



September 28, 2007

Hon. Nicholas Mavodones, Mayor
Portland City Council
389 Congress Street
Portland, ME 04101

Re: Maine State Pier/Ocean Gateway

Dear Mayor Mavodones and Portland City Councilors:

Ocean Properties Ltd. is pleased to submit herewith our response to the three questions asked by the City Council at your September 24 Work Session.

Our interest in the Megaberth project follows our previous written and verbal testimony submitted to both the Community Development Committee and City Council. Our answers to your questions confirm the following:

- ✓ We are prepared to escrow the estimated \$6 million cost to negotiate the construction of the Megaberth.
- ✓ We are prepared to work jointly with the City to consider further improvements to the design in order to enhance full access to the Megaberth in support of cruise ships and other large vessels.
- ✓ The construction of the Megaberth will have no impact on our financial investment in the Maine State Pier.
- ✓ The construction of the Megaberth will have no impact on our business plan for the Pier and our entire project.

We feel strongly the Megaberth will have the potential to complement and enhance our overall development and help achieve the City of Portland's goal to develop a world-class port of call.

Ocean Properties is uniquely qualified to partner with the City in this regard. Our Key West Cruiseport, our Bar Harbor Cruiseport tendering operation, as well as our ongoing work with Royal Caribbean in passenger-handling operations along the East Coast bring an unparalleled level of expertise to the challenges and opportunities offered with Ocean Gateway and the Maine State Pier. Our full-time in-house Cruiseport staff and marketing budget exceeds \$400,000 a year. We work closely with all the major cruise lines and are uniquely positioned to leverage our resources to make Portland the major port of call it deserves to be.

We are excited with the opportunities presented by the Megaberth. Ocean Properties Ltd. stands ready to work closely with the City to make this project a reality.

Respectfully submitted,

Handwritten signature of Tom Walsh in black ink.

Tom Walsh
Founder and Chair

Handwritten signature of George J. Mitchell in black ink.

Senator George J. Mitchell
Principal

cc: Robert Baldacci, Ocean Properties, Ltd.
Joseph E. Gray, City Manager
Lee D. Urban, Director of Planning and Economic Development
Ellen F. Sanborn, Assistant Finance Director



Responses to Questions From
September 24th City Council Work Session
Regarding the Proposals for Maine State Pier Development

28 September 2007

Portland, Maine
City Council



Submitted by:
Ocean Properties, Ltd.



MEMORANDUM

TO: Members of the Portland City Council

FROM: Ocean Properties Ltd.

RE: Response to Questions from September 24 City Council Work Session Regarding the Proposals for the "Lease and Redevelopment of the Maine State Pier," City of Portland RFP #4307

DATE: September 28, 2007

The Portland City Council held a Work Session on September 24, 2007 to discuss the Maine State Pier proposals particularly as they relate to the possible construction of the Megaberth in the Ocean Gateway facility. The Proposers were requested to answer three questions concerning the impacts of adding the Megaberth construction to the Maine State Pier Development project. This memorandum represents our response to those questions.

All parties recognized at the City Council Work Session that responses to a change of this magnitude could only be done at a conceptual level, due to time limitations and the number of unknowns and questions inherent in this request. For the purpose of discussion, we have made the following assumptions in preparing our responses.

1. The \$6 million estimate for the construction of the Megaberth is roughly correct.
2. The Megaberth is fully permitted and no material permits will be required if Ocean Properties, Ltd. (OPL) assumes responsibility for the construction unless it is deemed advisable to reconfigure the design to the benefit of the project.
3. The City of Portland has all rights to negotiate with OPL on the operation of the Megaberth without third-party consents, and an industry standard management agreement with the City will form the basis of the public/private partnership.
4. All construction plans for the Megaberth are current and owned by the City of Portland.

In formulating our answers to the three questions, we have taken into account the information presented by City Ports & Transportation Director Captain Jeff Monroe at the City Council Work Session. His insight into the history of the Megaberth and how the Ocean Gateway could operate in conjunction with the Maine State Pier is very valuable. The OPL team also visited the Ocean Gateway construction site and reviewed plans for both Ocean Gateway and the Megaberth currently on file with the City.



Receiving Station under construction
at Ocean Gateway site

1. What level of investment in the construction of the Megaberth are you willing to consider?

Ocean Properties Limited’s investment in the Megaberth will be \$6 million, or however much it costs. OPL has offered the city \$6 million to be put in an escrow account to cover the construction of the Megaberth as currently designed and permitted. OPL will also consider further investment, if it is warranted, to provide a first-class berthing facility at the Megaberth site.

We have been on the record for several months with both written and verbal commitments confirming our interest in funding the construction of the Megaberth facility if the City felt it was in its best interest to construct the facility at this time. OPL supports the concept of new berthing facilities that reflect market conditions and add flexibility to the use of the combined facilities. We have always felt that the primary focus on the redevelopment of the Maine State Pier should be the creation of marine facilities for water-dependent uses, and our proposal reflects this as the number one priority.

From discussion at the City Council Work Session, it was pointed out that the Megaberth is designed and permitted as a port-of-call facility. It appears that this decision was reached based upon economics, not because it was the best solution for the port. The City felt that a fixed-pier structure would be too costly to construct.

We believe that the Megaberth should be designed and built to handle a variety of different vessels in order to provide even more flexibility in the use of the facilities. If it was deemed practical and economically feasible, OPL would commit the additional funding to upgrade the Megaberth’s capabilities to berth and service a wide variety of vessels on both faces of the structure, including the tugboat fleet. This could be accomplished by constructing a fixed pier to connect the existing Ocean Gateway Pier to existing Mooring Platform No. 1 and extending this structure to Mooring Platform No. 2, as shown on the attached Concept Site Plan. A fixed pier would allow service vehicles as well as shuttle access for cruise-ship patrons that need transportation assistance. The northerly face of the pier could also be developed as an additional berth and possibly the summer home of the tugboat fleet. This pier concept provides many operational advantages over the floating platform design currently being considered.

OPL’s position is that if we are going to fund the Megaberth construction, we want to do it right, especially what is right in maximizing marine uses in the most important deep-water berths in the City of Portland and one of the most significant deep-water berths in the State of Maine.



Mooring Platform No. 1



Mooring Platform No. 2



Future site of Megaberth

2. If the Megaberth is developed, what affect, if any, does this have on your financial investment in the Maine State Pier?

If the Megaberth is developed it will have no impact on the financial investment in the Maine State Pier. The OPL proposal will remain a strong financial proposal even with an investment in the Megaberth.

OPL's proposed marine facilities have been designed to accommodate a number of marine uses within the RFP's designated areas, including cruise ships, coastal ferries, tugboat fleet, visiting vessels, commercial vessels, tour vessels, and recreational boats. The addition of the Megaberth to this mix would provide an opportunity to reconfigure these uses between the two deep-water berths and to provide additional or expanded marine facilities.

OPL understands that stabilizing and upgrading the structural integrity of the Maine State Pier has to remain a "given" in any redevelopment scenario and remains committed to upgrading the Pier to accommodate future uses of the structure. In no way will the structural integrity of the Maine State Pier and the viability of the development on the Maine State Pier be sacrificed for the good of the Megaberth.

With the construction of the Megaberth, OPL will reevaluate the need for the Tug Boat/Multipurpose Pier to see if these uses can be accommodated either at the Maine State Pier or at the Megaberth, or at a combination of the two depending upon the season. Repairs to the Maine State Pier will include all of those items addressed in our proposal including fixing the failed skirt wall, creating a berthing and fending system for large vessels, replacement and stabilization of piles, upgrading utilities, and replacing portions of the deck as required to support the development. The berthing and fending system may take on a different configuration depending upon the class of vessels it will support. However, we expect that the level of investment in the structural integrity of the Maine State Pier will remain substantially the same.

3. If the Megaberth is developed, how does this affect your proposed development and business plan for the Pier and the entire project?

If the Megaberth is developed it will have no negative impact upon the proposed development of the Maine State Pier. The addition of the Megaberth to the Maine State Pier development complements OPL's vision of its development and the associated business plan. Obviously, there are a number of business issues that would have to be addressed as the private/public partnership agreements are put into place. The goal of the intended public/private relationship is to provide a public benefit using the capital investment and expertise of the private sector. OPL is uniquely suited for this role, due to its financial strength and significant experience in developing and operating similar marine facilities.

The OPL proposal and the associated business plan is to develop a number of revenue-generating properties (hotel, office building, retail space, etc.) to subsidize the upgrading of the Pier and the development of additional marine uses. We have understood from the outset that the financial commitment required to develop modern infrastructure for the berthing of cruise ships cannot be supported by strictly marine-related revenues, and that understanding is part of our business plan.

OPL's commitment to make this investment is based on our understanding of the marine industry, and particularly the cruise-ship industry. Many of the issues addressed by Captain Jeff Monroe at the last Council Work Session are issues that we deal with every day—the difference is that we deal with them as a business, not as a support service as currently operated by the City.

From a business perspective, it is important to understand OPL's vision for the Maine State Pier and, if determined to be part of the project, the Megaberth and Ocean Gateway, with respect to the cruise port aspects of our proposal. Our vision is to make the Port of Portland a major player in the East Coast cruise industry, rivaling ports such as Boston, Bar Harbor and those in Nova Scotia. We seriously believe that Portland can achieve the same "marquee" status that Bar Harbor and other ports enjoy, and OPL is uniquely positioned to make that happen.

OPL believes that the Port of Portland has the underlying attributes in terms of history, charm, location, business and people to be a major player in this industry. However, in order to be competitive, it needs an infusion of capital to construct updated facilities, an experienced operator, and the perseverance of a strong partner. *Our business plan is designed to provide that entire package.*

Capital Infusion: OPL will not rely upon the uncertain financial markets to fund the project. We have already committed \$100 million to secure completion of this project. We have offered to make available \$6 million to finance construction of the Megaberth. OPL does not need cooperation from third parties, financial institutions, or potential office tenants to make this project go forward.

Experience: OPL is the largest private cruise port operator on the East Coast. We currently invest over \$400,000 a year in marketing just our cruise port operations. Four full-time employees are committed to marketing of the cruise port industry. They attend national conferences, meet directly with cruise executives, answer concerns. We will sell Portland as a cruise port "not to be missed." OPL has direct contacts within the cruise industry, and one of our principals has ongoing relationships and exclusive contacts within this industry. OPL knows how cruise ports work including berthing, tendering, operations, people movement, joint marketing, and security. Our cruise port in Key West (serving over 300 cruise visits a year) and our tendering operation in Bar Harbor (serving over 90 cruise visits a year) give the company unique leverage to significantly increase cruise visits to Portland and maximize the use of the Megaberth and the Maine State Pier.

Perseverance: The City of Portland is looking for a business partner for the next 100 years. The City will be around for 100 years, but how about its private partner? OPL has been in business for 60 years as a family-owned business. The business has substantial assets in the U.S. and Canada, is the owner of over 100 hotels; owns a substantial amount of office and other commercial buildings; and has never in its history failed to meet its obligations in a public/private development. Financial capabilities, experience, and commitment will allow OPL to persevere in what will be a very complex undertaking as a partner to the City of Portland.

There may be some who think the City of Portland can only be a minor player in the cruise industry. Our vision, our business plan, and our experience say otherwise. The Megaberth complements this vision and plan, and the development at the Maine State Pier will be better for it.





Ocean properties, Ltd.
Hotels and Resorts

1000 market street suite 300 portsmouth, nh 03801 p:603.559.2100 f:603.427.0995 www.ophotels.com