A G E N D A

JAMES CITY COUNTY BOARD OF SUPERVISORS

READING FILE

June 9, 2009

FOR YOUR INFORMATION

1. Mutual-Aid Agreement between Navy Region Mid-Atlantic and James City County, Virginia
2. Shaping Our Shores Proposed Revisions Table
3. Shaping Our Shores Revised Financial Analysis

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MUTUAL AID AGREEMENT
BETWEEN
PROGRAM DIRECTOR, REGIONAL PUBLIC SAFETY
NAVY REGION MID-ATLANTIC
1510 GILBERT STREET, NORFOLK VA 23511
AND
JAMES CITY COUNTY, VIRGINIA
101 MOUNTS BAY ROAD, WILLIAMSBURG, VA 23185
FOR THE PROVISION OF FIRE FIGHTING & EMS ASSISTANCE

THIS MUTUAL AID AGREEMENT (hereinafter, the "Agreement") is made and entered into this 1st day of May, 2009 by and between Program Director, Regional Public Safety, Navy Region Mid-Atlantic (hereinafter, "Navy"), and the County Administrator, James City County Virginia for fire fighting and emergency medical services (EMS) assistance (hereinafter, "James City County").

WITNESSETH:

WHEREAS, each of the Parties hereto maintains equipment and personnel for the suppression of fires, and response to hazardous materials incidents occurring within areas under their respective jurisdictions, and

WHEREAS, as set forth in 42 U.S.C. 1856 the term 'fire protection' includes personal services and equipment required for fire prevention, the protection of life and property from fire, fire fighting, and emergency medical services, including basic medical support, basic and advanced life support, hazardous material containment and confinement, and special rescue events involving vehicular and water mishaps, and trench, building, and confined space extractions.

WHEREAS, the Parties hereto desire to augment the fire protection, and hazardous material response capabilities available in their respective jurisdictions by entering into this Agreement, and

WHEREAS, the lands or districts comprising the respective jurisdictions of the Parties are adjacent or contiguous to one another such that the rendering of mutual assistance between the Parties in response to a fire, emergency medical event or hazardous material incident is feasible, and

WHEREAS, it is the policy of the Department of the Navy and the Program Director, Regional Public Safety, Navy Region Mid Atlantic, to enter into Mutual Aid Agreements with non-Federal Fire Departments located in the vicinity of a Naval installation, whenever practicable, and

WHEREAS, the Parties have mutually concluded that it is desirable, practicable, and beneficial for the Parties to enter into this Agreement to memorialize their willingness and ability to render assistance to one another, in order to enhance the safety and security of the civilian community and Navy Region Mid-Atlantic installations and facilities.

NOW, THEREFORE, BE IT AGREED THAT:

1. The authority to enter into this Agreement is set forth in 42 U.S.C. 1856a, and 15 U.S.C. 2210, and the regulations implementing same at 44 Code of Federal Regulations Part 151.

2. The rendering of assistance from one Party to the other under the terms of this Agreement shall be accomplished in accordance with detailed operational plans and procedures, which shall be developed by each of the Parties. The technical heads of each Party's Fire Departments shall work together to implement such plans and procedures in a manner compatible with the operational authorities of each.

3. The senior officer of a Fire Department belonging to a Party to this Agreement, or the senior officer of such Fire Department actually present at a fire, or hazardous material incident, may request fire fighting assistance under the terms of this Agreement from the other Party's Fire Department, whenever he/she deems it necessary to make such a request. The senior officer on duty of the Fire Department receiving a request for assistance shall forthwith take the following action:
    a. Immediately determine if the requested apparatus and personnel are available to respond to the call for assistance.
    b. In accordance with the terms of this Agreement, forthwith dispatch such apparatus and personnel, along with instructions as to their mission, use and deployment, in quantities and amounts as in the judgment of the senior officer receiving the call can be provided to the requesting Fire Department without jeopardizing the mission of the Fire Department providing such resources.

4. The rendering of assistance under the terms of this Agreement shall not be mandatory; however, the Party receiving a request for assistance shall endeavor to immediately inform the requesting Party if the requested assistance cannot be provided and, if assistance can be provided, the quantity of such resources as may be dispatched in response to such request. Neither Party shall hold the other Party liable or at fault for failing to respond to any request for assistance or for failing to respond to such a request in a timely manner or with less than optimum equipment and/or personnel, it being the understanding of the Parties that each is primarily and ultimately responsible for the provision of fire suppression and hazardous material incident response needed within their own jurisdictions.

5. As required by Federal law as a condition precedent to entering into this Agreement, the Parties hereby waive all claims against the other Party for compensation of any loss, damage, personal injury, or death occurring in consequence of the performance of this Agreement.

6. Each Party hereby agrees that its intent with respect to the rendering of assistance to the other Party under this Agreement is not to seek reimbursement from the Party requesting such assistance. The Parties hereby recognize that pursuant to the Section 11 of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2210) and Federal regulations issued there under (Title 44 of the Code of Federal Regulations 151), James City County is permitted to seek reimbursement for all or any part of its direct expenses and losses (defined as additional fire fighting costs over normal operational costs) incurred in fighting fires on property under the jurisdiction of the United States. Furthermore, under the authority of 42 U.S.C. 1856a, each Party hereby reserves the right to seek reimbursement from the other for the costs incurred by it in providing services to the other Party in response to a request for assistance.

7. The senior officer of the Fire Department requesting assistance shall normally assume full charge of the operations at the scene of the fire or other emergency. However, under procedures agreed to by the technical heads of the Fire Departments involved, a senior officer of the Fire Department furnishing the assistance may assume responsibility for the coordination of the overall operations at the scene of the fire or other emergency.

8. The officers and personnel of the Fire Departments of the Parties to this Agreement are invited and encouraged, on a reciprocal basis, to frequently visit each other's activities for guided familiarization tours (consistent with local security requirements) and, as feasible, to jointly conduct pre-fire planning inspections, drills and training.

TRAINING:

9. Whenever either Party hosts fire protection training for its own Fire Department ("Host Department") it may, to the maximum extent practicable and subject to its sole discretion, offer to provide the same training to members of the other Party ("Guest Department").

10. The Host Department will not charge the Guest Department for any training provided under the terms of this Agreement, unless it is a cost that cannot be covered by the Host Department such as, cost per student or cost of a certificate. Further, any such training will be provided on a space available basis only.

11. The Guest Department and/or its members will be solely responsible for the payment of any and all costs necessary for the Guest Department personnel to attend any training provided by the Host Department including, but not limited to, lodging, meals and travel.

12. This Agreement is entered into voluntarily by both Parties with no obligation on the part of either to provide such training to the other or, if such training is offered to the other Party, to participate in such training.

13. The Guest Department is responsible for ensuring that its members observe all rules, regulations, and guidelines established by the Host Department for training provided by the Host Department, as such rules, regulations and guidelines are made known to the Guest Department.

14. The Host Department reserves the right to deny training to any member of the Guest Department who does not meet the prerequisites necessary to attend the training which is offered by the Host Department under the terms of this Agreement.

Execution of this Agreement:

15. This Agreement shall become effective upon the date annotated above, and shall remain in full force and effect until cancelled by mutual agreement of the Parties, or upon the provision of at least sixty (60) days advance written notice from the Party desiring to terminate this Agreement to the other Party. Upon becoming effective, this Agreement shall supersede all previous agreements between the Parties concerning the rendering of assistance from one to the other for the purposes stated in this Agreement.

____
County Administrator
James City County, VA

____
R.S. BARCUS
Captain, U.S. Navy
Program Director
Regional Public Safety
Navy Region Mid-Atlantic

APPROVED AS TO FORM
Adam Kinsman
COUNTY ATTORNEY

Shaping Our Shores

Proposed Revisions Table

Location	Action	Proposed Change--Additions in bold, deletions lined through
Ch 2, pg 2-24, Section 2.2.25--Proposed Landscape	Insert text as new last sentence of the paragraph.	**Interpretive signage and displays will be appropriately placed to highlight natural, scenic, and historic cultural resources.**
Ch 2, pg 2-31, Section 2.2.33--Public Proposals for Park Use	Revise first sentence of fourth paragraph as indicated.	The proposed program would occupy 50% or more of the property and would encroach into grant areas with some development that would ~~be inconsistent~~ **require further analysis to determine its compatability** with the grant objectives and requirements.
Ch 4, pg 4-16, Section 4.3.1, A-Camping Opportunities, A-2 Rental Cabins	Insert text as new third paragraph of Section A-2 Rental Cabins.	**Rental cabins pods may be interchanged with RV sites depending on the future demand for each type of camping opportunity and its revenue potential.**
Table of Contents, pg v AND New Appendix O, immediately following Appendix N	Insert Table of Contents text AND append four pages attached to this Revisions Table	Table of Contents text: **O Board of Supervisors Guidance, Minutes from March 24, 2009 Work Session**

O

BOARD OF SUPERVISORS GUIDANCE,

MINUTES FROM MARCH 24, 2009 WORK SESSION

MINUTES ADOPTED BY BOARD OF SUPERVISORS ON APRIL 14, 2009

AGENDA ITEM NO. ___F-1a_____

AT A WORK SESSION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF JAMES CITY, VIRGINIA, HELD ON THE 24TH DAY OF MARCH 2009, AT 4:00 P.M. IN THE COUNTY GOVERNMENT CENTER BOARD ROOM, 101 MOUNTS BAY ROAD, JAMES CITY COUNTY, VIRGINIA.

A. CALL TO ORDER

B. ROLL CALL

James G. Kennedy, Chairman, Stonehouse District
Mary Jones, Vice Chair, Berkeley District
Bruce C. Goodson, Roberts District
James O. Icenhour, Jr., Powhatan District
John J. McGlennon, Jamestown District

Sanford B. Wanner, County Administrator
Leo P. Rogers, County Attorney

C. BOARD DISCUSSIONS

1. Parks and Recreation Master Plan

Mr. Ned Cheely, Director of Parks and Recreation, introduced Parks and Recreation Advisory Commission Chairman Mark Wenger. Also in attendance from the Commission were Mr. Craig Metcalfe and Mr. Michael Hand.

Mr. Wenger gave a presentation on the Parks and Recreation Master Plan, focusing on surveys and community input, challenges and standards, government and private cooperation, and comparisons to other localities. Discussion was held about the stresses on non-essential services, such as Parks and Recreation, in the current economic climate and future revenue recovery due to incorporating non-fee-based facilities. James City County Parks and Recreation facilities were compared to other localities. Mr. Wenger presented a prioritized list of capital projects related to the Parks and Recreation Master Plan.

Discussion was held about providing venues for revenue-enhancing events and programming, such as regional or State-wide sports tournaments and eco-tourism. The Board and the Commission discussed the implementation of the Parks and Recreation Master Plan within the Comprehensive Plan and utilizing facilities provided within planned communities. Revenue recovery options were discussed, including costs of programming and collaboration.

At 4:43 p.m., the Board took a break.

At 4:50 p.m., Mr. Kennedy reconvened the Board.

2. Shaping Our Shores

Ms. Stephanie Luton, Shaping Our Shores Project Manager, introduced Mr. Tim Hogan, P.E., AVS; Project Manager, Vanasse Hangen Brustlin. Inc. (VHB), Mr. Kyle Talente, Associate Principal-RKG Associates Inc., economic analysis subcontractor to VHB, and Mr. Tom Tingle, AIA; Principal-Guernsey Tingle Architects, architectural subcontractor to VHB.

Ms. Luton gave an overview of the project. Mr. Hogan explained the consultant's approach and Mr. Talente provided the economic analysis data and pro-forma information. Ms. Luton gave an overview of the uses of the sites and the feedback received.

Discussion was held on the scale of development and traffic analysis for the project. The Board and consultants discussed dredging and how it would impact this project. Community concern and market analysis regarding the fees for use of the marina was discussed.

Discussion was held on how the facilities would be operated and the ownership of the property and potential intensity of use. The costs of improvements and potential types of development were discussed. Given the current economic conditions, revenue-generating activities, especially those not requiring large capital outlays, should be pursued at all three sites where it is reasonable and appropriate. Emphasis was placed on the need for the marina facilities to be self-sustaining whether they are expanded or simply renovated. The improvements needed solely for renovating the existing marina facilities were estimated at approximately $5 million. Mr. Kennedy requested to see additional fiscal analysis information for the operation of the marina if it were sold outright and returned to the tax rolls to compare with the improvement costs if the County retained total or partial ownership.

Mr. Wanner explained that the marina was being upgraded to maintain safety and comply with State regulations. He noted that this marina was unique in comparison to others, such as the marina located in Hampton, due to the bridge restriction which prevented larger boats from being kept in the marina. He said it would be difficult to find a comparable marina for revenue estimates.

Residential development in the area was discussed, with emphasis placed on community participation and environmental enhancement. Discussion was held related to boat storage and boat time-sharing at Chickahominy Riverfront Park and limitations on the boats that could enter the marina due to the bridge and shallow water. Discussion was held about the development of a signature park at the campground and the financial sustainability of the outside proposals. Staff noted that the scale of the outside proposals would not be consistent with a signature park. General Board consensus supported the signature park; the general camping-mix concept at Chickahominy Riverfront Park and Jamestown Beach Campground with an emphasis on fiscal prudence; and preference for retail, restaurant, and recreational-related uses over residential and hospitality uses in any potential mixed-use development scenario at the marina.

Mr. Icenhour and Ms. Luton discussed the phasing of the project. Ms. Luton explained that this was a standalone plan scheduled for adoption on May 26, 2009.

Mr. Kennedy asked to identify the turning point where the marina, though a community asset, was unsafe and needed to be closed. He wanted to know the cost of what needed to be done to preserve the site.

Discussion was held about the potential timeline for improvements of each site, aesthetic and safety development goals, and funding sources. Ms. Luton stated she could create a prioritized list of the goals over time with the associated costs identified.

Mr. Kennedy commented that the possibility of creating a passive marina should be examined.

Mr. Goodson asked to keep the idea of a Public-Private partnership on the table for consideration. Mr. Horne stated that the information gathered at the work session would provide greater information for potential partners. Ms. Luton stated that by the time the lease was up at the end of FY 2010, potential projects could be identified.

Mr. Kennedy reiterated his desire to have the marina project be fiscally self-sufficient. He stated that he felt there needed to be a plan to preserve the area or to close the marina for the sake of safety and fiscal responsibility.

D. BREAK

At 6:26 p.m., the Board broke for dinner.

Sanford B. Wanner
Clerk to the Board

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REVISED FINANCIAL ANALYSIS

A. INTRODUCTION

Following an initial pro forma analysis of the Jamestown Yacht Basin (JYB) property, the James City County administration requested that the financial analysis be revised and expanded to study the potential fiscal costs and benefits of a more detailed set of development scenarios for the Yacht Basin. This narrative provides both a pro forma analysis and a fiscal impact analysis of five successively intense development scenarios. A pro forma is a valuable tool for testing a set of financial and operating assumptions about a project (i.e., expected rental and occupancy rates) in order to generate expected revenues and expenses for that project. In short, this pro forma analysis provided insight into the potential financial benefits and shortfalls that likely could be expected from maintaining and/or upgrading the marina facility. The fiscal impact analysis identifies the net revenue change related to enhancing operations at the marina and the impact of any additional new development. When combined, these two analyses provide a comprehensive assessment of the potential impact of each development scenario. The five revised development scenarios are as follows:

Scenario #1 – Minimalist Approach
This scenario assumes that the existing marina facility is renovated to meet a minimum safety threshold. Repairs include bulkhead restoration, improved electrical safety and general facility maintenance. No additional marina activities or development will occur.

Scenario #2 – Marina Upgrade
Under this scenario, the marina operations are substantially improved and expanded. Most notably, the number of wet slips will be expanded while a permanent dry stack storage facility is constructed. Repairs will be more comprehensive than in Scenario #1, transforming the marina into a revitalized, quality facility. In addition to the upgraded marina, 10,000 square feet of restaurant space will be added to the site to accommodate one or two year-round dining facilities.

Scenario #3 – Expanded Marina Upgrade
Scenario #3 includes all of the features of Scenario #2, with an expanded dry stack storage facility. This expansion maximizes the potential of the site while respecting the natural setting and viewsheds to and from the marina.

Scenario #4 – Retail Operations
This scenario builds upon the previous scenario, adding approximately 6,000 square feet of additional retail space. This space is envisioned to provide support services for the marina operations (i.e. a tackle shop or dry goods store) as well as outdoor enthusiasts (i.e. bicycle/kayak rentals).

Scenario #5 – Site Maximization
This scenario reflects the most intense development allowed under the current regulatory and environmental constraints on the site. In total, this scenario includes the upgraded marina, the expanded dry stack facility, the restaurant space and a total of 18,000 square feet of retail space.

It is important to note that each scenario was analyzed using two separate implementation approaches. The first approach assumed that the marina operations were leased to a private operator and ownership remains with the County. This approach also assumes that land dedicated to any additional development (the restaurant and/or retail components) would be sold to a private entity for development and operation. The second approach assumes that the entire Jamestown Yacht Basin is sold to a private investor for development and operation, with the County maintaining no ownership stake in the site. Each approach has its strengths and weaknesses in regards to the financial impact to the County. These differences are noted throughout this analysis.

B. METHODOLOGY

Data for this analysis was derived from both primary and secondary sources. Primary sources included the James City County Real Estate Assessor, construction estimates from VHB, operating expenses from PROS Consulting, RKG's market analysis and the concept plan for the site. Secondary sources included Marshall & Swift (a construction cost estimating database), and the Urban Land Institute's *Dollars and Cents* publication (which provided retail operating data). This data provided the necessary inputs for the pro forma in order to determine the expected revenues and expenses of each scenario.

Data obtained from the County Real Estate Assessment Department included reconstructed profit and loss statements for the current operations at the Jamestown Yacht Basin. These records provided information that helped inform the operation estimates used in the pro forma, particularly revenues generated from ancillary uses at these sites. The construction cost estimates provided by VHB for marina facilities were calculated by qualified professionals with specific experience in these uses. Operation data for the marina and camping uses were provided by PROS Consulting, an industry leading consultant to public, private and not-for-profit service, facility and infrastructure providers. Construction cost estimates for the hotel, retail and condominium apartments, marina, and camping facilities were provided by VHB. Other construction cost estimates were compiled from Marshall & Swift's October 2008 construction cost estimation database and have been adjusted for regional differences in construction costs. Operation data for the commercial uses were collected from the secondary data sources, including RKG Associates' market analysis included as part of this document.

RKG Associates used the pro forma's resulting cash flows to calculate two important figures for each scenario: Net Present Value (NPV) and Internal Rate of Return (IRR). NPV is an indicator of the *value* of an investment (answering the question "How much is it worth?"), while IRR reflects the *efficiency* of an investment. NPV is the value *today* of a series of expected and future cash flows, while IRR is the *yield* of these cash flows relative to the total investment. These figures provide the framework for understanding [1] whether or not the County will need to financially participate in the project based on the investment expectations of the private sector, and [2] the level of financial investment needed if the analysis indicates a potential shortfall.

The fiscal impact analysis measures the relative difference in potential tax revenue to be generated by investing in the JYB relative to the current activity level. Simply put, expanding operations at the Yacht Basin, both marina-related and other uses, will have a direct impact on the County's tax revenue stream. The analysis of a lease option and an outright sale option (detailed later in this analysis) provide the best example of how changing assumptions impact the financial benefits to the County.

C. ASSUMPTIONS

In order to complete the pro forma and fiscal impact analyses, RKG Associates compiled a table of operation and revenue assumptions for the subject properties. These assumptions were gathered from a variety of sources and are documented in the table below. A few items of note include:

- The chosen discount rate (or the expected rate of return to a developer on a real estate development project) of 20% - this rate should not be confused with the operator's fee of 8% which was chosen for the marina and campground areas (which is reflective of an expected return for an operator who is not bringing any capital to the project, but is merely leasing the space to run a business).
- Marina operating expense assumptions include both the operation data provided by PROS Consulting and a $40,000 salary for the operator. Assumptions from the marina's profit and loss statements were adjusted for inflation and any expected changes in the number of slips, dry stack storage facility, etc.
- In order to provide a more conservative forecast of revenues, the retail vacancy rate has been set at 10%, even though the industry average for a retail property is 5%. The 35% operating expense ratio is the industry standard for this type of project.
- Retail space rental rates are also conservative at $11.38 per square foot, which is approximately half of the current rental rates in the regional market. This rate was used due to the seasonal nature of marina activities. However, the restaurant space is estimated to draw the full average of $22.76 per square foot.
- Construction cost estimates not provided by VHB were calculated using Marshall & Swift's October 2008 construction cost estimating database. They have been adjusted for regional differences in construction costs. Construction costs from both VHB and Marshall & Swift's includes soft costs such as engineering fees.
- Current County tax assessment rates were used to calculate the revenue potential of each scenario. The analysis focused on real property taxes ($0.77 per $100 in value), personal property taxes (4.0% of market value), the locally-derived meals tax (4%) and the local share of the general sales tax (1%).
- Initial purchase value and reversion value calculations were done using a capitalization rate of 10%. This rate reflects a conservative estimate, which was used to accommodate the current uncertain real estate investment environment.
- All uses have been adjusted to account for a "ramp up" period of absorption during the first two years, with occupancy stabilizing in the third year.
- All dollar amounts reflect the net present value, accounting for the time-value of money.

D. PRO FORMA ANALYSIS

1. Scenario #1 – Minimalist Approach

a.) <u>Maintain Ownership of Marina Operations</u>

The first option analyzed for the Yacht Basin assumes the marina would be rehabilitated to provide a safe, clean marina without any changes to operational capacity or activities at the site beyond current levels. The County would maintain ownership of the site and lease the facility to a private operator. This option assumes the County wishes to maintain control of access to the waterfront and adjacent wetlands. The operator of the marina would receive a management fee for operating the property. RKG used a management rate of 8% as a reasonable expected return for an operator with no equity in the property, based on our conversations with local marina operators.

Based on the operating assumptions, the marina operations would generate enough cash flow for the operator to incur the approximately $693,000 in repair fees and maintain the required 8% return on investment. In fact, a 5-year analysis indicates the internal rate of return to be 14.7% (Table 1). The 10-year analysis returns 28.1% for the project. As such, maintaining the current operations with the requisite improvements to ensure safety and cleanliness likely would have no impact on the County, from a financial perspective.

Table 1
Jamestown Yacht Basin
Scenario #1a - Lease Marina

IRR & NPV Calculations	Year 5	Year 10	Year 20
Marina IRR	14.7%	28.1%	31.1%
Marina NPV @ 8%	$122,173	$750,953	$1,655,366
Non-Marina IRR	0.0%	0.0%	0.0%
NPV of Non-Marina Land @ 20%	$0	$0	$0

Source: RKG Associates, Inc. 2009

b.) <u>Sell The Yacht Basin Outright</u>

If the Yacht Basin were sold outright under the assumptions of maintaining existing operations, the site likely would generate a sale price between $1.3 and $1.4 million for the County, based on an expected return on investment of 20% and a capitalization rate of 10% (Table 2). It is important to note that the price of the property accounts for the purchaser having to incur the approximately $693,000 in initial repairs to improve the safety and cleanliness of the facility. As with the lease option, maintaining a minimalist approach avoids any initial County capital outlays for the continued operation of the Yacht Basin.

Table 2
Jamestown Yacht Basin
Scenario #1b - Sell Yacht Basin Outright

IRR & NPV Calculations	Year 5	Year 10	Year 20
JYB IRR	28.9%	24.9%	22.3%
NPV of JYB Land @ 20%	$1,408,511	$1,386,138	$1,311,064

Source RKG Associates, Inc. 2009

2. Scenario #2 – Marina Upgrade

a.) <u>Maintain Ownership of Marina Operations</u>

Upgrading the marina property involves a more substantial investment. Estimates from the consultant team indicate the net capital outlay to upgrade the marina facility would cost nearly $11 million (adjusted for local construction index). Although the expanded operations generate more operating income for the proprietor, the high up-front costs have a substantial impact on the IRR and NPV calculations (Table 3). A 5-year pro forma analysis indicates the County would need to contribute approximately $9.2 million of the up-front redevelopment costs for the project to meet the 20% return goal. The requisite financial involvement by the County would decrease with longer holding periods.

Table 3
Jamestown Yacht Basin
Scenario #2a - Lease Marina and Sell Restaurant

IRR & NPV Calculations	Year 5	Year 10	Year 20
Marina IRR	N/A	-11.5%	0.9%
Marina NPV @ 8%	($9,163,453)	($7,658,732)	($5,495,105)
Non-Marina IRR	39.9%	31.0%	27.2%
NPV of Non-Marina Land @ 20%	$373,818	$317,574	$237,961

Source: RKG Associates, Inc. 2009

In comparison, the restaurant operations have an IRR well above 20%. Assuming the County sold the land associated with operating the restaurant component, an investor likely would be willing to pay between $300,000 and $400,000 for the land and incur the construction costs for the facility.

b.) *<u>Sell The Yacht Basin Outright</u>*

The outright sale of the property would substantially reduce the necessary County investment to achieve the 20% return on investment threshold. Based on the assumptions detailed earlier in this narrative, a private investor seeking to make a 20% return on investment would require the County to sell the land for $1 and provide between $3.5 and $4.0 million capital investment. The County would not have to provide as much "incentive" due to the reversion value of the property that would be captured by the investor. The marina/restaurant operations likely will have a value between $7 and $9 million at the end of the 10-year hold period. The investor would gain the benefit of the net difference between the sale price and the remaining mortgage on the property.

Table 4
Jamestown Yacht Basin
Scenario #2b - Sell Yacht Basin Outright

IRR & NPV Calculations	Year 5	Year 10	Year 20
JYB IRR	N/A	-2.0%	7.1%
NPV of JYB Land @ 20%	($4,011,656)	($3,547,937)	($3,606,328)

Source RKG Associates, Inc. 2009

3. Scenario #3 – Expanded Marina Upgrade

a.) *<u>Maintain Ownership of Marina Operations</u>*

Scenario #3 maintains everything in Scenario #2, but adds 100 dry stack storage units to the proposed structure. As a result, the initial investment is estimated to increase approximately $600,000. As such, the initial County outlay would need to be greater with a 5-year lease ($9.4 million compared to $9.2 million). However, the added revenue from operations would provide a benefit to the County for longer term leases. Assuming a 10-year lease arrangement, the County investment requirement would be approximately $7.5 million (Table 5) for this scenario instead of $7.65 million for fewer dry stack units to meet the lease-based return on investment threshold of 8%. The restaurant assumptions do not change for this scenario, so they remain consistent with the return potential from Scenario #2.

Table 5
Jamestown Yacht Basin
Scenario #3a - Lease Marina and Sell Restaurant

IRR & NPV Calculations	Year 5	Year 10	Year 20
Marina IRR	N/A	-9.2%	2.5%
Marina NPV @ 8%	($9,384,581)	($7,489,849)	($4,735,873)
Non-Marina IRR	39.9%	31.0%	27.2%
NPV of Non-Marina Land @ 20%	$373,818	$317,574	$237,961

Source: RKG Associates, Inc. 2009

b.) Sell The Yacht Basin Outright

As mentioned, the additional dry stack storage increases the initial cost, but also increases the potential cash flow (and subsequently an increase in value) for an investor. This added cash flow and reversion value results in a lower investment level for the County to reach the ownership return on investment threshold of 20%. Assuming a five to ten year hold period, an investor would require a sale price of $1 for the Yacht Basin and a County investment between $3.1 and $3.6 million for the capital improvements (Table 6).

Table 6
Jamestown Yacht Basin
Scenario #3b - Sell Yacht Basin Outright

IRR & NPV Calculations	Year 5	Year 10	Year 20
JYB IRR	-20.8%	3.0%	9.1%
NPV of JYB Land @ 20%	($3,586,621)	($3,163,357)	($3,273,737)

Source RKG Associates, Inc. 2009

4. Scenario #4 – Retail Operations

a.) Maintain Ownership of Marina Operations

Adding 6,000 square feet of retail space has more impact creating a dynamic recreation destination than it does on the operational aspect of the Yacht Basin. The marina lease assumptions do not change from Scenario #3 to Scenario #4, resulting in the same IRR and NPV levels (Table 7). The impact occurs in the sale of the land dedicated to the retail and restaurant operations. Adding this comparatively small level of retail space increases the likely purchase price by $90,000 to $100,000 as a result of the increased potential cash flow. It is important to note that the 6,000 square feet of retail reflects the Consultants' analysis of the likely supportable space at the Yacht Basin, given the market strengths and weaknesses of the facility. This space likely would attract users to support the marina operations, such as a dry goods shop/convenience store and a kayak/boating equipment sales, repair and rental shop.

Table 7
Jamestown Yacht Basin
Scenario #4a - Lease Marina and Sell Restaurant/Retail

IRR & NPV Calculations	Year 5	Year 10	Year 20
Marina IRR	N/A	-9.2%	2.5%
Marina NPV @ 8%	($9,384,581)	($7,489,849)	($4,735,873)
Non-Marina IRR	39.1%	30.5%	26.8%
NPV of Non-Marina Land @ 20%	$474,308	$402,302	$298,222

Source: RKG Associates, Inc. 2009

b.) *Sell The Yacht Basin Outright*

Similar to the differences between Scenario #2 and Scenario #3, the marginal increase in development intensity has a small, positive impact on the requisite County investment to meet the 20% ownership return on investment threshold. Based on these operating assumptions, a private investor would require a sale price of $1 for the yacht basin and a financial contribution of $3.1 to $3.5 million from the County for the initial capital outlay (Table 8).

Table 8
Jamestown Yacht Basin
Scenario #4b - Sell Yacht Basin Outright

IRR & NPV Calculations	Year 5	Year 10	Year 20
JYB IRR	-16.0%	4.4%	9.7%
NPV of JYB Land @ 20%	($3,486,131)	($3,078,630)	($3,213,477)

Source RKG Associates, Inc. 2009

5. Scenario #5 – Site Maximization

The Consultant was requested to develop a "break even" scenario for the fifth alternative, where the County would not have to make any additional investments into the Yacht Basin while still supporting the expanded marina operation assumptions. However, the physical constraints of the site do not allow for the development intensity required to meet this goal. Structures would need to be dozens of stories high to accommodate the amount of building square footage required to meet this request. As such, the Consultant has prepared a scenario that maximizes the allowable building intensity on the site accounting for physical and natural constraints under the current zoning classification. In total, the site can accommodate 12,000 square feet of additional retail space, bringing the total to 18,000 square feet of retail and 10,000 square feet of restaurant space. It is important to note that the market analysis indicates this level of retail development likely is not supportable at the Yacht Basin without a residential or hospitality component. The 18,000 square feet is more than will be required by businesses that will support the marina and the local demand for retail goods and services is not strong enough to warrant this level of retail development.

a.) *Maintain Ownership of Marina Operations*

Similar to Scenario #4, the marina lease results are not affected by the additional retail space. However, the potential sale price of the land for the restaurant/retail operations is higher due to the additional potential cash flow from the expanded retail operations. Under this scenario, the potential purchase price ranges from $650,000 to $760,000, dependent on the hold period used in the analysis (Table 9).

Table 9
Jamestown Yacht Basin
Scenario #5a - Lease Marina and Sell Restaurant/Retail

IRR & NPV Calculations	Year 5	Year 10	Year 20
Marina IRR	N/A	-9.2%	2.5%
Marina NPV @ 8%	($9,384,581)	($7,489,849)	($4,735,873)
Non-Marina IRR	39.9%	31.0%	27.2%
NPV of Non-Marina Land @ 20%	$761,766	$650,401	$490,847

Source: RKG Associates, Inc. 2009

b.) <u>Sell The Yacht Basin Outright</u>

The site maximization assumptions provide the "best" marina expansion alternative for the County, in terms of financial requirements. Based on these assumptions, an investor would require a sale price of $1 for the yacht basin and an initial investment of $2.8 million to $3.2 million from the County to reach the 20% return on investment threshold, based on a 5-year and 10-year hold period (Table 10).

Table 10
Jamestown Yacht Basin
Scenario #5b - Sell Yacht Basin Outright

IRR & NPV Calculations	Year 5	Year 10	Year 20
JYB IRR	-7.5%	7.3%	11.1%
NPV of JYB Land @ 20%	($3,198,673)	($2,830,531)	($3,020,851)

Source RKG Associates, Inc. 2009

E. FISCAL IMPACT ANALYSIS

While the pro forma analysis provides important information about the viability of a real estate investment for a private investor, it does not provide a complete understanding about the financial revenues and expenditures for a governmental investor. As a property owner, a government investor also needs to account for the net fiscal impacts of a real estate project. Simply put, large real estate deals often result in substantial increases in revenues (i.e. fees, taxes and permits) and expenditures (i.e. emergency services and school impacts) for a new development in comparison to the existing uses of the development site.

1. Assumptions

The Consultant analyzed the potential change in revenues and expenditures of each scenario under both the lease arrangement and outright sale arrangement. The following assumptions were used in this effort:

One-Time Costs and Revenues Are Balanced

Simply put, the County will incur some one-time revenues and expenditures resulting from a new development. The consultant used the assumption that all one-time costs (i.e. staff review time) are covered by the revenues (i.e. building permits). While these costs and revenues often are not equal, the relative difference most likely is a very small value compared to the overall fiscal impact.

Service Level Changes Are Marginal

The Yacht Basin already is served by the County. The marina, boat sales and boat repair operations already are factored into the services required from the County. The changes to the site for each scenario likely will not require additional resources from the County to adequately serve local needs. This is particularly true as there are no residential or hospitality components. As such, the change in cost of services is assumed to be marginal.

The Upgraded Marina Will Attract a More Diverse Clientele

The current clientele at the Yacht Basin is not representative of the average boating enthusiast in the region. The Consultants conducted an analysis of value for boats between 20 feet and 30 feet in length within the greater Williamsburg market. The results indicate a mean value of $42,500. However, personal property tax records suggest the average value of 50 of the boats currently housed at the Yacht Basin and being assessed for personal property tax is approximately $6,380, with a median value of $5,250. While Scenario #1 likely will have no impact on the average value of boats at the Marina due to the limited improvement of services and amenities, a substantial upgrade of the facility likely will change local and regional perceptions of the facility. RKG Associates' analysis of the marina industry in the region indicated that the newest, amenity-laden facilities tended to have the best occupancy levels and broadest-reaching clientele base. As such, Scenarios #2 through #5 likely will draw a clientele more closely reflective of regional averages.

Real Property Tax Is Collected from Privately-Held Operations

The County will be able to collect real property tax for all portions of the site owned by private investors. As such, a market value was calculated for both the lease alternatives (the non-marina operations) and the sale alternatives (the entire site). The Consultant used a conservative 10% capitalization rate to determine market value. The County assesses a $0.77 real property tax for each $100 of value.

Personal Property Tax Is Collected from Permanently-Housed Boats

The County will be able to collect personal property tax on all boats permanently housed at the marina. Although the County already collects personal property tax from the boats currently housed at the marina, the analysis measures the impact of the new boats accommodated by the marina expansion (both wet slips and dry stack). To this end, the Consultant studied a 'conservative' and 'aggressive' approach to the value of new boats. The conservative model utilized an average boat value of $21,250, approximately one-half of the regional average. The aggressive scenario modeled the regional average. The County assesses a 4% personal property tax on watercraft.

The County Continues to Assess the Local Share of Sales Tax

James City County has enacted its right to assess a 1% sales tax in addition to the 4% sales tax assessed by the Commonwealth (known as local share). Although this analysis assumes the County will continue to collect sales tax from the boat sales, boat repair and fuel sales at the Yacht Basin, the County will benefit from the sales generated by the restaurants and retail establishments being proposed as parts of scenarios #2 through #5. The analysis accounts for the difference between the existing revenue levels and potential new levels based on the expanded commercial activity.

The Restaurant Tax (Meals Tax) Continues Through the Study Period

James City County assesses a 4% meals tax for all prepared food sales in the County in addition to the 5% general sales tax described above. This analysis assumes the meals tax remains as law through the study period, and accounts for the revenues generated through the operations of the restaurant component.

2. Analysis Results

Regardless of the value of boats at the marina, the lease option of Scenario #1 provides no fiscal benefit to the County. For this Scenario, the operations remain the same and no additional development is proposed for the site. As a result, the current revenues being generated at the Yacht Basin site remain the same. However, each of the other scenarios and alternatives provide additional revenue streams for the County. The four expanded operation lease alternatives generate a net present value difference of $4.2 to $6.1 million in additional revenue for the County in the conservative approach and between $6.0 million and $8.6 million for the aggressive scenario (Tables 11a and 11b).

The additional revenue primarily is a result of the personal property tax generated by the expanded boat storage on-site. Using the average value of $42,500 for a 20-foot to 30-foot boat, each new boat provides an additional $1,700 in revenue. The expanded dry stack scenario accommodates 340 additional boats, translating into nearly $600,000 in additional revenue to the County each year. The conservative estimate reduces these impacts by 50%. While the current boats at the facility have a substantially lower average value than both estimates, the upgrade of the marina and addition of new amenities will draw from a much wider market and appeal to enthusiasts with higher-value watercraft.

Table 11a
Fiscal Impact Analysis - Aggressive Scenario
Difference from Existing Opoerations (Including Net Present Value of Revenue Flows)
Jamestown Yacht Basin

	Year 1	Year 2	Year 3	Year 4	Year 5		Year 10	TOTAL	NPV
LEASE MARINA OPERATIONS, SELL NON-MARINA OPERATIONS									
Scenario #1	$0	$0	$0	$0	$0		$0	$0	$0
Scenario #2	$544,189	$638,567	$720,966	$726,849	$732,921		$766,272	$7,126,100	$6,039,309
Scenario #3	$705,595	$801,475	$884,270	$890,566	$897,066		$932,831	$8,769,359	$7,439,982
Scenario #4	$713,203	$825,813	$922,722	$930,476	$938,478		$982,415	$9,152,204	$7,758,905
Scenario #5	$812,096	$885,144	$1,010,937	$1,022,303	$1,034,045		$1,098,757	$10,124,766	$8,580,260
SELL YACHT BASIN OUTRIGHT									
Scenario #1	$111,390	$126,851	$131,172	$135,620	$140,197		$165,081	$1,419,510	$1,199,769
Scenario #2	$858,567	$999,817	$1,092,548	$1,109,065	$1,126,077		$1,218,900	$11,089,647	$9,392,588
Scenario #3	$1,085,120	$1,239,511	$1,335,710	$1,355,833	$1,376,596		$1,490,546	$13,610,663	$11,533,793
Scenario #4	$1,119,585	$1,294,456	$1,408,519	$1,430,100	$1,452,364		$1,574,487	$14,325,825	$12,134,969
Scenario #5	$1,151,874	$1,415,001	$1,565,446	$1,590,640	$1,616,645		$1,759,542	$15,842,704	$13,404,018

Source: James City County and RKG Associates, Inc. 2009

Table 11b
Fiscal Impact Analysis - Conservative Scenario
Difference from Existing Opoerations (Including Net Present Value of Revenue Flows)
Jamestown Yacht Basin

	Year 1	Year 2	Year 3	Year 4	Year 5		Year 10	TOTAL	NPV
LEASE MARINA OPERATIONS, SELL NON-MARINA OPERATIONS									
Scenario #1	$0	$0	$0	$0	$0		$0	$0	$0
Scenario #2	$331,689	$426,067	$508,466	$514,349	$520,421		$553,772	$5,001,100	$4,226,640
Scenario #3	$416,595	$512,475	$595,270	$601,566	$608,066		$643,831	$5,879,359	$4,974,753
Scenario #4	$424,203	$536,813	$633,722	$641,476	$649,478		$693,415	$6,262,204	$5,293,677
Scenario #5	$523,096	$596,144	$721,937	$733,303	$745,045		$809,757	$7,234,766	$6,115,031
SELL YACHT BASIN OUTRIGHT									
Scenario #1	$111,390	$126,851	$131,172	$135,620	$140,197		$165,081	$1,419,510	$1,199,769
Scenario #2	$646,067	$787,317	$880,048	$896,565	$913,577		$1,006,400	$8,964,647	$7,579,920
Scenario #3	$796,120	$950,511	$1,046,710	$1,066,833	$1,087,596		$1,201,546	$10,720,663	$9,068,564
Scenario #4	$830,585	$1,005,456	$1,119,519	$1,141,100	$1,163,364		$1,285,487	$11,435,825	$9,669,741
Scenario #5	$862,874	$1,126,001	$1,276,446	$1,301,640	$1,327,645		$1,470,542	$12,952,704	$10,938,789

Source: James City County and RKG Associates, Inc. 2009

The sales assumptions for each scenario would yield an even greater revenue stream to the County due to the collection of real property tax for the marina. Under the lease scenario, the County only collects real property tax for the non-marina uses (restaurant and retail components). The year 10 real property revenue for the lease scenarios ranges from $113,000 for Scenario #2 to $245,000 for Scenario #5. In contrast, the year 10 real property revenue to the County ranges from $635,000 to $935,000 for the same scenarios. The net present value difference for the lease and sale alternatives of Scenario #1 is nearly $1.2 million, all resulting from the real property tax revenue. The net present value difference of tax revenues from the other four scenarios ranges from $9.4 million for scenario #2 to $13.4 million for Scenario #5.

F. FINANCIAL IMPLICATIONS

Each of the scenarios and their respective ownership alternatives provide benefits and drawbacks to James City County. The scenario and alternative ultimately selected for implementation should best reflect a balance of the County's vision for the Yacht Basin and the financial viability for successful reinvestment. The following narrative provides a detailed summary of the most salient findings from the financial analysis.

Scenario #1 provides the safest investment alternative

Maintaining the Yacht Basin at its current operation level and development intensity provides the greatest financial protection for the County. Simply put, the safety and cleanliness capital investment requirements for this scenario are 15 to 25 times less expensive than the remaining four scenarios. As a result, the cash flow potential of the site should be strong enough so that the County does not incur any additional capital outlay needs. The 5-year financial analysis indicates the net impact to the County is no worse than "break even," and should range from $0 to $2.0 million in revenues above current operation levels.

Expansion of the marina operations in Scenario's #2 through #5 only "works" through the sale alternative

The requisite capital outlay to upgrade the marina is too substantial for a private investor to incur the full cost. Under the lease alternatives for scenarios #2 through #5, the County would have to provide almost all of the upgrade investment costs. The County would not "break even" as a result of the increase in tax revenues until well past year 5 for any of the four 'expansion' scenarios under the aggressive approach of boat values (Table 12a) and more than 15 years under the conservative boat value calculations (Table 12b).

Table 12a
Financial Impact Analysis - Aggressive Scenario
Difference from Existing Opoerations
Jamestown Yacht Basin

	Scenario #1	Scenario #2	Scenario #3	Scenario #4	Scenario #5
5-YEAR FINANCIAL IMPACT ANALYSIS FROM CURRENT OPERATIONS					
Marina Lease Alternative					
Initial Cash Revenue from Sale	$0	$373,818	$373,818	$474,308	$761,766
Requisite Cash Outlay	$0	($9,163,453)	($9,384,581)	($9,384,581)	($9,384,581)
Fiscal Impact of Scenario	$0	$3,068,055	$3,814,816	$3,951,515	$4,348,206
Total Net Revenue (Loss)	$0	($5,721,580)	($5,195,948)	($4,958,758)	($4,274,610)
Yacht Basin Sale Alternative					
Initial Cash Revenue from Sale	$1,408,511	$0	$0	$0	$0
Requisite Cash Outlay	$0	($4,011,656)	($3,586,621)	($3,486,131)	($3,198,673)
Fiscal Impact of Scenario	$589,188	$4,732,574	$5,836,340	$6,119,567	$6,692,500
Total Net Revenue (Loss)	$1,997,699	$720,918	$2,249,719	$2,633,436	$3,493,826
10-YEAR FINANCIAL IMPACT ANALYSIS FROM CURRENT OPERATIONS					
Marina Lease Alternative					
Initial Cash Revenue from Sale	$0	$317,574	$317,574	$402,302	$650,401
Requisite Cash Outlay	$0	($7,658,732)	($7,489,849)	($7,489,849)	($7,489,849)
Fiscal Impact of Scenario	$0	$6,039,309	$7,439,982	$7,758,905	$8,580,260
Total Net Revenue (Loss)	$0	($1,301,849)	$267,708	$671,358	$1,740,812
Yacht Basin Sale Alternative					
Initial Cash Revenue from Sale	$1,386,138	$0	$0	$0	$0
Requisite Cash Outlay	$0	($3,547,937)	($3,163,357)	($3,078,630)	($2,830,531)
Fiscal Impact of Scenario	$1,199,769	$9,392,588	$11,533,793	$12,134,969	$13,404,018
Total Net Revenue (Loss)	$2,585,907	$5,844,651	$8,370,436	$9,056,339	$10,573,487

Source: RKG Associates, Inc. 2009

The sale of the property substantially changes the financial potential of expanding the marina. A private investor can leverage the costs of upgrading the marina through financing, reducing the initial requirement "out-of-pocket" investment. Furthermore, the reversion value of the property provides a

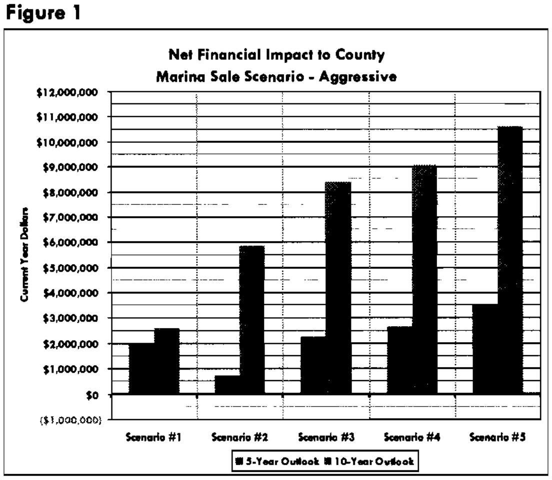
Table 12b
Financial Impact Analysis - Conservative Scenario
Difference from Existing Opoerations
Jamestown Yacht Basin

	Scenario #1	Scenario #2	Scenario #3	Scenario #4	Scenario #5
5-YEAR FINANCIAL IMPACT ANALYSIS FROM CURRENT OPERATIONS					
Marina Lease Alternative					
Initial Cash Revenue from Sale	$0	$373,818	$373,818	$474,308	$761,766
Requisite Cash Outlay	$0	($9,163,453)	($9,384,581)	($9,384,581)	($9,384,581)
Fiscal Impact of Scenario	$0	$2,094,867	$2,491,280	$2,627,980	$3,024,671
Total Net Revenue (Loss)	$0	($6,694,768)	($6,519,483)	($6,282,294)	($5,598,145)
Yacht Basin Sale Alternative					
Initial Cash Revenue from Sale	$1,408,511	$0	$0	$0	$0
Requisite Cash Outlay	$0	($4,011,656)	($3,586,621)	($3,486,131)	($3,198,673)
Fiscal Impact of Scenario	$589,188	$3,759,386	$4,512,804	$4,796,031	$5,368,964
Total Net Revenue (Loss)	$1,997,699	($252,270)	$926,183	$1,309,900	$2,170,291
10-YEAR FINANCIAL IMPACT ANALYSIS FROM CURRENT OPERATIONS					
Marina Lease Alternative					
Initial Cash Revenue from Sale	$0	$317,574	$317,574	$402,302	$650,401
Requisite Cash Outlay	$0	($7,658,732)	($7,489,849)	($7,489,849)	($7,489,849)
Fiscal Impact of Scenario	$0	$4,226,640	$4,974,753	$5,293,677	$6,115,031
Total Net Revenue (Loss)	$0	($3,114,517)	($2,197,521)	($1,793,870)	($724,417)
Yacht Basin Sale Alternative					
Initial Cash Revenue from Sale	$1,386,138	$0	$0	$0	$0
Requisite Cash Outlay	$0	($3,547,937)	($3,163,357)	($3,078,630)	($2,830,531)
Fiscal Impact of Scenario	$1,199,769	$7,579,920	$9,068,564	$9,669,741	$10,938,789
Total Net Revenue (Loss)	$2,585,907	$4,031,983	$5,905,207	$6,591,111	$8,108,258

Source: RKG Associates, Inc. 2009

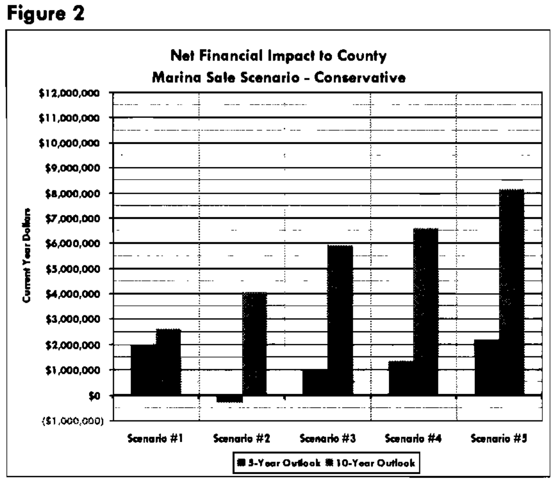
windfall to the investor at the end of the study period, increasing their return on investment over the hold period. As a result, the County's initial investment is reduced and the potential real property tax revenue increases substantially. Based on the property sale alternatives under the aggressive boat value calculations, each scenario provides a positive net financial impact by year 5 (Figure1), with a 10-year study period net difference in revenue from Scenario #1 ranging between $3.2 and $8.0 million. Under the conservative boat valuation analysis, the net difference in revenue to the County is suppressed, but still returns a substantially greater return ($1.5 million for Scenario #2 and $5.5 million for scenario #5) to the County by the end of the 10-year study period (Figure 2).

Figure 1



Source: RKG Associates, Inc. 2009

Figure 2



Source: RKG Associates, Inc. 2009

A development partner with a longer hold period for the sale alternatives is preferable

Under the ownership alternatives, the County's initial capital outlay decreases as the hold period is extended. This is a result of the increased net revenue generated when the property is sold at the end of the hold period. Finding a development partner with a 10-year intended hold period will minimize the requisite capital outlay by the County to upgrade the property.

The financial analysis does not account for the County's purchase of the Yacht Basin

The financial analysis assumes the County's initial purchase price of the Yacht Basin property is a sunk cost. As such, the dollar amount spent for the facility was not factored into calculations. If the administration wants to consider this cost, the purchase price should be subtracted from the "Total Net Revenue (Loss)" line of Tables 12a or 12b, ultimately reducing the benefits (or exacerbating the losses) of each scenario and alternative.

The net difference in tax revenue between the existing and expanded operations continues past the 10-year study horizon

The net difference in tax revenues of the upgraded marina scenarios will continue until the marina is destroyed or redeveloped. As a result, the net fiscal benefits to the County will continue into the future. While the time-value of money will gradually erode the net present value of these annual revenue captures, they represent a continued revenue source to increase and diversify the County's overall tax base.