



**MOORS & CABOT, INC.**  
*Established 1890*

To: Ellen Sanborn  
Fr: Joe Cuetara  
Date: June 25, 2007  
Re: Maine State Pier ("MSP")

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The responses to the MSP RFP Bid #4307 (the "RFP") had many differences of substance that challenged quantitative comparison. As such, on March 8 and then on March 28 I queried the respondents for clarifying information that lead to an initial format discussion with City staff; and ultimately the initial report to CDC on April 25, 2007. Albeit the respondents did comply with my requests, continued gaps required more conjecture than I would have preferred (i.e., the formation or expression of an opinion or theory without sufficient evidence for proof). Therefore, following the presentation of my preliminary findings to CDC regarding the financial aspects of the two responses to the RFP on April 27 I invited both respondents to comment to me on my observations.

We did receive clarifying comments including brief comments from TOC; and extensive comments from OPL. These are available on the City's website at <http://www.portlandmaine.gov/responsetoreport.pdf>. However, in my judgment the gap for an ideal comparison could still be narrowed; some of my outstanding queries were still outstanding or begged for further clarification; and based upon discussions with the CDC and City staff several elements of the proposals were not desirable to the City. We invited Ocean Properties LTD ("OPL") and The Olympia Companies ("TOC") to send representatives for a meeting with City staff and me. OPL met with us on Thursday, June 14; TOC met with us on Tuesday, June 19. Each meeting was comprised of parallel phases of discussion. We spoke of my comments made to the CDC in executive session (and are not summarized here) and of items that should be considered by each respondent, as follows:

- 1) **TIF** - A TIF would not likely be considered by the City as part of this project;
- 2) **Lease Term** - A lease of up to 99 years was deemed acceptable for analysis/comparison purposes at this stage in the process, without prejudice to subsequent negotiations;
- 3) **Lease Termination** - The City may consider renegotiation of an extension of the lease at its termination date, at its pleasure, but is not able to commit/comment on that aspect at this stage in the process (i.e., further discussion in that vein would be therefore moot for our purposes); and no payment by the City at termination;
- 4) **Pier Improvements** - The developer is to pay for the repair, rehabilitation and annual maintenance of the MSP's base pier (the "Pier") as a "leasehold improvement" with the Pier remaining City-owned;
- 5) **Pier Lease** - That the developer was to consider annual lease payments for use of the Pier, underlying land and baybottom; and
- 6) **Tax Revenue** - Each party was to detail portions of their proposal that would identify non-taxable property (including the Pier) and provide us with an estimate of taxable assessed value and projected tax revenue thereon that the City could expect.

Responses to specific items:

### Ocean Properties LTD

- 1) **TIF:** Agrees to not request TIF.
  - 2) **Lease Term:** 99 years
  - 3) **Lease Termination:** Right to negotiate additional 99 years at end of first period.
  - 4) **Pier Improvements:** Leasehold improvements, estimated at \$18 million, to be paid by developer.
  - 5) **Pier Lease:** Annual lease payments; first 10 years @\$100,000/year + \$10,000/decade accelerations.
  - 6) **Tax Revenue:** Taxable assessed value (est. at ≈ \$45.6 million) new tax revenue in first year \$744,000.
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CDC Discussion:

### Ocean Properties LTD

Savings of existing “operational costs and utilities” is primarily offset by revenues received, which will both go to new pier operator. The City is still liable for outstanding debt service payments. Therefore, this “savings is not added as a benefit, as it would be “neutral” at best.

Ongoing maintenance to the Pier is lessees’ responsibility. Is Pier lease payments imputed to be \$575,000 first 10 years @\$100,000/year + \$10,000/decade accelerations plus ongoing maintenance + 2% per year accelerations (from \$475,000 base), compounded? However, this is an “avoided cost” and is deemed “neutral”.

Outside scope of MSP RFP, but to extent that it may have significant financial benefit to the City (i.e., as avoided cost; increased assessed value, or multiplier, etc.) OPL posed the possibility of funding and construction of Pier 2, Berths 2 and 3.

First year financial benefit to City = \$844,000

### The Olympia Companies

- 1) **TIF:** Agrees to not request TIF.
  - 2) **Lease Term:** 75 years.
  - 3) **Lease Termination:** Right to renegotiate or City would “buy back” for \$1.00 at termination.
  - 4) **Pier Improvements:** Not specifically identified in last communication. RFP identified \$18 million (Section 4.2,pg 38)
  - 5) **Pier Lease:** Annual lease payments; \$300,000/year + 2% per year accelerations, compounded.
  - 6) **Tax Revenue:** Taxable assessed value est. at ≈ \$97 million) new tax revenue in first year \$1,585,264.
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### The Olympia Companies

Amenable to single-entity LLC.

Additional “comfort letter” from B of A; and discussion with TD BankNorth. Both more acceptable than prior received.

Don’t see carve out of non-tax property (notwithstanding the \$18 million Pier, non-taxed). Perhaps the \$97 million of taxable assessed is overstated?

New addition to the project of on-site (???) parking garage (\$13 million plus net new spaces in the area.)

First year financial benefit to City reported as \$1,885,264 (less undetermined reduction in tax revenue for non-taxable property and the Pier).