

COMMISSION AGENDA

Item No. 5C

Meeting: 01/24/2019

DATE: January 9, 2019
TO: Port Commission
FROM: John Wolfe, Chief Executive Officer
Sponsor: Commissioners Clare Petrich and John McCarthy
Presenter: Sean Eagan, Government Affairs Director
SUBJECT: Local Economic Development Policy

A. ACTION REQUESTED

The commission is asked to consider two actions:

1. Motion to recommend the CEO adopt changes to Policy #PA03 (Local Economic Development Policy) and to Procedure #PA03 (Local Economic Development Investment Fund Procedure), and to adopt a new procedure, #PA04 (Local Economic Development Infrastructure Investment Fund).
2. Motion to recommend a targeted investment split of 70 percent for the Local Economic Development Infrastructure Investment Fund and 30 percent for the Local Economic Development Investment Fund.

B. BACKGROUND

1. State law

State law grants public port districts a variety of powers to bring economic development—both in terms of investments and jobs—to their community. At the Port of Tacoma, economic development occurs in both direct ways—such as through the development of publicly-owned marine terminals, rail yards and industrial parks (RCW 53.04.010)—as well as indirect ways through economic development investments (RCW 53.08.245).

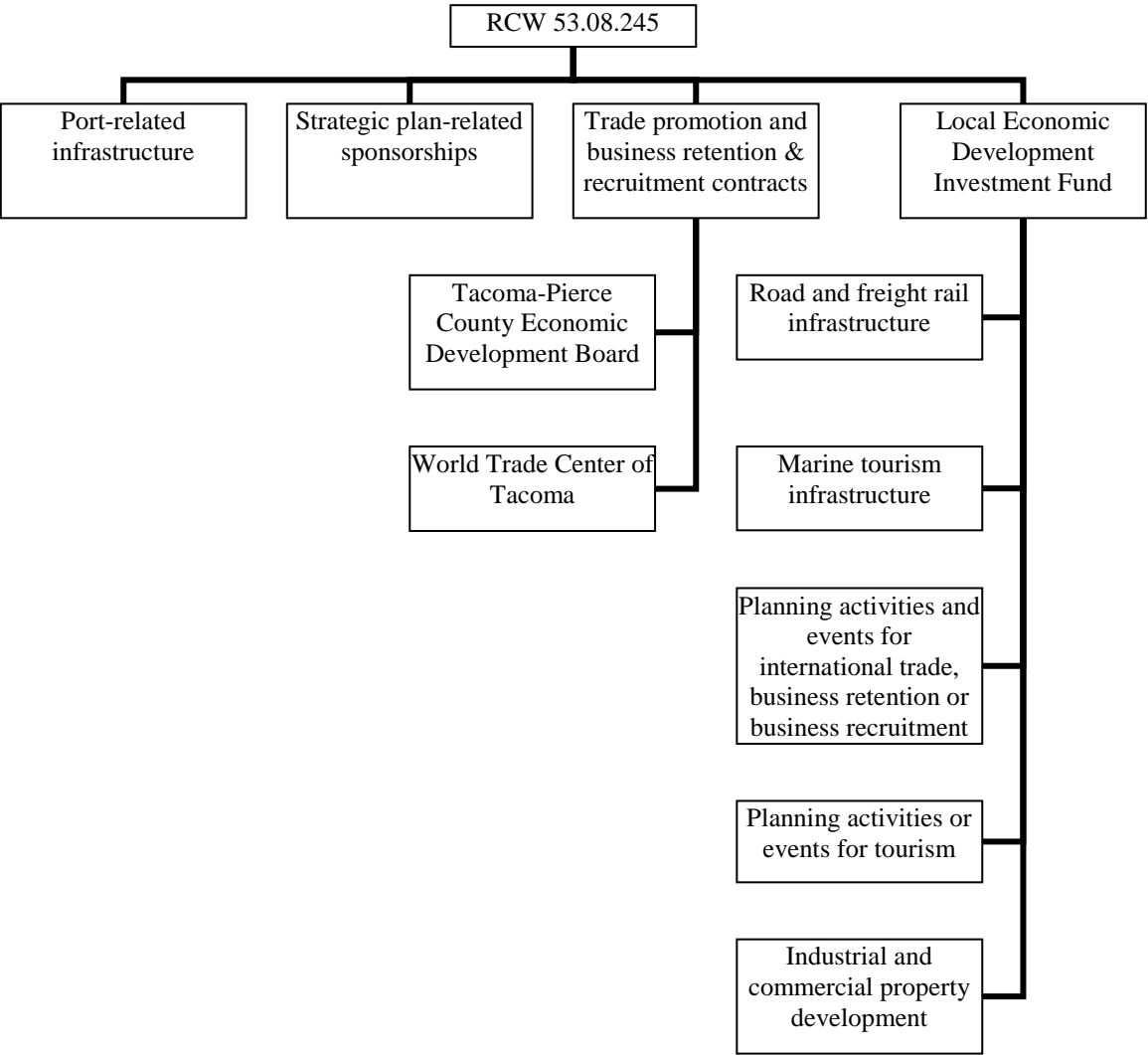
2. Policy history

In 2014 the port adopted a Local Economic Development Policy (Policy #PA 03). This policy was intended to provide more formalized guidance internally and externally on the types of local economic development investments the Port of Tacoma would prioritize that go beyond traditional marine cargo and industrial development activities. In publishing a Local Economic Development Policy, the Port of Tacoma also sought to streamline and clarify the internal decision-making process for economic development investments as well as mitigate compliance audit risk.

The policy established four main categories of investments:

- port-related infrastructure owned by other parties—these are one-time investments made on a case-by-case basis by the commission (e.g. Port of Tacoma Road rebuild, Lincoln Avenue Grade Separation etc.);
- sponsorships related to the port's strategic plan (e.g. Tacoma Pierce County Chamber of Commerce's Economic Forecast Breakfast);
- trade promotion and business retention and recruitment contracts (e.g. World Trade Center and Tacoma Pierce County Economic Development Board); and
- investments made through the port's annual Local Economic Development Investment Fund.

The overall Local Economic Development Investment Policy could be depicted graphically as follows:



At the time, the port also adopted a procedure for the Local Economic Development Investment Fund (Procedure #PA04). Both the policy and procedure were updated in 2017.

3. Local Economic Development Policy Investment Fund history

Prior to 2011, the port allocated \$50,000 per year for the Local Economic Development Investment Fund. Due to the Great Recession, the port reduced the fund to \$35,000 in 2011. In 2017, the commission decided to increase the fund budget to \$250,000.

4. 2018 spending on Local Economic Development Policy categories

i. *Port-related infrastructure investments*

These investments are intended to be off port property but support cargo movement through the port's marine terminals. Specific investments and funding decisions are made on a case-by-case basis by the port commission subject to the port's Master Policy Resolution.

Organization	Investment	Investment
Foss Waterway Development Authority	Parks on the Foss ¹	\$250,000
SUBTOTAL		\$250,000

II. *Port sponsorships related to the port's strategic plan*

These investments prioritize those events or activities that advance the port's strategic plan. All departments at the port may sponsor an event, provided the event is directly related to a goal, initiative or task contained in the port's strategic plan for which the department is responsible. Please also note that this list does not include sponsorships by the NWSA.

Organization	Investment	Investment
Foss Seaport Museum	Maritime Fest	\$7,000
National Assoc. of Environmental Professionals	Annual conference	\$1,500
Puyallup Tribe of Indians	Power Paddle to the Puyallup	\$10,000
Tacoma Pierce County Chamber of Commerce	Economic Forecast Breakfast	\$10,000
Tacoma Pierce County Chamber of Commerce	Elected Officials Holiday Reception	\$4,000
University of Washington	UW Financial Reporting Conference	\$5,000
SUBTOTAL		\$37,500

iii. *Trade promotion and business retention & recruitment contracts*

These investments entail contracts between the port and federally-registered non-profit organizations that seek to promote Washington-state based international trade or business retention and recruitment efforts in Pierce County. The commission approves the contracts, receives an annual briefing from the organizations as part of the budget process, and has visibility to the investment in the budget.

¹ This investment will result in public access credits that can be used in the development of future marine terminals and other waterfront facilities.

Organization	Investment	Investment
Tacoma Pierce County Economic Development Board	Tacoma Pierce County Economic Development Board	\$120,000
World Trade Center of Tacoma	World Trade Center of Tacoma	\$122,500
SUBTOTAL		\$242,500

iv. *Local Economic Development Investment Fund*

This is a matching fund program to assist Pierce County cities, towns and non-profits with certain defined economic development projects. Projects are evaluated on an annual basis through a competitive solicitation process.

Organization	Investment	Investment
Asia Pacific Cultural Center	Asia Pacific Cultural Center Building Project	\$10,000
City of Lakewood	123 rd Street Construction	\$45,000
City of Sumner	SR 410 Traffic Avenue Interchange improvements	\$45,000
Harbor History Museum	Maritime Gallery Improvements	\$15,000
Pierce County	Frederickson Manufacturing Industrial Center signalization improvements	\$45,000
Pierce Transit	Fast ferry feasibility study	\$30,000
Point Defiance Zoological Society	Tidal Surge Exhibit	\$50,000
Points Northeast Historical Society	Browns Point Light interpretive signage	\$10,000
SUBTOTAL		\$250,000

v. *Total Port of Tacoma investments*

Category	Investment
Port related infrastructure investments	\$250,000
Port sponsorships related to the port's strategic plan	\$37,500
Trade promotion and business retention & recruitment contracts	\$242,500
Local Economic Development Investment Fund	\$250,000
TOTAL	\$780,000

5. 2018 spending on Local Economic Development Investment Fund

In 2018 the port invested in the following categories through the Local Economic Development Investment Fund:

Category	Percent of projects	Percent of funding
Road and rail freight infrastructure	38	54
Marine tourism infrastructure	12	13
Tourism	50	33

6. 2018 policy review

At a February 2 Port of Tacoma work session, the commission asked for a review of the Local Economic Development Policy. The commission tasked commissioners Petrich and McCarthy to review the policy. Since then, the two commissioners have held seven meetings with staff to review the policy, its history, historical allocation, budget etc. The commissioners have agreed to a set of recommended changes to the policy and accompanying procedures.

C. SCOPE

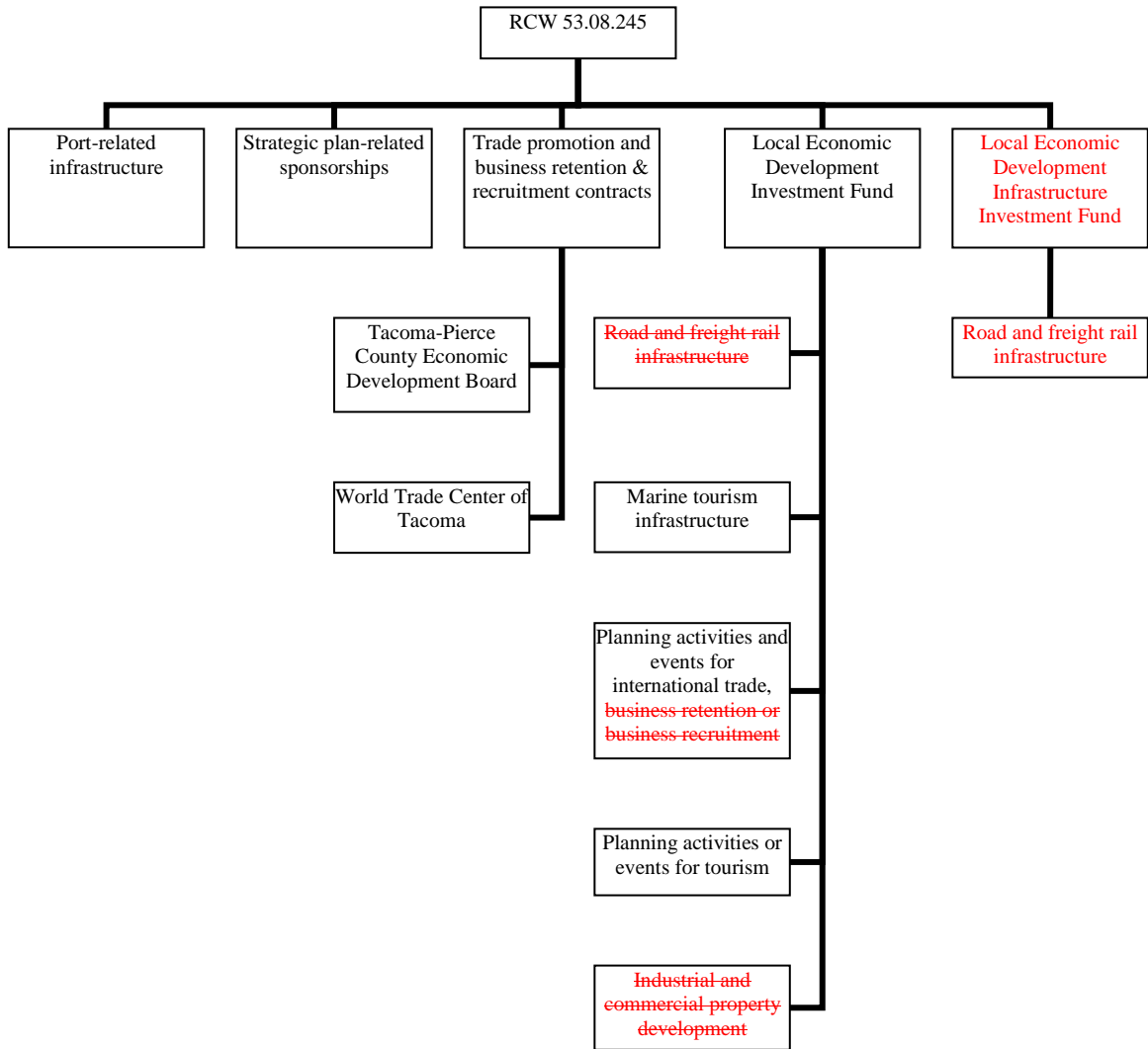
1. Recommended policy changes

Commissioners Petrich and McCarthy recommend amendments to the Local Economic Development Policy (Policy #PA03) and the Local Economic Development Investment Fund Procedure (Procedure #PA03), as well the creation of a new Local Economic Development Infrastructure Investment Fund Procedure (Procedure #PA04). Attached are red-lined version of these documents that reflect the proposed edits in detail.

Broadly speaking, the recommended changes fit into four categories:

- elimination of projects supporting business retention and recruitment and industrial and commercial development as an eligible use under the Local Economic Development Investment Fund.
- the split of the Local Economic Development Investment Fund into two funds—one for road and rail freight infrastructure and one for the remaining eligible categories (marine tourism infrastructure, events promoting international trade, and tourism).
- changes to the Local Economic Development Investment Fund procedure to increase commissioner involvement in the evaluation process, including commission approval of the final slate of proposed investments; and
- edits intended to clarify that investments from the Local Economic Development Investment Fund and the Local Economic Development Infrastructure Investment Fund are one-time decisions and should not be viewed or implied as ongoing commitments.

These policy changes could be viewed graphically as follows:



Please note that these are a joint recommendation by commissioners Petrich and McCarthy. Additionally, the commission will be asked to consider a further amendment to the recommendation by Commissioner McCarthy revising the definition of eligible tourism activities the port may invest in under the Local Economic Development Investment Fund.

2. Recommended investment split

Pending approval of the recommended policy and procedure changes outlined above, the commission will also be asked to consider a recommended split of money between the Local Economic Development Infrastructure Investment Fund (which would receive 70 percent of the funds) and the Local Economic Development Fund (which would receive 30 percent of the funds).

D. TIMEFRAME

The recommended policy and procedure changes would affect the 2019 request for proposals for the Local Economic Development Investment Fund.

E. FINANCIAL SUMMARY

Cost: The recommended policy and procedure changes have no cost associated with it. The recommended cost-split also has no cost associated with it. Subsequent commission actions, such as whether to enter into a trade promotion and business retention & recruitment contract or to invest in a project through one of the investment funds, would have costs. These costs will be considered by the commission at the time of action.

Source of Funds: Funding for the Local Economic Development Investment Fund and the Local Economic Development Infrastructure Investment Fund would come from the operating budget, Sponsorships, Government and Community Affairs Department Budget.

The commission has budgeted \$250,000 for the Local Economic Development Investment Fund. Assuming the commission approves the proposed policy and procedure changes, and assuming the commission approves the proposed investment-split, the money would be allocated as follows:

Fund	Targeted allocation
Local Economic Development Investment Fund	\$75,000
Local Economic Development Infrastructure Investment Fund	\$175,000
Total	\$250,000

F. ECONOMIC IMPACT

Unknown.

G. ENVIRONMENTAL IMPACT

Not applicable.

H. ATTACHMENTS

1. Commission presentation
2. Local Economic Development Policy (Policy #PA03) with proposed red-lined edits by commissioners Petrich and McCarthy
3. Local Economic Development Investment Fund Procedure (Procedure #PA03) with proposed red-lined edits by commissioners Petrich and McCarthy
4. New Local Economic Development Infrastructure Investment Fund Procedure (Procedure #PA04) proposed by commissioners Petrich and McCarthy
5. Proposed amendment to the Local Economic Development Policy and the Local Economic Development Infrastructure Investment Policy by Commissioner McCarthy regarding tourism.