



October 4, 2018

To All Prospective Respondents

Request for Qualifications for the San Juan Bay Cruise Terminals Project

Addendum #4

We make reference to the Request for Qualifications for the San Juan Bay Cruise Terminals Project (“RFQ”) published by the Puerto Rico Public-Private Partnerships Authority (“Authority”) on September 5, 2018.

The Authority and PRPA have considered it important to further clarify the subject of FEMA and other federal grants in the context of the Project. Therefore, below you will find an expanded explanation and context for the possibility of receiving such federal support in the future. Respondents should consider this language in lieu of the current description included in Section 2.3 of the RFQ. This description is supplementary to information currently provided in the RFQ and should not impact the evaluation criteria or content of your SOQ.

2.3 Project Description

The Authority and the PRPA are interested in delivering a Project that not only solves the aforementioned objectives associated with condition and capacity of the Piers, but more importantly one that supports and encourages continued tourism and economic growth in Puerto Rico.

The proposed Project consists of repairing, expanding, financing, operating and maintaining the cruise terminal infrastructure in San Juan over a defined concession period specified in the Project Agreement.

The Contractor will assume a series of Project risks in exchange for the right to receive project revenues, which will include fees based on demand from users and also certain ancillary revenues to be described in the Project Agreement and generally related to the services to be provided by the Private Partner. The Authority and the PRPA are prepared to develop a productive relationship with the Contractor and to mutually align objectives to ensure the success of the Project for the benefit of Cruise Terminal users and the broader population of Puerto Rico.

The Project consists of the following main components:

2.3.1 Repairs to existing infrastructure

Significant repairs are needed to bring the Piers up to the PRPA's standards with damage from the recent hurricanes exacerbating this problem. The PRPA and the Authority will determine the repair work that will remain the primary legal responsibility of the PRPA and what will be borne by the Private Partner, with additional details to be assigned as part of the RFP process and confirmed in the resulting PPP Agreement.

As mentioned above, the need to provide safe, efficient and well-maintained Cruise Terminals in San Juan is evident. With the existing Piers comprising essential infrastructure for Puerto Rico, their upkeep is a prime concern for the PRPA.

After the recent hurricanes Irma and Maria two separate surveys were initiated, one by the PRPA and the other by the US Department of Transportation Maritime Administration (MARAD), under mission assignment by the Federal Emergency Management Agency (FEMA).

It appears from both surveys that the older piers have been overloaded over time due to increasing vessel sizes. Overloading typically results in deterioration of the structure and a degradation of its structural capacity. In addition, age and lack of recent upgrades to most of the piers and buildings contributes to the needed repairs.

Pier 1

Based on the MARAD survey report, the pier structure has suffered from extensive deterioration, with complete section loss for a number of structural elements. It is therefore likely that the entire pier structure, including the building, needs to be demolished and be rebuilt.

Pier 3

The pier is in a satisfactory condition and minor refurbishment works are required to the walkways and fenders.

Pier 4

Similar to Pier 1, the pier structure has suffered from extensive deterioration with complete section loss for a number of structural elements. It is therefore deemed likely that the entire pier structure, including the building, needs to be demolished and be rebuilt.

Piers 11 to 14

Piers 11 to 14 are currently not in active use. These piers should likely be completely rebuilt to provide capacity when other piers are being rebuilt and for expansion needs.

Pan American Piers I and II

These piers comprise two structures, a relieving platform structure and a cantilevered bulkhead structure to the east of the piers. The MARAD survey report concludes that both structures are in a poor condition and require extensive repairs.

Walkway 2

Walkway 2 is used primarily as a pedestrian walkway. It is also used to moor pleasure vessels up to 100' long. The walkway extends from the center of Pier 1 to the eastern edge of Pier 4. Based on the MARAD survey report the walkway was found to be in poor condition.

2.3.2 Expansion Works

In addition to the repair needs, certain expansions of the Piers are required in order to ensure that San Juan remains able to properly service growing passenger numbers and ever-increasing vessel sizes.

In general, each pier has different characteristics that limit the type and size of the vessels that they can serve, thus an all-encompassing strategy is required to expand the facilities and extract their best possible use.

In order to stay competitive within the Caribbean cruise market, capacity needs to be increased to match at least the capacity of St. Maarten and the U.S. Virgin Islands.

The proposed Project structure provides significant flexibility for the Private Partner to implement its own masterplan for the Cruise Terminals subject to meeting a number of minimum requirements which will be set out in the RFP.

An indicative scope for possible upgrades and expansion works is provided below.

As per Section 2.2 the current waterside capacity is constrained in terms of number of berths and available berth length due to increasing vessel sizes. In order to add capacity, Piers 11 – 14 may be developed into a new homeport facility. As per the MARAD survey reports Piers 1 and 4 are likely to be rebuilt to address the extensive deterioration. Construction works for these piers are expected to occur

after adding additional homeport pier(s) at Piers 11 – 14 to ensure that there is no shortfall in capacity. The Pan American Piers I and II require extensive repairs and may potentially be extended to allow simultaneous berthing of two 1,200 ft vessels. Relatively small CAPEX is required to repair Pier 3 and Walkway 2. The Authority envisions that the Private Partner will be given flexibility on the sequence and timing of these construction works subject to an overall deadline and other performance measures. This will be clarified further in the RFP.

Depending on design requirements for each pier it is estimated that overall CAPEX for both the repairs and upgrades works may roughly vary between USD 360M and 560M. While these estimates cover the bulk of the works required to realize the Project, they do not represent the total capital requirement of the Private Party. Furthermore, these estimates are based on recent studies and experience, but do not benefit from detailed designs and studies and therefore should not be relied upon. During the RFP stage additional details will be provided to allow bidders to prepare their own assessments.

2.3.3 Cruise Terminal Operations

The Private Partner will be responsible for operating the Cruise Terminals, under its own business plan and with its own staff and any proprietary technology and systems, with operational costs being payable from the revenues generated from such operations by the Private Partner. This provides the Private Partner with the ability to truly innovate, as the Private Partner is incentivized to grow the client base, improve customer service and drive higher revenues.

This role will encompass all elements of Cruise Terminal operations, including interacting and contracting with cruise lines, scheduling cruise line calls, allocating capacity at the Piers, providing ancillary services (such as shore power, fresh water provision, parking services, and management of commercial facilities on the piers), collecting revenues, security of the piers, liaison with Harbor Master, and marketing the Piers to cruise lines. It is expected that the PRPA or another Government Entity will continue to be responsible for pilot boat services, port police and fire services (other than security for the piers), and customs. This allocation of responsibility will be set out in greater detail in the RFP.

2.3.4 Facilities Maintenance

The Project will involve the Private Partner providing facilities maintenance and rehabilitation services for the Piers and associated infrastructure over the term of the Concession.

Specifically, the Private Partner will be responsible for providing all facilities maintenance and rehabilitation services, which will include activities such as routine, preventive and scheduled maintenance and rehabilitation works, keeping specifications of structures and preventing failure and/or degradation. The Private Partner will also be responsible for improving / upgrading the infrastructure over time, in accordance with certain minimum service requirements (which will be set out in the Project Agreement) and its own plan to grow the business.

2.3.5 Financing

The Private Partner will be responsible for financing the Project and will be encouraged to utilize innovative financing solutions that meet the requirements of the RFP, including the use of local capital. PRPA does not plan to provide a subsidy to the Project at any time and thus financing the Project is a risk solely to be borne by the Private Partner without any recourse to the PRPA or the Authority.

The Private Partner will be required to make a contribution to the PRPA, through either an upfront “Concession Fee” or an ongoing revenue share arrangement, or some combination thereof, as further detailed in the RFP.

FEMA funds or other federal disaster recovery grant funding may become available to partially finance the repairs to the Cruise Terminals; however the timing and quantum of any FEMA or other federal disaster recovery grant proceeds is uncertain. Accordingly, the Private Partner should assume that it is required to raise all of the financing required for the Project itself, particularly the initial phase of repairs and upgrades to be defined and agreed as part of the PPP Agreement. If any FEMA or other federal disaster recovery grant funding becomes available, it will more likely be made available for use in a second or subsequent phase for the Project.

To the extent that FEMA or other federal disaster recovery grant funding does become available for the Cruise Terminals or any of the Piers, the PRPA may elect to make this funding available to, continue improving the conditions of the Cruise Terminals or any of the Piers. This election is at the sole discretion of PRPA to be made in consultation with the Authority. The Private Partner has absolutely no claim to this funding. In the event that the PRPA determines to make this funding available for such purposes, the Private Partner will be required to cooperate with the PRPA, the Authority, and any applicable federal or other public entity partners to the fullest extent possible, including assisting with management of any repair work, if so assigned by the PRPA, in an agency or similar role and coordination of any necessary elements of the work or grant application process.

Any grant funding made available to the Project will be subject to compliance with the terms of the FEMA or other federal disaster recovery grant and with the terms of the financing implemented by the Private Partner for the Project. If FEMA or other federal disaster recovery grant funding is incorporated into the financing of a second or subsequent phase of the Project, the Private Partner will be required to comply with the terms and conditions of the applicable grants and sub-grants and the conditions required by PRPA in order not to jeopardize the availability of such funding. This may include, but is not limited to, a requirement that the Private Partner execute an agency or similar agreement to facilitate the Private Partner’s completion of any repair work that may be assigned on behalf of the PRPA.

In the event that FEMA or other federal disaster recovery grant funding is made available for any repair work or otherwise is anticipated to fund any type of construction work for the Cruise Terminals or any of the Piers, such work must be separately procured outside of the PPP Agreement in full compliance with the requirements of the Regulation and the procurement rules located within 2 C.F.R. Part 200 and

applicable to procurement by the Commonwealth Government of Puerto Rico. Further, such separately procured work may not be awarded to the Private Partner if the Private Partner acts in an agency or similar role for the PRPA in the process of procuring such work.

Any cancellation or clawback of approved and provided FEMA or other federal disaster recovery grant funding that is related to repairs or other work managed by the Private Partner, as a result of any failure to cooperate with the PRPA, the Authority, and any applicable federal or other public entity partners, or any failure to comply with the terms and conditions of the applicable grants and sub-grants or the conditions required by PRPA, will be assessed to the Private Partner and may result in a direct offset of any revenues otherwise due and payable to the Private Partner under the PPP Agreement.