

John Wayne Marina Expansion Financial Assessment

FINAL DRAFT REPORT

PREPARED FOR

Port of Port Angeles
338 West First Street
Port Angeles, WA 98362

PREPARED BY

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in association with
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1 Executive Summary

1.1 Study Purpose

The purpose of this study is twofold:

- ◆ To estimate the demand for wet moorage at John Wayne Marina
- ◆ To evaluate the financial feasibility of alternative marina designs prepared by Reid Middleton, Inc.

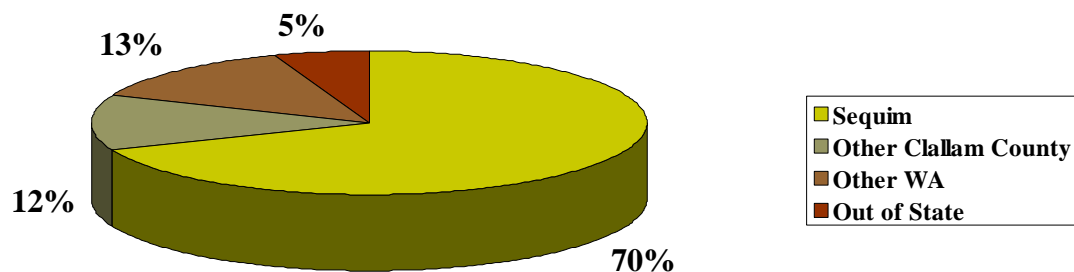
The demand assessment provides an estimate of the size, timing and strength of the wet moorage market. The financial evaluation discusses the financial and economic performance of alternatives.

1.2 Demand Assessment

John Wayne Marina currently has 299 slips, ranging in length from 15 feet to 100 feet (end-ties). The marina is well utilized, with occupancy rates averaging approximately 93% between 2005 and 2008. Occupancy is near 100% in the peak season (May through September) and declines somewhat in the off-peak season (October through April). During the off-peak season a relatively large number of smaller boats (less than 30 feet) leave the marina and occupancy declines to around 80% for the smaller slips.

The geographic market concentration at John Wayne Marina is relatively tight, relative to other marinas. Approximately 70% of current tenants are residents of Sequim, 12% are from other parts of Clallam County, 13% are from other counties in Washington (mainly King, Kitsap and Jefferson counties) and 5% are from out of state. There has been little to draw out-of-area boaters, but the proposed development by Wayne Enterprises could attract additional boaters. The plan as currently proposed includes a 100-room hotel and approximately 300 seasonal and full-time residences.

Figure 1 – Residential Location of Boat Owners at John Wayne Marina in 2009

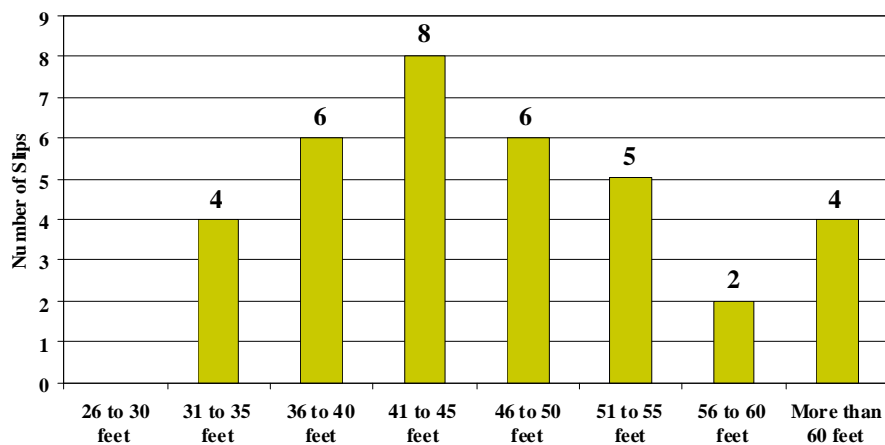


The waitlist for John Wayne Marina has shrunk considerably in recent years both due to Port policies as well as due to market conditions. The current waitlist (June 2009) for John Wayne marina has three prospective tenants, ranging from 36 to over 50 feet.

Boat registration and sales data for Clallam County and Puget Sound indicate two primary trends. First, the growth in boat registrations is much faster for longer boats than for shorter boats. Second, the recent economic recession has significantly impacted new boat sales, particularly for shorter boat lengths. It will take a few years for sales to reach the level of 2007 or 2008. John Wayne Marina, like other marinas that were built 20 to 30 years ago, has relatively too many small slips (under 35 feet) and not enough longer slips (over 40 feet).

BST Associates prepared a market forecast for John Wayne Marina based upon current occupancy and waitlist trends, as well as expected regional growth trends. We estimate that there will be demand for approximately 35 additional slips between 2009 and 2020. The distribution of slips is shown in Figure 2.

**Figure 2 – Demand Forecast for John Wayne Marina
(Additional Slips Needed from 2009 to 2020)**



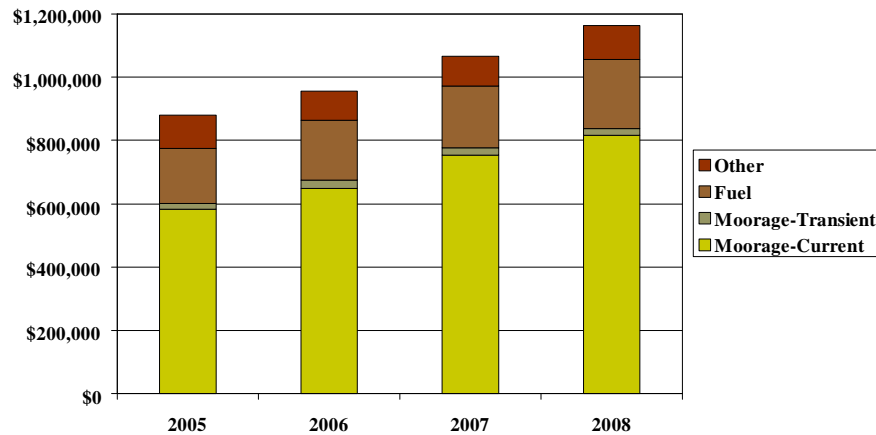
1.3 Financial Evaluation

The financial evaluation of the proposed Options included a review of recent trends at John Wayne Marina and a benefit/cost assessment of the proposed options.

1.3.1 Recent Trends

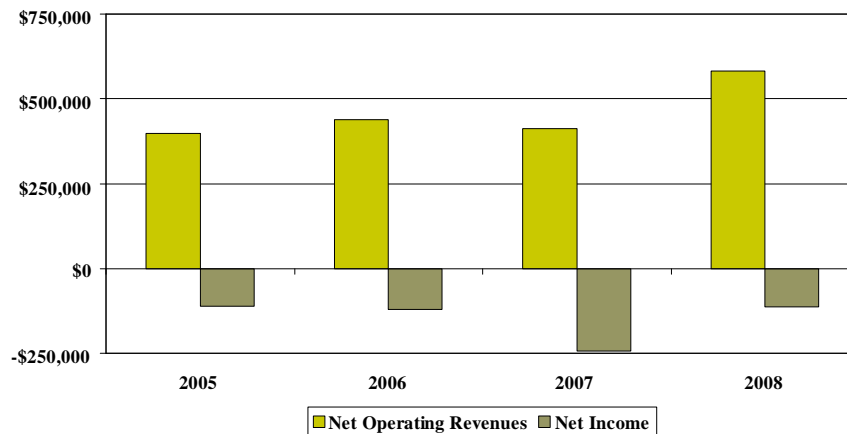
Operating revenues increased from \$879,000 in 2005 to \$1.2 million in 2008, representing average growth of 9.8% per year. Permanent moorage, which accounted for 70% of operating revenues in 2008, grew at 11.8%, mainly due to increased moorage rates coupled with higher occupancy rates. Operating expenses increased at 6.4% per year during this period, reaching \$580,000 in 2008.

Figure 3 – John Wayne Marina Operating Revenue



Net operating revenues increased from \$397,000 in 2005 to \$582,000 in 2008. However, John Wayne Marina did not experience positive net income during this period. Net income was -\$114,028 in 2008, which was an improvement over 2006 and 2007.

Figure 4 – Net Operating Revenues & Net Income



1.3.2 Redevelopment Options

Reid Middleton, Inc. prepared five alternative redevelopment scenarios. Options 1 through 3 reconfigure a portion of the marina (Floats C to E), depending on the option. Options 4 and 5 are more extensive reconfigurations.

As summarized in Table 1, these options range from a loss of 11 slips to a gain of 18 slips relative to the existing marina slip configuration. The cost of construction ranges from Option 2 at \$462,000 (low) to Option 5 at \$4.4 million (high).

Table 1 – Alternative Redevelopment Scenarios (Number of Slips by Slip Length)

Total # of Slips	Option 1	Option 2	Option 3	Option 4	Option 5
26 to 30 feet	0	-6	-4	11	-14
31 to 35 feet	0	4	0	0	0
36 to 40 feet	5	-8	2	3	-11
41 to 45 feet	0	0	0	-21	-21
46 to 50 feet	7	13	14	25	33
51 to 55 feet	0	0	0	0	0
56 to 60 feet	1	0	0	0	4
More than 60 feet	0	5	-2	0	-2
Subtotal	13	8	10	18	-11
Estimated Project Cost	\$609,000	\$462,000	\$787,000	\$4,194,000	\$4,338,000

Source: Reid Middleton, Inc.

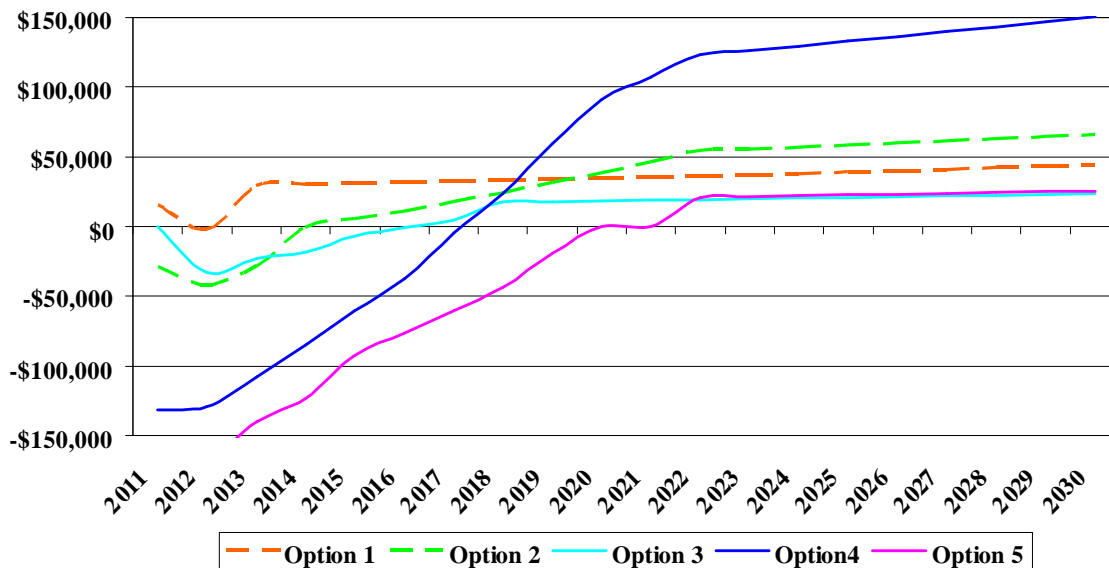
1.3.3 Financial Assessment

This section presents a financial evaluation of the options proposed for John Wayne Marina.

The options considered in this study are expected to generate varying levels of revenue from permanent moorage, depending on the expected absorption rates. Figure 5 presents the expected increase (decrease) in permanent moorage revenues net of the revenues from existing operations.

Options 4 and 5 generate more revenue than the existing option within seven to ten years; while for Options 1 through 3, this occurs within 1 to 6 years.

**Figure 5 – John Wayne Marina Permanent Moorage Revenue Forecasts
Net of Existing Permanent Moorage Revenues**



1.3.4 Benefit/Cost Assessment

Table 2 presents a summary benefit/cost summary of the various options. The benefits include the net present value of the additional permanent moorage revenues over the 20-year period (from 2011 to 2031) at a discount rate of 6%. The cost estimates are as provided by Reid Middleton, Inc for construction of each option, which is expected to occur in 2011.

If benefits outweigh costs, the B/C ratio would be greater than 1. None of the alternatives is expected to have benefits exceed costs. As a result, none of the alternatives is financially viable.

Table 2 – Benefit Cost Assessment

Option	Benefits	Cost	B/C
Option 1	\$326,046	\$609,124	0.54
Option 2	\$212,778	\$462,377	0.46
Option 3	\$48,729	\$787,499	0.06
Option4	\$160,579	\$4,194,003	0.04
Option 5	-\$595,736	\$4,338,405	(0.14)

Source: BST Associates using data from Reid Middleton, Inc and Port of Port Angeles

1.3.5 Additional Considerations

In addition to the financial evaluation presented above, the following factors should also be considered:

- The existing marina is approximately 25 years old. The life of the floats is likely between 30 and 40 years. Any alternative to add new floats to existing floats should take the life cycle costs of the entire marina into account.
- The Port Angeles Boat Haven, which has recently been redeveloped, has more than 10 vacant 50-foot slips. The Port should consider both marinas in making decisions about new floats at John Wayne Marina.

2 Demand for Permanent Wet Moorage

The following section reviews the market opportunities for wet moorage at the John Wayne marina.

As shown in the following aerial photo, all of the Marina floats extend fully north (right) to the breakwater, with the exception of float “D”, which extends approximately half as far as the other floats. Options to extend float “D” are the primary focus of this study.

Figure 6 – Aerial Photo of John Wayne Marina



2.1 Demand for Permanent Moorage

John Wayne Marina has approximately 299 slips, 280 of which are allocated to permanent tenants, with the remainder are for transient (or guest) tenants. The distribution by length slip is presented in Table 3.

Approximately 41% of the slips are 30 feet or less in length and 59% are longer than 30 feet.

Approximately 11% of the slips are 50 feet or longer; this includes end-ties, which range from 50 feet to 98 feet in length.

Table 3 – John Wayne Marina Slip Distribution

Length	B	C	D	E	F	G	H	# of Slips	Lineal Feet
15						2		2	30
28		17	36	18				71	1,988
30				18	30			48	1,440
32					29			29	928
36						24		24	864
40							17	17	680
42		21						21	882
45						10		10	450
50	16						11	27	1,350
ET 38				1				1	38
ET 50		1						1	50
ET 58	1							2	58
ET 64			1					2	64
ET 68						1		2	68
ET 70					1			2	70
ET 98							1	3	98
BS	10	6		10		5	6	37	1,322
Total								299	10,380

Notes:

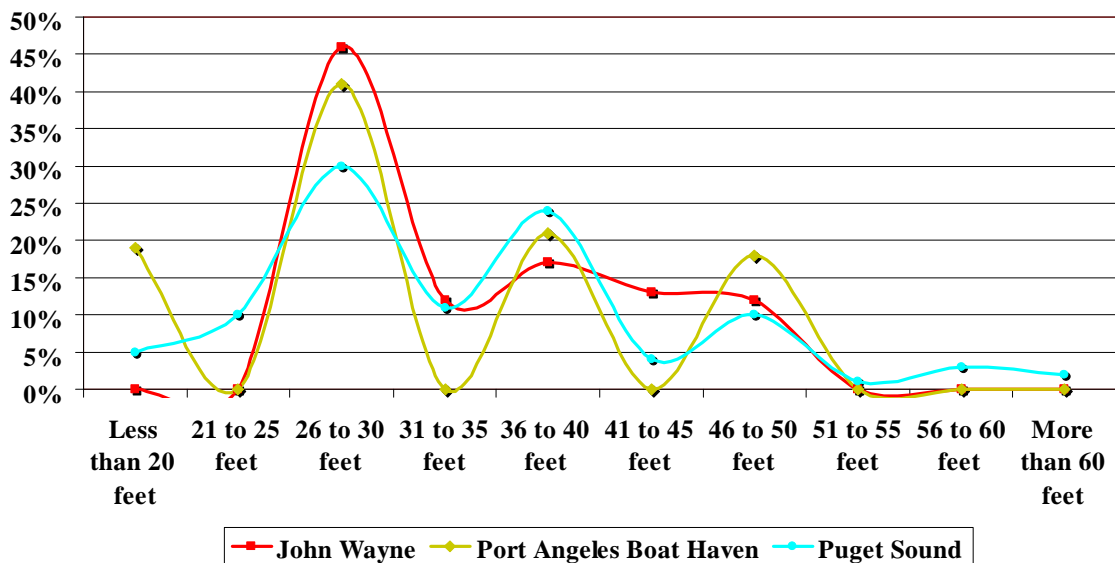
* ET stands for end-tie; BS stands for broadside.

** Assumes average boat length of 36 feet.

Source: BST Associates

There are relatively more small slips in both John Wayne Marina and the Port Angeles Boat Haven than at other Puget Sound marinas.

Figure 7 – Distribution of Open Slips



Several marinas that were built 20 to 30 years ago are considering a reconfiguration of the slip sizes to better match current and future market demand. This should also be considered at John Wayne Marina as slips reach the end of their useful life or as vacant areas are filled in.

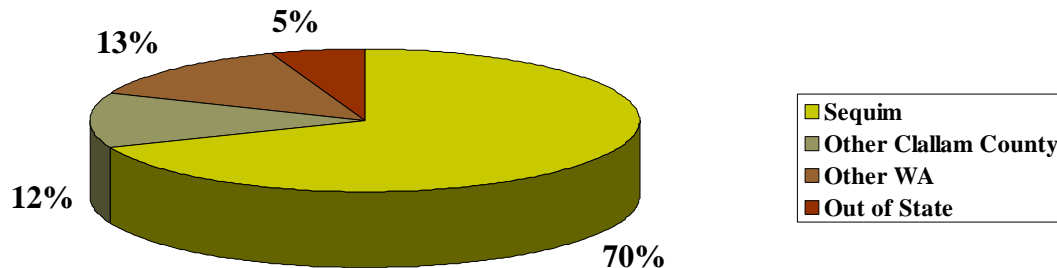
2.1.1 Market Conditions

BST Associates obtained records of tenants at John Wayne Marina to gain a better understanding of the market for moorage at the facility. As illustrated in Figure 8:

- Residents of Sequim comprise 70% of the tenants at John Wayne Marina.
- Residents of other areas of Clallam County comprise 12% of tenants at John Wayne Marina (most are from Port Angeles).
- Other areas of Washington State account for 13% of John Wayne Marina. Most of these tenants reside in King, Kitsap, and Jefferson counties.
- Out of state boat owners account for 5% of John Wayne Marina's tenant base.

The market concentration at John Wayne Marina is very tight geographically relative to other marinas. There has currently been a limited appeal to boaters from other parts of Washington State and out-of-state boaters due to the marina's geographic location and distance from cruising grounds.

Figure 8 – Residential Location of Boat Owners at John Wayne Marina in 2009



Source: BST Associates, data from Port of Port Angeles

It should be noted that some of the tenants at John Wayne marina (an unknown number) are likely owners of second homes in Clallam County. The numbers of this type of tenants may increase as the second home population in Sequim grows. In particular, the Wayne Enterprises plan to develop the property adjacent to the marina could increase the demand for moorage. According to Wayne Enterprises' management¹, the development plan is now undergoing review by the City of Sequim. Preliminary plans call for a mix of uses, including a hotel with approximately 100 rooms, and approximately 300 dwelling units consisting of cabins, extended stay condos, single family seasonal units and cluster housing. Construction is expected to

¹ Telephone conversation with Louis Torres, May 28, 2009.

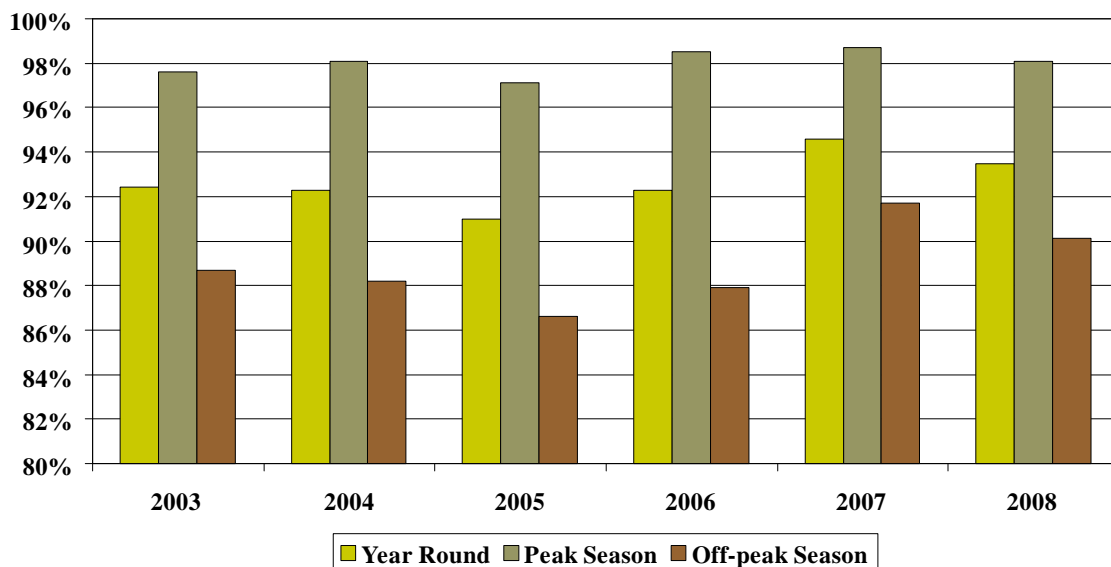
commence in 2011 at the earliest. The addition of these units could increase the demand for moorage (i.e., transient and permanent moorage). However, it is difficult to estimate the demand for moorage until after the Wayne Enterprises has completed the development.

2.1.2 John Wayne Marina Utilization Rates

The utilization rates of John Wayne Marina across month and year are presented in Figure 9. Year around, John Wayne Marina has ranged from 91% (low in 2005) to 94% (high in 2007).

Occupancy rates are lower in the off-peak season (October to April) ranging from 87% to 92%. During the peak season, occupancy rates range from 97% to 99%. The utilization rate at John Wayne Marina, which is considered high relative to other marinas, has improved over the past few years.

Figure 9 – John Wayne Marina Monthly Utilization Rates (% Occupancy)



Source: BST Associates, data from Port of Port Angeles

2.1.2.1 Vacancy Rates

Table 4 identifies the average annual vacancy rates for each slip length: The vacancy rates have changed as follows between 2003 and 2008:

- Slips that are 36 feet or longer have exhibited relatively low vacancy rates during the past six years.
 - The 50-foot slips have been fully occupied from 2003 to 2008 with only a single sporadic vacancy during the period. There are 28 50-foot long slips (including end ties).

- The 45-foot slips experienced some vacancies in 2003 and 2004 but are now nearly fully utilized, with average vacancy rates of less than 1% annually since 2005. There are 10 45-foot long slips.
- The 42-foot slips experienced vacancy rates of less than 3% per year during the study period. In 2008, vacancies increased slightly (to 2.8%). There are 21 42-foot long slips.
- The 40-foot slips experienced vacancy rates of 2% or less during the study period. There are 17 40-foot long slips.
- The 36-foot slips were fully utilized from 2003 through 2008, with average annual vacancy rate of less than 0.5%. There are 24 36-foot long slips.

Table 4 – Vacancy Rates by Slip Length

Year	50	45	42	40	36	32	30	28	Sideties	Total
Peak Season (May-Sept)										
2008	0.7%	0.0%	2.9%	0.0%	0.0%	0.7%	5.2%	2.9%	0.6%	1.9%
2007	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	1.0%	4.1%	0.6%	1.3%
2006	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	3.2%	2.6%	1.5%
2005	0.7%	0.0%	1.0%	0.0%	0.9%	1.4%	6.2%	3.8%	3.9%	2.9%
2004	0.0%	4.0%	2.9%	3.2%	0.0%	0.7%	2.9%	2.1%	2.3%	1.9%
2003	0.7%	4.0%	1.0%	0.0%	0.0%	0.0%	5.2%	3.8%	2.6%	2.4%
Off-Peak Season										
2008	0.0%	1.4%	2.7%	1.5%	0.6%	5.1%	8.2%	29.2%	6.0%	9.9%
2007	0.0%	0.0%	1.4%	0.0%	0.0%	1.0%	2.0%	28.6%	6.5%	8.3%
2006	0.0%	0.0%	0.0%	3.0%	0.0%	2.0%	9.5%	34.0%	12.9%	12.1%
2005	0.0%	0.0%	1.4%	1.5%	0.0%	6.6%	12.2%	34.0%	15.2%	13.4%
2004	0.0%	5.7%	2.0%	0.8%	0.0%	4.1%	8.2%	30.7%	14.3%	11.8%
2003	0.0%	1.4%	0.0%	0.0%	0.6%	8.7%	9.2%	30.0%	11.3%	11.3%
Year Round										
2008	0.3%	0.8%	2.8%	0.9%	0.4%	3.3%	6.9%	18.3%	3.8%	6.5%
2007	0.0%	0.0%	0.8%	0.0%	0.0%	0.9%	1.6%	18.4%	4.0%	5.4%
2006	0.0%	0.0%	0.0%	1.8%	0.0%	1.2%	6.3%	21.2%	8.6%	7.7%
2005	0.3%	0.0%	1.2%	0.9%	0.4%	4.5%	9.7%	21.4%	10.5%	9.0%
2004	0.0%	5.0%	2.4%	1.8%	0.0%	2.7%	6.0%	18.8%	9.3%	7.7%
2003	0.3%	2.5%	0.4%	0.0%	0.4%	5.1%	7.5%	19.1%	7.7%	7.6%

Source: BST Associates, data from Port of Port Angeles

- Slips that are less than 36 feet exhibited higher vacancies, particularly in the off-peak season.
 - The 32-foot slips are well utilized during the peak season, with a vacancy rate of less than 1.5% per year. However, during the off-peak season, vacancy rates averaged nearly 5% over the period 2003 to 2008. There are 29 32-foot long slips.

- The 30-foot slips follow a similar pattern as 32-foot slips, but vacancies are more extensive and last during a greater portion of the year. The average annual vacancy exceeded 6% between 2003 and 2008, with 3.7% vacancy during the peak season and 8.2% during the off-peak season. There are 48 30-foot long slips.
- This pattern of vacancy in smaller slips builds with the 28-foot slips, where sustained vacancies occur from August/September into April/May. Vacancies averaged nearly 20% across the year, with 31% in the off-peak season and 3% in the peak season. There are 71 28-foot long slips.
- Broadside vacancies occur throughout the year, but are highest in the period September through April. Across the year, vacancies averaged around 7%. There are 2,215 lineal feet of broadside moorage (1,322 lineal feet excluding end-ties).

The vacancy rates in the 28, 30 and 32-foot slips are a concern. Many of the boats in these slip sizes can be trailered and removed during the off-peak season. In addition, high fuel prices seriously impacted the use of smaller boats in 2007 and especially 2008 and 2009. Fuel prices are expected to experience moderate increases during the next few years but then could increase, which would likely impact smaller boats more than larger boats.

2.1.3 Recreational Boating Trends

The Washington State Department of Licensing maintains a database of boats registered in the State of Washington. Washington State law says that all recreational vessels over 16 feet in length must be registered, while motor vessels less than 16 feet in length must also be registered if the motor is 10 horsepower or more. Vessels exempt from registration include motor vessels less than 16 feet and with a motor of less than 10 horsepower, and sailboats less than 16 feet in length. However, any boat used on federal waters must be registered, regardless of other exemptions. Federal waters include Puget Sound, Hood Canal, Lake Washington, Lake Union, Lake Sammamish, Columbia River, Snake River, Lake Washington Ship Canal, Capitol Lake, Pend Oreille River, Walla Walla River, Yakima River, and other bodies of water effected by the ebb and flow of the tide and are on or bordering federal land. Finally, vessels powered solely by human means are exempt, regardless of where they are used.

2.1.3.1 Trends in Clallam County

Boat ownership for registered boats in the primary market area (Clallam County) declined at -0.7% per year between 1990 and 2008, due mainly to a large decline in boats under 16 feet long. Population growth in Clallam County averaged 1.2% per year during this time period.

Growth was above average for boats greater than 30 feet in length and accelerated more rapidly as the boat length increased:

- Boats from 16 to 20 feet in length declined at -0.1% per year during the time period.
- Boats from 21 to 30 feet in length grew at 0.6% per year during the time period.

- Boats from 31 to 40 feet in length grew at 2.7% per year during the time period.
- Boats from 41 to 50 feet in length grew at 5.6% per year during the time period.
- Boats from 51 to 60 feet in length grew at 5.5% per year during the time period.
- Boats greater than 60 feet in length reached a peak of 5 in the last part of the study period. There is a lack of facilities for vessels in this size range.

Table 5 – Boat Ownership Trends in Clallam County

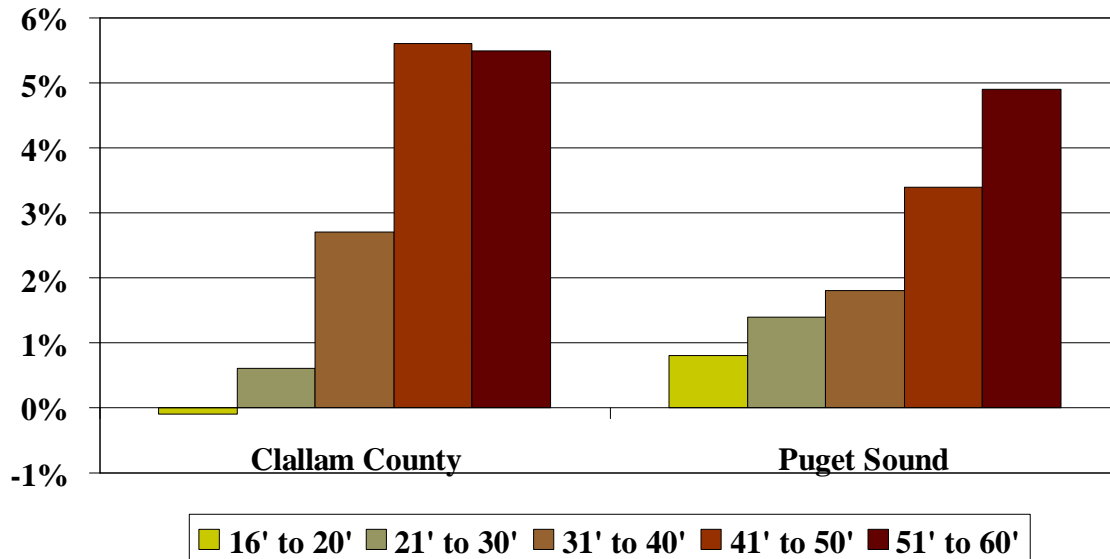
Year	16' to 20'	21' to 30'	31' to 40'	41' to 50'	51' to 60'	Over 60'	Total Registered
1990	1,713	603	105	24	5	-	4,964
1991	1,755	626	124	20	7	1	5,072
1992	1,735	622	146	28	7	1	5,097
1993	1,787	651	175	31	6	1	5,264
1994	1,513	599	175	39	8	3	4,634
1995	1,609	628	175	40	8	3	4,886
1996	1,566	603	164	43	10	4	4,864
1997	1,605	545	158	44	9	2	4,806
1998	1,603	576	168	44	7	3	4,771
1999	1,607	571	175	46	8	2	4,690
2000	1,739	619	188	49	9	2	5,066
2001	1,764	619	185	53	8	2	5,070
2002	1,805	639	180	53	10	2	5,183
2003	1,703	629	193	58	8	3	4,819
2004	1,671	599	175	49	10	4	4,589
2005	1,712	632	176	56	11	5	4,611
2006	1,752	664	177	63	11	5	4,632
2007	1,748	699	184	63	14	4	4,599
2008	1,670	675	170	64	13	5	4,344
Compound Annual Growth Rates (CAGR)							
90-99	-0.7%	-0.6%	5.8%	7.5%	5.4%	NM	-0.6%
99-08	0.4%	1.9%	-0.3%	3.7%	5.5%	10.7%	-0.8%
90-08	-0.1%	0.6%	2.7%	5.6%	5.5%	NM	-0.7%
07-08	-4.5%	-3.4%	-7.6%	1.6%	-7.1%	25.0%	-5.5%

Source: BST Associates using Washington State Department of Licensing data

Sluggish growth in vessels under 30-feet and more rapid growth in vessels over 30 feet has implications for wet moorage in John Wayne Marina. It indicates that there are likely too many small slips (28-, 30- and 32-foot slips) and not enough longer slip lengths (36 feet and above). This issue is discussed in greater detail below.

This finding is underscored by the annual growth of boats in Clallam County relative to Puget Sound. The compound annual growth in Clallam County was lower than that in Puget Sound for boats under 30 feet in length but higher for boats over 30 feet. See Figure 10.

Figure 10 – Relative Growth Rates (Annual Change from 1990-2008)



2.1.4 Waitlist Characteristics

The current waitlist (June 2009) for John Wayne marina has three prospective tenants:

- 36 foot slip – 2
- Over 50 foot slip – 1.

This is a significant change from 2005, in which, there were 45 boat owners on the waitlist at John Wayne Marina, ranging in length as follows:

- 36-40 foot slips – 26 on list,
- 41-45 foot slips – 7 on list,
- 46-50 foot slips – 5 on list,
- 26-30 foot slips, 3 on list,
- Over 50 foot long slips – 2 on list,
- 1 each on broadside and 31 to 35 foot long slips.

The change in waitlist reflects a change in Port policy, including a \$50 charge to get on the list and \$25 per year to remain on the list. In addition, if a slip was presented to a prospective tenant and they refused it, they are removed from the list. The waitlist characteristics still indicate that the need is greatest for additional slips over 36 feet in length.

2.1.5 Permanent Slip Forecasts

This section presents an updated forecast for permanent wet moorage slips in John Wayne marina.

2.1.5.1 Growth in Clallam County Recreational Boat Fleet

The forecast for additional boats in Clallam County is presented in Table 6. The forecast is based upon projected growth in population and household income. Three cases are presented, including low, mid (or intermediate) and high. The forecast projects relatively slow growth in demand for boats under 30 feet in length and more rapid growth in boats between 31 and 50 feet in length. The forecast for boats over 50 feet in length is constrained by the small population of these boats at the present time and may underestimate how many of these boats may require moorage in Clallam County.

Table 6 – Boat & Slip Forecast for Clallam County

Year	Under 16'	16' to 20'	21' to 30'	31' to 40'	41' to 50'	51' to 60'	Over 60'	Total
2008	1,708	1,618	632	159	50	11	3	4,181
Forecast (2020)								
Low	1,673	1,544	611	172	54	11	4	4,966
Mid	1,799	1,660	657	185	58	12	5	5,589
High	1,908	1,761	697	196	61	12	5	6,156
Additional Boats (2020)								
Low	-35	-74	-21	13	4	0	1	-112
Mid	91	42	25	26	8	1	2	193
High	200	143	65	37	11	1	2	459
% Needing Wet Moorage	0%	0%	16%	85%	100%	100%	100%	
Additional Slips								
Low	-	-	(3)	11	4	-	1	13
Mid	-	-	4	22	8	1	2	36
High	-	-	10	32	11	1	2	56

Source: BST Associates

Few marinas have been built over the past ten years in the Puget Sound region, and environmental constraints plus a lack of good sites will likely limit the number of marinas built to meet the projected growth in demand. This is causing marinas to consider reconfigurations to focus on larger slips for boats that need wet moorage. Smaller boats (especially power boats up to 35 feet in length) are being evaluated for dry storage. However, this paradigm only appears to be financially sustainable in high-density urban (Seattle, Edmonds, Everett) and gateway (Anacortes) areas.

Boat buyers are generally selecting boats that are larger in all dimensions - longer, higher and wider. The faster growth in vessels longer than 30 feet has implications for agencies that provide moorage for recreational vessels. Facilities that were designed for a certain average vessel size 20 or 30 years ago may have a capacity of fewer boats now, because of the increase in vessel length. Furthermore, as the average vessel has become longer, the average beam for a given length of vessel has also increased

over time. In addition, it should be noted that the data provided by the Department of Licensing relies on the manufacturer's length overall (LOA). An increasing number of boats have swim steps, bow pulpits and like devices that increase the required slip length. BST Associates estimates that the difference between LOA and actual length is 10%. This adjustment is taken into account in the following demand forecast.

2.1.5.2 Permanent Wet Moorage Forecast

The recommended slip mix, which is presented in Table 7, takes into account current occupancy rates, waitlist and new demand. Similar to the earlier forecast, there is a decrease in the number of 28- and 30-foot slips and an increase in number of slips that are 36-feet and longer.

Table 7 – Demand Forecast & Slip Mix

Slip Length	Permanent				Comparison of Slip Mix		
	Existing	Occupancy Adjustment	Waitlist	New Demand	Revised Slip Mix	Existing	Proposed
Less than 20 feet	2				-	1%	0%
21 to 25 feet	0				-	0%	0%
26 to 30 feet	119	(16)	-	-	103	41%	30%
31 to 35 feet	29	(1)	-	5	33	10%	10%
36 to 40 feet	42	(0)	2	5	49	14%	14%
41 to 45 feet	31	(0)	-	8	38	11%	11%
46 to 50 feet	27	(0)	-	4	31	9%	9%
51 to 55 feet	0	-	-	5	5	0%	2%
56 to 60 feet	1	-	-	2	3	0%	1%
More than 60 feet	4	-	1	3	8	1%	2%
Subtotal	255	(17)	3	32	307	87%	89%
Broadside	37				37	13%	11%
Total	292	(17)	3	32	344	100%	100%

Source: BST Associates

Table 8 illustrates the relative strength of demand by comparing the net change in demand with the number of existing slips. The highest relative demand is for slips over 50 feet long followed by slips in the 40 foot range.

Table 8 – Relative Strength of Demand

Slip Length	Existing	Forecast	Net Change	% Existing	Relative Need
26 to 30 feet	119	103	(16)	-13%	Lowest
31 to 35 feet	29	33	4	14%	Next Highest
36 to 40 feet	42	49	7	16%	Next Highest
41 to 45 feet	31	38	7	23%	Next Highest
46 to 50 feet	27	31	4	14%	Next Highest
51 to 55 feet	0	5	5	>300%	Highest
56 to 60 feet	1	3	2	221%	Highest
More than 60 feet	4	8	4	112%	Highest
Subtotal	255	307	52	21%	
Broadside	37	37	-	0%	
Total	292	344	52	18%	

Source: BST Associates

3 Financial Assessment

The following section evaluates the financial feasibility of alternative redevelopment plans for John Wayne marina.

3.1 Existing Financial Performance

The recent financial performance of the John Wayne Marina is presented in Table 9.

3.1.1 Operating Revenues

Operating revenues increased from \$879,000 in 2005 to \$1.2 million in 2008 or at a compound annual rate of growth of 9.8%.

Table 9 – John Wayne Marina – Existing Financial Performance

Summary of Finances	2005	2006	2007	2008	CAGR
Operating Revenues					
Moorage-Current	\$582,989	\$648,994	\$753,343	\$815,606	11.8%
Moorage-Transient	\$17,661	\$26,237	\$23,124	\$20,976	5.9%
Fuel	\$174,340	\$187,606	\$195,605	\$218,918	7.9%
Other	\$104,090	\$93,747	\$93,683	\$106,662	0.8%
Subtotal	\$879,080	\$956,585	\$1,065,756	\$1,162,163	9.8%
Operating Expenses					
Salaries, Taxes & Benefits	\$229,705	\$248,002	\$284,272	\$265,779	5.0%
Office Supplies et al	\$91,066	\$94,880	\$177,520	\$102,392	4.0%
Cost of Goods Sold	\$151,666	\$163,198	\$177,131	\$202,103	10.0%
Other	\$9,705	\$11,873	\$15,522	\$9,738	0.1%
Subtotal	\$482,142	\$517,953	\$654,445	\$580,012	6.4%
Net Operating Revenue	\$396,938	\$438,632	\$411,311	\$582,151	13.6%
Non Operating Expenses					
Allocated Expenses	\$278,048	\$329,918	\$418,392	\$478,196	19.8%
Depreciation	\$229,812	\$229,399	\$236,236	\$217,982	-1.7%
Subtotal	\$507,860	\$559,317	\$654,628	\$696,179	11.1%
Net Income	-\$110,922	-\$120,686	-\$243,316	-\$114,028	0.9%

CAGR stands for compound annual growth rate

Source: BST Associates using Port of Port Angeles data

Permanent moorage, which accounted for 70% of operating revenues in 2008, grew at 11.8%, mainly due to increased moorage rates coupled with higher occupancy rates.

Table 10 illustrates that moorage rates grew at approximately 10% to 11.0% between 2005 and 2009.

Table 10 – Annual Changes in Permanent Rates at John Wayne Marina

Permanent Rates	2005	2006	2007	2008	2009	CAGR
less than 30'	\$4.50	\$4.93	\$5.39	\$5.86	\$6.50	9.6%
30'-39'	\$4.70	\$5.43	\$5.89	\$6.41	\$7.11	10.9%
40'-49'	\$5.08	\$5.93	\$6.39	\$6.95	\$7.71	11.0%
50+	\$5.48	\$6.45	\$6.89	\$7.50	\$8.32	11.0%

Source: BST Associates using Port of Port Angeles data

Net revenues from fuel sales, which accounted for 19% of operating revenues in 2008, increased from \$174,000 in 2005 to \$219,000 in 2008, or at 7.9% per year. However, fuel costs also rose considerably during this period. Fuel revenues (net of costs of good sold) actually declined from \$22,600 in 2005 to \$16,800 in 2008.

Transient moorage and other revenues (live aboard fee, waiting list fee, dock boxes, launch fees, electricity sales, retail/office/restaurant leases, shower use fees and other categories), which account for a smaller portion of operating revenues, grew at 5.9% and 0.8% respectively during the study period.

3.1.2 Operating Expenses

Operating expenses include salaries, office supplies, cost of goods sold and other expenses.

Salaries, taxes and benefits, which have accounted for 43% to 48% of operating expenses, grew from \$229,700 in 2005 to \$265,800 in 2008 or at a compound annual rate of 5.0%.

Office supplies and related expenses, which accounted for 18% of operating expenses in 2008, grew at 4.0% per year, from \$91,000 in 2005 to \$102,300 in 2008.

Cost of goods sold (primarily fuel) accounted for 35% of operating expenses in 2008, up from 27% in 2007 mainly due to the rising cost of fuel. This category grew at 10.0% per year during the study period.

Other expenses have remained at approximately \$10,000 per year.

3.1.3 Non-Operating Expenses

Non-operating expenses, which consist of allocated expenses and depreciation, grew from \$508,000 in 2005 to \$696,000 in 2008 or at 11.1% per year. Depreciation expenses have remained at \$217,000 to \$237,000 per year. Allocated expenses account for nearly all of the growth in this category.

3.1.4 Net Income

John Wayne Marina did not experience positive net income in the period 2005 through 2008. Net income was -\$114,028 in 2008, which was an improvement over 2006 and 2007.

3.2 Redevelopment Options

Reid Middleton, Inc. prepared five alternative redevelopment scenarios. See Figures 14 through 18 at the end of this report for a depiction of each option. As shown in Table 11, these alternatives provide a varying mix of slips:

- Option 1 extends Float D, and provides 13 more slips than the existing configuration:
 - 5 more in the 36- to 40-foot range, 7 more in the 46- to 50-foot range and 1 more in the 56- to 60-foot range.
 - This option is expected to cost \$609,000 in 2010 dollars or approximately \$212.60 per square of float installed.
- Option 2 reconfigures Floats C and D, and provides 8 more slips than the existing configuration:
 - 6 less in the 26- to 30-foot range, 4 more in the 31 to 35 foot range, 8 less in the 36- to 40-foot range, 13 more in 46- to 50-foot range, 5 more in the over 60-foot range.
 - This option is expected to cost \$462,000 in 2010 dollars or approximately \$195.90 per square of float installed.
- Option 3 also extends Float D, and provides 10 slips more than the existing configuration:
 - 4 less in the 26- to 30-foot range, 2 more in the 36 to 40 foot range, 14 more in the 46- to 50-foot range and 2 less in the over-60-foot range.
 - This option is expected to cost \$787,000 in 2010 dollars or approximately \$205.60 per square of float installed.
- Option 4 extends Float D and reconfigures Floats C and B. This option provides 18 more slips than the existing configuration:
 - 11 more in the 26- to 30-foot range, 3 in the 36- to 40-foot range, 21 less in the 41- to 45-foot range, and 25 more in the 46- to 50-foot range.
 - This option is expected to cost \$4.2 million in 2010 dollars or approximately \$219.90 per square of float installed.

- Option 5 extends and reconfigures Float D and reconfigures Float C. This option has 11 fewer slips than the existing configuration:
 - 14 less in the 26- to 30-foot range, 11 less in the 36- to 40-foot range, 21 less in the 41- to 45-foot range, 33 more in the 46- to 50-foot range, 4 more in the 56- to 60-foot range and 2 less in the over 60-foot range.
 - This option is expected to cost \$4.3 million in 2010 dollars or approximately \$215.00 per square of float installed.

Table 11 – Alternative Redevelopment Scenarios (Number of Slips by Slip Length)

Total # of Slips	Existing	Option 1	Option 2	Option 3	Option 4	Option 5
26 to 30 feet	119	119	113	115	130	105
31 to 35 feet	29	29	33	29	29	29
36 to 40 feet	79	84	71	81	82	68
41 to 45 feet	31	31	31	31	10	10
46 to 50 feet	28	35	41	42	53	61
51 to 55 feet						
56 to 60 feet	2	3	2	2	2	6
More than 60 feet	9	9	14	7	9	7
Subtotal	297	310	305	307	315	286
Net # of New Slips						
26 to 30 feet	0	0	-6	-4	11	(14)
31 to 35 feet	0	0	4	0	0	-
36 to 40 feet	0	5	-8	2	3	(11)
41 to 45 feet	0	0	0	0	-21	(21)
46 to 50 feet	0	7	13	14	25	33
51 to 55 feet	0	0	0	0	0	-
56 to 60 feet	0	1	0	0	0	4
More than 60 feet	0	0	5	-2	0	(2)
Subtotal	0	13	8	10	18	(11)
Estimated Project Cost		\$609,000	\$462,000	\$787,000	\$4,194,000	\$4,338,000
New Floats (Sq. Feet)		2,865	2,360	3,830	19,070	20,180
Total Cost per SqFt		\$212.6	\$195.9	\$205.6	\$219.9	\$215.0

Source: Reid Middleton, Inc

3.3 Financial Evaluation of Alternative Redevelopment Plans

This section presents a financial evaluation of the options proposed for John Wayne Marina.

3.3.1 Changes in Revenue from Permanent Moorage

The options considered in this study are expected to generate varying levels of revenue from permanent moorage, depending on the expected absorption rates. Figure 11 compares the projected revenues for the period 2011 (construction is expected to be completed in 2010) to 2031 or over a 20 year period.

Figure 12 presents the expected increase (decrease) in permanent moorage revenues net of the revenues from existing operations. Options 4 and 5 generate more revenue than the existing option within seven years; while for Options 1 through 3, this occurs within 1 to 4 years.

Figure 11 – John Wayne Marina Permanent Moorage Revenue Forecasts

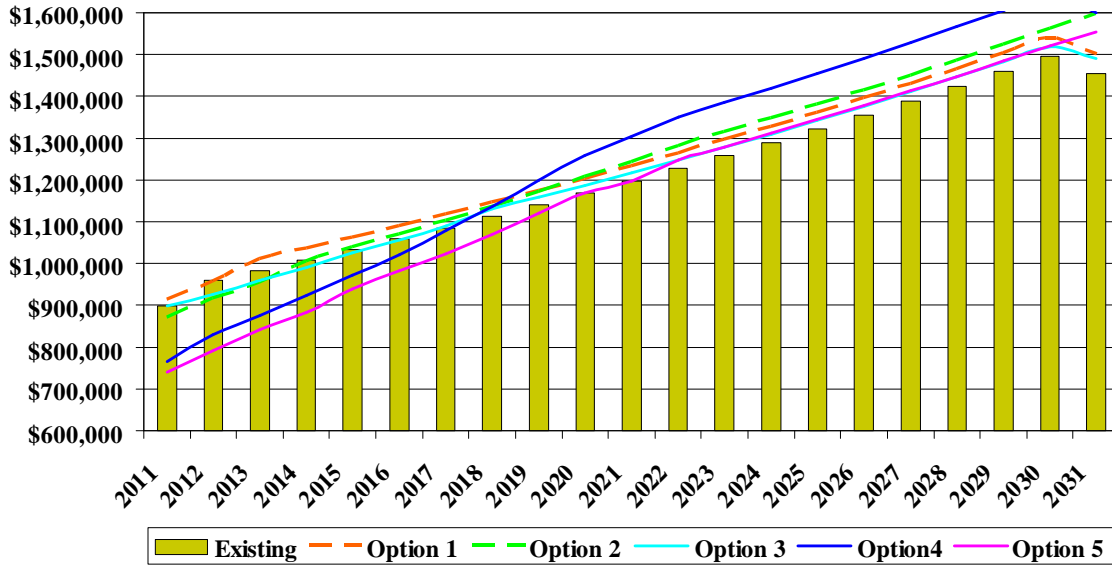
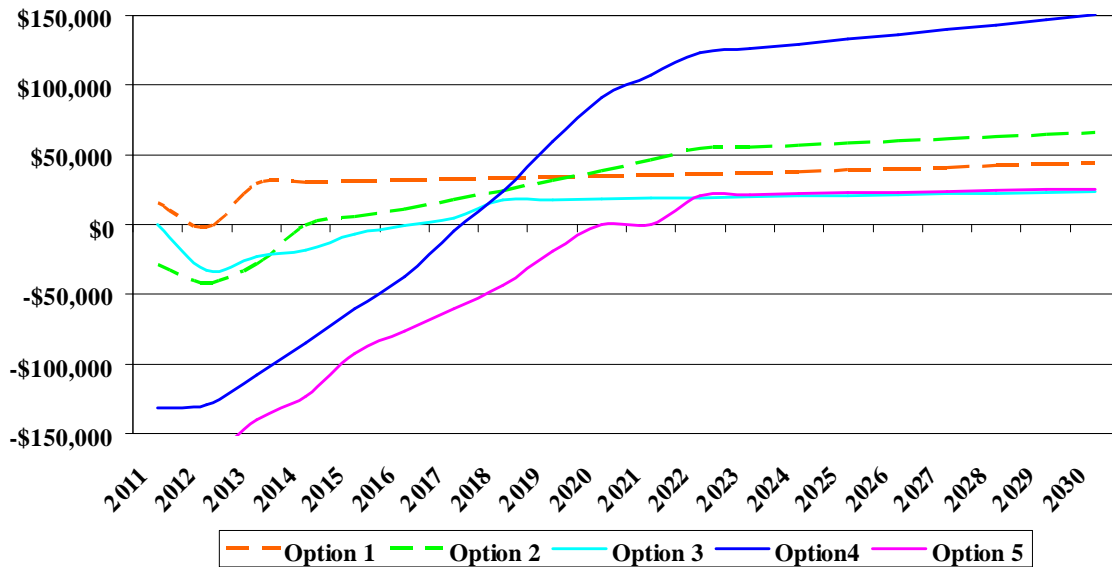


Figure 12 – John Wayne Marina Permanent Moorage Revenue Forecasts Net of Existing Permanent Moorage Revenues



3.3.2 Benefit/Cost Assessment

Table 12 presents a summary benefit/cost summary of the various options. The benefits include the net present value of the additional permanent moorage revenues over the 20-year period (from 2011 to 2031) at a discount rate of 6%. The cost estimates are as provided by Reid Middleton, Inc for construction of each option, which is expected to occur in 2011.

As shown in Table 12 and Figure 13, none of the options have benefits in excess of costs.

Table 12 – Benefit Cost Assessment

Option	Benefits	Cost	B/C
Option 1	\$326,046	\$609,124	0.54
Option 2	\$212,778	\$462,377	0.46
Option 3	\$48,729	\$787,499	0.06
Option4	\$160,579	\$4,194,003	0.04
Option 5	-\$595,736	\$4,338,405	(0.14)

Source: BST Associates using data from Reid Middleton, Inc and Port of Port Angeles

Figure 13 – Summary Benefit Cost Assessment of John Wayne Marina Redevelopment Options

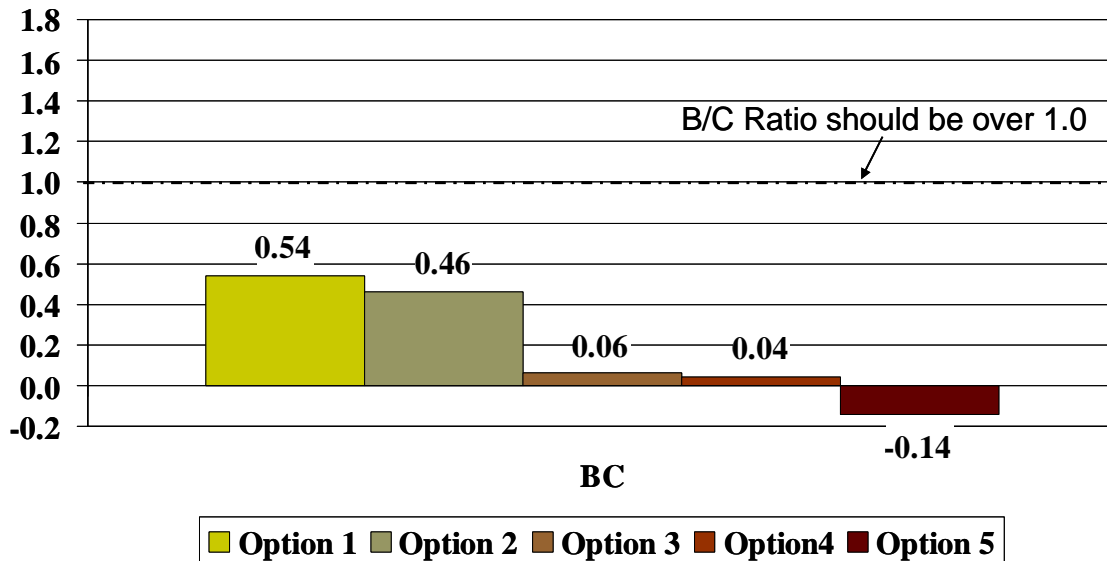


Figure 14 – Option 1

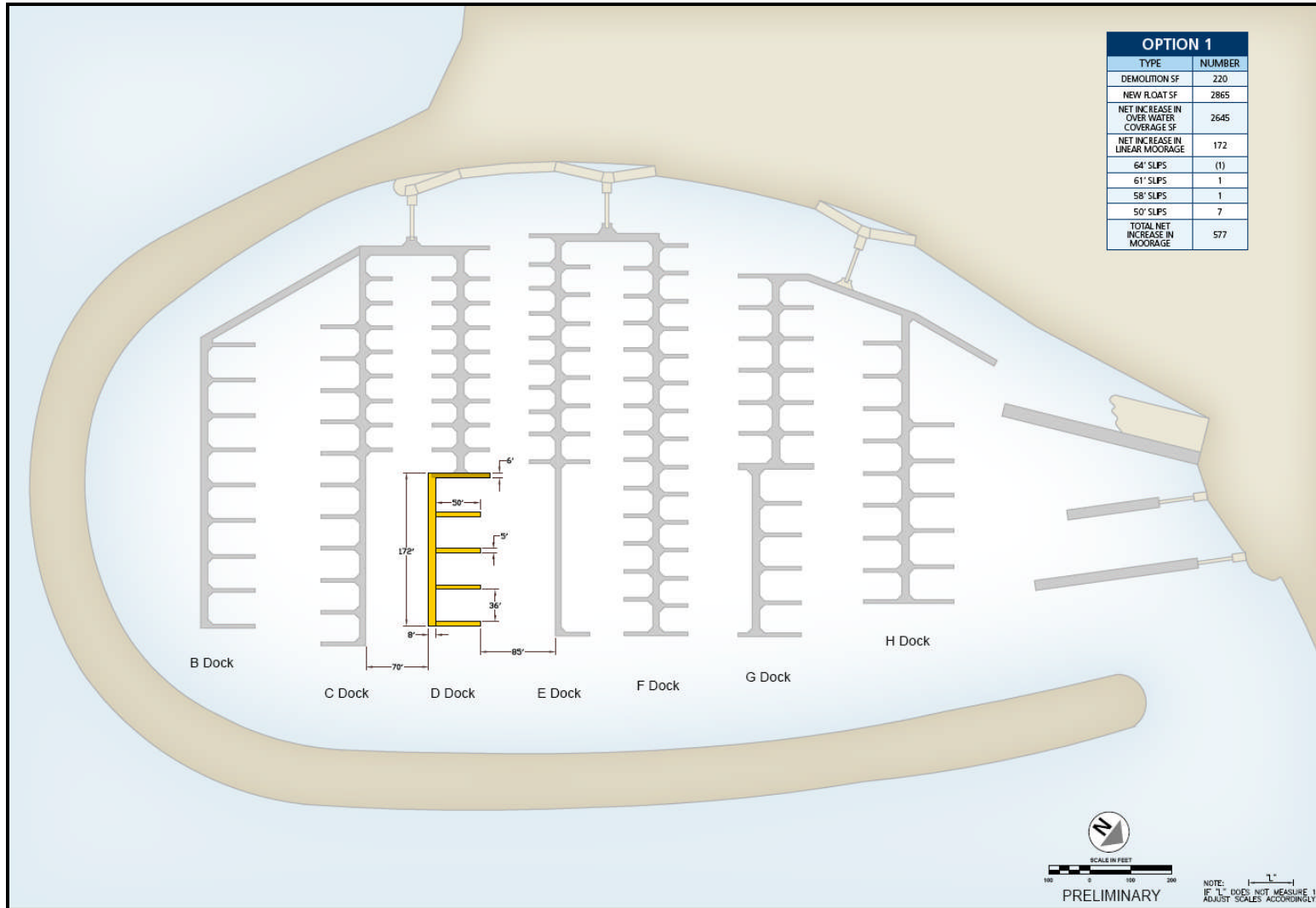


Figure 15 – Option 2

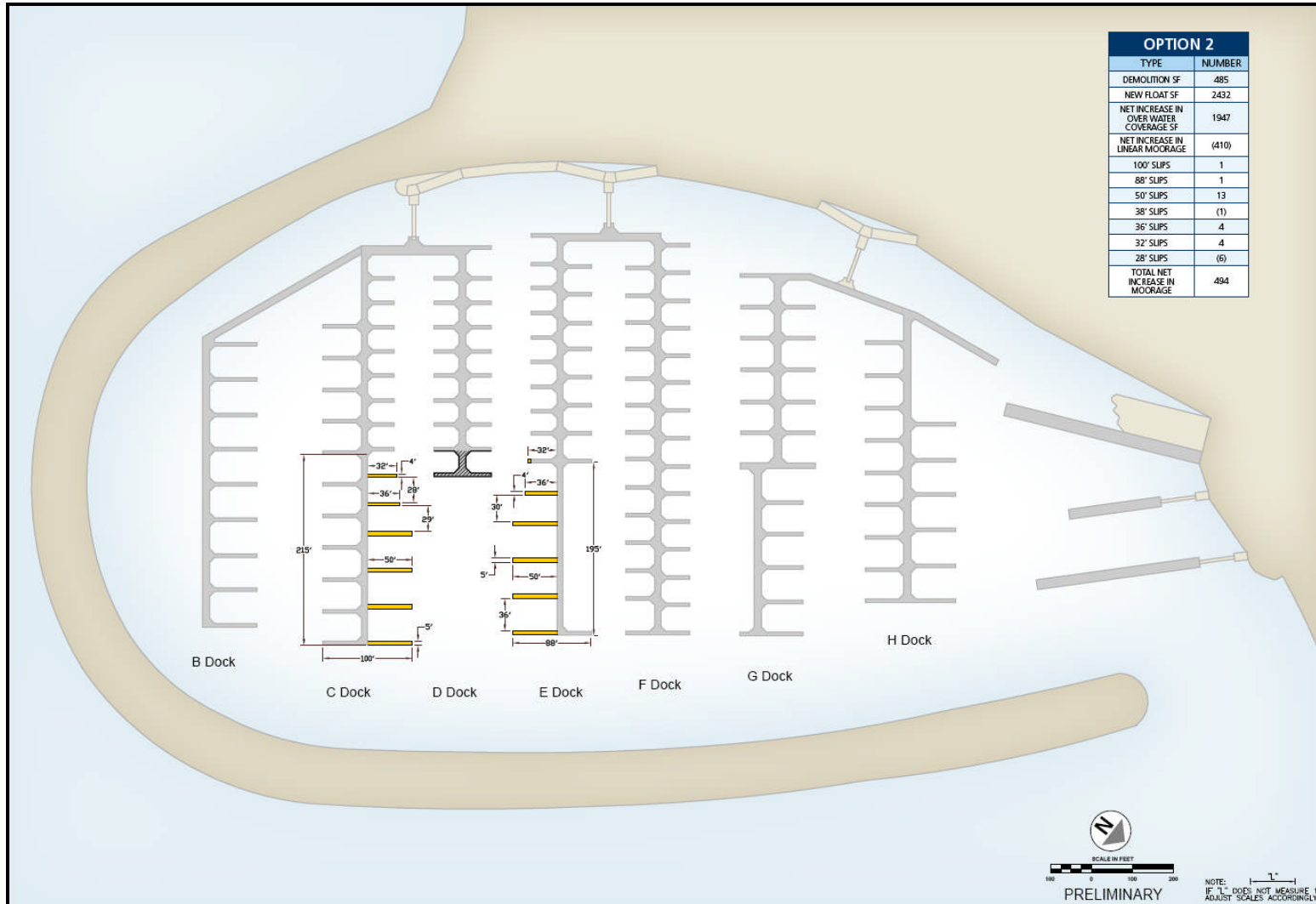


Figure 16 – Option 3

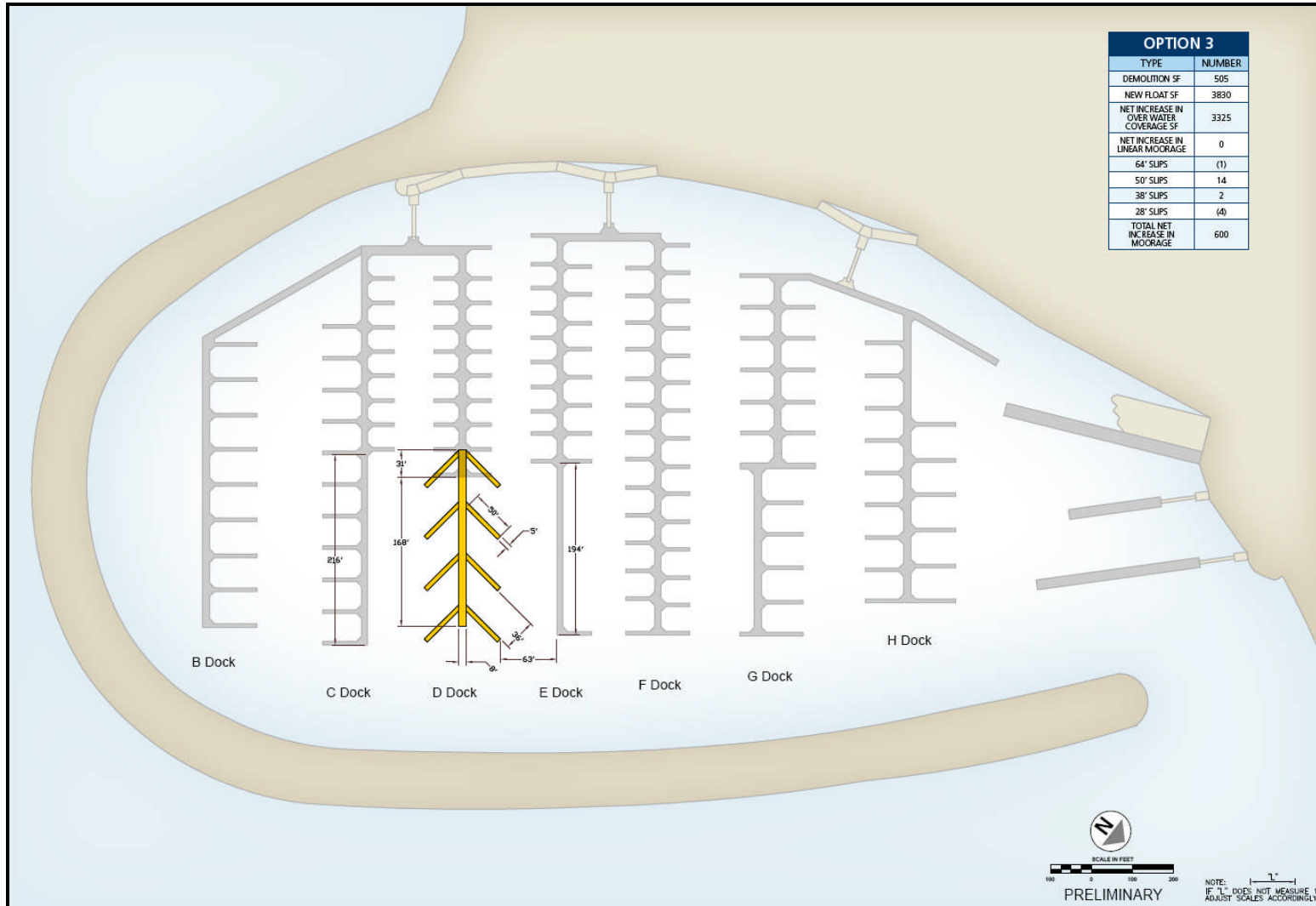


Figure 17 – Option 4

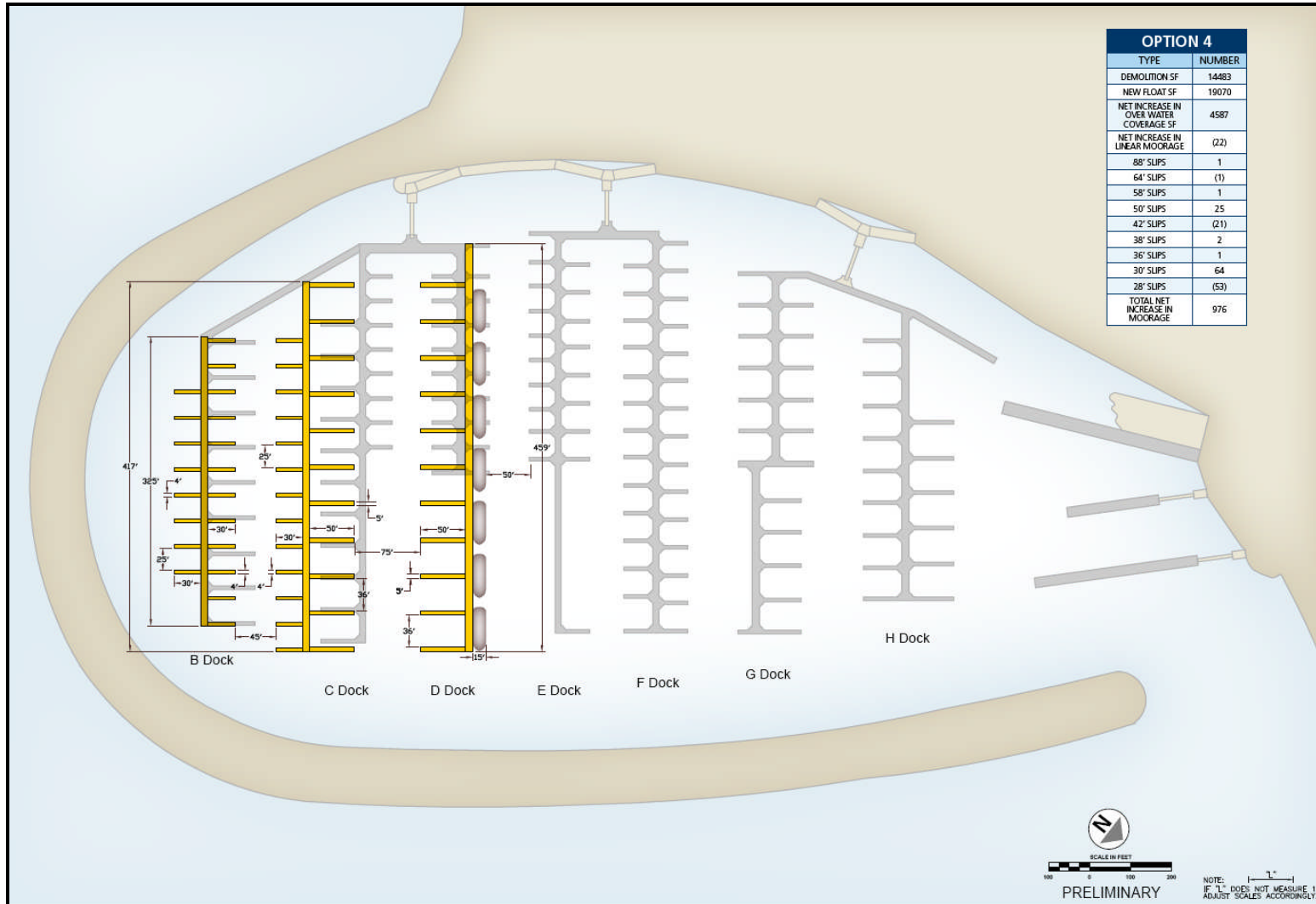


Figure 18 – Option 5

