

**Proposed Business Plan for**

**Armory Wharf**

**Project**



**ARMORY WHARF**

City of Newport

City of Newport  
Department of Economic Development  
Newport Waterfront Commission

April 20, 2010

## EXECUTIVE SUMMARY

The City of Newport is planning a new and exciting harbor-side redevelopment of the Harbor Center and Ann Street Pier, which will be referred to here as “Armory Wharf” project (for purposes of brevity in this report. With almost \$1 million to be invested in the development of a new maritime shore side facility, and a proposed extension of Ann Street Pier, Armory Wharf is expected to play an important role in strengthening the City’s economy and revitalizing a valuable landmark for residents and visitors alike.



Senator Jack Reed announces \$713,000  
Armory Harbor Center federal grant, March, 2008

This City-owned property, consisting of the Newport Armory and Ann Street Pier, is to be managed as an enterprise fund, a self-supporting operation independent from the City’s General Fund. Extending Ann Street pier would significantly strengthen revenue-generating potential for the property, and create enough rentable dock space to ensure profitable and sustained operating services, the ability pay off any necessary financing for such expansion, and enable reinvestment in the property.

Armory Wharf is composed of four distinct components: The existing Ann Street Pier, a new Harbor Center (presently the Armory basement, slated for a federally-funded rehabilitation), a proposed 390 foot extension to the Ann Street Pier, and the Armory building Drill Hall and second floor offices. It is the City’s objective that Harbor Center and Ann Street Pier be opened for business by May 1, 2011.

The optimal use of the remaining two floors of the Armory building have been subject to much speculation over the years, but at this point it is assumed that it is the priority of the City to develop the pier and new Harbor Center. Once these assets have improved and a branding and marketing program established, it should be much easier to market the remaining Armory space for highest and best tenant use and strengthen the revenue stream from this space.

## VISION STATEMENT

*“Armory Wharf is the only publicly-owned property located on Newport Harbor between Perrotti Park and King Park. The historic Armory and Ann Street pier should be enhanced and carefully managed so as to be financially self-sustaining and continue to provide public access between Newport Harbor and the Lower Thames Street business district.*

*Armory Wharf is but one of a number of important capital investments Newport is making in its historic waterfront. The \$475,000 Inner Harbor dredging project removed 9000 cubic yards of material in January 2010; a new landing pier and gazebo (\$580,000) are being installed at Perrotti Park; at King Park the seawall was repaired in 2009 for \$644,000, and Stone Pier restored for \$74,000, and new Long Wharf short-stay transient boating docks are planned for the summer of 2010. The investment in Armory Wharf is especially important, considering \$713,000 federal grant assistance to rehabilitate the basement of the Armory into a new Harbor Center and that the development and management of Ann Street Pier is to be financed by a self-sustaining enterprise fund, independent of the City’s general fund.*

*The Armory and Ann Street Pier provide critical public services. They include: the only public access to Newport Harbor between Perrotti Park and King Park; the only public bathroom station on Lower Thames Street; a public dinghy dock, transient dock services; kayak rental; access to the Rose Island ferry; and a touch-and-go dock space for water taxis.*

*The Ann Street Pier should be extended to within 20 feet of the Federal harbor line and, in concert with new federally-funded enhancements in the Armory harbor level, a new transient boating facility should be carefully and conservatively managed by the Newport Harbormaster’s office.*

*The Drill Hall, second floor, exterior and front courtyard of historic Armory building should be restored. Improvements should be in keeping with the structure’s historic character and architectural significance.*

*The City should develop a branding and marketing program for this City property that will enable the building to achieve its highest and best use, and substantially increase in value as an asset on Lower Thames Street commercial corridor, as well as a new and important landmark for mariners who consider Newport a world-class yachting destination.”*

## **RATIONALE FOR DEVELOPING ARMORY WHARF**

1. **Public Access:** *Need to upgrade property and improve management of the only publicly-owned/publicly-accessible waterfront between Perrotti Park and King Park, consistent with the Newport Harbor Management Plan.*
2. **Significant Development Funding Already Obtained:** *\$713,000 in federal funds have already been secured to redevelop vacant space in the basement of the Armory to be a new Harbor Center transient boating facility. A recent cost estimate validates that the project can be completed within the original budget of about \$900,000 (includes: 25% City match; \$10,000 match from the Newport and Bristol County Convention and Visitors Bureau; \$5,000 match from the Newport Restoration Foundation; and \$5,000 match from Bowen's Wharf Corporation.)*
3. **Benefit Lower Thames Businesses:** *Improvements would benefit merchants and property owners on Lower Thames Street by dramatically directing transient boating visitor foot traffic through this property.*
4. **Contribute Substantial Revenue to Maritime Enterprise Fund:** *If Armory Wharf is allowed to recognize its potential, it would strengthen Newport's portfolio of maritime resources, adding more potential benefit to the City's economy. This has been documented in the Newport Harbor Management Plan, as far back as its original draft in 1998.*
5. **Encourage High-Value Visitors:** *The Harbor Center would serve visiting boaters on commercial moorings and City moorings, and at anchor in the harbor. Studies have indicated that there is a need for small transient boat dockage and services.*
6. **Financially Self-Sufficient:** *Financial analysis indicates that a Harbor Center and a 390 foot pier extension would be a solvent operation in year one of service and could contribute significantly to Newport's Maritime Enterprise Fund.*
7. **Comparable Municipal Harbor Centers:** *Throughout the United States there are many Municipal marina facilities which rent transient boaters dock space, offering a range of fee services. Within the region, there are municipally-owned and operated facilities in Guilford, Connecticut, Nantucket, Cuttyhunk, Sag Harbor, East Hampton, West Hampton, and Oyster Bay.*

## **EXTEND ANN STREET PIER**

### *History*

Between 1900 and 1938, the Ann Street Pier was about 500 ft long and included two large gazebos. The '38 hurricane destroyed 100 feet of dock and one gazebo, leaving a series of floating piers extending some 150 feet beyond the present Western terminus of about 210 feet. The extended floating pier was removed in the late 1960's.



*Ann St. Pier (with gazebo), ca 1955*

## **OPERATIONS PLAN**

*Departmental Management:* In 2007 the management of the Ann Street Pier was transferred to the Department of Economic Development. The property is now managed as an “Enterprise Fund”, meaning that it is self-sufficient operation, with revenues coming from sources other than Newport taxpayers. Income and profits are reinvested into City harbor projects and programs. The Harbor’s operations and budget management reflect an approach more to that of a business than a governmental unit.

The Newport Waterfront Commission (WFC) has served for many years in an important planning and advisory capacity for the administration and City Council. The WFC will continue to provide important assistance in the development of this new and important resource. It is also expected that Newport Redevelopment Agency (NRA), a longtime advocate for upgrading this City property, will continue to provide guidance to City staff. A master plan commissioned by the NRA and developed by the Cecil Group in 2005 will provide a general planning context in the development of the property. That study emphasized the importance of generating revenue from expanded dock facilities.

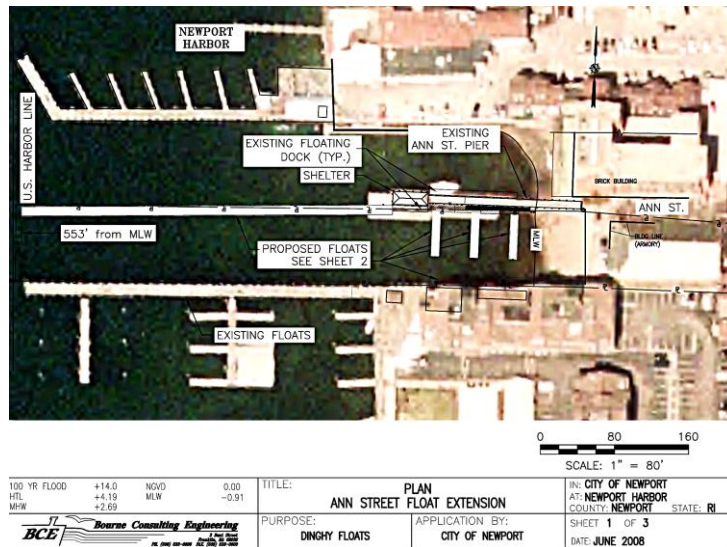
*Present Operations/Staffing:* Presently, Ann Street Pier is open for business from the week before Memorial Day to Columbus Day. The Pier has a seasonal staff of three, on duty a total of 88 hours per week from mid-June to Labor Day. Staffing is scaled back during the shoulder seasons, and in the off-season the pier is not actively managed. The pier allows public access for land-side visitors as well as transient visitors with dinghies and harbor launch service.

*Present dock space rental pricing* is by the hour; no overnight accommodations are offered. For vessels over 32’, the rate is: \$15 for first two hours (\$20 for three hours), and \$15 for each additional hour beyond three hours. For vessels under 32’, the rate is: \$10 for first two hours (\$15 for three hours), and \$10 for each additional hour beyond three hours. Dinghies over 10’ are charged \$5 per day. There is no charge for dinghies under 10’.

*Revenues.* Annual revenues from Ann Street Pier were: \$8,795 in 2007; \$11,890 in 2008; and \$11,340 in 2009. Revenues are being generated from only about 140 linear feet of usable dock space. There has been no active marketing of this facility.



present Pier



Pier extension would be similar to that of abutting neighbors

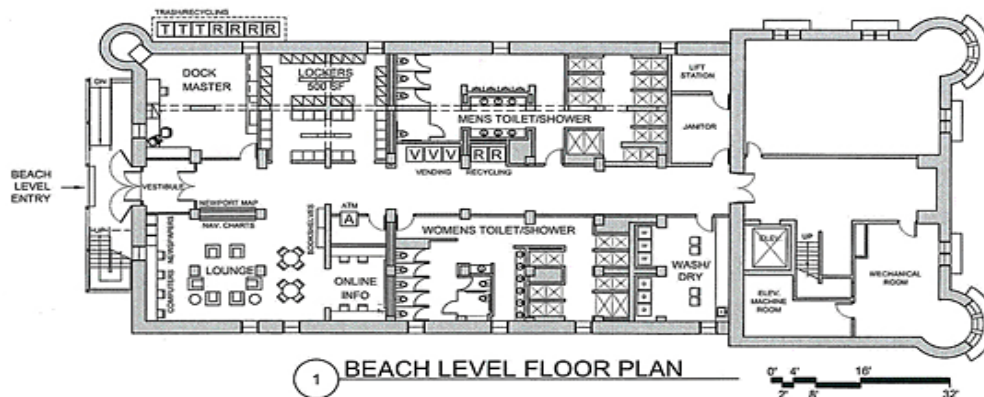
*Proposed management program with extended dock*

- Public access from land-side visitors and transient boats and dinghies
- 24/7 coverage by dock masters or security; two dock hands at peak periods
- Docks provide pump out, electricity, water, lighting
- Vessel limit: 42 feet; 10 night maximum stay
- No winter leases (wear and tear)

*CRMC Assent application process*

City staff has prepared an application for an Assent from the RI Coastal Resources Management Council to extend Ann Street Pier from its present length of about 210 feet with 390 foot extension, for an overall total length of 600 feet.

**DEVELOP NEW HARBOR CENTER**



The US Fish and Wildlife Service and the RI Department of Environmental Management awarded the City a Boating Infrastructure (BIG) Grant of \$713,000 in April, 2008. This grant provides 75% of the costs (on a reimbursement basis) of rehabilitating the harbor (basement) level of the Armory, to provide boating patrons shore-side facilities, including showers, toilets,

storage lockers, laundry facilities, and wireless internet capability. Facilities will be available to those boaters renting dock space.

The Harbor Center will be open from May 1 to October 31, and staffed most of the season from 6 a.m. to midnight. Security services will be employed midnight to 6 a.m. As with the City parking program, it is conceivable that the City could contract out the operation of the pier and Harbor Center if it was cost effective and provided an opportunity to improve the level of service. Development plans for the Ann Street Pier include electric and water service, and the City plans to apply for a state grant to install pump-out facilities. This is a transient boating facility serving small and medium size vessels. Boats docking at the Ann Street Pier will generally not be allowed to stay longer than ten days. Moreover, boat maintenance will continue to be explicitly prohibited at the Ann Street Pier facility.

Cost estimates of this facility were completed for the City by Beach View Building Company in April, 2010. This estimate validated the estimated build out costs included in the 2007 federal Boating Infrastructure Grant application. Obviously, construction costs must be closely managed and monitored.

## DEMAND/MARKET ANALYSIS

The financial pro forma revenue and expenses estimate is based on input from experts in marine resources development and management. John O'Brien, 30-year veteran of RIDEM Division Fish and Wildlife, has developed piers, boat ramps and other facilities throughout Rhode Island. George Crowninshield was dock master of Goat Island Marina in Newport for 15 years. Bart Dunbar, Esq, has been co-owner/operator of Bowen's Wharf for 40 years. Bruce Bartlett was Newport city planner for more than 20 years. Timothy Mills has been Newport harbormaster for the past 10 years. This plan has also benefited from ongoing Newport Harbor Economic Impact Study being conducted by FXM Associates and the Coastal Institute at the University of Rhode Island.

*Economic indicators support pier development and transient boating facility.*

An internal survey data included in the Transient Boating facility grant indicates an excess demand for dock space in Newport Harbor for 157 transient vessels per day, representing 31,000 visitors per season.

Mooring or Anchorages for Transient Boaters	Actual Transient Capacity	Estimate Transient Visitors In-Season	Estimate Transient Visitors Off-Season	Est. Center Visitors In-Season (75%)	Est. Center Visitors Off-Season (50%)	Est. Center Visitor for Entire Season
City of Newport	30	5520	3864	4140	1932	6072
Oldport Marine	17	3128	2189	2346	1095	3441
Other Moorings	10	1840	1288	1380	644	2024
Inner Anchorage	85	15640	10948	11730	5474	17204
Outer Anchorage	15	2760	1932	2070	966	3036
<b>TOTAL MC VISITORS</b>	157	28888	20221	21666	10111	31777

*Monthly Demand/Pricing Considerations*

Pricing for dock rental space at the new Ann Street Pier/Harbor Center facility will be commensurate with that of other marinas on the Newport waterfront. Because the Armory offers requested transient boating services that are not routinely available; it supplements our overall Harbor services to accommodate visitor demand. Marina owner/operators surveyed below stated that discounts are sometimes provided to best customers and on the shoulder seasons to enhance business. Conversely, premium prices are often demanded at peak season conditions when demand is high.

**Bowen’s Wharf** (\$5/ft/day, \$9-\$18/day for electricity) reports the following percentage of capacity reached, by month:

May	50%
June	50-75%
July	90-100%
August	90-100%
September	50-75%
October	50%
November	50%

**Bannister’s Wharf** (\$5/ft/day; \$5.50/ft/day on event weekends, \$9-\$18/day for electricity) reports the following percentage of capacity reached, by month:

May	50%
June	70%
July	90-100%
August	90-100%
September	70%
October	50-75%

**Newport Harbor Hotel**

May	50%
June	70%
July	90-100%
August	90-100%
September	75%
October	75%

**PRO FORMA BUDGET: ANN STREET PIER/HARBOR CENTER**

*Assumptions*

With brand new, high quality shore side amenities, we anticipated that there will be a significant increase in volume of mariner patrons, especially coming by dinghy, completely transforming the business model and management program at the existing Ann Street Pier. The Harbormasters’ office will increase staff and security to establish a 24/7 presence dockside.

1. *Dinghies* will provide new significant income from patrons in harbor
  - Market rate: \$5/day per person (includes Harbor Center access)

2. *New overnight docking program*: market rate:

- a. Present Pier: Net Rentable Space: 140 ft  
210 ft pier length x 2 sides = 420 ft gross rentable space  
420 ft gross rentable space minus 280 ft for:  
120 ft S side reserved for dinghies  
80 ft N side closest to shore (too shallow)  
50 ft dedicated to harbor shuttles and drop offs  
40 ft for Rose Island Ferry  
Net rentable space: 140 ft  
Typical Existing Pier Rental Income \$11, 500

Dinghy – Transient Visitor Center Revenue:

Dinghy Visitors	Revenue Estimate
In-Season	\$81,000
Off-Season	\$37,916
Total	\$119,163

- b. Proposed Pier: Net rentable space: 730 feet  
390 ft pier length x 2 sides = 730 ft gross rentable space

Adjusted Hi-Lo Average New Pier Rental Revenue:

High Estimate	\$522,727
Low Estimate	\$355,455
Avg Revenue (Est)	\$439,091

3. *City can finance Ann Street Pier extension*, estimated at \$575,000, over 20 years. The funds can either come from within a City’s enterprise funds or through public financing. Payments for servicing this debt are reflected in the pro-forma.
4. *Harbor Center shore side amenities* will create new revenue streams:
- Showers
  - Laundry (may be outsourced)
  - Lockers
  - Advertising and Partner Services
5. *Largest expenses* relate to staffing, security and debt service.

**Proforma Financials**  
**Newport Harbor Center and Pier**

14April10	Harbor Center & Current Dock	Extended HC Pier	Combined HC & New Pier
<b>REVENUES</b>			
New Pier Income		\$439,091	\$439,091
Old Pier income	\$11,500		\$11,500
Dinghy Tie-up	\$119,163		\$119,163
Pier Electric Svc		\$4,000	\$4,000
Garbage Disposal	\$750	\$1,250	\$2,000
Pump Out	\$ -		\$ -
Laundry	\$3,000	\$ 1,000	\$4,000
Showers	\$ 1,500	\$ 1,500	\$ 3,000
Lockers	\$1,000	\$800	\$1,800
Vending	\$1,000	\$1,000	\$2,000
Other Services	\$3,000	\$ 3,000	\$6,000
Advertising/ Promo	\$1,000	\$1,000	\$2,000
<b>TOTAL PROJECTED REVENUE</b>	\$141,913	\$452,641	\$594,554
<b>EXPENSES</b>			
Staffing	\$25,600	\$37,440	\$63,040
Allocated Admin	\$4,000	\$20,000	\$24,000
Insurance	\$500	\$1,000	\$1,500
Security		\$12,000	\$12,000
Equip Repair/Maint	\$4,000	\$5,000	\$9,000
Cleaning Service	\$7,500		\$7,500
Household Supplies	\$3,000		\$3,000
Operating Supplies	\$2,000	\$3,000	\$5,000
Office Supplies	\$1,000	\$2,300	\$3,300
Uniforms and Gear	\$ 500	\$2,000	\$ 2,500
Electricity	\$1,500	\$1,000	\$2,500
Gas, Oil	\$2,500		\$2,500
Water, Sewer	\$2,500	\$2,500	\$5,000
Trash Hauling	\$1,500	\$1,500	\$3,000
Contract Services	\$1,500	\$1,500	\$3,000
Internet Access	\$300		\$300
Phone	\$ 200	\$400	\$600
Bank	\$500	\$1,500	\$2,000
Legal and MIS fees	\$4,900	\$4,900	\$9,800
Debt Service		\$30,000	\$30,000
<b>TOTAL PROJECTED EXPENSE</b>	\$63,500	\$126,040	\$189,540
<b>NET INCOME/LOSS</b>	\$78,413	\$326,601	\$405,014

## **RESTORE ARMORY BUILDING, OPTIMIZE USE AND REVENUES**

### *History*

The Newport Armory was designed by Edwin Wilbur and built in 1894. Among other things, it was noteworthy as the site of the media center for the historic 1983 America's Cup.

### *Linkage between Armory/Wharf*

There is no necessary or immediate linkage between the upper floor development and the lower level plans for a boating facility and pier extension. There is a more direct business linkage between the boating facility and the pier, in that expanded pier space means more access for visitors, better service through enhanced dock space, and increased income potential for the boating facility.

It would seem to make sense to focus first on the pier extension and developing the Harbor Center. Bringing these projects to fruition should create momentum for making the remainder of the Armory building a more attractive leasehold business opportunity.

The City needs to establish highest and best lease opportunities upon the completion of the Harbor Center Boating facility in the Armory. A market rent analysis would be valuable. Use options anticipated to include:

1. Current arrangement with Rose Island Lighthouse Foundation (RILF), as antique consignment shop on parade floor and offices/retail on second floor. There is a logical connection to Armory Wharf and RILF: the Foundation operates and is performing substantial capital improvement and historic preservation projects in Rose Island, a City-owned property.
2. Subdivide Drill Hall into retail/exhibition space
3. Manage Drill Hall as special event venue
4. Drill Hall to be used for museum/exhibition space
5. Yachting Center, including activities relating to the America's Cup

### *Facilities*

The Armory building has three floors: 8800 sq ft ground level access opening to the Harbor; Thames Street access to entrance hall with offices to either side and 5500 sq ft Drill Hall; and about 2000 sq ft of second floor space above street level which includes four rooms used as offices.

The upper two floors of the building are currently rented, with no present long-term agreement, to the Rose Island Lighthouse Corporation. The tenant operates an antique market on the main floor.

### *Ownership*

In 1982, the Armory property was sold by the State of Rhode Island to the Newport Redevelopment Agency (NRA) for \$600,000; agreeing to hold \$200,000 of the purchase price as a lien against the City (which would have to be repaid in the event the City decided to sell the property). The NRA borrowed the remaining \$400,000 from the City's EDA Revolving Fund and UDAG grant fund.

The current debt is \$267,459 to the UDAG grant fund, and \$55,243 to the EDA Revolving Loan Fund. The principal has been paid down by \$77,298 from tenant rent proceeds. In addition to debt service, rental payments (averaging about \$48,000/year) to the NRA have also been used to also pay City property taxes. Although rental income was being paid to the City, it is difficult to track how all of the payments over the entire 28 years were deposited.

Ownership of the Armory property was transferred to the City in April, 2010, as a condition of the City being able to accept a US Fish and Wildlife Boating Infrastructure grant in the amount of \$713,000.

### *Operating Costs*

- Utilities: Electric 2008 - \$9,660; 2009 - \$7,419 – paid by tenant
- Heating oil: \$4,000 average annual – paid by tenant
- Water: 2008: \$1,860; 2009: \$1,708 paid by City (major demand is for public bathrooms on the Thames Street ground level)
- Major repair costs vary. The repairs in recent years have been paid by the City.
- General maintenance and operating repairs: \$6 – 8,000 per year (2008 -2010)

### *Revenues*

Rent: in recent years, the rent has averaged \$4,000/mo plus utilities. Rose Island Light House Foundation (RILF) is the current tenant, with an informal agreement providing the City \$48,000 annually. As the RILF performs an important service to the City by managing and providing public access to Rose Island (a City property), this may be an appropriate accommodation. The Department of Economic Development is presently evaluating this arrangement.

Anecdotally, on sunny days during peak summer season the Armory has about 1000 visitors on weekdays, and 2000 on Saturdays and Sundays.

### *Capital Investment Since 2007*

An assessment of the Armory was performed by Durkee, Brown, Viveiros and Werenfels Architects in February 2008. High priority recommendations have been addressed, including items listed below. Medium priority items, including replacing some windows are being planned.

The City excavated an oil tank leak, repaired exterior wall sections, replaced a flat roof, stabilized sections of the south wall, and with insurance support refaced major sections of the north wall. The building is slated to receive refurbished windows.

Flat roof renovations	\$32,713
Restroom Renovations	\$22,071
Head House Masonry Repair	\$24,642
Repair & Paint Cornices	\$11,382
Engineering Analysis	\$10,800
Steel Plate Stabilization	\$10,500
Window Renovations	\$7,581
North & South Windows	\$2,737
Repair Slate Roof Turrets	\$1,981
Electrical Work	\$1,722
Restroom Signs	<u>\$ 313</u>
Total:	<u>\$126,442</u>