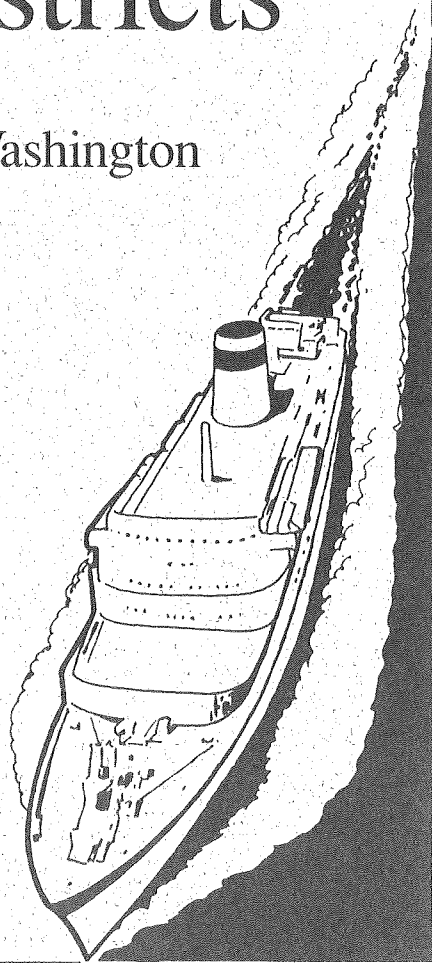


# Washington State Public Port Districts

League of Women Voters of Washington



# **Washington State Public Port Districts**

**League of Women Voters of  
Washington**

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1989

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# Introduction

At its 1987 convention the League of Women Voters of Washington adopted a two year study entitled "Washington State Public Port Districts." The scope proposed for this study included the purpose, organization, and powers of port districts; their governance and financing; their effect on the state's economy; their environmental impacts and responsiveness to the community; and their role in trade.

Since the early 1970's many local Leagues have turned their attention to the port district in their locality and have published individual studies. Much of the first part of this publication is taken directly from those publications.

At the end of our two year study, members came to the conclusion that powers and limitations on Washington's Public Port Districts are currently appropriate to their functions. We believe mechanisms for accountability currently exist and the responsibility for oversight lies within the public. For purposes of marketing and advertising, we support a unified strategy within the port system. However, we think local autonomy should be maintained in the areas of operations and administration. In all areas cooperation should be encouraged.

Wanda Haas, President  
League of Women Voters of Washington

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# How Do Ports Work?

Each port in the state of Washington has its own characteristics; ports range in size from the very small to the very large. They may operate only recreational facilities, or they may be multifaceted systems offering a variety of services. A port may be on water, or it may be far inland. Each of the 76 ports in Washington is different.

Our study begins with an examination of the organizational structure of the ports system in Washington state — its governance (defined as the act, power, or process of governing); its financial basis; and how the public can be involved.

## Historical Background

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When Washington entered the Union in 1889, the state took title to the beds, tidelands, and shorelands of the navigable waters within its boundaries, except for those few parcels already validly sold or granted by the United States prior to statehood. The use and disposition of the beds and shores was left up to the state, subject to congressional powers to regulate navigation.

Harbor lines are the geographic definition of a harbor area. They exist within and in front of incorporated towns and cities and can extend to one mile on either side. Harbor lines became an early form of land use zoning, setting aside certain areas for industry and trade. The state cannot dispose of the title or right to control the reserved harbor area or grant any rights to private parties beyond the outer harbor lines.

Public title and right of control over harbor areas did not have an easy or natural evolution in this state.<sup>1</sup> While the state constitution reserved state ownership and control over the tidelands, private occupation and development had been occurring on the tidelands for some years prior to statehood. The creation by the 1890 Legislature of a harbor line commission to establish permanent harbor lines throughout the state, as called for in the constitution, met with considerable resistance. Eventually private owners and operators of tidelands (primarily railroad companies) helped turn sentiment against themselves by their monopolistic control over shipping rates, and arbitrary decisions about which products they would allow to pass across their wharves.

In 1911 public ownership and management of the state's ports was authorized in order to promote and protect all commerce. The Legislature passed an enabling act permitting the creation of public port districts. Their function was, and is, primarily to regulate shipping and to provide space for

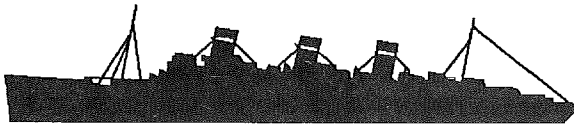
shipping facilities and industrial use. They can utilize and improve the harbors defined within the harbor lines. Public port districts were also empowered to levy taxes and sell bonds. In 1939, the ports were authorized to set up industrial development districts. Legislation in 1959 authorized the establishment of port districts in areas lacking appropriate bodies of water to enable airports and industrial development districts to be created if the community so desired.

## Organization

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### Establishment of Ports

A public port district may be established in any county upon approval by a simple majority of those voting on the proposition. Within a county, public port districts can annex territory or combine with another public port district after an affirmative vote of the people in each area. The action may be initiated by the county commissioners or by a petition signed by 10 percent of the qualified voters.



There are currently 76 public port districts in 33 of the 39 counties in the state. The newest port is Grandview, in eastern Yakima County. Approximately 58 districts are active, maintaining staff and having development

capability and potential. There are more than 30 port districts in the Puget Sound region alone. Kitsap has 12 port districts, more than any other county, because of the early importance of water transportation in that area.

To dissolve a port district, a majority of its commissioners must request the action of the county Superior Court. The order for dissolution is issued if the court finds such order would be in the best interest of all concerned. One port has gone out of business. The Port of Kittitas, founded in 1956, was dissolved in 1972.

### The Port Commission

The governing of a public port district is vested in a port commission. At the same election at which the proposition to form a port district is submitted to voters, three commissioners are elected to hold the offices of port commissioners, as provided by law. All voters within the district vote on all the commissioners. All members of the board serve 6-year terms, staggered so one new commissioner will be elected every two years.

Port districts with a population of 500,000 or more may increase the number of their commissioners to five. At this time, the ports of Seattle and Tacoma are the only port districts with five commissioners.

State law sets specific limits for port commissioner compensation for each day spent in actual attendance at official meetings of the port district commission or in performance of other services for the district. The limit is \$50 per day up to \$5800 per year (or \$4800 per year if the port district's gross operating income was less than \$25 million the previous calendar year). Port commissioners also have their expenses paid when on port business. A port commissioner may waive all or any part of this compensation.

According to Washington state law a vacancy exists if a port commissioner resigns, is convicted of a felony or has unexcused absences at port commission meetings for up to 60 days. Port commissioners are subject to recall elections like any other generally elected public official. Official actions of the port district are the responsibility of the commission and must be a matter of public record.

The powers of the port district are vested in its commissioners. However, they may pass a resolution to delegate authority for the operations of the port's facilities to a port manager. By law, the resolution must also establish guidelines and procedures to accompany such delegation. The manager is then responsible for the day-to-day operations of the port district. The manager's staff prepares the detailed information covering measures to be voted on by the commissioners at their regular meetings. This information could include leases and bills, future plans, tax levies, bids for services, application for federal aid and other staff reports.

Most port commissions meet once or twice a month. Meetings are open to the public and legal notice is given. The public information section of public disclosure laws now makes virtually all records of public port districts open upon request. Exceptions are made in certain cases, such as instances where federal maritime law requires secrecy. Districts must disclose comprehensive planning or schemes of development, leases, and their conditions. Exceptions may be made when disclosure violates the right of privacy (e.g. personnel matters), impairs commercial interests that override public interest (such as revealing a trade secret or real estate negotiations), or violates national security.

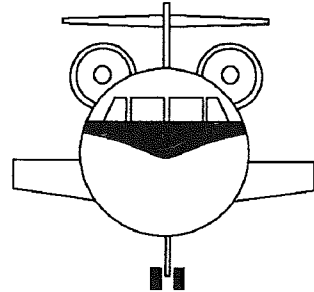
## **Public Port District Powers**

The public port districts' powers are essentially to plan, acquire, develop, operate, and maintain facilities for all forms of transfer — air, land, and marine. Under this primary power the districts may carry out a variety of activities:

- Acquire land by cash, condemnation or right of eminent domain;
- Construct and maintain necessary harbor improvements and buildings;
- Improve district lands by various means such as filling, dredging and providing utilities;
- Improve navigable and non-navigable waters;
- Establish and maintain foreign trade zones with federal government permission;



- Initiate and carry out studies for port property development and cooperate with other ports in these studies;
- Establish local improvement districts;
- Acquire and operate toll bridges, tunnels, railroads, and some highways;
- Create industrial development districts;
- Acquire or establish airports and operate them;
- Lease lands and buildings and sell any of the property;
- Hire employees and enter into labor agreements;
- Levy taxes and sell bonds to finance port operations;
- Construct, improve, maintain, and operate public parks and recreational facilities; and
- Install industrial waste disposal, sewer, water and other utilities when not adequately provided by other governmental entities.



Port districts are also concerned with proper land use. With the use of long range plans, port districts set aside appropriate areas within their districts for industrial development, transportation and recreation. The activity of any one port district is determined by geographic location, needs of the community, and philosophies and interests of the people in the district and the commissioners and staff.

## **Industrial Development Districts**

Industrial Development Districts (IDD's) are special areas within a port district, acquired by the commissioners for industrial development; they do not have to have the same boundaries. IDD's are created to bring economic benefits to an area by attracting new industry or expanding existing ones. Ports can be involved in industrial development activities without actually having formed an IDD or levying the specific industrial development tax, but only public port districts have been empowered by the Legislature to establish IDD's.

IDD's are created by resolution of the port commissioners following a public hearing, but without a vote of the people. The port commissioners serve as the governing body of the IDD and all powers of the port are applicable within the IDD. Establishment of an IDD also gives the port district additional tax levy authority. The commissioners have specific powers:

- To acquire by purchase or condemnation, or both, all lands, property, and property rights necessary for the purpose of the development and improvement of the IDD;
- To exercise the right of eminent domain; and

- To provide and operate utilities and transportation necessary for industrial development.

State law requires land condemned for an IDD to be marginal in that it is not economical to develop through private enterprise alone. Before a district can condemn any land as marginal, the land must meet one or more of the criteria established by statute for deterioration, disuse or under-utilization.

Before any expenditure can be made in a port district's IDD, a scheme of development must be prepared and, after legal notice, adopted at a public meeting. Any sales of land in the IDD must be in furtherance of the total district development plan, as is required of sales in other areas of the port district. Furthermore, any sales within the IDD are conditional on carrying out plans and specifications approved by the commissioners at the time of the bid. A covenant to that effect runs with the land to insure continued use in line with district plans and purposes.

### **Other Special Port Powers**

A port district can spend money for promotional hosting to attract industry or trade to use its facilities. Neither the state nor any other of its political subdivisions is authorized to make such expenditures. Each port commission must adopt rules governing these expenditures. Funds come from operating revenues with an allowable \$2,500 minimum for any port. The total amount cannot exceed 1 percent of the first \$2,500,000 of gross operating revenues, 0.5 percent of the next \$2,500,000 of gross operating revenues, and 0.25 percent of the excess over \$5 million of such revenues.

Ports can contract with private enterprise for services that are the same as functions allowed to ports. Consulting is also allowed in carrying out various functions.

The federal Foreign Trade Zone Act of 1934 stimulates foreign commerce by allowing trade zones where goods may be sorted, graded, and manipulated, and then, either re-exported without being entered through customs or entered after such handling. For example, imported Volkswagen vans are turned into campers before going through customs and thus pay a lower tax.

### **Regulations Imposed on Public Port Districts**

Washington ports are subject to certain local, state and federal regulations in carrying out their activities. Some of these are listed below.

- Local entities such as city and county councils must review port plans for compliance with local building permit and zoning regulations before permits will be issued.
- The State Shoreline Management Act, administered by the Department of Ecology in our state, is the strongest legal control over harbor areas today. The act was designed to provide comprehensive regulation of over-water uses and requires a permit for all substantial development on shorelines of the state, including harbor areas.

- The State Environmental Protection Act (SEPA) process requires ports to work with a number of state agencies such as the Department of Natural Resources, Department of Fisheries, Department of Wildlife, Pollution Control Authority.
- The U.S. Army Corps of Engineers issues permits for dredging and changes in a navigable waterway after consultation with other federal and state agencies.
- The Coast Guard stipulates regulations on docks concerning safety and fire hazards.
- Initiative 276 requires port commissioners (as all elected officials) to file a financial disclosure form and has made port information even more accessible to the public.

## Financial Structure

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The primary sources from which a public port district may receive funds are user charges, lease rental payments, interest income and payments from government, capital grant proceeds, bond proceeds, and property tax levies.

### Property Tax Levies

State law authorizes the public port district to use property tax levies. These are based upon tax rates applied against the assessed valuation of all taxable property located within the boundaries of each port district.

- Property tax levies of up to 45 cents per \$1,000 valuation on land within the district for general port purposes do not require a vote of the people.
- An additional maximum of 45 cents per \$1,000 for dredging, canal construction and land leveling does require voter approval. The levy lid can be increased from 100 percent (45 mills) to 106 percent if necessary to service G.O. bond debt.
- When an industrial development district is formed, another maximum 45 cents per \$1,000 levy can be assessed for up to 12 years for development or redevelopment of the districts (again, no voter approval is required).

### General Obligation Bonds

General obligation (G.O.) bonds are usually issued to finance capital improvements. Interest and principal payments on these bonds are guaranteed by the taxing power of the district issuing the bonds. G.O. bond debt service requirements are paid by the annual tax levied on all taxable property located within the district.

Total obligations of this type cannot exceed 0.25 percent of assessed valuation without a vote of the people. With 60 percent voter approval, general obligation bonds up to 0.75 percent of assessed valuation may be issued. For airport capital improvements in port districts with less than \$200,000,000 in taxable property the limits are 0.125 percent of the taxable value without a vote, and an additional 0.375 percent of the taxable value with 60 percent voter approval. For establishing, operating and maintaining a foreign trade zone, additional indebtedness of 0.75% percent of value of taxable property is allowed with 60 percent voter approval. Total indebtedness for G.O. bonds for all port purposes may not exceed 1.25 percent of valuation.

## **Revenue Bonds**

Revenue bonds are guaranteed by the revenues received from a particular activity, such as the rent from a warehouse. Until passage of the federal 1986 Tax Reform Act these bonds were a major source of funds for public port districts, used to attract new industries to an area by offering lower costs than would be incurred through traditional methods. The Tax Reform Act did away with the tax exempt status of these bonds and has virtually eliminated them as a viable source of funds for the public port districts today.

## **Public Involvement**

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With passage of public disclosure and open meeting statutes in the early 1970's, the business of Washington's public ports became open to the public. Open meetings and public disclosure are intended to encourage elected officials to remain accountable to the electorate in between elections.

For this study a self-reporting survey was used to gather information about public involvement from port commissioners and port managers themselves.

After studying the information from the representative 35 out of 75 ports responding, it became evident that the quality and amount of effort to involve the public vary sharply between the small and large ports. Medium-sized ports, in some instances, did as much or more than some larger ports to try to achieve public involvement in port decisions (size being a measure of annual budget, and not acreage).

## **Notice of Meetings**

Almost every port in the state meets once or twice a month with as many as 8-10 special meetings and hearings held throughout the year. Only the smaller Puget Sound ports meet less frequently. For example, Indianola and Illahee meet four times per year, and Mabana only two times per year.

All ports meet the minimum statutory requirement of announcing their meeting in a public place. Most rely on publication in the "Legal Notices" or "Right to Know" sections of their local paper. Only a few of the small Puget Sound ports rely on the posting of notices in a public place as the sole means of meeting notification.

While all ports list time, place and date in whatever public notice they give, a very small minority also regularly include program items or an agenda with their notice. Notably, the large Puget Sound ports are more likely to include program items in their notice. Some ports additionally use mailing lists of interested parties.

## **Attendance**

Typically, port employees outnumber all others attending port meetings. With the exception of large Puget Sound ports, often reporting in excess of ten non-staff attendees, most ports enjoy only three to five non-port employed persons attending their meetings. These were most often reported to be "users" or "special interest" rather than "citizen activist" or "general interest" individuals.

Hearings get the best turnout, where the agenda is published and a real effort is made to get citizen participation. Anywhere from two to 200 people can be expected to attend a special port hearing.

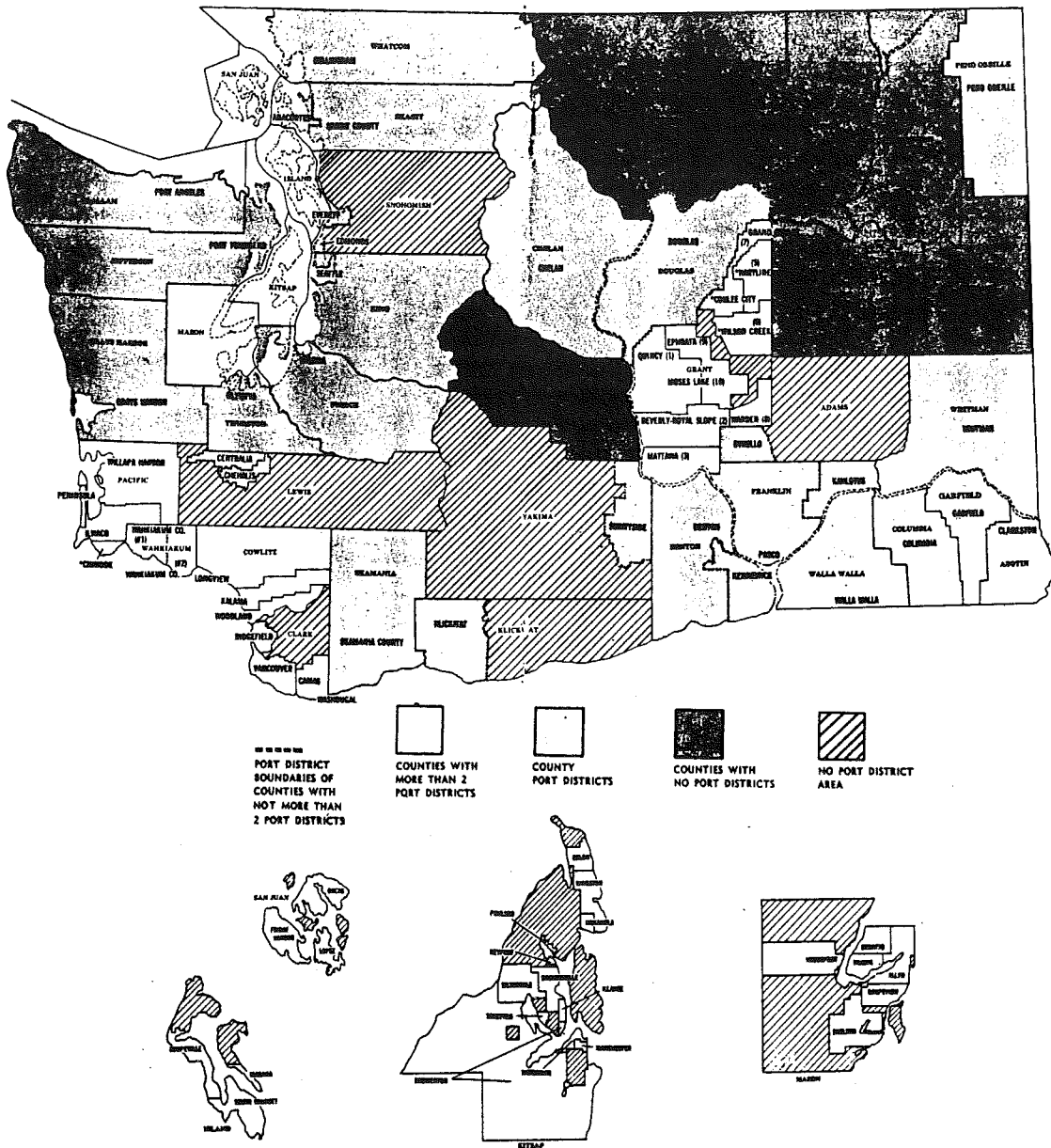
Many ports report setting aside time on the agenda to take public input at a regular port meeting. Most Washington ports, however, report an informal meeting atmosphere with the opportunity for public comment at any time during the meeting.

As might be expected, local weekly newspapers usually cover port meetings. Larger ports have coverage from daily and/or weekly papers, with radio and TV coverage for high-interest hearings.

## Chronology of Laws Relating to Port Districts

- |   |   |
|---|---|
| <p>1890 Harbor Line Commission was appointed to establish harbor lines.</p> <p>1899 Congress gave the U.S. Army Corps of Engineers authority to dredge rivers and harbors.</p> <p>1911* Legislature authorized establishment of public port districts. (RCW Title 53)</p> <p>1934 Federal Trade Zone Act passed.</p> <p>1937 Entire proceeds of tidelands lease monies were given to local ports. (*1967: Formula changed to 25% to port and 75% to state general fund.)</p> <p>1941 Authorization of cities, towns, port districts, or counties to acquire, maintain, and operate airports for public use.</p> <p>1955* Legislature authorized all public port districts to establish industrial development districts (1939) with bonding powers.</p> <p>1957 Legislature authorized port industrial development districts to levy property tax at a millage limit outside the statutory limit, for a period up to six years. (1982: Extended time frame to 12 years and millage limit to 45 cents per \$1,000 of assessed valuation.)</p> <p>1959* Legislature authorized public port districts to be established where no appropriate body of water is located.</p> <p>1961 Public port districts allowed to dissolve and/or consolidate.</p> <p>1961 Establishment of Washington Public Ports Association.</p> <p>1966 Constitutional amendment passed allowing promotional hosting to attract trade by public port districts.</p> <p>1967 Trade Center Act permits construction and maintenance of a building for trade-related activity.</p> | <p>1969 Congress enacted National Environmental Policy Act.</p> <p>1971* Washington Shorelines Management Act passed by the Legislature.</p> <p>1971 Law passed prohibiting sale of first class tidelands, henceforth only to be leased.</p> <p>1972 Initiative 276 passed, requiring disclosure of campaign finances, reporting of lobbying expenditures, and public access to government records.</p> <p>1972 State Environmental Policy Act went into effect.</p> <p>1972 Federal Coastal Zone Management Act passed.</p> <p>1975 Delegation of powers by commissioners to managing officials must be done by resolution establishing guidelines and procedures.</p> <p>1979 Provisions established to transfer one port district's property to an adjacent port district.</p> <p>1980 Established restrictions on intermodal movement of interstate and foreign cargo.</p> <p>1984 Tourism promotion authorized for port districts.</p> <p>1985 Authorization of economic development programs.</p> <p>1986 Authorization for the creation of export trading companies (expires July 1, 1991).</p> <p>1986 The continued formation of port districts comprising less than an entire county prohibited after December 31, 1988.</p> <p>1989 Legislature grants additional powers to Washington Public Ports Association and authorizes creation of a federation of Washington ports.</p> |
|---|---|

\* Events with a major impact on Washington public port districts



WASHINGTON PUBLIC PORT DISTRICTS  
 (From Washington Public Port Association 1987 Port Directory)  
 FIGURE 1

# Regionalism

“Regionalism” is an elusive term. It can be discussed as two different concepts — geographical regionalism and jurisdictional regionalism. This section begins with a look at geographic regions of the state and their port facilities. It concludes with a discussion of the advantages and disadvantages of the present autonomous jurisdiction of ports, as compared with proposals for regional jurisdiction.

Topography, climate, soil, and navigable water dictate a varied economy within the state of Washington. Public port districts include both marine and dry land ports, with facilities appropriate to the economy, local community interests and needs, and geographical location of the district.

Regionalism, as it relates to ports, has a very specific definition. The concept was described in a state Senate report in this way:

*The term (regionalism) is generally regarded as meaning the merger of two or more port districts into a single governmental body. This has been perceived to involve the creation of a common governing authority, and within a given geographical region combining the planning, development and operating activities of all port functions.<sup>2</sup>*

Thus the term “regional jurisdiction” means the merging of two or more port districts into a “super port” district. This layer of government would have jurisdiction over the participating port districts.

## Geographic Regions

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Washington State’s topography establishes natural geographic divisions. The Coastal, Peninsula and Puget Sound areas have direct access to the Pacific Ocean but are confined by the Olympic and Cascade Mountain barriers. The Columbia River Basin provides a route from the Pacific Ocean around the barrier of the Cascade Mountains to Washington’s interior.

This study recognizes these natural divisions and adopts the following categories as described by the Washington Public Port Association (WPPA): 1) Coastal/Peninsula, 2) Puget Sound, 3) Lower Columbia/Snake Rivers and, 4) Upper Columbia River.<sup>3</sup>



## Coastal/Peninsula Region

Joined together by geographic proximity rather than commonality of function, this region includes Clallam, Jefferson, Mason, Grays Harbor, Lewis and Pacific counties.

The 15 public ports in this region have activities ranging from the operation of two docks and two boat ramps at the Port of Allyn (Mason) to the state's only deep water coastal port at Grays Harbor. This port operates an airport, a marina, and three port-owned, port-managed marine terminals to facilitate the exporting of logs.

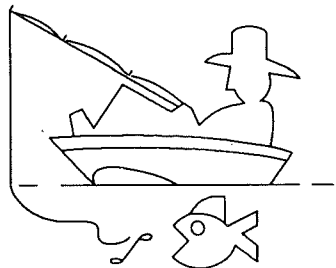
The diversity of functions for ports within this region is apparent from the following sample of ports. In keeping with the character of its community, the Port of Port Townsend (Jefferson) describes itself as a "small yet complex 'Victorian' seaport." It operates marinas, an industrial park, and an international airport. The largest port in the region is the Port of Port Angeles (Clallam). Its diverse activities include two deep water terminals, an international airport (with two commercial airlines), and two marinas. Two of the state's recently formed ports are also in this region. The Ports of Centralia and Chehalis (Lewis) were formed in 1986 and serve primarily to meet the industrial development needs of their communities. Finally, reflecting their proximity to the Pacific Ocean, the Port of Peninsula (Pacific) boasts of being the oyster shipping capital of the world and the Port of Ilwaco (Pacific) claims the largest number of sport salmon landed at any West Coast port in recent years.

## Puget Sound Region

The Puget Sound Region, with 27 ports, is easily divided into two categories of port activity: the small marina/recreational ports and the large commercial/marine terminal ports.

With the exception of the Port of Bremerton, the 12 ports in Kitsap County primarily operate recreational marinas or maintain public docks. The same is true for the ports in Island and San Juan counties. The proliferation of small port districts in these counties points to the historic importance of water transport and the lack of land access to certain areas.

The deep water ports of Bellingham (Whatcom), Everett (Snohomish), Seattle (King), Tacoma (Pierce) and Olympia (Thurston) concentrate on the operation of marine terminals, with industrial development as another major activity.



The Port of Tacoma, by far the largest port in the state in terms of acreage, has experienced an impressive recent growth in container traffic. It has moved from 20th to sixth largest container port in North America within the past four years.

The Port of Seattle, created in 1911, is the state's oldest port. In addition to all of its diversified marine activities, (the Shilshole Marina, fishing fleet facilities, and marine terminals) the Port controls warehousing, distribution and intermodal services. The Port also operates the Seattle-Tacoma International Airport. In late 1989 it served 24 airlines, including 12 international passenger carriers.

The Ports of Bellingham, Everett and Olympia cater to an international market for the handling of bulk or breakbulk cargo. Bellingham is also home for a major portion of the Northwest fishing fleet, providing up to 1,200 commercial fishing berths, as well as an international airport. Everett, however, provides the largest number of recreational berths in the state, 1,850.

The size and capacities of these ports, as well as the geographic proximity of Puget Sound to Alaska and the Pacific Rim countries, leads to international as well as national commerce for these ports.

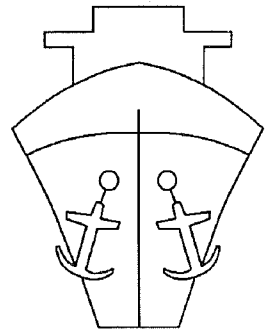
### **Lower Columbia/Snake River Region**

This region follows the flow of the lower Columbia and Snake rivers across the bottom of our state and includes the counties of Wahkiakum, Cowlitz, Clark, Skamania, Klickitat, Benton, Franklin, Walla Walla, Columbia, Garfield, Whitman and Asotin. The 19 ports in this region exist primarily to facilitate economic development in their districts as well as to accommodate the river transport of agricultural products from the state's interior out to the Pacific Ocean.

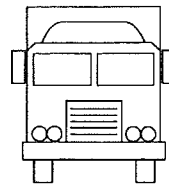
Some of the smaller ports in this region are single service providers. The Port of Skamania County, for example operates only an industrial area, and the Port of Wahkiakum County No. 2 operates only a recreational facility along the Columbia River.

The larger ports, however, are involved in more diversified activities. Taking advantage of recent national and international attention because of the National Scenic Area Act and the sport of wind surfing, the Port of Klickitat, located along the Columbia River Gorge, is directing its resources toward economic diversification through tourism. The Port of Kennewick (Benton) owns six industrial sites and one commercial/marine site with more than 800 acres for development, and has rail, truck and barge access to all the sites. The Port of Benton built the Richland Development Building as an "incubator" to provide fledgling businesses with low-rent, short-term leases while they establish themselves in Richland. The start-up businesses are then encouraged to establish their own facilities in the area. The success of this program has already led to an expansion of facilities from the original 38,000 square foot building. The Port of Pasco (Franklin) operates the third largest airport in the state, as well as transportation facilities to access a mainline railroad, the interstate highway, and the Columbia/Snake River System.

The Ports of Vancouver, USA (Clark), Kalama (Cowlitz) and Longview (Cowlitz) are located near



the mouth of the Columbia River. Within miles of the Pacific Ocean, these ports serve as transfer facilities for ocean-going vessels. They operate multi-modal transportation systems, with railroad and highway connections directly accessible to general cargo and grain terminals. Recreational/marina facilities are also a major priority for these ports in serving the needs of their communities.



## Upper Columbia Region

This region contains the counties of Yakima, Adams, Grant, Chelan, Douglas and Pend Oreille with 16 port districts among them. The region also contains six counties in which no port districts exist — Lincoln, Kittitas, Spokane, Stevens, Ferry and Okanogan.

The ports in northeast Washington were created to facilitate the industrial development of their communities. Many of the ports operate industrial development districts and encourage agricultural product storage and food processing in their localities. Some of the ports, for example, the Ports of Douglas and Chelan counties and Moses Lake (Grant) additionally own and operate regional airports. The ports of Royal Slope (Grant) and Pend Oreille own and operate railroad feeder lines, as well as attend to economic development.

## Recent Trends

Figure 2 shows the growing importance of airports and industrial areas.<sup>4</sup> However, cargo handling is still a major activity. Railroads have played a significant role in port development. One notable change in rail traffic patterns in recent years has been the growth in inter-modal traffic and a shift to rail from trucking for containerized cargoes.

Highway transportation is also important to ports. The primary commodities moved by truck from and to Washington ports are forest products, agricultural products and containerized cargo.<sup>5</sup>

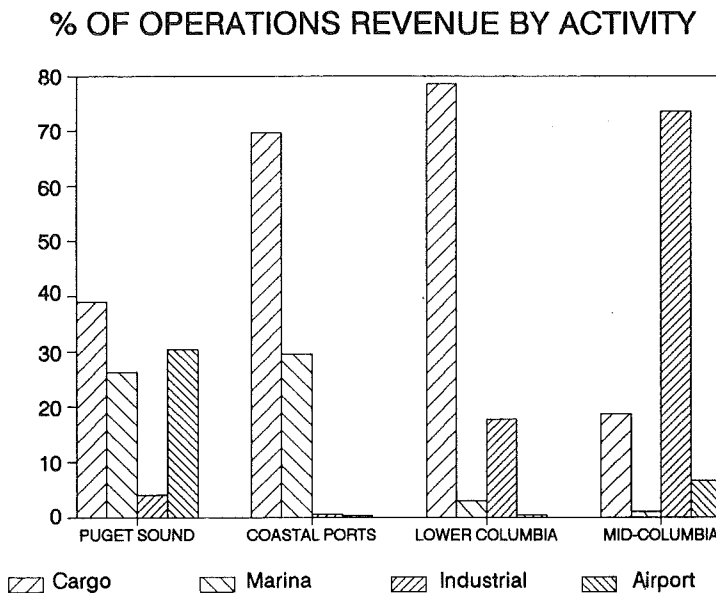


FIGURE 2

# Regional Jurisdiction

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## Defining the Issue

As we discussed earlier, the concept of “regional jurisdiction” deals with the location of governmental authority over public port activities.

The primary function of port districts is the promotion of commerce and industry. In comparison, other forms of local government — cities and counties — are service agencies. Additionally, ports are unlike other governmental agencies in Washington in that they do not receive budgeted monies from the state’s general fund, and their expenditures are bounded only by the abilities of the ports to generate revenues.

Port districts are termed “public enterprise” by University of Washington Professor David Olson, Chair of the Political Science Department:<sup>6</sup>

*(Port districts’) public character involves three primary features: creation by the government, statutory assignment of powers, and ownership by the public. The enterprise character . . . provides its market orientation and includes four qualities: expectations of market efficiency in operations, commercially defined performance goals, reliance on user fees for operating revenue and capital markets for construction funds rather than general government appropriations, and the absence of partisan intervention in its operations. Each of these features recommends structural independence and autonomy from government. The hybridization thus combines in one institution structural arrangements otherwise thought to be quite unlike and even incompatible.*

Patterns for port jurisdiction in the United States are diverse, ranging from local city departments (as in Los Angeles and San Francisco) to local special districts (Washington state); a county agency (Cleveland, Ohio); a multi-county state authority (Portland, Oregon); a unified area-wide special district (San Diego); and a bi-state authority (New York/New Jersey). In some states, such as California, several forms of organization exist.

Policy boards are selected in a variety of ways: appointment by a city council, a mayor, or a governor; election by districts or election at-large; election by partisan or non-partisan ballot.

## Changing Washington’s Port Organization

Since 1911 many bills have been introduced to Washington’s Legislature proposing some form of regional governmental body to oversee port activities. Most would have formed a regional district only within the Puget Sound area. One bill would have divided the state into several regional

districts, and one would have established a state authority to assist with facility development of port districts with appropriated funds. To date all bills have failed.

The issue of port consolidation loomed large when it became public knowledge in 1982 that SeaLand was preparing to move from the Port of Seattle to the Port of Tacoma. An advisory committee was assembled by State Senators Peter von Reichbauer, J.T. Quigg, and Larry Vognild to study the options. The Report of the Select Committee looked at the effect of different forms of port jurisdiction by reviewing a working paper prepared for the National Transportation Policy Study Commission, *The Public Role in Port Development*. The select committee quoted the paper as follows:

*The paper found little relation between the level of port tonnage and the level of state government involvement with port functions. It also shows that the level of port activities does not have any meaningful correlation to any level of centralization of government which would involve ports. . . . Involvement of state organizations with port functions seems to have more to do with local custom or geography than it does with tonnage or commerce.*

The Select Committee's report made the following observations in evaluating port organizations in other states.

- » *Ports generally . . . view themselves as autonomous bodies carrying out certain business related functions.*
- » *Ports perceive themselves as competing against other ports.*
- » *. . . the greatest competition comes from ports in other regions of the country.*
- » *. . . ports within a region have common goals and that activity which benefits a neighboring port will likely be of benefit to ports of the region.*
- » *Despite the shared regional interest, there seemed to be little evidence of formal collective port facility planning and/or cooperation between ports.*<sup>2</sup>

The Select Committee's report discussed both pros and cons of consolidation. In brief, the most common reasons given by proponents for consideration of a comprehensive regional port authority are the following:

- To coordinate and plan long-range industrial growth and development,
- To compete effectively with ports of other states/regions,
- To achieve economies of scale and prevent economic waste by cutthroat competition,
- To facilitate regional transportation infrastructure development, and
- To ensure environmentally sensitive development.

Accountability issues also propel proponents. Port commissions are autonomous, with the power to levy taxes and issue general obligation bonds without voter approval, although within statutory

limitations. In Washington the only direct control for the public is the election, or removal, of commissioners.

The Select Committee on Port Consolidation also set out the opposition viewpoint:

*Opponents to a regional port authority argue that creation of such would serve little purpose except to usurp local control, create another layer of government, and reduce the competition among ports which helps keep ports efficient and healthy. They argue that Washington ports have done an excellent job in promoting commerce in this state and change for the sake of change would be of little benefit. Further, public ports have, through their own decision-making process and through other means, such as the Washington Public Ports Association's Cooperative Development Committee, the ability to properly plan and review major port facilities.*

Recognizing both the potential for duplication of efforts and extolling the benefits of competition, Professor Thomas J. Dowd, Institute for Marine Studies, University of Washington, offers the following slightly different response to the issue of "greater state-level control":

*New state agencies could possibly rectify this problem (of the duplication of port facilities), but there is a simpler solution — interport cooperation. Ports should remain independent and autonomous, but they should also cooperate better at a regional or state level. If they worked more closely, they could cut the costs of planning, trade projections, technology monitoring, marketing, and so forth . . . My point is that we don't need the oversight agencies; competition is a pretty fierce watchdog!*

Clearly the creation of a regional port authority by the Legislature would result in legislative compulsion toward cooperation between port districts in our state. It is appropriate therefore to review the forms of voluntary cooperation currently existing among the state's public ports.

### **Cooperation vs. Competition.**

The Washington Public Port Association (WPPA) was authorized by the state legislature in 1961 to serve as a coordinating body for the state's public ports. Sixty-four of the state's 76 public port districts were members of the association in 1989. WPPA's mandate is to carry out studies common to all ports, to exchange helpful operations information, to promote port development, to encourage commerce and transportation and to serve as a communications channel between ports and the legislature. The association meets semi-annually and has an extensive committee system with both port commissioners and managers participating. The committees cover such areas as legislation, legal issues, cooperative development, economic development, safety, marinas, long-range planning, insurance and finance.

It has been the official position of the WPPA for a number of years that the current mix of voluntary cooperation and market competition between local public ports is healthier than a legislatively imposed regional oversight agency. Many individual ports have endorsed the WPPA's position.

The Cooperative Development Committee of the WPPA began as a review committee for the state Economic Development Commission to deal with proposed federal grants for port development. As this activity phased out, the committee began to review and make recommendations on specific capital construction projects submitted voluntarily by various ports. As submission of proposals declined, the committee turned to broader port issues. One effort of the committee was to coordinate the research efforts needed to produce the *1985 Ports and Transportation Systems Study for the Public Ports of Washington State* written by TAMS, Engineers and Planners.<sup>5</sup> A recent committee brochure gives the following examples of cooperation.<sup>7</sup>

- The Columbia/Snake River Marketing Group is comprised of 34 Washington, Oregon and Idaho ports along the Columbia and Snake Rivers jointly pursuing shipping and industrial business for the region. The organization works to make its location and its advantages known in order to attract clients from throughout the world — something the individual ports would have difficulty doing on their own.
- Tri-Ports of the Tri-Cities is the name of an informal group consisting of the Ports of Benton, Kennewick and Pasco. The group cooperates to exhibit at trade shows, sponsor local events, advertise in trade journals and support a local economic development organization.
- The Port/County Oversight Committee was established by Cowlitz county and its three public port districts — Longview, Kalama, and Woodland — with the goal of undertaking economic development activities of mutual benefit. The committee has prepared an inventory of public

## Washington's Public Ports Do Cooperate

*In addition to local means of cooperation there are many organizations through which public ports work together.*

Columbia/Snake River Marketing Group  
Tri-Ports of the Tri-Cities  
Washington Public Ports Association (WPPA)  
Western States Coalition for Effective U.S.  
Customs Service  
Columbia River Maritime Fire and Safety  
Association  
Port Oversight Committee (Cowlitz County)  
WPPA Cooperative Development Committee  
Puget Sound Foreign Trade Zones  
Association  
Team Washington  
WPPA Safety Committee  
Pacific Northwest Waterways Association  
Pacific Coast Association of Port Authorities  
American Association of Port Authorities  
Washington Council on International Trade  
Washington Citizens for World Trade  
Northwest Apparel and Textile Association  
Northwest Marine Terminals Association  
Export Assistance Center  
Rail Development Commission  
Interagency Committee for Outdoor  
Recreation  
Fisheries Committee  
Other government agencies such as  
Department of Natural Resources

Source: *How Washington Public Ports  
Cooperate with Each Other*

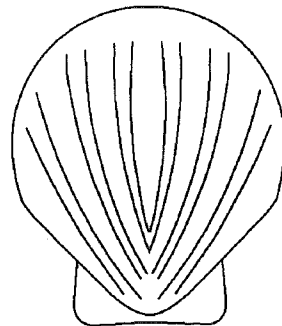
port and privately owned industrial sites within the county and has completed a study of comparative costs for development of industrial property.

Less formal opportunities for cooperation have been met through requests to the WPPA. Examples include the Port of Kingston's request to other port marina operators for assistance in evaluating its marina facility management program, and the Port of Kalama's request to large ports for information on negotiating a complex lease with a large, prospective industrial tenant.

Ports also cooperate on environmental issues in order to make their collective thoughts known or to assist in bringing about a solution. One issue of particular importance to ports with marine terminals is "dredge spoils." When dredging is needed to deepen or widen navigation channels the problem of disposal of the often contaminated dredged material (spoils) is an environmental issue to be addressed.

Traditionally, spoils have been dumped into deep water at Department of Natural Resources (DNR) or U.S. Army Corps of Engineers (COE) designated "dump" sites. Sometimes spoils are used as fill material along the shoreline to make new waterfront land available for development. A large island has even been created in the Columbia River to hold the spoils from that river. The public's interest in the amount of dredging needed in the west waterway in Port Gardner at the Port of Everett for the new U.S. Navy Homeport helped bring about new guidelines for management, evaluation of the spoils, and environmental monitoring of sites.

While DNR manages the state-owned aquatic lands and must therefore grant permission before any dredging is done, the U.S. Army Corps of Engineers must also be petitioned for a permit and for funding, and the state departments of Fisheries and Ecology have oversight. Local governments too, may set conditions or restrict dredging and spoil disposal. Since the safe disposal of spoils is becoming more and more of a public concern, and since so many different agencies are involved in any port's attempt to dredge, it behooves all the marine ports in the state to cooperate to seek the best solutions for all of them.



## Summary of Regional Issues

Public ports provide a needed service to commerce and industry in the state of Washington. Their facilities and services are complex, with rapidly changing technology and a need to remain competitive with other Pacific Coast ports.

Port operations are public enterprise organizations, different from other government agencies or



city/county/state governments. They utilize user fees for operating funds and capital markets for construction funds, with tax revenues reserved to service the bonds.

Primary accountability comes from state law regulating ports, the public election of commissioners, and the open meetings law. Cooperative planning between ports is currently done only through voluntary associations and contacts between port administrations. However, considerable cooperation among ports is needed in the face of expanding markets and increased technology. Whether regional management would facilitate response to change, or whether it would decrease initiative is an important question.

In 1989 the Legislature, concerned with a desire to increase trade and tourism, passed a law to amend existing port district enabling legislation. It authorizes creation of a federation of Washington ports by the Washington Association of Ports. The main purpose of the new federation would be development and marketing activities not now a part of WPPA's mandate. A report on the implementation of such a plan is to be made to the 1990 legislative session.

# Economic Development

Washington's public ports play a major role in the movement of goods into and out of our state. This concluding section examines the role our ports play as facilitators of commerce and trade, the costs and benefits of the business of running a public port district, and the ports' role as promoters and enhancers of commerce through industrial development. It also examines some environmental issues and looks at what's ahead for Washington's public port districts.

## Trade, Commerce and Tourism

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### Trade and Commerce

According to the state Department of Trade and Economic Development the economic growth and welfare of the state of Washington depends on its ability to sell goods and services beyond its borders.<sup>8</sup> This is true to a greater extent for Washington than it is for other states. On a per capita basis, foreign exports have been more than twice as important to Washington as they were to the rest of the United States. In 1985 foreign exports per capita amounted to \$2,352 in Washington compared to \$1,100 for the United States as a whole.

In spite of some difficult years Washington has been a successful exporter. Between 1960 and 1985 total exports (to other states and abroad) nearly tripled, growing at an average annual rate of 4.1 percent. This growth directly impacts the real personal income of the citizens of the state. Washington state's foreign exports (those going out of the United States) grew at an average rate of 7.7 percent between 1963 and 1985. This rate was nearly one and one-half times the 5.3 percent growth rate for U.S. exports over the same period.

In Washington 112,000 jobs were directly related to foreign trade in 1985; about one of every 20 jobs produced or serviced something sold abroad. Indirectly, 415,000 jobs were related to foreign export in 1985, or one in every six jobs (for port-related jobs see page 29). The Puget Sound area is more dependent on foreign trade than the rest of Washington. With only 55 percent of the state's population it accounts for 68 percent of the state's foreign exports.

Aircraft production accounted for our greatest amount of export related employment at 7 percent.

Forest products and agricultural products each accounted for 3 percent of the export related employment. Forest product exports have tripled in the past two decades.

In the early 1980's high interest rates drove the dollar up on international markets. This made Washington's products more expensive abroad and consequently made selling much more difficult. According to state figures for 1986 to 1987 the falling dollar contributed to a 38 percent increase in lumber exports and a 16 percent increase in log exports to Japan. The weakened value of the dollar will continue to add to renewed growth.

In Washington state, foreign exports are expected to increase at about 6 percent annually over the next few years. After adjustments for inflation, foreign sales are expected to nearly double, rising from \$10.4 billion in 1985 to \$18.5 billion in 1995.

A study commissioned by the Washington Public Port Association evaluated the state's freight transportation system. The study makes the following observations about waterborne commerce:

*Of the 53.8 million metric tons of cargo handled through the statewide port system in 1984, 41.8 million tons were international cargoes. Although export tonnages exceeded import tonnage by a factor of 2.5, these exports were worth just 25 percent of the estimated \$21.3 billion value of all import cargoes.*

*Since 1974, Washington ports have maintained a fairly consistent share of total West Coast international trade. In the past ten years, the statewide market share of all West Coast import tonnage has ranged between 24 and 31 percent while export tonnage has remained at a relatively stable 40 percent of total West Coast exports.<sup>5</sup>*



The study reports air cargo is handled at six major airports in Washington:

- Sea-Tac International,
- Spokane International,
- King County International - Boeing Field,
- Tri-Cities Airport at Pasco,
- Bellingham International, and
- Yakima Air Terminal.



The volume of cargo handled through airports in the state increased from 135,000 metric tons in 1974 to 178,000 metric tons in 1984. Shipments through Sea-Tac International Airport dominate all air cargo movements in Washington, accounting for 90 percent of the total air cargo tonnage. Almost 85 percent of Washington's total air freight is transported to domestic markets. The remaining 15 percent is destined for international markets, primarily in Canada, the Far East and Europe. Air transportation is generally used for time and market sensitive goods — perishable foods, fashion apparel and high value products.

The WPPA study reaches the following conclusion:

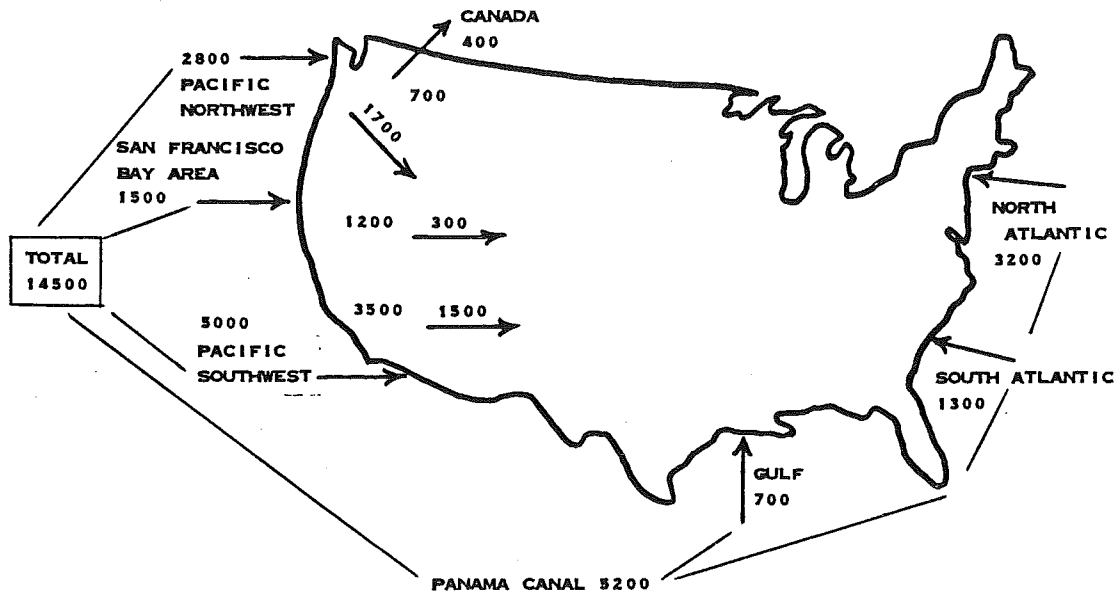
*The forecasts indicate that by the year 2005, total trade through Washington ports will reach 82.4 million metric tons, representing a 50 percent increase over the tonnage handled in 1984.*

This positive future forecast is explained in a recent article in a trade journal:

*In 1985 trade with Pacific Rim countries surpasses trade across the Atlantic for the first time, culminating a long-term expansion of Pacific Rim trade. The increased market share of West Coast ports reflects not just the expansion of Pacific Rim markets, but the cost advantages in moving goods overland by rail to or from a West Coast port versus all-water routes to or from Midwestern and Eastern markets and manufacturing centers. While rail distances from New York or Chicago to any major West Coast port are virtually indistinguishable, using the rail/ship combination can save seven to ten days of shipping time as compared with moving goods through the Panama Canal. This time advantage reduces the overall costs of getting foreign exports or imports to their markets.*

*The Northwestern ports share an advantage over their rivals in Southern California—a one-day time savings for the ocean leg of the route to or from Asian ports. Rail distance from Chicago to any West Coast port varies by only 120 miles. Thus, any rail cost or rail transit time advantage enjoyed by a particular port can be competed (sic) away by other ports investing in more efficient intermodal facilities to speed movement of goods from ship to train and vice versa, or in unit train services to speed up overland movements. The sea time advantage of one day is therefore an important competitive factor that keeps our three major Pacific Northwest ports*

*in the running vis-a-vis the two Southern California giants. It is the only advantage that can not be competed (sic) away.*<sup>9</sup>



US - Trans-Pacific Waterborne Container Imports, 1984  
(Pacific Northwest Executive)  
FIGURE 4

Ship cargos come with three types of packaging.

- **Containers** are steel boxes forty to sixty feet long and designed to be hauled on truck beds, rail cars, or ships. They can be packed in any manner the shipper wishes and come either with or without self-contained refrigeration equipment. TEU stands for Twenty-foot Equivalent Unit, a standard way of describing containers that come in several sizes.
- **Bulk cargo** consists of commodities such as wheat or petroleum that are simply poured into large holds in a ship at the loading end, and pumped out at the receiving port.
- **Breakbulk or neobulk** cargos fall in between the two extremes of the standardized packages provided by containers, and the loose, unpackaged form of bulk cargos. Examples of breakbulk cargos include bagged lentils and large wooden crates containing industrial equipment. Neobulk cargo examples include rolled steel pieces and automobiles.

Containerized cargo has become the big factor making Washington state a transshipment center of imports from other countries in the Pacific Rim. Because of the present trade imbalance, many containers are returned empty (back hauled), inviting their use for cargo previously considered unsuitable for containerization — such as scrap metal and lumber. With Seattle and Tacoma ports

the center for containerized cargo handling, this back haul is diverting export break bulk and neobulk export cargo from other ports. The TAMS study says, "In order to offer the maximum flexibility to replace lost break bulk or neobulk cargos, these ports must now offer multipurpose facilities capable of handling bulks, break bulks or neobulk commodities as the market dictates."

## Foreign Trade Zones

One "multipurpose facility" mechanism for ports is the creation of a foreign trade zone (FTZ) within a port district. Foreign trade zones are secure areas under United States Customs jurisdiction. The zones, usually fenced-in areas with factory or warehouse space which companies can lease, are legally outside U.S. Customs territory.<sup>10</sup> They are the U.S. version of what are known internationally as free trade zones.

In a preface to the 1985 report to Congress by Secretary of Commerce Malcolm Baldrige, FTZ's are described:

*Foreign and domestic merchandise may be moved into foreign trade zones for operations not otherwise prohibited by law involving storage, exhibition, assembly, manufacture, or other processing. All zone activity, especially manufacturing, is subject to public interest review. Under zone procedures the usual formal Customs entry procedure and payment of duties is not required on the foreign merchandise unless and until it enters Customs territory for domestic consumption, in which case the importer has a choice of paying duties either on the original foreign materials or on the finished product.<sup>11</sup>*

The purpose of a foreign trade zone is to attract and promote international trade and commerce. Port districts are allowed to establish these zones with approval of the federal government and may tax to construct and maintain warehouses and other facilities within a trade zone.

The customs deferrals and exemptions are administered by means of a legal framework that considers a designated zone within a port area to be outside the customs territory of the host country. In this way exports from the site bear no import duties, or excise and other border taxes, and the formal customs entry of products destined for the internal market can be deferred until goods leave the zone.

The 1985 list of foreign trade zones shows eight zones in Washington state: Everett, Seattle, Tacoma, Cowlitz County and four in Whatcom County (for the Lumni Indians, Bellingham, Blaine and Sumas).<sup>1</sup>

Several Washington ports pooled their financial resources to prepare a FTZ application — a costly and time-consuming process. This resulted in zones for the ports of Everett and Tacoma being granted to the Puget Sound Foreign-Trade Zone Association. This was a first in the nation for such regional cooperation. In another example of cooperation, the Port of Bellingham entered into a

FTZ sub-zoning agreement with Skagit County and Anacortes, saving those areas substantial sums of time and money when they establish sub-zones at those ports.<sup>7</sup>

## Tourism and Recreation

As mentioned earlier, more ports are beginning to engage in a newer economic activity, tourism and recreation promotion (permitted in 1984 by RCW 53.08.250: "Tourism promotion authorized"). Pleasure travel in Washington state by both outsiders and Washingtonians was up 4.5 percent for the summer of 1988 over 1987, according to the state's Tourism Development Division. Inquiries are up by 33 percent. The state tax collections from tourism in 1987 were \$177 million.

The ports are actively involved in this upswing. The Port of Chelan County is a case in point. The Port actively encourages tourism by assisting in the promotion of the Cascade Loop through support of an "1-800" phone number for tourists, and by a financial contribution to the 1989 Winter Olympics in Wenatchee. Likewise, the Port of Ilwaco is heavily involved in tourism. Port District Manager Robert Peterson explains that all the upland surrounding the harbor is leased from the Port. Tourists rent mooring space, use hotels and restaurants; ships and tourists come year-round for recreation and sport fishing. Tourism and the jobs it creates are increasingly being nurtured by the state's ports.

## Costs and Benefits

A study commissioned by the Washington Public Port Association in 1978 included an inquiry into the revenues of Washington ports. This study, conducted by Williams-Kuebelbeck and Associates (WK&A), also examined "... the net balance between port tax levies and the overall amount of state and local taxes the public port district activities generate."<sup>10</sup>

### Where the Money Comes From

According to the WK&A study the proportion of funding support through taxes declined in the years preceding 1977, and the primary use for taxes collected was for capital improvements and repayment of debt created under general obligation bonds. Funding sources provided to public port districts are shown in Table 1.

The trend toward declining proportions of tax support was demonstrated in the 1978 study; it appears

**Table 1. Washington Public Port District  
Average % of Revenue by Source 1987**

Source	Percent of Total
Operations	73.8%
IDD's	0.4%
Interest Income & Payments from Gov't	2.4%
Tax Levies	23.3%

Source: *Washington Public Ports Economic Study (Update)*, September 1989

to be continuing. At the same time the 1989 update shows port revenues continuing to rise.

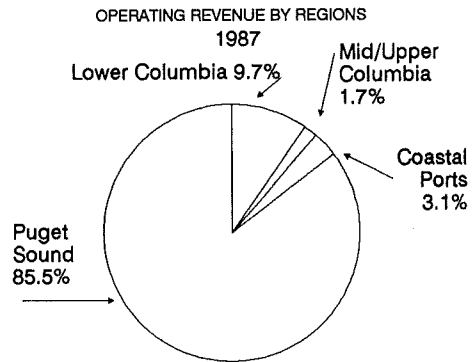
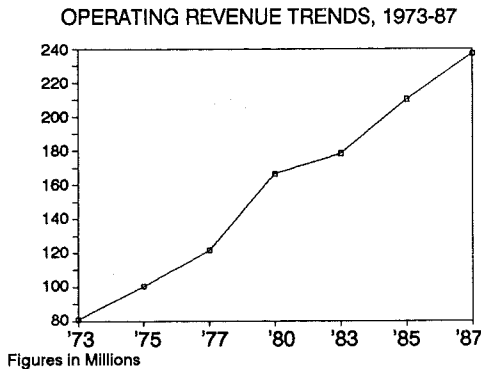


FIGURE 5

A legislative committee report called the level of port imposed property taxes "significant":

*Total port district property tax levies for that period (1988) equaled \$59.1 million . . . The Port of Seattle imposes the seventh highest level of property taxes in Washington State after the state for K-12 education, King County, Seattle, the Seattle School District, Pierce County, and Snohomish County.*<sup>12</sup>

The figures from the Lundin report shown in Table 2 are for the four port districts levying the largest amounts of property taxes. The figures were compiled by the state auditor from financial statements

**Table 2. Port District Reliance on Property Tax Receipts**  
(\$ Millions)

Port	Revenue Source	1983	1984	1985	1986
Seattle	Taxes	18.2 (16.1%)	19.5 (15.6%)	21.2 (16.2%)	3.2 (16.3%)
	All Other	94.8 (83.9%)	105.4 (84.4%)	109.3 (83.8%)	119.4 (83.7%)
Tacoma	Taxes	4.0 (10.8%)	4.4 (11.3%)	4.7 (11.1%)	5.2 (10.7%)
	All Other	33.2 (89.2%)	34.7 (88.7%)	37.6 (88.9%)	43.2 (89.3%)
Bellingham	Taxes	3.1 (39.2%)	3.2 (41.6%)	3.4 (43.0%)	3.5 (44.3%)
	All Other	4.8 (60.8%)	4.5 (58.4%)	4.5 (57.0%)	4.4 (55.7%)
Olympia	Taxes	.9 (29.0%)	2.7 (48.2%)	2.9 (43.3%)	3.0 (45.5%)
	All Other	2.2 (71.0%)	2.9 (51.8%)	3.8 (56.7%)	3.6 (54.5%)

Source: Port District Study, September 1988



submitted by the port districts. These statements are described as “difficult to read and use for comparative purposes” primarily due to the diversity of reporting formats used by the ports.

## Where the Money Goes

The original WK&A study identified the average expenditures for each of the primary functions of port districts as 84 percent for marine terminals and industrial development, 13 percent for airports, and 3 percent for marinas. Figure 6 shows the trend of spending by port districts and the expenditures by regions (from figures in the 1989 update).

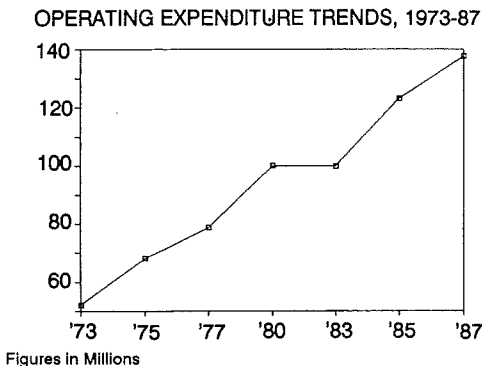
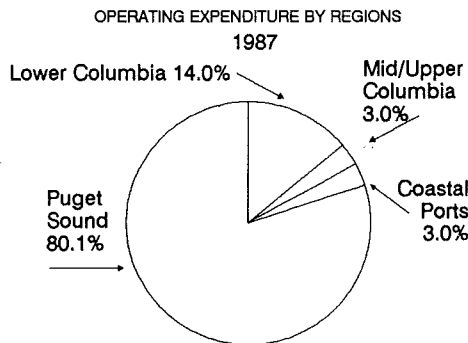


FIGURE 6



## Net Balance Between Tax Levies and Taxes Generated

The WK&A study recognizes two components to tax levies, the “tax take”: 1) the tax levy, or proportion of property taxes **paid** by state residents that the ports receive, and 2) the tax exemption, or amount of property tax **foregone** by a community because public port district property is exempt from property tax assessment. Further the study examines the exchange of payments between governments (port to state/state to port) for a net tax take in 1977 of \$36 million.

The “taxes generated” were deemed to be the taxes collected from “port-related business and employment,” as defined in the WK&A study:

*The term “port-related” as used in questions on business and employment is meant to describe the companies and their employees who depend on the facilities of your port in order to carry out their operations. This can mean 1) firms engaged in shipping, receiving or storing goods through port facilities; 2) tenants of port industrial parks; 3) employment in marinas, charter boats and boat repair . . . Firms which were not on port property could not be counted as port-related unless they met the following special conditions:*

» *Firms must be immediately adjacent and preferably surrounded by port property.*

» *Firms must use the port facilities for their operation to such a significant degree that without such port facilities their operations would be severely altered or shut down completely.*

In 1988 there were at least 101,561 jobs in the state related to the activities of the public port districts. 22 percent of these are related to cargo activities, 7 percent to marinas, 9.5 percent to industrial and 61.5 percent to aeronautical activities. The 1988 figures are up from the 99,100 jobs reported for 1977. In 1977 this was approximately 9 percent of total employment statewide. The WK&A study concluded that the total tax benefit for all port-related business and employment (including property sales, B&O and utility taxes) resulted in \$211.61 million in state and local taxes. Compared to the tax take in 1977 of \$36 million, the tax benefit to tax take ratio was 5.9 to 1.0.

## Industrial Development

In the post war economy a need was perceived to promote industrial development beyond what was then occurring in port districts. In 1955 the state Legislature authorized port districts to establish industrial development districts (IDD's, see page 4). In 1959 it authorized the formation of inland port districts which need not have harbors, thereby expanding the number of port districts capable of engaging in industrial development activity.

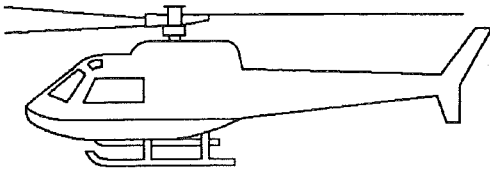
The state Legislature has very succinctly instructed the ports to be involved in the arena of economic development: "It shall be in the public purpose for all port districts to engage in economic development programs" (RCW 53.08.245). Ports have thus been given increasingly broader responsibility to promote the perceived public economic good. Today port districts operate marine terminals, airports, public marinas, parks, boat launch ramps, beltline railroads, ferries; and they are landlords to a variety of retail, wholesale, distribution and manufacturing businesses. This gradual expansion of the original 1911 concept of port districts has been in response to changing public demand. Dryland port districts throughout Eastern Washington have become particularly involved, each with the same plan: prepare a site for industrial development, attract a customer, use the revenue gained to prepare more sites, invigorate the local economy, and generate even more jobs.

### Port Led Development

In the 1980's "industrial development" was incorporated in the broader designation — "economic development." The Port of Kennewick found a successful technique of economic development with its development program, often called its "incubator program." To accommodate the large demands from fledgling enterprises, the Port started with a new 17,300 square-foot building in 1985. This quickly resulted in the need for a second, 18,000 square-foot new building to house the growing businesses being nurtured. A third building, the Agricultural Development Building, of 27,000 square feet, was then constructed. These were financed from port revenue. Today a 30,000 square-

foot building has been approved for construction at the airport to house high-tech start-up companies. It will be funded half from port revenue and half from a federal grant.

The development program offers rent at port cost, about half the market rate, for up to three years to start-up companies. After three years these companies must seek commercial space or pay market rate to the Port. The intention of the Port is to support start-up companies with low cost space during their first years. No other services or support are provided. Tenants are selected from a large group of prospects on the basis of those most likely to succeed at producing new jobs. All five original start-ups have met this goal. Sandvik, makers of titanium golf club shafts, has gone from seven employees to 100 employees, working a 24 hour day, six days a week. Their prestige golf club shafts are sold world-wide.



Each port district perceives its role as industrial/economic developer differently. The Port of Port Angeles is quite active in this arena, particularly following the forest industry recession of the early-1980's. The Port, in cooperation with the local economic development council, was successful in attracting a major manufacturer, Rogerson-Hiller

Helicopter Company. The Port constructed facilities to house this manufacturer in its Airport Industrial Park by issuing \$3.9 million in general obligation bonds and levying the full 45 cents per thousand industrial development tax for the six year maximum allowed by law. The next year a port commissioner lost his re-election bid on this issue, but in the 1987 election a commissioner was re-elected in a vigorous campaign in which he supported the port decision. The manufacturer has already added some 100 new jobs to local employment and expects ultimately to add 200 more. The Port sold the facilities for \$2.8 million to the manufacturer, which is now paying off the purchase rather than paying a lease.

## Economic Development Councils

Ports have been central to economic development since their creation. In the early 1970's a severe recession provoked the invention of a new mechanism for promoting economic growth. Local economic development councils (EDC's) were formed as private non-profit corporations in which interested parties joined to combat the recession. The typical EDC was constituted from businesses, concerned individuals, business associations, and governments, forming a truly public-private organization. In the recession of the early 1980's, the EDC movement blossomed and became a popular response to the economic downturn.

There are about 40 EDC's in the state. As is true of port districts, some counties have none and some more than one; some are bi- or even tri-county in size. The patterns of organization and operation of EDC's throughout the state are similar. They may or may not co-exist with port districts, and may either cooperate or compete. Some receive financing from the local port district.

The Spokane Area EDC is a prime example of a strong EDC operating in a county where no public port district exists. It is financed by two Chambers of Commerce, city and county governments, a community college, individual and business memberships and contributions plus state contract funding. It was an outgrowth of the momentum from Expo '74. At present no movement exists in Spokane to create a port district.

An example of an EDC operating in conjunction with a port district is the Clallam County Economic Development Council. It is county-wide as is the Port of Port Angeles. The Port is a strong supporting member of the EDC. Other members are the City of Port Angeles, Clallam County, the cities of Forks and Sequim along with their Chambers of Commerce, and numerous businesses. It was through the efforts of the CCEDC, working with the Port, that the Rogerson-Hiller Helicopter Company was attracted to the area.

Legislative action authorized the creation and funding of Associate Development Organizations (ADO's) through the Department of Trade and Economic Development in 1985. There may be no more than one ADO per county and it must be county-wide; some are bi- or tri-county for a total of 33 ADO's in 39 counties. The majority of ADO's are EDC's, although three are port districts and two are associations. Team Washington, in the Department of Trade and Economic Development, contracts with each ADO to report to the state on the total economic development activity within its area. The ADO is required to report on its own activity plus all other EDC's, port districts, utility or PUD development, Chambers of Commerce and other economic development departments or associations in its area. Team Washington thus assembles from 33 ADO reports a total picture of all the economic development activity in the state.

**Table 3**

The following lists outline some primary differences between EDC's and port districts

<b>Port Districts</b>	<b>Economic Development Councils</b>
Authorized by state statute, they are established by popular vote. Original function has been expanded to include economic development.	Incorporated as a private non-profit entity by local groups and individuals to engender economic development for the local area, sometimes in response to economic crisis.
Has the power of taxation and bonding capacity.	Is funded by membership dues, contributions, and state contracts such as an Associate Development Organization.
Governed by 3 or 5 Commissioners elected by the people.	Governed by a Board of Directors elected from the membership.
Subject to open meeting law.	Not subject to open meeting law.
Linked by Washington Public Ports Association (WPPA)	Since 1985, linked through Team Washington in Dept. of Trade and Economic Development.

Because this process is such a new and burgeoning function, there is not a long record of performance to evaluate. There are some specific accomplishments such as studies, community profiles, complete state coverage and reporting, marketing programs, incubation and loan programs to assist small business, economic presentations, and many others. The benefit of the communication network has given great impetus to creating a directed state effort toward building a more unified economy, and local units benefit by networking.

## Environmental Issues

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Throughout Washington state's history ports have shown a trend for securing lands adjacent to public terminal facilities. Subsequently, many public ports in Washington now own title to substantial acreage along shorelines and sensitive wetlands. Some of these lands were acquired through dredging and filling activities that occurred long before the decade of the 1970s when stringent environmental laws were adopted. In some respects, dredging and filling activities were viewed by port decision-makers as long-term planning activities to secure the economic future of the port district by providing space for industrial development. The fill material provided the medium needed for strategic port expansion. So, long before wetlands were viewed as critical habitats for wildlife, the trend was already set for port decision makers to view wetlands as prime industrial properties.

During the decade of the 1970s, when it was no longer possible to dredge and fill wetlands at will, some port districts in Washington were confronted with heated opposition from interests opposing the development of the state's wetland areas. Controversy over how to utilize port lands intensified as the state began to experience the transition from a domestic to an international economy. The ports, for the most part, have adopted a posture of leaving the role of "environmental protector" with the regulatory agencies and view their own expertise as lying in the area of economic development. Recognizing the need to comply with regulations from agencies at all levels, the ports consciously plan for compliance activity in their development schedule.

A classic example of the type of controversy mentioned is seen in the case of the Port of Grays Harbor and its ownership of the Bowerman Basin, a critical international stopover for migratory shorebirds. The wetland area was created during dredge and fill activities by the port and subsequently became a perfect shallow intertidal feeding area for the shorebirds. Port efforts to recruit industry to the Bowerman Basin and areas adjacent were blocked by opposing interests throughout the 1970's and 1980's. For the past 14 years, the Port of Grays Harbor has been integral in trying to resolve economic/environmental controversy by developing the Grays Harbor Estuary Management Plan — a massive attempt at land use zoning through dialogue and negotiations. The effort to resolve conflicting interests continues after 14 years of frustration for persons on all sides of the controversy.

The major source of frustration for the ports is that there is little to no coordination between the regulating agencies. The final recommendation in the 1985 TAMS report touches on this:<sup>5</sup>

*... the acquisition of the necessary federal, state and local permits for waterfront projects is becoming increasingly time consuming. The extended lead time required to resolve resource agency concerns on items such as dredge disposal in Puget Sound, need for project mitigation, for habitat displacement and uplands fill has the potential to divert new economic and business opportunities to other regions or states.*

*Policy, legislative and local jurisdiction changes are required urgently in order that the permitting process may be streamlined. Approval and permitting procedures should be better coordinated in order to maintain a consistency of approach which gives sufficient lead time to both the resource agencies and the applicant.*

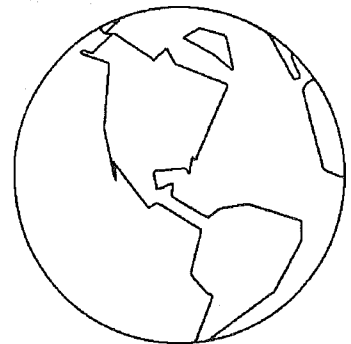
*The unique entrepreneurial nature of public port development needs to be better recognized by the permitting agencies. If ports are unable to attract new maritime business, the economic benefits of new opportunities available to the Pacific Northwest may be lost to other regions."*

## Looking Ahead

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What does all of this indicate we should be doing in Washington State to be ready to take advantage of the economic opportunities of the future?

In the August 31, 1988 *Longview Daily News*, reporters Paula LaBeck Stepankowsky and Linda Wilson asked experts throughout Cowlitz County for their ideas. First, they were told that those who are the most flexible will survive in the new economic environment. Washington is functioning in a global economy, made so by instant communication and swift transportation. As markets shift, we need to be flexible and respond to those markets. Our competition is now with Korea, Taiwan, Japan, and other Pacific Rim countries, not just other U.S. suppliers.



Secondly, companies will have to adapt to new markets, cut costs, ask workers for wage concessions and increase productivity. They must be quick to spot trends and adapt management and equipment to take advantage of them. Workers must often be prepared to learn a new career or to enhance their current knowledge. Finally, schools will be called upon to emphasize basic knowledge and communications skills as well as geographic knowledge and foreign language competence.

The state Department of Trade and Economic Development suggests that to be ready for the future, Washington should take a strong position for open markets, facilitate the flow of information regarding Washington export possibilities, keep production and delivery costs as low as possible, and invest in human resources and the educational infrastructure.

## **Long-Term Development Strategy Proposal**

In 1985 the Legislature established the state Economic Development Board with the mission to create a long-term economic development strategy for the state. Board members were appointed by Governor Gardner in the fall of 1985 and presented their final report in November 1988.<sup>13</sup> For the purposes of this study we present their ten final recommendations according to their three main goals, emphasizing those recommendations (\*) that impact public ports:

### **I. MAINTAIN AND ENHANCE THE QUALITY OF LIFE**

**Human Resources recommendation:** Develop a highly educated, multi-skilled and flexible workforce.

**Community Resources recommendation:** Build local capacity

- \* Centralize coordination of local development efforts.
- \* Increase amount of matching grants for local EDC'S.
- \* Expand role of ports in funding local EDC'S.
- \* Create a Federation of Washington Ports.
- \* Establish worldwide trading offices through the Federation.
- \* Increase local government decision making authority.

**Natural Resources recommendation:** Protect the northwestern environment

### **II. DEVELOP A MORE COMPETITIVE BUSINESS CLIMATE**

**Capital structure recommendation:** Invest in innovation

**Tax structure recommendation:** Reform the tax structure for competitiveness

**Regulatory structure recommendation:** Reshape the regulatory environment

### **III. CREATE A NEW DEVELOPMENTAL INFRASTRUCTURE**

**Technological infrastructure recommendation:** Commercialize research and development

**Information infrastructure recommendation:** Link Washington state with the world

**Physical infrastructure recommendation:** Maintain and improve the basics

- \* Authorize revenue for ports investment.
- \* Assess long-term international competitiveness and best use of ports.
- \* Develop more regional airports.

### **IV. IMPLEMENT THE STRATEGY**

**The Council for the Future recommendation:** Create an Independent council to oversee strategy

Mandated by the Legislature to provide future thinking rather than "response to crises," the plan contains many innovative concepts which will need study and debate. Implementation is viewed not

as a one time event but as a long term purposeful process for the future, and the expected debate will produce modifications.

## **Summary of Economic Issues**

Starting with the creation of the first port in Seattle in 1911, Washington's public ports have been centers of economic development. The role ports have played in economic development has evolved from maintaining public access to harbors, to sending trade missions to the Orient to promote Washington business interests. As the authority of ports increased through acts of the state Legislature, ports expanded their activity as pressed upon them by local public and private interests.

The enabling legislation and its amendments have given Washington's public ports a broad mission statement. With the power to levy taxes ports can implement public policy through this source of funds. Their economic activity requires the employment of people and thus creates jobs. Today, more than ever, job creation is very important, and ports can and do lay claim to an important role in meeting this public demand.

The environmental impact that development can have must be considered as both a public concern and a means of satisfying other governmental regulating agencies. Ports are adapting to this situation and are broadening their view of what is and is not appropriate port activity. While economics is the theme, port decisions can no longer be made for entirely economic reasons.

Washington ports today are quite distinct having been developed individually to meet local demands. They have different "personalities" strongly reflecting the local communities they serve. It is up to us as citizens to determine how effective they have been in meeting their legislative mandate and to decide whether or not changes are necessary.



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