Parks Recreation & Waterfront

Waterfront Specific Plan for the City of Berkeley Public Tidelands Area

Supporting Infrastructure, Revenue, Parking, and Sea Level Rise Studies (as of March 2023)

The following studies were produced as part of *Waterfront Specific Plan* (formerly "Berkeley Marina Area Specific Plan") process, with the exception of the "Berkeley Marina Sea Level Rise AB 691 Assessment Study". These studies are not final and continue to be updated by City staff, Hargreaves Jones, and the consultants associated with each study.

The *Waterfront Specific Plan* process began in the spring of 2020, just as the global pandemic emerged, which extended the anticipated duration of the effort and has required several updates and revisions to data and analysis included in these documents. These studies have informed the development of the *Waterfront Specific Plan* to date, and will continue to be referenced and revised as this process continues.

Final versions will be released in coordination with the final *Waterfront Specific Plan* – following an upcoming environmental review process, further community and stakeholder engagement, and ongoing City Council review.

1. **Infrastructure Assessment *DRAFT*** (May 2021)
   Hargreaves Jones, Moffatt & Nichol, Nelson\Nygaard, Bkf Engineering

2. **Existing Amenities and Operations Assessment *DRAFT*** (March 2021)
   Keyser Marston Associates

3. **Implementation Strategy *DRAFT*** (April 2021)
   Keyser Marston Associates

4. **Hotel Food and Beverage Revenue Potential *DRAFT*** (September 2022)
   Keyser Marston Associates

5. **Dredging Needs Technical Memo *DRAFT*** (April 2021)
   Moffatt & Nichol

6. **Slip Mix Study *DRAFT*** (August 2022)
   Moffatt & Nichol

7. **Parking & Mobility Framework *DRAFT*** (January 2022)
   Nelson Nygaard

8. **Berkeley Marina Sea Level Rise AB 691 Assessment Study *DRAFT*** (August 2019)
   NCE

DRAFT **IMPLEMENTATION STRATEGY**

Written by: **Keyser Marston Associates, Inc.**

BERKELEY MARINA AREA
specific plan

April 19, 2021

Executive Summary

The Implementation Strategy identifies options for maintaining and enhancing public infrastructure and amenities in the Berkeley Marina Area (Marina Area) through revenue-generating development, external funding, and financing tools. These options are provided to inform the preparation and implementation of the Berkeley Marina Area Specific Plan (Specific Plan or BMASP).

The Implementation Strategy is organized into five sections.

Sections 1 reviews the current and projected fiscal needs of the City of Berkeley's Marina Enterprise Fund.

Sections 2 and 3 evaluate the revenue potential of development concepts representative of market opportunities identified in the Amenities and Operations Assessment, as well as the locational factors that may affect the magnitude and timing of net new revenues to the Marina Fund.

Section 4 presents additional options for funding and financing public infrastructure and amenities in the Marina Area that either supplement or leverage the revenues generated by commercial development.

Section 5 includes technical tables that detail the approach to estimating the revenue potential of development concepts.

Key Findings

Marina Enterprise Fund Overview

The City of Berkeley's Marina Enterprise Fund accounts for the operations, maintenance and capital needs of public infrastructure and amenities in the Marina Area. The Marina Fund has long struggled to generate enough revenues to support operating and maintenance costs and address capital needs. The Covid-19 pandemic has compounded the Marina Fund's fiscal challenges, as lease revenues have fallen dramatically during the pandemic. The Marina Fund's reserves are projected to be depleted by the next fiscal year. Thereafter, the Marina Fund faces a projected annual operating loss of $0.7 million to $1.6 million per year, without access to reserves to cover the deficit. The Marina Fund must achieve a significant increase in annual revenues to eliminate the structural deficit, maintain or enhance existing levels of service, and address unmet capital needs, which are estimated to be in the range of $100 million.

Revenue Potential of Development Concepts

The primary revenue-generating opportunities identified in the Amenities and Operations Assessment include the development of a new hotel, food and beverage facilities, and event space, as well as the reconfiguration of marina slips to accommodate larger vessels.

Based upon illustrative development concepts that reflect market demand over the next 20 years, annual lease and fee revenues to the Marina Fund are estimated to range from a nominal amount generated by the event venue development concept, to between $100,000 and $120,000 generated by marina and food and beverage concepts, to nearly $550,000 generated by the hotel development concept.

Landside development concepts will also generate transient occupancy (hotel) tax and sales tax revenues that are currently deposited into the General Fund. City policy would need to change for the Marina Fund to directly benefit from sales tax and transient occupancy tax revenues, which would provide a significant increase over the revenues supported solely by lease payments.

All revenue estimates summarized in the table below are preliminary and do not reflect site-specific constraints or offsite infrastructure requirements, such as water and sewer, which will be evaluated in subsequent phases of the planning process.

Estimated Annual Direct Lease/Fee Revenues and Tax Revenues Generated by Development Concepts

		Direct (Lease) Revenues		Direct + Tax Revenues	
Land Use Concept	**Land Acres**	**Total** $000s	**Per Acre** $000s	**Total** $000s	**Per Acre** $000s
Reconfigure Marina 193 ►153 slips	n/a	$123	n/a	$123	n/a
Hotel 160 Rooms	2.2 ac	$546	$250	$1,901	$870
Food & Beverage 6,000 SF	0.5 ac	$96	$213	$135	$299
Event Space 2,000 SF	0.1 ac	$1	$16	$3	$49

Source: Keyser Marston Associates (order-of-magnitude estimate)

Locational Factors

Developed land, including leased land and surface parking, represents the most likely location for future development in the Marina Area because sites do not encroach on parkland and open space. The following locational factors specific to developed sites will affect the magnitude and timing of net new revenues generated by new commercial development:

- *Existing lease and fee revenues* — If new development replaces existing, revenue-generating uses, the loss of existing revenues would partially offset revenues to the Marina Fund from new development. Discontinuing existing uses would potentially reduce the revenues provided by new hotel and restaurant development by 40% to 50% based on a comparison of the average revenues per acre supported by new and existing uses. It is possible that new development will be able to co-locate with existing uses and thus avoid the loss of current fee and lease revenues.

- *Replacement parking* — If new development replaces public parking, net new revenues will be reduced by the cost to replace existing parking spaces, if replacement spaces are needed to meet aggregate parking demand in the Marina Area. The lowest-cost option to provide replacement parking is to expand surface parking elsewhere in the Marina Area. However, there might not be enough available land to accommodate both new development and replacement parking while protecting parkland, open space, and other public amenities. Structured parking allows for more efficient use of land than surface parking but is financially untenable in most cases due to high construction costs.

- *Leases* — Most developed land in the Marina Area is currently leased or marketed for lease to private tenants. The City will have more flexibility to introduce new development on currently leased land after existing leases expire. On sites with longer-term leases, such as the DoubleTree Hotel, new development within the 20-year planning horizon is conditioned on cooperation with existing tenants.

Funding and Financing

The Marina Area's funding and financing strategy will require additional funding sources to supplement new revenues from commercial development, as well as financing tools to leverage future revenues to address upfront capital needs. Funding options include user fees, General Fund support, a special tax levy, and grant funding. Financing tools include General Obligation bonds, revenue bonds and certificates of participation, tax increment financing, state loans, and private financing. These options are described further in Section 4.

1 OVERVIEW OF MARINA ENTERPRISE FUND

Role of Marina Enterprise Fund

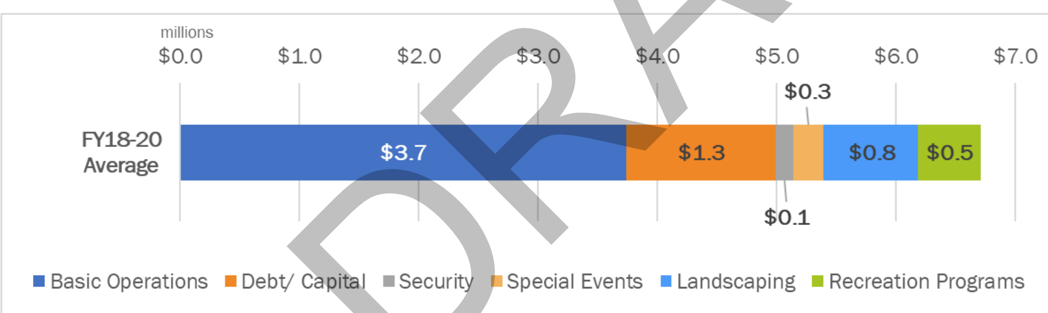
The City of Berkeley's Marina Enterprise Fund accounts for the operations, maintenance and capital needs of public infrastructure, facilities, and services in the Marina Area.

Over 90 percent of the Marina Fund's revenues are derived from berth rentals, commercial leases, and marina-related fees (such as launch ramp and charter boat fees). Taxes generated by Marina Area land uses including transient occupancy taxes, sales taxes, and property taxes flow to the City's General Fund.

The Marina Fund is responsible for the operations and maintenance of revenue-generating uses, such as the marina and commercial land uses, as well as an array of public amenities, including parks, special events, and recreational programming. While the City's police and fire departments provide basic services to the Marina Area, in recent years, the Marina Fund has increased spending on enhanced security measures to address the area's pressing public safety challenges.

Figure 1-1 profiles the average annual expenditures of the Marina Fund over the last three fiscal years. Marina Fund spending on basic operating costs, debt service, and pay-as-you go capital spending has averaged approximately $5 million per year. Private security, special events, landscaping, and recreation programs represent an additional $1.7 million per year in operating costs. Landscaping and recreation programs are important for the vitality of the Marina Area but are not typical expenditures at marinas and waterfront districts that are more narrowly focused on revenue-generating uses.

Figure 1-1: Marina Fund Expenditures, FY2018-20 Average

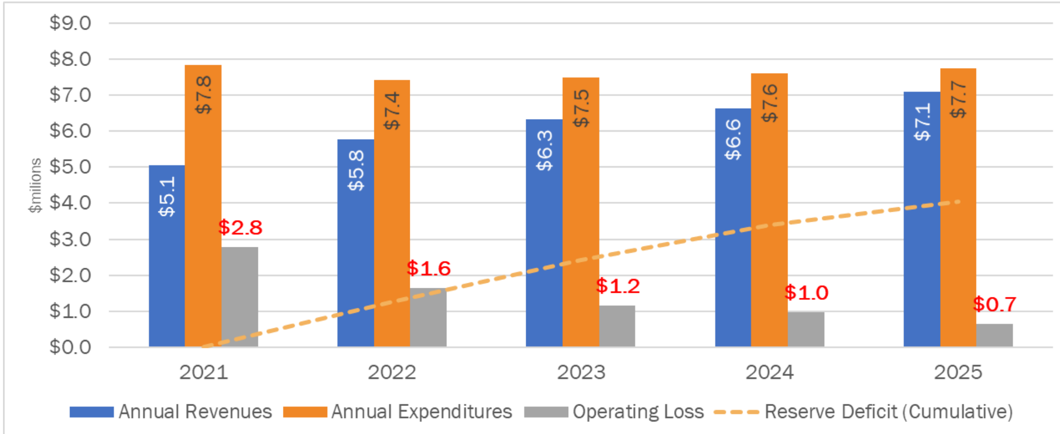


Source: City of Berkeley

Near-Term Fund Outlook

The Marina Fund has long struggled to generate enough revenues to support operating and maintenance costs and provide for future capital needs. The Covid-19 pandemic has compounded the Marina Fund's fiscal challenges. Lease revenues in fiscal year 2021 are projected to fall to half of pre-pandemic levels. The Marina Fund is projected to close the current fiscal year with a nearly $3 million operating loss, the fund's largest operating loss in the past 25 years. The fund's reserve balance is projected to fall below zero in the next fiscal year and reach a cumulative deficit of approximately $4 million by the end of fiscal year 2025. While the Marina Fund annual revenues are projected to improve as economic conditions normalize and lease revenues return to pre-pandemic levels, the fund is nonetheless projected to face an ongoing structural deficit of $0.7 million by 2025.

Figure 1-2: Marina Fund's Projected Annual Operating Loss and Cumulative Reserve Deficit, FY2021-25



Source: City of Berkeley

Long-Term Fund Outlook

The Marina Area has an estimated $100 million in unfunded capital needs, which are not reflected in the Marina Fund's near-term outlook. To achieve fiscal sustainability, the Marina Fund will need eliminate its current structural deficit and address unmet capital needs.

Future capital projects will be phased over time and may benefit from City or external funding (see Section 4). However, the Marina Fund will be responsible for funding a significant share of capital projects in the Marina Area.

Table 1-1 illustrates the additional Marina Fund revenues needed to support a portion of unmet capital needs, assuming a 30-year amortization period. As shown, Marina Fund revenues would need to increase by 20% to support one-quarter of the amortized cost of unmet capital needs. This increase in revenues is in addition to the 10% increase required to eliminate the Marina Fund's current structural deficit. Revenues would need to nearly double to fully eliminate the fund's structural deficit and support all unfunded capital needs.

Table 1-1: Increase in Marina Fund Revenues Required to Support New Capital Investment

	Share of Total Capital Needs			
Item	**25%**	**50%**	**75%**	**100%**
New Capital Investment	$25M	$50M	$75M	$100M
Amortized Cost (Illustrative)	$1.5M	$3.1M	$4.6M	$6.1M
% Increase over Existing Revenues	20%	45%	65%	85%

Source: City of Berkeley, Keyser Marston Associates

2 REVENUE POTENTIAL OF DEVELOPMENT CONCEPTS

Overview of Findings

The following section evaluates the revenue potential of new landside and waterside development in the Marina Area based upon illustrative development concepts that fall within the range of 20-year market demand estimated in the Amenities and Operations Assessment. Development concepts analyzed include a new hotel, food and beverage facilities, and event space, as well as the reconfiguration of marina slips to accommodate larger vessels.

Table 2-1 provides an overview of the key programmatic assumptions and revenue estimates for each development concept. Revenue estimates are preliminary and will change as development concepts are refined in the context of specific sites and land use alternatives.

The following is a summary of the key findings:

- *Marina concept* — The revenue potential of the marina concept reflects the increase in berth rental revenues achieved by reconfiguring L and M Docks to accommodate larger vessels. As shown, upgrading slips at L and M Docks to at least 35 feet would provide the Marina Fund approximately $120,000 of additional annual berth rental revenues, net of amortized capital costs, compared to replacing the docks with their current slip mix that is weighted toward smaller vessels.

- *Landside concept* — The estimated revenue potential of landside development concepts reflects the ground lease payment that a private developer can afford to pay the City based on the future net operating income of the project, the cost to build the project, and typical investor return requirements. As shown, the annual lease revenue potential of landside development concepts is estimated to be nominal for the event space concept, $100,000 for the food and beverage concept, and nearly $550,000 for the hotel concept. Revenue estimates also address the potential increase in transient occupancy (hotel) tax and sales tax revenues. Tax revenues exceed the supported direct lease payments of the hotel and event space concepts and represent a significant enhancement to the lease revenue potential of the food and beverage concept. City policy would need to change for the Marina Fund to directly benefit from sales tax and transient occupancy tax revenues, which are currently deposited into the General Fund.

- *Other revenue-generating opportunities* — The Amenities and Operations Assessment identifies several other development opportunities in the Marina Area including large-scale ferry service, outdoor special events, and an aquatic center to house recreational clubs and concessions. These opportunities are evaluated at a higher level later in this section.

Table 2-1: Estimated Annual City Revenues Generated by Development Concepts

Item	Reconfigure Marina	Hotel	Food & Beverage	Event Space
Illustrative Land Area	n/a	2.2 ac	0.5 ac	0.1 ac
Illustrative Program	193►153 slips	160 rooms	6,000 SF	2,000 SF
Annual Revenue Potential	***$000s***	***$000s***	***$000s***	***$000s***
Lease/Fee Revenue	$123	$546	$96	$1
Tax Revenue	n/a	$1,355	$39	$2
Annual Total Revenue	$123	$1,901	$135	$3
Lease/Fee Revenue/Acre	n/a	$250	$213	$16
Total Revenue/Acre	n/a	$870	$299	$49

Source: Keyser Marston Associates (order-of-magnitude estimate)

Estimating Approach and Assumptions

The Technical Appendix provides supporting tables that detail the approach and key assumptions used to estimate the revenue potential of development concepts. Construction costs of development concepts are drawn from standardized cost estimating manuals and cost estimates from similar projects. Construction costs do not include upgrades to backbone infrastructure, such as water and sewer systems, which will be evaluated later in the planning process. Rents and room rates are based on market research and review of comparable properties. Investor return requirements are based upon investor surveys published by commercial real estate brokerages and research firms.

Marina Revenue Potential

The Amenities and Operations Assessment identifies an opportunity to reconfigure existing slips at the Berkeley Marina to accommodate larger vessels of 35 feet or more in length. J, L, and M docks are due for replacement in the near- to mid-term and are comprised predominantly of slips less than 35 feet in length. The physical layouts of L and M docks are better suited to accommodate larger vessels than J dock, which is more constrained.

If slips at L and M docks are upgraded to at least 35 feet, berth rental revenues, net of amortized, variable capital costs, are estimated to be approximately $120,000 greater than if docks are replaced with their existing slip mix. The potential increase in net revenues is driven by higher occupancy rates and higher fees per foot associated with larger vessels.

Upgrading all slips at L and M docks to at least 35 feet would reduce the total slip count at L and M docks from 193 slips to 153 slips, based on Moffatt & Nichol's preliminary assessment, which assumes double berths. While the total number of slips would be less under the modified slip mix, the total linear feet of slips would remain within 2.5% of the existing configuration. The reduction in total slips would potentially reduce boater parking needs, which might create capacity to capture additional revenues from landside development.

Hotel Revenue Potential

A new hotel in the Marina Area is estimated to afford ground lease payments of nearly $550,000 per year, based upon a select service hotel prototype with 160 rooms, 2,500 square feet of meeting space, a 1,500 square foot restaurant, and 144 surface parking spaces to meet peak demand from hotel guests. In addition, a new hotel would contribute approximately $1.4 million of transient occupancy tax and sales tax revenues to the City of Berkeley's General Fund. On a per acre basis, a new hotel would annually generate $250,000 per acre of lease revenues and $870,000 per acre of total City revenues including transient occupancy tax and sales tax revenues, assuming a 2.2-acre site.

A new hotel with structured parking requires less land area than a surface-parked hotel, but is unlikely to afford a ground lease payment to the Marina Fund due to the high cost of structured parking. However, a hotel with structured parking would provide equivalent transient occupancy and sales tax revenues, and as result, would generate greater total City revenues per acre than a surface-parked hotel.

Food and Beverage Revenue Potential

New food and beverage facilities in the Marina Area have the potential to make total ground lease payments of nearly $100,00 per year, based upon a 6,000 square foot prototype with outdoor dining pavilions comprising half of the total area. In addition, new food and beverage facilities would contribute close to $40,000 of annual sales tax revenues to the City of Berkeley's General Fund. On a per acre basis, new food and beverage facilities would generate approximately $210,000 per acre of annual lease revenues and $300,000 per acre including sales tax revenues. The 0.5 acres of land allocated to the food and beverage concept includes 33 surface parking spaces (5.6 per 1,000 square feet) to meet peak parking demand from restaurant customers.

Outdoor dining allows restaurants to generate more sales to support the high cost of indoor facilities including commercial kitchens, HVAC systems, and restaurant finishes and furnishings. Development of fully indoor restaurants is likely to be more financially challenging and may result in a reduced ground lease payment to the Marina Fund.

Event Venue Revenue Potential

A standalone event venue in the Marina Area is estimated to afford only a nominal ground lease payment to the Marina Fund and generate very modest tax revenues to the General Fund, based upon a 2,000 square foot prototype that does not provide onsite parking. An event venue would support less than $50,000 per acre in total City revenues, including ground lease payments to the Marina Fund and sales taxes to the General Fund, assuming a 0.1-acre site.

Elsewhere in Berkeley, event rentals often function as a supplemental income stream for another use that occupies the same facility at other times of the day. As a supplemental income stream, event rentals are estimated to generate $65,000 of annual net operating income based upon the 2,000 square foot building prototype. This additional net operating income would allow the operator of a multiuse facility to afford a higher lease payment to the Marina Fund, assuming that the facility's primary use generates enough income to cover all development costs.

Large-Scale Ferry Service Revenue Potential

Charter and ferry boats embarking from the Berkeley Marina pay a fee of $35 per trip and $1 passenger. The Marina Fund collects approximately $100,000 per year in passenger fees paid by charter and ferry boats, including Tideline Marine Group's small-scale ferry that serves 13,000 passengers per year.

The City of Berkeley is exploring options to bring large-scale ferry service to the Marina Area operated by the San Francisco Bay Area Water Emergency Transportation Authority (WETA) and carrying up to 260,000 passengers per year, based on prior ridership projections.

While large-scale ferry service will likely generate very modest direct revenues to the Marina Fund, ferry service would enhance the Marina Area's market appeal in attracting a new hotel and other revenue-generating development opportunities. Upon buildout of large-scale ferry service, ferry passengers are estimated to represent a major segment of demand for food and beverage facilities, sustaining up to 10% of total food and beverage spending in the Marina Area.

Outdoor Special Events Revenue Potential

Historically, the Marina Fund has spent more on public services for special events than it has recovered in revenues. From fiscal years 2018 to 2020, the Marina Fund spent an average of $250,000 per year for the July 4 celebration and Kite Festival and received $70,000 in annual revenues, resulting in a net loss of $180,000 per year for the two events.

A newly adopted fee schedule for external events will allow the Marina Fund to fully recover public spending on external special events and potentially generate net revenues from hosting external events. Special events are now required to pay cost recovery fees, concession and admission fees equal to 10% of gross sales, parking fees of $10 per reserved space, and an additional $5 per-person fee for events that serve alcohol. For example, a 20,000-person, one-day event would pay fees to offset Marina Fund expenditures and potentially generate $25,000 in net revenues assuming admission and concession revenues of $10 per person and 500 reserved parking spaces. A similarly sized event that serves alcohol would contribute an additional $100,000 to the Marina Fund, although a portion of this fee payment is likely needed to offset additional City costs associated with hosting higher-risk events.

Aquatic Center Revenue Potential

Focus groups with recreational clubs and concessions in the Marina Area identified the opportunity to establish an aquatic center to enhance community access to recreational programs. Based on the rent currently paid by recreational clubs and concessions in the Marina Area, the City will need to identify another source of funding, in addition to lease revenues, to support the full cost of building an aquatic center.

3 LOCATIONAL FACTORS

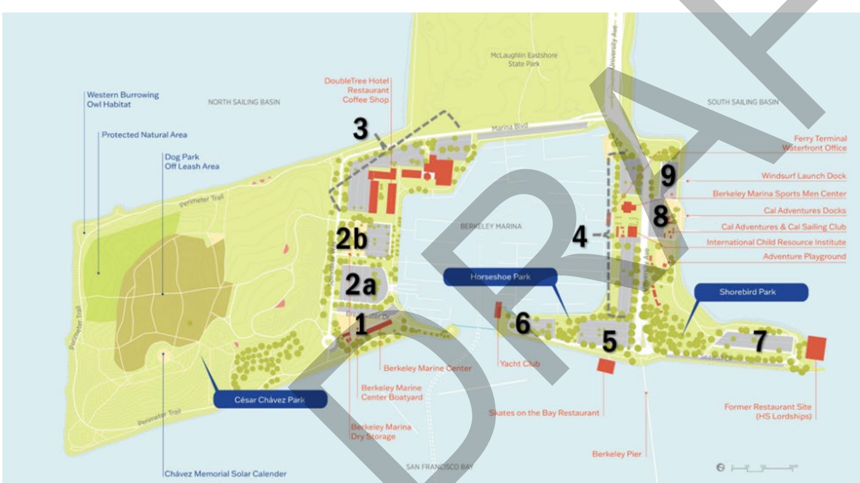
Overview

Where future development locates in the Marina Area will affect the magnitude and timing of net new revenues to the Marina Fund. Developed land, including leased land and surface parking, represents the most likely location for future development because sites do not encroach on parkland and open space. If new development replaces existing, revenue-generating uses, net new revenues to the Marina Fund will be reduced by the loss of existing revenues. If new development replaces public parking, net new revenues will be reduced by the cost to replace existing parking spaces, if required to meet aggregate parking demand in the Marina Area. Finally, the terms of existing leases will determine when leased sites can be redeveloped most efficiently.

Revenues Generated by Existing Uses

The Marina Area contains approximately 32 acres of developed land used for public and private buildings, fee-based boating services such as dry boat storage, and surface parking lots (excluding parking reserved for slip holders). Surface parking comprises approximately 40% of the total developed land area and serves the broader public in addition to revenue-generating land uses.

Figure 3-1: Developed Sites in the Berkeley Marina Area



Source: Keyser Marston Associates (order-of-magnitude estimate)

Existing uses on developed land in the Marina Area are projected to generate approximately $2.6 million in annual revenues by 2025, assuming commercial tenants return to their pre-pandemic performance and the City identifies a market-rate tenant for the vacant building at 199 Seawall Drive. Revenues from existing uses are projected to average approximately $100,000 per acre of developed land, excluding land dedicated to public buildings and surface parking that exceeds estimated onsite parking demand of commercial tenants.

Table 3-1: Annual Marina Fund Revenues Generated by Existing Uses, FY 2025 Projection

	Gross Ac.(1)	Public Share of Parking(2)	Net Ac.(1)	FY 25 Rev. $000s	$/ Acre ($000s) Gross	$/ Acre ($000s) Net
1) Marine Center	4.5	--	4.5	$96	$21	$21
2) Boat Launch/ Dry Storage	3.7	--	3.7	$247	$68	$68
3) Doubletree Hotel ✦	12.0	--	12.0	$1,326	$111	$111
4) Southern Core	3.4	53%	1.8	$393	$117	$223
5) Skates/ N Lot	2.0	45%	1.1	$294	$150	$273
6) Yacht Club/ O Lot ✦	1.0	69%	0.4	$20	$20	$43
7) 199 Seawall/ Seawall Lot	3.5	56%	1.9	$184	$52	$95
8) South Cove / West Lot	1.4	60%	0.9	$32	$23	$35
9) South Cove / East Lot	0.9	100%	---	$0	$0	---
Total, Developed Sites	**32.3**		**26.3**	**$2,592**	**$80**	**$99**
Excl. Long-Term Leases	19.3		13.8	$1,246	$65	$90

Source: City of Berkeley, Keyser Marston Associates (order-of-magnitude estimate)
✦ indicates more than 20 years remaining on lease
(1) Gross acreage is the sum of surface parking lots, leased land, and land used for public facilities. Net acreage excludes land used for public facilities and the share of surface parking lots that exceeds the estimated parking demand of onsite commercial tenants (see note 2).
(2) Indicates share of surface parking that exceeds the estimated peak parking demand of onsite commercial tenants, used in calculation of net acreage (see note 1).

If new development in the Marina Area displaces existing uses, the loss of revenues from existing uses would offset a portion of the revenues generated by new development. As detailed in Section 3, new hotel and dining development is estimated to generate lease revenues of $200,000 to $250,000 per acre. The loss of revenues from existing uses would potentially absorb 40% to 50% of the lease revenues from new development based on a comparison of the average revenues per acre supported by new and existing uses.

It is possible that new development will be able to co-locate with existing uses, and thus avoid the loss of existing fee and lease revenues. The Specific Plan land use alternatives will consider the development capacity of opportunity sites and the ability to introduce new development while retaining or enhancing existing uses.

Lease Agreements

Nearly 60 percent of the 32 acres of developed land in the Marina Area is currently leased or marketed for lease to private tenants. Another 10 percent of developed land is comprised of nonexclusive surface parking that is required to meet the estimated peak parking demand of current and prospective private tenants. The remaining 30 percent of developed land consists of surface parking that serves the broader public as well as publicly operated uses such as dry boat storage.

The City will have more flexibility to introduce new development on leased land after existing leases expire. While most lease agreements in the Marina Area are set to expire within the next 10 years, agreements with the Berkeley Yacht Club and DoubleTree Hotel do not expire until 2065 and 2080, respectively. On these two sites, new development within the 20-year planning horizon is conditioned on cooperation with existing tenants.

Replacement Parking

The Specific Plan will consider the aggregate parking demand of new and existing uses and recommend a parking management strategy for the Marina Area that meets the needs of all user groups who rely on public parking lots. If development occurs on existing parking lots, new development may need to replace all or a portion of the existing spaces, which currently have high utilization rates. A 2018 parking management study found that peak demand for parking in centrally located lots represents 85% of spaces on the weekend and over 90% of spaces on weekdays.

Revenue estimates presented in Section 2 assume that new development concepts (except the event venue) provide enough parking to meet peak parking demand internal to the project, but do not account for the cost of providing replacement parking. The cost of replacing existing public parking has the potential to reduce the revenues that the Marina Fund would realize from new development. The lowest-cost option to provide replacement parking is to expand surface parking elsewhere in the Marina Area. However, there might not be enough land available to accommodate both new development and replacement parking while protecting parkland, open space, and other public amenities.

Structured parking allows for more efficient use of land than surface parking but requires a significant capital investment. The cost to build structured parking is estimated to range from $40,000 to $60,000 per space. To justify the cost of replacing surface parking spaces in a garage, new development would need to generate revenues of at least $400,000 per acre, assuming replacement of all existing spaces. A new hotel would potentially support revenues of this magnitude, but only if transient occupancy tax revenues are pledged to the Marina Fund. In all other cases, providing full replacement parking in a structured garage will be financially challenging.

Figure 3-2: Minimum Lease Revenues Per Acre Needed to Support Cost of Replacing Existing Parking in a Structured Garage

	Replace 100% of Spaces	Replace 50% of Spaces	Replace 25% of Spaces
Low: $40K per space	$400,000/acre	$200,000/acre	$100,000/acre
High: $60K per space	$610,000/acre	$305,000/acre	$150,000/acre

Source: Keyser Marston Associates (order-of-magnitude estimate)

In downtown Berkeley, the City has used parking fees to recover the cost of building structured parking. Assuming parking fees of $200 per month, the net operating income of structured parking in the Marina Area would support 40% to 60% of amortized capital costs. However, parking fees should not be the sole justification for redeveloping surface lots in the Marina Area and replacing spaces in a structured garage, since the City of Berkeley has the option of capturing this same revenue stream without new investment by charging parking fees at existing surface lots.

4 FUNDING AND FINANCING OPTIONS

Overview

The funding and financing strategy for the Marina Area will require additional funding sources to supplement revenues from commercial development, as well as financing tools to leverage future revenues to address upfront capital needs. The following section describes options for funding and financing public infrastructure and amenities in the Marina Area.

Funding Sources

User Fees

Berkeley City Council may adopt new or increased user fees to generate additional revenue for the Marina Fund. Existing user fees for the Marina Area apply to special event parking and certain recreational programs. User fees represent a small share of total Marina Fund revenues when compared to berth rentals and commercial leases.

Options to increase fee revenue include the adoption of vehicle entrance fees or parking fees. The first Community Questionnaire of the BMASP indicates modest public support for parking fees and relatively weak support for a vehicle entrance fee.

City of Berkeley General Fund

On occasion, Berkeley City Council has authorized emergency funding for the Marina Fund. Most recently, City Council authorized $3.45 million for urgent waterfront infrastructure needs (later reduced to $2 million to help cover the General Fund's post-Covid budget shortfall).

City Council has the option to establish ongoing General Fund support for the Marina Fund, either by transferring existing or new tax revenues generated in the Marina Area to the Marina Fund, or by sharing certain Marina Fund operating costs with the General Fund, such as park landscaping, recreational programs, or other operations that provide broad public benefits.

Special Tax Levy (Parcel Taxes)

The City of Berkeley levies multiple property-based special taxes, which fund the operating and maintenance costs of specific services and programs, including parks, libraries, and emergency medical services. Special taxes paid by property owners are determined based on building square footage and land use. The existing Parks Tax of $0.1793 per taxable building square foot generates approximately $14 million per year for maintenance of parks, City trees, and City landscaping.

Berkeley voters have the option of approving a new special tax to fund ongoing services or capital projects in the Marina Area. Two-thirds of Berkeley voters would need to approve a special tax dedicated to Marina Area programs or facilities.

Grant Funding

Many prior capital projects in the Marina Area have received grant funding from other public agencies as well as private foundations. Recent examples include a Water Trail Grant from the State Coastal Conservancy and the Association of Bay Area Governments to install a new ADA-accessible gangway. The City also recently secured a National Fish and a Wildlife Foundation grant to help renovate the South Cove parking lot. Grant funding is competitive and usually not the primary source of funding, particularly for larger capital projects.

Financing Tools

General Obligation Bonds

Berkeley voters have approved General Obligation bonds to improve City infrastructure and facilities, including projects in the Marina Area. In November 2016, Berkeley voters passed Measure T1 authorizing the City to issue $100 million of General Obligation bonds to improve public infrastructure and facilities. The bonds will be repaid over a 40-year period through an increase in City property taxes. The first phase of bond proceeds supported several capital projects in the Marina Area including the Marina streets improvement project. City Council has approved the final project list for remaining phases of bond proceeds, which will fund several more projects in the Marina Area, including piling replacements and restroom renovations.

Berkeley voters may approve a new General Obligation bond to address more capital needs in the Marina Area. The bond measure could focus narrowly on public improvements in the Marina, or include the Marina Area as part of a broader infrastructure package, similar to the Measure T1 bond program. As with Measure T1, principal and interest on a new General Obligation bond would need to be repaid through an increase in local property taxes.

Revenue Bonds and Certificates of Participation

Revenue bonds and certificates of participation are two forms of municipal financing that do not require voter approval. Revenue bonds are secured by enterprise fund revenue and typically require covenants that commit the public agency to increase rates or fees as needed to cover debt service. Certificates of participation are repaid through a lease structure and are typically backed by the General Fund. Cities may directly act as the borrower or utilize a conduit entity, such as a joint powers authority, to issue debt on their behalf.

Other public agencies in California have utilized revenue bonds and certificates of participation to fund waterfront improvements. For example, the City of Long Beach directly issued $114 million of revenue bonds to rebuild slips at Alamitos Bay Marina and pre-pay state loans that had funded prior marina projects. The revenue bonds will be repaid by net revenues from the marina enterprise fund.

Tax Increment Financing

Tax increment financing districts fund infrastructure through bonds secured by growth in an area’s property tax revenues that would otherwise flow to the local taxing entity’s General Fund. Several variations of tax increment financing districts are authorized under state law, including Infrastructure Financing Districts (IFD), Enhanced Infrastructure Financing Districts (EIFD), and Infrastructure and Revitalization Financing Districts (IRFD). Districts vary with respect to the formation process, governance, eligible expenditures, and the length of time that tax increment revenues may be deposited into the district. All districts require voter approval to issue debt.

Tax increment financing districts function best in areas where significant growth in property tax revenues is anticipated. The amount of new development contemplated for the Marina Area is notably less than development plans for financing districts adopted elsewhere in California. For tax increment financing to be a viable option for the Marina Area, the district boundaries would likely need to incorporate other areas of the City to capture enough property tax growth to justify the transaction costs of forming a district and issuing bonds.

State Loans

The State of California offers loan programs to finance local infrastructure projects. The state loan program most applicable to the Marina Area is the recreational marina loan program administered by the Division of Boating and Waterways (DBW). Loans to public marinas carry a 30-year term and are secured by future marina revenues. The City of Berkeley has previously accessed DBW loans for marina infrastructure including dock replacement projects.

Private Financing

The City of Berkeley often secures commitments from the Marina Area's private sector tenants to fund improvements to buildings and infrastructure. A recent example is the DoubleTree hotel's $3 million contribution to the Marina streets renovation project.

Private sector tenants access capital from lenders and equity investors, and later repay their capital partners from the project's net operating income. A greater upfront investment by private tenants in Marina Area infrastructure and facilities requires that a greater share of net income be returned to capital partners and thus reduces the ground lease payment that tenants can afford to make to the Marina Fund.

5 APPENDIX TABLES

Order-of-Magnitude Estimate of Revenue Potential Supported by Marina Development Concept

	L and M Docks Existing Slip Mix		L and M Docks Modified Slip Mix	
A. Conceptual Program				
Total Dock Area	26,000	SF	21,500	SF
Total Length of Slips	5,730	LF	5,585	LF
Total Slips	193	slips	153	slips
Less Than 35 Feet	152	(79%)	0	(0%)
35 Feet or More	41	(21%)	153	(100%)
Single Berths % of Slips	21%	of slips	1%	of slips
Average Monthly Slip Fee	$10.70	/ft	$10.96	/ft
Average Occupancy	79%		90%	
Landside Parking Need	0.48	acres	0.38	acres
B. Marina Pro Forma	**Total** $000s	**Per Slip** $000s	**Total** $000s	**Per Slip** $000s
Variable Capital Costs[1]	$5,047	$26	$4,192	$27
Gross Annual Fee Revenue	$593	$3	$664	$4
(less) Amortized Capital Costs	($307)	($2)	($255)	($2)
Net Annual Slip Fee Revenue	$286	$2	$409	$3
C. Landside Parking	**Total** $000s	**Per Acre** $000s	**Total** $000s	**Per Acre** $000s
Foregone Lease Revenue	$48	$100	$38	$100
D. Annual City Revenue Potential (Incremental)	**Total** $000s	**Per Slip** $000s	**Total** $000s	**Per Slip** $000s
Incremental Slip Fees	n/a	n/a	$123	$0.8
Incremental Landside Revenue	n/a	n/a	$10	$0.1
Total Incremental Revenues	n/a	n/a	$133	$0.9

Source: Keyser Marston Associates (order-of-magnitude estimate)
[1] Reflects the dock replacement cost per square foot of dock area and the utility cost per slip derived from the cost estimate for the D and E Dock replacement project. Excludes all other capital costs, such as gangway replacements, which are assumed to be less impacted by slip mix.

Order-of-Magnitude Estimate of Revenue Potential Supported by Hotel Development Concept

	Hotel, Surface Parking		Hotel, Structured Parking	
A. Conceptual Program				
Land Area	2.2	acres	1.3	acres
Hotel Rooms	160	rooms	160	rooms
Meeting SF	2,500	SF	2,500	SF
Food & Beverage SF	1,500	SF	1,500	SF
Parking Ratio	0.9	/room	0.9	/room
Parking Type	Surface		Garage	
Average Daily Rate	$225	/room	$225	/room
Hotel Occupancy	85%		85%	
B. Real Estate Pro Forma	**Total** $000s	**Per Room** $000s	**Total** $000s	**Per Room** $000s
Total Development Costs	$47,960	$300	$55,200	$345
Gross Hotel Revenues	$13,277	$83	$13,277	$83
(less) Hotel OpEx	($8,415)	($53)	($8,415)	($53)
NOI Before Ground Lease	$4,862	$30	$4,862	$30
(less) Ground Lease	($546)	($3)	$0	$0
NOI After Ground Lease	$4,316	$27	$4,862	$30
Return on Cost (ROC)	9.0%	≥ target	8.8%	< target
Income Gap @ 9.0% ROC	$0	$0	$106	$1
C. Annual City Rev. Potential	**Total** $000s	**Per Acre** $000s	**Total** $000s	**Per Acre** $000s
Lease Revenues	$546	$250	$0	$0
Transient Occ. Tax Revenues	$1,340	$613	$1,340	$1,018
Sales Tax Revenues	$15	$7	$15	$11
(less) Income Gap	$0	$0	($106)	($81)
Total Annual Revenues	$1,901	$870	$1,249	$949

Source: Keyser Marston Associates (order-of-magnitude estimate)

Order-of-Magnitude Estimate of Revenue Potential Supported by Food and Beverage Development Concept

	Food & Beverage Half Outdoor Dining		Food & Beverage No Outdoor Dining	
A. Conceptual Program				
Land Area	0.5	acres	0.5	acres
Indoor Dining Area	3,000	SF	6,000	SF
Outdoor Dining Area	3,000	SF	0	SF
Total Dining Area	6,000	SF	6,000	SF
Parking Ratio	5.6	/KSF	5.6	/KSF
Parking Type	Surface		Surface	
B. Real Estate Pro Forma	**Total** $000s	**Per SF** $000s	**Total** $000s	**Per SF** $000s
Total Development Costs	$2,320	$387	$3,400	$567
NOI (from NNN Rent)	$163	$27	$238	$40
Return on Cost	7.0%		7.0%	
C. Operator Pro Forma	**Total** $000s	**Per SF** $000s	**Total** $000s	**Per SF** $000s
Gross Annual Sales	$3,900	$650	$4,400	$733
Occupancy Costs % of Sales	7.4%		7.4%	
Annual Occupancy Costs	$287	$48	$326	$54
NNN Base Rent	$163	$27	$238	$40
NNN Operating Expenses	$28	$5	$43	$7
Ground Lease	$96	$16	$45	$8
D. Annual City Rev. Potential	**Total** $000s	**Per Acre** $000s	**Total** $000s	**Per Acre** $000s
Lease Revenues	$96	$213	$45	$100
Sales Tax Revenues	$39	$86	$44	$98
Total Annual Revenues	$135	$299	$89	$197

Source: Keyser Marston Associates (order-of-magnitude estimate)

Order-of-Magnitude Estimate of Revenue Potential Supported by Event Space Development Concept

	Event Space No Onsite Parking		Event Space With Onsite Parking	
A. Conceptual Program				
Land Area	0.1	acres	0.2	acres
Venue Size	2,000	SF	2,000	SF
Parking Ratio	None		5.6	/KSF
Parking Type	None		Surface	
Fees Per Event	$3,000	$1.50/SF	$3,000	$1.50/SF
Events Per Year	52	events/yr	52	events/yr
B. Real Estate Pro Forma	**Total** $000s	**Per SF** $000s	**Total** $000s	**Per SF** $000s
Total Development Costs	$800	$400	$840	$420
Gross Event Revenues	$156	$78	$156	$78
(less) Operating Expenses	($91)	($46)	($91)	($46)
NOI Before Ground Lease	$65	$33	$65	$33
(less) Ground Lease	($1)	($1)	$0	$0
NOI After Ground Lease	$64	$32	$65	$33
Return on Cost	8.0%	≥ target	7.7%	< target
Income Gap @ 8.0% ROC	$0	$0	$2	$1
C. Annual City Rev. Potential	**Total** $000s	**Per Acre** $000s	**Total** $000s	**Per Acre** $000s
Lease Revenues	$1	$16	$0	$0
Sales Tax Revenues	$2	$33	$2	$13
(less) Income Gap	$0	$0	($2)	($13)
Total Annual Revenues	$3	$49	$0	$0

Source: Keyser Marston Associates (order-of-magnitude estimate)