

# Memorandum

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**To:** City Council  
**From:** Joe Dusenbury, Harbormaster  
**cc:** Tony Piasecki, City Manager  
**Date:** 3/3/2016  
**Re:** City Government 101 – The Marina

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## Introduction

Staff is presenting this material as part of the City Government 101 program. The goal of the program is to give the City Council and the residents of Des Moines information about the organization and function of City Government. Because the Marina is financially a separate entity within the City government and it strives to "operate as a business", this information about the Marina is presented in the context of the national and regional marina and recreational boating industries.

## National Marina Industry

Marinas, always on or adjacent to the water, have varied physical shapes and sizes, offer a diverse range of services and lend themselves to different ownership arrangements. It is estimated that there are over 10,000 marinas in the US, providing about 35,000 full-time jobs and many more part-time jobs. Because of the seasonality of boating in much of the country, the total number of slips in the industry is difficult to determine but estimates are a little over 1 million slips. That equates to about 3 jobs per 100 slips.

The industry is fragmented, meaning that there are very few "big" operators. Nationwide, about 70% of marinas are privately owned, a small fraction are yacht clubs and condominiums and the remaining 30% are municipal, state and federal gov't facilities. On the west coast the split between private and publically owned is probably more even.

Marina industry revenues in the US for 2015 were about \$4 billion dollars. Economists estimate the multiplier value for non-tourist oriented marinas to be between two and three, meaning that for every dollar spent at the marina generates two to three dollars of community at large. Related business like restaurants, clothing and supply stores, gasoline stations, repair shops and others benefit from the extra spending activity that slip holders represent.

Recreational boating really started after WWII. Industry used construction techniques for aluminum and fiberglass developed during the war to mass produce durable, low-maintenance boats and the growing middle class had the discretionary income to buy them. Starting in the 1950's the national marina and boating industries grew fairly constantly, enduring several shocks along the way. The oil embargo and higher fuel prices, double digit inflation and high interest rates of the 1970's, along with the expansion of environmental regulations tended to dampened growth in both industries. By the late 1980's sales of recreational boats in the US topped out at about 500,000 units per year.

Today, the sales of kayaks, paddle boards and other specialty water craft are growing rapidly. After several years of decline, the sale of traditional powerboats, especially boats over 30 ft. have increased for four years running. In 2015 sales of new powerboat totaled about 180,000 units. Marina occupancy rates have been improving the last four years also, but gross profits have not increased as much, mainly because expenses kept growing during the recession but revenues were flat.

### Local Marina Industry

The development of the Marina industry in the North West essentially mirrored the rest of the nation, with salmon fishing being an additional driver of growth. At the peak of recreational salmon fishing in the 1960's, it was common for boaters to log two million "boat days" a year. A "boat day" meaning one person in a boat on the salt water for some period of time on a specific day.

The Puget Sound is a unique body of water that is large but still relatively sheltered and safe. The fact that it is has so many marinas that provide easy access has contributed to the growth of boating clubs and groups. At last count there were over 200 active boating organizations around the Sound.

The challenging topography of the Puget Sound along with the fact that 60% of the tidelands in the state are privately owned limits the number of sites available for Marinas in this area. The larger marinas tend to be located in the urban areas and are considered "home port" marinas, that is they have a year-round moorage customer base. The "destination" marinas tend to be smaller, and are usually located in the less populated areas like the San Juan's or out on the Hood Canal. Destination marina have a more seasonal moorage customer base and have lower off peak occupancy rates.

Until the recession of 2008-10 there were not enough slips in the 30 ft. plus range to meet the demand. After the recession the supply and demand are more equal. Even before the recession, the number of small (26 ft. and less) boats on the saltwater was declining, largely due to the decline in salmon fishing opportunities and occupancy rates in slips less than 30 ft. long were falling.

After several years of decline, new and used boat sales have increased for three years in a row, following the national trend. The sales of specialty water craft are also increasing similar to the national numbers.

For the entire sound, current occupancy rates are 93% peak season and 80% off-peak. For the South Puget Sound, current occupancy rates are 88% peak season and 73% off-peak.

### Summary

Nationally and regionally, boat sales and marina occupancy rates are recovering but are still not back to pre-recession levels. Regionally, Sales of the "mid-sized" boats, 27 to 34 ft. are showing encouraging growth but the absolute numbers of sales is still small compared to pre- 2007 numbers. The Current occupancy rates for the Puget Sound Region are 93% peak season, and 80% off-peak. Most marinas in the Sound are reporting that, over the last two years occupancy rates for boats 31 feet and longer have increased slightly but that occupancy for boats under 31 feet has declined. The opportunities for salmon fishing continue to decline but cruising, both by individuals and clubs is growing and is now the primary saltwater activity around the sound.

## The Des Moines Marina

In the mid-1960's a group of Des Moines Citizens realized that the shoreline in front of the City was one of a very few places between Seattle and Tacoma where a Marina could be built. They succeeded in convincing their fellow citizens on the merits of the project and by 1968 the City had assembled the tidelands and secured the financing to build a marina.

The original construction cost was about \$3.5 million dollars and the money was raised by selling bonds. At the time, the City took advantage of a federal government program run by the Department of Housing and Urban Development, (HUD) to help sell the bonds. The HUD program guaranteed the price, (and therefore the interest rate) that the bonds sold at. In other words, the City determined that they would have to sell the bonds at or below a 4% yield to make the project work and HUD said that the agency would purchase the bonds at that rate if they could not be placed in the private sector. The bonds did sell at the required rate and the guarantee was not needed.

The bonds were "40 year revenue bonds". The only security for the bonds was the marina facility itself and the revenues produced by the Marinas operation. The bond holders did not have any claim on any other City funds or the City's taxing authority. Nationwide, revenue bonds did not work out well and essentially went out of existence many years ago.

When the Marina opened in the spring of 1970, the City set it up as an "enterprise fund". In the 46 years of the Marinas operation no tax revenues have been used to support the facility or its operations. The debt service and the operating costs of the Marina have been entirely paid for out of the revenues generated by the Marina's operations. (*The staff believes that the City of Des Moines Marina is the only publically owned marina in the state of Washington, and possibly on the entire west coast that can make that claim.*)

In the region, the Marina is considered a "home port" and has a stable year-round moorage base. With 730 in-water slips and 105 upland storage spaces, the Marina is a mid-sized facility, but it is a full service marina with a fuel dock, boat yard and guest moorage facilities.

The Marina was originally designed to facilitate recreational fishing as its primary use. Around 2000, the City adopted a master plan for the Marina that embodied the decision to shift the focus of the Marina's operations from fishing to the fuel and guest moorage businesses.

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Marina revenues increased from 2000 to 2005 and then flattened out during the recession. By 2012 revenues were trending upward again and by last year, 2015, all revenues, especially, moorage, guest moorage and fuel sales were back to pre-recession levels.

### Current Marina Conditions

*(About one year ago, the staff and representatives of the Marina tenants and other community organizations went thru a traditional strengths, weaknesses, opportunities and threats, (SWOT) analysis. The following is a summary of that effort.)*

#### Strengths

- Even though Des Moines is located right in the middle of the greater Metro area, the Marina is relatively isolated. By water, the nearest comparable marinas are 18 miles away in Seattle or about 12 miles away in Tacoma.
- The Marinas "market area" is a semi-circle lying to the east with a radius of 12 to 15 miles. This area encompasses several hundred thousand people and thousands of boat owners.
- The Marina has 98-99% peak season and 81% off-peak occupancy rates, A little above the rates for the whole region.
- The Marina fuel dock is the price leader in the Sound and sells more fuel than any other recreational Marina in Washington.
- The independently operated boat yard has a great reputation and brings customers in from all over the mid and south sound.

#### Weaknesses

- Aging of critical parts of the facility. The floating docks are nearly 50 years old and some persistent problems are developing, especially with the roof structures and electrical systems. About 800 feet of the original timber bulkhead was replaced in 2010, but more should be replaced soon, specifically the bulkhead around the north parking lot.
- The occupancy of the 20, 24 and 28 foot slips continue a slow but persistent decline.

#### Opportunities

- The upgrades to the north end of the Marina in 2010 were intended to make the area more inviting to the non-boating public. The results have exceeded our expectations and the increase in the number of people using the north end of the Marina could be a catalyst for some further development on the Marina floor.

- The 2010 project moved utilities to make “development pads” on the Marina floor and to create room for the expansion of the boat yard so the infrastructure is mostly in place for future development.

#### Threats

- Bigger boats are selling, particularly along the coasts, and kayak, paddleboards and jet ski sales are up nationwide, but the number of boats needing a slip continues to decline as the “middle” continues to drop out, that is the boats 24 to 28 feet long.
- The aging demographic of boaters. Over the last 15 years, the average age of boat owners, especially saltwater boaters has increased by more than 10 years. This is a trend that started before the recession and combined with (a.) planning becomes very difficult. It is clear that larger slips will be needed but how many? Overbuilding is a threat. It is also not clear if the younger people buying kayaks and other specialty products will stay in boating and “buy up” like previous generations.

#### Conclusion

After being relatively stable for a long time, the marina industry is changing.

During times of change it is easy to forget that change is the norm, not the exception. The future of the Des Moines Marina will only be limited by our ability to adapt to change and our willingness to re-invest in the facility.

People will continue to want to be by and on the waters of the Puget Sound.

What activities that desire will encompass and what amenities and services will be needed is not entirely clear. It is however, clear that whatever the activities are, they will require access to the water and because public access to the Sound is so limited, the Marina will continue to be an essential part of our community.