



STATUS REPORT

ON THE PORT OF GULFPORT **RESTORATION PROJECT**

SEPTEMBER 2014



GOVERNOR PHIL BRYANT



mississippi development authority
MISSISSIPPI

OVERVIEW

Nine years after the devastation of Hurricane Katrina, South Mississippi's economy is improving; however, the comeback is not yet complete. Despite the double blow of the Great Recession and the Deepwater Horizon disaster, the Coast's economy and people have made strides in bringing back employment across the tourism, industrial, service, and defense/government sectors.

Still, South Mississippi, and the rest of the nation, is facing long-term structural challenges in infrastructure that can support sustainable growth and development. Lack of robust, maintained, and efficient transportation infrastructure will put a stranglehold on future business activity in this region and impede growth over time.

In 2007, state and local leaders made the prudent and forward-thinking decision to invest in the Port of Gulfport Restoration Project (PGRP) to support sustainable growth and capitalize on the increasingly integrated global economy, as well as rebuild in such a way as to mitigate the Port against future storm damage. The plans for this once-in-a-generation \$570 million project will effectively double the footprint of the Port; upgrade and reinforce the bulkhead to support larger ships; and improve efficiency through better utilization of space, buildings, and transportation assets.

In addition to onsite upgrades, plans were laid and projects begun to make the Port a more competitive player in the Northern Gulf of Mexico market. Upgrades to the KCS railroad have been completed and have made the movement of goods from the Port to inland markets more efficient and cost-competitive. An Environmental Impact Study (EIS) is underway studying future expansion opportunities, including the deepening of the channel, which will make the permitting of that eventual project more streamlined.

In 2012, Governor Phil Bryant laid out a broad set of objectives to ensure that the state's strategic investment in this public infrastructure was successful. As a result, original project plans were modified, the construction plan was expedited, and new leadership was brought in to oversee the project and the Port's business development efforts.

The purpose of this report is to inform stakeholders and the public of the status of the Port of Gulfport Restoration Project. This report attempts to describe in detail the status of the project from both a financial and construction standpoint, as well as describe the accomplishments and challenges the Port has experienced since the inaugural report issued in September 2013.

In one year's time, the Port Commission and staff have led a major move from the planning and preparation phase into the construction phase of the project. There are four separate construction projects currently underway, with eight more planned over the next 12 months as the project advances toward a 2016 completion date. Since the major construction portion of the project began in 2012, these contracts have had a significant impact on the local economy by supporting a total of 468 design and construction jobs. MSPA is especially pleased to report that of the 468 jobs supported by the PGRP, 209 of those are new hires within the companies working on the project with 55 of those jobs held by low and very-low income local residents.

TIMELINE

FINAL RELEASE OF FUNDS FROM HUD:	MAY 2011
FILL COMPLETE (+14 FOOT ELEVATION):	APRIL 2013
WHARF UPGRADE BEGINS:	JUNE 2013
DUPONT SIGNS LONG TERM LEASE:	JULY 2013
SHORE PROTECTION PROJECT BEGINS:	AUGUST 2013
GULF COAST SHIPYARD GROUP ANNOUNCEMENT:	JANUARY 2014
ISLAND VIEW HOTEL RENOVATION BEGINS:	MAY 2014
MCDERMOTT INTERNATIONAL ANNOUNCEMENT:	MAY 2014
TENANT FACILITIES CONSTRUCTION BEGINS:	JULY 2014
PHASE I INFRASTRUCTURE PROJECT AWARDED:	SEPTEMBER 2014

Under the leadership of the new Port Executive Director, Jonathan Daniels, and his newly assembled team, the Port has announced two new tenants, celebrated the 50th anniversary of Dole, begun work on an expansion of the DuPont facility, and made significant progress on the channel dredging.

None of this progress would have been possible without the financial and technical assistance made available through HUD. The leadership of HUD has always understood the correlation between long term recovery and infrastructure investments, and their leadership has supported this project at every turn. No project of this size can be accomplished with just one set of stakeholders; it requires hard work and collaboration at the local, state, and federal levels and the state sincerely appreciates HUD's continued partnership.

While challenges exist, most notably the sudden departure of Chiquita as a port tenant, the direction of the PGRP and the Port's business development efforts are making enormous strides toward the ultimate goal of an economic catalyst for the region and for the surrounding community. This is a large and complex undertaking, almost unprecedented in the state; however, it is a project that will support the long-term, sustainable economic competitiveness of the area.



CONSTRUCTION UPDATE

After many years of mandatory environmental permitting, regulatory reviews, and the receipt of clearances, the Port of Gulfport Restoration Project (PGRP) has moved firmly from the planning and permitting phase to the construction phase. The project continues to progress significantly with more than \$325 million in design, engineering and construction contracts issued to date, 72 percent of which have been awarded for construction related activities.

It is important to note that leadership must maintain an operational port through careful construction sequencing and coordination. Despite that complexity, construction remains on target.

Construction continues to progress and a significant increase in activity is expected as the largest projects are slated to begin during the second half of 2014. In June 2014, the Port completed the installation of approximately 202,000 tons of stone shore protection which will greatly mitigate the effects of future severe tropical weather events. Additionally, the 84 acre fill site has sufficiently settled and final grading has been completed to allow for the construction of the new tenant facilities on the West Pier, which will begin in October 2014.

The West Pier Wharf Upgrade project is approximately 30% complete as the contractor prepares to begin work on the 2nd of 3 phases. The upgraded wharf includes structural and infrastructure improvements to accommodate three state of the art electric powered, rail mounted ship-to-shore gantry cranes. The contract for the gantry cranes was finalized in July 2014. The nearly \$31 million investment will enable the Port's existing tenants to more efficiently service their vessels while reducing costs, and will be a chief marketing item as the Port works to attract new tenants. The new cranes will also replace two diesel powered cranes currently in use and further strengthen the Port's green initiative.


	AWARDED TO DATE	EXPENDED TO DATE
Construction Contracts	\$234,344,637	\$113,294,463
Non-Construction Contracts	\$88,652,032	\$46,520,190
Total Contracts	\$322,966,669	\$159,814,653



Upcoming large-scale construction projects include the West Pier Tenant Facilities Project and the West Pier site work and infrastructure, Phase 1 Project. The Tenant Facilities Project includes a transit shed with 300,000 square feet of combined short-term dry storage, chilled storage, office space and a security gate complex for use by Dole Fresh Fruit Company and Crowley Liner Services, Inc. The result will be modernized facilities for existing tenants while also providing for future expansion potential for the Port's existing tenants. Bids were received for the tenant facilities in July 2014 with the contract being awarded to Southern Industrial Constructors at a value of \$47 million. Construction is expected to begin in September and work is scheduled to be complete in April 2016.

The West Pier site work and infrastructure, Phase 1 Project will include sub-grade preparation, asphalt paving, railroad connectivity as well as all site utilities. Bids were received on September 18, 2014 and the project has an estimated value of \$50-70 million. Construction is expected to begin in 2014 and work is scheduled to be complete in early 2016.

Other future projects include maintenance and repair facilities and a tenant security gate complex. Additionally, as part of its ongoing commitment to being a good neighbor and better integrating into the downtown Gulfport view shed, design and engineering plans are being finalized for a water storage tank designed to look like a lighthouse and a landscaping/beautification project.



“Gulfport’s well established port with coastline access makes it a prime location for the operation of a spoolbase. This facility complements our efficiency and our high-performance vessels. We will be ideally positioned to serve a wide range of our clients’ needs from this base in the Gulf of Mexico.”



**- Tony Duncan, Executive Vice President
Subsea, McDermott International**

COMPLETED CONSTRUCTION

CONTRACT/ CONTRACTOR	CONTRACT VALUE ORIGINAL/REVISED*	AWARD/ COMPLETION	EARNED TO DATE/REMAINING	PERCENT COMPLETE
60 Acre Fill WC Fore Trucking	\$22,480,285 \$26,606,781*	3/2/09 6/1/11	\$26,606,781	100%
+25 Fill Phase 1 WC Fore Trucking	\$19,116,448 \$12,667,215	3/19/12 6/13/13	\$12,667,215	100%
24 Acre Dredge & Fill Archer Western	\$38,286,384 \$41,457,031*	5/29/12 6/10/13	\$41,457,031	100%
Shore Protection Bertucci Contracting	\$6,468,700 \$5,938,835*	8/26/13 6/7/14	\$5,938,835	100%
PVD Completion US Wicks	\$1,249,937 \$1,129,573*	8/26/13 1/2/14	\$1,129,573	100%
Sub-Grade Preparation Ruiz	\$577,108 \$551,828*	2/27/14 5/28/14	\$551,828	100%
Completed	\$88,341,263			

CURRENT CONSTRUCTION

CONTRACT/ CONTRACTOR	CONTRACT VALUE ORIGINAL/REVISED*	AWARD/ COMPLETION	EARNED TO DATE/REMAINING	PERCENT COMPLETE
Wharf Upgrade L&A Contracting	\$55,043,876 \$57,037,707*	5/21/13 3/1/16	\$17,688,012 \$39,349,695	31%
Tenant Facilities Southern Industrial	\$47,037,840	7/25/14 4/8/16	\$47,037,840	0%
Gantry Cranes ZPMC	\$30,922,976	7/14/14 7/1/16	\$30,922,976	0%
As Needed Site Work WC Fore Trucking	\$355,159	9/5/13 12/1/15	\$64,875 \$290,284	18% Task 1 Complete
Construction Mgmt. Multiple Firms	\$10,639,692	Multiple	\$7,190,314 \$3,449,378	68%
Current Construction	\$145,993,374		\$24,943,201 \$121,050,173	
Total Contracted	\$ 234,344,637			

FUTURE CONTRACTS

CONTRACT	ADVERTISE DATE	AWARD DATE	ESTIMATE	DURATION
West Pier Construction, Ph. 1	July 28, 2014	September 2014	\$50-70 million	540 days
Small Craft Harbor Wave Barrier	October 2014	November 2014	\$5-\$8 million	
Water Tank	January 2015	March 2015	\$2-3 million	180 days
Tenant M&R Facility	January 2015	March 2015	\$1.8 -2.2 million	365 days
Tenant M&R Facility	January 2015	March 2015	\$1.8 - 2.2 million	365 days
Security Gate	January 2015	March 2015	\$1 million	270 days
Landscaping	January 2015	March 2015	\$500-1 million	120 days
Port Operations Bldg	March 2015	May 2015	\$2-3 million	365 days
West Pier Site Work & Infrastructure, Ph. 2	January 2016	April 2016	\$25-\$30 million	365 days
West Pier Site Work & Infrastructure, Ph. 3	October 2016	January 2017	\$12-\$15 million	120 days

OPPORTUNITIES FOR ALL

The PGRP is a long term project laying the groundwork for sustainable growth for the region in the future. However, there is also a keen focus on providing immediate job opportunities and a positive impact on the South Mississippi economy during the construction phase. This effort includes making job opportunities available to low and very low-income individuals in the area. The U.S. Department of Housing and Urban Development (HUD) defines these efforts as “Section 3” compliance — the Port, MDA, and PGRP contractors call this our commitment to our neighbors.

A chief priority of the Port of Gulfport Restoration Program is that local contractors employ area workers reflective of the community the port calls home. Through extensive outreach, training, and technical assistance, the Port team has made these requirements a priority and the efforts have paid off. At various times during the last three years, the project has not only met but doubled the minimum Section 3 numeric goals for contracting and new hires, and the trend is continuing. In fact, 100% of the recent professional services contracts awarded went to firms owned by or employing low and very low-income individuals. The project appears to be on track to exceed all Section 3 goals by the end of construction.

COMPANY PROFILE

L&A CONTRACTING COMPANY

The PGRP has enjoyed great success in meeting the goals established by HUD by contracting with locally owned companies that provide job opportunities to low-income (Section 3) Gulf Coast residents. One such example is L&A Contracting Company from Hattiesburg, MS. L&A was awarded the \$55 million wharf upgrade project in July 2013 and immediately set out to recruit and fill vacant project positions from a pool of well qualified south Mississippi residents.

As of July 2014, L&A has hired 171 new employees to work on the PGRP and of those, 40 are low- and very low-moderate income individuals residing in the project area. This is just one example of the commitment the Port and its contractors have demonstrated to not only building a better port that will provide jobs for thousands of Mississippians for generations to come, but also to providing significant job opportunities to local citizens while the project is under construction.

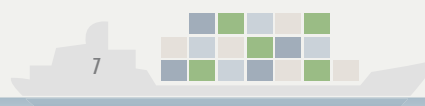
171 NEW EMPLOYEES

PUBLIC OUTREACH

In an effort to meet the Port’s Section 3 goals, on May 15, 2014, the Port hosted a Business Outreach Workshop at the Isiah Fredericks Community Center in Gulfport. The session was provided to give local business owners a chance to hear more about opportunities for minority and Section 3 businesses and how they can get involved with upcoming Port Restoration projects. By hosting these workshops the Port hopes this will encourage companies who are interested in the restoration projects to become a Section 3 business.

Additionally, the Port participated in four outreach events targeting local Section 3 residents. These events have proved successful in that 75 residents were identified for future training and employment opportunities.

67 SMALL BUSINESS OWNERS WERE IN ATTENDANCE.



STATUS OF PROGRESS

In July 2012, Governor Phil Bryant, the Mississippi Development Authority (MDA), and the MSPA Commission joined together to change the direction of the Port Restoration Project in a way that expedited completion and resulted in a world-class marketable asset that delivered real job opportunities.

Governor Bryant laid out Five Objectives to ensure that the project resulted in a sustainable and well-positioned asset far into the future.

**CREATE THE
REQUIRED
NEW JOBS**

**DEEPEN
THE PORT
CHANNEL**

**MAINTAIN
CURRENT
TENANTS**

**INCREASE
THE PORT'S
CAPACITY**

**FOSTER
COMMERCIAL
DEVELOPMENT**

GOVERNOR'S OBJECTIVE: CREATE THE REQUIRED JOBS

The leadership and staff of the Port are singularly focused on economic development and job creation opportunities. In just over one year since Jonathan Daniels took the helm, there have been two new maritime tenants signed, the expansion of a current tenant (DuPont), and the launch of a multi-million dollar renovation of another tenant (the Island View hotel).

His strategy has focused on broadening the target industries for the Port and pursuing opportunities in strategic industries.

As part of the plan authorizing the PGRP, the Port committed to retention and creation of approximately 2,500 jobs within three years after the completion of the project. The focus has been on retaining and growing existing employment levels while creating new jobs through the recruitment of additional tenants and services that support them.

While there have been positive announcements and growth from existing tenants, retention from HUD's perspective also relies on extensive documentation requirements. In the aftermath of the storm and in the midst of rebuilding and getting the Port up and running again, those recordkeeping requirements on existing employees were not as rigorous as they needed to be. In its February 2014 monitoring report, HUD acknowledged that there has been significant job retention at the Port but determined that the documentation of those retained jobs was insufficient. HUD, however, now considers "the job retention component of the PGRP as effectively completed" and has placed the focus on the "future actions of the MDA and MSPA," consistent with the Port's new recordkeeping processes.



These future actions concentrate on the state's commitment to supporting 1,300 jobs within three years of the completion of the project, 51% of those being made available to low- and moderate-income residents. This focus on job creation has already born fruit as economic development efforts have begun to pay off several years prior to the deadline, and even in the midst of a full-scale construction project.

In January 2013, the Port landed its first new maritime tenant in 15 years with the announcement that Gulf Coast Shipyard Group would be locating on the end of the East Pier. This local shipbuilder, serving the oil and gas industry, will bring its new liquefied natural gas-fueled vessels into the Port for outfitting, painting, electrical, engine testing, and sea trials. Gulf Coast Shipyard expects to employ approximately 70 workers at the Port.

Following shortly on the heels of this good news was the announcement that McDermott International would occupy the remainder of the East Pier. The new tenant has committed to bringing 100 direct jobs in addition to the longshoremen positions that will result as well. McDermott is an energy, construction, and installation firm with operations all over the world. In Gulfport, they will finish their specialized pipelines for the offshore oil and gas industry and then spool it



"This announcement is one of many recent positive accomplishments of the Port Restoration Project, and we are proud to include McDermott in our progress. The Port of Gulfport is an important economic driver for south Mississippi, and the investments we are making today will position the region for growth for years to come."

- Gov. Phil Bryant

SunHerald.com
BILOXI-GULFPORT AND THE MISSISSIPPI GULF COAST

May 21, 2014
Sun Herald Editorial:

McDermott Bolsters The Port

" Officials with the state Port of Gulfport are to be commended for securing the facility's first new major tenant since 1999."

onto large ships that will deploy throughout the Gulf of Mexico. The Port of Gulfport will become the company's Gulf of Mexico base of operations once it becomes operational.

Despite the fact that the construction project is ongoing, the Port team - in conjunction with the Governor and MDA - continue to explore new tenant opportunities.

In addition to traditional maritime commerce recruiting efforts, the Port has been actively working to leverage the presence of multiple military installations throughout South Mississippi into additional throughput opportunities. Working in conjunction with Camp Shelby in Hattiesburg and the Combat Readiness Training Center and Naval Construction Battalion in Gulfport, the Port is pursuing a Department of Defense Strategic Seaport designation. The Port of Gulfport is a prime candidate for this important designation due to its intermodal connectivity, proximity to major installations, and location with respect to the Northern Gulf and Southeast U.S. The DOD is currently assessing the application. With the designation, it is possible that the Port will be exposed to additional opportunities that will not only put our longshoremen to work but will also serve our national security interests.

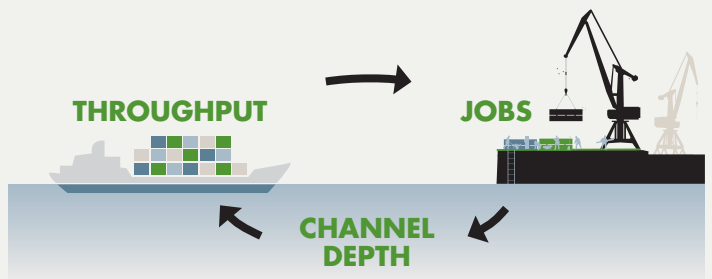
The State and Port made a commitment to the people of South Mississippi to invest in an asset that will serve the local economy for years to come. This once-in-a-generation project is laying the groundwork for support of international commerce and the jobs that come with it. There is great collaboration between the Port leadership, the Governor, and MDA to promote and attract new investment and jobs to the Port. Two years remain in the construction phase of the project coupled with a three year compliance period, but the job creation activities are already showing results.

GOVERNOR'S OBJECTIVE: DEEPEN OUR CHANNEL

Maintaining the Port of Gulfport's harbor and navigation channel is vitally important to the continued successful operation of the Port and its tenants. The United States Congress has authorized the harbor and navigation channel to be maintained at a depth of 36 feet and has assigned this maintenance responsibility to the U.S. Army Corps of Engineers (USACE).

However, due to budget constraints at the federal level, only partial funding has been appropriated by Congress, and as a result, the Port's harbor and navigation channel currently provides only 32 feet of water for vessels utilizing the Port. This creates numerous logistical, financial, and scheduling issues for the Port and its tenants because vessels are forced to either come in with a partial load or re-route to other ports with deeper water.

The Governor, Port leadership, and our Congressional delegation have taken a proactive approach to resolve this issue. In September 2013, the Port submitted a formal request to the USACE to allow the Port to combine its own funding with that of the USACE to dredge the harbor and navigation channel to its federally authorized depth of 36 feet. After months of review by the USACE in Mobile, Atlanta, and Washington, D.C., the Port has entered into an agreement with








the USACE and channel maintenance began in September 2014. By the end of 2014, the channel will be at its full authorized depth of 36 feet, providing greatly increased capacity and efficiency for the Port and its tenants.

The Port will contribute up to \$8 million to the funding already in place through the USACE to bring the channel to its full authorized depth. It is important to note that the \$8 million contributed by the Port is not a lost expense. Thanks to the work done by Mississippi's Congressional delegation in the Water Resources Development Act (WRDA), the Port will receive credit against its share of State matching funds for future channel deepening projects.

After much negotiation, WRDA was re-authorized in May 2014 and paves the way for more funding for future maintenance and deepening projects at the state's ports and waterways. The Mississippi Congressional delegation secured provisions in the WRDA bill that enhance the agreement between the Port and the USACE for operations and maintenance dredging and better positions the Port to address future channel and development needs.

While the Port is taking steps to ensure the harbor and navigation channel are maintained at their authorized depth, they are not stopping there. The Port recognizes the benefits that a larger footprint and an even deeper channel bring, and it is aggressively seeking the necessary approvals to make that a reality. Over the past year, the Port added the study of a deeper channel to its ongoing Environmental Impact Statement (EIS) process related to future southward expansion of the Port. This is important because it allows the Port to get a jump start on future permitting in the event that the USACE approves a deeper channel.

SHIPS THAT CAN OPERATE IN 36-FOOT CHANNEL

	LENGTH	DRAFT	TEUs
CONVERTED CARGO VESSEL  CONVERTED TANKER 	135 m	< 30 ft	500
	200 m		800
CELLULAR CONTAINERSHIP 	215 m	33 ft	1,000 - 2,500
PANAMAX CLASS  	250 m	36-40 ft	3,000
	290 m		4,000



GOVERNOR'S OBJECTIVE: MAINTAIN THE PORT'S CURRENT TENANTS

Supporting the Port's existing tenants is a critical consideration in the planning and work of the PGRP. Much of the benefit of the restored port will accrue to the current tenants through more space, efficient facilities and equipment, and abundant opportunities to grow. The Port planners and contractors have gone to great lengths to accommodate the ongoing operations of the current tenants as the Port is completely reconstructed. Our tenants' patience and support through this improvement process is greatly appreciated and will pay off for them in the long run.

One of the largest projects currently underway at the Port of Gulfport is the expansion of longtime tenant DuPont. In order to ensure DuPont's long-term needs are met, the Port is making a significant financial investment in a new state-of-the-art ilmenite ore handling facility. The Port is contributing \$23 million in FEMA-allocated funding as well as a loan of up to an additional \$68 million in Port funding to the construction project. Those funds will be repaid, with interest, through additional lease payments by DuPont. Construction on the project has begun, and when operational the facility will provide a storage capacity of 200,000 tons – **an increase of 82% over the current facilities.**

In May 2013, DuPont and the Port executed a new long term 30-year lease that also provides for three additional 10-year options for a total potential commitment of 60 years by DuPont. Additionally, DuPont has guaranteed to provide a minimum throughput of 450,000 tons of cargo.

Dole has been a mainstay of the community for decades and on June 5, 2014 the company was on site to celebrate its 50th Anniversary in Gulfport. Governor Phil Bryant and Mayor Billy Hewes of Gulfport joined the Port Commissioners in welcoming Dole Foods CEO David H. Murdock and COO Michael Carter to Gulfport for the celebration. The anniversary event included celebratory speeches, Dole inspired fruit smoothies, sandwiches provided by Cafe' CLIMB, and Dole's Bobby Banana and Penelope Pineapple made a special appearance.

Dole has been in Gulfport on a permanent basis since January 1965 and is considered a pioneer in the tropical fruit business. The company is also one of the world's largest producers and marketers of fresh fruit and vegetables. Recently, Dole extended its lease at the Port until 2027, adding further stability to the existing customer base in Gulfport.



As the Port plans for the next 50 years with Dole, they are in discussions about bringing larger ships and more product through Gulfport. The ships that Dole currently docks in Gulfport have a capacity of 800 TEUs (standard maritime measurement, roughly 2 TEU = 1 modern container). The Port and Dole are in discussions to bring in newer 1,800 TEU capacity ships, a potential increase in throughput of approximately 55%. This could lead to more work for the ILA, trucking companies, and other employees impacted by Dole's operations.

Another important maritime tenant, Crowley, is expanding its operations at the Port as well. Crowley is one of the world's largest transportation and logistics companies, moving various products through the Port of Gulfport on a contractual basis. It has picked up several of the exporting contracts formerly held by Chiquita, minimizing the loss of ILA hours as a

result of that departure. The number of Crowley contracts moving through Gulfport has increased from 211 to 251 in the past year. With new and more efficient space, the Port hopes to see Crowley continue to grow its operations in the future.

Finally, the Island View hotel has been an important part of the Port family for years. After Hurricane Katrina, Island View bought the old Grand Casino hotel tower, which had been vacant since the storm, and has recently started a \$58 million renovation of the property. The renovation will increase Gulfport's hotel-room inventory by approximately 400 beachfront rooms. Also, included in the construction are meeting and retail spaces, restaurants, a spa, and a beachfront pool. Plus, all the rooms on the southern end of the tower will be suites which will include extended balconies looking over the water.

The Port values the long term relationships with its existing tenants and wants to support their growth in Gulfport. Expansion activities of two of the tenants have resulted in **more than \$140 million in new private investment** in Gulfport. That level of commitment to the community must be met with an equal commitment by the Port leadership to support them in their continued growth.

In May 2014, Chiquita made the decision to end its 40-year partnership with the Port of Gulfport.

In making the decision, Chiquita responded to the changing logistics requirements of its merger with Fyffes PLC. They accepted an attractive incentives offer from the Port of New Orleans and will leave Gulfport by the end of 2014.

The 58 full-time equivalents with ILA have lost hours of work as a result of the departure, and the Chiquita trucks – a regular fixture in Gulfport – will be leaving soon. This was a disappointing setback in the recovery of our region, but it has only served to motivate the Port leadership to redouble efforts to grow existing tenants and recruit new employment opportunities.

It is important to note that the decision was a business decision made by the company and the Port was not given an opportunity to compete to keep Chiquita in Mississippi. As the company's press release stated at the time: "This was a clear business decision for us surrounding our new shipping configuration rather than any dissatisfaction with the strong and economically competitive team we have had at Gulfport."

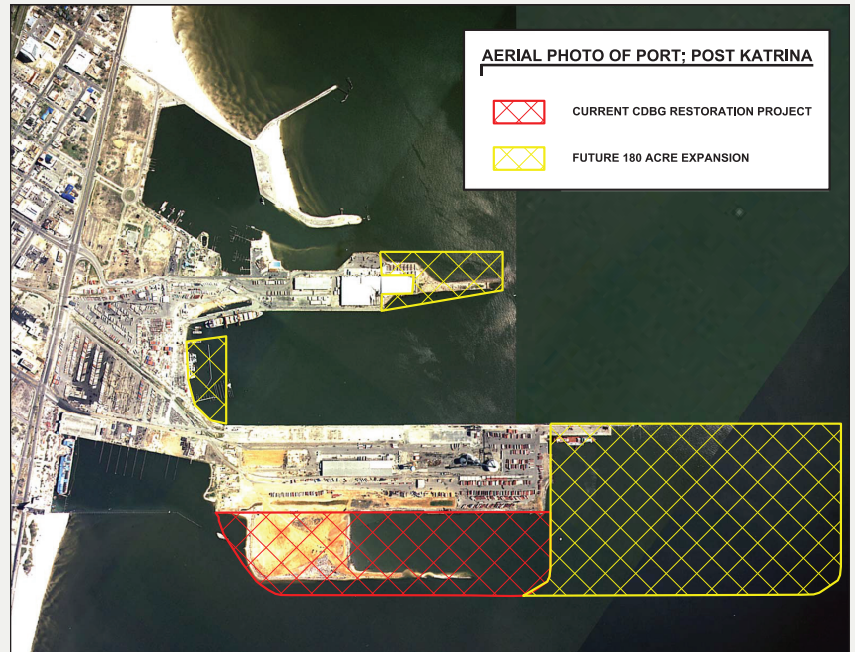
Within days of the Chiquita announcement, the Port welcomed new tenant McDermott International and its more than 100 jobs. Crowley has picked up much of the export business previously held by Chiquita which is putting ILA members back to work. Growth and opportunities from existing and new tenants are on the horizon, and a setback like this only serves as further motivation to capitalize on this major infrastructure investment for the future of our region's economy.



GOVERNOR'S OBJECTIVE: INCREASE CAPACITY

The purpose of the PGRP was to make a generational investment in this important public asset that would expand its capacity and position it for future growth. Higher capacity leads to more product moving through the Port more efficiently, more longshoremen jobs, and better economics for our existing and potential customers. This objective was predicated on three activities: doubling the size of the Port of Gulfport, improving transportation infrastructure, and increasing the efficiencies of its operations.

The Port of Gulfport is now roughly twice the size it was 10 years ago. The 84-acre fill project is complete and construction will begin in late 2014 to build out infrastructure and facilities. The plans for this new expanded port resulted in the creation of 100+ acres for new development. Approximately 50 acres have already been obligated to two new tenants – Gulf Coast Shipyards and McDermott International – and the remaining 50+ acres of new space on the West Pier are being actively marketed to new customers.



In addition to the PGRP expansion, the Port is currently working with the USACE on permitting a future southward expansion opening up even more acreage for development. In 2012, the Port began the lengthy process of preparing an Environmental Impact Statement (EIS) which is the major component of acquiring the necessary permits to expand the Port footprint by a desired 180 acres and deepen the harbor and navigation channel to a depth up to 45 feet. This multi-step process involves numerous environmental studies, reports, multi-agency review and public meetings before a final document can be submitted for approval. It is approximately 70% complete as of September 2014.

Port staff continues to aggressively market not only the existing Port site, but also that of the potential 180 acre expansion and deeper channel. The interest that has been generated from prospective tenants has been substantial, which makes obtaining the necessary approvals for expansion vital. The EIS and other necessary approvals are scheduled for completion by the end of 2015; however, the Port is working aggressively to shorten the timeframe in order to accommodate prospective tenants earlier.

Transportation connectivity is the lifeblood of a port, and the Port of Gulfport now boasts access to two Class I rail lines – CSX (east-west) and KCS (north-south). The upgrade of the KCS line to Hattiesburg is now complete and can accommodate double-stacked capacity at high speeds, making the Port of Gulfport a more connected and marketable location for new rail-dependent customers.

Finally, increased capacity is driven by more efficient facilities and loading/unloading equipment. It is also bolstered by the deeper channel that will be achieved in late 2014 through long-delayed channel maintenance. In addition, the Port is currently procuring three high capacity ship-to-shore gantry cranes to help our current and future tenants ship more efficiently and cost-effectively through Gulfport. New more efficient layouts of tenant space, upgraded transit sheds, and other facilities improvements will also add to their productivity, hopefully driving long term growth for our tenants. As an example, facility upgrades underway now for DuPont will allow them to substantially increase their throughput from earlier levels.

GOVERNOR'S OBJECTIVE: FOSTER COMMERCIAL DEVELOPMENT

Port leadership understands that not every member of the community is suited to a job as a longshoreman or a truck driver. In order to achieve the greatest economic impact possible, commercial development around the Port is required to provide a variety of jobs suited to the full range of skills found in the community.

Port leadership worked closely with the Island View hotel over the recent years to re-negotiate its tenant lease allowing for the long-awaited reconstruction of the hotel. This hotel has sat vacant since Hurricane Katrina – a tangible reminder to the area of the destruction of that day nine years ago. The renovation of Island View's hotel tower also signifies the continued confidence in the Mississippi Gulf Coast as a dynamic and viable tourism destination.

The hotel renovation project at Island View is moving along quickly. Since reconstruction began in the spring of 2014, Island View's hotel tower has been totally gutted and construction crews are giving the interior a complete makeover. Construction is expected to be complete by summer 2015.

The Port Commission continues to evaluate options on how to compliment the Island View, small craft harbor, and downtown Gulfport. In addition to efforts to soften the transition of the Port into the surrounding business district, the Port Commission is seeking out new ways to help spur additional investment in the downtown area. The recent decision to re-locate the Ship Island ferry to the small craft harbor is an example of how the Port can support local commercial activity and the continued resurgence of downtown Gulfport.



COMMUNITY OUTREACH

The ultimate goal of the PGRP is the betterment of the surrounding community and region. This port will be a long term economic engine that will provide jobs and opportunities for years to come. It is important that the community feels vested in the Port's success – because ultimately a successful Port means a successful community.

The Port, under the leadership of Jonathan Daniels, has taken unprecedented actions over the last year to be more closely engaged with the community. The Port has listened to concerns on job opportunities, a healthy environment, and other important topics and is attempting to be responsive to that feedback. It is important to increase meaningful dialogue between representatives of the diverse Gulfport community in order to foster a shared vision for the future of our economy.

COMMUNITY ENGAGEMENT: HIRING COMMUNITY LIAISONS

The Port leadership had heard from the community for some time about the need to have a senior position within the organization focused on outreach and engagement. Jonathan Daniels and the Port Commission heeded that call and recently created the Director of Community Relations and Marketing. Carlos Bell, formerly of Waggoner Engineering and the Lead Advisor for the Gulf Coast Recovery Office, brings a wealth of experience in working with community, business, and political stakeholders throughout the Coast. His main priority is to serve as a liaison between the Port and the community to foster an open and honest dialogue about the Port's goals and activities.

In addition to Carlos, Kimberly Aguillard has joined the team as the Community Relations and Marketing Specialist to lead a robust social media and outreach effort focused on a very personal and hands-on connection with the community. Kimberly's background is in public relations and sales, with her most recent work being at the Louisiana Children's Museum in New Orleans where she was the Marketing Coordinator.

COMMUNITY ENGAGEMENT: CONTRACTING AND JOBS OPPORTUNITIES

HUD's mandate to positively impact qualified "Section 3" businesses and individuals (local low- and very low-income individuals and the firms that employ them) is a central focus to the Port's ongoing efforts. Those accomplishments have been discussed in previous section, but it is important to look at those efforts in the context of greater community outreach and education.

The cornerstone of the Port's outreach effort is the established relationship with organizations that are involved in the coastal region's workforce and small business development efforts. These organizations bring a wealth of outreach resources to the Port's Section 3 outreach and education effort. The Port has partnered with agencies to engage in ongoing outreach and educational efforts throughout the year including job fairs, networking opportunities, business education and certification workshops, community presentations and targeted community group mailings – just to name a few. Over the past year, the Port has partnered with various local leaders including Regional Housing Authorities, Civic

Outreach efforts by MSPA have proven very successful. More than \$21 million has been awarded to Section 3 businesses through the PGRP.



Clubs, CLIMB Café, Moore Community House, Interfaith Partnerships, the National Association of Women in Construction, the South Mississippi Contract Procurement Center, and the Power Forward Conference sponsored by the South Mississippi Contract Procurement Center and Mississippi Power. Staff has worked extensively with the Mississippi Department of Employment Security and the local WIN Job Center to publicize employment opportunities and help match qualified applicants with jobs.

It is important for local businesses and the surrounding community to be aware of jobs and contracting opportunities, and these efforts will remain an important part of the Port's ongoing outreach and education campaign.

COMMUNITY ENGAGEMENT: PORT TOURS

The Port of Gulfport is proud to be a partner in the community and is continually reaching out to ensure local and state residents learn more about the Port's operations, how the Port is improving the environment, and how they are helping the community thrive.



Since the Port began offering free behind-the-scenes tours in the fall of 2013, it has held three of these informative events, regularly drawing crowds of 150-200 interested members of the public. In June 2014, the Port of Gulfport invited the public behind its gates as part of the celebration of Dole's 50th Anniversary at the Port. Dole's Bobby Banana and Penelope Pineapple greeted over 180 people outside of PJ's Coffee in downtown Gulfport. Tour participants received free bananas provided by Dole and PJ's Coffee in downtown supplied coffee and waters. By partnering with local businesses such as PJ's, this allows tour participants to enjoy the thriving base of restaurants and retail establishments that are located in downtown Gulfport. The Port plans to continue this popular opportunity every quarter.

COMMUNITY ENGAGEMENT: SPONSORING COMMUNITY EVENTS

In an effort to show that the Port of Gulfport is interested in becoming more hands-on in the community and enhancing the experience of the Mississippi Gulf Coast, the Port has recently sponsored the Crawfish Music Festival in Biloxi and was a partner in hosting Climb Community Development Corporation's (Climb CDC) "Ports of Call" event.

The Crawfish Music Festival was a great opportunity for the Port to get out in front of a larger crowd locally and regionally. A few of the Port Directors even helped judge the crawfish races in which kids cheered on their crawfish to the finish line.

Climb CDC presented their first fundraiser in May called "Ports of Call" - a Food and Heritage Festival in which the Port of Gulfport partnered with them and Gulfport Main Street. Proceeds from this event will be used to provide scholarships for program participants as well as to expand existing programs and launch new programs as needed. Core programs at Climb CDC include: YouthBuild, Workforce Training Institute, Women's Business Center and Café Climb.

COMMUNITY ENGAGEMENT: SOCIAL MEDIA



It has been a year since the Port of Gulfport entered the “social media world,” which opened the door for the general public to communicate with the Port on a more personal level. By having a presence on Facebook, Twitter, and LinkedIn, the Port has been able to maintain and enhance the image of the Port of Gulfport by simultaneously creating awareness of the Port and its operations. The reach on social media is greater as well, allowing the Port to immediately create awareness of events and promotions. Follow the Port by visiting www.ShipMSPA.com and clicking on one of the social media icons, or search for us through your Twitter, Facebook, or LinkedIn accounts.

ENVIRONMENTAL STEWARDSHIP

An area of great importance to both the community and the Port – and an area in which both can work collaboratively – is environmental stewardship. In December 2013, the Port Commission voted to join Green Marine, a sustainability program devoted to the marine transportation industry that provides a framework for ports, terminals, shipping companies and shipyards to improve their environmental performance. After joining, Green Marine then began evaluating the environmental performance of the Port. In June 2014, the Port of Gulfport became a certified Green Marine participant making it one of the first saltwater ports in the nation to successfully achieve the green designation.



The cornerstone of the Green Marine initiative is its far-reaching environmental program, which makes it possible for any marine company operating in Canada or the U.S. to voluntarily improve its environmental performance by undertaking concrete and measurable actions. Green Marine has close to 150 companies actively participating or partnering in the program. The programs verification and certification process is rigorous and transparent, in which results are independently verified every two years and each company’s individual results are published.

“The Mississippi State Port Authority at Gulfport is one of the first saltwater ports in the United States to achieve Green Marine certification – a true milestone for the organization.

- Kurt Nagle, President and CEO,
American Association of Port Authorities

“GREEN” ACTIONS & INITIATIVES

- Diesel emissions reduction plan
- One of the largest transportation providers on the Port – KLLM – has some of the cleanest burning engines in the country
- Switching from diesel cranes to electric

Green Marine requires participants to adopt practices and technologies that will have a direct impact on the improved sustainability of their operations. These include greenhouse gas emissions reduction strategies, spill prevention, dry bulk handling and storage best practices, community impacts, and environmental leadership.

SOFTENING THE TRANSITION INTO DOWNTOWN

In June 2014, Tropical World Landscaping & Irrigation won the contract for Landscaping Services to beautify and soften the industrial look of the Port in order to better integrate its northern edges into the surrounding community. Tropical World will design the master plan for the new landscaping approach, which will include changes to lighting, fencing, and adding vegetation. The Port hopes that by improving the landscaping and physical transition it will help create an attractive amenity for Gulfport to compliment the thriving downtown business district.

The Port will also be upgrading its water tower and moving it further north on the Port, bringing it closer to Highway 90 and the Island View Hotel. The new location allows the Port to be more creative with the design of the water tower and they plan on masking it to look like a lighthouse. The design will take into account the Port's historical ties to the sea and will also have a working lantern room. The lighthouse will not be an aid for navigation but purely for visual enjoyment, and will serve as a visual beacon for the Port. Having a lighthouse at the Port will continue the linkage of lighthouses on the coast from Biloxi to Jones Park, and now at the Port of Gulfport.

A MESSAGE FROM THE PORT DIRECTOR



Over the past year, the Port of the Gulfport has seen much success in bringing in new business. With the help of Port Commissioners and Governor Phil Bryant, we have been able to enhance our recruitment efforts and create more jobs and opportunities for the people on the Gulf Coast. This is evident with our newest tenant, McDermott International.

The Port is focusing not only on recruiting new business but also supporting our existing tenants by providing them with more space and efficient facilities. Construction on DuPont's new facilities and Island View's hotel tower has resulted in 140 million in private investments.

By becoming Green Marine certified, this showcases our strong commitment towards the greening of our operations. Green Marine's mission is to make the marine transportation industry greener, which ties in with our own efforts to making our port more environmentally friendly.

Maintaining the Port's channel is important to the continued success of the Port of Gulfport and I thank the Mississippi Congressional delegation, Port Commissioners, and the Governor for their help in securing our maintenance dredging and future channel and development needs. We have discussed for some time the importance of getting back to our authorized channel depth of 36 feet and we can now officially say that dredging has commenced.

It has been quite a year for the Port of Gulfport, but there is still so much to do. I truly believe we have a strong team in place and are making significant strides for the future of the Port. I am proud to be part of this restoration project, and I know that with the help of the Port Staff and Commissioners our efforts will have a lasting impact on the Port and the state. We have made considerable progress, but we will still continue our aggressive efforts to create jobs and opportunities at the Port of Gulfport.

