



Baxter Underwood

EDITORS' NOTE Baxter Underwood is CEO of Safe Harbor Marinas. He was formerly Chief Investment Officer of CNL Lifestyle Properties. He has a history of investment and asset management across multiple industries. Underwood holds a B.A. from Stanford University and an M.B.A. from University of Chicago, Booth School of Business.

COMPANY BRIEF Safe Harbor Marinas (sbmarinas.com) is the largest owner and operator of marinas in the United States. Safe Harbor prides itself on maintaining the highest standards of quality and customer service across its portfolio of inland and coastal properties. The company has decades of industry experience and a proven history in acquisitions, management, and partnership strategies.

Will you highlight the heritage of Safe Harbor Marinas?

Heritage is the right word. We are the beneficiary of three companies that go back to the middle part of the 20th century, and now with Brewer Yacht Yards, all the way back to the latter part of the 19th century. It's really an incredible confluence of events that brought those various companies together at the same time. There are a number of people who are involved on the financial side, operationally with the marinas and ownership of those marinas, who came together over the course of two to three years beginning in late 2015 to form Safe Harbor Marinas.

I think what is most notable about the way that they came together is that in spite of the fact that they were all very successful – Jack Brewer, Marshall Funk, Stan Johnson, Gregg Kenney, and the folks from American Infrastructure – they were able to enter into partnership with humility and a willingness to learn from each other. I feel that we have taken the best of all those entities through the course of putting them together into one organization and have leveraged the collective skill set as we build a new type of entity to lead the industry forward in a new way.

A True Network for Boaters

An Interview with Baxter Underwood,
Chief Executive Officer, Safe Harbor Marinas

When you are bringing together companies with deep cultures, how important is it to ensure that the cultures mesh?

I have been part of previous attempts to consolidate operating real estate asset classes via financial engineering. I believe this company would not have been successful if it did not get the traction it has been able to achieve with marina owners and operators, while also delivering with excellence for its employees and members at the same time. If culture wasn't at the center for the decision-makers in the boardroom, the roll up of these assets would have failed.

One of the things I love about this industry is that in some ways the waterfronts where we're serving boaters are some of the longest continually operated industrial grounds in the country. We serve boaters in places like Plymouth and Salem, Massachusetts, where the business stretches all the way back to before we were a nation. The use of those properties in that era was for transportation of people, food and goods, but nevertheless, those properties were also used for storage and maintenance of vessels. That is exactly what they are used for today. It's more of a leisure use today than a commercial

one, but the fact is that they're still being used in that way. Over the course of the past couple hundred years, even as technology and the use of vessels has changed, there is still a very local culture to each of those places. Each one of those places is very different. The members that are on the docks have their own local community and local interests. The employees in each of those towns are very important to maintaining and delivering the experience that's expected. There are certain things that you have to do in each location with excellence in order to be able to deliver the experience that people are looking for. But you can't package them all up under one brand and assume that operating them in the exact same way is going to deliver what members in those towns want, because there's such a deep history to the culture of each place.

How do you define the Safe Harbor difference?

We are the first, and really the only, true network for boaters in the U.S. They can stay with us wherever they go. This is what makes consistency so important, as well as high-quality facilities. If a customer expects a certain level of accommodation with a clubhouse or other



Safe Harbor Charleston City in Charleston, South Carolina

amenities such as a pool, fitness facilities or updated bathrooms, we need to deliver that same level of quality wherever they go so that they can have their expectations met as they move throughout the network. As important as the physical condition of the marina is, service is really what sets us apart. We spend a lot of time working to translate our best practices throughout the country so that the greeting our members will receive, everything from how the lines are caught and tied to what we say and do as soon as they step foot on the docks, will be first class. We try to standardize this as much as possible, but you need to give consideration to each one of these individual places, and each one of these cultures. They are all a little bit different – Charleston, South Carolina, for example, is very different from Essex, Connecticut, which is very different from West Palm Beach, Florida. We must make sure that in our effort to standardize offerings and deliver a level of service and a facility that is consistent with the expectations of our boaters as they move throughout the network, that we don't lose the local feel. We want to have access to local restaurants that are differentiated by virtue of the type of the food that they're offering, or access to local events. We bring local music to the marinas.

How critical is size and scale in the industry?

Economically, scale is immensely helpful. There are a number of benefits to running operations centrally. When we did the transaction with Brewer Yacht Yards, one of the most interesting things from my perspective was that Jack (Brewer) was very decentralized. He really allowed his general managers to run the properties in a largely autonomous manner. Branding was consistent, and they benefited from some uniform best practices, but those general managers were really in control of the properties and how they operated. This made it challenging to leverage the benefits of our scale early on, such as purchasing things centrally or having a central inventory, or using the pricing power of a larger organization.

There's a significant benefit in that, and yet, the genius of what Jack did was that he made sure to empower his general managers to set the vision and the execution of operations in their particular location, he did not overpower or override their perspective, their deference toward local expectations, and whatever sort of local agreements, whether they were tacit or contractual, that existed with those members. I think one of the things that you have to do when you set out to take a business that's this complicated in a unified direction is to step back from it and ask how you are going to use the benefits of scale without destroying the power of what's already been created and the local nuances that make people want to be at a particular location in the first place. In this industry, the impact of scale can cut both ways.

Where do you see the greatest opportunities for growth?

I think about growth in two directions. One is external, and the other one is internal. Incidentally, if one of those two ever gets out of balance, the business will wobble off to one side or the other. We're focused on acquiring new marinas, new destinations, or bolt-on additions to the portfolio that make sense. If we go into a



Safe Harbor Old Port Cove in North Palm Beach, Florida

new area, we want to do so at scale. We want to do it with a sizable property where we can have some level of impact in a market, so this might be with one big marina, or we may go into a new market with three or four, or even five marinas all at once in the same new market.

Bolt-ons are a little bit different. They're an extension of our existing footprint. We may buy a very small marina because we think we can significantly enhance the experience members are having on those docks or because we already have a presence there and an understanding of a local market.

We are growing very rapidly. We will be closing on one new marina every two weeks for the rest of this year, so in terms of numbers of new marinas, there is a lot out in front of us. At the same time, in order to really deliver operationally with excellence at that kind of acquisition pace, we're constantly growing internally. We're constantly adding to our people, processes and systems. There are a lot of internal promotions at Safe Harbor because we want people to think about the company as a place where they can have a career and not just a job, both because we need good people, and also because once we've spent time investing in someone, it's painful to lose them.

Will you address Safe Harbor Marina's commitment to sustainability and the environment?

We have four stakeholders, and one of them is very quiet. The first one is our owners, the shareholders of the company, and that can be a mega family office, or it could be a bank that has lent us money. The second one is our employees, hundreds of which now are also shareholders in the business so they cross both categories. The third is our members. Nobody has to own a boat. These people have lots of other things they could be doing with their time and money. We want them to feel that the properties and staff are excellent, and that the experiences and memories they make with us are worth the time and

money they spent. The fourth, which has no voice except for the company itself, is the environment. To the extent that our waterways, our docks, the riparian rights beneath our docks, are not stewarded well, ultimately, the business will go away. The only reason that people are out on the water is because it's beautiful. Our objective for our fourth stakeholder is clear: it is to steadily improve our natural environment over time.

How do you focus your efforts leading Safe Harbor and is it important for you to still find time to be at the marinas and with members?

Being on the ground is a little bit more difficult now than it used to be, but it is critical. We have many leaders in the company who came out of the marina industry and enjoy being on the properties and making sure that things are going in a direction consistent with the lofty aspirations we have set in order to build something special. Jack Brewer is a great example of this. He is still very involved, not just in New England, but all over the country. He goes to Florida and California to check on our people and our properties. Rives (Potts), who was President of Brewer Yacht Yards and is now President of Safe Harbor, spends a great deal of time visiting properties. Marshall Funk and Gregg Kenney, people that ran their own marina businesses, are now on the ground and touching and feeling the assets, and also interacting with the members and the employees.

I love to do that. I find the most important thing I can do to help the business succeed is to clearly articulate our vision to our people and make sure they see the North Star we're sailing towards. Our management team and board think a lot about making sure we guard the remarkable culture we inherited from people like Jack Brewer. Jack had an incredibly high standard of character inside his organization. I view it as my responsibility to our stakeholders, to all four types I mentioned earlier, to ensure that the culture of Safe Harbor remains characterized by integrity, honesty, accountability and excellence. ●