

## PORT OF ASTORIA

### MINUTES

### SPECIAL MEETING

MARCH 13, 2012

### PORT COMMISSION CHAMBERS

#### CALL TO ORDER/ROLL CALL

Chairman Dan Hess called the Special Meeting to order. Roll Call was taken.

Commission present: Dan Hess, Larry Pfund, Floyd Holcom, Bill Hunsinger, Jack Bland

Staff present: Executive Director Jack Crider, Deputy Director Herb Florer, Boatyard Manager Steve Barkemeyer and Marina Manager Janice Burk.

#### CHANGES/ADDITIONS

Chairman Hess called for any changes, additions. None were received.

#### PUBLIC COMMENT

Chairman Hess called for Public Comment. None was given.

#### LOG MARKET – UPDATE

Executive Director Jack Crider recalled there have been requests for discussion about the market situation in regards to log exports. He introduced Alan Brunstaad, Westerlund Log Handlers. Alan explained that at the end of 2011 the Chinese market for export logs declined. It was hoped after the Chinese New Year celebrations the market would resume, which it has not yet. The Chinese building industry built cities of low-income homes based on the assumption it would draw a large amount of their citizens from the Interior and Western China to the coastal areas to work in factories. The wood they imported was a low-quality grade, used mainly to build frames, etc. Alan further discussed how the quality and type of wood dictates what ports are being used for export. Additionally, there is competition from New Zealand and Australia selling low-value logs to China at lower prices. China is in a position to be choosy about where they buy from; they have a surplus and prices are lower. Another factor is that log suppliers in Oregon were happy when prices increased so much in 2011. They are now holding back on selling due to low price offerings. Discussion was held on which ports are exporting, whose logs, and factors dictating the choice of ports. Commissioner Holcom commented he boarded the last ship exporting in Astoria and discussed the Port with the captain and buyers. They are very happy using Port of Astoria and had no complaints. He complimented Westerlund Log Handlers for doing a great job.

#### HOTEL DISCUSSION – DECISION

Director Jack Crider reviewed discussion held in executive session reviewing the proposals. If no decision is made, the Port will have continued liability exposure, approximately \$3,000 per month in utility costs, will need to insure the building at a cost of approximately \$20,000 per year. A total cost to

the Port of \$67,500. Hospitality Masters are offering to lease the existing hotel and bring it into operation in a quick timeframe. A five-year lease will generate a possible \$1,370,000 to the Port - \$10,000 per month lease payments, 10% of gross sales, assumption of liabilities for utilities, DSL, insurance costs, etc. There will be rapid opening of the hotel, creating 10 jobs. Crider reviewed the risks: The hotel building will still be required to be demolished at the end of the term at a cost of \$400,000 to the Port; income could be less than projected with lower than projected occupancy and question whether cash flow to the tenant will allow for anticipated improvements.

Crider went on to review the Williams/Dame proposal to build a new hotel. It provides for a possible development agreement option income of \$60,000 per year (\$5,000 per month), the Port would receive \$9,675,000 lease income over the lease term with an estimated \$98,000 per year ground lease. It would provide for a new hotel and development, long-term income stream, remove insurance liability from Port, and provide construction jobs and staff. The company has a solid reputation in financing and operating hotels. The risks include: The project could fail to go forward, port responsibility to demolish existing motel at a cost of \$400,000. Port responsibility for boardwalk construction at a cost of approximately \$1.5 million. There would be a two-year+ development/construction period that will provide for limited income during the period and a possible delay in removing port liability – this issue would need to be negotiated. Director Crider advised at this time the Port’s main goal is to rebuild our cash position. Staff recommends entering into a five-year lease with Hospitality Masters.

Chairman Hess read into the record a letter from Mary Langley, Astoria, Oregon, in support of keeping the local uniqueness of the area by re-opening the hotel instead of building another “rubber stamp” franchise hotel here.

Commissioner Holcom, stated based on the matrix put together by staff, giving the risks and benefits of both proposals, Hospitality Masters has the most points

Commissioner Bland acknowledged the uniqueness of the basin area and that it is not a place for a cheap motel, but a high-class facility. At this time, in the short-term, the Port needs the money and he realizes it helps the cash flow to get the motel back in business. It will be good for the port in bringing in cash, jobs and more motel rooms in the area.

Commissioner Hunsinger agreed the new motel would not be in a good area – the area is industrial and the Port has to protect its industrial working port. At this point, the Port has no option to turn down the cash.

Vice Chairman Pfund called for audience comments

Amanda Cordero who has a business in the complex (NW Wild Products) and is also president of the Trolley Association stated she is interested in the history and waterfront area. She voiced concern about the status of their business if the hotel is taken over by a new entity – noting it looks to be part of the new complex on the drawings. She was assured their building is not affected by this transaction.

David Maki, Astoria, stated his vote for Hospitality Masters. The Port doesn’t have the funding available to go out for the long-term proposal. He likes both proposals.

John Estoos, Astoria, Need to consider the consequences of tying up that property for 99 years, due to its need for potential industrial uses. He agrees with choosing Hospitality Masters.

*Commissioner Holcom moved to engage Hospitality Masters as staff recommends, and to authorize the Director to finalize any and all documents needed to move forward. Commissioner Bland seconded the motion. The motion carried unanimously.*

### **TONGUE POINT STORAGE RATES**

Jack Crider stated there are questions about rates for Tongue Point storage. Good opportunity to re-discuss it and refresh the commission's memory of rate discussion. Steve Barkemeyer. Reported Ilwaco is the only yard locally that offers indoor self-service work areas. Dry storage doesn't mean in a building – it means "out of the water". Storage and work area are not the same. The Port is an active working boatyard. We are targeting customers that want to come, do their work and go back in the water. He bases his rate on the existing rate at Ilwaco. They have no problem with customers paying the rate. The market is bearing it. Compared to private yards they are considerably lower. Considerable discussion followed on rates at different areas and how rates are applied. Director Crider acknowledged clarification on rates and how they are applied is needed. Staff will pursue and report back. No action taken.

### **EAST BASIN PARKING**

Commissioner Holcom noted for the record he is an adjacent land owner, but does not believe he will have a conflict participating in this discussion. Janice Burk, Marina Manager, reported at the East Basin there is a paved parking lot off of 36<sup>th</sup> street and a semi-improved lot off of 37<sup>th</sup> Street. The lot at 36<sup>th</sup> Street was built through a grant funded by the Oregon State Marine Board (OSMB) in 1991. The Port has been receiving Maintenance Assistance Program (MAP) funds from the OSMB every year to assist with maintenance of the parking lot, restrooms, boat launch and loading floats. Last year we received \$4,300 in MAP funds. One condition of receiving the MAP funds is not charging for parking. If the Port decides to spend approximately \$6,500 in parking lot improvements and charge parking, Burk estimated a potential annual income of \$40,000 the first year – far exceeding the \$4,300 now being received. This can be achieved by charging \$5.00/day; \$60.00/month. The Port would have more control over the parking lots and traffic flow, provide for additional revenue source. Janice pointed out on a drawing the concepts for creating the parking lots and the traffic flow options.

Discussion followed on the cost to maintain a person there to direct traffic. Crider responded more law enforcement presence will be in the area. Staff idea is to place a part-time security officer there for a few hours per day until the operation becomes more recognizable. Some discussion followed on the proposed traffic flow options and the need for more exposure to the opportunities. More discussion followed and Janice answered questions about the processes. Janice Burk stated staff recommendation is to charge a \$5.00 per day fee or \$60.00 per month parking fee for parking at the 36<sup>th</sup> and 37<sup>th</sup> Street parking lots. No action taken.

### **COMMISSION DIRECTION**

Commissioner Hunsinger on December 13<sup>th</sup> discussion began about fee charges for docks. Its time everybody in the Port pays. He wants staff to bring a recommendation on a charge for use of the port facility at Bornsteins.

Commissioner Holcom voiced concern the dock on pier one is unsafe. There is a need to address this. This is the area where longshore workers need to go to when tying up log ships. John Estoos explained some of the concerns of safety when tying up/letting go of the ships on the south end of the pier one dock.

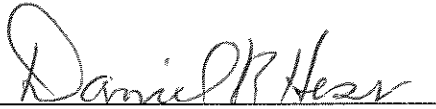
Commissioner Holcom advised a lot of input has been received on staff projects. Next step is to create a marketing plan to fund the projects and prioritize. Be more pro-active, the Port has \$2 million in overhead. There is not a person on staff to go out and seek funding and marketing efforts. Need to determine how projects are going to be paid for – including all the expenses connected to the completion of a project and create a marketing plan.

**PUBLIC COMMENT**

Chairman Hess called for public comment. None was received

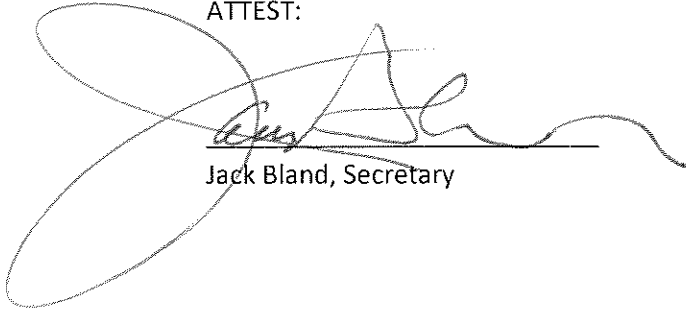
There being no further business, the meeting was adjourned.

APPROVED:



Daniel Hess, President

ATTEST:



Jack Bland, Secretary

Submitted by: Rita Fahrney, Admin Services Mgr.