

AAPA Maritime Economic Development Committee

(MEDC)

Real Estate Best Practices Group

Economic Development Sub-Committee
Whitepaper

Sub-Group Team Members:

- Michael Vanderbeek, Port Everglades
- Jill Morgan, Marisolve, LLC
- Ian Lamont, The Lamont Group, LLC
- Tim Golden, Private Consultant (formerly Port of Los Angeles)
- Eutimio Gomez, Port of Los Angeles
- Jing Li, OECD (formerly Port of Long Beach)

PURPOSE/INTRODUCTION

The purpose of this whitepaper is to highlight economic development-oriented practices from representative landlord ports across the continental United States. In order to create a broad, if shallow, initial working body of knowledge, a handful of ports representing a national scope that covers the geographic and functional diversity of the U.S. port system were chosen. Every effort has been made to ensure that information on each port highlighted in this whitepaper is accurate and remains anonymous, and that all evaluations related to comparative strengths and weaknesses of different ports in different areas are presented as objectively as possible. The team acknowledges that this report is not a comprehensive final product, but rather a first step that future MEDC/REBP participants and other port professionals will be able to use to continuously build a larger body of knowledge.

The following three (3) areas were identified for focused research and elaboration by the Economic Development Sub-Committee:

I. Business Assistance

Can/Should ports deliberately partner with Federal state and/or local agencies, associations, and private companies to help businesses within their region(s) grow by educating them on market expansion (domestic and international) processes and opportunities? This paper compares, contrasts and evaluates different examples, real practices and results among selected ports to identify “good” practices in this area.

II. Foreign Trade Zones (FTZs)

A number of ports already serve as administrators/grantees for FTZs. This paper compares, contrasts and evaluates the use of FTZs at different ports in order to identify “good” practices for leveraging them as economic development tools.

III. Business Attraction

Ports are often touted as economic engines and most ports do a good job of quantifying their economic impacts in terms of jobs and value of trade-related economic activity within their geographic spheres of influence (i.e., cities/regions/states). But how deliberate are ports in attracting port-related uses to their surrounding communities? This paper compares, contrasts and evaluates different business attraction strategies among selected ports to identify “good” practices in this area.

In addition, information and a sample set of guidelines is presented in Appendix I pertaining to potential criteria that AAPA member ports may be able to use to help determine if, and under what conditions, investment by public landlord port authorities in capital projects that do not necessarily generate additional cargo throughput or cruise passenger activity, but do contribute to broader economic development opportunities, might be justified.

FOCUS AREAS

I. Assistance for Local/Regional Businesses: What Ports Can and Are Doing

Methodology

This assessment focuses on understanding whether and how different landlord port authorities go about assisting businesses within their jurisdictions, or geographic spheres of influence. This assessment further defines different objectives associated with observed business assistance efforts, and the relationship that selected port authorities have with various non-port economic development partner organizations in achieving those objectives. Research for this assessment was conducted through internet searches, phone interviews and email correspondence and was supplemented significantly by prior research done by Jill Morgan of Marisolve, LLC and Ian Lamont of The Lamont Group, LLC, both of whom are maritime/economic development consultants based in Long Beach, California. Ports selected for inclusion in this review are not named for confidentiality purposes. However, they include a cross section of U.S. ports of varying sizes and diversity of operations from both the West Coast and the East Coast. Ports included in this Business Assistance assessment are not necessarily the same ports included in other assessments contained in this whitepaper (e.g., “Foreign Trade Zones as Economic Development Tools: A Role for Ports”).

Business Assistance Defined

For purposes of this report, business assistance is defined in relatively broad terms as any effort directly undertaken and/or indirectly facilitated by a landlord port authority with the explicit intention of helping one or more existing business grow. Growth is most often defined in terms of increased sales volume and/or revenue, especially within non-local markets (e.g. exports). Assistance is most often defined in terms of trade-related education and business-to-business matchmaking.

Summary of Findings

Most port authorities observed as part of this assessment do not directly provide business assistance services (e.g., import-export consulting) to businesses within their geographic spheres of influence (city, county, region, etc.). However, most ports observed do support the provision of such services, typically by sponsoring (financially) and/or partnering with local/regional international trade and/or economic development organizations that specialize in providing business assistance services and have dedicated staff with expertise in trade and international business and investment.

Efforts by surveyed ports to assist local/regional businesses within their geographic spheres of influence are largely handled through partnerships with existing organizations whose specific mission is to help companies fitting a certain profile grow (e.g., by increasing sales in international markets) through international trade and investment. Ports typically support these third-party organizations through direct

sponsorships and/or memberships. In some cases, more formal memoranda of understanding (MOUs) or even legal contracts are utilized to outline a specific scope of services and target objectives that are common both to the partner organization and to the sponsoring port. With one notable exception, observed port authorities do not directly employ staff to provide business assistance services to local/regional businesses, in most cases because doing so is perceived as falling outside the core mission of the port.

The most common types of business assistance services provided indirectly by landlord ports via partner organizations include:

- Trade Missions, including both inbound trade missions (e.g., foreign delegation hosting) and outbound trade missions (e.g., travel to a target foreign market) which are designed to develop international relations, increase mutual knowledge of new markets and expose businesses in both markets to potential trade opportunities
- Seminars/Conferences on international trade topics and targeted trade education programs for businesses (e.g., import and export 101 courses)
- One-on-one business consulting services, including legal & regulatory advisory services, international contract terms and pricing advisory services and international finance advisory services
- International market research for businesses and foreign market entry strategy development and planning
- Matchmaking (e.g., connecting manufacturers/suppliers in one market with procurement/purchasing managers in another market)

Trade organizations with whom observed port authorities partner to provide business assistance services tend not only to have similar missions to one another, but also to exhibit some or all of the following key characteristics:

Dedicated Purpose

- Effective business assistance partners have a clear mission that includes a direct nexus with both international trade and local/regional investment.

Dedicated Resources

- Effective business assistance partners have full-time staff who are knowledgeable about, and dedicated to providing assistance to local/regional businesses in the areas of trade and international business and investment assistance.

Effective Communications

- Effective business assistance partners have effective outreach and communications plans in place, including an established online presence and means of making relevant information available to the local/regional business community and media on a continuous and up-to-date basis.

Performance Measures

- Effective business assistance partners measure their results and actively manage to those measures in order to address weaknesses and continuously improve effectiveness over time. Readily accessible customer testimonials tend to be both a key measurement of performance and an important means of communicating with stakeholders and current and potential clients.

Ports Discussion

The following section presents a detailed discussion of all surveyed ports and their respective international trade and/or economic development partners, including a summary of strengths and weaknesses of each.

Port A

Port A is a large landlord seaport, the majority of whose revenue is derived from container terminal operations. Port A also receives revenue from non-container cargo terminal operations as well as recreational (marinas + parks) and cruise operations.

Port A is unique in this assessment in that it is the only port surveyed to have paid port staff (two senior-level FTEs, one clerical FTE) who are dedicated to local/regional business assistance. In 2007, Port A launched a program with the explicit goal of increasing exports by businesses within its geographic sphere of influence by educating these businesses on how to expand into overseas markets.

Goals and Objectives

Port A focuses its business assistance efforts on the following five objectives:

1. Introduce existing local/regional businesses to exporting at a “101” level.
2. Provide and/or sponsor intermediate courses on exporting to export-ready businesses.
3. Provide and/or sponsor seminars on specialized commodity exports.
4. Provide and/or sponsor seminars focusing on target emerging markets that are well-positioned for US exports.
5. Provide and/or sponsor direct business assistance services, such as matchmaking, one-on-one consultations and/or export logistics referrals.

Resources

To achieve these objectives, Port A works extensively with local/regional third party partners, including its affiliated World Trade Center Association (WTCA), numerous area chambers of commerce, the regional economic development agency and the U.S. Department of Commerce and District Export Council, among other partners. Port A has also developed strong working relationships with transportation-focused

organizations such as Women in Transportation. Some of Port A's more significant sponsorships in 2011 are listed below:

- Regional chamber of commerce membership – \$35,000
- Regional economic development agency membership – \$18,000
- Local chamber of commerce membership – \$25,000

In conjunction with these memberships/sponsorships, in 2011 Port A participated in eight seminars in its region, held six webinars and produced four business assistance themed videos. Port A produces its own in-house marketing material. An estimate of total costs involved in executing activities associated with Port A's business assistance program is presented below. Port A is a self-funded enterprise fund and does not use tax dollars or pursue grants or other outside funding to support its business assistance program. Port A's estimated business assistance expenses for 2011 are listed below.

Staffing (Allocated Salary + Benefits)	~ \$500,000
Memberships/Sponsorships	~ \$100,000
Media/Marketing Collateral	~ \$37,000
Other/Miscellaneous	~ \$13,000
Total	~ \$650,000

Communications

Port A utilizes internal resources to provide marketing and promotional materials for its programming. Port A's internal communications resources provide access to local, national and international media as well as full service graphics and publication support. Port A's business assistance efforts are therefore fully integrated into its overall mission and marketing strategies as a port authority. Port A also works through its external partner organizations to promote its services.

Performance Measurements

Port A has no documented performance measures for its business assistance program. A record of attendance at business assistance events is kept, however.

Key Partnerships

Port A has been very successful maximizing the use of its partnerships and key relationships. Key partners include the U.S. Department of Commerce, the U.S. Export-Import Bank, the U.S. Small Business Administration (Export Assistance Center), the U.S. Regional District Export Council, local community colleges, Port A's contracted

overseas representatives, regional airports and local/regional chambers of commerce (including ethnic chambers).

Additionally, Port A works closely with international trade promotion organizations, such as the Hong Kong Trade Development Council, the Korea Trade-Investment Promotion Agency (KOTRA) and ProMexico.

Last, but not least, Port A works closely with the offices of local/regional elected officials to ensure they are involved in any seminars or other efforts that take place in their respective districts. This has created strong, positive relations between Port A and elected officials.

Strengths and Weaknesses

Strengths

The primary strength associated with Port A's approach to business assistance is the strong, broad and diverse support network of key partners both in the business community and among elected officials that it has built in the past five years. Port A has grown into a recognized and respected business assistance leader for international trade within its geographic sphere of influence. Port A's media strategy is highly effective and its programming is top of mind for local target audiences and other stakeholders.

Weaknesses

The primary weakness associated with Port A's approach to business assistance is that it is not currently measuring the economic impact of its efforts, meaning it is not entirely clear to management or outside stakeholders whether or not there is a net benefit to the port of the approximately \$650,000 investment it has made in its business assistance efforts.

Port B

Port B is a large landlord seaport, the majority of whose revenue is derived from container terminal operations. Port B also receives revenue from non-container cargo terminal operations as well as non-cargo land leases.

Since 2005, Port B has supported a local/regional business assistance program indirectly through a variety of partner organizations within its geographic sphere of influence via sponsorships, memberships and contracts for service. Port B does not employ full time staff dedicated to business assistance. However, a significant amount of staff time is dedicated to managing and/or supporting third party contractors.

Goals and Objectives

Port B focuses its business assistance efforts on job creation, with emphasis on the following two objectives:

1. Attract new businesses who engage in international trade and commerce to the region.
2. Help existing businesses in the region grow and prosper through international trade.

Resources

To achieve these objectives, Port B contracts directly with two local/regional partner organizations, one being its affiliated World Trade Center Association (WTCA) and the other being its unaffiliated local community college Small Business Development Center (SBDC). Port B also works extensively with local/regional third party partners, including numerous area chambers of commerce, the regional economic development agency and the U.S. Department of Commerce, among other partners. Some of Port B's more significant sponsorships in 2011 are listed below:

- Regional chamber of commerce membership – \$10,000
- Regional economic development agency membership – \$25,000
- Local chamber of commerce membership – \$15,000

In conjunction with these memberships/sponsorships, in 2011 Port B helped fund some 65 trade-related seminars in its region and approximately 50 one-on-one business consultations. Port B designs its own in-house marketing material, but relies on its partners to cover the costs of producing and distributing business assistance collateral (e.g., brochures). An estimate of total costs involved in executing activities associated with Port B's business assistance program is presented below. Port B is a self-funded enterprise fund and does not use tax dollars or pursue grants or other outside funding to support its business assistance program. Its two contracted partners do pursue outside funding, however, and this funding far exceeds the funding provided by Port B, meaning Port B's business assistance efforts tend not to be prioritized. Port B's estimated business assistance expenses for 2011 are listed below.

Staffing (Allocated Salary + Benefits)	~ \$100,000
Direct Contractual Support	~ \$100,000
Memberships/Sponsorships	~ \$75,000
Media/Marketing Collateral	~ \$15,000
Other/Miscellaneous	~ \$10,000
Total	~ \$300,000

Communications

Port B utilizes both internal and external resources to provide marketing and promotional materials for its programming. Port B's internal communications resources provide access to local, national and international media as well as full service graphics and website support. Port B's business assistance efforts are therefore reasonably well integrated into its overall mission and marketing strategies as a port authority. Port B also works through its external partner organizations to promote its services.

Performance Measurements

Port B has numerous documented performance measures for its business assistance program. Attendance at events, number and type of business meetings held, value of trade transactions and associated employment figures are all reported quarterly. These and other performance measures are also built into the terms and conditions of Port B's WTCA and SBDC contracts, and both Port B and its partners regularly post client testimonials on their respective websites and in business assistance related publications.

Key Partnerships

Port B has been relatively successful at leveraging its partnerships and key relationships to operate a local/regional business assistance program. Key partners include the U.S. Department of Commerce, the U.S. Regional District Export Council, local colleges and universities and local/regional chambers of commerce (including ethnic chambers). Port B also works closely with international trade promotion organizations, such as the Hong Kong Trade Development Council, the Korea Trade-Investment Promotion Agency (KOTRA) and ProMexico.

Strengths and Weaknesses

Strengths

The primary strength associated with Port B's approach to business assistance is the support network of key partners in its local/regional business community that it has built, which has allowed it to achieve some, if moderate business assistance success as measured by local increased trade transactions and job creation (or retention).

Weaknesses

The primary weakness associated with Port B's approach to business assistance is that it is not well organized enough to have achieved clear, broad brand recognition and is still largely unknown to the regional business community and elected officials, despite the approximate \$300,000 annual investment made by Port B to this end. The main reason for this is that Port B maintains contractual relationships with two separate,

wholly independent service providers, neither of whom have any direct connection to the Port B brand or mission, and both of whom receive far higher levels of funding from non-port sources to perform similar services as they do from Port B. The result is a get-what-you-pay-for situation.

Port C

Port C is a medium-sized consolidated landlord port whose seaport revenue is derived from a combination of container and non-container cargo terminal operations. Port C also receives revenue from recreational (marinas) and cruise operations.

Port C does not employ dedicated business assistance staff. Instead, since 1994, Port C has supported and relied heavily on its affiliated World Trade Center Association (WTCA) to provide business assistance programming throughout its geographic sphere of influence. Port D's affiliated WTCA is a public-private partnership between its membership and various local government agencies, including Port C itself. Port C's affiliated WTCA membership includes a wide variety of local/regional businesses that are engaged in international trade and its professional staff report to a Board of Directors that includes Port C Commissioner representation.

Goals and Objectives

The mission of Port C's affiliated WTCA is to position local/regional businesses for success. To this end it provides comprehensive international trade services and key global contacts to facilitate and expand trade for regional clients. Specific services include:

- matchmaking
- references for members
- overseas market and supplier data, and
- import-export counseling

These services are provided through trade missions, educational seminars and training programs, export assistance services and administrative support. Port C's affiliated WTCA also has a dedicated Asia Desk to further assist local/regional businesses to enter into or expand their business activity with markets in Asia.

Resources

Port C's affiliated WTCA is funded by a combination of memberships, sponsorships, in-kind funding (office space/parking) and grants at a level equivalent to approximately \$1,300,000 annually, which supports seven full time staff in providing comprehensive

business assistance services. Port C's direct financial contribution to this total is unknown. Port C's WTCA also hosts a separate International Relations Office (IRO) which was created specifically to coordinate international protocol needs for WTCA membership by offering comprehensive support for local/regional businesses in hosting international delegations and dignitaries. Services include qualifying inbound delegations and matching them to relevant public and private organizations in the region. Port C's affiliated WTCA also has a very strong regional internship program fed by the area colleges. At any one time, the organization may have as many as 50 undergraduate and graduate level interns performing research, event planning and marketing support.

Communications

Port C's affiliated WTCA manages a full-service website, issues a monthly newsletter (electronic and hardcopy) to keep members, clients, and the local/regional business community informed about relevant international trade issues and heavily utilizes social media, including Linked-in, Facebook, RSS Feed, Twitter, YouTube, and flickr.

Performance Measurements

Port C's affiliated WTCA measures performance primarily by tracking the number and types of companies that attend events at a high level of detail and accuracy. The organization's Board of Directors has set this as a principal measure of success. In certain cases, where programming is grant funded, other performance measures may be employed specific to the terms and conditions of compliance with said grant. Port C's affiliated WTCA also regularly posts client and partner testimonials on its website and in its publications.

Key Partnerships

Port C's affiliated WTCA has strong regional and international partnerships as well as close ties with other global WTCA's. Other key partners include Port C itself, Port C's City and County governments, the regional airport authority, the local Center for International Business Education and Research (CIBER), the U.S. Department of Commerce and numerous international trade organizations such as the Hong Kong Trade Development Council and Korea Trade-Investment Promotion Agency (KOTRA).

Additionally, Port C's affiliated WTCA has a strong relationship with Customs and Border Protection and is able to share that relationship with its customers through streamlined border entry for foreign delegations.

Strengths and weaknesses

Strengths

The primary strengths associated with Port C's approach to business assistance include its strong and long-standing partnerships and its reputation for quality programming. Its close partnership with its affiliated WTCA has allowed Port C to extend business assistance programming to a range of target audiences that the port authority alone would likely not have been able to achieve. In addition, Port C's affiliated WTCA's use of interns has created a fertile local/regional international trade and business assistance training platform to sustain and perpetuate future expertise, marketing and demand for services. Finally, Port C's affiliated WTCA's approach to tracking companies in its region has created a proprietary database of some 3,000–4,000 local/regional businesses, not only for future business assistance marketing purposes, but for ongoing membership solicitation (e.g., funding) purposes.

Weaknesses

The primary weakness associated with Port C's approach to business assistance is that it does not measure its performance in terms of impact to the local/regional economy so its return on investment is difficult, if not impossible, to know.

Port D

Port D is a medium-sized landlord seaport whose revenue is derived from a combination of container and non-container cargo terminal operations and cruise operations. Port D is somewhat unique in this assessment in that it is the only port surveyed whose cruise revenue exceeds its cargo revenue. Port D also receives revenue from non-cargo land leases.

Port D does not employ full time business assistance staff. However, a significant amount of staff time and sponsorship dollars are spent supporting Port D's regional economic development agency in its efforts to help local/regional businesses grow and expand into foreign markets.

Goals and Objectives

Port D focuses its limited business assistance efforts on the following two objectives:

1. Facilitate trade and growth opportunities for local/regional businesses by providing access to port information and resources.
2. Support economic development within our geographic sphere of influence by contributing to efforts by local/regional partners to increase international trade and investment.

Resources

To achieve these objectives, Port D works in close partnership with local/regional third party partners, including numerous area chambers of commerce, the regional economic development agency, the U.S. Department of Commerce, the regional airport authority and the regional convention and visitors bureau, among other partners. Port D has also developed strong working relationships with transportation-focused organizations such as Women in Transportation and the state department of transportation. Some of Port D's more significant sponsorships in 2011 are listed below:

- State chamber of commerce membership – \$10,000
- Regional chamber of commerce memberships (aggregated) – \$__,000
- Regional economic development agency membership – \$__,000

In conjunction with these memberships/sponsorships, in 2011 Port D participated in multiple inbound and outbound trade missions jointly with local/regional businesses, the sole purpose of which was to promote trade and investment with and within Port D's geographic sphere of influence. Port D is a self-funded enterprise fund and does not use tax dollars or pursue grants or other outside funding to support these business assistance efforts. Port D's estimated business assistance expenses for 2011 are listed below.

Staffing (Allocated Salary + Benefits)	~ \$50,000
Memberships/Sponsorships	~ \$__,000
Media/Marketing Collateral	~ \$__,000
Other/Miscellaneous	~ \$__,000
Total	~ \$__,000

Communications

Port D utilizes limited internal resources, primarily within its Business Development office, to provide marketing and promotional materials in support of local/regional business assistance programming. For the most part, business assistance related communications are deferred to the regional economic development agency whose mission it is to provide such services. Port D's business assistance efforts are therefore largely conducted on a complimentary basis, rather than as a core part of its mission.

Performance Measurements

Port D systematically and regularly documents its economic impacts within its geographic sphere of influence, but does not measure performance specifically as

relates to its business assistance support efforts. A record of attendance at business assistance events is kept, but this record is not regularly used for follow-up purposes.

Key Partnerships

Port D has been very successful in achieving synergy with its regional airport authority, regional economic development agency and regional convention and visitors bureau in the sense that port staff often accompany staff from other agencies on inbound as well as outbound trade and investment promotion missions, and vice-versa. Port D has also been relatively successful in establishing partnerships at the state level, with the state chamber of commerce and trade and investment promotion agency, for example. Port D has been less successful at establishing strong partnerships at the Federal level (e.g., U.S. Department of Commerce) however.

Strengths and Weaknesses

Strengths

The primary strength associated with Port D's approach to business assistance is the strong synergy it has achieved with its local/regional partners, especially its regional airport authority, regional economic development agency and regional convention and visitors bureau. These partnerships have allowed for a unified, multi-agency approach to business assistance to take hold which simultaneously draws on resources from multiple sources while deferring to relevant lead agencies for specific areas of expertise in actual program delivery.

Weaknesses

The primary weakness associated with Port D's approach to business assistance is that it allocates a fairly significant amount of staff and financial resources to support business assistance efforts within its geographic sphere of influence without having much control over the outcomes associated with that investment.

II. Foreign Trade Zones as Economic Development Tools: A Role for Ports

Methodology

This assessment focuses on understanding whether and how different landlord port authorities utilize Foreign Trade Zone (FTZs) within their jurisdictions, or geographic spheres of influence, to achieve economic development goals. This assessment further defines different objectives associated with different observed FTZ models, and how ports and non-port FTZ users/operators work together to achieve those objectives. Research for this assessment was conducted through internet searches, phone

interviews and email correspondence and was supplemented significantly by prior research done by Jill Morgan of Marisolve, LLC and Ian Lamont of The Lamont Group, LLC, both of whom are maritime/economic development consultants based in Long Beach, California. Ports selected for inclusion in this review are not named for confidentiality purposes. However, they include a cross section of U.S. ports of varying sizes and diversity of operations from both the West Coast and the East Coast. Ports included in this FTZ assessment are not necessarily the same ports included in other assessments (e.g., “Assistance for Local/Regional Businesses: What Ports Can and Are Doing”).

Economic Development Defined

For purposes of this report, economic development is broadly defined as any economic benefits (jobs, tax revenues, etc.) accumulating to a given port’s local/regional community.

Foreign Trade Zones Defined

A foreign trade zone is a designated area in the United States where companies can set up operations with exempted or deferred tariffs on foreign merchandise. Specific benefits include:

- Merchandise may be stored within an FTZ for an unlimited period of time, and avoids all duties and excise taxes so long as it remains there
- Merchandise may be opened, examined, assembled, mixed, cleaned, labeled or repackaged duty-free within an FTZ
- Merchandise may be displayed, sampled or examined duty free within an FTZ
- Waste materials and damaged merchandise may be destroyed within an FTZ without duties having to be paid on those materials

Summary of Findings

All ports observed as part of this assessment have a role in administering, managing and/or supporting one or more FTZs. However, most port authorities observed do not directly operate FTZ sites (e.g., warehouses, distribution centers) within their geographic spheres of influence (city, county, region, etc.), serving instead as Federal designated “grantees” who are charged with administering FTZs on behalf of the government of the United States and for the benefit of mostly private-sector users/operators.

Two different FTZ structures were observed. The first type, known as Traditional Site Framework (TSF), is site-specific and requires businesses interested in taking advantage of FTZ benefits either to locate within an industrial or commercial park that already has FTZ designation or to undergo a fairly lengthy site-specific designation for a new site. The second type, known as Alternative Site Framework (ASF), pre-qualifies any business within the boundaries of an established FTZ (defined as all U.S. territory

within 60 miles or a 90 minute drive of a U.S. port of entry) to apply for and receive FTZ designation so long as that business's operations are appropriate for an FTZ.

The objectives of surveyed ports in being involved with an FTZ vary significantly, from merely meeting port user and local/regional business needs to actively pursuing new investment and business activity. The two most common objectives of surveyed port authorities in maintaining involvement with FTZs include:

- Facilitating local/regional economic development by extending FTZ benefits to businesses already located within a given port's geographic sphere of influence
- Enhancing new business opportunities by actively recruiting new importing and exporting businesses to establish warehouse, distribution and/or light manufacturing facilities within a given port authority's geographic sphere of influence

Regardless of which of the two structures outlined above is used, or which of the two objectives outlined above is pursued, successful FTZ Grantees tend to feature some or all of the following key characteristics:

End User Focus

- Successful FTZs feature a Grantee (port authority) whose purpose is not to generate revenue for itself, but rather to ensure that any and all businesses within its geographic sphere of influence have clear, simple, affordable and timely access to information and expertise that allows them to maximize the benefits of FTZ designation to their operations.

Dedicated Resources

- Successful FTZs feature a Grantee (port authority) that employs at least one, and in some cases multiple full-time staff who are knowledgeable about, and dedicated to: a) promoting FTZ benefits among local/regional businesses and b) supporting FTZ users/operators in navigating and resolving myriad administrative and compliance issues associated with FTZ applications and operations. Many ports also contract for as-needed services with a third-party FTZ consultant.

Effective Communications

- Successful FTZs feature a Grantee (port authority) that has clear, documented FTZ-related outreach and communications plans and tools in place, including an established online presence and means of making relevant information available to the local/regional business community and other stakeholders (e.g., potential future users/operators) on a continuous and up-to-date basis.

Performance Measures

- Successful FTZs feature a Grantee (port authority) that monitors FTZ user/operator feedback on fees, customer service, and overall performance of the Grantee in performing its duties in order to address weaknesses and continuously improve effectiveness over time.

Ports Discussion

Port A

Port A is a large landlord seaport, the majority of whose revenue is derived from container terminal operations. Port A also receives revenue from non-container cargo terminal operations as well as recreational (marinas + parks) and cruise operations.

Port A serves as Grantee for its FTZ and does not operate any of the sites within its FTZ. As of the writing of this report, Port A was still in the process of transitioning from the TSF to the ASF model. Port A's FTZ operations include eight sites, four sub-zones and twenty-two general purpose operators. As Grantee, the administrative aspects of Port A's FTZ operations are managed full time by a dedicated FTZ Manager within its Business Development division. Port A also contracts with an FTZ consultant to support staff with administrative duties, including documentation/record keeping, user site activation applications and annual reporting.

Port A's FTZ Manager has strong industry and FTZ knowledge and routinely addresses many of the complex questions users have, including helping potential FTZ users determine if FTZ designation will benefit them taking into account the nature of their operations as well as FTZ costs and benefits.

Port A posts its FTZ fee schedule on its website so that rates are visible and available to potential users. There are several rates involved and such rates are set so as to cover Port A's FTZ administrative costs. Port A's current fee schedule is summarized below:

Application Fees

- Expansion Application – \$2,500
- Boundary Modification – \$1,500
- Manufacturing Request – \$3,000
- Subzone Application – \$15,000

Activation Fees

- Single, one-time fee for all zone types – \$5,000.

Annual Fees*

- General Purpose Sites – \$5,000
- Subzones – \$10,000

*Annual fees for special uses, large area uses, and enterprise zone/revitalization zone development projects are subject to negotiation with the Grantee (Port A).

Strengths and weaknesses

Strengths

The primary strengths associated with Port A's approach to managing its FTZ include having both a full time, dedicated FTZ Manager on staff within its Business Development division and an FTZ consultant available to support this staff person with FTZ administrative duties. These resources ensure that FTZ users are well attended and receive appropriate customer service from their Grantee (Port A).

Weaknesses

The primary weakness associated with Port A's approach to managing its FTZ is that, as of the writing of this report, it had not yet fully transitioned to the ASF structure, meaning users within Port A's FTZ still face slightly more cumbersome administrative processes vis-a-vis users in other FTZs within the same region.

Port B

Port B is a large landlord seaport, the majority of whose revenue is derived from container terminal operations. Port B also receives revenue from non-container cargo terminal operations as well as non-cargo land leases.

Port B serves as Grantee for its FTZ and does not operate any of the sites within its FTZ. Port A adheres to the ASF, as opposed to TSF model. Port B's FTZ operations include approximately 30 usage driven sites, approximately two-thirds of which are active. As of the writing of this report, Port B does not have a general purpose operator, though it has had one in the past.

As Grantee, the administrative aspects of Port B's FTZ operations are managed within the Business Development division of the port by administrative staff. Staff charged with managing Port B's FTZ have numerous other responsibilities apart from FTZ oversight. Port B does not contract with an FTZ consultant to support staff with administrative duties. However, Port B does work in partnership with a variety of national FTZ consultants to help process new FTZ applications and manage the annual reporting process.

Staff overseeing Port B's FTZ have relatively limited specialized industry and FTZ knowledge, though they have received a limited amount of formal FTZ training, especially as relates to annual reporting and administrative compliance. Until approximately two years ago, Port B's FTZ management was handled by staff in its real estate division. FTZ oversight was moved under Business Development in an attempt to ensure that FTZ promotional activities were elevated to the same level as administrative activities. This was done explicitly to increase the number of active users in Port B's FTZ as a targeted business development strategy.

Port B does not utilize variable fees, meaning a single fee (see below) is charged for all FTZ-related services. This one-size-fits all FTZ fee, while simple, is among the highest of all ports surveyed. Perhaps as a result, Port B's FTZ fee schedule is not posted on its website, but instead must be requested by current users and/or potential applicants.

Application Fee

- All zone types – \$10,000

Activation Fee

- All zone types – \$10,000.

Annual Fee

- All zone types – \$10,000

Strengths and weaknesses

Strengths

The primary strengths associated with Port B's approach to managing its FTZ include its early adoption of the ASF, the simplicity of its fee structure and its proactive approach to engaging new FTZ users.

Weaknesses

The primary weaknesses associated with Port B's approach to managing its FTZ are the lack of a full time, dedicated and experienced FTZ manager to oversee FTZ administrative work – including new applications, renewals and annual reporting, the lack as of the writing of this report of an active general purpose operaor, the relatively high administrative costs to users of operating within Port B's FTZ as opposed to other zones in the same region.

Port C

Port C is a large consolidated landlord port, the majority of whose seaport revenue is derived from container terminal operations. Port C also receives revenue from recreational (marinas + parks) and cruise operations.

Port C serves as Grantee for its FTZ and does not operate any of the sites within its FTZ. As of the writing of this report, Port C was still adhering to the TSF, as opposed to ASF model. Port C's FTZ operations include eight sites, four sub-zones and twenty-two general purpose operators. As Grantee, the administrative aspects of Port A's FTZ operations are managed within the Business Development division of the port by the Port's Asian Business Development Director. This individual has numerous other

responsibilities as director apart from FTZ oversight. Port C contracts with a third party consultant who specializes in FTZ operations and compliance to support its Grantee responsibilities. This consultant provides assistance with required documentation and coordinates its efforts with the Port to ensure user applications, activations, compliance and other needs are met in a timely manner. Port C currently has no general purpose operators in its FTZ, meaning promotional activities are focused on large clients whose own operations are significant enough to allow it to benefit from FTZ designation.

In the past, Port C's FTZ management was handled by staff in its real estate division. FTZ oversight was moved under the Asian Business Development Director approximately two years ago to ensure that FTZ promotional activities were elevated to the same level as administrative activities. This was done in an effort to increase the number of active users in Port C's FTZ. Port C's website features an FTZ savings calculator tool to help prospective FTZ customers calculate the savings benefits of utilizing an FTZ. Port C's website also offers several examples of the type of companies that would benefit from FTZ designation and a form for interested local/regional businesses to complete to receive regular FTZ-related emails.

Port C's FTZ fee schedule varies by type of site as follows:

Application Fees

- Magnet site, usage-driven site and subzone – \$5,000

Activation Fees

- Single, one-time fee – \$5,000

Annual fees

- Magnet site and usage-driven site – \$5,000.00
- Subzone – \$15,000

Strengths and Weaknesses

Strengths

The primary strengths associated with Port C's approach to managing its FTZ include its organizational alignment with other business development functions and its utilization of an experienced third party consultant to help manage the administrative responsibilities of the grantee.

Weaknesses

The primary weaknesses associated with Port C's approach to managing its FTZ are that, as of the writing of this report, Port C had not yet adopted the ASF structure,

meaning users within Port A's FTZ still face slightly more cumbersome administrative processes compared with other "best in class" grantees and the lack of an active general purpose operator.

Port D

Port D is a medium-sized landlord seaport whose revenue is derived from a combination of container and non-container cargo terminal operations and cruise operations. Port D also receives revenue from non-cargo land leases.

Port D serves as Grantee for its FTZ and also operates a large general purpose site on port property. As of the writing of this report, Port E still adheres to the TSF, as opposed to ASF model, though an application for ASF designation is pending submittal to the National FTZ Board. Port D's FTZ operations include approximately 400,000 square feet of on-port FTZ space, including a general purpose warehouse for which Port D serves as both landlord and operator. Port D also oversees 14 off-port subzone sites. Port D's annual revenues and the value of cargo moving through its zone are the highest of all ports surveyed, and among the highest in the U.S.

As both grantee and operator, the administrative aspects of Port D's FTZ operations are managed within the Business Administration division of the port by a staff of five (5) full-time employees. Staff charged with managing Port D's FTZ have no other functional responsibilities apart from FTZ oversight. Given the size of its in-house FTZ team, Port D does not contract with an FTZ consultant for additional support. Staff overseeing Port D's FTZ are among the best trained, most experienced staff of any port surveyed. This is largely due to the fact that Port D's FTZ Manager gained multiple years of direct private-sector FTZ operations experience prior to joining the port.

Port D's FTZ-related fee schedule is somewhat different than that of other observed port authorities due to its simultaneous grantee and operator status. This fee schedule is summarized below:

Application Fee

- Subzone – \$5,000

Activation Fee

- Subzone – \$2,500

Annual fee

- Subzone – \$29,500

Other fees

- Alteration fee – \$3,000
- Error correction and research fee – \$45/personnel hour
- User fee – \$19/recorded FTZ transaction

Strengths and weaknesses

Strengths

The primary strengths associated with Port D's approach to managing its FTZ include its large, experienced and dedicated FTZ staff, which have made it a "best in class" FTZ in terms both of in-house expertise and customer service. In addition, the presence of a large on-port FTZ general purpose warehouse is seen as an asset by port users.

Weaknesses

The primary weakness associated with Port D's approach to managing its FTZ is that, as of the writing of this report, it had not yet transitioned to the ASF structure, meaning users within Port D's FTZ still face slightly more cumbersome administrative processes vis-a-vis users in other FTZs within the same region.

III. Business Attraction and Ports: Beyond Cargo and Cruise

Methodology

This assessment focuses on understanding whether and how different landlord port authorities go about attracting and/or developing new business opportunities within their jurisdictions, or geographic spheres of influence. This assessment further defines different objectives associated with observed business attraction efforts, and the relationship that selected port authorities have with various non-port economic development partner organizations in achieving those objectives. Research for this assessment was conducted through internet searches, phone interviews and email correspondence. Ports selected for inclusion in this review are not named for confidentiality purposes. However, they include a cross section of U.S. ports of varying sizes and diversity of operations from both the West Coast and the East Coast. Ports included in this Business Attraction assessment are not necessarily the same ports included in other assessments contained in this whitepaper (e.g., "Foreign Trade Zones as Economic Development Tools: A Role for Ports").

Business Attraction Defined

For purposes of this report, business attraction is defined in relatively broad terms as any effort directly undertaken and/or indirectly facilitated by a landlord port authority with the explicit intention of helping attract or develop a new non-core (ancillary) business opportunity within its region. This differs from business assistance in that,

rather than help an existing firm grow, business attraction seeks to attract or develop new firms that do not yet have a presence in the subject region.

Summary of Findings

Most port authorities observed as part of this assessment – with one notable exception (Port A) – do not directly engage in business attraction/development efforts within their geographic spheres of influence (city, county, region, etc.). However, most ports observed do actively contribute to such efforts by other regional entities.

Efforts by surveyed ports to attract and/or develop new business opportunities within their geographic spheres of influence are largely handled through partnerships with existing organizations whose specific mission is to attract investment or incubate new business opportunities, such as regional economic development organizations. Ports typically support these third-party organizations through direct sponsorships and/or memberships. In one case (Port A), a more formal relationship exists between the port authority and the business attraction/development organization. No port researched employs full-time staff specifically to engage in non-core (e.g. cargo or cruise) business attraction efforts as doing so is nearly universally perceived as falling outside the core mission of a port.

The most common types of business attraction services provided indirectly by landlord ports via partner organizations include:

- Foreign direct investment (FDI) missions, including both inbound missions (e.g., foreign delegation hosting) and outbound missions (e.g., travel to a target foreign market) which are designed to develop international relations, increase mutual knowledge and expose businesses and potential investors within target markets to potential advantages of locating/relocating within a given region.
- International market research for foreign businesses and U.S. market entry strategy development, planning and legal assistance
- Networking (e.g., connecting interested newcomers with existing business and political interests)

Economic Development organizations with whom observed port authorities partner to provide business attraction services tend not only to have similar missions to one another, but also to exhibit some or all of the following key characteristics:

Dedicated Purpose

- Effective business attraction partners have a clear mission that includes a direct nexus with both international trade and foreign direct investment.

Dedicated Resources

- Effective business attraction partners have full-time staff who are knowledgeable about, and dedicated to providing assistance to non-local businesses to facilitate their location/relocation

Ports Discussion

The following section presents a detailed discussion of all surveyed ports and their respective business attraction efforts/partners, including a summary of strengths and weaknesses of each.

Port A

Port A is a large landlord seaport, the majority of whose revenue is derived from container terminal operations. Port A also receives revenue from non-container cargo terminal operations as well as recreational (marinas + parks) and cruise operations.

Together with its parent municipality and local Chamber of Commerce, Port A co-founded and now provides substantial annual funding and operational support for a public/private non-profit technology center (Tech Center), which serves as both a port-related technology business attraction center and as a port-related technology incubator.

Goals and Objectives

The mission of Port A's Tech Center is to attract, develop and mentor companies with technologies that will enable Port A, and ports worldwide, to meet their immediate and future environmental, energy, security and logistics goals. In addition to providing physical space for technology companies in a technology park-like setting, this Tech provides the following:

- Business mentoring services, with seminars in finance, marketing, intellectual property protection, personnel management and other business skills as needed
- Access to Angel investors and early-stage venture capitalists

For more mature companies that choose to locate/relocate within Port A's immediate vicinity, the Tech Center acts as a conduit to the public and private resources required to quickly establish a presence in the local market, including U.S. and state incorporation as well as state and local permitting and business licensing.

Resources

Port A budgeted \$175,000 for its Tech Center in FY2012 (October–September) and has only one full time, dedicated staff person (the Executive Director). Six new companies joined the Tech Center in that time. A total of nine companies are currently clients, and it is anticipated that most if not all of these companies will reach the commercialization stage with their products or services, thereby creating wholly new green collar jobs within the region.

Communications

Port A's Tech Center is respected and promoted by Port A, Port A's parent municipality and chambers of commerce throughout Port A's region.

Performance Measurements

Research was unable to uncover any performance measures for Tech Center.

Key Partnerships

Port A is a major contributor to regional business attraction due to the size and scope of its operations and regional economic impacts. Port A's Tech Center features a number of heavy-hitting partners who provide both financial support and other forms of support, such as Board of Director membership, access to mentors, access to additional labs, facilities and equipment, and promotion of the Center. Key partners include:

- Three (3) world-class research universities
- Two (2) area Chambers of Commerce
- Regional Small Business Development Center

Strengths and weaknesses

Strengths

The primary strength associated with Port A's approach to business attraction is its highly innovative and utterly unique approach to attracting and developing new port-related technology companies. The success of this approach is largely due to the strength of Port A's regional partnerships.

Weaknesses

The primary weakness associated with Port A's approach to business attraction and with its Tech Center, is resources. Specifically, the potential instability of funding to support the Center from one year to the next impacts its ability to effectively carry out its mission to attract and develop new port-related technology companies. As a non-core function of the port, the Tech Center has struggled in past years and may again struggle in the future with securing sufficient funding to meet its operational – including business and investor recruitment – expense obligations. This puts significant pressure on Center staff and limits to some extent the Center's effectiveness.

Port B

Port B is a large landlord seaport, the majority of whose revenue is derived from container terminal operations. Port B also receives revenue from non-container cargo terminal operations as well as non-cargo land leases.

For approximately the past 10 years, Port B has supported local/regional business attraction efforts through a variety of partner organizations within its geographic sphere of influence via sponsorships, memberships and contracts for service. Port B does not employ any full time or part time staff dedicated to non-cargo business attraction.

Goals and Objectives

Port B focuses its business attraction efforts explicitly and entirely on cargo-related business development. Port B has no specific non-cargo business attraction goals, though it does provide significant financial support to its World Trade Center Association, area chambers of commerce and other organizations who do manage programs focusing on new regional business attraction.

Resources

The equivalent of one part-time staff person is utilized to interact with regional economic development organizations on an ongoing basis, primarily to maintain relationships with these organizations rather than pursue specific business attraction goals. Support for third party business attraction efforts ranges from year to year, but has been as high as \$200,000.

Communications

Port B has no communications plan related to business attraction efforts beyond occasionally issuing press releases related to new businesses locating within its region, provided these businesses are involved in some way with international trade and/or cargo transportation. Port B does actively and regularly communicate job and economic impact statistics associated with its operations.

Performance Measurements

Port B monitors certain aspects of business attraction within its region, but does not have non-cargo business attraction performance measures in place per se. Attendance at sponsored events, number and type of business meetings held by third-party partners and value of trade transactions and associated employment figures are all shared between Port B and its partner organizations, but there are generally not specific targets associated with the figures; they are more accurately characterized as activity reports.

Key Partnerships

Port B is a major contributor to regional business attraction due to the size and scope of its operations and regional economic impacts. Port B's key non-cargo business attraction partners include local colleges and universities and local/regional chambers of commerce (including ethnic chambers). Port B also works closely with international trade promotion organizations, such as the Hong Kong Trade Development Council, the Korea Trade-Investment Promotion Agency (KOTRA) and ProMexico and Port B's business development staff regularly provide briefings and tours to potential foreign investors.

Strengths and Weaknesses

Strengths

The primary strength associated with Port B's approach to business attraction is its deference to, and financial support of third party partners that have focused business attraction missions and dedicated resources to lead non-cargo related business attraction efforts.

Weaknesses

The primary weakness associated with Port B's approach to business attraction is the other side of the coin of its strength, namely that it has no active role in regional business attraction, meaning it requires very little performance-related accountability for the funding it provides to third parties.

Port C

Port C is a large consolidated landlord port, the majority of whose seaport revenue is derived from container terminal operations. Port C also receives revenue from recreational (marinas + parks) and cruise operations.

Port C (seaport division) does not directly provide non-cargo business attraction services, deferring instead to its parent municipal government to attract trade related business to its region. That said, Port C has collaborated to turn a decommissioned military base located at the port into a global trade and industry center – a modern logistics and warehouse complex that has created and is expected to continue creating significant jobs and business opportunities for the region. This is, for all intents and purposes, Port C's primary business attraction project.

Goals and Objectives

The key components of Port C's global trade and industry center are:

- Warehousing & logistics facilities

- An intermodal rail terminal and associated grade separation
- Improved marine terminal connections
- Job creation (an estimated 15,000 jobs over 20 years will be created by the development of these new facilities)

Resources

Port C is investing more than \$1 billion dollars in this project and has multiple in-house staff and paid consultants working to support the project.

Communications

Port C communicates milestones associated with its global trade and industry center as appropriate.

Performance Measurements

No performance measures for Port C's business attraction efforts in general, or the global trade and industry center in particular, were identified in preparing this report.

Key Partnerships

Port C is a major contributor to regional business attraction due to the size and scope of its operations and regional economic impacts. Specific to its global trade and industry center, Port C is partnering with numerous public- and private-sector parties to ensure successful redevelopment of its former military base.

Strengths and weaknesses

Strengths

It is unclear what the strengths of Port C's business attraction efforts overall are. Specific to the global trade and industry center, the primary strength is the conversion of decommissioned, currently inactive military property into a sizable, productive, port/international trade-related use that will support thousands of short-term design and construction jobs and, more importantly, long-term, permanent white- and blue-collar logistics jobs associated with ongoing operations of the new facilities.

Weaknesses

As with strengths, it is unclear what the weaknesses of Port C's business attraction efforts overall are as time did not allow these to be thoroughly investigated in the current report. The only potential weakness identified specific to the new global trade and industry center is the risk associated with expending some \$100 million on site remediation and improvements.

Port D

Port D is a medium-sized landlord seaport whose revenue is derived from a combination of container and non-container cargo terminal operations and cruise operations. Port D also receives revenue from non-cargo land leases.

Port D actively engages its core customer base from a business development perspective, but does not actively engage in regional business attraction beyond that. However, Port D does work closely with a regional alliance of various industries and public/private entities as well as a regional business development and investment action team. Port D's regional alliance fosters and promotes business attraction, recruitment, expansion and new capital investment in a metro area of 31 municipalities and approximately 1.9 million people. The action team works with the regional alliance and the Port to emphasize the importance of Port D's capital improvement projects and role in the regional economy, and to recruit new businesses to the region that directly and/or indirectly support port and international trade growth.

Goals and Objectives

Port D's regional alliance's primary mission is to create jobs by fostering new investment and business activity. A number of sector-specific goals and objectives exist to support this overall mission. For international trade, last year these included:

- Create 1,200 jobs
- Attract \$42 million in new, outside investment
- Launch 20 new regional capital improvement projects

Resources

Port D has no full time staff dedicated to non-core regional business attraction efforts. However, numerous staff within multiple functional divisions of Port D regularly and actively participate in alliance and action team meetings, events, and trade missions (both outbound and inbound). It is estimated that the collective, combined efforts of Port D staff to support regional business attraction efforts are equivalent to approximately one full time staff person at Port D.

Communications

Port D has no communications plan related to non-core regional business attraction efforts beyond supporting the efforts of its regional alliance and action team to report their results. Port B does actively and regularly communicate job and economic impact statistics associated with its own operations, and its alliance and action team help to disseminate this information.

Performance Measurements

Port D does not have non-core regional business attraction performance measurements in place. Port D's regional alliance, however, utilizes a focused, comprehensive scorecard and regularly provides business attraction related reports to stakeholders, including the public.

Key Partnerships

Port D is a major contributor to regional business attraction due to the size and scope of its operations and regional economic impacts, but actual regional business attraction work/activity is performed by Port D's partners – namely its regional alliance and action team – and not by the port itself.

Strengths and weaknesses

Strengths

The primary strength associated with Port D's approach to business attraction is its deference to and close, broad-based cooperation with its regional partners, all of whom have focused business attraction missions and dedicated resources to lead regional business attraction and investment efforts.

Weaknesses

The primary weakness associated with Port D's approach to business attraction is the lack of a single, full time staff person to serve as principal liaison to regional business attraction partners, which may limit to some extent the efficiency of Port D's involvement in regional business attraction efforts.

APPENDIX

I. Sample Guidelines for Port-Initiated Capital Investments

Overview

Businesses locate where they locate for a complex variety of reasons, but urban planning and development literature has suggested for decades that physical environmental factors that contribute to the elusive "quality of life" component of a given area play a large role in location decisions. For this reason, beautification projects such as landscaping improvements (tree planting, etc.), enhanced street lighting and overall streetscaping, park and open space development, sidewalks, bike lanes, improved signage and other tools are regularly used by municipalities in

attempts to create more favorable physical environments in hopes of attracting new businesses and residents alike.

U.S. seaports, particularly those that are self-funded state, county or municipal enterprise funds, have traditionally thought of themselves primarily as throughput hubs (both inbound and outbound, for both cargo and cruise activity) in the sense that their ability to generate revenue ends at the “gate” (e.g., at the boundary of the designated port operating zone) and so too do their capital investments. But do ports have either an obligation or a justification for making investments in port-adjacent areas for general economic development purposes, even if these investments are non-revenue producing with no direct trade-inducing benefits? Stated another way, are near-port neighborhood capital improvement projects a legitimate use of port funds, and if so, how can the value/return on investment of such projects be measured?

Ports are all somewhat unique in terms of their respective missions, public mandates and operational diversification (e.g., cargo types, import/export orientation and cargo vs. marina/cruise operations) so this is not an easy question to answer. However, it is a question increasingly often asked as ports around the country – and around the globe – continue to grow and expand, often side by side with commercial and residential uses.

This paper does not attempt to answer the very complex question of “should” ports invest in ancillary economic development infrastructure, but what follows is an example of “how” one port manages its capital investment decision making process, including investments in non-revenue generating assets. It is our hope that the guidelines below will be of interest to MEDC/REBP participants and other port professionals, and that if nothing else they will serve as a launching point for additional future research.

Port A: Guidelines for Capital Investment

Port A is a large landlord seaport, the majority of whose revenue is derived from container terminal operations. Port A also receives revenue from non-container cargo terminal operations as well as recreational (marinas + parks) and cruise operations.

Goals and Objectives

The objective of Port A’s Real Estate Leasing Policy is to provide the following:

1. Recognize existing relationships with current tenants and their investment in the occupied terminal and premises;
2. Maintain fair and equitable methods for potential and existing tenants to conduct business with the Port;

3. Ensure that no one entity secures a competitive advantage by means of controlling a significant amount of Port property and/or berthing area;
4. Establish an approval process that is consistent with the Board of Harbor Commissioners (BHC) and City applicable policies and procedures;
- 5. Specify guidelines for selecting Qualified Tenants to enter into leases for Available Property. Rate of return shall not be the only criteria for the basis of selection. Other factors shall include public benefit and job maximization shall also be included;**
6. Establish a process for assembling, sharing, and maintaining information related to the proposed selection and negotiation processes in an open and transparent manner;
7. Optimize State Tideland Trust assets consistent with state requirements;
8. Ensure consistency with the Port's Master Plan and strategic objectives in leasing property;
9. Require provisions to prevent and minimize environmental impacts; and
10. Evaluate performance of leases annually based on financial viability, minimization of environmental impacts and maintenance of the facility.

Revenue

Port A will continuously seek new revenues and will, to the extent consistent with its business objectives, pursue a diverse revenue base in an effort to maintain a stable revenue stream. Seeking revenue diversity will help shelter the Port from short-term fluctuations in any one revenue source.

Capital Improvement Guidelines

CAPITAL IMPROVEMENT PLAN (CIP)

Amounts budgeted for Capital Improvements are taken from the Port's Capital Improvement Plan (CIP). The CIP is a planning document only. Any appropriations for specific projects must be approved by the Board.

The CIP includes the purchase, renovation, or construction of Port facilities and may be funded by a variety of funding vehicles: the Harbor Revenue Fund, short and long term debt, and depending on availability, grants. As such, the Port develops and maintains a ten-year CIP encompassing all Port capital needs for its facilities, as well as the acquisition of land.

POLICIES

The Executive Director through the Project Development Committee reviews all Port capital projects to be recommended for inclusion in the CIP subject to the oversight and approval of the Board. A Capital Project either creates a new asset or significantly extends the life of an existing asset for the promotion and accommodation of commerce, navigation, fishery and recreation. Large capital equipment purchases may be included in the CIP. Expenditures for land and property acquisition and payments to other local jurisdictions for environmental mitigation purposes are also identified as Capital Projects.

In this capacity, the Executive Director through the Project Development Committee will:

1. Affirm the linkage between proposed Capital Projects and Port's strategic goals and objectives;
2. Assess the linkage between the capital and operating budgets to ensure appropriate allocation of resources;
3. Reaffirm the validity of a proposed CIP for annual approval by the Board of Harbor Commissioners;
4. Provide discipline and enforcement to the approved CIP;
5. Monitor the progress of Capital Projects. Major changes in project scope or direction shall be presented to the Board for approval;
6. Review the qualitative and quantitative (including financial analysis) evaluation of Capital Projects to determine the priority of projects;
7. Review, assess and approve or deny the placement of proposed Capital Projects on to the CIP;
8. Review CIP policies and procedures periodically and implementing changes as necessary;
9. Provide a mechanism for financial and resource planning for the Port;
10. Ensure compliance with the City Charter by submitting a Debt Accountability and major Capital Improvement Plan to the Mayor, City Council and Controller every two years in conjunction with the submittal of Port's annual budget;
11. Authorize total project cost and fiscal year cost allocation changes.

Capital Projects are evaluated on many criteria of which financial impact is a key factor. The critical information required for a financial analysis is summarized below:

1. Revenue: A description of the anticipated sources of revenue that will be generated due to the completion of the capital project should be explained. Potential revenue

sources may include cost recovery mechanisms such as fees and terminal rentals, new facility rentals, new concession, parking or other third party revenues, and revenues from increased Port activity due to capacity-enhancement projects. Only incremental revenues (i.e., not pre-existing revenues) should be included in the analysis. The Port will attempt to identify and implement new projects that will expand existing sources of revenue as well as developing entirely new streams of income.

2. Maintenance and Operations Expenses: These are incremental Management and Operations (M&O) expense estimates for the operational costs of an asset after it has been placed into operation. These expense estimates should include incremental direct and incremental indirect costs. Direct costs include items such as departmental staffing, building maintenance, custodial services, landscaping, furniture or fixtures, etc. Indirect costs include allocated expenses such as Port general and administrative costs.

3. Total Project Cost: Total project cost must include all components of the project (e.g., design, construction management, contingency, demolition of existing facilities, new building, infrastructure and support systems, etc.). Total project costs should include contractual payments for planning, construction and other services, internal Port direct costs, and appropriate contingencies (see below).

4. Project Contingency: As a component of total project cost, the project contingency depends upon the level of planning and design completed for the project. At a preliminary stage, the contingency may be 5%–25%. As the details of the project become more specific, the level of contingency may be adjusted accordingly. The level of contingency should be clearly identified in the proposal for each project. While the maximum contingency amount for a proposed project should be 5%, a higher percentage may be warranted, subject to Board approval.

5. Economic Benefits: A description of how the design, building and maintenance of each project contribute to maximizing job creation in the region will be presented.

6. Recreation: A description is required if a particular project promotes recreation, which is one of the purposes of the tidelands trust.

All Port Capital Projects must be approved by the Board.