

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon

REGULAR COMMISSION MEETING

3:00 p.m., Tuesday, September 21, 2021

Port Commission Chambers, 125 Central Avenue, Suite 230, Coos Bay, Oregon 97420

ATTENDANCE

Commission:

David Kronsteiner, President; Brianna Hanson, Treasurer; Bob Garcia, Secretary; and Kyle Stevens, Commissioner. Eric Farm, Vice President was absent.

Staff:

John Burns, Chief Executive Officer; Lanelle Comstock, Chief Administrative Officer; Mike Dunning, Director of Maritime Operations and Asset Management; Megan Richardson, Director of Finance and Accounting; Brandon Collura, Charleston Harbormaster; Margaret Barber, Director of External Affairs and Business Development; and Krystal Moffett, Administrative Assistant.

Media & Guests:

None Present.

1. CALL MEETING TO ORDER

President Kronsteiner called the meeting to order at 3:00 p.m.

2. INTRODUCTION OF GUESTS AND PORT STAFF

3. PUBLIC COMMENT

4. PORT PROJECT UPDATE

A. Purchase of Hub Building, Chief Administrative Officer Lanelle Comstock

The Port of Coos Bay Administrative office currently leases about 7,700 square feet of office, meeting, and storage space in the Hub building for \$8,046 per month, which equates to \$96,554 per year. In an effort to minimize the loss associated with leasing office space, it was decided that it was in the Port's best interest to own the building in which the Administrative Staff operates.

The preliminary process of purchasing an Administrative Office Building has been a project that staff have been working on for the past couple years. Research has been conducted on the real estate market and costs of construction; there have been discussions with landowners and tours of multiple listed properties. Then in June 2021 the Port extended an offer and began negotiations with the Hub General Partnership to purchase the Hub building in which staff are currently located. Upon ownership, the Port

will continue to lease out the Hub's office and store front spaces and occupy space for the Port's Administrative offices.

With the assistance of the Port's attorneys at Schwabe, Williamson, and Wyatt, a Purchase and Sale Agreement was executed on July 30, between the Port and the Hub General Partnership. The negotiated purchase price for the property is \$2,850,000. The expected closing date is October 1, 2021. After the Sales agreement was executed, it was entered into the Inspection Period where a preliminary title report review, a Phase I environmental site assessment, and a Building Inspection were conducted.

Escrow was established with Ticor Title, who delivered a preliminary title report. After review of the report, the Port's legal counsel was able to get some outdated line items removed, which didn't leave anything too crucial on the Report except for party wall agreements with the adjacent buildings, and the fact that the building is currently classified as historic property.

Per the suggestion of Port's legal counsel, a Phase I Environmental Site Assessment was conducted by Hart Crowser on August 10, 2021. The purpose of this assessment was to evaluate for the presence of recognized, historical or controlled environmental conditions. Hart Crowser reviewed historical resources such as county and city records, and Sanborn Fire Insurance maps (which dated back to the mid-1800s). They also reviewed regulatory agency listings of the property and surrounding sites, and conducted a site visit to evaluate for visual signs of potential environmental concerns on or adjacent to the property. The final report found an old oil tank on site that was filled with cement in the early 1990s.

A thorough commercial Building Inspection was also completed in August. Very few issues of concern were noted in the report except for minor settling in the stucco and foundation, which appeared to be normal for the age of the building, there was some moisture noted in the basement which is being controlled by a sump pump, and an area on the top deck was missing a down spout, which has already been addressed with the Hub Partnership.

Our Project Management Team has been assigned the task of securing service agreements for elevator maintenance and inspections, janitorial services, as well as on-call agreements for electrical, plumbing, and HVAC repairs. They are also planning to conduct an RFP to install security cameras throughout the building. Staff are also planning the purchase of all the necessary janitorial and restroom supplies, as well as preparing to change all the utility services into the Port's name. The Port's Property Insurance Broker of Record has begun the process of acquiring all of the information to insure the building.

The Hub building currently leases office and storefront space to eight separate tenants, not including the Port of Coos Bay. One small tenant that occupies 284 sq ft on the fourth floor of the building has withdrawn their lease since the Port has engaged in the purchase of the building, but all other leases that were scheduled to expire have been renewed for at least another year. The total monthly rental revenue is expected to be about \$15,678. As part of the closing process, the Hub Partnership reassigns all these leases to the Port and a lease estoppel will be executed for each tenant.

As for Financing, Megan Richardson will be presenting an action item to the Commission at this meeting to execute a \$2.9 million financing agreement to purchase the building. Because the building will be both occupied by the Port and leased to tenants, there will be two separate financing agreements: one which is taxable, and one which is not. The Port is excited to continue expanding its footprint within the community, to be owners of this beautiful building, and to increase its lease revenue.

Commissioner Hanson asked what the anticipated monthly debt service will be. Ms. Richardson stated the annual debt service is about \$186,000 which equates to approximately \$15,500 per month.

5. **CONSENT ITEMS**

- A. Approval of August 26, 2021 Regular Commission Meeting Minutes
- B. Approval of August Invoices
- C. Approval of August Contracts Awarded

Upon a motion by Commissioner Hanson (second by Commissioner Stevens), the Board of Commissioners voted to approve the August 26, 2021 Regular Commission Meeting Minutes, August Invoices and August Contracts Awarded. **Motion Passed.**

6. **MANAGEMENT REPORTS**

All Management Reports were included within the Meeting Packet.

7. **ACTION ITEMS/REPORTS**

A. 2021Res04: Umpqua Bank Working Capital Line of Credit

The Port has budgeted to spend over \$20 million in grant funding this fiscal year. The grants awarded to the Port are reimbursable which means that the funds are provided to the Port only after expenses have been incurred and paid for. The grant agencies have timing rules that prevent the Port from submitting for reimbursement more than once per month. Additionally, the turnaround time for granting agencies to review and submit payment to the Port may take up to sixty days.

In order to maintain cash flow for regular operations and pay the grant related expenses, the Port has been using a working capital line of credit. The current agreement will mature on October 1, 2021. For the Port to maintain operations while funding the aggressive construction schedule needed to meet the spending deadlines of the grants awarded, the agreement will need to be renewed.

Per the agreement, Umpqua Bank will keep \$5,000,000 available to the Port to withdraw for a period of three years. The Port will pay quarterly interest at the rate of the Wall Street Journal Prime (WSJP) minus 1.60% on any borrowed funds. In addition, the Port will pay a commitment fee of 20 bps per annum on the difference between \$5,000,000 and the average outstanding balance. The maximum commitment fee in a year would be \$10,000.

The Port will withdraw funds to cover payment on invoices greater than \$250,000, or as needed depending on bank balances. Repayment will be made as funds are paid by the grant agency. The goal is to minimize the amount of time the Port has funds withdrawn from the credit line to maintain minimal interest fees.

Upon a motion by Commissioner Stevens (second by Commissioner Hanson), the Board of Commissioners voted to approve resolution 2021Res04 authorizing Chief Executive Officer John Burns to negotiate the terms, execute and deliver a \$5,000,000 working capital line of credit loan agreement with Umpqua Bank. **Motion Passed.**

B. 2021Res05: Approval of the Financing Agreement for the Hub Building Purchase

The Port previously sought and received Commission approval for the authority for Chief Executive Officer John Burns to negotiate and execute a loan agreement for the purchase of the Hub Building and refinance existing debt to reduce debt service.

The original Commission approval was for a combined agreement that would cover the building purchase and the refinancing of old debt. Due to the timing of the building closing, and the necessity to have a taxable portion and non-taxable portion, there will be three financing agreements. This resolution is approving the financing agreements with Kitsap Bank at approximately 2.2% to purchase the Hub Building.

The financing of the building has two financing agreements where one is Taxable and the other is Non-Taxable. The taxable agreement is to cover the square footage of the building that is leased out, and the non-taxable agreement represents the square footage that the Port occupies.

The total of these financing agreements will not exceed the \$2,900,000 amount for the purchase of the Hub Building.

Upon a motion by Commissioner Hanson (second by Commissioner Garcia), the Board of Commissioners voted to approve resolution 2021Res05 authorizing Chief Executive Officer John Burns to execute and deliver a not to exceed \$2,900,000 financing agreement to purchase the Hub Building.

Motion Passed.

C. 2021Res06: Approval of the Financing Agreement for the Refinancing of Existing Debt

The Port previously sought and received Commission approval for the authority for Chief Executive Officer John Burns to negotiate and execute a loan agreement for the purchase of the Hub Building and refinance existing debt to reduce debt service.

The original Commission approval was for a combined financing agreement that would cover the building purchase and the refinancing of the old debt. Due to the timing of the building closing, it is necessary to address the refinancing subsequent to the building loan. This resolution is approving the financing agreement using Kitsap Bank to refinance \$7.57 million of existing debt at approximately 2.2%.

Commissioner Hanson asked whether this was a new financing rate on the loan. Ms. Richardson confirmed the rate was previously 2.1%. The original agreement was with Zion Bank but they were unresponsive to the terms so a new agreement was negotiated with Kitsap Bank.

Upon a motion by Commissioner Hanson (second by Commissioner Stevens), the Board of Commissioners voted to approve resolution 2021Res06 authorizing Chief Executive Officer John Burns to execute and deliver a loan agreement refinancing existing debt to reduce Debt Service. **Motion Passed.**

8. OTHER

9. COMMISSION COMMENTS

10. NEXT MEETING DATE – Tuesday, October 19, 2021, 10:30 a.m.

The next meeting date was originally set for Tuesday, October 19, 2021 at 3:00 p.m. but due to a scheduling conflict has been rescheduled to the same date, at 10:30 a.m. Regular meeting dates moving forward will be the third Tuesday of each month at 10:30 a.m.

John Burns shared appreciation for the team’s hard work towards the purchase of the Hub Building, specifically Lanelle Comstock, Megan Richardson, Rick Adamek and Chris Cranford.

11. ADJOURN

President Kronsteiner adjourned the meeting at 3:20 p.m. and entered into Executive Session to:

- (e) conduct deliberations with persons designated by the governing body to negotiate real property transactions;
- (f) consider information or records that are exempt by law from public inspection;
- (g) consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations;
- (h) consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed; and
- (j) carry on negotiations under ORS Chapter 293 with private persons or businesses regarding proposed acquisition, exchange or liquidation of public investments.