

Port of Wilmington Expansion Task Force

Tuesday, March 29, 2016
10:00 a.m. – 12:00 p.m.
3rd Floor Conference Room
Carvel State Building
820 N. French Street
Wilmington, Delaware 19801

Meeting Attendees:

Task Force Members:

Present:

Representative Charles Potter, Jr.
State Senator Margaret Rose Henry
State Senator Catherine Cloutier
Secretary Jeffrey Bullock
Secretary Edwin Kee
Secretary Gilliam-Johnson
Secretary Jennifer Cohan
Director Bernice Whaley
Secretary David Small
Peter Hartranft
William Ashe
Paul Cutler
Kimono Harris
John Coulahan
Mike Evanko
Gene Bailey

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Absent:

State Representative Kevin Hensley
Secretary Thomas J. Cook
Rick Ryan
Trevor Knight
Jose Gonzales
Paul Thornburg

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Public:

Attendees:

State Senator Colin Bonini
Rob Keesler
Patrick Jackson
Councilman Darius Brown
Councilman Penrose Hollins
Albert Shields
Peggy Schultz
Ruth Baker
John Goodridge
Michael Barnes
Pat Cooke
John Kennedy
Sandra Smithers
John Flaherty
Tim Gunner
Darrell Baker
Guy Marcozzi
Raymond Camardi
Len McCartney
Matt Meyer
Caren Turn
Karen Hartley-Nagle
Stephen Adu
Raymond Heinzelmann
Muhammad Salaam
Melvin Phillips
Pamela Stigars Thomas
Brandi Waters

Organization:

Delaware State Senate
Legislative Assistant/Senator Cloutier
Legislative Assistant/Senator Marshall
Wilmington City Council
New Castle County Council
U.S. Representative John Carney
League of Women Voters of Delaware
LAPA
ILA Local 1694-1
ILA Local 1694-1
ILA
USDOT/MARAD
Route 9 Blueprint Commission
DE Coalition for Open Government
AECOM
Attorney
Duffield Associates
Paul F Richardson Associates, Inc.
Teamsters Local 326
Public
Public
Public
Diamond State Port Corporation
Gahagan & Bryant Associates, Inc.
Community Intervention Task Force
Coalition of Black Trade Unionists (CBTU)
Institute of Hair Design
Institute of Hair Design

Co-Chair of the Port of Wilmington Expansion Task Force, State Representative Charles Potter, Jr., called the meeting to order at 10:06 a.m. He thanked the task force members and the public for attending the meeting, and asked each individual present to provide a brief introduction with their name, title, and organization.

Representative Potter asked if there were any alterations to the meeting minutes presented to the task force members. Co-Chair of the Port of Wilmington Expansion Task Force, State Senator Margaret Rose Henry, motioned to approve the meeting minutes from the November 4, 2015 meeting. The meeting minutes were unanimously approved by a voice vote and are officially on public record.

Representative Potter asked Gene Bailey, Executive Director of the Diamond State Port Corporation, to provide a Port of Wilmington capital improvements update.

Gene Bailey stated that Berth's 5 and 5.5 are currently under construction, and should be complete by the middle of the summer. Furthermore, he stated Berth 6 will be completed shortly after the current phase. He expressed his appreciation for receiving funding for the projects, with \$10 million coming from the TIGER Grant Program and additional funding from the infrastructure fund.

In addition to the current berth projects, Gene Bailey mentioned that two container cranes are projected to arrive in December 2016. Furthermore, Berths 1, 2, and 3 are undergoing a re-decking operation, which adds a new face to the berths, as well as pile repairs on the berths. Concurrent with these projects, the Port of Wilmington is creating new tie downs for additional support underneath the cranes.

Gene Bailey explained that the remediation of LaFarge stockpile is underway, as is an upgrade to the sprinkling system in all of the warehouses. The first warehouse project will take place at the paper warehouse, which will be a 6-month project over the summer.

Gene Bailey expressed his thanks to the State of Delaware for their financial assistance to the Port of Wilmington. In Governor Markell's budget, the Port of Wilmington will receive \$15.8 million, which they will allocate toward tenant improvements, new cranes, flood abatement, roof replacements, sprinkler system upgrades, and new facility improvement projects for existing tenants.

Representative Potter asked when the cranes will be arriving and operational at the Port of Wilmington.

Gene Bailey responded that the new cranes are scheduled to arrive in September and October of this year and will arrive in parts, and then constructed onsite. The Port of Wilmington has been ensured by the contractor that they will be ready on the rails by December and will then be activated by December 2016 or January 2017.

Senator Henry asked if the renovations have caused the Port of Wilmington to adjust their schedule.

Gene Bailey stated that the Port of Wilmington has been able to accommodate various entities; however, there have been difficulties to accommodate all of the vessels.

Representative Potter recognized the new Secretary of Labor, Patrice Gilliam-Johnson, who was in attendance. He also acknowledged the ongoing efforts of the City of Wilmington, New Castle County and the State of Delaware for appropriating funds for the various studies. He introduced Tim Gunner, Project Delivery Leader for AECOM, to provide an update on the strategic master plan.

Tim Gunner stated that the efforts of AECOM began in November 2015 with an aggressive schedule and timeline to complete the master plan at the end of April 2016. He was pleased to report that the AECOM team is on target to complete the strategic master plan.

Initially, the AECOM team met with existing tenants, customers and stakeholders to determine the operational requirements and constraints of the existing facility. He stated that there were various areas that could be utilized better, including Berths 1 through 3 where a majority of activity takes place (Dole, Chiquita, bulk, and other refrigerated cargo).

He stated that with the two new cranes, the Port of Wilmington can accommodate an additional container user and new calls by Dole and Chiquita; however, it will be difficult to handle further organic growth after this process. He explained that the backland is operating at-capacity for existing users, especially Dole and Chiquita. AECOM is currently examining whether the crane rails can be extended or if utilization can improve along the Christina and Delaware Rivers.

Tim Gunner presented a market demand forecast to see examine the demand for various commodities moving through the Port of Wilmington. He stated that there is a positive outlook for the next five years with volume gains in the 4 percent to 8 percent range, annually. The keys to upbeat short term performance are the diversity of cargoes being handled and the opportunity to serve expanded trades with a new container service. He concluded his discussion of the market demand forecast by stating the longer term volume gains will be modest and limited to 2 percent yearly, due to the changing demographics and consumer behaviors.

In addition to the market demand forecast, Tim Gunner stated that AECOM has been analyzing potential expansion sites, which include the existing Port of Wilmington and Wilmington Harbor South. He explained that there is the potential to add and relocate berths, as well as the potential to alter current operations, gate capacities, and the Wilmington Harbor dredge disposal site. Concurrently, additional potential expansion sites may include the First State Crossing in Claymont, the RiverEdge site, and the former Chemours plant location in Edgemoor, which was recently put on the market.

Tim Gunner stated that the team at AECOM is conducting a cost/benefit evaluation of the various expansion alternatives, which includes the cost to maintain the existing Port of Wilmington in a state of good repair; the cost for expansion site land, development, construction, permitting, and mitigation; the capacity improvements and benefits for the berths and backland; and the economic benefits from the expansion alternatives – jobs, revenue, and timeframe.

Between the meeting and April 30th, Tim Gunner revealed that AECOM is scheduled to complete the cost/benefit analysis of each expansion alternative, present the key findings and analysis, develop a 5-year capital improvement plan to support the strategic development of the Port of Wilmington, and complete the 20-year strategic master plan.

Representative Potter asked if Delaware and the Port of Wilmington have a competitive advantage and shorter timetable over New Jersey and Pennsylvania ports.

Tim Gunner stated that AECOM is examining the competitive nature of the rivers and the timeframes and is aware of the pressure and urgency to complete the projects.

Senator Henry reiterated that the Port of Wilmington Expansion Task Force should plan to schedule another meeting after the completion of the strategic plan to examine the findings and discuss potential solutions.

Representative Potter asked if the International Longshoreman's Association (ILA) has been involved in the stakeholder meetings.

Tim Gunner responded that the ILA was involved with prior stakeholder meetings to understand and discuss any issues or concerns they may have with expansion efforts.

State Senator Catherine Cloutier stated that the announcement of the Claymont Train Station being moved may cause an issue with potential plans and asked Tim Gunner to provide insight as to whether the strategic plan will be impacted.

Tim Gunner clarified that AECOM will take the recent announcement of the Claymont Train Station's plan into consideration and will examine the sites advantages and disadvantages prior to providing further details.

Senator Cloutier clarified that the residential growth near the Claymont area may not be conducive to the strategic plan and asked Tim Gunner to take this into consideration.

Wilmington City Councilman, Darius Brown, asked if there was a preliminary recommendation for Port growth as it pertains to the Christina and Delaware Rivers.

Tim Gunner stated that there are different types of growth for both locations; however, most commodities do not require deep water. If improvements are made at the Christina River, then there is the potential for growth and progress. He clarified that AECOM is examining the scenarios at both of the rivers, as well as the berth capacities.

William Ashe, President of the International Longshoreman's Association 1694, asked about the status of the Port of Wilmington capacity if it obtained the small container vessel line.

Tim Gunner stated that the growth would be near end and at full capacity.

William Ashe responded by stating that this would tell the shipping industry that the Port's capacity wouldn't allow for additional cargo.

Tim Gunner reiterated that it would mean full capacity; however, there is the possibility for an incremental increase in railroad capacity.

William Ashe asked if the railroad tracks at the Edgemoor site would be on the wrong side for future expansion opportunities. He cited a recent visit with Kimoko Harris, a member of the task force, where they realized that the railroad tracks would be on the wrong side for shipments.

Tim Gunner stated that William Ashe is correct that it would be on the wrong side of the Amtrak lines, as are all of the locations along the Delaware River. He emphasized that the objective would be to get to the CSX tracks or Boxwood to see how to connect to any of the sites.

William Ashe stated that the tracks are not on the wrong side at the RiverEdge site, as Norfolk Southern and CSX pass through the area daily because there is no Amtrak train going through the location.

Tim Gunner stated that there would still be the need to go under the northeast corridor to get to a site like Boxwood and to the CSX line.

William Ashe clarified that he would like to see every option possible; however, the day he examined the site, he noticed that the Amtrak train may be a serious barrier.

Pat Cooke asked if there was a cost factor associated with correcting the issue in Edgemoor.

Tim Gunner stated that AECOM is examining the cost factor associated with connecting to the other side of the tracks at the Boxwood facility now.

Pat Cooke responded that it is important to understand the cost associated to weigh the financial benefit and eliminate decisions.

Tim Gunner reiterated that AECOM is examining each site and producing a cost/benefit analysis.

Representative Potter reminded attendees that the strategic plan would be complete by the end of April so that a complete analysis can be discussed.

Ruth Baker of LAPA explained that she understands the issue of cost factors; however, stated that the economic benefits are needed for long-term improvements. She emphasized the issues going on in the community that are detrimental to Delaware and is troubled by the continuing delay of potential jobs at the RiverEdge site. She discussed her concerns with potential political motives associated with the decision making process, and asks all involved to strongly consider the potential of jobs when evaluating the study.

Representative Potter responded that the Port of Wilmington expansion is the largest economic development opportunity that could bring jobs to Delaware, and the task force and all involved will move quickly to consider all potential solutions. He asked Tim Gunner if the strategic plan is associated with the environmental assessment being conducted.

Tim Gunner stated that the strategic plan will consider environmental implications of the expansion opportunities, including issues like mitigation and the footprint.

Representative Potter emphasized the importance of protecting Delaware's competitive edge and ensuring that this process doesn't take longer than needed.

Senator Henry reminded attendees that the Paul F. Richardson Associates, Inc. (PFRA) presentation will highlight the RiverEdge Container Terminal Project to have a comprehensive overview of potential solutions.

Representative Potter asked DNREC Secretary David Small to discuss the implications of the expansion opportunities as it pertains to the Delaware Coastal Zone Act following the PFRA presentation. Representative Potter also recognized State Senator Colin Bonini and New Castle County Councilman Penrose Hollins, who were in attendance.

Edward Zimny, Maritime Consultant for Paul F. Richardson Associates, Inc. (PFRA), stated that the RiverEdge Container Terminal Project is running parallel to the study being conducted by AECOM; however, is still separate.

He stated that over the last several months, PFRA and a team of professionals have been engaged in moving the RiverEdge Container Terminal Project forward and is under review as part of the Diamond State Port Corporation's strategic master plan. He explained that PFRA and a designated team of professionals have been engaged by the City of Wilmington and New Castle County to conduct an environmental assessment and project prospectus to be used primarily with private investors interested in the project.

He highlighted that the RiverEdge Container Terminal Project is proposed for a privately owned vacant parcel of land immediately south of the Delaware Memorial Bridge. He stated that an important component to the project is the ability to readily interface with the GM Boxwood Facility, which is envisioned as a future "Logistics Park" and could work with both the RiverEdge facility and existing Port of Wilmington.

He explained that the RiverEdge Container Terminal Project is a state-of-the-art container facility and is about 4 times larger in volume than the current Port. The RiverEdge site is a "clean canvas" that is sought after by investors and is designed as an alternative gateway. Concurrently, he stated that the investors will be attracted to the area because the GM Boxwood and the RiverEdge site are ideally situated to capitalize on current and future freight movements.

He stated that PFRA has engaged in dialogue with the investor community regarding potential opportunities over the last several weeks and is commencing with certain interested parties in a "formal due diligence" exercise regarding the RiverEdge and GM Boxwood sites. While there are no guarantees, he said that this can be viewed as a positive step and an endorsement of the overall concept. He clarified that the endorsement comes from Tier 1 investors, which is a strong sign.

He continued to state that the plan for the public/private partnership (P3) would include private developers funding the development, construction and subsequent operation of the facility. Furthermore, the land portion would eventually be ceded to a public agency so that the project can gain federal recognition, with assistance from the Army Corps of Engineers. Lastly, a long-term concession agreement would be granted.

He stated that investment capital for the project is not an issue, as the ILA has committed to reviewing the mechanism by which they can invest upwards of \$100 million of their funds toward project funding. He clarified that such discussions have been underway for several weeks and will be incorporated into the due diligence process and that such an investment would allow for a competitive advantage with the support of a labor organization.

He emphasized the importance of full stakeholder alignment and speed-to-market for the private investor, with the required regulatory and permitting process at the center of the decision. The regulatory and permitting process is followed by a determination of how the private enterprise will interface with public organizations and assets which may be in Delaware now and in the near future.

He continued by emphasizing the importance of related space in Delaware, with the top priority being roads and infrastructure. He discussed examples of New Jersey and New York making the necessary investments to improve the interface and establish the public's obligation to private enterprise.

He concluded by highlighting the importance of a timely discussion and manner in which a decision is reached, with many stakeholders awaiting the findings of the strategic master plan. He explained that the plan will serve as a baseline assessment for potential investors and will impact the course of the RiverEdge Container Terminal Project. Furthermore, the next steps for the RiverEdge site will be to advance with private investors to determine the speed to market, competitive landscape, the public obligations associated with a P3, and other stakeholder relationships integral to a successful enterprise. He finalized his statements by saying that the timing and willingness of stakeholder parties will determine the economic impact of the region.

Senator Henry thanked Edward Zimny for discussing the RiverEdge project and mentioned the importance of hearing all potential opportunities. She stated that she looks forward to cooperating with all entities involved, highlighting the importance of having so many state agencies represented on the task force.

Representative Potter reiterated that the task force should be voting at the next meeting on the next steps for the Port of Wilmington.

Senator Henry added that the task force is not discussing about expanding solely at the Port of Wilmington, but is considering all expansion opportunities.

Representative Potter asked Edward Zimny about the basis of the clean envelope discussed for the RiverEdge site.

Edward Zimny clarified that the clean envelope is strictly from an operational standpoint and offers a clean slate. He stated that an important requirement is where the site is relative to the shoreline and that the dredging requirements for the project and existing Port is complimentary, and these measurements are being conducted now. The cleanliness is operational and appeals to the investors of the project.

Mike Evanko, President of the Port Contractors, Inc., asked what the expected return on investment would be for the \$650 million RiverEdge project.

Edward Zimny stated that the project is aligned with infrastructure investors and that certain private equity firms may want a 5 to 7 year return, while another organization with a pension fund may want a rate of return of 30 years.

Mike Evanko asked if the rate of return would be anywhere from 6 to 7 percent.

Edward Zimny responded that the rate of return would be lower.

Representative Potter asked how Delaware's timeline compares to that of competitive states in the region.

Edward Zimny stated that Pennsylvania is running into issues. With Delaware's location being centralized, there is the chance that the state could double capacity if New Jersey or New York ports lose investors or business.

Representative Potter asked what would be the case if New Jersey and New York were hypothetically ahead next year and Delaware didn't make improvements.

Edward Zimny stated that Delaware would be behind and it wouldn't be an easy process to fix with surrounding competitors. He clarified that Delaware's position is on the right side of the bridge and has the lowest labor cost on the East Coast.

William Ashe argued that Delaware's economy would be harshly impacted without action in the next year. He stated that it is time for Delaware to invest in new technologies and continue to move forward.

DNREC Secretary David Small stated that several meetings ago, the Federal Highway Administration discussed P3 opportunities. He asked if the framework would still include federal money.

Edward Zimny stated that the regulatory process includes the federal government, but the capital investments would be private funds.

Ruth Baker thanked Senator Henry for her report and emphasized the importance of total collaboration with the community.

John Kennedy of the Maritime Administration stated that MARAD looks forward to working with the Port of Wilmington with permitting, streamlining and financing efforts, if needed.

Secretary David Small of DNREC stated that the Port of Wilmington is currently exempt to the Coastal Zone Act by law. Furthermore, there was an amendment that added the definition of bulk product transfer. He stated that an argument could be made that a container port that doesn't handle bulk products may be exempt, but is a legal question worth further examination. He stated

that the regulations included in the 1990's also included maps of the footprints of the non-conforming pre-existing uses that were in operation in 1972 when the Coastal Zone Act was adopted. The footprint includes the Pigeon Point area, which has been discussed in the past for potential expansion. He emphasized that the challenge may be bulk products and there may be an exemption under the act.

Representative Potter asked Secretary Small to obtain a legal opinion in regards to potential exemptions under the Coastal Zone Act.

Secretary Small stated that he would have to contact the Department of Justice to obtain a formal opinion.

Senator Henry stated that there has been significant progress over the past several months and is encouraged by the reports.

Representative Potter reiterated that all task force members understand the importance of economic opportunity and job growth in Delaware and should continue to strive for further opportunities.

Peggy Schultz of the League of Women Voters of Delaware asked if there were any federal issues in regards to the environment.

Secretary Small stated that there may be questions in regards to dredge spoil material and where it goes. He stated that the Army Corps is in the permitting position for dredging and the disposition of spoil. He also highlighted the potential for mitigation to offset impacts in subaqueous lands or wetlands as part of the proposal.

Representative Potter discussed the importance of protecting the environment while also ensuring that future job opportunities are available for Delawareans.

Patrick Jackson, Legislative Assistant for Senator Robert Marshall, asked if the environmental issues pertain to the Army Corps over the Environmental Protection Agency (EPA).

Secretary Small stated that there have been previous discussions in regards to onshore potential contamination. There is currently working going on at the Claymont site. DNREC would work with the potential developer in regards to due diligence and contamination at the site. He stated that he is not aware of contamination at the RiverEdge site; however, there will need to be more sampling at the site to confirm his statement. He also stated that the issues are more state than federal in regards to EPA involvement.

John Kennedy of the Maritime Administration stated that various agencies are available to help with the processes at hand.

Kimoko Harris, Business Agent for the Longshoremen's Association Local 1883 – Clerks and Checkers, argued that action must occur to help the thousands of Delawareans who have lost their jobs and have had their homes foreclosed.

Representative Potter stated that he understands the concerns expressed by all task force members and the public and thanked everyone for attending the task force meeting.

Representative Potter adjourned the Port of Wilmington Expansion Task Force meeting at 11:38 a.m.

Minutes prepared by Geoff Heath – Legislative Assistant
Minutes reviewed by Rylene M. Harper – Legislative Assistant & Task Force Staffer