

Alaska Railroad: Seward Dock Replacement

FY2020 Request: \$4,000,000

Reference No: 62613

AP/AL: Appropriation

Project Type: Renewal and Replacement

Category: Transportation

Location: Seward

House District: Kenai Areawide (HD 29-31)

Impact House District: Kenai Areawide (HD 29-31)

Contact: Tim Sullivan

Estimated Project Dates: 07/01/2019 - 06/30/2024

Contact Phone: (907)265-2357

Brief Summary and Statement of Need:

Despite an ongoing annual investment of \$500,000 to \$1,000,000 by the Alaska Railroad, the dock is anticipated to no longer be usable by 2023 or 2024. With the permitting, engineering, and construction of a new passenger dock expected to take nearly 5 years, time is of the essence to initiate the replacement of this critical asset to the Alaska tourism industry.

Funding:	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>	<u>FY2025</u>	<u>Total</u>
1206 CPV Tax	\$4,000,000						\$4,000,000
Total:	\$4,000,000	\$0	\$0	\$0	\$0	\$0	\$4,000,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

Project Description/Justification:

Seward Passenger Dock Background:

The existing Seward Passenger Dock was constructed as a freight dock in 1966 at the head of Resurrection Bay. The 147,000 sf pile supported dock includes two berths and a 26,000 sf terminal building that has been converted for the processing of passengers and baggage. Over 50 years old, the dock has reached the end of its useful life. Despite an ongoing annual investment of \$500,000 to \$1,000,000 by the Alaska Railroad, the dock is anticipated to no longer be usable by 2023 or 2024. With the permitting, engineering, and construction of a new passenger dock expected to take nearly 5 years, time is of the essence to initiate the replacement of this critical asset to the Alaska tourism industry.

Setting:

Southcentral Alaska will accommodate over 130 calls by cruise ships in 2018. Although the Port of Alaska (Anchorage) annually accommodates fewer than a dozen calls per year, the predominate turnaround port locations for cross-gulf passenger traffic are in Seward (2 berths) and Whittier (1 berth). These two ports serve as key transfer points for cruise passengers to air transportation,

Denali National Park, and other tourism throughout the railbelt and beyond. The Seward Passenger dock accommodates more than 70% of these port calls. Tourism, in terms of cruise passengers to Southcentral, has grown nearly 10%, year-over-year, for the past five years, and is anticipated to exceed 200,000 people in 2019. Discussions with the cruise industry indicate that while the number of port calls is not projected to increase significantly in the foreseeable future, the size of the cruise ships will continue to increase.

Analysis:

The Alaska Railroad received a TIGER grant in 2015 for master planning of the Seward terminal. This process took two years and included input from all facility users and the community. During this process, all aspects of the ARRC Seward terminal were reviewed and compared to other ports in Southcentral Alaska. The replacement of the passenger dock was identified as the highest priority for the entire Seward terminal. With the remaining life of the passenger dock limited, much attention was given to developing a long-term solution to maintain cruise ship calls in Seward. More than 70 different alternative combinations were considered, including the retrofit of the existing freight docks. These options were set aside due to cost and significant negative impact to existing ARRC freight business. Options that would provide more of a traffic balance between Seward and Whittier were also considered, but were rejected due to the investment cost in a second facility in Whittier combined with the level of congestion for the Whittier tunnel.

The option that provides the best return would include the removal of the current Seward Passenger dock to be replaced with a new floating dock and associated facilities. The anticipated project delivery cost is \$50 million. However, with annual dock revenues to the Alaska Railroad of less than \$3 million over the 4-month tourist season, the capital cost for the dock replacement is well beyond what the revenue would support. In fact, none of the options developed (from \$40 million to over \$100 million) will support the capital investment with expected revenues. With the Whittier dock being underutilized, there is little ability for the Alaska Railroad to try to increase rates to balance the rate of return.

Path Forward:

The Alaska Railroad will continue efforts to keep the existing passenger dock serviceable for another 5-6 years (annual cost of \$500K-\$1 million). During that time, the Alaska Railroad will work to gather support for investment in a new passenger dock by the cruise agencies, the local community and the state. With permitting, engineering, and construction of a new passenger dock expected to take nearly 5 years, it is critical to initiate the replacement of this critical asset to the Alaska tourism industry immediately.

<u>Year</u>	<u>Capital Need</u>	<u>Description</u>
2019	\$ 2 Million	Engineering/Permitting
2020	\$ 2 Million	Engineering/Permitting
2021	\$ 30 Million	Construction
2022	\$ 14 Million	Construction
2023	\$ 2 Million	Construction

2018 dollars

