

DECEMBER 2016 STATUS REPORT ON THE RESTORATION PROJECT







Overview

AFTER OVERCOMING ONE OF THE LARGEST NATURAL DISASTERS IN OUR NATION'S HISTORY, THE BUSINESS COMMUNITY ON THE MISSISSIPPI GULF COAST IS BEGINNING TO THRIVE. THE PORT OF GULFPORT IS ONE OF THOSE BUSINESSES MAKING TREMENDOUS PROGRESS, BOTH WITH ITS BUSINESS DEVELOPMENT EFFORTS AND WITH ITS WELL-KNOWN RESTORATION PROJECT.

In the wake of Hurricane Katrina, state and federal leaders committed to investing in infrastructure to support sustainable growth and development along the Gulf Coast. In 2007, a decision was made to invest in the Port of Gulfport Restoration Program, including a vision to create a more competitive Port by doubling its size and adding state-of-the-art facilities to accommodate current and future tenants. When completed, the restoration of the Port will improve the long-term competitiveness and job-creation capabilities of the Port and the entire region.



Gov. Phil Bryant, Port Director Jonathan Daniels and U.S. Senator Roger Wicker show HUD Secretary Julián Castro progress in the Port of Gulfport Restoration Project.

In 2012, Gov. Phil Bryant identified a set of objectives to move the restoration project forward and to ensure the state's strategic investment was successful. Since then, the project has made tremendous progress toward the achievement of Gov. Bryant's goals and the construction elements of the project.

"...there's been tremendous progress," Julián Castro, HUD Secretary, said. "I want to commend you for your great partnership."

The Port's current successes would not be possible without the financial and technical assistance made available by Congress through the U.S. Department of Housing and Urban Development. HUD's partnership and support throughout the entire program has paved the way for recovery and for continued infrastructure stability.

The Port of Gulfport was especially honored to welcome HUD Secretary Julián Castro in August 2015 to observe the 10-year commemoration of Hurricane Katrina. Secretary Castro was able to see first-hand, the progress not only at the Port of Gulfport, but along the entire Mississippi Gulf Coast and his support and leadership has been invaluable as Mississippi has worked diligently to recover from such an unprecedented event.

Currently, 10 construction projects with a contract value of more than \$270 million are underway, and more than \$57 million in construction contracts have been awarded during the 2016 fiscal year. These contracts

have had a significant impact on the local economy, supporting a total of 1,053 design and construction jobs. During the 2016 fiscal year, a total of 294 jobs were created by the contractors and consultants working on the PGRP. Of those 294 jobs, 137 positions were documented as new Section 3 hires which are individuals with low- or very-low household income levels.

Construction included wharf upgrades to accommodate the March 2016 arrival of the new gantry cranes, progress on the new transit warehouse, installation of infrastructure and the construction of piers in the Small Craft Harbor. The transition to vertical construction in 2015 represented the culmination of several years of planning, and Port leaders and staff are pleased to showcase the visible progress.

In addition to the gains being made with the construction project, the Port also has continued

to maintain and attract new business to the Gulf Coast. In the last three years the Port has announced new tenants such as Gulf Coast Shipyard Group, McDermott International, Topship, LLC and the University of Southern Mississippi; executed long-term leases with tenants ensuring further economic stability for the region; purchased land conducive to an inland port facility; completed maintenance dredging of the channel and inner harbor; and most recently, signed a 40-year lease with Chiquita, bringing this corporate citizen back to Gulfport from the Port of New Orleans.

The aggressive construction schedule continues to create new jobs and increase capacity. By working hand-in-hand with the Port's tenants, this multi-faceted project has made significant progress toward final completion, and every effort is being made to make the Port more competitive in today's global economy.



Timeline Of Project

APR 2013 Fill complete (+14 foot elevation)

JAN 2014 Announcement of Gulf Coast Shipyard

JUL 2014 Tenant facilities construction begins

MAR 2015 Acquisition of 116-acre inland port facility

MAY 2015 Commercial Small Craft Harbor complete

NOV 2015 Strategic seaport designation

MAR 2016 Gantry cranes arrive

JUL 2016 Chiquita announcement

AUG 2016 Gantry cranes are used for the first time with Chiquita MAY 2011 Final release of funds from HUD

> JUN 2013 Wharf upgrade begins

> > MAY 2014 McDermott Announcement

FEB 2015 Channel dredged to authorized depth of 36 feet

> APR 2015 West terminal site work, Phase 1, begins

JUL 2015 Bulk handling silo pour complete

FEB 2016 Topship Announcement

APR 2016 West terminal site work, Phase 2, begins

> AUG 2016 Wharf upgrade project complete

Section I: Construction Project Status

THE PORT OF GULFPORT RESTORATION PROGRAM IS WELL INTO ITS VERTICAL CONSTRUCTION PHASE WITH NUMEROUS PROJECT MILESTONES BEING ACCOMPLISHED AND OTHER GOALS MAKING SUBSTANTIAL PROGRESS DURING THE LAST YEAR. THE COMPLETION OF SEVERAL MILESTONE PROJECTS WITHIN THE RESTORATION PROJECT HAS OCCURRED WITHIN THE LAST SEVERAL MONTHS:

- The gantry cranes arrived with much excitement and fanfare signaling a significant milestone for the project. After the Port accepted the installation and testing of the cranes, the equipment recently was put in to service working on the first Chiquita vessels to return to the Port of Gulfport.
- The West Terminal Wharf Upgrade Project was completed in August of 2016 allowing use of Berths 1-6 for servicing Port tenants and customers. L&A Contracting from Hattiesburg completed the structural and infrastructure improvements to accommodate the three new rail-mounted ship-to-shore gantry cranes.
- Construction of the Commercial Small Craft Harbor piers is complete and the project is closed. The piers are now being utilized by the University of Southern Mississippi's *R/V Point Sur.*
- Terminal 3 Maintenance and Repair facility has been completed, and Dole anticipates moving into the facility when the work of the transit shed nears completion.
- Ground storage water tank Contractor Wharton Smith has driven all piles for the water tank project, installed the footings for the foundations and poured the slab for the area water the tank will be constructed. The shotcrete process has started and will be followed by the six-to-eight-week tank production.

Construction contracts Non-construction	AWARDED TO DATE \$377,209,800 \$75,006,393	EXPENDED TO DATE \$287,471,342 \$57,864,378
contracts Total contracts	\$452,216,193	\$345,335,720

- West Terminal facilities Phase 1 facility construction has moved along enough to allow Chiquita to move into the portion of the nearly completed facility. Focus on the full completion of the building will be a priority during the next two months. West Pier site work – Phase 1 infrastructure and site work by Necaise Brother Construction, including paving and rail work, is quickly approaching completion. Topsoil placement and green space beautification is well underway.
- West Terminal site work Phase 2 site and infrastructure work at the wharf joining has been completed and progress on the cross docking and electrical continues. The demolition of the existing Chemours silos and the disassembly of the water tower are scheduled for Dec. 12 by Necaise Brothers Construction.
- West Terminal 2 Maintenance & Repair facility - The contract for construction of the facility that will ultimately be occupied by Crowley has been awarded, the Dan Hensarling crew has mobilized and drilling of the test piles has commenced.
- Truck scales Both the inbound and outbound lanes have been demolished with the rubble removed. The earthwork has begun with the installation of the scales to occur this fall.
- Chemours' bulk handling facility is almost complete, is set to be commissioned in early 2017 and will go fully operational by the end of November. While this project is not being funded under the PGRP, it plays a central role in the overall Port master plan and shows the benefits leveraging resources under a public/private partnership can bring to the overall success of the Port.

Construction Project Status

COMPLETED CONSTRUCTION

	-				
CONTRACT/ CONTRACTOR	ORIGINAL CONTRACT VALUE/REVISED	AWARD/ COMPLETION	EARNED TO DATE/ REMAINING	PERCENT COMPLETE	
60-Acre Fill	\$22,480,285	3/2/09			
WC Fore Trucking	\$26,606,781	6/1/11	\$26,606,781	100%	
+25 Fill Phase 1	\$19,116,448	3/19/12			
WC Fore Trucking	\$12,667,215	6/13/13	\$12,667,215	100%	
24-Acre Dredge & Fill	\$38,286,384	5/29/12			
Archer Western	\$41,501,931	6/10/13	\$41,501,931	100%	
Shore Protection	\$6,468,700	5/29/12			
Bertucci Contracting	\$5,938,835	6/10/13	\$5,938,835	100%	
PVD Completion		8/26/13			
US Wicks	\$1,129,573	1/2/14	\$1,129,573	100%	
Sub-Grade Prep	\$577,108	2/27/14			
Ruiz Contracting	\$551,828	5/28/14	\$551,828	100%	
Small Craft Harbor Wave Barrier		11/24/14			
Bertucci Contracting	\$5,228,585	6/24/15	\$5,228,585	100%	
Completed	\$93,624,748				

CURRENT CONSTRUCTION

CONTRACT/ CONTRACTOR	ORIGINAL CONTRACT VALUE/REVISED	AWARD/ COMPLETION	EARNED TO DATE/ REMAINING	PERCENT COMPLETE	
Wharf Upgrade	\$55,043,876.48	5/24/13	\$54,762,789.62		
L&A Contracting	\$57,842,167.11	8/27/16	\$3,368,069.93	94.6%	
Facilities	\$47,037,840.25	7/25/14	\$33,645,777.68		
Southern Industrial	\$51,366,112.66	3/21/16	\$17,720,334.98	65.5%	
Gantry Cranes		7/14/14	\$12,369,190.60		
ZPMC	\$30,922,976.00	7/1/16	\$18,553,785.40	70.0%	
As Needed Site Work		9/5/13	\$348,316.08		
WC Fore Trucking	\$355,159.00	12/1/15	\$6,842.42	98.0%	
WP Construction Ph1	\$63,332,220.00	9/29/14	\$62,027,830.67		
Necaise Brothers	\$69,325,906.27	8/24/16	\$10,141,629.62	89.5%	
Terminal 3 M&R	\$3,333,491.00	3/27/15	\$3,023,424.99		
Dan Hensarling	\$3,390,663.88	6/22/16	\$234,613.89	98.0%	
Water Tower	\$4,697,620.00	11/2/15	\$448,796.25		
Wharton Smith	\$4,862,096.54	8/28/16	\$4,095,538.60	9.2%	
Architectural Svcs		9/30/15	\$751,601.15		
Eley Guild Hardy	\$2,000,000.00	9/30/17	\$1,248,398.85	38.0%	
SC Harbor Piers	\$954,250.00	12/7/15	\$954,250.00		
JE Borries	\$1,014,351.75	7/4/16	\$97,544.25	100%	
WP Construction Ph2		4/4/16	\$1,145,402.56		
Necaise Brothers	\$43,985,627.45	7/18/17	\$42,010,129.48	2.7%	
Truck Scales		7/5/16	\$0		
JO Collins	\$320,000.00	1/1/17	\$320,000.00	0%	
Terminal 2 M&R		7/25/16	\$0		
Dan Hensarling	\$5,261,526.00	7/25/17	\$5,261,526.00	0%	
Current Construction	\$270,646,586.66				

FUTURE CONTRACTS

PROJECT	ADVERTISE DATE	ESTIMATE
HWY 90 Landscape	Winter 2016	\$2,785,000.00
North Harbor - West Paving & Electrical Improvements	September 2016	\$13,035,000.00
Marine Research Landside Improvements	Winter 2016	\$1,579,500.00
Terminal 3 Admin & Gate	September 2016	\$5,386,990.00
Terminal 1 M&R & Gate	September 2016	\$5,775,000.00
Marine Research Facility	September 2016	\$11,002,725.00
Barge Project	September 2016	\$3,213,999.00
Chiller, Rack System & Interior Improvement at Shed 16	October 2016	\$4,000,000.00
Port Security Plan & Equipment	February 2017	\$1,062,000.00
West Pier Phase 3	Winter 2017	\$8,248,225.00

Opportunities for All

The Port of Gulfport Restoration Program is a long-term project laying the groundwork for continued economic growth in the region today and for generations to come. In addition to creating 1,300 jobs, the Port is also committed to achieving the goals set forth in Section 3 of the Housing and Urban Development Act of 1968 ("Section 3"). Section 3 requires recipients of certain HUD financial assistance ensure employment and other economic opportunities generated by HUD assistance or HUD-assisted projects shall, to the greatest extent feasible, be directed to low- and very low-income persons and business concerns located in the project area.

Section 3 sets forth three specific goals on HUD CDBG projects:

- 3 percent of all non-construction contracts must be awarded to Section 3 Business Concerns;
- 10 percent of all construction contracts must be awarded to Section 3 Business Concerns; and
- 30 percent of all new hires must be Section 3 Residents.

The Port and the Mississippi Development Authority are committed to ensuring that Section 3 Residents and Section 3 Business Concerns receive first priority when employment and contracting opportunities arise in connection with the Port of Gulfport Restoration Program. Through outreach, training, and technical assistance, the Port team has made this commitment a priority. And, through its diligent efforts over the past year, the Port not only met, but exceeded its Section 3 goals.

The following is a brief summary of the Port's numerical Section 3 achievements during the Section 3 2016 fiscal year reporting period from Oct. 1, 2015 to Sept. 30, 2016:

- There were no non-construction contracts generated, therefore, no nonconstruction contracts were awarded to Section 3 Business Concerns.
- 100 percent of the construction contracts generated were awarded to Section
 3 Business Concerns, exceeding the Section 3 minimum goal by 90 percent.
- 46.6 percent of the full-time hires for the design and construction phase of the program were Section 3 residents, exceeding the Section 3 minimum goal by 16.6 percent.

Success Stories

SECTION 3 CONTRACTING

AS MENTIONED ABOVE, ALL CONTRACTS GENERATED DURING THE LAST REPORTING PERIOD WERE AWARDED TO SECTION 3 BUSINESSES; THUS THE PORT YET AGAIN EXCEEDED THE SECTION 3 GOALS FOR FY 2016.

Success Stories

NECAISE BROTHERS CONSTRUCTION

Necaise Brothers Construction of Gulfport, Miss., a Section 3 Business Concern, was awarded the \$63 million West Terminal Construction Phase 1 contract in 2014, which was one of the largest Section 3 contracts in the country at that time. While performing this contract, Necaise Brothers successfully met all of its Section 3 requirements, has worked efficiently toward project completion, and recently was awarded the \$44 million West Terminal Construction Phase 2 contract. As a result of these two contracts. Necaise and its subcontractors hired 218 new employees, 69 of which are low- to very low-income individuals. The \$107 million in contracts awarded to Necaise not only contributes significantly to the local economy, but has direct benefits to local Gulf Coast residents.

PUBLIC OUTREACH ENGAGEMENT

During the 2016 fiscal year, the Port has hosted four Section 3 business workshops which were attended by 57 local businesses. During these workshops, businesses learned how to become qualified as Section 3 business concerns and about upcoming contracting opportunities of which they could avail themselves and seek potential Section 3 preference during the bidding and award process.

In addition, the Port has hosted 30 public Job Awareness and Preparedness Workshops to educate local residents about available resources to prepare them prior to applying for positions at the Port. Approximately 530 residents from multiple counties across the coast attended these workshops. Focused on identifying local Section 3 opportunities, the Port documented that at least 40 percent of these attendees qualified as Section 3 residents. This effort furthered the development of a Section 3 resident database utilized by the MSPA to notify contractors and consultants working on the Port of Gulfport Restoration Project of Section 3 residents seeking employment.

PROJECT COMPLIANCE

HUD and the Mississippi Development Authority continue to monitor the Port of Gulfport Restoration Program on a regular basis, and currently, there are no new findings or concerns. Moreover, the Port has demonstrated significant progress toward achieving its goal of creating 1,300 jobs by already having created 425 new jobs with 331 of those held by low and moderate income (LMI) persons. The Port remains on track to achieve the job creation requirement within three years of construction completion as required under the program.

SECTION 3 HIRING ACHIEVEMENTS

During the 2016 fiscal year, the contractors and consultants working on the Port of Gulfport Restoration Project hired 294 new employees, and 137 of these individuals qualified as Section 3 residents. These Section 3 residents constituted 46.6 percent of all new hires, which exceeded the Section 3 goal by 16.6 percent.

SECTION 3 HIRING (Oct. 1, 2015 – Sept. 30, 2016)

Number of New Hires

294

Number of New Hires that are Section 3 Residents % of New Hires That Are Section 3 Residents

46.6

Section II: Progress Toward Governor Bryant's Objectives

At the direction of Gov. Phil Bryant, the Mississippi Development Authority and the Mississippi State Port Authority strengthened its existing collaboration in July 2012 to adjust the direction and plans of the Port's restoration project. This new direction would expedite construction of the new facilities and ensure the Port was on the right track to creating new job opportunities for coast residents. From the beginning, the restoration project was only one part of the overall strategy to ensure the Port's competitiveness, and the goal was to fully optimize the funds by garnering private investments in conjunction with the Community Development Block Grant -Disaster Recovery funds.

Gov. Bryant laid out five primary objectives to ensure the project resulted in a sustainable and well-positioned economic development asset for generations to come.

- Create the required new jobs
- Deepen the Port channel
- Maintain current tenants
- Increase the Port's capacity
- Foster commercial development

This section will examine each of these objectives, detailing the efforts made and the results seen since the last report was published in September 2015.

Governor's Objective: Create the Required New Jobs

There has been significant progress in creating the 1,300 new jobs necessary to fulfill the Port's obligation to HUD. To date, 425 of the required 1,300 jobs have been created. Of those 425 created jobs, 331, or 78 percent, are held by low and moderate income persons.

During the last year, the Port of Gulfport has

- Been designated as a Strategic Seaport
- Made an announcement with Topship committing to 700 new jobs by the end of 2020 plus an additional 300 new jobs by the end of 2022
- Signed a 40-year agreement with Chiquita

The Port continues to diversify its tenant base and pursue strategic industries already strong within Mississippi's economic development focus. The primary focus of these new industries is to ensure the capability to create new jobs supporting the 1,300-job goal within three years of the completion of the project. According to HUD's regulatory requirements, 51 percent of the new jobs created must be either held by or made available to LMI persons.

In addition to traditional maritime commerce recruiting efforts, the Port worked to leverage the presence of multiple military installations throughout South Mississippi into additional throughput opportunities by pursuing a United States Department of Defense Strategic Seaport Designation. In November 2015, the Port was notified it had been designated a Strategic Seaport, and America's military would now be able to utilize the Port of Gulfport for cargo and equipment shipments. This announcement adds to South Mississippi's extensive military installations and capabilities and is set to provide more hours for our International Longshoreman Association Local #1303, the union responsible for the loading and unloading cargo at the Port.

In accordance with the overall strategy to make the Port more competitive and to increase Port throughput, the Mississippi State Port Authority Board of Commissioners approved in March 2015 the purchase of the former Huntington Ingalls Composite Facility in Gulfport, about 5 miles inland from the Port of Gulfport's deep-water port. The \$32 million acquisition provided the Port with an additional 116 acres and 400,000 square feet of covered facilities. Immediately upon execution of the purchase, the Port executed a lease with Topship, LLC, an affiliate of Edison Chouest Offshore.

While Topship is still finalizing plans for use of the space, in February 2016, the company announced it would create 1,000 new shipbuilding jobs with an average salary of \$40,000 plus benefits, with 700 of those jobs in place by the end of 2020 and the remaining 300 in place by the end of 2022. The CEO of Edison Chouest, Gary Chouest, has deep roots in the Gulf Coast area, and he cited the work ethic of the people in Gulfport as a deciding factor in bringing the facility to the Mississippi Gulf Coast.

The most recent job announcement came in the warm return of Chiquita North America from the Port of New Orleans. On Aug. 15, 2016, Chiquita sailed into the Port of Gulfport for the first time in almost two years. Chiquita's return is set to create substantial additional hours for the ILA Local #1303. In May 2015, Island View Resort opened the doors to a newly renovated hotel tower, with an estimated investment of \$58 million, south of Highway 90. The new hotel includes several new upscale restaurants, a full-service spa and other amenities. This project is not only beneficial to the growth of the Port, but also to further the tourism industry on the Mississippi Gulf Coast. The opening of the Island View Beach Tower has created 326 new jobs for Coast residents, 275 of which are held by LMI persons. The addition of the hotel's jobs positions the Port for success and paves the way for the Port to achieve its job creation requirements.

Though construction continues, the state and Port continue to pursue new tenant opportunities ensuring future job creation for the Mississippi Gulf Coast. As the Port restoration program moves toward completion, the groundwork is being laid to capitalize on this once-in-a-generation project by further establishing Topship's operations at the inland port, creating opportunities for more longshoremen hours and focusing on the future expansion efforts that will support long-term job creation.

National Objective Accomplishments

	NUMBER OF NEW POSITIONS	NUMBER OF LMI JOBS	% OF LMI JOBS
As of last PGRP report	99	56	57%
Since last PGRP report	326	275	84%
Cumulative Total to Dat	te 425	331	78%

GOVERNOR'S OBJECTIVE: DEEPEN THE PORT CHANNEL

In the midst of a major expansion project, the goal of a deeper navigational channel is still part of the broader strategic plan to make a more competitive port. In 2015, the Port agreed to contribute \$8 million of its own money, along with funding from the U.S. Army Corps of Engineers to dredge the channel to its fully authorized depth of 36 feet, which already has increased capacity and efficiency for the Port and its tenants.

In addition to the channel dredging, it is important to maintain the depths of the Port's berths. In August 2016, the Port began the "Berth 7 Dredging Project," which includes dredging the berthing area immediately adjacent to and in front of Berth 7. This particular dredging project is being completed by Matthews Marine Inc. of Pass Christian, Miss. This dredging was necessary to provide unobstructed deep-water access for safe vessel maneuverability and docking at the berth and will directly benefit the Chemours operations at the Port of Gulfport.

To encourage future growth potential, the Port also is continuing to pursue the necessary approvals to deepen the channel to as much as 47 feet to allow for larger vessels to enter Gulfport. As the Port looks towards further expanding its footprint, the process to deepen the channel is a multi-year effort including congressional, regulatory and federal agency approvals to move forward. To expedite the process, the Port has shifted tactics from adding the request for a deeper channel to the larger

Environmental Impact Statement of the future expansion project, to now having it removed from the EIS and forwarding it as its own separate parallel project. The shift in strategy will help the Port and state in their efforts with the Army Corps Engineers, federal agencies and Congress to better pursue both objectives.

Another vital component of ensuring the Port has the proper funds to maintain its channel depth has been the Strategic Seaport Designation. In May 2016, the U.S. Congress approved legislation prioritizing funding for deep-draft harbors and channel dredging for commercial ports like the Port of Gulfport, designated as "strategic" to national security. This bill will provide \$250 million for deep-draft harbor and channel dredging and encourages the U.S. Army Corps of Engineers to prioritize dredging needs at commercial ports designated as "strategic" by the U.S. Department of Defense. The Port of Gulfport is one of 17 Strategic Ports nationally.

GOVERNOR'S OBJECTIVE: MAINTAIN CURRENT TENANTS

The Port of Gulfport's tenants have played an essential role in the planning and construction of the restoration project. Many of the facilities and infrastructure improvements were led by the tenant's future business needs and the opportunities for job growth. Tenant commitment to the success of the Port has been evident by the many long-term agreements signed since 2013.





50-year

40-year

40-year

23-year

40-year

Finalizing long-term agreement

Chemours, formerly DuPont, has demonstrated great confidence in the Port's future and in 2013 committed to a 30-year lease term with three 10-year extensions. This agreement paved the way for an \$85 million investment made by the Port Authority and Chemours. This private investment allowed for the construction of a new bulk handling facility including 15 new silos, which will hold raw materials to support Chemours' operations in DeLisle, Miss.

The project is set to be commissioned in early 2017. The new facility will provide in excess of 200,000 tons of static capacity, an increase of 82 percent over current capacity.

Traditionally the Port of Gulfport has been best known as a banana port. Even during



the short departure of Chiquita, Dole Fresh Fruit Company held a prominent position at the Port of Gulfport as a fresh fruit importer. The company has been a tenant for more than 52 years and committed to lease space in Gulfport through 2038. Within the lease agreement, Dole will use space in the new transit shed, which includes a climatecontrolled chiller space, as well as space to accommodate dry cargo. In June 2016, the Port announced that Chiquita Fresh North America would restore operations in Gulfport. The term of the lease is for 40 years, providing Chiquita the opportunity to remain in Gulfport though 2056. Chiquita's first vessel arrived at the Port in mid-August and disbursed 5,410 tons of cargo.

"We are pleased to return our port operations to **Gulfport where our Chiquita ripening** and distribution facilities are located," **Andrew Biles, Chiquita** president and CEO, said. "We believe that **Gulfport is optimally** situated to service our customers most efficiently with both north and southbound vessel services."

The Port of Gulfport staff and the Governor never lost sight of a possible return by Chiquita. The company's return is a testament to the improvements made through the restoration project and will benefit the Port and the region's economy.

Another important maritime tenant, Crowley Maritime Corporation continues its prominent presence at the Port of Gulfport and negotiations are underway for another long-term agreement. Crowley is one of the world's largest transportation and logistics companies, moving various products through the Port of Gulfport on a contractual basis. As Crowley continues to grow its operations, the Port is preparing space in the new West Pier Warehouse for their dry and cold storage.



As the Port continues to diversify its operations, McDermott International maintains a very visible presence in Gulfport. The company announced in May 2014 they would be locating their spoolbase operations on the East Pier and were expecting to create 75 positions.

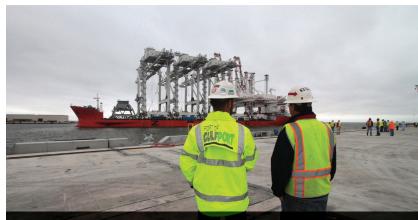
GOVERNOR'S OBJECTIVE: INCREASE THE PORT'S CAPACITY

Capacity drives a port's ability to compete in the global economy for jobs, throughput and investment. Leadership at the federal, state and local levels, including the Port of Gulfport, have been focused on a long-term strategy to increase the Port's capacity. The most visible example of this strategy is the Port of Gulfport Restoration Project. The restoration project has doubled the size of the Port's current footprint, building new and more efficient facilities and it has upgraded the Port's product handling capacity with the addition of new gantry cranes.

The Port of Gulfport is now roughly twice the size it was when Hurricane Katrina struck the Port's facilities in 2005. The 84acre fill project was completed in 2013 and construction began in late 2014 to build out infrastructure and facilities. The plans for this new expanded port resulted in the creation of more than a 100 acres for new development.

The Port of Gulfport's long-range plans for growth do not stop with the current construction project. The Port is currently working with the U.S. Army Corps of Engineers on permitting a future expansion of the West Pier, which would add an additional 180 acres to the already 300-acre deep-water port. This multi-step process involves numerous environmental studies, reports and multi-agency approvals to move forward. The Port will continue to work aggressively to seek approval in order to accommodate prospective tenants who are interested in the potential 180-acre expansion.

In March 2016, the Port of Gulfport accepted the delivery of three new ship-to-shore gantry cranes. The arrival of the cranes was a momentous milestone in the Port's restoration project, and they were welcomed with much excitement and fanfare. At a total cost of \$30 million, these cranes are a significant investment in the Port's infrastructure and will enable the Port's existing and future tenants to more efficiently service their vessels.



Three new ship-to-shore gantry cranes arrive at the Port of Gulfport in March 2016.

Two months later, the Port of Gulfport celebrated the arrival of its three new gantry cranes with a Blessing of the Cranes ceremony on May 19, 2016. The ceremony celebrated the arrival of the cranes with more than 200 dignitaries, elected officials and invitees on the Port property for the blessing. The arrival of the cranes is considered to be a game-changer for the Port and serves as a reminder of how things are progressing with the restoration project and are moving forward as planned.

As the Port further diversifies its tenant base, the cranes will not only be able to accommodate the Port's container customers, but also handle bulk and breakbulk cargo providing more opportunities for longshoremen hours. The state-of-the-art cranes are electrically powered by the local utility company, Mississippi Power, and will replace the current mobile harbor cranes.



Father Ryan McCoy of St. John the Evangelist Catholic Church in Gulfport, blesses the new cranes on May 19, 2016 along with Gov. Phil Bryant and Port officials.





GOVERNOR'S OBJECTIVE: FOSTER COMMERCIAL DEVELOPMENT

Commercial development around the Port is vital to achieving the greatest economic impact for the region. With the latest renovation of Island View Resort's Hotel Tower and the completion of the small craft harbor, which is being utilized by the University of Southern Mississippi, additional investments are being made to further improve the business climate in South Mississippi. Island View has announced it will be investing in a new gaming facility and USM is looking at further developing its partnership with the Port of Gulfport.

13

PRIVATE INVESTMENTS TO DATE

Chemours - \$85 million Topship - \$68 million Island View - \$58 million McDermott - \$25 million Total of \$270 million in private investments

In July 2016, the Port amended its previous lease agreement with Island View Casino Resort, modifying the percentage the Port Authority receives from Island View's gross income. This modification will allow Island View to secure the necessary funding for an additional gaming project. Mirroring the lease agreement made in 2013, where Island View committed to investing \$58 million to renovate the hotel tower on the south side of U.S. Highway 90, this new lease agreement paves the way for an additional \$75 million in private investment.

The Port's willingness to reduce future revenues and to allow Island View to pursue further expansion efforts solidifies the company's position in South Mississippi's gaming market. The structure of this new agreement also will allow for significant increases in tax revenue for the state of Mississippi, Harrison County, and the city of Gulfport.

Another new tenant is the University of Southern Mississippi, which has taken transformative steps to maintain its reputation as a leader in marine education and research in the Gulf of Mexico. The R/V Point Sur, is home-ported at the Port of Gulfport and is the only oceanographic class research vessel in the northern Gulf of Mexico. In June 2016, USM announced it would form a new School of Ocean Science and Technology, which would be housed within the College of Science and Technology, bringing together marine-related research and education programs under one administration. The new school would harness elements from the Division of Marine Sciences based at the John C. Stennis Space Center in Hancock County; the USM Gulf Coast Research Laboratory at the Port of Gulfport; the Division of Coastal Sciences in Ocean Springs, Miss.; and the University's fleet of five research vessels.

Plans are being finalized for a 23,000-squarefoot Marine Research Center, which will feature labs and classrooms in hopes to further exploring the effects of the BP oil spill of 2010 and conduct additional research projects and educational expeditions. The new facility also will welcome other vessels and researchers to the Coast. With the addition of USM's facility, the Port of Gulfport will become the epicenter for oceanographic research in the Gulf of Mexico.

In February 2016, Gov. Bryant and the Port of Gulfport announced Topship, LLC, an affiliate of Edison Chouest Offshore, would locate its shipbuilding operations to the Port of Gulfport's Inland Port Facility. This project represents a \$68 million corporate investment and will create 1,000 full-time jobs with an average salary of \$40,000, plus benefits.

In support of the project, the Mississippi Legislature voted to approve \$11 million through the Mississippi Major Economic Impact Authority - \$10 million in discretionary grants and \$1 million for workforce training. The Port of Gulfport, through the restoration budget, is also providing \$25 million in Katrina-CDBG funds for infrastructure improvements.

Section III: Community Outreach and Engagement

The Port of Gulfport continues to expand its outreach efforts within the three coastal counties by hosting a variety of events and activities and also by being actively involved in community initiatives related to job training, education and environmental stewardship.

The Port of Gulfport makes investments in the community in time, expertise and financial support. The Ports outreach efforts are focused on developing a pipeline of future workers who are prepared and ready for the jobs coming as part of the restoration and expansion program.

PARTNERSHIP DEVELOPMENT

Developing a pipeline of prepared workers will take time and effort from the entire community. As a result, the Port has focused this last year on developing partnerships with coastal county educational or health and human service organizations focused on the needs of low- to moderate-income residents.

By working with these organizations, the Port is able to identify local residents who would be eligible for the geography and income requirements based on HUD's Section 3 and National Objective requirements.

JOB AWARENESS AND PREPAREDNESS WORKSHOPS

In the last year, the Port of Gulfport hosted 30 public Job Awareness and Preparedness Workshops to educate local residents on the opportunities available for local and qualified Section 3 residents as well as the LMI considerations associated with the permanent positions created through the Port program. The events included a comprehensive presentation including suggested actions interested residents could take in advance to be prepared for upcoming available positions with various Port businesses and/or contractors. Additionally, the workshops specifically provided information about the Port tenants, additional training and educational opportunities, TWIC card requirements, and more. The public workshops were attended by 528 coastal county residents, with at least 40 percent of those in attendance identifying themselves as Section 3 residents. Additionally, the Port held numerous private workshops for Public Housing Authority residents, the Gulfport-based YouthBuild programs, Job Corps, Veterans Administration and for the homeless population served by the Back Bay Mission.

DEVELOPING OUR WORKFORCE PIPELINE

As part of the Pathways to the Port workforce development initiative, the Port has developed a strong and vibrant partnership with the Gulfport schools, which includes Port staff mentoring Gaston Point elementary students and providing support to Gulfport High School's Academic Institutes through work-based learning opportunities, class presentations and specialized Port tours. As a result of its support the Port was named as the "2016 Business Partner of the Year" for the Gulfport schools.

The Port also won a "Business Partner of the Year" award from the Gulfport Job Corps program for its support of their program including a specialized tour and networking opportunity with Job Corps' electrical contracting students, a Port electrical contractor and the local Apprenticeship Coordinator to learn about job opportunities and the requirements and structure of the Journeymen Electrical Apprenticeship Program.

COMMUNITY TOURS

The quarterly community tours continue to be a success with local residents and those visiting the Mississippi Gulf Coast. The tours offer participants the opportunity to see firsthand the progress of the PGRP. Attendance is consistent, with an average of 150 to 200 people attending each tour. Transportation is provided onto the Port by the Coast Transit Authority.

In addition to the community tours, the Port has hosted numerous group tours from area schools such as Gulfport High and Gaston Point Elementary as well as business groups and universities.

SPONSORING COMMUNITY EVENTS

The Port of Gulfport continues to financially support local community groups and organizations from its own revenue sources through sponsorships of targeted events focused on economic and workforce development, educational and cultural events, environmental awareness and community outreach.

Sponsorships have included workshops in partnerships with the NAACP, Job Fair for the Veteran's Stand Down, United Way Dragon Boat Races benefiting local education initiatives, CLIMB CDC's Youthbuild program, and the city of Gulfport's Anchor Fest to name a few.

ENVIRONMENTAL STEWARDSHIP

The Port of Gulfport is committed to environmental stewardship and strives to reduce the environmental impact of its operations by protecting and preserving the seaside community of Gulfport.

During the past few years, the Port has taken concrete measures not only to meet environmental standards, but also to exceed them by defining and establishing environmental objectives, targets and best management practices while also improving their environmental performance under the Green Marine certification program.

The Port is implementing the following green initiatives:

- Improving the aesthetic value of the Port's presentation to the city of Gulfport with a comprehensive landscaping program
- Purchasing and commissioning three new electric ship-to-shore gantry cranes
- Installing new lights meeting International Dark Sky Standards
- Providing an electrified set-out yard for customers, allowing them to make truck moves outside of the secure area, without having to run diesel units



Port employees collecting debris in the inner harbor during the inaugural "Port Cleanup Day."

In April 2016, the Port took its environmental commitment a step further and hosted its first "Port Cleanup Day" in recognition of Earth Day. The inaugural cleanup focused on areas where large amounts of debris collect, such as the inner harbor and the Port's perimeter along Highway 90. More than 100 bags of trash were filled in this effort. The Port plans to host future cleanup days, which will include staff and members of the local community to bring a larger awareness of why it is important to keep our waterways free from trash and also to ensure it is safe for people and animals.



The Port of Gulfport's three new ship-to-shore gantry cranes arrived on March 18, 2016. The cranes were constructed in Shanghai, China and made a three month journey to Gulfport fully assembled.

A Message from the Port Director

The Port of Gulfport has transformed itself during the last year into a dynamic and sustainable port servicing a total of eight tenants. With the announcement of Topship's commitment to create 1,000 new jobs, the arrival of our new ship-to-shore gantry cranes and the return of Chiquita, the Port Commission and staff are justifiably proud of the accomplishments thus far.

Construction on the West Terminal is progressing, and portions of the new facilities are already being utilized by our tenants. The most visible sign of the progress was the arrival of our new gantry cranes, which arrived in March. It was certainly an exciting time for our staff and the cranes will set the stage for a more diversified port and increase productivity for years to come. It is important to note we could not be engaged in this restoration project if it weren't for the financial and technical assistance through the U.S. Department of Housing and Urban Development.

A more diversified Port requires a different type of worker. During the past year, the Port has conducted more than 30 Job Awareness & Preparedness Workshops for local residents to learn more about how they can be prepared for a job at the Port of Gulfport. We see it as our role in the community to provide every opportunity we can to speak with local residents and provide them with updates on our restoration project.



We have cultivated effective partnerships within the community with individuals, organizations and schools. These groups have opened the door for us. They have advised us on how best to serve our community, and I thank them for their continued support. With their help, we can make sure we provide every opportunity for those people interested in working and living on the Mississippi Gulf Coast with not just a job, but a career at the Port of Gulfport.

In closing, I would like to express my gratitude to our Commission and Port staff for their expertise and commitment towards ensuring the Port of Gulfport is successful today and for future generations. I would also like to thank Gov. Phil Bryant and the Mississippi Development Authority, as well as our local and state officials, for their leadership and continued support throughout the restoration project.

We have much to be proud of and the Port of Gulfport is on track to becoming one of the largest economic drivers on the Coast.

Sincerely,

Jonathan Daniels



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