

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon
SPECIAL COMMISSION MEETING
Tuesday, January 20, 2011
7:00 p.m.

Port 3rd Floor Conference Room, 125 Central Ave, Suite 300, Coos Bay OR 97420

ATTENDANCE

Commission: David Kronsteiner, President; Caddy McKeown, Vice President; Brady Scott, Treasurer; Jerry Hampel, Commissioner; Dan Smith, Secretary- Excused Absence

Staff: Jeffrey Bishop, Chief Executive Officer; David Koch, Chief Operating Officer; Martin Callery, Chief Commercial Officer; Donna Nichols, Chief Executive Officer; Dan Lovelady, Chief Operating Officer – Coos Bay Rail Link - Absent; Mike Stebbins Port Counsel; Donna Scholl, Executive Assistant; Elise Hamner, Port Staff.

Media & Guests: Jody McCaffree, David Petrie, Marvin Caldera, Aaron Simons, Clair Farnsworth, Leslie Farnsworth, Gail Elber, Richard Chasm, Richard Navlin, Ken Messerle, Dick Jamsgard, Jan Dilley, Dana Gaab, Richard Knablin, JC Williams

1. The meeting was called to order at 7:00 p.m. by Commissioner Kronsteiner. Commissioner Smith was excused from the meeting as he was in Hawaii.
2. Introduction of Guests: Jody McCaffree, David Petrie, Marvin Caldera, Aaron Simons, Clair Farnsworth, Leslie Farnsworth, Gail Elber, Richard Chasm, Richard Navlin, Ken Messerle, Dick Jamsgard, Jan Dilley, Dana Gaab, Richard Knablin, JC Williams.
3. **CONSENT ITEMS:**
 - A. Minutes: Approval of December 21, 2010 Special Meeting Minutes
 - B. Approval of December/January Invoices Totaling: \$259,904.25
 - C. Ratify Cordes to Coquille Rail Acquisition
 - D. Ratify Weyerhaeuser and JCEP Option Extensions

Commissioner Kronsteiner said there were questions about one of the consent items on tonight's agenda – the fifth amendment to the Option for Purchase and Lease of the Weyerhaeuser property. Commissioner Kronsteiner said for clarification he has asked CEO Jeff Bishop to make a presentation on the option, which is very similar to presentations the Port has done in the past. Mr. Bishop showed a PowerPoint presentation and gave background on the original transaction, saying the Port entered into an option agreement with Weyerhaeuser and Jordan Cove Energy in 2006. The original option was for two years, giving Jordan Cove a six-month extension, which it exercised. The option price was the purchase price of the property of \$25 million. Weyerhaeuser had to agree to repay the purchase price if the option was canceled and did return the \$25 million. The Port had two years to perform due diligence and did so. The agreement required the Port to indemnify Weyerhaeuser from any future environmental cleanups. The Port was to purchase insurance to pay for a cleanup in the event it was necessary, but the Port also was authorized to negotiate a Prospective Purchaser's Agreement (PPA) with the State of Oregon. The Port borrowed \$10 million from a local bank and \$15 million from the State. The agreement was drafted by at least ten attorneys, including participation by the Oregon Attorney General's Office. The agreement was paid for solely by Jordan Cove.

The Port entered into an option agreement with Jordan Cove Energy Partners (JCEP). The option had three sections, including an option to buy in fee 147 acres, an option to lease a berth area, and a non-binding exhibit to serve as a guide to future negotiations for different business relationships.

Mr. Bishop projected two maps and pointed to the areas Jordan Cove had an option to purchase. The berth area shown on the map was provided as a lease in the document.

Mr. Bishop said there were subsequent amendments to the original document and that this is the fifth amendment. He said the previous amendments extended the term of the agreement and the last amendment refunded the prepaid purchase price. The fifth amendment further reduces obligations of the parties.

Mr. Bishop said he wanted to make it very clear what an option was. A real estate option gives you “control” of a piece of real estate without buying it, and by having options on real estate, you have the exclusive right to either buy that property, or not to buy it. He said tonight’s action is not to buy the property nor have any of the previous actions on this option been to acquire the property. Action has been to execute an option agreement. The agreement simply states what rights the parties have toward a potential purchase should one occur. The original option allowed for the completion of a phase one environmental review for the purpose of determining whether the property would be eligible for a Prospective Purchaser’s Agreement (PPA). The consultant who conducted the work indicated it would be eligible. Mr. Bishop said this is not a project contract and there is no action contemplated by this agreement so anything to do with a permit or any particular type of regulation on the use of the property is not relevant to the agreement.

Mr. Bishop explained that the new agreement contemplates the ability to purchase less than the whole of the portfolio, while preserving the right to purchase the entire ownership, which is a remarkable change from the original agreement in which the Port was required to acquire the entire portfolio. It also provides for greater accumulation of equity from the option payments and increases the cost of the property to Jordan Cove.

Mr. Bishop said the parties expect to make more changes to the agreement between now and the end of the agreement. These changes are primarily intended to give the developer and the Port more flexibility with the property and the use of the property. Anticipated changes will be to remove use restrictions on the property. This would allow the developer to purchase the property for some use other than a liquefied natural gas (LNG) import terminal. In essence, it provides the developer an exit strategy.

Mr. Bishop then explained the elements of the new Weyerhaeuser option agreement as follows:

1. The option will be extended through June 30, 2011.
2. Payment for this extension will remain at \$450K per quarter payable before January 10, 2011 (paid) and before April 10, 2011 (JCEP has already underwritten the payment).
3. If the Port triggers the option on the whole property or the Ingram Yard/Lagoons as described below, the \$900,000 paid in option fees would be applied to the purchase price.
4. If the Port triggers the option on the whole property or the Ingram Yard/Lagoons, the previous \$150,000 quarterly payments from the previous option (2010) also would apply to the purchase price.

5. If the Port does not trigger the option before its expiration on June 30, 2011, the \$900,000 in payments made in 2011 shall be deemed earned by Seller. That means Weyerhaeuser would keep the payments. Those payments were not made by the Port but made by Jordan Cove via pass-through payments.
6. The option can be triggered at any time, but it cannot be terminated by the Port before the expiration. The same condition applies to Jordan Cove.
7. The property referenced in the option will be broken into five parcels.

Mr. Bishop projected maps. The property described as the Ingram Yard consists of both the original Jordan Cove fee interest parcel that was in the original option plus the berth area. For the purposes of the Weyerhaeuser agreement, it is one piece of property. For the Jordan Cove agreement, it is two pieces of property that are the fee interest piece and the leased berth area.

The second piece of property is labeled as the Lagoon, which is the large parcel of property on the North Spit that was used for wastewater treatment from the former Weyerhaeuser linerboard mill, and before that, Menasha. Also included is the oyster bed leasehold fee interest that Weyerhaeuser owns around the TransPacific viaduct.

The next piece of property is referred to as the Mill Site, which is the former Weyerhaeuser paper mill site. The other property is referred to as the Henderson parcel, which is the remaining balance of the unidentified property. The Port will be responsible for partitioning these parcels before June 30, 2011, which is basically an adjustment of tax lot numbers and is generally considered an administrative function.

Mr. Bishop said the Port has the ability to buy the whole property for \$25 million or the Ingram Yard/Lagoons for \$14 million, by triggering an option specific to these parcels before June 30, 2011, with either to be underwritten by Jordan Cove. Closing would occur within 30 days following the trigger of the option. Assuming the Port triggers the option on the Ingram Yard/Lagoon, the Port will pay \$8 million at closing and receive a deed of trust or other conveyance documents. The Port will have full access and ownership of the property as of closing. A note or other such document will be issued for \$6 million to be paid in full by the Port on or before January 30, 2012. Another new element to the agreement is a warranty deed. Previously, the option included a bargain and sale deed. The warranty deed for the property would be issued by Weyerhaeuser and, in turn, the Port would sell the property to Jordan Cove for similar terms.

If an option on the Ingram Yard is triggered, the Port automatically gets a 12-month extension of the option for a fee of \$200,000 per quarter. That also will be the financial responsibility of Jordan Cove. This extension cannot be terminated before the four quarterly payments have been made and Jordan Cove will be required to prepay them.

Mr. Bishop said with Weyerhaeuser being privy to other Port development plans, the company has reserved some rights under the agreement. The property originally had a requirement that the Port would have to pay for undevelopable land if it became developable. This will be removed from the agreement. There also will be a new provision in the agreement that the seller will receive half of any compensation related to electrical production wind turbines on the property. The seller's right to purchase 20 acres will either be eliminated or made more flexible and favorable to the Port. The required environmental policy will be restricted to the Mill site, in the event the Mill site is purchased.

Mr. Bishop gave some basic facts including:

1. The Port has yet to use one single tax dollar in support of this option or the previous versions. In fact, the Port has received a net profit.
2. Jordan Cove ordered a new appraisal on the Ingram Yard, which resulted in a higher price to Jordan Cove up from \$10 million of their fee interest to \$14 million.
3. In the latest agreement, the Port receives the Lagoons for free should Jordan Cove exercise the Ingram Yard option, therefore preserving efforts to construct a new wastewater treatment facility using wetland technology and further using the site for migratory birds.
4. The increased price of the Ingram Yard parcel to Jordan Cove reduces the cost of the remaining property by \$4 million. Again, the Port is not obligated to buy the remaining parcels, but is obligated to pay the option fee to Weyerhaeuser for up to one year if it later decides to agree on an additional option.
5. The Port may enter into an option agreement with other parties for any or all of the property at any time during the course of this option.
6. The Port also has the ability to assign the agreement to Jordan Cove or another party and relinquish all local control to a private party. This would have no bearing on whether the LNG project continues, but would simply reduce the benefit of the project to the public.
7. The Port does not own the property and has no control over the public's access to the property. The only restriction on the property is Weyerhaeuser's ability to sell the property to another party.
8. The Port does not bear any operational expense for the property unless it chooses to market the property for other uses. It would then be limited to those marketing expenses. The Port does not pay for security on the site, taxes, water or utility bills. There are no operational expenses to the Port.
9. The current version of the option agreement with Weyerhaeuser, and contemplated future agreements, provide the least amount of risk to date of any of the previous agreements.
10. The current and future agreements will also provide the greatest amount of flexibility to a developer to use the property for any lawful use.

According to Mr. Bishop, had the facility been authorized after only three years of permitting it likely would be under construction. That would have meant 600-plus construction jobs lasting over three years through the height of the current recession, bringing millions of outside dollars to local merchants along with a great number of indirect jobs. The Coos County Sheriff's Office would be hiring a substantial number of new deputies rather than facing layoffs, and, entities would be hiring new firefighters. Additionally, \$2.5 billion in private stimulus funds also would be streamlining into Oregon. Instead, he said, this project has become a modern "Jarndyce and Jarndyce."

In conclusion, Mr. Bishop said these option agreements have become routine and ordinary, and qualify for the consent agenda. This extension creates no new obligation nor does it make any existing obligation on the part of the Port or the public to extend the agreement more onerous. Port staff requests ratification of the previously authorized and executed agreements with Weyerhaeuser and acceptance of the extension of the Jordan Cove option agreement.

Upon a motion by Commissioner McKeown (second by Commissioner Scott), the minutes of the December 21, 2010 special meeting; December/January Invoices totaling \$259,904.25; ratification of the Cordes to Coquille Rail Acquisition and ratification of the Weyerhaeuser;

and JCEP Option Extensions were voted on and unanimously approved by the Board of Commissioners.

Commissioner McKeown thanked Mr. Bishop for a clarifying explanation of the Weyerhaeuser and Jordan Cove option agreements.

4. MANAGEMENT REPORTS:

A. Jeffrey Bishop, Chief Executive Officer

Mr. Bishop had one item to discuss on a new Port project. Mr. Bishop said he could not discuss the specific project due to execution of a non-disclosure agreement. He said his Power Point presentation “The West Coast Offshore Wind Consortium” would be an offshoot of the actual project. The Consortium would establish an off-coast wind energy industry in the Northwest.

Mr. Bishop said he had had an opportunity to visit with representatives of a wind farm off the coast of Cape Cod, Mass. Mr. Bishop projected a graph representing the relative value of the offshore wind along the United States coasts. He said the majority of the East Coast value is centered in and around the Northeastern United States, about where the Cape Cod project is sited. He said looking at it from a mapping standpoint, the best West Coast winds are located from Coos Bay south to northern California. A lot of people feel there is a good potential for developing this area for wind power production. As a result, the Consortium organized to explore the fundamental opportunities and analyze barriers to market entry.

Mr. Bishop said Coos Bay also has a strong proximity to metals manufacturing in the Pacific Northwest, and specifically in Oregon, with Oregon Iron Works and general contractors such as Peter Kiewit, American Bridge and others. Mr. Bishop said there are some renewables portfolio standards in Washington, Oregon and California in addition to some beginning development of infrastructure. He said Pacific Northwest Laboratories, which has outstanding research capabilities, is also in the region. The consortium will look for grant funds. A proposed Department of Energy program will provide \$49.5 million in funding focused on areas such as technology development, market barrier removal and advanced technology demonstration projects.

Mr. Bishop said the Oregon International Port of Coos Bay is the only port location in the region that has a sufficient channel depth and configuration that would be able to handle launching of the wind turbine platforms. Mr. Bishop wanted to clarify that this presentation was a very cursory review and that the business model the company is looking at appears to have the least impact to the fishing industry. He said it was not believed the proposed location would interfere with any other use of the ocean. It appears to have the least amount of impact especially when compared to wave energy technology. As a result, the company has talked to the Port about the possibility of utilizing the proposed North Spit slip as a launch site for deployment of the platforms on the West Coast. Mr. Bishop referred to one of the first slides that showed the actual device designed as a pontoon buoy system that floats in the water and uses the same type of technology a ship would in taking on ballast water for leveling. The buoy would be tethered to the seafloor 10 to 12 miles offshore. The biggest issue to be researched and resolved is the apparent location in the vicinity of the tow lane for commercial ship traffic. He said the structure is extremely large and would be constructed at different locations and then transported to the home port for assembly. It would be put into the water in one piece and towed out to sea. The device is between 300 and 400 feet tall, which limits the locations it could be placed in the bay. Due to the airport runways, it would have to be placed at a 45-degree

angle. Some channel improvements would be required to accommodate the structures. The company has done research to determine that the Port is in the middle of a channel expansion study, which is advantageous for the project as well.

Mr. Bishop said as part of the project, the company is proposing an alternative, or competing use, for the west side use of the berth for a development similar to what is being proposed in Bremerhaven, Germany. This is a complex devoted to the development of offshore wind energy project. The consortium is proposing a fact-finding mission and tour of the facility to see how it is working. Mr. Bishop said such a facility could provide substantial employment.

Mr. Bishop said the site being discussed would be the property that was originally proposed for the Gateway Terminal. The Port has the ability to market the site for uses other than containers and this would be a competing use for this site. Mr. Bishop ended his presentation saying that he could not go into further detail on the project. He said Commissioner McKeown and he participated in a conference call last week and there is a draft of a memorandum of understanding for participation in a study. Mr. Bishop said he would keep the Commission informed of progress.

B. David Koch, Chief Operating Officer

Mr. Koch said the Port was moving forward with the rehabilitation project at the Ice House at the Charleston Marina. He said the Port was awarded a \$340,000 grant from HUD to help underwrite the project. In December, the Port completed the environmental review process required by the HUD grant and on January 3, 2011, received a notice to proceed. There is an action item on tonight's agenda for approval of the machinery and equipment portion of the project. He said there is also anticipation of a bid opening next week on the carpentry work that will be proceeding along with the machinery and equipment replacement.

Mr. Koch said the Port also is working on the Tiger II railroad grant and continuing the environmental review process with consultants. He said it should pass through USDOT review by the end of February, which keeps the project on track for the use of those funds to repair track structure, in addition to ballast and rail.

He said work is continuing on the Southport Forest Products property transaction partition with Coos County for the sale of approximately 33 acres on the North Spit adjacent to the existing facility for expansion.

On December 23, 2010, the Port closed on the Union Pacific donation of the rail line from Cordes to Coquille. The deal includes a piece of property approximately 109,000 square feet in North Bend that runs between Sherman Avenue and the rail line, and Connecticut and Colorado avenues. The Port is in the process of making it into a new discreet parcel so it can be transferred back to UP. The Port has until September 30, 2011, to complete the process but also has the option to retain the property for \$436,000 and may be exploring purchase options. A portion of the property is leased to Menasha. The Port is separating the property and creating an option of buying it and conveying it back, identifying a good use for the property, or finding a potential buyer for it.

Mr. Koch said he is working through the variety of crossing agreements the Port needs to manage for the rail line from here to Eugene, including water lines and utility crossings over and under the tracks, and private crossings for private property owners. The issue will be brought to the Commission with recommendations for forms and policies for regulating the process in an effort to become a friendlier

railroad than people have dealt with in the past. Mr. Koch said, however, one item requires action. Coos County is working on the Riley Ranch bridge crossing project and one of the action items at tonight's meeting deals specifically with grade separation structures and underpass separations from the grade.

Commissioner Kronsteiner asked where the Port was with the federal Tiger II grant funding. Mr. Koch responded that the Port has approved the grant form and sent it to USDOT for review. He said he had a conversation with a USDOT attorney last week who said the Port should have it within 7 to 10 days. Mr. Koch said the Port is moving ahead with the environmental review process and expects that the grant agreement will be signed and back before that process has been completed. He said both processes have to be completed before the funds can be committed.

C. Martin Callery, Chief Commercial Officer

Mr. Callery said the Port continues to work on engineering for the rail line rehabilitation with consultants HDR Engineering and RL Banks and Associates. The Port is trying to coordinate the *ConnectOregon III* and the Tiger II money (and potentially SAFETEA: LU funds) and has not gone out to bid on any of the rehabilitation, since it has to be coordinated with the Oregon Department of Transportation (ODOT) Rail Division. Mr. Callery explained that the project is not behind and consultants are preparing bid packages for the rail ties, purchase of some rail, ballast, bridge work on the Siuslaw and Umpqua bridges, and a little more tunnel work. Mr. Callery said all items will go out as separate bid packages.

Mr. Callery said over the last two weeks he has been talking with several companies looking at Coos Bay as a potential outbound and/or inbound point for cargoes. Today, he spent a couple of hours with a company talking about bulk commodities. There is another company he has met with twice and will continue to talk about time schedules and expectations as to development and investment.

Commissioner McKeown asked about SAFETEA:LU funds. Mr. Callery said the SAFETEA:LU includes a pilot program for intermodal transportation. The Port proposed to use that money to purchase Chemonite-treated railroad ties. He explained Chemonite is a less environmentally impacting process than the traditional creosote process. USDOT liked the idea and it has been reviewed by ODOT, the Pacific Northwest Region of USDOT, and is now in Washington, D.C. for review. Mr. Callery said everything he is hearing is positive and that it just takes time to get everyone's signature on the page. Mr. Callery said it would cover roughly 64,000 ties.

D. Donna Nichols, Chief Financial Officer

Commissioner Kronsteiner commented that the Harbormaster and Chief Financial Officer provided written reports. He asked Ms. Nichols if she had anything to add to her report. Ms. Nichols said the year-end financial statements should be ready soon and will come to the Commissioners in February. She said the City of Coos Bay requested the use of the Business Center's large Bay 7 for the displaced Boat Building Center. She explained that there is no lease but the city will pay the utilities. Mr. Bishop said there is a provision in the City's lease that if a business wants to lease Bay 7, the City will then have to pay rent. He said this was a unique circumstance for use of the space and the Port has made concessions for other interesting enterprises, such as when Mary Geddry used the space at a greatly reduced rent for development of a wind turbine.

Ms. Nichols said Aaron Simons had submitted a grant request to ODF&W for a fish cleaning station in the Marina. There has been a second round of bids, and the second round low bid was submitted by Americorp Construction out of Bandon.

Ms. Nichols invited the Commissioners to attend the Special District's Association of Oregon conference which is scheduled February 11-13.

Public Comments:

Jody McCaffree from North Bend said she sent a letter on January 17 to remind the Commission of the letters she sent last year on October 21 and 29, concerning Weyerhaeuser/Jordan Cove extension agreements and how the issues in those letters were different. Ms. McCaffree said she hoped that this was still an option agreement and that she still has concerns. She said the Port never takes public input ahead of time. She said she hoped the Port would allow opportunity to have a public process to review the final agreements before they are signed. She said she realized there were ten attorneys, but Enron had attorneys, too, and that didn't help its CEOs in the end. She said concerning the Jordan Cove facility part of this agreement for lease and purchase option, the Energy Information Association's (EIA) December report is the third in a row that clearly shows the need for importing liquefied natural gas actually has decreased greatly. She said right now it's 11% and by 2035 the EIA is predicting it will be 1%. That clearly shows there is not a need for more imported gas, that there is plenty of gas produced in this country. She said she is pleased to see the Port is looking at wind and renewables. She said she really wished that the Commission would allow the public more than five minutes to discuss some issues at meetings. She said there are a lot of people who have good ideas and they are never listened to or their ideas aren't shared. She said there is a public process and requirements in the National Environmental Policy Act, a Coastal Zone Management Act, the Clean Air Act, the Clean Water Act, the Endangered Species Act, Public Trust Doctrine, Rivers and Harbor Act, and Estuary Protection Act. There also is the Archaeological Resource Protection Act, the Migratory Bird Treaty Act and if the Port is going to do projects the Port must understand it has to go through a process. Specifically with Jordan Cove, it is a federal process. The Port must be in line with these goals and a lot of other laws. She said she has been keeping a list of all of the permitting required of Jordan Cove and it has a long way to go. She said that if Jordan Cove is on the agenda and there is a lot of controversy, people have a right to comment. She said she was able to look at part of the agreement that the Port signed. She said the public never got to have any public discussion over that and that is not fair. As a public body the Port should be listening to the public. She said she realizes the Port talked about EPA phase one assessment, but there should be phase three. She said she also wanted to discuss the issue of putting Jordan Cove next to a wind turbine facility on the west side, which creates a problem. In October 2010, FERC required Jordan Cove to re-do its pollution zone for the final gas exclusion zone. She said in the final Environmental Impact Statement it already extends past the boundaries of the Jordan Cove facility. There are rules and regulations for what can and cannot be done in those exclusion zones. She said that when Jordan Cove is done recalculating, she guarantees the zones will be bigger which could prevent development to the west. She said it's important to consider what impact a facility like the Jordan Cove LNG facility will have on the surrounding availability of land. That entails land use planning and these issues should be publicly debated before charging off doing this and that, because it might end up as a mess. Ms. McCaffree said she realizes the Port is trying, but in the past the community got the T Dock, the barge slip and a lot of stuff that never went anywhere because it wasn't thought out ahead of time. It would be nice if there would be public debate and discussion ahead of time. She said she supports wind power, but there are issues even with wind that should be discussed ahead of time. She said she is all for getting

something accomplished and thinks that wind turbine manufacturing will produce far more jobs than with some of this other stuff the Port is working on. She said the community wants to do the best thing for that area that isn't a detriment to the other industries already here.

Richard Chasm said he lives at 730 Hoover Hill Road, Winston. He said he had written a letter outlining some of the things he wanted to bring up to the Commission and made copies of it for distribution. He said as a real estate agent licensed in Oregon, he sells real estate from double-wide mobile homes to large commercial properties. He said he had some reservations about how the property option is going forward and outlined them in his letter and in the document attached to it. He said he appreciated Mr. Bishop's presentation, he learned a lot, and some of the remarks in his letter might be a little stronger than they deserve to be in light of the presentation. He commented that he agreed with Ms. McCaffree's point about discussions occurring after the fact and several of the points he was making are not meant to be as hostile but they are warnings. Mr. Chasm said the Nucor transaction fell through because Weyerhaeuser wanted Nucor to accept all of the liability, as stated in the Roseburg News-Review. Nucor said it couldn't do that. Weyerhaeuser required it and Nucor canceled the deal. This, in the real estate business, is known as foreknowledge and as a commercial real estate agent if an agent has the slightest hint that there might be an issue regardless of what it might be, a rare plant, any sort of Native American site, chemical contamination, he is obligated to bring this to his buyer's attention. There must be a thorough examination of the property to ensure the client knows what is there. Mr. Chasm said he wasn't suggesting that any of these conditions exist but he was suggesting and stating that the Port needs to know before it signs a deal. He said the Port might have an insurance policy, but when there is a payoff and attorneys get involved it might be a lot more difficult to collect. He felt the Port had an obligation to the taxpayers of the State to find out what is there. He said he would like to see the appraisal that shows this property is more valuable than the previous appraisal, because he spent quite a bit of time on the Regional Multiple Listing Service computer looking at industrial properties throughout Oregon. Most of the property values are going down dramatically. He said without seeing the appraisal, he can't really comment; but the other two appraisals that were done were simply bogus. He said he had made a formal complaint to the Oregon Attorney General based on his analysis of those appraisals and, shortly after that when he finally got the Attorney General's attention, Weyerhaeuser refunded the \$25 million. He said the new proposal to create five lots with some adjustments in boundaries is considerably easier. However, in his experience as a real estate agent dealing with planning, he said some issues have been ignored. The Port needs to describe where the water is coming from, where the wastewater is going, access, and other issues. Mr. Chasm said every time he comes here, there is some new plan, new proposal and then it disappears. There was a container facility; "now you see it, now you don't." At some point the Port is going to have to pass muster with the Department of Land Conservation and Development. He said he came over here tonight to say respectfully that people are watching very closely, and that if this information doesn't get done right they are going to make something of it. He said that as a practicing real estate agent he earns his living getting things done. If the Port would like his opinion on how to get the job done, he would be happy to help. Commissioner Kronsteiner said Mr. Chasm had one more minute and the Commission would be happy to hear his input but not in this meeting. Mr. Chasm said he would sit down and be quiet if that's what Mr. Kronsteiner wanted. Commissioner Kronsteiner thanked him.

Richard Knablin said he lives in North Bend and that he had come to the Port meeting on December 20 and found the meeting had been canceled because someone couldn't make it. He said he was here to ask the Port to reconsider its adamant stand against providing passenger service on the newly acquired rail line. It is public money that is paying for this purchase and the public ought to be more

than an ancillary benefactor of its reconditioning. He said he wants the Port to plan for the inevitable inclusion of passenger service in its venue. That means allowing for the double back where necessary in its reconditioning phase, when it will be cheaper than later when the railroad becomes a vital link between the coast and Eugene. He said ideally there should be two scheduled trips a day on this route so passengers can connect with Amtrak in Eugene. The sooner the Port realizes the value of this service, the less complicated and costly it would be. He said he believes passenger service is inevitable, and that the current Commissioners are taking a short-sighted view, whereas future Commissioners will hold a different view. He thanked the Commissioners.

Commissioner McKeown said she would like to follow up on Mr. Knablin's comments. She felt it was important to understand that the business case the Port put together to acquire the railroad was based on cargo and has to be based on cargo to make it work. She said, in her opinion as a Commissioner, passenger service needs to be investigated and is possible in the future, but financially the management is going to rest on cargo for the foreseeable future. She said she is concerned if the Port is putting out absolutes that say there will never be passenger service. She added that it takes a long time to get from here to Eugene, and it's not a quick trip on the rail. She said it would be limited to people who have the luxury of time. Local service from here to Eugene is certainly something that she would not put beyond the realm of possibility but to make this railroad operate, and make it financially viable, cargo must be the focus for awhile. This is the business case that has been put together and the Port has to support local industry first. She said she was certainly interested in investigating passenger service at some point in the future.

5. ACTION ITEMS/REPORTS:

A. Ken Messerle Consulting Contract Amendment

Mr. Bishop said for the past several years the Port has been using multiple consultants for State legislative relations. Steve Marks has moved on to work in the Kitzhaber administration, so he is no longer available to the Port. As a result, Mr. Messerle will be relied upon solely and given more work. He has asked for an increase in his monthly retainer from \$2,000 to \$2,500. Mr. Bishop said since the amount exceeds his signature authority it was necessary to bring the item to the Commissioners. He said he would like to point out that while this represents a \$500 a month increase, it is approximately \$6,000 a month less than the Port was paying with dual consultants.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel), the Board of Commissioners voted unanimously to approve the Ken Messerle Consulting Contract Amendment for raising the monthly retainer from \$2,000 a month to \$2,500 a month. Motion passed.

B. Coos Bay Trawlers Association Lease Renewal

Ms. Nichols explained the Coos Bay Trawlers Association current lease expired on January 1, 2010, with unlimited one-year renewals. It has occupied this space since 2008 and is requesting continued use. All other terms on the agreement remain the same. The action requested is Commission approval to extend the lease for one more year.

Upon a motion by Commissioner Scott (second by Commissioner McKeown), the Board of Commissioners voted unanimously to approve the Coos Bay Trawlers Association Lease Renewal for another year. Motion passed.

C. Award of Contract for Ice House Rehabilitation

Mr. Koch asked for the Commission to approve the award of the Ice House rehabilitation contract to Will H. Knox Co Inc., with approval of a modified Option A and signature authority for the Chief Executive Officer to execute the contract. Mr. Koch said the information he is presenting is slightly different than what Commissioners received in their packets. In December 2010, Port staff requested proposals for the Ice House Equipment Maintenance and Repair Project. It consists of maintenance, repair and rehabilitation of equipment and machinery used in the commercial operation that supplies ice to the Charleston fishing fleet. The proposals were due to the Port by 2 p.m. January 11, 2011. Five companies received the Requests for Proposal. There was one company in addition to Knox that came down to the facility to review the operation. Knox was the only industrial refrigeration contractor that submitted a proposal for the work to be done. Knox's original proposal contained three options, which were included in the Commission's packet. Since that time, the Port has had further discussions with the contractor that resulted in a modification to the proposal. Port staff opted to retain one of the pieces of equipment that was being proposed for replacement since it is newer. Staff anticipates there is an additional 5 to 7 years useful life remaining. This reduced the project cost and will allow for a new rake delivery system for the facility, rather than a refurbishment. Mr. Koch said the Port has secured a guaranteed delivery date and expedited fee from vendor North Star. That resulted in the two options before the Commission tonight. Option A is with a guaranteed delivery by the manufacturer of the rake delivery system by March 25, 2011, which will allow completion of the other work prior to an anticipated completion date of April 11, 2011, at a cost of \$492,726. The \$340,000 grant received from HUD would underwrite the majority of the cost. Mr. Koch said Option B without the expedited delivery of the rake delivery system from North Star has an anticipated completion date of April 29, 2011, but without a guaranteed delivery date the manufacturer or vendor may accept other orders potentially extending delivery from 10 to 12 weeks. The cost is \$471,232. The added cost would pay the overtime for the manufacturer to ensure the unit is completed and delivered within nine weeks. He said discussions are ongoing with North Star on how to structure the premium payment of approximately \$21,000. Port staff may ask the Commission to allow negotiation on terms of that payment and perhaps to pay more if they can deliver before March 25, 2011. Mr. Koch said basically there is a bonus payment for the guaranteed delivery date and the bonus could increase if they complete it sooner. Mr. Koch said Port staff is recommending selection of Option A, with a project completion date of April 11, 2011, allowing the Ice House to reopen without significantly impacting the commercial fishing fleet.

Commissioner McKeown asked for clarification of the approximately \$150,000 cost over the HUD grant. Ms. Nichols said the money would come from the Property Reserve Fund through a budgeted transfer. She said the money will be paid back over the course of time with revenue from ice sales. Mr. Koch said the total project costs with the electrical repairs and the building repairs will be around \$700,000, so the HUD grant will cover half of the project. Commissioner Kronsteiner said it was discussed previously that the Port would come up with \$350,000 for the project. Mr. Koch said the rehabilitated facility will be more reliable and decrease operating costs, because employees won't be called out in the middle of the night to repair machinery.

Upon a motion by Commissioner Hampel (second by Commissioner Scott), the Board of Commissioners voted unanimously to approve the Award of Contract for the Ice House Rehabilitation to Will H. Knox Co. Inc. with approval of modified Option A with signature authority for the Chief Executive Officer to execute the contract. Motion passed.

D. Adopt Policy for Review of Proposed Railroad Grade Separation Structures

Mr. Koch discussed the adoption of a policy for the review of proposed railroad grade separation structures. He said the document sets a standard policy for reviewing and processing applications from entities that want to develop a grade separation structure across the railroad track. On November 10, 2010, the Port Commission approved the Riley Ranch Park County right-of-way easement document for Coos County. It included the construction of a bridge to be used by ATVs, equestrians and pedestrians to travel between the County's Riley Ranch Park on Highway 101 and the Oregon Dunes National Recreation Area. As part of the easement, it calls for the County to require the contractor to obtain a right-of-entry agreement from the Port to complete the work. It also requires that the Port review the proposal, the plans, the diagram and design and ensure they are compatible. The purpose of adopting these guidelines, which were developed by Burlington Northern Santa Fe (BNSF) railroad and Union Pacific (UP) railroad, is to provide guidance to Port staff regarding the procedures for reviewing projects and requests for grade separation structures, overpasses, underpasses or crossings on the railroad right-of-way. Mr. Bishop said to clarify, this is concerning major structures that require substantial engineering and not driveway approaches. Mr. Koch said that with these structures operation and maintenance is ongoing, and having a structure over or under the railroad creates significantly higher risk than an at-grade crossing. These guidelines can be modified at any time depending on the type or location of the specific railroad project. He said the action requested of the Commission is to approve the adoption of the BNSF and UP Guidelines for Railroad Grade Separation Projects.

Commissioner McKeown said it was nice that BNSF and UP shared their information with the Port. Commissioner Kronsteiner said he felt it was important that there is a baseline that can be specified for projects.

Upon a motion by Commissioner Scott (second by Commissioner McKeown), the Board of Commissioners voted to unanimously to approve adoption of the Burlington Northern Santa Fe Railway and Union Pacific Railroad Guidelines for Railroad Grade Separation Projects. Motion passed.

5. **OTHER:**

6. **COMMISSION COMMENTS:**
There were no Commissioner comments.

7. **NEXT MEETING DATE:** - Thursday, February 17, 2011

8. **ADJOURN:**
Meeting adjourned at 8:05 p.m.

9. Adjourn to Executive Session 8:06 p.m.
The Commission adjourned to Executive Session.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary