

**PORT OF ASTORIA**  
**REGULAR COMMISSION MEETING**  
**MINUTES**  
**AUGUST 18, 2009**

**I. CALL TO ORDER/ROLL CALL**

President Hunsinger called the Regular Meeting to order at 6:04 pm and took roll call.

Persons present were:

Commissioners: Bill Hunsinger, President; Floyd Holcom, Vice-President; Dan Hess, Secretary; Larry Pfund, Treasurer; and Jack Bland, Alt. Secretary/Treasurer.

Staff: Jack Crider, Executive Director

Also present was Janet Farstad, Lesle Palmeri and John Lansing, Budget Comm. Chair

News Media: Cassandra Profita, The Daily Astorian; Carrie Bartokius, North Coast Oregonian; and Michael Desmond, KAST Radio

Guests: see Sign in Sheet

**II. CHANGES TO AGENDA**

President Hunsinger stated that the Agenda would be changed for the single issue of the DSL land lease and sublease to LNG.

Commissioner Holcom made a motion to replace the III. Minutes with Commissioner Comments, replace IV. Financials with Public Comment and delete VII. Public Comment, seconded by Commissioner Bland and unanimously approved.

**III. COMMISSIONER and PUBLIC OFFICIAL COMMENTS (~~MINUTES~~)**

Clatsop County district Attorney Josh Marquis reported what he could divulge regarding an active criminal investigation that touches on how the Port and Oregon LNG reached a lease agreement. The investigation is being conducted by the department of Justice, Oregon Attorney General's Office and Clatsop County District Attorney. The possible issues are: 1.) No misconduct at all; 2.) that there was misconduct, but it wasn't criminal; 3.) that there was criminal misconduct, but the statute of limitations has run out to prosecute; or 4.) criminal charges will be filed. Marquis said under the first three scenario's, the results of the investigation will be public record, but if there were criminal charges filed, the results would not be made public for some time. He expected the investigation to be completed in less than a month.

Former Port Commissioner Albert Rissman talked about the 1100 acre purchase at \$75,000 and 330 acre option in 1976. He provided a 1968 Land Use Study document. Rissman also said that while serving on the board, 2 lawsuits were filed and the Port won both. He would like to know who said what and when the lease (DSL/LNG) was signed. He also noted that in 1965-1967 the property belonged to Jim Campbell.

President Hunsinger said there is a book by John Dahl – History of the Port from 1910 to present. Warren Estate was donated land to the Port and acquired by DSL in 1969 by Quick Claim deed. The properties continue to overlap and then fall through the cracks. Heather Reynolds researched the property and ownership belonged to the Port. DSL

claims statutory rights to submergible property in 2000. In a staff report of 11-3-2004 to the commission it was for 96 acres. The commission did not have a chance to read the report prior to passing a resolution on 11-5-2004.

Commissioner Holcom passed out and then read his comments that are attached to these minutes for record. Discussion followed on Holcom's research on the LNG facility proposal to use 150 Ambient Air Vaporizers, 60' high that would produce fog 300 meters during the day and 1,000 meters at night. It was the general consensus of the commission and public that these facts were not known to anyone. Impacts to the general public, plywood mill and airport operations became a concern.

President Hunsinger said he talked to Peter Hansen and Peter Gearin who said Ron Larson and Heather Reynolds completed all the research for the Port. Every meeting relates that Gearin and Reynolds said "clouded property deed" that the Port voted on. Tom McCall Quit Claimed property to the Port 14 acres that were never voted on but included in the LNG lease. Larson and Reynolds knew they were giving away deeded property. DSL had a meeting on 2/8/05 to receive a request to accept Quick Claim deed of land as a donation. That was wrong. Larson said Reynolds and Gearin gave the property away. Hunsinger then went over values he felt has been a loss to the Port.

\$384,000	AP value property donated to DSL
\$192,000	5 x \$38,400
\$ 56,000	14 acres x \$4,000
\$ 28,000	\$5,600 per year x 5
\$50/\$75,000	Attorney fees
<u>\$ +++</u>	5 years of insurance, security, office/staff/commission hours
\$600,000+	

Hunsinger believes that the agreement between DSL and LNG needs to have the Port removed. But, the Port has already signed off by Jack Crider by signing a receipt that a letter (per the option) was received. He questioned what Larry Pfund signed, that it should have come back to the commission for approval, that the commissioners did not know what they were signing, that there are idle threats from Peter Hansen, that it was wrong 5 years ago and signing for another 60 years is wrong. The commissioners were elected to the commission to protect the Port.

#### **IV. PUBLIC COMMENT (FINANCIALS)**

Laurie Caplan was grateful to Commissioners Holcom and Hunsinger to articulate the history. She was thankful for them trying to find the truth and hopes the other commissioners will follow their lead. There are lots of gaps in the lease, tenants should respect the board and not keep secrets. Citizens are looking for responsible decisions from elected officials. She requested a no vote on the lease and a demand of better level of service from people giving advice.

Lori Durham read her statement with options as: 1.) do nothing with probability of lawsuit; 2.) renew lease for 96 acres, threat of lawsuit will vanish; 3.) decline to renew DSL lease, lawsuit would continue, possibly filing a lawsuit against LNG. She then went

on about it being wrong before to sign the lease when it's not the will of constituents and to correct the wrong that was done in 2004 by voting no renewal.

John Dunsier said the 65 jobs are not real but more like 100 jobs. He was in favor of the LNG but hates its design. The Chinese are building an LNG facility from coal and there are other ways to generate energy (wood/solar). Natural gas is wrong generating greenhouse affect.

Peter Huhtala said he was not against LNG but against its ugliness if it goes forward. He is aware of the controversy in Maine in 2002 and Eureka in 2003/2004. The city owned property in Eureka and over 1100 people attended the meeting opposing LNG. Six months later Peter Gearin called about signing the LNG lease. He has read the lease to Calpine (LNG) and was shocked that anyone would sign it, it's a raw deal for the Port. Calpine saw what happened in Eureka and wanted to not have any public involvement so there was very little notice. The lease was signed within a 2 day notice in secrecy. It was wrong then and it's wrong now. He recommended waiting for the Attorney General opinion. He would like to see it go away as it's not the kind of neighbors wanted here.

Michael McGonigle came to his conclusion based on media. He urged the commission to ignore the charge of foot dragging and continue the due diligent process. He appreciated the commissioners listening. The fact that the lease came up and approved within 2 days without comment or letting the public know was wrong.

Carl Dominey echoed comments of Lori Durham. He said it was nice to know that there is still a democracy in Clatsop County. The industry of fishing and cruise ships will be disrupted with an LNG facility. He asked the board to protect the people by taking time to find the truth of their facility.

Jean Dominey read ORS 192.620 that requires the commission to inform the public for basis of decisions, the decisions of the board are to be arrived at open public meetings. The 11/5/2004 meeting was not a public notice but a reporter's article saying there was a meeting tomorrow (no date). Her opinion is that it was a deliberate attempt to violate the open meeting law. She has listened to the meeting tape of Nov. 5, 2004 and 3 commissioners glowed about what the lease was, then without any preamble the motion was passed. Peter Gearin said the lease had to be signed prior to the public meeting. Warrenton City Commission had not heard about Calpine, it was not right, just a smoke and mirrors job. Commissioner Holcom requested that the tape be transcribed for the board and public.

Ted Thomas said Calpine sought out the commission members. He questioned if lack of public meeting law was enough to file a claim to void the lease. He would be in favor of the LNG lease if due diligence was done. Potential of liquefied gas is great. He questioned if tenants or taxpayers would subsidize LNG's lack of rent.

Ed Buzzert thought it was quite a meeting talking about everything but he hasn't learned anything further. LNG has a contract that needs to be honored. Trust in the commission is needed to go further with Tongue Point.

Jocelyn Keller agreed with Commissioners Holcom and Hunsinger. He questioned insurance liability cost if LNG has an accident. There would be no insurance protection for surrounding residents and the Port. As a landlord with rentals, she said the owner was always informed of changes and questioned by the Port has not been informed.

Jeryce Russell was pleased with Commissioners Holcom and Hunsingers statements. He has been following LNG since 2004, and it's gone from 2 tanks to 4 and moved up river to within ½ mile of his condo. There will be only about 1500' between the tanks and river usage. He is wary that boats may be denied entry into the riverway. LNG has lied at every turn. Air vapors were not known and he believes it will contaminate the air by producing fog.

Carol Newman has been involved since Nov. 4, 2004. The Warrenton attorney told the commission to "just sign the 65 year lease". She appreciated Commissioners Holcom and Hunsinger speaking out and taking time to learn the history. She requested to deny the lease and protect the people.

Marvin Lewelling, Corporate Environmental Manager from Beaverton representing the Warrenton Sawmill spoke that they had not known about the fog plume and questioned its intensity and frequency. He said there would be a safety problem with trucks, barges, and employees. He urged the commission to get further details.

Peter Huhtala requested that Commissioners Pfund and Hess be excused from voting due to undisclosed contact with Calpine and showing prejudicial bias prior to signing the lease.

Kathleen Merritt said she has been on the fringe of LNG but lives near where the tanks will be located. The initial project was 2 small tanks camouflaged. Now that has changed without anyone knowing it.

**V. RECESS at 8:15 pm TO EXECUTIVE SESSION IN ACCORDANCE WITH ORS 192.660 (2) (e) to conduct deliberations to negotiate real property transactions and (2) (h) to consult with attorney regarding litigation.**

**VI. RECONVENE REGULAR MEETING at 10:23 pm.**

**~~VII. PUBLIC COMMENT~~**

**VIII. DEPARTMENT OF STATE LANDS LEASE, SKIPANON**

Commissioner Bland moved to accept DSL 2 year extension of renewal date and authorize Jack Crider to sign, seconded by Commissioner Holcom.

VOTE: Yes Commissioners Hunsinger, Holcom, Hess, Pfund, and Bland  
No none

**IX. PUBLIC COMMENT**

Lori Durham questioned the 2 year lease extension offered by DSL. Jack Crider said the lease went from first 5 year to 7 year and then 2 separate 30 year options.

Lori Durham said that given the tenor of discussion she wanted to know the individual explanation of why this was decided.

Commissioner Holcom said it was to settle several issues.

Commissioner Hess said the ongoing investigation should be settled in 2 months and then the land issue should be settled.

Commissioner Bland said it was in an awkward situation and need to settle the investigation. The state recognized that the Port has problems. LNG has activated a contract and the Port has a right to re-examine it.

Commissioner Pfund said there are a lot of issues that need answers. He believes it is a good project, but a bad contract. There are lots of side issues.

Commissioner Hunsinger said there was a hasty decision the last time making for a bad decision. There are lots of issues. The Port has good attorneys to direct the board and they want to find out answers, maybe a way out and investigation results.

The status of LNG was questioned.

Attorney Jordan said it was a litigation questions and could not respond.

**X. ADJOURN**

President Hunsinger thanked the people for coming and adjourned the meeting at 10:35 pm.

Submitted by Janet Farstad, Special Projects

Approved:

Attest:



Bill Hunsinger, President



Dan Hess, Secretary

August 18, 2009

Comments of Commissioner – Vice President, Floyd Holcom regarding the East Skipanon Peninsula and the Port of Astoria

Fellow Commissioners and Citizens,

Simply because a Port can lease or sell property for private purposes does not mean it should do so. Just because a company promises Jobs and Money, doesn't mean it will happen, especially when it comes to the Port of Astoria! Several recent histories of industrial promise to the Port of Astoria is proof of that. I would hope that it wasn't the case, but this Port needs to become cautious and learn due diligence.

I believe a number of questions remain to be answered regarding the Port of Astoria's Lease of East Skipanon Peninsula and any obligation we have to renew that lease, not the least of which is who provided the legal advice that supported the decision to sign the one-sided and completely inappropriate sublease five years ago.

I am puzzled why this Port believes it has no option other than to continue for an extended period of time to lease, and thus tie up, questionable State owned land (which I believe is Port owned land) for speculative private developments that does not seem to support the primary purpose and mission of this Port.

I am dumbfounded that the Port would want to play this role, given that the proposed development by Oregon LNG is both unlikely to ever take place and provides no real economic contribution to the success of this Port or our ability to encourage other marine-dependent commercial and industrial activities or other real businesses that could sustain the efforts of the Ports Mission.

For example, the proposed golf course development, which was the very basis on which this Port entered into an agreement with DSL, is questionable whether or not it will ever be built. It has been forgotten that it was Oregon LNG's zoning change request to the City of Warrenton that effectively prevents a golf course from ever being constructed as promised to our citizens by the same group of leaders who turned midstream and leased it to Calpine, now Oregon LNG.

From a marine context, if a Port District pays to lease land from the State for a potential long term or future purchase, it is usually for the purposes of expanding the Port's own operations or for the purpose of planned and timely marine related development that adds to the business of the Port District and thus contributes to its financial success and the success of its District. Yet, with this lease, the Port of Astoria and its citizens will not see a dime and continues to be a drain on the capital of the Port.

In fact, it is highly unusual to see a public Port subleasing land for far less than market value, (which I'd estimate is worth at least \$500,000 per year), to speculative developers for extended periods of time with no development and no legal obligation to ever turn a shovel of dirt.

In my opinion, to suggest that this Port is now obligated to continue its own lease simply to accommodate and the threat of massive lawsuits, the subtenant is a perverting the public purposes that

this Port District was created to further and surely challenges and violates its own resolutions it has passed to prevent such action.

If the Port of Astoria is actually obligated legally, which I believe is still an open question, then I want to know why the Port ever agreed to such a sublease and I question whether or not the Port acted in reliance on good advice or a clear understanding at the time it entered the sublease.

Because while a Port can sell or lease land for private development purposes, it should only do so when the public interest is served by such action and only when the sale or lease directly advances the best interests of that public body and public, not private, purposes of the Port. That is not the case here today.

If the Port feels locked in to re-leasing the State land, then I ask, who is responsible for that significant mistake? And for what purpose did the Port ever make a deal producing that result. This entire series of events has the appearance of an arrangement that advances someone's interest other than that of the Port of Astoria and the public it serves.

I can only assume that it why the Department Of Justice continues to investigate this matter.

As I look at the lease between the State and the Port, it's clear to me that that the Port has no obligation under the terms of this contract to extend the original lease or to sublease any component of the leased property.

Rather, the Port of Astoria has the option, not the obligation, to renew the five year lease for two (2) thirty year terms. As I have been told by the remain two Commissioners, Larry Pfund and Dan Hess from the era, and I assume that the lease provides for that option because it was anticipated that the development would occur in the original five year term with infrastructure in place that would then justify the subsequent commitment by the Port to pay rent for an additional thirty years since it now controlled land upon which a major marine development had been constructed.

The sublease to Oregon LNG has essentially the same lease and renewal terms as the Port's lease to DSL. Thus at first glance the sublease would seem to obligate the Port to continue to lease land for Oregon LNG for sixty years, regardless of whether Oregon LNG ever develops the property for any purpose. I believe that result would be very difficult to defend in court if the Port initiated an action for rescission of the contract and despite OLNG threats of devastating lawsuits, the PUBLIC's best interest needs to be preserved.

Given the recent lawsuit filed against the Port from the subtenant, the Port should be consulting unbiased and un-conflicted lawyers concerning the opportunity to rescind this questionable agreement. I don't believe that is occurring here today.

Clearly, the Port should have linked the sublease to the lease, reserving the option to renew its own lease or not as it chose, for any reason, including the failure to develop the project within the five year initial term. I doubt that the Port ever contemplated 65 years of rent for the privilege of having a subtenant that never develops the land. That is hardly an appropriate use of public property or public money. Its not in the projected budgets, not at the initial agreement, and not any subsequent, which creates additional questions to its legitimacy.

I am also not aware of any Public Port, or anyone in business as a matter of fact, that would regularly lease land to private developers for less than market value for long periods of time without any development obligation. Since that appears to be the case here, and that is why I am asking these questions.

Another question that has yet to be answered is whether the development contemplated originally is even feasible given other impediments to this project, including unresolved ownership issues, conflicts with county roads and questions concerning conflict of interest among parties or lawyers. The Port's lawyers should have been looking at those issues and for any other opportunity to escape this very poorly (On the Ports Side) drafted sublease, of which I have asked for without much success.

To help answer those questions, this Port appointed a special counsel to review those documents, and I asked that he be allowed to present the results of that analysis to the public, and not to have those findings kept secret, since secrecy is how we ended up with this mess we now find ourselves in.

Speaking of secrecy, even today, we have just publically learned that Oregon LNG is proposing to use 150 Ambient Air Vaporizers (AAVs), 60' high, to regassify the LNG. This is essentially a giant fog machine. Oregon LNG's own reports show that under certain conditions, fog would envelop the entire Weyerhaeuser facility, a good portion of the Skipanon River and the marina on the south west side of the Skipanon. The use of this technology at this scale has never been tested or proven. IN OLNG's own documents to FERC, Fog conditions could impact shipping and air traffic because of reduced visibility, and possibly create other biological impacts to wetlands exposed to below-normal temperatures and conditions.

Yet, almost no discussion about the impacts of this giant fog machine has taken place before this Port. Instead, these potential impacts have been kept quiet by the developer, hoping no one would notice. Well, I noticed. And so have others.

In conclusion, absent (1) real assurance that the development will occur in compliance with the law and that it will ensure that the Port will receive thirty years of prompt rent payment and protection from all other risk as the landlord; and (2) adequate financial assurance or guarantees from the subtenant to eliminate financial risk for the Port; and (3) receipt of rent at market rates; why would the Port not be working very hard to end this sublease? How is the public interest being served and protected here? As a taxpayer of the Port District, I have been asked and want hard answers to these hard questions.

I for one am not scared by the bullying legal tactics, underlying and threats of Mr. Hansen and his attorneys. I find these tactics a typical smokescreen to hide the issues that are being criminally investigated now.

My fellow commissioners and interested individuals who have come tonight, if you think that this Port's signing a lease with DSL tonight will end this debate, I'm afraid the nature of this issue will continue to be questioned beyond tonight and beyond the next 30-60 years based on the thought and promises that it would be put to bed. The Simple Fact that a Criminal Investigation is occurring is grounds for delay.

So, until these questions are answered, I cannot and will not support a lease renewal. I would hope the Public, (that includes the Port and DSL), could receive an additional time extension from DSL to allow the DOJ to complete its criminal investigation and allow the Port to get to the bottom of these issues once

and for all. There is not one businessman I know that would sign agreement that is enveloped in a Criminal Investigation, would you?

Port of Astoria  
COMMISSION MEETING

SIGN IN SHEET

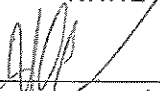
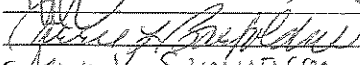
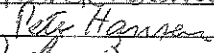
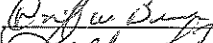
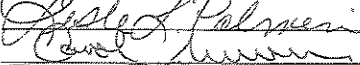
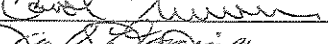

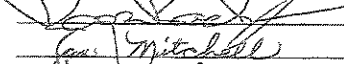
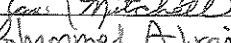
DATE: Aug. 18, 09

NAME	PRINTED NAME
Lori Durheim	CHRIS CONNORWAY
Ed Bussert	JIM SCHELLER
Erik Wilson	
JOHN DAINZEL	
Gl. Bressman	
Tom Hunsinger	
MCLAREN INNES	
Laurie Caplan	
T. RYCE RUSSELL	
Marin Lewallen	
Paulyn Heller	
Brandon Heller	
David Dumas	Ted Thomas
Michael McDougle	MICHAEL MCGONIGLE
Kashlan Mearles	KATHLAN MURPHY
Cassandra Probita	
John Marquis	
Peter Hukstis	
Bob Bio	BOB BRIDGENS
<del>Ann Samuelson</del> Ann Samuelson (did not sign)	
<del>Pete Shackleton</del> Pete Shackleton (Lori Durheim)	

# Port of Astoria COMMISSION MEETING

## SIGN IN SHEET

DATE: Aug. 18, 09

NAME	PRINTED NAME
	Michael Desmond, KAST RADIO
	Carrie Bartholomew NCO
Ann K. Samuelson Commissioner Clatsop County	Ann K. Samuelson Commissioner Clatsop County
	PETER HANSEN
	DAVID BOWEN
	LESLIE L. PALMERI
	Carol Newman
	PAUL DOMINICY
	ROGER ROCKA
	JAN MITCHELL
Mohammed Alrai	Mohammed Alrai
Bill Miner	Bill Miner
Jean Dominicy	Jean Dominicy