



Legislation Text

File #: 18-0615R, **Version:** 1

RESOLUTION AUTHORIZING A FUNDING AGREEMENT WITH THE DULUTH SEAWAY PORT AUTHORITY AND THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY RELATED TO THE PURCHASE OF INFORMATION TECHNOLOGY EQUIPMENT FOR US CUSTOMS & BORDER PATROL OFFICE TO PROCESS ENTRY OF PASSENGER CRUISE SHIPS IN THE PORT OF DULUTH

CITY PROPOSAL:

RESOLVED, that the proper City officials are hereby authorized to enter into a Funding Agreement with the Duluth Seaway Port Authority (the "Port Authority") and the Duluth Economic Development Authority ("DEDA"), authorizing reimbursement to the Port Authority of up to \$25,000, payable from Tourism Tax Fund 258 unappropriated fund balance, for the cost of purchasing information technology ("IT") equipment for US Customs & Border Patrol to process entry of cruise ship passengers at the waterfront of downtown Duluth.

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize reimbursement of the Port Authority of up to \$25,000 for the cost of purchasing US Customs & Border Patrol (CBP)-required IT equipment needed to establish a passenger cruise ship customs clearance office at the Duluth downtown waterfront for economic development growth purposes in our community.

In 2017, Duluth was named one of the four destinations for CBP passenger clearance by the Great Lakes US Governors & Canadian Premiers, strategically placing Duluth in the position of maximizing this economic development growth opportunity. Great Lakes cruising is enjoying an upward growth trend in the maritime and tourism industry and has the potential to bring hundreds, if not thousands, of new visitors to our community in the next few years. Victory Cruise Lines has confirmed the arrival of the M/V Victory II in Duluth on two dates in August of 2019. Initial estimations are that there will be a minimum of eight vessel visits to Duluth in 2020 of which at least four will be inbound from a foreign port. Each vessel has the potential to bring a combined passenger and crew total of between 290 and 600 people. According to research completed by Visit Duluth, conservative average passenger spending is expected around \$200 per day which, for the largest vessel, would put economic impact around \$100,000 per vessel visit. Within 5 to 10 years, the Port of Duluth and its partners anticipate up to 20 cruise ship vessel visits each year, or an economic impact of nearly \$2 million per year.

The anticipated cruise passenger load will be a great addition to Duluth's waterfront; however in order to receive ships inbound from foreign ports, the Duluth-Superior Harbor must have a CBP-approved facility for clearance of passengers. Conversations are underway for creating such a facility at Duluth's downtown waterfront, very likely within or near the DECC. The CBP is requiring a financial commitment from the Duluth community by late September 2018 of up to \$85,000 toward the order/purchase of US CBP-required IT equipment for the facility. The Port Authority has submitted a grant application to the federal government to cover such expense and will learn of the

outcome before the end of the year. The Port Authority has requested that DEDA and the City of Duluth commit funds toward the IT expense should the grant not materialize with the Port Authority committing up to \$10,000, DEDA committing up to \$50,000 and the City of Duluth via tourism tax funding committing up to \$25,000.