

Pier with Berthing sub-committee report 11/1/17

Overview

Our committee had the “advantage” of the detailed consultant’s report from 2012 describing a cruise ship berthing pier option. Highlights of this report are included as an appendix to this report for convenience. Having this report was an advantage because it provided a vision of a possible cruise ship pier and preliminary projections for financing and payback to the town over the long term. Having this report was also a disadvantage in that many people in town are familiar with the report and are uncomfortable with the projections for possible increase in passenger levels that the report described. This perhaps led to some confusion on our committee’s role in this process. Some members understood our job was to analyze the pros and cons of constructing a cruise ship berthing pier (perhaps as described in the 2012 report) whether we personally agreed with the idea or not, while others had difficulty with that charge. We were not able to come to a consensus on what a berthing pier option would look like. We had a lot of spirited discussion and we may have been able to come to more of a consensus given a longer time frame.

Considerations

Borrowing the funds and building a cruise ship pier would be a major financial risk to the town and we did not have nearly enough information in order to weigh in on the merits of that option at this time. The report tried to demonstrate the feasibility of a berthing pier by projecting future visitation based on increased demand for Bar Harbor as a desirable place to visit. The report also stated that a much more detailed financial analysis was necessary before making a decision on building a berthing pier. Many on the committee were “ok” with the current level of cruise ship visitation of around 180,000 annually, though some would prefer a lower number. There didn’t seem to be an appetite for the much larger visitation as described in the consultant’s report. This lower level of current visitation would increase the financial risk of payback for the required investment of this option.

The current passenger levy is inadequate to support the debt associated with any pier, even a pier that only costs \$10 million. Bar Harbor’s passenger levy would need to go up substantially in order to make the finances of any berthing pier viable.

We all recognized that the current congestion on the town pier was a problem we needed to address and that we needed a broader transportation plan to correct the situation.

There was consensus that we all care deeply about the environmental impact of any plan for the property. After listening to much discussion around this topic, some thought we could perhaps construct a pier while preserving the environment, while others disagreed.

All seemed to agree that the ferry terminal property was a valuable asset that the town should own.

Following is a list of some of the Pros and Cons of a Berthing Pier as described by various members of the committees. Since there was not a consensus from the committee what are listed here as Pros, or Cons, will not be described that way by all members:

Pros

- Relieves congestion downtown and provides opportunity for more comprehensive transportation management, increases ability of residents and tourists to enjoy the town
- Possible increased parking spaces in town for residents and tourists, particularly if parking is developed at Ferry Property site
- Berthing is safer for passengers than tendering
- Newer, more environmentally friendly cruise ships might be attracted to a pier
- Less cancellations due to weather
- Less boat traffic and pollution in the harbor by elimination of tenders
- A pier increases the town's potential to charge more per passenger, potentially provides revenue for comprehensive traffic solution
- Preliminary study indicates potential revenue to the town to reduce property taxes and/or increase municipal services
- separates cruise passengers from current downtown harbor uses by fisherman and commercial operators
- may provide infrastructure, opportunity, and need for additional water transportation and other commercial and marine development
- may provide a net reduction in emissions from tendering and thrusters needed to maintain position at anchor

Cons

- Environmental impacts are difficult to measure but having cruise ships so close to shore would have negative visual impacts, as well as increased light pollution and noise, and decreased air quality, particularly to abutters. Impacts to ecological processes, flora and fauna are also likely to be negative
- Possible negative impact to historic properties
- College of the Atlantic, as an institution with an environmental mission, is especially vulnerable
- Would traffic congestion simply be moved from downtown to 121 Eden St as the buses to Acadia, downtown, etc. are increased?
- More passengers disembark when docked as opposed to tendering, would this negatively impact quality of life?
- Requires significant additional capital costs beyond property acquisition, repairs and landside development
- Uncertainty of commitment, extent, and durability of interest of cruise ships to pay additional fees at a level high enough and long enough to recoup investment
- Opportunity costs of using funds for other town investment
- Increases impact of cruise ships detracts from other potential marine uses at the site

- Reduction in business downtown from disembarkation at such a distance

Conclusion

Construction of a berthing pier would represent a large change to the status quo. Bar Harbor has not demonstrated a willingness to engage in major changes over the last 30 years but rather reacted to the expanding demand which has occurred in this period.

If the town were to choose this course, it would represent a decision that would involve high costs, high risks, and many changes to the status quo. These large changes would include and require the following:

1. Financing and construction of a pier
2. Cessation of the tendering process and passengers coming into the existing entry point at West Street
3. Creation and implementation of a transportation plan which carries its own costs
4. Creation and implementation of a financial model that will pay for the above that would include necessary increases in the passenger levy, possible by a factor of five or ten times its existing level.
5. Creation and implementation of a manageable and sustainable method of managing the overall passenger numbers.

Appendix:

From Bermello, Ajamil & Partners, Inc Feasibility study, August 2012

Ferry Terminal Property Advisory Committee-Berthing Option

STRATEGIC ASSET

The parties have agreed that the facility is a great strategic asset. This is a facility that provides deep water berthing for larger ships. It has been in existence for over half a century and it is also a significant real estate asset, strategically located along the main highway leading to the central core of the Town of Bar Harbor.

Irreplaceability - Due to the current financial situation as well as the significant environmental hurdles that need to be overcome in order to obtain permitting, this is a facility that cannot be easily replicated or built elsewhere.

Port-of entry status - Bar Harbor is designated as a Class A Port of Entry by the United States Customs and Border Protection (CBP). A Class A facility allows entry into the United States by all aliens. There are only 327 such ports of entries in the US and only 16 in Maine. Such status has been critical for the ferry operation and for the visitation by cruise ships which are coming from abroad. Such a status requires the maintenance of a physical plant that has been approved by CBP, as is the case at the existing ferry terminal. Therefore this is a strategic asset of Bar Harbor and the State of Maine, one critical for current maritime activities. Therefore, the parties have agreed that this facility should be viewed in this strategic context as part of making a determination on acquisition.

CRUISE PASSENGER FORECASTS

The summary of the findings of the cruise passenger market study are as follows:

The assumptions made during Phase 1 of the report are valid. There is significant reason to believe that, if the pier is built, Bar Harbor will be able to attract ships that are currently bypassing the Town and can generate a net increase in passengers and calls in the general amounts as previously anticipated.

A pier in Bar Harbor offers a port that is closest to the homeports of either New York or Boston. This can generate significant savings to the lines in fuel costs. Nevertheless, the lines will be very sensitive to the tariff structure that is established for the pier.

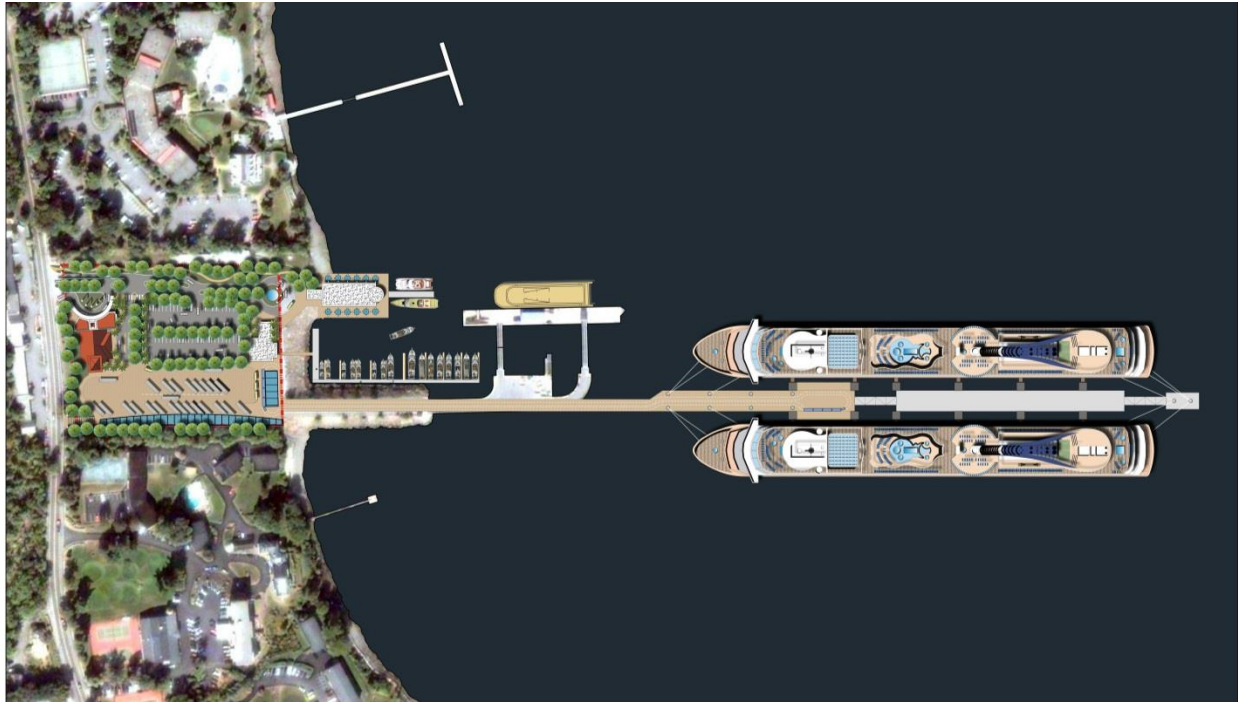
The Market Study also concluded that, if the town does not build the pier, the trends toward larger ships in the CNE market will continue and that those ships will most likely not call at ports that do not have docks and require tendering. Therefore, at best there will be no growth in traffic; but more than likely there will be a steady decline of traffic over the years.

PIER PREFERRED CONCEPT

The proposed concept for a pier to service cruise ships is shown on Figure 2.3. The pier is approximately 60' in width in the central location where all the loading and offloading occurs and narrows down in the areas that would be mostly pedestrianized. The width is also controlled by the need to maintain separation between the overhangs that occur from each ship above the dock. In the outermost sections of the pier where there is no need to reach alongside for loading doors, there are independent mooring and breasting dolphins with "catwalks" to allow line handling

personnel to tie the ship. The concept includes two wider platforms that will allow small shuttles or rubber vehicle “trains” to run to the end of the pier and be able to transport passengers to the main transportation area.

Figure 2.3 - Preferred concept



The general concept for the upland development is shown in Figure 2.4 when the site is being used as a ground transportation area for cruise activities.

The overall plan indicates the new cruise pier on the south extension of the ferry pier, while preserving the ferry pier to the north.

Among the features of the plan are the following:

1. **Ferry pier** - Preservation of ferry pier for potential future use.
2. **Cruise pier** - construction of a new pier extension to deeper water where two cruise ships could be docked simultaneously on either side of the pier.
3. **Cruise terminal operations areas** - an area immediately at the foot of the cruise pier would be rehabilitated to handle the transport and tour buses as well as providing space for marshaling for additional buses, public transport and it could also be an intermodal transportation center for the region.
4. **New Terminal Arrivals building** - If and when the old terminal building is demolished, a new terminal building would be needed which would include a new Customs and Border Protection (CBP) facility.
5. **Movement between ship and landside** - Because the walking distances from the ship to the

tour buses is long, the concept includes areas for the use of small shuttles or rubber tired “trains” that can continuously cycle between the two points.

6. **Marina and marine uses** – the plan includes a marina that could be used for local boaters, fisherman, the National Park Service, water taxis, tour boats and as a mini multimodal center serving overall transport needs and joining water taxis to land transport.
7. **Public access** – the concept of linking the Route 3 proposed pedestrian trail through public access along the edges of the property would allow the public to reach to the water’s edge.
8. **Public uses** – when there are no cruise ships or ferries, the public access could be managed to allow walking, viewing, fishing and other public activities.
9. **Parking** – part of the site, with or without the ferry, could be developed with significant amount of parking. This parking could be used as an arrivals area and visitor parking center allowing visitors to come to Bar Harbor to park and then take the public transport into the Town.
10. **Tour/visitor/commercial development** - This multipurpose building should include offices for activities related to the cruise and ferries, to National Park Service, to other visitor industry activities, and some small offices potentially supporting commercial activities.
11. **Waterfront restaurant** – the opportunity also exists to create a great restaurant and other activities more on the water’s edge.
12. **Reusability of the space** – the space that is dedicated for bus and tour operations should be designed for reusability for public events such as concerts, open air markets, and other outdoor activities as shown in Figure 2.5.

BUDGETS

Two cost estimates have been generated for the pier; the first is for the full plan and it is shown in Table 2.1, with a cost of the pier \$21.3 million. The second estimate is shown in Table 2.2 and it is a variant of the first concept that consists of a shorter pier structure, and longer trestle to the outer mooring points at a cost of \$17.7 million.

For the uplands an initial budget has been established at \$3.4 million to rehabilitate the existing pavement and site areas to get the cruise ship terminal working using the current terminal building, pavement, and utility systems. It is assumed that the property will be turned over by the Canadian Government free of any environmental issues and that the building does not require any major rehabilitation, mainly cleaning and signage.

(\$21.3 million + \$3.4 million = \$24.7 million The consultant suggested adding 3%/year to bring up to date = \$28.6 million)

FINANCING THE INVESTMENT

This feasibility study prepared a financial model to evaluate the project. For this model it is assumed that the investment is being financed as a revenue bond issue that will provide as debt 100% of all the

capital costs, soft costs, costs of issuances, and a certain amount of capitalized interest to cover the shortfalls during the period of construction. The estimated annual payments based on 6% interest for 30 years are estimated at \$2.0 million per year for both P&I.

When this annual payment is subtracted from the net operating revenues, we can then calculate the net-net revenues as shown in Figure 2.6.