

# Memorandum: Lambert Advisory Comparative Assessment of Economic Benefits from 7 Pier Revitalization Proposals

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## Introduction

This memorandum presents Lambert Advisory's review of the seven (7) St. Petersburg pier revitalization proposals as it relates to economic benefits associated with recurring year-over-year activity on the pier.

Our analysis is strongly reflective of our own market analysis completed in 2010 and updated in 2014 as well as our experience assessing and evaluating other waterfront and urban revitalization efforts throughout the world. Our review did not include an input-output modeling of each proposal given that the concepts as submitted did not provide enough operating and financial information to drive the model. Additionally, the time and cost of modeling 7 different proposals with modest variation in economic generating uses would be excessive. Likewise, our analysis does not estimate the one-time impacts associated with construction expenditure for the reconstruction of the pier and upland partially because a common base budget available for reconstruction of the pier has been established and secondarily because these impacts are very short term in nature and are completed as soon as construction ends.

One major caveat with the assessment herein is that it assumes the aesthetic quality of each of the proposals is of equal value as it relates to attracting visitors to the pier and pier activities over the long term. Indeed, the committee which will decide which proposal to proceed with may make a value judgment as to which of the designs are the most "iconic" or "timeless" and to the extent that the selection committee represents broader public and visitor opinion, the iconic and timeless nature of the pier may certainly help drive visitation to the new pier. However, our analysis does not make its own value judgment but rather focuses on the economic viability and strength of programming, physical relationships and mix of project elements to drive visitation and expenditure over the long term.

## The Baseline – Key Findings From Our 2010 Market Assessment and 2014 Update

Our earlier findings that inform our review herein include the following:

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- Our 2010 and 2014 market assessments identified a number of uses on the pier or the pier upland areas the construction and maintenance of which could be supported by their own generation of revenue. These including restaurants and other eating/drinking places and simple entertainment type attractions such as children's water and play areas and other similar family entertainment elements. Indeed, our most recent analysis indicated that substantially more indoor and outdoor restaurant, bar and banquet space could be supported at the pier than all of the proposals have included. The pier is a case where trying to maximize the dining square footage (within the confines of demand) will help draw patrons to the pier. Nothing attracts people to a place such as the pier as lots of other people seeking the same level of safe/quality fun. The potential for this opportunity exists subject to many factors, including tenant mix and an efficient operating model, as well location within the project with a significant amount of the dining occurring on the uplands with specific destination dining at the pier head. Maximizing the eating and drinking element helps to deliver that as long as the mix of options are appropriately selected to attract families as well as downtown visitors and workers alike;
- Meeting/banquet space was identified as a strong economic and traffic generator for the pier that could support its own operating cost (albeit not its own capital investment). As a result, meeting/banquet facilities works from a stand alone economic perspective if it was integrated with another use such as a restaurant or observation tower, and was developed at a modest scale in comparison to the joint use as to not be more than a modest proportion of the overall capital budget;
- Other uses such as museums, discovery centers and other cultural, performance, artistic and educational activities which would require the building of structures and the acquisition of permanent exhibits present an opportunity to draw visitors to the pier but could not be successfully built and operated without a major infusion of philanthropic or foundational support, government funding, or a combination thereof;
- Ironically, one of the critical aspects of attracting out-of-town visitation and expenditure to the pier is by making the pier a place where locals enjoy spending their time as well. Invariably non-gated destinations in cities best attracting visitors when locals feel at home and spend their time in the destination as well. Faunal Hall in Boston, Santa Monica Pier in the Los Angeles area, Lincoln Road in Miami Beach have all learned at one time or another that when locals did not consider these places their own and part

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of the fabric of the city, tourists visitation drops off as well. The success of the pier redevelopment to attract out-of-towners is as much about making it a place for locals as it is for non-local visitors; and,

- One of the challenges with the Pier in its most recent incarnation is that all of the pier activity occurred at the pier head well into Tampa Bay. There is no relationship to Downtown St. Petersburg and as a result a visit to the pier became a very affirmative destination choice rather than serving as a natural extension to the City activity. This was in contrast to other successful long piers that we examined nationally and internationally in our 2010 study which invariably tied the upland to the pier and activates the piers along their entire length and often into the upland areas. These piers made a vehicular experience a pedestrian experience and allowed the piers to become a part of the fabric of the cities in which they are located. Activating the uplands has been considered by all teams to one-degree-or-another. The uplands activation and its connection to both the pier as well as downtown fabric is considered as well by the Downtown Waterfront Masterplan process underway. Regardless of which pier concept is ultimately selected, this upland activation is a critical element to both the ultimate visitation to the pier as well as the overall economic impact to downtown.

## The Seven Proposals

Lambert reviewed the seven remaining pier proposals including the following:

- ALMA
- Blue Pier
- Destination St. Pete Pier
- Discover Bay Life
- Pier Park
- Prospect Pier
- Re Pier

Rather than summarizing each proposal which has already been completed by the City and others, it is more valuable to group the proposals by key design elements which are partially aimed at driving visitation to the pier and discuss to what degree each of those elements are likely to generate visitation, visitor expenditure and associated economic benefit.

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- **Structure/Observation Tower at End of Pier to Drive Visitation** – Six of the seven proposals rely significantly on a structure at the pier head to bring activity to the pier. As past experience shows, only having an interesting structure with activities at the pier head is not enough to drive traffic and visitors to the end of the pier over the long term. Only a structure which would engender multiple visits due to its unique characteristics or be of such a draw that it was a ‘must see’ and draw new visits in which case the structure itself would be a major economic generator responsible for additional room nights, retail expenditure, and associated job creation and tax revenue. Think Space Needle, St. Louis Arch, Coit Tower (and in that case primarily a result of its 360-degree views of San Francisco Bay from the top and the WPA era murals inside the tower). However, if the structure itself does not serve the purpose of drawing new visitors as a result of the quality and iconic nature of the structure or creates a multiple visitation experience as a result of activities in and around the structure we do not believe that it will have a particular economic benefit to the future sustainability of the pier. Without a doubt, we found some of the proposed pier head design elements to be quite elegant and beautiful for what they are, but putting aside aesthetics of design, we do not believe that any of the proposed structures are at a scale or nature where they will become a must see destination for visitors to Tampa Bay. Much more important to the long term utilization and visitation to the pier is to what extent the pier is activated on the upland, along the length of the pier itself, and at the pier head. Rather, the impact of activity along the length of the pier, on the uplands and at the pier head in sum can be measured in a much more objective way than if any given structure is going to become the must see jewel of Tampa Bay. To this end, while many of the proposals place key elements on the upland and pier head, the Pier Park and Blue Pier proposals in particular seem to provide a seamless transition from upland to pier and pier to pier head in a way which the others do not.
- **Dining** – One of the most viable ways of tying locals and visitors to the pier is through dining and associated eating and drinking activity. Our prior analysis indicates that there is demand for substantially more dining and banquet space at the pier than has been proposed. While each of the proposals has some form of dining space and one includes a dedicated banquet space, the amount of space proposed falls far short of our recommendation and from an economic benefit perspective this a bit limiting in allowing the pier to generate the activity and jobs it otherwise could generate. The following table highlights an estimated number of jobs from each of the proposals’ dining proposals.

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Proposal	Sq. Ft of Dining	Dining Jobs
<b>ALMA</b>	9,900	40
<b>Blue Pier</b>	3,600	14
<b>Destination St Pete</b>	12,500	50
<b>Discover Bay Life</b>	4,000	16
<b>Pier Park</b>	7,600	30
<b>Prospect Pier</b>	8,200	33
<b>Re Pier</b>	8,000	32

While there is not a large amount of dining under any of the proposals, those which encourage a mix of dining on the uplands and destination dining and banquet at the pier head are likely to be stronger draws than those which concentrate dining in one area alone. Visitors need a wide variety of options and should not be required to travel the length of the pier to find something to eat or drink every time they visit the project. Those which expand dining into two of the areas of the pier and upland redevelopment include Re Pier, Alma, and Destination St. Pete Pier.

- Event Space** – Only one proposal, ALMA, has allocated indoor space (4,000 square feet) for meeting/banquets. While the capital costs are difficult to recover for this space, the space will be heavily utilized and therefore will be a job generator and create activity along the pier. We estimate that the 4,000 square feet could generate over 30 full time equivalent jobs and bring an average of 100 to 160 users to the pier on a daily basis. Based upon our 2010 analysis, we expect that any fixed outdoor event space will only be utilized for formal events that only attract significant attendance and create revenue on a very seasonal basis and even then only are generally utilized during discrete periods of time primarily on weekends and holidays. More valuable in relation to the relative cost of developing the pier facilities are the large non-formal open air congregation areas which most of the proposals include and allow for broad flexibility to accommodate festivals, concerts and other events which can be significantly scaled up-and-down based upon demand and size of event.
- Environmental Education** – Four of the seven proposals include shell space for a potential environmental education center. This includes Destination St. Pete Pier, Pier

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Park, Prospect Park, and RePier. A fifth proposal, ALMA, sets aside land for a future marine discovery center. While a strong environmental education or discovery center component could attract visitors the proposed set asides of space for the education component appears to be too small to provide for a significant enough attraction which could be a draw. The largest of the spaces is 24,000 square feet, but we would expect a minimum of 40,000 to 50,000 square feet of space would be required to establish a viable regional environmental education facility which would serve as a State and national draw. Additionally, these centers without major foundation, university, government, or philanthropic support are highly unlikely to be developed to a level where they will be a principal draw in and themselves or be sustainable over the long term.

- **Attractions** - All of our comparative analysis indicated that family entertainment and attractions are a strong draw for families and visitors to piers throughout the world. While none of the proposals places a significant emphasis on low scale family oriented revenue producing attractions, all have elements which will help attract children and families to the pier. We would strongly recommend, consistent with our initial analysis in 2010 and follow up in 2014 that because there is a gap in family oriented attractions outside of the beach in Pinellas County, that as the final plans are developed, seeking vendors for fun children oriented attractions be a component of the pier operating plan. The pier is a perfect opportunity to bring these elements into the City without interrupting the existing more serious urban 'vibe' that exists in the core of the City.
- **Transient Boat Docking** - Three of the proposals provide transient boat slips, Blue Pier, Pier Park, and Re Pier. The transient slips provide both another way for visitors to access the pier and add slips which our analysis indicates are demanded downtown particularly given the fact that the existing marinas in Downtown St. Petersburg act as 'boat parks' and have very limited transient access for day visitors. Given that the City was recently awarded a grant to develop transient slips south of the Pelican or southerly parking lot of the uplands that will directly serve the pier, the need to develop additional slips is limited at best. However, to the extent that the new pier transient slips do not add additional staffing cost except potentially a part time dockhand during peak periods, the slips will become their own minor profit center for the pier. To the extent that the slips need to be managed with a full time dock master and associated staff it is likely that the slips will be a break even profit center or may actually operate at a slight loss given the limited number of slips which doesn't allow for the economies of scale which are realized in larger marinas. Overall, while the pier transient slips are

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unlikely to add significant employment, they should be able to be operated with little or no additional staffing and therefore serve as a minor profit center in addition to an amenity for other uses.

- **Other Ancillary Activities** - Each of the pier proposals include ancillary activities including biking and watercraft rental, limited retail and recreation kiosks, and a location for fishing that will all help activate the pier for locals and visitors. The variety and management of these ancillary activities combined with the quality and mix of dining are likely to serve as the principal drivers of long term pier activity and consistency of regular utilization. The strongest of the proposals in this regard appear to be Discovery Bay Life, Destination St. Pete, Pier Park, and Prospect Pier. The great benefit of including the majority of these activities within the pier redevelopment are that they are of low enough cost that they can be modified should demand change or a certain activity not perform as well as anticipated.

## Summary

While there is broad variety in design between the seven pier proposals, the differential in programming is not measurably significant from the standpoint of economic impacts. All have allocated small amount of restaurant space, some have allocated a limited amount of space for a maritime education center others do not, and all have included a variety of reasonably low cost ancillary activities which activate the various proposals. This lack of broad variety between the proposals is not surprising given the extensive guidance provided in the public record, city sponsored analysis, and public participation process over the past several years which largely created a set of boundaries of what is and isn't acceptable as it relates to the pier's redevelopment.

Where the proposals do vary is how they accommodate each of the program elements and in this respect there are some differences in the degree of economic benefits which might be derived given the cost and associated risks. These include the following:

- To the extent that the pier head continues to act as the primary focus of activity on the pier, a risk continues to exist that whatever is developed on the pier head will not drive visitation as anticipated given the distances from the upland and city center. As a result, those proposals which strongly activate the visitor experience on the upland and along the length of the pier are mitigating the risk of depending upon a structure to be viewed

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as iconic in design but may or may not quite achieve that status in public perception once developed;

- If a consultant who has analyzed a project for several years could be allowed one 'disappointment' as it relates to all seven of the proposals it is the lack of dining options. While the 10-year lease restriction (as well as limited budget provided the designers) certainly make developing a significant amount of commercial activity difficult, all of our analysis of the local market and benchmarks has indicated a substantial demand for food and beverage at the pier. Given the nature of the great relationship almost all of the proposals have with the water, we also believe that the dining experience on the uplands, pier approach and pier head will be differentiated enough from the dining experience which currently exists in the core of the city. The pier dining experience will be a net positive draw rather than just move activity from one area of downtown to another.
- Fixed outdoor performance and related venues as proposed are unlikely to activate the pier to the degree that flexible outdoor open space will. The fixed venues are far too restrictive in size and orientation to drive enough events that it will create broad visitation and activity throughout the pier;
- Indoor banquet/meeting space while not able to cover its own capital cost will have a much higher rate of utilization and drive patronage to the pier on a day-to-day basis than will outdoor fixed seating venues.
- The inclusion of any built space for a non-business use (i.e. environmental education center) without confirmation of funding, a experienced sponsor/manager and detailed program is more likely than not to create a void in the pier development or require public funds to fill; and,
- Insuring the presence and high quality management of the ancillary uses throughout the pier, (bike and watercraft rental, fishing, kiosks for tour and associated operators, etc.) combined with a strong dining program, is likely to do more to drive regular patronage to the pier under each of the proposals than the treatment of any individual building or venue planned for the pier by any of the proposals.

Overall, it is important the whatever is developed at the pier and on the uplands provides broad flexibility as it relates to modifying program elements into the future to insure that the pier



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continues to be woven into the fabric of downtown life and activity. The pier must age well and it cannot do so if as market conditions change, the ways in which the pier is activated cannot change with it. Therefore we strongly recommend from a long-term viability and economic perspective those proposals that provide for this broad flexibility should be ranked higher than those which do not. The one exception to the notion of broad and continuous flexibility is related to restaurant and other dining activity on the pier that is critically important to attracting locals and visitors alike. However, while the level of investment by the restaurateur require leases which invariably will approach the ten year allowable term, even a ten year lease is quite modest given the lifecycle of the pier and these spaces can be reprogramed and repositioned as the market adjusts and dining options and desires evolve.