

## MEMORANDUM

**TO:** City of Tarpon Springs

**FROM:** Owen Beitsch, PhD, FAICP, CRE

**DATE:** November 10, 2011

**RE:** Comments on Planned Property Acquisition for City Boat Ramp  
(RERC 11-1113)

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### BACKGROUND AND SUMMARY

At staff's request, we have reviewed plans to acquire about twenty acres of property to construct a public boat ramp with access to the gulf through the Anclotte River. Related plans have suggested that about sixteen acres of the property be used for a campground or recreational vehicle park (RV). These transient accommodations might be developed and owned by the City, a private entity, or some combination of the two.

Our analysis considers four alternatives. While some combined or integrated approach could be used, the four are treated discretely to understand how they might be realized or implemented:

- The City proceeds with construction of the boat ramp then retains ownership and management of any improvements. These facilities would occupy or require about 4.0 acres of the subject property.
- The City by itself constructs, manages and owns an RV park on the uplands which comprise about 16.0 acres of the total site.
- Instead, the City seeks a private partner for the park portion of the proposed development plan. The nature of the relationship and the defined roles for each remain to be determined.
- Or, rather than participating in development other than the ramp, the City divests itself of the uplands at fair market value. The property would be sold and used for the park.

As we understand the current circumstances, the City the twenty acres in question originally accommodated an RV and mobile home operation. This original business was an intense utilization of the property supporting about 280 units at varying times of the year.

The City's *total costs to acquire* the twenty acre parcel in question, including the normal costs of closing the transaction, come to about \$4,550,000 or about \$228,000 an acre. The *purchase price* is somewhat lower than the appraisal of \$4,700,000 established in July 2011. The moderately higher figure reflects the appraiser's determination that the property's *highest and*

*best use* was for some 243 units of multi-family housing. The total appraised sum represents about \$16,000 per unit across the entire parcel. The appraisal also references impact fee credits which may be available.

Several concepts have been described for the boat ramp and launching area surrounding the ramp, most focusing on varying intensities of RV usage, but there are no explicit plans so any ideas -- and their implications -- are subject to change or refinement. The July appraisal *did not* consider the transient uses or activities now being publically discussed.

Because most of what is now being evaluated is conceptual, the analysis is inherently limited and based on a series of assumptions which are disclosed or described. While our assumptions are speculative, we believe they are reasonable for benchmarking purposes and decision making.

As part of our process, we have discussed with staff the ultimate plans as they have been outlined, reviewed the appraisal completed for the property, inventoried and profiled a representative group of public launching facilities, profiled a selected group of campground and RV facilities, and reviewed preliminary cost data associated with permitting and constructing the boat ramps which are the center of the current undertaking. We collected secondary data about the development and operational costs of ramps and RV parks or campgrounds to see what land values are typically associated with these kinds of transient accommodations. Finally, we prepared certain assumptions based on this data to test the concepts being considered. Specific to the potential for an RV park or similar uses, our work does not substitute for a detailed market analysis, which we would strongly advise, should development plans advance.

The balance of this memorandum comments on the critical issues associated with the various options as we have defined them, providing our opinions about the broad terms being explored and their implications for the structure of an agreement should the city ultimately acquire the property and proceed with a plan.

In general, we find all the alternatives pose difficult financial obstacles because of the underlying value attributed to the real property and the possible long term nature of any development strategy. Whether that value can be extracted or absorbed by the City will be a significant matter to settle if a private entity is to be engaged for any part of the implement strategy.

Among the biggest uncertainties is the park's potential unit count. If the number of RV sites falls materially below those shown or assumed here, such a change will adversely affect the information presented. We have to consider that to be a possibility at this stage of analysis.

## THE APPRAISAL PROCESS

Implicit in the appraisal process is that the property targeted for valuation is being deployed for its *highest and best use*, terminology often misunderstood. The *Dictionary of Real Estate Appraisal* stipulates highest and best use is that which is legally permissible, physically possible, market supportable and yields the highest return to the land. The Uniform Standards of Appraisal Practice (USPAP) go on to describe the importance of financial feasibility in determining highest and best use.

The inference in the logic of appraisal is that the structure or concept implemented under the conditions of highest and best use would generate lease or sales revenues enabling a definite land value to be supported. In other words, even though the parcel is vacant, the inherent assumption is that the prices of any comparable vacant properties were negotiated with the expectation that revenues (income) of a certain level would enable the land to support a value commensurate with the related income stream.

Though useful for defining value at a specific point in time, an appraisal is silent about future conditions and rarely addresses adequately the broader market dynamics affecting the conclusion in question. For this appraisal problem, the appraiser made a determination that recent comparable sales would be the focus of the analysis in question. When a property is used for something which is other than the assumed highest and best use, there is naturally a variance between the appraised value and that estimated using different conditions.

In this case, the highest and best use purports to be a conventionally constructed multi-family venture, seemingly oriented toward rentals although the appraiser simultaneously addresses housing for seniors and families which have different financial and operating characteristics. Without considering how these or other issues might affect the outcome of the appraisal, it is fair to conclude that the document strongly favors an intense development of the site. At the allowed densities, structures comprised of 2-3 floors would likely be necessary to accommodate the unit count allowed in the zoning district described by the appraisal.

It remains unclear at this time how impact fee credits, if they do exist, would affect this concept or the value in the appraisal. What is clear is that those credits become currency only when paid (or collected).

In theoretical terms, the actual use of the site and the value inherent in that use should reconcile to the appraisal. Where there are material differences, the highest and best use is not being achieved, the underlying assumptions are flawed, or negotiations have to close the differences to reflect the activity actually being planned for the parcel. What seems apparent in this case are major differences in the appraiser's concept (a dense multi-family development), presumptions about the near term state of the market (potentially diminished and highly competitive) and likely expectations imposed by the public (unimpeded accessibility) separate the appraised value from that which can be achieved given public usage and low density activities now proposed. These differences lead to focused discussion about assumptions in the appraisal that generate the reported value, the perceived value or importance of public access, and possible means to mitigate the extremes in value.

#### DESCRIPTION OF THE BOAT RAMP(S)

The currently proposed facilities would consist of dual launch lanes, temporary docks, and parking for about 100 cars and trailers. The design options are relatively limited because of the shape of the property.

A recently prepared engineering report indicates costs to implement the launch facility of about \$1,500,000. These costs do not include the additional capital associated with a proportionate share of the total land acquisition costs which would be at least \$900,000 for about four acres. The costs do not address long term maintenance or replacement needs.

There would be no restrooms or other amenities on the four acres assigned to the ramp area. The City has one or more launch facilities already and collects an annual fee for residents. How this new ramp would link to the existing fee system has not been determined

For the most part, launch facilities in Pinellas and Pasco counties operate under a pricing structure which has little, if any, relationship to their capital, replacement, or routine operating and maintenance costs. More often, the operation of boat ramps in Florida is managed as a public recreational amenity in which the fees rarely offset anything more than a very small part of their actual costs.

While there are some free launching areas in the region, these are relatively limited and seem to be to be inferior in their condition and utility when compared to those where fees are collected. Generally, a daily launch fee in the region runs from \$3.00 to \$6.00. Pinellas County charges \$110.00 for an annual pass which allows unrestricted access to all county owned launch facilities. As well as distinguishing between residents and non-residents, some areas outside of this region charge both seasonal and non-seasonal rates, and some of the daily rates are higher than those locally. For example, Cape Coral charges a daily fee of \$10.00. A varied fee structure is largely justified given the cost burden that otherwise falls on a broad class of tax payers, the ability to isolate particular users and their frequency of usage, the limited number of well-maintained or well-located facilities to accommodate demand, and the operational costs which are reasonably associated with owning a boat.

A 2001 study, *Assessing the Economic Impacts of Public Piers and Boat Ramps*, completed for the Florida Fish and Wildlife Conservation Commission, reports that about 75% of the boat launch activity in any Florida location, on average, can be attributed to non-residents. Certainly, there is a design capacity for the proposed ramp, and it would not be irrational to balance fees commensurate with anticipated levels of local usage. Few private marinas support or allow daily launches -- including the adjacent marina -- which effectively pushes residual demand to public facilities. These and similar considerations suggest a compelling policy issue to weigh in allowing free and unimpeded access to these kinds of facilities.

As with so many public services or facilities, they can be easily over consumed when they are not controlled or metered in some way. With competing demands for financial resources, it becomes difficult to justify the provision of non-essential services without a minimal tariff. A small charge would not defray all costs but it would acknowledge the embedded value in the provided infrastructure.

If a fee is to be collected, the alternatives vary between a staffed and unstaffed approach. A staffed location would likely require a fee structure oriented to the higher end of the area's range but on site personnel also offer security and control which together imply a higher value. Automated ticketing and collection boxes appear to be less expensive choices but without the security benefit or any assurance the fee is paid. To discourage abuse and generate some security benefit, these unstaffed alternatives have to be paired with strict enforcement procedures.

## DESCRIPTION OF RV PARK ALTERNATIVE(S)

Plans for the proposed RV park remain very tentative at this point. Various ideas, certainly not concepts, have been considered as part of the larger property acquisition.

Generally such RV parks or facilities are very intense land uses as evidenced by the description of the subject property contained in the July 2011 appraisal.

- Staff has done an analysis estimating the number of sites or units that might be accommodated on site. As we understand the analysis, the current zoning code might be adjusted in the future but that would also require a land use amendment. In any case, the outcome of that staff effort indicates as many as 225 RV sites could be sited or developed on the sixteen acres not utilized for the launching facilities. This total is somewhat less than twenty units per acre and represents what might be placed on the property under an ideal set of circumstances. Given the actual total number of units originally on the subject property, the estimated count is a material reduction.
- From our own analysis of several RV parks, including several older facilities, staff's estimate still seems to be somewhat high. Nonetheless, the City's estimate properly recognizes a developer would generally be motivated to maximize densities permitted under any regulations. Our analysis, by comparison, found RV parks rarely exceed ten to twelve units per acre, most typically less. From the plans provided by staff, the higher number would be aggressive despite the unit count originally supported on the subject property. We believe twenty units per acre would likely be the highest number achieved.

For purposes of this analysis, we have assumed between 175 and 200 sites could be accommodated on site along with administrative offices, recreation areas, bathroom and showering facilities, utilities, and auxiliary storage. Additional parking or storage might be required for park residents that also have boats and trailers. We believe this *lower* count may ultimately be difficult to achieve once sufficient acreage is set aside for circulation, detention, retention, and the many amenities that might be demanded for a competitively positioned RV park. In effect, if these higher conditions could not be achieved the analysis would be implicitly optimistic and possibly the very best case.

Staff indicated that sites of average size and with the complement of amenities described would cost about \$16,000 to develop. Our own analysis suggested a figure very comparable to that estimated by staff. Such improvement costs are lower than, but still similar to, those incurred in developing a conventional single-family lot. These costs could be more or less, depending on the actual design scheme, the level of amenities, finishes, general standards maintained, approach to implementation, and the applicable land development regulations.

In the event that impact fee credits can be realized, they will have no bearing on the analysis presented because the development costs shown are assumed net of any applicable fees which will vary by concept and schedule. To the degree these fees do exist, the City may negotiate their use or value with any developer should it become apparent a developer has some desire to partner with the City. If the city proceeds on its own, the value of the fees as even a development cost is debatable. *Were* such fees to be considered, they would adversely affect the value of the land unless they could be *fully* offset. In other words, development costs could

be moderately higher than shown in the accompanying financial analysis. We don't believe that difference is material.

Whether publicly or privately owned or implemented, complete recreational, support facilities and administrative areas would probably be needed to maximize the operation's value. At the very least, it can be assumed that their presence (or absence) will have a potential affect on the overall rate and revenue *structure*. In effect, the variables affecting financial performance are not materially different than those associated with a conventional hotel or motel unit oriented to the value market segment. That is, parks with the best locations and amenities will achieve the higher occupancies and rental rates.

In the main, rates for the parks we profiled are running from \$35 to \$70 per night depending on their location, character of the accommodations, seasonality, and specific composition of the amenities and services provided. Some have access to boat launching facilities or include a small marina as part of the park. The nightly fees have some limits imposed by the cost of conventional hotel or motel accommodations and monthly rentals in competing parks or in alternative facilities. At the higher end of the rate structure -- an undiscounted \$70 rate [\$2100/month more or less] in this case -- the supply of competing accommodations is virtually unlimited in the region, even on a seasonal basis. As a result, some parks do offer discounts for weekly and monthly rentals which act to dampen these higher daily rates. Discounts of 20% to 30% are not uncommon but vary by location.

Anecdotal reporting suggests most parks in the region have nominal vacancy rates and most are at capacity in the winter months. For a year, we have assumed an average of 70% occupancy with significant swings by month and season.

November through March or April generally comprise the months of the highest activity. Summers have much lower activity. In any case, we have assumed that the five months from November 1 to March 31, comprising about 150 days of peak rental activity, will be almost fully occupied. Just a few vacancies at either end of the period, or a series of movements-in/movements-out, preclude a 100% occupancy during this peak period so we have established a 95% occupancy for benchmark purposes. Even with these high occupancies in the cooler months, the summer months will need to reach about 50% occupancy to achieve a 70% occupancy rate for the year.

The operating costs for these kinds of transient parks vary depending on the nature of the support facilities. While many services -- such as electrical and trash or dumping -- are sometimes metered and charged to each user, other parks *include* these or other costs in the base rate, explaining much variation in the general rate structure among parks. These many operating costs range from about 30% to 60% of total revenue. Like other figures considered in this analysis, they could be somewhat higher or lower but, on average, we believe it is reasonable to assume that 50% of revenue is consumed by operating expenses including some utility costs. Subsequent analysis, if required, would examine this issue in more detail because metering easily allows these costs to be monitored and apportioned.

The capital markets for any new development are very limited, and existing RV parks are commonly sold using owner financing. While the means of financing is speculative, we have assumed a twenty year amortization schedule, 8.0% interest, a debt service coverage ratio of 1.25, and a return on equity of at least 15%. Assumptions associated with both the interest rate

and the level of investment return may be very optimistic given the equity ultimately required and the highly specialized nature of the activity.

While there is room to disagree with the precise set of assumptions, they do reflect the general variations we see in the marketplace. As such, they do establish outside limits on what might be reasonably expected in terms of park content and general financial performance in a typical year of operation.

## FINANCIAL PERFORMANCE OF THE CAMPGROUND

Based largely on the market and operating assumptions outlined above, we completed a separate series of financial analyses for a potential RV park on the subject property, both *including* and *excluding* a cost allocation for the property associated with the planned boat ramps. If the park can support the underlying land costs, all or at least some of the land acquisition costs for the boat ramp could be offset.

There is a popular sentiment that in fact an RV park could be very profitable and the City could act entrepreneurially to capture value in the full twenty acre site proposed for purchase. If the value warrants, it may also be possible to induce a private concern to assume a role or position in developing or managing the park, perhaps in partnership with the City. On the other hand, should an RV concept *not be* feasible, the costs of that operation then add to the financial burden of the City. In that case, there would be only modest prospects of inducing a private party to *develop* the park although that party might assume its *management* on a fee basis. Further, if the concept is unfeasible, it also raises the question of why a property, appraised on a determination that multi-family development comprises its highest and best use, would in fact be valued and deployed as something else.

Reflecting on our assumptions and other information described, we have completed twelve simple feasibility tests or models that are provided in the Appendix. None include a time dimension so the period of time before stabilization is reached is not addressed specifically in these models.

Each of these feasibility tests has 28 lines of financial information. Line 24 in each analysis is our estimate of the supportable value of land assigned to the RV park *alone*. Line 28 in each analysis is our estimate of the supportable value of land assigned to the RV park and the boat ramp *combined*. In general, any concept capable of supporting the proposed purchase price of the subject property would likely be deemed feasible initially and worthy of more detailed evaluation.

The multiple models encompass two broad scenarios, one orientated to an annualized occupancy of 70%, the other to an annualized occupancy of 65%. The basic assumptions for each model are listed below.

### Scenario 1.0: Overall annual occupancy of 70%:

- Model 1A: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 70%. Rates vary by season and range from \$50 to \$70 for 175 RV sites.

- Model 1B: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 70%. Rates vary by season and range from \$40 to \$60 for 175 RV sites.
- Model 1C: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 70%. Rates vary by season from \$30 to \$50 for 175 RV sites.
- Model 2A: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 70%. Rates vary by season and range from \$50 to \$70 for 200 RV sites.
- Model 2B: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 70%. Rates vary by season and range from \$40to \$60 for 200 RV sites.
- Model 2C: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 70%. Rates vary by season and range from \$30 to \$50 for 200 RV sites.

Scenario 2.0: Overall annual occupancy of 65%:

- Model 3A: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 65%. Rates vary by season and range from \$50to \$70 for 175 RV sites.
- Model 3B: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 65%. Rates vary by season and range from \$40to \$60 for 175 RV sites.
- Model 3C: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 65%. Rates vary by season and range from \$30to \$50 for 175 RV sites.
- Model 4A: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 65%. Rates vary by season and range from \$50to \$70 for 200 RV sites.
- Model 4B: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 65%. Rates vary by season and range from \$40to \$60 for 200 RV sites.
- Model 4C: Reflects a 95% occupancy rate during the peak months and an average annual occupancy rate of 65%. Rates vary by season and range from \$30 to \$50 for 200 RV sites.

These multiple outcomes, in our opinion, establish starting parameters for financial planning and decision making and, of course, are open to interpretation and debate about their implications. On balance, the information illustrates several possibilities with none really functioning as a financial stress test. Stated differently, none of the models reflects a distinctly *adverse* set of conditions.

Individually, each of these models incorporates a reasonable set of assumptions but several might be deemed optimistic. All are dependent upon achieving the unit count assumed in the model, and they disregard any affects of timing or further rate adjustments. In the aggregate, we believe these models represent the *very best* level of performance that can be achieved. To illustrate: should a park be maximized at 150 units subject to the rental or fee structure outlined, *only two* of the current models would generate outcomes deemed feasible. If lowered to 125 units, only one would generate outcomes deemed feasible.

Whatever is ultimately achieved, there is a dynamic relationship among density, rates for the RV sites themselves, and overall annual occupancy. As the unit count is intensified, the park's density exacts a downward pressure on both rates and occupancies, especially during the weaker summer months. These pressures would increase the share of fixed costs relative to potential operating revenue.

Given our observations about the market place and the interaction among operating variables, conservative fiscal planning -- in our opinion -- would focus on models 1C, 2C, 3C and 4C which assume a maximum daily rate of \$50. Based on the assumptions specified, we would label this set of models the *Most Likely*. These models consider 175 and 200 sites though it may ultimately be possible to do only fewer units with materially negative consequences.

- The first test considers the RV park's ability to absorb land cost by *itself* as an operating entity. Each of the four models at this level of occupancy and rate suggest the park could by itself meet the test of financial feasibility [line 24 in all three models] because they yield a land value greater than the \$4,550,000 acquisition cost.
- Because of the capital obligations imposed on the city by purchasing the entire 20 acre site, it is impractical to separate the implications of operating the RV park from the imputed costs of implementing the boat ramp and its related facilities. As a result, the second test considers the RV park's ability to absorb the land costs for *both* the ramp and the park [line 28 in all four models]. In two models, the park *cannot* by itself as an operating entity absorb the anticipated \$4,550,000 in land cost. In one model, feasibility is marginal. In the final case, the park *can* absorb these costs. In that one situation, the park must support the full count of 200 units and achieve the maximum projected occupancy.

Obviously, a lowered unit count generates even less favorable financial results, simply because the land costs have to be amortized over fewer units. While the attached models do not reflect this lowered units count, a reduced number -- and the park's correspondingly lowered financial performance are a reference point for evaluating overall risk.

#### IMPLEMENTATION OF THE CAMPGROUND

The cost and operation of the campground are inherently tied to the financial feasibility of the RV park. Absent the RV park, the City has no reasonable expectation of offsetting a pro rata share of the land costs allocated to the launching facilities, their cost of construction, or their continued costs of operation. In our opinion, the most beneficial strategy would link operation of the ramp to operation and management of the proposed RV park. Under the right set of circumstances, the combined strategy has the potential to move capital and operational costs from the City's budget entirely. With minimum performance standards, the City can require both a secured facility and a means of collecting agreed upon launching fees.

Without addressing the precise role a developer would fulfill, the RV park must meet exceed or certain financial thresholds to attract that developer. The analysis attached indicates that the most favorable sets of assumptions offer the prospects of acceptable, possibly strong, financial performance. The more conservative sets of assumptions -- those associated with the models 1C, 2C, 3C, and 4C make it increasingly difficult to attract a private concern. A lowered number of units, whatever the actual rental structure, could make it impossible to achieve any private participation.

In effect, the City's only means of removing its risk position entirely is to sell the uplands property anticipating receipt of cash commensurate with the values shown in any of the several models including those which produce the lowest values [line 24]. A sale limits the risk to the gain [or loss] on the sale date.

Any shared arrangement, places the City at some level of continuing financial exposure with only modest assurances that an acceptable increase in financial performance will yield the desired benefits. If the maximum values could be achieved, a land lease becomes somewhat more attractive but a lease necessarily requires the City to consider a long term position and continued exposure regardless of the vehicle used to define its role and its interests.

To illustrate how a public/private partnership might work, the potential cash generated should *exceed* the City's continued financial obligations. Any arrangement which generates returns that merely *satisfy* the City's financial obligation should pose concerns.

At an assumed interest rate of 3.5%, 25 years, the City faces a minimum annual financial obligation of about \$367,000 for its complete land acquisition and capital improvements { [approximately \$6,000,000] for the ramp, excluding any opportunity costs. Based on the values calculated in the several models [line 24] a lease rate pegged at 8% to 10% of the land value would be supportable. In model 4C, there is a potential to generate about \$500,000 in revenues, well in excess of the City's direct costs. The income stream will remain speculative over the life of the lease, however. Effectively, in any given year, the City may find its expectations short of those necessary to satisfy its internal financial needs.

## OBSERVATIONS AND RECOMMENDATIONS

The discussion in this paper is not about the social or community value of a waterfront investment. Such an investment *may* be appropriate for *civic* reasons but those cannot be justified on the value of the RV park as an enterprise or entrepreneurial activity.

The RV park offers, under very optimistic conditions, the potential to recover much of the costs associated with the boat ramp so there is some rationale for the current public dialogue. That said, the analysis points to significant risk that must be accepted if the level of return is to be sufficient to absorb the City's costs of moving ahead with the ramp, RV park, or some combination of the two. The analysis simply does not reconcile to the idea of the RV park as a sound financial strategy.

Our final opinion stems primarily from the outcome of models 1C, 2C, 3C and 4C. Viewed together as a group, they most align with the rents we think are *Most Likely* given the high densities being discussed. These four models illustrate only a marginal ability to support the full cost of the park and the boat ramps [line 28]. If there are risks of financial shortfall identified in these models, these are only increased if the unit count can not be achieved for any reason. Further, bear in mind, if the unit count falls in the more optimistic models, they too are financially suspect.

Should there be an expectation that a private entity would provide needed capital to implement an RV park, then that goal can better be accomplished by selling the uplands rather than seeking a partner to engage in an enterprise that is highly speculative at this point. Ideally, the

City's purchase and a subsequent sale to an end user would be accomplished simultaneously limiting the City's exposure to the date of the transaction.

Alternatively, if sentiment prefers, a developer might be solicited through a carefully structured Request for Proposal (RFP) at which time the many financial issues and feasibility for the alternates would be vetted and evaluated. If that is the end solution, it makes sense to acquire the property subject to very specific contingencies.

In the event an RV park is developed, we believe the best outcome is to require the partnering entity to assume all responsibilities of the launch facilities. Related to the ramp, we advocate a daily and seasonal pass structure if only to acknowledge the cost and rationing of this public resource. Private management could implement controls subject to public policy concerns and guidelines.

While we were briefing the City's budget advisory committee on this memorandum, we were asked about the implications of simply developing the property as a passive waterfront park, perhaps with a smaller RV park. While these options may come closer to achieving a truly civic or community goal, these options suggest more detrimental financial impacts. On the one hand, there are now more public costs to offset. On the other hand, there are more costs to be absorbed by the RV park should one be developed but there is now room for fewer units to generate the needed revenue.

As for the choice of location for the boat ramp, that also raises a question. With the substantive costs involved for acquisition of the property, alternative sites might be better suited to future expansions if they were demanded. Such options seem to be precluded on the subject because of its geometry and setting. We have to speculate about the opportunity to acquire other parcels for the same intended purpose, possibly at more beneficial processes or costs.

There is little about the proposed ramp and RV park in conjunction that warrants the City to assume the financial responsibility of an undertaking requiring materially higher capital obligations than the boat ramp alone might dictate. Even then, in this era of limited economic resources such a decision would seem to merit approval only to fulfill a strictly defined set of civic and community objectives.

Other issues are likely to emerge that are beyond the scope of this brief assessment. The comments here should be viewed in that context. RERC's information and comments should be relied upon only to aid your continued discussions with the proposer and to support your own planning efforts.

APPENDIX I

Simple Feasibility Analysis

MODEL 1: 175 sites 70% Annual Occupancy

	Model 1A/70%: 70/50	Model 1B/70%: 60/40	Model 1C/70%: 50/30
<b>Rental profile</b>			
Line 1	Peak rentals (November, December, January, February, March)		
Line 2	Number of peak rentable days (approximately)	150	150
Line 3	Non Peak, April, May, June, July, August, September, October		
Line 4	Number of non-peak rentable days	215	215
Line 5	Total available for booking	365	365
Line 6	Total annual rentable days at 70%	255.5	255.5
Line 7	Total annual rentable days at 65%	N/A	N/A
<b>Income</b>			
Line 8	Total peak Rentable days	150	150
Line 9	Peak rentable days at 95%	142.5	142.5
Line 10	Estimated peak revenues	\$ 9,975	\$ 8,550
Line 11	Other, non-peak needed to achieve 70%	113	113
Line 12	Off peak season occupancy	53%	53%
Line 13	Estimated off peak revenues	\$ 5,650	\$ 4,520
Line 14	Total gross revenues	\$ 15,625	\$ 13,070
Line 15	Less: estimated expenses 50%	\$ 7,813	\$ 6,535
Line 16	Net operating income/RV site	\$ 7,813	\$ 6,535
Line 17	Total net operating income (NOI)	\$ 1,367,188	\$ 1,143,625
<b>General feasibility</b>			
Line 18	Available for debt service (1.25 DSCR)	\$ 1,093,750	\$ 914,900
Line 19	Supportable mortgage amount	\$ 10,738,599	\$ 8,962,623
Line 20	Remaining cash flow	\$ 273,438	\$ 228,725
Line 21	Justified additional equity at 15%	\$ 1,822,917	\$ 1,524,833
Line 22	Supportable project value	\$ 12,561,515	\$ 10,507,456
<b>Supportable land value RV park</b>			
Line 23	Estimated project costs at \$16,000/unit	\$ 2,800,000	\$ 2,800,000
Line 24	Residual land value (line 22-23)	\$ 9,761,515	\$ 7,707,456
<b>Supportable land value RV park and ramp</b>			
Line 25	Cost of boat ramp	\$ 1,600,000	\$ 1,600,000
Line 26	Estimated cost of RV Park	\$ 2,800,000	\$ 2,800,000
Line 27	Total	\$ 4,400,000	\$ 4,400,000
Line 28	Residual land value (line 22-27)	\$ 8,261,515	\$ 6,207,456

### Simple Feasibility Analysis

#### MODEL 2: 200 sites, 70% Annual Occupancy

	Model 2A/70%: 70/50	Model 2B/70%: 60/40	Model 2C/70%: 50/30
<b>Rental profile</b>			
Line 1	Peak rentals (November, December, January, February, March)		
Line 2	150	150	150
Line 3	Non Peak, April, May, June, July, August, September, October		
Line 4	215	215	215
Line 5	365	365	365
Line 6	255.5	255.5	255.5
Line 7	N/A	N/A	N/A
<b>Income</b>			
Line 8	150	150	150
Line 9	142.5	142.5	142.5
Line 10	9975	8550	7125
Line 11	113	113	113
Line 12	53%	53%	53%
Line 13	\$ 5,650	\$ 4,520	\$ 3,390
Line 14	\$ 15,625	\$ 13,070	\$ 10,515
Line 15	\$ 7,813	\$ 6,535	\$ 5,258
Line 16	\$ 7,813	\$ 6,535	\$ 5,258
Line 17	\$ 1,562,500	\$ 1,307,000	\$ 1,051,500
<b>General feasibility</b>			
Line 18	\$ 1,250,000	\$ 1,045,600	\$ 841,200
Line 19	\$ 12,272,684	\$ 10,265,855	\$ 8,259,026
Line 20	\$ 312,500	\$ 261,400	\$ 210,300
Line 21	\$ 2,083,333	\$ 1,742,667	\$ 1,402,000
Line 22	\$ 14,358,018	\$ 12,008,522	\$ 9,661,026
<b>Supportable land value RV park</b>			
Line 23	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000
Line 24	\$ 11,158,018	\$ 8,808,522	\$ 6,461,026
<b>Supportable land value RV park and ramp</b>			
Line 25	\$ 1,800,000	\$ 1,800,000	\$ 1,800,000
Line 26	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000
Line 27	\$ 4,700,000	\$ 4,700,000	\$ 4,700,000
Line 28	\$ 6,668,018	\$ 7,308,522	\$ 4,961,026

## Simple Feasibility Analysis

### Model 3: 175 sites, 65% Annual Occupancy

	Model 3A/65%: 70/50	Model 3B/65%: 60/40	Model 3C/65%: 50/30
<b>Rental profile</b>			
Line 1	Peak rentals (November, December, January, February, March)		
Line 2	Number of peak rentable days (approximately)	150	150
Line 3	Non Peak, April, May, June, July, August, September, October		
Line 4	Number of non-peak rentable days	215	215
Line 5	Total available for booking	365	365
Line 6	Total annual rentable days at 70%	N/A	N/A
Line 7	Total annual rentable days at 65%	237.25	237.25
<b>Income</b>			
Line 8	Total peak Rentable days	150	150
Line 9	Peak rentable days at 95%	142.5	142.5
Line 10	Estimated peak revenues	\$ 9,975	\$ 8,550
Line 11	Other, non-peak needed to achieve 70%	95	95
Line 12	Off peak season occupancy	44%	44%
Line 13	Estimated off peak revenues	\$ 4,738	\$ 3,790
Line 14	Total gross revenues	\$ 14,713	\$ 12,340
Line 15	Less: estimated expenses 50%	\$ 7,356	\$ 6,170
Line 16	Net operating income/RV site	\$ 7,356	\$ 6,170
Line 17	Total net operating income (NOI)	\$ 1,287,344	\$ 1,079,750
<b>General feasibility</b>			
Line 18	Available for debt service (1.25 DSCR)	\$ 1,029,875	\$ 863,800
Line 19	Supportable mortgage amount	\$ 10,111,465	\$ 8,480,916
Line 20	Remaining cash flow	\$ 257,469	\$ 215,950
Line 21	Justified additional equity at 15%	\$ 1,716,458	\$ 1,439,667
Line 22	Supportable project value	\$ 11,827,923	\$ 9,920,582
<b>Supportable land value RV park</b>			
Line 23	Estimated project costs at \$16,000/unit	\$ 2,800,000	\$ 2,800,000
Line 24	Residual land value (line 22-24)	\$ 9,027,923	\$ 7,120,582
<b>Supportable land value RV park and ramp</b>			
Line 25	Cost of boat ramp	\$ 1,600,000	\$ 1,600,000
Line 26	Estimated cost of RV Park	\$ 2,800,000	\$ 2,800,000
Line 27	Total	\$ 4,400,000	\$ 4,400,000
Line 28	Residual land value (line 22-27)	\$ 7,527,923	\$ 5,620,582

## Simple Feasibility Analysis

### Model 4: 200 sites, 65% Annual Occupancy

	Model 4A/ 65%: 70/50	Model 4B/ 65%: 60/40	Model 4C/65%: 50/30
<b>Rental profile</b>			
Line 1	Peak rentals (November, December, January, February, March)		
Line 2	150	150	150
Line 3	Non Peak, April, May, June, July, August, September, October		
Line 4	215	215	215
Line 5	365	365	365
Line 6	Total annual rentable days at 70%		
Line 7	237.25	237.25	237.25
<b>Income</b>			
Line 8	150	150	150
Line 9	142.5	142.5	142.5
Line 10	\$ 9,975	\$ 8,550	\$ 7,125
Line 11	95	95	95
Line 12	44%	44%	44%
Line 13	\$ 4,738	\$ 3,790	\$ 2,843
Line 14	\$ 14,713	\$ 12,340	\$ 9,968
Line 15	\$ 7,356	\$ 6,170	\$ 4,984
Line 16	\$ 7,356	\$ 6,170	\$ 4,984
Line 17	\$ 1,471,250	\$ 1,234,000	\$ 996,750
<b>General feasibility</b>			
Line 18	\$ 1,177,000	\$ 987,200	\$ 797,400
Line 19	\$ 11,555,959	\$ 9,692,475	\$ 7,828,991
Line 20	\$ 294,250	\$ 246,800	\$ 199,350
Line 21	\$ 2,452,083	\$ 2,056,667	\$ 1,661,250
Line 22	\$ 14,008,043	\$ 11,749,142	\$ 9,490,241
<b>Supportable land value RV park</b>			
Line 23	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000
Line 24	\$ 10,608,043	\$ 8,549,142	\$ 6,290,241
<b>Supportable land value RV park and ramp</b>			
Line 25	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Line 26	\$ 3,200,000	\$ 3,200,000	\$ 3,200,000
Line 27	\$ 4,700,000	\$ 4,700,000	\$ 4,700,000
Line 28	\$ 9,308,043	\$ 7,049,142	\$ 4,790,241