

Massachusetts State Piers: A Business and Operations Assessment

Report to

MassDevelopment
Massachusetts Executive Office of Housing and Economic Development
Seaport Economic Council
Massachusetts Executive Office of Energy and Environmental Affairs
Department of Conservation and Recreation

August 2016

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SERVICES

and



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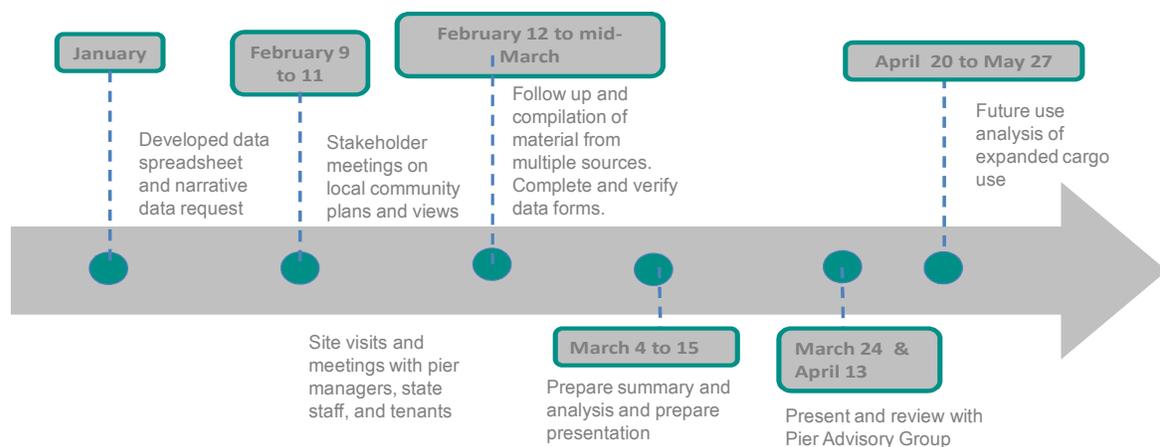
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Introduction

The Commonwealth of Massachusetts, through the Department of Conservation and Recreation (DCR), owns four waterfront piers located in Fall River, Gloucester, New Bedford, and Plymouth. Each pier has different uses, management and governance structures, and some face significant capital investment needs. The Seaport Economic Council under the Executive Office of Housing and Economic Development (EOHED) and MassDevelopment hired the consulting team of Karl F. Seidman Consulting Services and Urban Focus, LLC to complete a business and operations assessment of these four piers to help inform state policy on the future governance and investment in the piers. The report does not address piers operated by Massport as these are governed by a separate state authority and did not present the same policy issues concerning their operations and capital needs. This report presents the results of that analysis including comparative findings across the piers, a review of operations and practices at three other New England piers, individual profiles of each pier, and an analysis of the financial impact of opportunities to expand selected maritime uses at the state piers in Fall River and New Bedford.

Concurrently, the Public Policy Institute at UMass Dartmouth is doing a comprehensive study of the maritime economy in Massachusetts. This study will also help inform state policy on the future governance and investment in the piers.

Figure 1. State Pier Study Data Collection and Analysis Process



A summary of the process and methods used in the study is presented in Figure 1. The process began by identifying the information on each pier needed for the analysis and preparing both a narrative data request and spreadsheet form for summarizing information. Existing information and reports were collected for each pier, and the data request and form was shared with DCR and other pier management organizations to collect additional information. The consultant team

conducted site visits to each pier on February 9-11, 2016, that included facility tours and meetings with the pier management staff and some pier tenants or users. A separate meeting was held with other local stakeholders, including local elected officials, economic development organizations, and planners to get their perspective on the pier's value to the community, its operations, and local relationships and proposals for future use or development at the pier. All this information was compiled into summary data forms and circulated to DCR and the pier managers for review to address any remaining information gaps and identify any mistaken data. Interviews were also conducted with three city or state-owned piers in neighboring states to understand how the governance, operations and finances worked in these similar facilities and provide a point of reference for Massachusetts.

A summary analysis of all compiled information was completed and presented to the State Pier Working Group, consisting of the Lieutenant Governor and eight state agencies with missions and operations related to the state piers. Based on discussion at these meetings, and guidance from EOHED and MassDevelopment, it was decided to conduct a preliminary analysis of "future use" opportunities for expanded cargo and shipping related activities at the state piers in Fall River and New Bedford. Additional information was collected and this analysis was completed in late April and May. These future uses have not been fully evaluated for market support and still need to be considered in light of the maritime economy study now underway.

Pier Comparative Analysis

This section provides a brief synopsis of governance, operations and conditions at each state pier, and then contrasts and compares key aspects of the four piers, highlighting key findings from the analysis. Table 1 summarizes the key physical, economic and management aspects of the four piers, each of which has unique features and functions.

- **Fall River State Pier** is 8.6 acres with a 96,000 square feet storage warehouse within the Mount Hope Bay Designated Port Area (DPA). It is managed by the Fall River Line Pier, Inc. under a now-expired long term lease dating back to 1948. Its economic uses include freight shipping and storage by one firm (Atlantic Shipping and Trading), a seasonal ferry to Block Island and the Battleship Cove Museum with multiple historic navy ships. The pier also provides dockage for three fishing boats and is used for storage by several firms.
- **Gloucester State Fish Pier** is an 8 acre developed pier serving the fishing industry and located in the Gloucester Inner Harbor DPA. It has three buildings with a combined total of 96,000 square feet, one of which includes a freezer and cold storage capacity. The pier has 59 boat berths, inclusive of a large floating dock system, that are primarily leased to commercial fishing boats. Several additional berths along the main pier are used by building tenants that include the Coast Guard, State Environmental Police and Cape Seafoods. It is operated by Mass Development under a 25 year ground lease and management agreement with DCR that runs through June 2019. MassDevelopment also acted as co-developer and lender for one of the pier buildings built in the late 1990s that is occupied by Cape Seafoods, a herring fish processing firm that also leases the freezer/cold storage building.
- **New Bedford State Pier** is an 8.5 acre pier with six buildings totaling almost 100,000 square feet located within the New Bedford/Fairhaven DPA. Three-quarters of the improved space is in a two-building complex with warehouse space and a ferry terminal. It is the most complex of the four piers with 17 tenants and multiple uses including fishing, freight, marine support services, government offices and passenger transport. DCR is directly responsible for management of the pier.
- **Plymouth State Pier** is a one-third acre wooden pier next to Pilgrim Memorial Park with two users: (1) the Mayflower II ship and related exhibit that is owned and operated by Plimoth Plantation, a private not-for-profit museum; and (2) a private charter boat operator that runs a seasonal ferry to Provincetown ferry and excursion boat trips. The pier contains two small buildings—the Mayflower II outdoor exhibit and a small ticket booth. The pier is operated jointly by DCR and Plimoth Plantation. It is the only state pier that is not within a DPA.

Table 1. Summary and Comparison of Key Aspects of Massachusetts State Piers

	Fall River	Gloucester	New Bedford	Plymouth
Physical port assets	8.6 acre pier with 96,000 SF warehouse; Rail service, roll-on/roll off landing, 20 to 28 foot depth	8 acres with 3 buildings (96,000 SF); one with freezer and cold storage 61 berths; 55 on floating docks 17 foot depth	8.5 acre pier with 6 buildings (almost 100,000 SF) 24 to 30 foot depth	1/3 acre wooden pier adjacent to Pilgrim Memorial Park with 2 small buildings
Key uses	Cargo shipping and storage Seasonal ferry Battleship Cove Museum	Fish processing Dockage for commercial fishing State and federal government offices	Cargo terminal and storage Ferry terminal Dockage for range of vessels Marine services Site for city-sponsored festivals and events	Mayflower II ship and exhibit Seasonal ferry and excursion boats
Governance	DCR owned Long-term operation by Fall River Line Piers (expired)	DCR owned Long-term management and ground lease with MassDevelopment	DCR owned and managed	DCR owned Joint maintenance/operation with Plimoth Plantation
Staffing	8 person staff with general manger, 2 maintenance , 5 security guards	2 person staff : Pier Manager Facility Maintenance Manger	DCR Pier Manager	DCR staffs through regional office; in season 5 laborers and 4 interpreters on site
Lease structure	DCR lease to FRLP expired in 2014 Sub-lease to museum @ \$1/year No leases with other users	DCR agreement and lease to MassDevelopment ; multiple tenant leases and license for floating dock berths	MOU with HDC (expired) for Ferry Terminal DCR leases & permits with multiple users (some expired)	Lease to Plimoth Plantation (expired) Permit to ferry/excursion boat operator
Finances	<ul style="list-style-type: none"> Near breakeven operations (\$394K in revenue; \$395K in expenses) State: \$5.2M in capital investment since 2005. 	<ul style="list-style-type: none"> Operates close to breakeven but with deferred debt service; \$980K in revenue; \$1M expenses \$5.4M owed to MassDevelopment State: \$1 million capital investment in FY17 	<ul style="list-style-type: none"> Operates at apparent loss but incomplete financial information HDC: \$75K in revenue; \$140K in expenses DCR: \$146 K revenue;; \$173K in expense State: \$5.1 in capital repairs since 2011 	<ul style="list-style-type: none"> Minimal revenue to DCR (~\$22,000) DCR operating costs unknown PP operating costs of \$313K

Economic Role and Uses

While all four piers in this analysis support water-dependent uses, there is some variation in the type and diversity of economic roles and uses at each pier. Gloucester and Plymouth have economic roles that support a single industry use: Gloucester is dedicated to supporting commercial fishing and Plymouth houses an important tourism destination for the town and region. Gloucester houses a significant fish processing company and has a key role in providing berths, which are in short supply in the harbor, to fishing vessels and providing a public use space to repair gear. Fall River and New Bedford are multi-use piers that combine

shipping and cargo storage with passenger transportation and other uses, including dockage for fishing vessels and cruise ships. The current cargo port activities at Fall River and New Bedford are modest and have the potential for expansion, as they do not fully utilize the pier capacity. New Bedford receives clementine shipments from Morocco while Fall River supports the shipping and distribution operations of Atlantic Shipping, which has one ship that imports and exports goods to Cape Verde and Haiti. Several commonalities in uses across multiple piers are:

- Passenger transportation uses exist at Fall River, New Bedford and Plymouth;
- Visitor tourism destinations are present at Fall River (Battleship Cove Museum) and Plymouth (Plimoth Plantation Mayflower II);
- New Bedford and Gloucester provide office and dockage for government agencies; and
- Gloucester, Fall River and New Bedford provide dockage for fishing vessels, although this is a larger function at Gloucester than at the other two piers.

A few core users are central to the finances and business model at each pier and thus the piers' relationships with these users are particularly important. These core users often generate the largest share of activity and revenue at the pier and, for Plymouth and Fall River, have operating responsibilities for at least a portion of the pier. The core users at each pier are:

- Fall River: Battleship Cove Museum and Atlantic Shipping;
- Gloucester: Cape Seafoods;
- Plymouth: Plimoth Plantation; and
- New Bedford: Seastreak and Maritime International.

Based on interviews conducted as part of the study, most of these core users do not experience DCR and the pier managers as partners in their success. Some users reported a long lapse in lease agreements or the absence of a long term agreement as a barrier to making investments to maintain, improve or expand their operations (Fall River and Plymouth). Inadequate maintenance and management by DCR was a major tenant issue in New Bedford but was also raised in Plymouth. The need for and uncertainty about capital investment and repairs exists at all four piers. MassDevelopment has worked to support the success of its users: it provides space and advice to help fish harvesters, has reduced rent payments to assist Cape Seafoods and kept berth rates reasonable in the challenging conditions faced by Gloucester's fishing industry.

Governance and Operations

Governance and operations is a major problem and weakness for the state pier assets, with the exception of Gloucester. First, there is no uniform system or commonality in how the Commonwealth governs and manages its four piers. Although DCR is responsible for ensuring the sound condition and physical integrity of each pier and oversight on behalf of the Commonwealth, there are idiosyncratic arrangements for management and operations of the pier, many of which date back many decades.

In Fall River and Gloucester, DCR has delegated the operations and management of the Pier to a separate entity via state legislation and/or legal agreements. Fall River Line Pier, Inc., a non-profit affiliated with the city of Fall River manages the Fall River State pier—an arrangement

that dates back to 1948 and was codified in a 50-year lease signed in 1964 that expired in 2014. MassDevelopment manages the Gloucester State Pier for DCR under an arrangement that began in the 1980s and was codified under a 25 year ground lease and management agreement that runs through June 2019.

For New Bedford and Plymouth, DCR historically shared operating responsibilities with another party: until this year New Bedford's Harbor Development Commission was responsible for overseeing the portion of the pier with the ferry terminal and related parking under a 1999 agreement with DCR that expired in June 2012. New Bedford provided \$1.048 million in matching funds for two US Department of Transportation grants to make improvements to the state pier: the first grant in 1999-2000 funded the Roll-On/Roll-Off ramp and other infrastructure needed for the earlier freight ferry service between New Bedford and Martha's Vineyard; the second grant was used to convert the transit warehouse into the current ferry passenger terminal. HDC also worked to market the pier for additional uses. DCR was responsible for managing the balance of the pier, including all the office space, the shipping and cargo storage facilities, and boat dockage. In 2016, DCR ended this arrangement and established sole management responsibility for the New Bedford state pier. In Plymouth, DCR oversees the pier in conjunction with the adjacent park and oversees overall pier maintenance and repairs. Plimoth Plantation is responsible for trash collection and handles some maintenance activities for the pier, particularly related to its outdoor exhibits and the Mayflower II berthing, and has made ongoing investments in both assets.

The split operating responsibilities at New Bedford did not work well as some users and the City of New Bedford expressed dissatisfaction with the arrangement. When the study began, DCR did not have a full-time pier manager on site and sent staff when ships were in port or other pressing needs existed. The HDC reported that this situation led to security lapses at the ferry terminal. Users also reported a lack of DCR attention to keeping the pier clean and to timely snow removal. DCR lacks effective systems for managing its leasing and agreements for the piers and has been slow to address major repair and replacement. DCR has acknowledged its problems overseeing the state pier. Recent uncertainty on DCR's part about whether it would continue overseeing the piers also resulted in the agency not fully investing in and staffing its oversight role. Once this uncertainty was resolved, DCR moved quickly to establish full responsibility for management of the pier, ending its arrangement with the HDC and hiring a new full-time pier manager who started work in early July.

Day to day maintenance and operations between DCR and Plimoth Plantation staff reportedly work well, but Plimoth Plantation is frustrated at its inability to work out longer term management issues with DCR, including inattention to negotiating a new lease agreement and the uncertainty over important repairs and improvements to protect the Mayflower II, which will be undergoing a major restoration in advance of the 400th year anniversary in 2020.

In contrast to the management difficulties at New Bedford and Plymouth, the dedicated single pier management entities at Fall River and Gloucester have performed better both in addressing maintenance and financial management needs.

Leasing

The negotiation and management of leases and user agreements at the state piers has been especially problematic and has impaired the financial position and performance of most piers. As with pier management, there is no uniform policy or approach to leasing and use agreements for the piers. Consequently, there are neither established policies nor consistent practices for key leasing matters including:

- the market or fair rate for use of the pier and its facilities;
- how lease and user rates should be adjusted over time;
- appropriate user contributions to operating costs, security and common area maintenance; and,
- the appropriate time period for agreements.

The result is a collection of separate individual agreements, each with their own provisions and many of which are very simple arrangements that do not provide for good real estate practices. This situation has resulted in fragmented responsibilities and does not provide sufficient financial resources for sound management and maintenance. For example, many of the key agreements with large users at Fall River, New Bedford, and Plymouth involve either no cost leases or rent credits in exchange for providing or paying for services, which has resulted in the state receiving no cash payments to help cover operations, repairs and replacement costs from many of the largest users at these three piers. Another example exists at New Bedford, in which several office tenants have agreements that renew automatically without any increase in their rent payments. The Fall River pier currently operates without any written leases or user agreements. Businesses can access and use the pier under its published rate sheet. Interstate Navigation, the ferry operator, was reported to use the pier under a verbal agreement with Fall River Pier Lines. This absence of a long-term lease was problematic for at least one Fall River pier user since it was a barrier to securing financing to expand their business.

DCR has not effectively managed and administered its leases and agreements at three of the four piers, which has resulted in many lapsed agreements. The New Bedford Harbor Development Commission, Fall River Line Pier and Plimoth Plantation, DCR's management partners for New Bedford, Fall River and Plymouth, respectively, are all without current agreements. Multiple tenants and users at New Bedford are also operating with expired agreements. Some agreements expired several years ago and the users have been unable to engage DCR in negotiating an extensions or new agreements. This situation creates frustration among partners and uncertainty about the status of some activities and safety of new investments.

Gloucester is an exception to the problematic leasing practices found at the three other piers. MassDevelopment has current leases in place for all of its building tenants and boat berths, uses legal agreements with well-defined responsibilities and obligations for all of these uses and follows good real estate practice in providing for rent escalators, tenant assumption of utilities and tenant contribution to common area maintenance costs.

Business Model

A business model framework is useful to understand how the piers operate from a customer value perspective. Since the pier staff did not always have an explicit business model, the study assessed the business model as incorporating four components:

1. The pier's customers and what value the pier delivers to them;
2. The infrastructure and services that are central to that value;
3. How customer value is translated into pier revenue; and
4. The relationship of pier revenue to infrastructure and service costs.

The four piers vary in the focus of their business model and their success in having a viable financial basis for the model. Gloucester and Plymouth have business models with clearly defined customers and value:

- Gloucester supplies long-term dockage and specialized building space with water access to the commercial fishing industry;
- Plymouth supports a regional tourism destination in partnership with a non-profit and provides value through its location, pier and waterfront access, and providing visitors with an attractive environment and interpretive services.

As noted in the next sections, Gloucester is able to capture this value through building and dockage lease revenue sufficient to cover its core operations but not building and infrastructure capital costs. Plymouth generates little revenue from its value; taxpayers and its main tenant cover operating and capital costs.

Fall River has a dual-use business model combining a tourist destination with a port providing freight and passenger transportation—with a small number of core users. It provides value as a pier with deep water access, specialized equipment, storage and direct rail access. It is able to generate sufficient revenue through port-related fees to cover its operating costs but captures no revenue from its lease to the Battleship Cove Museum.

New Bedford is a multi-use pier with many customers and no dominant business model. It serves shippers, fisherman, ferry and other passenger transportation businesses, marine service businesses, event organizers and others. It provides value with its dockage, warehouse, ferry terminal, location and size. However, there is no dominant customer or use and the pier is not managed to focus on and build its value around specific customers and uses. It does not capture sufficient revenue to cover its operating costs and faces significant capital investment to address deterioration and sustain its functionality.

Financial Performance

Challenges to securing verified site-specific financial information across all four piers prevents an accurate comparison of their financial performance. Fall River and Gloucester maintain financial records for the pier as a distinct business unit with audited financial statements available. New Bedford and Plymouth do not maintain pier-specific financial records; tracking revenues and expenses is further complicated by shared operating responsibilities at these piers.

The consultants used information collected from DCR, HDC and the Plimoth Plantation to estimate revenue and expenses for these two piers (along with figures compiled in a recent engineering report on New Bedford. However, these figures have gaps and possible inaccuracies and may not accurately represent revenue and expenses¹. Consequently, figures for these two piers should be viewed as a rough approximation rather than providing an accurate picture of their financial performance.

Table 2. Comparative Financial Results at Massachusetts State Piers

Item	Fall River	Gloucester	New Bedford (HDC + DCR)	Plymouth- DCR	Plymouth- PP
FY2015 Revenues	\$394,098	\$989,299	\$221,186	\$21,716	unknown
FY2015 Expenses	\$395,155	1,010,554	\$313,896	unknown	\$312,613
FY2015 Net Income	(\$1,057)	(\$97,176)	(\$92,710)	unknown	unknown
Average Net Income FY2013 to FY2015	\$3,422	(\$32,977)			
Reserve Fund Balance	\$415,005 (12/2014)	\$771,000 (6/2015)	None	None	None

Based on three year averages, Fall River and Gloucester operate near break-even with pier revenues sufficient to cover operating costs and in some cases allowing for contributions to operating and replacement reserves. Fall River pier received \$394,098 in revenue in 2015 and had \$395,155 in expenses for a slight \$1,057 loss. It had a loss of \$6,641 in 2014 and net income of 17,963 in 2013. Net cash flow is split between contributions to a stabilization reserve fund and rent payments to DCR. The stabilization fund had a 2014 year-end balance of \$415,005, which includes a \$250,000 state grant from DCR. The last rent payment made to the state was \$14,968 for 2013. Gloucester had \$989,299 in revenue for 2015 and expenses of \$1,010,554 for a loss of \$97,176. In 2013, net income was \$47,027 while a loss of \$48,783 occurred in 2014. As with Fall River, Gloucester has applied net cash to a reserve account which had a balance of \$771,000 as of June 30, 2016. Gloucester has also funded \$1.2 million in repairs from its reserves and cash flow over the past five years. Gloucester, however, differs from the other piers with a large debt liability incurred by the Cape Ann Fisheries Development Corporation, a non-profit formed by MassDevelopment and the Archdiocese of Boston's Planning Office for Urban

¹ Problems with the New Bedford and Plymouth financial information are: (1) DCR does not keep records on operating costs specific to each pier; maintenance and administrative services are provided by DCR regional and central offices and there is no allocation of these costs to specific sites; (2) DCR revenue figures for New Bedford appear to omit some lease payments and lacked sufficient detail to be confident that they included all revenue; (3) HDC pays the electric costs for the State Pier and then deducts it from its rent payments to DCR but the DCR appropriations and past reports on operation costs include a large amount for electricity and no explanation was provided to determine whether these are duplicate or unique costs; and (3) pier operating costs by Plimoth Plantation are included but no associated revenue since very few tickets are sold specifically for visits to the Mayflower II.

Affairs, to develop the Cape Ann Fisheries Building. The building has faced problems making debt payments and has accumulated \$5.4 million in debt obligations to MassDevelopment. It is currently paying over \$200,000 in annual debt service.

Plymouth and New Bedford, on the other hand, collect substantially less revenue and appear to operate at a loss. At Plymouth, DCR's only revenue is from the ferry and charter boat operator which paid \$21,716 annually under its prior agreement, which was recently rebid. DCR could not provide any figures for its operating costs, but we estimate costs are well above \$21,000. Plimoth Plantation reported 2015 expenses of \$312,613 associated with maintenance, trash removal, and other costs at the Plymouth pier. However, the expenses directly tied to the pier rather than its exhibit and Mayflower II could not be determined. When HDC and DCR figures are combined, the New Bedford state pier appears to have lost almost \$93,000 in FY2015, with \$221,186 in revenue and almost \$314,000 in expenses. These figures exclude \$50,000 in annual payments claimed by the HDC to reimburse the City of New Bedford for \$1.048 million in matching funds that it provided for two USDOT grants used for infrastructure improvements and renovations to create the passenger ferry terminal. Moreover, some revenue may not be included in these figures and it is unclear if electricity costs are double counted.

Capital Investment Needs

All four piers have capital investment needs. At New Bedford Pier, extensive deterioration to the pile supports, decking and bulkhead needs to be repaired. Additional less urgent capital needs also exist at Fall River, Gloucester, and Plymouth. Fall River Pier has to repair damages from a major storm, the warehouse roof and south berth. Gloucester has plans to add two additional berths to its floating dock infrastructure. Plymouth seeks dredging and replacement of its dolphin clusters² to protect the Mayflower II ship. The Commonwealth has committed funds to replace the freezer building roof at the Gloucester pier and add refrigeration to the New Bedford's warehouse.

Future Uses

As shown in Table 3, multiple ideas for future uses at each pier exist. In many cases, these are broad concepts and plans proposed by local stakeholders rather than projects with a defined user, developer or market ready to drive the new use. No funding has been identified or is available for the proposed uses in Table 3 and additional research is needed to identify sources of federal, local and private funding, along with added revenue from improved leasing arrangement, to assess the feasibility of these potential uses. Moreover, these proposals have not been closely reviewed or evaluated by the sponsoring agencies for this report.

In Fall River and New Bedford, there is an interest in expanding state pier uses beyond their historic (and DPA regulated) water-dependent maritime roles to encompass mixed-use development, public spaces or tourism-based uses. New Bedford recently completed a waterfront plan that envisions the state pier adding a large public plaza and flexible use space, a

² A marine structure that extends above the water level and is not connected to shore.

new fish auction building and two new mixed-use buildings with retail and supporting marine uses. At the same time there is a desire to add refrigeration to preserve and potentially expand its cargo and warehouse operations. In Fall River, the Battleship Cove Museum has completed a master plan for a new 35,000 square foot museum and improved campus. The City’s economic development executive is interested in converting the pier from cargo activity to a mixed-use development; a 2011 reuse plan proposed a new ferry terminal, a pedestrian boardwalk and a new mixed-use building with a cafe, retail, a children's center, and exhibition space. Expanding cargo operations is another option for Fall River: a metal recycling firm is interested in storage and exporting through the pier, while existing tenant Atlantic Shipping is interested in expanding its business through acquiring a larger ship. Reuse proposals for non-waterfront dependent maritime economic activities, however, are not consistent with current state policy and regulations with the state piers’ location and role within Designated Port Areas.

Table 3. Pier Future Uses from Stakeholder Meetings and Prior Plans

Pier	Proposed Future Uses ³
Fall River	City vision: end port use and redevelop for mixed use/tourism (requires DPA de-designation) Battleship Cove \$31.5M plan for 35,000 sq. ft. museum and campus Proposal for expanded storage and shipping for metal recycling firm
Gloucester	Add 2 berths to floating dock system (no funding currently available) Ideas for gear storage; covered repair area; outdoor fish market Potential development site for marine industrial water dependent use: city interested in soliciting proposals
New Bedford	City plan: more active pier use and 3 new buildings Large plaza/flex space and buildings with retail and restaurants New ferry terminal 50,000 sq. ft. mixed use building with fish auction
Plymouth	Town takeover of pier Limited proposals for future use or development: 2006 plan for commuter ferry service; ideas for park improvements; retail/services for residents

Gloucester and Plymouth, on the other hand, have limited proposals for future uses. Gloucester is pursuing expansion of its floating docks and there is some interest in establishing an outdoor fish market, gear storage and a covered space for gear repair work undertaken by fish harvesters. There were no specific proposals for Plymouth, although city officials expressed an interest in potential town ownership of the pier, improved landscaping at Pilgrim Memorial Park and retail/amenity development for local residents. There is also a 10-year old study for providing commuter boat service to Boston.

Given the preliminary nature of most proposals and potential conflicts with DPA regulations, the study focused on analyzing future use options tied to the pier water-dependent maritime industrial uses only. Two uses were analyzed, one each for New Bedford and Fall River, in

³ These uses were proposed by various local stakeholders. They have not been evaluated by the state agencies sponsoring this report.

terms of their financial impact on the Commonwealth with respect to pier revenues, operating costs and capital investment costs:

- retained and expanded cargo at New Bedford State Pier with refrigerated storage, and
- adding materials storage and export for a metal recycling firm to Fall River State Pier.

A third opportunity for expanded shipping and storage by Atlantic Shipping exists at Fall River, but the consultant team was unable to obtain information from the company to assess this option.

The results of this analysis were:

- Installing refrigeration at the New Bedford pier will expand cargo imports from a six month to a year round activity while preserving the existing operations. Annual retained and new revenue from refrigeration is estimated at \$112,700 under current fees. DCR should be able to increase usage fees and revenue based on increased market rental rates for refrigerated storage, with estimated annual revenue of \$261,744. In both cases, added utility and maintenance costs are assumed to be by the tenant, as is standard practice, and do not impact DCR revenue.
- Expanded Fall River cargo operations through the addition of a metal recycling firm will generate new revenue of \$72,000 and \$99,000 under a partial use scenario and between \$289,000 and \$408,000 under a full use option.

State Policy Implications and Issues

Several important policy and management issues emerged from the review of state piers that relate to pier management, operations, and their economic uses. These issues warrant future consideration and policy decisions by the State Pier Working Group and key state policy makers. These policy and management issues are fourfold:

1. **The appropriate state governance and management structure and required level of resources needed to oversee state piers.** Should DCR remain as the oversight agency or should this function be transferred to another agency with a transportation or economic development mission that is better aligned with the pier's activities and mission? Whatever agency is charged with this mission, it needs sufficient staff resources and essential management systems for lease administration, revenue collection and asset management.
2. **Long-standing management needs to be reexamined, updated and renegotiated** to be sure it reflects the new governance decisions, current and expected uses and equitable sharing of revenue and expenses between the Commonwealth, pier managers and long-term core users, such as the Battleship Cove Museum, HDC, Plimoth Plantation. Consideration should be given to the Commonwealth receiving fair market rents for use of the piers, regular adjustments to rent payments, and user contributions to common operation and maintenance costs. Lease or agreement terms need to balance sufficient length to allow for new investment and business stability that users seek and the capacity of the Commonwealth to reconsider and alter arrangements as economic conditions and policy priorities change.

- 3. Implementation of consistent leasing policies and good leasing practices.** The leasing review reveals a hodgepodge of leasing arrangements and a lack of good real estate leasing practices. Both the state oversight agency and any contracted pier manager should follow a consistent state policy, have formal agreements governing lease terms and requirements and provide for regular rent adjustments, user payment of utilities and contributions to common area maintenance and operating costs.
- 4. Defining the state's interest and vision for future use of the piers.** Several communities have undertaken their own planning and created a local vision for future use of these piers. The Commonwealth may be asked to support these local visions. However, the Commonwealth may have its own goals and vision for the state piers that inform whether and how it chooses to deploy its state pier assets in support of local development plans. These state goals should reflect the state's facility, infrastructure and economic development needs, limitations on available state funding, and securing sustained funding for capital needs from non-state sources. Two critical questions that the Commonwealth needs to consider in defining this vision are: (1) whether to retain the Fall River, Gloucester and New Bedford piers for maritime and water-dependent economic uses or allow reuse of all or part of the piers for tourism or other economic uses; and (2) how to leverage these uses for a sustainable and productive future for the Commonwealth's pier assets.

Review of Three New England Piers

To provide a basis for comparison and inform future state decisions, a review of three comparative New England public piers was conducted. First, a scan of all New England ports was undertaken to identify potential piers for further analysis, based on their size, uses and location. Key criteria for selecting comparison piers included: (1) publicly owned by a state or city government; (2) incorporating uses similar to those at Massachusetts state piers, i.e., cargo, commercial fishing, or passenger transportation; and (3) representing different states. After consultation with MassDevelopment, piers in Portland, Maine, Portsmouth, New Hampshire, and Quonset, Rhode Island were selected. Basic web-based information on each pier was collected and an in-depth interview was conducted with the pier manager or key executive for each pier. In some cases, additional financial information was provided and reviewed after the interview.

Summary information from each comparison is provided in Table 4 consistent with the categories used for state piers in the early chapter. One caveat when comparing these three piers to the Massachusetts state piers covered in this study is that the comparison piers are more central to port and maritime activities in their state. Boston is Massachusetts' largest and principal maritime port while the four state piers have more specialized or secondary roles in the maritime economy. However, the comparison piers are a major, if not the primary center for port and commercial maritime activities, in their states. Consequently, they may be more important, have a stronger market position and be of higher economic development priority with their respective states than the four piers covered in this study.

This section provides a brief overview of each pier, compares key economic and management aspects across the three piers and highlights best practices and implications for Massachusetts.

- **Portland, Maine** has three separate city-owned piers with over 7 acres overseen by the city Economic Development Office. The City of Portland operates the Ocean Gateway/Maine State Pier complex which is primarily used for passenger transportation including local ferry service, an international ferry and cruise ships. A second pier houses a fish auction, several buildings under land leases and dockage; it is overseen by a separate Fish Pier Authority with the Portland Building Department providing maintenance. The state port authority operates a container port at the third city-owned pier. Leases are customized to each user and range in length from 2 to 30 years and are on a triple net basis whenever possible. The fish pier has positive net revenue (\$165,000 in FY2016). Separate accounting does not exist for the Ocean Gateway complex but it receives annual cruise ship revenues of \$1 to 1.5 million.
- **Quonset/Davisville, Rhode Island** is a large 60 acre state-owned port with five terminals and an adjacent 125-acre industrial park. The primary use is a freight port with autos and frozen foods as the main cargo but includes a ferry terminal. The port and industrial park are owned and operated by the Quonset Development Corporation (QDC), a quasi-public subsidiary of the state economic development authority—Rhode Island Commerce Corporation (RICC). QDC has four full time staff and uses RICC for technical and other support services. Quonset operates as an open port without leases or any extended use agreements but does enter into leases for its industrial park tenants. QDC revenue covers

all operating costs; total revenue and net income for FY15 were \$12 million and \$576,000, respectively. The port contributed approximately 13% of QDC revenue.

- **Portsmouth, New Hampshire** Market Street Terminal is a state-owned 12 acre pier with rail access, 8 acres of paved surface and a 50,000 square foot warehouse. Its uses include cargo operations (salt, scrap metal, and general cargo), warehouse storage, excursion boats, a resort ferry and construction staging space. It is operated by a unit of the state quasi-public Pease Development Authority, created to reuse the Pease Air Force Base, with its own board and a nine person staff. The pier revenue covers all its operating costs but the pier requires state funding for capital projects. Total revenue and expenses are \$1.5 to \$1.7 million. It also has a \$470,000 capital reserve, funded with 50% of any net revenue.

These three piers have commonalities and some differences with the Massachusetts state piers. All are mixed-use facilities with Portsmouth and Quonset combining cargo and passenger transportation. Furthermore, all piers do not generate sufficient funds to cover capital investment needs and rely on the state or other sources for this financial need. Portland and Portsmouth are similar in size to Fall River, Gloucester and New Bedford at close to 8-acres. Two noteworthy differences with Massachusetts are: (1) they generate higher levels of revenue (\$1 to \$ 2 million per year) with Portsmouth and Quonset consistently covering their own operating costs; and (2) are overseen by an economic development agency or single purpose authority (Portland State Fish Pier).

Several best practices also are suggested by the functions and operations at the comparison piers:

- public piers are maintained and valued as valuable multi-use maritime assets without tourist uses;
- dedicated management/operations staff with leadership capacity, an understanding of the port commerce industry, and strong industry relationships;
- clear governance processes within an economic development agency and mission are established;
- a business development focus that seeks to grow economic uses, activity and revenue exists; and
- the ability to leverage larger government agencies in which they are housed for operational, technical and service support.

The governance, management, and uses at these New England piers has implications for the Commonwealth as it looks to improve the business operations, financial performance and economic impact of its four piers:

- demonstrating the viability of mixed-use piers in which passenger transportation and other uses coexist with cargo and freight uses;
- evidence that Massachusetts faces competition from well-functioning piers in nearby states with deep water and similar uses;
- operating piers as part of a broader economic development mission and organization brings a stronger business orientation and better alignment with state economic development goals;

- an operating structure that provides on-site port experience and knowledge within a larger supportive agency with real estate, engineering and other technical capabilities can be an effective management and governance approach; and
- medium to long-term leases (or purposeful decision for no agreements but with upland leases) provide a predictable environment to support port business.

Table 4. Summary of Key Aspects of Comparison New England Public Piers

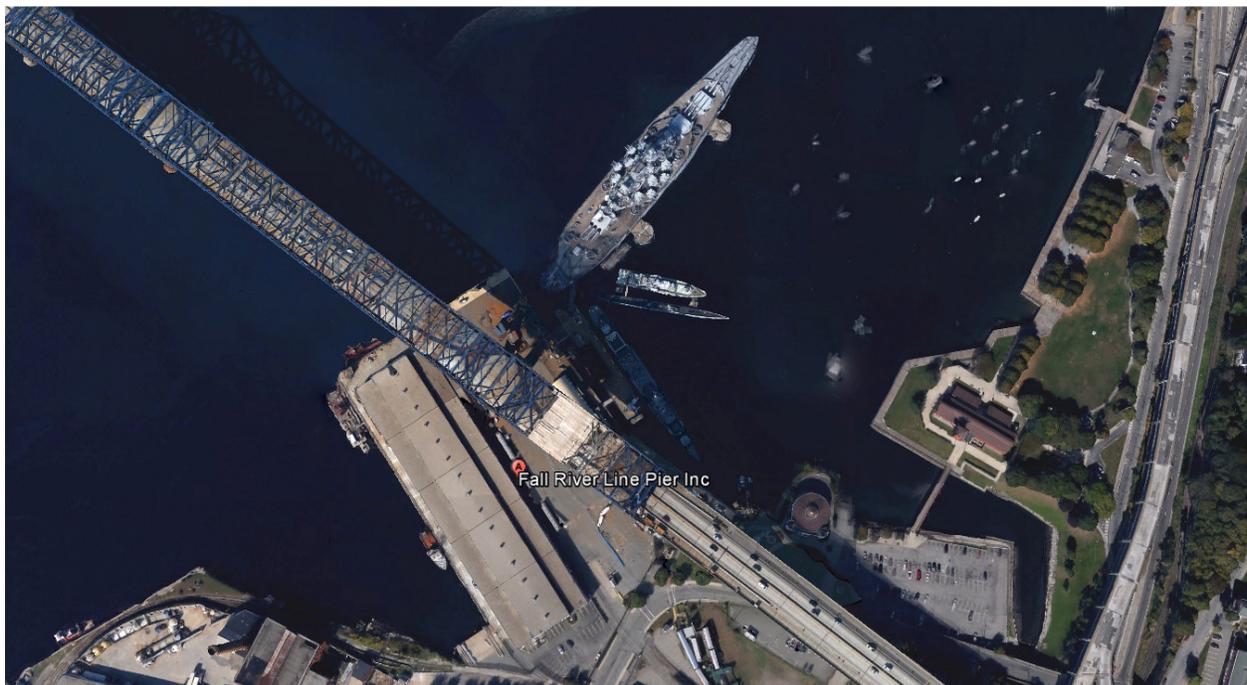
	Portland, ME	Quonset/Davisville, RI	Portsmouth, NH
Physical port assets	Port includes 20 piers; city owns three: Ocean Gateway/Maine State Pier complex (passenger pier) and fish pier. Total acreage for three piers with land is 7.5-9 acres (tidal). State operates a city owned container port.	Port has five terminals (60 acres total). Piers 1 and 4 are about 6.5 acres; Piers 2, 3 and 5 are 15-16 acres. Adjacent business park; port leases 125 acres to primary tenant and other firms. Four main berths ranging from 271-1200 feet.	Total of four facilities, including a 12 acre pier (Market Street Terminal) with direct rail access, surrounded by maritime and industrial uses. 8 acres of paved laydown area; 50,000 sf covered warehouse.
Key uses	Mixed uses, cruise (international), city cruise operations, and local ferry services.	Freight (autos, frozen food), ferry operations, industrial park.	Freight (general cargo, project cargo, salt, scrap metal), excursion boats & resort ferry, warehouse storage; construction staging.
Governance	City owned and operated overseen by economic development office. Fish pier is managed by separate Fish Pier Authority with its own management and fiscal structure. City building department responsible for maintenance and repair.	Quonset Development Corporation (QDC), a quasi-public subsidiary of the Rhode Island Commerce Corporation (RICC), manages and operates facility. QDC has its own board. RICC provides services and operations support (engineering, procurement, project management, public works).	Pier is owned by the state of NH under Pease Development Authority (PDA)--quasi-public state entity that merged administratively with the Port. PDA provides legislative oversight, support for legal, finance, and engineering. Port is financially self-sustaining except for major capital projects. Port has its own board.
Staffing	1 Full Time Equivalent (FTE) security officer at Ocean Gateway/Maine State Pier. City facilities 10 FTE, but also covers other city facilities.	4 FTE including port director, port manager (also serves as Facility Security Officer), and two pier masters.	9 FTE including port director, operations manager, harbor master and deputy, mooring program coordinator, administrators, and security.
Lease structure	Lease terms vary from 2 to 30 years. Aims for triple net when possible. Every lease is individually structured. The Fish Pier is different: 30 year land leases based on lots inside facility.	No long term leases/agreements for piers. Only publically owned and operated cargo terminal; want to keep access for companies that need facilities. Upland leases only.	PDA legislation limits leases/operating agreements to 7 years or less. Has both fixed rate rents and escalation with CPI; impact fees charged depending on use.
Finances	Fish pier has positive net revenue.	QDC is self-sustaining in its operations; no operating subsidies.	Breaking even; covers operating costs without subsidy. Total operating expenses for terminal is ~\$1.7M. Annual revenues steady at ~\$1.5-1.7M. Capital reserve fund established in 2014: funded with 50% of excess revenues; balance goes to the state. Reserves at \$470K.

Profile and Analysis of Individual State Piers

Fall River State Pier: Baseline Data and Profile

The Fall River State Pier is located at 1 Water Street on the Fall River Taunton River waterfront adjacent to the Fall River Heritage State Park and within the Mount Hope Bay Designated Port Area (DPA) (See Figure 2). It is 8.6 acres in area with a 96,000 square foot transit and storage warehouse. There is direct rail service onto the pier, which has specialized cargo and shipping equipment including a roll on/roll off (RO/RO) landing, scales and stevedore equipment.

Figure 2. Aerial View of Fall River State Pier



Source: Google Earth

There are four primary uses at the pier:

1. Cargo shipping and storage with Atlantic Shipping the primary user;
2. A seasonal ferry to Block Island operated by Interstate Navigation;
3. Battleship Cove Museum with several historic navy ships; and
4. Interim dockage for 3 fishing boats and storage by several firms.

Physical Assets and Condition

The pier consists of a reinforced concrete deck on timber piles, originally built in the early 1950s. It has water depth of 28 feet on the south berth and 20 feet on the west and north berths. It is 8.6 acres and includes a 96,000 square foot steel frame warehouse/shed that provides 1.5 million cubic feet of storage space, and houses a snack bar and small office. Additional physical assets include: (1) two 650-foot platform-level railroad tracks along the upper side of transit

warehouse/shed served by the Fall River Line that connects into the CSX rail system: and (2) a roll on /roll-off ramp that allows direct vehicle entry and exit from cargo ships located on the eastern side of the pier. DCR has made \$2.1 million in repairs since 2010 to rehabilitate the south berth and complete repairs to the section of the pier serving Battleship Cove. Additional repairs and improvements are needed to repave the surface of the pier, repair or replace the warehouse roof and complete rehabilitation of the southwest area that was not completed in 2010 due to insufficient funds. A storm in 2014 that pushed a destroyer ship at Battleship Cove into the pier caused significant damage to pilings and led to a partial collapse of a corner of the pier. A damage assessment has been completed but it did not include costs estimates for the repairs. Work to rectify the storm damage has not yet occurred.

Economic Role and Uses

Fall River Pier is divided into two parts with distinct uses and economic roles. One section is leased to The Battleship Cove Museum to berth historic ships and provide a tourist and visitor destination. A second section is operated as a maritime port facility with a cargo freight operation and associated storage, passenger transportation via the Block Island Ferry and berthing for fishing boats. Several firms also use the pier storage capacity and scales on an interim basis but are not linked to its water transportation function. Atlantic Shipping is the main cargo operator; it ships to and receives goods from Cape Verde and Haiti with one vessel. Its affiliate, Atlantic Trade, supplies imported products to various stores and is a major user of the pier's storage space.

Governance and Operations

DCR is responsible for oversight of Fall River Pier Lines, the pier management firm, and directing major repair and replacement projects. Fall River Line Pier, Inc. (FRLP), a city-affiliated corporation, is responsible for pier management and operations. FRLP has operated the pier since 1948 originally under a 20-year lease with the Commonwealth through the Department of Public Works. The lease was later amended to extend through 2014 but cannot be amended again without legislative action. FRLP continues to operate the pier but without a formal lease agreement or memorandum of understanding (MOU).

FRLP is responsible for the pier's day-to-day operations, security and basic maintenance and repairs. It is staffed by a general manager, two maintenance staff and five security guards. The security staff provides 24/7 security that includes performing hourly rounds, logging in all vessels docking or departing, logging in all visitors entering or exiting the property. FRLP staff also manage operations of the truck scale.

Leases and User Agreements

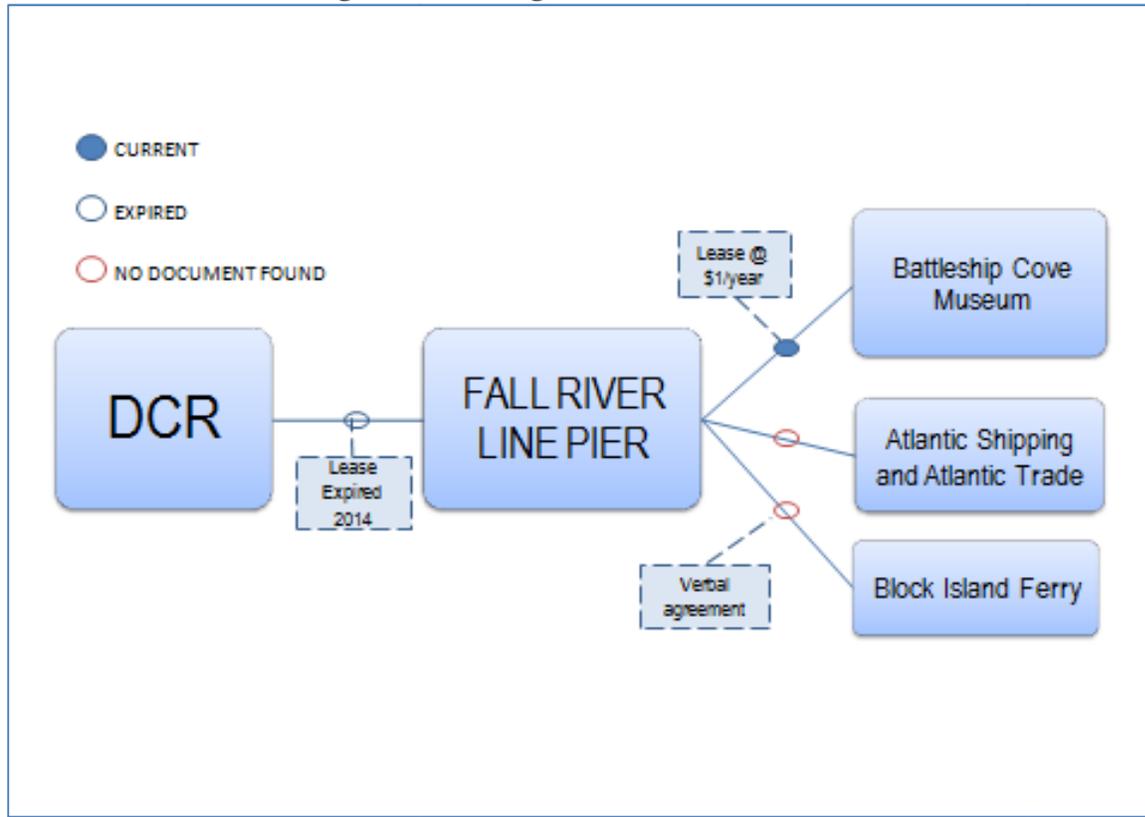
FRLP operates the pier as an open port and storage facility that businesses use without a lease paying its published tariff rates for dockage, storage, wharfage, and other services. Despite this arrangement, many of the current users have been long-term users. FRLP claims this practice resulted from a request over ten years ago from the state government to not enter into any leases. There are currently thirteen firms that use the Fall River Pier infrastructure, as detailed in Table 5. Dockage and warehouse storage are the most commonly used pier infrastructure; each used by seven of the thirteen pier users.

Table 5. Fall River State Pier Users and Facilities Used

Firm	Dockage	Storage (warehouse)	Storage (exterior)	Scales	Pier exterior	Rail
Atlantic Shipping/Trading	X	X	X	X		
Battleship Cove Museum		X			X	
Interstate Navigation/Block Island	X					
Aetna Bridge	X	X				
American Cruise Line	X					
Helena Marine	X					
Gold Medal Bakery				X		X
Marine Express				X	X	
O'Brien Engineering		X				
Ocean Spray Partnership	X					
Sean McDermott		X				
Tropico Fishing	X					
Watuppa Rowing		X				

The absence of an extended lease was a concern for Atlantic Shipping, which would like to expand but needs an agreement to secure financing necessary to obtain a larger ship.

Figure 3. Leasing Structure for Fall River Pier



Financial Performance

Fall River pier has generated sufficient revenue to cover its operating costs in recent years. Revenue and expense figures for FY 2013 to FY2015 are provided in Table 6, with the 2013 and 2014 figures based on the State Auditor audit of FRLP and 2015 audited figures provided by FRLP. Total revenue has grown from just under \$350,000 in FY2013 to \$394,098 in FY2015 with close to half derived from storage and rental income, and the balance from parking, dockage, wharfage and other fees. Expenses have grown at a slightly faster pace than revenue over this period (19% versus 12%) which changed the pier's bottom line from a slight profit of \$17,963 to a loss of \$1,057.

The balance sheets for Fall River Pier Line as of FYE2013 and FYE2014 are shown in Table 7 (a complete balance sheet for FY2015 was not provided). These balance sheets are for FRLP as the pier manager and do not include assets and liabilities for the physical assets of the pier, owned by the Commonwealth.

At the end of 2014, FRLP has assets of almost \$846,000, of which 69% was cash, 10% accounts receivables and prepaid expenses, and the balance in property and equipment. The large cash balance includes funds received from a \$250,000 state grant and stabilization reserves funded from net income over time. The primary liability is related to the receipt of a state grant for dredging that has not been spent. The net assets of FRLP, which represented its accumulated earnings over time, are largely held in capital and stabilization reserves that totaled \$415,005 at the end of 2014.

Table 6. Fall River Line Pier Operating Revenue and Expenses

Revenue/Expense Item	FY2013*	FY2014*	FY2015+
Revenue			
Storage/Rentals	\$176,444	\$176,645	\$183,634
Dockage & Wharfage	\$63,278	\$71,171	\$70,910
Parking	\$35,991	\$41,420	\$51,540
Other	\$74,165	\$76,878	\$88,014
Total Revenue	\$349,878	\$366,114	\$394,098
Expenses			
Salaries and Benefits	\$233,997	\$240,901	\$283,237
Utilities	\$30,722	\$34,224	\$36,816
Repairs and Maintenance	\$39,349	\$35,524	\$46,084
Other	\$27,847	\$62,106	\$29,017
Total Expenses	\$331,915	\$372,755	\$395,155
Net Income	\$17,963	\$(6,641)	\$(1,057)

*Audited; +Unaudited

Table 7. Fall River Line Pier Assets and Liabilities

Asset/Liability Item	FY2013*	FY2014*
Assets		
Cash and Cash Equivalents	\$568,143	\$582,887
Accounts Receivable	\$101,888	\$77,189
Prepaid Expenses	\$7,578	\$12,103
Total Current Assets	\$677,609	\$672,179
Property and Equipment, Net	\$187,698	\$173,693
Total Assets	\$865,307	\$845,872
Liabilities and Fund Balance		
Accounts Payable & Accrued Expenses	\$2,229	\$1,591
Security Deposits	\$5,580	\$5,583
Dredging Grant	\$250,000	\$250,000
Total Current Liabilities	\$257,809	\$257,174
Total Liabilities	\$257,809	\$257,174
Net Assets	\$607,498	\$588,698
Total Liabilities and Net Assets	\$865,307	\$845,872

*Audited

Capital Investment Needs

Fall River has three capital investment priorities:

- Repairs to piles on the south berth;
- Replacement or repair of the warehouse roof; and
- Repairs to a partial collapse of part of the pier occupied by Battleship Cove Museum after a 2014 storm.

Estimates for these capital needs are incomplete and outdated so the full cost is not known.

Future Uses

Several future options emerged for Fall River local stakeholders, existing tenants, and new potential users. At the city level, the Fall River Office of Economic Development expressed interest in converting the pier from cargo activity into a mixed-use development. A 2011 reuse plan proposed a new ferry terminal, a pedestrian boardwalk, and a new mixed-use building with a cafe, retail space, a children's center, and exhibition space. Among existing tenants, the Battleship Cove Museum has plans to expand, and recently completed a master plan for a new 35,000 square foot museum and improved campus. This plan requires raising \$31.5 million to fund the proposed development. A third future use option is expanded cargo operations from two sources: (1) Atlantic Shipping has expressed an interest in expanding its business through acquiring a larger ship but needs a multiyear lease so that lenders will have confidence that the firm is assured access to the pier and be willing to extend financing for a new ship; (2) a metal recycling firm is interested in use of the Fall River pier to store and export recycled ferrous and non-ferrous scrap metal.

Focusing In: Marine Industrial and Water-Dependent Uses

With a priority of sustaining maritime commerce and water-dependent uses at the state pier, this study analyzed the expected financial impact on the Fall River pier of expanded cargo operations. Since repeated efforts to get information on Atlantic Shipping's expansion plans were not successful, this analysis focused on assessing adding a metal recycling company as a new pier tenant. For this analysis, the consultant team interviewed Fall River Line Pier to understand the impact of adding this additional cargo tenant and obtained information from the recycling firm's management to determine their needs, expected use of the pier, and what they propose to pay for storage at the pier. Based on the new firm's use, proposed rental rates, and application of current tariff rates, the revenue impact from adding the metal recycling firm as a pier tenant was analyzed. Results are summarized in Table 8.

The metal recycling firm proposes to use the pier for outdoor storage of scrap metal products, and to dock and load four to five vessels each year. The firm proposes two different use and lease options, under which they would pay \$.70 to \$1 per square foot per year: (1) partial use of the pier, taking 1.5 acres; and (2) full use of the entire 8.6 acre pier. In communications, the new firm indicated that it would be flexible and work to accommodate the existing pier users along with its operations. This seems feasible under the first option but under the second option, Atlantic Shipping and possibly other warehouse and storage users might be displaced if the new tenant devotes most of the pier to storing scrap metal.

The Fall River Line Pier Manager indicated that the pier is now at full capacity and cannot manage any additional tenants. The consultant team has been unable to confirm or counter this assessment. The metal recycling firm claims to need dockage for 20 to 25 days per year, which leaves many days available for other vessels, but the impact of its material storage needs on other users needs to be considered. Additional logistical and operations analysis is needed to determine if the pier has the capacity to accommodate the metal recycling firm along with existing users.

For the purpose of this analysis, we assume that existing users and revenue at the Fall River Pier and the metal recycling firm as a new user will bring additional revenue. Revenue was estimated from three sources:

1. rental payments for storage at the pier at \$.70 to \$1 per square foot per year
2. dockage fees under the 2016 tariff schedule for vessels while in port; and
3. estimated payment for 24 hour security guard while vessels are in port

Revenue was projected for both the partial and full use scenarios. Under the partial use option, the new tenant would generate between \$72,000 and \$99,000. Full use would result in new revenue between \$289,000 and \$408,000. Additional revenue might result from other tariffs such as water and electricity use but this is not quantifiable. If the metal recycling firm does become a new tenant, lease terms should require the firm to pay for any additional staff, maintenance, and security or repair costs that result from its use so that the state pier gains the full net impact of revenue from its use of its facilities.

Under the full use option, it is possible that the new tenant will displace some or all existing users and result in a loss of some revenue. Based on revenue estimates by Fall River Line Pier,

the lost revenue would total \$78,504 if Atlantic Shipping and other storage customers are displaced. In this case, the revenue impact under the full use option would drop to \$329,612.

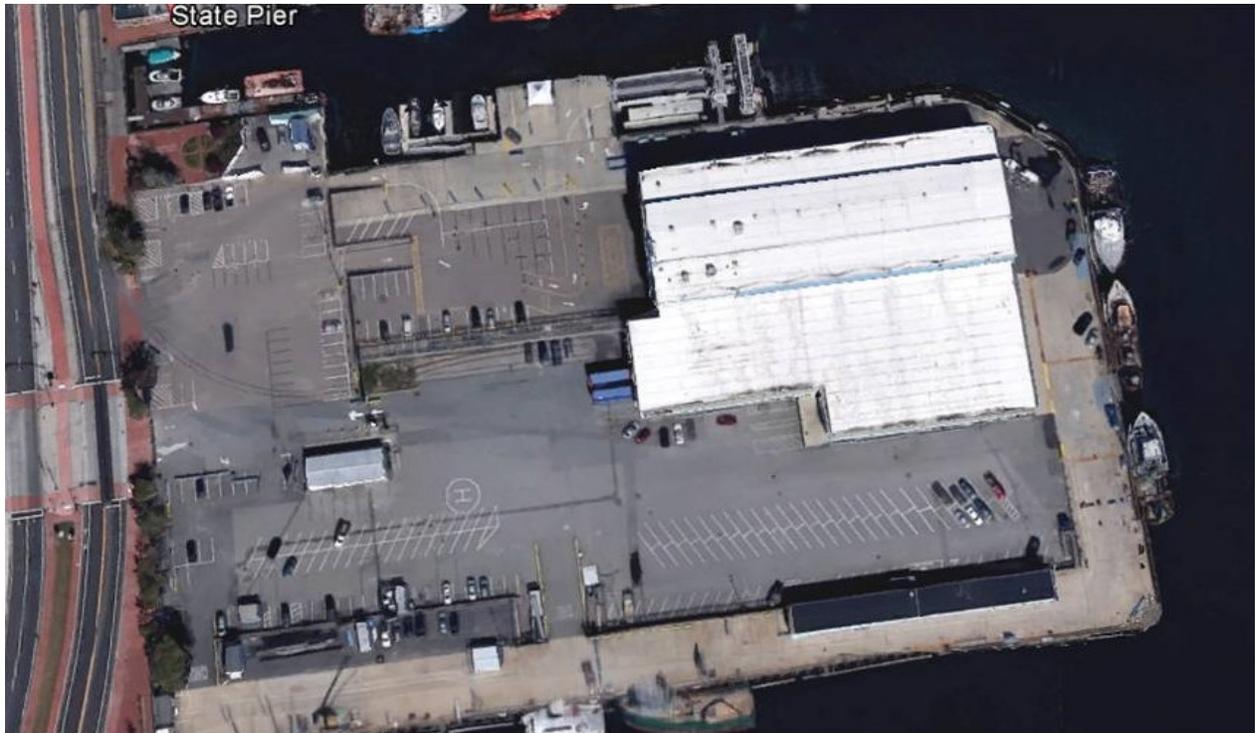
Table 8. Estimated State Pier Revenue from Metal Recycling Firm Future Use

	Acreage rented	Gross Square Footage	Annual Rent	
			At \$.70 per square foot	At \$1 per square foot
Partial Use Lease	1.5	65,340	\$45,738	\$65,340
Full Use Lease	8.6	374,616	\$262,231	\$374,616
			Additional Tariffs	
	Tariff	Days in Port	4 Ships/Year	5 Ships/Year
Dockage	\$500/day	5	\$10,000	\$12,500
Security	\$35/hour	5	\$16,800	\$21,000
Total Revenue, Partial Use			\$72,538	\$98,840
Total Revenue, Full Use			\$289,031	\$408,116
Net Revenue, Full Use with Displaced Tenants			\$210,527	\$329,612

New Bedford State Pier: Baseline Data and Profile

New Bedford State Pier is an 8.5 acre pier with six buildings totaling almost 100,000 square feet located within the New Bedford/Fairhaven DPA (see Figure 4). Three-quarters of the improved space is in a two-building complex with warehouse space and a ferry terminal. It also includes a truck scale and a cargo roll-on/roll-off facility on the pier's north side that can hold up to 200 tons.

Figure 4. Aerial View of New Bedford State Pier



The New Bedford pier is a complex multi-use facility that supports 17 tenants and users. Its primary uses are fivefold:

1. Fishing;
2. Cargo shipping with Maritime International the primary user;
3. Passenger transportation, with two seasonal ferry services and cruise ships;
4. State government offices and dockage; and
5. Marine support services.

Physical Assets and Condition

Most of the pier footprint is a filled structure with timber piles supporting concrete pier decks or wharves around the perimeter. It is 8.5 acres in size with water depth of 24 feet on the north side, 25 on the eastside and 30 feet to the south. It has three primary boat berths that can accommodate boats of up to 185 feet, 450 feet, and 775 feet. A roll-on/roll-off (RO/RO) facility

that allows for vehicles to directly load and unload from ships is located on the north side of the pier.

There are six buildings on the state pier. A two building complex on the northeast corner has 85,840 square feet that includes a one-story warehouse building with 26,240 square feet connected to a two story 59,600 square feet building divided between the terminal for Seastreak's Nantucket and Martha's Vineyard ferry service and warehouse space. Three office buildings, ranging in size from 2,000 to 5,000 square feet are used by state and federal agencies and private firms primarily engaged in shipping and marine service businesses.

All of the pier components are quite old and beyond the expected useful life for such structures. North Face Pier is the oldest section of the pier and includes elements of the original filled pier seawall constructed approximately 100 years ago and timber piles that are at least 80 years old. The South and East Face Piers are timber pile supported and were constructed over 65 years ago. Due to its age and deferred repair and replacement work, large portions of the New Bedford pier are in poor condition and in critical need of capital repairs. A detailed condition survey of all pier structures undertaken in June 2013 identified several priorities.

Due to the poor condition of the piles, load restrictions have been imposed on pier operations: multiple areas on the North Face Pier are closed to vehicle and pedestrian access; parts of the South and East Face Piers are restricted to 5-ton axel loads. Large ship mooring restrictions and monitoring were also imposed on the East Face Pier. It should be noted that these restrictions are not always adhered to by the users as seen by the consultant during a site visit.

Economic Role and Uses

The New Bedford pier infrastructure houses and supports diverse uses tied to New Bedford's maritime and marine transportation economies. Its major activities and uses are:

- cargo activities which are largely the importing of clementines from North Africa;
- passenger transportation through seasonal ferry service to Cuttyhunk, Martha's Vineyard and Nantucket, transient dockage for cruise ships and a charter boat operator;
- marine services through Pier Oil and New Bedford Ship Supply that support the fishing fleet and other vessels;
- commercial fishing through dockage to fishing boats and berths to tie up for ship and gear repair;
- government uses including office space and dockage for the Massachusetts Environmental Police and Massachusetts State Police Marine Unit and offices for the National Marine Fisheries Service Law Enforcement Unit and the Massachusetts Seaport Advisory Council;
- site for city-sponsored exhibitions and events including the Working Waterfront Festival and a Commercial Marine Exposition (non-DCR-sponsored).
- historic ship exhibitions through the permanent home of the schooner Ernestina and seasonal visits from tall ships.

These multiple uses make the state pier an important asset for New Bedford and the Commonwealth economy as well as a more complex pier to operate, given the large number of users and range of activities to support.

Governance and Operations

Historically, the management of the pier was divided between DCR and the New Bedford Harbor Development Commission (HDC) under a memorandum of agreement that expired in 2012. Under this arrangement, the HDC was responsible for the northwest quadrant of the pier and operation of the ferry terminal, the construction of which it partially funded. HDC also had taken on the role of marketing the state pier to increase cargo and cruise ship activities. DCR was responsible for the balance of the pier and has authority over all berthing. DCR historically had two full-time positions directly associated with pier operation: a pier manager and clerk, with administrative services provided by its central and Hingham offices and small repairs handled by its parks support unit. At the time of the study site visit, DCR had a part-time Pier Manager who was on site three days a week and when ships were in port and the Clerk position was vacant. DCR hires a private security firm to control access and address federal security requirements when ships are in port, with the costs charged to the private shipping firms using the pier. Recent DCR staff vacancies partly reflected DCR's uncertainty about whether it would retain responsibility for overseeing the state pier. With recent confirmation that it will retain this role for the immediate future, DCR has taken on full management responsibility for the pier and hired a full-time Pier Manager.

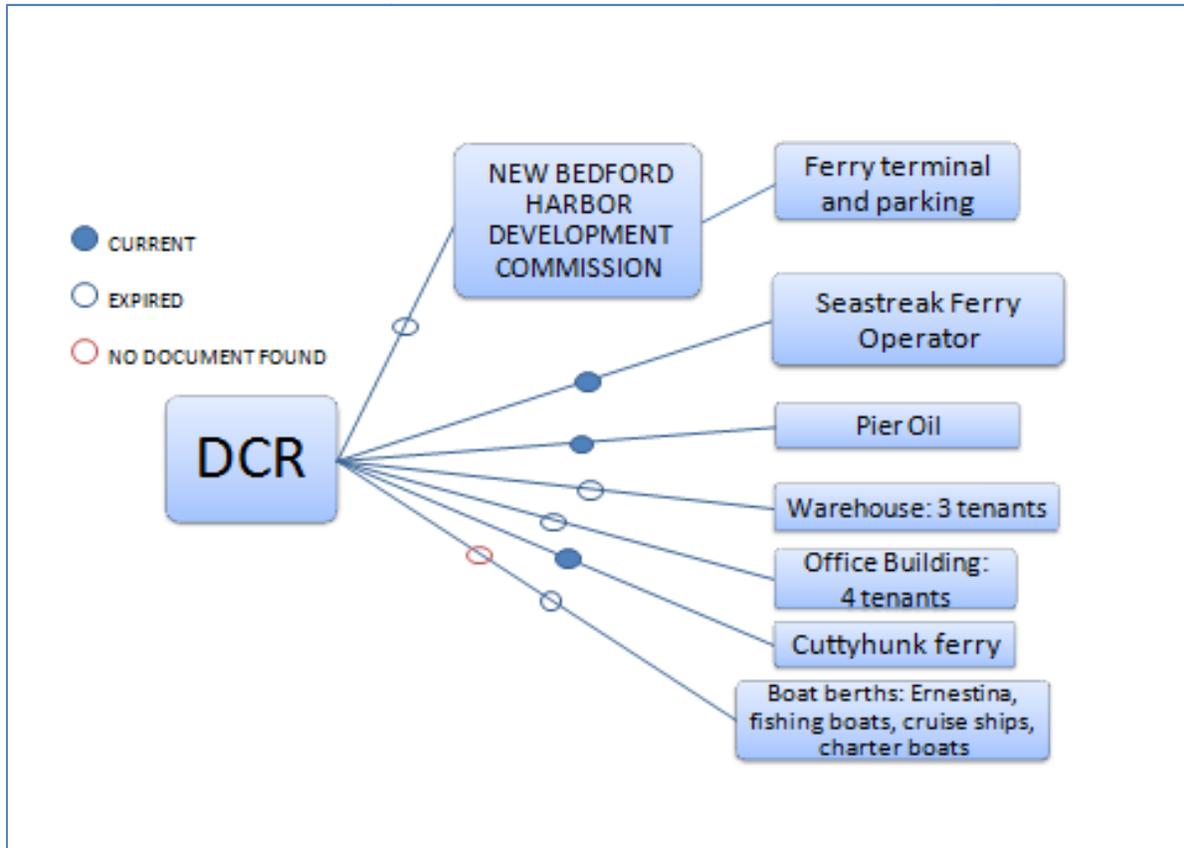
HDC has relied on several staff to perform its functions: the Executive Director undertakes marketing; the Finance Director oversees financial aspects of the pier, and several full-time staff provide maintenance and security for the state pier and other HDC facilities. On a seasonal basis, the HDC hires 15 additional workers who support the state pier ferry services as parking attendants, cashiers and to operate a shuttle.

The joint HDC/DCR management arrangement was seen as ineffective and problematic by the City of New Bedford and pier tenants interviewed for this study. One tenant cited DCR lapses in keeping pier facilities clean and plowed during the winter, which required it to incur costs for these services. HDC noted several instances of vandalism at the ferry terminal and homeless persons sleeping in the terminal due to DCR's failure to keep the doors locked via electronic systems that it controls and failing to install deadbolt locks when this system did not work. The consultant also observed multiple barricaded areas used to prevent ferry passengers from walking over holes or damaged portions of the pier near the ferry access. DCR has also had problems maintaining current leases and responding to tenant needs and requests on a timely basis. As shown in Figure 5, there are multiple expired leases for office and warehouse tenants, along with the long-expired agreement with HDC. HDC also reported difficulties in securing DCR agreements with cruise ships that want to use the state pier, delays in renewing agreements with Seastreak (the Martha's Vineyard and Nantucket Ferry Operator and its sublease with Enterprise Car Rental) due to its lapsed agreement and a lack of advance action and planning to prepare for the busy summer season. DCR took action on the Seastreak issue in April directly negotiating a new agreement with the ferry operator.

Leases and User Agreements

New Bedford has many users that operate under a variety of arrangements, including leases, license agreements, permits, temporary use under the tariff schedule and other agreements. A summary of the overall structure of these agreements as of April 2016 is provided in Figure 5. A list of the primary users and which pier facilities they utilize is provided in Table 9. A complete summary of all leases and other agreements is provided in a separate spreadsheet.

Figure 5. Leasing Structure for New Bedford State Pier



DCR use agreement and practices do not employ good real estate leasing practices: agreements neither provide for regular increases in use rates and nor require tenants and users to consistently contribute to paying utilities and common area maintenance expenses. As noted in the previous section, DCR also has not actively administered its use agreements and there are multiple expired agreements, including one dating back to 2005, and users that operate without formal agreements. Several agreements provide for automatic one-year renewals without any rent increases and have been renewed in this manner for five years or longer. DCR also has an unusual arrangement with the New Bedford Harbor Development Commission, in which the HDC pays the electric costs for the state pier and then deducts this amount from its rent obligations under its lease for the New Bedford Pope Island Marina.

Table 9. New Bedford State Pier Users and Facilities Used

Firm	Dockage	Warehouse	Office	Other
Seastreak	X			
Pier Oil				X
Oliveira Shipping		X		
New Bedford Ship Supply		X	X	
Seaport Economic Council			X	
Mass Environmental Police	X		X	
Mass State Police	X		X	
US Customs and Border Protection			X	
US Department of Agriculture		X		
Public commercial fishing vessel support	X			X
Cuttyhunk Ferry	X			
Schooner Ernestina-Morrissey	X			
Maritime International		X	X	X
Nice Day Too	X			
American Cruise Lines	X			
Blount Small Ship Adventures	X			
Herring Vessels	X			

Financial Performance

DCR does not operate and account for the New Bedford State Pier as a separate business unit or profit center. Moreover, with revenues and operating expenses shared between DCR and the New Bedford HDC, there is the possibility of duplication of some expenses and inaccurate cost allocations. Consequently, accurate revenue and expense records for the New Bedford State Pier do not exist and there is no balance sheet documenting assets and liabilities. A financial picture of pier revenue and expenses was prepared (see Table 10) by combining information provided by DCR and the HDC. However, several issues arose in preparing this financial information that raise questions as to whether all pier revenue is included, possible double counting of electric costs, and the omission of DCR's off-site administrative and maintenance costs. The financial information in Table 10 should be viewed as a rough approximation rather than an accurate picture of the pier's financial performance.

Based on these figures, New Bedford operates at a loss overall, and for DCR and HDC separately. Total reported FY2015 expenses of \$313,896 exceed revenue to generate an estimated loss of almost \$93,000. If the expense figure double counts electric costs (HDC pays DCR's electric costs as an offset to rent owed to DCR for another facility while DCR's budget includes a large line item for energy), then the loss would be \$28,000.

HDC shows a loss of just over \$65,000 excluding a \$50,000 annual payment claimed to be made by HDC to reimburse the City of New Bedford for improvements made for the Seastreak ferry terminal; with this payment added, the loss is \$115,000. DCR has a smaller estimated loss of \$27,687.

Table 10. Estimated FY2015 Revenue and Expenses for New Bedford State Pier

Revenue Items	DCR Revenue	HDC Revenue	Combined
Office and storage rent	\$28,500	\$0	\$28,500
Dockage/use permits	\$13,630	\$0	\$13,630
Transient dockage	\$104,026	\$0	\$104,026
Parking	\$0	\$45,030	\$45,030
Ferry terminal fee/dockage	\$0	\$30,000	\$30,000
Total Revenue	\$146,156	\$75,030	\$221,186
Expense Items	DCR Expenses	HDC Expenses*	Combined
Energy, Utilities, Refrigeration	\$85,743+	\$93,821**	\$179,743
Salaries	\$72,000		\$72,000
Misc. Maintenance Contracts and Fire Safety	\$16,100		\$16,100
Maintenance and Repairs, Snow Plowing, Security		\$46,232	\$46,232
Total Expenses	\$173,843	\$140,053	\$313,896
Net Revenue/Loss	(\$27,687)	(\$65,023)	(\$92,710)

* HDC expenses include a claimed \$50,000 repayment to the City of New Bedford for city debt issued to improve the ferry terminal. This expense is omitted from the table. +Includes \$65,000 budgeted for energy and \$30,743 paid for utilities. **Includes \$78,094 in electric costs paid on behalf of DCR.

Capital Investment Needs

A report by Bourne Consulting Engineering (BCE) based on a June 2013 full conditions survey of the pier structures reviewed a number of alternatives and recommended a program which includes reconstructing 3 concrete pier decks, replacing timber piles with steel bearing piles and filling the north face bulkhead. It also includes demolition and relocation of the RO/RO facility to the northwestern section of the pier. This capital project is needed to ensure the structural integrity of the New Bedford pier and its full functionality. Several less pressing capital needs also were identified in the BCE conditions survey reports that include: reconstruction of Building 3, new paving, upgrades to utilities and storm water infrastructure and providing rail service to the pier.

Future Uses

New Bedford's recent waterfront plan envisions the state pier with expanded activities and several new uses: (1) a large public plaza and flexible use space in the southwest section of the pier adjacent to (2) a new fish auction building; and (3) two new mixed-use buildings with retail and supporting marine uses. Based on the state's priority to maintain water-dependent marine commerce related uses on the pier and uncertainty about compatibility of the city plans with current DPA regulations, no further analysis of these future options was conducted.

Focusing In: Marine Industrial and Water-Dependent Uses

The state recently funded refrigeration installation to the existing warehouse to expand the pier's use as an agricultural products import port to a year-round activity. A 2015 business plan for the New Bedford Harbor Development Commission prepared by HDR Engineering, Inc. (HDR) identified several top tier opportunities for expanded cargo at New Bedford: project cargo: pulp and paper; manufactured goods; equipment; agricultural products; and seafood. The last two items will benefit from refrigerated storage. The business plan noted that New Bedford has several advantages compared to its main competing ports in Wilmington and Philadelphia that include less traffic congestion, lower trucking costs to Canada, no Harbor Maintenance Tax assessments, and lower stevedoring, terminal handling, and storage costs. It is also closer to major transatlantic and Mediterranean ports via ocean routes than mid-Atlantic ports. A combination of port wide infrastructure limitations (water depth, obstructions, rail access and facilities) and a lack of unified port management are New Bedford's main competitive disadvantages.

A financial analysis (see Table 11) was conducted to estimate the revenue impact for the State Pier from adding refrigeration. This analysis compares revenue based on existing fees with revenue from market rates for the leasing of refrigerated storage space. Based on historic wharfage and dockage fees over the three most recent years, full year cargo activity would generate \$112,734 annually. Refrigeration will add new electricity and maintenance costs to the state pier. DCR should enter into lease and contractual arrangements to ensure that these operating costs are passed on to the primary users, which is standard market practice for refrigerated warehouse space based on interviews with selected brokers⁴. It also represents the policies at Gloucester State Fish Pier, whereby the main tenant, Cape Seafoods, covers all the operating expenses for the freezer, cold storage and other space that it occupies.

Since a refrigerated warehouse represents an improved property with more value than standard warehouse space, DCR should consider increasing warehouse storage and associated fees for the refrigerated space at New Bedford. Based on a small sample of rents for refrigerated and non-refrigerated warehouse in Southeastern Massachusetts on Loopnet.com, the per square foot rent for a refrigerated warehouse is close to three times that for standard space. Additional information from Perishable Management Services, a real estate and brokerage service for industrial and commercial real estate, indicated that the rent for a quality refrigerated warehouse in the New Bedford market of approximately 22,000 square feet should be \$9-\$12 per square foot NNN (taxes, insurance and utilities pass through to the tenant). Based on Building #2 square footage of 26,240, this equates to \$236,160 to \$314,880 in annual rent. Although DCR does not lease the warehouse on an annual square foot basis, we were provided with the revenue streams for wharfage and dockage for the past three years. There do not appear to be additional specific fees charged for warehouse storage alone. Based on the historical data provided, the projected revenue (from historic dockage and wharfage fees) is well below market rent for refrigerated warehouse space. DCR could increase its usage fees for the pier and warehouse by 2 to 2.7 times to be comparable to rental rates for non-port refrigerated warehouse space. Revenue under this second rental option (see Table 11) is estimated at \$261,744, using the mid-point of the market rent range and a 5% vacancy rate.

⁴ The analysis in Table 11 assumes that added electric and maintenance costs from a refrigerated warehouse are passed on to tenants and not incurred by DCR.

A discounted cash flow analysis was undertaken to determine the present value of the revenue stream over a 25 year period under (1) the current dockage and wharfage fee structure; and (2) estimated market rents for refrigerated storage rental. Revenue was increased at 2% annually (less than CPI) and a 2.25% discount rate, which reflected recent yields on Massachusetts General Obligation bonds. The Net Present Value (NPV) of the cash flows under the current fees structure is \$2.677 million which is below the current \$4.5 million estimate to install refrigeration in Building 2. However, based on market rental rates, the NPV at \$6.215 million exceeds the estimated capital investment.

Table 11. Estimated New Bedford Cargo Revenue with Refrigerated Storage

Revenue Factor	Existing Below Market Rates	Market Rates
Pallets per vessel +	1,500	NA
Average dockage fee (per ship)*	\$1,344	NA
Average wharfage fee (per ship)*	\$2,992	NA
Pallets +	1,500	NA
Ships Ported +	26	NA
Dockage Fees*	\$34,936	NA
Wharfage Fees*	\$77,798	NA
Rental for Refrigerated Storage#		\$261,744
Total Revenue	\$112,734	\$261,744
Net Present Value, 25 years	\$2,677,000	\$6,215,000

*Average over past three years; + From Maritime International; # \$10.5 per sq. ft NNN rent less 5% vacancy

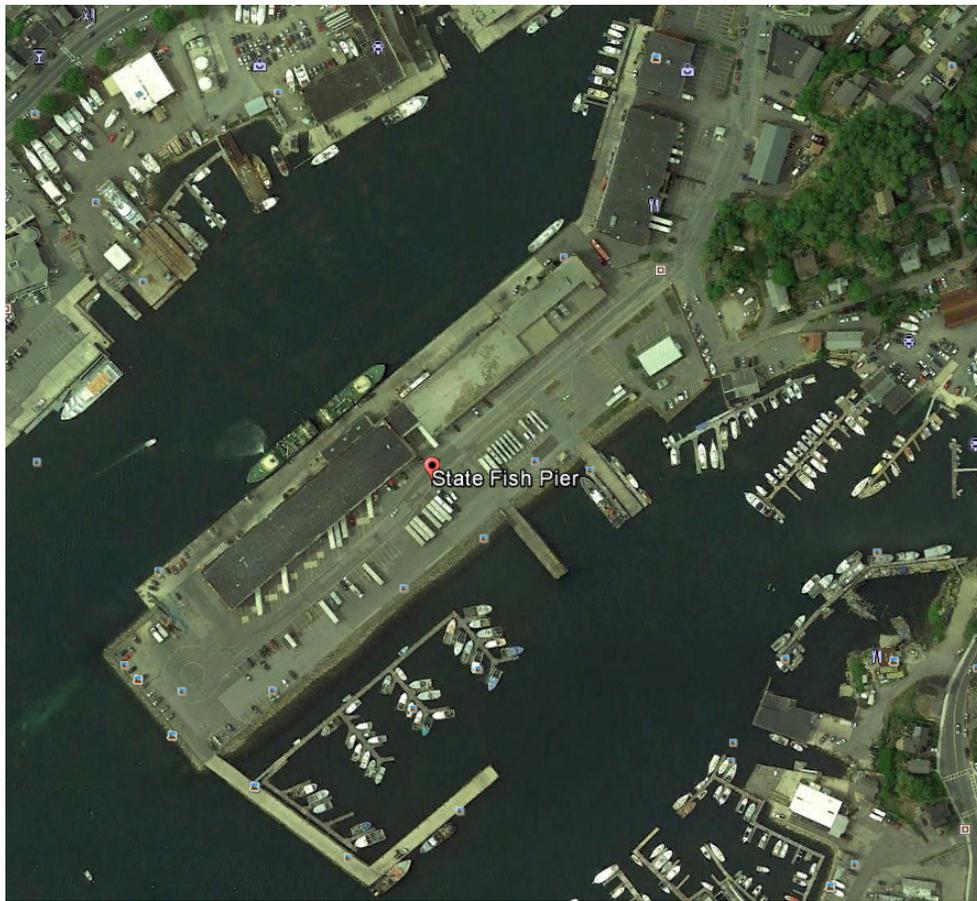
Based on additional information received from cold storage facility providers, DCR and the state may want to consider an alternative approach to structuring maritime use of the New Bedford State Pier. At other piers with cold storage facilities in which there is a single or primary user, a typical structure is for the pier owner to provide a long-term (up to 100 year) ground lease with the cold storage user responsible for all capital improvements and operating costs. DCR and Commonwealth may want to consider pursuing a similar long-term ground lease or building lease arrangement with a primary user or operator, in which the tenant would capitalize and fund the cold storage facility buildout and operating costs thereby customizing the build out to their needs. Through our discussions with industry experts, a common approach for specialized warehouses is to commit long term to one user who maintains and manages the facility specific to their needs.

In addition to realizing direct revenue growth as a result of investing in refrigeration, there is a multiplier effect on the job opportunities for longshoreman, teamsters, chandlers, stevedores, etc., who service each ship while in port. More ships translate into more job opportunities in New Bedford.

Gloucester State Fish Pier: Baseline Data and Profile

Gloucester State Fish Pier is an eight acre developed pier dedicated to serving the fishing industry located in the Gloucester Inner Harbor DPA. It has three buildings with 96,000 square feet, one of which includes a freezer and cold storage capacity. The pier has 61 boat berths, inclusive of a large floating dock system, that are primarily leased to commercial fishing boats. Several additional berths along the main pier are used by building tenants that include the Coast Guard, State Environmental Police, state Coastal Zone Management agency and Cape Seafoods. The pier is operated by MassDevelopment under a 25 year ground lease and management agreement with DCR that runs through June 2019. MassDevelopment also acted as developer and lender for a building built in the late 1990s that is occupied by Cape Seafoods, a herring fish processing firm that also leases the freezer/cold storage building.

Figure 6. Aerial View of Gloucester State Pier



Physical Assets and Condition

The Gloucester State Fish Pier is eight acres with a large rectangular 7.1 acre main fixed pier that include a solid fill peninsula and the North Wharf, which is a pile-supported concrete deck. On its south side are two small timber piers (25 by 150 feet), an extended L-shaped finger pier and floating dock marina. The structures combine to provide 61 berths for vessels ranging in size from 30 to 100 feet, although due to close proximity one berth space is not usable. Water depths

are approximately 17 feet around the pier's perimeter. The pier has three buildings totaling 96,142 square feet. One State Pier has a freezer, cold storage space and offices totaling 40,476 square feet. Two State Pier is an office building with 5,383 square feet, and Three State Pier is a 50,283 square foot mixed-use building with fishing processing, storage and office space. Gloucester's pier also includes a roadway, a large parking area and two areas used for gear work and repair by local fish harvesters. It also has a sanitary pump out system and a ½ ton hoist system used to haul up and load lobster traps. The pier structure is generally in good condition, having undergone demolition and reconstruction on the north side, dredging, utility upgrades and the addition of the finger pier and floating docks in the mid-1990s. Replacement of the roof at One State Pier is underway with a contractor selected and construction expected to be completed in fall 2016. Other capital investments include several smaller repairs to North Wharf and replacement of the concrete entry pad to One State Pier.

Economic Role and Uses

Gloucester's state pier is dedicated to supporting the city and state's commercial fishing industry and is restricted to uses related to commercial fishing. It services fish harvesters, lobster boats and a fish processing firm with three assets:

- publicly managed and available dockage for fishing vessels with direct access to Gloucester harbor's inner channel;
- specialized freezer and cold storage building space needed for storage and fish processing; and
- open space for fish harvesters to work on gear.

There is strong demand for boat berths which are in limited supply in the Gloucester Harbor. MassDevelopment, the pier manager, consistently has a waiting list for boat berths and they turn over quickly when vacancies occur. Fifty-four berths are leased to fishing operators with the exact occupancy varying due to turnover and temporary vacancy. One fish processing firm, Cape Seafoods, uses the pier for its operations, including harvesting, process and storage, occupying almost all of One State Pier (including the freezer and cold storage space) and two-thirds of Three State Pier. The balance of Three State Pier is used for storage, as the original plan for a wholesale seafood display auction and fish processing firms has not been feasible with the reduction in fish catch shares under federal regulations. The US Coast Guard and three state agencies occupy office space at the pier, with the Coast Guard and State Environmental Police also docking boats at the pier.

Governance and Operations

DCR has oversight responsibility for the Gloucester State Pier and contracts with MassDevelopment to manage the state pier under a 25 year management agreement (executed by predecessor agencies—the Department of Environment Management (DEM) and the Government Land Bank) that began on July 1, 1994 and runs through June 2019. MassDevelopment, through its predecessor agency has been managing the Gloucester State Fish Pier since the mid-1980s. There is also a ground lease for the same 25-year period between DEM/DCR and MassDevelopment/Government Land Bank that was part of an arrangement under which MassDevelopment undertook extensive renovations and improvements to the piers, and created new development sites which led to the construction of the Three Fish Pier building.

MassDevelopment manages the pier with a two person full-time staff that includes a Pier Manager and Facility Maintenance Manager who handle all leasing and lease administration, financial management, cleaning, maintenance and some on-site repairs. There is a constant need for repairs and maintenance work with the multiple buildings, floating docks and timber structures that face corrosion from salt water. This makes on-site facility maintenance staff and finance reserves for repair and small replacement costs important. Pier staff also work with the often independently minded fishing boat operators who lease berths and use the pier to offer advice and support on permitting and real estate issues, and to explain and address the formal approach and requirements to leasing practiced at the Gloucester pier.

MassDevelopment and DCR report good working relationships. MassDevelopment provides an annual report and audited financial statements to DCR, and shares information with DCR on planning projects. From DCR's perspective, Gloucester is a well-run and self-sustaining operation that requires limited oversight.

MassDevelopment has a partnership approach to working with its tenants and local stakeholders. It has adjusted rent payments for Cape Seafoods as the firm has faced business and financial challenges, and has agreed to significant deferrals of debt service payments on its loans for construction of the Three State Pier building. MassDevelopment also seeks to support the city and other local organizations in their efforts to sustain the commercial fishing industry and local economy. For example, it is looking into providing temporary space for Maritime Gloucester, which is being displaced for a year.

Leases and User Agreements

Figure 7 summarizes the leasing and structure for Gloucester. MassDevelopment as manager and master leasee has formal leases with five tenants for building space:

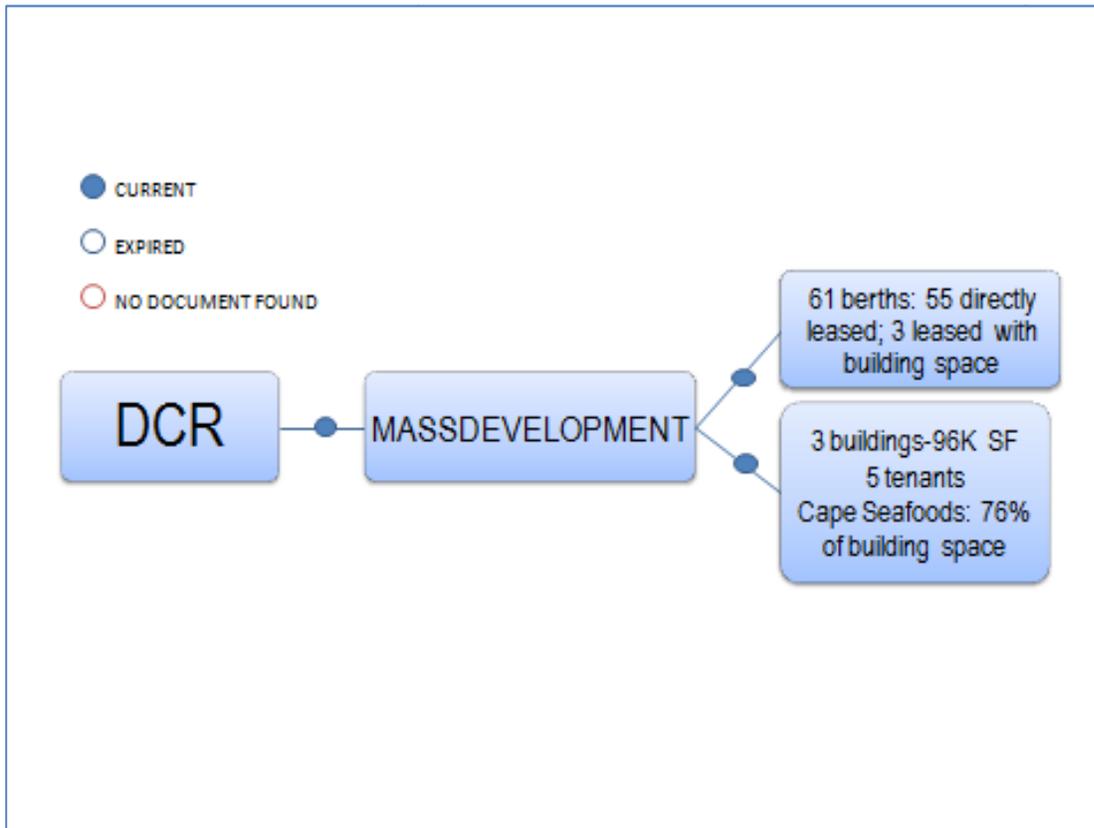
1. Cape Ann Seafood primary tenant
2. US Coast Guard
3. State Environmental Police
4. Coastal Zone Management
5. BASE, Inc.

MassDevelopment also maintains license/lease agreements with close to 50 fishing boat owner/operators for berths. MassDevelopment follows good real estate leasing practices with formal legal agreements with all users and lease agreements that provide for rent escalators, tenant common area charges, and clearly delineated responsibilities between the lessor and leasee.

Capital Investment Needs

Gloucester has a range of capital investment needs to maintain its current infrastructure. The most pressing need, currently being addressed, is replacing the roof on One State Pier at a cost of approximately \$1 million. Other short-term capital needs exist for repaving, new carpeting and marine engineering and building assessment studies. MassDevelopment expects to fund these from its replacement reserves.

Figure 7. Leasing Structure for Gloucester State Fish Pier



Financial Performance

Financial statements for Gloucester have two components: (1) the Cape Ann Fisheries Building (Three State Pier) which is organized as a separate corporation; and (2) Jodrey State Pier, which is the balance of the pier. Revenue and Expense Statements and Balance Sheets for both entities are provided in Tables 12 and 13.

When both entities are combined, Gloucester has operated at a modest loss for FY2014 and FY2015 but at a slight profit in FY2013. Combined revenues for 2015 were \$989,299 and combined expenses were \$1,010,554, resulting in a \$30,255 loss. In 2013 combined revenue and expenses were \$982,858 and \$935,831, respectively, generating net income of \$47,027. Over these three years, revenue was stable at close to \$980,000 while expenses increased by \$75,000, generating the change from modest profit to loss. Over this period, the State Pier exclusive of the Cape Ann Fisheries building operated with a small profit and very close to breakeven: net income ranged from \$4,618 (2014) to a high of \$64,576 (FY2013). Cape Ann Fisheries, however, consistently generated losses that ranged from \$17,549 to \$53,401.

A key financial issue for the Gloucester pier is its heavy reliance on one tenant, Cape Seafoods, which occupies three-quarters of pier building space and contributes over 40% of revenue.

Table 12. Gloucester Audited Revenue and Expense Statements, FY2013 to FY2015

Jodrey State Pier

Revenue Items	FY2013	FY2014	FY2015
Lease/rent payments	\$497,048	\$480,039	\$502,348
Grant income	\$0	\$5,175	\$5,678
Interest Income	13,119	18,402	17,420
Other	\$7,127	\$24,554	\$6,960
Total Revenue	\$517,294	\$528,170	\$532,406
Expense Items			
Employee salaries	\$172,647	\$176,884	\$176,824
Insurance	\$62,544	\$63,961	\$65,662
Utilities	\$20,485	\$25,150	\$31,616
Repairs & Maintenance	\$39,001	\$58,016	\$71,456
Contracted Services, Prof Services	\$12,900	\$13,400	\$15,650
Depreciation	\$76,617	\$81,910	\$83,598
Other, Bad Debt Provision	\$12,249	\$34,166	\$23,431
Other, MassDevelopment Management Fee	\$39,844	\$54,211	\$35,593
Other,	\$16,431	\$15,854	\$11,597
Total Expenses	\$452,718	\$523,552	\$515,427
Net Income/Loss	\$64,576	\$4,618	\$16,979

Cape Ann Fisheries Building

Revenue Items	FY2013	FY2014	FY2015
Lease/rent payments	\$324,759	\$303,409	\$307,411
Interest Income	\$310	\$268	\$0
Other, Common Operating Income	\$72,319	\$74,719	\$86,058
Other, Donated Staff time	\$68,176	\$72,274	\$54,424
Total Revenue	\$465,564	\$450,670	\$447,893
Expense Items			
Management fee	\$68,176	\$72,274	\$54,424
Insurance	\$33,760	\$36,493	\$35,616
Utilities (electric, gas, water, telecommunications)	\$6,654	\$7,778	\$9,113
Repairs and Maintenance	\$478	\$345	\$3,208
Contracted Services, Professional Fees	\$13,900	\$14,400	\$14,900
Depreciation	\$110,355	\$110,857	\$110,856
Other, Interest Expense	\$213,489	\$225,632	\$222,275
Other, Rent to Jodrey State Pier	\$26,100	\$28,321	\$36,999
Other, Amortization of broker commissions	\$6,547	\$6,546	\$6,547
Other, Administration and security	\$3,654	\$1,425	\$1,189
Total Expenses	\$483,113	\$504,071	\$495,127
Net Income/Loss	(\$17,549)	(\$53,401)	(\$47,234)
Combined Net Income/Loss	\$47,027	(\$48,783)	(\$30,255)

The combined assets for the pier and Cape Ann Fisheries building are \$5,741,150. The bulk of these assets are in property, plant and equipment. However, these are accounting figures based on cost less accumulated depreciation, and do not necessarily reflect a fair market value. The pier has a \$2.08 million debt obligation to MassDevelopment, which reflects its capital contribution (funded with state general obligation bonds) to reconstruction and expansion of the pier in the 1990s. No interest is charged on this debt and repayment is made from any available excess revenue after funding of reserves. No debt payments have been required over the past four years. MassDevelopment also made a series of loans for development of the Cape Ann Fisheries building, which had outstanding principal of \$4.506 million at FYE2015. Interest and principal payments on these loans are close to \$270,000 annually.

Under its agreement with DCR, MassDevelopment retains any net income for replacement reserves. At the time of the FYE2015, these reserves totaled \$771,050.

Table 13. Gloucester State Fish Pier Audited Balance Sheet, FY2013 to FY2015

Jodrey State Pier

Assets	FY2013	FY2014	FY2015
Current Assets			
Cash and Cash Equivalents	\$459,194	\$301,451	\$334,811
Accounts Receivable	\$64,065	\$71,788	\$93,114
Prepaid Expenses	\$794	\$846	\$1,174
Total Current Assets	\$524,053	\$374,085	\$429,099
Property and Equipment, Gross (Leasehold improvements + construction in progress)	\$1,258,543	\$1,299,854	\$1,312,266
Less Accumulated Depreciation	(\$184,666)	(\$266,576)	(\$350,174)
Property and Equipment, Net	\$1,073,877	\$1,033,278	\$962,092
Other, Operating Reserves	\$187,633	\$187,825	\$187,825
Other, Maintenance and Replacement Reserves	\$545,273	\$771,050	\$771,050
Other, Tenant Security Deposits	\$47,388	\$46,279	\$47,257
Total Assets	\$2,378,224	\$2,412,517	\$2,397,323
Liabilities and Fund Balance	FY2013	FY2014	FY2015
Current Liabilities			
Accounts Payable + MassDevelopment Payable	\$30,489	\$61,011	\$27,216
Accrued Expenses	\$4,578	\$4,595	\$5,467
Total Current Liabilities	\$35,067	\$65,606	\$32,683
Long Term Debt: Note Payable-MassDevelopment	\$2,080,000	\$2,080,000	\$2,080,000
Other, Tenant Security Deposits	\$48,117	\$47,253	\$47,973
Total Liabilities	\$2,163,184	\$2,192,859	\$2,160,656
Net Assets, Beginning of Year	\$150,464	\$215,040	\$219,658
Net Income/Loss	\$64,576	\$4,618	\$16,979
Net Assets, End of Year	\$215,040	\$219,658	\$236,637
Total Liabilities and Fund Balance	\$2,378,224	\$2,412,517	\$2,397,293

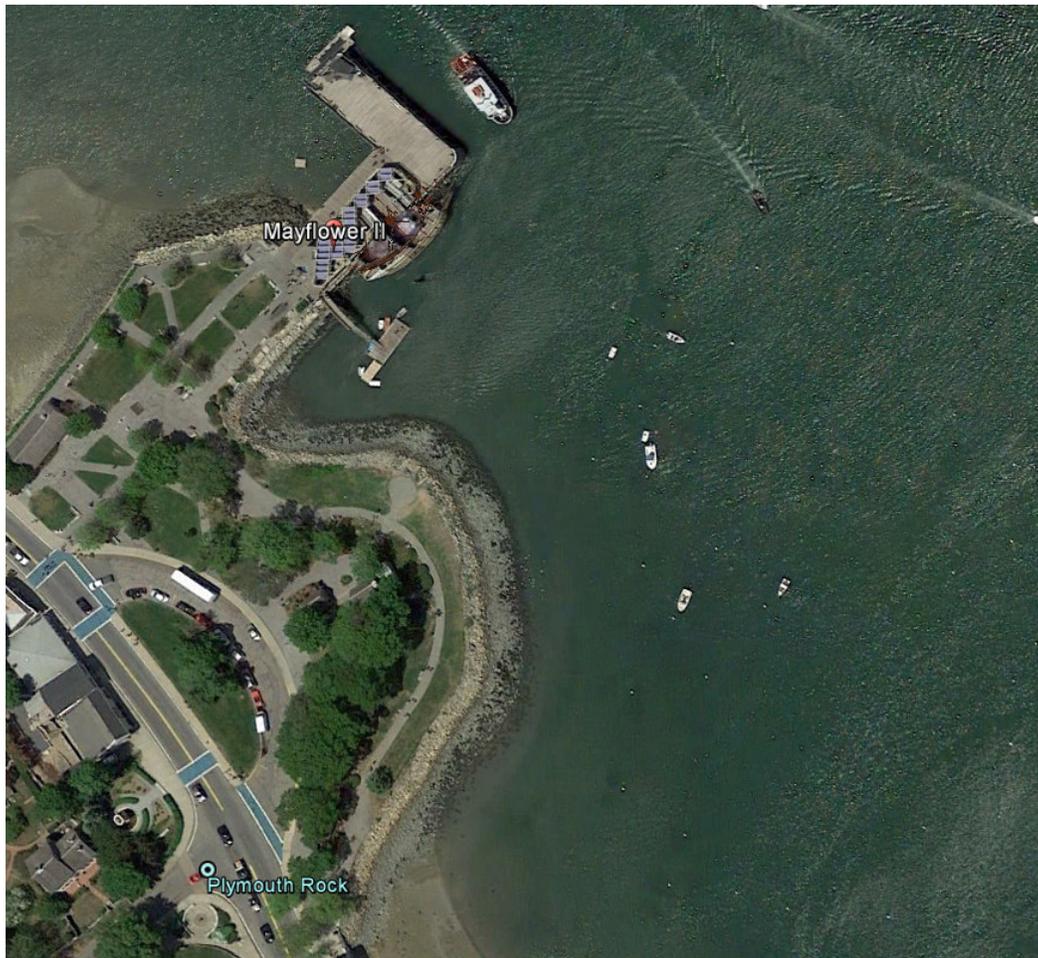
Cape Ann Fisheries Building

Assets			
	FY2013	FY2014	FY2015
Current Assets			
Cash and Cash Equivalents	\$143,069	\$217,796	\$87,260
Accounts Receivable	\$37,813	\$39,435	\$46,740
Prepaid Expenses	\$654	\$682	\$1,032
Total Current Assets	\$181,536	\$257,913	\$135,032
Property and Equipment, Gross	\$4,860,992	\$4,860,992	\$4,860,992
Less Accumulated Depreciation	(\$1,876,867)	(\$1,987,464)	(\$2,098,061)
Property and Equipment, Net	\$2,984,125	\$2,873,528	\$2,762,931
Other, Operating and Debt Service Reserves	\$229,728	\$276,536	\$393,526
Other, Tenant Security Deposit	\$30,364	\$30,415	\$30,460
Other, Deferred broker commissions	\$30,563	\$24,017	\$17,470
Other, Deferred financing fees	\$4,927	\$4,667	\$4,408
Total Assets	\$3,461,243	\$3,467,076	\$3,343,827
Liabilities and Fund Balance			
Current Liabilities			
Accounts Payable	\$10,433	\$7,550	\$14,268
Accrued Interest Payable	114519	\$220,881	\$191,742
Current Portion of Long Term Debt, Mass Development	\$64,716	\$68,059	\$71,313
Total Current Liabilities	\$189,668	\$296,490	\$277,323
Long Term Debt-MassDevelopment	\$4,578,021	\$4,509,962	\$4,438,649
Other, Accrued Interest Rent Payable	\$11,614	\$29,034	\$46,454
Other, Tenant Security Deposits	\$30,364	\$30,415	\$30,460
Other, Rent Payable-Related Party	\$580,678	\$580,678	\$580,678
Total Liabilities	\$5,390,345	\$5,446,579	\$5,373,564
Fund Balance, Beginning of Year		-\$1,929,102	-\$1,982,503
Net Income/Loss		-\$53,401	-\$47,234
Fund Balance, End of Year	-\$1,929,102	-\$1,982,503	-\$2,029,737
Total Liabilities and Fund Balance	\$3,461,243	\$3,464,076	\$3,343,827

Plymouth State Pier: Baseline Data and Profile

Plymouth State Pier (also known as Frazier State Pier) is a one-third acre wooden pier next to Pilgrim Memorial Park with two users and tenants: (1) the Mayflower II ship and related exhibit that is owned and operated by Plimoth Plantation; and (2) a private charter boat operator that runs a seasonal ferry to Provincetown and excursion boat trips. It has two small buildings—the Mayflower II outdoor exhibit and a small ticket booth. The pier is operated jointly by DCR and Plimoth Plantation. It is the only state pier that is not within a DPA.

Figure 8. Aerial View of the Pilgrim Memorial Park and Plymouth State Pier



Physical Assets and Condition

The pier has three sections: an approach pier, main pier and finger pier. The Approach Pier supports the Mayflower II exhibit structure and the berth occupied by the Mayflower II. The Main Pier is used by the Provincetown ferry and the adjacent finger pier by charter boat vessels. There are two buildings on the pier: (1) the Mayflower II exhibit which is an open air series of historical exhibits and displays that is approximately 6,000 square feet; and (2) a small ticket booth for the ferry and charter boats. Two boat berths are present: (1) a 140 linear foot berth on the Approach Pier (east side) with 8 foot depth occupied by the Mayflower II; and (2) a 160

linear foot berth on the Main Pier (north side) with 10 foot depth used by the ferry and charter boats. There is no parking on the pier itself. A recent physical assessment conducted by Bourne Consulting Engineering in August 2015 found the pier to be in good condition but improvements are needed to bring the pier into full ADA compliance.

Economic Role and Uses

The Plymouth Pier's primary role is supporting a regional tourist destination. The Mayflower II ship and related exhibit receive 200,000 to 250,000 annual visitors and is viewed as a critical visitor destination for Plymouth. It also supports passenger transportation uses and tourist-oriented boat excursions. It will take on additional importance in the next several years as Plymouth prepares for the 400th anniversary of the Pilgrims' landing in 2020 and the Plymouth II undergoes a major restoration in dry-dock in preparation for this anniversary. When the boat is undergoing restoration, which may last two years, Plymouth will lose an important visitor destination and planning to address this gap will be needed, including the potential role of Pilgrim Memorial Park and the Frazier Pier.

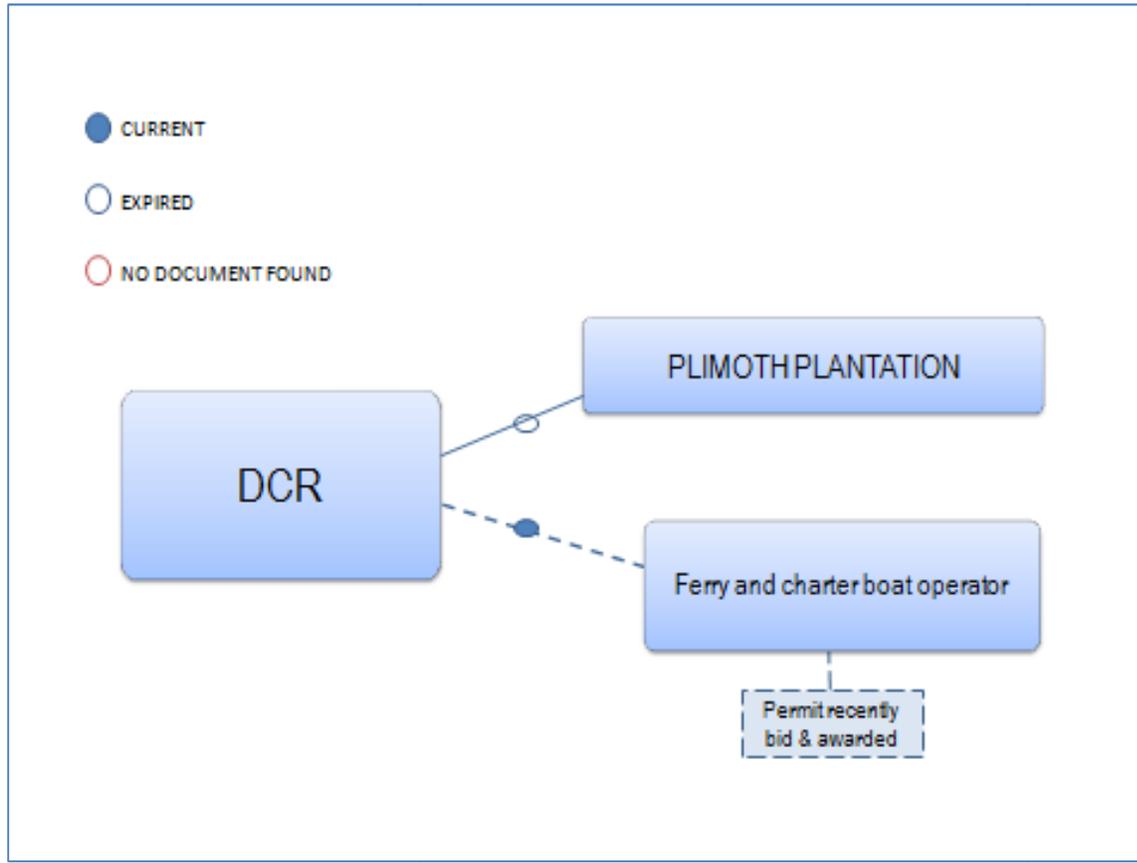
Governance and Operations

DCR has oversight and overall management responsibility for the Plymouth State Pier but day to day maintenance and operations are shared between DCR and Plimoth Plantation. DCR is responsible for repair and maintenance at both the park and pier and maintains the site's restrooms. Plimoth Plantation provides trash removal for the park and during the tourism season provides security (24 hours/7days) for the Mayflower II ship, park, and Plymouth Rock and maintains the ship, bolster systems, camel (floating tire), gangway, exhibit and ticket booths, and some minor gardening near the gift shops on the park grounds. Pilgrim Memorial Park and the Plymouth Pier are overseen through DCR's regional office on Cape Cod. During its active season from April through December, DCR uses 5 laborers and 4 interpreters who are on site to care for the park and two other monuments. According to DCR, 70% of their time is focused on Pilgrim Memorial Park facilities. Coordination between DCR and Plimoth Plantation is handled by on-site managers and is reported to be cooperative and working well.

Leases and User Agreements

Historically, DCR's predecessor agencies had established agreements with the Plimoth Plantation for use of the pier that go back approximately 50 years. At some point, Plimoth Plantation and the agency transitioned to 5-year permit agreements that could be renewed every five years. The last permit agreement covered the period from 1999 to 2003. This agreement expired in 2003 and no new agreement replaced it. Consequently, despite repeated efforts to negotiate a new agreement with DCR, Plimoth Plantation has been operating at the pier for over 12 years without an agreement. No financial payments are made to the Commonwealth for Plimoth Plantation's use of the pier; instead it provides services to the pier equivalent in value to at least \$30,000. A second permit agreement exists with Waterfront Enterprises to operate the ferry and excursion boat at the pier. The permit was awarded in June 2006 and continued through the end of October 2015 with the most recent annual payments of \$21,716. This concession permit was rebid during the study and future revenue figures were not available.

Figure 9. Leasing Structure for Plymouth State Pier



Capital Investment Needs

Plymouth has several capital improvement priorities: (1) replacement of the dolphin clusters that support the Mayflower II; (2) dredging to increase the water depth; and (3) improvements for ADA compliance. No cost estimates have been provided for these capital investments.

Financial Performance

DCR does not operate and account for the Plymouth Pier as a separate business unit or profit center so there are no records for revenue and expenses and no balance sheet documenting assets and liabilities for the pier exist. The sole revenue to DCR is from Waterfront Enterprises, the operator of the ferry and boat excursions. Under a 2014 license extension, Waterfront Enterprises pays \$21,716 annually to DCR for its license to use the pier. The license was rebid at the time of this study and may change for 2016 and future years. Operating responsibilities and costs are shared by DCR and Plimoth Plantation. DCR cannot provide figures for its staff and other costs specific to the pier. As noted above Plimoth Plantation is obligated to provide services equivalent to at least \$30,000 in exchange for its use of the pier and exceeds this amount. Plimoth Plantation provided figures for its trash removal, security and maintenance costs specific to the pier but could not allocate revenue specific to the Mayflower II ship and exhibits, as most visitors purchase a combined ticket for the ship and main plantation site. Table

14 summarizes the revenue and expense data that was available but these do not reflect a complete or accurate financial picture of the Plymouth Pier as a separate asset or business unit.

Table 14. Available Figures for Plymouth Frazier Pier Revenue and Expenses

	Revenue—DCR	Revenue—Plimoth Plantation	Total Revenue
Plimoth Plantation		Unknown*	
Charter boat operator	\$21,716		\$21,716
Total Revenue	\$21,716		\$21,716
	Expenses-DCR	Expenses—Plimoth Plantation	Total Expenses
Building and Grounds	Unknown+	\$103,916	\$103,916
Marine Department		\$208,707	\$208,707
Total Expenses		\$312,623	\$312,623
Net Cash Flow	Unknown	Unknown	Unknown

* Revenue is for admission to multiple sites

+ DCR expenses not accounted for at site; covered in regional and central staff and budget

Conclusions and Recommended Next Steps

Massachusetts's four state piers provide specialized infrastructure that supports multiple water-dependent marine industries including commercial fishing, shipping and cargo operations, marine transportation, and marine services, as well as housing two important water-dependent regional tourism destinations. However, these assets are not realizing their full potential due to problems with governance, management, leasing practices and investment documented in this report. Key findings from the business and operations assessment on critical challenges and shortfalls to address in the Commonwealth's policy and governance state pier are:

- No uniform system for the Commonwealth's governance and management of the four piers exists, and a lack of expertise and or resources exists at DCR to effectively serve this role;
- Inconsistent and below market leasing and use agreements impair the financial condition and capital reserves of many state piers. This situation is represented in several long-term historic agreements, many of which have ended, and is compounded by DCR's inattention to actively managing and renegotiating agreements and to applying sound real estate leasing practices, including funding capital reserves;
- Capital investment needs exist at all four piers. However, only Fall River and Gloucester have a capital reserve mechanism to fund necessary repairs.
- Opportunities exist for expanded water-dependent marine industrial uses at Fall River and New Bedford; and
- Core users and local stakeholders can be more effectively engaged as partners to achieve greater economic development impact, operating and maintenance self-sufficiency and financial performance at most piers.

The consultant team proposes the following recommendations as the Commonwealth seeks to maximize the economic value of the state piers.

With the UMASS Dartmouth study of the Massachusetts maritime economy underway, final review and action on these recommendations should await the results of that study.

Near Term Next Steps

1. Renegotiate expired lease and use agreements with major partners and users at each pier to ensure that these users contribute financially, in accordance with their level of infrastructure use, to pier operations, maintenance and replacement of pier infrastructure. This includes eliminating no or low cost rent payments and use in exchange for covering operating costs. Leases should also incorporate provisions for tenant payments for common area maintenance and operating costs. In some cases, it may make sense to enter into short or intermediate lease agreements until the long-term governance structure for state piers is worked out.
2. Establish standard and effective real estate leasing and management practices that include charging fair market rents and fees, regular rent and fee escalators, user payment of their own utilities and contribution to common area security, operations and maintenance costs, active monitoring of lease expirations and timely renewal and renegotiation of

- leases and establishing operating and replacement reserve funds.
3. Through the identified pier manager, establish an asset management system for each pier that tracks the age, condition, repair and replacement of all major pier components, records all events that impact or damage pier infrastructure, and proactively plans for capital investment needs and incorporates them into state capital budgeting. This system would include protocols for annual preventive maintenance, inspection and minor repair along with periodic engineering reviews of pier structural elements, based on their age.
 4. Maintain on-going communication and engagement with local and industry stakeholders. This can include: (1) regular information sharing between local pier managers and city economic development staff, local officials and business associations and any new development, plans and investments at the state pier and inquiring about stakeholder activities that may impact the pier; and (2) holding a regular annual planning session between state governance agency leadership, local pier managers and local stakeholders to discuss plans, projects and opportunities for collaboration for the forthcoming year.
 5. Establish financial record-keeping and management systems that allow for determining revenue and expenses for each state pier as its own economic unit.
 6. To advance water-dependent, maritime uses at New Bedford and Fall River, support participation in the American Association of Port Authorities and other nationally and regionally recognized industry associations to market the piers and learn best practices.

Longer Term Next Steps

1. Alter the current governance arrangement to provide consistent and strong governance of all four piers aligned with state economic development and transportation goals. This will require moving governance from DCR to another state agency or authority with an economic development mission and the resources and expertise in marine infrastructure and industry to fully support the state piers.
2. Formulate a state vision and plan for the future use of each pier, the associated investments, management and partnerships needed to advance these visions and strategies to leverage all available funding for implementation including private sector, federal and local government sources. These plans should advance state economic development and infrastructure goals, capitalize on the unique assets and advantages of each pier and be informed by city and regional plans. The Seaport Economic Council can undertake this work in collaboration with local stakeholders and the State Pier Working Group.
3. Recognize that investment at state pier may benefit the state through broader economic development returns that include employment, income and tax base growth rather than a direct financial return. The industry of the working maritime piers is more complex than a purely revenue driven model. Factoring in the impact on local and state economies is important to the decision making process.