Detroit/Wayne County Port Authority

Michigan's Intermodal Gateway

Operation's Assessment 5-Year Work Plan

2007

Detroit/Wayne County Port Authority
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Executive Summary

The mission of the Detroit/Wayne County Port Authority (DWCPA) is to plan, develop and foster economic growth within Southeast Michigan. Traditionally the marketing and promotional arm for the Port of Detroit, the DWCPA is looking to broaden its horizons and become a complementary planning agency within the region and the State. Comprehensive port goals stress the importance of adding collaborative pieces to the complex puzzle of effective riverfront redevelopment. The "Work Plan" outlines goals and summaries for the three main strategic components of the DWCPA: Economic Development, Recreation and Environment.

A section on the Port of Detroit's economic impact defines the true value of commerce and trade in Southeast Michigan. The Port of Detroit contributes an estimated $500 million dollars from waterborne commerce to the regional economy through jobs, taxes and business revenue. Detroit's links to our nation's largest trading partner, Canada, carry approximately 2.2 million trucks annually. Trade with Canada via Detroit produces nearly $7 billion dollars, or 70% of total U.S. trade with Canada. These numbers reflect the importance trade and commerce have in our region, and illustrate how important Detroit, Michigan is nationally. The DWCPA will further analyze the economic impact and make these figures easily accessible in order to promote further growth and attract future business to the area.

Besides educating and marketing the value our intermodal connections to the economy, the DWCPA seeks to contribute its development capabilities as a part of regional planning initiatives. The DWCPA finds it vital to maintain and preserve current port facilities in order to sustain the strength of current output levels. Further, development of Detroit's first public dock and passenger terminal has already been appropriated six million dollars from the federal government and should be completed by early 2007. Cruising on the Great Lakes has returned after a 30-year absence from Detroit. The DWCPA will use this new passenger terminal as a welcome center for future visits from various cruise vessels. This development not only enhances Detroit's standing as a tourist destination, but provides tangible evidence that riverfront redevelopment is underway. Other projects include expansion of the Port of Detroit and other economic development projects through federal grants and funding alternatives.

The Detroit River is gaining increased visibility with its designation as an American Heritage River. Logically, this calls for increased assistance and management of Detroit's most valuable resource. In the long-term, the DWCPA sees itself as the lead agency for preserving and building upon maritime interests, and a complementary component for waterfront redevelopment. General bonding capabilities provide the DWCPA's funding sources with an alternative financing mechanism that provides working capital. This bonding ability has been utilized for the first time and is currently being marketed for future economic development projects that can benefit Southeast Michigan.

The Detroit/Wayne County Port Authority, like port authorities in other major cities, can be a very effective development partner. As the only planning agency that can contribute expertise in marketing maritime and port related initiatives, the DWCPA seeks to enhance its participation in waterfront redevelopment management and financing.

Background

A. HISTORY OF THE PORT

Detroit, "the gateway to the West" was founded in 1701. It soon became a strategically, major trading center, a central location for valuable commodities imported from and exported to destinations in all directions. The logistical importance of Detroit, then a tiny outpost located at the southern tip of what is now Griswold St., was recognized by Antoine de La Mothe Cadillac. He saw a vital link for such valuable commodities as forest products and various mining materials. More prominently, Detroit quickly became known as a lucrative fur-trading center. The West Coast supplied daily shipments of timber, wool and field products, while the East Coast continued the production of various manufactured goods. Combined, they both utilized Detroit as a natural location for transshipment. Added to the scheme were valuable discoveries of copper, iron ore and limestone in Northern Michigan, as well as crucial supplies of coal in the South. With these discoveries in place, Detroit's status rose dramatically, and shipbuilders and storage companies began to position themselves along the Detroit River. From these developments came the steel industry, thus the roots for the world's automotive birthplace. Cadillac's small French trading post was eventually transformed into one of the world's most notable manufacturing centers.

B. ENABLING LEGISLATION

The automotive companies and others maintained Detroit as a strategic port in the decades that followed. The Port enabling legislation was passed in 1978 to permit the creation of the Port Authority, with Henry Ford II serving as the first chairman of the board.

The original Port Authority Act[1] from 1978 allows the DWCPA to,

> "do all acts and things necessary or convenient to promote and increase commerce and recreation within [DWCPA's] territorial jurisdiction and carry out the powers expressly granted and any powers implied or necessary for the exercise of powers expressly granted in this act."

Further, those powers granted in the legislation include the following,

> "Enter into contracts for the acquisition, improvement, enlargement, or extension of port facilities."
>
> "Acquire construct, reconstruct, rehabilitate, improve, maintain, lease as lessor or as lessee, repair or operate port facilities within its territorial jurisdiction, including the dredging of channels, and turning basins and the filling of land."

[1] State of Michigan Hertel-Law T. Stopczynski Port Authority Act, Act 639 of 1978)

With this enabling legislation, the DWCPA seeks to complement City, County and State initiatives as they relate to future economic development through our region, by taking a more active role in developing property within Southeast Michigan. Further, these development powers have prepared the DWCPA to more effectively complement the goals of our funding sources to improve overall intermodal capabilities. The DWCPA also administers the Greater Detroit Foreign Trade Zone, Inc., a separate non-profit corporation responsible for licensing duty free locations available to manufacture, stage and distribute products utilizing foreign and domestic content.

Effective utilization of the DWCPA increases access to potential funding sources, and provides the City, County and State with another agency to administer and finance important brownfield and development projects along the waterfront.

C. MISSION STATEMENT / GOALS AND OBJECTIVES

The Mission of the Detroit/Wayne County Port Authority is to plan, develop and foster economic and recreational growth, through environmental stewardship, in promoting Detroit and Southeast Michigan as an import/export freight transportation and distribution hub for the U.S., Canada and the World marketplace.

The DWCPA will accomplish this task as a performance-based agency by providing logistical, marketing, bonding, educational and integrated support services to the intermodal transportation industry (air, water, rail and trucking) based around the Great Lakes, St. Lawrence Seaway and foreign trade zone areas. The DWCPA's objective for establishing this "Work Plan" is to identify our Port's mission, goals and objectives, economic impact on the community and specific projects planned or currently undertaken. It is the intent of the DWCPA for this document to serve as a guide for future Port activities. All projects are a combination of three development areas: economic development, recreation/tourism and environmental stewardship as outlined on the following pages.

Goals and Objectives

Comprehensive Port Goals

1. Build and maintain relationships among funding sources (City of Detroit, Wayne County and the State of Michigan) to ensure that our strategic visions are compatible.
2. Develop and enhance the credibility of the DWCPA by aggressively marketing and educating regional government agencies, industries and academic institutions of our mission, goals and value to the economy.
3. Carve out a more defined niche within the larger planning and development arena that does not duplicate efforts by other agencies, thus utilizing our services more effectively.
4. Collaborate, where appropriate, with other planning and development agencies to establish working partnerships that increase and diversify trade and commerce for the city and region.
5. Maintain strong political support, finances and personnel so that we can implement port projects that bring new business opportunities, fueling our global competitiveness.

Economic Development

1. Research opportunities for economic development and provide support to determine the feasibility of a project and identify potential funding sources.
2. Pursue revenue-generating economic development projects which provide for greater financial independence.
3. Increase domestic and international commerce by evaluating potential markets, participating in improved cross-border trade and expanding the influence and services of Greater Detroit Free Trade Zone, Inc.
4. Lobby and support our congressional delegation to appropriate our fair share of federal economic development funds toward Saint Lawrence Seaway/Great Lakes transportation system and port of Detroit development initiatives.
5. Continue involvement in the development of complete intermodal capabilities.

In order to maintain and encourage growth in the regional manufacturing sector, the DWCPA intends to prioritize preserving valuable industrially zoned property. The DWCPA's enabling legislation allows the Authority to undertake land purchases that help promote the flow of domestic and international commerce. Preserving current dock facilities and adjacent port property allows the Port to aggressively market our region with competitive facilities and infrastructure keeping Detroit and Southeast Michigan one of our countries largest ports. The DWCPA's main interests are industrial projects that further secure growth in employment and a strong revenue base for our region. The DWCPA remains committed to working with the City of Detroit, Wayne County and State of Michigan in assisting waterfront development.

The Authority also seeks to enhance its role in facilitating the resolution of cross-border transportation and trade issues that affect the business community and its citizens. We feel it necessary to remove unnecessary impediments that clog traffic through this vital international link in order to encourage future business and tourism demand.

Recreational

1. Continue developing the Great Lakes and City of Detroit as a sustainable port of call for the cruising industry.
2. Collaborate with agencies dedicated to promoting tourism and increased recreational access in order to explore new opportunities for DWCPA involvement, while enhancing the promotion of current DWCPA recreational projects.
3. Create a unique identity for the region by educating visitors along the 32-mile Detroit waterfront of our region's historical significance as it relates to trade and commerce.
4. Partner with the City of Detroit on its Riverwalk Conservancy project.

The DWCPA has several recreational goals and accomplishments, aside from commerce, which promote tourism and other forms of activity generating interest along the Detroit riverfront. Leading these accomplishments is the return of passenger cruise vessels to the Great Lakes. Preliminary findings reveal that for every cruise visit to the Port of Detroit, $150,000 is directly spent limits on hotels, museum trips, restaurants, tour buses, cab rides and other tourist-related expenditures. Redeveloping this industry, which came to a halt in 1967, does more than impact our community economically. It helps renew a worldwide image for the City of Detroit, complementing a larger campaign to promote Detroit as an international city and attract more tourism to the region.

The DWCPA also wishes to improve access and amenities for the recreational boating industry in Southeast Michigan. Creating better access to marinas, museums and restaurants helps draw attention to the riverfront. At the same time it provides amenities for current residents who wish to share in the splendor of our river.

The DWCPA vision for the riverfront is a blend of recreational and commercial activity linked by visible access from downriver areas to Belle Isle. Understanding that the Detroit riverfront is one of our most marketable assets, the DWCPA encourages increased access and visibility from strategic points of pedestrian concentration. The DWCPA also encourages the education of visitors about our waterfront's historical significance in trade, as well as about the rich habitat and wildlife it supports. This helps establish our unique identity and contribution to the development of our country that we can promote and be proud of.

Environmental

1. Collaborate with the United States Army Corps of Engineers to pursue federal funding for select dredging and other river related projects that maintain and enhance our waterways.
2. Communicate regularly with our port terminal operators to identify areas of critical need and other concerns as they relate to sustainable river commerce.
3. Continue leadership involvement with the American Heritage River development team.
4. Establish a collaborative working partnership with the City of Detroit Parks and Recreation Department and the Department of Environmental Quality, through all units of government, for involvement in brownfield and other Clean Michigan Initiatives.

Helping maintain adequate environmental standards along the 32-mile Detroit Riverfront is another facet of the DWCPA "Work Plan." Working directly with the United States Army Corps of Engineers (ACE) and our region's terminal operators, the DWCPA seeks to divert a portion of the dredging funds usually earmarked for East and West coast ports, in order to initiate dredging projects on our own Great Lakes. The DWCPA seeks to be the agency that drafts proposals and secures funding for dredging and soil erosion projects amidst a larger environmental cleanup plan along the Detroit River. The DWCPA will coordinate its project submission with the ACE budget cycle. The Port will determine future market trends and how they relate to navigational and harbor depth requirements. By identifying the possibilities of our future markets, the DWCPA, in collaboration with our terminal operators, will effectively meet the needs of the international community.

The Detroit River was one of fourteen rivers chosen as an American Heritage River by President Clinton from over 120 applications nationwide. This designation is expected to help the municipalities along the 32 mile stretch of the Detroit River obtain federal funding more effectively for various river-related environmental projects, through a federally appointed River Navigator.

The DWCPA is also establishing a working partnership with the State Department of Environmental Quality the Clean Michigan Initiative. Working closely with the City of Detroit and Wayne County so as to not duplicate efforts, the DWCPA will contribute valuable development powers in order to pursue brownfield redevelopment along the waterfront. Clean Michigan Initiative has several other appropriated programs that the DWCPA finds concurrent with their vision, such as park revitalization, river clean-ups and waterfront rehabilitation.

Five-Year Operational Goals

The Detroit/Wayne County Port Authority is currently pursuing the following projects:

- **PORT TERMINAL DEVELOPMENT**

The intent of this goal is to ensure the long-term viability of the Port of Detroit by protecting important terminal and dock property. In 1997, the City of Detroit condemned Detroit Marine Terminal Dock #1 (DMT) along the Rouge River, thus eliminating needed space for bulk storage capacity. In 2004, Detroit Marine Terminal Dock #2 at the foot of Clark Street permanently ceased operations thus leaving the City of Detroit without a cargo terminal. The DWCPA seeks to protect important docks and terminals to ensure long-term growth for the Port of Detroit. In July 2005, the Port Authority closed the transaction and took possession of the DMT site at the foot of Clark Street and entered into an agreement creating a public/private partnership to operate and further develop the port district. This agreement will generate a revenue stream for the DWCPA and the resulting economic impact from the Port. The 2006 shipping season saw a return to levels exceeding historical averages.

Future development and expansion of the Port of Detroit will be through general revenue bond offerings for further expansion through land acquisitions and infrastructure improvements to stimulate these sites, thus promoting economic growth. This includes further developing the sites, acquiring additional sites and making the necessary improvements that will attract new transportation, develop an intermodal network, establish distribution and warehousing centers, create export business and ensuring the region's economic viability for the next century.

As technology and markets continue to evolve, the Port of Detroit is increasingly becoming a cost-effective entity for general bulk, time-sensitive and truck to train container cargoes, especially since the events of "911". The DWCPA plans to market these sites in conjunction with a larger feeder port terminal much like the European Hub port system. These revamped distribution components will focus attention on Detroit as a destination port and transshipment hub to the rest of the Great Lakes system.

- **PUBLIC DOCK AND TERMINAL PROJECT**

The DWCPA will continue efforts to develop the new public dock and terminal facility on the downtown Detroit waterfront. In August 2004, the DWCPA completed the purchase of the land from General Motors and started the design and architecture to construct a new facility next to their world headquarters. The DWCPA, in conjunction with the Federal Highway Administration and coordinated by the Michigan Department of Transportation, has completed an environmental assessment and the necessary permits have been issued by the US Army Corps of Engineers and the Michigan Department of Envionmental Quality.

Construction began in November 2005 and is anticipated to be completed by April 2008. The facility will allow for a regional marketing program to attract vessels of interest, and accommodate cruise ships, into the Metro Detroit area. Similar facilities have been created in other Great Lakes cities such as Cleveland, Toronto, Chicago, Duluth, Eire, Port Huron and Milwaukee.

- **SOFT ENGINEERING OF SHORELINES DEMONSTRATION PROJECT**

The Detroit/Wayne County Port Authority continues its goal of promoting additional soft engineering projects throughout Southeast Michigan. After three consecutive years of successful soft engineering demonstration projects stretching from Detroit to Gibralter Bay, the Port Authority has identified future areas for application. In 2006, the Port Authority will continue being involved along the Rouge River corridor, partnering on the Rouge River Gateway Project, a collaboration of multiple municipalities and University of Michigan – Dearborn.

- **PORT AUTHORITY STRUCTURED FINANCING**

In December of 2004, the Detroit/Wayne County Port Authority closed on its first bond transaction – a $43 million mixed-use facility for General Motors. Construction began shortly thereafter and was completed in February 2006. The facility contains 18,000 square feet of retail space on its ground floor and 1,200 parking spaces above, on 6 floors.

General Motors, by using the Port Authority as its conduit to structure the financing, was able to finance 100% of their debt on this project through a synthetic lease. The Port Authority obtained an up-front development fee, easing their legal and financial advisory costs, and will also realize an annual fee on the remaining principle to be paid therefore, creating a separate stream of revenue for the Port Authority.

This type of structured financing is being done throughout the Great Lakes region by other Port Authorities, and brings a new alternative for economic development to Southeast Michigan. It is anticipated the project will lead to additional structured financings for the Port Authority, which in turn will allow for greater leveraging of additional investment on other projects.

- **MDEQ – COASTAL MANAGEMENT PROGRAM**

The Port Authority has embarked on a two-year Great Lakes environmental monitoring and education program that will provide additional research on several important Great Lakes issues, including, but not limited to aquatic nuisance species. The grant which was awarded to the Port Authority in the fall of 2004, will provide funding for a planning and design document that can be shopped to additional private and public funding sources. Ideally, the

Port Authority will use its new Public Dock and Terminal, located on the Detroit Riverfront, as the home for several environmental monitoring projects that further promote a healthy Great Lakes system.

- **CRUISE SHIPS AND THE PORT OF DETROIT**

In response to increasing demand by Great Lakes cruise interests, the Great Lakes maritime community has established the Great Lakes Cruising Coalition (GLCC). The GLCC is comprised of two representatives from the province of Ontario and one each from the eight Great Lakes states. The Deputy Director of the DWCPA, chairs the coalition.

The GLCC's objectives are constructing a unified strategic and marketing plan that will be used to regulate and attract cruise ships to the Great Lakes. Sub-committees within the GLCC include sales, technical, advertising, International marketing and North American marketing. Currently, the DWCPA is negotiating with the owners of the *Cape May Light* and the *Cape Cod Light* cruise vessels to home port from the new Public Dock and Terminal.

- **REHABILITATION OF CURRENT PORT FACILITIES**

This project would preserve and develop existing deep-water ports by initiating the planning and support of the Detroit/Wayne County Port Authority. Several different State and City planning and development agencies have expressed interest in assisting the Port Authority in developing the existing port district located at the foot of Clark Street and Jefferson Avenue. The Port Authority is identifying sites that have the potential to expand the properties for intermodal transportation and commercial uses that promote economic development stemming for the port district. Primary applications will be the development of containers and exports.

Engaging several key city agencies and private interests that share the idea there is a need in the City of Detroit to further develop the port district will become an initiative. Thus, the DWCPA will facilitate land/water and truck/rail transfer facilities for international trade fulfilling its mission in developing and ensuring the provision of transportation facilities and services in metropolitan Detroit that will support business development, commerce and import and export trade.

The potential for development within the boundaries of our federally designated empowerment zone is also being pursued by the DWCPA. Rehabilitating current dock facilities and promoting economic development within the zone would bring employment and revenue to the area.

- **GREATER DETROIT FOREIGN TRADE ZONE**

The DWCPA continues to market and administer one of the largest foreign trade zone programs in the United States, Greater Detroit Foreign Trade Zone, Inc. (GDFTZ). Since its inception more than twenty years ago, GDFTZ has continually worked to gain new program participants and to diversify the types of companies and industries involved. This is consistent with the mission of GDFTZ to provide a means of helping local companies successfully compete in the world marketplace. By promoting FTZ use, GDFTZ helps spur regional economic development and the creation of local jobs.

During the coming year, additional FTZ projects are anticipated in Oakland and Wayne Counties including a zone application for Pinnacle Aeropark of Wayne County. Overall, the program is expected to make significant gains in the coming year, despite the ongoing economic downturn.

- **DREDGING PROJECTS ALONG THE DETROIT RIVER**

The Detroit/Wayne County Port Authority (DWCPA) has established a collaborative working agreement with the United States Army Corps of Engineers (ACOE), Detroit District. The purpose is to coordinate the needs of government and industry on important dredging or other environmental river-related issues and to assist the ACOE in their federal budget requests for the next few fiscal years. Both agencies will construct a memorandum of agreement that secures funding for applicable projects.

The majority of federal assistance for dredging projects is sent to coastal ports. Therefore, it is essential for the Port Authority to aggressively attract and secure subsidies for dredging and other river related projects in order to sustain current output levels produced by the Port of Detroit. Without adequate leadership on river maintenance issues, federal assistance would continue to be diverted from our region.

The Army Corps of Engineers provides technical assistance through surveys, soundings, borings, environmental studies, and contract award administration and documentation. The Federal government, acting through the Army Corps of Engineers and Port Authority, will enter into an agreement that enlists the engineering and related expertise of the Army Corps for dredging, inspection, consultation and other related activities. Additional funds may become available through Detroit's status as an American Heritage River.

The DWCPA supports the Corp's proposed feasibility study of the entire Great Lakes/St. Lawrence Seaway, which will look at whether capital improvements can make the system cost effective.

- **DEWIN VENTURE**

The Detroit-Windsor regional port system could potentially bring two of the richest cargo markets in North America to one port of call. Such consolidation would more efficiently distribute cargo handling and storage capabilities by expanding the services our region can offer. In addition, such a regional port system would enhance the costs and services we can offer by increasing competition. Due to recent developments in Canadian port deregulation and security requirements, the DWCPA will actively research the feasibility of such a partnership. This partnership could involve the development of alternative border crossing facilities and services including barges, bridges and tunnels.

- **COMMERCIAL CARGO VOLUMES**

The embargo on imports of most steel products was lifted this past year and opened the Port of Detroit to return to previous levels of import activities. The port had been closed since June 2004 and this event was timely to the reopening of the terminal in July 2005. The DWCPA through its public/private partnership is projecting steady growth over the next several years. In support of the domestic automobile manufacturing industry, the major cargo in Detroit has always been imported steel. The current business climate highlights the need for the Port Authority to work closely in support of the Port of Detroit and its partners and stakeholders, industry, the St. Lawrence Seaway Development Corporation, political interest groups and legislators to ensure that the viability of Great Lakes' shipping is preserved. Additionally, efforts are underway to investigate the diversification of cargoes presently entering the Port of Detroit and the development of exports.

- **PORT SECURITY GRANTS.**

The DWCPA received a $450,000 Port Security Grant from the U.S. DOT's Transportation Security Administration (TSA) for marine equipment to further strengthen the international border along the Detroit River within the boundaries of Wayne County. The DWCPA, the authorized lead agency, will continue to apply for grant monies as funds are made available for application. The marine equipment was delivered to the respective agencies in 2006.

The prior year, only $135,000 of the total $92 million issued under the first round of the U.S. DOT's Transportation Security Administration (TSA) grants went to the Great Lakes and was awarded to one of the DWCPA's constituents in Detroit.

- **EQUIPMENT LEASE/OWNERSHIP PROGRAM**

  In support of the Port of Detroit, the DWCPA plans to establish an equipment lease/ownership program that can further enhance the agency's revenue stream. Programs of this type will be financed through the issuance of revenue bonds. Concurrent with our goals to preserve and improve port terminals, we foresee future demand for this type of support to the port. This program will assist our local terminal operators in having access to important equipment that could be shared. Further, having the appropriate equipment on hand to serve future port terminal tenants is essential in order to attract new customers and develop businesses.

  The DWCPA will establish itself as a coordinator for the purpose of assessing the conditions and capacities of current port terminal equipment. In order to sustain current output levels it is essential that equipment is updated and modernized to meet the needs for the next century of maritime activity. By assisting our operational needs, we can facilitate relationships with other government agencies that are able to appropriate adequate funding for the purpose of modernizing current equipment. The DWCPA seeks to maintain our standing as one of the country's most valuable ports.

- **U.S. EPA BROWNFIEDLD ASSESSMENT GRANT**

  The DWCPA was awarded its second consecutive U.S. EPA Brownfield Assessment grant in 2006 totaling $80,000. This collaborative partnership with the City of Detroit and Wayne County has leveraged approximately $384 million in investment, close to 455 jobs and $4.8 million in new tax revenue to the City of Detroit.