Ocean Gateway Waterfront Development History

In 1998, The Mayor's Waterfront Task Force I reviewed the recommendations of the Cargo and Passenger Study (CAP) prepared for the City and the State of Maine regarding the primary marine terminals on the Portland waterfront.

The study looked at the passenger and cargo operations in the port and made specific recommendations regarding how those operations should be rationalized at various locations within the port.

Specifically, the Task Force recommendations addressed:

- **concentrating passenger operations in the Old Port area**
- **expanding cargo operations in the industrial western end**

The study focused on:

- taking advantage of the economics of scale tied into supporting compatible marine operations
- the need for the City to reutilize the BIW complex which would return to City control in 2002
- the growing cruise ship trade

As a result of the acceptance of those recommendations, the City undertook requests for State and federal funding, as well as designating its own capital contribution through the Capital Improvement Program (CIP).

In 2000, the State and City selected an engineering firm (Woodard & Curran) to begin the design and engineering process for what is referred to as the Ocean Gateway Project, or Oceangate.

This project name was selected to allow the incorporation of adjacent City owned property, as well as the Maine State Pier into the planning and design process.

The incorporation of adjacent city owned property was necessary to:

- **measure the impacts on those areas**
- **to utilize all assets to develop the most efficient design**
- **to use State and City contributions to leverage federal funding.**

The City recognized that the current Casco Bay Island Transit District Facility (CBITD), which was designed to handle 500,000 passengers annually, was projected to handle over a million. Where this was already a significant transportation facility that needed to be addressed in planning, the CBITD terminal, Maine State Pier area not leased by BIW, the City owned parking areas and the BIW site were all incorporated into a single 19.5 acre parcel for the purposes of master planning. This expanded the study areas beyond what the original CAP Study had reviewed but was necessary as part of an appropriate planning process.

Also as part of it due diligence efforts, the Transportation Department undertook a series of additional studies and discussions to quantify and qualify the impacts on the waterfront, as well as the financial implications to the City.

The CAP Study included a preliminary list of recommended infrastructure improvements for the BIW site as well as the International Marine Terminal, along with cost estimates. The scope of that study did not include precise conditional surveys or long term financial impacts for the rest of the waterfront. It was recognized however that the additional municipal facility would increase the financial burden, as well as the opportunities, for the City.

Financial Management Strategy

The department planned a systemic approach to the analysis and management strategy. The City is currently responsible for three marine facilities, which will expand to four in 2002.

These facilities include the:

- **International Marine Terminal**
- **Portland Fish Pier and Exchange Complex**
- **Maine State Pier including the Casco Bay Island Transit District Terminal**
- **Bath Iron Works complex.**

At the end of this year, the City will be increasing its fixed and variable cost base when the BIW complex is returned to us on 31 December 2001. Although revenue is up, there is concern that funds generated by marine operations may be insufficient to cover the increased operating expenses and capital investment required to maintain of all of the City's marine facilities collectively.

However, the City has property and building space under the waterfront division that may be utilized to generate additional revenue to meet operating and capital costs in the long term.

To meet the financial requirements, the department must continue to develop and maintain a diversified economic base on the waterfront.

That base includes:

- **container operations**
- **cruise ship operations**
- **Fish Pier Authority including the Fish Exchange**
- **Parking fees**
- **berthing fees**

This approach will offset variations in industrial and economic cycles and balances cash flow overall.

The City also has waterfront bond debt to settle. This includes a budget shortfall due to obligations that go beyond the scheduled lease payment termination date from BIW for that facility. In addition, there will be a requirement for additional capital investment from the City in the BIW complex, as well as ongoing investment in the other marine facilities to maintain their infrastructure.

The department is looking at all of its facilities holistically. We have undertaken a conditional survey of all marine facilities currently operated by the City to develop maintenance and capital costs. We have a clear understanding of how much it will cost to maintain our facilities over the next ten years.

We are also completing a financial analysis of

- **the waterfront division's collective annual and long-term facility operational expenses**
- **staffing requirements**
- **projected capital investment integrated into a comprehensive long term cost analysis.**

As part of that effort, the department has looked at its revenue capabilities based on existing and projected business.

We also are looking at a new revenue potential based on new resources all as part of the Ocean Gateway Project including:

- **new terminal rental space**
- **concessions**
- **advertising**
- **new ground leases**
- **property development**
- **new parking**
- **car rentals**

In looking at potential revenue, we started a comprehensive port profile and competitive niche industry analysis which will help us determine potential marine growth areas.

What has become apparent is the need to develop additional sources of revenue through the development of City owned properties in a manner compatible with the City's goal of maintaining a working waterfront.

Many port communities address the need to meet financial goals through the development of seaport properties for compatible, non-marine use. Revenues from these sources are used to maintain marine related infrastructure as well as offset operational deficits.

The need to entertain new compatible, but non-maritime development to meet financial requirements to maintain the City's facilities may influence Portland's waterfront zoning which was developed as a result of a 1987 Waterfront Referendum.

The extent of the financial requirements will not be defined or articulated until all of the waterfront studies are completed in the spring of 2001.

It can be reasonably assumed however that:

- **some high yield revenue development will be necessary in areas where such development is currently restricted by current zoning**
- **private sector property owners under those same restrictions will want to participate in that consideration to their own benefit.**

Eventually the City needs to develop a master plan not only for the East End of the waterfront, but for the entire port area.

That effort will need to:

- **be broad in perspective**
- **involve private sector**
- **involve the marine sector**
- **involve community interests**
- **set forth guidelines for growth and sustenance of the seaport area for the long term.**

It is important also to understand that the economic engine created by waterfront industries, affects the entire City of Portland and the entire:

- **joint port community of South Portland**
- **Southern Maine region**
- **State of Maine**
- **northern New England region.**

Those interests will also need to be taken into account and the decision making process must be comprehensive and all-inclusive.

Terminal Rationalization

Prior to making final recommendations, the department reviewed consolidating the international ferry operations with cruise operations and moving all passenger operations to the proposed Ocean Gateway site.

There were some critical points made in the original CAP Study, as well as operational constraints that supported this change.

1. There was insufficient space to accommodate international ferry operations and cargo operations at the International Marine Terminal because of anticipated

growth in both areas. Because of the limited berth size, there is a conflict between the Scotia Prince and the new container ship. The 710-foot berth is not large enough to handle newer style cruise ships.

2. For Passenger Cruises to remain at the IMT, a capital improvement program would need to be undertaken to improve the facility. Estimated improvement cost would be $8-9 million as the useful life of the building in nearing an end. Conversion of IMT to freight eliminates the need to invest large sums to improve current facility for continuing passenger operations.

3. Passenger ships remaining at IMT would require that a new cargo facility would have to be developed. The facility would require a minimum of 10 acres of open land in addition to a berthing facility with a minimum of 1,000 linear feet along a 100 foot wide apron. The facility would require deep water, rail and road access. Estimated cost of development including acquisition and build-out would be $ 600,000 per acre plus the cost of construction of a new pier. The existing crane could be moved to a new facility. The only land available for such a facility is located west of the Casco Bay Bridge and east of Merrill's Marine Terminal, which is privately owned. There is no property under city control on which to relocate freight operations.

4. The Ocean Gateway Facility would be redesigned as a port of call facility without a smaller size terminal. Any homeport operations would be handled at IMT assuming that such a vessel did not exceed 725 feet which is a significant limitation given the increasing size of modern ships. The estimated cost for this type of improvement would be $12-13 million.

5. CBITD terminal improvements, estimated at $5-6 million, could continue on a parallel track, under FTA funding.

6. POFC handles 160,000 passengers annually. Currently, Commercial St. is a barrier to tourism, as most passengers do not get into the Old Port area. Relocation puts the majority of international passengers into the heart of tourism area. A Federal Inspection Facility combined with a terminal built for POFC provides us an opportunity to attract new homeport business, which requires similar accommodations and would be well suited to the Old Port business district.

7. The western end of the waterfront is primarily industrial and does not properly lend itself to hosting a passenger operation. Visitor comments have tended to be negative regarding this part of town. The new I-295 connector provides the City an opportunity to limit truck traffic associated with cargo operations from going through the Old Port and adding to the existing traffic problem.

8. Passenger ships berthing at the head of the harbor lessens traffic congestion in the inner harbor.

9. Operational costs for the city increase when managing five facilities vs. four.

There are significant advantages and disadvantages associated with both the consolidation and segmentation of marine operations.

Consolidation affords:

- **operators the ability to take advantage of economies in both operational costs and capital investment**
- **Freight and passenger operations together create an inherent safety risk but most types of freight operations are compatible with each other**
- **A single facility can handle multiple passenger operations such as home porting, port of calls and ferry operations more cost effectively.**

Segmentation affords:

- **distinct advantages in operations and expandability, particularly in cargo facilities.**
- **Ports that have expansive waterfront property can separate all types of marine operations by cargo into specific terminals**
- **The economies are best achieved through leasing terminals out to carriers or terminal operators.**
- **As operations expand, these facilities have the opportunity to increase the per acre throughput and increase unit returns.**
- **Passenger operations are significantly different than freight operations. A large amount of infrastructure is dedicated to customer convenience, federal inspection, ship servicing and baggage. Passenger terminals in most ports are located near tourism areas and outside of industrial zones.**

The determination on if a port should segment or consolidate operations is primarily dependent upon demand and availability of space.

In most cases, ports have existing facilities that can be easily converted to specific uses. The most costly port infrastructure is generally associated with the passenger trade, although new container terminal construction with modern cargo handling equipment including gantry cranes can exceed $1 million per acre, and generally are no less than 100 acres, with 2000 linear feet of berthing. The average cost of new projects associated with the cruise ship trade is between $30 and $50 million.

Alternatives Analysis

The 1988 CAP Study looked at various alternative scenarios regarding port operations should BIW not vacate the site at the east end of the waterfront.

That report looked at alternative properties including the land west of the Casco Bay Bridge as well Deake's Wharf.

As part of the final analysis for the Ocean Gateway Project, the department looked at those same properties again should the physical constraints not allow all cruise ship operations to be co-located at the east end waterfront site.

The analysis also incorporated the findings of the project consultants Woodard and Curran, who as part of their initial tasking, did a site conditions survey of the existing infrastructure at the BIW site.

The following was determined:

- **Due to the condition and age of the Maine State Pier, and the length and width of the existing pier 2, substantial investment would be required to be made to accommodate modern cruise ships.**
- **Cargo Operations now at the IMT would need to be relocated to another part of the waterfront and the IMT would need to be reconfigured with a new terminal built to replace the existing facility.**
- **There was no existing location on the Portland waterfront capable of handling the City's existing cargo trade. This accommodation would require the purchase of new land, with deep-water access that would need to be improved for container handling. Land acquisition would require 10 acres.**
- **A shuttle system would need to be implemented to provide passenger ships customers with Old Port access.**
- **CBITD improvements could move forward as originally planned.**

Alternative Costing

This is the estimated cost of development for an alternative scenario, which would keep passenger ship operations at the existing International Marine Terminal.

Assumptions are that:

- **site development would take place for the Bath Iron Works facility**
- **CBITD expansion would take place**
- **the IMT would be improved and a new cargo facility would be developed**

1. BIW Site Redevelopment

a. Pier 2 reconstruction	$ 10,000,000
b. Pier 1 reconstruction	1,000,000
c. Site work	1,000,000
TOTAL	$ 12,000,000

2. CBITD Terminal Expansion and Improvements

a. Terminal Expansion	$ 2,000,000
b. Berth Improvements	1,000,000
c. Traffic Improvements	1,000,000
TOTAL	$ 5,000,000

3. IMT Site Redevelopment

a. Existing shed demolition	$ 300,000
b. Terminal reconstruction	8,000,000
c. Site paving	500,000
TOTAL	$ 8,800,000

4. Cargo Facility Development

a. Land acquisition	$ 4,000,000
b. Paving and improvement	2,000,000
c. Pier (700x100)	7,000,000
TOTAL	$ 13,000,000

Funding Availability

- **Segment 1 funding is fully available under the existing State bond.**
- **Segment 2, which involves the CBITD facility, is 30% available under an anticipated FTA allocation**
- **Segment 3 and segment 4 would have to be funded under a new financing scenario provided by the City. This could be funded through City issued general obligation bonds. Bonding obligation could be reduced through the sale of developable property at the Ocean Gateway site. Six to eight acres could be made available at $600,000-$800,000 per acre. The bulk of this property would be north of the existing Maine Narrow Gauge Rail track.**