
THE ECONOMIC IMPACT OF AMERICA'S CENTRAL PORT

FY 2012 Economic Impact Report of the Tri-City Regional Port District
(America's Central Port) on Madison County, IL



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Executive Summary

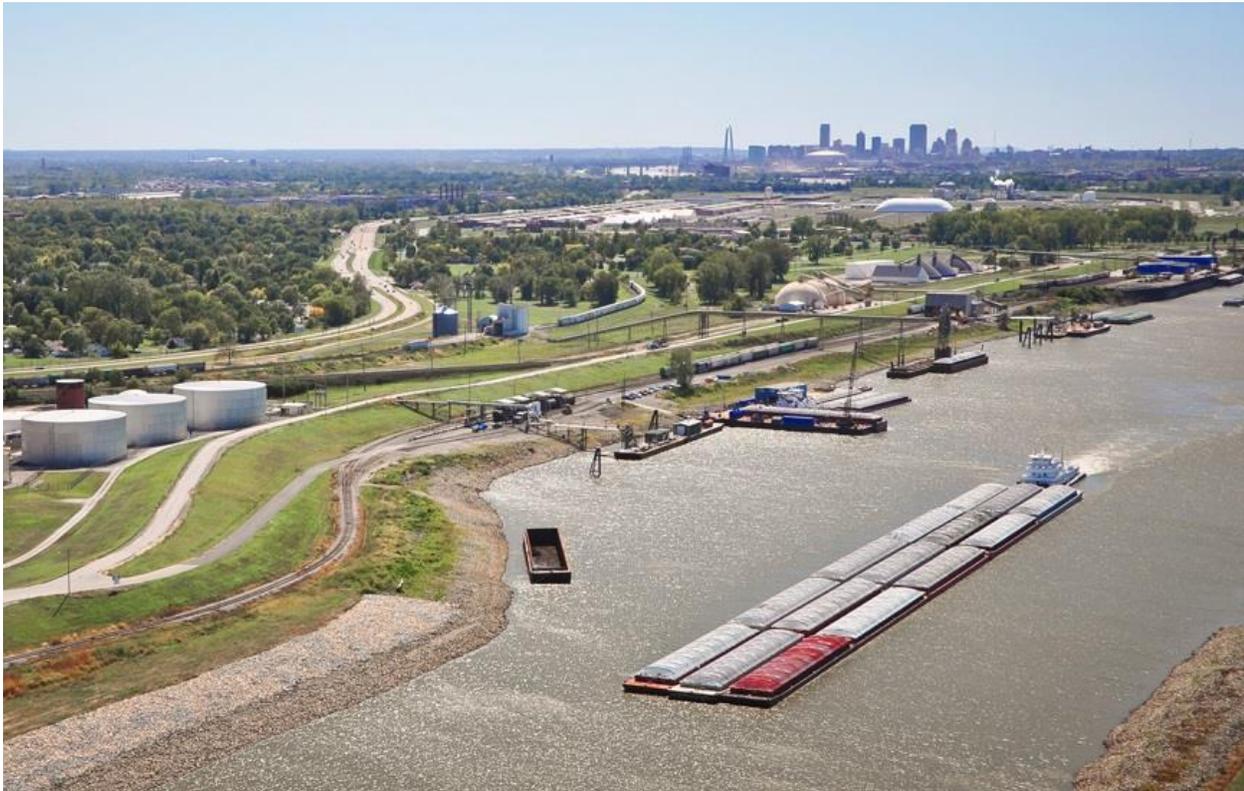
The Tri-City Regional Port District is a special purpose unit of local government within the state of Illinois. Its jurisdiction covers over 77 square miles in Southwestern Illinois on the banks of the Mississippi River and Chain of Rocks Canal. The Port District manages a 1,200-acre mixed-use business and industrial park known as America's Central Port. The property features 1.7 million square feet of rail-served warehouse space within Foreign Trade Zone #31, industrial development sites up to 75 acres in size, and the St. Louis region's only full-service public port. In addition, the Port District's mixed-use campus has over 150 residential housing units and over 67,000 square feet of office space for lease.

This study examines the economic importance of Port District and its tenants on Madison County, IL. The key findings of the study are summarized below:

- Each year, the Port District's operators service more than 2,500 barges and over 2.5 million tons of fertilizer, steel, agricultural commodities and petroleum products. The estimated total value of these commodities is over \$1.1 billion.
- The total 2012 economic impact of America's Central Port on Madison County was over \$282 million.
- In 2012, the Port District and its tenants were responsible for approximately 1,452 jobs in Madison County and total labor compensation of over \$70 million.
- The Tri-City Regional Port District is a self-supported unit of local government. The Port District and its tenants generate an estimated total positive state and local tax revenue impact of \$9.6 million annually.

I. Introduction.

America's Central Port is located just north of downtown St. Louis, Missouri, in southwestern Madison County, Illinois. The 1,200-acre multi-modal business and industrial center is owned and operated by the Tri-City Regional Port District. Created in 1959, the Port District is a special-purpose unit of local government whose mission is to expand economic opportunity in the Tri-Cities area of Granite City, Madison and Venice. To accomplish its purpose, the Port District pursues an economic development strategy that includes business, transportation and community development objectives.



The Port District offers development-ready sites ranging in size from 1 to 75 acres, 1.7 million square feet of warehouse space, 67,000 square feet of office space, and over 150 housing units for lease. America's Central Port is more than a traditional business park; it is also the region's only full-service public port. Port tenants benefit from exceptional access to the Mississippi River, four interstate highways, and six Class I railroads.

The Port's river access is one of its greatest assets. Water transportation is the most cost-effective and energy-efficient way to move bulk goods from the American heartland to international markets. The U.S. Inland Waterway System connects the Port District with industrial centers in the 15 states located along the Mississippi, Missouri, Ohio, Illinois and Tennessee Rivers from the Great Lakes of Canada to the Gulf of Mexico.

The Port's 6,000-foot North Harbor is the most northerly ice-free port on the Mississippi River. Its second busiest season, after harvest, is mid-winter, with goods arriving from the north for shipment. The Port's South Harbor, located just south of Locks #27, is currently under construction. When completed, it will be the most northerly port on the Mississippi to provide lock-free navigation all the way to New Orleans and the Gulf of Mexico.

II. The History of Tri-City Regional Port District.

The Tri-City Regional Port District is an independent unit of local government created by the Illinois legislature on April 1, 1959. The Port District is responsible for its own funding and is governed by a seven-member Board of Commissioners. Four commissioners are local residents appointed by the governor; the mayors of Venice, Madison and Granite City each appoint a commissioner to the board. The Port District has the powers of taxation and the ability to issue revenue bonds. It is one of 19 public ports currently operating in Illinois.

In 1960 the Port District leased its first piece of property from the U.S. Army Corps of Engineers. Four years later, the first shipment passed through the Port District. In 1969, the Port District built a dry-bulk transfer facility and warehouse after signing an agreement with Bulk Service Company. That same year, the Port District set up its first office building within the complex to house the management of the Port District and Bulk Service Company.

In 1975, the Port District purchased the Bi-State Development Agency General Cargo Dock for \$750,000 and leased a portion of that facility to Granite City Steel. Two years later, the Port District was awarded a Foreign Trade Zone License (FTZ) from the U.S. Foreign Trade Zones Board. The Triple T Fertilizer Complex, now referred to as the Granite City Terminal, was built in 1977. That year the Port District also received a \$2,750,000 loan from the State of Illinois' Capital Development Board to build a state-of-the-art Dry Bulk Handling Facility.



In 1981, the Foreign Trade Zone received its first shipment, and in 1983, the Chrysler Corporation Auto Assembly Plant in Fenton, Missouri became a foreign trade sub-zone of the Port District's FTZ. This allowed Chrysler advantageous customs and tariff procedures. In 1986, the Port issued \$3.6 million in bonds for the construction of rail and road facilities along with new truck receiving facilities and a storage dome at the North Harbor. In 1987, the Port District purchased a 122,400-sq. ft. warehouse and 97 additional acres of land in the Granite City Army Depot from the General Services Administration for \$1 million. In 1989, construction of a 150,000-sq. ft. warehouse was completed on the property. In 1991, Robinson Steel constructed a steel processing plant on the Port property. In 1998, the Port District issued an additional \$2.95 million in bonds for various roadway, water, sewer and other infrastructure at the North Harbor.

In 2000, the U.S. Congress passed legislation to convey the 752-acre U.S. Army Charles Melvin Price Support Center to the Port District. By this time, employment at the Port District had grown from 2 employees in 1959 to 450 employees. In 2002, the Port District acquired the deed to the former Army base and began its redevelopment into a 1,200-acre mixed-use business and industrial park. That same year the Port District moved its offices into the former U.S. Army Charles Melvin Price Support Center Headquarters, where it remains today.

Since 2002, the Port District has attracted private investment totaling \$325 million in new buildings and manufacturing plants, garnered nearly \$20 million in federal and state grants for infrastructure investment, attracted over 60 new tenants to the property, and reinvested millions of dollars in its facilities. Recent private developments at the Port District include the construction of an engineering and production facility for Arizon Structures and the completion of the Abengoa Bioenergy ethanol plant in 2009. In 2011, the Port District unveiled a new logo and brand for its property, "America's Central Port." The new brand highlights the Port's significance as the region's only public multi-modal port and its strategic location at the center of the nation's freight transportation network.

III. Economic Impact Methodology.

This study measures the economic impact of the Tri-City Regional Port District. Economic *impact* differs from economic *activity* in that it only includes transactions that add to the output, employment, income and/or tax revenues of the Madison County region. For example, if a steel mill located within the Port District purchased \$10,000 worth of material from a supplier located outside of Madison County, the purchase would have no economic impact on Madison County, since the purchase would result in no increase in output or income in the county.

In contrast, purchases made in the area have a three-part economic impact on the local economy: a direct impact, an indirect impact and an induced impact. If the steel mill purchased the material from a Madison County supplier, the \$10,000 purchase generates \$10,000 of direct impact on Madison County's output (and associated effects on employment, income and tax revenue). The original \$10,000 expenditure would generate further expenditures as the material supplier makes purchases (e.g., shipping, warehouse space, maintenance services) to complete the order. A portion of these purchases would take place in Madison County and cause an indirect impact on the Madison County economy. Finally, as the employees of the material supplier and the employees of the material supplier's suppliers (warehouse workers, shippers, maintenance workers) spend their extra income (e.g., groceries, clothing and movies), a portion of these dollars continue cycling through the Madison County economy, causing an induced impact. Unless otherwise specified, the economic impact numbers in this report refer to total economic impact – the sum of direct, indirect and induced impacts.

While some components of economic impact can be readily tallied, others must be estimated. Total employment for the Port District and many of its tenants, for example, has been directly calculated. Other facets of economic impact are impossible to calculate directly. For example, the impact generated by these employees making expenditures in Madison County (the induced impact) must be estimated.

Estimates of many of the impacts discussed in this report are calculated using the highly-respected IMPLAN (Impact Analysis for PLANing) model. The IMPLAN model was originally developed by the USDA Forest Service and is now maintained by MIG (Minnesota IMPLAN Group, Inc.). It is a highly respected model, used by many government agencies, universities and consultants to perform economic

impact analyses. It combines an input-output model of county economies with econometric estimates and data from the United States Bureau of the Census and the United States Bureau of Labor Statistics.¹

Assumptions made to measure the economic impact of the Port District are presented in the appropriate sections of this report. The results are based on the assumptions and data documented in this report, and the validity of the results rests upon the accuracy of the data and assumptions.

IV. Economic Impact of the Port District and its Tenants

The Tri-City Regional Port District is a self-supported unit of government. While it does apply for and receive federal and state competitive grants, it does not receive any federal or state subsidies for operation. The Port District relies solely on own-source revenue, such as rent and river terminal throughput fees, in order to meet its financial obligations.

The Port District and its tenants impact the Madison County economy by producing goods and services, employing workers, making purchases from local suppliers and making capital investments. America's Central Port is home to over 70 tenants. A number of tenants (such as SCF Lewis and Clark Marine) are directly tied to the transportation infrastructure the port provides, but many, such as New Opportunities, are in industries unrelated to the Port's river activities.



The Port District and its tenants employ over 700 workers, and the payroll expenditures associated with these employees have an important impact on the region's economy. The Port District itself currently employs 36 workers in the areas of administration, security and maintenance and generates a local payroll in excess of \$1.4 million. The Port's tenants range from those that employ a sizable number of workers to those that employ only a handful. The area expenditures of these employees provide an economic impact to the area. Detailing the precise expenditure patterns of over 700 workers would be

¹ For more information regarding the IMPLAN model, visit www.implan.com

impossible. However, the IMPLAN model utilizes county-specific estimates of expenditure and commuting patterns to estimate these expenditures and their associated economic impact.

The Tri-City Regional Port District manages over 150 housing units branded as River's Edge Apartments. These housing units include both apartments and single-family homes. While River's Edge Apartments are currently available to the general public, in the past, priority for these units was given to active-duty military families of service personnel residing in the St. Louis area. Normally it would be inappropriate to attribute much economic impact to the residents of a housing development because many residents of a typical development would still live in the county, even if the development did not exist (the residents would simply live in a different development in the same county). Military family residents of the River's Edge Apartments, however, are a unique case. While these residents are stationed in the St. Louis area, few are stationed in Madison County. Rather, they commute from Madison County to their posting station. Thus, it seems likely that few of these residents would live in Madison County if not for the housing development's history. Precise values will vary over time, so low-end values for military family occupancy were used.

In addition to employing workers and providing housing for residents, the Port District and its tenants make business expenditures within the region. These range from common business expenditures (professional services and office supplies) to those that are specific to particular types of business. These expenditures provide an additional impact to the Madison County economy. Again, detailing the particular expenditure patterns of the Port District and its tenants would be impractical. However, the IMPLAN model is able to estimate the expenditures of each firm based upon the firm's industry and size, and county-specific estimates of business expenditure patterns.

Finally, the Port District and its tenants make capital improvement expenditures on an annual basis. During the 2012 fiscal year, the Port District made capital expenditures of over \$6 million. Due to large-scale construction projects currently underway, including the construction of the Port District's new South Harbor facility, capital expenditures are expected to increase over the next several years. These expenditures have an impact on the local economy as well.



As discussed in the methodology section, only the net economic impact of these effects is used. To illustrate this point, consider if the Port District did not exist, and thus, for example, neither did the River's Edge Bar & Grill. Some portion of the restaurant's customers would eat, instead, at restaurants outside of the area. These lost expenditures would represent a loss to the Madison County economy. However, some diners would patronize other restaurants in Madison County. For these customers, the disappearance of the Port District would have no impact on their Madison County expenditures. Appropriate analysis requires counting only the expenditures that would be lost in the absence of the Port District. For each tenant, estimates were formed for the percentage of lost expenditures, based upon the available information regarding the firm's industry and other substitutes available in Madison County. In all cases, conservative estimates were selected. In this way, the final total estimates will have a tendency to underestimate the full impact of the Tri-City Regional Port District.

Table 1 summarizes the Tri-City Regional Port District's net economic impact on the Madison County economy. In total, the Port District and its tenants generated an estimated economic impact on Madison County of over \$282 million in 2012. In terms of employment, the Port District and its tenants are estimated to be responsible for over 1,450 jobs in Madison County, representing total labor compensation of over \$70 million annual. Finally, the total impact on state and local tax revenue is estimated to exceed \$9.6 million each year.

Table 1: Economic Impact of the Tri-City Regional Port District on Madison County, Illinois

	Output Impact	Employment Impact	Labor Income Impact	State & Local Tax Impact
Port & Tenant Operations	\$263,972,290	1,330	\$64,288,328	\$8,972,621
River's Edge Apartments	\$688,234	6	\$191,649	\$54,575
Construction	\$17,839,611	117	\$6,333,357	\$575,526
Total	\$282,480,135	1,452	\$70,813,334	\$9,602,722

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