

# Long Beach

## BUSINESS JOURNAL

August 2-15, 2011

## Marine Industry Stays Afloat, But Still Shaken By Rocky Economy

Yacht Brokers Focus On 'Values,' Repair Services Resurge, Charters On The Rise



### The Downtown Marina In HDR

This high dynamic range (HDR) photograph by Long Beach Business Journal photojournalist Thomas McConville consists of three images: one underexposed; one overexposed; and one correctly exposed. The three images are then merged through a special software program, resulting in this beautiful photograph.

■ By **SEAN BELK**  
Staff Writer

Local marine businesses tied to recreational boating, commercial maritime and competitive racing have stayed afloat this year with better weather than 2010 and an upturn in repair services, while buyers take advantage of bargain deals.

But, it hasn't been smooth sailing by any means, as big-ticket "luxury" items are a tough sell in today's economy. As more repossessed boats hit the market, demand for new product continues to fall, along with values. Marinas across the coast are also still seeing high slip vacancies, according to yacht brokers and industry experts.

Dave Geoffrey, president of the Southern California Marine Association, said the marine industry appears to have somewhat "stabilized" after a steady decline. But, the uncertain economy and high fuel prices

continues to weigh on the overall boating business, which is still down about 70 percent from three years ago.

"There's a lot of boats that are on the market for sale and the industry is re-shifting its focus to more fuel efficient product and trying to cope with the lack of confidence in the economy," he said. "I think it's probably stabilized. I don't think it's getting worse. But, I just don't see it's getting a lot better right now."

Still, boating remains a moneymaker during the summer months for coastal cities across California, reeling in millions of dollars in economic activity through anything from hotel lodging and shopping at waterfront businesses to supplies and government contracts for maintenance and repair services at industrial shipyards.

### Yacht Brokers Adjust

Boat prices have been driven down primarily by a high inventory of repossessed

yachts, which has attracted buyers to cheaper deals. As a result, new boat dealers have suffered the most. In fact, the slowdown has shuttered many longtime boat manufacturers, according to industry experts.

Ray Jones, owner of Long Beach Yacht Sales, located at 2nd Street and Marina Drive, said boats that are moving right now are "value-driven product," mainly used or pre-owned boats, which are typically easier to finance.

"If there is a deal or a value that can be associated with the boat, those are selling," he said. "There still is demand out there for boats. It's not as great as it used to be, but there is demand for leisure time activities."

Moving a high volume of sales in California, the 30-year company has repositioned itself to mainly deal in repossessions of used powerboats and sailboats. The broker also offers much of the same services as car dealers, such as insurance and financing.



Used boats are selling at a premium right now, Jones said, and buyers are the ones coming out on top, able to buy a much more quality product for a cheaper price than a decade ago. “The consumer is really the one that’s won this whole product development battle,” he said. “The boats are lasting longer, so the consumers are getting a better quality product.”

The Internet has also been a key driver of sales traffic, he said. Boats are a “fluid asset” and can be sent to customers across the state, country and the world. For instance, in June, the company shipped three boats to China, and just recently was able to sell a \$1 million Sunseeker sailboat in San Diego through an online auction.

Nick Friedman, a certified yacht broker, owner of San Pedro Yachts and president of the Shoreline Yacht Group, said the drop off in boat sales is primarily connected to the plummeting real estate market and lower valuations of housing equity and retirement plans, which are key funding sources for boat sales.

Boat financing is also less available, and personal income has declined, he added. “Many sources of funding have dried up,” Friedman said. “You have less people able to spend the kind of money they were going to spend on boats than before.”

As of June, sales of boats 30 to 50 feet across California were down almost 10 percent this year compared with 2010, according to statistics from YachtWorld.com, a leading international yacht-listing provider, Friedman noted. Prices dipped roughly 1 percent during the same time period.

For larger boats, ranging from 51 feet and up, Friedman said boat sales in the state were down 8 percent this year compared with 2010, while prices dropped 9 percent during the same time period. However, Jones added that leading industry reports show overall yacht sales are still down 40 percent from the peak.

<b><u>Marina Name (Private)</u></b>	<b><u>Address</u></b>	<b><u>Number Of Slips</u></b>
Bahia	6289 E. Pacific Coast Hwy.	256
Bay Shore	6150 Bay Shore Walk	25
Chrisman	6200 Bay Shore Walk	18
Ferrara	6100 Bay Shore Walk	35
Harbor Lights	700 Queensway Dr.	33
Hertzog	6250 Bay Shore Walk	17
Marina Pacifica	6272 E. Pacific Coast Hwy.	181
<b><u>Marina Name (Public)</u></b>	<b><u>Address</u></b>	<b><u>Number Of Slips</u></b>
Alamitos Bay	205 Marina Dr.	1,991
Rainbow Marina	Docks 1-9 Rainbow Harbor	87
Shoreline Marina	450 E. Shoreline Dr.	1,764

Source: Marine Bureau, Long Beach Parks, Recreation & Marine Department



Top, the Cerritos Bahia Marina, located at 6289 E. Pacific Coast Hwy. adjacent to the Best Western Golden Sails, is a privately owned marina with 256 slips for boats 20 to 38 feet, costing \$9 to \$10 per foot. Amenities include: water and power; lockers; restrooms and showers; a laundry room; and pump out service. Above, the Marina Pacifica Marina, at 6272 E. Pacific Coast Hwy., is one of seven privately owned marinas in Long Beach. It has 181 slips that are connected to the luxury condos pictured. (Photographs by the Business Journal’s Thomas McConville)

Lon Bubeck, yacht broker for Flying Cloud Yachts, also located in the Marina Shipyard, said repossession prices tend to detract from the value of other boats for sale, and powerboats have seen more of a drop than sailboats.

In general, there are fewer discretionary dollars for spending on what Bubeck called “big, expensive toys.” “Business is very slow right now because people aren’t really feeling inclined to play with disposable income when you really get down to it,” he

said. “The inclination to play with expensive things seems to be lower right now.”

**Resurgence In Repairs**

Business for boat repairs and maintenance, including painting, marine electronics, rigging, canvas and upholstery, has generally been shaky during the economic slowdown. However, some businesses are reporting a rebound in sales after many boat owners that may have held off on repairs during the recession now have no choice but to invest in upgrading their vessels.



Mark Sandoval, general manager of the Long Beach Marine Bureau, stands on a slip finger at Alamitos Bay Marina's basin 4, where work is expected to start this year as part of the marina rebuild project. The Long Beach City Council is expected to vote during August on increasing slip fees as part of a plan to pay back state loans for the \$96 million project. (Photograph by the Business Journal's Thomas McConville)

"In the marine industry, you have to maintain your assets, and boaters can only put off doing so for so long," said Dan Loggans, owner of Long Beach-based Harbor Custom Canvas, which has been in business for 95 years. "People are confident enough that they're not getting out of yachting or boating and they are spending money on their boats."

Despite some concerns about the overall economic situation, he said revenues are up 20 percent over last year and his business has been "very busy." The trouble now is to be able to fill the influx of orders, Loggans added. "We're feeling very good and we're very busy," he said. "Our biggest problem is not getting the work, it's getting it done. That's always a challenge when the summer's here for guys that are halfway successful in the industry. We get a lot of work."

The company specializes in fabricating custom dodgers, boat covers and enclosures, with 10 employees and a 6,000-square-foot facility at 733 W. Anaheim St. in West Long Beach. Besides boats, the fabricator also provides custom covers for various companies connected to the ports, such as trucking firms, along with oil production businesses, including Signal Hill Petroleum and oil spill response companies.

After being selected for the Goldman Sachs 10,000 Small Business Initiative – a \$500 million program designed to help small businesses create new jobs – he said the program has helped him focus on strategic planning and preparing for growth. Loggans said he is expected to hire at least another employee this year.

Ken Fogg, owner of Anchor Marine Canvas, specializing in windows, coverings and upholstery in Long Beach for 25 years, said he has seen signs of economic recovery. But, he added that demand for new boat rigging is still down. "There are a lot of repairs that we're doing at a rather high volume," Fogg said. "We had the busiest May, June and July I've ever had. I feel that certainly, on my end, there's some recovery happening."

The drop off appears to be in the smaller size boats that are now up for sale after owners no longer could afford the payments and maintenance, he said. "Most people don't understand, you don't just buy a boat," Fogg said. "It's not like a motor home that sits in your backyard, it sits in the water and everything is corrosive and a boat goes south much quicker than a car."

Businesses that specialize in competitive yacht racing or high-end large sailboats are

driven by wealthier customers and have seen relatively steadier sales. For instance, North Sails, known as the world leader in sailmaking, located in the Alamitos Bay Landing, has seen market increases over the last few years. Karen Pearson, office administrator for the company, based out of Long Beach for 12 years, said sales year-to-date are up roughly 25 percent from 2010.

A steady stream of customers come from nearby sailing competitions, such as the Transpac Race, where sailboat teams travel thousands of miles across the Pacific Ocean from Southern California to Hawaii. Many of the winning yachts that won used North Sails' product, she added.

"The people that buy racing sails are so competitive and they've been in it for such a long time," Pearson said. "The sails are more expensive than cruising sails, but if they want to win they have to use them . . . It's the competitiveness that what you drive towards."

### Shipyard Services Up

Shipyard service providers in the area continue to be few and far between. The industry has been mostly downsized due to strict regulation from government environmental agencies over the years and the departure of the Long Beach Naval

Shipyard that once harbored steady business and government contracts.

George Wall, partner and vice president of Al Larson Boat Shop, which has been in business for 108 years in the San Pedro Bay harbor on Terminal Island, said the amount of shipyards in the area have gone from more than 20 during the 1950s to now only his company and about two others. "It's amazing how our industry has been whittled down to where we are today," he said.

However, for those still in business, the ports of Long Beach and Los Angeles continues to be the main source of work for the industry. Using a 1,000-ton steel dry dock, the medium-size shipyard specializes in services and repairs for barges and vessels 50 feet and up, primarily for the commercial maritime trade industry and contracts with the U.S. Coast Guard and local governments, he said.

While business is choppy from one month to the next, Wall said the company has lately been able to earn contracts for service, such as for marine vessels tied to construction at the ports, which has enabled him to bounce back, averaging about 80 employees. "We're busy through the end of the year," he said. For the most part, Wall said there should always be a need for service repairs in the commercial marine sector.

John Bridwell, vice president of Gambol Industries, Inc., a medium-size shipyard located at the Port of Long Beach, said business continues to improve year-over-year and continually hires new workers, currently averaging about 60 employees. A large portion of work comes from the maritime trade industry at the ports, he said. "We've been very busy this year. We've been expanding our facility and trying to find more ways to expand."

Gambol has been planning to expand into a larger shipyard for the past few years that he said has the potential of providing hundreds of jobs to the local economy. Although a plan to move into the former Southwest Marine site was scrapped by the Port of Los Angeles over concerns of the project conflicting with the port's harbor deepening project, Bridwell said there is still a need for services.

Large tugboats and barges often have to travel to larger shipyards in San Francisco, Portland or San Diego to be serviced, paying costly bunker fuel prices. "We feel there's a tremendous need for barges, and



Dan Loggans, owner of Harbor Custom Canvas, established in 1916, and an employee are seen working on a canvas boat cover at the company's location at 733 W. Anaheim St. in West Long Beach. (Photograph by the Business Journal's Thomas McConville)

large tugs and a lot of vessels that just can't be serviced," he said.

Jerry Tretter, third-generation owner of the Marina Shipyard, which has serviced primarily recreational boaters at the corner of 2nd Street and Marina Drive since 1964, said in order for shipyard services to stay profitable in today's unstable market, it takes a lot of "creativity" in offering deals and promotions. "We're creative on how we keep our employees and how we keep our customers," he said. "We're providing a better service."

While some months might be better than others, marine businesses, from the local fuel dock to marina stores, are still down anywhere from 40 to 60 percent, Tretter said. He added that it's been the worst recession for the marine industry to date and there's been a steady decline since 2008. This year's spring season, which usually draws more customers ramping up for summer, was still down, he said. "We had a couple of little spurts, but it's a real roller-coaster ride," Tretter said.

### Marina Rebuild Looms

With more boat repossessions, marinas have been affected with more open availability for slips up and down the coast.

Debbie Talbot, spokesperson for the Los Angeles Department of Beaches and Harbors, which manages marinas across 25 miles of coastline, said Marina del Rey, one of the largest marinas in the state, has a slip vacancy rate of 17.2 percent. "That's due to the current economic environment,"

she said. "As little as five years ago, we had waiting lists for all of our anchorages. So we've definitely seen the trend on the boating industry and on our slip tenants."

In Long Beach, there are a total of 10 marinas, including seven small privately owned docks and three large marinas – Alamitos Bay Marina, Shoreline Marina and Rainbow Marina – which carry a total of 3,677 slips, operated by the city's self sustaining marine bureau. Only 10 percent of the slips are allowed for live-aboards.

Mark Sandoval, general manager of the marine bureau, said small boat slips, ranging from 20 to 25 feet, have been impacted the most by high vacancies because it's cheaper for most boat owners to store their boats on trailers. Although the waiting list to get in has decreased during the recession, Sandoval added that slips in all other sizes are currently 100 percent full.

Slip fees range anywhere from \$164 per month for 20-foot slips to \$787 per month for 50-foot slips. Although the city hasn't increased fees in the last three years, he said the marine bureau is now proposing a 4.5 increase on all slip fees, primarily to pay back state loans for the rebuild of the Alamitos Bay Marina. The Long Beach City Council is expected to vote on the increase at the upcoming August 9 meeting.

The \$96 million project, which has been in planning stages for more than a decade, is expected to get underway by early September after passing several obstacles in recent years, Sandoval said.

On July 19, the city council approved an amendment to a lease with the Long Beach Yacht Club that did away with giving club members preference for slips. Although the agreement had been standard for years, the amendment now resolves an issue with the California Department of Boating and Waterways (DBW), which said it wouldn't approve loans for the project because the lease went against state bylaws.

Subsequently, Long Beach City Auditor Laura Doud had brought up issues in April that criticized the financial feasibility of the rebuild moving forward and requested marine bureau staff report back to the city. Since then, Sandoval said the bureau's staff has met with the auditor and is moving forward on a phase-by-phase basis.

The first phase, planned for launch this year, is Basin 4, expected to cost \$24 million, paid for by DBW loans for the design, engineering, environmental permit and construction contract with Washington-based Bellingham Marine. Although it is still unclear how the marine bureau will come up with roughly \$50 million for the rest of the project, Sandoval said the project is moving forward "one phase at a time."

In addition, the city is planning on opening up the fuel dock at Shoreline Marina, which has been closed since 2008 due to restrictions from environmental regulations. Public works is expected to conduct some \$1.8 million in retrofits to bring the fuel dock back online by March 2012.

Carl Kirnbauer, president of the Long Beach Marina Boat Owners Association, said most boat owners in the marina support the rebuild project, due to the marina suffering from dilapidated slips and deteriorating infrastructure. "We are 100 percent in support of the project," he said. "It's getting to the point now where it is literally hazardous, and the marine bureau and the maintenance people have been making heroic efforts to maintain it."

Even though the plan calls for eliminating some 200 small slips, Kirnbauer said there isn't as much demand for those size boats and the logic is understandable. "The marine bureau has a very difficult time filling the smaller slips because nobody wants them," he said. "If you got, say 400 slips, and half of them are empty, you can see that that's very unwise from a business point of view."

Additionally, Lucia Becerra, DBW director, said the state department is work-

ing with the city regarding the rebuild project in on an ongoing process. "We're still in the process of doing our analysis and we're working with Long Beach," she said.

Becerra added that the \$68 million DBW budget for 2011-2012 has decreased slightly from last year, but programs have gone unchanged despite the state's financial situation. Overall, loans decreased from \$9.9 million to \$4.5 million, statewide, she said.

### 'Selling The Dream'

With better weather this year than in 2010, some marine-related businesses during the summer months are seeing an increase in boating activity on the waterfront.

Mike O'Toole, part owner of Gondola Getaway in Naples, said the better weather this year has brought more people to the beach and out on the water, which is good for business. "Boating is great right now, because the weather is so good and better than last year," he said.

O'Toole added that he has been working with Fred Khammar, owner of Alfredo's Beach Club, and the city to operate a full mooring service at the pier by next summer, after the city finishes constructing docks on the Long Beach Municipal Pier. The plan is to have 45 mooring balls for boaters to be able to park their boats in front of the beach and then have easy access to the pier, much like at Catalina Island.

"Not that Long Beach isn't already on the boating map because the waterways we have here are unique to the entire coast of California, but this is kind of using that uniqueness," he said. "It's going to be quite an attraction for the whole coastal boating community."

Gary Gilpin, general manager of Marina Sailing at Shoreline Village, said the charter service, which offers sailing lessons, has seen an increase in recent months of more people wanting to get back out on the water. In fact, during the third week of June, he said the company experienced a "record week" with more charter sales than ever before.

"Right now we feel we're in a pretty lucky spot," he said. "We're starting off a lot stronger this year in the charter end of it, and the power boat rentals are getting pretty heavy too."

Gilpin added some of the business has come from former boat owners from area yacht clubs that may no longer own a boat, but still want to take a boating vacation.

"Marina Sailing is standing by to help and assist anybody who wants to charter sailboats or take lessons," he said. "We are a friendly operation, have been in business in Long Beach for 30 years, and work well in conjunction with the city and city activities."

Steve Conley, principal and founder of Bancap Investment Group, Inc., which leases out space to restaurants and businesses at the Alamitos Bay Landing, added that marine business has improved this year from last year. "It's a better summer than last year, when there was a huge decline," he said. "It's still not back to normal, but they're all still in business."

Meanwhile, Jones of Long Beach Yacht Sales said that a lot of what helps the marine market is "selling the dream," and getting people out on the ocean. In its 42nd year, the Long Beach Boat Show, put on by the Southern California Marine Association, is scheduled to run from October 20 to 23 at Rainbow Harbor in Downtown Long Beach, bringing in hundreds of sailboats and powerboats for viewing and purchase.

"The shows draw a lot of people to sell the dream of boating," he said. "Our problem is if we don't get people out on the water, if we don't get the people going and getting them excited about what we're doing, we have a hard time selling our product." ■