

Inland Port White Paper

Prepared for the City of Titusville

January, 2012



Background

The Panama Canal expansion is expected to be completed in 2014. Upon completion the canal will accommodate larger vessels. The increased capacity of these vessels is expected to enhance the economic viability of the Canal route for Asia-East Coast freight. Improved Canal route efficiency could place Eastern seaboard ports in a position to obtain a greater share of the Asian freight market. At the same time, the large increases in vessel capacity and the associated channel depth requirements have significant implications for ports and their surrounding areas that plan to capitalize on the Canal expansion.

Port Canaveral recently initiated the, “Go Wide, Go deep. The Channel to New Jobs”, campaign in its efforts to take advantage of the economic opportunities associated with the Panama Canal project. The Port is seeking \$34m in federal transportation funds to deepen and expand the port to accommodate larger cruise ships and cargo vessels. While the improvements to the port will increase capacity, the speed and efficiency of cargo handling operations can be further improved through the development of an inland port for handling and distribution purposes. For this reason the City of Titusville in partnership with the Canaveral Port Authority has initiated this preliminary assessment of inland ports in Florida and the examination of the viability of an inland port site in north/central Brevard County.

The Titusville City Manager and Port Canaveral Executive Director agreed that the first step is to provide a preliminary assessment of the viability of establishing an inland port in the City. In support of this effort the City retained the services of Urban Networks, LLC to conduct this study concerning the possibility of developing an inland port. The assignment includes the tasks of first providing a brief overview of the status of inland ports in Florida, in particular plans currently being pursued by the Ports of Jacksonville and Palm Beach. The study then examines the opportunities and constraints associated with establishing an inland port in Brevard County and discusses the organizational relationships and potential funding mechanisms available for this endeavor.

Inland Ports Overview

As the Panama Canal project moves toward completion in 2014, numerous ports along the Gulf Coast and eastern seaboard are investing in infrastructure improvements to accommodate larger vessels, thereby positioning themselves for future economic development opportunities.

Seaports desiring to serve the largest ships transiting the Canal must provide navigation channels with 50 feet of depth. Only one U.S. Atlantic Coast seaport, Norfolk, has at least 50 foot depth for both its channel and berths today. Miami and New York have federal authorization to reach this depth but need funding to complete their projects. Plans to deepen harbors and channels at Port Everglades, Savannah, Jacksonville, and Charleston are in various stages of review and study by the U.S. Army Corps of Engineers.

Large dredging projects and other port infrastructure investments are required for most ports to allow for the larger vessels. While dredging projects are a relatively straightforward improvement, the question of how the surface transportation system will handle the influx of container traffic and other freight remains an issue. The existing freight transportation systems surrounding most seaports are geographically and financially limited in terms of large capacity expansions. Many Ports today are effectively landlocked in terms of their ability to expand facilities, increase capacity and improve logistic efficiency on site. For this reason the idea of developing distribution facilities inland of sea ports has arisen.

Until relatively recently, inland ports were towns connected to cities with ocean harbors by a shallower, interior waterway. Today an inland port, or inland terminal, can also refer to a distribution hub far from a traditional seaport with the capability to accept rail-hauled shipping containers and disperse that cargo on other rail cars, tractor-trailers and in some cases, airplanes. An inland port is sometimes located hundreds of miles from the ocean in order to take pressure off congested seaports.

The inland port facility concept may be a solution to address the need for improved freight capacity flow between ports and the markets they serve. The term "Inland Port" is used to describe a variety of facility types, from traditional inland river ports to large intermodal logistics parks or satellite port facilities that operate in conjunction with traditional seaports. These facilities are located off-site of the traditional seaport, usually near the urban area boundary. By locating further inland, these facilities are distanced from the dense urban

environments that usually surround traditional seaports. Ideally the inland port and the traditional seaport are connected via grade-separated rail.

The transportation benefits provided by the inland port system are two-fold. One benefit is that it provides a capacity-expansion alternative for traditional seaports with limited options for physical growth. The additional capacity allows for off-site storage and/or transfer facilities, reducing delays commonly attributed to size and capacity limitations such as dwell time, loading delays, and unloading delays. A second benefit of the system is that it removes freight traffic from local surface transportation facilities. This benefit is particularly significant where a traditional seaport is located in a dense central business district or major metropolitan area. A specific connector between the traditional port and the inland port removes trucks from congested highways and also allows for expanded passenger rail service.

Large scale inland ports presently function in several major cities including Dallas-Fort Worth, Chicago, Kansas City, St. Louis, Atlanta, Memphis, Columbus, and Charlotte. In recent years inland port facilities have been emerging in smaller markets in the periphery of larger cities because of strategic geographic advantages, access to established transportation systems and the availability of large tracts of less expensive land. These types of facilities include areas such as Alliance Texas, Topeka Kansas and Front Royal Virginia who have carved their niche in the growing inland port facilities market.

Inland Ports in Florida

In December 2010 the Florida Chamber of Commerce Foundation approved the Florida Trade and Logistics Study. The foundation, working closely with the Florida Department of Transportation, the private sector and other economic development organizations, commissioned the services of Cambridge Systematics, Inc. and Martin Associates Inc. to conduct the study.

The study identifies global trade opportunities for Florida over the next few decades, and recommends statewide strategies to maximize these opportunities. The emphasis is on statewide opportunities and key ingredients for success, rather than on investments in specific regions or communities. The study provided a coordinating framework for specific investments and recommendations included in plans such as the Florida Seaport Plan and Florida Rail Plan as well as other investments planned by private industry. Collectively, the strategies identified in the study were designed to position Florida for growth in trade, logistics, and advanced manufacturing industries.

According to the study, the key factors driving seaport selection today, specifically, terminal capacity, efficiency, and operating costs; proximity to customers, markets, and distribution

centers; and landside truck and rail services and infrastructure will continue to play a key role in determining which seaports attract and retain the greatest share of traffic in the future. While the Chamber Foundation study provides strategies for Florida to favorably position itself in the foreseen growth in international trade, currently there are no functioning inland ports in the state. The Ports of Jacksonville and Palm Beach have taken the lead in efforts to seek opportunities to establish remote inland port facilities in Florida.

Port of Jacksonville

The Jacksonville Port Authority (JAXPORT), an independent government agency created by the Florida legislature, operates primarily as a landlord, managing the upkeep, improvement and expansion of Port Authority facilities and coordinating their use by private companies. The physical facilities owned by JAXPORT include docks and wharfs, cranes, a passenger cruise terminal, warehouses, paved open storage areas and road connections to the public highway system. The Port Authority provides and maintains the terminals and their equipment and manages the overall use of the facilities. The day-to-day operations of JAXPORT are not funded with public dollars. Private companies fund the port's operating expenses by paying for the use of port facilities through user fees, leases and other charges.

The Jacksonville Port Authority (JAXPORT) is a full-service, international trade seaport in the Southeastern United States. JAXPORT owns and manages three cargo terminals including the Blount Island Marine Terminal, the Dames Point Marine Terminal and the Talleyrand Marine Terminal.

JAXPORT and its maritime partners handle containerized cargo, automobiles, recreational boats and construction equipment (Ro/Ro), dry and liquid bulks, break-bulk commodities, and oversized and specialty cargoes. JAXPORT's three marine terminals handled a total of 8 million tons of cargo and more than 518,000 vehicles in fiscal year 2010, making JAXPORT the second largest import and export automobile center in the United States.

JAXPORT terminals feature 16 container cranes, on-dock refrigerated & freezer warehousing, Foreign Trade Zone status and outstanding intermodal connections. To help speed goods to market, shippers can take advantage of Jacksonville's location at the crossroads of three major railroads (CSX, Norfolk Southern and Florida East Coast Railway) and three interstate highways (I-95, I-10 and I-75).

A network of privately-owned maritime facilities also operates in Jacksonville's harbor, and in Northeast Florida, more than 65,000 jobs are related to port activity, which creates an economic impact of almost \$19 billion annually.

Dames Point

The City of Jacksonville is seeking \$25 million from the Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant of the U.S. Department of Transportation for construction of a \$45 million Intermodal Container Transfer Facility (ICTF) at the Dames Point Marine Terminal. The balance of the funding \$20 million would come from the state. The proposed ICTF would transport containerized cargo efficiently from ships to rail cars, increasing the port's ability to move cargo quickly, reducing truck miles and decreasing exhaust emissions and highway maintenance costs. The project would also create employment and attract new business to the region.

Plum Creek Co., Lake City, FL

In addition to the Dames Point facilities, the City of Jacksonville and the Port Authority are currently in negotiations with the Plum Creek Co. and the City of Lake City in Columbia County to develop a major Inland Port. The Lake City facility would sit on 500 acres about 90 miles north of Ocala, just east of the I-75 intersection with I-10. The state has designated the land, part of a larger 2,590-acre tract, a Rural Area of Critical Economic Concern. One of three such areas around the state, the designation permits Columbia County to bypass some economic development requirements and provides money for economic research, site selection and marketing, according to Enterprise Florida. The site will feature a rail spur accessing CSX's "S" line along tracks that run through the spine of the state including through Ocala, Belleview, Wildwood and Lakeland. Representatives of Plum Creek Co., which owns the land, said the project has not yet broken ground. Plum Creek is working toward finalizing plans for the railroad spur and designation of the site as an enterprise zone and a foreign trade zone.

Ocala 489, Ocala FL

The Marion County Commission and the Ocala City Council are presently considering adoption of an agreement creating a 500-acre commerce park at U.S. 27 and Interstate 75. The local governments are partnering with a company called Ocala 489 LLC in a project that would collect freight from deepwater ports for distribution throughout Florida and the southeastern United States. Representatives of the Ocala 489 project say it would add nearly 5,000 jobs to the community over the next generation. Ocala 489's property is close to a busy north-south FSX rail corridor which extends through Florida. If the agreement is approved the developers will begin the design and construction of a \$2.4 million rail spur tying into the FSX rail system. The agreement would require the City of Ocala and Marion County to complete road projects serving the interior of the site by March 2013. The rail spur could be completed much sooner, once the last parcel needed for the project is obtained.

Port of Palm Beach

The Port of Palm Beach, located in Riviera Beach, is an independent special taxing district, a sub-division of the state of Florida. It covers a land area of 971 square miles or approximately fifty percent of the County area. It is located 80 miles north of Miami and 135 miles south of Port Canaveral. The ship entrance is through an inlet channel 300 feet wide with no aerial obstructions leading into Lake Worth. Transit time is a short 20 minutes from the sea buoy to the docks, with operating drafts of minus 33 feet.

The Port of Palm Beach and its tenants combine to be one of the larger employers in Palm Beach County and is an economic engine for the County. Approximately 2,400 people are employed directly and indirectly because of the port, which contributes \$260 million in business revenue and \$12 million in State and Federal taxes. Over \$7 billion worth of commodities moves through the port each year.

The Port of Palm Beach is the 4th busiest container port of Florida's 14 deepwater ports and is the 18th busiest container port in the United States. In FY' 2010 the port moved over 213,000 twenty ft. container equivalent units. The Bahamas Celebration cruise ship is based at the port. Sailing every other day for the Bahamas, it brings 275,000 passengers to the port and this is an additional significant economic impact for Palm Beach County. The port also handles diesel fuel, molasses, liquid asphalt and other bulk commodities. There is also substantial tonnage involved in the movement of heavy lift and project cargos. All of this happens in a port that has only 156 acres of land.

Unlike most ports in the United States, the Port of Palm Beach is an export port, with approximately 80% of its cargo being exported, with the subsequent improvement in the balance of trade. The majority of the exported cargo goes toward supporting the island nations of the Caribbean. The Port of Palm Beach supplies 60% of everything consumed in the Bahamas and is the essential lifeline to the rest of the Caribbean. 100% of the exported raw sugar that is produced in the Glades area, almost 900,000 tons, is shipped through the Port of Palm Beach.

The Port, has taken a comprehensive look at its long term growth potential. Currently, it is a landlocked facility without adequate physical expansion opportunities. Terminal size constraints are impacting its ability to attract new business. In an attempt to address this situation, port staff developed a concept for an inland port facility in western Palm Beach County. This facility would serve the Port as a direct extension of its waterside terminal. It would require improved highway and rail connections. At the Port's request, the Florida Department of Transportation agreed to conduct a study to explore the feasibility of an inland port facility that would be located at a centralized location in South Florida, providing a hub of port related operations and storage facilities, with truck and rail connections to the region's seaports, with truck access to regional markets.

Florida Inland Port

Formerly known as Treasure Coast Intermodal Campus (TCIC), the Florida Inland Port is a privately-funded, rail-oriented logistics center encompassing more than 4,000 acres in southwest St. Lucie County. It will connect to every major Florida port along the Atlantic Coast, incorporating multi-modal access (rail and highway) to inland locations and offering a range of sites for warehouses, distribution centers and assembly plants. The logistics center will enable shippers to offload cargo from any of Florida's major seaports, store and/or assemble it at Florida Inland Port facilities, and ultimately utilize rail and highway options to complete the import-export cycle. Development of the Florida Inland Port is expected to take place over the next 25 to 30 years.

The proposed site is situated west of Florida's Turnpike and I-95. The facility would feature its own 500-acre rail yard as well as access to rail lines in addition to space for 29 million square feet of warehouse space. Developers are still seeking approval for land-use changes and environmental permits. If approved, construction would begin in 2013. The rail yard would be developed by the end of 2014 consistent with the scheduled completion of the Panama Canal project. The initial phase of the distribution center would then be developed with completion anticipated in 2015.

Recently the Florida Inland Port has entered into a Memorandum of Understanding (MOU) with three major seaports including, Jaxport, the Port of Miami and the Port of Palm Beach. According to the MOU's the parties will form partnerships and joint initiatives that will include sharing data and technological capabilities as well as coordinating joint marketing and public relations activities. This and recent agreements with three global firms, Jones Lang LaSalle, HDR Engineering and Vickerman & Associates positions the Florida Inland Port as the premier inland port and integrated logistics center serving the southeastern U.S. once developed.

Job Creation

Within the next 20 years, Ocala 489 has projected about 4,800 new jobs. Plum Creek's project would add up to 3,000 for that region, while the Florida Inland Port project estimates the creation of between 12,000 and 36,000 jobs through the duration of their twenty five year planning horizon.

Port Canaveral

Port Canaveral is also a special taxing district created in 1953 by an act of the State Legislature with revenues generated through private leases, fees and handling charges with no revenue coming through the levy of ad valorem taxes since 1986. Port Canaveral is recognized as the second busiest cruise port in the world and is projected to overtake Miami in 2014-15 with major investments in cruise terminal upgrades and commitments for the berthing of larger cruise vessels in coming years. The Port Authority continues to make substantial capital investments in port infrastructure planning for future growth and development in the cruise and cargo industries with an estimated CIP budget of \$166m through FY 2015.

While poised to be the world leader in the cruise industry, Port Canaveral, is also a growing cargo port. With the opening in 2010 of the new 2.8-million-barrel Seaport Canaveral fuel tank farm and continued development of bulk cargo facilities to serve the Central Florida market, cargo activity is expected to increase significantly in 2011. In late 2010, the Port also committed to building and upgrading the cargo area on the north side of the Port. Historically, the Port has handled large quantities of imported cement and lumber; these cargoes are expected to rebound as the national economy and housing markets recover.

The Port is also planning for the potential of containerized cargo via domestic marine highway or international feeder service from other ports to Central Florida distribution hubs and consumer markets. Development of an inland port could serve these goals while furthering the Ports goal of enhancing intermodal connections to Central Florida.

Conclusions

After reviewing information concerning the status of inland ports in Florida, and assessing the basic requirements for establishing such facilities, several conclusions can be reached. First, the concept of establishing an inland port in the Titusville area is a viable possibility. Second, Port Canaveral is not far behind other Florida Ports in pursuing the establishment of an inland port. Third, unlike other regions pursuing development of inland port facilities, there are relatively few obstacles to overcome in north central Brevard County. The primary Highway transportation routes are relatively uncongested, environmental issues can be readily addressed and there is greater public support for economic development and job growth in the Space Coast area. Finally, development of an inland port facilitates Port Canaveral's goal of capturing a greater share of the growing cargo market, in both bulk and containerized shipping, possibly enabling the port to surpass current projections that nearly double throughput by FY 2014/15.

Working together, Brevard County, the City of Titusville and Port Canaveral are well positioned to support development of an inland port. Combined these jurisdictions have the assets and resources necessary to pursue such an endeavor, including:

- a. Political fortitude and public support for economic development and job creation with an institutional framework that has the capacity to finance major infrastructure improvements.
- b. A well educated and highly trained work force.
- c. A well integrated transportation system with 5 modes of transport including highways, rail, air, water and space.
- d. Sufficient industrial land with sites located within close proximity to the Port, Including Space Coast Commerce Park and KSC.
- e. Infrastructure capacity through Port Canaveral's investment in expanding north end cargo facilities, existing rail lines and spurs, relatively unencumbered highway access for trucking on SR528 providing direct access to Orlando International airport and direct access to Space Coast Regional Airport.
- f. Opportunities to support new manufacturing to establish a better balance of trade maximizing efficient use of facilities by introducing the export of new manufactured products.

Recommendations

While this preliminary and cursory assessment concerning project viability seems favorable, the following course of action is recommended to confirm market feasibility and pursue activities for the eventual development of an inland port.

1. Port Canaveral should commission a thorough market and logistics study to determine actual market feasibility.
2. Consider solicitation of master developer for planning and design of a future development physical master plan
3. Brevard County and the City of Titusville should continue to work closely with the recently established North Brevard Economic Development Zone Board to complete the Economic Development Plan required by Florida Statute to capture tax increment revenue for financing port development opportunities. The Plan also documents economic development incentives available in support of the effort.

4. Community leaders must foster partnerships between various public sector agencies. The following list of public entities and institutions may have a role in supporting future development of the inland port.

- Canaveral Port Authority
- Florida East Coast Railroad
- Norfolk Southern Railroad
- Brevard County Commission
- City of Titusville
- TIVO Airport Authority
- North Brevard Economic Development Zone
- Space Coast Economic Development Commission
- Brevard County Economic Development Council
- Brevard Workforce
- UCF Florida Solar Energy Center
- Space Coast Energy Consortium
- East Central Florida Regional Planning Council
- Orlando International Airport
- Orange County Expressway Authority
- Governor’s Office
- State Legislature
- Florida Seaport Transportation and Economic Development Council
- Florida Department of Transportation
- Florida Economic Development Commission
- Florida Department of Environmental Protection
- NASA
- Cape Canaveral Air Force Station
- Representative of the U.S. Congress
- Federal Agencies

Transportation

Commerce

Energy

Defense

Environmental Protection

5. The Port, working with Brevard County, City of Titusville, TICO Airport Authority and the North Brevard Economic Development Board, should lead in preparing a detailed Capital Improvement Program identifying capital projects including specific costs and funding sources.

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