

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon

REGULAR COMMISSION MEETING

Thursday, April 20, 2006

7:00 p.m.

Coos Bay City Hall

Minutes of the Regular Commission Meeting of the Board of Commissioners of the Oregon International Port of Coos Bay, held Thursday, April 20, 2006, at 7:00 p.m. in the City of Coos Bay's Council Chambers.

ATTENDANCE:

Commission: David (Dave) Kronsteiner, President; Caddy McKeown, Vice President; Daniel (Dan) Smith, Secretary; and Jerry Hampel, Commissioner; Brady Scott absent.

Staff: Jeff Bishop, Executive Director; Mike Gaul, Deputy Executive Director; Donna Nichols, Director of Finance; Don Yost, Harbormaster; Bob Thomas, Port Counsel; and Andrea Wall, Executive Assistant.; absent, Martin Callery

Media and Guests: Elise Hamner, *The World*; Gordon Young, Channel 14; Bob Braddock, Jordan Cove Energy; Tom Scheideman, Weyerhaeuser; Ken Messerle, Coast Consultants; Chris Claflin, OECD; Jeff Hill, Sause Bros; George V. Wales, Harbor Tug & Lines; and a college student

The meeting was called to order at 7:05 p.m. by the President of the Commission and he asked for those attending to introduce themselves.

3. PUBLIC COMMENTS

Marvin Caldera: Marvin wanted to reaffirm where the Local 12 stood on the LNG issue. He said that they are in full support of LNG. It will bring a lot of jobs and also support jobs through energy. The extra tonnage to the harbor will bring the Port work. The Local has also voted to support the Commercial fisherman and reaffirmed that at the April meeting. They feel that the fishermen should get some compensation for loss of their season. He feels if the area loses commercial fishermen, they are also losing the heritage and the draw for the tourists. We need to protect the commercial fishermen.

4. CONSENT ITEMS:

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board approved the March 16, 2006 Regular Commission Meeting Minutes; the March/April invoices totaling \$709,857.35 and the ratification of Subordination of Deed of Trust - South Port Forest Products.

5. MANAGEMENT REPORTS:

A. Executive Director

The Executive Director shared information on his March trip to Japan. He had a chance to visit in Choshi which is the sister city of Coos Bay. He had a wonderful meeting with the Mayor of Choshi and the Director of Tourism for the City of Choshi. Jeff toured the fishing facilities in the City of Choshi; this is a very substantial operation. There were a great number of boats. He saw a huge supply of a variety of fish, which are brought in daily and he watched a great number of trucks being loaded for the fish market. Jeff invited the Mayor of Choshi to visit Coos Bay, maybe in August, which is planned to coincide with the rededication of the Choshi Bridge in Mingus Park. Jeff wants to have a conversation between officials here and in Choshi regarding tourism and its economic impacts.

The Executive Director's trip also included a visit with representatives of the Project TK. TK has slowed their process of site selection down; it may now be another two years out. The Port presented a very attractive proposal to them and during this presentation, almost all of their questions related to LNG. The type of factory they would build would make use of the same kinds of contractors and workers as those constructing the LNG facility. The Port thought that their interest in the LNG was for the energy, but from the questions, it seems that it is because they need this capable work force. Again, Jeff pointed out that there is no relationship between TK and LNG. The staff is going to place our efforts on other projects and put this on the back burner for now. We still cannot release the name of the Company due to confidentiality agreements.

B. Deputy Executive Director

Mike said that Martin Callery was not at this meeting because he is attending a Short Sea Shipping conference up in Vancouver B.C.

On the agenda tonight is the Local Agency Agreement with the Oregon Department of Transportation (ODOT), for the TransPacific Railway Crossing. This order has been submitted to ODOT for their review and approval. Permits and right-of-ways have been applied for and the engineering is approximately 80% complete; we expect to go to bid in September or October.

Dave Harlan, who some of you know from trips to D.C. with Pacific Northwest Waterways Association(PNWA), has been selected Manager of the Ports Division of Oregon Economic and Community Development Department.

The North Bay Marine Industrial Park has received its official certified site designation from the State of Oregon. The certification has been approved by the Governor. It is now Site 041-06.

The Oregon State Marine Board will meet here in Coos Bay on June 27th. Harbormaster, Don Yost, will be on their agenda to present the Launch Ramp construction project slide show. On June 26th at 4p.m., there will be an official dedication of the Launch Ramp Project to the Marine Board. Following that there will be a harbor tour on the Miss Linda. Any of the Commission who wants to, can go on the tour.

The Oregon State Marine Board also has nominated the Charleston Launch Ramp project for a National award through the state organization of Boating Access. This project will compete with others from around the country for an outstanding project award in the large access category. The awards will be selected and presented at the national conference in September in Tampa, Florida.

The staff along with the assistance of Ken Messerle continue to tract the Oregon Department of Environmental Clauses rule making process for the industrial storm water discharge.

Mike welcomed the two newest lessees' at the Business Center; Paul Walton, Rhinotronix; and John O'Reilly of J & S Plumbing. Mike also thanked Jon Richards and Johanna Volz for their hard work in getting these people settled. Johanna is doing an exceptional job at the Business Center.

April 11th the Coast Guard had their Maritime Security meeting in Portland and on April 12 and 13th Mike was in Astoria for the Special Districts Board of Director Insurance Trust meeting; most of this week Mike was in meetings centered on the Jordan Cove project.

D. Harbormaster

The Harbormaster said that there was a picture of the bench which is being bought to recognize Arnold Hockema. There will be a ceremony on Memorial Day, Monday May 29th at 10a.m. following the blessing of the fleet to dedicate the bench.

E. Director of Finance

The Director of Finance attended the job fair at Southwestern Oregon Community College (SWOCC). It seemed like a smaller turnout but more serious job seekers. She also attended the Oregon Ports quarterly meeting in Mike's place.

Before the action items started, Jeff Bishop shared a power point program entitled Project Phoenix Summary.

In October of 2005 The Oregon International Port of Coos Bay concluded business negotiations with the Weyerhaeuser Corporation and Jordan Cove Energy Partners to acquire and sell certain real estate assets on the North Spit. That decision was a culmination of many months of process to establish a direction for the Port as was directed by Governor Ted Kulongoski. The Port's Vision and Mission statement were developed along with some value statements.

In 2005, Jordan Cove Energy Project's (JCEP) plan for a LNG terminal was introduced. Negotiations started with Weyerhaeuser Company to acquire property sufficient to improve the safety of the proposed LNG terminal. The land mass was approximately 1300 acres plus the ocean outfall leasehold interest. The purchase price is \$25M. There is a two year contingency period. The purchase price is paid in advance and the Port can cancel the transaction and receive a refund of purchase price after the first year. The Port will attempt to negotiate a prospective purchaser's agreement with the State of Oregon. Port will provide an insurance policy protecting the Port and Weyerhaeuser from future remediation costs. Weyerhaeuser can buy back 20+ acres of rail served property. The Port will provide an option lease up to 200 acres to JCEP. The Port will begin the permitting process for a berth/slip and a 1600 foot turning basin. The Port will borrow \$15M from the State and \$10M from Umpqua Bank and the Coos County North Bay Urban Renewal Agency has pledged future tax revenues to meet the debt service of the State loan. All debt is contingent on the successful siting of a LNG terminal.

7. ACTION ITEMS/REPORTS:

A. Property Acquisition: Intergovernmental Agreement – Coos County Urban Renewal

The Port has concluded negotiations with an option to purchase approximately 1300 acres of land from Weyerhaeuser. In Phase 1, the Port intends to borrow \$15M from the State and \$10M from Umpqua Bank. Weyerhaeuser will have use of the funds for not less than one year. The Port will pay the interest by a series of option payments made by JCEP. JCEP will also have an option to lease or

acquire up to 200 acres for construction of a LNG terminal. JCEP will guarantee its lease/purchase with a letter of credit. Weyerhaeuser will issue a deed of trust as security for the \$25M. Phase II is the actual acquisition and sell/lease of portion to JCEP. This phase would require the Port to either pay off Umpqua loan if JCEP purchases the LNG site, or refinance if JCEP leases the LNG site. The State's loan will bridge the acquisition. The loan from the State is a five year loan. The payment during the option period, from JCEP, will cover principal, interest and coverage ratio costs. After closing, the payments will come from a tax increment paid by the new terminal. The Intergovernmental Agreement between the Agency and the Port will pledge tax revenues from the new terminal sufficient to cover debt service for both the State's loan and the Port's refinancing mechanism to secure long term financing for the acquisition.

Upon a motion by Commissioner Smith (second by Commissioner McKeown) the Board of Commissioners approved the Intergovernmental Agreement between Coos County Urban Renewal Agency - North Bay District and the Port of Coos Bay.

B. Resolution 05/06-8 State Loan North Spit Property Acquisition

The Port has applied for and received conditional approval for financial funding assistance from the Oregon Economic and Community Development Department's Special Public Works Fund program on behalf of the Coos Bay's North Spit Property Acquisition. The contract has been received for signing authority. The loan is in the amount of \$15M for a term of 5 years. An additional requirement of the contract is a resolution authorizing the Executive Director to execute the financial assistance award contract and other documents required to obtain the financial assistance from the State.

Upon a motion by Commissioner McKeown (second by Commissioner Smith) the Board of Commissioners approved Resolution 05/06-8 with the following amendment applied to the JCEP option agreement "If not complete by May 10, 2006 the price will go up by \$25,000 a day" .

RESOLUTION NO. FY 05/06-8

A RESOLUTION AUTHORIZING A LOAN FROM THE SPECIAL PUBLIC WORKS FUND OF THE OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT FOR AN INDUSTRIAL PROPERTY PURCHASE.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OREGON INTERNATIONAL PORT OF COOS BAY AS FOLLOWS:

Section 1. Findings. The Board of Commissioners (the "Board") makes the following findings: The Oregon International Port of Coos Bay (the "Port") has filed with the Oregon Economic and Community Development Department (the "Department") an application for financial assistance from the Special Public Works Fund (the "Fund") under the provisions of ORS 285B.410 through 285B.482 (the "Act"); and said application has been approved, and is subject to a Financing Contract (the "Contract") with the Department for Project Number L06006 for Industrial Property Purchase (the "Project"). Said Contract, together with its attached exhibits, is hereby incorporated in this Resolution and made a part hereof.

Section 2. Loan Authorized. The Port is authorized to borrow from the Fund to finance the Project a maximum of \$15M with interest to accrue at the annual rate of 4.56% as provided in the Contract, Promissory Note and other attached exhibits. The President of the Port is authorized to execute on behalf of the Port, said Contract and the Promissory Note; and the Executive Director of the Port is

authorized to execute such other documents as may be necessary to carry out the provision of this Resolution and said Contract.

Passed and adopted by the Board of Commissioners of the Oregon International Port of Coos Bay this 20th day of April, 2006.

President

ATTEST:

Secretary

C. Verizon Option/Lease

Verizon Wireless is requesting to install a cell tower on the Port's North Spit property. The agreement includes a twelve month option agreement and a long term lease if the option is exercised. The term of the lease is for five years and includes four additional five year renewal options. The initial lease rate for the first term is \$8,400 and escalates to \$14,962 for the final term. If the property becomes taxable, the lessee will be responsible for the taxes. Port counsel, Robert Thomas has reviewed the agreement and recommended the following: Paragraph 11 requires the Port to protect against use of the other Port property in a manner which would interfere with Verizon's signals. This will be changed to refer to communications frequencies only. Paragraph 20 - The Port's address will be corrected. Paragraph 25b: Provides for Port indemnity. The words "to the extent permitted by law" will be added. Upon a motion by Commission McKeown (seconded by Commissioner Smith) the Board of Commissioners approved the Verizon Option/Lease, with above mentioned corrections.

D. Betty Kay Charters Lease Renewals

The current Betty Kay Charters lease expired March 1, 2006. This is a ground lease in the inner basin where the tenant has constructed a charter boat office. Betty Kay Charters has leased this space since 1986 and wants to continue. The new lease is for a term of one year commencing May 1, 2006 and allows for additional one year renewal options. Under the term for use of premises, we have added gift shop as an allowable use. All other terms and conditions remain the same. Upon a motion by Commission Hampel (seconded by Commissioner McKeown) the Board of Commissioners approved the Betty Kay Charters new lease.

E. Seahawk Seafood's Lease Renewals

The current Seahawk Seafood lease in the Marina expired March 31, 2006 with no remaining renewal options. Seahawk Seafood has leased this building since 1991 and requests to continue the use. The

new lease is for a term of one year commencing May 1, 2006 and allows for additional one year renewal options. All other terms of the lease remain the same.

Upon a motion by Commissioner McKeown (seconded by Commissioner Hampel) the Board of Commissioners approved the Seahawk Seafood's new lease.

F. Coos Bay Trawlers Lease

The current Coos Bay Trawlers Association lease for office space in the Charleston Marina expired on March 31, 2006 with no remaining renewal options. The Coos Bay Trawlers Association has leased this space since 1997 and requests to continue with this use. The new lease is for a term of one year commencing May 1, 2006 and allows for additional one year renewal options. All other terms of the lease remain the same.

Upon a motion by Commissioner Hampel (Seconded by Commissioner McKeown), the Board of Commissioners approved the new Coos Bay Trawlers Lease.

G. Fisherman's Wharf Lease Addendum

Fisherman's Wharf entered into a long term lease agreement commencing May 1, 2005 for 840sq.ft. of dock space on South Dock, for the purpose of construction of a Fish Market in the Marina. They have been successful in their venture and are requesting an additional 960sq.ft. to enlarge their business. This is a little used section of the dock space on the backside of South Dock. New revenues for this addendum would be \$2,312 annually with annual Consumer Price Index adjustments. All other terms and conditions of the lease would remain the same.

Upon a motion by Commissioner Smith (Seconded by Commissioner Hampel) the Board of Commissioners approved the addendum to the Fisherman's Wharf lease dated May 1, 2005.

H. Local Agency Agreement, Coos Bay Rail Bridge Phase 2

Federal Funding is in place and the Port has submitted a grant request to ConnectOregon for the cost share portion of the Coos Bay Rail Bridge Phase2 rehab. The Local Agency Agreement between the Port and ODOT is attached for review. This agreement provides access to the Federal Funds which are managed by ODOT. It sets out the terms and conditions of the project. When the agreements are signed, ODOT will hire an engineering firm to provide the scoping work on Phase 2. Port counsel, Robert Thomas, has reviewed this document and found it acceptable for recommendation to the Port Commission.

Upon a motion by Commission McKeown (Seconded by Commissioner Smith) the Board of Commissioners approved the Local Agency Agreement, Coos Bay Rail Bridge Phase 2 and authorized the Executive Director to sign the agreement.

I. Local Agency Agreement for the TransPacific Parkway Railroad Crossing

State and Federal funding is in place for TransPacific Parkway Realignment project. Because Federal funding for the rail crossing comes from SAFETEA-LU, a Local Agency Agreement is required to access funds. The attached Local Agency Agreement provides access to the Federal funds which are managed by ODOT. This agreement sets the terms and conditions of the project. Port counsel, Robert Thomas has reviewed this document and found it acceptable for recommendation to the Port Commission.

Upon a motion by Commission Smith (Seconded by Commissioner McKeown) the Board of Commissioners approved the Local Agency Agreement for the TransPacific Parkway Railroad Crossing and authorization for the Executive Director to sign the agreement.

J. Enterprise Zone Representative and Alternate

At the March 15, 2006 Regular Port Commission Meeting, Resolution 05/06-7 was approved requesting to become a Bay Area Enterprise Zone Sponsor. The Cities of Coos Bay, North Bend and Coos County have each approved their resolutions. Shirley Liberante has submitted the required documents to OECDD. It is appropriate at this time for the Commissioners to select their representative and alternate to the Bay Area Enterprise Zone. Commissioner Kronsteiner was appointed representative and Commissioner McKeown was appointed the alternate.

Upon a motion by Commissioner Smith (Second by Commissioner Hampel) the Board of Commissioners approved the Port's representative and alternate to the Enterprise Zone Sponsorship.

K. Painting Tyree Tanks - Flags and Flowers

For Information Only: The Port of Coos Bay has a current lease with Tyree Oil, Inc. for the property that includes six small fuel tanks, one jacketed tank and three large storage tanks. These are on property at 2315 North Bayshore Drive, Coos Bay. South Coast Development Council (SCDC) along with the assistance of area business groups and Crow/Clay Architect firm developed a plan in 2003 to enhance the aesthetics along Highway 101 corridor between Coos Bay and North Bend "gateways". Fundraising has begun and the project was listed in Coos County's 2003 Needs and Issues. The project has recently been revitalized through the efforts of SCDC and Jennifer Groth. The committee has regrouped and efforts are underway to redefine the design standards that had been created and proposed. Tyree Oil is one property the group is requesting the Port consider for improvement. The Port staff received quotes in the past for washing, surface preparation and coating in the amount of \$89,448 for six small tanks and three large tanks. Port staff has researched possible grants and have found none available to date. The Flags and Flowers committee is willing to assist with research for funding. Staff believes the lessee would be willing to match some of the funding. This information is presented to the Board as preliminary discussion and consideration for the upcoming budget process for funding.

L. AAPA Membership

Each year the Port budgets to participate in a number of memberships and creates a schedule for payment of dues. Port staff is actively involved in Pacific Northwest Waterways Association (PNWA) and has a more limited participation with American Association of Port Authorities (AAPA). Both memberships are costly and in the past Port staff and Board of Commissioners felt membership with PNWA was sufficient. For FY05/06, staff budgeted and paid for PNWA membership in the amount of \$7,875 but did not budget for AAPA membership in the amount of \$5,148. PNWA collaborates with U.S. Congress, federal agencies and regional leaders on policies related to transportation, energy, trade and environmental policy to enhance the economic vitality of the Pacific Northwest. AAPA acts as an alliance of leading ports in the U.S. and other countries to advance the common interests of its members with transportation systems. Port staff has attended seminars in break bulk cargos, marketing and communications and finance at the reduced rate available for AAPA members. There is also a weekly newsletter sent to all members providing legislative updates and port activities. Both associations provide legislative support for the Corp of Engineers, dredging issues and homeland security. With the current activities on the North Spit, Port staff recommends we pay the membership

dues to AAPA also for FY05/06. There are sufficient funds in the General Fund. There is sufficient coverage within other line items in the Materials and Services category that a Resolution is not needed. Upon a motion by Commission McKeown (Seconded by Commissioner Smith) the Board of Commissioners approved payment to AAPA for annual dues for FY 05/06.

M. Oregon Clean Marina Program

The Clean Marina Program concept was the brainchild of the Oregon State Marine Board and the inaugural meeting was in March 2005. A Stakeholder's group worked to create the program with input from marina owners, facility managers, state agencies and representatives from the private sector. The program officially kicked off in November 2005 with workshops in Newport, Coos Bay, St. Helens, Astoria and Portland. Attendees learned about the program's background, reasons why a marina should join the program and the nuts and bolts of how a facility becomes certified.

Upon a motion by Commissioner McKeown (Seconded by Commissioner Hampel) the Board of Commissioners approved the Oregon Clean Marina Program and for the Harbormaster to sign the Clean Marina Pledge to become certified within one year.

N. Meeting Date Change

Upon a motion by Commissioner Smith (Seconded by Commissioner Hampel) the Board of Commissioners approved the change of date of the May Regular Port Commission Meeting from the 18th to the 10th.

7. OTHER

8. INFORMATION ITEMS:

- A. Letter from Governor regarding ship breaking
- B. Letter from the State of Oregon Marine Board on Charleston Ramp & Boarding Flat Replacement Project

9. COMMISSION COMMENTS:

Commissioner Hampel commented that we are having a dismal fishing season due to the upcoming closures and he would like to have Port staff look into ways we can ease the fishermen's pain. Both the fishermen and the businesses in Charleston are heavily affected. Commissioner Hampel would like to have some suggestions by the next meeting.

Mike Gaul commented that in anticipation of the above request staff has already been looking into the matter and will have something ready for the May meeting. Donna commented that it was also discussed at the Quarterly Ports meeting this week.

Commissioner Kronsteiner commented that he was in awe of Jeff and his staff for the work done on the property agreements.

10. NEXT MEETING DATE - May 10, 2006

11. ADJOURN: 8:15 p.m.

David Kronsteiner, President

Daniel Smith, Secretary