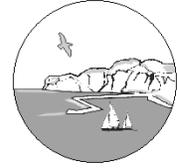

SOUTH COAST WATER DISTRICT STAFF REPORT



Meeting Date: April 9, 2015

Budgeted: Yes

To: Board of Directors

Budgeted Amount: \$150,000

Funding Source: Operating Budget

From: Andrew Brunhart, General Manager

Project #/Account #: 100-15160-13465

Briefer: Andrew Brunhart, General Manager

Subject: OPERATIONS OF DRY BOAT AND RV STORAGE FACILITY AT THE DISTRICT'S SAN JUAN CREEK PROPERTY (SJC)

SUMMARY

Staff has negotiated the Management Fee with McBride's RV Storage for operating a Dry Boat and RV Storage Facility at the District's San Juan Creek Property, received a revised Proposal from McBride's RV Storage reflecting the revised Management Fee, engaged in general layout discussions for Lot A and Lot B with McBride's RV Storage, and held a workshop with the project design firm, Tetra Tech, at which potential layout changes for Lot A and Lot B were discussed resulting in a significantly reduced engineering cost estimate for Lot B. Two new alternative analyses have been prepared based on revising the prospective Management Fee and incorporating revised construction costs for Lot A and Lot B. Additionally, a market analysis was conducted of Boat and RV Storage facilities within the area including number of spaces and percent occupancy per the Board's request.

RECOMMENDED ACTION

The Board of Directors authorize the General Manager to award a contract for a two-year base period with three one-year options for Dry Boat and RV Storage operations to McBride's RV Storage LLC at a first year Management Fee of 54.5 percent, a second year Management Fee of 46%, and a Management Fee of 46% for any exercised option years.

[This will be a multi-year agreement. The term of this agreement will be for a base period of two years, with options to extend the contract annually for up to an additional three (3) years.]

BACKGROUND/ANALYSIS

On November 7, 2013, the Board of Directors agreed to the County of Orange's request that the District develop a portion of its SJC property to accommodate the storage of approximately 500 boats. These boats will be relocated from the Dana Point Harbor in phases as part of the Harbor's revitalization effort over the next several years. It is expected that in approximately August, 2015 revitalization work in the Harbor will require relocation of

boats. In early 2014, the District hired a design consultant to prepare plans and specifications for construction of the boat storage facility. On October 6, 2014, District staff issued a Request for Proposal (RFP) seeking proposals from qualified firms to operate and manage the day-to-day operations including rental agreements, collection of rents, property management, marketing, and valet services, among other services. On January 22, 2015, staff briefed the Board on the RFP process, which resulted in McBride's RV Storage, LLC ranked as the top proposer. McBride's presented an innovative business plan and project approach that will generate the most Net Revenue to the District, under a contractor-operated scenario, and provide high quality service to the boating community in Dana Point. The Board authorized the General Manager to:

- a.) Negotiate the Management Fee with McBride's RV Storage,
- b.) Obtain a revised Proposal from McBride's RV Storage reflecting a revised Management Fee,
- c.) Determine the cost of the District managing the Boat & RV Storage operation with District staff,
- d.) Explore with the County of Orange, the County leasing Lots A & B of the San Juan Creek Property from the District, constructing Lot A and Lot B as designed, operating the Boat Storage facility using Lots A and B, with the lease expiring upon completion of the Dana Point Harbor revitalization project or after five years whichever is sooner.

On February 28, 2015, staff provided the Board an informational briefing including seven alternatives for operating boat and recreational vehicle storage on the San Juan Creek Property. Analysis indicated operating only Lot A is a financial non-starter. Construction of Lot A only would provide for storage of approximately 235 boats using the stacking method. This capacity would provide insufficient revenue to offset capital and operating cost across 5, 10, or 20 years of operation. Additionally, this alternative would not fulfill the District's commitment to the County of Orange Dana Point Harbor for storage of up to 500 boats.

Staff has negotiated with McBride's RV Storage resulting in a revised Management Fee of 54.5 percent for the first year of operations, and 46 percent for the second year and any potential follow-on year(s) of operation. Staff also had informal discussions with McBride's RV Storage regarding the layout of Lots A and B including potential efficiencies. Subsequently, staff held a workshop with the engineering consulting firm designing Lots A and B. As a result of that workshop, new layouts for Lots A and B were generated and the engineering cost estimate for Lot B was reduced from \$3.8 M to \$2.3M.

Based on the revised Management Fees and engineering cost estimates for Lots A and B, the alternatives of contractor-operated or District-operated were analyzed employing the following assumptions:

Assumptions

Operating (Office) Hours: 9 am – 6 pm, 7 days/week, year-round with Boats and RVs staged in a staging area for owner pick-up after office hours and NO Valet Services to Harbor or Detailing Services – **the most conservative approach to revenue analysis.**

Occupancy @ 94% or $800 \times 0.94 = 752$ Boats

Average Rental Rate: \$8.07/Linear Foot @ 25 Linear Foot Average = \$201.75 Boat/Month

Lot A Capital Cost = \$956,000 (\$416,000 Design and \$540,000 Construction)

Lot B Capital Cost = \$2.3M (All Design Cost under Lot A)

Alternative 1 – Contractor-Operated (see Attachment 1*)

	Alternative 1 Net Revenue		
	5-Year Period	10-Year Period	20-Year Period
Management Fee FY16 @ 54.5% FY17 & Beyond @ 46%	\$10,088	\$4,552,579	\$ 17,703,481

Alternative 2 – District-operated (see Attachment 1*)**

	Alternative 2 Net Revenue		
	5-Year Period	10-Year Period	20-Year Period
No Management Fee	\$ (78,598)	\$4,633,118	\$ 19,307,608

* Revenue to the District lost due to not renting lots on a month-to-month basis in Lots A and B is included as an expense.

** District Staff Expense = \$819,100 per year

- Facility Manager @ \$120,000 salary (\$205,200 annual compensation) on 5-year Employment Contract
- Assistant Facility Manager @ \$90,000 salary (\$153,900 annual compensation) on 5-year Employment Contract
- Four Lot Personnel @ \$360,000 total cost per year employed via employment contract firm
- All Billing/Accounting performed by existing District personnel: \$100,000/year

A market analysis (attachment 2) was conducted of Boat and RV Storage facilities within the area including number of spaces and percent occupancy per the Board's request. There are 42 similar facilities within approximately 35 miles of Dana Point Harbor. There are a total of 7,890 spaces at the 42 facilities with 7,632 rented, or an occupancy rate of 97%. An occupancy rate of 94% was used in the analysis for the potential Boat and RV Storage Facility on the District's San Juan Creek Property. Additionally, among these 42 facilities, there are only 258 vacant spaces. Three of the 42 facilities will be down-sizing or closing in the next year or so representing a loss of 1,030 spaces – this is in addition to the spaces that will not be available at Dana Point Harbor during revitalization.

The Contractor-Operated alternative maximizes net revenue across 5 years, i.e., essentially break-even. The District-operated alternative maximizes net revenue across 10 and 20 year horizons. However, the District-operated alternative has intangible costs to the District. It would require District senior staff to be engaged in management of the boat storage operation at a more time-consuming level than the contractor-operated option thereby taking time away from priorities of leading/managing the water/wastewater business. Additionally, notwithstanding the District would seek to hire an experienced boat storage facility manager, the District senior leaders still have no experience in actually operating such a facility, which is the reason the District sought Proposals from experienced operators. The market analysis indicates demand for Boat and RV storage space within the area is high, and will increase with the down-sizing/closing of three facilities.

Based on District's commitment to the County of Orange coupled with the net revenue analyses and a high demand market, it is recommended the Boat and RV Storage project at the District's San Juan Creek proceed and the Board of Directors authorize the General Manager to award a contract for a two-year base period with three one-year options for Dry Boat and RV storage operations to McBride's RV Storage LLC at a first year Management Fee of 54.5 percent, a second year Management Fee of 46%, and a Management Fee of 46% for any exercised option year(s).

PREVIOUS BOARD SESSIONS:

Board of Directors Special Meeting on November 1, 2013: At an information only workshop the Board explored concepts for uses of the San Juan Creek property. The Board also received information from firms interested in developing the property.

Board of Directors Special Meeting on November 7, 2013: At a workshop, the Board received responses to questions asked at the November 1, 2013 Special Meeting. By 5-0 vote, the Board approved sending a Letter of Commitment to Brad Gross, OC Dana Point Harbor for use of the San Juan Creek property to store up to +/- 500 boats at market rates subject to obtaining City of Dana Point approval and meeting other permitting and approval steps, and identifying an approach and project funding for site improvements.

Board of Directors Special Meeting on November 13, 2013: At a workshop, the Board received responses to questions asked at the November 7, 2013 Special Meeting. Staff provided refined information regarding four concepts for site development, development costs, and site layout options. The Board also received information from firms interested in developing the property. The Board requested staff to prepare a side-by-side comparison of project costs and potential property income to develop the property ourselves versus with the assistance of an outside development firm for 5-year and 10-year intervals.

Board of Directors Special Meeting on November 22, 2013: The Board received information from firms interesting in developing the property. The board also received a side-by-side comparison of project costs and potential property income to develop the property ourselves versus with the assistance of an outside development firm for developing 11 acres at a 10-year interval.

Board of Directors Special Meeting on December 6, 2013: The Board received responses to questions asked at the November 22, 2013 Special Meeting and suggested actions to self-develop 11 acres or 5 acres (with option to expand). By 5-0 vote, the Board approved the recommendation of the General Manager, with minor modifications by the Board, of Self Development of 5-7 acres (with option to expand), including:

- Board directed staff to beginning planning and permitting as necessary to ready up to 5-7 acres of the San Juan Creek property for RV/Boat Storage under a District Self Development Option.
- The Board directed that the project planning and permitting proceed based on a lowest cost design and construction consistent with permitting requirements and prudent business practices.
- Staff to acquire through RFP of qualified vendors CEQA and Project Management services.
- Staff was directed to obtain permitting for an 11 acre site.
- Staff was directed to return to the Board with a proposed detail approach to accomplish the project by the first Board meeting in January, 2014.

Board of Directors Regular Meeting on January 9, 2014: The Board received a project schedule, which indicated based upon analysis new Boat and RV storage area construction would not be completed in time to accept boats from the County by September 30, 2014. Thus, staff indicated an interim storage plan would be developed to accommodate boats prior to final completion of the project. Staff also indicated a Request for Proposal to obtain engineering and permitting support from an outside consultant had been prepared and a recommendation for award of a contract for design and permitting services would be provided to the Board at the February 27, 2014 meeting.

Board of Directors Regular Meeting on February 27, 2014: The Board considered a recommendation to execute a Consulting Service Agreement for design and permitting services associated with the development of a 6 acre, expandable to 11 acres, Boat and RV Storage area on the San Juan Creek property. The Board requested staff provide additional information regarding the scope of the design and permitting services.

Board of Directors Regular Meeting on March 4, 2014: By 5-0 vote, the Board authorized the General Manager to execute a Consulting Service Agreement with Tetra Tech in the amount of \$324,294 for design and permitting services associated with the development of a 6 acre, expandable to 11 acres, Boat and RV Storage Area on the San Juan Property.

Board of Directors Regular Meeting on August 14, 2014: By 5-0 vote, the Board authorized the General Manager, contingent on approval of applicable permitting, to: (a) Award a construction contract in the amount of \$397,000 to Pacific Hydrotech Corporation to construct San Juan Creek Property Lot A improvements; and (b) approve contract amendments, if required, up to \$40,000.

Board of Directors Regular Meeting on January 22, 2015: By 5-0 vote, the Board authorized the General Manager to: a.) Negotiate the Management Fee with McBride's RV Storage, b.) Obtain a revised Proposal from McBride's RV Storage reflecting a revised Management Fee, c.) Determine the cost of the District managing the Boat & RV Storage operation with District staff, and d.) Explore with the County of Orange, the County leasing Lots A & B of the San Juan Creek Property from the District, constructing Lot A and Lot B as designed, operating the Boat Storage facility using Lots A and B, with the lease expiring upon completion of the Dana Point Harbor revitalization project or after five years whichever is sooner.

Board of Directors Regular Meeting on February 26, 2015: An informational briefing was provided to the Board of Directors including seven alternatives for operating boat and recreational vehicle storage on the San Juan Creek Property. The Board of Directors requested staff to conduct a market analysis of boat and recreational vehicle storage facility within the area to determine number of spaces and occupancy rate.