



MEMORANDUM

To: Jennie Dickinson Date: March 3, 2023
From: Abbi Russell and Sarah Sieloff Project No.: M2427.01.001
RE: Commission meeting materials

This memorandum informs the Port of Columbia (Port) Board of Commissioners of preliminary findings for its Comprehensive Plan Update Report. Priority topics covered in this memo are Port rail ownership, value-added agriculture, workforce and housing trends, and Port purchase of a downtown building.

PORT RAIL OWNERSHIP

MFA interviewed staff at Washington state ports that own short line rail assets. They view rail lines as a utility, much like roads: Rail lines provide the only access in and out of certain tracts of land and to related uses, such as barge terminals and industrial facilities. Port-owned rail lines provide public access, tax benefits, and control of public interest; these benefits would be lost if these public assets were sold. The ports interviewed spoke about the value of port rail asset ownership and intend to retain ownership of their rail lines. The values discussed include the following:

- Owning the rail line and right of way in an area with potential for industrial operations, which are attracted to and often require rail access.
- Investing public dollars in facilities that are owned, operated, and cared for by a public agency for the benefit of their communities.
- Developing and maintaining public assets to provide fair market competition and lower barriers to entry for private businesses to create jobs and economic benefit.
- Incentivizing private investment: According to the Tri-City Development Council, approximately 30% of firms looking to locate in the Tri-Cities area are looking for rail access.

There is continued demand for short line rail capacity around the state. There is also potential for partnership between Port of Columbia and other ports and partners to apply for state and federal grant money for rail repair and maintenance.

In an interview with Eastern Washington Regional Economist Ajsa Suljic, she noted the importance of rail assets in rural county economies. Ms. Suljic highlighted the importance of complementary rail transportation in the value-added agriculture clusters (food manufacturing, processing and storage). Ms. Suljic pointed out the increasing burnout of truck drivers and wear of truck transportation on local roadways as limitations to exclusive truck transportation. Economic development is a long-range consideration, and investment in rail transportation would be beneficial to development of the value-added agriculture sector.

It is recommended that the Commission consider the following:

- The long-term economic potential of Port rail ownership for Columbia County and future industries, which ties firmly into value-added agriculture, workforce, and housing.
- Speaking with other Washington state ports that own short line railroads, including the ports of Benton, Grays Harbor, and Royal Slope.
- Acquiring an appraisal for the value of the rail line and right of way. There is a regulatory process involved with compensation for the sale of public assets at fair market value.

VALUE-ADDED AGRICULTURE

Value-added agriculture generally focuses on production or manufacturing processes, marketing, or services that increase the value of primary agricultural commodities. The foundation of many rural economies is based on agriculture and its complementary manufacturing and processing. According to Eastern Washington Regional Economist Ajsa Suljic, no rural county has strayed by aligning itself with value-added agriculture. Blue Mountain Station (BMS) represents the efforts of the Port of Columbia and regional partners to diversify the economy, revive the food processing industry that once thrived in the region, and build a sustainable food hub. The Port of Columbia, however, is not the only Port that recognizes the benefit of investing in value-added agriculture.

The Port of Skagit owns a facility leased by the Washington State University (WSU) Bread Lab. The renowned Bread Lab hosts WSU researchers working to develop better tasting, healthier, affordable bread and keep the value where it is produced while not pricing people out of staple foods. This port asset is a good example of supporting value-added agriculture, research, education (they offer baking classes), and retail. The Port of Skagit and WSU Bread Lab are interested parties for a designated Innovation Partnership Zone. The Innovation Partnership Zone, funded by state grant dollars, helps facilitate collaboration between Skagit County agricultural producers, researchers, manufacturers, and businesses that can utilize Skagit Valley products. This collaboration supports small local businesses and jobs across industries, as well as communities around the Skagit Valley.

It is recommended that the Commission consider:

- Speaking with other ports in Washington and communities across the Northwest and nation that rely on agriculturally based economies and have developed or are considering developing value-added agriculture business clusters.
- Seeking additional collaboration with farmers, colleges, agricultural associations, and other partners to promote and grow value-added agriculture for Columbia County and the region.
- Consider state and federal education and funding opportunities through the Washington State Departments of Agriculture and Commerce, and the USDA.

WORKFORCE TRENDS

Eastern Washington Regional Economist Ajsa Suljic recognized in our interview with her the positive workforce and economic trends in Columbia County (the County). The County has a higher labor force participation rate than neighboring Walla Walla, Garfield, and Asotin counties. Ms. Suljic addressed the importance of small businesses to the County economy. Small businesses accounted for 50 to 60 percent of the employment and \$87 million of annual payroll in the county in 2021. It is in the best interest of the Port to continue supporting and facilitating small business development in the County.

Construction has been another recent strength of the county economy. Wind turbine manufacturing has created a spike in construction jobs in the county which has benefited wage creation and growth. In 2021, annual wages for construction workers were over \$25,000 higher than the annual average wage across all industries.

HOUSING OPPORTUNITIES

The 2020 Columbia County Comprehensive Plan does not identify the need for additional housing stock in the county. It does, however, identify the need for affordable and rental housing. One way to begin addressing these issues is through mixed-use development.

The Port of Everett partnered with developers to construct market-rate, mixed-use housing on the Everett waterfront. The Port of Everett saw an opportunity to create residential density in a mixed-use area that could support office, retail, and recreational uses while maintaining public access to the waterfront. The residential units provide missing updated multi-family housing and a diversity of housing options in Everett. Revenue from the investment helps pay for other Port endeavors.

Another option for ports seeking to support housing needs in their communities is attracting developers to purchase port property for housing. As shared in the February memo and Commission workshop, the Port of Bellingham did just this in 2021 when it approved an option to sell 3.3 acres of property on Bellingham's downtown waterfront to Mercy Housing Northwest. The project will feature

83 apartment homes, 10% of which will be reserved for families exiting homelessness. The community will also feature an early childhood education center sponsored by YMCA of Whatcom County.

It is recommended that the Commission consider:

- The highest and best use of the Port's Blue Mountain Station property, and how its use may interact with BMS and the surrounding community.
- The nexus of housing to the Port's mission of long-term economic vitality for Columbia County and its communities.
- Options for partnership with public, non-profit, and/or private organizations to address the multifaceted issue of housing.

DOWNTOWN BUILDING PURCHASE

It is not uncommon in Washington state for public entities to own buildings that are located at a distance from their main properties and lease them to private operators. The Port of Willapa Harbor recently entered into a purchase agreement to acquire a former cannery building in Downtown South Bend for redevelopment into a business accelerator training program and spaces for small-scale manufacturing or artisan businesses as well as a retail store for products made on site and locally. The goal for the project is to catalyze economic development and job creation in Willapa Bay region. The economic feasibility study for this project was funded through a State Community Economic Revitalization Board (CERB) grant.

The Port must attend to both mission and margin in all activities and should take stock of its assets and liabilities and demonstrate the highest and best use for a particular building before considering purchase. Along these lines, it is recommended that the Commission consider:

- The potential economic and community benefits that can be derived from continued investment in existing Port assets, consistent with market demand and community needs.
- Whether Port investment is precluding private investment in downtown buildings.
- Assessing the economic feasibility of purchasing a downtown building. The Port may consider pursuing a CERB grant to access planning funding for such an assessment.