Kenai Peninsula Economic Development District Industry Outlook Forum

Presented 8 January 2020
Railroad Operations on the Kenai Peninsula

- Passenger Trains - Scheduled Routes May-September
  - Coastal Classic
  - Glacier Discovery Train
- Passenger Trains - Cruise Ships—based on Vessel Calls
- Event/Charter Trains
- Freight
Kenai Peninsula Railroad Operational Changes

• Spencer Glacier. USFS developed trails and camp sites. ARRC is increasing cars to accommodate increased passengers.

• Grandview Whistle stop. USFS is advancing a trail project to connect the Grandview and Spencer Whistle Stops.

• ARRC is buying new flat cars for cargo transport through the railroad.
Kenai Peninsula Wayside Development

- Track and Bridge maintenance (on-going)
- Collaboration with DOT for Grade Crossings and Highway Improvements
- Snow River Flood Mitigation. ARRC applied for a $250K Hazard Mitigation grant for survey, data collection and hydrologic studies to address glacial flooding (jokulhlaups)
Port of Seward – Terminal Reserve

- Inc. Seward Dock/Terminal Facilities (approximately 75 acres)
- Train operations, maintenance, maneuvering, cruise passengers
- Land not set aside, made available for Lease
ARRC Port of Seward - Construction

- 1966 Seward “Dock”
- 1984 Coal Terminal
- 2000 Cargo Dock
- 2007-2010 Passenger Dock Rehabilitation
- 2010 City Breakwater
Seward Port Operations

- Passengers – 50% increase since 2015
- Freight & Bulk Fuel: Steady - cargo, Fuel - increase
- Boat Maintenance and Repair - increase, and Commercial Fishing Operations – increase
- Ferry Service - 2005 discontinued
- Coal – None since 2016 – Worldwide decline
Recent Investments and Efforts

• 2007-2010 “Terminal” Rehabilitation

• 2014 Condition Assessment
  “The steel piling on this dock are in poor to critical condition with advanced stages of corrosion and significant section loss”

• 2014-2020 (on going) Repairs
  ARRC Funds, and State Grants

• 2017 Seward Port Master Plan –
  TIGER Grant funded (ARRC & City of Seward)

The Passenger Dock nears the end of its useful life.
2017 Seward Master Plan

Master Plan Outreach

• 100+ Stakeholder Engagements
  • 70 Businesses, Organizations
  • 21 completed surveys
  • 3 Workshops
  • Seward City Council Work Session
• 188 potential projects identified
Seward Master Plan Improvement Priorities

Recommended:
1: Passenger Dock Replacement & Freight Dock Improvements
2: Passenger Terminal Building Replacement
3: Traffic Staging at Passenger Terminal
4: Seward Loading Facility
5: Extend Port Ave to Connect with Airport Rd.
Port Uplands Development

- Catalyst Marine Boat Repair
- Exit Marine Boat Storage
- Seward City mainline Water and Sewer
- Fiber Optics in the Seward Rail Yard
- Coordinating with KPB Floodplain management for emergency material disposal from flooding areas (Lowell Creek and Salmon Creek)
- Improving Port uplands for future development
Seward Cargo Terminal
Freight Dock

- Limited Berthing Space – (2 Medium Ships)
- Capacity to Service Larger Ships - limited flexibility for loading
  - Limited Area for safe and efficient cargo handling/storage/staging in a secured area
- Limited Area to service barges in the barge basin.
  - Barge Basin is subject to Siltation
Seward Freight Dock and Corridor Improvements

• Lengthen and widen the freight dock and construct an airport connection road for freight to safely access the Seward Highway.

• Applied for a Grant with City of Seward. (Unsuccessful)
Seward Passenger Terminal

Actions Required: ARRC to Commit $10-13M for continued maintenance to the passenger dock, and remove by 2024/25
Financing for a Passenger Terminal

Master Plan Cost estimate: $50M- $100M

• ARRC capital recovery marginal given the performance risk
• State appropriation of required funds will be difficult
• Federal grant opportunities for passenger dock facilities:
  • benefiting private industry are rare
  • not likely be available in time
  • Not likely support more than 50% of the cost
• Private Investment - ARRC was directly approached by parties interested in developing their own Seward cruise facility

= Private Investment in Cruise Operations
Private Investment

• A Lease/Concession for replacement:
  • Partner to Develop and Operate the cruise terminal
  • May expand current operations
  • May utilize available areas for commercial development
Alternative Delivery

DBFOM (design-build-finance-operate-maintain) contract: a private entity is responsible for design and construction, as well as long-term operation and maintenance services.

• Outcome – A Terminal developed and managed by a private entity
• Process – ARRC DBOM Procurement
  • Request for Qualifications (public advertisement)
  • Invitation for Proposal (from a qualified shortlist)
  • Confidential commercial negotiations
Design-Build-Finance-Operate-Maintain (DBOMF)

- DBFOM contract: Developer will secure the project's financing and retain the operating revenue risk.
Project Goals

• Provide a passenger Terminal including the development, replacement or rehabilitation of the existing dock, passenger Terminal building, and upland facilities; collectively the “Terminal”, to accommodate continued cruise/visitor industry growth in Southcentral Alaska

• Operate and maintain a cruise passenger Terminal and related facilities

• Promote stable growth of railbelt commerce

• Optimize profitability to ARRC
Project Scope

Required project scope
• Provide a cruise passenger terminal
• Operate, manage, and maintain
• Avoid interruption of cruise or rail passenger traffic
• Provide for off-season mooring of freight vessels

Aspired project scope
• Consider commercial concessions in other available lease areas
• Consider providing a facility available for public use/rental in off-season
• Consider improved passenger access to the local community

Performance Criteria
• Design parameters
Project Development Schedule

- **July 2019** – Request for Interest
- **September 2019** – Request for Qualifications
- **December 2019** – “Shortlist” of Teams
- **January 2020** - Invitation for Proposals
- **April 2020** – Negotiations
- **July 2020** – Finalize Contract
- **August 2020** – Notice to Proceed
- **May 2024** – Marine Terminal Complete
ARRC has publically released the names of two Respondents selected to participate in Step Two of the solicitation:

- Global Ports Holding, Plc. and Conrac Solutions
- Holistica Destinations, Ltd., Norwegian Cruise Line Holdings and Royal Caribbean Cruises, Ltd.

This is an active solicitation and no additional solicitation information will be publically released until the end of the procurement process. For questions regarding this selection please call Tom Erickson at 907-265-2481 or email: ericksont@akrr.com.
Project Status (Cont’)

• **Global Ports Holding, Plc. and Conrac Solutions.**

  *From [www.globalportsholding.com](http://www.globalportsholding.com):* “Global Ports Holding Plc is the world’s largest cruise port operator with an established presence in the Caribbean, Mediterranean, Asia-Pacific regions...”

  *From [www.conracsolutions.com](http://www.conracsolutions.com):* “From design, construction and financing to activation, operations and asset management, the Conrac Solutions family of companies offers expertise in every aspect of consolidated and shared rent-a-car facilities.”

• **Holistica Destinations, Ltd., Norwegian Cruise Line Holdings and Royal Caribbean Cruises, Ltd.**

  *NEWS PROVIDED BY Royal Caribbean Cruises Ltd., June 24, 2019:* Two respected leaders in the travel and tourism industry, Royal Caribbean Cruises Ltd. (NYSE: RCL) and privately-held ITM Group, are teaming to form a new destination company, to be called Holistica.
Passenger Terminal Next Steps

- Proposals
- Negotiation – Best Value
- Agreement
- Planning
- Design
- Permitting
- Construction
- Operations

Updates on our Website at:

www.railportseward.com
Thank you for your Interest

https://www.alaskarailroad.com