

APPENDIX 6
Report on Estimated Economic Impacts, David Silverman

**Summer's End Group, LLC
St John Marina in Coral Bay
Economic Impact Model**

March 3, 2015

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

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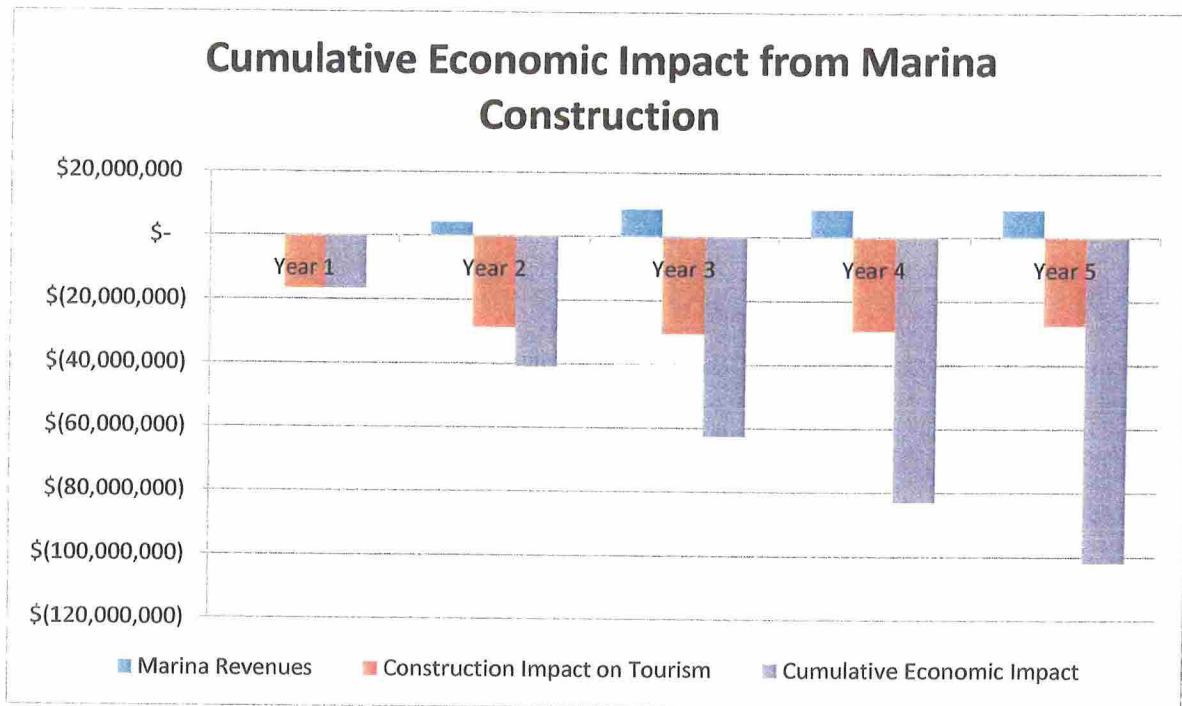
Coral Bay Community Council

Coral Bay Five Year Economic Impact Model: Introduction

In August 2014, the Coral Bay Community Council asked several of its knowledgeable members, all of whom were directly involved in the Coral Bay tourism market, to assess the impacts which the proposed Summers End Group (SEG) marina development would have on the existing economy of Coral Bay. That model demonstrated a net economic loss to the Coral Bay economy of around \$116 million over the first five years of the project.

In February 2015 this model was updated and refined to reflect the availability of better data and more conservative impact estimates. This updated model now indicates a net economic loss of \$101.9 million over the five year span of the model.

The model indicates that Coral Bay business currently adds at least \$52.1 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 (which has been presented by many business owners, visitors, and management companies in written letters), as it looks at the net impact of the economic value being added according to the marina developer. Below is a chart which shows the net total impact over 5 years – a negative cumulative impact of \$101.9 million dollars.



Model Methodology

In order to create this model, three sets of data were required. First, the model required an accurate estimate of the size of the existing tourism economy, based on the number and type of rental properties, their average occupancy in low and high season, their average weekly rental rates, and the additional expenditures made by tourists while visiting St John and staying in Coral Bay.

Second, a forecast of the economic benefits of the proposed marina project, based on data supplied by SEG was placed into the model. This data was not subjected to scrutiny, but simply taken as presented by SEG.

Finally, an estimate of the impact which construction of the marina, primarily involving noise and traffic, would have on the appeal of Coral Bay to tourists, and the resulting pressure on the existing economy was needed. This estimate was based on a number of factors - including comments from multi-year tourists, comments from villa owners and property managers who had previously experienced construction impacts, questions in social media, and prior experience of economic downturn during the recession.

Data Points - Existing Tourism Economy of Coral Bay

1. Known information about the Coral Bay villa tourism market
 - a. Number of rental villas in Coral Bay quarter (from the website "Vacation Rentals by Owner" or VRBO)
 - b. Average Occupancy Rate - both high season and low season, based on villa manager's experience and review of VRBO booking calendars
 - c. Weekly/Annual Income from Villa Rentals based on actual VRBO average listed rates
 - d. High Season and Low Season dates
 - e. Daily Tourist Spending: Restaurants, Recreation, Automobile Rentals, based on common knowledge of tourist purchasing habits
 - f. Re-expenditure of Rental Receipts by Villa Managers, based on numerous interviews with villa managers on typical management and maintenance expenditures
 - i. Management, repairs, supplies
 - ii. Renovations, cleaning services
 - g. Modest assumptions about growth in number of properties and rental income
2. Known information about annual tourism income from commercial properties (Concordia)
3. Estimated information about long term rental market (number of properties and receipts)

Assumed Positive Impacts of SEG Project

1. SEG's estimate of \$8 million annual economic benefit was not questioned and was put into the model with the time phasing described by SEG (note that this figure has not been justified by SEG, nor has the basis for the figure been explained).
2. SEG's claimed construction schedule (18 months) was not questioned and was put into the model (note that every construction manager interviewed for this project believes that SEG's

construction schedule is entirely unrealistic and does not provide any allowance for weather delays, material delays, infrastructure problems, etc.)

Assessment of Marina Construction Impact on Tourism Market

1. As construction noise and disruption commence, tourism is immediately impacted (Coral Bay is valued as a quiet ecotourism destination)
 - a. Occupancy rates drop
 - b. New villa construction stops
 - c. Rents stay static as competition for fewer customers depresses prices
 - d. Tourists share "bad experiences" on Trip Advisor and other online travel sites
2. After construction completes the market will return, but more slowly than it departed. Many tourists have said they will not return if the marina is built. New customers will need to be found to replace those who have left the market.

Conclusions

1. The "No Development" scenario compared to the "Marina Development" scenario indicates the following economic impacts:
 - a. On a NET BASIS (marina gains less tourism losses), the economy of Coral Bay (and St John) will suffer a loss in every year of the model.
 - i. Year 1 shows a Net Loss to St John of \$16.6 million
 - ii. Year 2 shows a Net Loss to St John of \$24.3 million
 - iii. Year 3 shows a Net Loss to St John of \$21.7 million
 - iv. Year 4 shows a Net Loss to St John of \$20.6 million
 - v. Year 5 shows a Net Loss to St John of \$18.8 million
 - b. The negative Economic Impact to the existing Coral Bay tourism economy over five years is a LOSS of \$132.7 million
 - c. The positive Economic Gain from marina operations over five years is a GAIN of \$30.765 million
 - d. NET ECONOMIC IMPACT to Coral Bay (and St. John) over five years is a NET LOSS of \$101.9 million
2. The SEG claim of 90 jobs created, when phased according to construction plans, and when combined with job losses from existing businesses, results in the following job impacts:
 - a. Year 1 shows a Net Decrease in Jobs of 21 Jobs
 - b. Year 1 shows a Net Decrease in Jobs of 24 Jobs
 - c. Year 3 shows a Net Decrease in Jobs of 8 Jobs
 - d. Year 4 shows a Net Increase in Jobs of 16 Jobs
 - e. Year 5 shows a Net Increase in Jobs of 39 Jobs

Economic Value-Add Model	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Baseline Contribution of Coral Bay to Tourism						
Villa Rentals						
Number of Properties	250	255	260	265	271	276
Occupancy During Peak Season	90%	90%	90%	90%	90%	90%
Days in Peak Season	151	151	151	151	151	151
Occupancy During Low Season	30%	30%	30%	30%	30%	30%
Days in Low Season	214	214	214	214	214	214
Average Weekly Rent per Villa (High Season)	\$ 3,044	\$ 3,135	\$ 3,229	\$ 3,326	\$ 3,426	\$ 3,529
Average Weekly Rent per Villa (Low Season)	\$ 2,258	\$ 2,280	\$ 2,303	\$ 2,326	\$ 2,349	\$ 2,373
Gross Villa Rental Revenue (High Season)	\$ 14,773,680	\$ 15,521,228	\$ 16,306,602	\$ 17,131,716	\$ 17,998,581	\$ 18,909,309
Gross Villa Rental Revenue (Low Season)	\$ 5,176,723	\$ 5,333,060	\$ 5,494,119	\$ 5,660,041	\$ 5,830,974	\$ 6,007,070
Gross Villa Rental Revenue (Annual Total)	\$ 19,950,403	\$ 20,854,288	\$ 21,800,721	\$ 22,791,757	\$ 23,829,555	\$ 24,916,379
Long Term Rentals						
Number of Properties	300	309	318	328	338	348
Average Monthly Rent	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,159
Gross Long Term Rental Revenue (Annual)	\$ 3,600,000	\$ 3,819,240	\$ 4,051,832	\$ 4,298,588	\$ 4,560,372	\$ 4,838,099
Other Tourist Accommodations (Hotels, etc)						
Concordia Eco-Resort (Annual Lodging Revenue)	\$ 2,200,000	\$ 2,266,000	\$ 2,333,980	\$ 2,403,999	\$ 2,476,119	\$ 2,550,403
Total Rental Revenues	\$ 25,750,403	\$ 26,939,528	\$ 28,186,532	\$ 29,494,345	\$ 30,866,047	\$ 32,304,881
Tourist Purchase of Goods and Services						
Average Number of Tourists per House	3.75	3.75	3.75	3.75	3.75	3.75
Number of Tourist-Days Per Year	187,594	191,346	195,173	199,076	203,058	207,119
Average Spending Per Person Per Day	\$ 75.00	\$ 77.25	\$ 79.57	\$ 81.95	\$ 84.41	\$ 86.95
Total Tourist Purchases	\$ 14,069,531	\$ 14,781,450	\$ 15,529,391	\$ 16,315,178	\$ 17,140,726	\$ 18,008,047
TOTAL DIRECT VALUE OF CORAL BAY TOURISM	\$ 39,819,934	\$ 41,720,978	\$ 43,715,923	\$ 45,809,523	\$ 48,006,773	\$ 50,312,928
PLUS LOCAL RE-EXPENDITURE OF RENTAL INCOME	\$ 9,975,201	\$ 10,427,144	\$ 10,900,360	\$ 11,395,879	\$ 11,914,778	\$ 12,458,189
GROSS VALUE OF CORAL BAY TOURISM	\$ 49,795,136	\$ 52,148,122	\$ 54,616,284	\$ 57,205,401	\$ 59,921,551	\$ 62,771,117
CUMULATIVE TOTAL VALUE		\$ 52,148,122	\$ 106,764,405	\$ 163,969,807	\$ 223,891,357	\$ 286,662,474

MARINA CONSTRUCTION SCENARIO: Marina construction causes significant decline in tourist visits due to environmental impacts during years 1 and 2, then slow partial recovery

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Villa Rentals						
Number of Properties		250	250	250	250	250
Occupancy During Peak Season		90%	68%	51%	57%	64%
Days in Peak Season		151	151	151	151	151
Occupancy During Low Season		30%	20%	13%	13%	13%
Days in Low Season		214	214	214	214	214
Average Weekly Rent per Villa (High Season)	\$	3,044	\$ 2,739	\$ 2,466	\$ 2,219	\$ 2,441
Average Weekly Rent per Villa (Low Season)	\$	2,258	\$ 2,032	\$ 1,829	\$ 1,646	\$ 1,810
Gross Villa Rental Revenue (High Season)	\$	14,773,680	\$ 9,972,234	\$ 6,731,258	\$ 6,815,398	\$ 8,434,056
Gross Villa Rental Revenue (Low Season)	\$	5,176,723	\$ 3,121,564	\$ 1,882,303	\$ 1,694,073	\$ 1,863,480
Gross Villa Rental Revenue (Annual Total)	\$	19,950,403	\$ 13,093,798	\$ 8,613,561	\$ 8,509,471	\$ 10,297,536
Long Term Rentals						
Number of Properties		300	300	300	300	300
Average Monthly Rent	\$	1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Gross Long Term Rental Revenue (Annual)	\$	3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000
Other Tourist Accommodations (Hotels, etc)						
Concordia Eco-Resort (Annual Lodging Revenue)	\$	2,200,000	\$ 1,854,000	\$ 1,497,620	\$ 1,542,549	\$ 1,588,825
Total Rental Revenues	\$	25,750,403	\$ 18,547,798	\$ 13,711,181	\$ 13,652,020	\$ 15,486,361
Tourist Purchase of Goods and Services						
Average Number of Tourists per House		3.75	3.75	3.75	3.75	3.75
Number of Tourist-Days Per Year		187,594	135,880	98,684	107,642	117,720
Average Spending Per Person Per Day	\$	75.00	\$ 77.25	\$ 79.57	\$ 81.95	\$ 84.41
Total Tourist Purchases	\$	14,069,531	\$ 10,496,754	\$ 7,852,054	\$ 8,821,785	\$ 9,937,157
Marina Construction Scenario: TOTALS						
TOTAL DIRECT VALUE OF CORAL BAY TOURISM	\$	39,819,934	\$ 29,044,552	\$ 21,563,235	\$ 22,473,805	\$ 25,423,518
PLUS LOCAL RE-EXPENDITURE OF RENTAL INCOME	\$	9,975,201	\$ 6,546,899	\$ 4,306,780	\$ 4,254,736	\$ 5,148,768

GROSS VALUE OF CORAL BAY TOURISM	\$	49,795,136	\$	35,591,451	\$	25,870,015	\$	26,728,540	\$	30,572,286	\$	35,187,990
CUMULATIVE TOTAL VALUE			\$	35,591,451	\$	61,461,466	\$	88,190,007	\$	118,762,292	\$	153,950,282
NET GAIN/(LOSS) IN TOURISM DOLLARS	\$	-	\$	(16,556,671)	\$	(28,746,268)	\$	(30,476,861)	\$	(29,349,265)	\$	(27,583,127)
PLUS SEG ECONOMIC CONTRIBUTION	\$	-	\$	-	\$	4,395,000	\$	8,790,000	\$	8,790,000	\$	8,790,000
NET ECONOMIC IMPACT TO ST JOHN	\$	-	\$	(16,556,671)	\$	(24,351,268)	\$	(21,686,861)	\$	(20,559,265)	\$	(18,793,127)
5 YEAR ECONOMIC IMPACT TO TOURISM	\$	(132,712,192)										
5 YEAR ECONOMIC IMPACT FROM MARINA	\$	30,765,000										
NET ECONOMIC IMPACT (YRS 1 - 5)			\$	(16,556,671)	\$	(40,907,939)	\$	(62,594,800)	\$	(83,154,065)	\$	(101,947,192)

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	0
Job Creation - Phase I Projects		0	0	18.5	37	37	37
Job Creation - Phase II Projects		0	0	0	0	26.5	53
NET JOBS IN MARINA DISTRICT		36	18	18.5	37	63.5	90
Current & Forecast Jobs in Marina District		36	39	42	45	48	51
NET JOBS IMPACT		0	(21)	(24)	(8)	16	39

3 YR EMPLOYMENT IMPACT (JOB-YEARS) **(53)**

4 YR EMPLOYMENT IMPACT (JOB-YEARS)

(37)

5 YR EMPLOYMENT IMPACT (JOB-YEARS)

2

Other Factors Not Included

Temporary Jobs during Construction Phase

(short term effect)

Job Losses due to reduced Tourism

(long term effect)

Comments / Model Assumptions

	2%		Annual new villa construction rate (based on CY 2014 est)
	90%		Based on review of VRBO booking calendars
		12/1/2014 5/1/2015	
	30%		Based on review of VRBO booking calendars
\$	3,044	3%	Actual VRBO Average - Peak Season Price increase inflation based on continued demand (est)
\$	2,258	1%	Actual VRBO Average - Low Season Lower demand in off season - less price inflation
	3%		Continued demand for rental housing drives moderate new construction
\$	1,000	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
\$	75.00	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

Impact Factor

1

Varying this number scales the impact up or down (0 = no impact)

0%

No new villa construction due to declining interest in Coral Bay as ecotourism destination

25%

Assume 20% decline per year first 2 years of construction then 10% per year recovery

33%

Assume severe decline - low season visitors have wide choice of properties, value quiet time

10%

Pricing pressure to attract customers results in price declines, slow recovery years 3-5

30%

Severe price pressure during off-season due to high availability, low demand

0%

No growth due to reduced demand
Pricing pressure keeps prices stable

3%

Decline in Years 1 & 2 then stabilizes

Same as base case

Same as base case

50%

Same as base case

Phased according to SEG plans

All current jobs eliminated/replaced over 2 years

Assume Phase II Construction Begins Year 3 lasting 18 Months

3 Slow job growth - one small business per year