

Cruise Development Opportunity



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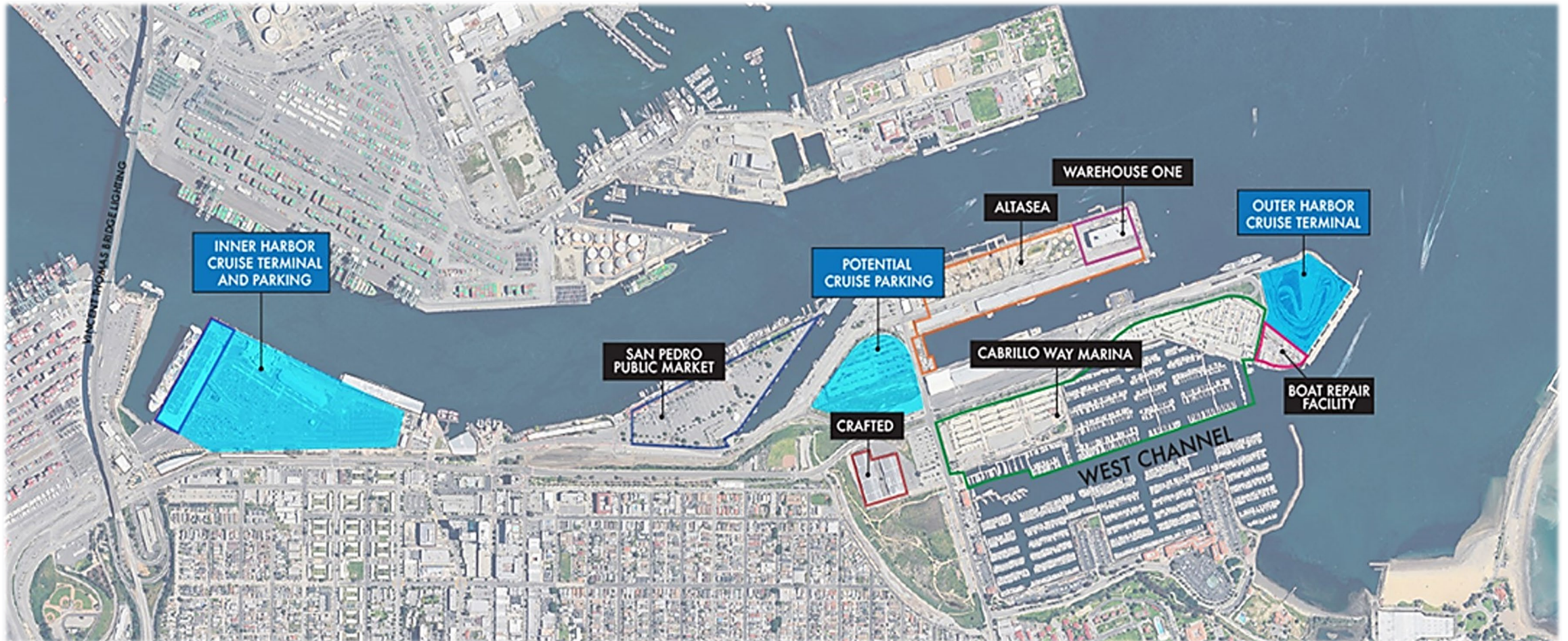


Cruise Development Objectives

The objectives of the Cruise Development Opportunity are to:

- **Maintain and Build Market Share** - Develop long term sustainable cruise business model that captures and maintains present and future demand while providing outstanding passenger service.
- **Improve Financial Performance** - Increase port revenues and financial sustainability of the cruise business through a compensation structure that maximizes the development scope, incentivizes passenger growth, with mutual benefits for each party considering their investment in the proposed development.
- **Optimize POLA Land** - Optimize utilization of Port land with infrastructure investments that promote efficient cruise operations at both Inner and Outer Harbor Cruise Terminals, visitor attraction growth, ancillary complimentary uses and economic activity within the LA Waterfront and Los Angeles region.

New Cruise Terminal Development



New Cruise Terminal Development



Port Cruise Customers

Princess Cruises



Royal Caribbean Cruise Line



Norwegian Cruise Line



Cruise Business History

PORT OF LOS ANGELES CRUISE MARKET

Year	Ship Calls	Passengers	Avg. Passengers/Ship
2000	315	1,082,584	1,718
2001	319	1,164,126	1,825
2002	257	1,075,102	2,092
2003	233	806,022	1,730
2004	230	924,769	2,010
2005	272	1,218,739	2,240
2006	265	1,184,223	2,234
2007	255	1,168,155	2,291
2008	265	1,195,897	2,256
2009	162	798,886	2,466
2010	147	731,952	2,490
2011	136	608,386	2,237
2012	98	426,073	2,174
2013	99	430,189	2,173
2014	122	578,668	2,372
2015	123	592,335	2,408
2016	118	601,541	2,549
2017	109	498,848	2,288
2018	111	518,904	2,337
2019	124	650,010	2,621
2020	34	173,947	2,558
2021	61	152,720	1,252
2022	229	995,819	2,174
2023¹	224	1,335,650	2981

- 2001: Highest number of ships
- 2003: Carnival left for Long Beach
- 2005: Highest passenger count
- 2009:
 - Royal Caribbean exits market
 - Norwegian downsizes
 - Issues down line in Mexico
 - Better markets in world
- 2010's: Flat
- 2018: Norwegian deploys larger newer ships and POLA expected new ships in 2020 and 2021
- 2020: COVID hit
- 2022: Recovery & Royal Caribbean year-round ship
- 2023: New estimated highs in passenger count and average ship size

1. Estimate

Cruise Business Opportunity

Current Conditions

- Volume growing back to pre-2010 levels
- Ship size is growing
- Terminals are not designed for the volume of passengers and size of ships
- B93 not optimal for current growth trends
- Full weekend berths
- Limited growth without new berths
- Flexible land and water development options in comparison to other competing ports

Market Demands

- Growth comes from weekend berths
- Need for 2-3 berths to handle ships between 1100' LOA and 1300' LOA (1 currently)
- Passenger processing of 6000+ passengers



Cruise Headwinds

- COVID Uncertainty
- Debt Load of Cruise Lines
- Limited Capital
- Current Lending Costs
- West Coast Mexico Market
- Existing Port Itineraries
- New Port Itineraries
- Fuel Costs
- Development Timeline
- Cost Structure
- Sustaining Market Volume
- Regulations
- Competition



Cruise Terminal Volumes

NO DEVELOPMENT			
Year	Ship Calls ¹	Passengers ¹	Avg. PAX ¹ per Ship
2024	220	1,150,000	2,614
2025	225	1,200,000	2,667
2026	250	1,350,000	2,700
2027	250	1,425,000	2,850
2028	250	1,450,000	2,900
2029	250	1,500,000	3,000
2030	250	1,550,000	3,100

OUTER HARBOR OPENING IN 2028			
Year	Ship Calls ¹	Passengers ¹	Avg. PAX ¹ per Ship
2024	220	1,150,000	2,614
2025	225	1,200,000	2,667
2026	250	1,350,000	2,700
2027	250	1,425,000	2,850
2028 ²	270	1,650,000	3,056
2029 ²	270	1,680,000	3,111
2030 ²	285	1,750,000	3,070
2031 ³	290	1,845,000	3,181
2032 ³	300	1,950,000	3,250
2033 ³	310	2,050,000	3,306
2034 ³	320	2,150,000	3,359
2035 ³	330	2,350,000	3,561
2036 ³	350	2,500,000	3,571

1. Estimates
2. Outer Harbor opening based expected bookings
3. Speculative ship size increase

Project Overview

Element	Comments
Delivery Model	66-year long term ground lease.
Procurement Approach	<ol style="list-style-type: none"> 1. Draft Request For Proposals <ul style="list-style-type: none"> • Released in January 2023 • Allows industry to provide feedback on RFP requirements, deal points, and procedures. <ul style="list-style-type: none"> - Questions were due from prospective proposers in March 2023 - Responses to questions will be released in December 2023 2. Request For Proposals <ul style="list-style-type: none"> • Will be released in January 2024
Final Project Scope	<ul style="list-style-type: none"> • Development and operations of Outer Harbor Cruise Terminal with two 1,200' LOA berths. • Operations of Inner Harbor Cruise Terminal maximizing efficiency with existing terminals and berths • Densified parking development at 22nd Street. • Long term plan for higher utility for Inner Harbor Cruise Terminal
Developer Responsibilities	Design, Build, Finance, Operate and Maintain (to maximum extent possible)
POLA Responsibilities	Alternative Maritime Power Upgrade Berth 50, Berthing upgrade Berth 50, 2350 surface parking space development at 22 nd Street.

Draft RFP Minimum Project Specifications

Technical Specifications:

- Full Build Out
 - Minimum 4 berths (2 Outer and 2 Inner Harbor)
 - 2 Outer Harbor Cruise Terminal cruise berths must have a minimum 1,200' LOA
- Initial Phase
 - Phase 1: Berth 50 Landside and Optional Wharf Expansion with minimum of 1200' LOA
 - Phase 2: Berth 46 Landside and Waterside with minimum wharf expansion of 1200' LOA
 - Optional Future Development:
 - Inner Harbor Landside
 - Inner Harbor Waterside
 - Densified parking at Inner and Outer Harbor (22nd Street)

Performance Specifications:

- Vessel/passenger projections
- Financial guarantee (Direct investment or passenger guaranty)
- Financial pro-forma
- Development cost assumptions

Draft RFP Rent Proposal

Rent Structure Information:

- Port provides
 - Rate of return policy
 - Tariff
 - Bid term sheet template
- Proposers Provide
 - Fixed minimum rent and/or passenger guarantee
 - Passenger fees
 - Infrastructure fees
 - % of fees split

"Data Room":

- Cloud site that shares applicable, legally vetted information that can be relied upon by proposers in formulation of their proposals
 - For example: Inner Harbor Cruise Terminal Berthing Study

Draft RFP General Terms

Applicable Laws, Regulations, and Policies:

- Port Zero Emission Policy (shore power, hydrogen fuel cell, or other)
- Labor policies
- LA Building and Safety
- CEQA/NEPA
- Coastal Act
- State Lands
- Port's Design Standards
- LEED requirements (minimum Gold)
- Transportation and access requirements
- Contracting inclusivity

Clearly Defined Risk Disclosure:

- Developer assuming construction, permitting, and environmental costs

Draft RFP Scoring

Scoring More Defined (Equally Weighted):

- **Qualifications and Experience** – Successful development and operations similar to proposed Port project scope and understanding of our jurisdiction
- **Development Approach** – Quality of the proposal for the redevelopment of the existing cruise terminal, and development of the new Outer Harbor Cruise Terminal, including design and construction assumptions
- **Operational Approach** – Quality of the proposal for the cruise operations, including safety, cruise passenger experience, and operational assumptions
- **Minimum Passenger Guarantee/Minimum Base Ground Rent** – Number of passengers guaranteed, strength of commitment from cruise lines, and/or minimum base ground rent
- **Financial Proposal** – Projected passengers, projected minimum rent/passenger terms, projected total revenue to the Port, costs, and feasibility of financial assumptions

Note: In each category, proposals will be evaluated based on the feasibility (and justification) of their assumptions.

An aerial photograph of the Port of Los Angeles, showing a large cruise ship docked at a pier, a marina filled with smaller boats, and a vast container yard with numerous colorful shipping containers. In the background, the city of Los Angeles is visible. A green rectangular overlay box is centered in the upper half of the image, containing the port's logo and a slogan.

THE PORT LA
OF LOS ANGELES

America's Port

THANK YOU