

# **Marina Fund Update**

**Budget & Finance Policy Committee**

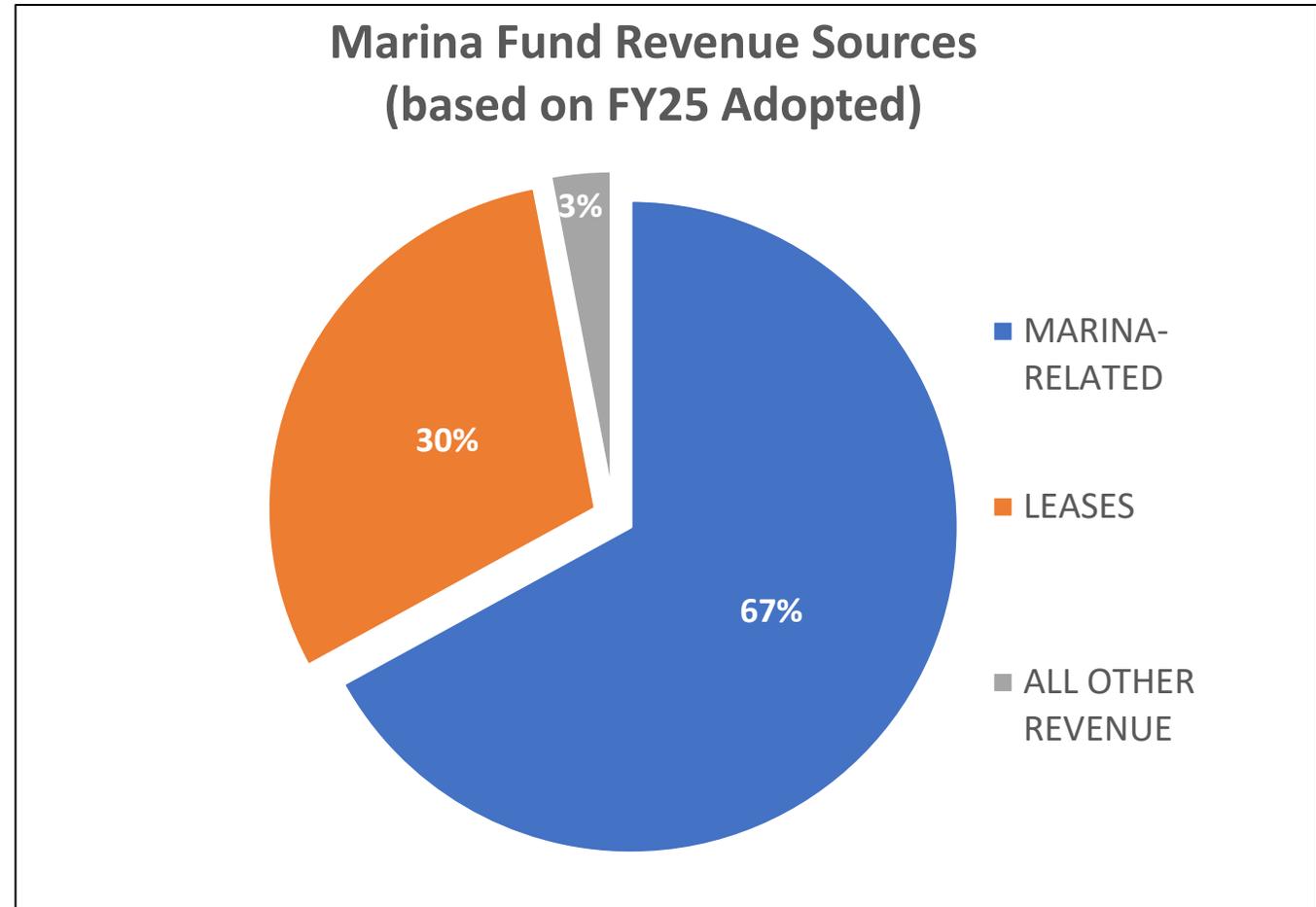
May 15, 2025

# Marina Fund Financial Context

- Structural deficit for last 15+ years, driven by:
  - Post-2000 and 2008 economic downturns:
    - Users pull boats out of the water.
    - Restaurant and hotel revenue decrease.
  - Safety issues 2016-2019 led to berther exodus / Hs Lordships closing
  - Aging infrastructure + no capital reserves => \$131M in unfunded needs
  - COVID-19: major hit to hotel/restaurant revenue
- 2021-2025: General Fund infusions needed to keep Marina Fund solvent.
  - FY22: \$1.4M in ARPA funds
  - FY23: \$1.15M in ARPA funds
  - FY24: \$800k in cost shifts to other funds / \$5.5M from Workers Comp fund for capital projects
  - FY25: \$850k in reduced indirect costs, capital projects funded by GF, Workers Comp holiday

# Marina Fund Financial Context

- Enterprise fund:
  - Revenues expected to cover expenditures
- Expenditures:
  - \$8.431M (FY25 Adopted)
- Revenue:
  - \$7.162M (FY25 Adopted)
  - Berth rentals (boaters)
  - Leases (hotel/restaurants/etc.)
  - Other revenue



# Waterfront Leases (FY25)

Tenant	Length of Term	Expires (with option)	Estimated Annual Revenue	% of Lease Revenue	% of Total Revenue
Doubletree	60 years	2080	\$ 1,109,428	52%	16%
Skates	10 yrs + 10-yr option	2031-2041	\$ 459,300	22%	7%
125-127: BPD	5 years	2027	\$ 187,572	9%	3%
Hana Japan	5 yrs + 5-yr option	2025-2030	\$ 94,416	4%	1%
Marine Center	51 years	2029	\$ 59,400	3%	1%
Bait Shop	5 yrs + 2-yr option	2025-2027	\$ 42,801	2%	1%
125-127: Patpatia	In holdover		\$ 40,944	2%	1%
125-127: Third Plateau	In holdover		\$ 40,866	2%	1%
125-127: ICRI	In holdover		\$ 39,767	2%	1%
Berkeley Yacht Club	30 yrs + 10-yr option	2046-2056	\$ 19,696	1%	0%
Cal Adventure	In holdover		\$ 19,428	1%	0%
Cal Sailing Club	In holdover		\$ 12,764	1%	0%
			<b>\$ 2,126,383</b>		<b>30%</b>

# Doubletree Hotel

## Current Conditions

- Hotel has been losing money since October 2024.
- Hotel loan went into special servicing to renegotiate terms with their lender.
- Payment arrears through June 2025:
  - \$187,615 (percentage rent, 2024)
  - \$492,684 (base rent of \$82k/mo, Jan-Jun 2025)
  - \$680,299 past due

# Current Hotel Market Conditions

- SF / Bay Area hotel market: worst post-Covid recovery in the country.
- Years of negative national press deter visitors and convention center events.
- Corporate travel muted by low office utilization.
- Delayed return of international visitors.
- High operating costs as a union and high cost of living market.
- Tariffs, inflation, and interest rates compound the issue.

TOP 25 MARKETS	Twelve Months Ending 3/31/2025		Full Year 12/31/2019
	RevPAR	RevPAR % of 2019	RevPAR
Atlanta - GA USA	\$ 81.28	104.0%	\$ 78.17
Boston - MA USA	\$ 172.42	118.0%	\$ 146.17
Chicago - IL USA	\$ 110.97	111.5%	\$ 99.53
Dallas - TX USA	\$ 84.19	114.7%	\$ 73.42
Denver - CO USA	\$ 101.70	103.1%	\$ 98.67
Detroit - MI USA	\$ 73.29	106.1%	\$ 69.10
Houston - TX USA	\$ 78.81	124.1%	\$ 63.53
Las Vegas - NV USA	\$ 161.50	140.4%	\$ 115.00
Los Angeles - CA USA	\$ 141.28	103.8%	\$ 136.14
Miami - FL USA	\$ 165.83	120.4%	\$ 137.69
Minneapolis - MN USA	\$ 79.84	97.6%	\$ 81.82
Nashville - TN USA	\$ 116.98	107.8%	\$ 108.49
New Orleans - LA USA	\$ 113.34	111.6%	\$ 101.60
New York - NY USA	\$ 270.35	126.6%	\$ 213.51
Oahu Island - HI USA	\$ 226.47	112.3%	\$ 201.62
Orange County - CA USA	\$ 150.31	117.4%	\$ 128.05
Orlando - FL USA	\$ 140.17	110.9%	\$ 126.36
Philadelphia - PA USA	\$ 98.76	103.7%	\$ 95.22
Phoenix - AZ USA	\$ 117.94	126.8%	\$ 92.99
Saint Louis - MO USA	\$ 72.91	107.4%	\$ 67.90
San Diego - CA USA	\$ 158.19	124.7%	\$ 126.87
<b>San Francisco/San Mateo - CA USA</b>	<b>\$ 142.08</b>	<b>70.0%</b>	<b>\$ 203.01</b>
Seattle - WA USA	\$ 127.74	108.4%	\$ 117.87
Tampa Bay - FL USA	\$ 129.80	139.3%	\$ 93.19
Washington - DC USA	\$ 129.34	113.6%	\$ 113.87
<b>TOTAL</b>	<b>\$ 132.79</b>	<b>113.8%</b>	<b>\$ 116.72</b>

# Current Hotel Market Conditions

## Local Hotel Closures / Foreclosures

- June 2024 - Oxford Capital relinquished ownership of four San Francisco hotels, totaling 428 rooms, including SoMa House, Hotel Garrett, Hotel Fiona and Hotel Julian.
- Four Seasons Hotel San Francisco at Embarcadero – 155-room hotel, went into default, and owner began seeking buyers in May 2024.
- Kimpton Alton Fisherman’s Wharf – 248 key hotel, defaulted and returned to lender.
- Hilton San Francisco Financial District – 544 key hotel defaulted and returned to lender.
- Hyatt Regency Downtown SOMA – 686 key hotel defaulted and returned to lender.
- Hilton SF Union Square – 1,919 key hotel, went into default, now closed.
- Parc 55 Union Square - 1,024 key hotel, went into default, now closed.
- Dual Branded AC by Marriott (133 keys)/ Residence Inn by Marriott (143 keys) Hotel – Opened in 2022, was seized by lender due to default in April 2025.
- Hilton Oakland Airport Hotel – closed its doors August 2024.
- Marriott Oakland City Center – 500 key hotel went into default in Feb 2025.
- Courtyard Oakland Downtown – 162 key hotel was bought for \$10.6M in Oct 2024, a 76% decline from prior value.
- Hotel Frank – 153 room hotel on Geary street near Union Square, now shuttered.

# Marina Fund Impacts

- Prior to Parks Tax increase, Marina Fund had a structural deficit of approx. \$1M.
- After Measure Y – Parks Tax increase of 2024:
  - MF was projected to operate in the black in FY26.
  - Cost shift \$1.5M in Waterfront parks/landscape costs from MF to Parks Tax.
- Recent lease revenue downturn has impacted financial forecast.
  - Doubletree stopped paying base rent in Jan 2025; they have not paid past-due 2024 percentage rent (projected \$700k, through June 2025).
- Possible FY26 revenue gap of \$1.3M

# Marina Fund Impacts

Change in fund projections, after Parks Tax and lease revenue impacts

Description	FY26 Adopted (as of June 2024, before Parks Tax increase)	FY26 Revised (as of March 2024, after Parks Tax increase)*	FY26 Projected (as of May 2025, after anticipated loss of lease revenue**)
Starting Fund Balance	\$0	\$0	\$0
Revenue	\$7.6M	\$7.4M	\$6.1M
Expenditures	\$8.7M	\$7.4M	\$7.4M
Deficit/Surplus	(\$1.1M)	\$0	(\$1.3M)
Ending Fund Balance	(\$1.1M)	\$0	(\$1.3M)

\*Includes \$1.5M in cost shifts to Parks Tax, after Nov 2024 passage of Measure Y. This cost shift covers the \$1.1M structural deficit, \$200k in increased costs in personnel and utilities, and \$200k of anticipated decreases in some boating-related revenue, not including decreases related to Doubletree and Hana Japan.

\*\*Assumes no revenue from Doubletree Hotel and reduced revenue from Hana Japan through FY26.

# Marina Fund FY25 Adjustments

- FY25 reductions taken within the last month to address \$700k revenue loss:
  - Exhausted remaining fund balance to cover operations
  - South Cove East Dock Repair now unfunded
  - Reduced security by 50%
  - Cut marketing and other non-critical expenses
  - Cut all hourly Marina staff
  - Adjusted career staff hours to cover additional nights/weekends
- More reductions may need to be taken before the end of FY25 to keep Marina Fund balance positive.

# Marina Fund Potential FY26 Adjustments

- To address potential losses of approximately \$1.3M, the following is being discussed:
  - Further CIP project reductions
  - Reduction in maintenance
  - Security reductions
  - Cuts to all non-critical expenses
  - Workforce impacts (Full-time and part-time staff)
- Given that we may not know revenue performance until the end of 2025, staff plan to defer many expenditures until that time.