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# Recommendations for an operating model of the “Marina Schloensee” Municipality of Heringsdorf



The Project is part-financed by  
the European Union (ERDF)

Speaker: Björn Gabler

Heringsdorf, Apr. 15th, 2015



## Structure

- Introduction - project “Marina Schloonseesee”
- Background and aim of the study
- Generalised expenditures und revenues forecast for two sample marinas
- Case Study Marina Operating Models – source of inspiration for “Marina Schloonseesee”
- Recommendations for preparing an operating model for “Marina Schloonseesee”



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## Introduction Project “Marina Schloonsee”



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- Outer shore marina ca. 60 berths
- Inner marina ca. 250 berths
- Winter Storage (5,250m<sup>2</sup> roofed)
- Yacht service (1,800m<sup>2</sup>)
- Promenade (maritime service, restaurants, etc.)
- Special housing area with 60 properties incl. 60 private berths
- Parking area
- Two draw bridges (for sea-front promenade)
- (Flood) Barrage



- Different motivations & expectations:
  - Investors: sale of property, using the marina as incentive /selling point to improve sales
  - Municipality: enhance attractiveness of the location, strengthen image as tourist destination
- Financing: private capital and public funding
- Different target groups:
  - Primary: purchaser of exclusive property, boaters
  - Secondary: tourists, daytime visitors, residents



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## Aim and challenges of the study



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## Aim

- Support the municipality to make the “Marina Schloonseesee” a successful project
- Help the municipality to communicate at eye level with the investor / planners
  - Make municipality acquainted with basic knowledge on marina business and operation
  - Screen other successful marina operating models
  - Give recommendations for successful public-private cooperation in marina operation





## Challenges for the study

- Very early planning phase:
  - Regional planning procedure not yet opened
  - No reliable investments costs available yet
  - No information on expected demand (#boaters)
  - No SWOT analysis for the site
- Study can provide just first recommendations for preparing a successful operating model
- An individually to the project tailored solution needs to be developed at later stage



## Generalised expenditures und revenues forecast for two sample marinas



- Aim:
  - Identify key economic data for marina operation
  - Detect decisive sources of revenues / cost drivers
  - Draw conclusions for marina operating model
- Methodology:
  - “Create” two sample marinas
  - Take assumptions for cost and revenues based on professional marina knowledge



## Basic assumption for Sample Marina 1:

- Very attractive location (sea resort),
- Pure guest boater marina,
- 1 Mio. € estimated investment costs (excl. breakwater),
- 100 berths,
- 1,000 boating guests in year 1,
- 5.000 boating guests after 10 operating years
- Some fishery boats and one small passenger ship,
- Operated by the municipality,
- Equipped with all necessary service facilities for guests,
- No further technical facilities except for a slip,
- Restaurants, shopping etc. in walking distance



## Basic assumption for Sample Marina 2:

- Very attractive location (sea resort),
- Full service marina for guests and resident boaters,
- 7 Mio. € estimated investment costs (excl. breakwater),
- 300 berths,
- 1,500 guests and 90 resident boaters in year 1,
- 6.000 guests and 210 resident boaters in year 10,
- Run by a private marina operator,
- Equipped with all services for guests & resident boaters,
- Crane, 10.000m<sup>2</sup> winter storage (50% roofed), yacht service,
- Restaurants, shopping etc. in walking distance,
- **Serves as rough orientation for „Marina Schloensee“**



# Recommendations for an operating model of the “Marina Schloensee” Municipality of Heringsdorf

	SAMPLE MARINA 1			SAMPLE MARINA 2		
<b>Revenues</b>						
Guest boaters	18.000,00 €	54.000,00 €	90.000,00 €	27.000,00 €	63.000,00 €	108.000,00 €
Resident Boaters	-	-	-	119.700,00 €	199.500,00 €	279.300,00 €
Fishery Boats	7.500,00 €	7.500,00 €	7.500,00 €	7.500,00 €	7.500,00 €	7.500,00 €
Passenger Cruise Ship	20.600,00 €	20.600,00 €	20.600,00 €	20.600,00 €	20.600,00 €	20.600,00 €
Winter Storage	-	-	-	145.100,00 €	209.600,00 €	298.500,00 €
Crane / Slip	2.000,00 €	3.000,00 €	4.000,00 €	20.000,00 €	30.000,00 €	48.000,00 €
Yacht Service	-	-	-	100.000,00 €	150.000,00 €	240.000,00 €
<b>Revenues Total (Gross)</b>	<b>48.100,00 €</b>	<b>85.100,00 €</b>	<b>122.100,00 €</b>	<b>439.900,00 €</b>	<b>680.200,00 €</b>	<b>1.001.900,00 €</b>
<b>Revenues excl. VAT (Net)</b>	<b>40.420,17 €</b>	<b>71.512,61 €</b>	<b>102.605,04 €</b>	<b>369.663,87 €</b>	<b>571.596,64 €</b>	<b>841.932,77 €</b>
<b>Revenues per berth p.a.</b>	<b>404,20 €</b>	<b>715,13 €</b>	<b>1.026,05 €</b>	<b>1.232,21 €</b>	<b>1.905,32 €</b>	<b>2.806,44 €</b>
<b>Costs</b>						
Staff	30.000,00 €	45.000,00 €	45.000,00 €	190.000,00 €	255.000,00 €	390.000,00 €
Sales	5.000,00 €	5.000,00 €	5.000,00 €	15.000,00 €	22.500,00 €	36.000,00 €
Consumptions	5.000,00 €	5.000,00 €	5.000,00 €	14.500,00 €	21.000,00 €	29.900,00 €
Lease of water surface	-	-	-	45.000,00 €	45.000,00 €	45.000,00 €
Maintenance and Repair	1.000,00 €	10.000,00 €	20.000,00 €	7.000,00 €	70.000,00 €	140.000,00 €
Adminsitartion	7.500,00 €	7.500,00 €	7.500,00 €	15.000,00 €	20.000,00 €	20.000,00 €
Insurance	7.500,00 €	7.500,00 €	7.500,00 €	15.000,00 €	20.000,00 €	20.000,00 €
Marketing	5.000,00 €	5.000,00 €	5.000,00 €	10.000,00 €	15.000,00 €	20.000,00 €
other costs	3.000,00 €	3.000,00 €	3.000,00 €	5.000,00 €	7.500,00 €	10.000,00 €
<b>Costs Total</b>	<b>64.000,00 €</b>	<b>88.000,00 €</b>	<b>98.000,00 €</b>	<b>316.500,00 €</b>	<b>476.000,00 €</b>	<b>710.900,00 €</b>
<b>Operating Result (excl. Depreciation and Debt service)</b>	<b>-23.579,83 €</b>	<b>-16.487,39 €</b>	<b>4.605,04 €</b>	<b>53.163,87 €</b>	<b>95.596,64 €</b>	<b>131.032,77 €</b>



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<b>Debt Service (5% of Investment costs)</b>	<b>50.000,00 €</b>	<b>50.000,00 €</b>	<b>50.000,00 €</b>	<b>350.000,00 €</b>	<b>350.000,00 €</b>	<b>350.000,00 €</b>
<b>Operating Result incl. Debt service</b>	<b>-73.579,83 €</b>	<b>-66.487,39 €</b>	<b>-45.394,96 €</b>	<b>-296.836,13 €</b>	<b>-254.403,36 €</b>	<b>-218.967,23 €</b>



- Conclusions:
  - Marinas are very capital-intensive businesses
  - Operating results of both sample marinas cannot cover the capital service for marina investment
  - Apart from staff costs, maintenance/ repair cost are the most decisive cost drivers
  - Costs for maintenance considerably increases with the age of the marina
  - Marinas need substantial (public) funding for the investment and/ or complementary financing from other sources of revenues (e.g. sale of property, hotel, etc.)





- **Conclusions:**

- Pure rent of berths is often not sufficient to cover operating costs (esp. when for guest boats only).
- Mixture of different sources of revenues helps to make marina operation more profitable.
- Winter business (storage, yacht service) is often more profitable than summer business.
- Basic requirement: Sufficient size, good capacity utilization, professional operation!



- Conclusions for “Marina Schloonsee”:
  - Same conclusions for „Marina Schloonsee“
  - Extraordinary high maintenance cost (dredging, barrage, bridges etc.) expected
  - A project-specific calculation of costs and revenue is needed
  - Good mixture of different services and sources of revenues in combination with an attractive location looks promising
  - Special housing area may provide a possibility to safeguard return of investment



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## Case Study Marina Operating Models – source of inspiration for “Marina Schloensee”



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- Methodology:
  - Compilation of different operating models, which have been realised under comparable natural, institutional and market conditions
  - Source of inspiration to find successful models (positive experiences) but also share negative aspects / lessons learnt
  - Useful basis to develop individually tailored solution



# Recommendations for an operating model of the “Marina Schloensee” Municipality of Heringsdorf





## YachtWelt Weiße Wiek (Marina Boltenhagen)



Source: Marina Boltenhagen GmbH & Co. KG 2015



## YachtWelt Weiße Wiek (Marina Boltenhagen)

- Marina (350 berths) embedded in a huge vacation resort comprising of 2 TUI operated hotels with together 950 beds
- Best practice for “Marina Schloensee”? -  
Comparable point of departure / expectations:
  - Municipality wants to have an attractive marina
  - Investor wants to safeguard return of investment and is therefore primarily interested in building hotels
  - Investor and municipality have no experiences in marina planning and operation
  - Very attractive location at outer shore of Baltic sea



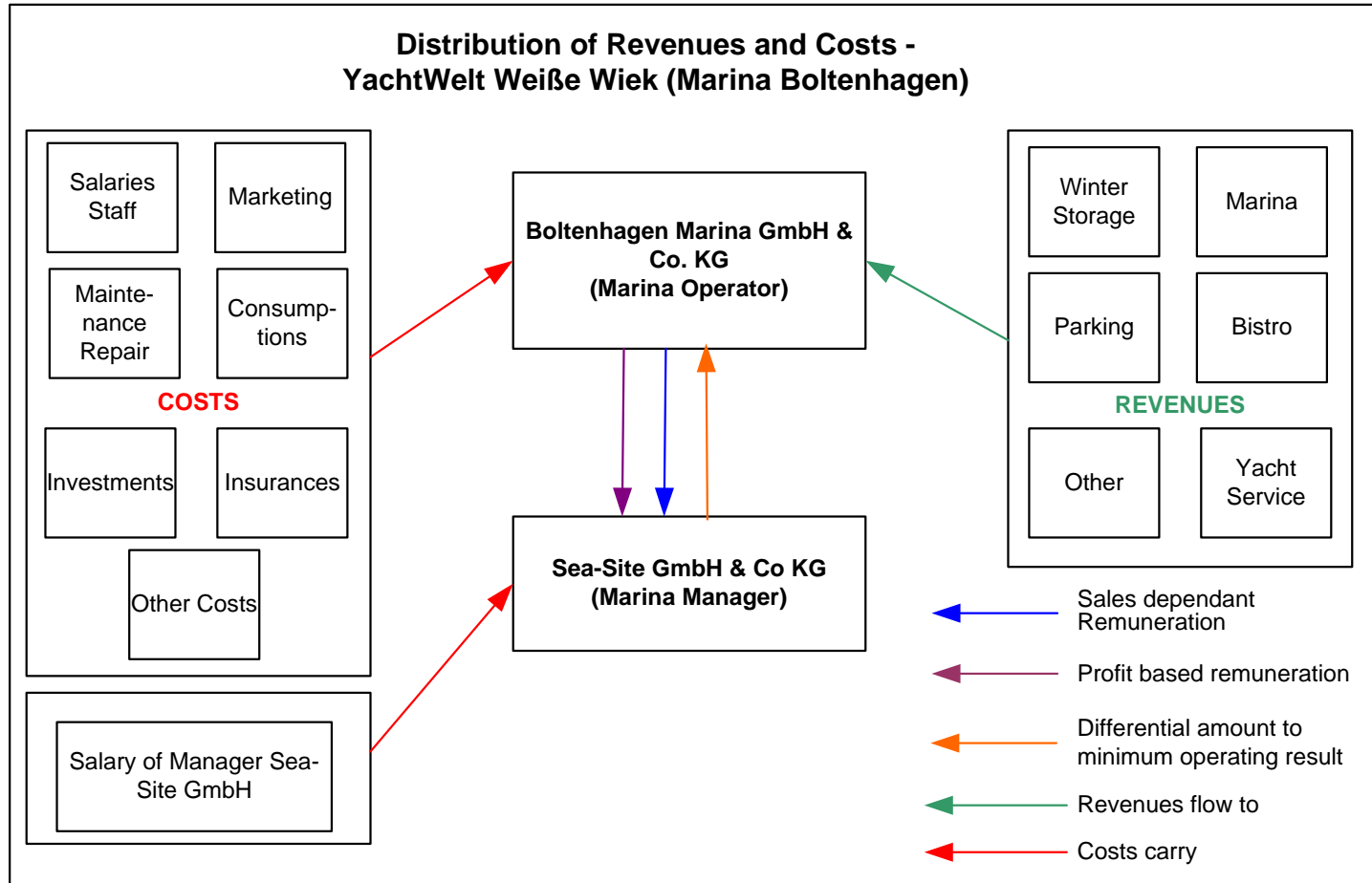
## YachtWelt Weiße Wiek (Marina Boltenhagen)

- Private operator involved two years before (2006) opening of the marina (2008)
- Private investor/ owner and marina operator concluded a management contract (15 years)
- High degree of determination and decision making power for marina operator in the planning phase
- Full flexibility within a fixed budget frame (e.g. winter storage and yacht service was only established on marina operators wish)





## YachtWelt Weiße Wiek (Marina Boltenhagen)





## YachtWelt Weiße Wiek (Marina Boltenhagen)

### Marina Manager:

- Leads and operates the marina in the interest, name and account for the marina owner/ investor
- Has similar authorisations like owner/investor
- Bears no marina operating costs (except for the salary of the manager)
- Receives a turnover and a profit dependant revenue (management fee)
- Is responsible to reach a min. annual operating result (applies from year 3 of operation)



## YachtWelt Weiße Wiek (Marina Boltenhagen)

### Investor/ Owner:

- Receives all revenues but has to bear all operating costs (excl. salary of management)
- Consequently, carries the main operating risks
- Carries extraordinary loads for repair and maintenance as well as finances additional investments (which cannot be financed from current budget)
- Has possibilities and rights for co-decision and controls concerning the operation of the marina



## YachtWelt Weiße Wiek (Marina Boltenhagen)

Remarkable aspects – Investor has realized that:

- a well functioning and lively marina is important for the success of the whole project (e.g. good for the hotels, good for the city)
- but the marina operation must be given into professional / experienced hands
- as main profiteer /beneficiary of the project, investor bears the main operating risks
- if the marina operator is provided with good conditions he can run the marina successfully



## Recommendations for the municipality for the preparation of an operating model for “Marina Schloensee”



## Project development phase:

- Early involvement of a professional, private marina operator already during planning phase
- Make sure that you find the right one. Screen the potential operators very carefully in advance (consider professional help when searching for the operator)
- Give the future marina operator a high degree of determination and decision making power in the marina development process



## Project development phase:

- Conclude the operating contract with marina operator at early stage (mutual trust, safety and important for banks to approve co-financing)
- Make sure that the operating contract has a sufficient duration - minimum 10 years
- Carefully check advantages and disadvantages of a lease compared to a management contract (depends on the ownership of the site/ marina)



## Project development phase:

- Consider limited economic potentials of a marina
- Fair balancing of operating chances and risks
- **The main profiteer of the project (e.g. investor) should also bear the main operating risks**
- **Make sure that your marina remains attractive**
- Create a maintenance reserve for extraordinary maintenance costs and investments for upgrading the marina at very early stage
- Level of financial contribution should be oriented on the financial profits of the project (mainly fed by investor but consider also municipal contribution)





## Project development phase:

- Professional support for the municipality in the complete marina development process (esp. in all legal, planning and economic issues)

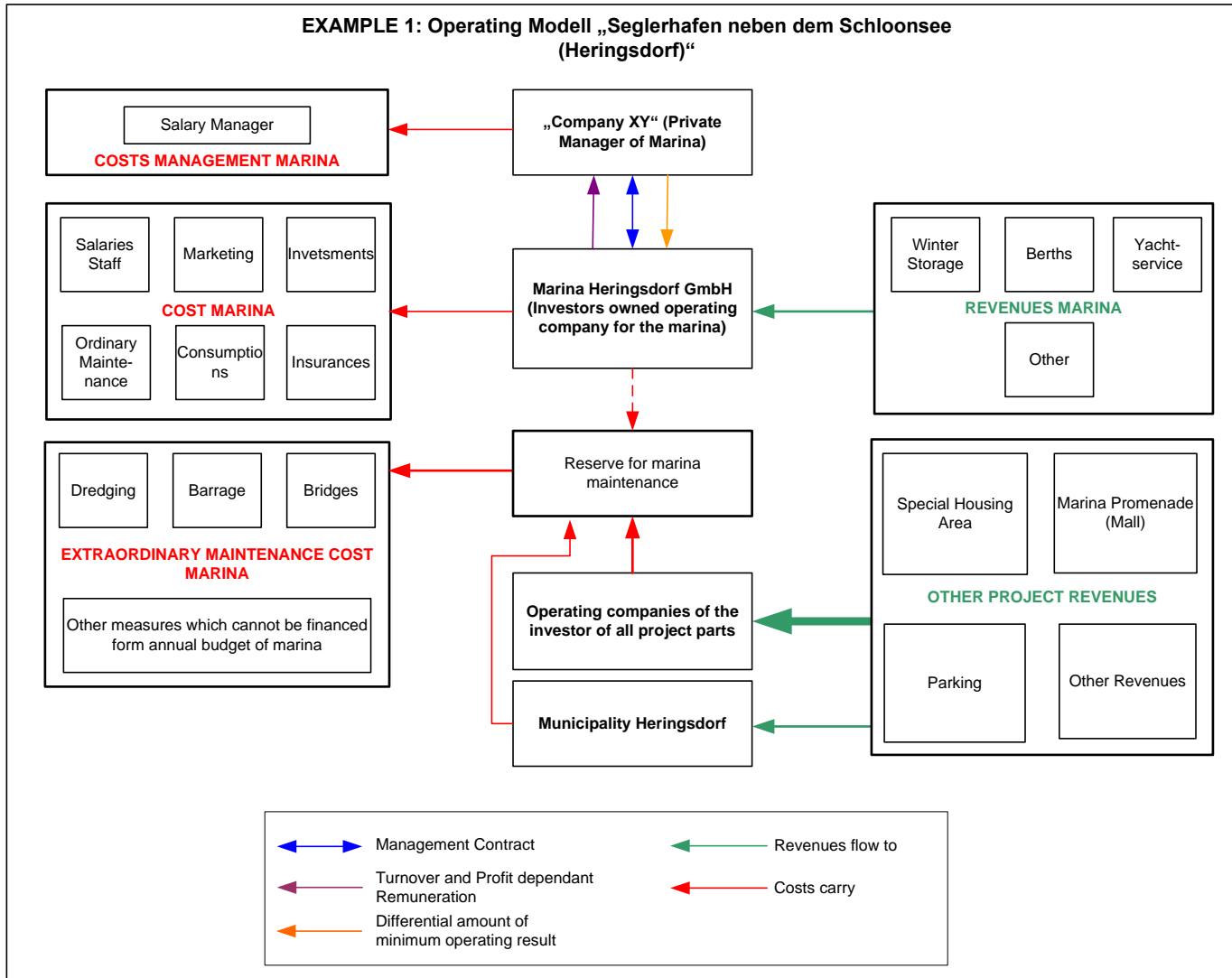


## Project operating phase:

- Sufficient authorisation / liberties for the marina operator in the exercise of his key duties – avoid interference from outside (e.g. price decision)
- Patience and trust with the operator esp. in early stages of cooperation – it takes time until a marina becomes profitable
- Avoid unrealistic high leases or minimum operating results in the first 3-4 years of operation
- Investments for later upgrading the marina can be very important to improve profitability and value

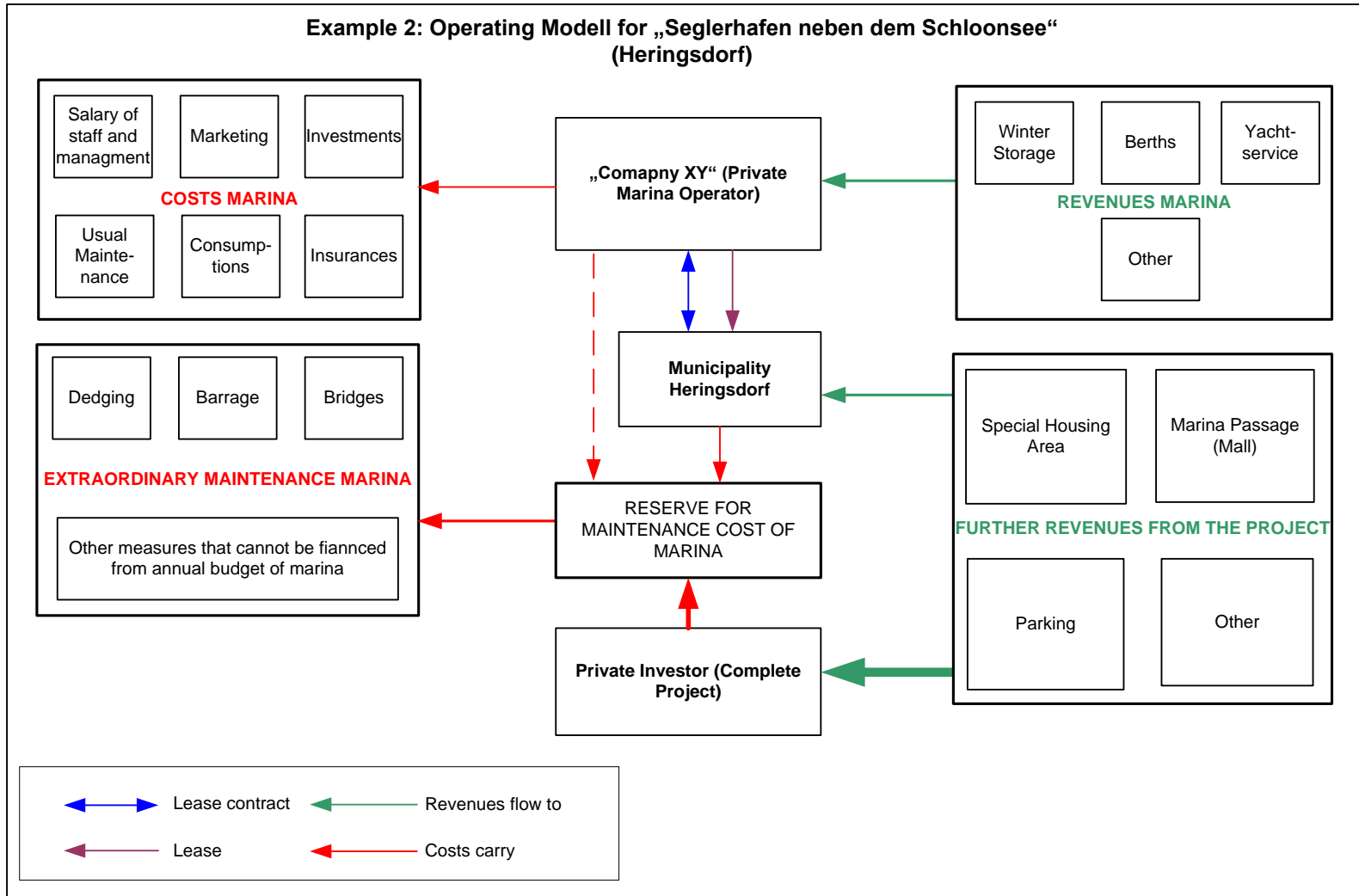


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Thank you for your attention!



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