



# Southwestern Yacht Club

San Diego, California

## CLIENT

Union Bank

## PROJECT TYPE

Marina Appraisal

## PROJECT DETAILS

- 389 boat slips
- Establish market value of a private not-for-profit membership enterprise

## ROLE

MAI and State-Certified Appraiser

## DATES OF SERVICE

May 2010

## Overview

The Southwestern Yacht Club (SWYC) in San Diego, California, is a private, not-for-profit, full-service facility that embraces all forms of yachting, fishing, and social activities for the benefit of its 750-plus members. Established in 1925, the facility provides exceptional views from the Shelter Island Yacht Basin at the north end of San Diego Bay. One of five private yacht clubs in San Diego, the property, which comprises  $\pm 11.7$  acres of water and  $\pm 3.7$  acres of land, houses 389 boat slips, six wooden docks, a small-boat launch ramp with hoist, and additional amenities that include a clubhouse with meeting rooms, a restaurant, and 287 parking spaces. The private yacht club charges membership initiation fees, special assessments, and ongoing dues in addition to below-market member pricing for the club's services and boat slip rentals.

When the SWYC wanted to upgrade and expand its facilities, the club approached Union Bank for construction financing, placing its complex up as collateral. In May 2010, the Union Bank engaged HVS San Francisco Consulting and Valuation to perform an appraisal of the market value of the SWYC as if it functioned as a for-profit, full-service marina operation.

HVS valued the subject property by preparing a discounted cash flow analysis, estimating the present worth of future net income before debt service and depreciation for a 10-year period. To convert the forecasted net income stream into an estimate of value, the net income was allocated to mortgage and equity components based on market rates of return and loan-to-value ratios.



## Approach

• In addressing the needs of its client, HVS analyzed the property as if the operation were a private for-profit venture, projecting market-rate revenues and expenses that were significantly different from those of a not-for-profit club.

• HVS researched the regional marina market, completed a supply and demand analysis, and developed a forecast of income and expense based on market-rate revenue and expenses.

• Based on our discussions from various marina operators in the San Diego market, HVS was able to establish typical management fees for marina operations.

• Projections were prepared through an analysis of historical income, consideration of the subject property's competitive market, and comparisons with other marina operations.

## Results

HVS was able to assign value to the subject property in order for the bank to underwrite the financing for asset expansion and improvements.

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