



MEMORANDUM

Date: August 8, 2024

To: Honorable Mayor and Commissioners

Via: Todd Stoughton
Interim City Manager

From: Karen Olson
Port & Marine Services Director

Subject: 24-5845 Partial Rescission of Resolution #23-241 City Marina Liveaboard Pricing Structure

Introduction

Resolution approving partial rescission of Resolution #23-241 City Marina pricing structure for liveaboard tenant slip rental rates, rescind the questionnaire, rescind revised lease agreement, provide new lease agreement, rescind date of enactment, provide for a new date, rescind approved pricing structure, and provide amended pricing for ratification.

Background

The City Commission unanimously passed Resolution #23-241, in September 2023, creating a two-tier pricing structure affecting all 112 liveaboard (LAB) lease holds in the City Marina. The pricing structure decreased the per foot base rent for full-time tenants while increasing the base rent for our non-full-time tenants. Marina staff, in general, know the residency status of the liveaboard tenants from required lease agreement documentation and public records. The resolution included a questionnaire that was to be used to verify the status but instead created confusion and an opportunity for some tenants to falsify the information. Keeping the two-tier rate structure, as ratified, will be extremely hard for staff to monitor and will almost certainly prompt lawsuits. At time of enactment of this new single-rate pricing structure our tenants will have had a full year to decide whether they would like to stay in the City Marina, sell or look for dockage elsewhere.

While Marina management desires to maintain affordable housing for our full-time LAB tenants, there are viable concerns that the current rate, at **32%*** of average market rate, will not provide the necessary funding to complete the needed repairs throughout the City Marina, grossly undervaluing the Marina's potential. ***City Marina can expect upwards of \$20,000,000 in infrastructure repairs and or replacements over the next ten years.*** Over the past several years the Marina has realized a significant increase in operational expenses including wages, solid waste, utilities, and materials. ***Without a rate increase the Marina cannot sustain itself long-term.*** Marina Management's goal is that, in the future, this Enterprise Fund can benefit the taxpayer by contributing to the General Fund.

Staff has developed a single-rate pricing structure for the City Commission to consider as follows:

Continue a **single-rate** structure, effective October 1, 2024, increasing rates equally for all LAB tenants, **with incremental increases over a 3-year period to approximately 56% of market rate**. This option will quell division among full-time and non-full-time tenants while bringing in the much-needed revenues. This rate structure will realize approximately **\$2,115,019** in additional revenues over a four-year period. Rates will include an annual CPI increase (estimated at 3% annually) and the \$1/ft capital improvement fee is eliminated. Every four (4) years a new market rate study will be performed, and rates will be adjusted accordingly as approved by the City Commission.

October 1, 2024

40-foot x \$20.94/ft = **\$837.60/mo.**; **39%*** of average market rate
(\$15.79 x 3% (est. CPI) = \$16.26 + \$4.67 = \$20.94/ft)

October 1, 2025

40-foot x \$26.24/ft = **\$1,049.60/mo.**; **48%*** of average market rate
(\$20.94 x 3% (est. CPI) = \$21.57 + \$4.67 = \$26.24/ft)

October 1, 2026

40-foot x \$31.71/ft = **\$1,268.40/mo.**; **56%*** of average market rate
(\$26.24 x 3% (est. CPI) = \$27.03 + \$4.68 = \$31.71/ft)

All other monthly fees will still apply to all liveaboard tenants.

**Based on an average 40-foot vessel*

The City Manager, Assistant City Attorney and Marina staff have met with the Tenant's Representative detailing the above rate structure.

Procurement

The above pricing structure will go into effect on October 1, 2024, and will increase at the beginning of each fiscal year as approved plus annual CPI. The additional revenues from the approved rate structure will greatly increase the City Marina's ability to complete needed infrastructure repairs.

Recommendation

The City Manager's Office recommends the Mayor and Commission approve partial rescission of Resolution #23-241 City Marina pricing structure for liveaboard tenant slip rental rates, rescind the questionnaire, rescind revised lease agreement, provide new lease agreement, rescind date of enactment, provide for a new date, rescind approved pricing structure and approve the proposed single-rate pricing structure, with incremental increases, effective October 1, 2024.

Current LAB & Average Market Rates (as of October 1, 2024)

Current LAB Rate (plus est. 3% CPI)

40-foot x \$17.26/ft = **\$690.40/mo.** plus utilities and all other monthly fees
(\$15.79 x 1.03 = \$16.26 + \$1.00 = \$17.26/ft)

Average Market Rate (plus est. 3% CPI)

40-foot x \$53.43/ft = **\$2,137.50/mo.** plus utilities and all other monthly fees
(\$51.87 x 1.03 = \$53.43/ft)

Perry Hotel & Marina \$65/ft

Stock Island Yacht Club \$55/ft

Sunset Marina \$47.50/ft

Safe Harbor \$40.38/ft (\$31/ft + \$359 LAB fee)