



Bar Harbor

FERRY TERMINAL IMPLEMENTATION STRATEGY

PROGRESS REPORT

TOWN OF BAR HARBOR



Bermello, Ajamil & Partners

March 9, 2016

Should the ferry terminal be preserved?



Current Town – Maritime heritage



Cruise industry in Bar Harbor

- Grown organically
- One of the few places that uses tendering
- Passengers landing in the center of town creates significant issues
 - Overcrowding
 - Traffic
 - Distribution of passengers throughout
- The only reason to have cruise is to provide a positive impact on the community
- The ferry terminal affords an opportunity to resolve some of the issues



Agenda

- ① Review of work to date
- ② Input received
- ③ Changes and trends in shipping since 2012
- ④ Update of forecasts
- ⑤ Location options for the pier
- ⑥ Potential uses of the property
- ⑦ Update of financials
- ⑧ Execution and management options
 - MPA
 - PPP
 - Others
- ⑨ Next steps

1 REVIEW OF WORK TO DATE

Phase 1 – an initial quick strategy

PHASE 1 – INITIAL BUSINESS MODEL DEVELOPMENT – EARLY DECISION

PHASE 2 – DETAILED FACILITY PLAN AND BUSINESS PLAN

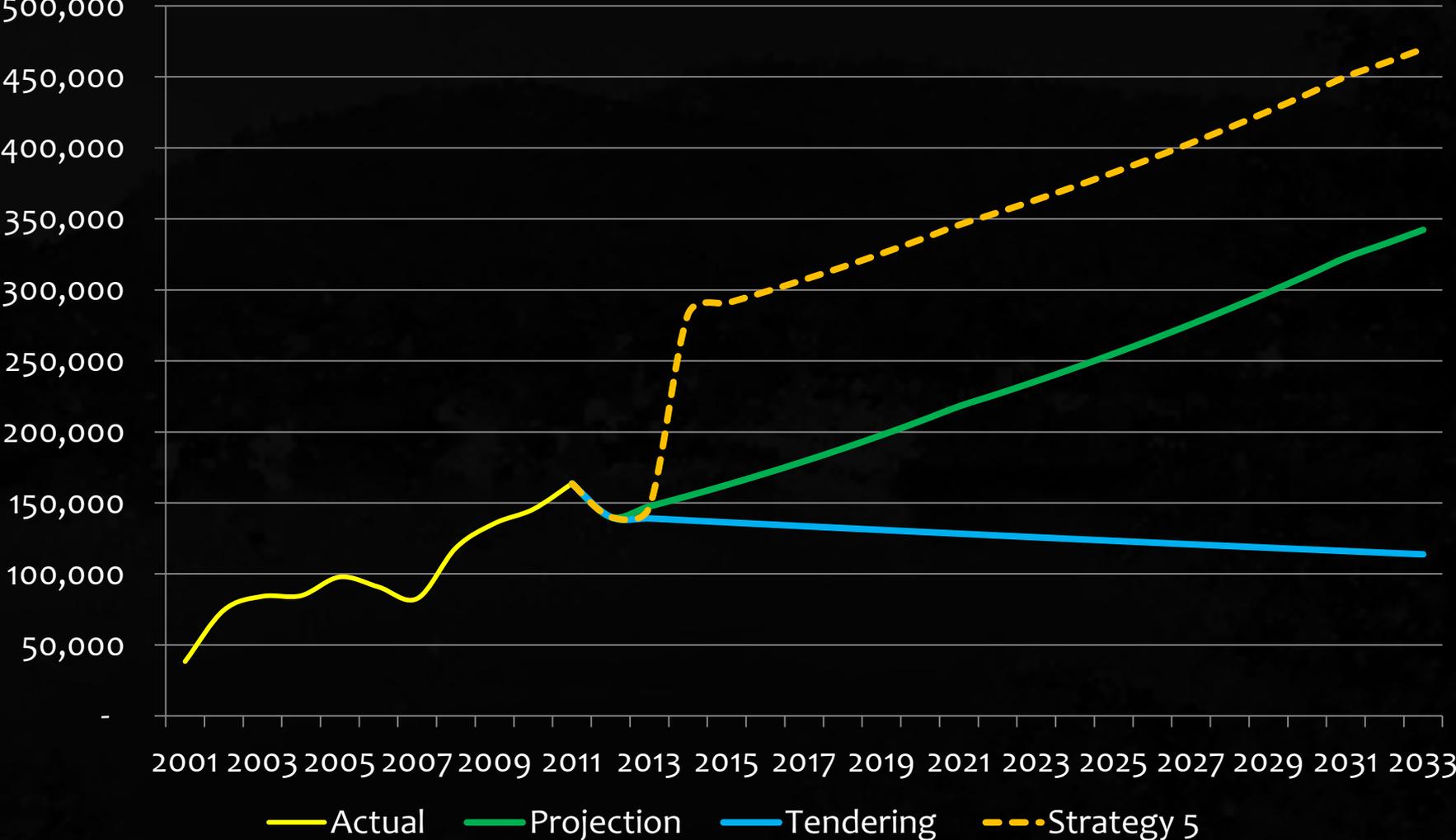
PHASE 3 – EXECUTION PLAN

Current situation

- Property is sitting vacant
- Canadian authorities own it
 - Pursuing a strategy to dispose
- Significant deferred maintenance liabilities
- Annual operating costs



Phase 1 cruise traffic assumptions



Phase 1 - Conclusions of individual uses

- Ferry is a money loser
 - There is no way to pay for the improvements of the facility with the revenue stream
 - You might not be able to get property without maintaining this use
- Cruise can make money at the two extremes
 - Don't build a pier and divert the majority of the traffic from Town
 - or
 - Build a pier and bring new traffic to Bar Harbor
- Mixed-use will contribute to the revenue stream

Phase 1 - Conclusions

- A cruise pier is a financially viable business
- It can be built based on future growth not impacting traffic in Town
- Implementation is difficult due to risk of investment
 - Will require further analysis to mitigate risk

- Decision was made to:
 - Proceed to negotiate to acquire property
 - Maine Port Authority to lead effort
 - Proceed with Phase 2

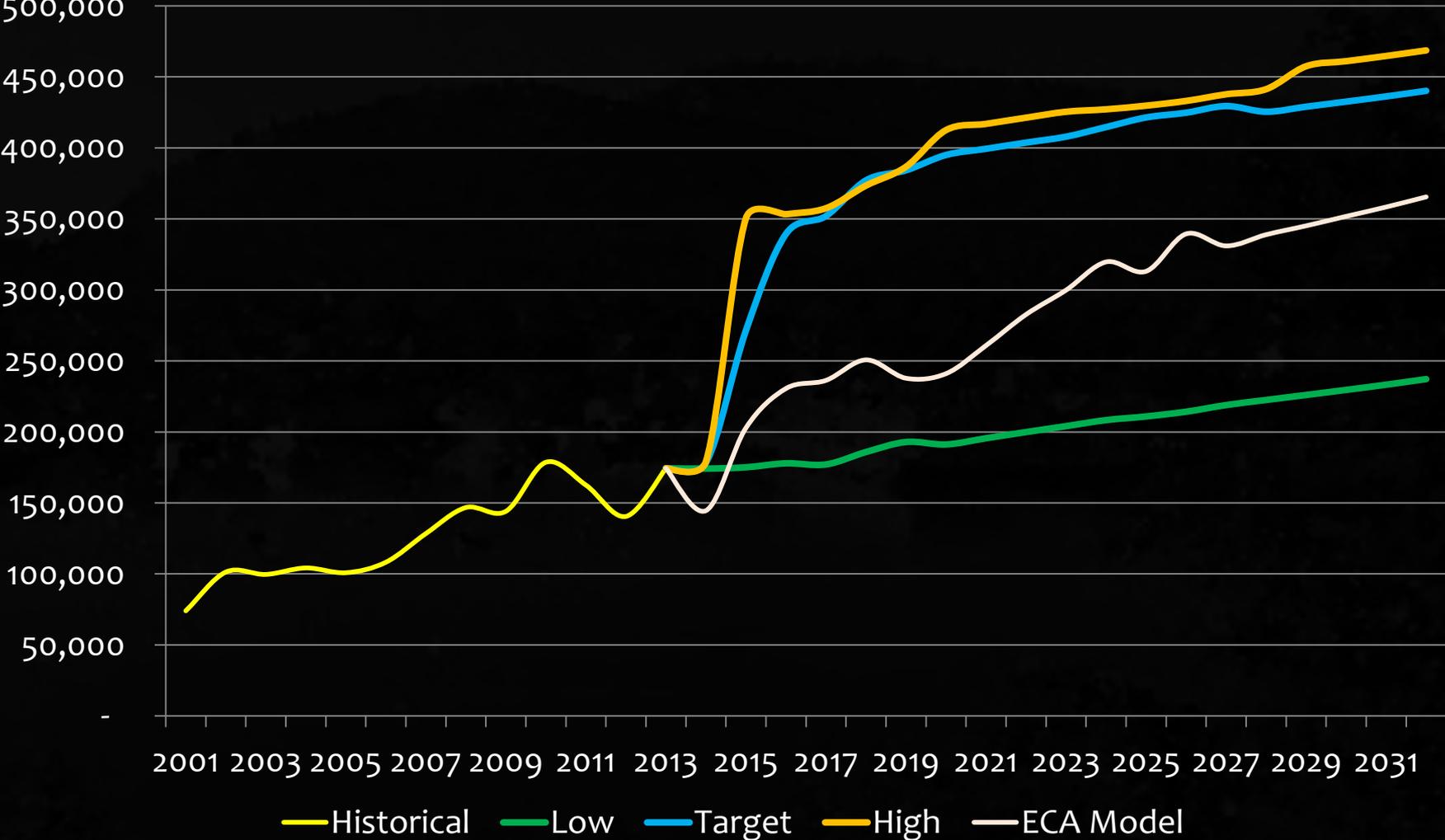
Phase 2 – more detailed financial planning

PHASE 1 – INITIAL BUSINESS MODEL DEVELOPMENT – EARLY DECISION

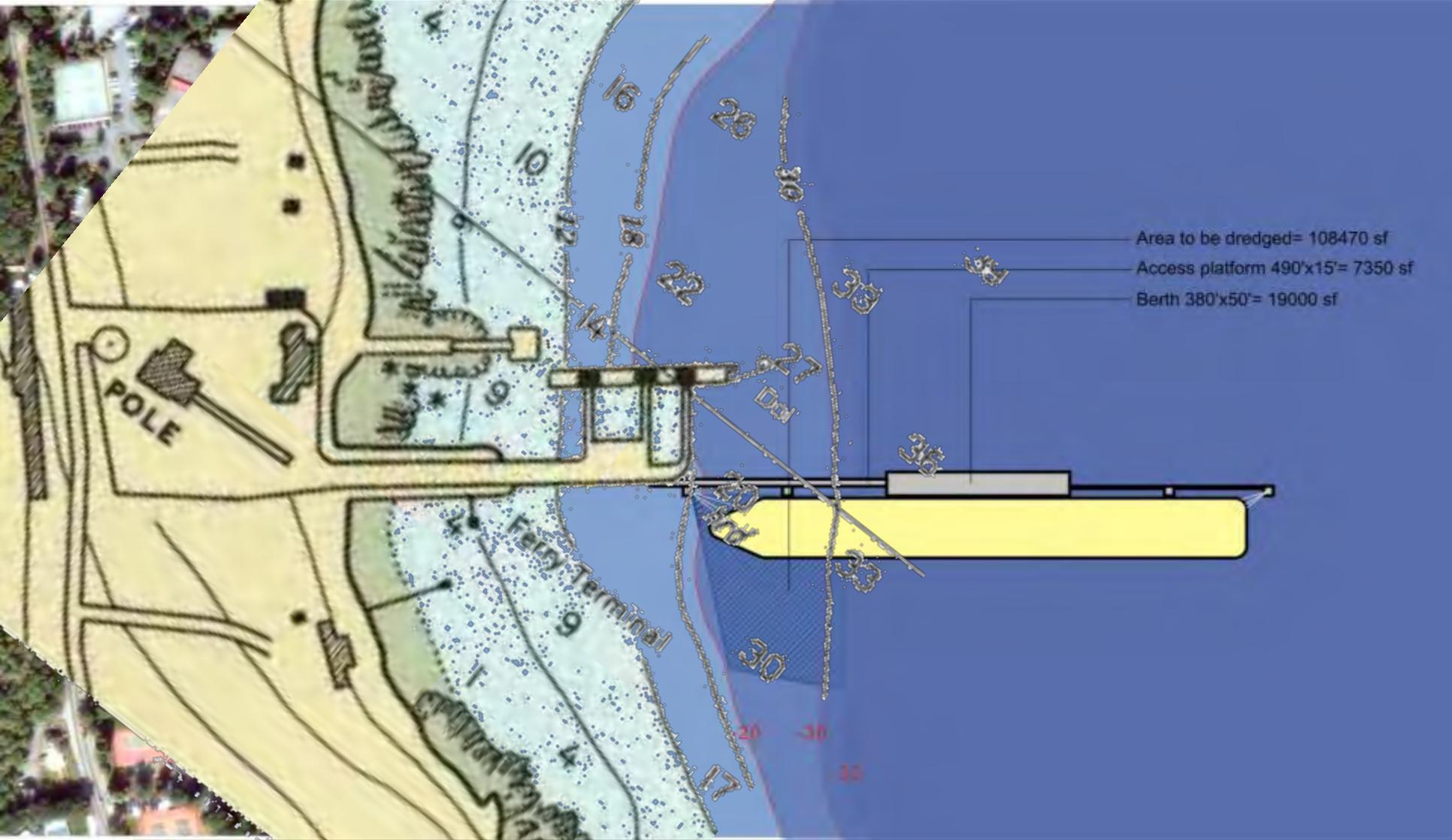
PHASE 2 – DETAILED FACILITY PLAN AND BUSINESS PLAN

PHASE 3 – EXECUTION PLAN

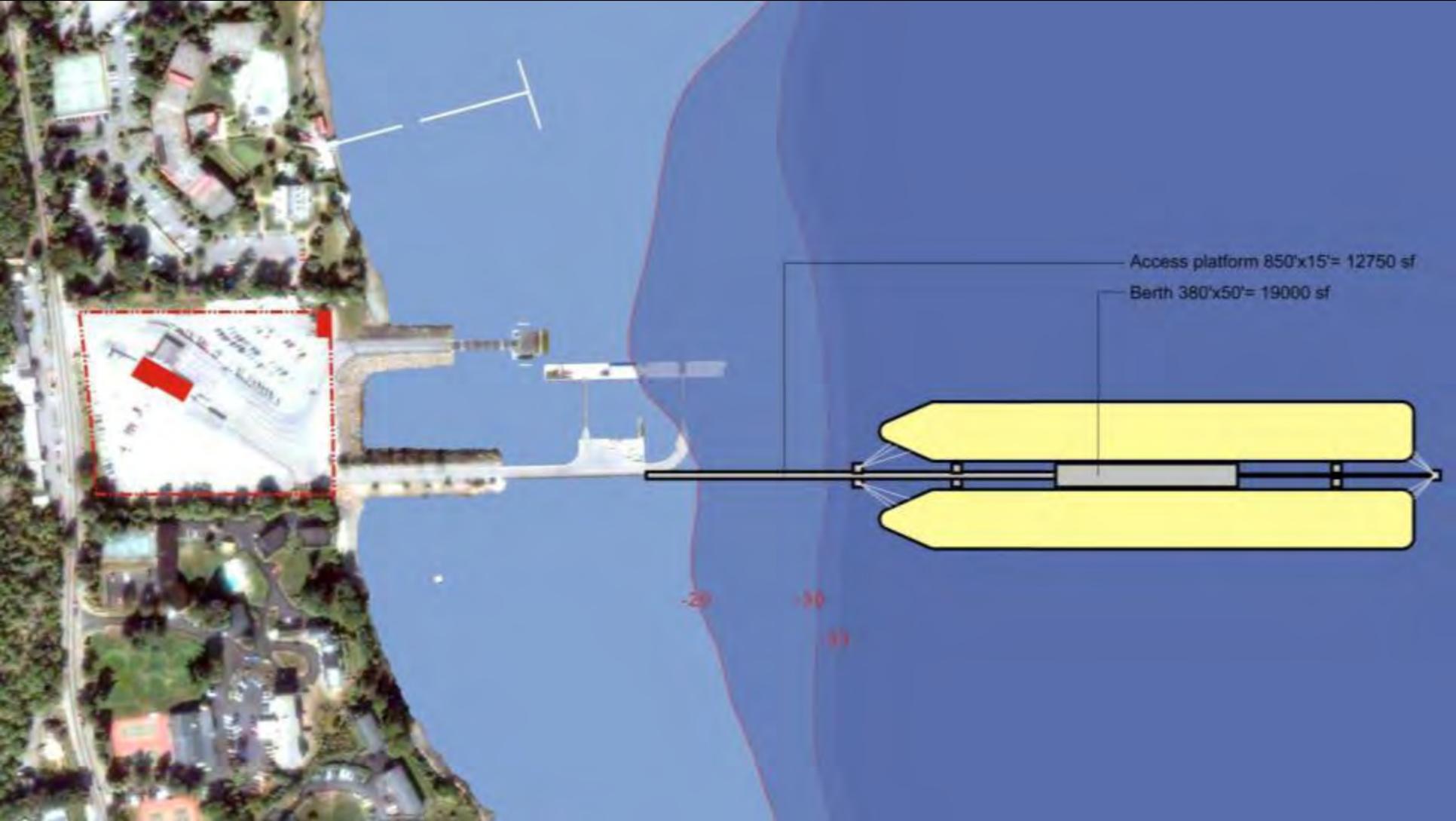
Phase 2 cruise traffic forecasts



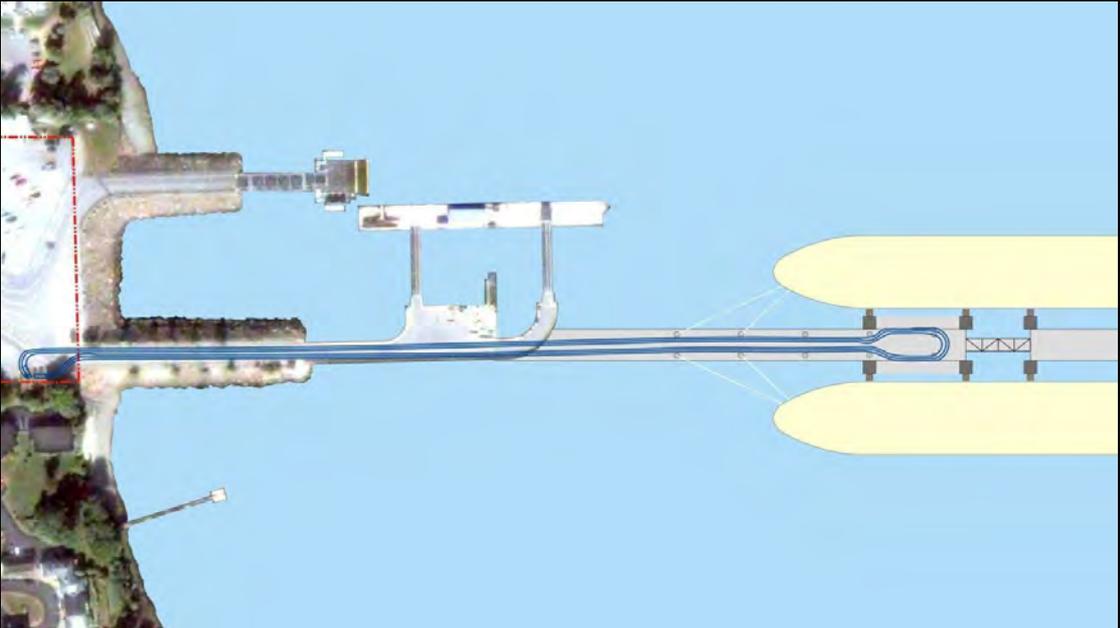
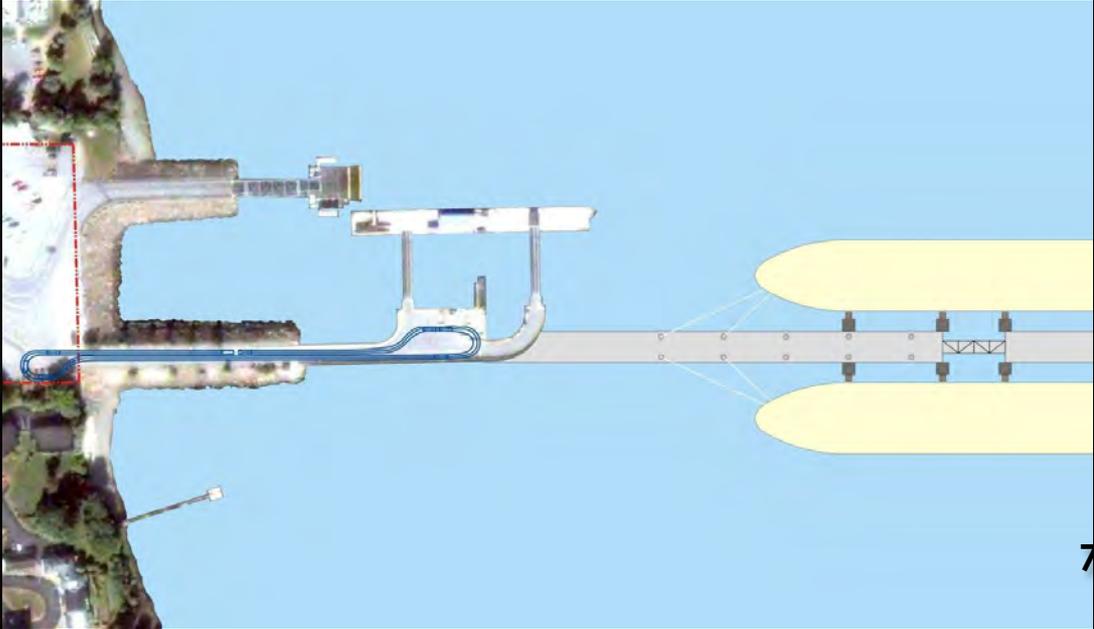
Pier - close in



Deep water pier - (no dredging)



Walking distances



Public access corridors



Public access when cruise is at berth

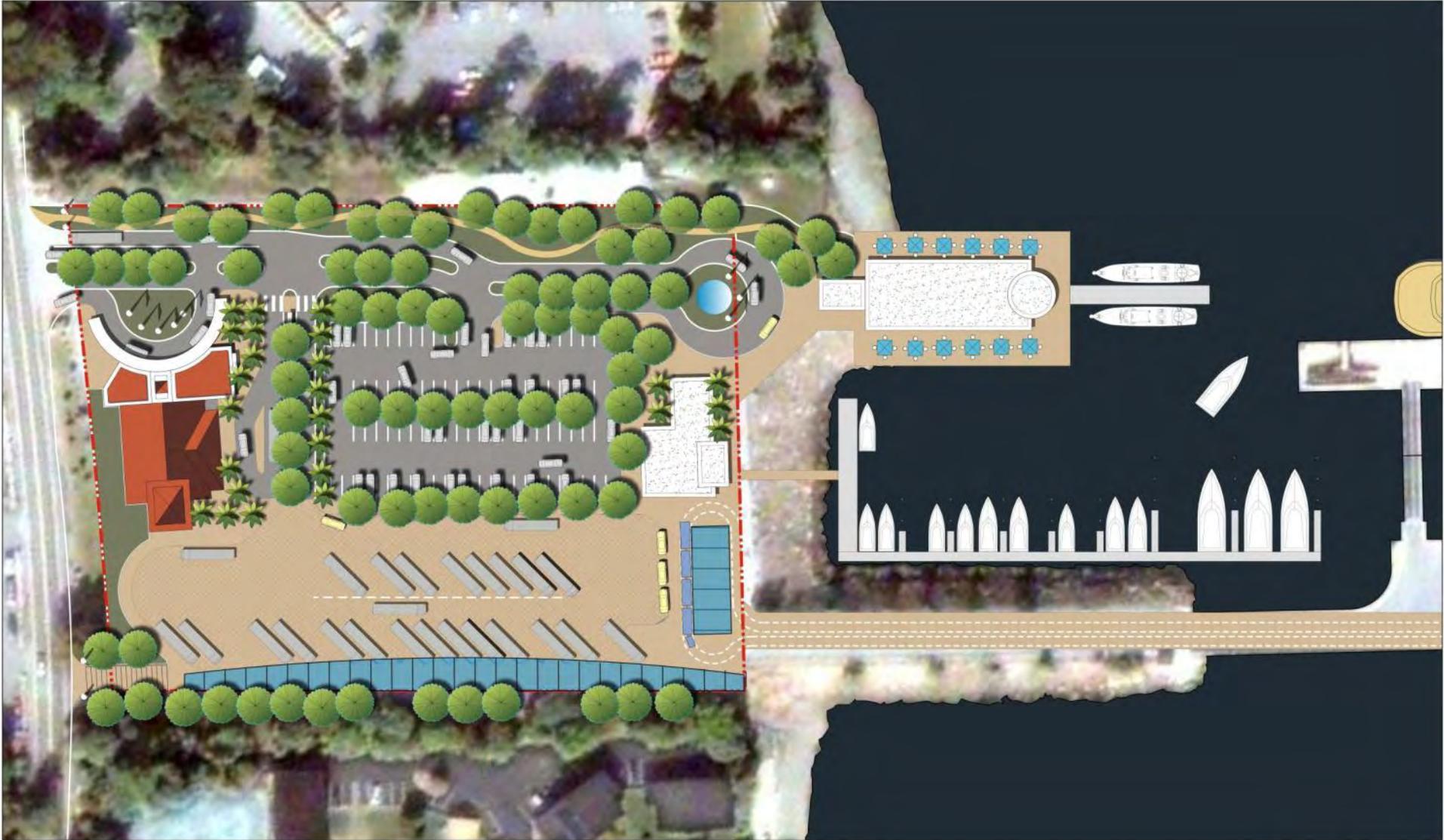
Potential marina development

Public access when cruise is not at berth

General vision concept



Vision concept



BAR HARBOR FERRY TERMINAL

Maine
May 22, 2012

ILLUSTRATIVE PLAN



Alternate uses



BAR HARBOR FERRY TERMINAL

Maine
May 22, 2012

ILLUSTRATIVE PLAN -
alternate use
Graphic Scale

Basis of analysis

- All analysis used a new \$11.00 tariff per passenger
- Analysis based on target forecast
- We studied different ways of splitting traffic
 - All growth
 - Pre set %
 - All traffic
- Sensitivity
 - Lower and higher traffic
 - Alternative cost

Risks

TYPE	RISK	MITIGATION
Cruise market	Early years lack of coverage	<ul style="list-style-type: none"> • Pledge all traffic • Higher tariffs • Use existing traffic • Reduce R&R reserves
	Future traffic never appears	
	Future traffic drops	
Costs	Construction overruns	<ul style="list-style-type: none"> • Value engineering • Phase site work
Financial markets	Lack of financing	<ul style="list-style-type: none"> • Operate as tender port • Secondary Pledge • Private developer
	Not enough credit	
Cash flow	Not enough funds	<ul style="list-style-type: none"> • Other revenues • Lease land • Reduce R&R reserves
No financing	Cannot build pier	<ul style="list-style-type: none"> • Operate as tender port • Other public uses
	Stuck with operating costs	

Conclusions

- The project has a sustainable business plan
 - Early years are short of revenues to meet coverage
 - There are many mitigation tools to resolve shortfalls
-
- A financing plan now is needed to structure the plan

Financing

- The financing plan will establish the credit capacity
- Early conclusions
 - This is a new business with no direct track record
 - Cruise lines might support on the very short-term; we don't see any long-term commitment (needs to be tested)
 - Need to establish the new tariffs
 - Long-term this is a sound business
 - Short-term it will require some credit enhancement

2
INPUT RECEIVED

Meetings

PHASE 1

- Aug 11-14, 2011
 - Workshop 1
 - Meetings
- Oct 27, 2011
 - WebEx Workshop 2
- Nov 18-18, 2011
 - Workshop 3
 - Town Council
- Dec 13, 2011
 - WebEx Presentation 4

PHASE 2

- April 10 -11, 2012
 - Workshop 5
 - Ownership options
 - Inspections
 - Meeting with Pilots
- April 26 -27, 2012
 - Workshop 6
 - Inspection reports
 - Pier options
 - Presentation to Maine Port Authority
 - Presentation to Town Council
- May 10 -11, 2012
 - Workshop 7
 - Preliminary market study
 - Preliminary site layouts
 - Preliminary pier layouts
 - Meeting with Town Manager
 - Presentation to Cruise Committee
- May 30-31, 2012
 - Workshop 8
 - Revised site plan
 - Revised cost estimates
 - Revised pier plan
 - Public meeting
 - Presentation to stakeholders
 - ANP
 - Hotel owners
 - Chamber of Commerce
 - Tour operators
 - Presentation to Maine Port Authority
- Aug 21, 2012
 - Final Presentation
 - Maine Port Authority
 - Town Council

Comments received

- Overall favorable responses
- During public input
 - 10 positive
 - 6 neutral (general comments)
 - 2 negatives
- Summary
 - Positives
 - Like to keep the terminal in the public hand
 - Liked the marina and open space
 - Liked moving the ships away from the town
 - Concerns
 - How will the traffic work?
 - How not to increase the peak loads?
 - Negative
 - Do not like increase of tourism

Issues raised

- Facility should be preserved – marine uses is the most mentioned
- Keep it in the tax base
- Do not impact businesses in Town
- Will the project increase traffic?
 - Congestion
 - Traffic
- What are the visual impacts
- What are the uses that can be placed on site?

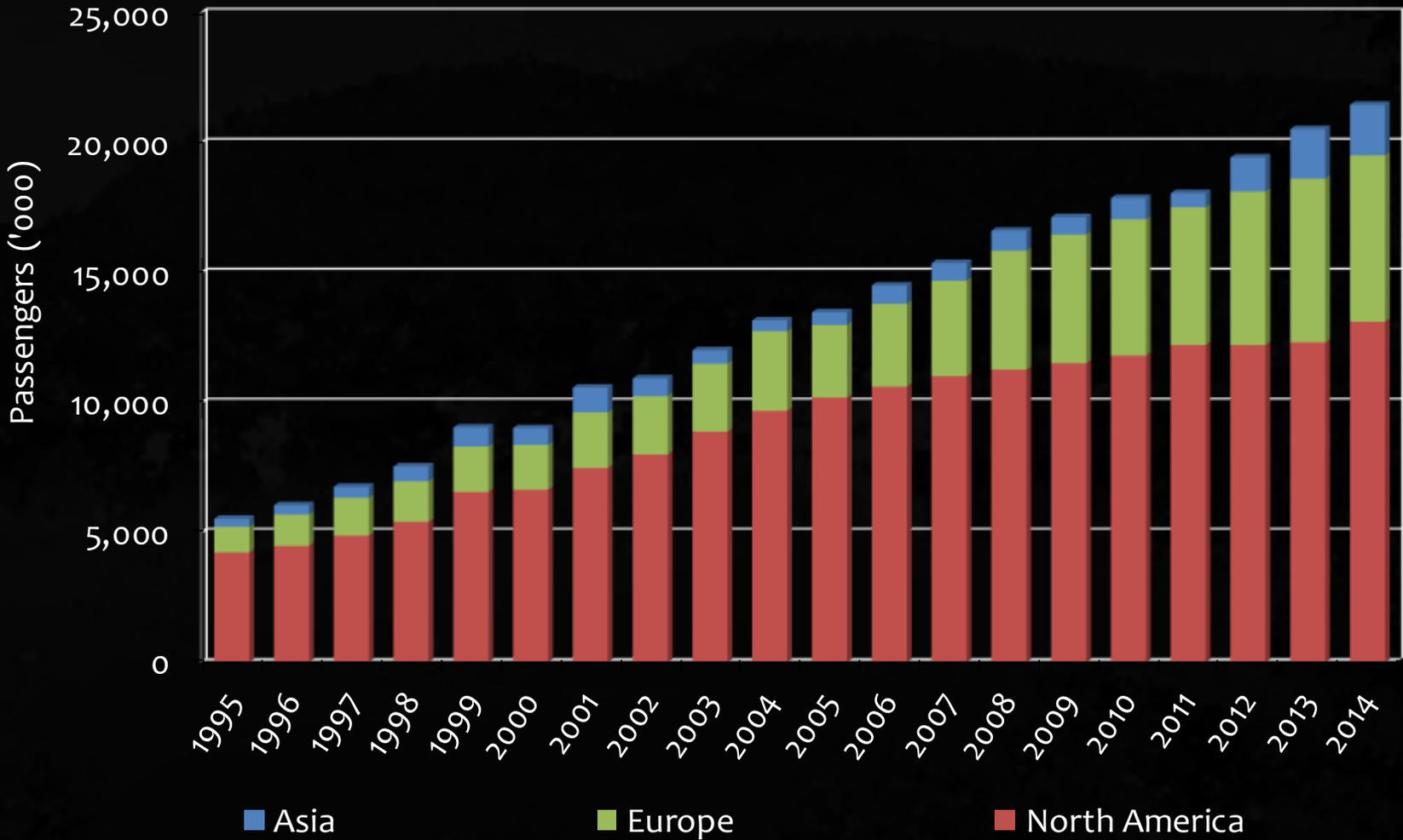
Views



3

CHANGES AND TRENDS SINCE 2012

Cruise passengers

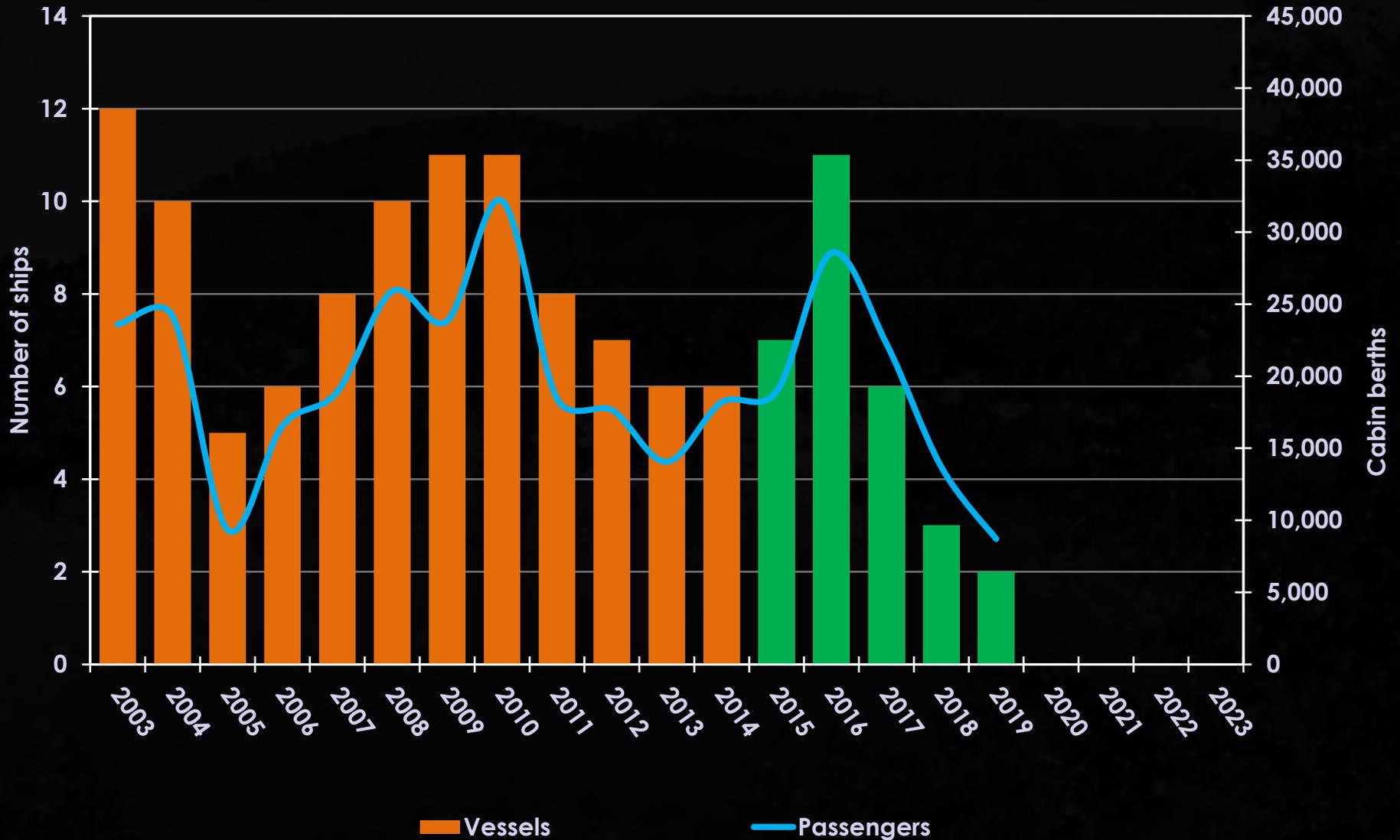


Source: B&A

Trends

- Larger ship demand is accelerating and few small ships are being built
- Larger ships are getting bigger
 - Ships over 6,000 passengers are coming
- All markets are still growing at different paces
- Asia growth is commencing and accelerating absorbing new capacity
- European markets growth has slowed down
- North American market has continued to grow depending on location

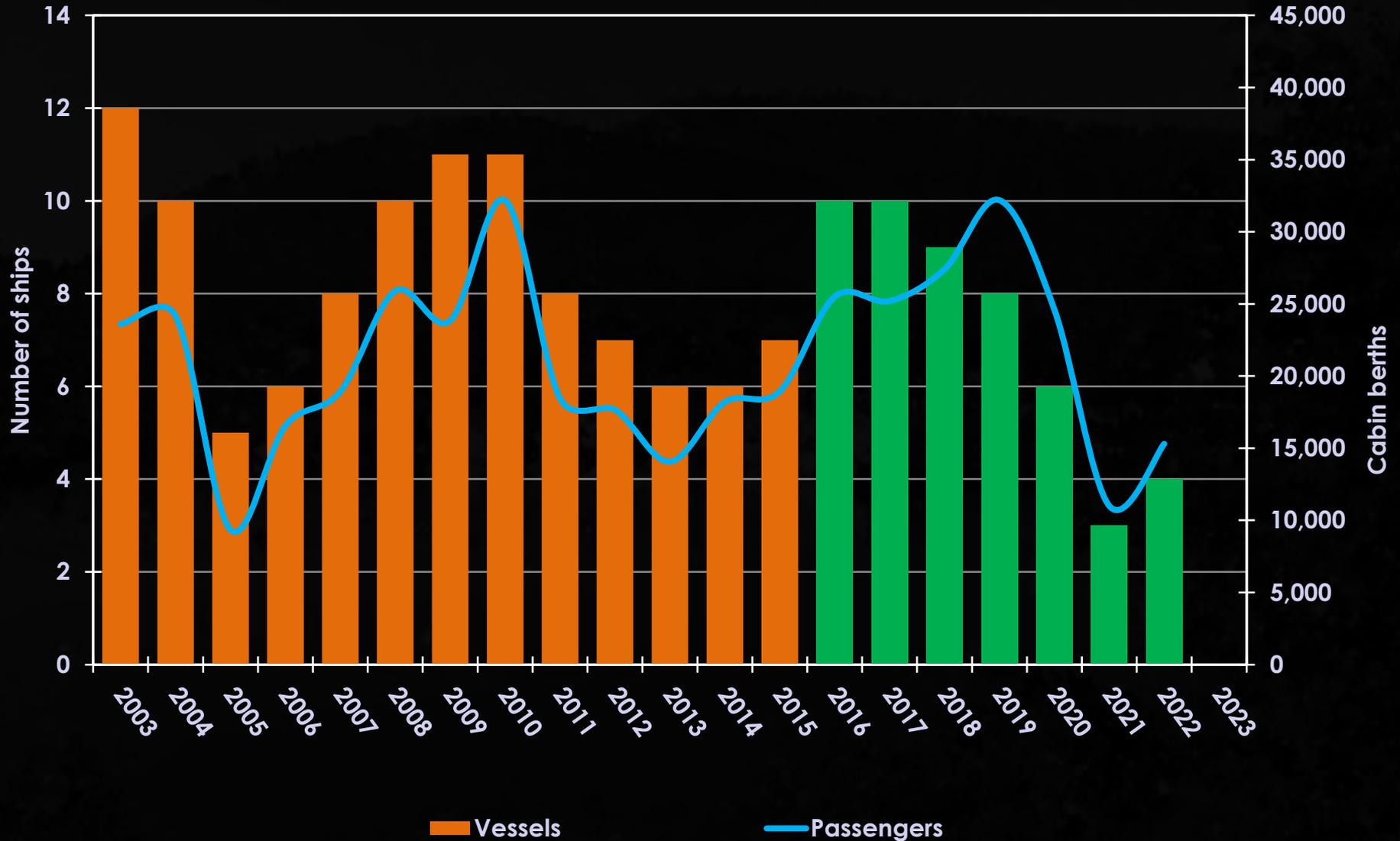
Ship orders as of 2014



Source: B&A

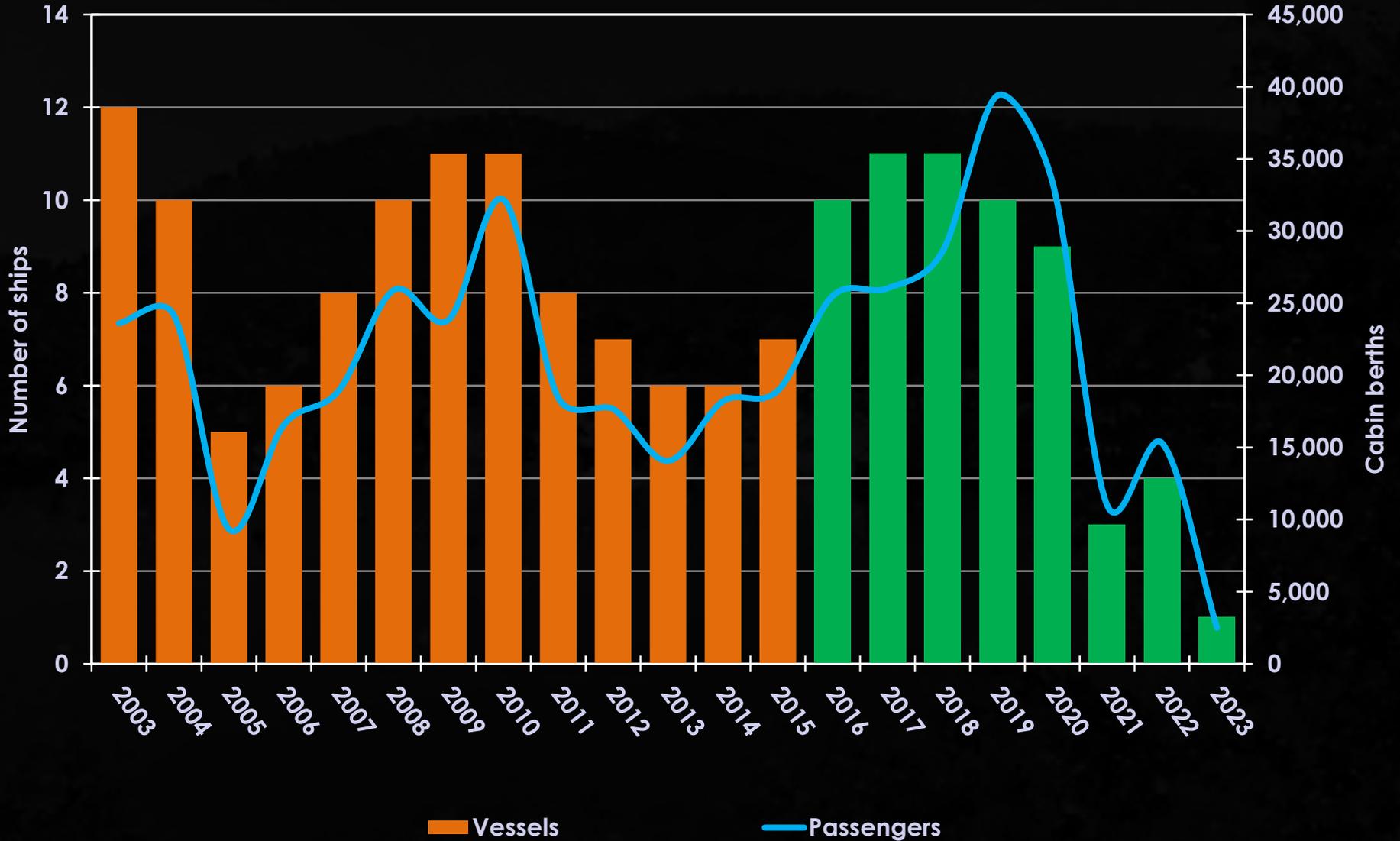


Ship orders as of 2015 (November)



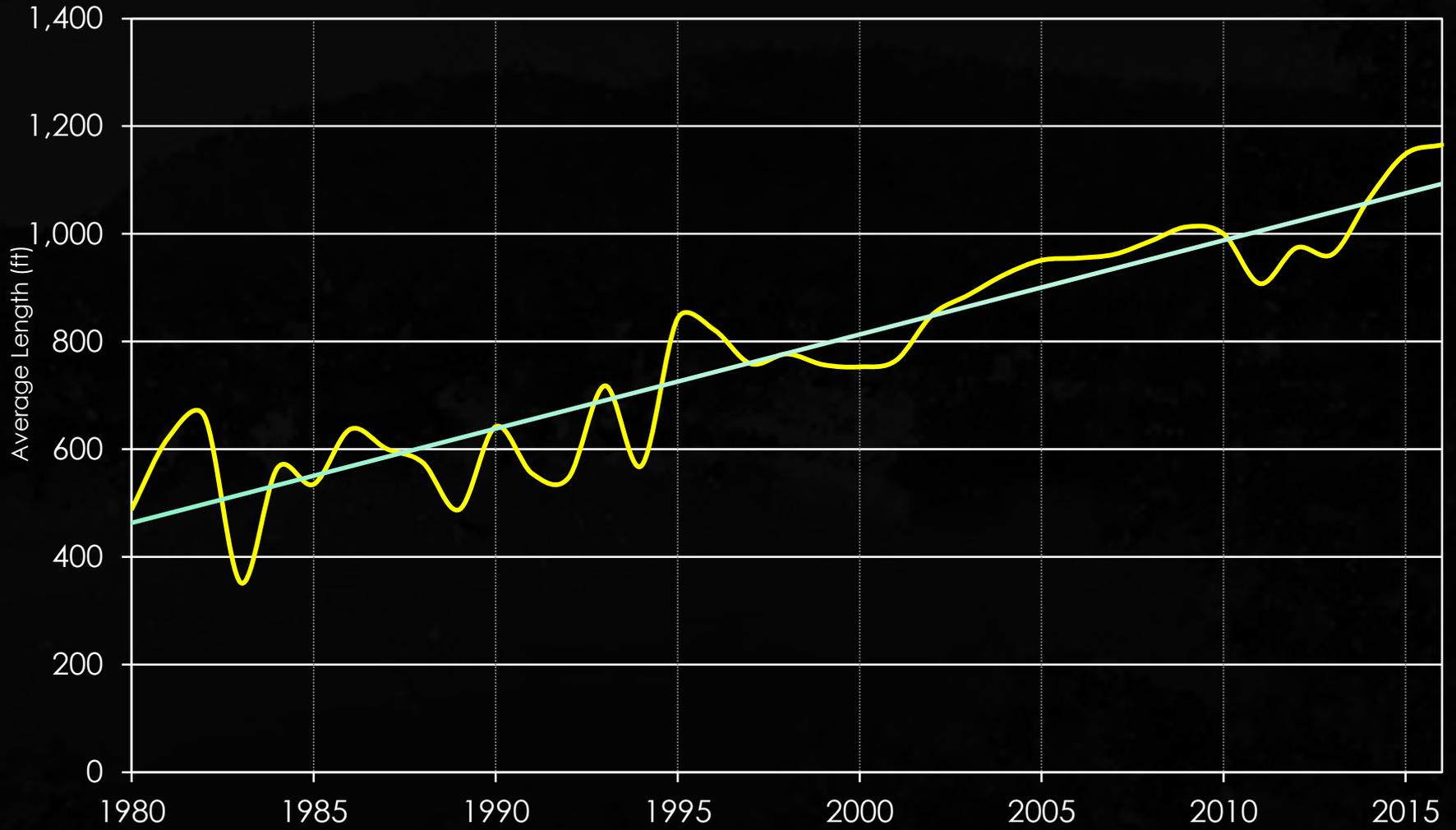
Source: B&A

Ship orders as of 2016 (today)

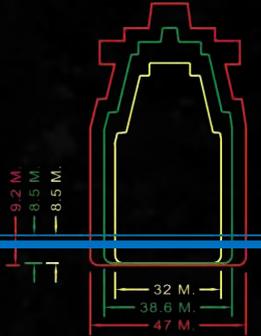


Source: B&A

Vessel length trends



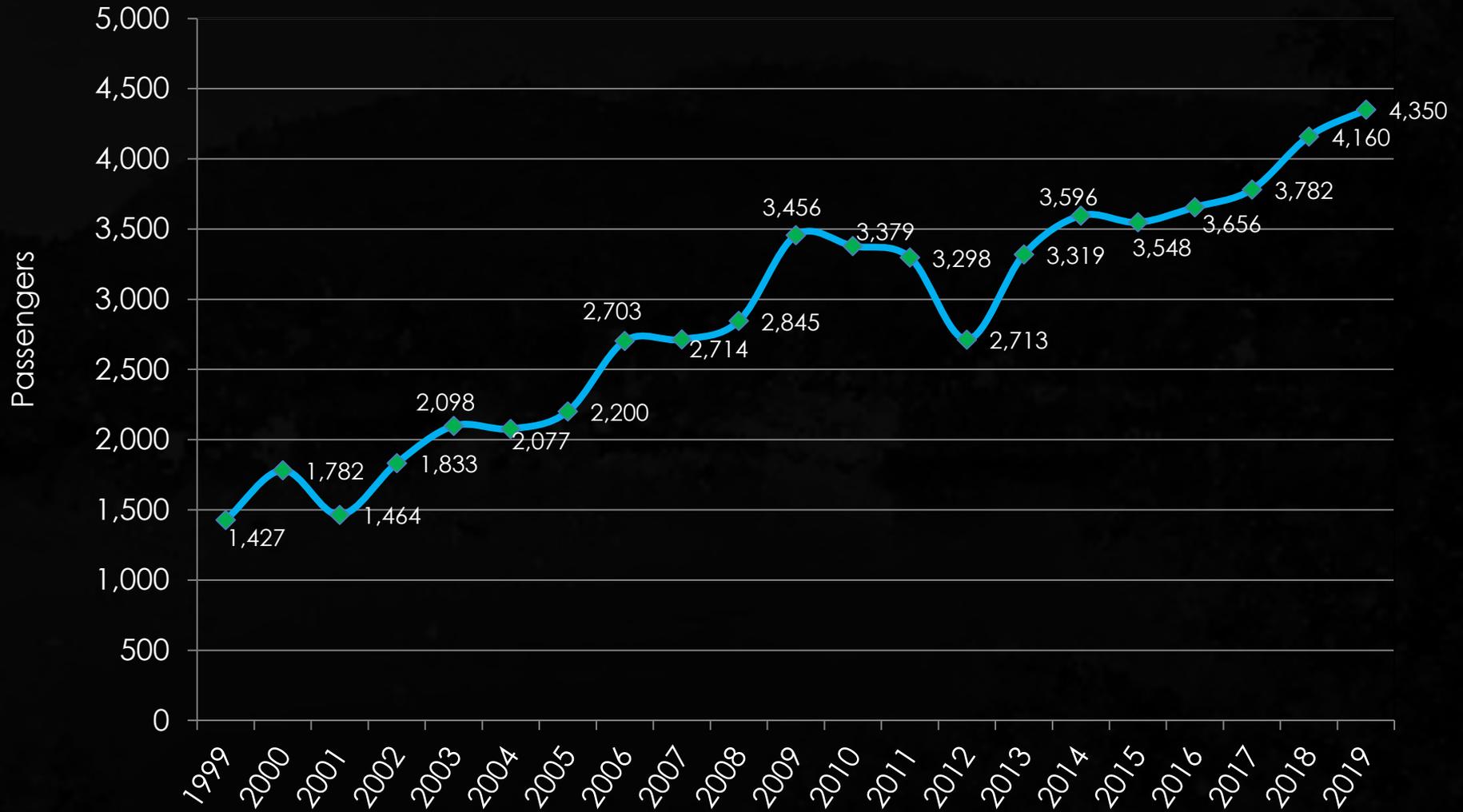
RCI vessel growth



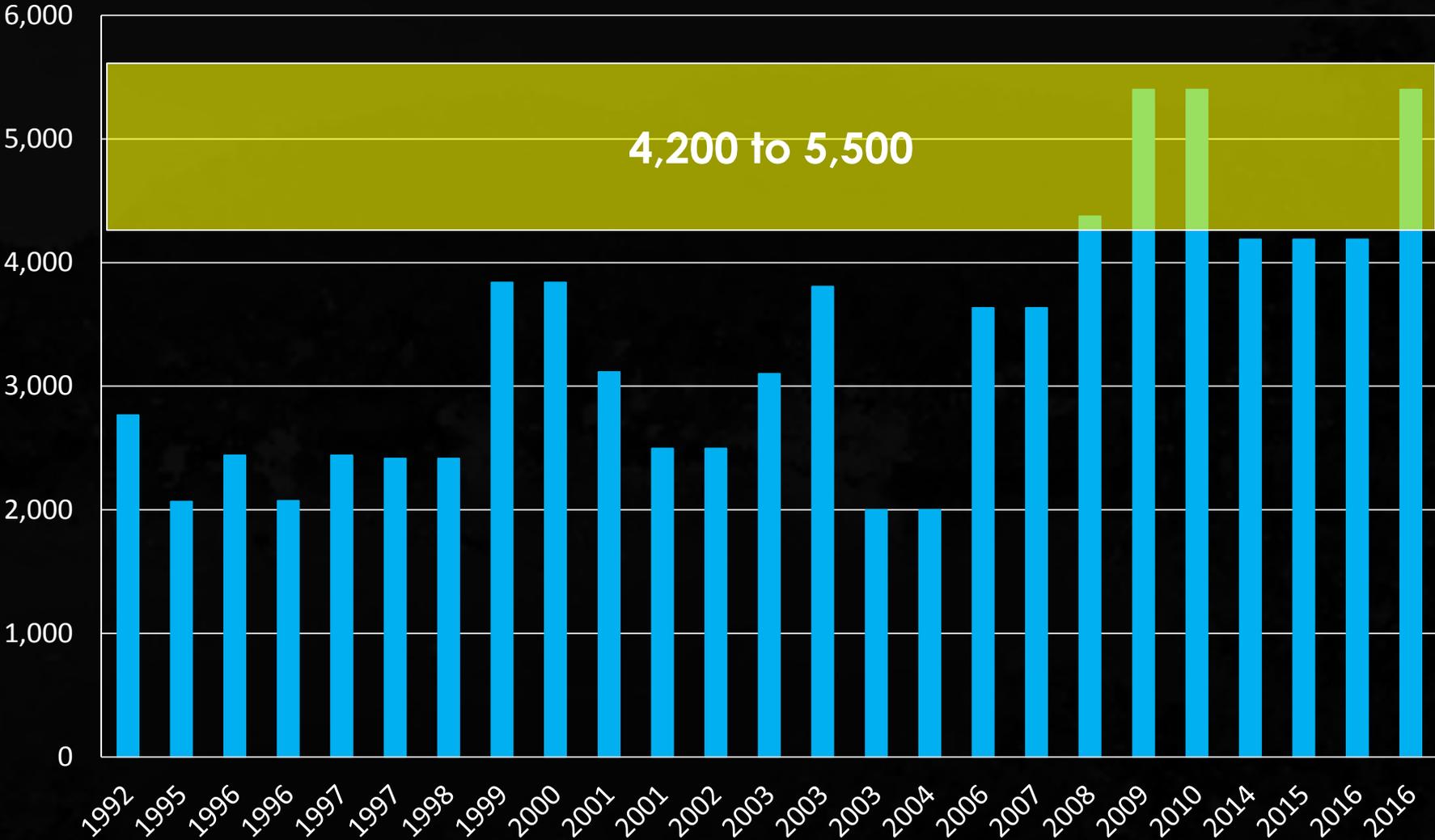
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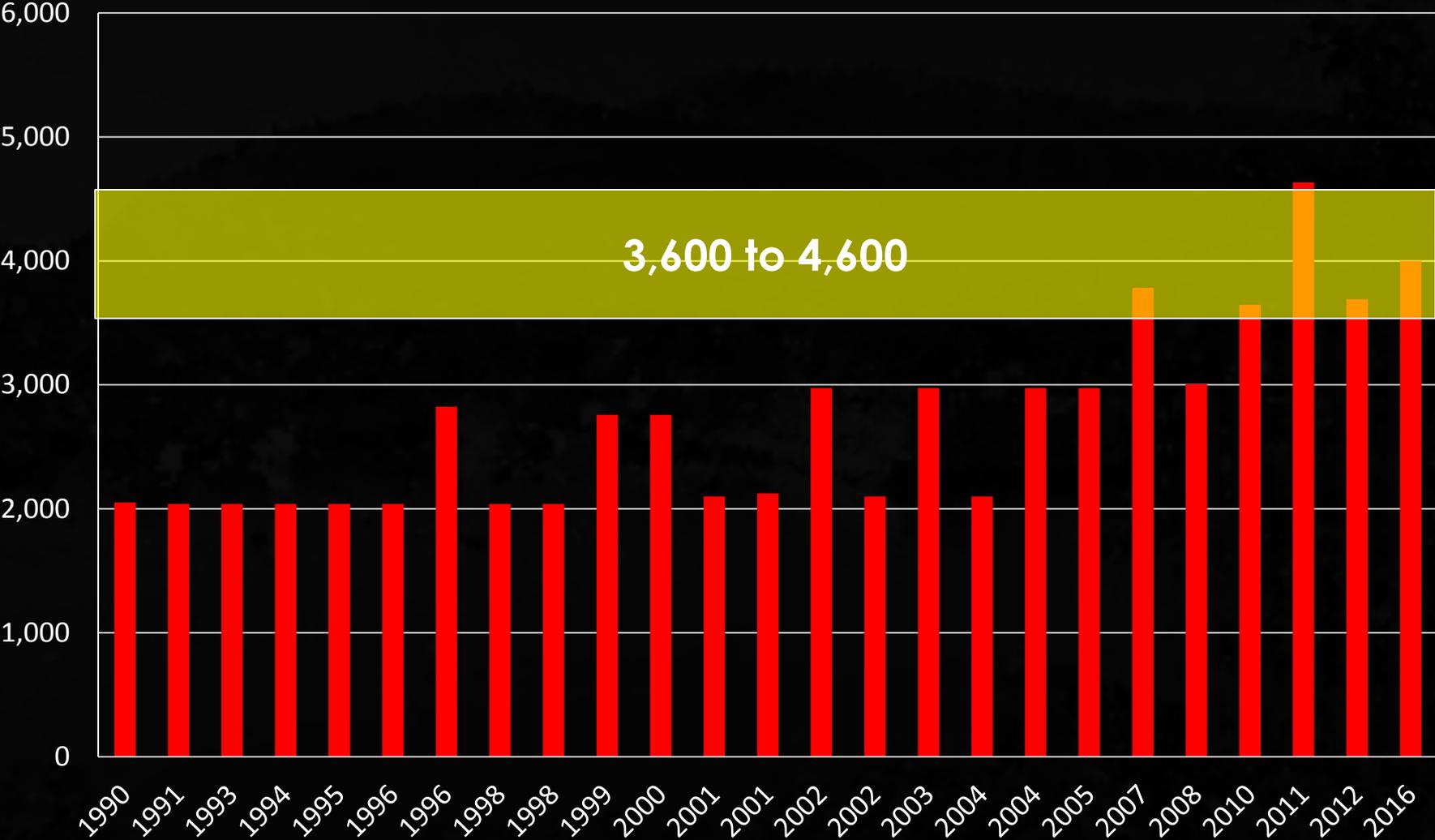
Average passengers per ship by year of construction



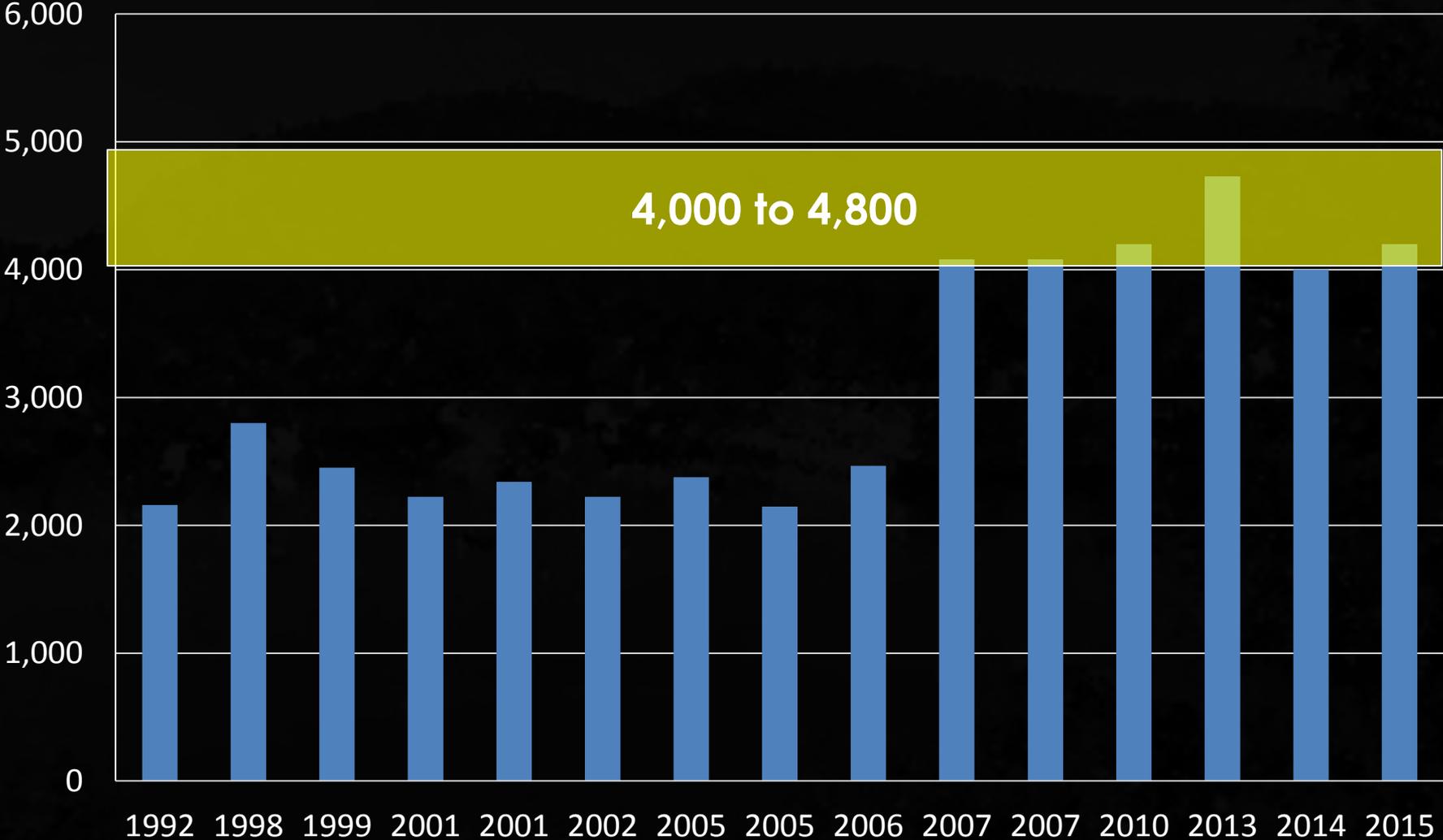
RCCL fleet by year of construction



CCL fleet by year of construction



NCL fleet by year of construction

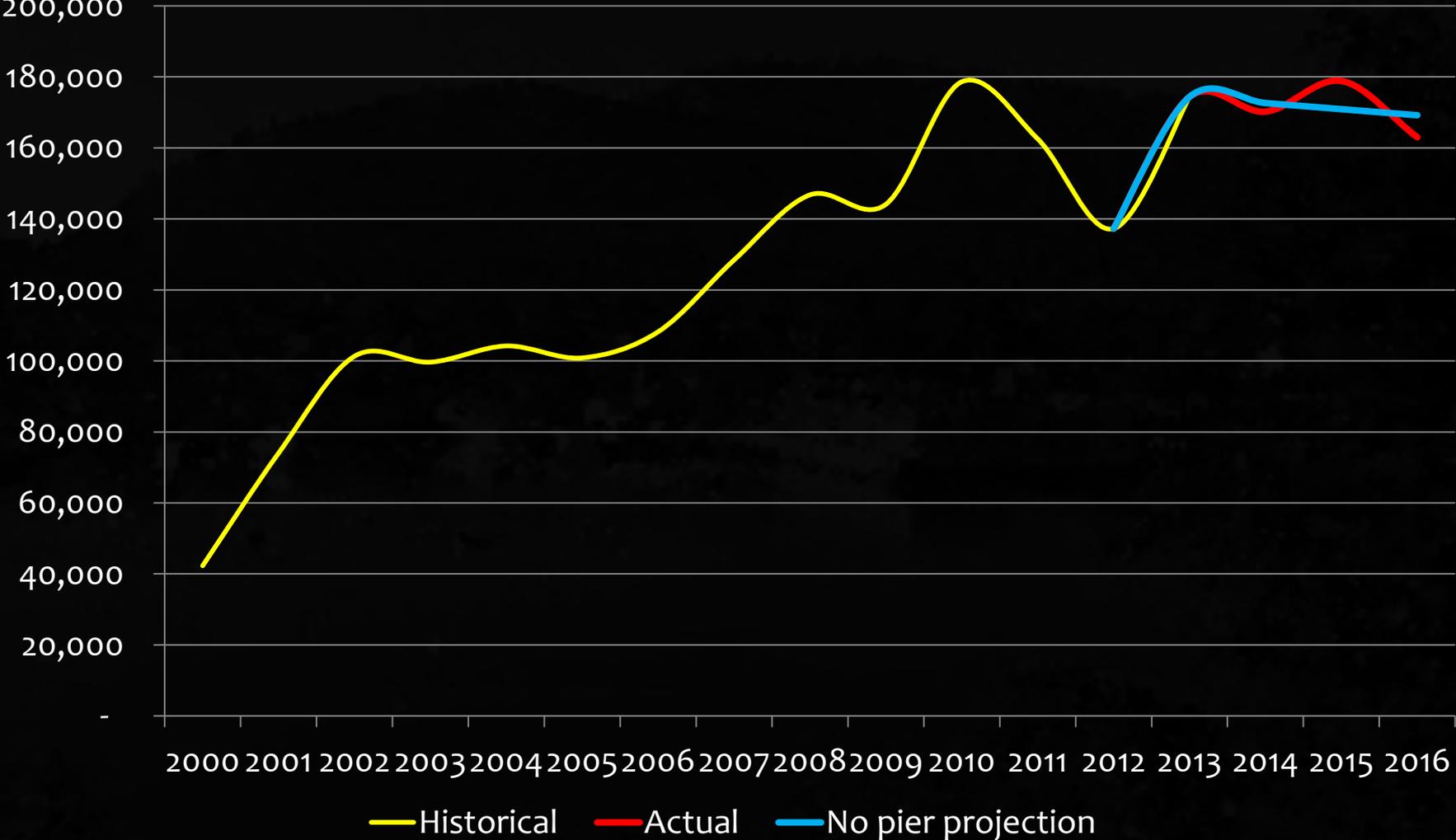


Conclusions

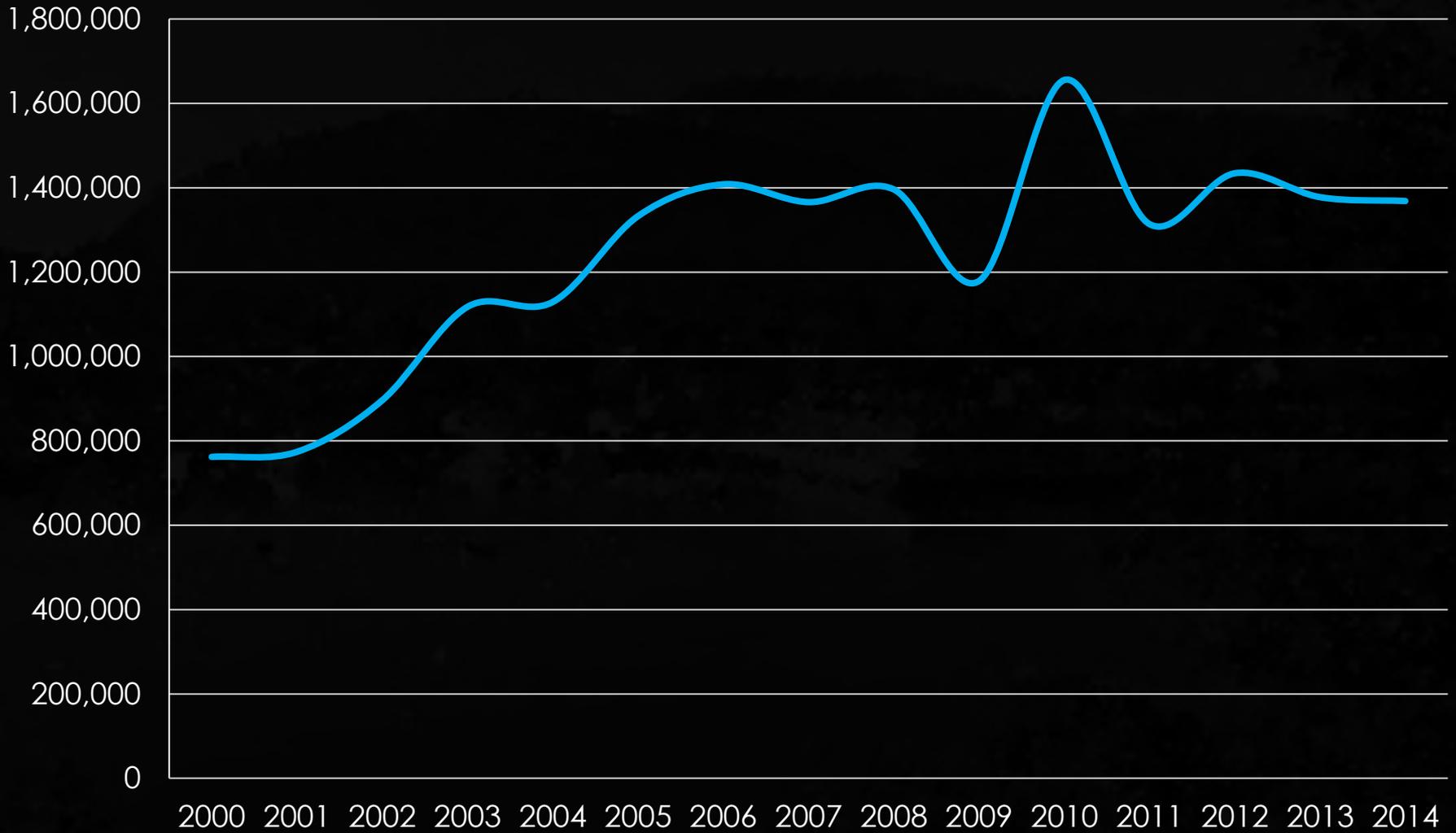
- The larger ships are here to stay and will become the mainstay of the industry
- Nearby homeports are all gearing up for the larger capacity
 - Cape Liberty
 - Boston
 - New York
- Larger ships are not appropriate to tender
 - Too many people
- Tendering reduces
 - On island stay by tourist
 - Less people get off the ship

4 UPDATED FORECASTS

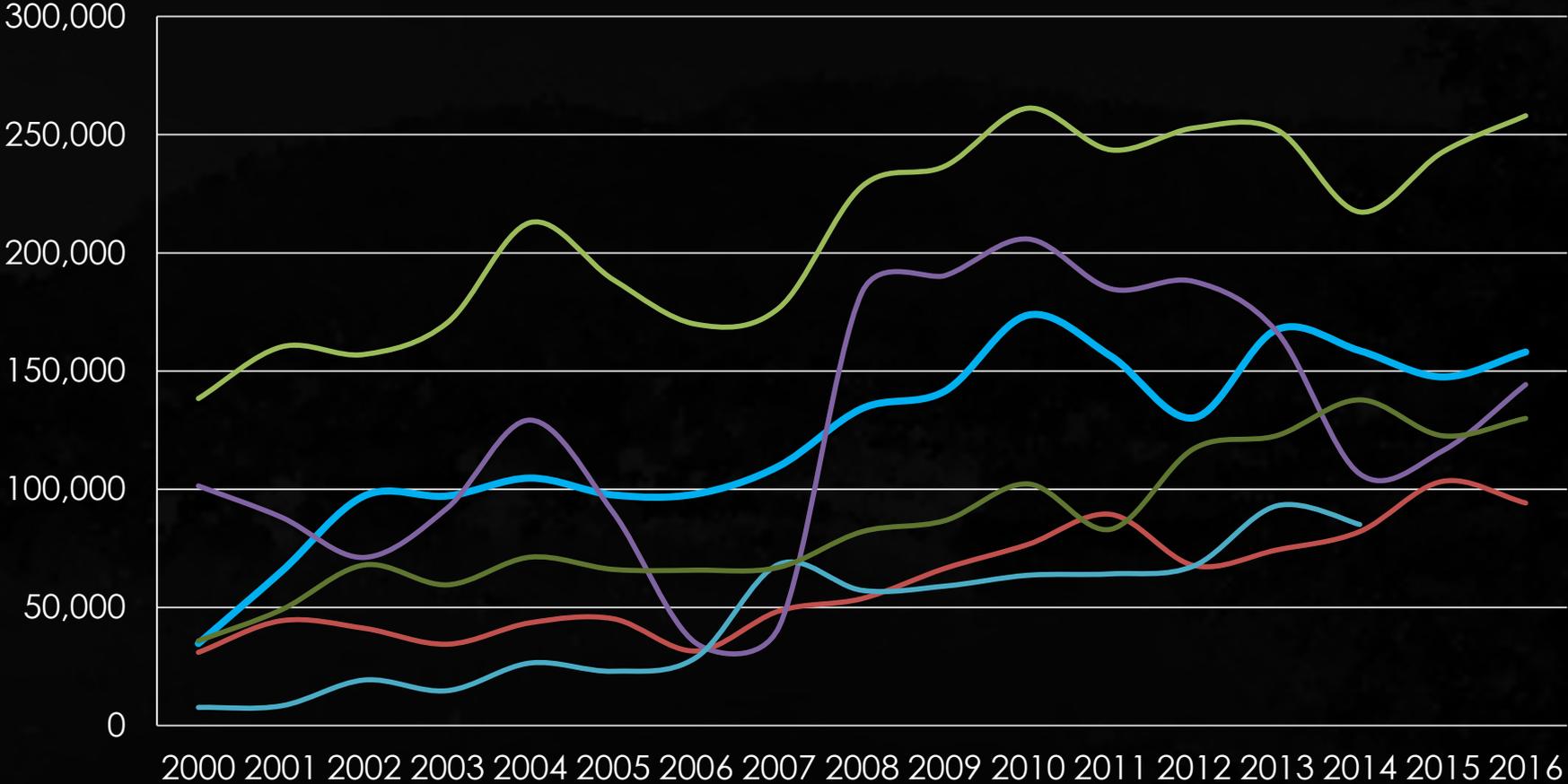
Phase 2 cruise traffic forecasts



CNE Region traffic – all homeport



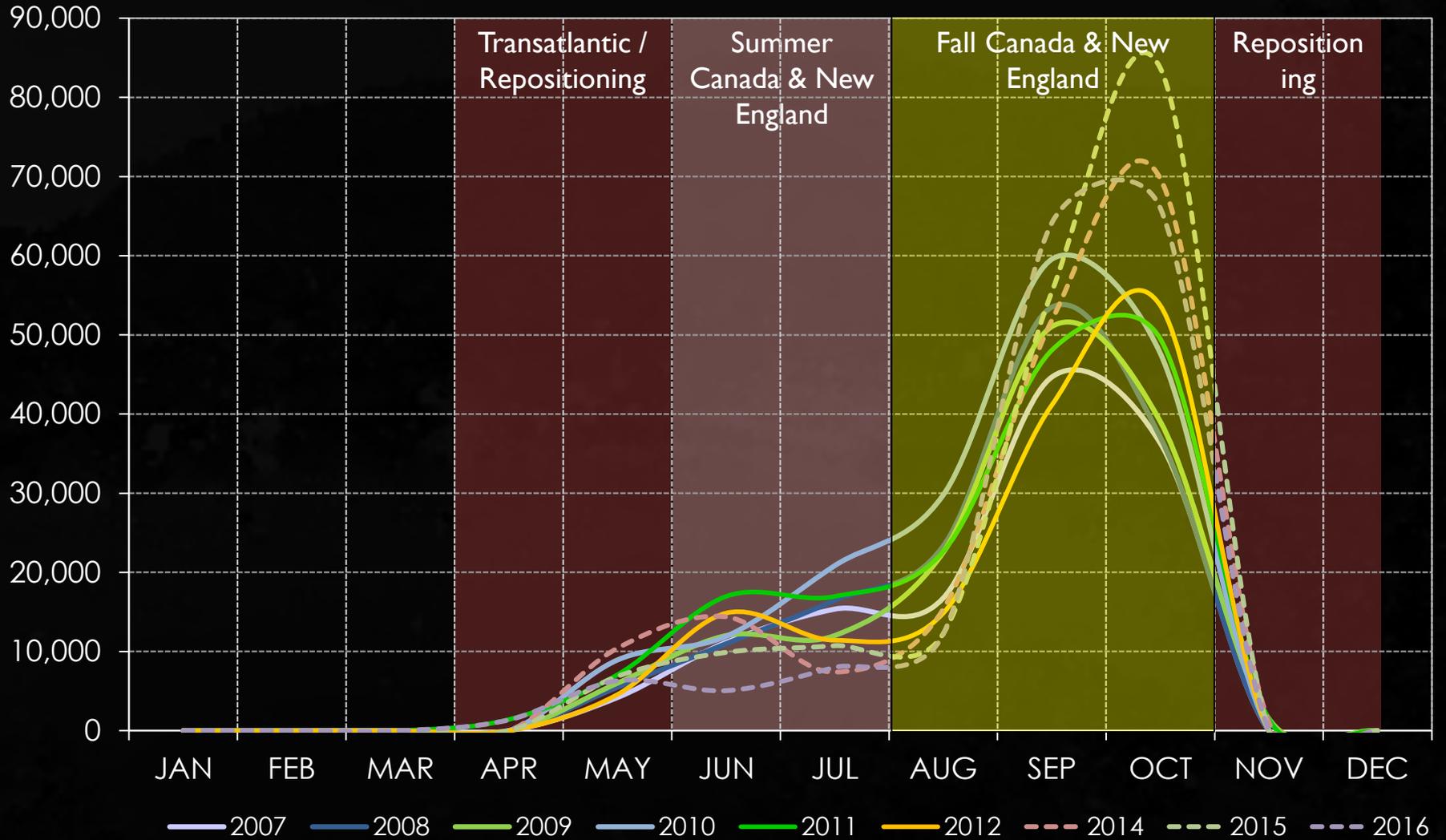
CNE Region traffic - port of call



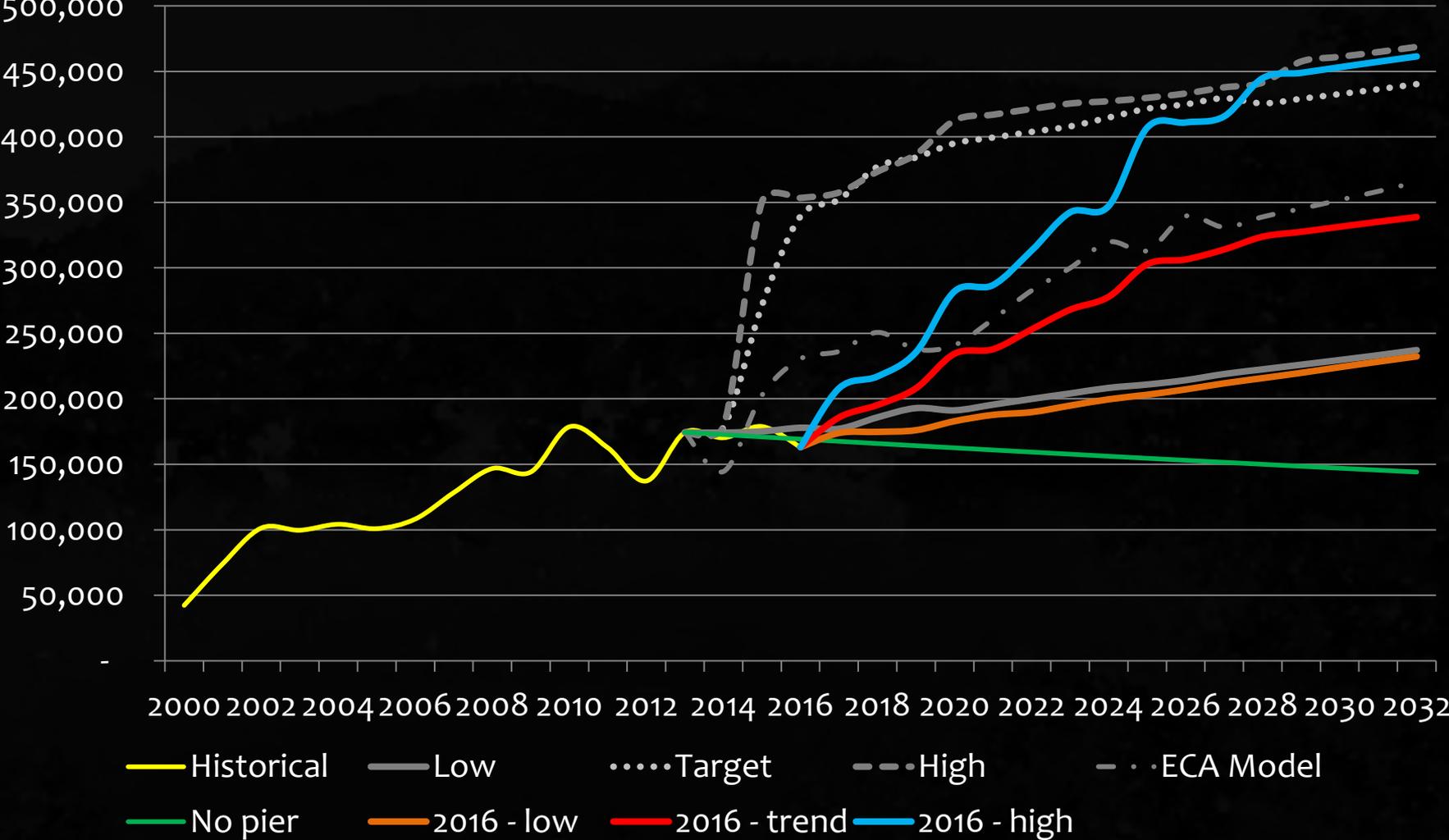
Bar Harbor (actuals w/cancellations) Portland Halifax Saint John Charlottetown Quebec City



Monthly passenger traffic



Phase 3 update traffic forecasts



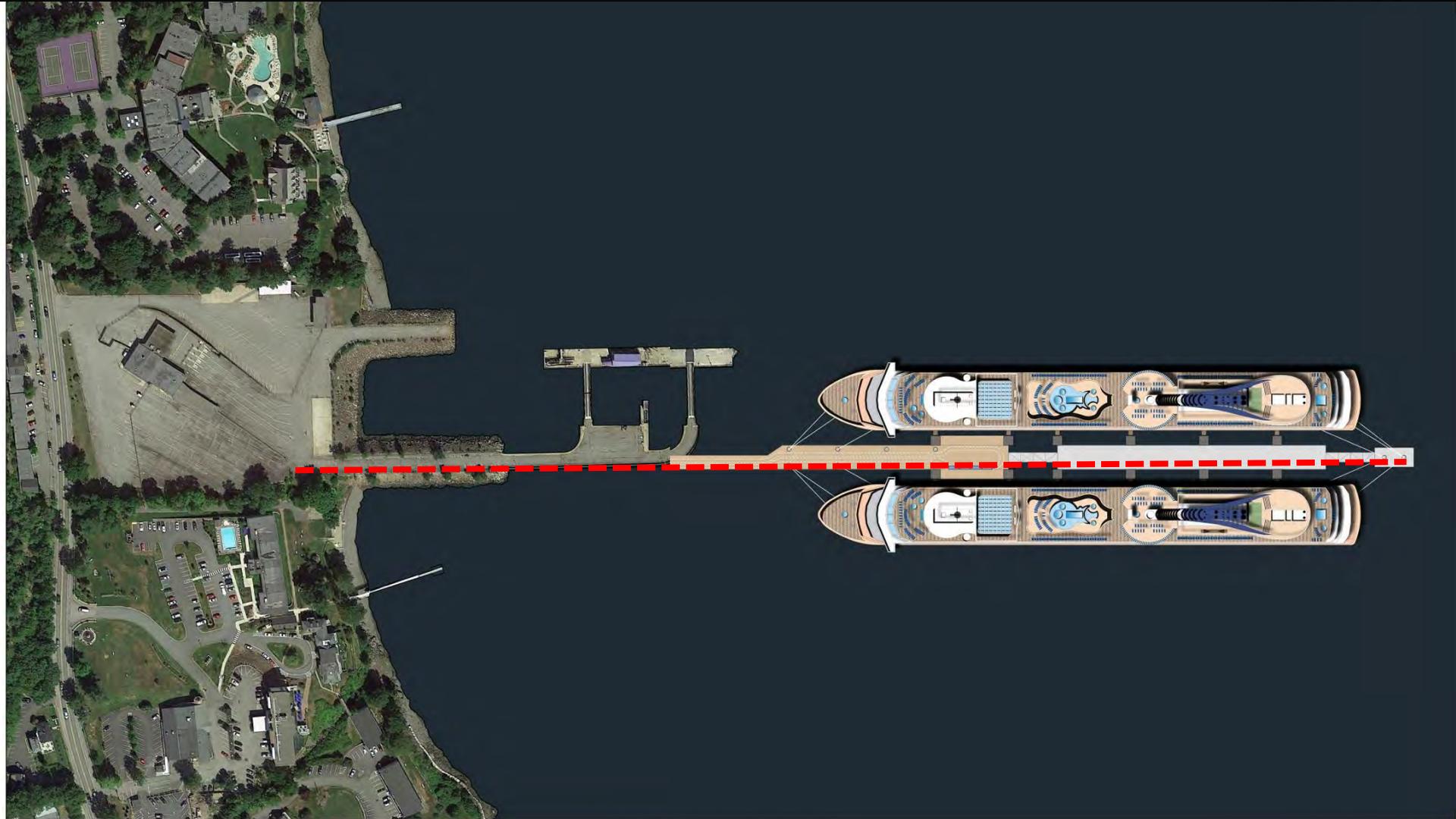
5

LOCATION OPTIONS FOR PIER

Existing conditions



Pier alternative A



BAR HARBOR CRUISE

Maine
March 7, 2016

EXISTING AERIAL PHOTOGRAPH

Graphic Scale



Pier alternative A



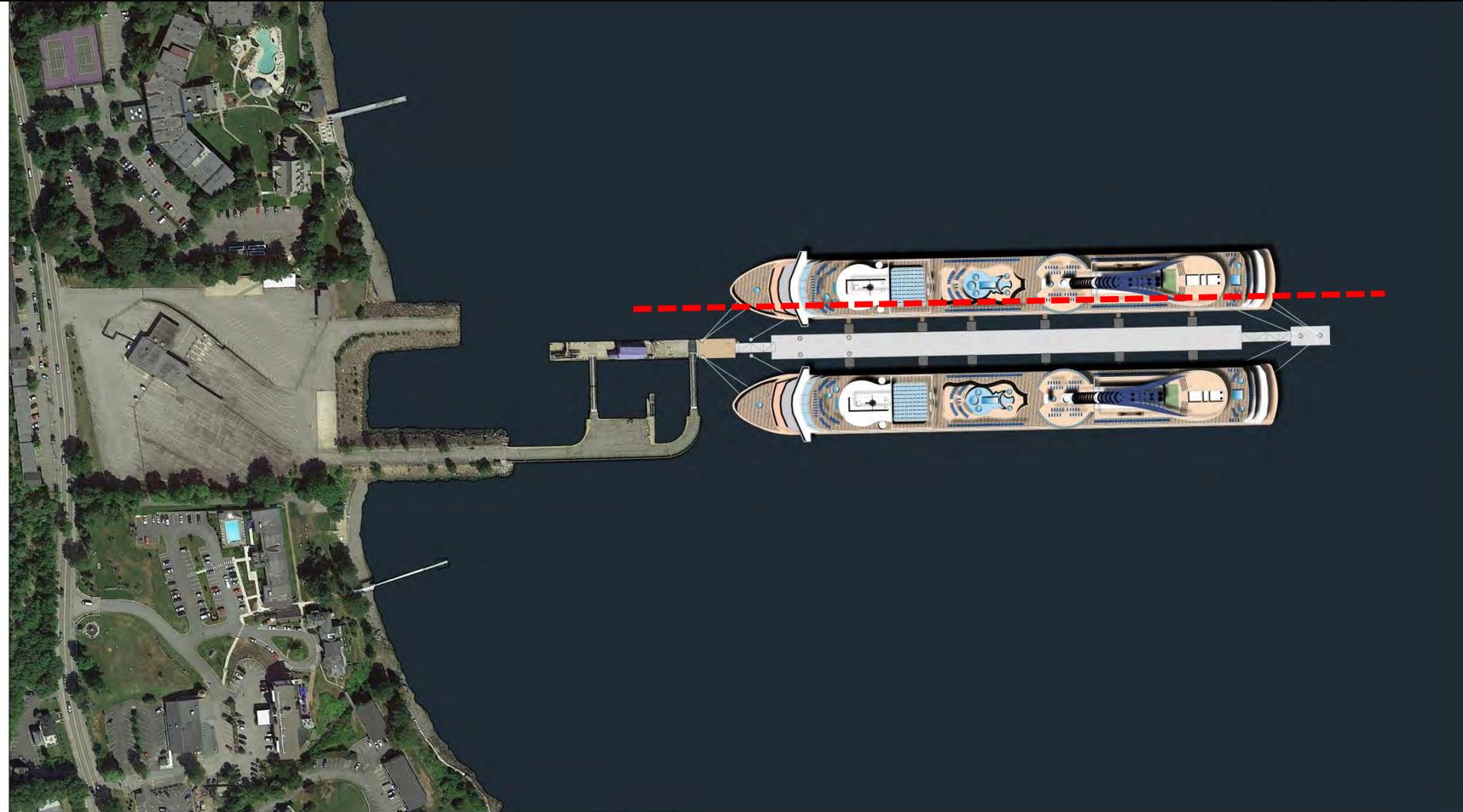
BAR HARBOR CRUISE

Maine
March 7, 2016

ILLUSTRATIVE PLAN- AR A



Pier alternative B



BAR HARBOR CRUISE

Maine
March 7, 2016

EXISTING AERIAL PHOTOGRAPH



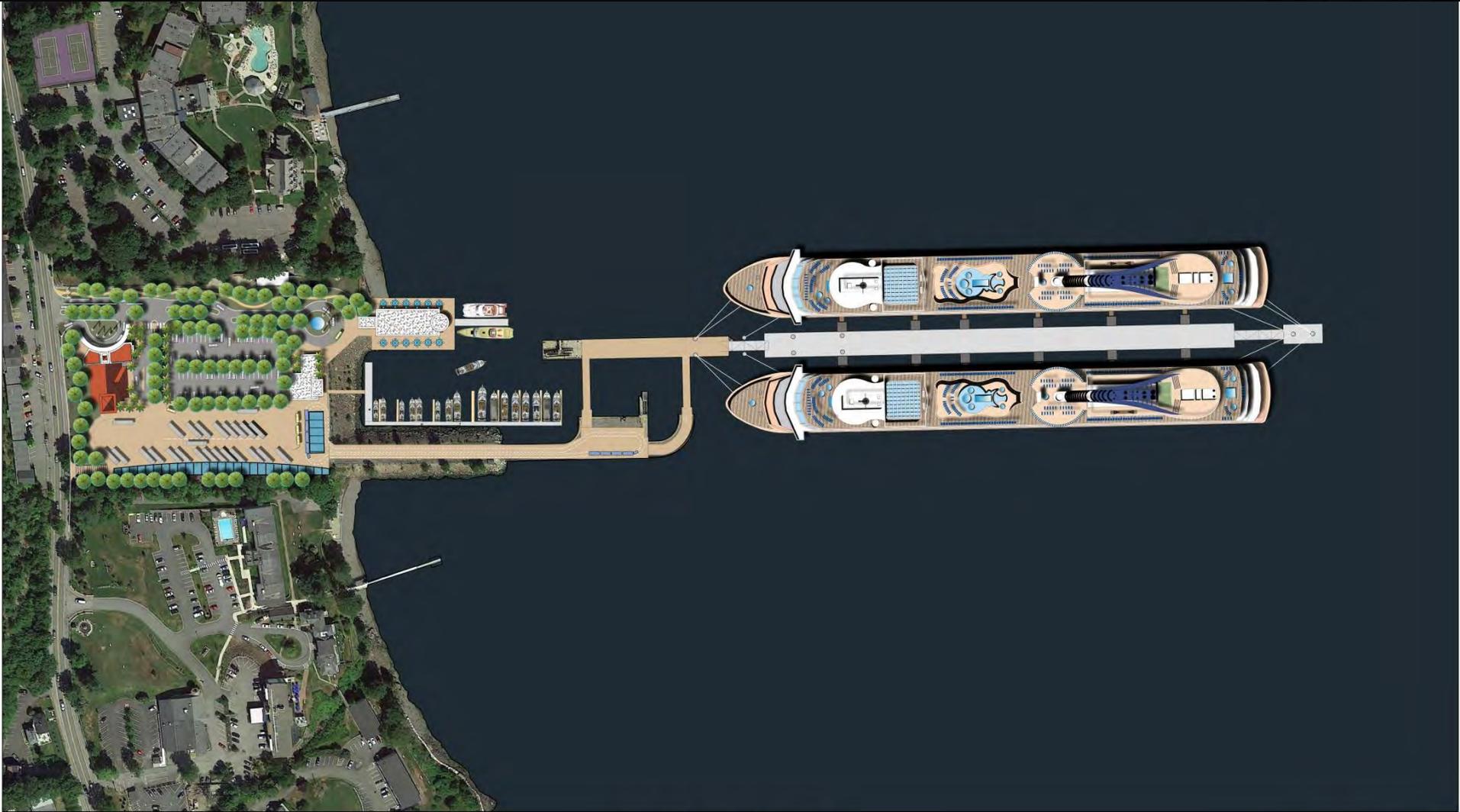
Graphic Scale



MAINE
PORT
AUTHORITY

CruiseMaine

Pier alternative B

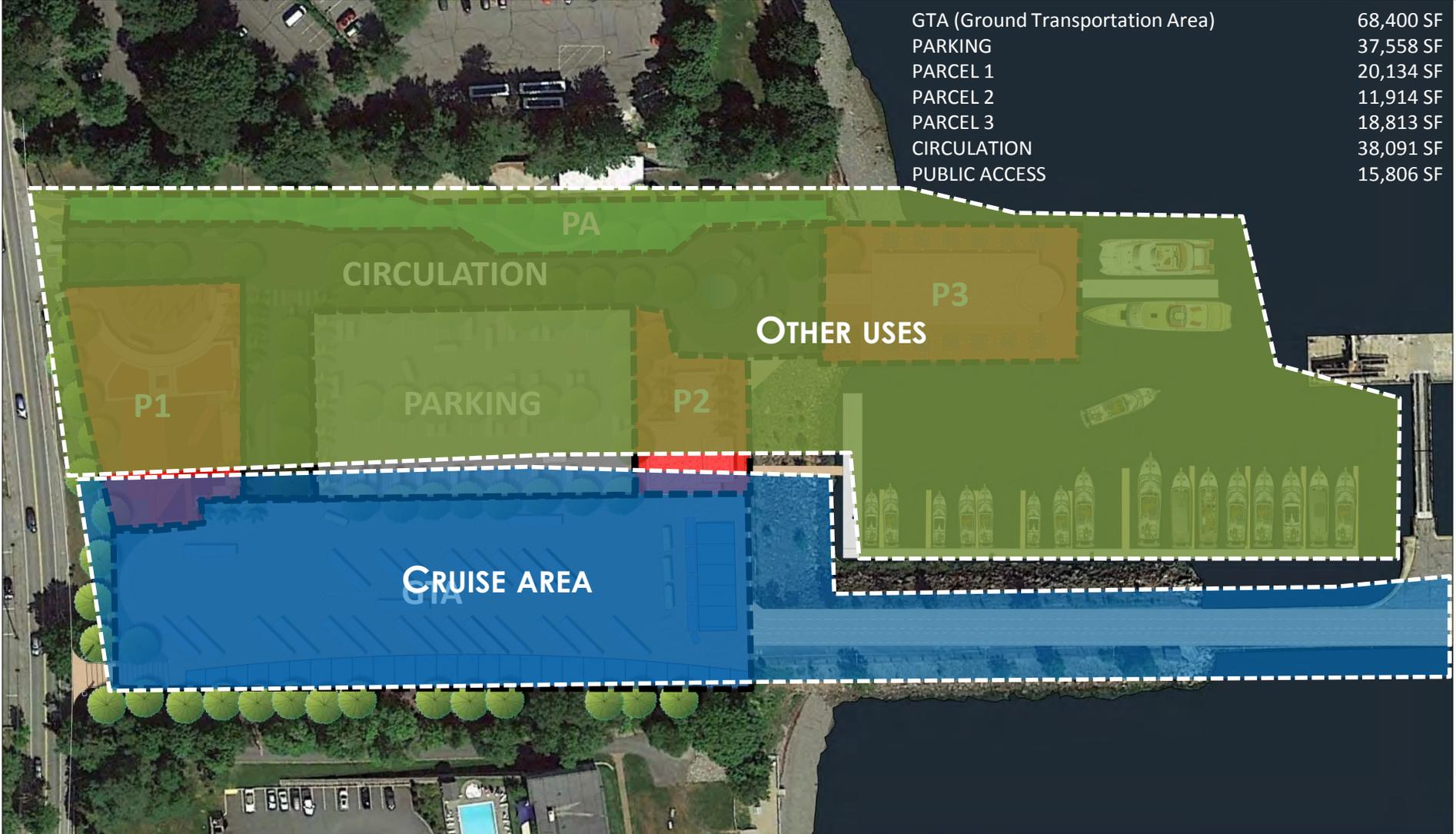


6 POTENTIAL USES OF PROPERTY

Existing conditions



General site distribution



GTA (Ground Transportation Area)	68,400 SF
PARKING	37,558 SF
PARCEL 1	20,134 SF
PARCEL 2	11,914 SF
PARCEL 3	18,813 SF
CIRCULATION	38,091 SF
PUBLIC ACCESS	15,806 SF

Potential non-maritime uses

- Visitors and arrival center
- Intercept visitor parking
- Open space
- Restaurant(s)
- Marina
- Ferry to Schoodic
- Limited retail or service
- Intermodal center
- Lobster fisherman market
- Farmers market
- Winter storage

Visitors center



Open space and linear parks



Transportation center



Lobster – fish market



Copyright Choo Tse Chien 2003



Farmers market



Waterfront restaurants



Festivals – arts and craft / food and wine / music



7

UPDATE OF FINANCIALS

Phase 3 costs in the model

- Purchase \$3.5 million
 - Pier \$32.2 million
 - Site improvements \$2.6 million
 - Total base Capital Plan \$38.3 million
-
- Tender pier (if needed) \$0.750 million

Financial model

- Uses the different passenger forecast levels
- Run with multiple tariffs
- Income calculated is predominately from cruise
 - Some minor income from leases and parking
- Expenses based on typical cruise port operations
- Property continues to pay Town “PILOT” fees as currently paid by Marine-Atlantic

- Model used to generate a business plan
- Further work will require a financial advisor to structure any financing

Conclusions

- The project works when tariffs are above \$12 and closer to \$15 per passenger
- Even at no growth and using \$15 per passenger, the public entity will receive a 4% IRR
- If there is growth, the project can yield excess revenues over the 30 year period exceeding \$80 million
- If \$12 per passenger is used then excess revenues over the 30 year period can exceed \$40 million, but the project will not break even if there is no growth in the business

Risk

- There is inherent risk as the project requires:
 - At least maintaining current levels of traffic for the foreseeable future
 - Growth in traffic
 - Increase in tariffs
- Financing using a public vehicle will be difficult without credit enhancements to mitigate risk, or
- Risk can be mitigated by:
 - Entering into long term usage agreements with users
 - Direct investment by cruise line
 - Less likely, is third party non-recourse investment



EXECUTION AND MANAGEMENT OPTIONS

Key

- Economic impact
- Relief to Town traffic
- Traffic impacts
- Creating opportunities
- Public port
- Public uses

- Revenues to pay investment
- Risk mitigation
- Usage agreements
- Disposition of profits

PUBLIC INTEREST

BUSINESS PLAN



Execution plan

- Step by step process
- Minimize risk
- Minimize capital



- Property acquisition
- Money in Bank
- Minimum contingent liabilities

Options for the development / management

- Maine Port Authority asset
- Town of Bar Harbor asset
- Hybrid subset of the Maine Port Authority with local representation
- Cruise line
- Third party

How to make a choice

- Agree on the finance plan
 - Raising capital
 - Risk
- Confirm pricing
- Discussion with cruise lines
- Establish project delivery approach
- Establish management structure
- Establish traffic management scheme



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