

# Summer's End St. John Marina

## Economic Impact Model

August 28, 2014

An analysis of the 5-year economic benefits/losses to the Coral Bay community  
as a result of construction of a marina

Preparation and Coordination by

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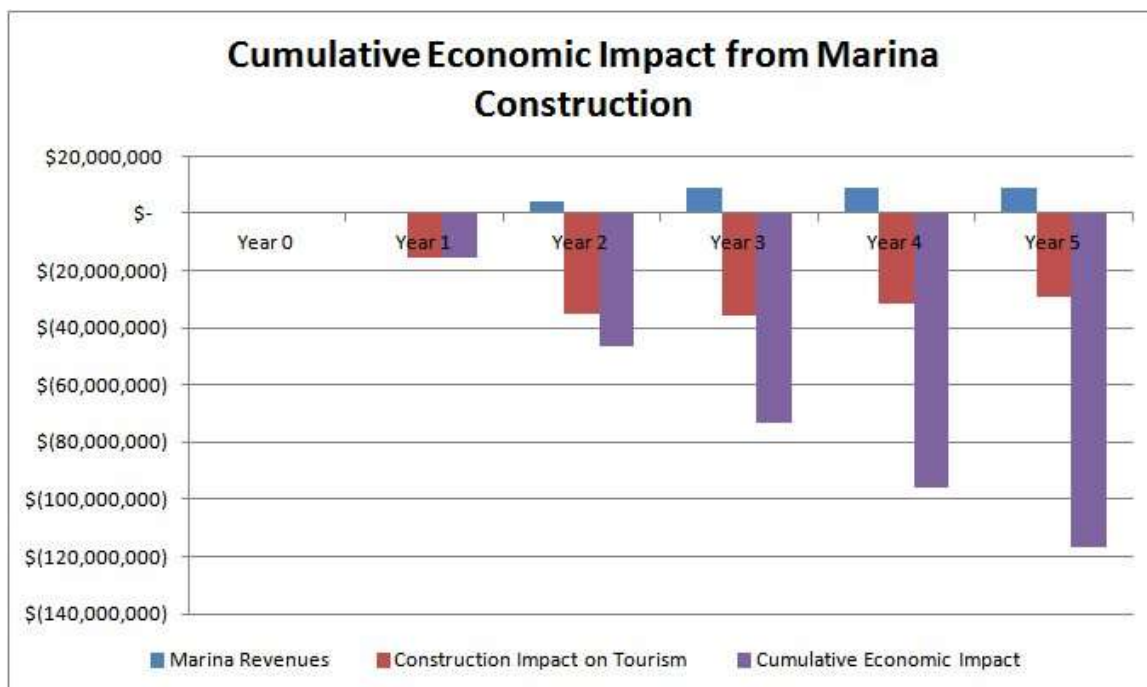
Coral Bay Community Council

### Economic Impact Model: Effect on Local Business Income

CBCC asked a couple of its knowledgeable members to do an Economic Impact Analysis of the whole Coral Bay tourism economy. We started by accepting the SEG claims about their project's economic value from the EAR -- \$8.7 Million annually after completion of the second land construction phase.

To assemble an accurate Model, we then gathered information about the number of villas, the occupancy rate, tourist daily spending, rental income, the portion of rental income that is spent on local services like management, repairs, supplies, etc. to get an idea of the total size of this economy now. We found Coral Bay business currently adds at least \$59.5 Million annually to the territory's economy. This is the amount of income from tourism that is potentially at risk.

The Model takes into careful consideration the temporary impacts to tourism caused by construction noise and disruption (that have been presented by many business owners in CZM written and oral testimony), as it looks at the net impact of the economic value being added according to the marina developer. Below is a chart that shows the net total impact over 5 years – a negative cumulative impact of \$116 million dollars.



## Details of the Economic Impact Model (See Following Spreadsheet)

### Assumptions

1. SEG's claim of \$8.5 million annual economic benefit is used
2. Known information about the Coral Bay tourism market
  - a. Number of villas
  - b. Occupancy Rate
  - c. Daily/Annual Income from Villa Rentals
  - d. Daily Tourist Spending: Restaurants, Recreation, Automobile Rentals
  - e. Expenditure of Rental Receipts by Villa Managers
    - i. Management, repairs, supplies
    - ii. Renovations, cleaning services
3. As construction noise and disruption begin and continue, tourism is affected (Coral Bay is valued as a quiet ecotourism destination)
  - a. Occupancy rates drop
  - b. Income from tourism drops

### Conclusions:

1. The "No Development" scenario compared to the "Marina Development" scenario indicates the following economic impacts if the "Marina Development" scenario goes forward:
  - c. Year 1 shows a Net Loss to the community of \$15.7 million
  - d. Year 2 shows a Net Loss to the Community of \$30.7million
  - e. Year 3 shows a Net Loss to the Community of \$26.8 million
  - f. Year 4 shows a Net Loss to the Community of \$22.8 million
  - g. Year 5 shows a Net Loss to the Community of \$20.5 million
  - h. Total Economic Loss to Coral Bay (and St. John) over five years is \$116.5 million
2. The SEG claim of 90 jobs created, when phased according to the EAR, and when combined with job losses from existing businesses, results in the following job impacts:
  - a. Year 1 shows a Net Decrease of 20 Jobs
  - b. Year 1 shows a Net Decrease of 22 Jobs
  - c. Year 3 shows a Net Decrease of 5 Jobs
  - d. Year 4 shows a Net Increase of 20 Jobs
  - e. Year 5 shows a Net Increase of 44 jobs

The Economic Impact Model spreadsheet analysis (attached) and the conclusions outlined above demonstrate that "The St John Marina" proposed for Coral Bay harbor will not have a net positive

impact to the community of Coral Bay or to the island of St John, and in fact will result in significant economic losses over the first five years of construction and business. It was not modeled further.

Conclusion: Coral Bay does not receive a net benefit from this development – not directly or indirectly. How long will it take to recover from this disruption?

### **CZM Act Policy Discussion**

One of the specific goals of the CZM Act that is frequently cited to demonstrate consistency of development projects is Goal 4:

*(12 V.I.C. § 903) (To) assure the orderly, balanced utilization and conservation of the resources of the coastal zone, taking into account the social and economic needs of the residents of the United States Virgin Islands;*

Large scale development projects which build upon existing uses and infrastructure generally contribute to economic growth. For example, building a new factory in an industrial district will create jobs without negative impact to surrounding uses. **However development projects which introduce a new use into an existing economy will often have both positive and negative effects - the new project may create jobs, but the disruption to the existing economy may negate that contribution.**

**Conclusion:** The Economic Impact Model spreadsheet analysis and the conclusions outlined above demonstrate that "The St John Marina" proposed for Coral Bay harbor will not have a net positive economic impact to the community of Coral Bay or to the island of St John, and in fact will result in significant economic losses over five years, and probably for long into the future – compared with maintaining and encouraging the current kind of villa tourism business.

<b>Economic Value-Add Model</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<b>Baseline Contribution of Coral Bay to Tourism</b>							
<b>Villa Rentals</b>							
Number of Properties		250	255	260	265	271	276
Occupancy During Peak Season		90%	90%	90%	90%	90%	90%
Days in Peak Season		243	243	243	243	243	243
Occupancy During Low Season		30%	30%	30%	30%	30%	30%
Days in Low Season		122	122	122	122	122	122
Average Weekly Rent per Villa (High Season)	\$	2,750	\$ 2,833	\$ 2,917	\$ 3,005	\$ 3,095	\$ 3,188
Average Weekly Rent per Villa (Low Season)	\$	1,800	\$ 1,818	\$ 1,836	\$ 1,855	\$ 1,873	\$ 1,892
Gross Villa Rental Revenue (High Season)	\$	21,479,464	\$ 22,566,325	\$ 23,708,181	\$ 24,907,815	\$ 26,168,151	\$ 27,492,259
Gross Villa Rental Revenue (Low Season)	\$	2,352,857	\$ 2,423,913	\$ 2,497,116	\$ 2,572,529	\$ 2,650,219	\$ 2,730,255
<b>Gross Villa Rental Revenue (Annual Total)</b>	<b>\$</b>	<b>23,832,321</b>	<b>\$ 24,990,239</b>	<b>\$ 26,205,297</b>	<b>\$ 27,480,344</b>	<b>\$ 28,818,370</b>	<b>\$ 30,222,515</b>
<b>Long Term Rentals</b>							
Number of Properties		300	309	318	328	338	348
Average Monthly Rent	\$	1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,159
<b>Gross Long Term Rental Revenue (Annual)</b>	<b>\$</b>	<b>3,600,000</b>	<b>\$ 3,819,240</b>	<b>\$ 4,051,832</b>	<b>\$ 4,298,588</b>	<b>\$ 4,560,372</b>	<b>\$ 4,838,099</b>
<b>Other Tourist Accommodations (Hotels, etc)</b>							
Concordia Eco-Resort (Annual Lodging Revenue)	<b>\$</b>	<b>2,200,000</b>	<b>\$ 2,266,000</b>	<b>\$ 2,333,980</b>	<b>\$ 2,403,999</b>	<b>\$ 2,476,119</b>	<b>\$ 2,550,403</b>
<b>Total Rental Revenues</b>	<b>\$</b>	<b>29,632,321</b>	<b>\$ 31,075,479</b>	<b>\$ 32,591,109</b>	<b>\$ 34,182,931</b>	<b>\$ 35,854,861</b>	<b>\$ 37,611,016</b>
<b>Tourist Purchase of Goods and Services</b>							
Average Number of Tourists per House		3.75	3.75	3.75	3.75	3.75	3.75
Number of Tourist-Days Per Year		239,344	244,131	249,013	253,994	259,073	264,255
Average Spending Per Person Per Day	\$	75.00	\$ 77.25	\$ 79.57	\$ 81.95	\$ 84.41	\$ 86.95
<b>Total Tourist Purchases</b>	<b>\$</b>	<b>17,950,781</b>	<b>\$ 18,859,091</b>	<b>\$ 19,813,361</b>	<b>\$ 20,815,917</b>	<b>\$ 21,869,202</b>	<b>\$ 22,975,784</b>
<b>TOTAL DIRECT VALUE OF CORAL BAY TOURISM</b>	<b>\$</b>	<b>47,583,103</b>	<b>\$ 49,934,569</b>	<b>\$ 52,404,469</b>	<b>\$ 54,998,848</b>	<b>\$ 57,724,063</b>	<b>\$ 60,586,800</b>
PLUS LOCAL RE-EXPENDITURE OF RENTAL INCOME	\$	11,916,161	\$ 12,495,119	\$ 13,102,648	\$ 13,740,172	\$ 14,409,185	\$ 15,111,257
<b>GROSS VALUE OF CORAL BAY TOURISM</b>	<b>\$</b>	<b>59,499,263</b>	<b>\$ 62,429,689</b>	<b>\$ 65,507,118</b>	<b>\$ 68,739,020</b>	<b>\$ 72,133,248</b>	<b>\$ 75,698,058</b>



<b>TOTAL DIRECT VALUE OF CORAL BAY TOURISM</b>	\$	<b>47,583,103</b>	\$	<b>37,945,445</b>	\$	<b>25,259,539</b>	\$	<b>27,538,590</b>	\$	<b>33,256,040</b>	\$	<b>37,952,900</b>
PLUS LOCAL RE-EXPENDITURE OF RENTAL INCOME	\$	11,916,161	\$	8,789,732	\$	5,143,125	\$	5,631,295	\$	7,323,661	\$	8,441,161
<b>GROSS VALUE OF CORAL BAY TOURISM</b>	\$	<b>59,499,263</b>	\$	<b>46,735,177</b>	\$	<b>30,402,664</b>	\$	<b>33,169,885</b>	\$	<b>40,579,700</b>	\$	<b>46,394,060</b>
<b>CUMULATIVE TOTAL VALUE</b>			\$	<b>46,735,177</b>	\$	<b>77,137,841</b>	\$	<b>110,307,725</b>	\$	<b>150,887,426</b>	\$	<b>197,281,486</b>
<b>NET GAIN/(LOSS) IN TOURISM DOLLARS</b>	\$	-	\$	<b>(15,694,512)</b>	\$	<b>(35,104,454)</b>	\$	<b>(35,569,135)</b>	\$	<b>(31,553,548)</b>	\$	<b>(29,303,997)</b>
<b>PLUS SEG ECONOMIC CONTRIBUTION</b>	\$	-	\$	-	\$	<b>4,395,000</b>	\$	<b>8,790,000</b>	\$	<b>8,790,000</b>	\$	<b>8,790,000</b>
<b>NET ECONOMIC IMPACT TO ST JOHN</b>	\$	-	\$	<b>(15,694,512)</b>	\$	<b>(30,709,454)</b>	\$	<b>(26,779,135)</b>	\$	<b>(22,763,548)</b>	\$	<b>(20,513,997)</b>
<b>5 YEAR ECON IMPACT TO TOURISM</b>	\$	<b>(147,225,646)</b>										
<b>5 YEAR ECON IMPACT FROM MARINA</b>	\$	<b>30,765,000</b>										
<b>NET ECONOMIC IMPACT (YRS 1 - 5)</b>			\$	<b>(15,694,512)</b>	\$	<b>(46,403,966)</b>	\$	<b>(73,183,101)</b>	\$	<b>(95,946,649)</b>	\$	<b>(116,460,646)</b>

**Other Negative Factors Not Considered**

Cost of Infrastructure Improvements      WAPA                      Police                      Fire & Medical                      PWD / Roadways  
Impact on Small Local Business

**Other Positive Factors Not Considered**

Purchase of Construction Materials On-Island (most materials will be shipped in, incidentals purchased locally)  
Construction Workforce Economic Contribution (short term effect)

EMPLOYMENT ANALYSIS	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Jobs in Current Businesses		36	18	0	0	0
Job Creation - Phase I Projects		0	0	18.5	37	37
Job Creation - Phase II Projects		0	0	0	0	26.5
<b>NET JOBS IN MARINA DISTRICT</b>		<b>36</b>	<b>18</b>	<b>18.5</b>	<b>37</b>	<b>63.5</b>
<b>Current &amp; Forecast Jobs in Marina District</b>		<b>36</b>	<b>38</b>	<b>40</b>	<b>42</b>	<b>44</b>

<b>NET JOBS IMPACT</b>	<b>0</b>	<b>(20)</b>	<b>(22)</b>	<b>(5)</b>	<b>20</b>	<b>44</b>
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<b>3 YR EMPLOYMENT IMPACT (JOB-YEARS)</b>	<b>(47)</b>
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<b>4 YR EMPLOYMENT IMPACT (JOB-YEARS)</b>	<b>(27)</b>
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<b>5 YR EMPLOYMENT IMPACT (JOB-YEARS)</b>	<b>17</b>
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**Other Factors Not Included**

Temporary Jobs during Construction Phase (short term effect)

Run 8/27/14

**Existing Business**

**Employees**

2  
2  
3  
2  
10  
1  
2  
2  
2  
1  
1  
2  
3  
3

**TOTAL EXISTING EMPLOYEES**

**36**



## Comments / Model Assumptions

2% Annual new villa construction rate (based on CY 2014 est)

Based on review of VRBO booking calendars

Dec 1 - Jul 1

Based on review of VRBO booking calendars

Jul 1 - Dec 1

3% Price increase inflation based on continued demand (est)

1% Lower demand in off season - less price inflation

3% Continued demand for rental housing drives moderate new construction

3% Demand for rental housing drives moderate price inflation

3% Based on CY 2014 sales forecast with moderate price increases

3.75 Equal mix of 2,3,4 and 6 person rentals

3% 2 Meals, Water Sports Rentals, Gift Purchases, Automobile Rental

50% Multiplier Effect - significant portion of rental receipts are re-expended locally for mgmt svices, repairs, supplies, etc

No new villa construction due to declining interest in Coral Bay as ecotourism destination  
Dec - July average occupancy, assume significant decline in Year 1&2, then stabilizing

Aug-Nov average occupancy severe decline: low season visitors have wide choice of properties, value quiet time

Pricing pressure to attract customers results in price declines, slow recovery years 3-5  
Severe price pressure during off-season due to high availability, low demand

No growth due to reduced demand  
0% Pricing pressure keeps prices stable

5% Decline in Years 1 & 2 then stabilizes

3.75 Same as base case

3% Same as base case

50% Multiplier Effect - significant portion of rental receipts are re-expended locally for mgmt srvcies, repairs, supplies, etc

Phased according to SEG plans

All current jobs eliminated/replaced over 2 years

Assume Phase II Construction Begins Year 3 lasting 18 Months

Slow job growth - one small business per year