

**HEARING COMMENTS**

**H.R. 2176 (Stupak)**

**To provide for and approve the settlement of certain land claims  
of the Bay Mills Indian Community.**

**Karl S. Tomion, City Manager  
City of Port Huron, Michigan**

Wednesday, February 6, 2008  
2:00 p.m.  
1324 Longworth House Office Building  
Washington, D.C.

Thank you for inviting me to testify before the House Committee on Natural Resources concerning the City of Port Huron / Bay Mills Casino Land Settlement Proposal and permitting me to submit these comments for its consideration.

While I am not familiar with the problems regarding the land claims for Charlotte Beach, I am the Chief Administrative Officer of the City of Port Huron, which is also my hometown.

During my childhood while I pursued my education from elementary school through community college, Port Huron was arguably one of the most successful urban core cities in our state.

In 2006, when I became Port Huron's City Manager and returned to my hometown, it had changed dramatically and is now facing some of the most serious challenges of any comparable community in Michigan.

**THE ECONOMY**

Our economic crisis results primarily from the negative forces affecting the State of Michigan. As the Committee is undoubtedly aware, Michigan has been suffering a long-term single state recession for the past several years. Of all the manufacturing jobs lost to foreign competition in the United States, 25% of these have been from Michigan. The severity of this problem is most easily summarized from the following unemployment statistics.

	United States	Michigan	Port Huron
October, 2007	4.4%	7.0%	<b>11.9%</b>
November, 2007	4.5%	6.9%	<b>11.7%</b>
December, 2007	4.8%	7.4%	<b>13.8%</b>
2007 Annual Average	4.6%	7.2%	<b>12.6%</b>

**This means one out of seven workers in Port Huron was unemployed in December of 2007.**

While Michigan leads our country in unemployment, Port Huron has an average rate that is 75% higher than the entire state of Michigan. This has occurred because Port Huron's economic base has lost more auto manufacturing jobs proportionately than the state or country to offshore competition.

In the past three years, our town of 32,000 has lost over 1,000 manufacturing jobs with the closing of automotive suppliers Collins and Aikman, Modern Plastics, and Takata.

### **EDUCATION**

Our ability to restructure our economic base to recruit service sector/knowledge based economies has been hindered by our undereducated workforce illustrated in the following comparison.

	United States	Michigan	<b>Port Huron</b>
High School Graduates	80.4%	83.4%	<b>76.8%</b>
Bachelor Degree or Higher	24.4%	21.8%	<b>11.3%</b>

When Port Huron has less than half of the college-educated workers as the United States and Michigan, it's clear to see why our economic development options have been significantly limited.

As economic conditions in the United States worsen, the anticipated recession will negatively impact our remaining employers. This will result in additional loss of manufacturing jobs, and we do not think it is unrealistic to expect our jobless rate to reach 15%.

### **FEDERAL MANDATES**

At this time of economic crisis, two unfunded Federal mandates are threatening our ability to provide basic public services. The first is the United States Environmental Protection Agency's order to separate our combined sewer overflows. Last year, our City celebrated its 150<sup>th</sup> birthday and, as a historic urban center, we are being mandated to replace over 40% of our entire street, sanitary and storm sewer infrastructure.

The total estimated cost of these improvements is \$185 million. We estimate that our utility rates need to increase 120% over the next five years and we anticipate similar increases for several years thereafter.

Dramatically raising these rates over a short period of time will create a hardship for our citizens, many of whom are unemployed, elderly and otherwise low income. It also poses a major disincentive for economic investment.

At the same time, the Federal and State government are proposing to spend over \$400 million to increase the size of the international Blue Water Bridge Plaza in Port Huron. The Blue Water Bridge connects the United States to Sarnia, Ontario, Canada. This is the third busiest vehicular crossing between our two countries.

This 60 acre taking will remove 150 residential and commercial properties from the center of our city. Not only will this reduce our population and tax base, but it will divide the City physically with the construction of a 1.2 mile-long concrete wall, 15 feet in height.

The Federal Highway Administration and the Michigan Department of Transportation have argued that Port Huron is only losing 2% of its economic base as if this were inconsequential. If Michigan were to lose a proportional amount of its population base, it would be equivalent to losing our second largest city, Grand Rapids. Or if we use the nation as an example, it would be the equivalent of losing the entire population or geographic area of the state of Missouri.

Both the CSO project and the Blue Water Bridge Plaza expansion offer significant benefits to Michigan/Ontario and to the United States and Canada, but almost none to Port Huron, which suffers all of the negative consequences. Approval of the Bay Mills Casino Proposal will provide substantial mitigation of these adverse federal mandates without the need of significant supplemental federal appropriations.

### **CANADIAN COMPETITION**

Our sister city, Sarnia, Ontario, with whom we share an international border crossing, has faced identical problems. However, the Canadian government has stepped in to mitigate them. This has frustrated and angered our U. S. citizens.

For example, in July of 2007 Canada announced a \$35 million, four year project to separate combined sewers in a central portion of Sarnia (population 71,000). Canada's Strategic Infrastructure Fund (CSIF) will grant \$17.4 million to the project and the province of Ontario will contribute \$5.8 million. The City of Sarnia will only be required to pay 1/3 of the project costs or \$11.7 million. In comparison, Port Huron (population

32,000) must expend \$185 million, 95% of which will be funded with municipal bonds repaid only by our customers.

When Canada expanded its portion of the international bridge plaza, it was built largely in an undeveloped area, while we will be experiencing the loss of a fully developed commercial area and two stable residential neighborhoods. This is in addition to a prior taking of similar commercial/residential properties for a previous expansion of the U. S. bridge plaza completed in 1997.

In 1998, Canada announced plans for a new “charity casino” located directly across the St. Clair River from Port Huron. The Point Edward Charity Casino, which opened in 2000, has:

- 490 slot machines
- 38 game tables
- 531 employees
- over 700,000 annual visitors of which over 70% come from Michigan or elsewhere in the United States.

This casino has paid over \$4 million a year as a grant in lieu of taxes to the municipality; an additional 5% non-tax revenue that’s amounted to over \$20 million to date.

In 1998, the Canadian government also approved an expansion of the Hiawatha Raceway in Sarnia. This facility included;

- 422 slot machines
- provides employment for 169 workers
- receives over 670,000 visitors annually
- has generated \$17 million in revenue sharing to the City of Sarnia to date.

The location of both of these Canadian casinos is depicted on the attached photograph.

As you know, Port Huron has been unsuccessful in getting Congressional approval for our casino which would be sited a few hundred yards across the St. Clair River from Sarnia.

## DETROIT'S SUCCESS

Detroit and Port Huron share similar characteristics and challenges:

- high unemployment
- low education levels
- the percentage of owner-occupied versus rental occupied are comparable (Port Huron 43% renter, Detroit 45%)
- border city facing Canadian competition with multiple casinos
- host to major international crossing
- age of average housing stock is comparable (Port Huron, 1950; Detroit, 1948)
- median household income (Detroit = \$29,526, Port Huron = \$31,327)

The City of Detroit has been permitted to address its challenges through a state-wide gambling ballot proposal. This initiative;

- allowed three gaming casinos to be established in the City of Detroit
- imposed an 18% state tax on gaming revenues
- allocated 55% of the tax revenue to the City of Detroit for crime prevention and economic development and allocated the remaining 45% to the State for public education.

City of Port Huron residents supported this proposal to assist Detroit's economic growth. Port Huron's residents sympathized with the City of Detroit's inability to compete with its sister city, Windsor, Ontario which had already established a Canadian casino.

In August of 2004;

- the 18% state tax on gaming revenues was increased to 24%
- 1/3 of the increase was allocated to the City of Detroit
- this has resulted in over \$120 million in additional revenue.

Perhaps more important than the revenue has been the new investment in Detroit that has been stimulated by the development of the three casinos which has included:

- \$500 million for the development of Ford Field, the new home of the Detroit Lions
- \$300 million for Comerica Park, the new home of the Detroit Tigers
- \$12 million in façade improvement program
- \$30 million for a new downtown YMCA
- \$400 million for construction of a 15-story Compuware Headquarters

- \$500 million for the renovation of the Renaissance Center by General Motors
- \$400 million investment in Belleview (formerly Uniroyal) for mixed-use development along the riverfront
- \$15 million to transform the former Kresge headquarters (Kale's) into 119 apartments
- \$52 million in facility bonds to renovate the historic Book Cadillac Hotel
- \$150 million Cadillac Centre, 24 story mixed-use development

### **PORT HURON'S SUMMARY**

Port Huron is a microcosm of Detroit and suffers from many of the same problems. In addition, its economic base is being undermined by two federally mandated projects: the \$185 million U.S. EPA CSO Program and the \$400 million Federal Highway 60 acre Blue Water Bridge Plaza expansion.

We are also at a substantial disadvantage with our sister border community, Sarnia, because the financial grant assistance of the Canadian government and its approval of two gambling facilities that are siphoning millions of dollars out of Port Huron's economy.

The Bay Mills/Port Huron casino proposal provides relief to the City of Port Huron without any major federal appropriations, increases our competitiveness with Canada, and provides an equitable settlement of the Charlotte Beach land dispute.

Port Huron is Michigan's only international border city without a casino and we respectfully request that the Committee approve the bill which is before it to help ease our economic suffering and revitalize our city.

The Bay Mills/Port Huron casino proposal has been strongly approved or supported by;

- the citizens of Port Huron in a general election
- the Port Huron City Council and the St. Clair County Board of Commissioners as well as our regional school districts
- former Republican Governor John Engler
- current Democratic Governor Jennifer Granholm
- our Democratic U. S. Senator Carl Levin
- our Democratic U. S. Senator Debbie Stabenow
- former Democratic Congressman Dave Bonior
- our current Republican Congresswoman Candice Miller.

This agreement would not only reinvigorate our economy but would also provide additional revenue for education programs for our school districts and funding to assist us with the massive CSO and Bridge Plaza federal mandates.

