

Local Funding Alternatives for Dredging in Great Lakes Port Communities

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Background/Objectives. As federal funding of navigational dredge projects throughout the Great Lakes reaches all time lows, many of the larger commercial port communities are finding themselves in the same position that smaller recreational harbors have been in for years, that is, having to address the cost of dredging without federal support. The story is not uncommon, nor is it limited exclusively to issues of navigability. Finding sustainable sources of funding to restore and maintain waterways impeded by the accumulation of sediments (whether contaminated or non-contaminated) represents a growing concern among port communities throughout the Great Lakes.

Approach/Activities. One of the older, but often overlooked solutions involves a program used by many Michigan counties to establish and maintain drainage districts – the 1956 Michigan Drain Code. Because it was established before the various constraints on levying taxes and fees, it is arguably the single most powerful tool for financing watershed efforts in Michigan, including dredging projects.

A notable benefit of the code is that the revenues required to initiate a dredging project can be obtained quickly through a county's allocation of bonding, the cost of which can be assessed over several years to property owners along a watercourse on the basis of benefit.

Another underutilized program involves tax increment financing (TIF). While originally designed to facilitate the redevelopment of contaminated properties throughout the state, Michigan's Brownfield Redevelopment Financing Act enables local units of government to bond or otherwise fund the required dredging and capture the tax increment revenues resulting from taxable investments made in an adjoining upland area for purposes of reimbursement.

While commonly associated with inland lakes, another solution has begun to garner the interest of many port communities in Michigan where the source of commerce is largely dependent on a vibrant waterfront. The concept is an outgrowth of the 2008 Water Resource Improvement Act. While originally designed to deal exclusively with aquatic nuisance species in inland lakes, the Act was amended in 2013 to provide a sustainable funding source for local units of government looking to dredge and maintain their commercial and recreational waterways as well. Like the example above, a community may establish a TIF district, but instead of being limited to adjoining upland, the district may extend as far as 1 mile from the shoreline of the harbor and up to 5 miles upstream.

Results/Lessons Learned. In the absence of federal and state funding, ports of all sizes are struggling to find ways to address the maintenance and cleanup of their commercial and recreational waterways. Traditionally, federal earmarks and appropriations provided short-term solutions to these often urgent problems. Today, however, local governments recognize that funding dredging, whether for maintenance or cleanup, requires a solid understanding of the tools available to support such efforts. And, while making new uses of old tools like the Michigan Drain Code and the Brownfield Redevelopment Financing Act are two viable alternatives, the use of little known economic development tools like Michigan's Water Resource Improvement Act could provide effective and sustainable funding for communities looking to restore and maintain their commercial and recreational waterways as well.