

Mississippi Development Authority

Amendment 5

Port of Gulfport Restoration Program

December 12, 2007

Overview

Hurricane Katrina made landfall in Mississippi on August 29, 2005, and was the worst natural disaster to strike the United States. The Port of Gulfport's electrical power supply, roads, water and sewer, rail, small craft harbor fendering systems, navigational aids, and lighting and security systems were all destroyed or damaged beyond repair by the storm.

Approximately 430,000 square feet of waterfront warehouses and freezer facilities were completely destroyed by the hurricane. The container gantry crane, bulk vessel loader, conveyer system and support buildings were lost. The wharf area on the West Pier was severely damaged and unusable, including approximately 2,100 linear feet of berthing area and 420,000 square feet of wharf deck.

The restoration of the Port of Gulfport is crucial to the economy and long-term recovery of the State of Mississippi and to the Gulf Coast region in particular. Many products grown or manufactured in the state are exported through this port. Two of the top three exports, poultry and forest products, are produced in Mississippi. Furthermore, manufacturing companies located throughout the state depend upon the products imported through this port.

This amendment provides for the Port of Gulfport Restoration Program. The total amount proposed for this program, including administrative costs, is an amount not to exceed \$600 million from Phase I of the Homeowners Assistance Grant Program.

Program Purpose

In November 2005, the Governor presented to Congress and members of the Mississippi Legislature a request for federal funding, beyond FEMA Disaster Relief, to address recovery needs. Keeping with that original plan, the Mississippi Development Authority (MDA) submits this Port of Gulfport Restoration Program Amendment 5 to provide funding to the Mississippi State Port Authority to facilitate the restoration of public infrastructure and publicly owned facilities that were destroyed by Hurricane Katrina, to provide mitigation against future damage and to provide for the long term recovery of the operating capacity of the Port.

Background and Scope

The Mississippi State Port Authority is responsible for the daily operations and infrastructure of the Port of Gulfport, herein referred to as the "Port". As an Enterprise Agency of the State of Mississippi, the Port receives no annual general fund allocation from the State, but instead operates as a private business. Its income is derived from port usage, service fees, lease agreements, and other tenant related fees.

The Port is a full service, deep-water port, with container, break-bulk and bulk cargo handling capabilities. It is strategically located on the Gulf of Mexico, with direct access to sea-lanes, air, rail and interstate highways. The Port is the third busiest container port in the Gulf of Mexico and the 17th busiest in the United States.

Given its location, products leaving the Port via ground transportation can easily be distributed to 75 percent of U.S. markets within 24 hours. The Port's principle importing regions are Central America, South America, Australia and the Pacific Islands, with its predominant trading partners being Honduras, Guatemala, Nicaragua, and El Salvador. Top cargo imports traditionally received at the Port include bananas and other tropical fruit, ilmenite ore, container cargo, and lumber products. Top exports include container cargo, frozen cargo, especially frozen poultry products, and linerboard.

As a result of Hurricane Katrina's crippling effects on the Port's infrastructure, equipment, and facilities, functions remain limited and the Port's potential is not met. Prior to Hurricane Katrina, for the month of December, 2004, the Port exported and imported a total of almost 228,000 tons of cargo. For the month of December 2005, four months after the storm, the Port was able to move only 98,000 tons of cargo. In 2004, 353 vessels arrived at the Port and 2.4 million tons of cargo was handled. In 2006, 234 vessels arrived and 1.6 million tons of cargo was handled. Although work has been done to repair storm damage, and in instances repair only temporarily, the Port has been unable to return to pre-storm operating capacity levels.

While the Port's operating capacity has improved in some areas, in general, all operations continue to lag far behind pre-storm capacities with some operations not yet resumed. In 2004, the Port imported approximately 756,600 tons of bananas; 655,600 tons were imported in 2006. Currently warehousing located four miles off-dock is being used to serve the fruit carriers' needs.

Gearbulk has relocated its break-bulk operations to Pascagoula since there are no on-dock warehouses remaining at the Port. Shippers and break-bulk carriers have notified the Port of their interest in returning as new infrastructure becomes available. It should also be noted that the tenants who have returned are operating at a higher cost and the Port is at risk of losing the tenants if adequate infrastructure cannot be provided.

In 2004, the Port exported 140,800 tons of frozen cargo, most of which were poultry products. The Port remains unable to export any frozen cargo because it has been unable to replace its freezer facilities. The frozen poultry market is now served through other competing ports, such as Mobile, due to the loss of the on-dock freezers.

Following the damage from Hurricane Katrina in September 2005, the Port began to assess the goals and vision of the previously adopted 2003 Port Master Plan and establish the 2007 Master Plan Update. The goals of the 2003 Master Plan were to consolidate terminal activities to maximize terminal efficiencies, minimize traffic conflicts/congestion and accommodate future growth anticipated in the market over the twenty-year planning horizon. During review of the adopted 2003 Plan, the Port determined that the prior planning efforts were based on sound judgment and many of the concepts are still applicable after the hurricane and will provide long-term economic recovery.

The 2007 Master Plan Update is a result of reviewing the prior planning efforts, the impacts of Hurricane Katrina, mitigation from future storms and updating maritime cargo forecasts. In

addition, existing tenants were interviewed to identify future expansion plans and potential new market developments. It should be noted that the 2007 Master Plan Update is a five-and-ten-year plan as opposed to the twenty-year plan described in the 2003 Master Plan.

There has been a significant loss of maritime revenue suffered by the Port as a result of the hurricane. The following provides gross maritime revenue prior to and after the storm:

Table 1

<u>Fiscal Year Ending</u>	<u>Gross Maritime Revenue</u>
June 30, 2003	\$9.8 Million
June 30, 2004	\$9.4 Million
June 30, 2005	\$9.4 Million
June 30, 2006	\$3.4 Million
June 30, 2007	\$4.1 Million

In addition to loss of maritime revenue, the Port has suffered a loss in non-maritime revenue, which further impacts its financial ability to recover.

Table 2

<u>Fiscal Year Ending</u>	<u>Gross Non-Maritime Revenue</u>
June 30, 2003	\$9.9 Million
June 30, 2004	\$11.1 Million
June 30, 2005	\$11.6 Million
June 30, 2006	\$3.6 Million
June 30, 2007	\$3.9 Million

Loss in operating capacity has had a dire impact on the number of job opportunities at the Port. In 2005, before Katrina, there were 3,200 direct, induced and indirect maritime jobs associated with the Port. Currently there are 2,000 (reference Table 3 below).

The 2007 Master Plan Update projects approximately 5,400 direct, induced and indirect maritime jobs to be generated by the year 2015.

Table 3

Current and Potential Maritime Jobs At the Port of Gulfport				
Jobs	Pre-Katrina 2005	Current 2007	5 year 2010	10 year 2015
Direct	2,058	1,286	2,348	2,586
Indirect & Induced	1,142	714	2,555	2,814
Total	3,200	2,000	4,903	5,400

Table 3 shows there were 2,058 direct maritime jobs prior to Hurricane Katrina. Of these 2,058 jobs, 205 were held by individuals with low-to-moderate-income. In 2007, the number of direct

maritime jobs has fallen to 1,286, 141 of which are held by individuals with low-to-moderate-income.

As the recipient of this funding, the Port and its tenants will make jobs available to low-to-moderate-income workers. The Port's tenants will be required to sign a contract/Memorandum of Agreement (MOA) with the Port. The MOA will detail the job classification categories and the number of jobs created or retained that will be made available to low-to-moderate-income persons. All jobs created or retained and those that are made available to low-to-moderate-income workers will be documented and reported. These efforts will provide relief and long-term recovery to the disaster area and are consistent with the CDBG program's primary purpose.

In May 2007, the unemployment rate for Gulfport, Mississippi, and Harrison County, Mississippi, were 6.2% and 5.5% respectively. The unemployment rate for the State of Mississippi was 6.0%. In contrast, the national rate at that time was 4.5%. Considering the Port's potential, both in terms of its employment capabilities and its overall importance to the long-term recovery and economy of the Mississippi Gulf Coast and the state as a whole, it is vital that the Port be restored. The Port is a major economic growth generator for the area most impacted by Hurricane Katrina, as well as the entire state.

Eligible Applicants

Grant monies will be made available through a sub-recipient agreement to the Mississippi State Port Authority, the state agency responsible for the infrastructure, management, and operations of the Port.

Eligible Activities

Eligible activities provided for in this Amendment include the restoration and development of public infrastructure, public buildings and other eligible activities at the Port as found in Section 105 (a) of the 1974 Housing and Community Development Act, specifically those found in Section 105 (a) (14).

MDA will ensure that activities comply with 24 CFR Part 570, Prohibition on Use of Community Development Block Grant Assistance for Job-Pirating Activities. As noted in this action plan, many potential activities are to return and retain tenants that were present prior to the hurricane. In addition, long-term recovery needs are based on updated growth patterns in the market and information on potential expansions and new markets obtained from current tenants. There are indications that after the Panama Canal is widened, larger vessels with deeper draft requirements could potentially call at the Port. In addition, this would bring Asian cargo to the Gulf and East Coast Ports and provide an opportunity for all ports to pursue new carriers.

Examples of projects may include, but are not limited to:

- *INLAND PORT PROGRAM:*

The inland port program includes acquisition of an inland area for creation of a near-dock rail yard and distribution center. The program involves development of a near-dock rail yard capable of handling intake and discharge of unitized container trains and provides cross-dock warehousing to support distribution and devanning/cargo stuffing operations. Approximately 1 million square feet of distribution warehouse space is proposed to support rail yard activities. This program will provide additional job opportunities.

This site will also serve as a potential hurricane evacuation site to support evacuation efforts of port tenants. During Hurricane Katrina, damage was caused by cargo containers being washed from the Port inland. This inland port will mitigate such damage during future storms.

The estimated cost for this program is \$131.1 million, exclusive of the cost of land acquisition.

- *DREDGING/WHARF CONSTRUCTION PROGRAM:*

This program includes all of the elements involved with the creation of water access and landform. The existing ship channel will be deepened to 42 feet. This program also includes creation of a new approach channel, turning basin and berthing basin on the western side of the expanded West Pier. A breakwater structure will also be constructed to help protect the port ships from rough water, as they are being loaded and unloaded. In addition, 3,600 linear feet of new container wharf will be constructed along the western side of the expanded West Pier with repairs to 2,100 linear feet of the existing East and West Pier berths to strengthen the structures for break cargo service.

By implementing this project, the port will be able to service larger vessels, thereby increasing the port's overall capacity and creating new jobs that will be required to process the increased capacity. The estimated cost for this program is \$254.3 million.

- *TERMINALBACKLANDS PROGRAM:*

The terminal backlands program includes the redevelopment of the existing West Pier terminals, development of the expanded West Pier and improvements on the East Pier to take advantage of existing break-bulk facilities.

On the West Pier, there is a need for redevelopment of approximately 153 acres of container terminals, 57 acres of break-bulk terminals, 200,000 square feet of general break-bulk warehouses and replacement of the 100,000 square foot freezer facility. This program also

includes paving, lighting, drainage and fencing on the West Pier.

The activities for the East Pier primarily include road and rail access relocation and the relocation of the East Pier security gate.

The estimated cost for this program is \$114.6 million.

- **TERMINAL GATES PROGRAM:**

The terminal gates program provides for construction of a new centralized security access gate on the West Pier to relocate, consolidate and enhance the previous system which was destroyed. The streamlined gate process will support future hurricane evacuation efforts by allowing the gates to automatically collect critical cargo data from trucks and chassis during a potential evacuation. The estimated cost for this program is \$1.65 million.

Further examples of potential costs of the Port Restoration include, but are not limited to; planning, design, engineering and environmental assessment activities.

National Objectives

This program is designed to be consistent with the national objectives of the Housing and Community Development Act of 1974, as amended, by providing funds for local economic development projects with activities that benefit low-and-moderate-income populations.

Environmental

MDA will be the Responsible Entity (RE) for obtaining compliance with HUD environmental laws and implementing regulations as provided for in 24 CFR Part 58. MDA will be responsible for ensuring that environmental reviews are completed and approved by HUD prior to requesting a release of funds from HUD.

Duplication of Benefits

Activities/projects will be approved and included in the sub-recipient agreement(s) only after documentation is provided to ensure all sources of funding have been considered in accordance with the Stafford Act. Examples of these sources may include, but are not limited to, FEMA, U.S. Corps of Engineers, U.S. Customs and insurance proceeds.

Disbursement of Funds

MDA will enter into sub-recipient agreement(s) with the Port, which will define the individual activities/projects to be funded. The Port will be responsible for construction including managing the bidding process for all construction projects and determining that all work is completed in a satisfactory manner. The Port's Commissioners, engineers, and managers must review and approve

any request for cash before it is submitted to MDA. MDA will then review and approve the request for cash and send the approved amount to the Port, which will be responsible for paying their vendors.

Monitoring

MDA will require the Port to enter into sub-recipient agreement(s). Among other provisions, this agreement will require regular progress reports, will permit MDA access to records and sites, and will require that all procurement be in accordance with State and Federal requirements.

MDA CDBG monitors will perform on-site inspections and will conduct reviews to ensure that costs are accounted for properly. Responsible staff will report concurrently to the CFO of MDA and the Office of the Governor.

Audit Requirements

Funds disbursed under this program are subject to the audit requirement of the Single Audit Act of 1996 and OMB Circular A-133.

Investigation and Mitigating Occurrences of Fraud, Abuse and Mismanagement

MDA will work with all Federal agencies to investigate and mitigate instances of fraud, abuse and/or mismanagement of any CDBG funds. The Auditor for the State of Mississippi has an investigative team assigned to investigate suspected instances of fraud. The State Auditor has the responsibility of auditing or requiring audits of all State of Mississippi agencies once a year. The State Auditor is a statewide elected official independent of MDA.

Complaint Referrals

Complaints alleging a specific violation of a statutory or regulatory requirement, including Congressional inquiries, received by HUD at the Headquarters, Regional, or Field Office level will be forwarded to the appropriate State office for a response.

Substantial Amendments

MDA recognizes that any change to the nature, purpose, or scope of the programs contained herein, will constitute a substantial amendment requiring public comment and approval by HUD. Additions or deletions of program activities or changes in beneficiaries would also constitute the need for a program amendment requiring public comment and approval by HUD.

Waivers

To successfully implement the Port of Gulfport Restoration Program, MDA is requesting the following waiver. As the program is implemented, there may be a need to request additional waivers.

The Mississippi Gulf Coast region was struck by the worst natural disaster to ever hit the United States, and the recovery program must be designed in such a way as to be flexible enough to meet the recovery needs of the region.

Labor force data for the coastal counties indicates a significant drop in the civilian labor force after Hurricane Katrina. The Port Restoration Program is designed to increase the labor force on the Mississippi Gulf Coast by creating and returning jobs in the region.

MDA will qualify this program under the low to moderate national objective and will report such information to HUD. Both the restoration of positions vacant because of the storm and expansion positions created will be made available first to applicants with low to moderate incomes.

HUD data regarding the percentage of low to moderate-income residents on the Mississippi Gulf Coast Region, as broken down by County or Municipality, is as follows:

<u>Local Government</u>	<u>Percent Low/Mod Income</u>
George County	44.1%
Lucedale	58.0%
Hancock County	42.6%
Bay St. Louis	40.7%
Waveland	43.4%
Harrison County	36.6%
Biloxi	42.2%
D'Iberville	42.2%
Gulfport	44.9%
Long Beach	29.5%
Pass Christian	36.0%
Jackson County	34.2%
Gautier	36.2%
Moss Point	48.3%
Ocean Springs	29.0%
Pascagoula	47.1%
Pearl River County	41.0%
Picayune	44.1%
Poplarville	45.4%
Stone County	48.7%
Wiggins	54.4%

MDA is requesting the waiver of the standards for evaluating public benefit that was approved under the state's Economic Development Plan Amendment 4 be extended to this plan. This standard is provided for in 24 CFR 570.482(f). Specifically, MDA is requesting a waiver of those standards for activities in the aggregate that require programs to create or retain at least one full time equivalent, permanent job per \$35,000 of CDBG funds used and those standards for individual

activities that prohibit the amount of CDBG assistance from exceeding \$50,000 per full time equivalent permanent job created or retained.

The State of Mississippi is requesting this waiver because:

- i. Cost of construction has risen dramatically as a result of Hurricane Katrina.
- ii. Restoration of the Port will include wharf expansion, terminal backland improvements, and construction of support buildings/warehouses, freezer facilities, rail track and other infrastructure. These are costly items.
- iii. There are potential public/private projects off-site that will result in the creation of “spin-off” jobs, many of which will be available to low-to-moderate-income individuals.

Information will be collected pertaining to the cost per job. This information will be retained, monitored and reported to HUD.

Citizen Participation / Public Comment

This proposed amendment—Amendment 5—was submitted for public comment to the website at www.mississippi.org on September 7, 2007 with public comment period ending September 24, 2007. Written comments regarding this proposed modification could be mailed to MDA, Post Office Box 849, Jackson, MS 39205, Attention: Disaster Recovery, or sent via facsimile to (601)359-9280. Comments were also accepted online at actioned@mississippi.org.

As required by regulations, a summary of comments or reviews received (the number received is shown in parenthesis) by the September 24, 2007 deadline and MDA’s responses are as follows:

- **Opposed to funding port restoration with funds currently allocated to the Homeowners Assistance Program. (Petition signatures 1,377, individual responses 195, 21 responses were received after the deadline)**

Response – The Homeowners Assistance Program (HAP) estimated budget was initially based on FEMA data for flood surge damaged homes immediately after the storm. HAP’s initial objective was to provide assistance to those homeowners outside the 100-year flood plain who received damage from storm surge and relied on the recommendation of the National Flood Insurance Program to determine the need for flood insurance. A requirement of the first phase was that the homeowner must have had, at a minimum, hazard insurance. The program was extended to assist those homeowners who received surge damage regardless of their location or insurance coverage. The second phase included a household income limit not to exceed 120% of the Area Median Income (AMI). The amended budget for Phase I and II of the HAP could provide homeowner grants for up to 30,000 homes. As of November 2, 2007, 17,596 Phase I and II grants were approved for payment with 41% of the households at or below 80% of AMI. As of November 30, 2007, 17,141 Phase I and II grants have been disbursed for \$1.23 billion.

The following are additional housing programs funded with CDBG Disaster monies that specifically address housing needs of low-to-moderate-income households.

The Public Housing Authority Program provides long-term recovery assistance to the five Public Housing Authorities located in Jackson, Hancock and Harrison Counties. This program replaces critical public housing that existed prior to the storm on at least a “one-for-one” basis. There were 2,500 units damaged of the nearly 2,700 existing units. HUD approved this \$105 million program in August 2006.

The Small Rental Assistance Program provides forgivable loans to owners of small rental properties in Jackson, Hancock, Harrison and Pearl River Counties. The primary stipulations are that the units be rented to tenants at 120% of AMI, with the requirement that 51% of these tenants have incomes of 80% or less of AMI. Owners are also restricted in the rents that can be charged to each tenant based on HUD defined affordable rates. The conditions must be met for five years for the loans to be forgiven. HUD approved this \$262.5 million program in July 2007. The period for the first round of applications ended on October 26, 2007, 2,100 applications were received and it is estimated that these would provide 3,700 units. Applications are made by property.

MDA issued a Request for Proposal from qualified individuals and non-profit and for profit entities to develop Long Term Workforce Housing Programs. Responses were due on December 3, 2007. MDA is currently reviewing the sixty-nine responses received. This program will specifically address housing needs for low-to-moderate-income households. Accepted proposals will be submitted, either collectively or individually, to HUD in the form of an action plan. Upon final approval, MDA will negotiate a contract/agreement with the selected proposers to execute the activity. MDA anticipates \$150 million for this program and that proposers will leverage these dollars with tax credits and other sources for developments. MDA also anticipates proposals that provide for down payment assistance for homebuyers. This program should fund no less than 3,000 homes and/or rental units for working families.

In addition to the CDBG funds, the Mississippi Home Corporation (MHC) provides low-interest mortgages and assistance with closing costs equal to three percent of the mortgage. Over 740 households in the southern-most six counties have received these low-interest mortgages, which have totaled over \$90 million.

The Gulf Opportunity Zone Act authorizes MHC to allocate approximately \$35 million annually in Low Income Housing Tax Credits in 2006, 2007 and 2008. These credits encourage the construction and rehabilitation of low-and-moderate-income rental housing. As of August 2007, \$68 million had been allocated to the lower six counties to help build over 5,700 units.

More than \$1 billion of CDBG funding benefits homeowners indirectly; including \$360 million utility ratepayer mitigation, \$80 million windpool insurance mitigation and \$642 million of water, wastewater and storm water infrastructure to allow families to build homes further north and away from the worst hurricane risks.

- **Extend the comment period. (1 before the deadline and 1 after)**

Response – The comment period was not extended.

- **Supports the restoration of the Port but requests the plan to be amended to be more responsive to local governments’ desires for expanded uses of the Port site by providing inclusion of the city’s long-term goals and objectives and reflect a stronger management role by MDA and the City of Gulfport. (1)**

Response – The plan will not be amended. Both the Harrison County Board of Supervisors and the City of Gulfport appoint a commission member to the Mississippi State Port Authority at Gulfport. The Commission must approve all contracts and expenditures for the Port and adopted the 2007 Master Plan Update, which is the blueprint for the restoration program proposed.

In addition, MDA will review and approve each project/activity prior to funding through the sub-recipient agreement. This review will include determining that the project/activity does not contradict long-term plans of local governments.

- **Supports cruise ship terminals being built at Port of Gulfport (2)**

Response – CDBG Disaster Recovery Funds will be utilized for maritime restoration only.

- **Supports Port Restoration Program (2)**