

AN INVESTIGATION OF FINANCING TECHNIQUES AND
IMPLEMENTATION ARRANGEMENTS FOR RECREATIONAL BOATING PROJECTS
ON THE NEW HAMPSHIRE COASTLINE

Report to
New Hampshire State Port Authority

Submitted by
Arthur D. Little, Inc.

March 1982

C-85092

The preparation of this report was financed in part through a planning grant from the Office of Coastal Zone Management, U.S. Department of Commerce, April 30, 1981.

HD
3861
.N4
I58
1982

Arthur D Little, Inc.

W.P.
New Hampshire Office of State Planning

I. INTRODUCTION

As part of a comprehensive strategy for improving recreational boating along the New Hampshire coastline,* the New Hampshire Port Authority (NHPA) has accepted recommendations for the near term (3 to 5 years). In addition to an upgraded management program to more fully utilize existing mooring space in the harbor areas, three specific small-scale projects have been recommended to provide additional and upgraded access to existing deepwater areas:

- Rye Harbor--add a second boat ramp for in/out capability and upgrade existing parking area to expand capacity and facilitate access. Estimated cost: \$20,000.
- Little Harbor--relocate boat ramp (currently at Witch Creek) to new site on northwest side of Odiorne Point State Park; improve existing access road to this site and add parking. This will enable access for an additional 100 to 140 boats on moorings. Estimated minimum cost: \$100,000.
- Back Channel behind Goat Island--add parking (on fill) and dinghy dock on Back Channel side of Goat Island Causeway to provide public access to deepwater areas in which 150 to 200 moorings can be accommodated. Estimated minimum cost: \$170,000.

In this document, Arthur D. Little, Inc., has outlined financing techniques and arrangements to facilitate implementation of this short-term program. The results of our investigation of these techniques are presented here in the form of a recommended implementation strategy which, in summary, includes the following five steps:

1. Initiate a series of actions to resolve any policy issues or conflicts associated with the recommended boating projects and the overall strategy.
 - take recommendations to affected state agencies
 - take recommendations to coastal technical advisory group and to the Council on Resources and Development

*"Recreational Boating Needs Assessment and Expansion Feasibility Study for the Tidal Waters of New Hampshire," a report submitted to the New Hampshire Port Authority by Arthur D. Little, Inc., 1981.

- take recommendations to affected cities and towns
 - take recommendations to Office of State Planning (OSP)
 - take recommendations to the Governor and Legislature
2. Support efforts to establish a coastal program eligible for Federal funds and based on existing state laws.
 3. Pursue special grant programs and other state agency funds in order to package the limited funds needed for the projects recommended.
 - Office of Coastal Zone Management (OCZM) funds or block grants
 - Fish and Game, Highways, Department of Resources and Economic Development (DRED)
 4. Prepare capital budget request for submission by June 1982 if other financing efforts fail.
 - under auspices of NHPA or other agency with concurrent increases in fees contingent on capital funding availability
 - under auspices of NHPA with special dedicated fees for a coastal boating improvement fund
 5. Continue to investigate alternative financing sources if grant funds and other state agency funds are not available and if a capital budget request appears not to be viable.
 - tax exempt revenue bonds through the state (e.g., Industrial Development Authority) or local (e.g., Municipal Bond Bank)
 - long-term leases to private or nonprofit corporations (e.g., Wentworth at Little Harbor, Kittery Point Club in the Back Channel)

We have attached a list of people contacted at the various state agencies. (See Attachment A.)

II. ALTERNATIVE METHODS TO FINANCE THE IMPROVEMENT PROGRAM

There are five basic methods which the NHPA can utilize to finance the recreational boating improvement program:

- Special grants at the Federal level: Office of Coastal Zone Management, Department of the Interior, others;
- Budgetary allocation from the State General Fund--repaid in part through increased user fees;
- Contributions from other state agencies: Fish and Game, DRED, Public Works and Highways, NHPA--others, possibly repaid through different types of user fees;
- Through revenue bonds issued by the NHPA, the Industrial Development Authority (IDA), or through the town of Rye and supported by special user fees or revenues.
- Through long-term leases to private or nonprofit corporations who could collect fees, make improvements, and operate facilities.

The advantages and disadvantages of each of these is discussed in brief below.

A. Special Federal Grants

Through programs administered by the Office of Coastal Zone Management (e.g., the Coastal Energy Impact Program--CEIP), by the Department of the Interior (e.g., the Land and Water Conservation Fund, National Park Service), by the Department of Housing and Urban Development (e.g., Community Development Block Grants), and others, special Federal grants are provided for capital projects such as those recommended by the NHPA to improve recreational boating facilities. When such funds are available at the Federal level, they provide perhaps the most straightforward method for financing the types of capital projects proposed. Under the current Federal Administration, however, such programs (OCZM and others) have been dramatically reduced in size and many special grants have been eliminated altogether. For the coming fiscal year, there are no funds available from the Land and Conservation Fund for capital improvements or expansion of state-operated recreation facilities. OCZM currently has some funds remaining which can be allocated to projects such as those recommended by the NHPA. Current OCZM and CEIP funds are limited in size by comparison to previous years; and, as a result, the opportunities for funding the recommended NHPA program are extremely uncertain. The availability of OCZM funds to the NHPA depends first on establishment of a New Hampshire State Coastal Zone Management Program which is now

being coordinated by the Office of State Planning on the basis of existing programs and state legislation.

B. Budgetary Allocation

The NHPA can apply for funding for the boating program through its standard biennial budgetary approval process or by submitting special legislation to the periodic special sessions of the state legislature. While this is a fairly straightforward financing means, it is likely to be time consuming in that the normal session of the legislature does not convene again until January 1983. In order to gain approval through the budget process, it will probably be essential to demonstrate the self-supporting nature of the project by generating increased funds from user fees and to demonstrate the public benefit of further opening the coastline to the boating public.

By submitting the capital project as special legislation, approval could be directly linked to an increase in mooring permit fees to justify the expenditure. This approach would draw special attention to the project in the legislature; however, it is possible that some legislators skeptical of a capital project benefitting a limited coastal area would oppose the measure. Regardless of the budgetary method ("special" or standard session), a recreational improvement project on the coastline has the potential to be politically sensitive. Under such circumstances, including a capital project as a line item in the NHPA's biennial budget might provide a more straightforward course for introduction to the state legislature.

C. Contributions from Other State Agencies

Other New Hampshire agencies share responsibility for the coastline and are authorized to improve public access to the coastline and enhance recreation in state waters. The Fish and Game Department and DRED are both actively involved in coastal activities and have, in the past, directed or contributed to coastal improvement projects. DRED depends largely on special Federal programs (particularly Department of the Interior) for funding of such projects. As noted above, Department of the Interior funds are virtually nonexistent at this time for recreational improvement programs and; therefore, DRED's ability to contribute to the projects recommended by the NHPA at this time is limited. However, DRED still represents a logical funding source and participant in boating improvement projects along the coastline. The state Department of Fish and Game, on the other hand, is essentially a self-supporting state agency, operating on dedicated funds generated by Fish and Game licence fees and Federal contributions to their programs. The Department of Fish and Game is more likely to have funds available to contribute to projects such as those recommended by the NHPA, and the Department is likely to have similar funds next year. Because of its involvement in coastal and boating issues and because of special position relative to license and fee revenues, the Department of Fish and Game should be involved in

coastal boating improvement projects and represents a viable source for financial contribution to the boating improvement program.

Mooring permit fees are currently collected by the NHPA and returned to the general fund as are NHPA lease revenues. However, special legislation could be introduced to convert these mooring fees to dedicated revenues to be used to support recreational boating projects and programs along the coastline. Changing those permit fees to more of a user fee status would also make it more possible to raise fees sufficiently to provide the facilities and management demanded by the boating public.

D. Bond Funding

Revenue or general obligation bonds can be issued to provide the principal funding for boating improvement projects, but the proposed projects require such a limited amount of financing that they would have to be part of a package. The IDA or the NHPA could issue revenue bonds for a nonprofit corporation established to administer the funds and operate the facility. Revenue bonds could also be issued by the town which would then operate the facility. The NHPA could also attempt to qualify for industrial revenue bonds (IRBs) issued by the IDA. Each of these alternatives is institutionally and politically complex. While the IDA represents the obvious source for the IRBs, the NHPA or a nonprofit corporation is required to go through a lengthy process to establish eligibility. To fund a recreational boating improvement program with IRBs, the NHPA, according to the director of the IDA, would have to:

- Establish the project areas as "redevelopment areas," designated as such by the community housing authority or planning department;
- Present the project to the state Bond Council, justify its benefit (preservation or creation of recreation, employment, and/or economic or social benefit), and establish the financial eligibility of the entity (NHPA or nonprofit corporation) to administer IRBs;
- Prepare a record of the financial performance and merit of the administering entity; and
- Present the above information to the IDA and then the Governor and Council for approval.

E. Long-Term Leases to Profit or Nonprofit Corporations

As with party-boat operators and other concessions, DRED could lease portions of their property at Rye and Little Harbor to third parties who could operate facilities (parking lots, launch ramps) financed by user fees, permits, rentals, or other charges. Alternatively, DRED

could develop the project and administer it with user fees. The Wentworth Hotel could also potentially be encouraged to lease land at Odiorne Point, and the Kittery Point Yacht Club could be encouraged to lease land from the Highway Department in the Back Channel area. While these options could be a way out of the public financing problem, it could also potentially restrict access since charges would have to be relatively high if improvement costs could not be spread over the broader public or boating population.

III. RECOMMENDED IMPLEMENTATION STRATEGY

Step 1. Institute a Series of Actions to Resolve any Policy Issues Associated with the Recommended Boating Projects and Overall Strategy

The NHPA should aggressively pursue resolution of the conflicting aims and policies of other state agencies involved in boating and recreation on the coastline, particularly in the areas most affected by the proposed near-term projects. The New Hampshire coastline is a very short one. The recreational boater is only one of several users of the New Hampshire coastline to be considered in any coastal project, and each of these users must be included in the state's current preparation of a coastal zone management program. Commercial fishermen are perhaps the most visible and consistent user of the coast: almost all of Seabrook Harbor, a larger percentage (30% to 50%) of Hampton and Rye Harbors and many moored or docked at smaller areas are part- or full-time commercial fishermen. In addition, a large number of recreational sport fishermen also use the tidal waters. Many parts of the coastline are sensitive fish and wildlife habitats, protection for which is required by state and Federal law and supported by public interest groups. Particularly on the southern half of the coast, beautiful beaches are important swimming and recreational areas.

In its program for recreational boating improvement, the NHPA has considered each of these users and has attempted to establish recreational boating policies and programs which benefit several types of users without causing problems for others. The beaches and sensitive wildlife areas have been respected and distinguished from the specific areas included in the improvement program. While the affected agencies have been involved in the process of developing these recommendations, and while a wide variety of users have been involved in the public hearings and reviews, no specific actions have been taken by the affected agencies to either adopt or request modifications to the proposed programs and projects.

We, therefore, recommend the NHPA officially transmit and present its proposed program to each of the state agencies involved instate water resource, wildlife and coastal policy, including: Office of State Planning, Fish and Game Department, Public Works and Highways, and Department of Resources and Economic Development. (The Departments of Agriculture and Education, as well as the Water Supply and Pollution Control Commission, and the Water Resources Board may also require presentations or notification). To develop a balanced consensus, the NHPA should approach these agencies in four stages.

- First, the director of the NHPA should personally present the program and its detail to the commissioner or director and appropriate technical staff of each agency, separately, identifying strengths of the

program and potential conflicts and developing a basis upon which conflicts can be resolved.

- Second, the NHPA should then take its program before the Technical Advisory Group (TAG), which is now actively involved in establishing a coastal zone management program. TAG consists of the key technical staff of the agencies mentioned above; and, as such, they are familiar with current statutes, policies, authorities and constraints of the state and its agencies along the coastline. In this forum, the program for improvements for recreational boating can be incorporated into the framework of a coordinated coastal zone management program or into the operating and planning framework of each agency. With the assistance of TAG, the NHPA could then implement recreational boating improvements with the cooperation of key agencies where it is required.
- Third, NHPA should request affected state agencies to formally adopt aspects of the program.
- If there are any conflicts between agencies which have not been resolved in these first three stages, the NHPA could approach the Council on Resources and Development (CORD) which was established by statute (RSA 162-C) to consult and coordinate on problems of natural resources and development between Federal and state agencies.* Recommendations adopted by a majority of CORD members regarding interagency conflict coordination are, however, binding on CORD members.

Of particular concern to the NHPA's boating improvement program is Odiorne Point State Park. This is because of the large unmet demand for moorings that could be met in this area with a minimum of disruption and cost. It is critical that any conflict arising regarding the use of this park be resolved swiftly. When this land was deeded to the state by the Department of the Interior, the function of the park was defined as "multi-purpose recreational" in the original program of utilization and the definition has been maintained. It is

*CORD is composed of eleven members: Commissioner, Department of Agriculture; Commissioner, Department of Education; Director, Fish and Game Department; Commissioner, Public Works and Highways; Executive Director, Water Supply and Pollution Control Commission; Chairman, Water Resources Board; Commissioner, Department of Resources and Economic Development (DRED); within DRED, Directors of the Division of Economic Development, Forests and Lands, and Parks; and Director, Office of State Planning who serves as Chairman.

acknowledged that the seacoast portion of the park is a sensitive wildlife area which should remain separate from other activities in the park. It is also accepted that the remaining portions of the park be developed in a relatively passive, low profile manner. A large marina, restaurant and/or condominium complex is clearly undesirable. The NHPA's recommendations for improvement of the existing road, construction of a parking facility and dinghy float are low in profile and consistent with the current program of utilization endorsed by DRED, as illustrated in the attached figures. During the stages of coordination with other state agencies, the NHPA should focus on establishing a leasing arrangement with DRED to implement an unobtrusive project providing public access to Little Harbor.

Step 2. Support Efforts to Establish a Coastal Zone Program Eligible for Federal Funds and Based on Existing State Laws and Policies

New Hampshire is currently establishing a coastal management program based on existing state laws which support ~~187~~ distinct coastal policies including four related to the boating improvement program recommended by the NHPA on: ports, harbors, and water dependent uses; recreation and public access; fisheries management; and natural resource areas. By establishing a coastal zone management program, New Hampshire qualifies for Federal OCZM funds including CEIP funds which can be used for projects of the kind proposed by the NHPA. Under the current political and economic climate in which funding from the Federal government to states is extremely limited, OCZM funds may provide a limited source of funds. The NHPA should apply for OCZM funds if New Hampshire qualifies because they would provide the easiest, most direct method of financing for all or part of the three recommended projects.

The program recommended by the NHPA is consistent with existing state coastal policies. The NHPA is responsible for management of the six coastal harbors: Portsmouth Harbor, New Castle-Back Channel, Little Harbor, Sagamore Creek, Rye Harbor, and Hampton-Seabrook Harbor. State recreation areas are to be maintained along the coast for public recreation and access (RSA 12-A, RSA 271-A). There is currently one identified harbor area which does not enable viable public access for recreational boaters or other water-dependent users: access to Little Harbor is limited exclusively to members of the Wentworth Yacht Club due to the impassable nature of the public Witch Creek boat ramp. The NHPA recommends shifting the public access facility at Little Harbor to a location which can be realistically utilized--to a site accessing deep water adjacent to Fort Dearborne. On state properties in Rye Harbor and other areas, only water-dependent activities are allowed (RSA 12-A, RSA 271-A). Due to congestion and overcrowding in this harbor, the NHPA recommends several improvements to alleviate this condition by improving parking and access via boat ramps.

The theme of the coastal improvements proposed by the NHPA is supportive of existing state coastal policies outlined in the coastal management plan. The NHPA should continue to actively participate in TAG sessions and contribute to the final coastal zone management program which will evolve.

Step 3. Pursue Special Grant Programs and Other State Agency Funds in Order to Package the Limited Financing Needed for the Recommended Near-Term Projects

We recommend that the NHPA actively pursue funds currently available from special grant programs (particularly OCZM and other possible block grants) and from potential contributions from other state agencies (particularly Fish and Game). These sources are likely to be limited in the future; and thus the NHPA should attempt to take advantage of these funds in the near term.

Step 4. Prepare Capital Budget Request for Submission by June 1982 if Other Financing Efforts Fail

Simultaneous to pursuing special grants or financial participation by other state agencies, the NHPA should begin preparing capital budgetary requests to submit to the state legislature for the next regular session in January 1983. Due to the limitations on other sources of funding, pursuing a straight budget request is possibly the most realistic, although regrettably delayed, approach for obtaining funds. In preparation, the NHPA should consider the political sensitivity to the recommended boating program that it is likely to face in the state legislature. The requests for capital funds should be linked to an increase in mooring permit fees to demonstrate the program's self-supporting character and user support.

While preparing this legislation, the NHPA should also prepare a request for two additional capabilities in order to avoid future delays:

- to establish a dedicated fund supported by supplementary mooring fees to finance future coastal projects; and/or
- to establish bonding authority to assist future projects.

Step 5. Continue to Investigate Alternative Financing Sources if Grant Funds and Other State Agency Funds are not Available and if a Capital Budget Request Appears not to be Viable

To cover all available funding sources, the NHPA should continue to evaluate other, less feasible funding sources, including revenue bonds from the IDA. At such time as this alternative becomes realistic, the NHPA should pursue the steps required to qualify for IRBs.

The most direct means for issuing revenue bonds other than getting authorization for the NHPA is through the New Hampshire IDA. During the 1981 session of the state General Court, the legislation authorizing the IDA was ammended to expand its coverage to include financing of commercial facilities located in designated redevelopment areas such as, railroad lines, recreational facilities (indoor and outdoor), aircraft hangars and small-scale power and water-powered electric generating facilities. Recreational facilities are broadly defined to include development of facilities "in order to create or preserve employment opportunities or increase the opportunities for participation in outdoor sports and to preserve or increase the social or economic prosperity of the state."

There are four topics which the NHPA must cover in order to fully prepare for applying for IRBs through the IDA. First, to qualify under the expanded legislation, the NHPA identifies the properties on which it is considering improvement projects to the community housing authority or planning board in which they are located (e.g., town of Rye for Fort Dearborne and Rye Harbor improvements). The housing authority or planning department is responsible for designating the area for redevelopment. This requirement--"designated redevelopment area"--must be fulfilled before the IDA will consider any recreational project. The project must result in preservation or creation or recreational and employment opportunities and a preservation or increase in social or economic welfare.

Second, the NHPA must present its case before the state Bond Council. The Council will review the specific projects in question and determine whether the NHPA and the projects are eligible for state-issued IRBs. The Bond Council can provide guidance on acceptable means of repayment. It is unusual in New Hampshire for this form of financial assistance to be provided to another state agency. However, it is during this consultation with the Bond Council that the NHPA can pursue the advisability of creating a private corporation as a vehicle to finance and operate the improvement program.

Third, if the decision is made to proceed with revenue bond financing, the NHPA must establish its financial merit for later review and judgment by the IDA. The NHPA's annual operating balance sheet, a list of assets and debts and any other evidence of its financial performance are required evidence in this process. The method(s) for repaying the bond must be identified, such as by user fees for the specific improvement, by a general increase in mooring permit fees, or from part of its annual budget, any of which would probably require special legislation.

Fourth, the NHPA must present its proposal to the IDA for approval. The NHPA must demonstrate its eligibility to receive IRBs based on the enabling state legislation on this matter and the Bond Council's interpretation of it. The structure of the project must be identified and justified including benefits to recreational, employment, social

and economic opportunities. The NHPA must demonstrate its current financial integrity and outline the means for repayment. Assuming the NHPA meets the above requirements and receives the approval of the IDA, the IDA will pass the issue on to the Governor's Council for final approval. The IDA has issued bonds for project ranging from \$100,000 to \$1,000,000. While the smaller projects are less frequent, the IDA does have experience with those similar in scale to the program recommended by the NHPA.

Since revenue bonds appear overly complex for the relatively small projects recommended for near-term implementation, another possible alternative would be to lease the land to a third party who could privately finance the improvements and support them with a mix of parking fees, rental, user charges, mooring fee surcharges, etc. Although this may represent a financially feasible way to get the projects implemented soon, and although there may be parties who could be encouraged to develop these facilities on a break-even basis (e.g., Wentworth, Kittery Point Yacht Club), it would set a dangerous precedent for programs geared to public benefit and enhanced access to the coast. It would also be significantly more expensive if financed at market interest rates (rather than tax exempt) and if paid for only by boaters who would use these facilities.

We also recommend that the NHPA present their planned program to the town of Rye, Board of Selectmen and enlist their support for the implementation process. Two areas involved in the improvement program lie within the town boundaries--improved parking and access at Rye Harbor, and initiating public access to Little Harbor through Odiorne Point State Park. Rye Harbor is currently the most crowded harbor along the coastline. Because of its desirable location, there is an increasing demand for accommodation in Rye Harbor and much of it by Rye residents. Almost 50% of the boats currently in Rye are commercial fishermen whose livelihood is a strong asset to the coastline and is dependent on safe access through the harbor. The Rye Harbor and Little Harbor projects would alleviate pressure on the over crowded harbor conditions at Rye Harbor and provide access to Rye residents who are currently constrained from using the coastline.

It might not be practical or desirable to provide the town of Rye with the funds to directly implement these projects; the precedent of a coastline community playing a lead role in coastal policy and decision making is contrary to an established state lead in determining coastal policy. However, it is critical to present the program of improvements to Rye's Board of Selectmen and residents at an early date. The program clearly provides benefits to its residents and their support could be an asset in later program implementation.

ATTACHMENT A

Individuals Contacted at New Hampshire State Agencies

New Hampshire Office of State Planning

James Hicks, Economic Development 603/271-2155
~~James Coff~~ *Larry Goss*
Tina Bernd-Cohen

Attorney General's Office

Peter Scott 603/271-3658

Industrial Development Authority

Vasilike Kounas, Executive Secretary 603/271-2391

Department of Resources and Economic Development

George McClellan 603/271-2341
Paul Guilderson 603/271-2341
Joseph Quinn 603/271-3627
William Carpenter 603/271-3627

Fish and Game Department

Lee Welcome 603/271-3421
~~Branch Chief~~ Spurr 603/271-3421
Edward

In addition, we were in contact with various officials from the Commonwealth of Massachusetts and Federal agencies.

US Department of Commerce
NOAA Coastal Services Center Library
2234 South Hobson Avenue
Charleston, SC 29405-2413

