

MINUTES
PORT OF ASTORIA
WORKSHOP SESSION
OCTOBER 9, 2007
PORT COMMISSION CHAMBERS

Chairman Dan Hess called the Workshop Session to order and took roll call.

Commissioners present: Dan Hess, Larry Pfund, Bernie Bjork, Kathy Sanders and Bill Hunsinger.

Staff present: Ron Larsen, Rita Fahrney, Colleen Browne, Lora Eddy, John Hord, and Ken Smith.

Others present: See attendance sheet.

DISCUSSION:

Columbia River Bar Pilots Building. Ron Larsen reported the Columbia River Bar Pilots have been a long-term tenant of the Port's terminal building at the Astoria Regional Airport. The building is in need of repair. The Port is applying for a Connect-Oregon Grant to bring air service back to the communities. A decision will be needed, if the Port is successful in receiving the grant, as to how to supply a terminal for air carrier service and retain the Bar Pilots who have been great tenants for years. Columbia River Bar Pilot Gary Lewin was introduced. He explained the repairs that are needed and the urgency for completing them. Specifically, the heating system is very inadequate and other repairs are also needed. He stated the Bar Pilots are willing to work with the Port to fix the deficiencies; however, they are hesitant to put a large amount of funds into repairs if their rental is terminated. Commissioner Sanders stated she visited the Bar Pilots at their facility and confirmed the heat is a big issue for them. Discussion followed on options. Commissioners were in agreement to "do whatever" to make their facility work.

Skipanon Property/Leasing Policy. Discussion was held on property values and return on investment for Skipanon properties. The Port's present policy calls for a 10% return on leased land. The Port has a sheet indicating property values to use as guidance on lease rates. 9-10% return is typical for the local market according to Kirk Fausett, a local realtor. Commissioner Hunsinger shared information he received while researching lease rates at various ports. He stated the Port of Seattle re-appraises their land every two years and receives approximately 20-25% per square foot. Port of Tacoma receives a rate of 18-20% for paved area with fencing. Port of Grays Harbor charges 25.5 cents per square foot for unimproved property. At the Port of Longview warehouse space goes for \$.30 square foot. Further discussion followed on return on investments at the Port and other various entities. Ron Larsen explained when the Port of Astoria leased the Skipanon property the appraised value was \$4,000 per acre,

resulting in a lease rate of \$38,000 per year. The Skipanon is now appraised at \$4,600/acre. He recommends increasing the lease rate with the LNG company and deal with the state towards purchasing the property. Discussion followed about purchasing various areas of state properties. Larsen reported on different areas being appraised. They will be complete in about one month. He also noted there are leases under negotiation at current appraised rates. Further discussion followed. Commissioner Sanders noted that OECD has a fund for strategic planning and that in the future, there will be a state requirement to have an updated Strategic Plan.

OTHER BUSINESS.

Conference Center Update. Oly Olson, Tiki Charters, is one of the last tenant's remaining in the Port's building at the Red Lion. Ron Larsen reported there is some interest from a client who would purchase the conference center building, repairing it and leasing it to tenants. He recalled the "Red Building" was in a state of disrepair and now it is a real showcase due to the efforts of the developers to refurbish and make it re-usable. He also noted there has been no indication by the owners of the Red Lion that they will continue to lease after their agreement expires in 2013. Commissioner Sanders reiterated the need for a Master Plan by the Port to define strategies. Commissioner Hunsinger asked Mr. Olson to comment on his plans. Oly stated he has been a long-time tenant, spending 12-15 hours a day working. He has not been able to find a suitable alternative. Discussion followed on the state of the building and safety issues with allowing tenants to remain. Mr. Olson's options and ability to pay rents will be a factor in his decision. Oly stated he will need to find a suitable area by April or May. Staff will look at options with Mr. Olson.

Infrastructure Improvements.

Commissioners reviewed the list of infrastructure improvement needs submitted by staff. Chairman Hess stated he would like to see the face of pier two repair a top priority, to bring in income not available now due to the lack of dock space. Some discussion followed on the damage that was done by a Tidewater barge. Ron Larsen reported the Port is applying for a Connect-Oregon Grant to use for repairs of the dock. Attorneys are now involved in the damaged dock by Tidewater. Commissioner Hunsinger questioned and reprimanded Acting Director Ron Larsen for the period of time it has taken staff to pursue the damage. He also stated he does not feel the face of pier two dock is the highest priority on the list. The west side of pier two dock has the processors operating on unsafe docks. The revenue source is higher on the west side dock. Ron Larsen responded he takes responsibility for not following up on the damage settlement. He explained some of the efforts towards settling on the dock damage. Further discussion followed on the need for repairs on pier two. The Port can use \$200,000 borrowed as a line-of-credit to use for match money for any Connect-Oregon grant funds. That is the specific reason the face dock was chosen. Commissioner Sanders stated the Port needs to look at what can be done as short-term solutions. Then with the vision set, the Port should attempt a long-term permanent fix. Commission members agreed to reconvene the workshop on Thursday at 8:00 a.m. to continue discussion on finalizing the list, which needs to be to the state by October 31st.

PORT OF ASTORIA – MANAGEMENT REPORT REVIEW.

Commissioner Hunsinger reported he has read through Mr. Flint's report several times. He has a lot of questions and would like to have Mr. Flint available to answer them. Commissioner Sanders disagreed, stating what Mr. Flint's report gave the Port were recommendations for the board to look at and act on. Commissioner Pfund favors having Flint there after Port review for questions. Commissioners will hold a special work session to review the report.

STAFF REPORTS. Ron Larsen requested staff reports in future meetings be held first on the agenda, as staff will have already worked full days. This was agreeable by the board.

Ken Smith reported he is working on the East Basin handrail. That causeway is in the same condition as pier two. He explained the timber deterioration and other concerns. There continues to be safety issues with the sea lions also at the East Basin.

Colleen Browne has been in contact with bond counsel to discuss possible refinancing and will be receiving a new analysis. Ron Larsen commented how paying off bonded debt also results in lower timber tax revenues.

Lora Eddy reported she has put together the DSL application to purchase land, with the appraisal for the pier three area. She has submitted an application for modifications to permit more flow-lane dredging. It is expected the permits may be in hand by January. She assisted staff with health and safety training for OSHA compliance.

Ron Larsen reported:

- New water meter reading and invoicing for airport tenants.
- Dr. Park's request for a lease is currently on hold.
- The NOAA Ship Rainier has provided staff with soundings of the piers and basins.
- Gathering information from the Bar Pilots on what type of additional dolphin the larger cruise ships will need.

Some brief discussion was held on dredging disposal and how federal funds are provided for some dredging projects.

There being no further business, the workshop session was recessed to reconvene Thursday, October 11th.