

Marina Concession/Lease Renewal Policy

Policy Statement

The ongoing development and operation of marinas to meet government, industry and community needs requires suitable concession/lease terms and renewability of concessions/leases with existing concessionaires/lessees. This will deliver the certainty of investment required to meet, to a high level, both government and community needs and desires from this infrastructure. The lease/concession terms must encourage marina investors and operators to maintain, re-invest and grow their facilities and goodwill in the best interests of the community, rather than to foster a decline in the facility and operations.

Executive Summary

This policy paper should be read in conjunction with the ICOMIA Marinas Group (IMG) policy on [Marina Lease Tenders \(June,2018\)](#). Marinas provide essential community infrastructure for the access to and into the land/water interface and the access to the storage and maintenance of boats. Where they are privately funded and operated, they deliver this publicly accessible infrastructure at no cost to government, provide a stable return on public assets and shield government from the both the operating and capital risk of marina operations.

Globally, marinas on government land and/or water are typically developed on land that contain, to varying degrees, concessions/leases from government agencies. These concessions/leases are often for terms greater than 25 years and in many cases allow for renewal, with the existing concessionaire/lessee for a new term, often with some capital investment requirement. In other cases, renewal at the end of the term may not be guaranteed or defined. Where available, the renewal of concessions/leases is typically informal and industry operates with no certainty. Without long term concessions/leases, a lack of certainty has created difficulties for the industry to attract and retain investment capital. There are sound commercial and public policy justifications for providing a formal basis for the renewal of marina concessions/leases within existing concessionaires/lessees. Certainty of renewal provides the basis upon which the marina operator can continue to re-invest in the marina infrastructure and the growth of goodwill in the business. The alternate position, where the operator assumes that the lease will not be renewed, creates a circumstance where the marina operator is commercially motivated to amortise the marina's infrastructure and goodwill to zero by the end of the lease terms delivering deferred maintenance, and deteriorating operations for the majority of the lease term.

To ensure continued investment by the concession holder/lessee over the lease period which results in maintaining modernisation, upgrading, attractiveness and ongoing safe operations, the initial lease terms should be a minimum of 40 years with the ability to extend the lease based on a formula in the lease tied to increased levels of maintenance, capital expenditure and improvements.

Criteria should be set forth within standard concessions/leases for the assessment of the performance of the lessee during the existing lease as well as renewal term in the form of benchmarks for capital investments to ensure the objective of ongoing improvement of infrastructure, operations and public desires are delivered.

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Background

Marinas provide essential access by the public to and into the water and provide essential in-water and upland boat storage and associated infrastructure and amenities. They create employment, economic activity and support tourism in the communities surrounding their location and contribute to the aesthetic and social fabric of their communities. They are most often developed and operated with private investment and require professional management of the complex interface between access by the public, operational health and safety, environmental control, industrial activities, tourism and community activities. Marinas are long term investments, capital intensive and with an extended payback period, essential to their long-term viability. To insure the continued delivery of high-quality public benefits an investment framework is needed that provides investment certainty through both security of tenure of marina concessions/leases and affordable seabed and land rents within the range of sustainable occupancy cost. Seabed and land rents are dealt with in IMG policy on [Marina Lease Tenders](#).

ICOMIA supports competition and the fair financial return to government for the lease of public assets but notes that this must be balanced and tempered with delivering the certainty of investment required to deliver the ongoing community benefits derived from professionally managed and maintained marina infrastructure. As such, the renewal of existing marina concessions/leases must be considered in the context of the broader community benefits that flow from the development and management of marinas by professional and experienced operators. Lack of certainty of concession/lease renewal typically leads to deferred maintenance, lack of upgrading and deteriorating facilities in the last 50% of a marina concession as capital and goodwill is amortised to zero delivering poor community outcomes.

Marinas provide a range of local and regional economic benefits by providing a broad platform for all segments of boating, from small trailer boats to superyachts. As such, the assessment criteria for renewing an existing concession/lease should include the performance of the existing concessionaire/lessee against the requirements of the lease and the continued commitment to re-investment and upgrade of the facilities during the term of the new lease.

Justification for position

For the most part marinas on government land and water are privately funded and operated public infrastructure that deliver essential community and boat access, storage and maintenance at the land water interface. The granting of leases/concessions for marina development and operation on public land and seabed delivers this infrastructure at no cost to government and shields government agencies from the capital costs and operating costs and risks of delivering this infrastructure.

Marina investments are generally characterised by:

- Complex planning and approval processes
- Long term investments
- High capital costs of development in an environmentally sensitive marine environment
- High operating cost as a proportion of revenue
- Long payback period
- High risk operating environment which mixes industrial processes with the general public requiring sophisticated management of safety and environmental issues.

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- High demand and cost of maintenance of infrastructure in the marine environment
- Ongoing requirement of capital investment to adapt to changes in market demand and technology
- Customers use discretionary spending which is sensitive to changes in consumer confidence

Leasehold tenure with renewal uncertainty makes marinas difficult to fund because:

- In the early years of the concession/lease they are subjected to low loan to value ratios from financial institutions requiring high levels of direct equity increasing the weighted average cost of capital and reducing the competitiveness of the investment
- In the last 50% of the concession/lease it is almost impossible to obtain meaningful funding due to the limited time of the remainder of the concession/lease and the depletion of value over the remaining time.

Most marina seabed's that are leased by governments fall into two categories:

- Those that are part of an upland concession/lease
- Those that are not part of an upland concession/lease
- Global government practice on leases/concessions is generally silent in terms of renewals leaving the concessionaire/lessee at risk. Many concessions /leases are negotiated informally with the present concessionaire/lease. However, there are others that put the concession/lease out for bid usually through an RFP (request for proposals).

The justification of providing for renewal of lease/concession terms with existing lessees/concessionaires is to ensure the ongoing investment in, upgrading of, and maintenance of, the marina infrastructure and to provide incentive and motivation for the marina operator to continue to deliver, maintain and improve and modernise the quality of infrastructure and to grow the goodwill of the marina business. This delivers ongoing improvements in the community outcome from the infrastructure. The comparison of outcomes in comparing certainty of concession renewal vs no renewal is set out in figure 1 below.

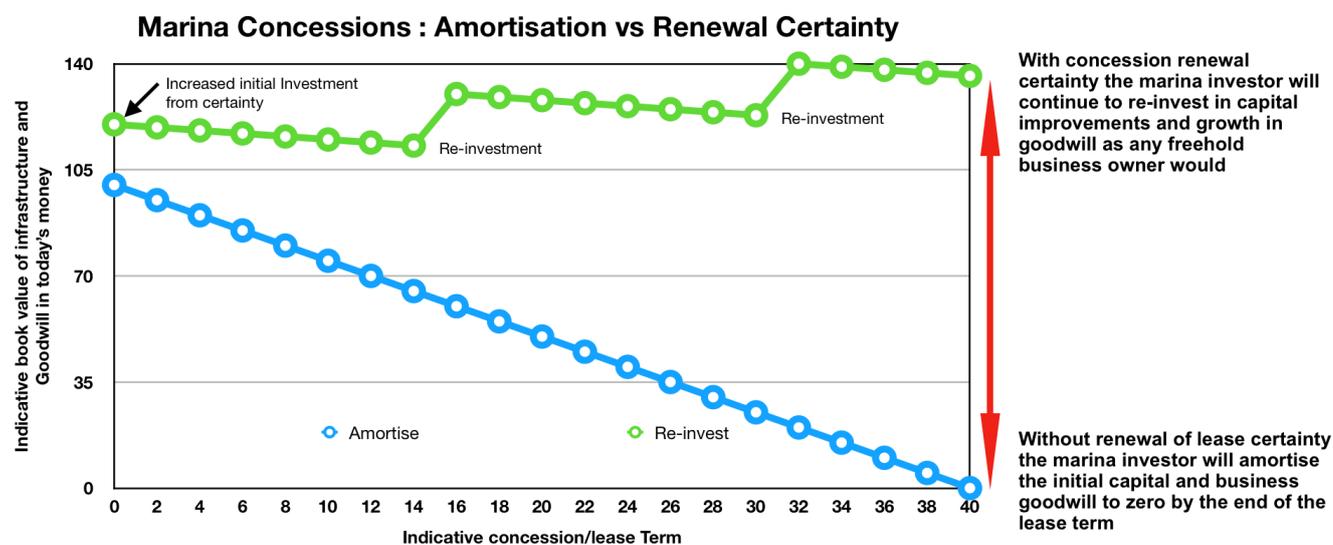
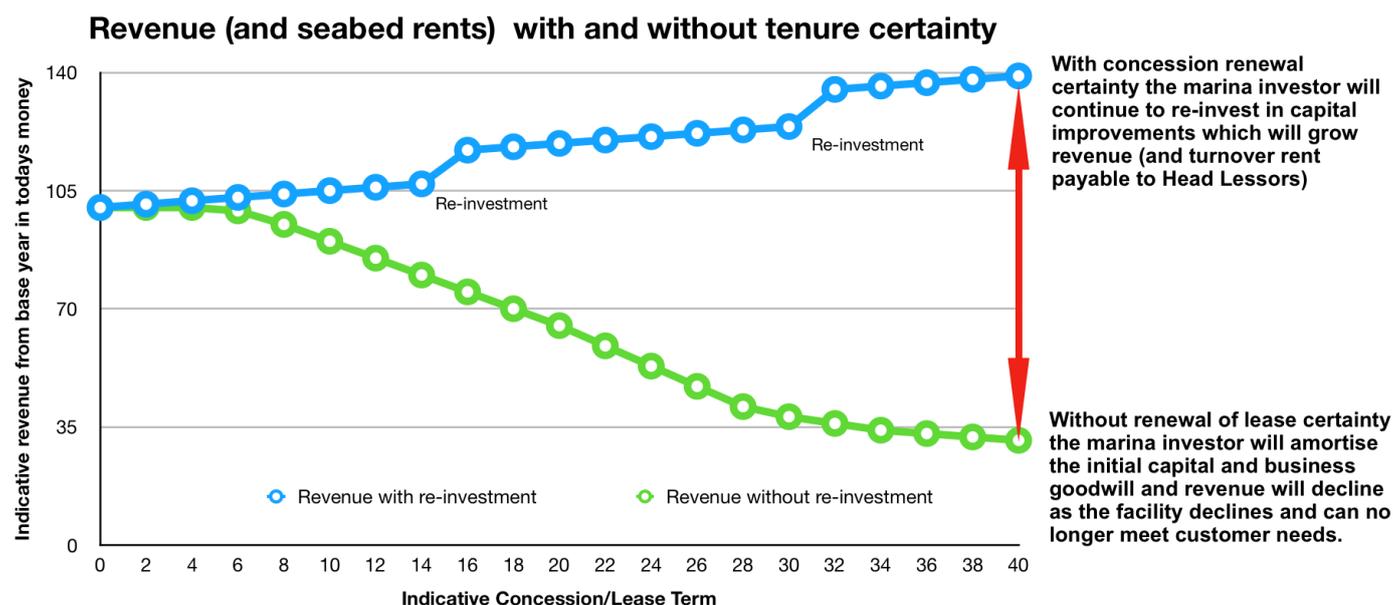


Figure 1 comparing certainty of concession renewal vs no renewal

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Certainty of investment also has consequences to the seabed and land rents that marinas can pay as marinas with concession tenure secured long-term will be able to confidently re-invest in the marina and the growth of goodwill which will translate to growth in revenues over time increasing the capacity to pay seabed and land rents. Commensurately, where tenure is not certain, revenues will decline as infrastructure and goodwill is amortised and the marina fails to meet customer expectations. This is shown in figure 2 below.



This chart is an indicative illustration of how investment decisions are affected by certainty of Lease renewal

Figure 2 Revenue and seabed rents with and without tenure certainty

Policy Position

1. Initial lease terms for marina leases/concessions should be a minimum of 40 years to attract investment capital from competent operators that is commercially viable and sustainable.
2. To ensure the ongoing investment in the maintenance and upgrade of the marina infrastructure and the delivery of services and facilities that meet the needs of the community over the term of the lease/concession (through investment in development of the goodwill of the marina operator) the terms of the lease/concession must contain the ability to extend the lease during the term of the existing lease where there is ongoing effective maintenance of the marina facilities and/or further improvements and capital expenditure proposed during the existing term of the lease/concession.
3. Consideration should be given to the use of industry accreditation programs to validate objectively at certain intervals within the lease/concession term, and on an industry benchmark basis, the quality of the infrastructure and marina services. Examples of existing recognised industry accreditation programs for marinas include Gold Anchor, Blue Star, Clean Marina and Blue Flag