use as measured by return on investment
  - Economic impact
    - Evaluating the return on investment to the community
    - Facility is key to income/wealth generation
  - Marine facilities are like a park
    - Should be free
    - Everyone deserves access
    - Affordability is key

Markets

Markets

- Moorage market is precarious
  - Marinas are in a mature market position
    - Strong in near-term forecast but questions about long-term growth
- Development depends on your:
  - Risk tolerance
  - Hinterland strengths & weaknesses
    - Knowing you market is critical
    - Location is critical
  - Funding sources/availability

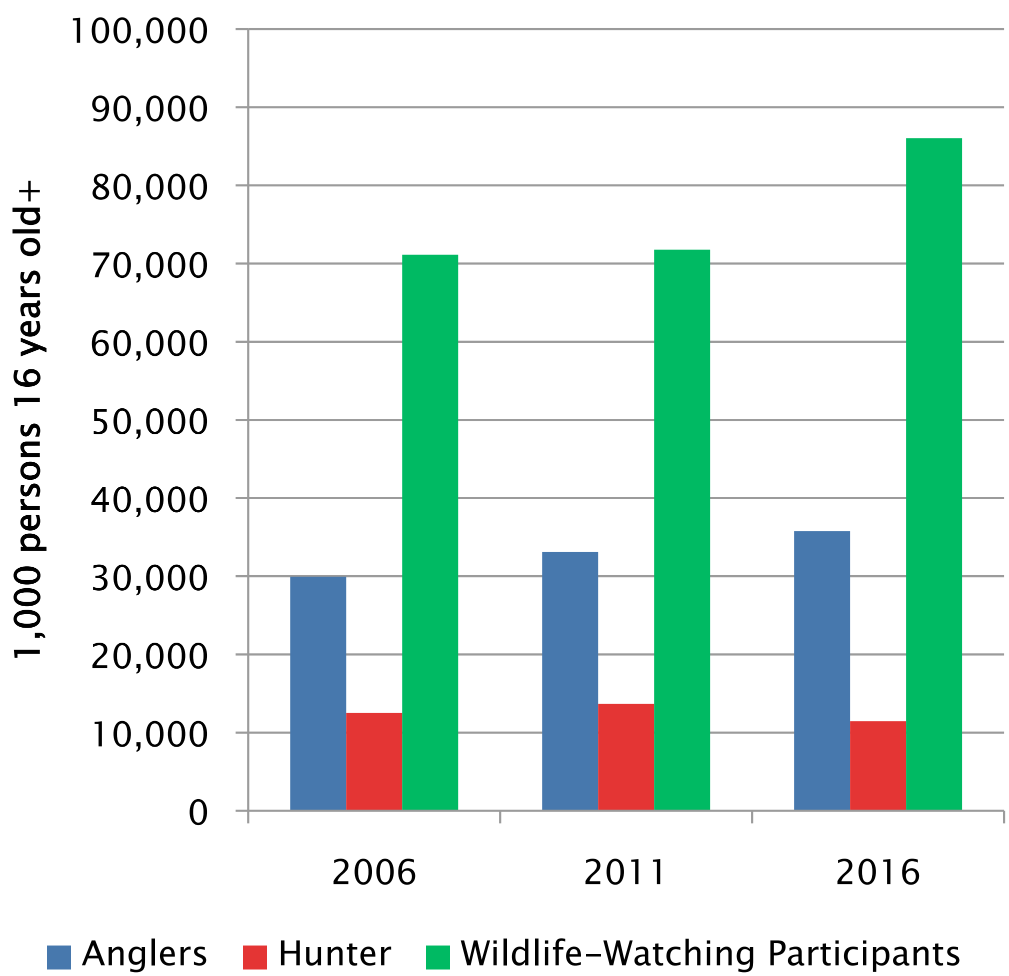
2016 Recreational Boating Participation Study

Sources: NMMA, Discover Boating, RBBF

Participation Categories	Percent	Projected Households
All Boaters (ever went boating)	73%	92,263,806
2016 Active First-Time Boaters	2%	2,428,326
All 2016 Active Boaters (Including First-Time)	36%	45,546,840
Lapsed Boaters (have gone boating but not during 2016)	37%	46,716,966
Non-Boaters (never went boating)	27%	33,556,194
Total Sample/U.S. Households	2,004	125,820,000[3]

- Boating is very often a family affair.
- Early boating experience is crucial.
- Strong association between fishing and boating.
  - 83% of anglers are also active boaters.
- Active boaters are economically diverse.
  - The majority (62%) has household incomes under $100,000 per year.
  - Mean income of active boaters ($101,500) is higher than that of lapsed boaters ($73,050) or non-boaters ($58,275).
- Daily usage:
  - Active boaters = 14.3 days on the water, 5.0 hours per day.

2016 USFW National Survey

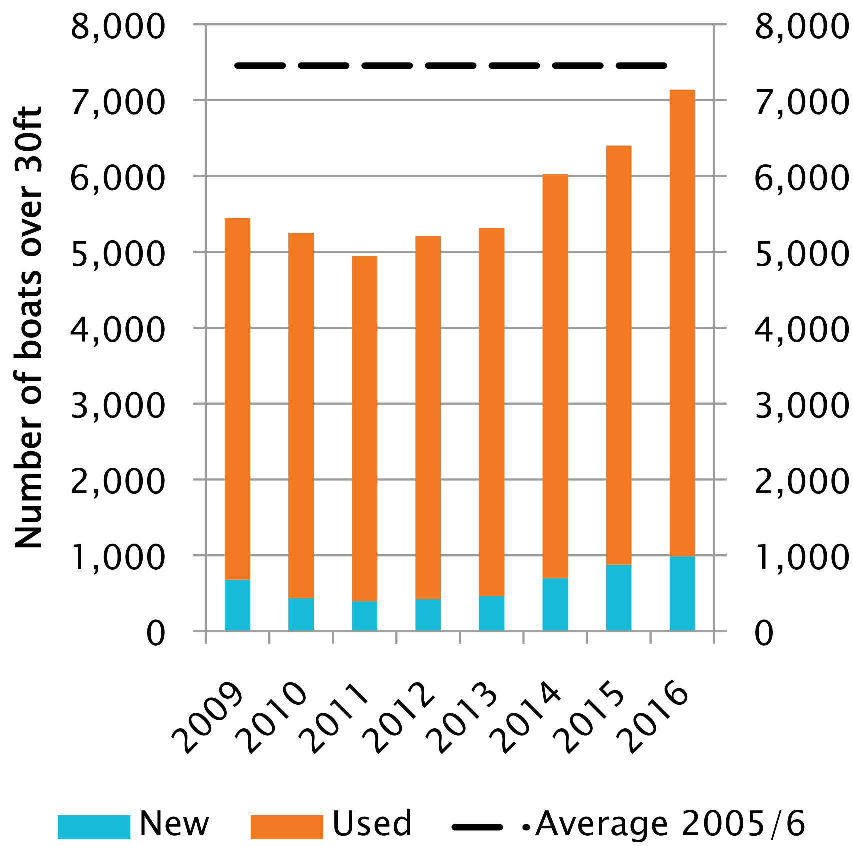


- Annual growth in participation:
  - Overall outdoor sportsperson activity up 1.5% per year from 2006 to 2016
  - All anglers up 1.8%/year
  - Saltwater fishing up 0.8%/year
  - Hunting down -0.9%/year
  - Wilding watching up 1.9%/year
- Comparison Statistics:
  - Population (thousands) = 0.8%
  - Total employment = 1.0%
  - GDP = 2.9%
- Average days of use:
  - Overall fishing = 12.9 days
  - Saltwater fishing = 9.1 days
  - Hunting = 16.1 days
  - Wildlife viewing = 95.9 days
    - Wildlife viewing (away from home) = 15.8 days

2016 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation National Overview
Issued August 2017 Preliminary Findings

Near-term market fundamentals are attractive Source: Brunswick, NMTA

- Continued market growth
  - Continued GDP growth forecasted through 2019
  - Consumer confidence at 10 year high
  - Dealer sentiment is upbeat
  - Interest rate and lending environment remains favorable
  - Improving business climate in United States
- Washington State
  - Boat sales approaching per-recession levels.



Market Improving

Washington state boat sales growing since 2011

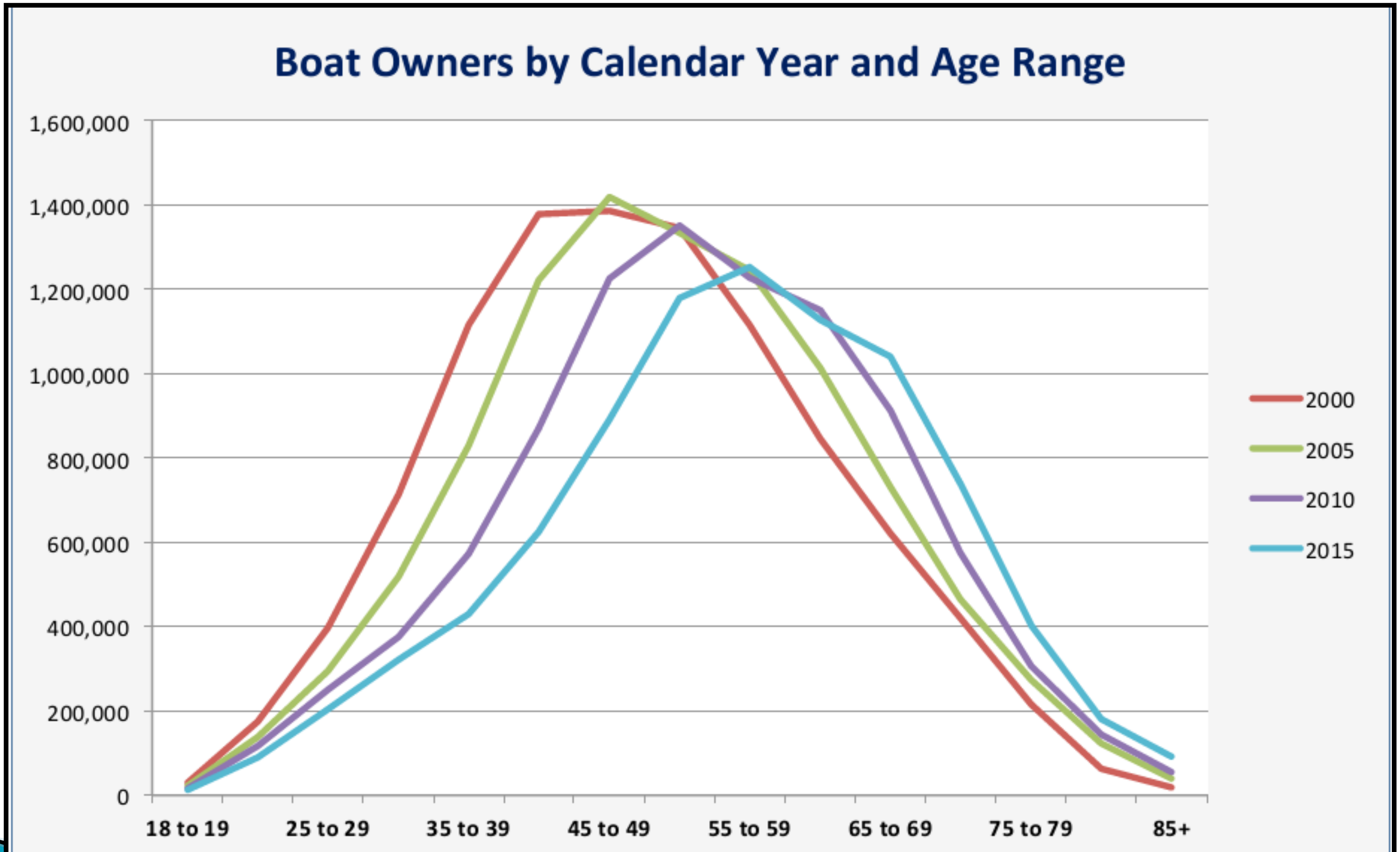
US boating growth to continue through 2019 Source: NMMA president Thom Dammrich

- “We know that this is a cyclical industry and these cycles tend to run in five-year spurts. We’re now in the sixth year of recovery and I’m not worried that the run will end anytime soon.”
- Dammrich said that if tax reform passes the US Congress, he expects to see growth through the end of 2019. “We might see a slight slowing down in 2019, but there will be a resumption of growth in 2020,” he says.

Issues of Concern

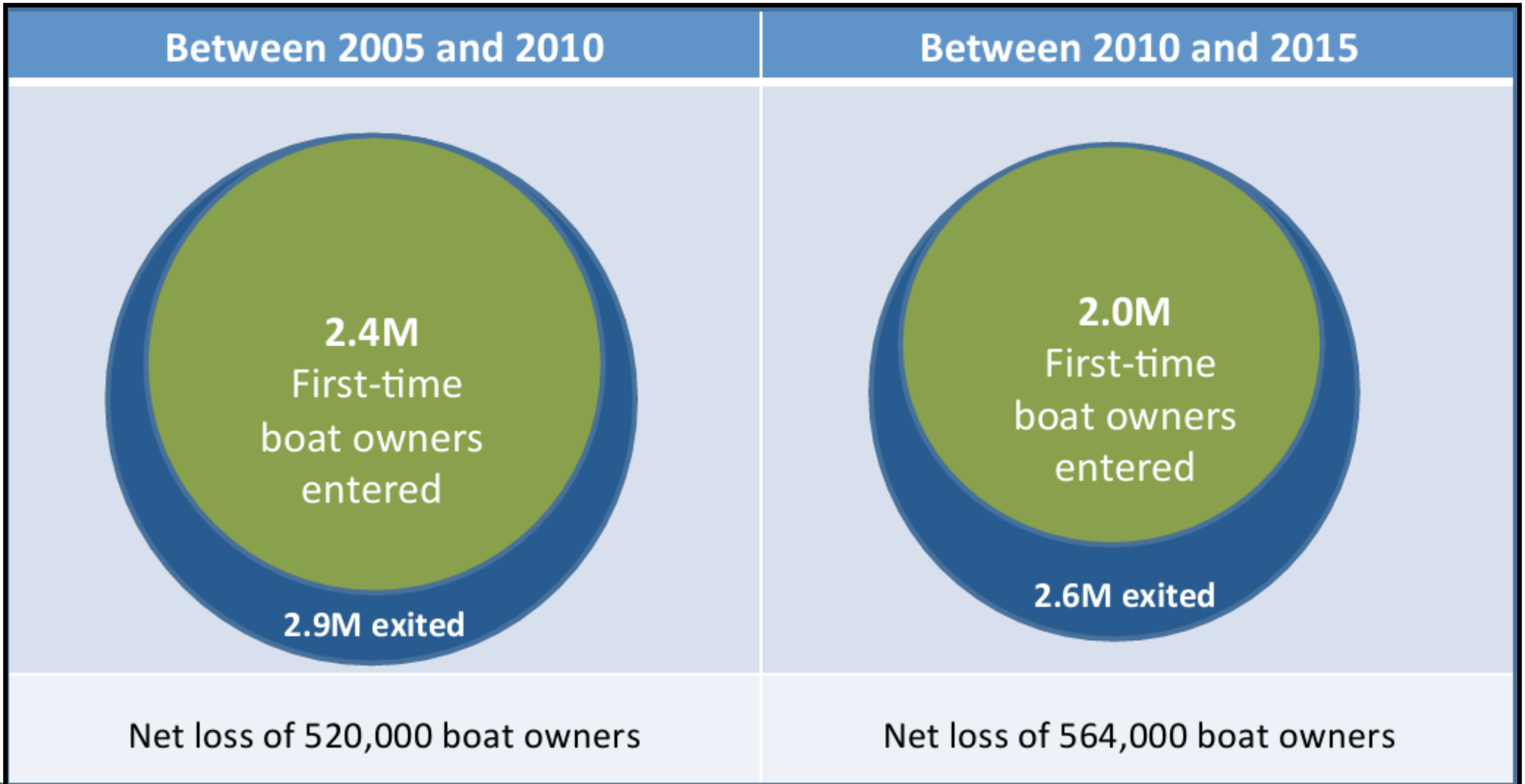
- Fishing
  - Important to recreational boat owners.
  - Fishing opportunity affects slip occupancy in wet moorage, dry storage and boat ramps.
- Increasing age of boaters
  - The average of boat owners crept up at around .4 to .5 years per year during the past 10 years.
  - Participation and ownership rates by Millennials is still uncertain.

Boaters have gotten older over time but core customers will own and buy boats as long as they are able



Source: State of the Industry 2017, Boating Industry, InfoLink

We have not been replacing boaters as quickly as we lose them



Source: State of the Industry 2017, Boating Industry, InfoLink

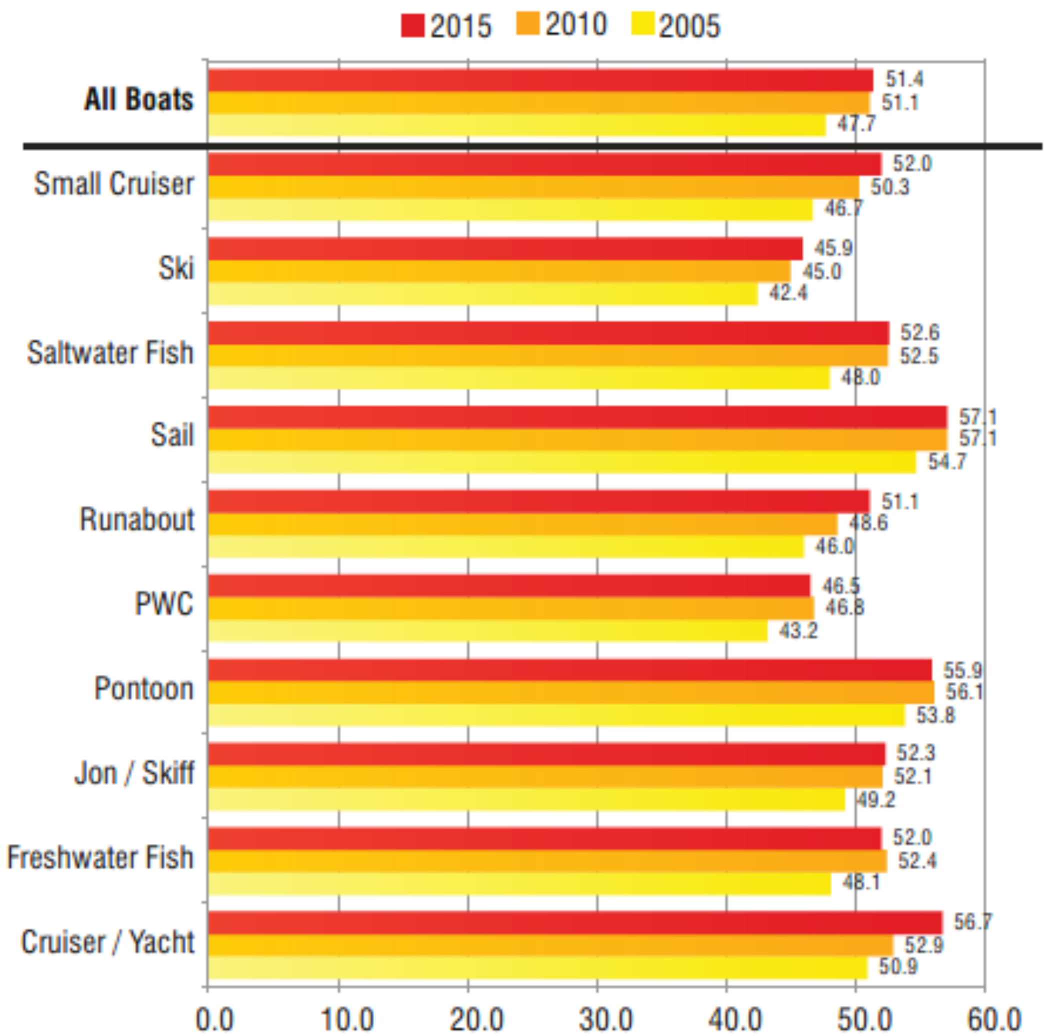
Decline in First-time Buyers

	First-Time Buyers			
Year	New Boats	Pre-owned Boats	Total	% of All Boat Buyers
2000	175,000	458,000	633,000	**42%**
2005	149,000	415,000	564,000	**40%**
2010	55,000	364,000	419,000	**37%**
2015	69,000	328,000	397,000	**33%**

In 2000, first-time boat buyers represented 42% of all boat buyers. In 2015, they represented only 33% of all boat buyers. That equates to an overall decline of 37%.

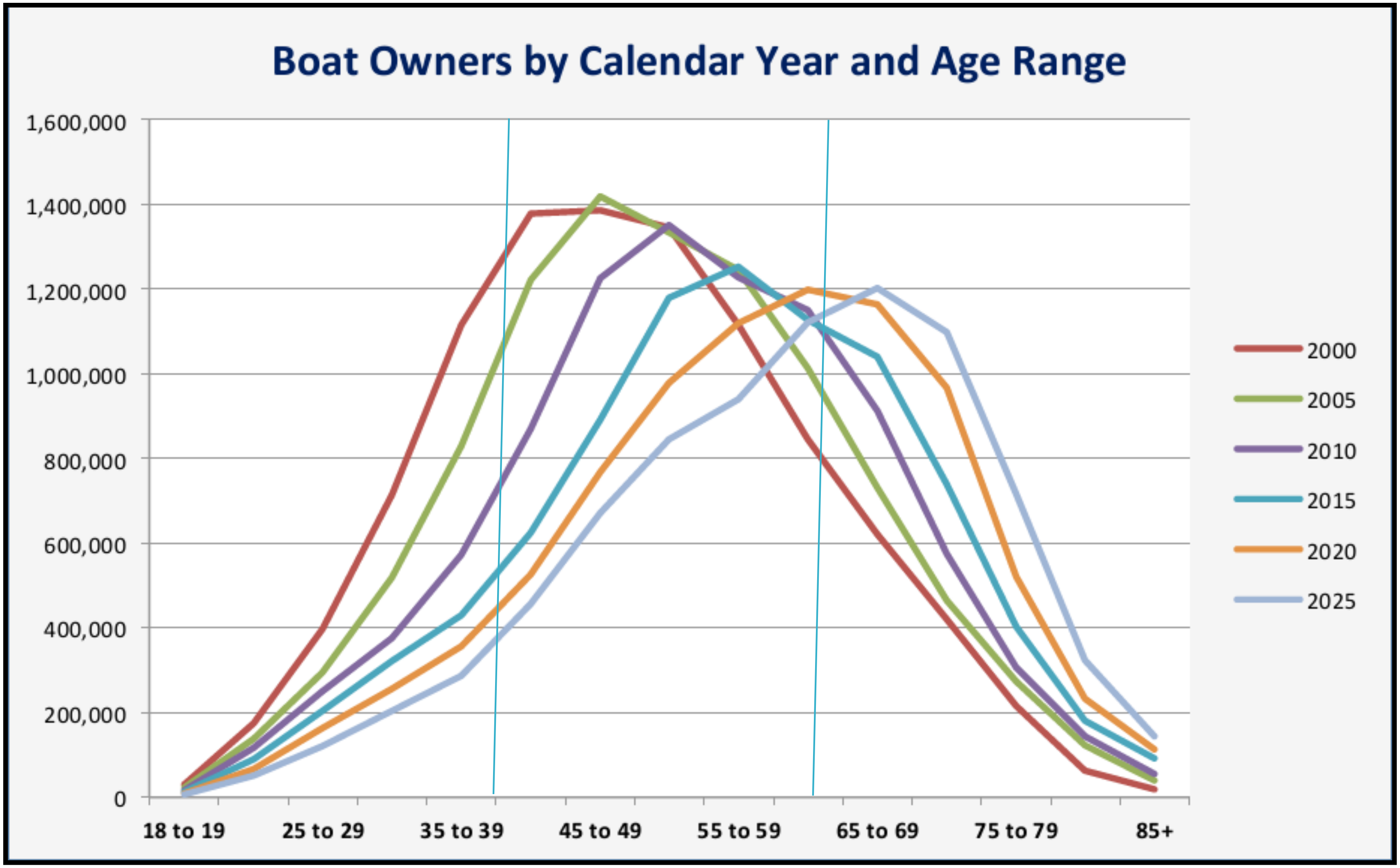
Source: Info-Link Technologies, Inc. 2016

Average Age of Boater



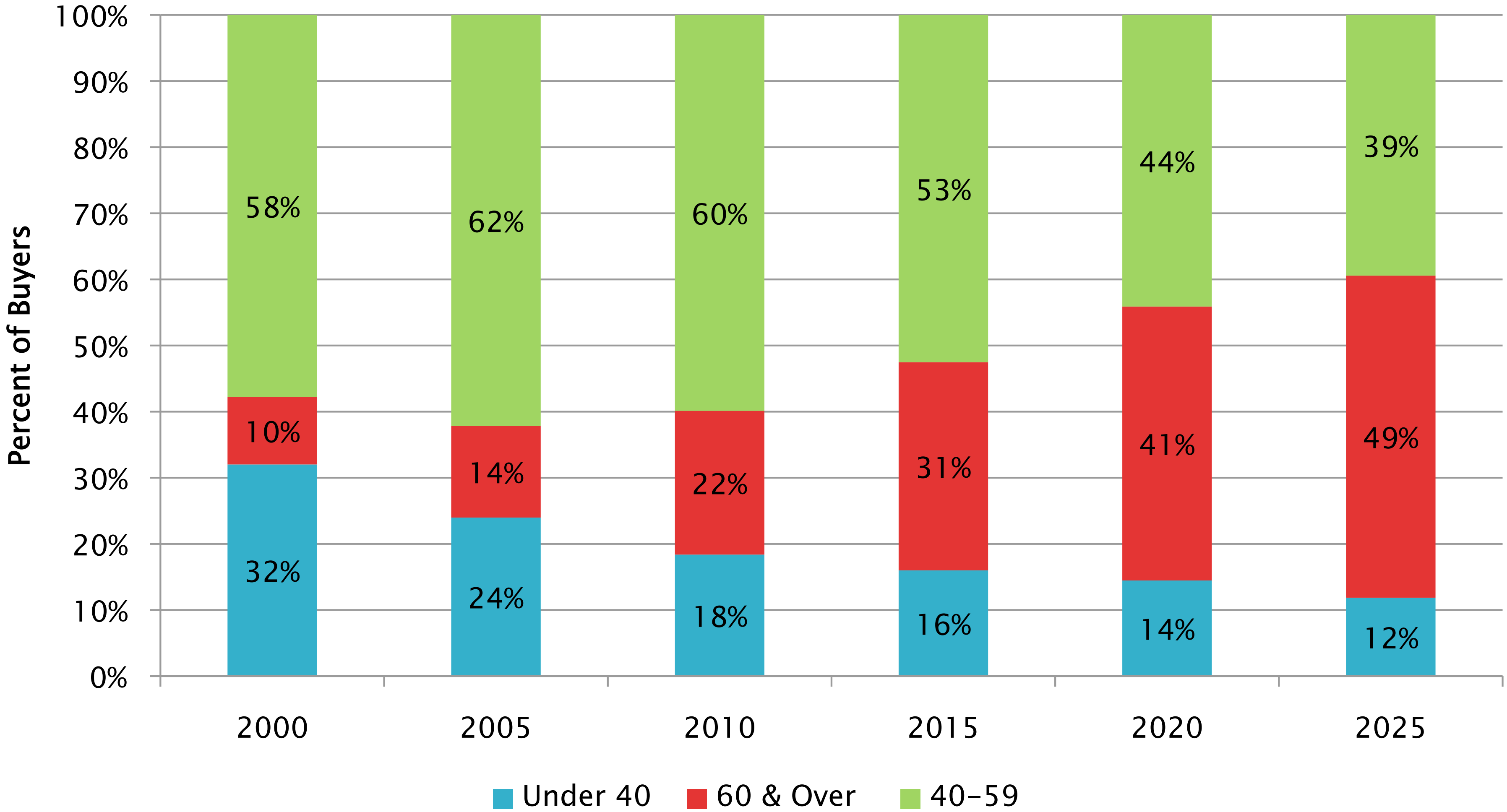
Source: Info-Link Technologies

Clock is ticking

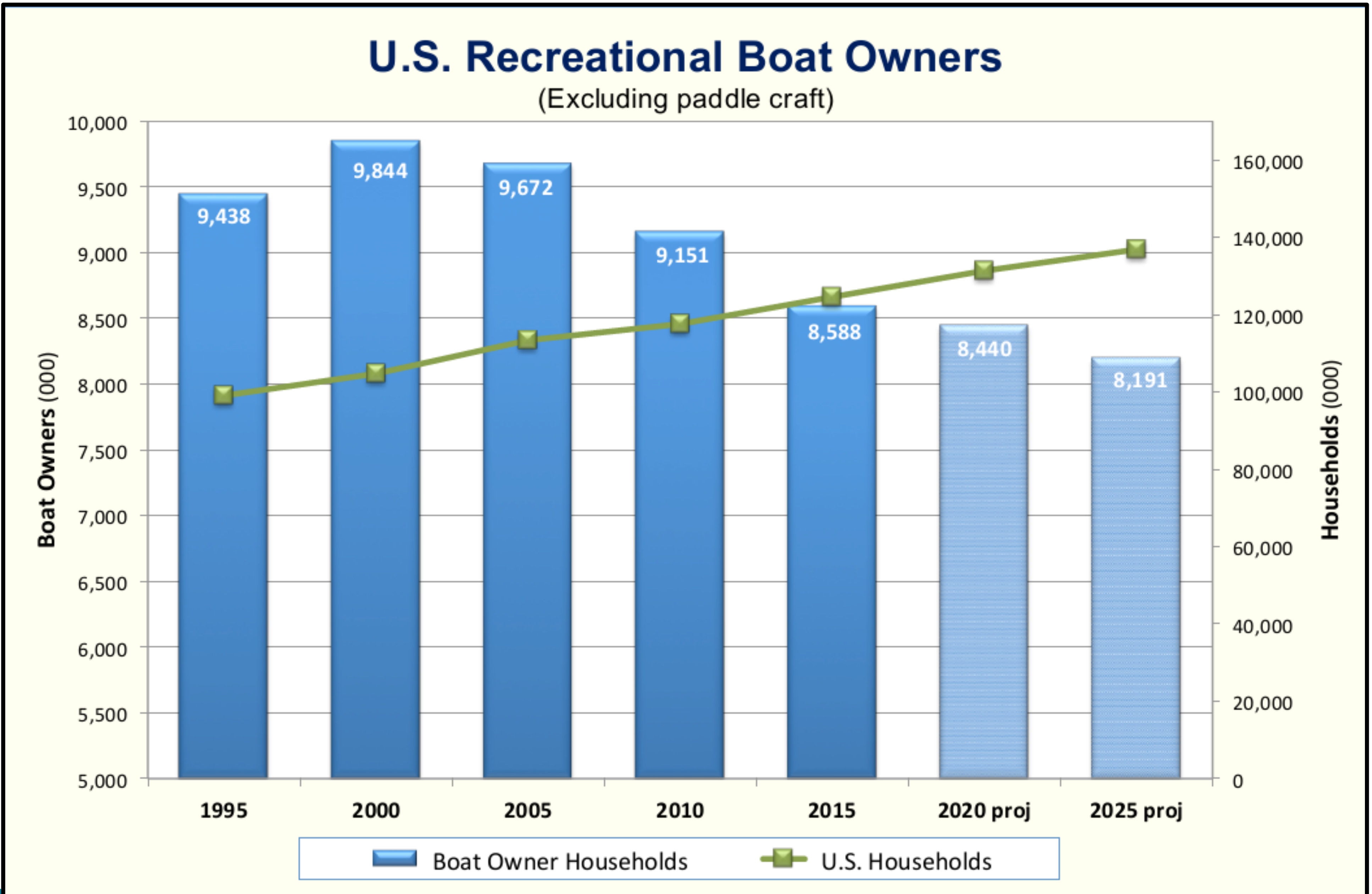


Source: State of the Industry 2017, Boating Industry, InfoLink

Summary of Boater Age Groups



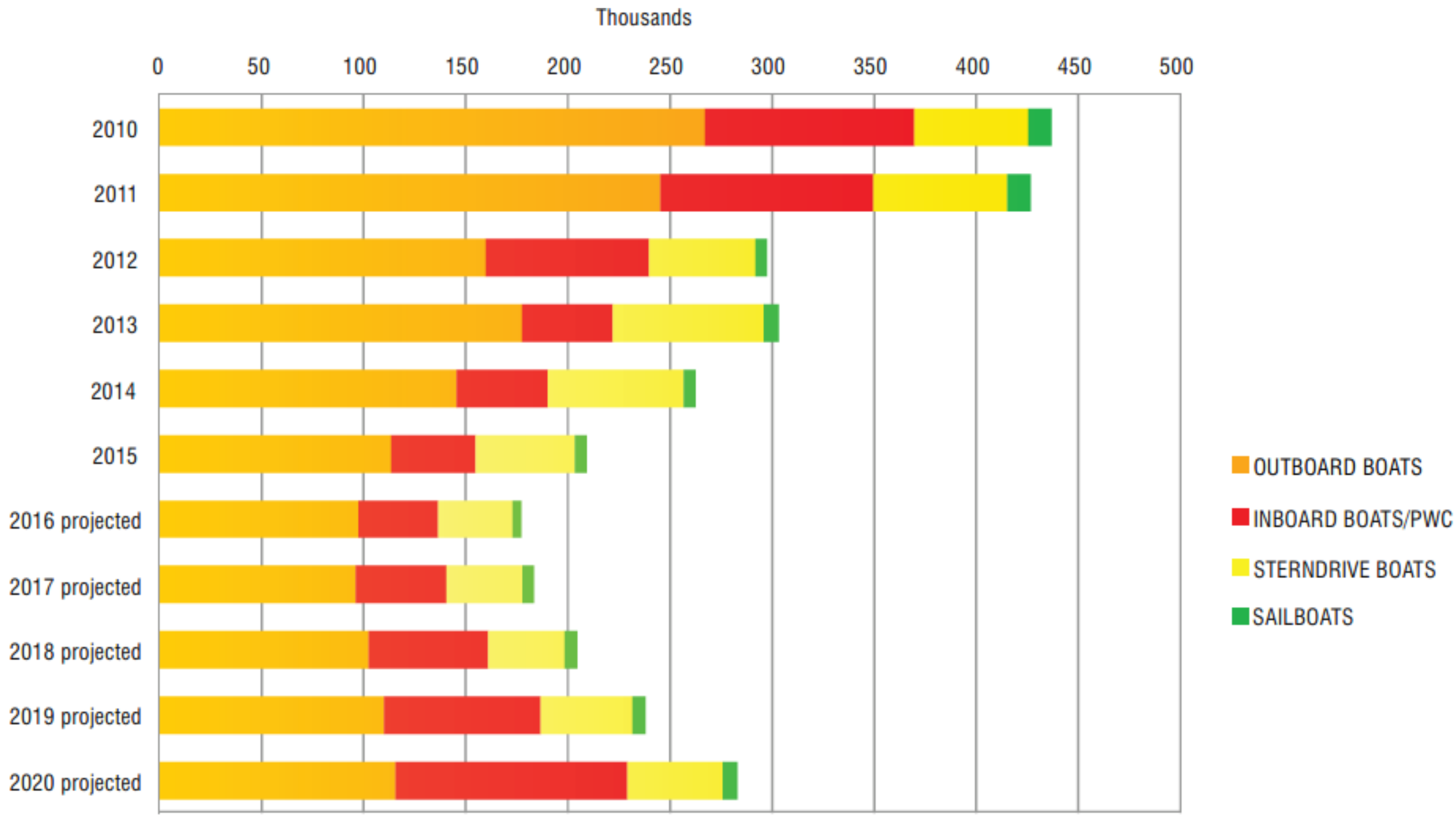
Source: State of the Industry 2017, Boating Industry, InfoLink



Source: State of the Industry 2017, Boating Industry, InfoLink

Recreational Boats Retired Each Year

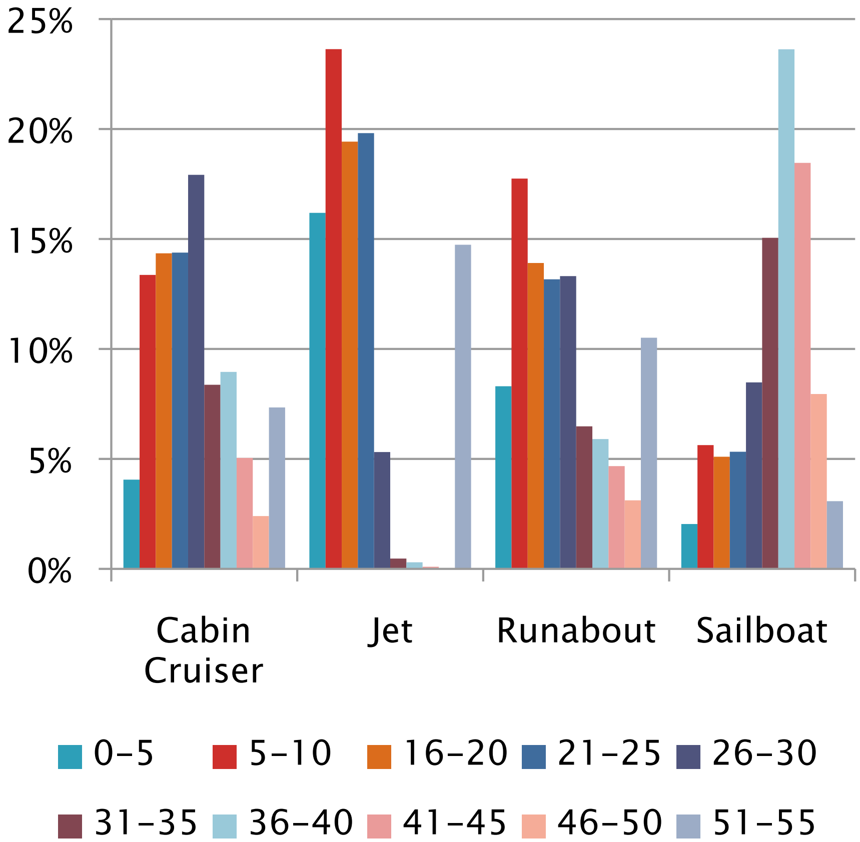
Sources: Boating Industry Market Databook, 2016

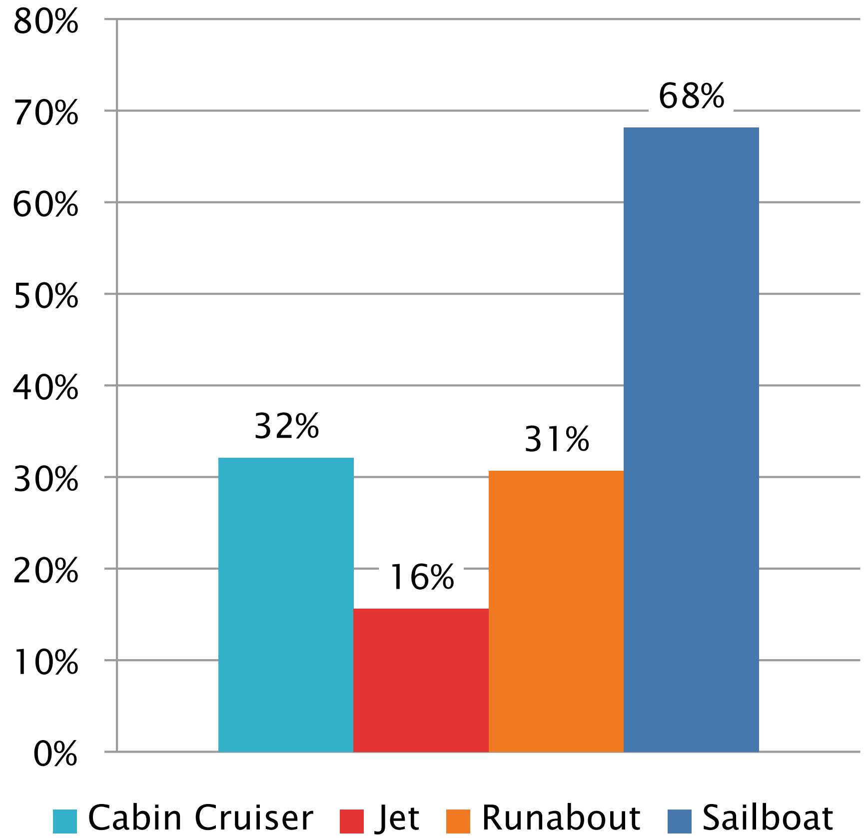


An estimated 209,400 boats (or 1.7% of boats in use) were retired in 2015.
1.1 million boats are expected to retire between 2016 - 2020.

Washington State Rec Boats

Source: Wash State Dept of Licensing



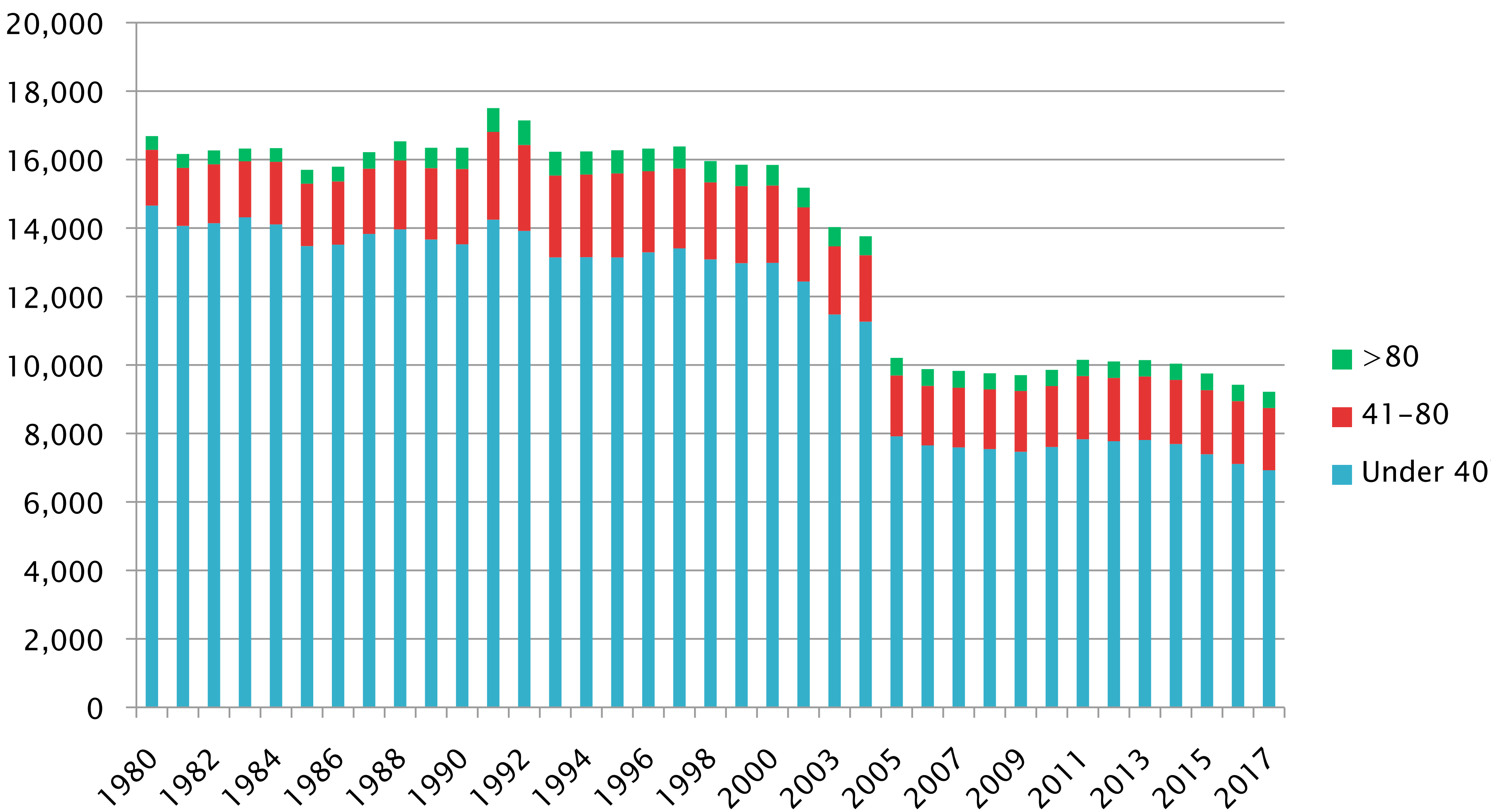


Entire Fleet

Over 30 Years Old

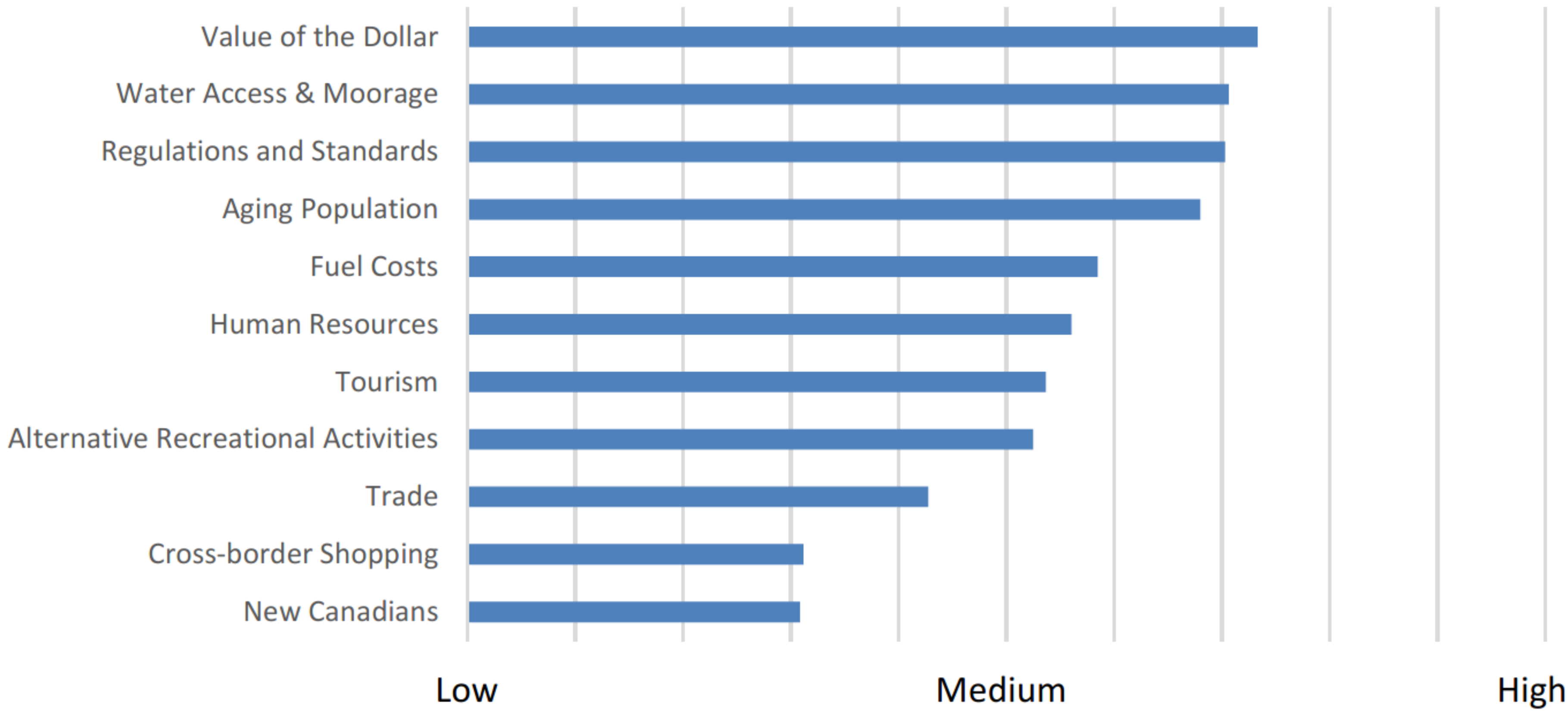
Alaska Fishing Boats

Source: Commercial Fisheries Entry Commission



The Alaskan fishing fleet shrank significantly in 2005 from 16,000 boats to around 10,000 boats. In 2017, the fleet was ~9,300 boats. The fleet is expected to change but not grow in numbers.

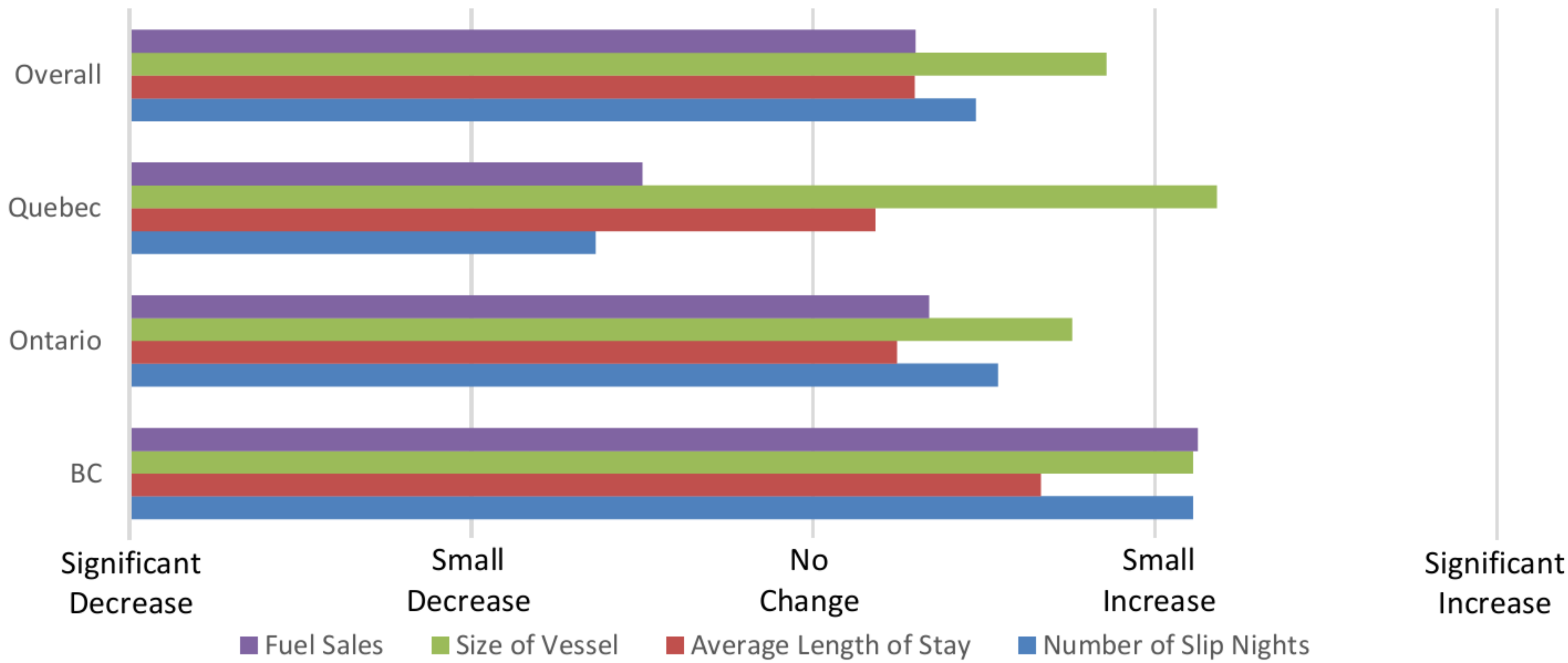
Relative Importance of Boating Industry Issues and Influences in Canada



Source: NMMA, The Economic Impact of Recreational Boating in Canada: 2016

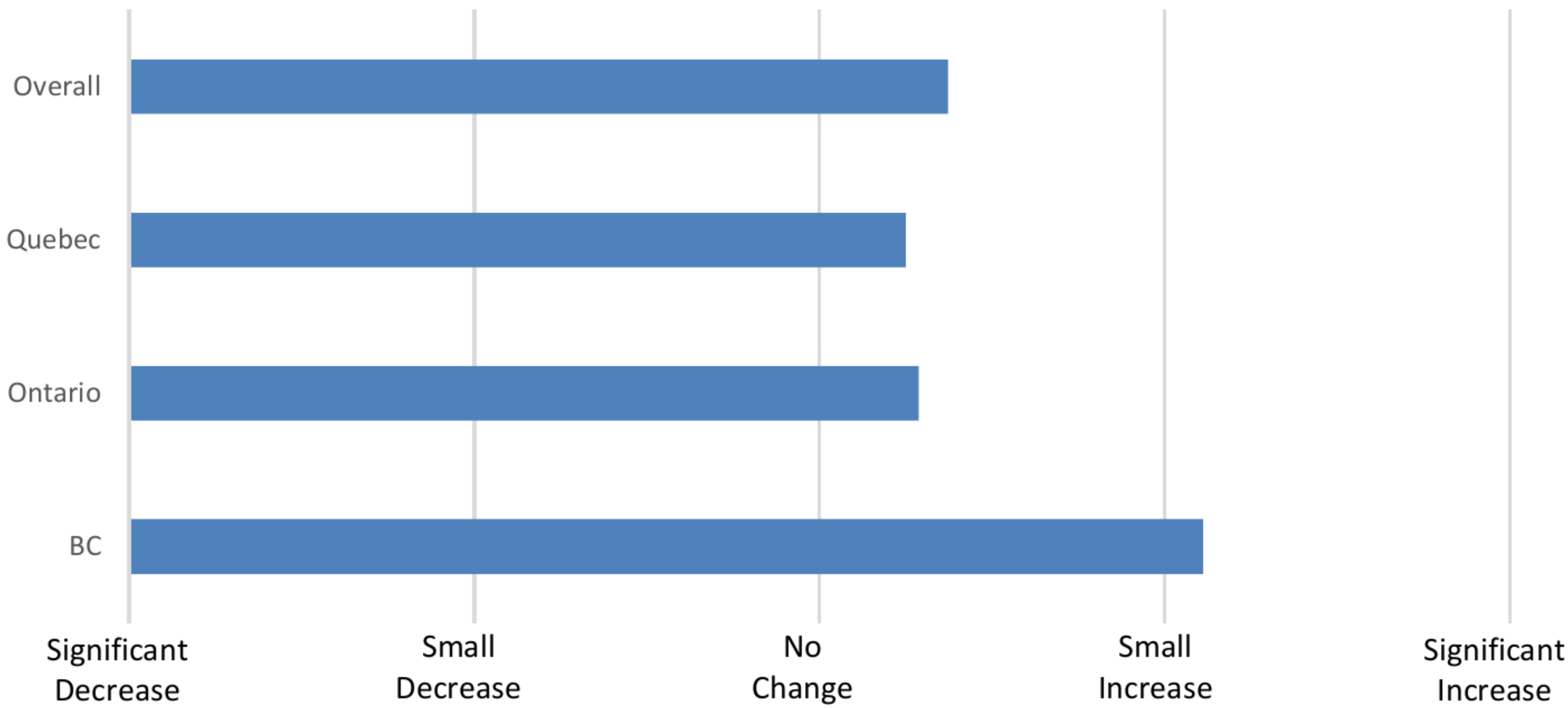
Change in Marina Activity in Canada

Source: NMMA, The Economic Impact of Recreational Boating in Canada: 2016

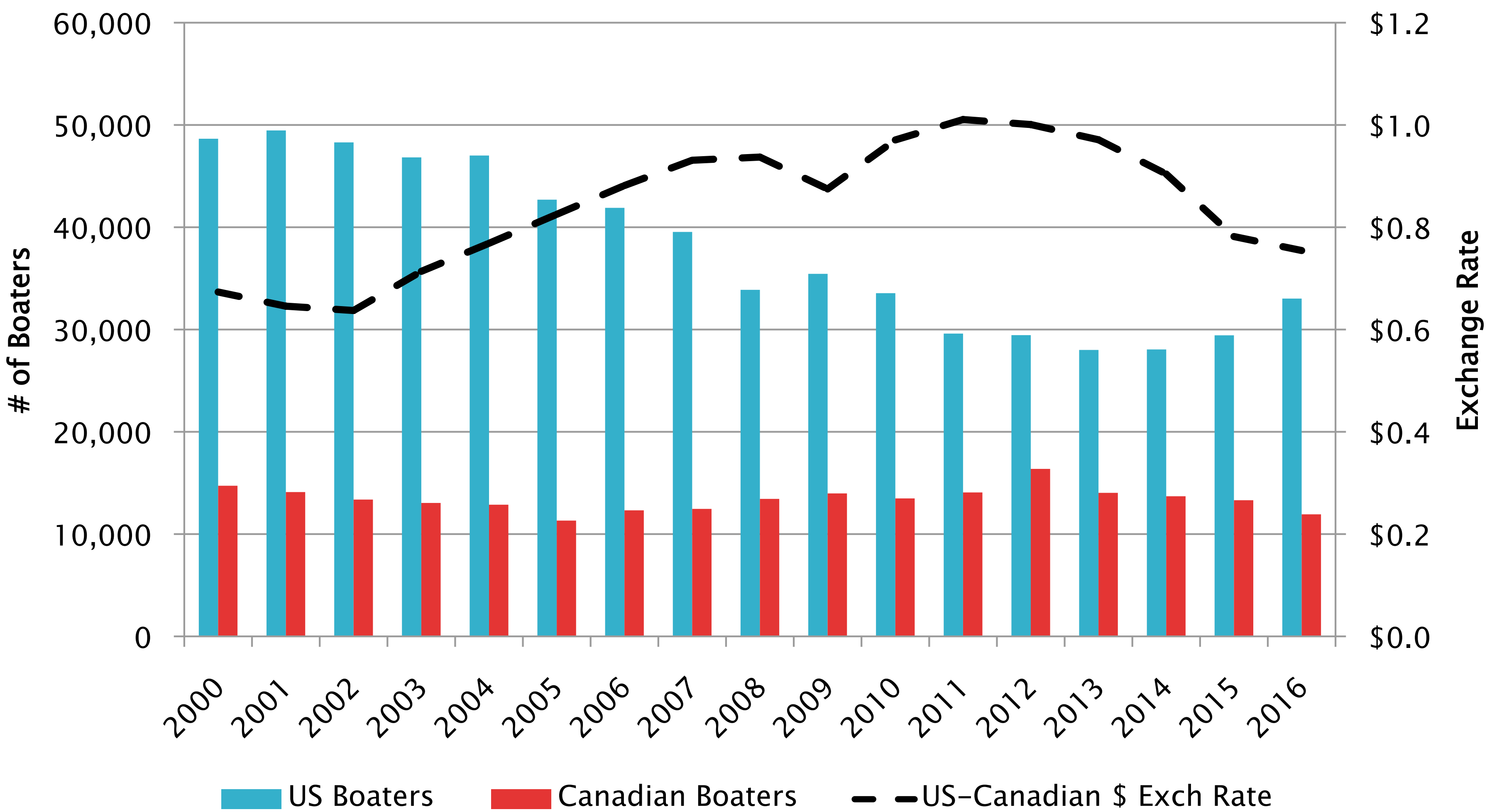


Change in the number of US boaters visiting Canadian marinas

Source: NMMA, The Economic Impact of Recreational Boating in Canada: 2016



Recreational Boaters Entering BC
Source: Cansim

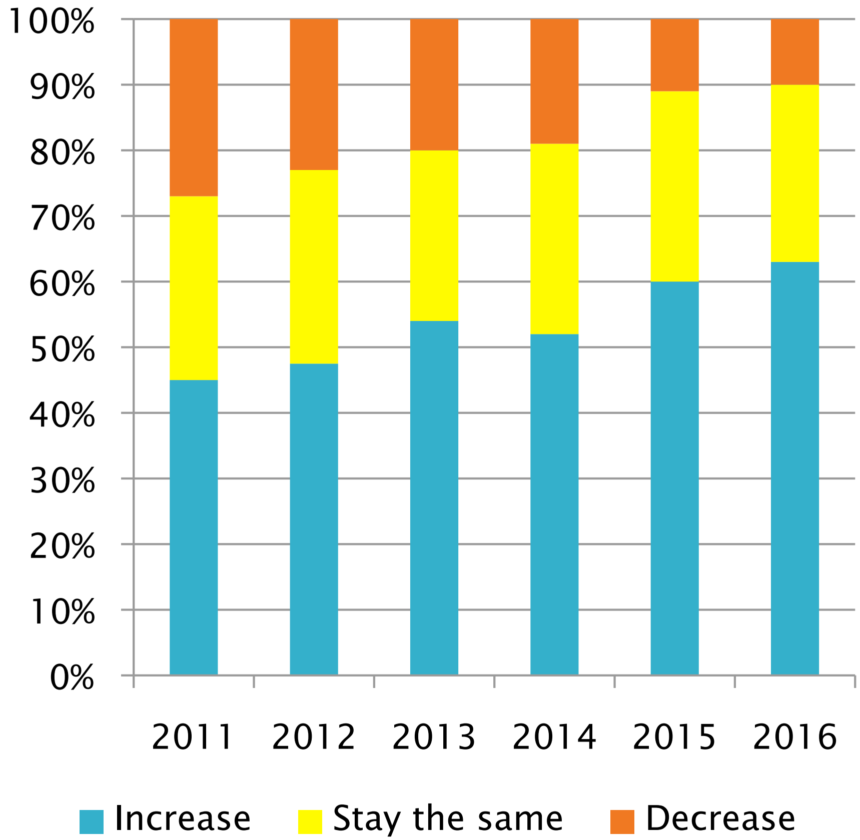


US boaters up 12.2% from 2015 to 2016
Canadian boaters down -10.4% 2015 to 2016

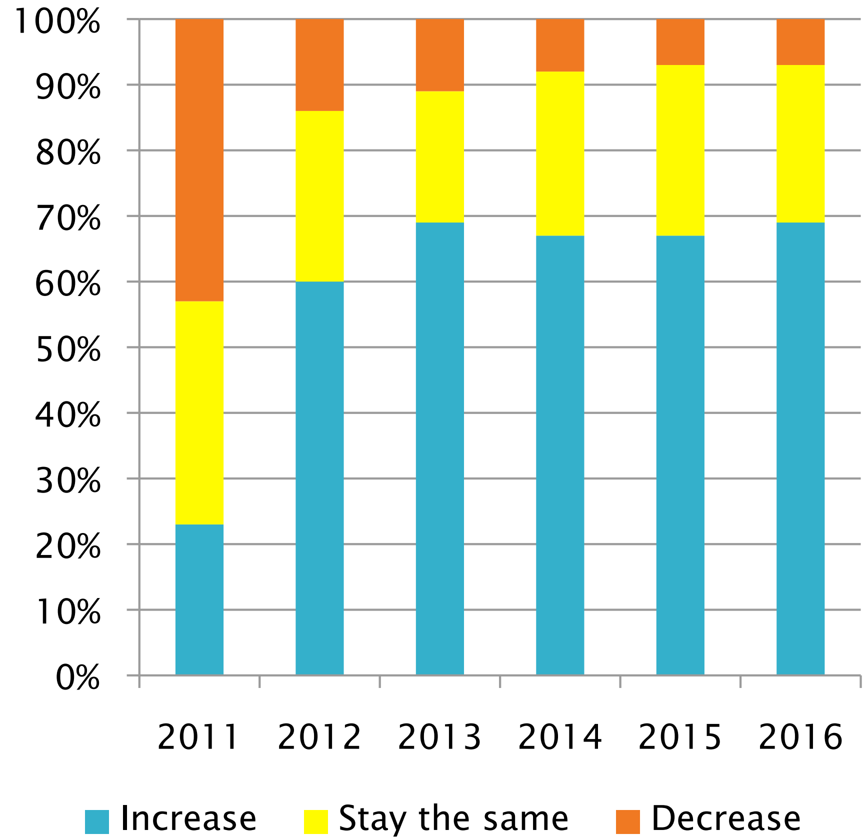
Finance & Economic Impact

Marina Financial Trends

Source: Marina Dock Age (percent of survey respondents)



Gross Profit



Expenses

Net profits available for reconstruction or major rebuilds are not available for many marinas.

Heather Civic Marina

- Heather Marina (BC) is operated in anticipation of a reasonable financial return.
- Moorage rates and other fees at the marina are set at or near market levels rather than being restricted to cover operating costs.
  - Moorage rates at Heather Marina are adjusted annually to reflect anticipated cost increases and market conditions.
  - It is Council Policy that Heather Marina moorage rates reflect but do not lead nor lag the local market.
- The net operating income generated from the marina is recorded to the PEF and the PEF is responsible for major maintenance and recapitalization expenditures.

Component	2015 Actual ($1,000s)
REVENUES	
Moorage	$1,189,511
Other	$63,529
TOTAL REVENUE	$1,253,039
EXPENSES	
Management	$489,979
Waterlot Lease	$43,826
Utilities	$91,207
Maintenance - Supplies & Repair	$3,684
TOTAL EXPENSES	$628,695
Net return to PEF	$624,344

Facility Objectives

2015 Actuals

PEF is Property Endowment Fund

2016 Marina Financials (draft)

Source: Port of Port Angeles

	Port Angeles Boat Haven	John Wayne Marina
Revenues		
Moorage	1,071,755	871,448
Net Fuel / Utility sales	41,381	47,112
All other	115,528	103,499
	1,228,664	1,022,059
Expenses		
Salaries and benefits	95,532	357,518
Outside services	199,054	8,370
Maintenance	78,314	49,508
All other	150,691	115,606
	523,591	531,002
Operating Surplus	705,073	491,057
Depreciation	350,330	213,898
Overhead Allocation	295,000	300,000
Net Income	59,743	(22,841)
Slips	300	442

PABH agent less expensive than staff

East half of PABH rebuilt in 2006

PORT of Port Angeles

UW Boat Street Marina

- Boat Street Marina, which is owned by the University of Washington.
  - ~100 slips.
- Parking is limited at the marina but paid parking is available.
- Boat street marina also includes a lease with Agua Verde, a popular restaurant with water access and several floating homes.
- UW Financial Return
  - Net income is estimated at ~$412,000
  - UW has responsibility for all maintenance, repairs and capital improvements.

Recreational Boating Impacts

Source: NMMA

State	Total Number of Recreational Boats	Number of Direct Jobs	Number of Total Jobs	Number of Businesses	Retail Sales of New Boats, Engines and Marine Accessories	Total Economic Impact
					(millions)	(millions)
Alaska	50,781	2,530	3,481	369	$139.0	$651.1
California	772,542	35,407	48,465	3,062	$576.3	$8,900.0
Oregon	168,175	6,428	8,852	486	$197.4	$1,700.0
Washington	228,528	12,615	17,256	1,427	$503.0	$3,200.0
USWC	1,220,026	56,980	78,054	5,344	$1,415.7	$14,451.1
% US	10%	12%	12%	15%	8%	12%

USFW National Survey

Expenditures (billions of 2016 dollars)				
Type	**2006**	**2011**	**2016**	**Growth 2006-16**
Angler	$50.4	$45.0	$46.0	-0.9%
Hunter	$27.4	$36.3	$25.6	-0.7%
Wildlife Viewing	$54.6	$5.1	$75.9	3.3%
Average Expenditure (2016 dollars)				
Type	**2006**	**2011**	**2016**	**Growth 2006-16**
Angler	$1,682	$1,358	$1,290	-2.6%
Hunter	$2,187	$2,652	$2,237	0.2%
Wildlife Viewing	$767	$823	$882	1.4%

- Expenditures:
  - Fishing down from $50 billion in 2006 to $46 billion in 2016 (–0.9%/year)
- Average expenditure:
  - Fishing down from $1,682 in 2006 to $1,290 in 2016

2016 National Survey of Fishing, Hunting, and Wildlife-Associated Recreation National Overview
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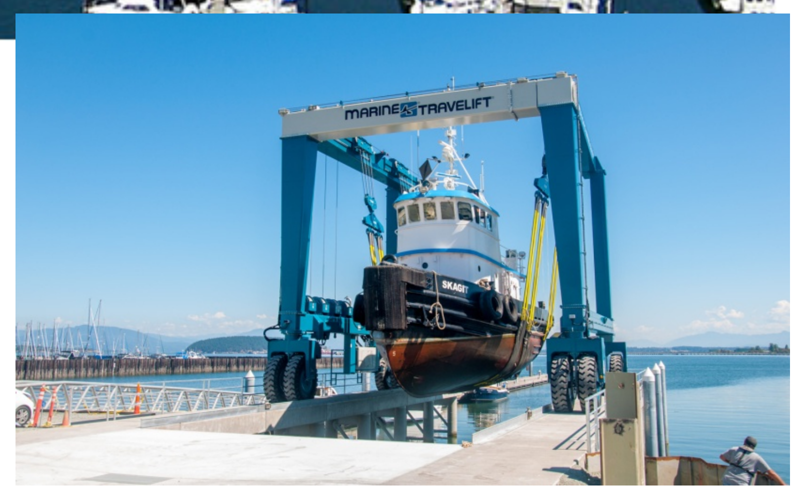
Dry Storage

Dry Storage Models

- Types
  - Stacked
  - Single Tier
- Ownership/operation
  - Private (several in Anacortes area)
  - Public land lease to private developer (Bayside at Port of Everett)
  - Public operation (Port of Edmonds)
  - Public ownership, leased operations (Port of Skagit at La Conner)

Anacortes Dry Storage

Pacific Marine Center



• Pacific Marine Center on Fidalgo Bay in Anacortes is a full marine yacht service center including, dry land storage of yacht's up to 60‘ on ~36 acres with a refit building (34,000 sq ft) and 350' of service dock.
• A 200 ton travel lift was recently installed, which will accommodate boats up to 110 feet for repair and storage.
• Dry storage for larger vessels is beginning to compete with wet moorage.

Bananabelt Boats

- Bananabelt Boats is a boat brokerage business in Anacortes.
  - Yard is ~1.5 acres and can accommodate ~40 boats (some ~60 feet long) in the yard.
  - Storage space average ~27 boats per acre.
  - Uses KMI Sealift to transport to/from water via City boat ramp.

Twin Bridges Dry Storage

- Twin Bridges offers inside heated moorage for approximately 256 boats.
- Boats up to 35 feet or 22,000 pounds.
- Site is approximately 3 acres, and includes 66,000 square feet in dry boat storage building and 7,600 square feet in retail/ repair building.

Port of Edmonds

- Dry Storage ~ 230 spaces in open, stacked moorage
- Up to 32 feet
- Averaged 87% annual occupancy 2012-15

- Launcher
- Up to 10,000 pounds
- Averaged ~3,700 launches per year (2012-16)
- 2016 and 2017 # of launches down

Dry Storage Considerations

- Initial expense is relatively high
- Staff intensive, high service and expensive to operate. Equipment dependant. Forklifts and launchers are expensive to maintain, but must be kept in tip top shape.
- Proximity to launch area is critical.
- Expense in attracting new customers and reaching out to vacated tenants. No amount of marketing will work, however, it there are not strong fish runs and ample seasons for recreational anglers.
- Wind is an issue.
- Could take customers from wet storage slips.
- Rates:
  - Enclosed facilities are similar to wet moorage rates
  - Single tier facilities are about half of wet moorage rates

Questions?

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