

# City of Oak Harbor Marina Options



September 12, 2024  
Skagit Valley College

# Welcome

*We appreciate you joining us for this round-table discussion about the City of Oak Harbor Marina. The plan for this meeting is to review what we know about the future of the Marina and use this discussion to prepare for next week's Open House with the community and the Council Workshop on September 25, 2024.*

*We wanted to give you a chance to review the concepts presented here today; ask questions and digest the information presented to allow you time to connect with staff to ask any additional questions you might have before you are asked to direct staff about which path we should take to address future Marina projects.*

## Agenda

- 10:30 a.m. - Marina Tour
- 12 p.m. to 1 p.m. - Arrival and Lunch
- 1 p.m. to 2 p.m. - Discussion

## About the Marina

The Oak Harbor Marina (“Marina”) opened on September 9, 1974, and since then has successfully operated as a recreational marina. At one time it was labeled as the “Jewel of the Puget Sound” and attracted boaters from all over the west coast and Canada.

While the City of Oak Harbor owns the Oak Harbor Marina, it has always operated as an Enterprise fund and does not receive any City funding or taxpayer dollars. The Marina relies solely on revenue generated at the Marina for all the expenses associated with operating a 420-slip marina, including all capital projects.

The Marina is now 50 years old and is showing signs of age. It needs to be dredged, a new breakwater installed and reconfigured to accommodate larger, modern boats. The cost of these three projects is estimated to be approximately \$44 million. In addition to these projects, the channel leading into the Marina (Oak Bay) needs to be dredged. The cost of dredging the channel is unknown, but it is likely to be more than \$50 million.

The cost of these projects is more than the Marina can afford on its own. At this point the Marina needs help financing these projects. As a City owned recreational Marina, it does not qualify for any grant funding. There have also been many attempts to receive state or federal appropriations with little success.

Based on these challenges, staff has outlined the following options for the future of the Marina:

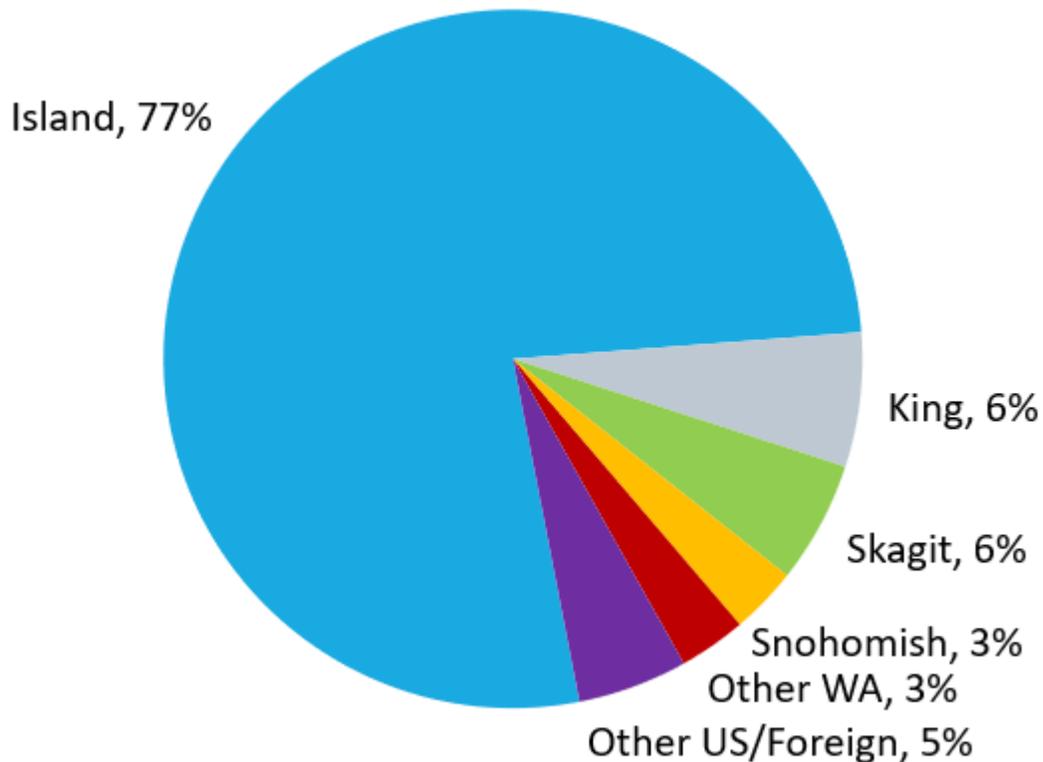
- Forming a Port District
- Grants and Appropriations
- Special Taxes & Bonds
- Closure of the Marina
- Recommendation from the consulting firm BST Associates

# Oak Harbor Marina Demographics

BST Associates provided the following demographic data as of January 25, 2023 showing that 77% of tenants are from Island County:

- 49% from Oak Harbor
- 25% from Coupeville
- 3% from Camano Island

It is important to note that the Oak Harbor Marina is a local and not regional marina. In comparison, the Des Moines Marina is regional. 25% of the tenants at the Des Moines Marina live in the City of Des Moines. The type of marina that we have impacts the ability to raise rates.



# Next Steps for Marina Planning

The City delayed addressing several key projects for the Marina's future success. The City Council is at the critical stage of providing staff direction about how to proceed. In review, the current projects that require attention have been delayed for more than ten years, and it is time for the City to take action and provide direction regarding the future of this facility.

Staff will be hosting more events to engage with the public about our local Marina, including:

- September 18, 2024—Open House at City Hall between 6 p.m. and 7:30 p.m. The event will feature presentations of the options presented today.
- September 21, 2024 - Marina 50th Birthday Celebration between 11 a.m. and 2 p.m.
- September 25, 2024 - City Council Workshop for Council to ask additional questions about the options before staff returns at an October meeting to seek direction.

**PUBLIC OPEN HOUSE:  
LEARN ABOUT THE FUTURE OF THE  
OAK HARBOR MARINA**

**DATE:** SEPTEMBER 18  
**TIME:** 6:00PM TO 7:30PM  
**LOCATION:** CITY HALL (865 SE BARRINGTON)

JOIN US FOR AN INFORMATIVE EVENING AS WE EXPLORE THE OAK HARBOR MARINA. THIS OPEN HOUSE IS A GREAT OPPORTUNITY FOR THE COMMUNITY TO LEARN ABOUT THE VARIOUS OPTIONS THE CITY IS CONSIDERING FOR THE MARINA AND PROVIDE YOUR INPUT.

**WHY ATTEND?**

HEAR PRESENTATIONS ABOUT THE POTENTIAL PLANS AND PROJECTS FOR THE MARINA. ASK QUESTIONS DIRECTLY OF CITY STAFF.

LIGHT REFRESHMENTS AND ACTIVITIES FOR THE KIDS WILL BE PROVIDED, SO BRING THE WHOLE FAMILY!

FOR MORE INFORMATION, PLEASE CONTACT MARINA HARBORMASTER, CHRIS SUBLET AT 360-279-4576 OR VISIT [WWW.OAKHARBOR.GOV/813/UPCOMING-MARINA-EVENTS](http://WWW.OAKHARBOR.GOV/813/UPCOMING-MARINA-EVENTS)



CITY OF  
**Oak Harbor**  
Parks & Recreation

**YOU'RE INVITED**

OAK HARBOR MARINA  
**50<sup>th</sup>**  
ANNIVERSARY

**Saturday, September 21 | 11am to 2pm**

Free Food | Games | Entertainment | Scavenger Hunt | Marina Tours

**1401 SE Catalina Drive | Oak Harbor**

# Marina's Financial Review

The following review summarizes the cost of the Marina redevelopment project and the ability to finance from Marina net revenues.

## Project Cost

The total projected costs for Marina redevelopment are estimated at more than \$44 million in 2024 dollars (See Table 1).

It should be noted that this estimate does not include two other key projects that will be required in the long run for the Marina to continue to function properly:

1. Dredging the channel to the Marina (Oak Bay), and
2. A second round of dredging in the basin that would occur 12 to 13 years after the near-term dredging.

These items would significantly increase the cost of redevelopment.

Table 1 – Oak Harbor Marina Estimated Cost of Redevelopment in 2024

Item	Cost (\$ - 2024)
Dredging	\$11.8 M
Marina Demolition and Redevelopment	\$24.9 M
Breakwater (~14,000 SF)	\$7.5 M
<b>Total</b>	<b>\$44.2 M</b>

Source: Moffat Nichol Total Redevelopment Planning Cost Report from March 21, 2024

The costs in future years, due to increases in labor and material costs associated with the projects, are unknown.

# Marina's Financial Review

## Financial Capability

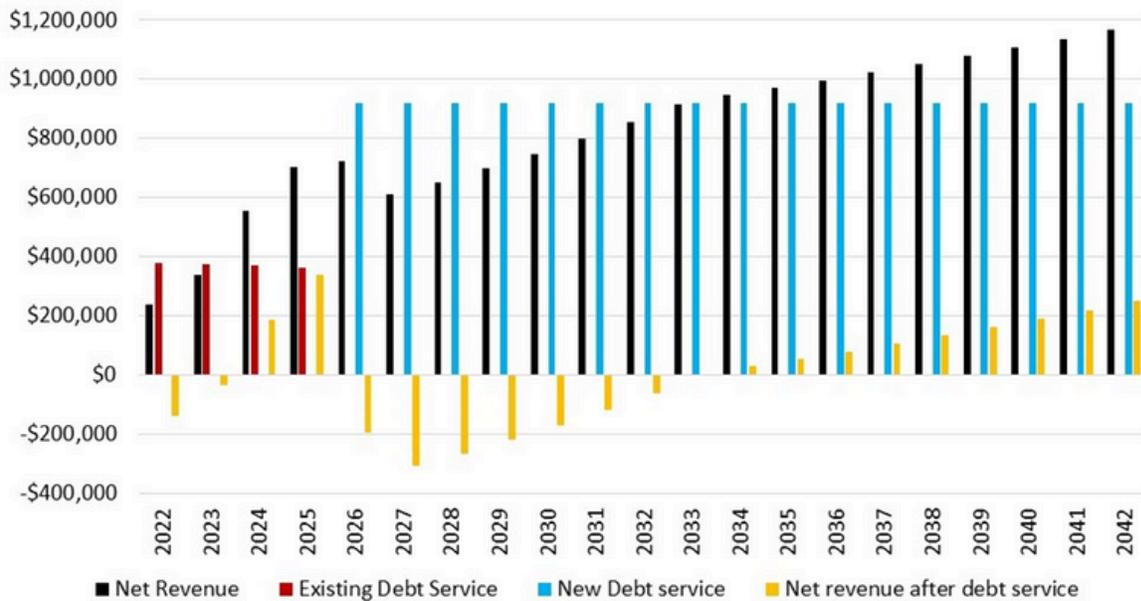
BST Associates was asked to estimate the potential funding that could come from bond proceeds funded by the Marina's net revenues.

The first project (of the five included in Table 1) is dredging of the Marina basin, which would require a bond of \$10.8 million (\$11.8 million less the \$1.0 million in reserves).

Item	Cost (\$ - 2024)
Dredging	\$11.8 M

It appears that the City could finance the dredging of the marina basin via net revenues generated by the Marina. (See Figure 1).

Figure 1 - Bond Funding for Dredging of the Marina Basin



# Marina's Financial Review

Financing a bond from net revenues requires the Marina to function correctly during the 20-year term of the bond issue. For this to happen, the other four projects listed in Table 1 must be undertaken.

These include:

- New breakwater
- Marina demolition and redevelopment
- Channel dredging
- Second round of Marina Basin dredging 12 to 13 years after the initial dredging

The known costs (i.e., new breakwater, Marina demolition and redevelopment) would require a bond payment of approximately \$2.4 million per year. This is higher than the Marina's gross annual revenue in 2023 (i.e., \$2.3 million). It is unlikely that rates could be raised sufficiently, or that operating costs could be reduced enough, to enable debt service coverage of \$2.4 million per year.

## Borrowing Costs

- Marina Basin Dredge: \$11.8 million – 20 year loan at 4% = \$862,716 annual debt payment, not including additional 1% for closing costs
- Marina Demolition & Redevelopment: \$24.9 million – 30 year loan at 4.5% = \$1,520,660 annual debt payment, not including additional 1% for closing costs
- Breakwater: \$7.5 million – 30 year loan at 4.5% = \$458,030 annual debt payment, not including additional 1% for closing costs
- \*Second Marina Basin Dredging
- \*Channel Dredging

# Marina's Financial Review

## Loan Lengths

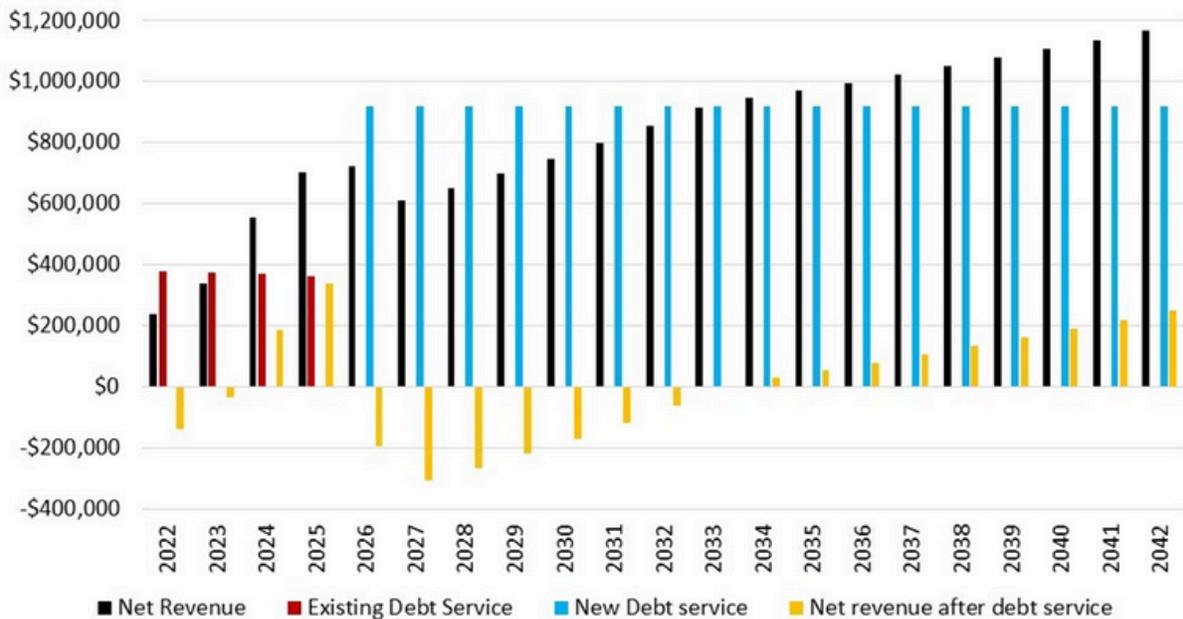
Based on the estimated life of the project not to exceed 30 years.

## City Options

The City is currently seeking grants and evaluating other funding sources to assist in covering redevelopment costs.

If the City decides not to rebuild the Marina, the cost of removing the marina structures is estimated at \$10 million. This would likely require funding from City sources.

Figure 1 - Bond Funding for Dredging of the Marina Basin



# Option to Pursue Port Districts

## Summary

There are currently 75 ports in Washington, located in 33 of the 39 counties. The primary purpose of a Port District in Washington is economic development – port districts can build and operate airports, marine terminals, marinas, railroads, and industrial parks, and in some cases, promote tourism.

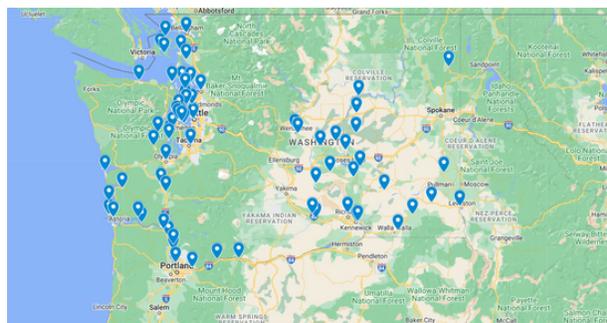
Ports are a public entity with a profit motive, or public enterprises. A Port District's primary goal is economic development for its community, with the end result of family-wage job creation.

Port districts in Washington are unique: they are governed by an elected commission, independent of other local jurisdictions. Commissioners are elected to either four- or six-year terms; if there are five members of a commission, they hold office for four years. If there are three members, the term is six years. Commissioners may hold either district-specific or at-large positions, depending on port district policy.

Recently, the Mayor and staff met with Washington Public Ports Association Executive Director Eric Fitch and Commissioners from the Coupeville and South Whidbey Port Districts to discuss the potential of creating a North Whidbey/Oak Harbor Port District or creating a joint Island or Island County Port District.

The discussions supported the City of Oak Harbor forming a Port District for North Whidbey or Oak Harbor. However, the idea of combining other ports into one port was not supported at this time. They also recommended staying away from combining a port with a local airport. The Washington Public Ports Association sees the benefit of creating a North Whidbey or Oak Harbor Port District.

*The last new Port District was formed for the Port of Granville in 1998.*



Map of Ports from the Washington Public Ports Association Website

# Successful Port Districts

The conversations were beneficial because they provided some positive and negative things for staff and Council to consider in addition to examples that worked and did not.

## Successful Ports

They include wine, shopping, restaurants, and event space. An example of this is the Pybus Public Market. It is a smaller Pike Place Market that was created from the Port process in Wenatchee, via a public/private partnership.



*Some other  
successful Port  
Districts  
included  
Everett and  
Anacortes.*

# Financial Benefit of a Port District

Port Districts can be revenue generators if we can get the tax base plus the operational costs to create revenue. The cost to tax payers in a Port District is estimated at \$0.45 per \$1,000. Which is estimated to cost approximately \$194 per year for a homeowner with a home that has an assessed value of \$430,000. This is an average of approximately \$16 per month.

Other success stories required a partnership between an industry and the City. For example:

- City of Pasco with Darigold
- Port of Kalama

If the City decides to create a Port District we would need to:

- Identify the area (boundary lines) of a Port District. Whether it includes a portion or all of the City, unincorporated Island County, or the School District boundaries.
- Identify the tangible items voters want to see from the creation of a port through potential industry, restaurants, businesses, and overall increased job opportunities. We need to show what the community gains for the expense through added taxes.
- Confirm any requirements in our previous agreements with the Navy that might impact the creation of a Port.
- Gather voter support.



*Image of the Port of Pasco*



*Image of the Port of Kalama*

# Port District

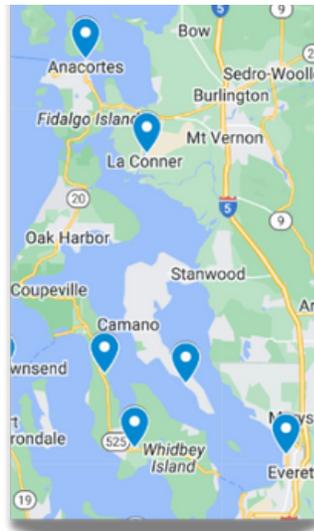
## Advantages vs. Disadvantages

### Advantages

- Ports create jobs and business opportunities for communities.
- Increased grant opportunities are available to ports. These grants provide cost-shares to aid in capital improvement, environmental, and economic development projects.
- Port Districts are able to finance the long-term investments needed for growth with four different sources of revenue (taxes, service fees, bonds, and grants/gifts).
- Ports can streamline operations and decision-making processes by having a dedicated governance structure.

### Disadvantages

- Creation of a Port District requires a vote of the majority to approve this new Port District. Campaign costs will be expensive.
- City loses ownership, governance, and the revenue that the Marina pays the City (indirect Cost Allocation, Engineering Fees, etc.).
- The upland areas may not be transferable and may have to be given back to the Navy.
- The City may have to lay off/accommodate current Marina staff.
- Setting up a Port District may not be completed in time for funding required to address required improvements needed at the Marina.



*Ports on  
Whidbey Island*

# Continue to Request Grants and Legislative Support

## Summary

Grants for recreational Marinas without large commercial use are limited at the state and federal levels. City staff has attempted multiple avenues for grant funding without success.

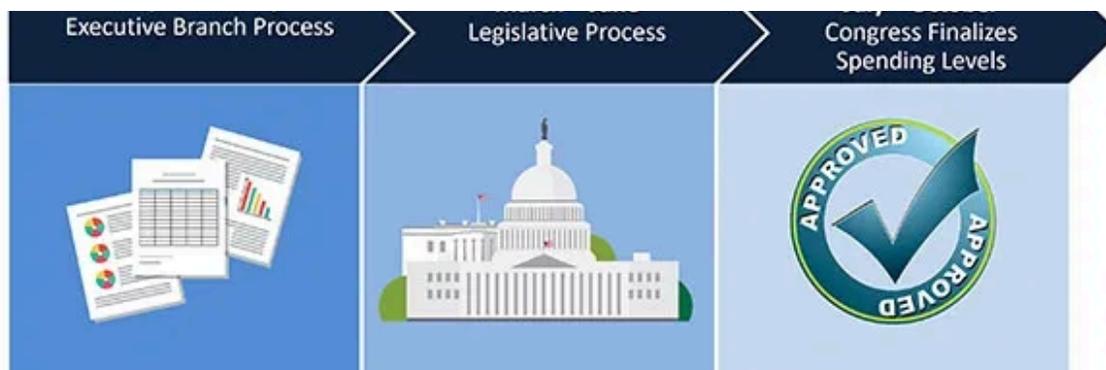
### Army Corp of Engineers

Recently, we learned from the Army Corps of Engineers that they were not funding the City's Marina because it is too recreational-focused to receive funding.

### Appropriations

These funding opportunities are made through the political process and are limited by several factors, including the availability of funds, bipartisan support, regional economic impact, and a lack of alternative funding sources. The City has and continues to seek appropriation funding from both the state and federal governments.

In the past, the Marina received state appropriations for dock repair work due to storm damage.



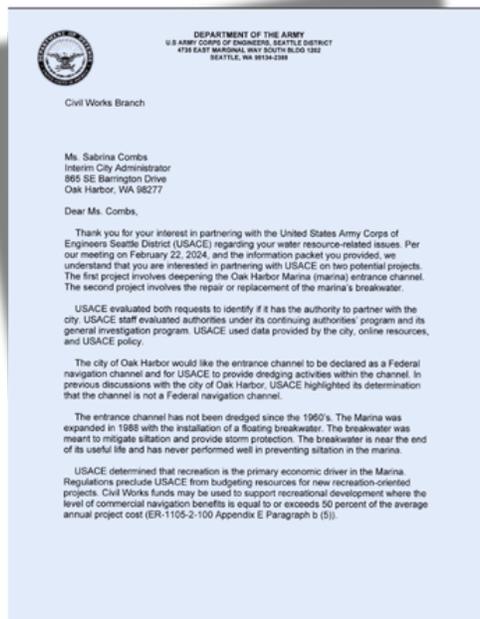
# Grants and Legislative Appropriations Advantages vs. Disadvantages

## Advantages

- Do not have to be repaid.
- Can be used for “match” requirements when applying for other funding sources.
- Used to publicize the project at a state and federal level. This may attract more grants, appropriations, private investments and stimulate economic development activities in the area of the project.
- Appropriations can be tailored or written for specific purposes.

## Disadvantages

- May be contingent on the entire project being funded. Not just an individual project or phase.
- Competitive process.
- May take several years to secure.
- Not flexible once they are awarded.
- Might require that a facility be used in a specific manner in perpetuity.
- The City may have to pay back used funds if the project is not completed or maintained in the manner set forth in the agreement.
- May only pay a certain part or parts of the project.
- Federal appropriations must fit within specific established programs.



## Letter from Army Corp about Marina

# Consider Special Taxes and Bonds

## Summary

Re-envisioning the Marina's infrastructure would require an extraordinary expense. Since the City cannot afford such an endeavor with current resources (either as a one-time amount or with an ongoing revenue stream), the City will need to generate additional resources.

Large capital projects such as these are usually funded through a combination of grants, debt, and own sources. Focusing on debt and using debt creates an ongoing annual expense. The City's financial policies require that recurring revenues fund recurring expenses.

The Municipal Research and Services Center (MRSC) Revenue Guide for Washington Cities and Towns, Nov. 2023 edition, provides four primary general revenue sources that are provided to cities by the state legislature (meaning they can be used for the provision of general governmental services with either no or minor restrictions):

1. Property Tax
2. Sales Tax
3. Utility Tax
4. Business and Occupation (B&O) Tax

The City currently uses all of these sources except for the B&O Tax.

## Special Tax

The use of property tax is limited due to the State's one percent (1%) growth limitation and the General Fund earmarking that grows to fund ongoing operations.

The City's voters recently approved a Levy Lid Lift and Excess Bond Levy for our Fire Department to address fire response time improvements to include, a second fire station, fire apparatus and equipment, additional firefighters, and other items.

# Consider Special Taxes and Bonds

It is possible to ask the voters to approve either a Levy Lid Lift or an Excess Bond Levy to fund this endeavor.

The City's sales tax rate is currently 9.0%. Of that amount, the City receives approximately 1.0%. Preliminary research into additional optional sales taxes yielded none that are applicable directly to marinas or recreational facilities.

The City recently adjusted the utility tax to be more in line with the State's average to help fund mandated indigent defense levels of service and additional police officers. While utility taxes can be adjusted further to fund this endeavor, this would have the effect of bringing these levels above the State's average.

As discussed at the March 27, 2024 City Council Workshop and the May 21, 2024 City Council meeting, the B&O Tax is available to be adopted.

## Past Council Discussions

About 50 cities in Washington State use a local B&O Tax. The maximum tax rate that a City may newly implement through its legislative body (City Council) is 0.002 multiplied by gross annual receipts (0.002 is equivalent to 1/5 of 1%).

There are a handful of cities with higher rates than that, but those were generally grandfathered-in prior to 1982.

A minimum tax threshold of \$20,000 must be implemented as part of any new B&O Tax; meaning that the first \$20,000 of gross annual receipts must be exempt from the tax. For the 50 cities that have a local B&O Tax, the annual tax thresholds range from \$20,000 to \$1,000,000.

Further details regarding the B&O Tax can be found in the MRSC Revenue Guide (<https://mrsc.org/explore-topics/business-regulation/licensing/business-and-occupation-taxes>) or at RCW 35A.82.020 & 35.21.710.

# Consider Special Taxes and Bonds

## Three Options Developed

- 1.0.002 tax rate x business gross receipts with the first \$5,000,000 of gross receipts being exempt from taxes. This would affect 27 or 1.2% of Oak Harbor businesses. The magnitude of the annual impact per business would be a median of \$11,121. This would generate approximately \$800,000 per year.
- 2.0.002 tax rate x business gross receipts with the first \$1,000,000 of gross receipts being exempt from taxes. This would affect 178 or 8.2% of Oak Harbor businesses. The magnitude of the annual impact per business would be a median of \$1,664. This would generate approximately \$1,340,000 per year.
- 3.0.002 tax rate x business gross receipts with the first \$100,000 of gross receipts being exempt from taxes. This would affect 555 or 26% of Oak Harbor businesses. The magnitude of the annual impact per business would be a median of \$800. This would generate approximately \$1,880,000 per year.

	Option 1	Option 2	Option 3
Business Tax Threshold (gross annual receipts)	\$ 5,000,000	\$ 1,000,000	\$ 100,000
Number of Business Applicable	27	178	555
Percent of all Oak Harbor Business Applicable	1.2%	8.2%	26%
Tax Rate	0.002	0.002	0.002
Gross Annual Receipts over Minimum	\$ 396,550,958	\$ 668,847,419	\$ 939,085,520
Annual Revenue Generated	\$ 793,102	\$ 1,337,695	\$ 1,878,171
Maximum	\$ 132,665	\$ 140,665	\$ 142,465
Minimum	\$ 163	\$ 55	\$ 1
Median	\$ 11,121	\$ 1,664	\$ 800

# Special Taxes and Bonds

## Advantages vs. Disadvantages

### Advantages

- The City's financial policies require a well-diversified and stable revenue stream. The adoption of a B&O tax will provide a fourth available general revenue stream to help balance available revenue types.
- Depending on the option pursued, potentially only a small number of large businesses would be affected, some of which might conceivably have branches that operate in locations that have already implemented a B&O Tax so they might have some familiarity with them.
- Depending on the elasticity of demand, a figure that is less than the amount of the tax would be passed down to customers if at all. For comparison purposes, 100% of a sales tax is paid by the company's consumers while less than 100% of a B&O tax ends up being paid by the company's consumers.

### Disadvantages

- Business taxes have higher economic elasticities than property or utility taxes; the same as sales and use taxes. (Source: Tax Alternatives for Washington State: A Report to the Legislature, by the Washington State Tax Structure Study Committee, November 2002).

# Option to Close the Marina

## Summary

If no funding sources can be identified and the docks and services continue to deteriorate and fail, the City may have no other choice than to close the Marina. BST & Associates has explained that there are many marinas around the Puget Sound that are in the 40 – 60-year-old range. Many of these marinas are facing the same issues that the Oak Harbor Marina is facing and are contemplating closing.

The City may choose between a “hard” or “phased” closing. Each of them has their advantages and disadvantages.



# Option to Close the Marina

## Advantages vs. Disadvantages

### Advantages

- The City will no longer be financially responsible for the Marina.
- Closing the Marina may mitigate risks associated with owning and operating a Marina.
- Closing the Marina may reduce public concerns about the condition and cost of owning and operating a Marina.
- The Marina area can still be considered a Marine Park as Catalina Park and the boat ramp will still be in place.
- Closing the Marina will allow City staff time to focus on other projects and funding sources.
- The upland area of the Marina may be repurposed as a different type of City amenity.
- The City could sell the Marina and public waterfront space to provide an offset of costs for closing the Marina.

### Disadvantages

- A phased closing may result in a quicker failure of the docks and facilities.
- A hard closure may not be received well by the boating community.
- The cost to restore the tidelands to its natural state and remove the upland improvements may be more than ten million (\$10,000,000) dollars.
- The City will lose the \$380,000/year in revenue that the Marina pays the City for support services.
- City businesses will lose the estimated five million (\$5,000,000) dollars spent annually by guests and tenants.
- The City may have to lay off/accommodate current Marina staff.

# Discussion

## What We Need to Know from You

- What do you need to know from staff?
- What questions do you still have?
- How do you want to receive feedback from the community?
- Other questions...



# References

## Ports Referenced

Washington Public Ports Association  
<https://www.washingtonports.org/>

Port of Coupeville  
<https://portoc.org/>

Port of South Whidbey  
<https://portofsouthwhidbey.com/>

Port of Kalama  
<https://www.washingtonports.org/>

Port of Pasco  
<https://www.portofpasco.org/>

Port of Everett  
<https://www.portofeverett.com/>

Chelan Douglas Regional Port Authority  
<https://www.cdrpa.org/>

## Articles about Successful Ports

- Darigold picks Pasco for \$500M plant  
<https://www.tricitiesbusinessnews.com/articles/3370>