

OREGON'S PORT DISTRICTS AS AN ELEMENT OF ECONOMIC DEVELOPMENT

by

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ABSTRACT. Oregon's twenty-two smaller port districts have the means to undertake a variety of community development goals. The activities of these public bodies extend beyond facilitating maritime commerce and harbor improvement. A primary responsibility, exemplified by a brief look at the evolution and contemporary authority of ports in Oregon, is to encourage economic development within the port district. To complement this objective the ports have available seven broad instruments which provide a comparative advantage in stimulating growth. In assessing the contributions of these districts, a survey of three ports revealed a considerable variation in effort and success in development promotion. To enhance port management and development future efforts need to be directed towards implementing planning and coordinating techniques, creating a greater awareness of port powers and responsibilities, and increasing state research and investment.

I. INTRODUCTION

Oregon's current economic situation is gloomy. Economic events of the recent months have thrust the state's economy to a level considerably below that of the nation.¹

Economic development offers a long-term solution to Oregon's cyclic stagnation. It does not require elaborate economic theory to recognize that planned economic diversification and expansion create a hedge against the economic cycles of any one industry.

Oregon currently faces numerous obstacles which act to hinder future

development. There is a need to consider the current problems and explore new techniques for stimulating economic growth. One such component worthy of investigation is the port district. Oregon port districts have been granted a wide range of authority. These powers, if successfully applied, provide a number of invaluable instruments for attracting new industry and commerce.

The location of manufacturing plants is a complex process in which a number of economic and geographic factors are involved. It is not the intent to suggest the port district is a panacea to Oregon's deep-rooted problems in economic development. The port district is an option that has, in many cases, been neglected in the past years due to the confusion, ignorance, and lack of coordination which surround the port concept.

This study investigates the activities and authority of the port district in Oregon. Specifically, emphasis is placed upon the legislative elements and current practices which pertain to economic development. The first two sections present the evolution and contemporary role of Oregon's port districts, as well as a detailed analysis of the instruments which enable the ports to stimulate economic activity within their district boundaries. To evaluate past and existing port development activities in Oregon a survey of three ports has been incorporated into the research design. These examples survey the facilities, operations, and financial structure of three diverse ports.

The final analysis draws not only upon the case studies, but from the entire research experience to assess the factors which have contributed to the success or failure of the port to become an integral part of the regional development scheme.

The information in this study has direct application to all of

Oregon's port districts except the Port of Portland. Its extreme size, complexity, and function as a metropolitan district make the Port of Portland incomparable with Oregon's smaller ports. Furthermore, the laws governing the activities of the Port of Portland are organized under a separate statute (Oregon Revised Statutes, Chapter 778).

II. THE PORT DISTRICT IN OREGON

The word "port" originates from the Latin term "porta" meaning gate or gateway. This usage seems appropriate when thinking of the concept in its more restricted capacity as a water port which functions as a gateway for the surrounding land area.

In Oregon the concept of a port has broadened considerably in recent years. It is no longer simply a provider of sufficient waterways or merely a collection of physical facilities in a harbor area. The port today is a local enterprise whose responsibilities encompass a wide range of activities.

A brief look at the port's evolution and current activities in Oregon clearly demonstrates the dynamic character of the port concept.

Evolution of the Port District

Lacking an efficient alternative means of transportation, maritime commerce played an important role in the historical growth and development of Oregon.

The majority of Oregon ports owe their origin to trade in one particular resource or commodity. From their inception until the 1930's the predominate activity of the ports in Oregon was the exportation of timber and agricultural products from the immediate hinterland. Inward trade

consisted mainly of farm and home necessities.²

Throughout their early history Oregon ports operated without official recognition or statutory authority. The port facilities, where they existed, were generally held under private ownership. By the turn of the century an increase in trade and population began to create an awareness of the real and potential role of the port in the state's economic well-being.

By 1906 several ports, including the Port of Portland (1891) and the Port of Bay City (1906), had been created by special statute. Given this emerging prominence the state soon recognized the need to unify future statutes and define the port's administrative realm. In 1909 the Oregon Legislature provided for the incorporation of ports.³ The initial jurisdiction of the ports was limited to facilitating maritime shipping (i.e., harbor improvements, pilotage service, harbor policing, etc.). The real significance of the act was that it provided the financial means necessary for ports to exercise their newly acquired authority. These enabling powers authorized an incorporated port to borrow money, issue bonds, tax, and exercise the power of eminent domain.

As time passed the ports began to exhibit an obvious hierarchy of success. The concentration of activity began to slowly focus upon a smaller number of coastal and river ports. To the keen observer there appeared to be a pattern of physical limitation, or threshold, to the number of ports which the coastal and river hinterlands could reasonably support.

By the 1950's several of the more foresighted and aggressive ports began to look beyond the traditional port-related activities. Ports began investigating new approaches to stimulating economic activity in an

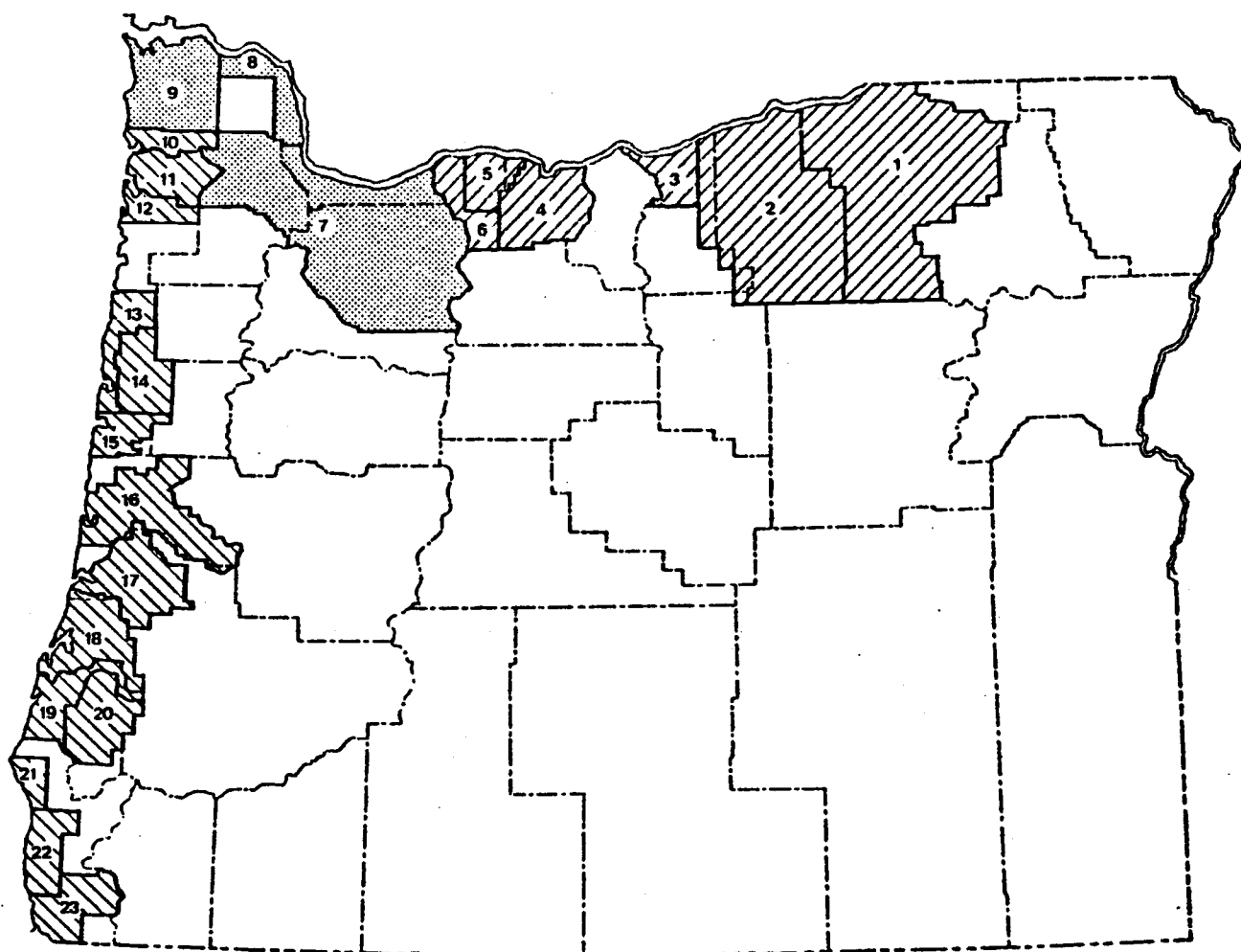
endeavor to establish themselves on a sound and enduring commercial-industrial basis.

The attraction of new industry presented a viable option to improving port commerce and at the same time enhancing the entire regional economy. The Oregon Legislature was quick to respond to the needs of ports for innovation. In the early 1960's new legislation began to appear which was directed at broadening the scope of the existing statutes as to more fully accommodate and complement economic development within the realm of ports. The initial amendments were rather nebulous and of a permissive nature; however, later legislation provided specific incentives to lure new industry. These legislative trends, which have continued to the present, serve to highlight the broadening concept and interest of the community with respect to the scope of port activities.

Oregon Ports Today

Twenty-three port districts presently serve Oregon's diverse needs. Spatially, the ports extend from Brookings near the California border to Umatilla on the middle reach of the Columbia River (Figure 1). Roughly 90 percent of Oregon's land adjoining the Pacific Ocean and Columbia River is incorporated into port districts. Individual district boundaries, where they do not include an entire county, are generally delineated by the natural watershed and its flow characteristics as they contribute to the surrounding navigable water.⁴

The port district is a local unit of government organized under the Oregon Revised Statutes, Chapter 777. Each port is a community enterprise whose distinct nature is largely influenced by two factors: 1) a community notion of what the port is or should be, and 2) the natural and



OREGON PORT DISTRICTS

- | | |
|---------------------------|----------------------------|
| 1. Port of Umatilla | 13. Port of Newport |
| 2. Port of Morrow | 14. Port of Toledo |
| 3. Port of Arlington | 15. Port of Alsea |
| 4. Port of The Dalles | 16. Port of Siuslaw |
| 5. Port of Hood River | 17. Port of Umpqua |
| 6. Port of Cascades Locks | 18. Port of Coos Bay |
| 7. Port of Portland | 19. Port of Bandon |
| 8. Port of St. Helens | 20. Port of Coquille River |
| 9. Port of Astoria | 21. Port of Port Orford |
| 10. Port of Nehalem | 22. Port of Gold Beach |
| 11. Port of Bay City | 23. Port of Brookings |
| 12. Port of Tillamook Bay | |

PORT REGIONAL TASK FORCES




- | | |
|---|----------------|
|  | Coast |
|  | Lower Columbia |
|  | Mid-Columbia |

Figure 1. Oregon Port District Boundaries

human resources of the hinterland served by the port.

The scope of port administration is broad. Oregon ports may perform any functions as long as they "promote the maritime shipping, aviation and commercial interests of the port."⁵ Oregon's ports vary from the small, recreation-oriented ports such as Cascade Locks to the larger commercial ports such as Astoria and Coos Bay.

Port responsibilities and powers specifically authorized by Oregon law include the control of all rivers, bays, and harbors within the port district; the power of eminent domain; improvement of waterways for the extension of shipping and commerce; power to own and operate water transportation lines, pilotage service, airports, bridges, tramways, and railroad and/or terminal yards; development of trade; acquire, construct, maintain, and operate jetties, docks, warehouses, grain elevators, terminal facilities, processing operations (fish, meat, agricultural), and related supportive facilities; power to purchase, develop, lease or sell industrial and commercial sites; authority to engage in floodwater and erosion control; and regulatory authority to preserve natural resources and promote water pollution control.

Given their diverse quality, one or another of the ports is engaged in almost all of these legislative enactments (Table 1). The more common activities of Oregon ports may be summarized as follows:

- 1) Obtaining federal aid in harbor and channel improvement; dredging of slips and supplementary channels not maintained by the Corps of Engineers.
- 2) Planning, construction, and maintenance of commercial waterfront facilities. Coastal port emphasis - forest and timber products, commercial fishing interests. Columbia River ports emphasis -

Table 1. Selected Port Activities and Financial Information[†]

Port	Owns and operates docks and/or storage	Owns dock and/or storage for lease	Owns and operates marina	Provides moorage to commercial fishermen	Leases port property to fish buyers/ sellers	Directly involved in snag/stump and debris removal	Owns and operates local airport	Owns and operates interstate bridge	Owns industrial land	Owns and operates industrial park	1980-81 Tax rate (\$/1000 assessed value	1980-81 Taxes Collected- Property *(1979-80)	Bonded Debt Summary Amount Issued (millions of dollars) General Obligation	Revenue
Alsea		X	X	X		X					.04	\$ *6,496	\$	\$
Arlington									X		.13	6,861		0.450
Astoria	X	X	X	X	X		X		X	X	.09	155,160	2.200	12,840
Bandon	X		X	X	X	X			X		1.12	N.A.	1.515	
Bay City	X		X	X	X	X			X		.33	34,051		
Brookings	X		X	X	X	X			X		.19	40,513	0.615	
Cascade Locks	X		X	X				X	X	X	.07	1,709		1.587
Coos Bay		X	X	X	X					X	.29	117,300	1.950	8.166
Coquille						X					.04	10,943		
Gold Beach	X		X	X	X	X	X		X		.41	44,312	0.250	
Hood River	X		X				X	X	X	X	.04	13,079		1.660
Morrow									X	X	.08	34,241		80.192
Nehalem						X					.04	5,440		
Newport	X		X	X	X	X			X		.09	*16,856	2.589	4.399
Port Orford		X		X	X						.17	7,392		
St. Helens		X	X	X			X		X	X	No tax	No tax	0.350	24.235
Suislaw	X		X	X	X				X	X	.15	61,821		2.200
The Dalles		X	X						X	X	.16	62,721		3,900
Tillamook		X					X		X	X	.04	10,533	0.050	5.699
Toledo		X		X					X		.06	9,626		
Umatilla		X	X						X	X	.19	111,535	1.025	7.550
Umpqua		X			X					X	.13	56,874		12.000

[†] These are activities in which the ports are directly involved. The absence of an "X" does not necessarily imply a service is not available within the port district.

Sources: Oregon Public Ports Association, Oregon Port Directory - 1982.

Oregon Department of Revenue

Oregon Secretary of State

agricultural exports, petroleum imports.

- 3) Establishing and collecting of charges at port-owned facilities and property, including lease, rental, and sale agreements.
- 4) Physical planning and promotion of economic development for the port district.
- 5) Maintenance of limited records on port traffic, revenues, and expenditures to be submitted to state agencies.
- 6) Provision, maintenance, and operation of tourism and recreational facilities.
- 7) Promotion of traffic and trade through the port.

Each of Oregon's smaller ports is governed by a board of five elected commissioners. The basic function of the commission is to plan the port's future and then direct the port's activities toward fulfillment of these objectives.⁶ Each commissioner must be a registered voter residing within the port boundaries and is elected to a four-year term. The position is a non-paid public office.

The statutes mandate the board hold at least one regular meeting in each month. These meetings, as well as all records pertaining to the business of the port are open to the public. Citizens of the port district may express their opinions and concerns by attending these meetings or by directly contacting their elected port representatives.

A majority of the ports have hired a director (i.e., port manager, harbor master, or executive director) to execute the policy of the commission and assist in handling the daily affairs of the port. The larger scale operations often employ additional staff members. The ports of Alsea, Arlington, Nehalem, and Umpqua do not have managers.

To assist inter-governmental relations four regional task forces

have been created by the Oregon Legislature. These consist of the Coastal Region, the Lower Columbia Region, the Mid-Columbia Region, and the Interior Region (Figure 1). Each group is required by law to meet at least four times a year "to discuss and solve problems of common interest within the region."⁷ The concept of a "dryland" port is relatively new in Oregon, as historically ports have been confined to the lands bordering the Pacific Ocean and Columbia River. To date no interior ports have been formed.

In 1969, the Oregon Legislature authorized the Ports Division, which is now within the Department of Economic Development. The intent of this agency is to promote the orderly and efficient governing of the ports through its state-wide coordinating, planning, and research endeavors.

To finance their activities Oregon ports may levy taxes, collect user fees, borrow money, receive grants, and issue bonds.

A port may levy taxes on all real and personal property within its boundaries for the purpose of conducting port functions. These taxes may not legally exceed \$2.50 per \$1,000 of property value. In addition, a special tax may be collected for servicing various forms of port indebtedness.

Records indicate that tax rates are substantially less than prescribed limits and constitute a moderate source of revenue. Tax rates for the 1980-81 year ranged from \$.04 to \$1.12 per \$1,000 of assessed property value.⁸ However, only four of the twenty-one small ports levying taxes collected over \$.20 per \$1,000 assessed property value (Table 1). On the average, taxes supplied slightly over 20 percent of the ports actual general fund revenues in 1980-81.

User fees are a prominent source of internally generated funds. Ports

provide a variety of services for which they collect fees. Included within this realm are such provisions as sport marina facilities, commercial moorage, and rent/lease agreements for industrial-commercial buildings and land.

III. INSTRUMENTS ENHANCING PORT DISTRICT EFFORTS TO STIMULATE ECONOMIC DEVELOPMENT

The encouragement of economic activities within the district has become a principal function for many of Oregon's ports. The first-order objective of the port is to assist the expansion of existing firms and to attract new companies. Industrial expansion not only promotes employment and general volume of business in the community, it may also enhance the future trade and commerce in the port.

Oregon ports, like many municipal bodies, have available to them a wide range of ways in which to influence plant location. This section will present seven particularly salient tools which have been intentionally bestowed upon the port district. These factors appear to be a reliable indicator of the ports aggregate efforts to attract industry.

Bond Financing⁹

Ports may issue bonds to finance maritime projects as well as to acquire land and construct facilities for lease or sale to new or expanding firms within their districts.

The most important attribute of municipal bonds is their tax-exempt status. In Oregon, the interest paid on bonds issued by a port district is exempt from federal and state personal income tax. As a result, ports are able to borrow funds at interest rates lower than those available to private borrowers. The low interest rates are then passed on to the private entrepreneur as a means of attracting new investment and generating

new employment opportunities.

Port districts may issue both general obligation and revenue bonds. General obligation bonds are backed by the full faith, credit, and taxing power of the port. As such, these bonds require voter approval and generally may not be issued in excess of 2½ percent of the true cash value of all property within the district. It should be noted, however, in an "emergency" a port may issue limited term (5 year) general obligation bonds for up to \$50,000 a year without voter approval. The maximum rate of interest either of these general obligation bonds can yield, which is currently 14 percent per annum, is mandated by state law.

The secure backing behind the general obligation bond enables them to receive the highest ratings and lowest yields. Yet, their applicability to industrial development is limited owing to the requirement of voter approval, debt limitations, and use restrictions. For the most part general obligation bonds can only be used to finance port-related projects from which the entire community may benefit (i.e., navigation improvements, harbor and marina facilities, pilotage service, water commerce-related activities, etc.). Ports tend to use this line of financing sparingly; since the early 1970's only about \$7 million in general obligation bonds has been issued.

Revenue bonds issued by port districts have raised more capital for industrial development than any other type of revenue bond.¹⁰ In the past decade port revenue bonds have generated over \$160 million (Table 1).

The revenue bond is not a general obligation of the district, as it is not secured by the taxing power of the port. The port district is one of the select local governments empowered to issue revenue bonds without voter authorization.

Revenue bonds also differ from general obligation bonds in that they may be issued for a wide variety of purposes, including the port's own operations or those of private industry. Although Oregon statutes permit a broad use of this financial tool, the individual port districts have their own policies controlling eligibility.

Two types of revenue bonds may be issued by the port: the industrial development revenue bond (IDRB) and the port management revenue bond (PMRB). The IDRB involves a lease or conditional sales arrangement between the port district and the applicant. The port retains the title to the financed real property and/or equipment during the life of the bonds. The facilities are then leased back to the firm until the bonds are paid off. Once the bonds have been retired the title to the project is sold or transferred back to the lessee in accordance with the original agreement.

The debt service on an IDRB is secured only by the earnings of the facility that was constructed from the proceeds of the bond sale. No tax monies or non-tax revenues of the port can be used to retire these bonds. In fact, should the project fail and the lessee default the port would have no continuing responsibility to provide financial support for the operation. Thus, the marketability of the IDRB is dependent solely upon the financial status of the firm.

The PMRB is a relatively new financial instrument (1979) which allows ports to acquire and develop land, or develop land already owned for such purposes as attracting and providing assistance to new enterprise. Utilizing this technique the port may lease, rent, or charge a use fee for the improvements financed by the bonds. Unlike the IDRB, there is no intention of conveying the title of the project to the industrial-commercial tenant. For this reason, the PMRB is repaid from non-tax derived revenues

of the port not otherwise pledged.

There are advantages and disadvantages to the PMRB. To complement orderly development and utilization of sites to the best advantage of the district, it is desirable that the port retain ownership over industrial-commercial areas. Furthermore, by leasing, the port is assured a source of revenue from the site long after the bond has been retired.

Accompanying these benefits is a degree of risk and responsibility not present with the IDRB. Should the financed venture result in failure the port has the legal obligation to meet all principal and interest payments and all costs of servicing the bonds.

Loans and Grants

In 1977 the Oregon Legislature created a Port Revolving Fund of \$4 million. A port may borrow money from the fund to finance virtually "any port development project."¹¹

Since its inception the Port Revolving Fund has granted twenty-nine loans totaling \$5.56 million. Over half of the loans were for the purpose of aiding private businesses. Approximately 410 full-time jobs have been created through this loan program.¹²

The continued success of the Port Revolving Fund has spurred the legislature to amend the original statutes to extend the borrowing power of the port. Currently, each port may borrow up to \$500,000 in a one-year period; no port may have more than \$750,000 outstanding to the Port Revolving Fund at any one time. The total loan capacity of the Port Revolving Fund has recently been increased to \$7 million.

The interest on these funds is based on an amount equal to two percentage points over the most recent state general obligation bond issue

rate. The terms of repayment must not exceed 10 years.

Compared with bonds, the Port Revolving Fund is a relatively expensive financing tool. However, it does provide a quick and flexible interim funding vehicle for those projects which are not large enough to warrant the issuance of port-generated bonds.

Port districts, like municipal divisions, are eligible to receive state and federal grants. The amount and type of financial aid received is largely influenced by the undertaking of the individual port and its managerial skills in "grantsmanship." Particularly important state level programs involve such agencies as the State Marine Board, the Department of Land Conservation and Development, and the State Aeronautics Division.

A wide variety of port projects directly associated with industrial development are eligible for federal assistance. Some of the more recent agencies and programs contributing funds for port development include the Economic Development Administration (water systems on industrial sites), Farmers Home Administration (land leveling, waste disposal, water and electrical extension), Federal Aviation Administration (airport improvements, land acquisition), and the Land and Water Conservation Fund (landscaping, marina park improvements).

Additional Capital Creating Instruments

In addition to the aforementioned funding instruments, ports may also borrow money, issue promissory notes, and dispense warrants.

In many ways promissory notes are similar to bonds. They return a stated rate of interest, mature at a specific date in the future, and can be bought and sold on the open market. The major differences are as follows: notes may not exceed a term of 5 years or a debt limitation of

\$250,000, and can only be issued for specific development "suitable for use by any industry...or by any commercial enterprise" (i.e., acquisition of land, construction of buildings, and related improvements).¹³ Furthermore, notes are secured solely by the assets and revenues of the project for which they are intended and are not backed by the full faith and credit of the issuing port. The allowable interest paid on promissory notes is mandated by the same statutes which set the rate for general obligation bonds issued by the port.

The power to issue warrants presents the port with a unique, but little used opportunity. This device is a draft on the port district, payable on presentation when funds are available for the purpose specified, or at a fixed date with interest.

Warrants are a much more flexible means of interim financing than promissory notes. The enabling statutes pose no limitations upon the warrants amount, term, purpose, or source of repayment.

The warrant appears to have a good deal of potential for financing new development. However, the greatest strength of the warrant also appears to be its greatest weakness. The neglect of this instrument in the past can only be attributed to the apparent confusion surrounding the concept due to the lack of legislative specifics.

Tax Concessions

One of the most interesting and controversial tools for community industrial development is the use of tax incentives.¹⁴ In Oregon, taxes are not a neutral issue in economic development. The state's tax system places larger than average financial burdens on producers, owners, and earners. Business now pays 60 percent of all property taxes in Oregon. Taxes on corporate profits are 9th highest in the nation, with income tax

on employees ranking 2nd in the nation. A recent study estimates the Pacific Northwest failed to attract 34,000 manufacturing jobs from 1973 to 1980 due to the existing tax structure.¹⁵

The state offers several limited concessions to industry, while the ports per se have virtually no powers in the realm of preferential tax treatment.¹⁶

In addition to the tax exempt status of bonds, which at best is only indirectly related to location inducements, the ports are granted one other exemption. This state concession has exempted from taxation all port-owned property which is leased, rented, or allotted for the purpose of berthing watercraft, handling cargo, storing cargo incidental to transshipment, or serving as an airport.¹⁷

This tax concession exemplifies the legislature's interest in facilitating the port as a transportation element. However, given its restricted nature and transshipment bias, the concession appears to be a factor of little consequence to the economic development of the port.

The Port as an Economic Development Agent

It should be apparent that the activities of a port are intended to achieve a variety of community goals. To assure and complement these ends a port may provide research and technical assistance to any city, county, or municipal corporation within the boundaries of the port. In this manner the port may strive towards a comprehensive approach to the planning and implementation of economic development within its district.

This organized format can potentially link port and community interests with those of new industry, thus augmenting coordination and assuring a more positive community-industry relationship.

In addition to the above authorization, there are also statutory provisions allowing the port to engage in promotional activities. Having the facilities and organization to accommodate new growth is one thing, but there remains the task of seeking out and providing information to prospective firms.

Within the realm of "selling" the community, a port may advertise and promote facilities and commerce through public and trade media, exhibits, trade fairs, and the like.

Land and Industrial Park Development

Oregon's most consequential port legislation to emerge from the late 1960's and early 1970's were the statutes enabling ports to develop and utilize land specifically for promotion of industrial and commercial enterprise.

Industrial site development provides the port with a systematic and efficient technique to make land and the necessary services and facilities available to companies. Additionally, this approach extends a degree of leverage that enables ports to influence the magnitude, structure, and mix of incoming industrial activity.

Today, ports possess a variety of tools with which to undertake industrial land development. Specific authorization includes the following:

- 1) Acquire and develop land as a site for a single industry or an industrial park.
- 2) Construct and operate necessary services (water, power, sewage, etc.) incidental to development of a site.
- 3) Construct buildings or other improvements and acquire personal properties suitable for use by manufacturing, industrial, or commercial enterprise.

- 4) Full power to lease or sell all improvements and personal properties, together with the lands upon which they are situated.
- 5) Adopt regulations necessary to implement a comprehensive plan for development of an industrial park.
- 6) Establishment and collection of fees for services provided within the industrial park.

The majority of Oregon's port districts own industrial parks or land suitable for industrial clientele (Table 1). The companies which have chosen to locate on port industrial sites exhibit a diverse activity mix. A sample of industrial operations includes sporting goods manufacturing (Port of Hood River), fish processing (Port of Newport), lumber production and shipment (Port of Coos Bay), potato processing (Port of Morrow), and electric power generation (Port of St. Helens).

U.S. Army Corps of Engineers

The diverse activities of the Corps of Engineers in planning and construction present a unique federal subsidy upon which the port district may capitalize. The purposes of the Corps projects include navigation, hydroelectric generation, industrial water supply, recreation, and fisheries enhancement. These services clearly assist the continuing operation of the ports water-related activities. Moreover, through creative planning and coordination, civil works of the Corps of Engineers have provided a means of implementing site improvements which promote comprehensive economic growth.

The Corps of Engineers has the direct authority to undertake small projects (requiring not more than \$2 million) which provide substantial benefits to commercial and recreation navigation.¹⁸

For larger projects the Corps of Engineers forwards its recommendations to Congress where funds are allocated to the most beneficial projects. The Corps of Engineers then dispenses the funds for the construction, operation, and maintenance of authorized works.¹⁹

Presently there are over a half-dozen projects and numerous project investigations along Oregon's coast. Much of the work involves channel maintenance and breakwater facilities. Over the past 5 years operation and maintenance costs have totalled \$38 million, with the entire Federal investment to date near \$100 million.²⁰

Projects on the Columbia River range from small-boat basins to industrial landfills, to channel maintenance at the mouth of the Columbia. Over \$60 million in federal funds has been appropriated for the latter activity alone.²¹

IV. CASE EXAMPLES - THREE OREGON PORTS

Each of the smaller ports in Oregon operate under the same statutory rubric; yet, the activities of each individual port vary greatly. To exemplify their diverse nature three case examples are presented. The ports were chosen to reflect a wide variety of processes in a broad geographic sample. The ports discussed are the Port of Newport, the Port of Port Orford, and the Port of Hood River. These case examples furnish a tangible basis upon which to assess the real and potential contributions of the port within the gamut of economic development.

The Port of Newport

The Newport Port District encompasses the central and much of the northern portion of Lincoln County (Figure 1). Port operations are headquartered in Newport, population 7,500. Yaquina Bay provides a natural

seaport for the district (Figure 2).

Amid the basic industries of the region (commercial fishing operations and tourism) there exists a degree of reciprocity of which the port plays an integral part. Much of the success of the local tourism industry can be attributed to port related enterprise. Activities and facilities which contribute to the "port atmosphere" and serve to stimulate tourism include the commercial fishing fleet, supportive fishing operations, and water-based recreational facilities. In recognition of the interdependencies, port officials strive to enhance the development of both tourism and maritime interests.

On the north shore of Yaquina Bay the port-owned land includes the property adjacent to and west of the commercial marina and an extensive tract of waterfront property on the northeast rim of the bay. To the south the port owns approximately 240 acres of the South Beach area as well as 40 acres of timberland near the north end of the Newport Airport (located 2 miles south of Newport on Highway 101). Much of the port's land is undevelopable due to existing environmental constraints which regulate uses of sensitive marine areas.

Port-owned properties play a vital part in the local economy. The port leases its holdings west of the commercial marina to provide efficient sites for such operations as fish processing, speciality boat services, restaurants, and tourist attractions.

The commercial marina provides moorage for up to 600 commercial fishing boats, and services over 1200 boats per year. The port is presently undertaking a complete renovation of the moorage facilities. The 3-year project will entail dredging, breakwater construction, moorage alignment, and shoreline facility improvement. Costs for the endeavor, which have

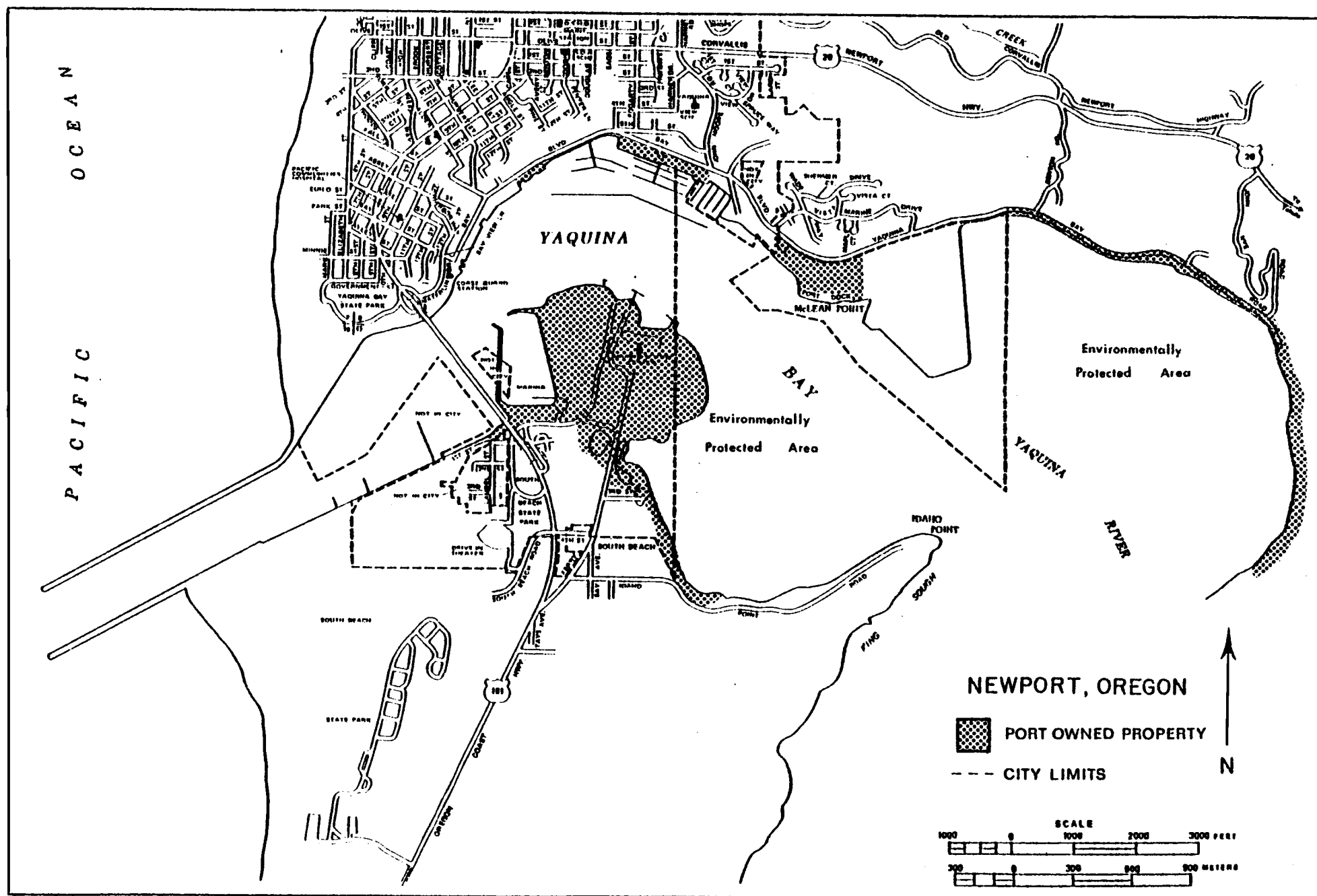


Figure 2. The Port of Newport (Base map: Oregon Department of Transportation)

been estimated as high as \$14 million, will be financed through: 1) port-generated revenues, 2) a recent insurance endowment, and 3) Corps of Engineers appropriations.

The port's largest and most recent development is the South Beach Marina. The 70 acre recreational boat facility provides 600 slips and has dry storage to accomodate 150 boats. Completed in 1980, the marina cost in excess of \$11 million. The port financed this project through a variety of means: general obligation and revenue bonds, \$5.2 million (purchased by Farmers Home Administration at 5% interest); Soil Conservation Service grant, \$5 million; and Corps of Engineers construction assistance. The port now leases the South Beach Marina to a private firm which promotes the enterprise.

The remainder of the developed South Beach property is leased to Weyerhaeuser Corporation (salmon ranch facility) and the Oregon State University Marine Science Center.

Currently, port officials are actively pursuing two development aspects. Yaquina Terminals, a privately-owned deep-water shipping facility has been inactive for several years. In an effort to reactivate the terminal, local citizens recently approved a two-year serial levy to finance a lease/purchase agreement between the port and the terminal owners. Port officials are now promoting the facilities to prospective shippers. Likely export commodities include agricultural and forest products and possibly coal. Should the port fail in this endeavor the Corps of Engineers may reduce the channel maintenance of the bay, thus terminating the port's deep-water status.

The port is also aiding local interests in developing a much needed maintenance facility for large fishing vessels. At present these boats must go elsewhere to be serviced. Various financial techniques are being

used to assist the development. The port is planning to exercise its option on the Revolving Fund and, if necessary, is prepared to issue a revenue bond.

Tax revenues constituted about 10 percent of the port's 1980 general fund income. Lease and moorage fees collected by the port provide the primary source of income. Other revenue is derived from grants, bond handling fees, and miscellaneous sources.

Most of the bonds issued to date by the port have been for harbor facilities and the South Beach Marina development. Additionally, the port has issued revenue bonds to finance the Weyerhaeuser salmon ranch and recently agreed to issue \$6 million in bonds to enable a private firm to purchase the Agate Beach Hilton - a source of 125 jobs.

The Port of Newport does not have a comprehensive development plan. Port planning and development abides by the city, county, and state efforts. The port is in the process of formulating a master plan, an innovative framework which reflects the local philosophy and approach to economic development.

In the near future port officials would like to develop a hotel/convention center adjacent to the South Beach Marina. A planning and feasibility study is now being financed through funds contributed by the port, the City of Newport, and Lincoln County.

In conjunction with this development the port envisions the expansion and improvement of Newport Airport to accommodate "fly-in" convention guests. Plans are also being considered to incorporate the port's timber property into the scheme.

The Port of Newport has numerous handicaps which hamper development prospects, including a restricted land base, lack of railroad access, and

a small budget. Despite these obstacles port officials are taking positive steps to assure the port's continuing role in the community's economic well-being. Indeed, given the current perspective, the port demonstrates the potential for much success in the near future.

The Port of Port Orford

The Port Orford Port District covers much of the northern third of Curry County (Figure 1). Port operations are located at Port Orford, population 1,040.

The harbor at Port Orford is a natural cove which is exposed to frequent winter storms (Figure 3). Given the lack of protection, locally based boats must be hauled out of the water after use each day.

The port is oriented toward serving commercial fishing and fish processing interests. The dock at Port Orford (0.80 acre), owned and operated by the port, is used for three basic purposes. These include: 1) dry storage for 40 boats, 2) launching of commercial fishing boats, and 3) space allotment for three fish buying stations. Landholdings of the port are limited to ten acres of waterfront property. This land is used to provide supplemental storage space for boats as well as a site for a fish processing facility.

The size of the dock imposes a major constraint on commercial fishing operations. Furthermore, the present congestion, for all practical purposes, precludes any recreational boating activities. To rectify this situation the port has begun expansion of the existing dock to accommodate an additional 28 boats and a second boat hoist. Funding sources for the project include the Economic Development Administration (\$342,580), the State of Oregon (\$50,000), and a local contribution of "in-kind services" (\$96,820).

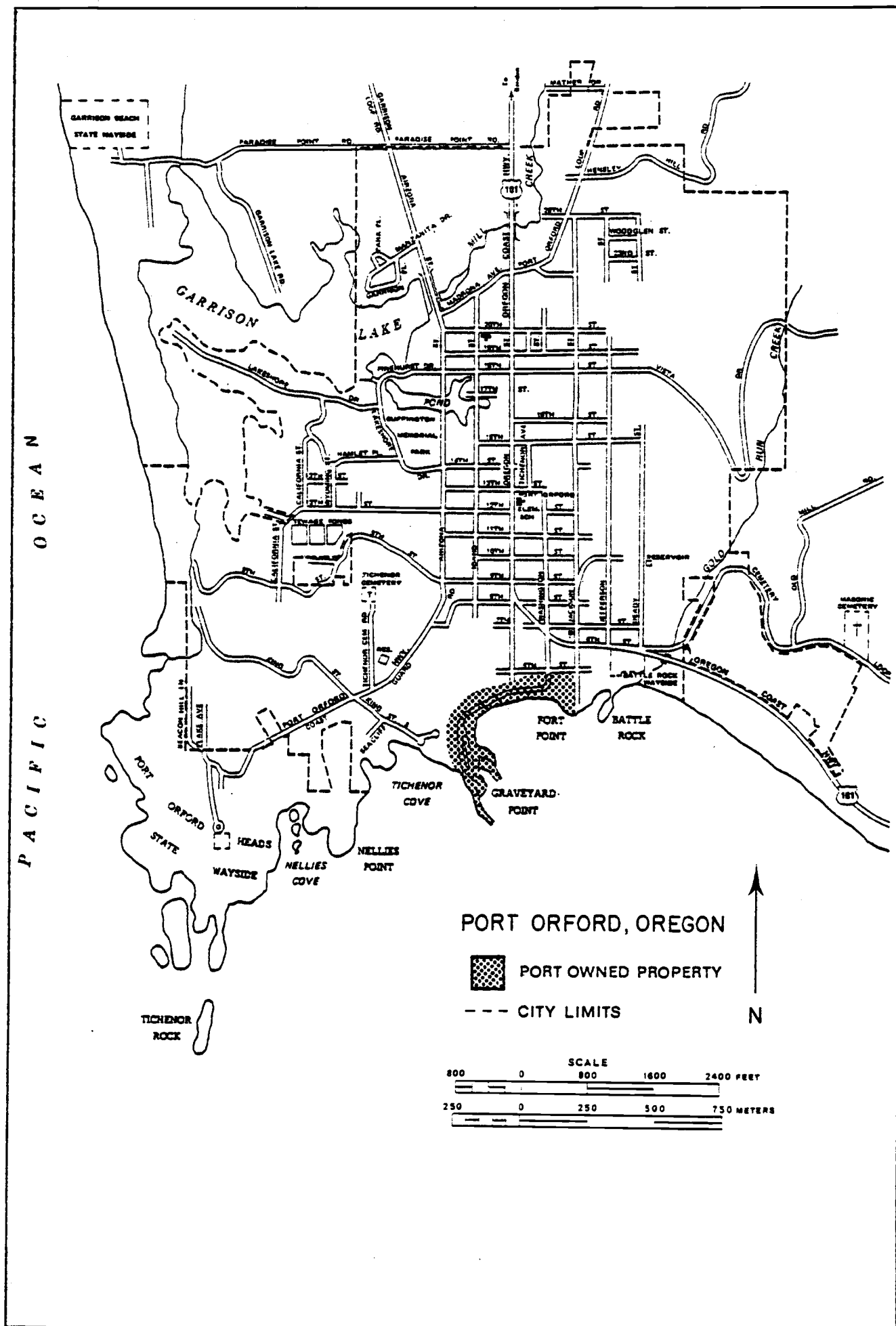


Figure 3. The Port of Port Orford (Base map: Oregon Department of Transportation)

The prudence of this investment is questioned by some port interests because the existing 20-year-old structure is decaying and requires continuous rebuilding amounting to about \$17,000 annually.²²

Port revenues are generated from a number of sources. In order of importance, these include dock and boat hoist fees, facility rental (buying stations and cannery), fuel sales, and taxation. At the present date the port has no outstanding loans or bond indebtedness.

In addition to the monies received for the dock expansion, recent grants have been provided by the Oregon State Marine Board for a sport boat hoist and the Economic Development Administration for a harbor improvement study in 1978.²³

In 1968 the Corps of Engineers constructed the existing breakwater at a federal cost of \$759,000 (see Figure 3). Unfortunately, the project altered harbor current patterns and created an extensive sand shoaling problem. Despite dredging, the shoaling interferes with operation of the boat hoist. Often launching and retrieval is limited to periods of high tides, when adequate water depth is available beneath the hoist.

The financial status of the Port of Port Orford is uncertain. Historically, revenue generating resources have provided adequate funds to finance port operations. The recent years, in contrast, have proved to be a financial struggle; port officials fear the port will be bankrupt by next year. This condition is largely attributable to rising maintenance and overhead costs and a noticeable decline in the number of transient fishing boats utilizing port services. Increasing fuel bills, uncertain federal regulation of the salmon season, and sporadic catches make transient fishing less feasible for the area.

The port has not undertaken any planning activities. However, the

1978 study did examine the feasibility of developing port property as a small boat marina and water-related industrial park. Due to the magnitude of the proposed development and the port's lack of funds no follow-up has been pursued.

In spite of the Port of Port Orford's unique status as the only Oregon port without an entrance bar condition, its value as a contributor of economic activity to the community has been limited. The port activities have never digressed beyond a narrowly defined domain of water-related functions. Today, at a time when the region's employment in the wood products industry has critically diminished, local interests have expressed a need for the port to achieve its full potential. Yet, the port continues in a state of decline. Given the port's inadequate and aging facilities, in combination with its physical constraints (exposure to storms, limited land base, and shoaling problem), this trend seems more than likely to continue.

The Port of Hood River

Situated in the Mid-Columbia Region, the Port of Hood River occupies the northeastern portion of Hood River County (Figure 1). The port operations are centered in the City of Hood River, population 4,570 (Figure 4).

Port-owned land and facilities include an industrial park (approximately 50 acres), the Hood River-White Salmon Bridge (toll), a marina park, the Hood River Airport (95 acres), and a 30-acre tract several miles south of the port near the community of Odell. The port is not currently active in water-related shipping.

The industrial park is a long standing project of the port. Once a log pond, the port coordinated the efforts of various state and federal agencies, including the Corps of Engineers and Bonneville Power Administration, to transform the area into an industrial landfill.

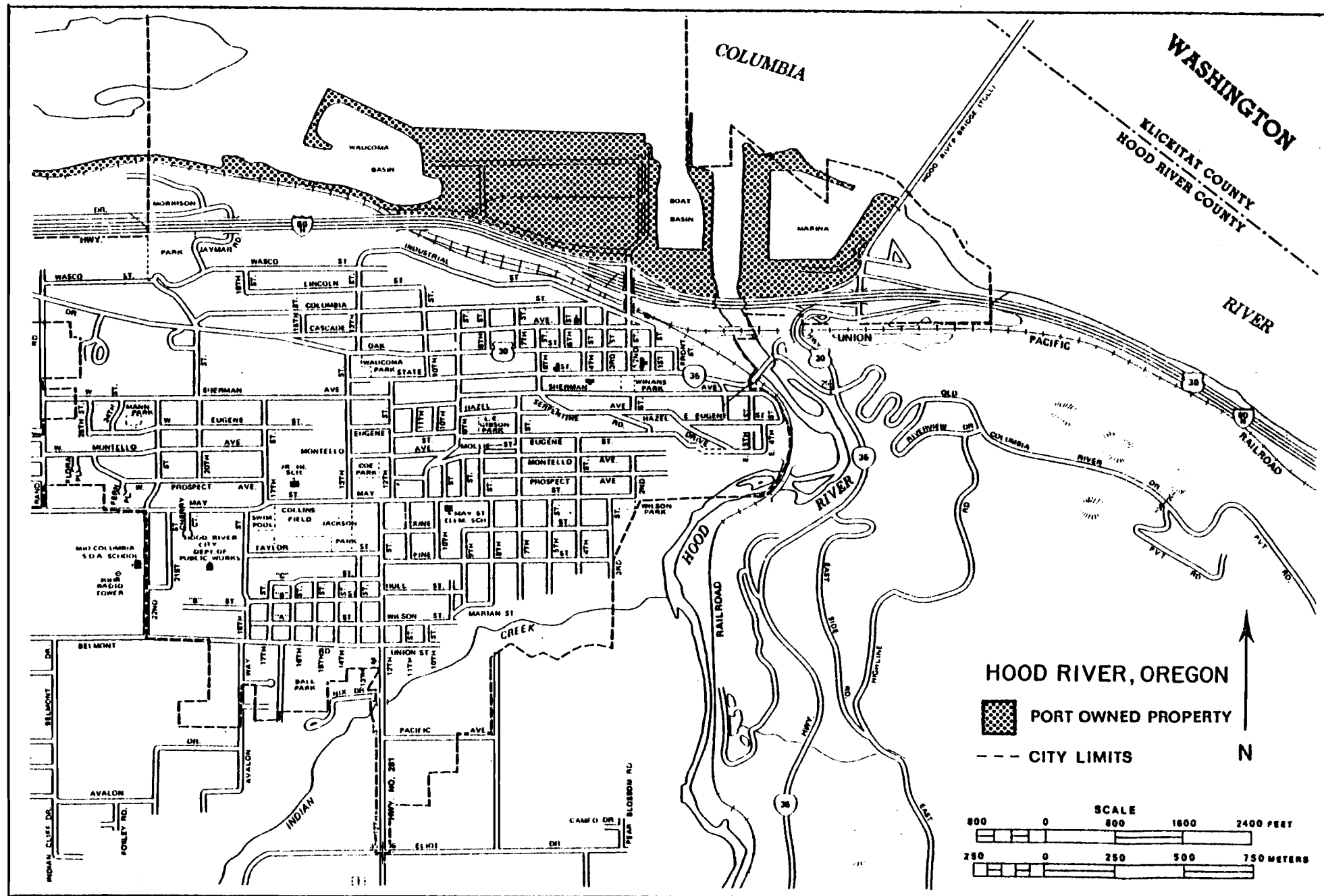


Figure 4. The Port of Hood River (Base map: Oregon Department of Transportation)

Current industrial activities reflect the implementation of the port's strict standards to assure a planned and attractive area for a diversity of firms. Tenants of the industrial park include: Western Power Products (owner-4.0 acres); Luhr Jensen and Sons, fishing equipment manufacturer (lessee-3.1 acres); United Telephone (owner-4.5 acres); Mesker-Clark, cold storage doors (lessee-5.0 acres); Precision Fiberglass (owner-4.7 acres); Hood River Distillers (owner-4.1 acres); Jantzen, garment industry (owner-10.3 acres); Columbia Ship Builders (lessee-1 acre); and Nicholas Boat Works (owner-5.0 acres). The park is nearing full capacity; only about 12 acres in various sized parcels are available for development.

The marina park area is located immediately west of the approach to the Hood River-White Salmon Bridge. The recently constructed marina offers over 70 slips, launching facilities, utilities, and a boat sales and service center.

Located on port property adjacent to the marina is the port office, the Chamber of Commerce, a state police office, a Motor Vehicles Department office, and the Visitors Information Center.

When acquired from the county in 1975, the Hood River Airport was a financial failure due to past management and lack of maintenance. Through port funds and a series of grants provided by the FAA and the Oregon Aeronautics Division the airport has been enlarged and brought into compliance with FAA standards. Twenty acres have been designated for light industrial facilities, with the north side of the 3,040 foot runway assigned to general aviation purposes.

The favorable terrain and railroad access of the Odell property make it an ideal site for light industrial use. The port is now attempting to re-zone the site for an industrial park with facilities and use restrictions similar to its Columbia River development.

The port's activities have significantly contributed to the economic health of the community. While automation and economic cycles have adversely impacted employment in the primary sectors of the region, over 700 new jobs have been created on port-developed lands.

The Hood River-White Salmon Bridge generates over 80 percent of the port's income (annually grossing over \$650,000). Other sources of port revenue include rental and user fees from the marina park, the industrial sites, the airport, and the moorage area. Tax revenues are incidental. In the 1980-1981 year taxes contributed less than 2 percent to the port's actual general fund revenues.

Owing to its lucrative revenue sources the port has not relied heavily on available financing options. The port has two outstanding bond issues: bridge repair (\$1.2 million) and private industrial facilities (\$500,000). To assist the development of the newly sited Mesker-Clark plant the port borrowed from the Port Revolving Fund.

In the early 1950's the Port of Hood River became the first planning group in Hood River County. It secured the services of various governmental, engineering, and environmental agencies and consolidated their individual efforts to create a general plan for the port which has been basically followed from the mid-1950's to date.

In conjunction with the industrial park standards, which govern such aspects as landscaping, setbacks, noxious effects, and billboards, the port has published an Operations and Procedure Manual. This handbook outlines the port's evolution, inventories present land and facilities, and documents the operations, policy, and procedures of the port.

The Port of Hood River is an active participant in the Mid-Columbia Regional Task Force program of coordination. This results from common

interest with neighboring ports in promotion of the regional economy.

Land availability is a major constraint to future port development. To accomodate future growth and diversification port officials would like to see the dike-enclosed property (port-owned) immediately west of the industrial park filled. Present action to fill the artificially created Waucoma Basin has been halted by wildlife concerns.

Future goals call for the development of a waterfront master plan. This plan would accomodate the economic livelihood of the port as well as recognize the Columbia River Gorge as a significant scenic resource that warrants protection.

In anticipation of opportunity associated with an increase in water traffic on the Columbia, the port's long-range plans call for the development of a bulk storage facility in conjunction with its barge dock.

V. ANALYSIS AND CONCLUSIONS

The foregoing text has endeavored to provide an appraisal of the economic development activities, both real and potential, of Oregon's smaller ports. Some ports function as important focal points for the economic activities in their regions, while others have little impact upon the surrounding hinterland.

The tools are available for ports to attract new enterprise and stimulate the economy within their district boundaries. Counteracting these instruments, however, are a number of obstacles which detract and often prevent the ports from achieving their potential. There appear to be five major elements or problems facing the ports. These may be classified under the following categories: 1) planning and coordination, 2) consolidation of ports, 3) the role of state planning and investment,

4) the port concept - a need for awareness, and 5) the permit process. The following conclusions are directed toward achieving a more positive atmosphere conducive to growth and furthering the port district as an element of economic development.

Planning and Coordination

A primary concern hindering port development capabilities lies within the realm of planning and coordination. This problem spans not only the individual port, but also the multiple units of government involved in guiding development.

Successful port management and development requires sound planning. It is easy to see why many ports have not addressed the planning issue and instead have proceeded on an ad hoc basis. Planning requires time, dedication, resource assessment, and skillful leadership. However, those ports which have implemented planning techniques have met with considerable success. Here the Port of Hood River provides an example. The port's long history of planning efforts, while flexible enough to permit modification, have assured optimum development through consistent decision-making, efficient use of port funds, and minimization of conflict.

Ports must proceed to develop a set of goals which reflect the communities needs and desires. These development objectives should be formulated around the physical, environmental, economic, and social opportunities and constraints of the port. Secondly, after the objectives have been identified and studied (engineering and economic aspects), and priorities established, a general operational policy must be developed to assure implementation of these goals.

Developing port objectives and operating policy in isolation is insufficient in itself. Within each port district there may be numerous

government, semi-public, and private agencies having like commitments to economic development which lack any effective means of communicating objectives or policy. In time the absence of coordination results in efforts which are expensive, duplicative, and counter-productive.

Given the degree of neglect, more ports need to explore both formal and informal channels of coordinating inter-community planning and integrating economic development activities. The Port of Newport took a major step in this direction when it recently provided matching funds, along with the local city and county governments, to finance a feasibility study for a planned convention center. Joint ventures such as these provide an efficient means to insure basic economic stability and efficient use of resources. Research is needed to investigate the existing relationships between ports and surrounding agencies (local, state, and federal) and how they might be improved.

Perhaps as important as coordination within the port district is coordination among port districts. Historically, the lack of coordination was undoubtedly related to trade rivalries which developed among the ports. Such competitive notions today are unwarranted and prove detrimental to productive regional development.

While the legislature created the Regional Task Forces to augment cooperative efforts among the ports, the approach has met with only limited success. On one extreme, many of the coastal ports have little knowledge of the Regional Task Force or its intended purpose. In contrast, the Mid-Columbia Task Force has proved quite successful; the participating ports have pledged themselves to a joint effort towards development. To further the benefits of this cooperative environment several of the ports are now working towards establishing an interstate (Oregon and Washington) regional marketing organization.

Consolidation of Ports

The importance of cooperative development, in combination with the proximity of many ports brings up the prospect for consolidation. In select instances the consolidation of several districts into one large port district would result in lower overhead costs, improved management and staff, more responsible governing of the district, and greater capital and revenue generating status.

Once the clamors of lost autonomy subside, such a technique could effectively turn inactive and burdensome ports into a contributing asset of local government efforts to improve economic conditions. Such a prospect is worthy of further investigation.

The Role of State Planning and Investment

Underlying the above suggestions is the recognition of a need for a state agency which would serve the ports in planning, coordinating, and research functions. Many ports are presently restricted in these activities by limited resources and counsel. Ideally, a state level agency would also provide a one-stop information center for potential employers interested in obtaining basic facts about the ports (e.g., physical geography, facilities, taxes levied, bonding policy, socioeconomic characteristics, etc.).

The need for such an agency was realized in the early 1960's and mandated in the late 1960's.²⁴ It was the legislature's intent that the Ports Division, within the Department of Economic Development, was to fulfill this need.²⁵ However, this agency is not adequately staffed or funded to perform this task. Today, the division's two staff members must dedicate a majority of their time to administering the Port Revolving Fund and

keeping abreast of new legislative enactments which relate to the ports.

A large number of Oregon ports are in need of development and improvement if they are to expand their economic activities. These ports, however, lack the necessary funds for initial development (due to insufficient tax base, bond debt limits, lack of revenue generating resources, etc.).

Ports often rely upon incoming industry to provide the necessary improvements for their operations. This approach limits potential firms and may not attract industry which is best suited to local objectives and factors of production. A contemporary example is the development of port terminals. Lacking funds ports must solicit firms which will construct their own facilities. The end result is single-purpose privately-owned facilities which limit the commercial capacity of the port due to their restricted access and inability to easily accomodate fluxuating markets.

There exists a need for state intervention to assist ports in undertaking capital intensive investments. These investments benefit not only the port district but also further the state's well-being (decreased unemployment, increased income and corporate taxes, etc.). Under such a program selected ports would receive appropriations for initial construction, improvements, and deficits in financing and operation. This approach allows ports to develop needed infrastructure, which is often preparatory or complementary to the siting of new industry, that in itself may not be self-supporting or does not generate profitable returns until some point in the future.

Such authorization has been used successfully by many states to facilitate development and aid ports in achieving a greater degree of self-sufficiency.²⁷ This need is further underscored during the present period

of reduced federal aid, which includes cost sharing proposals and budget cuts for the Corps of Engineers.

The Port Concept - A Need For Awareness

There is a need to enlighten the public, and in some cases port officials, as to the extent of port responsibilities and activities. While conducting the case studies it became apparent that many community members view the port as an isolated entity whose sole function is to levy taxes. They often take for granted services provided by the port or fail to recognize that ports can play an integral role in the economic development of the community. The lack of understanding and the absence of rapport is as much a discredit to community members as it is to the port. In many situations this condition reflects the port's failure to develop and maintain clear channels of communication. Efforts should focus upon providing communities with realistic appraisals of port activities and possible activities as well as demands in terms of taxes, revenue expenditures, etc. This problem in general provides fertile ground for future research.²⁶

Conversely, port administrators need to become familiar with port responsibilities and the instruments available to serve local community interests. Many officials do not fully comprehend the entire range of authority bestowed upon the port. A primary example is port financing. Port development and operation is impossible if adequate financial resources are not available. Yet, many small ports do not know how to use their financial capabilities as a means to stimulate economic activities.

An improved understanding of both potentials and limitations would enable ports to better serve local interests, and to provide professional and informative responses to outside inquiries - a lucrative approach to

industrial attraction grossly neglected by the ports.

The Permit Issue

A final issue, although removed from the hands of port officials, is the permit process for development. Federal, state, county, and local regulations pose constraints to economic development within port district boundaries.

The permit process, including land use policy and environmental regulations, is complex. Frequently, a prospective firm must undergo years of hearings and bureaucratic tape to obtain approval for a given project. For example, the harbor development study for Port Orford necessitated contact with over one-dozen public agencies. It was recommended the port allot an additional \$25,000 to cover the two-year plus permit effort.²⁸

The permit process is necessary to minimize development impacts and assure orderly growth. The relative location of the ports, adjacent to sensitive water environments, serve to highlight the need for development regulation; yet, at the same time compounds the drawbacks of the permit process. The problems lie not in the goals of these policies, but rather in the complexity of their structure. The persistence and money required for a firm to receive site and project approval imposes a formidable barrier to development. In combination, these factors often discourage new firms and project an attitude of "no growth."

In failing to expedite the permit structure and consolidate agency concerns the existing political process ignores, within the realm of stimulating economic growth, the marketing concept of one-stop shopping.

VI. FOOTNOTES

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