

**THE FORMULATION OF A
STATEWIDE PORT AGENCY/AUTHORITY**

prepared for:
Michigan Department of Transportation

March 29, 2004

Martin Associates
2938 Columbia Ave., Suite 602
Lancaster, PA 17603

John C. Martin Associates, LLC

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
I. INTRODUCTION.....	7
II. ECONOMIC CONTRIBUTION OF THE MICHIGAN STATE PORT SYSTEM..	9
1. IMPACT STRUCTURE.....	9
1.1 <u>Business Revenue Impact</u>	10
1.2 <u>Employment Impact</u>	10
1.3 <u>Personal Earnings Impact</u>	11
1.4 <u>Tax Impact</u>	11
2. ECONOMIC IMPACT SECTORS.....	11
2.1 <u>The Surface Transportation Sector</u>	11
2.2 <u>The Maritime Services Sector</u>	11
2.3 <u>Shippers/Consignees</u>	13
3. ECONOMIC IMPACT OF THE MICHIGAN PORT SYSTEM.....	13
III. REVIEW OF THE STATE PORT SYSTEM.....	16
1. PROFILE OF THE STATE PORT SYSTEM	16
1.1 <u>Expenditures by Terminals in the Past Three Years</u>	17
1.1.1 <u>System Preservation Expenditures</u>	17
1.1.2 <u>Dredging/Channel Deepening Expenditures</u>	17
1.1.3 <u>New Business Speculative Investment</u>	17
1.2 <u>Planned Investments over Next Five Years</u>	18
1.2.1 <u>Future System Preservation</u>	18
1.2.2 <u>Proposed Maintenance Dredging Expenditures</u>	18
1.2.3 <u>Terminal Expansion</u>	18
1.2.4 <u>Potential Terminal Expansion Projects</u>	19
1.3 <u>Ferry & Cruise Operations</u>	19
1.4 <u>Identified Role of a State Port Authority</u>	20
1.5 <u>Involvement with Local Economic Development Commissions</u>	21
1.6 <u>Summary of Terminal Surveys</u>	22
IV. REVIEW OF STATE PORT AUTHORITIES.....	23
1. FLORIDA.....	24
1.1 <u>Florida Ports Council</u>	24
1.2 <u>Florida Ports Financing Commission</u>	24
1.3 <u>Florida Seaport Trade and Economic Development Council</u>	25
2. GEORGIA PORTS AUTHORITY (GPA).....	26
3. INDIANA PORT COMMISSION.....	28
4. THE MARYLAND PORT ADMINISTRATION (MPA).....	29
5. MASSACHUSETTS SEAPORT ADVISORY COUNCIL.....	30
6. NORTH CAROLINA STATE PORTS AUTHORITY.....	32
7. OHIO PORTS SYSTEM.....	32
8. PENNSYLVANIA – OFFICE OF PENNPORTS.....	34
9. WISCONSIN HARBOR ASSISTANCE PROGRAM	36

10. <u>MICHIGAN PUBLIC PORTS</u>	37
11. <u>SUMMARY</u>	38
<i>V. RECOMMENDED STATE PORT AUTHORITY/AGENCY STRUCTURE FOR THE STATE OF MICHIGAN</i>	40

EXECUTIVE SUMMARY

The State of Michigan has more than 3,200 miles of shoreline along four of the five Great Lakes. Along this shoreline are 137 private marine terminals located in 40 commercial harbors. These terminals typically handle nearly 100 million tons of cargo annually, consisting primarily of coal, limestone, sand, aggregates, salt, iron ore, cement, chemicals and petroleum. In addition, there are 17 active passenger and freight ferry systems operating in the state. The economic activity created by these terminals is substantial, supporting more than 15,000 jobs directly throughout the state. Despite this visible presence of marine terminals and commercial harbors and the resulting contribution to the state's economy, there is no system in place by which the State of Michigan can assist the ports with capital development needs.

Martin Associates was retained by the Michigan Department of Transportation to assess the need for a statewide port authority and to formulate a structure that could be used to assist the state's marine terminals and to further stimulate economic development through financial support of the state's maritime industry. The continued investment in the marine terminals in order to maintain and grow the marine cargo activity should receive important consideration when developing the concept/structure of a statewide port authority. With the growing capital investments required for security at the marine terminals, competition for available funds previously used for system preservation projects, maintenance and repair, terminal expansion and dredging will increase, which could impact the continued operation of some of the marine terminals. To this end, the creation of a statewide port authority would provide an additional source of funding to assist the state's ports and marine terminals in meeting future capital needs. Specifically, the survey of the 137 marine terminals in the state indicated that \$44 million of investments are planned over the next 5 years. These identified investments are in addition to funding and the identification of disposal sites that will be required to maintain federal navigation channels, which are critical to access the state's marine terminals. The state port authority/agency would also provide a valuable role as an advocate to the state port system, by elevating the awareness of the state's ports and terminals to both state and federal legislators. Furthermore, the state port authority/agency would provide a vehicle to identify federal funding sources that are currently not being utilized. A state port authority/agency would also provide individual recognition to the ports and marine terminals at the same level in the state government as other modes, including airports, rail and highways.

Based on a survey of the 137 marine terminals, 33 local economic development companies and a review of 9 statewide port authorities, Martin Associates developed a recommended structure for a state port authority/agency. This structure would:

- Encourage the formation of local port authorities.
- Provide both the state and the localities a mechanism for the promotion of economic development.
- Provide a model based on tested methods in other states.

- Promote more vigorous use of public-private partnerships in economic development.
- Protect and encourage the broad array of private investment in the ports of Michigan.

Furthermore, this structure draws on the types of projects typically undertaken by the state's marine terminals and the planned type and source of funding. The structure recommended is designed to provide the greatest stimulant to economic development, while minimizing costs and bureaucracy. The key is to keep the state structure lean and very focused, while putting emphasis on the development of local port authorities. It is at the local levels where the public/private partnerships can be forged. Further, the development of local port authorities necessitates the formulation of port development plans which must be coordinated with the local municipal development plans. As a result of this planning effort, the optimal use of waterfront land comes to the forefront, which is in and of itself a valuable step in carefully promoting the future development of the limited waterfront land.

The 137 private marine terminals in the ports of Michigan are already providing very valuable services to the individual companies which own and operate them. The authorization for local governments to organize port authorities and request recognition by the Governor has been available for many years. Most of the powers—if not the financing capabilities—for the successful operation of a local port authority have already been granted. In order for Michigan's ports to reach beyond their single-purpose functions and achieve their economic development potential, the Departments of Labor & Economic Growth and Transportation and a new Michigan State Ports Authority/Agency will likely have to play a more active role. These agencies should exert educational and leadership roles in the activation of more local port authorities and in the recognition of their economic development potential. These roles should remain distinct from operational and management roles, which must remain in local control.

The major types of projects historically undertaken by the terminals involved some sort of maintenance and repair expenditures, including dredging. Key future needs again focus on system maintenance and repairs and 31 percent of the terminals interviewed indicated that a key role for state funding assistance would be in the areas of dredging and dredge materials disposal. Most commercial marine operations are privately-owned single terminal with a captive market, or the terminals are an integral part of an industrial operation -- thus a marketing function of a state port authority for current operations is likely minimal. However, marketing of the entire system is of paramount importance. Being able to inform the state legislature on the importance of the port system, the value of an individual project and of their economic development impacts is extremely necessary. Similarly, the ability to find and access federal grant money earmarked for the maritime industry will also be of great benefit.

Based on the review of state port authorities, Martin Associates recommends that elements of the following state port authorities be included in the state port authority/agency structure for the State of Michigan:

- Florida

- Massachusetts
- Ohio
- Pennsylvania
- Wisconsin.

Advantages of these state port authorities/agencies are:

- Provide mechanisms for public/private partnerships to promote economic development.
- Stimulate development of the private/public partnerships at the local level. Local port authorities are key to the successful operation of the state port authority/agency. The local port authorities are typically required to formulate port development plans that must be compatible with local metropolitan development plans. This stimulates the planning for waterfront land and promotes the optimal utilization of scarce waterfront land. Just the essence of planning brings the waterfront land uses to the forefront in local planning effort.
- Minimize state involvement in the operation of the individual terminals and ports.
- Provide critical state funding assistance for port development projects. The state funding sources are typically backed by a revenue stream either from a line item budget appropriation item or from an annual payment from a state transportation trust fund. Often times the local ports have bonding authority as well as some have local taxing authority. The state money can be used to payoff debt service.
- Require expert inputs from the local port interests.
- Provide a structured method for selecting/awarding state aid.
- Require minimal state infrastructure and bureaucracy.
- Fund local projects directly to support economic development without supporting large state bureaucracy.
- Assist with securing funding for Michigan terminals in key areas such as dredging/disposal and security.

A key underpinning of the proposed state port authority/agency is the power granted to the local port authorities within each of the state's port models identified above. By keeping the development of projects at the local level, and in accordance with the established port and municipal master plans, removes the need for this oversight planning at the state level, thus minimizing authority/agency size and administrative costs. It is to be emphasized that the legal process to form a local port authority in Michigan has already been established under Michigan law, and it is the responsibility of local planners and economic development entities to develop local port authorities.

It is further recommended that the state port authority/agency consist of a director that is appointed by the Governor, as well as a limited support staff including an administrative assistant, and perhaps an industry analyst. The director would function not only as a spokesperson for Michigan ports, but would also be responsible for advocacy efforts at the state and federal legislative levels. The director should also have an in-depth working knowledge of ports and the marine transportation system, as well as the ability to identify sources for federal and state grants to assist port development. The director would also report to a port council. It is important that members of the council be professional experts in economic development and commerce, transportation infrastructure, environmental issues and budget and finance. One possible composition of the council is:

- CEO of Michigan Economic Development Corporation (MEDC). MEDC is housed in Labor and Economic Growth, and includes Tourism
- Director of Michigan Department of Transportation
- Director of Michigan Department of Management and Budget/State Budget Director
- Office of the Great Lakes/Department of Environmental Quality
- 2 local port representatives from each Lake (staggered terms) that are appointed by local municipalities.

Individual port projects developed at the local levels would be brought to this council for review and ultimate selection for financing. In order to evaluate the projects, a rigorous set of ranking criteria must be established. The key areas to be included in the development of a ranking criteria are:

- Initial formulation and submission of a local port authority development plan which integrates development of maritime facilities within the context of the local community's economic development objectives and future land use plans.
- Demonstration of a need for each project in context of the local port development plan.
- Preference to those projects that are consistent with other Michigan local assistance programs, especially the Michigan Rail Loan Assistance Program.
- Formulation of standardized economic impact criteria to be applied to each project to demonstrate economic development aspects.
- Development of environmental criteria to assure that projects are consistent with state environmental regulations/plans.
- Development of criteria to assess business risk of the project to the state.
- Assessment of ability to provide a local match -- either the local port authority, its constituent units of government, or a private entity.
- Council should act as advocacy group for the state port system.

The council could be a stand alone agency or housed under:

- Labor and Economic Growth:
 - Economic development is key
 - Public/private partnerships

- Quick response to customer needs
- Already authorized under Act 251 of 1966 to cooperate and negotiate with port districts and stimulate port growth.
- Transportation:
 - Multi-modal transportation is key
 - Rail Loan Assistance program already in effect
 - Ferry line item budget exists (\$800,000)
 - Housed alongside other modes-- highway and bridge infrastructure projects
 - Already authorized under Act 639 of 1978 to review the budgets of port authorities and to provide 50 percent of the authorities' operating budgets through the budget of the department.

There is also a need to identify seed funds to develop a low interest revolving loan fund or grant program. Possible sources of funds include:

- State authority to have bonding capabilities
- Line item budget (such as the Maritime Capital Line Item in Michigan for ferry programs)
- Similar program as the Rail Infrastructure Loan Fund (appropriation of revolving fund by the Legislature)
- MEDC funding
- Existing state bond funds
- Federal funding.

At present, only three Michigan localities have exercised their rights to organize a port authority: St. Joseph-Benton Harbor, Monroe and Detroit-Wayne County. Act 639 specifies that "The State shall provide 50 percent of the operating budget of the authority," through the budget of the Michigan Department of Transportation. Currently, only the Detroit-Wayne County Port Authority is incorporated under Act 639, and therefore is the only port authority receiving this budgetary supplement. In the event that several localities should organize port authorities in any one year, the impact on the MDOT budget would be severe. Prior to the enactment of new statutes for a state port authority/agency, the Department of Transportation and the Michigan Legislature should carefully review the financial impacts of the State's commitment to provide 50 percent of the operating budget of each port authority. It should be anticipated that a contingency fund will be needed to support these activities, if this provision of Act 639 is to remain in effect.

Finally, it is important to identify certain roles or functions that Martin Associates does not recommend for a state port authority:

- The State should not be involved in marketing local ports, but should act as an advocate for a statewide port system both at the state legislative level as well as at the Federal level.
- The State should not own marine property or operate marine facilities.

- With respect to waterfront development, the State should not have the right of property condemnation.

In summary, the state port authority structure that Martin Associates recommends is based on:

- The needs of the marine terminals now in operation in the state.
- Minimization of bureaucracy in order to minimize the costs to the state of the establishment of the port authority/agency.
- The development of projects at the local port authority level in order to minimize state intervention at the local municipal level.
- The coordination of port projects with the waterfront development plans and local municipal development plans.

This proposed structure will provide the state with a financial tool to stimulate local, regional and state economic development by supporting key maritime projects. Such a state port authority council will not only support the more than 15,000 direct jobs with the marine terminals and operations within the state, but will provide a funding mechanism to further grow the economic and multi-modal contributions of the state port system.

I. INTRODUCTION

The State of Michigan boasts over 3,200 miles of shoreline along four of the Great Lakes. Along this shoreline are 137 private marine terminals located in 40 commercial harbors. These terminals typically handle nearly 100 million tons of cargo annually, consisting primarily of coal, limestone, sand, aggregates, salt, iron ore, cement, chemicals and petroleum. Of this cargo, the majority is interlake cargo moving to and from other ports on the Great Lakes System. Only about 3 percent of the cargo moves through the Saint Lawrence Seaway for international deep sea shipping. In addition, there are 17 active passenger and freight ferry systems operating in the state. The economic activity created by these terminals is substantial, supporting more than 15,000 jobs directly throughout the state. Despite this visible presence of marine terminals and commercial harbors and the resulting contribution to the state's economy, there is no system in place by which the State of Michigan can assist the ports with capital development needs.

Martin Associates was retained by the Michigan Department of Transportation to assess the need for a statewide port authority and to formulate a structure that could be used to assist the state's marine terminals and to further stimulate economic development through financial support of the state's maritime industry. Specifically, the purpose of the study is to:

- Profile the 137 marine terminals within the State of Michigan to determine:
 - Historical capital expenditures, by type. In other words, have the expenditures been for system preservation (maintenance and repair), maintenance dredging, new equipment purchases, terminal expansion, or channel deepening.
 - How these projects have been funded historically (internal funds, debt financing, grants).
 - Reactions of the terminal owners and operators to the development of a state port authority/agency.
- Review existing state port authorities. The purpose of this task is to review the statutes of a sample of existing state port authorities. The port authorities included in the analysis were selected because each state port authority or agency reflects different degrees of power and a variety of structures. It is necessary to review a wide variety of state port structures in order to develop the type of structure most appropriate for the needs of Michigan marine terminals.
- Describe the economic benefits of Michigan's terminals. A major impetus to study the possible creation of a statewide port authority was the economic development importance of ports. The economic impact of the Michigan ports is measured based on a survey of the terminal operations in the state and a documentation of their direct

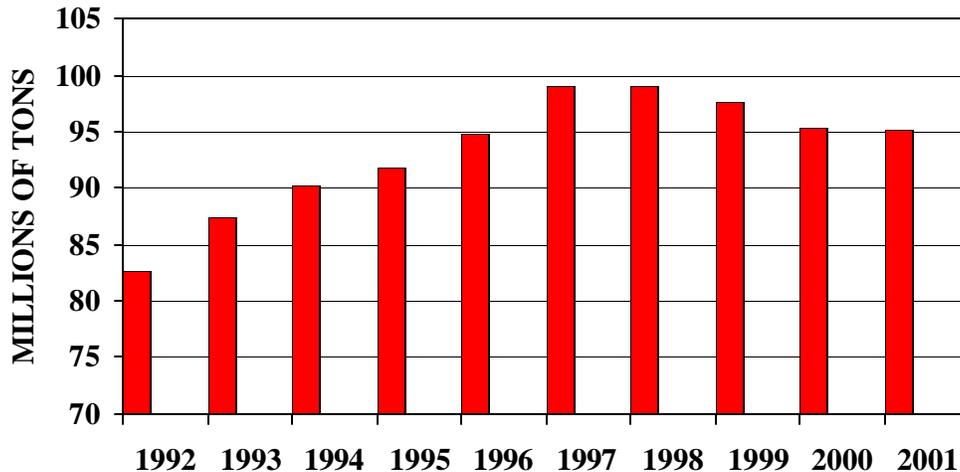
employment. This economic contribution underscores the importance of the port system in Michigan in terms of stimulating economic development.

- Assess the need for a statewide port agency/authority in Michigan and how it can serve Michigan's port system. Given the financial needs of the state's marine terminals and the economic contribution of these terminals to the local and regional economies, a structure for a statewide port authority is developed, drawing on the strengths for the various state port authorities reviewed as part of the analysis.

II. ECONOMIC CONTRIBUTION OF THE MICHIGAN STATE PORT SYSTEM

The tonnage handled by the Michigan ports has shown a steady increase since 1992, growing from about 83 million tons in 1992 to nearly 100 million tons in 1997 and 1998. As the economy began to weaken in 2000 and 2001, tonnage moving via these ports also declined somewhat, falling to about 95 million tons in 2000 and 2001 (most recent data available). However, even despite this 5 million ton loss since the 1997 and 1998 years, tonnage handled at the terminals still remains nearly 12 million tons greater than in 1992.

Exhibit II-1
Tonnage Moved Via the Michigan Terminals



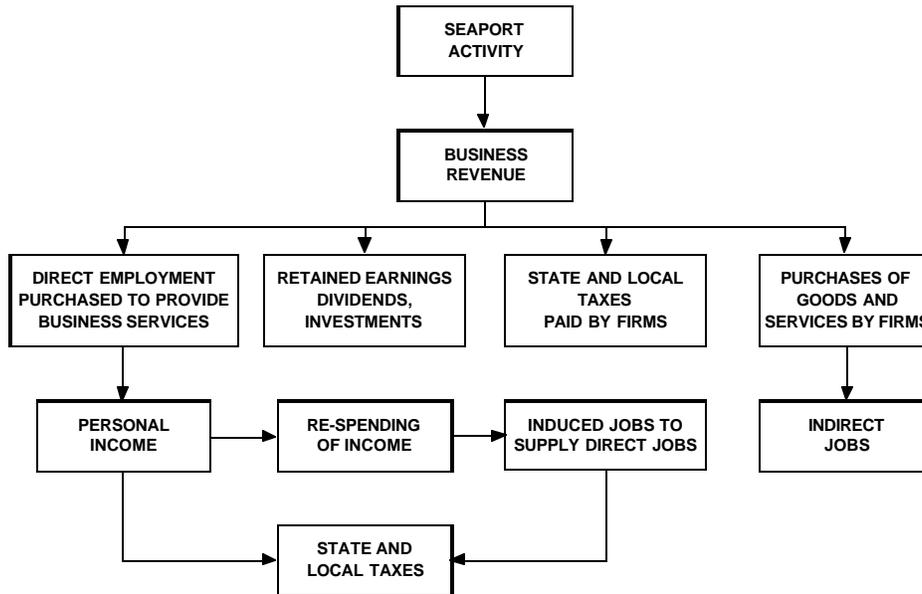
Source: MDOT Statistics

1. IMPACT STRUCTURE

This waterborne activity at the commercial marine terminals in the State of Michigan contributes to the local and regional economies by generating business revenue to local and national firms providing vessel and cargo handling services at the marine terminals. These firms, in turn, provide employment and income to individuals, and pay taxes to state and local governments. Exhibit II-2 shows how activity at marine terminals generates impacts throughout the local, state and national economies. As this exhibit indicates, the impact of a port on a local, state or national economy cannot be reduced to a single number, but instead, the marine activity creates several impacts. These are the revenue impact, employment impact, personal income impact, and tax impact. These impacts are non-additive. For example, the income impact is a part of the revenue

impact, and adding these impacts together would result in double counting. Exhibit II-2 shows graphically how activity at the terminals in Michigan creates economic activity.

Exhibit II-2
Flow of Economic Impacts Generated By
Marine Activity



1.1 Business Revenue Impact

At the outset, activity at the port generates business revenue for firms which provide services. This business revenue impact is dispersed throughout the economy in several ways. It is used to hire people to provide the services, to purchase goods and services, and to make Federal, state and local tax payments. The remainder is used to pay stockholders, retire debt, make investments, or is held as retained earnings. It is to be emphasized that the only portions of the revenue impact that can be definitely identified as remaining in the local economy are those portions paid out in salaries to local employees, for local purchases by individuals and businesses directly dependent on the port activity, and in contributions to state and local taxes.

1.2 Employment Impact

The employment impact of port activity consists of four levels of job impacts.

- Direct employment impact - jobs directly generated by port activity. Direct jobs generated by marine cargo include jobs with the terminals including the plant operations that consume the raw materials moving by water in the production process and producing the material and products that move by

water; railroads and trucking companies moving cargo between inland origins and destinations and the marine terminals; longshoremen and dockworkers; steamship agents; freight forwarders; and stevedores. It is to be emphasized that these are classified as directly generated in the sense that these jobs would experience near term dislocation if the activity at the private terminals were to be discontinued.

- Induced employment impact - jobs created throughout the local economy because individuals directly employed due to port activity spend their wages locally on goods and services such as food, housing and clothing, health care and personal services. These jobs are held by residents located throughout the region, since they are estimated based on local and regional purchases.
- Indirect Jobs - jobs created locally due to purchases of goods and services by firms, not individuals.

1.3 Personal Earnings Impact

The personal earnings impact is the measure of employee wages and salaries (excluding benefits) received by individuals directly employed due to port activity. Re-spending of these earnings throughout the regional economy for purchases of goods and services also occurs, in turn generating additional jobs -- the induced employment impact.

1.4 Tax Impact

Tax impacts are tax payments to the state and local governments by firms and by individuals whose jobs are directly dependent upon and supported (induced jobs) by activity at the marine terminals.

2. ECONOMIC IMPACT SECTORS

The key categories of the economy that are impacted by port activity are:

2.1 The Surface Transportation Sector

The surface transportation sector consists of both the railroad and trucking industries. The trucking firms and railroads are responsible for moving the various cargoes between the marine terminals and the inland origins and destinations.

2.2 The Maritime Services Sector

This sector consists of numerous firms and participants performing functions related to the following maritime services:

- Cargo Marine Transportation
- Vessel Operations

- Cargo Handling
- Federal, State and Local Government Agencies.

A brief description of the major participants in each of these four categories is provided below:

- Cargo Marine Transportation
Participants in this category are involved in arranging for inland and water transportation for domestic cargoes and for export or import freight. The freight forwarder/ customshouse broker is the major participant in this category. The freight forwarder/customshouse broker arranges for the freight to be delivered between the terminals and inland destinations, as well as the ocean transportation. This function performed by freight forwarders and customshouse brokers is most prevalent for general cargo commodities.
- Vessel Operations
This category consists of several participants. The steamship agents provide a number of services for the vessel as soon as it enters the port; the agents arrange for pilot services and towing, for medical and dental care of the crew, and for ship supplies. The agents are also responsible for vessel documentation. In addition to the steamship agents arranging for vessel services, those providing the services include:
 - Chandlers - supply the vessels with ship supplies (food, clothing, nautical equipment, etc.)
 - Towing firms - provide the tug service to guide the vessel to and from port
 - Pilots - assist in navigating the international vessels using the Saint Lawrence Seaway and moving cargo to and from Michigan ports and overseas destinations
 - Bunkering firms - provide fuel to the vessels
 - Marine surveyors - inspect the vessels and the cargo
 - Shipyards/marine construction firms - provide repairs, emergency or scheduled, as well as marine pier construction and dredging.
- Cargo Handling
This category involves the physical handling of the cargo at the terminals between the land and the vessel. Included in this category are the following participants:

- Longshoremen - include members of the International Longshoremen's Association (ILA), as well as non-ILA dockworkers that are involved in the loading and unloading of cargo from the vessels, as well as handling the cargo prior to loading and after unloading
 - Stevedoring firms - manage the longshoremen and cargo-handling activities
 - Terminal operators - are often stevedoring firms who operate the maritime terminals where cargo is loaded and off-loaded
 - Warehouse operators - store cargo after discharge or prior to loading and consolidate cargo units into shipment lots.
- Government Agencies
This service sector involves federal, state and local government agencies that perform services related to cargo handling and vessel operations at the Port. U.S. Customs, Bureau of Immigration, U.S. Department of Labor, U.S. Department of Agriculture, U.S. Coast Guard, the Army Corps of Engineers, U.S. Department of Commerce and the Department of Homeland Security employees are involved.

2.3 Shippers/Consignees

Shippers and consignees are considered dependent upon port activity in the sense that these shippers/consignees would likely shut down operations if the marine terminals were not available for their use. Dependent shippers/consignees include employees of the steel companies and utilities that are dependent upon the receipt of raw materials such as coal, coke, ores and lime, as well as those terminals shipping limestone and other raw materials and intermediate raw materials.

3. ECONOMIC IMPACT OF THE MICHIGAN PORT SYSTEM

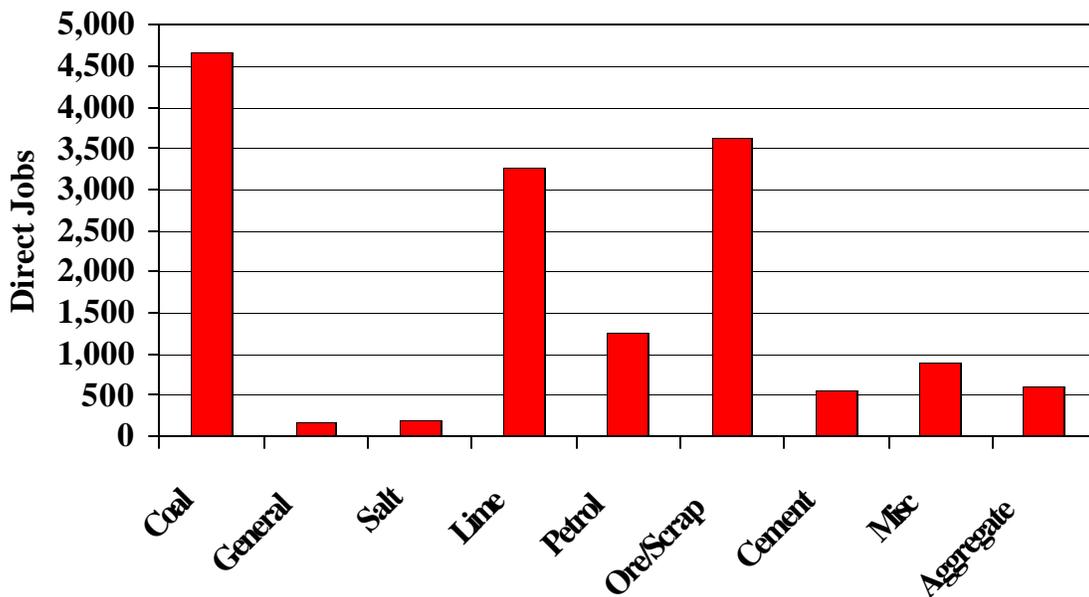
While a full economic impact study of the Michigan port system (as described in the previous paragraphs) was not part of the scope of this study, it was necessary to develop a measure of the economic importance of the 137 marine terminals in order to emphasize the economic development catalyst role that ports play in the Michigan economy.

As part of the survey of 137 terminals in Michigan, Martin Associates was able to develop a census of employment with each of the marine terminals and associated plants that ship and receive raw material and product through these terminals. Based on the telephone surveys of the marine terminals, these terminals and associated plants directly employ 15,283 workers. These jobs are with terminal operators and the local shippers and consignees (including production plants that are dependent on the shipment and receipt of cargo via the Michigan ports). Exhibit II-3 shows the distribution of these jobs

based on the commodities handled. As the exhibit shows, the majority of the jobs are generated by the movement of coal, lime and ore/scrap. The key user industries are the steel industry in the Detroit area, as well as power plants along Lake Michigan.

In 2000, Martin Associates conducted the economic impact analysis of the U.S. Great Lakes/Saint Lawrence Seaway Transportation System.¹ This study focused on the economic impacts created by 13 public port authorities operating on the Great Lakes, and did not include the large number of private terminals on Lake Michigan. As part of this study, Martin Associates developed detailed economic impact models for each of the 13 ports and also developed port specific induced job models to translate the local purchases by the directly employed workers into induced jobs. Based on the results of this previous study, it was estimated that for every direct job, an additional 0.76 jobs were supported in the local and regional economies in which the Great Lakes ports were located. Applying this ratio to the direct jobs supported by the Michigan terminals, it is estimated that a total of 26,898 jobs are supported by the waterborne commerce moving via the 137 terminals in the State of Michigan.

Exhibit II-3
Distribution of Direct Jobs by Commodity



Source: Martin Associates Interviews

As demonstrated by the direct and total jobs supported by the cargo activity at the 137 marine terminals in Michigan, the Michigan port system is a key catalyst for economic development within the state. The continued investment in the marine terminals in order to maintain and grow the marine cargo activity should receive

¹ Economic Impact of the Great Lakes/Saint Lawrence Seaway Transportation System, prepared for the Saint Lawrence Seaway Development Corporation, by Martin Associates, 2000

important consideration when assessing the role a statewide port authority could play. With the growing capital investments required for security at the marine terminals, competition for available funds previously used for system preservation projects, maintenance and repair, terminal expansion and dredging will increase, which could impact the continued operation of some of the marine terminals. A state port authority could provide a valuable role in assisting the terminals with funding of key capital projects in order to continue to stimulate economic development in the economies in which the ports are located.

In the following chapter the level of investments made by these marine terminals is documented as are future investments.

III. REVIEW OF THE STATE PORT SYSTEM

The analysis of the past and future capital development projects and funding sources of the state marine terminals is based on a comprehensive interview program. Martin Associates, along with our subcontractor TEC Icon Infrastructure Consultants conducted interviews with 115 marine terminals in the state to ascertain:

- Type/volume of commodity handled
- Inbound/outbound vessel/barge calls
- Local jobs associated with terminal operations (terminal jobs, plant jobs)
- Capital projects completed in recent years
- Types of funding/financing for these projects
- Future development projects
- Most likely methods of future funding/financing
- Interaction with local EDC's
- State's assistance to promote waterborne commerce in Michigan.

In addition, several published data sources were reviewed to provide terminal navigation requirements, as well as terminal and harbor physical descriptions. The public sources reviewed are:

- MDOT 1998 "Michigan Commercial Port Directory"
- USACE 1995 "Port Series No. 48: The Port of Milwaukee, Wisconsin and Ports on Lake Michigan"
- MDOT updated terminal data.

To assess the relationships between the local economic development commissions (EDC) and the marine terminals, Martin Associates contacted 33 EDC's. The purpose of these interviews was to determine:

- Do they work with port industries?
- What type of grants are given for commercial maritime development?
- What are the benefits and concerns of the development of a state port agency?

1. PROFILE OF THE STATE PORT SYSTEM

Based on the interviews with the marine terminals, the types of capital projects undertaken by the terminals were classified into three categories:

- System preservation
- Dredging or channel deepening
- New business/speculative expansion.

The type of funding for the projects was also documented and includes internal funding from current funds, debt financing, local, state or federal grants or municipal bonds.

The results are as follows.

1.1 Expenditures by Terminals in the Past Three Years

The expenditures by marine terminals over the past three years are summarized in this section.

1.1.1 System Preservation Expenditures

Over the past three years, 31 terminals spent \$152 million on system preservation projects. The breakdown follows:

- 88% (\$134 million) was funded internally
- 1.4% (\$2.05 million) was funded through debt financing
- 4% (\$6.05 million) was funded through Wisconsin DOT harbor assistance grants
- 6.3% (\$9.5 million) was funded through unknown sources.

The key system preservation projects include:

- \$5.25 million for dockwall repair and dock expansion
- Nearly \$5.7 million for equipment (crushing and grinding equipment, loaders, etc.)
- \$5.75 million for maintenance of gates/conveyors, etc.
- \$122.5 million for environmental upgrades
- Nearly \$500,000 for security upgrades & compliance.

1.1.2 Dredging/Channel Deepening Expenditures

Over the last three years, \$1.55 million has been spent on dredging and channel deepening projects. These projects include:

- \$550,000 was spent on maintenance dredging by 9 terminals, of which:
 - 35.5% (\$195,000) was funded internally (5 terminals)
 - 64.5% did not provide a source of funding.
- \$1 million was spent by one company for a 3-foot channel deepening/ramp expansion to accommodate low water levels in the channel.

1.1.3 New Business Speculative Investment

Two major projects involving developments for new business opportunities were identified. One terminal spent \$840,000 on investment to support new business development, and that project was funded internally.

Another terminal identified a \$2 million expenditure on new equipment, which was primarily funded through internal monies.

1.2 Planned Investments over Next Five Years

In this section, future terminal expenditures are presented. An understanding of the type of planned expenditures as well as the estimated magnitude of these planned expenditures will aid in developing appropriate funding schemes for a state planned port authority.

1.2.1 Future System Preservation

Over the next five years, 15 terminals identified \$37 million of proposed investment for system preservation investments. The sources of these proposed investments are identified as follows:

- 82% (\$30.5 million) will be funded internally - 8 terminals
- 8.9% (\$3.3 million) plan to use grant money - 2 terminals
- 8.6% (\$3.2 million) will be funded via debt financing - 5 terminals.

The key projects include:

- \$5.65 million for dockwall repair and dock expansion
- \$9.25 million for equipment (cranes, dump trucks, loaders, etc.)
- \$2 million for maintenance of storage facilities and painting.

Another \$8 million is proposed for equipment upgrades to improve efficiency.

1.2.2 Proposed Maintenance Dredging Expenditures

Two terminals plan on spending approximately \$640,000 on dredging activity, and one terminal will pay for the majority (97.7%) of the dredging with internal funds. The source for funding for the balance is not known at this time. This identified expenditure for dredging is for dredging at private docks as well as in access channels to the federal navigation channels and does not include the dredging of federal navigation channels.

1.2.3 Terminal Expansion

Four terminals indicate they will spend approximately \$5.85 million. The sources of these proposed investments are identified as follows:

- 72% (\$4.2 million) will be funded privately
- 14% (\$.85 million) will be financed
- 14% (\$.85 million) will be funded through grants.

Key projects include construction of salt domes, liquid storage facilities and new dock sheet piling.

Eight additional terminals indicated they have set aside money for expansion, but would not disclose any further information.

Of the 12 companies that indicated they are planning for future expansion, 6 plan to work with the local EDC.

In addition to the planned private terminal expansions, the Detroit/Wayne County Port Authority is planning a downtown waterfront development which will be anchored by a Public Dock & Terminal Plan that includes commercial docks as well as a passenger cruise terminal. This plan is primarily being financed by \$11.25 million of federal and state grants.

1.2.4 Potential Terminal Expansion Projects

Three terminals indicated current or *potential* plans for terminal expansion but would not disclose any information or could not confirm costs. Projects identified from these terminals include:

- Bulk dock currently under construction
- Power plant indicates that parent company is looking to build another 450 megawatt facility, which would employ approximately 70 people
- Upgrades/replacement to terminal and cargo handling equipment (specifically conveyor system) to improve throughput and efficiency. The cost identified is “hundreds of millions”.

1.3 Ferry & Cruise Operations

In addition to the marine cargo terminals located in the State of Michigan, there are several commercial ferry and cruise operations throughout the State.

There are six areas in Michigan served by ferry operations moving passengers, cars and cargo. These include Lake Superior, St. Mary’s River, Lake Huron, Lake Michigan, St. Clair River and Detroit River. Key destinations/routes include Mackinac Island, Sugar, Neebish and Drummond Islands, the Ludington-Manitowoc car ferry and the Detroit-Windsor truck ferry. The ferry services in Michigan typically handle over 2 million passengers and 600,000 vehicles annually. The ferry services support over 300 full-time equivalent jobs in Michigan and neighboring states.

Interviews were conducted with 9 ferry operators in the state to identify the types of investments made by the ferry operators over the past three years, how these investments have been funded and future funding needs.

The operators indicated that \$1.1 million has been spent over the past 3 years for dredging, dock expansion and ramp reconfiguration, of which all were financed with internal funds. In addition, \$2.5 million has been obtained from state and federal grants, of which \$500,000 was received from Federal grants for port security improvements. The balance, \$2 million, was funded from state and federal grants for new vessels.

Internal funds of \$200,000 have been earmarked for future dock upgrades at ferry terminals over the next five years. In addition, \$375,000 of state grants is earmarked for future dredging projects and dock upgrades.

Since 1997, the Great Lakes Region has witnessed a rejuvenated cruise industry. The Great Lakes Cruise Coalition has promoted the Great Lakes from the St. Lawrence Seaway to Lake Superior as a popular cruise destination. The State of Michigan tourism industry benefits from the cruises that run from May through October. Ports of call in Michigan during the 2004 season include Detroit, Port Huron, Holland, Mackinac Island, Whitefish Point, Manistee, Munising, Marquette, Ludington, Grand Haven and Houghton. At these port cities, passengers will enjoy shore excursions which include museums, restaurants and historical sites. It is estimated that over 4,000 passengers will cruise itineraries destined for at least one call in Michigan. Over 65% of these cruise passengers reside out of the Midwest. In 2003, nearly 50% of the passengers were from California, Texas and Florida. In addition to the shore excursions offered at the ports of call, nearly 30% of the out of town cruise passengers purchase pre-cruise (20% opt for post-cruise) packages which enables them to spend more time exploring sites in the cities of embarkation/disembarkation.

In the past three years, the most significant improvements to cruise terminals were made at Port Huron. Approximately \$3 million was spent on dockwall and pad rehabilitation and warehouse conversion for the cruise terminal. With regard to future investments, Port Huron is looking at completing a dock extension that will cost an estimated \$1 million. Also, a large portion of the \$11.25 million for the Detroit Waterfront Development will be used for a cruise terminal.

1.4 Identified Role of a State Port Authority

Fifty-nine companies identified areas in which a state port agency could play a key role. The breakdown of these responses is as follows:

- 31% dredging and placement of materials
- 25% grants, tax incentives, or financial backing/support
- 11% homeland security/governmental regulations
- 7% marketing/promotion of new industry
- 4.2% infrastructure needs

- 4% environmental issues
- 1.4% safety needs/requirements
- 6.9% potential aid; did not list specific issues
- 9.7% indicated state involvement is not crucial.

Several other key points and concerns with the creation of a state port authority were voiced by the terminal operators. For example, these include:

- Private terminals have grown without State assistance in the past.
- Port operators do not want to be “under the power of the State.”
- If a state port authority is developed, there will be a need for a simplified application for securing grant money.
- Other modes of transportation have state representation -- rail, air and highway are all represented by a state agency, but ports are not. The creation of a state port authority would be consistent with these other modes.

It is important to emphasize that both of the terminals contacted that are located in Wisconsin (Marinette Fuel & Dock and Marinette Marine Corp.) received grant money totaling \$6 million for dredging and dockwall maintenance from the Wisconsin Harbor Assistance Program. This demonstrates that if such a program were in place for the Michigan terminals, the program would most likely be used in a similar fashion as the neighboring Wisconsin ports.

1.5 Involvement with Local Economic Development Commissions

Since terminal operations are a catalyst for economic development, Martin Associates contacted 33 local Economic Development Commissions to determine the interaction between the marine terminals and the local economic development commissions. When the terminal operators were asked about involvement with local EDC’s, only 8 percent of the terminals interviewed indicated they work with local Economic Development Commissions.

In contrast, the results of the interviews with the 33 local EDC’s revealed the following results:

- 40% work with port related industries
- 27.3% indicate that a port industry has contacted them
- 12% have had inquiries from new or out of state firms with commercial maritime needs
 - Boeing manufacturing plant (1,200 jobs)
- 33% feel that a state port authority is needed
- 21% do not know who to contact at the state level for assistance with commercial maritime issues
- 27% indicate that the Michigan Economic Development Commission (MEDC) is sufficient for maritime development, and no further state involvement is needed.

1.6 Summary of Terminal Surveys

The survey of the 137 marine terminals in Michigan, as well as the eight ferry operators and the 33 local Economic Development Commissions have identified the need for future investments, and the potential role that a state port authority could play in providing key funding assistance. The ability of the marine terminals and ferry operations to continue to operate and stimulate the local economies in which they are located will require future funding of key capital projects as identified. These projects include system preservation projects, new terminal development, security and dredging.

IV. REVIEW OF STATE PORT AUTHORITIES

Martin Associates selected nine state port authorities for review of statutory definition of powers and structure and actual operational functions. These port authorities were chosen based on the diversity of the functions of the port authorities, ranging from the most restrictive state port agency which is an administration of a state department of transportation to state port councils which have a minimal number of employees and provide only representation and financial assistance to individual ports within the state. It is critical to review the statutory authority in order to identify those examples that are most relevant to the State of Michigan and its port system.

Martin Associates interviewed nine state port authorities that represent a wide spectrum of roles of state port authorities. The state port authorities include:

- Florida
- Georgia
- Indiana
- Maryland
- Massachusetts
- North Carolina
- Ohio
- Pennsylvania
- Wisconsin.

After reviewing the statutes supporting each of these ports, it is possible to summarize and define the roles of a state port authority. These roles have some overlap, but include:

- Own and operate or lease facilities to promote maritime commerce
- Maintain and repair facilities
- Plan for future port expansion and growth, including land acquisitions
- Develop and execute marketing plans to promote the flow of maritime commerce
- Share in dredging issues and other (landside and waterside) access issues
- Work with tenants to provide infrastructure
- Issue bonds and provide other financing tools for tenants which support capital development
- Grow port operations in fiscally responsible manner and in cooperation with community
- Provide security
- Stimulate economic development
- Provide funding for large infrastructure requirements and other projects that may not be financially prudent from an individual investor standpoint, but provide a social economic benefit

- Reserve waterfront land for future port expansion despite near term conflicting commercial interests.

In the balance of this chapter, the statutes of each state port authority are summarized as are the organization, key functions and powers of each state port authority.

1. FLORIDA

There are 14 publicly-owned seaports in the State of Florida. The ports are either owned by the city, such as Jacksonville and Tampa, or by the county, such as Port Everglades which is part of Broward County.

With respect to the state port authority structure, there are three key port organizations within the state, two of which are structured and financed to provide financial support to individual port projects:

- Florida Ports Council
- Florida Ports Financing Commission
- Florida Seaport Transportation and Economic Development Council (FSTED).

Public monies in Florida are not allowed to flow directly to private entities, so private terminal operators are not eligible for assistance from either the Ports Financing Commission or FSTED. However, a private company operating a terminal under a lease or contract with a public port authority could benefit from a grant or loan made to the public authority. Each is described in the following section.

1.1 Florida Ports Council

The Florida Ports Council consists of the 14 directors of the Florida public ports. The council is a non-profit corporation/professional organization for seaports and their management. The Florida Ports Council also serves as a disseminator of information to the state legislature.

1.2 Florida Ports Financing Commission

The Florida Ports Financing Commission was created in 1996 by inter-local agreements to offer efficiencies in financing public works projects. The Commission was initially established to provide public port authorities access to bond funds, as an alternative to traditional transportation department funding in the financing of port projects. The Commission is controlled by representatives of the local port authorities, but also has active participation by three state agencies as described below. The voting members of the Commission consist of representatives from:

- Department of Transportation, whose major responsibilities to the commission include reviews for consistency with the state's freight mobility plan, share approval powers in the award of monies from the Florida State Bond fund

- Department of Community Affairs, whose major responsibilities to the commission include reviews of port plans for consistency with local government comprehensive plans
- Department of Tourism, Trade and Economic Development, whose major responsibilities to the commission include reviews for economic benefit and for consistency with the seaport mission plans
- Directors of each of the 14 Florida Ports.

The Commission also has an Environmental Subcommittee which includes representation by the Department of Environmental Protection to address all environmental issues in the ports raised in the project development process.

The Florida Legislature authorized the commission, similar to other commissions and authorities in the state that are formed by agreements among local governments. The rationale behind such authority is that borrowing done through group effort reduces the cost associated with the bonds.

The Projects are funded based on the recommendations by the Florida Seaport Transportation and Economic Development Council (FSTED). In 1996, the Commission and its Trustee authorized the issuance of \$222 million in Florida port financing revenue bonds, and this was expanded by another \$153 million in 1999. Bond proceeds are then loaned to the individual ports for approved projects and repaid solely with monies received from the State Transportation Trust Fund, in the form of a \$25 million annual transfer from the motor vehicle registration fees. The Commission loans the funds to individual ports subject to specific individual port qualifications and the reviews by the Departments described above.

1.3 Florida Seaport Trade and Economic Development Council

The Council was created in 1990 within the Department of Transportation and consists of:

- Directors of the 14 ports
- Representative from Department of Transportation
- Representative from Department of Community Affairs
- Representative from Governors' Office of Tourism, Trade and Economic Development.

The FSTED Program is designed to provide up to \$10 million in grants to ports for approved port transportation projects on a 50/50 matching basis. This program was created because the state recognized the port system's contribution to the state's economy and economic progress and the competitive pressures to build needed capacity. The council recognizes that ports are public entities, but must function as private entities to "fulfill public purposes."

The FSTED Program requires that:

- Projects be consistent with local development plans
- Waterside dredging related projects require a 25 percent port or local government match
- Landside terminal and access projects require a minimum of a 50 percent match from the local port.

The individual port projects that are submitted for review are initiated at the local level, based on:

- Market demand
- Capacity analysis.

FSTED can provide funds at the state level to any public port body in the state and requires approval of the three voting members:

- Department of Transportation
- Department of Community Affairs
- Governor's Office of Tourism, Trade and Economic Development.

The Florida model has very attractive elements for the State of Michigan to consider in developing a state port authority. Most important, the Florida model provides both loan and grant funds at the state level for marine projects. However, the projects are developed at the local level and are market and capacity driven and must be consistent with the development plans at the community level. The projects that are funded are not speculative projects and the loan funding process is backed by funds from the State Transportation Trust Fund. By requiring a 50/50 matching formula for grant funds the system ensures local buy-in and commitment from the local port authorities receiving the grants.

The structure does not consist of a large bureaucratic agency, and the system recognizes the need to react quickly to customer demand.

2. GEORGIA PORTS AUTHORITY (GPA)

The GPA was created by an action of the General Assembly in Georgia. The stated reasons for its creation are:

- For protection for use by the state and its citizens of all tidewaters capable of use for fishing, passage, navigation, commerce, and transportation
- Reassert the power that state can remove conflicting uses from tidewater land.

There are four ports included under the Georgia Port Authority. These are:

- Savannah
- Brunswick
- Columbus (an inland river port)
- Bainbridge (an inland river port).

The many private terminal operations in Georgia are outside the jurisdiction of the Georgia Ports Authority, and therefore, not eligible for state support. As in other states, a private operator of a public terminal or a private terminal operator adjacent to a public terminal would receive collateral benefits from state assistance though not as a direct recipient of loan or grant monies.

The Georgia Ports Authority has the following powers:

- Acquire and hold property in its own name
- Construct, own and manage property
- Develop and improve seaports
- Stimulate trade -- marketing ports
- Own, lease and operate tugboats, locomotives and other power to move cargo
- Borrow money and dispose of property
- Engage in new construction without necessity of taking competitive bids.

The Georgia Ports Authority Commission consists of 12 members appointed by the Governor and filled by members from local port locations. GPA is also designated as the local sponsor for dredging.

The Georgia Ports Authority has been a leader amongst port authorities in working with large retailers, such as K-Mart and Target, to locate distribution centers near the marine terminals. With the location of these anchor distribution centers, the Port can more easily market to steamship lines, which will in turn stimulate additional cargo and vessel calls at the Port's marine terminals. This in turn stimulates additional economic activity.

This state port authority structure, which is similar to the structure in Virginia, South Carolina and North Carolina, is not recommended for the State of Michigan since it involves the ownership of port terminals by the state and the development of a large infrastructure to support the state ownership and operation of the ports. The large number of ports in Michigan would make such a state port authority structure nearly inoperable and would require the state to either:

- Establish public port operations in many ports to run parallel with the existing private terminals with no readily observable market for such added services, or
- “Buy” and oversee, directly, the more than 100 marine terminals, which would interject the state into viable, on-going private enterprise.

3. INDIANA PORT COMMISSION

The Indiana Port Commission is authorized to operate and maintain ports with terminal facilities and traffic exchange. The Commission's powers are not limited to ports and may be exercised throughout Indiana for projects that enhance, foster, aid, provide, or promote economic development, public-private partnerships, and other industrial, commercial, business, and transportation purposes. A privately owned facility that needed state assistance could do so through a joint venture or public-private partnership. It is a Quasi-governmental agency -- stand alone entity, and is considered an instrumentality of the State of Indiana. The enabling legislation provides a broad range of powers including, but not limited to:

- own, develop, operate and lease land and facilities to accommodate water, rail, truck, and airborne transportation
- acquire land for future needs
- negotiate directly with the federal government or any agency of the federal government
- issue bonds, both taxable and tax-exempt.

The Indiana Ports Commission is connected to the state through the appointment of the commissioners by the Governor, but does not report to any other state agency. The Indiana Port Commission receives no funding from the state. Its powers are not limited to ports, and may be exercised throughout the state for projects that, in the judgment of the Commission, promote the agricultural, industrial and commercial development of the state.

The Indiana Port Commission has the power to:

- Hold and acquire property
- Acquire, lease and operate a port project
- Acquire and operate tugboats, locomotives, and other power to carry passengers and cargo
- Control points of ingress and egress to port facilities or points of cargo transfers.

The Indiana Port Commission receives revenue generated from port leases and harbor operations and also has the ability to issue bonds.

The Indiana Port Commission owns three public port entities -- Burns Harbor, Mount Vernon (Southwind Maritime Center) and Jeffersonville (Clark Maritime Center). The Indiana Ports Commission has become engaged in a significant amount of economic development, particularly at the Port of Burns Harbor. The Indiana Port Commission aggressively pursued value added steel processing operations to locate on the Port-owned property near Portage, Indiana. The purpose of this economic development strategy was to attract tenants that would also use the marine terminals to move raw materials and finished product. This strategy has resulted in the strong growth in steel products handled at the marine terminals on the Great Lakes. A similar strategy is also in place at

the Indiana Ports Commission's Clarke Maritime Center at Jeffersonville, IN. The development of steel processing and value added operations at this river terminal is intended to stimulate additional barge activity, in turn supporting additional jobs and economic impact in the Jeffersonville region.

While this type of state port structure has some attractive features to be considered in the development of a Michigan State Port Agency/Authority, it would require the ownership of marine terminals and other assets. Due to the number of marine terminals and port cities in Michigan, the ownership of terminals is not recommended. However, the aggressive economic development actions that were taken by the Indiana Port Commission should be reviewed by the State of Michigan to understand the important role trade and transportation through the state's marine terminals plays in the broader purpose of general economic development.

4. THE MARYLAND PORT ADMINISTRATION (MPA)

The Maryland Port Administration is an Administration within the Maryland Department of Transportation. The focus is on the promotion of cargo through the ports in the State of Maryland. The Maryland Port Commission is appointed by the Governor and the Commission has minimal power. The composition of the Commission is as follows:

- Six commissioners, all are appointed by the Governor
- The Secretary of Transportation chairs the Commission
- There are 2-year staggered terms
- The Executive Director is recommended by the Commission, but serves at the pleasure of the Governor
- The Port Commission establishes policies and regulations and reviews leases and all applications for state funding
- The Port Commission administers a contingency fund of \$500,000 which is not permitted to accept budgetary transfers from any other source.

The MPA owns all but one of the public terminals at the Port of Baltimore. Seagirt Marine Terminal, which is a relatively new container terminal, is owned by the State of Maryland's Transportation Authority (MdTA) which provided bond funding for the construction of the terminal. The MdTA is part of the Maryland Department of Transportation, which has bonding authority and also operates the bridges and toll facilities. Through its role as the local sponsor for dredging in the Federal navigation channels and its marketing program, the MPA promotes and supports the entire Port of Baltimore, including many private terminal operations. However, private terminal operations are not eligible for state assistance.

All capital projects in excess of \$50,000 must be approved by the Maryland Department of Transportation and the Board of Public Works, which consists of:

- Governor

- Comptroller
- Secretary of Treasury.

In addition to the powers of the Commission, the MPA can negotiate leases, but the leases are subject to approval by the Board of Public Works.

The MPA receives funding from several sources:

- State Transportation Trust Fund
- MdTA (bonded money from Transportation Authority)
- Port charges and leases
- General Assembly.

The Maryland Department of Transportation is currently trying to influence uses of waterfront land within the Port of Baltimore District. However, there is no zoning authority or legal control over non-MPA land.

The Maryland Port Administration model is not appropriate for the State of Michigan. The MPA structure, as an administration within the State Department of Transportation, is very restrictive and has many layers of bureaucracy within the Department of Transportation, sometimes requiring review by a sister agency and its Commission within the Department of Transportation. As an Administration within MDOT, the MPA has no bonding authority and it must compete for funds with other modes of transportation also under the State of Maryland Department of Transportation. The project approval process is very cumbersome and is not structured to react quickly to the needs of tenants and ocean carriers. The approval of key capital projects is a very drawn-out process and prohibits a quick response to the needs.

5. MASSACHUSETTS SEAPORT ADVISORY COUNCIL

The Massachusetts Seaport Advisory Council was created in 1995 by executive order. The Council reports to the Office of the Lieutenant Governor and consists of the mayors of the port cities and the key cabinet seats:

- Environmental Affairs
- Economic Development
- Administration and Finance
- Transportation.

The private marine terminals in Massachusetts do not have a seat on the Council, but they are eligible to receive loans from State bond funds for projects that are approved and authorized by the Advisory Council.

The 1994 Seaport Bill authorized a \$280 million bond fund for capital investments in seaport and harbor assets and is intended to provide funds for:

- Dredging
- Reconstruction of freight rail lines
- Infrastructure improvements such as piers, cranes, warehouses
- Other marine based operations including ferries and passenger transportation.

Initially, each port had to develop a master plan, which consisted of a demand and capacity analysis of existing marine terminals, future port facilities plans, and coordination with local community development agencies.

The funding of the seaport projects works as follows. The individual port (public entity or City in which the port is located) submits a project to the Seaport Advisory Council with reference to the port master plan and community development plan. There is no formal application process. Supporting the line agencies on the Council is a port professionals group. The port professionals group that is associated with the line agency under which the proposed project falls reviews the project and makes recommendation to the Seaport Advisory Council for a public vote.

Only state piers or municipalities can apply for funding. The core dollars come out of the State budget, and there is partnering with the line agencies that have bonding authorities. The actual contract is made through the “line agency” under which the project best fits.

The Seaport Advisory Council advises the Governor as to which projects are to be funded and which agency should be responsible for the project. The contracts are administered by the funding agency. The Governor has power of determining when to borrow money and which application or agency can go forward.

For private projects, Mass Development is available, which is a quasi-public agency that provides small grants to get projects under way, and then provides low interest rates. The money used for these grants comes from revenues received from the sales of the real property of old military bases owned by Mass Development.

The Massachusetts Seaport Advisory Council staff consists of the director and an assistant. The Director’s role is to act as a liaison between the ports/municipalities and the state, and to keep abreast of federal and state funding sources that can be used to assist the seaports in their funding needs.

The Massachusetts Seaport Advisory Council model has several attractive features to be considered in the development of a state-wide port authority in Michigan. These include minimal bureaucracy which enables the funds to go directly to a port project rather than to support a large new state agency. Also the projects are developed at the local level in the context of the overall development plans for the communities in which the port facilities are located. This allows zoning issues, land condemnation, and integration with city development plans to be coordinated at the local levels. Because of the small staff, the administrative cost for the Massachusetts Seaport Advisory Council is minimal. Finally, the Massachusetts Seaport Advisory Council is not part of any

government agency, and as a result can use the various agencies of the Commonwealth to aid in funding as well as to aid in contract administration. The Director of the Seaport Advisory Council reports directly to the Lieutenant Governor, and this provides a direct link to the executive office.

6. NORTH CAROLINA STATE PORTS AUTHORITY

The North Carolina State Ports Authority (NCSPA) operates and owns marine terminals at the following cities but has no official role in the location or operation of the state's private marine terminals:

- Wilmington
- Morehead City
- Charlotte (inland port).

The NCSPA was created by the General Assembly with a defined mission to:

- Develop and improve harbors and seaports
- Acquire and operate port facilities
- Foster shipments of freight via the ports
- Stimulate movement of freight
- Cooperate with US in maintenance and development of harbors and seaports and assist in US security and protection
- Charge rates and fees for port facilities that it owns and operates.

The NCSPA Board consists of 11 board members:

- 7 appointed by Governor
- 4 by general assembly
- Secretary of Commerce serves as a voting member.

The NCSPA has bonding authority and the power of eminent domain. However, it cannot prohibit development of waterfront land by municipalities or private parties that could compete with public terminals.

The NCSPA model is not applicable to the State of Michigan, since it owns marine terminals. It is a similar structure to the Georgia Ports Authority structure, except that its board consists of appointments by the Governor as well as by the general assembly. Furthermore, the NCSPA has a closer tie to a state agency, since the Secretary of Commerce serves as a voting member of the board. The NCSPA is a relatively large organization with nearly 300 state employees working in the executive and administrative offices as well as the terminals.

7. OHIO PORTS SYSTEM

Section 4582 of the Laws of Ohio provides that any unit or units of local governments may form a port authority.

The powers and duties of a port authority in Ohio are:

- Very broad set of powers that can be pursued under local port authority. A port authority can own and operate seaports and other transportation, recreational, educational, governmental, and cultural facilities.
- Can own any type of real and personal property, or rights in property as long as useful for “furthering an authorized purpose”.

The end goal of the Port Authority is economic development. The local port authority has:

- Bonding authority
- Eminent Domain
- Rights to advertise and sell its interests in real and personal property.

This is a very broad set of powers to be used in economic development. After a port authority is created, neighboring jurisdictions can join, subject to public referendum.

The establishment of a board is critical at the local level. State law provides the following guidelines for the establishment of a port authority:

- The number of members depends upon the number the organizing group thinks is necessary.
- The members are appointed by the mayor if created by the City.
- The members are appointed by the city manager if created by a township.
- If created by two or more jurisdictions, then composition of the board is determined by units of local government involved.

The law also states that the Port Authority should foster and encourage private enterprise involvement in all of its activities and use this involvement to limit the necessity of construction and operation of facilities by the port authority. The local port authorities have taxing authority to secure needed funds.

The state also has the Ohio Port Authority Council, which consists of:

- The directors of all 23 individual port authorities
- Rail Commission
- Ohio Department of Transportation
- Department of Development.

The Ohio Port Authority Council is managed out of Department of Development, since the main focus of the port authority is to promote economic development. In order to secure funding, the local port authority brings the project to the Council. The Council, recognizing the need to move quickly to fund a project, established a process to provide

for a fast turnaround for funding requests. Council members identify the source of funding. The funding sources consist of:

- Enterprise Bond Fund – (backed by liquor/alcohol tax proceeds)
- State Infrastructure Bank
- Federal funds (intermodal and other transportation programs).

The Council also acts as a lobbying group for state port interests and assists in identifying and securing funds, both at the state and federal level. The local port authorities in Ohio are the key economic development tools since they form private/public partnerships to promote economic development. The port authorities in Ohio have been very proactive in developing private/public partnerships. Examples include the use of synthetic loans to stimulate economic development on port property. These projects are not necessarily maritime related and include such projects as the Rock and Roll Hall of Fame and Owens Corning Headquarters.

The Ohio Ports System has numerous attributes that could be adapted into the proposed Michigan state port agency/authority. First, the Ohio Ports System is based on the existence of 23 individual public ports. These ports forge the public/private relationships at the local level and such issues as zoning, land condemnation, and compatibility of port plans with municipal development plans are solved at the local level. The ability of the local ports to establish the “deals” and the ability to issue bonds is a key foundation of the Ohio Ports System. The Ohio Port Authority Council provides a second level of funding assistance and is structured to provide quick responses to funding needs. The key goal of the Ohio Ports System is the promotion of economic development through public/private partnerships.

8. PENNSYLVANIA – OFFICE OF PENNPORTS

PENNPORTS was created by executive order of the Governor in the early 1990’s, and in 1994 the enabling legislation was revised. PENNPORTS consists of a one-man office appointed by the Governor. Based on the 1994 legislation, the roles of PENNPORTS were identified as:

- Act as an economic engine
- Oversee port activity in Philadelphia, Erie and Pittsburgh
- Play an integral role to pay off debt service for the Philadelphia Regional Port Authority (PRPA). The PRPA took over the facilities of the Philadelphia Port Corporation (City-owned port), and in order to pay for the facilities purchases, the Commonwealth of Pennsylvania issued bonds. One of PENNPORTS roles was initially to assist in paying off the debt service.

Pennsylvania ports were originally under the Pennsylvania Department of Transportation. However, there was continual competition for funds with highways and bridges, and as a result, PENNPORTS was moved to Community and Economic Development since the primary purpose of the Commonwealth’s ports is to stimulate

employment in the region in which the ports are located. The major reason cited by the Director of PENNPORTS (during interviews as part of this study) was that the Pennsylvania ports are viewed as catalysts for economic development. The location of PENNPORTS within the Department of Community and Economic Development (DCED) will allow the ports to better serve in the economic development role.

PENNPORTS is now responsible for funding projects at:

- Philadelphia Regional Port Authority
- Port of Erie
- Pittsburgh Port Commission (no ownership of assets).

The individual ports submit capital requests to PENNPORTS. The structure under which PENNPORTS provides support to the individual ports includes:

- Interagency transfer agreements
- Grants to the individual port projects come from the general fund as a line item in the annual state budget for PENNPORTS
- PENNPORTS does not compete for the Department of Community and Economic Development budget, even though it is housed in DCED.

In addition, PENNPORTS established a revolving loan fund for private companies located in the port district in Pittsburgh using appropriations from the general fund. The purpose of this loan fund is to provide low interest loans to private terminals.

The steps followed to fund a project are:

- Due diligence and review of projects by the Board of Commissioners from Port of Pittsburgh
- Contract with local economic development firm to review the project viability
- Port Commission makes recommendations for funding.

Private terminals are also funded by the Commonwealth through involvement with PENNPORTS. The money can come from the capital budget in the form of a redevelopment loan, as long as there is a matching grant from the private sector. In addition, low interest loans are available from Community and Economic Development for private and public partnerships.

The PENNPORTS model has several attractive features to be considered for Michigan. First, PENNPORTS receives its funding from the general fund and does not compete with Department of Community and Economic Development for economic development funds. PENNPORTS is a small organization housed within the Department of Community and Economic Development and the director of PENNPORTS often has direct contact with the Governor. PENNPORTS established a revolving loan fund at the Port of Pittsburgh Commission which does not own any assets but exists solely for the promotion of the inland waterways and acts as a catalyst for economic development. The

Port of Pittsburgh can assist private river terminals through the revolving loan fund and acts as lobbyist for the inland river terminals located within the Port of Pittsburgh Commission District. There are over 130 river terminals on the Ohio, Allegheny and Monongahela Rivers within the Port District and these terminals can apply for low interest loans available from the revolving loan fund. The private river terminal structure is similar to the number of private terminals in the State of Michigan. The Port of Pittsburgh Commission acts as a low interest bank for these terminals. The method to evaluate the applicants is structured, and the use of an outside economic development entity to assist in evaluation of projects provides an independent input into the awards process. However, the fund is relatively small, typically providing gap funding up to \$100,000, which limits the size and type of projects that can be funded.

9. WISCONSIN HARBOR ASSISTANCE PROGRAM

The Harbor Assistance Program was created by the Wisconsin Legislature in 1979. The purpose of the program is to maintain and improve waterborne commerce along the Great Lakes/Mississippi River. The types of projects that are funded through the program include:

- Dock reconstruction
- Mooring structure replacement
- Dredging
- Dredge materials placement and containment.

There are 23 ports in the State of Wisconsin that are eligible. The eligibility requirements for the program are:

- Port facility must be publicly-owned
- Project must benefit facilities used for cargo transfer, ship building, commercial fishing or regular ferry facility
- Project must reflect positive benefit-cost analysis
- Project must be identified in a current three-year harbor development plan.

The following process has been established to evaluate projects eligible for the Harbor Assistance Program:

- Benefit-Cost Analysis must be performed
- The project must satisfy a set of environmental evaluation criteria
- A higher priority is given for projects with higher tonnage.

The evaluation is conducted by an advisory council which consists of:

- Representative of the Wisconsin Department of Transportation
- Representative of the Wisconsin Coastal Zone Management Council under Department of Administration
- 2 representatives from the U.S. Army Corps of Engineers

- 1-2 private sector representatives familiar with water transportation.

The council then recommends to the Department of Transportation which projects will be funded.

The Wisconsin Harbor Assistance Program has several points that should be considered for the development of a Michigan State Port Agency/Authority model. First, the program is available for public ports only that have submitted master development plans. This forces the ports to deal with local issues at the local level, not state level. Secondly, there is no ownership of assets and the state agency is not characterized by layers of bureaucracy. Therefore the funds go directly to the project, not to support a bureaucracy.

There exists a defined set of criteria by which each project is measured, and this includes both economic and environmental. This program is limited in that only specified types of projects can be funded and private facilities are ineligible. These limitations of uses of funds will ultimately limit the economic development benefit from this program.

10. MICHIGAN PUBLIC PORTS

Port districts in the State of Michigan were authorized in Chapter 120 of Laws of Michigan. In 1925, Act 234 of the General Assembly provided for the creation of port districts. This was amended in 1966 and then again in 1978. In 1978, the original act was repealed and replaced by Act 639 - Hertel-Law-T. Stopczynski Port Authority Act.

The 1978 Act authorized a city and county, a combination of counties or a combination consisting of at least one city and one county to request the Governor to authorize the incorporation of a port authority. The Act authorizes public ports to:

- Designate the location and character of port facilities within its jurisdiction and to own a wide variety of port facilities which it may determine necessary for its operation
- Provide for the preservation of navigation
- Make and enter into contracts and agreements
- Design, own, develop, lease (as either lessor or as lessee) and operate port facilities within its jurisdiction
- Exercise condemnation powers
- Own real and personal property
- Issue bonds
- Apply for, and receive, grants or loans from state or federal agencies, and private individuals
- Maintain the offices and facilities necessary for the conduct of the business of the port.

In addition, the act states that port authorities can acquire, design, own and operate planned industrial districts as part of port facilities. The local port authority should do all in its power to promote and increase commerce and recreation.

Act 639 identifies the composition of a local authority:

- Consists of 5 or seven members
- 1 member appointed by the Governor
- Balance appointed by governing body of each city or each county that requested the incorporation.

The authorities are required to prepare a plan for future development and construction of the port. The authorities are also required, initially, to prepare a two-year operating budget, with annual revisions thereafter. This budget is subject to the review and approval of the governing bodies of its constituent units, the Department of Commerce and the Department of State Highways and Transportation. In short, the law provides the requisite powers for the successful operation of a port authority in pursuit of both cargo handling and economic development objectives.

Because almost all of the operating port facilities in Michigan are privately-owned, these businesses must be brought into active participation in the local port authorities if the potential for expanded economic development is to be realized. Act 639 provides the basic foundation at the local level for ports to organize authorities and forge public/private partnerships. The local port authority can bring public/private partnerships to a state level funding entity to access state funds. This concept is expanded upon in the following chapter.

Finally, the State of Michigan does provide funding assistance to ferry operations. Eligible ferryboats receive operating funds from several sources:

- State funds (e.g. 100% Drummond Islander III)
- Federal Highway Administration, Ferryboat Discretionary Program (e.g. 80% Federal, 10% state and 10% local for the Sugar Islander II, Drummond Islander IV and Emerald Isle).

Eligible Transportation Authorities overseeing the ferryboat operations receive state operating funds at a rate of 50% of eligible expenses from the Comprehensive Transportation Fund. In addition, these eligible entities also receive funding for capital improvements via the marine capital line item, currently limited to \$800,000 per year. This fund is directed through the State Department of Transportation.

11. SUMMARY

The following exhibit summarizes the key structural characteristics of each port authority reviewed. Also included in this exhibit are the elements of each port authority that are attractive to incorporate into the State of Michigan port structure.

Exhibit IV-1

V. RECOMMENDED STATE PORT AUTHORITY/AGENCY STRUCTURE FOR THE STATE OF MICHIGAN

As demonstrated in this report, the Michigan port system is a key catalyst for economic development within the state supporting more than 15,000 jobs. The continued investment in the marine terminals in order to maintain and grow the marine cargo activity should receive important consideration when developing the concept/structure of a statewide port authority. With the growing capital investments required for security at the marine terminals, competition for available funds previously used for system preservation projects, maintenance and repair, terminal expansion and dredging will increase, which could impact the continued operation of some of the marine terminals. The survey of terminals indicated that \$44 million of investments are planned over the next 5 years. In terms of the types of investments in which the state could assist, the most frequently identified areas were dredging and the placement of dredge materials. These investments are in addition to the identification and funding of disposal sites that will be required to maintain federal navigation channels, which are critical to access the state's marine terminals. The state port authority/agency would also provide a valuable role as an advocate to the state port system, by elevating the awareness of the state's ports and terminals to both state and federal legislators. Furthermore, the state port authority/agency would provide a vehicle to identify federal funding sources that are currently not being utilized. A state port authority/agency would also provide individual recognition to the ports and marine terminals at the same level in the state government as other modes, including airports, rail and highways.

In the balance of this chapter a recommended structure for a state port authority/agency is presented. This structure would:

- Encourage the formation of local port authorities
- Provide both the state and the localities a mechanism for the promotion of economic development
- Provide a model based on tested methods in other states
- Promote more vigorous use of public-private partnerships in economic development
- Protect and encourage the broad array of private investment in the ports of Michigan
- Assist with securing funding for Michigan terminals in key areas such as dredging/disposal and security.

This structure draws on the types of projects typically undertaken by the state's marine terminals and the planned type and source of funding. The structure recommended is designed to provide the greatest stimulant to economic development, while minimizing costs due to extensive bureaucracy. The key is to keep the state structure lean and very focused, while putting emphasis on the development of local port authorities. It is at the local levels where the public/private partnerships can be forged. Further, the development of local port authorities necessitates the formulation of port development plans which must be coordinated with the local municipal development plans. As a result of this planning effort, the optimal use of waterfront land comes to the

forefront, which is, in and of itself, a valuable step in carefully promoting the future development of the limited waterfront land.

The 137 private marine terminals in the ports of Michigan are already providing very valuable services to the individual companies which own and operate them. As discussed in Chapter IV, the authorization for local governments to organize port authorities and request recognition by the Governor has been available for many years. Most of the powers—if not the financing capabilities—for the successful operation of a local port authority have already been granted. In order for Michigan’s ports to reach beyond their single-purpose functions and achieve their economic development potential, the Departments of Labor & Economic Growth and Transportation and a new Michigan state port authority/agency will likely have to play a more active role. These agencies should exert educational and leadership roles in the activation of more local port authorities and in the recognition of their economic development potential. These roles should remain distinct from operational and management roles which must remain in local control.

As described in Chapter III of this report, the major types of projects historically undertaken by the terminals involved some sort of maintenance and repair expenditures, including dredging. Key future needs again focus on system maintenance and repairs. Most commercial marine operations are privately-owned single terminal with a captive market, or the terminals are an integral part of an industrial operation -- thus a marketing function of a state port authority for current operations is likely minimal. However, marketing of the entire system is of paramount importance. Being able to inform the state legislature on the importance of the port system, the value of an individual project and of their economic development impacts is extremely necessary. Similarly, the ability to find and access federal grant money earmarked for the maritime industry will also be of great benefit.

Based on the review of state port authorities, Martin Associates recommends that elements of the following state port authorities be included in the state port authority/agency structure for the State of Michigan:

- Florida
- Massachusetts
- Ohio
- Pennsylvania
- Wisconsin.

Advantages of these state port authorities/agencies are:

- Provide mechanisms for public/private partnerships to promote economic development. (Massachusetts, Ohio, Pennsylvania & Wisconsin)

- Stimulate development of the private/public partnerships at the local level and the local port authorities are key to the successful operation of the state port authority/agency. The local port authorities are typically required to formulate port development plans that must be compatible with local metropolitan development plans. This stimulates the planning for waterfront land and promotes the optimal utilization of scarce waterfront land. Just the essence of planning brings the waterfront land uses to the forefront in local planning effort. (Massachusetts, Ohio, Pennsylvania & Wisconsin)
- Minimize state involvement in the operation of the individual terminals and ports (Massachusetts, Ohio & Pennsylvania).
- Provide critical state funding assistance for port development projects. The state funding sources are typically backed by a revenue stream either from a line item budget appropriation item or from an annual payment from a state transportation trust fund. Often times the local ports have bonding authority as well as some have local taxing authority. The state money can be used to payoff debt service. (Florida, Massachusetts, Ohio, Pennsylvania & Wisconsin)
- Require expert inputs from the local port interests. (Florida, Massachusetts, Ohio, Pennsylvania & Wisconsin)
- Provide a structured method for selecting/awarding state aid-- although it varies, as to project ranking. (Florida, Massachusetts, Ohio, Pennsylvania & Wisconsin)
- Requires minimal state infrastructure and bureaucracy. (Massachusetts, Ohio & Pennsylvania)
- Fund local projects directly to support economic development without supporting large state bureaucracy. (Florida, Massachusetts, Ohio, Pennsylvania & Wisconsin)

A key underpinning of the proposed state port authority is the power granted to the local port authorities within each of the state's port models identified above. As described, the development of projects at the local level, within the context of established port and municipal master plans, removes the need for this oversight planning function at the state level, thus minimizing authority size and administrative costs. It is to be emphasized that the legal process to form a local port authority in Michigan has already been established under Michigan law, and it is the responsibility of local planners and economic development entities to develop local port authorities.

It is further recommended that the state port authority/agency consist of a director that is appointed by the Governor, as well as a limited support staff, including an administrative assistant, and perhaps an industry analyst. The director would function not only as a spokesperson for Michigan ports, but would also be responsible for advocacy efforts at the state and federal legislative levels. The director should also have an in-

depth working knowledge of ports and the marine transportation system, as well as the ability to identify sources for federal and state grants to assist port development. The director would also report to a port council. It is important that members of the council be professional experts in economic development and commerce, transportation infrastructure, environmental issues and budget and finance. One possible composition of the council is:

- CEO of Michigan Economic Development Corporation (MEDC). MEDC is housed in Labor and Economic Growth, and includes Tourism
- Director of Michigan Department of Transportation
- Director of Michigan Department of Management and Budget/State Budget Director
- Office of the Great Lakes/Department of Environmental Quality
- 2 local port representatives from each Lake (staggered terms) that are appointed by local municipalities.

Individual port projects developed at the local levels would be brought to this council for review and ultimate selection for financing. In order to evaluate the projects, a rigorous set of ranking criteria must be established. The key areas to be included in the development of a ranking criteria are:

- Initial formulation and submission of a local port authority development plan which integrates development of maritime facilities within the context of the local community's economic development objectives and future land use plans.
- Demonstration of a need for each project in context of the local port development plan.
- Preference to those projects that are consistent with other Michigan local assistance programs, especially the Michigan Rail Loan Assistance Program.
- Formulation of standardized economic impact criteria to be applied to each project to demonstrate economic development aspects.
- Development of environmental criteria to assure that projects are consistent with state environmental regulations/plans.
- Development of criteria to assess business risk of the project to the state.
- Assessment of ability to provide a local match -- either the local port authority, its constituent units of government, or a private entity.
- Council should act as advocacy group for the state port system.

The council could be a stand alone agency or housed under:

- Labor and Economic Growth:
 - Economic development is key
 - Public/private partnerships
 - Quick response to customer needs
 - Already authorized under Act 251 of 1966 to cooperate and negotiate with port districts and stimulate port growth.

- Transportation:
 - Multi-modal transportation is key
 - Rail Loan Assistance program already in effect
 - Ferry line item budget exists (\$800,000)
 - Housed alongside other modes-- highway and bridge infrastructure projects
 - Already authorized under Act 639 of 1978 to review the budgets of port authorities and to provide 50 percent of the authorities' operating budgets through the budget of the department.

There is also a need to identify seed funds to develop a low interest revolving loan fund or grant program. Possible sources of funds include:

- State authority to have bonding capabilities (Florida)
- Line item budget (PENNPORTS and the Maritime Capital Line Item in Michigan for ferry programs)
- Similar program as Rail Infrastructure Loan Fund (appropriation of revolving fund by the legislature)
- MEDC funding
- Existing state bond funds (Enterprise Fund in Ohio)
- Federal funding.

At present, only three Michigan localities have exercised their rights to organize a port authority: St. Joseph-Benton Harbor, Monroe and Detroit. Act 639 specifies that "The State shall provide 50 percent of the operating budget of the authority," through the budget of the Michigan Department of Transportation. Currently, only the Detroit-Wayne County Port Authority is incorporated under Act 639 and is therefore receiving this budgetary supplement. In the event that several localities should organize port authorities in any one year, the impact on the MDOT budget would be severe. Prior to the enactment of new statutes for a state port authority/agency, the Department of Transportation and the Michigan Legislature should carefully review the financial impacts of the State's commitment to provide 50 percent of the operating budget of each port authority. It should be anticipated that a contingency fund will be needed to support these activities, if this provision of Act 639 is to remain in effect.

Finally, it is important to identify certain roles or functions that Martin Associates does not recommend for a state port authority:

- The state should not be involved in marketing local ports, but should act as an advocate for a statewide port system both at the state legislative level as well as at the Federal level.
- The state should not own marine property or operate marine facilities.
- The state should not have the right of property condemnation with respect to waterfront development.

In summary, the state port authority structure that Martin Associates recommends is based on:

- The needs of the marine terminals now in operation in the state.
- Minimization of bureaucracy in order to minimize the costs to the state of the establishment of the port authority/agency
- The development of projects at the local port authority level in order to minimize state intervention at the local municipal level.
- The coordination of port projects with the waterfront development plans and local municipal development plans.

This proposed structure will provide the state with a financial tool to stimulate local, regional and state economic development by supporting key maritime projects. Such a state port authority council will not only support the more than 15,000 direct jobs with the marine terminals and operations within the state, but will provide a funding mechanism to further grow the economic contribution of the state port system.

TABLE OF CONTENTS

<i>EXECUTIVE SUMMARY</i>	<i>1</i>
<i>I. INTRODUCTION</i>	<i>7</i>
<i>II. ECONOMIC CONTRIBUTION OF THE MICHIGAN STATE PORT SYSTEM..</i>	<i>9</i>
<u>1. IMPACT STRUCTURE</u>	<i>9</i>
1.1 <u>Business Revenue Impact</u>	<i>10</i>
1.2 <u>Employment Impact</u>	<i>10</i>
1.3 <u>Personal Earnings Impact</u>	<i>11</i>
1.4 <u>Tax Impact</u>	<i>11</i>
<u>2. ECONOMIC IMPACT SECTORS</u>	<i>11</i>
2.1 <u>The Surface Transportation Sector</u>	<i>11</i>
2.2 <u>The Maritime Services Sector</u>	<i>11</i>
2.3 <u>Shippers/Consignees</u>	<i>13</i>
<u>3. ECONOMIC IMPACT OF THE MICHIGAN PORT SYSTEM</u>	<i>13</i>
<i>III. REVIEW OF THE STATE PORT SYSTEM</i>	<i>16</i>
<u>1. PROFILE OF THE STATE PORT SYSTEM</u>	<i>16</i>
1.1 <u>Expenditures by Terminals in the Past Three Years</u>	<i>17</i>
1.1.1 <u>System Preservation Expenditures</u>	<i>17</i>
1.1.2 <u>Dredging/Channel Deepening Expenditures</u>	<i>17</i>
1.1.3 <u>New Business Speculative Investment</u>	<i>17</i>
1.2 <u>Planned Investments over Next Five Years</u>	<i>18</i>
1.2.1 <u>Future System Preservation</u>	<i>18</i>
1.2.2 <u>Proposed Maintenance Dredging Expenditures</u>	<i>18</i>
1.2.3 <u>Terminal Expansion</u>	<i>18</i>
1.2.4 <u>Potential Terminal Expansion Projects</u>	<i>19</i>
1.3 <u>Ferry & Cruise Operations</u>	<i>19</i>
1.4 <u>Identified Role of a State Port Authority</u>	<i>20</i>
1.5 <u>Involvement with Local Economic Development Commissions</u>	<i>21</i>
1.6 <u>Summary of Terminal Surveys</u>	<i>22</i>
<i>IV. REVIEW OF STATE PORT AUTHORITIES</i>	<i>23</i>
<u>1. FLORIDA</u>	<i>24</i>
1.1 <u>Florida Ports Council</u>	<i>24</i>
1.2 <u>Florida Ports Financing Commission</u>	<i>24</i>
1.3 <u>Florida Seaport Trade and Economic Development Council</u>	<i>25</i>
<u>2. GEORGIA PORTS AUTHORITY (GPA)</u>	<i>26</i>
<u>3. INDIANA PORT COMMISSION</u>	<i>28</i>
<u>4. THE MARYLAND PORT ADMINISTRATION (MPA)</u>	<i>29</i>
<u>5. MASSACHUSETTS SEAPORT ADVISORY COUNCIL</u>	<i>30</i>
<u>6. NORTH CAROLINA STATE PORTS AUTHORITY</u>	<i>32</i>

7. OHIO PORTS SYSTEM..... 32

8. PENNSYLVANIA – OFFICE OF PENNPORTS..... 34

9. WISCONSIN HARBOR ASSISTANCE PROGRAM 36

10. MICHIGAN PUBLIC PORTS..... 37

11. SUMMARY..... 38

*V. RECOMMENDED STATE PORT AUTHORITY/AGENCY STRUCTURE FOR
THE STATE OF MICHIGAN* 40

FUNCTION	Florida Ports Council FL Ports Financing Comm FSTED	Georgia Ports Authority	Indiana Port Commission	Maryland Port Administration	Massachusetts Seaport Advisory Council	North Carolina State Ports Authority	Ohio Port Authority Council	PENNPORTS	Wisconsin Harbor Assistance Program
SOURCE OF AUTHORITY									
Enabling Legislation:	Statute	Statute	Statute	Statute	Executive Order	Statute	Executive Order	Executive Order	Statute
BOARD/COMMISSION									
Appointed by:	Statute	Governor	Governor	Governor	Governor	Governor/Legislature	Governor/Legislature	Governor	Sec. of Transportation
Composition of Board:									
Governor/Lt. Governor					X				
Dept. of Transportation	X			X	X		X		X
Dept. of Economic Development					X		X		
Dept. of Commerce						X			
Dept. of Environment	X				X				
Dept. of Community Affairs	X							X	
Dept. of Tourism	X								
Dept. of Administration									X
Dept. of Planning & Budget		X			X				
Other - Corps of Engineers									X
Local port representation -- appointed		X	X	X	X	X			X
Local port representation -- elected									
Local port representation -- by statute	X						X		
LOCATION IN GOVERNMENT									
Dept. of Transportation	FSTED			X					X
Dept. of Commerce									
Dept. of Environment					X				
Dept. of Community & Econ. Develop.							X	X	
Office of the Governor/Lt. Governor					X				
Quasi-Governmental/Independent	FL Ports Financing Comm	X	X			X			
Other	FL Ports Council								
POWERS									
Promote economic development	X	X	X	X	X	X	X	X	X
Own & operate land & facilities		X	X	X	X	X			
Maintain & repair facilities		X	X	X	X	X			
Plan for expansion & acquire land		X	X	X	X	X			
Develop & execute marketing plans		X	X	X	X	X			
Share in dredging issues	X	X	X	X	X	X			
Provide security		X	X	X	X	X			
Issue bonds	X	X	X			X			
Levy taxes (local authority only)							X		
Inter-Agency Funds Transfer							X	X	X
Fund major projects -- loans	FL Ports Financing Comm.				X		X	X	
Fund major projects -- grants	FSTED						X	X	X
Control/Influence Land Use		X	X		X				
Eminent Domain		X	X	X		X			
Enforce consistency w/ local plans	X				X		X		X
ECONOMIC DEVELOPMENT									
Non-Maritime:			integrated steel campus;				Rock & Roll Hall of Fame;		
STRENGTHS									
With respect to Michigan:	projects are developed at local level and are market & capacity driven;		aggressive economic development actions;		minimal bureaucracy; loan funds go directly to port;		active participation of all 23 ports;	small organization; no ownership of assets;	funding only goes to ports that have submitted masterplans;
	50/50 matching basis;				local level;		local level public/private partnerships	revolving loan fund;	deal with issues at local level - funds go to project;
	ensures local commitment;						quick responses to needs;		
WEAKNESSES									
With respect to Michigan:		ownership of terminals;	ownership of terminals and other assets;	very restrictive;		ownership of terminals;			
		large infrastructure development to support ownership of terminals;		layers of bureaucracy; approval process is not structured to react quickly;		large number of state employees;			