



Boating Industry Association

Policy Guide Qld State Marina Leasing Policy

Executive Summary

1. The Boating Industry Association has prepared this document to outline the industry position on commercial marina leasing policy to inform discussions with Maritime Safety Queensland and the Portfolio and Investment Branch of the Department of Transport and Main Roads.

Background

2. A number of marinas in Queensland operate on State owned lands through Head Lease tenure arrangements. Marinas are social and economic hubs delivering direct jobs, social benefit and economic flow-on to their local community through:
 - a) Manufacturing, technical and service trades
 - b) Tourism
 - c) Hospitality
 - d) Boating participation
 - e) Sporting activities
 - f) Retail
3. As detailed in the Marina Industry Association 2019 Health of the Australian Marina Industry, marinas on average employ 11.2 people directly and a further 32 contractors employed directly via on-site tenancies or mobile services.
4. The economic, environmental and social benefits that marinas bring to the broader community should be acknowledged in determining the commercial rents and tenure arrangements for these types of facilities.

Current Situation

5. The intent of formulating a new leasing policy in consultation with State Government is to provide a consistent, fair and equitable process and method for the State to apply tenure and rental policies in regard to commercial marinas to create a commercial environment where tenants are encouraged, rewarded and motivated to invest in improving public/ private infrastructure and community outcomes providing:
 - a) Social benefit including:
 - i. improved land-water interface
 - ii. positive community outcomes
 - iii. provision of facilities including vessel storage solutions
 - iv. access and connectivity of the public to the water for people of all ages and abilities



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- v. aquatic recreation and sporting participation
 - vi. risk management such as fire, weather, emergencies & environmental
 - b) Economic benefit including:
 - i. jobs, investment and growth in the boating and marine industries
 - ii. skilled training and apprenticeship outcomes
 - iii. investment in maintenance and upgrades of facilities
 - c) Environmental benefit including:
 - i. delivery and management of modern pollution prevention systems
 - ii. vessel storage and
 - iii. waste collection.
 - iv. public education
 - v. biosecurity support & awareness
 - vi. healthy fish habitats
 - vii. environmental initiatives including risk management
- 6. Marinas can deliver this through:
 - a) operating sustainable businesses that provide enough profit in consideration of reinvestment and commercial risk, while the following key factors need to be satisfied; and
 - b) sufficient tenure so that debt can be obtained from banks and investment can be amortised over the required time frame.
 - c) participation in environmental programs such as the MIA's Clean Marina accreditation.
 - d) participation in facility maintenance and management programs such as the MIA's Gold Anchor accreditation.
 - e) implementation decarbonisation strategies such as provided by the MIA's Climate Ready Guidance and support materials.
- 7. It should be acknowledged that unlike normal commercial tenancies in buildings or shopping centres, the following factors need to be considered:
 - a) Repairs and maintenance are significantly higher due to the harsh marine environment
 - b) Returns on investment are typically long term
 - c) Capital and repair, and maintenance expenditure is normally significant
 - d) Permitted uses are quite often restrictive
 - e) There is only one landlord with a monopoly on the industry
 - f) A marina cannot relocate if it cannot reach an agreed position on rent or tenure
 - g) Marinas can have a significant amount of unused space or space set aside for community benefit



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- h) Marinas can and do deliver significant community benefit and a 'destination' for people to congregate, socialise and enjoy recreational and sporting activities
- i) Spending time by, in, under or on the water has been shown to make a positive contribution to people's quality of life by reducing stress and improving mental health.
- j) Marinas participate in voluntary accreditation programs, submitting themselves to periodic external, independent audits against standards to identify compliance issues and opportunities for continual improvement to mitigate against issues such as environmental and safety risks.

Proposed Rental Rate Model for Commercial Marinas

- 8. It is proposed that rents be charged as a % of turnover based on number of boat storage spaces. Where berths have been "sold" as long-term subleases, turnover will be imputed using the marina's average achieved rates for that particular berth size for that marina. If this cannot be determined due to lack of evidence, then either the marina's published rate sheet, or local market evidence can be used for marinas no greater than 25 km away from the marina being assessed. Boat storage includes wet berths, dry storage and moorings.
- 9. A discount will then be applied to the baseline rental rates to reward the tenant via a sliding scale for the amount of community and industry benefit that is being delivered by the operator. For example, this could include features that provide a social 'destination' for positive general community outcomes. Each benefit provided is scored and the total accumulated score provides a discount off the base level rent.

Standard (baseline) rental rates with no discounts applied

Berth Storage Spaces ->	0-150	150-250	251+
Marina berths	8%	9%	10%
Tenancy (Rent Collected) as % of income	20%	20%	20%
Slipway and or boatyard where a direct owner operator business as % of income	10%	10%	10%



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Restaurant, Café or Retail where a direct owner operator business as % of income	15%	15%	15%
Brokerage where a direct owner operator business as % of Net Income	10%	10%	10%

Fuel: No charge for volumes under 2 million litres. \$0.02 per litre for any volume above 2 million litres. (Note: Adherence to industry best practice Safety & Environmental compliance required. If not complied with \$0.02 per litre charged for all volume. Agreed standard to be developed).

Community Benefit Scoring system

Item	Score
vessel refuelling with public access	100
Fixed sewage pump-out (Available 7 days) with public access	80
Restaurant or Café with public access	50
Shiplift / hardstand	50
Boat repair services on site	30
Documented Risk Management System & Staff Emergency Drill Training Register	30
Oil / Fuel Spill kit	20
Waste recycling program	30
Staff on site 7 days	20
Community access to the foreshore including public seating	150
Children's playground with public access	30
Public Toilets with public access	50
Community programs to grow boating and aquatic activities. This includes discount or free rent to community organisations.	100



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Public boat ramp	100
Community non-for-profit club demonstrating membership growth over the past 3 trading years	200
2 x Public free berths (daytime only)	100
Kayak or Paddleboard storage and launch facility	100
Provision of FOC emergency service berth or helipad	50
Public car parking (Greater than 10 spaces)	30
Customs Port of Entry	50
Dry boat storage >30 boats	100
Clean Marina accreditation	150
Gold Anchor accreditation (level 3 + rating)	150

Discount off in recognition of benefit

Discount Score ->	200-300	301-450	451+
Boat Storage Space	-2%	-3%	-4%
Reduction of rent			
Tenancy income	-5%	-10%	-15%
Slipway or other direct business	-2%	-3%	-5%
Restaurant, Café	-2%	-5%	-8%
Brokerage	-2%	-3%	-5%

Proposed Tenure Model

10. As a standard rule, incumbent tenants will be granted the right for direct dealings for a new lease subject to them passing the “good tenant” test. The good tenant test includes assessment of the following criteria:
- Good payment history of rent
 - No material breaches of the existing Lease terms
 - The infrastructure within the property being maintained to a satisfactory level, less fair wear and tear, ensuring all structures are safe for public use, do not present an environmental hazard and are cosmetically neat and tidy.



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11. The minimum term to be offered to the incumbent tenant, subject to satisfying the above test, from the expiry of the existing lease will be **20 years**. New leases can be negotiated at any time after the current lease has reached its mid-term point.
12. The incumbent tenant may make application at any time during their tenure for an extension of their lease terms on the capital investment on the property to the Improvements. Sunset clauses may be set to ensure capital works are completed within a reasonable time. To qualify for extended tenure, such investments must satisfy at least one of the following criteria:
 - a) Create better community or social outcomes
 - b) Promote or improve boating or aquatic sports outcomes
 - c) Increase the quality, revenue or profitability of the property
 - d) Improve safety or environmental performance or outcomes for the property
 - e) Capital dredging works whereby the new declared depth would improve boating access.
13. Additional tenure, beyond the minimum term of 20 years, will be applied in consideration of investment as a multiplier of Total Gross Revenue ("TGR") averaged over the prior audited 3 financial years.
 - a) **Where capex < 0.5 TGR, lease extension is 10 years**
 - b) **Where capex < 1.0 TGR, lease extension is 20 years**
 - c) **Where capex < 2.0 TGR or greater, lease extension is 30 years**

Note: Additional tenure will be added to the remainder of the existing lease term up to a maximum of **50 years** total lease term.

New Leases

14. Where a new marina is being developed on a new site and a new lease is being considered, minimum term of 30 years should be applied to enable bank financing, amortisation and a reasonable return on investment. Additional tenure should be granted subject to size of investment and a business case being presented using the tenure extension formula in the previous section.

Implementation

15. It is proposed that the new adopted policy be hardcoded into new leases or renewal of leases as they come about. Existing leases maybe surrendered, on terms no less favourable, with a new lease executed in line with the new policy.

Justification for position



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16. A State Government policy developed along the proposed lines would help deliver the best possible benefits in the public interest. It would help support and create jobs, stimulate investment and economic opportunities for our communities. Furthermore, it would improve security of tenure and duration of tenure over government lands so that the boating/ marine industry, which can add so much to our communities, has a stable base from which to grow and thrive.

Recommendation:

17. To expedite the new policy, as an interim measure, it is recommended that the existing leases be varied by a deed of variation requiring valuers to use the proposed valuation methodology in determining rents until such time as the new policy can be fully adopted.

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