

Agenda Item: Discuss and Consider Recommendations from an Operations, Maintenance and Revenue Assessment for the New Pavilion at Stewart Beach (Justin Schultz, HR&A -- Sheryl Rozier, 20 minutes)

Overview:

Early in 2017 the Park Board hired Rogers Partners to provide programming and concept design services for a new Pavilion at Stewart Beach. During their process and through community meetings it was identified that it would be in the best interest of the project to review a few financial implications of their design. These implications will be a critical piece of the discussion as it relates to the next steps of Design Development of the Pavilion.

At the March 27, 2018 Trustees meeting a decision to engage with Rogers Partners for additional services for an Operations, Maintenance and Revenue Assessment for a New Pavilion at Stewart Beach was voted on and approved.

To date Rogers Partners has facilitated work through Justin Schultz, Director of HR&A Advisors, Inc. They have examined the proposed program strategy and the financial implications of implementing that strategy. The new pavilion is expected to offer expanded programming and additional revenue through admissions, events, concessions/attractions, dining and contributed income. A presentation will be made of their Executive Summary, basis of assumptions and an Analysis Summary. This item was presented at the July 18, 2018 Finance and Operations Committee. Comments from this meeting have been incorporated into the presentation and documentation for the Trustees with the attached Analysis Summary.

Staff Recommendation:

Staff recommends review of the financial data provided and the acceptance of the final deliverable for the project.

Funding Source (if a budgetary item):

No funding being requested at this time.

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Galveston Stewart Beach Pavilion

Analysis Summary - Page 1, Budget Summary and Projection Assumptions

BUDGET	BASELINE		PROJECTION		
	Total	LOW Total		HIGH Total	
Revenues					
1	Vehicle Admissions	\$1,100,000	\$1,410,000		\$1,535,000
2	Office Rent	\$30,000	\$105,000		\$175,000
3	Events	\$15,000	\$85,000		\$165,000
4	Concessions	\$195,000	\$245,000		\$285,000
5	Restaurant & Café	N/A	\$220,000		\$350,000
6	Contributed Income	\$5,000	\$5,000		\$5,000
	Total Revenue	\$1,345,000	\$2,070,000	54%	\$2,515,000
					87%
Expenses					
7	Marketing	\$85,000	\$90,000		\$100,000
8	Personnel	\$440,000	\$490,000		\$560,000
9	Materials, Supplies, & Services	\$420,000	\$460,000		\$505,000
10	Capital Outlay & Existing Debt Service	\$95,000	\$95,000		\$95,000
11	Transfers	\$195,000	\$195,000		\$195,000
12	Debt Service for New Pavilion	N/A	\$1,415,000		\$710,000
	Total Expenses	\$1,235,000	\$2,745,000	122%	\$2,165,000
					75%
	NOI	\$110,000	(\$675,000)	-714%	\$350,000
					218%

Note: All Budget numbers are rounded to the nearest \$5,000.

PROJECTION ASSUMPTIONS	BASELINE		PROJECTION		
		LOW		HIGH	
Revenues					
<i>Vehicle Admissions</i>					
13	5-Year Avg. Visitors	91,462	100,608	Incr. 10%	109,755 20%
14	Parking Fee	\$12	\$14		\$14
<i>Events</i>					
15	Room Rental in the new Community Room with access to chairs/tables, AV, catering space (e.g. wedding receptions/holiday parties)	16	64	Fee \$1,000	64 \$2,000
16	Wedding Ceremony at the beach Event Site, including a reserved space - materials and services remain as they are provided now	36	48	\$250	48 \$400
17	Meetings in the new Community Room (e.g. for local corporations, civic groups, and off-site trainings, etc.); the space could be offered for free to approved community groups	N/A	32	\$300	32 \$500
<i>Concessions</i>					
18	Sno Cone Vendor	Base Rate \$17,500	Base Rate \$17,500	Incr.	Base Rate \$23,275 33%
19	Umbrellas	\$110,000	\$121,000	10%	\$132,000 20%
20	Helicopter Rides	\$7,800	\$10,000	28%	\$10,000 28%
21	Water Slide	\$7,800	\$7,800		\$8,034 3%
22	Putt Putt	N/A	\$7,800		\$8,034 3%
23	Storefront (4)	\$28,600	\$28,600		\$38,038 33%
24	Food Truck Pads (4)	N/A	\$10,000		\$16,000
25	Gift Shop	\$32,500	\$40,625	25%	\$48,750 50%
<i>Restaurant</i>					
26	Café	\$/SF N/A	\$/SF \$40		\$/SF \$60
27	Restaurant	N/A	\$50		\$80
Expenses					
<i>Marketing</i>					
28		Annual Cost \$83,000	Annual Cost \$90,000	Incr. 10%	Annual Cost \$100,000 20%
<i>Personnel</i>					
29		Salary N/A	Salary \$50,000	Staff 1	Salary \$60,000 Staff 2
<i>Materials, Supplies, & Services</i>					
30		Annual Cost \$420,000	Annual Cost \$460,000	Incr. 10%	Annual Cost \$505,000 20%
<i>Proposed Debt Service</i>					
31	Construction Costs	N/A	\$24,480,979	\$24,480,979	\$24,480,979
32	Term Length (Years)	N/A	30	30	30
33	Interest Rate (%)	N/A	4%	4%	4%
34	Fundraised Share of Construction Costs	N/A	0%	35%	50%
35	Annual Debt Service	N/A	\$1,415,737	\$920,229	\$707,869

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Galveston Stewart Beach Pavilion

Analysis Summary - Page 2, Baseline Scenario

BASELINE	
Methodology	Source
1 Vehicle admissions, including beach nourishment share (Budget Code 4200)	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
2 Beach Patrol & UP office rent (Budget Code 4425)	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
3 Community room rental (Budget Code 4340)	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
4 All concession revenue, including umbrellas (Budget Code 4405), snow cone (4410), pavilion concession (4416), helicopter rides (4410), water slide (4436), and misc (4585).	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
5	
6 Donations income	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
Note this is not analogous to the FY 2017-2018 Budget revenue because it does not include Non-Recurring Revenue (\$70,000), Transfers (\$210,000), and FEMA Reimbursement (\$35,000) totaling \$315,000	
7 Advertising - Stewart Beach (Budget Code TD-62-5345)	Galveston Island Park Board Tourism Development Budget FY 2017-2018, Proposed 2018
8 All personnel	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
9 All materials, supplies, & services except FEMA Storm Expense (Budget Code 5195), M&R Building (5240), and Contingency (7006)	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
10 All capital outlay & debt service	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
11 Beach Patrol (Budget Code 8006) and General Fund Allocation (8000) transfers	Galveston Island Park Board Budget FY 2017-2018, Proposed 2018
12	

BASELINE	
New Pavilion Projection Methodology	Assumption Source
13 5-year average (2013-2017) car counts for Stewart Beach	Galveston Island Park Board Car Counts
14 Current average parking rate based on variable rates between \$10-15 depending on the day/time of day	Galveston Island Park Board
15 4-year average (2014-2017) events at the Stewart Beach Pavilion	Galveston Island Park Board Stewart Beach Event Reservations & Rates
16 4-year average (2014-2017) events at the Stewart Beach Event Site	Galveston Island Park Board Stewart Beach Event Reservations & Rates
17	
18 Current Sno Cone revenue	Galveston Island Park Board Budget FY 2017-2018
19 Current umbrella rental revenue	Galveston Island Park Board Budget FY 2017-2018
20 Rate per the current Concessionaire Information Packet	Galveston Island Park Board Concessionaire Information Packet
21 Rate per the current Concessionaire Information Packet	Galveston Island Park Board Concessionaire Information Packet
22	
23 Rate per the current Concessionaire Information Packet	Galveston Island Park Board Concessionaire Information Packet
24	0
25 Rate per the current Concessionaire Information Packet	Galveston Island Park Board Concessionaire Information Packet

26	
27	
28 Advertising - Stewart Beach (Budget Code TD-62-5345)	Galveston Island Park Board Tourism Development Budget FY 2017-2018
29 All personnel	Galveston Island Park Board Budget FY 2017-2018
30 All materials, supplies, & services except FEMA Storm Expense (Budget Code 5195), M&R Building (5240), and Contingency (7006)	Galveston Island Park Board Budget FY 2017-2018
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Galveston Stewart Beach Pavilion

Analysis Summary - Page 3, Future Scenario (Low)

LOW		
Methodology	Source	
1	Baseline visitors (line 13) escalated by 10% to reflect anticipated increase in visitors following the opening of a new pavilion, multiplied by a parking rate of \$14 (line 14)	See lines 13-14
2	Assumes \$1.50 PSF monthly rent	Conversation with a local commercial broker
3	The number of annual events multiplied by their respective venue pricing (lines 15-17)	See lines 15-17
4	Individual concessions multiplied by their respective rates (lines 18-25); note that overall concession rates remain low to be accessible to locally owned/small businesses	See lines 18-25
5	Projected revenue per SF multiplied by the proposed SF (lines 26-27)	Program by Rogers Partners, see line 26-27 for rents per SF
6	Donations income	Galveston Island Park Board Budget FY 2017-2018

7	Baseline advertising budget escalated by 10% to reflect an increase in the number and types of events requiring promotion and coordination	Galveston Island Park Board Tourism Development Budget FY 2017-2018
8	Baseline personnel plus 1 new events staff at \$50,000 salary (line 29)	See line 29
9	Baseline materials, supplies, & services escalated by 10% to reflect additional wear and tear due to increased visitors	See line 30
10	All capital outlay & debt service	Galveston Island Park Board Budget FY 2017-2018
11	Beach Patrol and General Fund Allocation transfers	Galveston Island Park Board Budget FY 2017-2018
12	Annual debt service payment based on full construction costs of the Pavilion and Storage Building (line 31) assuming the Park Board is responsible for 100% of the cost (line 34) paid in 30 annual payments (line 32) using a 4% interest rate (line 33)	See lines 32-34

LOW		
New Pavilion Projection Methodology	Assumption Source	
13	Baseline car counts increased by 10% to reflect anticipated growth in visitors following the construction of a new pavilion; this increase will return annual visitation closer to Stewart Beach's 2013 peak	Galveston Island Park Board Car Counts
14	Projected parking rate based on Park Board guidance	Galveston Island Park Board
15	The increase in number of events, assuming 8 per summer month, reflects it being a new venue, the only waterside venue, a lower price point than comparable venues, and increased marketing efforts. Since the new Pavilion design allows for 365-day use of the Community Room (no longer shared with Beach Patrol) it is possible to rent the space more frequently. Fees reflect the low end of market rate comparable Galveston venues for a four-hour rental period	HR&A analysis of market comparables
16	The increase in number of events reflects it being a new venue, the only waterside venue, a lower price point than comparable venues, and increased marketing efforts. Fees reflect the low end of market rate comparable Galveston venues for a two-hour rental period	HR&A analysis of market comparables
17	Meetings are a new event type that will be shorter in duration (2 hours) and should require less set-up/take-down and incur less wear and tear than a special event; fees reflect below market rates at comparable Galveston venues for a two-hour rental period	HR&A analysis of market comparables
18	Baseline Sno Cone rate	Galveston Island Park Board Budget FY 2017-2018
19	Baseline umbrella vendor income escalated by 10% to reflect increase in visitors	Galveston Island Park Board Budget FY 2017-2018
20	Current Helicopter contract value	Galveston Island Park Board
21	Baseline Water Slide rate	Galveston Island Park Board Concessionaire Information Packet
22	Current Park Board Amusement rate	Galveston Island Park Board Concessionaire Information Packet
23	Baseline Kiosk rate	Galveston Island Park Board Concessionaire Information Packet
24	Rate reflects City concession permit pricing at \$500 compared against the parks concessions base rate of \$7,150	HR&A analysis of market comparables
25	Baseline revenue escalated 25% to reflect conversations with Park Board staff regarding local comparables (e.g. Pleasure Pier), and accounting for increased visitation and improved products and merchandising	Galveston Island Park Board
26	\$/SF reflects the minimum market rent at comparable venues, multiplied by the program SF. Note that compared to current local venues, this is a unique location given its water-side location. The ultimate vendor agreement will need to articulate how potential buy-outs will work in conjunction with receptions hosted in the Community Room. Further study is also needed for understanding how parking will be charged, if at all, to dining patrons.	HR&A analysis of market comparables
27		
28	Baseline advertising budget escalated by 10% to reflect an increase in the number and types of events requiring promotion and coordination	Galveston Island Park Board Tourism Development Budget FY 2017-2018
29	1 new events staff to manage the increase in annual number of events, responsibilities may include vendor and client relations, executing marketing campaigns, clean up and take down	HR&A Assumption
30	Baseline materials, supplies, & services escalated by 10% to reflect additional wear and tear due to increased visitors, increased utilities and insurance	Galveston Island Park Board Budget FY 2017-2018
31	Construction costs for the proposed Pavilion and Storage Building	Rogers Partners
32	The number of payments	HR&A Assumption
33	The annual interest rate	Galveston Park Board & City of Galveston
34	The share of the total capital costs to be paid by the Park Board, assumes no fundraising	HR&A Assumption
35	The annual debt service payment, assuming 0% fundraised upfront	HR&A Calculation

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Galveston Stewart Beach Pavilion

Analysis Summary - Page 4, Future Scenario (High)

HIGH		
Methodology	Source	
1	Baseline visitors (line 13) escalated by 20% to reflect anticipated increase in visitors following the opening of a new pavilion, multiplied by a parking rate of \$14 (line 14)	See lines 13-14
2	Assumes \$2.50 PSF monthly rent	Conversation with a local commercial broker
3	The number of annual events multiplied by their respective venue pricing (lines 15-17)	See lines 15-17
4	Individual concessions multiplied by their respective rates (lines 18-25); note that overall concession rates remain low to be accessible to locally owned/small businesses	See lines 18-25
5	Projected revenue per SF multiplied by the proposed SF (lines 26-27)	Program by Rogers Partners, see line 26-27 for rents per SF
6	Donations income	Galveston Island Park Board Budget FY 2017-2018

7	Baseline advertising budget escalated by 20% to reflect an increase in the number and types of events requiring promotion and coordination	Galveston Island Park Board Tourism Development Budget FY 2017-2018
8	Baseline personnel plus 2 new events staff at \$60,000 salary (line 29)	See line 29
9	Baseline materials, supplies, & services escalated by 20% to reflect additional wear and tear due to increased visitors	See line 30
10	All capital outlay & debt service	Galveston Island Park Board Budget FY 2017-2018
11	Beach Patrol and General Fund Allocation transfers	Galveston Island Park Board Budget FY 2017-2018
12	Annual debt service payment based on full construction costs of the Pavilion and Storage Building (line 31) assuming the Park Board is responsible for 50% of the cost (line 34) paid in 30 annual payments (line 32) using a 4% interest rate (line 33)	See lines 32-34

HIGH		
New Pavilion Projection Methodology	Assumption Source	
13	Baseline car counts increased by 20% to reflect anticipated growth in visitors following the construction of a new pavilion; this increase will return annual visitation to Stewart Beach's 2013 peak	Galveston Island Park Board Car Counts
14	Projected parking rate based on Park Board guidance	Galveston Island Park Board
15	The increase in number of events, assuming 8 per summer month, reflects it being a new venue, the only waterside venue, a lower price point than comparable venues, and increased marketing efforts. Since the new Pavilion design allows for 365-day use of the Community Room (no longer shared with Beach Patrol) it is possible to rent the space more frequently. Fees reflect the higher end of market rate comparable Galveston venues for a four-hour rental period	HR&A analysis of market comparables
16	The increase in number of events reflects it being a new venue, the only waterside venue, a lower price point than comparable venues, and increased marketing efforts. Fees reflect the higher end of market rate comparable Galveston venues for a two-hour rental period	HR&A analysis of market comparables
17	Meetings are a new event type that will be shorter in duration (2 hours) and should require less set-up/take-down and incur less wear and tear than a special event; fees reflect below market rates at comparable Galveston venues for a two-hour rental period	HR&A analysis of market comparables
18	Baseline Sno Cone revenue escalated 33% per Park Board guidance	Galveston Island Park Board & Budget FY 2017-2018
19	Baseline umbrella vendor income escalated by 20% to reflect increase in visitors	Galveston Island Park Board Budget FY 2017-2018
20	New projected rate per Park Board guidance	Galveston Island Park Board
21	Baseline Water Slide rate escalated by 3% inflation	Galveston Island Park Board Concessionaire Information Packet
22	Current Park Board Amusement rate escalated by 3% inflation	Galveston Island Park Board Concessionaire Information Packet
23	Baseline Kiosk rate escalated by 33% per Park Board guidance	Galveston Island Park Board & Concessionaire Information Packet
24	Rate reflects City concession permit pricing at \$500 compared against the parks concessions base rate of \$7,150	HR&A analysis of market comparables
25	Baseline revenue escalated 50% to reflect conversations with Park Board staff regarding local comparables (e.g. Pleasure Pier), and accounting for increased visitation and improved products and merchandising	Galveston Island Park Board
26	\$/SF reflects the maximum market rent at comparable venues, multiplied by the program SF. Note that compared to current local venues, this is a unique location given its water-side location. The ultimate vendor agreement will need to articulate how potential buy-outs will work in conjunction with receptions hosted in the Community Room. Further study is also needed for understanding how parking will be charged, if at all, to dining patrons.	HR&A analysis of market comparables
27		
28	Baseline advertising budget escalated by 20% to reflect an increase in the number and types of events requiring promotion and coordination	Galveston Island Park Board Tourism Development Budget FY 2017-2018
29	2 new events staff to manage the increase in annual number of events, responsibilities may include vendor and client relations, executing marketing campaigns, clean up and take down	HR&A Assumption
30	Baseline materials, supplies, & services escalated by 20% to reflect additional wear and tear due to increased visitors, increased utilities and insurance	Galveston Island Park Board Budget FY 2017-2018
31	Construction costs for the proposed Pavilion and Storage Building	Rogers Partners
32	The number of payments	HR&A Assumption
33	The annual interest rate	Galveston Park Board & City of Galveston
34	The share of the total capital costs to be paid by the park Board, assumes 50% covered by fundraising (e.g. private donations, naming rights, etc.) or public contribution - a similar share to comparable projects across the country with respect to fundraising capacity and estimates	HR&A Assumption
35	The annual debt service payment, assuming 50% fundraised upfront	HR&A Calculation