

Port of Astoria

Strategic Business Plan Update

2019—2024



OCTOBER 2019

ACKNOWLEDGEMENTS

PORT OF ASTORIA

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Introduction

Updating the Port of Astoria’s Strategic Business Plan, when initiated in mid-2016, was expected to be a straightforward updating of Port operations and facilities, and an outlining of the Port’s strategic direction for the next three to ten years. However, beginning in 2017 and through June 2019, multiple events occurred affecting Port finances and operations and significantly altered drafting of the Strategic Business Plan:

- The sale of Tongue Point and subsequent loss of the Port’s lease which benefited the Port’s bottom line, but changed the strategic focus of the Port;
- The unfounded expectation of FEMA match funding for repairs to Pier 2
- Port return of a \$1,540,000 ConnectOregon grant award, funding critically needed for immediate repairs;
- ODOT weight-limiting of Pier 2 transportation access, generally a precursor to complete closure if the infrastructure isn’t repaired;
- Closure of the East Mooring Basin causeway;
- Litigation over the Riverwalk Inn lease;
- Loss of log export revenue (20% of the Port’s overall revenue) due to the China tariffs;
- Prior rancorous public discord amongst Port Commissioners and management staff;
- Communications from Business Oregon that the Port was out of compliance with its Intergovernmental Agreement (IGA) implementing the Port’s 2010 Strategic Business Plan, and thus ineligible for State funding;
- Critical nature of the Port’s finances resulting in the appointment of an ad hoc Finance Committee to review the Port’s financial condition; and
- Prior history of public distrust and frustration over the Port’s management and decision-making.

July 2019 ushered in new management at the Port, with the election of a new Port Commissioner and appointment of the Finance Director as Interim Executive Director. Focus of the Commission and the Port’s Strategic Business Plan Update has shifted to address the Port’s current financial, infrastructure, IGA compliance, and public image issues. For the next 2—4 years, the Port’s strategic focus is on returning the Port to financial sustainability, the repair and maintenance of the Port’s infrastructure, and fostering community and public trust. Long-term strategic business development is being addressed only as it pertains to immediate revenue generation opportunities for the Port.

Foundational to the Port’s Strategic Business Plan update is the need to meet the requirements of Oregon statutory language requiring that ports have and maintain strategic business plans approved by the State and implemented under an Intergovernmental Agreement (IGA) to be eligible for State funding assistance. The Port of Astoria has and is still legally required to meet the requirements of the IGA it signed with the Oregon Infrastructure Finance Authority (IFA) of the Business Development Department following adoption of their 2010 Strategic Business Plan. (See Appendix for a copy of the IGA.)

In addition to updating the Port’s 2010 Strategic Business Plan, the Plan provides a context for the critical issues currently facing the Port and outlines specific recommendations for meeting those challenges. Input from the public outreach meetings, public hearing and town halls have been incorporated into this draft.

This draft Interim Strategic Business Plan recognizes that Port of Astoria is part of the county’s history and economic development. Preliminary public input indicates, “People are willing to root for the Port. If there was clear direction, the community will get behind them.”

The Port understands that any significant state funding assistance will require strict adherence to a new IGA with the State that will be considerably more prescriptive than in the past. This Plan update provides that prescriptive framework for a new IGA. The Port is committed to following through on the actions and activities outlined in the Plan.

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I. Port History and Mission

A. History

The Port of Astoria was established in 1910 and is administered as a governmental Special District organized under ORS 777, operating as a competitive business enterprise as well as a public service agency. An elected Board of Commissioners sets policy for management by the Executive Director.

The Port is located in, and has the same boundaries as, Clatsop County, in the extreme northwest corner of Oregon, where the Columbia River meets the Pacific Ocean. Approximately 90 miles from Portland, highway access is via Oregon Highways 26 and 30 and across the Astoria-Megler Bridge via Washington Highways 101 and 4. The Astoria Branch of the Portland & Western track currently no longer runs to Astoria.

The Port of Astoria manages a combination of marine, marina, industrial, and aviation facilities. These facilities are primarily located in the City of Astoria (Port waterfront properties and infrastructure) and the City of Warrenton (airport and industrial properties).

Figure 1. Port District Map



The Port offers services to commercial and recreational boaters at its two marinas and boatyard, and to commercial and cargo vessels; an emergency pier for passing ships; piers for fish processing, cruise ships and research vessels; and operates the Port of Astoria Regional Airport. The Port has industrial and commercial leasing opportunities on its properties at the Airport, Skipanon Peninsula, and waterfront locations.

B. Mission Statement

The Port of Astoria seeks to generate economic growth and prosperity in a safe and environmentally responsible manner for its citizens through creation of family wage jobs and prudent management of its assets.

For the next 2 to 4 years, the Port will be focusing on restoring financial sustainability, addressing the rehabilitation needs of its aging infrastructure and fostering public trust.

C. Strategic Vision

While the Port's long-term vision is to be a significant contributor to the community's and state's economic development, and a catalyst for job and business creation, the Port is taking immediate near-term steps to fulfill this vision by:

- ✚ **Returning ongoing sustainability to the Port's finances**

- ✚ **Addressing rehabilitation, ongoing maintenance and future replace of the Port’s aging infrastructure**
- ✚ **Increasing transparency of the Port’s operations within the community and to State partners to foster public trust and credibility**
- ✚ **Improving communications between staff and the Port Commission to allow broader in-depth discussion prior to action on key Port decisions**

Long term, the Port’s Strategic Vision focuses on:

- ✚ Supporting Port businesses through maintaining deep-draft terminal capabilities, leveraging assets to support commercial fishing and cruise ships, and marketing of the Port’s airport industrial property
- ✚ Evaluating opportunities for new business development based on their suitability to the Port’s facilities, availability of utilities and transportation infrastructure, and industry trends/forecasts.

D. Port Goals/Strategic Objectives

The Port of Astoria’s two primary goals focus on economic development within the Port District. These goals are:

- ✚ Creation of needed new family-wage jobs as well as additional employment opportunities within Clatsop County.
- ✚ Maximization of the use and income from its existing resources and facilities to support job and economic development opportunities.

For the immediate 2—4 year timeframe, a third goal of the Port will be to re-establish eligibility for State funding. Without this goal being met, the Port will be unable to achieve its core economic development goals.

The Port’s strategic objectives (**primary and ongoing**) specific to each of its properties include:

- ✚ Port of Astoria Regional Airport: **Primary: Identifying additional funding resources to match FAA grant funding. Ongoing:** Improving the airport as a regional transportation asset, supporting USCG Station Sector Columbia River, and marketing industrial properties.
- ✚ Waterfront West (Piers 1,2, 3 including the boatyard and properties west of Portway Street): **Primary: Rehabilitation of Pier 2. Ongoing:** Maintaining and enhancing the deep-draft terminals’ ability to support cargo shipping, topside repair, commercial berthing, boat repair, and fish processing.
- ✚ Waterfront East (East/West Basins and properties east of Portway Street): **Primary: Identifying and implementing a solution for the future of the East Mooring Basin. Ongoing:** Providing high-quality facilities and amenities to best support and grow Clatsop County’s fishing industry, recreational boaters, and tourism.
- ✚ Skipanon Peninsula: Reserving the 200-acre parcel, which includes significant wetlands, for potential new business opportunities or to provide mitigation for other off-site Port development.

- ✦ South County: Working with Clatsop Economic Development Resources (CEDR) and other economic development partners, coordinate and find opportunities to support South County economic development.

E. Plan Organization

The Port’s Strategic Business Plan Update (SBP) outlines in **bold the priorities for the next 2—4 years**. Opportunities associated with each operational area and the type of investment strategy or planning action anticipated on the sites over a three- to five-year horizon are noted, but not included as near-term priorities. **This SBP Update replaces the Port’s current Strategic Business Plan dated May 2010 and will need to be reviewed annually for the next 2—4 years.**

This updated Plan provides clear guidance to the Port Commission and staff and a framework that can be incorporated into a new legal agreement with the State, one that will provide transparent accountability to the Port’s stakeholders. Key plan components:

- ✦ Establishing Port financial stability and sustainability, including building on and protecting the Port’s most productive sources of revenue
- ✦ Addressing critical core infrastructure maintenance needs
- ✦ Fostering public and State agency trust and credibility

Long term plan components include:

- ✦ Working with existing tenants and lines of business
- ✦ Providing a framework for evaluating investments that provide additional employment opportunities with Clatsop County.

F. Planning Process

Over the past three years, the Port Commission, staff and Consultant team embarked in the following activities to update the Port’s Strategic Business Plan:

- ✦ Review of Port facilities
- ✦ Review of existing Port and cities of Astoria and Warrenton planning documents.
- ✦ Individual meetings with Port staff to collect data and review the process
- ✦ Analysis of Port revenues and financial control measures
- ✦ Public work sessions with the Port Commission
- ✦ Individual and group meetings with community stakeholders, partners and Port advisory committee members
- ✦ Public Hearing and Town Halls in Astoria, Seaside and Knappa
- ✦ Multiple meetings with Business Oregon’s Ports Manager
- ✦ Participation in drafting of the Advance Astoria 5-Year Economic Development Plan, Clatsop Economic Development Resources (CEDR) Economic Development Plan, and Columbia-Pacific Economic Development District’s (Col-Pac’s) 2018—2023 Comprehensive Economic Development Strategy (CEDS)

II. Port Overview

A. Port Description

1. **Operations, Facilities and Property.** The Port of Astoria owns and operates the following facilities:

✚ Astoria Central Waterfront. Port-owned in-water facilities at Astoria’s central waterfront include the West Mooring Basin Marina (330 slips), the East Mooring Basin (82 slips), and upland properties— Riverwalk Inn, Chinook Building, Bornstein Seafoods site, Pier 2 Marine Terminal Building, and Port Security and Gateway buildings. Central waterfront and boatyard tenants include Englund Marine & Industrial Supply Company, Astoria Forest Products and Riverland Development.



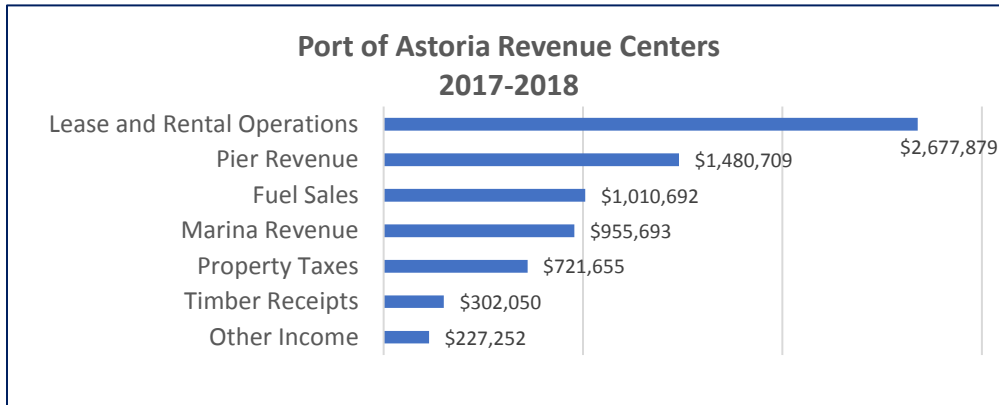
✚ Central Waterfront Piers and Docks. The Port owns 7,250 linear feet of dock face on three piers: Pier 1 is the Port’s primary deep-draft cargo and utility pier; Pier 2 is used for general-use berthing, a fishing fleet support facility, and seafood processing; and, Pier 3 is the Port’s Marine Service Center, boatyard, and log sort yard.

✚ Port of Astoria Regional Airport. Owned by the Port, the airport is FAA-classified as Non-Primary Regional General Aviation, with Class E non-towered, controlled airspace. The planning standards for the airport are for aircraft with approach speeds of 91—121 knots, and wingspans of 79’ or less. The Airport serves Clatsop County, Oregon and the southern half of Pacific County Washington. Major tenants include: LEKTRO, a manufacturer of aircraft ground support equipment; Columbia River Bar Pilots; Life Flight Network; and United Parcel Service. Additionally, the airport is the home of U.S. Coast Guard Sector Columbia River and the air operations of the Coast Guard’s mission on the north coast. There are also 40 T Hangar tenants. Port tenants, Recology, Precision Heating and Indoor Air Quality, and Overbay Houseworks are located adjacent to the Airport. The Airport also includes an undeveloped 26 acre industrial park.



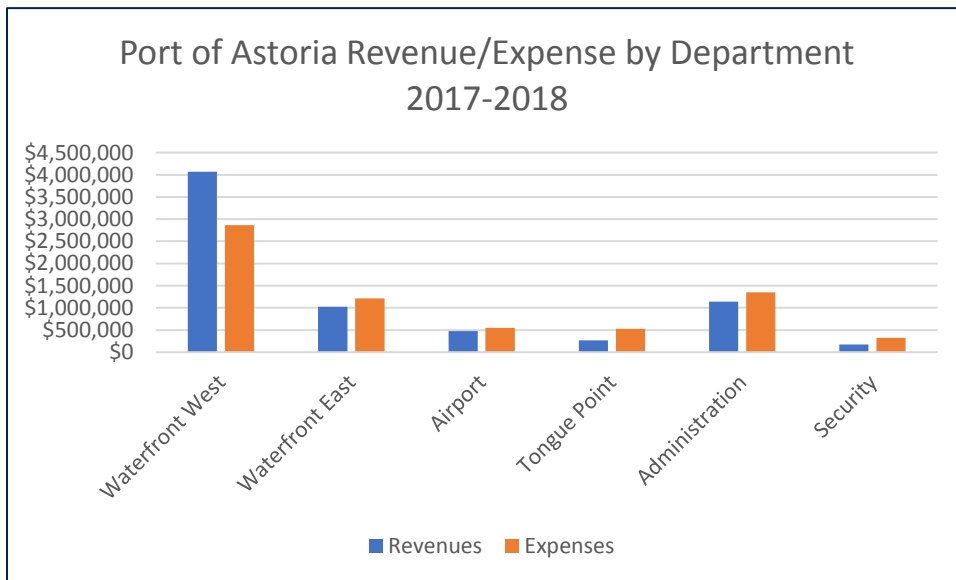
✚ Skipanon Peninsula. The peninsula has more than 200 acres of undeveloped property. This property contains significant amounts of dredge/fill material and significant wetlands. Potential for business development is limited due to diking and wetlands issues. However, the land may have potential to provide mitigation for other off-site Port development.

- 2. Revenue Centers.** The Port derives its \$7.4 million (non-grant) operating and tax revenues primarily from 6 revenue centers:



Source: Port of Astoria Statement of Revenues, Expenses and Changes in Net Position for the FY Ended June 30.
 * Note: Does not include \$2,260,497 in re-billed expenses.

FY 2017-18, the Port’s most profitable department was its Waterfront properties with Pier 1 and Building 2 contributing a combined \$1.8 million to the Port’s bottom line.



Source: Port of Astoria Statement of Revenues, Expenses and Changes in Net Position for the FY Ended June 30.
 * Note: Tongue Point lease ended in 2018.

- 3. Non-Revenue Activities.** Port administration and security do not generate direct revenue but are paid from non-operating revenues (eg, property taxes, timber receipts). FY 2017-18, the combined deficit was \$363,000.

B. Port Resources

1. Operational.

The Port derives approximately two-thirds of its \$7.4 total revenues from operations:

Port of Astoria				
Profit & Loss Actual vs. Budget				
July 2018 through December 2018				
	Actuals	Budget	Budget	Full 2018-19
	July18-Dec18	July18- Dec18	Variance Through Dec18	Budget
Operating Revenues				
Dockage & Vessel Service	851,401	1,045,083	-193,682	1,848,010
Lease and Rental Income	1,514,545	1,444,600	69,945	2,848,200
Rebilled Expenses	1,339,557	1,271,541	68,016	2,382,500
Boat Haulout	178,780	166,809	11,971	332,000
Marina Revenues	350,566	364,035	-13,469	652,000
Fuel Sales	644,662	594,710	49,952	903,010
Ticket Revenues	3,116	6,159	-3,043	9,000
Other Income	63,735	47,750	15,985	95,500
Total Operating Revenues	4,946,362	4,940,687	5,675	9,070,220

Source: Port of Astoria Profit and Loss Actual vs Budget, July 2018—December 2018.

Astoria Forest Products log export operations has accounted for 20—25% of the Port’s overall revenues. This is significant—in the current year, lack of log exports due to the China tariffs is resulting in a critical loss of budgeted revenue, almost \$200,000 in the first six months of FY 2018-19.

For the last five years, the Port has been booking, but unable to fund, \$1.7 to \$1.9 million annually for depreciation. Unfunded capital maintenance costs are estimated at \$28.8 million.

2. Non-Operational.

Property taxes and timber receipts totaling \$1,023,705 million in FY 2017-18 are the primary sources of Port non-operating revenue.

3. Outside Sources.

In 2017, the Port received nearly \$4 million in grant funding for repaving of the Airport runway and taxiways, or 35% of its total annual revenue. The City of Astoria’s Astor-West Urban Renewal District boundaries include Port waterfront boundaries. Funding from the District can assist with the construction of public facilities, improvement of transportation and utility facilities in the renewal area, rehabilitation of older and historic structures, and creation public amenities. Property at the Airport is within Clatsop County’s Enterprise Zone, which provides tax exemption for capital improvements. Port waterfront property was recently designated in one of Oregon’s Opportunity Zones.

C. Port Principles, Policies and Procedures

1. Business and Management Principles. Going forward, the Port of Astoria will be adhering to the following guiding principles when implementing its Strategic Business Plan:

- ✚ Projects must fit the Port’s Mission and Goals
- ✚ The Port must operate under sufficient resources—both budgetary and staffing
- ✚ Projects must be sustainable through planned maintenance budgeting and revenue management
- ✚ Projects that protect the Port’s revenue sources (infrastructure repairs/improvements) or create new sources of revenues take priority—except for projects that address safety, security and/or environmental issues
- ✚ Projects must be financially feasible and compliant with the Port’s Financial policies—excluding emergencies and environmental protection
- ✚ Projects must be consistent with the Port’s Strategic Business Plan
- ✚ Community input is encouraged

2. Operating Procedures

The Port of Astoria five-member elected Board of Commissioners sets policy for management by the Executive Director. In the last three years, the Port’s personnel policies have been updated to current legal requirements, and updated organizational Bylaws have been adopted.

The Port’s updated Bylaws and Personnel Policies provide procedures for public budgeting, and utilizing employee training to enhance the professional expertise of Port staff.

3. Governances. The Port maintains a written set of “Board Ground Rules.” The rules were adopted by unanimous Commission vote on May 27, 2008. The rules provide guidance for commissioners on community responsibility, communication between commissioners and staff, general commissioner responsibilities, and the purpose and “appropriate” need for executive/closed sessions. The Board Ground Rules also outline the need for all commissioners to follow the rules and consequences for not doing so.

Although the Board Ground Rules spell out various commissioner responsibilities, they do not contain a clearly defined process for enforcement. Consequently, in the past, the rules were often not followed.

4. Commission. The Port of Astoria Commission consists of five commissioners serving four-year terms. Effective July 2019, the Commission will include one commissioner with lengthy Port Commission experience, three commissioners with two to four years experience, and one new commissioner. The commissioners have diverse business backgrounds, including fishing, municipal government, agriculture and Coast Guard.

5. Staff/Professional Development. Over the last two years, the Port has moved toward a business model of having in-house professional staff capacity in-lieu of contracting accounting services. This added capacity gives the Port more resources for the analyses required as the Port focuses on regaining financial stability. **The Port’s Finance Director has an active and involved role in providing reports to the Port Commission.**

Department heads make presentations directly to the Board providing a direct exchange of information and for immediate responses to Port Commissioner questions.

Commission workshops attended by key staff are held on complicated matters requiring in-depth discussion prior to decision-making at a Commission meeting.


The Port continues to encourage ongoing education and training for employees to enhance job performance and assist in potential career advancement within the Port. Most notably, the Port utilizes the opportunities offered by the Special District Association of Oregon (SDAO) for employee training necessary and beneficial to the delivery of services and performance of duties.

Employees may request compensation for the costs of college-level, technical, or other academic coursework, seminars, and conferences relevant to their current or future roles in the organization. Such requests must be made in writing to the department head and forwarded with a recommendation to the Executive Director for approval prior to the employee’s enrollment or participation. Reimbursement for college-level coursework are made if the employee receives a passing grade. All training activities involving a cost to the Port must be approved in advance, in writing.

All employees are required to participate in any training sessions mandated by the various training and safety programs adopted by the Port. In addition, the Port may from time to time require additional training sessions to ensure that each employee’s job knowledge and proficiency are maintained at the highest possible level. Attendance at these training sessions is mandatory, and failure to attend, without prior authorization from the Executive Director, results in the loss of one vacation day for each day of training so missed.

D. Financial and Market Conditions

- 1. Competition.** All of the Port’s capital assets have competition, but generally, these assets either have a competitive advantage, or there is enough demand for future growth:

 Port of Astoria Regional Airport—The Port’s airport is the largest in NW Oregon both in terms of numbers of hangars but in also the number of landings annually. Additionally, the airport is the home of U.S. Coast Guard Sector Columbia River and the air operations of the Coast Guard’s mission on the north coast. There are a number of much smaller airports such as Seaside in the region but they all lack the facilities and services typical of larger airports. The primary revenue sources for the airport are derived from hangar leases, building and ground rents and aircraft fuel sales. The Port has recently entered new ground-lease negotiations for two new privately-owned hangars.

In comparison to the six other regional airports (Aurora, Troutdale and Scappoose in Oregon, and Shelton, Chehalis and Kelso in Washington), the Port of Astoria Regional Airport is:

- ✓ First, by a factor of two, in daily military operations
- ✓ The only airport with two runways, one of which is the longest of the other six airports
- ✓ Second in FAA funding for the planned 2017—21 National Plan for Integrated Airport Systems.

Where the airport does not have a competitive advantage, but there is opportunity for growth, is in the number of “based” aircraft and daily operations.

Competition for the Port’s Industrial Park at the Port of Astoria Regional Airport is uncertain because of a lack of clarity as to how the property can be developed. Its low-

lying location with earthquake, tsunami and inundation zones, and regulated by FAA guidelines, highest and best use of the property needs to be assessed. The Port is seeking funding for the development of a feasibility study to fully develop a business park located adjacent to the airport.

Completion of a feasibility study may provide a roadmap to looking at science, environment and technology as it relates to issues facing the greater Port area such as levy management, earthquakes, tsunamis and their impacts, inundation zones, wetland management and the creation and management of habitat that require wetlands to survive. The significant wetlands at the site limits the amount of developable land, but would provide a natural environment for evaluating and testing new technologies. CREST (The Columbia River Estuary Study Taskforce) and Clatsop Community College have both expressed interest in the potential for an Environmental Technology/ Research Center. A feasibility study such as this would be a good fit for Oregon's Port Planning and Marketing Fund. (PPMF)

✚ Waterfront West (Piers 1,2, 3 including the boatyard and properties west of Portway Street)—The three deep draft piers and proximity to the Pacific Ocean make the Port regionally competitive in the log exporting, fish processing and cruise ship berthing industries. Although the Port lacks a full-service boat repair facility, there is a need for boat repair facilities, and the limited repair done at the Port is profitable to the Port's bottom line. Some boat repair work is done at the Warrenton/Hammond Marine. Barge and tug repair work will occur out at Tongue Point, which was recently purchased by a private developer.

✓ Shipping Terminals—Log Exporting

For the last five years, the Port's primary export commodity has been logs. Because of the Port's proximity to the Pacific Ocean and the physical area of the Port, logs are one of the few cargoes feasible for exporting out of the Port. Closest competition for this commodity is the Port of Longview, which is the largest log exporter on the US West Coast. The Ports of Astoria and Longview generally do not directly compete because there is little overlap to their source of logs. More significant competition comes from international marketing of logs from multiple areas in the U.S., Canada, New Zealand and a number of smaller countries.

Uncertainty over federal and Chinese tariffs has reduced log exports out of the Port of Astoria significantly, with a corresponding impact on the Port's revenue. In 2018, log exports were over 20% of the Port's revenues. Small diameter logs being barged out of the Port do not bring in the revenue of the log exports to China. In addition, it is likely the tariff-related reduction in log exports to China will bring about changes in exporter leases at the Port, further exacerbating the Port's revenue future.

✓ Shipping Terminals—Cruise Ship Operations

Cruise ship volumes have steadily increased over the last several years due to the excellent operations surrounding the hosting of large international cruise ships and an increasing

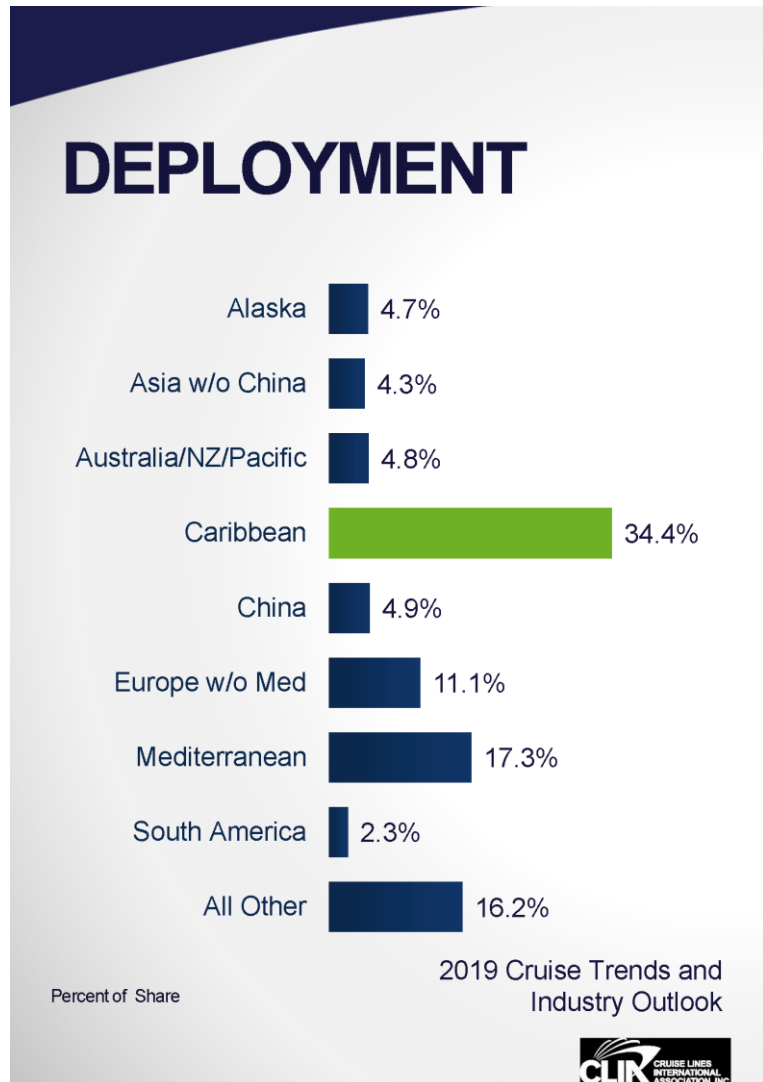
number of Columbia Riverboat cruises. The Port is well positioned for this business being at the mouth of the Columbia River. A record 31 cruise ships are scheduled for 2020, carrying close to 100,000 passengers and crew members.

The Port serves cruise lines that operate the Puget Sound, Vancouver BC and Alaska markets. This business is expected to stay strong into the future since the stops by the cruise lines are a part of the repositioning of cruise ships from the southern

hemisphere ports (Caribbean, South and Central America and Mexico), and cruises to Northern Canadian and Hawaiian ports of call during the summer.

Astoria is a natural port-of-call for the Pacific Northwest cruise lines. An additional competitive advantage having an accessible and supportive local/regional tourism community to greet passengers.

Competition in the future will come from the trend toward larger (double the current size) of ships, which the Port’s existing docking infrastructure cannot accommodate. Doubling the number of passengers arriving in Astoria will also require a major increase in the local community’s ability to provide transportation, and local retail services.



✓ Seafood Processing

Commercial seafood processing is most cost-effective close to the source of product. While Astoria technically has Alaskan, Washington, and Oregon seafood processing competition, the commercial fishing fleet will continue to bring their catch to Astoria because of proximity and contracts with the local fish processors. While maintaining a significant presence in Astoria, Bornstein Seafood, Da Yang Seafood, and Pacific Seafood (Tongue Point and Warrenton) also have major facilities outside of Astoria to provide the needed proximity for their commercial fishing fleets along the Oregon and Washington coasts.

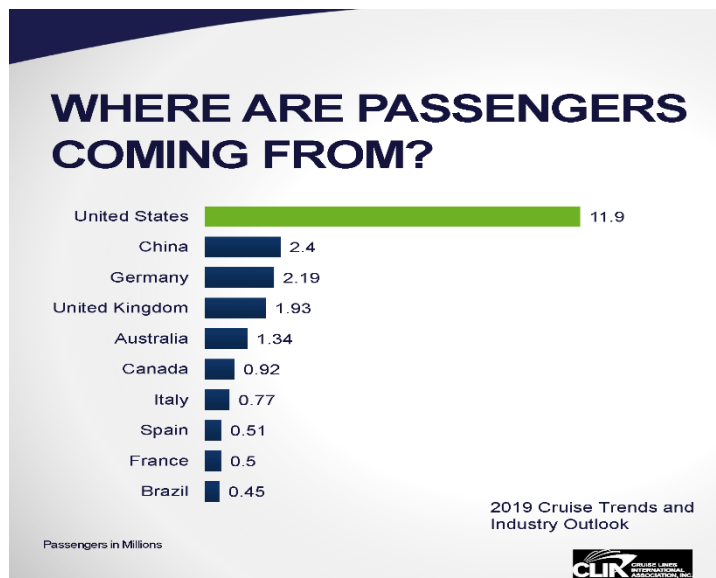
It could be argued that direct competition from other ports or fish processing facilities is less of an issue than the shortage of seafood processing workers and the aging of Port infrastructure.

✚ Waterfront East (East/West basins and properties east of Portway Street)— The Port operates two marinas and a small boat yard. There are multiple marinas in the region— Astoria, Warrenton and Hammond on the Oregon side of the Columbia River and marinas in Chinook and Ilwaco on the Washington side of the Columbia. Although there are multiple marinas operating in the region, the Port’s West End Marina continues to have in excess of a 100-slip waiting list. The East Mooring Basin access causeway has been closed due to the failing pier infrastructure, and only a handful of boats are currently moored there. For the last several years, the Port’s East-End marina has had a large infestation of sea lions and seals. A significant Port asset, the East Mooring Basin will require a comprehensive feasibility study examining potential future uses, redevelopment options, and compatibility with the City of Astoria’s waterfront visioning.


2. Existing Markets. The Port and surrounding community facilities serve multiple markets:

✚ Waterfront West


✓ Cruise Ships—The majority of cruise ship passengers to Astoria are US-based. The 2019 Cruise Line International Association (CLIA) Industry Report indicates demand for cruising has increased 30% from 2015—2019, and that the largest increase in coming from the United States market.




- ✓ Columbia River Ships—When Astoria’s 17th St Dock is unavailable for berthing, ocean-going river ships, a new market for the Port, are now docking at Piers 1 and 2.
- ✓ Log Exports—Until recently, primarily China
- ✓ Seafood Processing—Primary US, with some exporting to Asia

 Waterfront East

Because of the closure of the causeway, there are only a handful of moorages leased at the East Mooring Basin, and those require a boat shuttle to come onshore. During fishing season there is steady use of the Port’s trailer parking and boat ramp. (Boat ramp is currently under repair.)

 Port of Astoria Regional Airport

- ✓ Military—US Coast Guard Sector Columbia River base, Oregon National Guard aviation support facility, military aircraft base
- ✓ Marine Safety—Columbia River Bar Pilots operating base
- ✓ Aviation Support Manufacturing—Lektro
- ✓ Public Safety—Life Flight Networks base
- ✓ Commercial Aviation—Daily UPS flights, executive air travel

 Skipanon

The 200 acres of undeveloped industrially-zoned land near Warrenton currently serves no existing markets due to its low-lying location in a FEMA-designated flood plain. Development awaits an evaluation of the feasibility of potential future use(s) of the property.

3. Port Resources and Financial Condition.

Decades in the making, there is urgency to resolve the Port’s cash flow and long-term infrastructure needs. Bottom line, without additional revenue, the Port’s current operations are not sustainable. The ad hoc Finance Committee appointed to review the Port’s finances noted: “The Port’s assets all are lacking in maintenance and some require significant financial investment, at a time when the Port lacks reserves and sufficient cash flow to make these improvements.” (See Appendix for full report.)

The following recommendations are being reviewed and evaluated, and implemented as appropriate with actions documented, and progress reported monthly/quarterly. Issues identified from the ad hoc Finance Committee and recommended steps for addressing the issues:

Critical Issues	Recommended Next Steps
<p>Improving the timeliness and analysis of financial reporting to the Port Commission.</p>	<ul style="list-style-type: none"> • Establish the key (5) critical metrics to measure the Port’s current financial condition and to track change. • Establish standardized monthly financial report to the Board of Commissioners that highlights/call attention to the Port’s key financial issues including the identified metrics.

Critical Issues	Recommended Next Steps
	<ul style="list-style-type: none"> • Establish a permanent Finance Committee, with quarterly reporting to the Port Commission. • Engage all Port Commissioners and the Port Finance Director in the monthly reviews and discussions of Port finances.
<p>Identifying additional sources of revenue</p>	<ul style="list-style-type: none"> • Review assets for potential sale. Priority: Riverwalk Inn, Chinook Building, Seafare Restaurant Building, East Mooring Basin • Continue conversations with local public partners regarding support for Port assets such as the Airport, that provide county-wide benefit • Evaluate all leases to ensure rate includes costs such as (if appropriate): pass through/rebilled utilities, stormwater treatment, and future maintenance set aside. (See Managing Leases below) • Assess the market and financial feasibility of expanding the boatyard. Long-term, significant capital improvements (larger boat lift, covered facility) will be needed; but short-term, there may be opportunities to increase use of the existing facilities at minimal additional cost to the Port.
<p>Identifying cost saving measures</p>	<ul style="list-style-type: none"> • Review Port services that have expenses not being passed through to tenants or users of Port facilities. Going forward, conduct semi-annual audits comparing planned vs actual expense pass throughs that have occurred. • Conduct a third party, independent audit to confirm current staffing levels, functions and skill sets. • Evaluate the use of contracted services: Costs vis-à-vis other similarly sized ports, reasons why contracted services were/are being used.
<p>Maintaining asset infrastructure</p>	<ul style="list-style-type: none"> • Document overall condition and assess deferred maintenance needs of the Port’s key infrastructure assets. Update no less than once every three years.

Critical Issues	Recommended Next Steps
	<ul style="list-style-type: none"> • Prioritize the Port’s \$28.8 million list of maintenance needs. • Establish a five- and ten-year maintenance schedule. Break out the maintenance planned in each of the first 5-years.
Selling Port assets	<ul style="list-style-type: none"> • Establish a standard operating procedure for liquidating assets: <ul style="list-style-type: none"> – Process should be public and the Port Commission should be the executing party – Utilize a third party appraisal to determine the asset value – In the event of competing offers, priority should be to the overall financial strength and economic development potential of the offer. – Sales proceeds must be re-invested in addressing the Port’s deferred maintenance needs and only when the maintenance schedule is current should sale proceeds be used for the acquisition of new assets. • Routinely assess and document the condition of each of the Port’s key assets, no less frequently than once every three years. Review income, expense, deferred maintenance, overall asset condition, and economic development potential of the asset.
Retaining non-performing assets	<ul style="list-style-type: none"> • Implement a thorough review of all the Port’s major assets to determine their individual annual financial impact on the Port. • For assets performing consistently at a loss (5 years), assess the long-term economic development opportunity loss if the asset was sold, and determine the asset’s marketability.
Funding asset depreciation	<ul style="list-style-type: none"> • Calculate a depreciation schedule for each of the Port’s operating assets if/when they are in fully rehabilitated condition. • Include the depreciation schedules in lease rate

Critical Issues	Recommended Next Steps
	<p>calculations.</p> <ul style="list-style-type: none"> • Set aside the portion of lease rates allocated to asset replacement in a dedicated reserve account.
Managing leases	<ul style="list-style-type: none"> • Conduct a thorough review of all current leases including an evaluation as to the current lease rate vs market rate. • Include the full cost of each property (including property maintenance and dredging) in future lease structures, while having a financial upside to both the Port and the tenant. • Include a breakdown of expected future maintenance costs over the term of the lease and address how these costs will be amortized over the life of the lease. • Maintain a dedicated reserve account for the portion of leases allocated to future maintenance costs.
Financial Oversight	<ul style="list-style-type: none"> • Establish a Standing Finance Committee to meet no less than quarterly. • Finance Committee provide a quarterly financial assessment report to the Port Commission.

Port Assets/Infrastructure

The Port has identified \$28,807,150 in total maintenance needs for its piers, marinas, boatyard, dredging, waterfront properties and airport.

Asset/Infrastructure	Current Conditions	Recommendation
<ul style="list-style-type: none"> Pier 1. Log export dock and Port office building 	<p>\$865,000. General maintenance, repair pier face, remove forward bridge, relocate fuel tank, replace fender piles, office building generator, new bull rail, parking lot seal coat, suite 305 remodel</p>	
<ul style="list-style-type: none"> Pier 2. Seafood processing 	<p>\$5,345,000. Repair substructure, replace deck, complete FEMA projects, repair east and west sides/fender piles, repair warehouse roof. Pier 2 is part of the State’s collateral for the Bornstein loan. The Port is legally required to maintain the condition of the Pier to protect the State’s loan.</p>	<p>Number one priority for repair</p>
<ul style="list-style-type: none"> Pier 3. Log storage/boat yard 	<p>\$225,000. Removal of uplands disposed dredge spoils, other maintenance.</p>	
<ul style="list-style-type: none"> Gateway. (Shooting Star, Terry’s Plumbing, other) 	<p>\$90,000. Building improvements for rental</p>	
<ul style="list-style-type: none"> Boatyard 	<p>\$567,500. Vessel demo building, upper apron asphalt, vessel disposal, forklift, new office trailer/conex, travel lift winches, tools and rigging, boat stands</p>	
<ul style="list-style-type: none"> Dredging 	<p>\$1,095,000. Outdated equipment is no longer cost effective. Contract dredging (RFP, contract, debris clean-up)</p>	<p>Required</p>
<ul style="list-style-type: none"> East Mooring Basin 	<p>\$8,855,000. Repair/Replace causeway, dredge, update power, sea lion barriers, restroom upgrades</p>	<p>Evaluate return on investment (both financial and public good) to fix. Highest and best use may be to sell.</p>

Asset/Infrastructure	Current Conditions	Recommendation
<ul style="list-style-type: none"> • West Mooring Basin 	\$798,400. Dredging, enhance electrical, replace piles, gangway decking, improve lighting, add wi-fi, reseal parking areas	Strong local interest/support for the mooring basin, but improvements are needed.
<ul style="list-style-type: none"> • Chinook Building 	\$10,000. Remove barriers, clean up	Building is potentially a good candidate for sale, but sales protocol must be developed and followed.
<ul style="list-style-type: none"> • Seafare Building 	\$150,000. Demolish	Priority. Safety hazard. Potential for sale.
<ul style="list-style-type: none"> • Airport (Landside) 	\$5,473,750. Develop wetland mitigation credits, industrial park sitework, fix water intrusion into sanitary system, extend/repair SE Flightline Dr, resurface SE Airport Rd, upgrade water meter, patch SE 12 th PI	
<ul style="list-style-type: none"> • Airport (General) 	\$3,907,500. Rehab Taxiway A, extend infrastructure south hangar area, FAA Airport Improvements, Part 139 compliance, improve terminal building, repair asphalt, utility truck w/bucket, repaint runway, security fencing, restripe taxiways.	
<ul style="list-style-type: none"> • Fuel Farm 	\$167,500. Mobile refueler, covers for fuel farm and refueler.	
<ul style="list-style-type: none"> • Lektro 	\$195,000. Repair roof Potentially limited on future use due to US Navy restrictions	
<ul style="list-style-type: none"> • Admin 	\$119,000	
<ul style="list-style-type: none"> • Security 	\$50,000	
<ul style="list-style-type: none"> • Riverwalk Inn 	Currently being appraised for potential sale	Building is potentially a good candidate for sale, but sales protocol must be developed and followed. Potential of a legal challenge

- 4. Summary. The Port of Astoria is a diversified operation, with assets critical to the economy of Clatsop County and to the State of Oregon, and is taking immediate actions to improve their finances, infrastructure, legal compliance with Business Oregon, and operating procedures.**

Public input from the community indicates a belief that the Port contributes to the local economy and well-being. Stakeholders want the Port to do well and be an integral partner within the entire district, but focus on their waterfront and airport first and foremost.

Key assets that need to be preserved and available to support the District's economic development include:

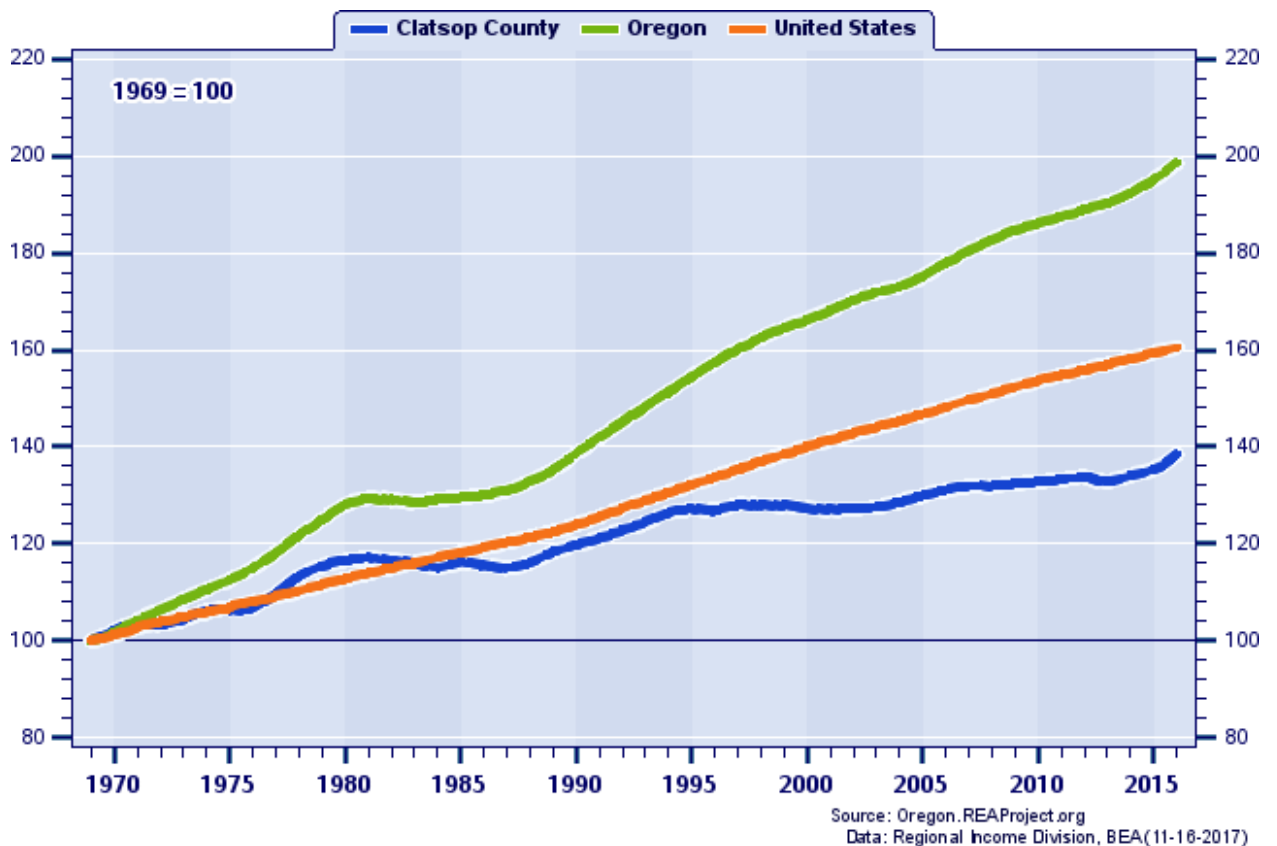
- ✚ Piers that provide deep water docking for cargo and cruise ships, research vessels, and other maritime traffic,
- ✚ A regional airport that supports general aviation, Life Flight Network and the Coast Guard,
- ✚ Boat marinas and boatyard that, if developed, could bring in additional local fishing industry and waterfront amenities and services for the Astoria community,
- ✚ Industrial space at the Astoria/Warrenton regional airport where new businesses can locate and existing businesses can grow,
- ✚ Highly-visible lodging property in a growing tourism area.

III. Defining the Opportunity

The Port of Astoria district boundaries match those of Clatsop County, Oregon. Clatsop County is located in the northwest corner of Oregon, bordered on the west by the Pacific Ocean and on the north by the Columbia River. The county occupies an area of 873 square miles. Clatsop County's 2016 estimated population of 37,660 ranks 19th in Oregon.

A. District Demographic Profile

1. Age. Since 1969, the population of Clatsop County has grown more slowly than the national average, and well behind that of Oregon's population growth rate. Clatsop County's overall population growth was 38.4% from 1969-2016 trailed, Oregon's nearly doubled at 98.5%, while the United States' increase was 60.5%.

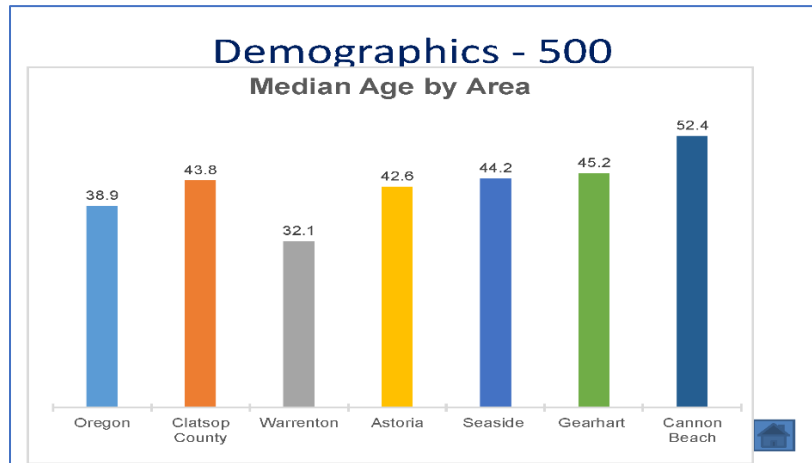


This is significant because attracting and retaining people to live, work, raise a family, and retire underlies the economic vitality of any region. Population growth is both a cause—and a consequence—of economic growth. Patterns of population growth and change reflect a region's ability to attract and retain people both as producers and consumers in their economy.

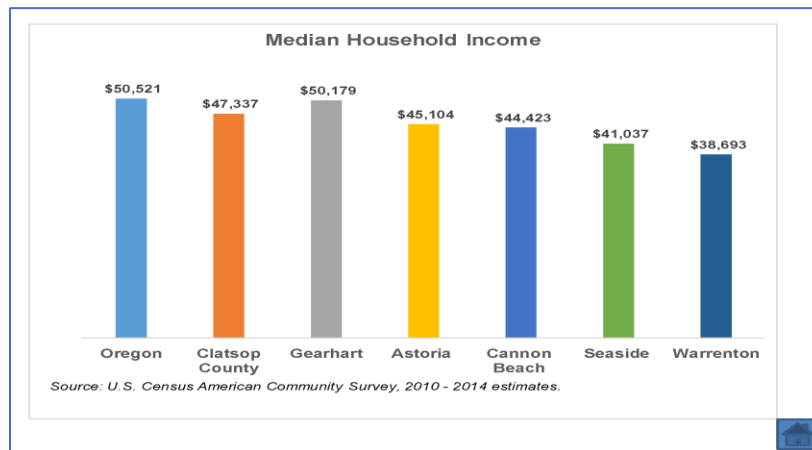
According to the State Office of Economic Analysis, population growth is not expected to accelerate over the next decade. Projections for the 2020 population indicate a slowing of population growth.

The fastest age demographic growth has been in the 65 years and older age group, demonstrating the area’s appeal as a place to retire. Since 2000, the number of residents 24 and younger has declined. Median age of the population is important because it is an indicator of the economic resiliency of Clatsop County. The County’s Worker Dependency Ratio tracks the ratio of potential workers to non-working residents. By 2040, it is projected that there will only be approximately 1.2 workers for every non-working resident in NW Oregon. This ratio ranges from 1.1 workers per non-worker in Clatsop and Tillamook counties to 1.3 workers per non-worker in western Washington County.

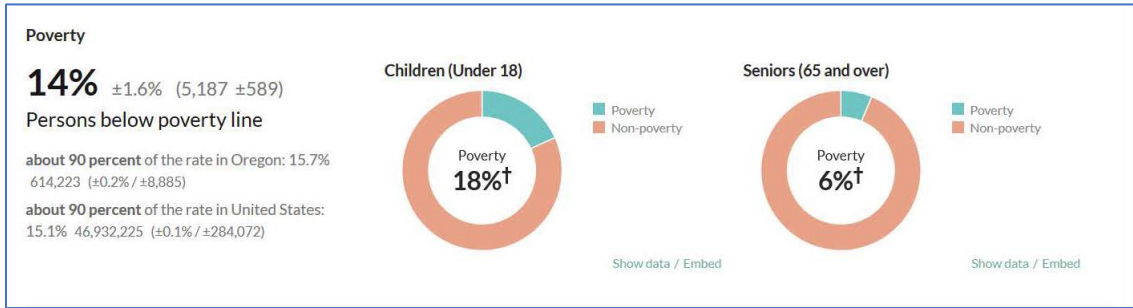
However comparatively, Clatsop County has more working age adults than many rural counties, and close to average numbers of youth and seniors. Clatsop County ranked 10th out of Oregon’s 36 counties for having the highest share of adults ages 18 through 64. Clatsop County also has a natural increase (more births than deaths) in its population of about 0.5 percent per year, unlike most rural counties in Oregon, which have more deaths than births.



- Income.** Clatsop County’s Median Annual Income at \$47,337, is about 80% of the median statewide of \$50,521. As the region’s economy experiences growth in service industries, the resident income has fallen significantly below that of both the state and the nation, despite general growth in the economy.



3. **Poverty.** Data from the US Census 2016 American Community Survey 5-year estimates indicates Clatsop County’s poverty rate is less that both Oregon’s and the US rates. Three percent of the County’s population is homeless.



4. **Housing.** Housing in Clatsop County is less affordable than the rest of the State. This is a function of the lack of high-paying jobs in the county combined with the amount of high-value beach community property.



This is a priority issue for the County (and the State.) Lack of affordable housing for the County’s workforce is limiting business expansion and recruitment. The table below compares the housing supply to the County’s Median Family Income (MFI) of \$58,825.

Shortage of Affordable Units, 2010-2014

Renter Affordability	< 30% MFI	< 50% MFI	< 80% MFI
Renter Households	985	2,170	3,570
Affordable Units	740	1,475	4,970
Surplus / (Deficit)	(245)	(695)	1,400
Affordable & Available*	240	850	3,385
Surplus / (Deficit)	(745)	(1,320)	(185)

**Number of affordable units either vacant or occupied by person(s) in income group.*

Owner Affordability	... for MFI	.. for 80% MFI	.. for 50% MFI
Max Affordable Value	\$229,751	\$183,801	\$114,875
% of Stock Affordable	43.6%	28.3%	12.4%

5. **Schools.** Clatsop County has five public school districts with a total of 5,020 students. Clatsop Community College offers a comprehensive curriculum. The College’s Community Education Division works with area employers, business, government and industry to develop customized employee training. Curriculum includes standard academics, as well as professional-technical programs for nursing, marine technology, criminal justice, integrated

technology, accounting, business management, emergency medical and fire services, and others. A wide range of general interest courses and special programs are offered as well.

Tongue Point Job Corps Center is operated by the Management & Training Corporation (MTC). This is a co-educational job-training program for people ages 16 to 24, from low-income backgrounds.

Approximately 500 students are enrolled in training programs for business, word processing, and data entry, or in the MTC's full-time college program.

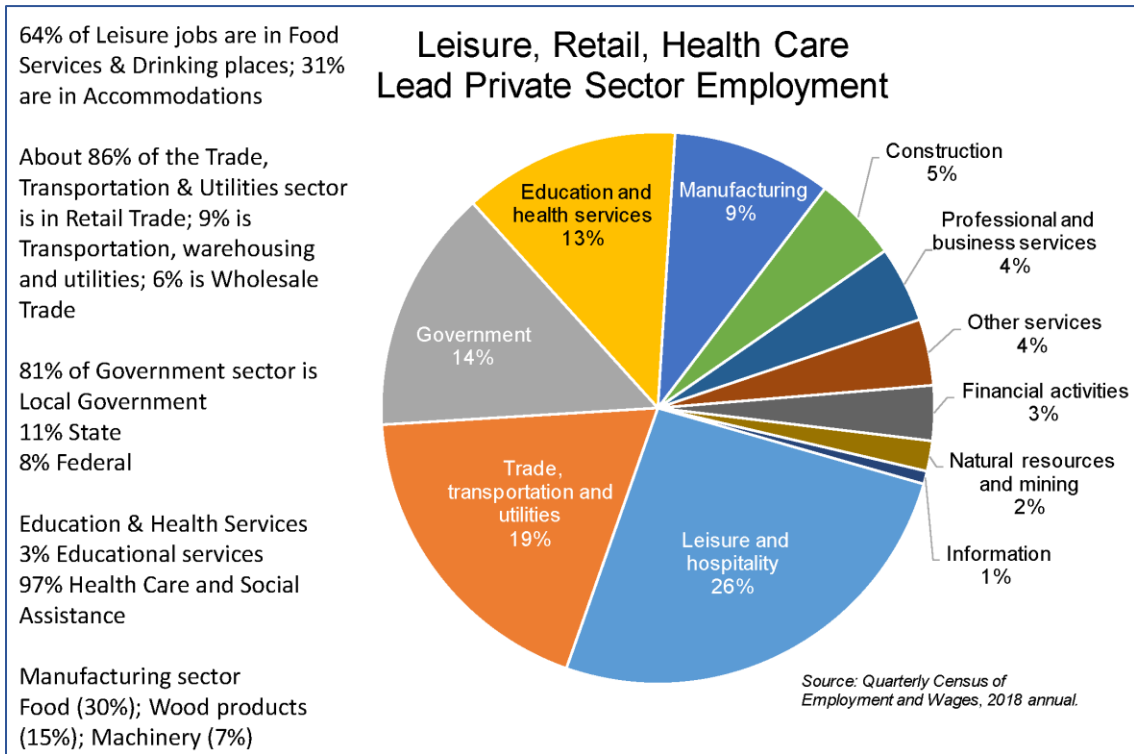
- 6. Mobility.** Over a fifth (21.1%) of Clatsop County's population have moved since the previous year. This is higher than both the State (18.1%) and national (14.8%) national averages. The vast majority (79%) move within the county. However, given the slow growth rate of the resident population, the 20% in-migration is important for economic growth. (US Census, 2016 American Family Survey estimates)
- 7. Work Travel.** Mean travel time to work is 18.8 minutes, with most workers driving alone. A majority of Clatsop County workers have jobs within the county. The county's economy is largely clustered in its northwest corner, where Astoria, Warrenton, Seaside, and Gearhart are located. Astoria was the most popular destination for work for Clatsop County residents followed by Seaside. A fair number also commuted out of the county to metro areas in the Willamette Valley. Although the county is connected to the State of Washington by the Astoria-Megler Bridge, there isn't a large out-commute for work. Nor do many county residents commute south to Tillamook County for work; only 2 percent did so in 2014. Roughly 43 percent of Clatsop County's working residents have their primary worksite out of the county, mostly in metro areas. This could indicate workforce need for more local jobs.

B. District Economic Profile

Clatsop County’s economy relies on government-related activity, service/healthcare businesses, retail sales, forestry, forest products processing, fishing and seafood processing, and tourism. However, the region’s economy is transitioning from being natural resource-based. While these industries still maintain an important presence in the County, other industry growth is outpacing the County’s traditional sectors.

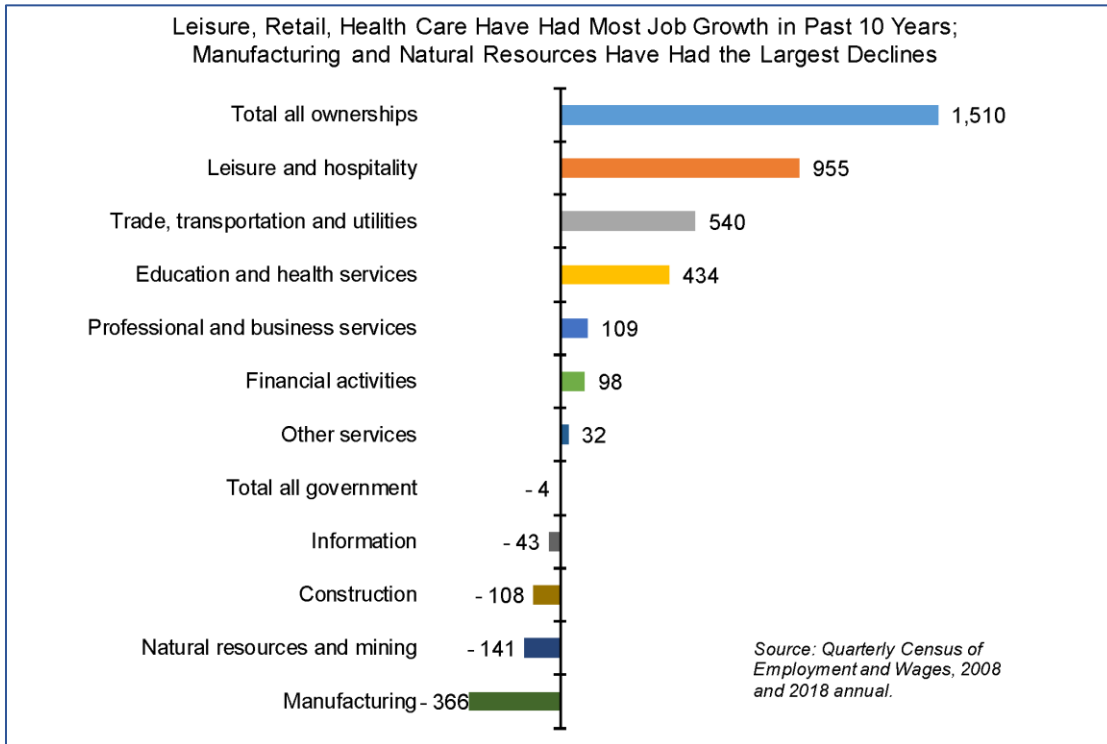
Employment by Industry Sector (2018)

Oregon Employment Department



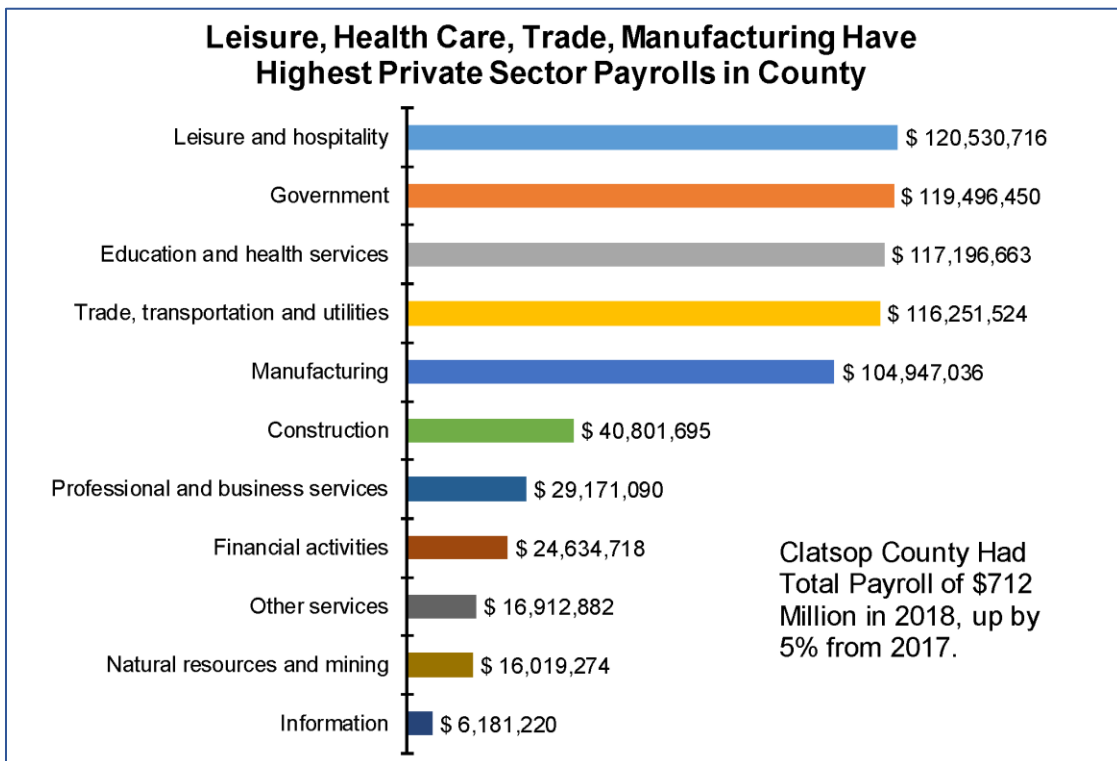
Fastest Growing Industry Sectors (2008—2019)

Oregon Employment Department



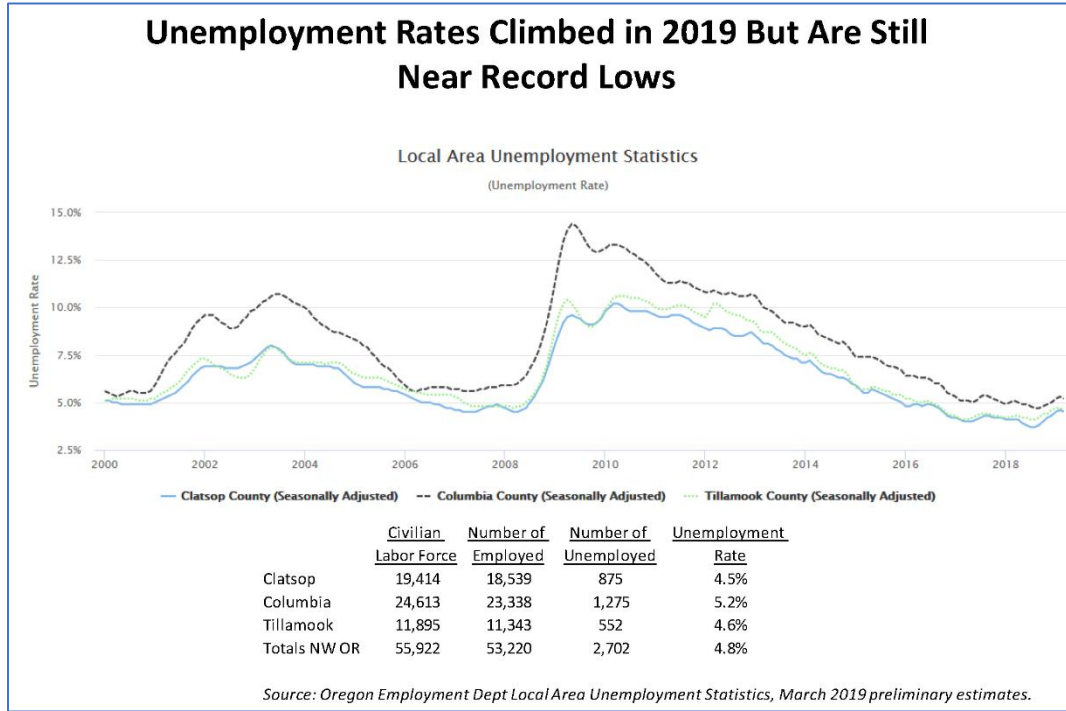
Highest Average Wage (2018)

Oregon Employment Department



Unemployment

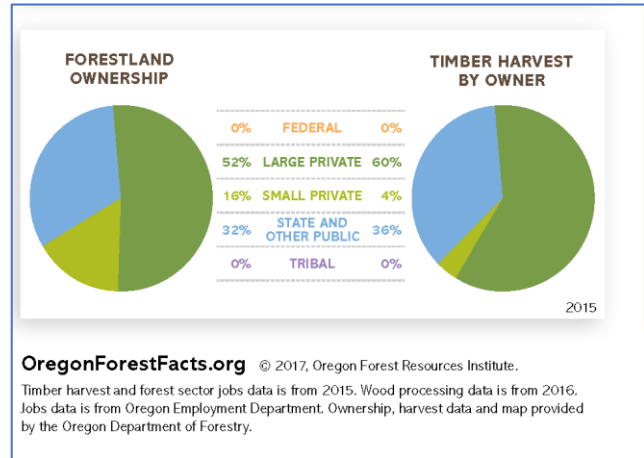
Clatsop County’s unemployment rate is comparable to that of Tillamook County, and close to the average for the North Coast of Oregon.



C. Trends for Regional Key Industries

Clatsop County Timber Industry/Log Exports

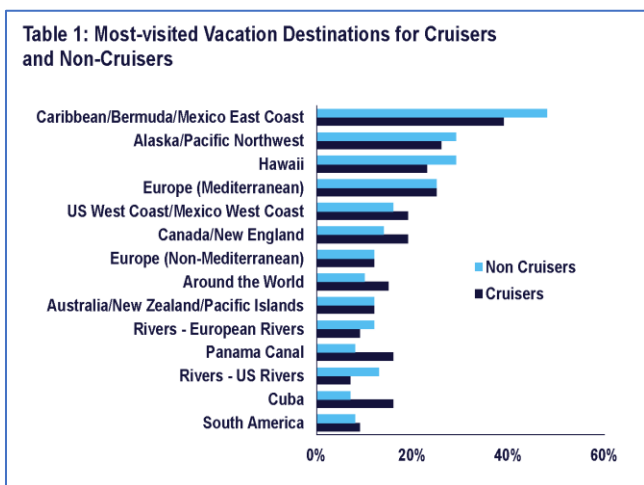
According to a 2017 Oregon Forest Institutes Research (OFRI) report, 245 million board feet of timber was harvested in Clatsop County in 2015. Over half (52%) of all the timber land in the County is owned by large timber companies, which also account for 60% of the harvest. Timber owners are replanting their trees at the same rate they are being harvested. OFRI reports that there have been no change in the number of forested acres in Oregon since 1953.



Port of Astoria log exports are directly affected by Chinese tariffs imposed in 2018. Initially, the market partially absorbed the tariffs in the range of 10%. In 2019 with the threat, and then follow through of increased tariffs, log exporting from the Port has effectively ceased. While British Columbia is moving to partially fill the gap, recent policy announcements there indicate exports become limited. In the meantime, China is moving to secure replacement volumes from other destinations—New Zealand, South America and Western Europe. If those countries secure long term agreements, it will be difficult for the US Pacific Northwest to maintain high prices if and when the tariffs are retracted.

Cruise Ships

The Port has seen a continued rise in the number of cruise ships docking in Astoria over the last 10 years, with 24 berthings scheduled for 2019. Based on industry trends for cruise ships, the number of ships stopping in Astoria in the next decade is not expected to grow significantly; however, the size of ships and number of passengers is expected to double. The Alaska/Pacific Northwest cruises are the second most popular routes, according to 2017 data from the Cruise Line International Association (CLIA).



Seafood Processing

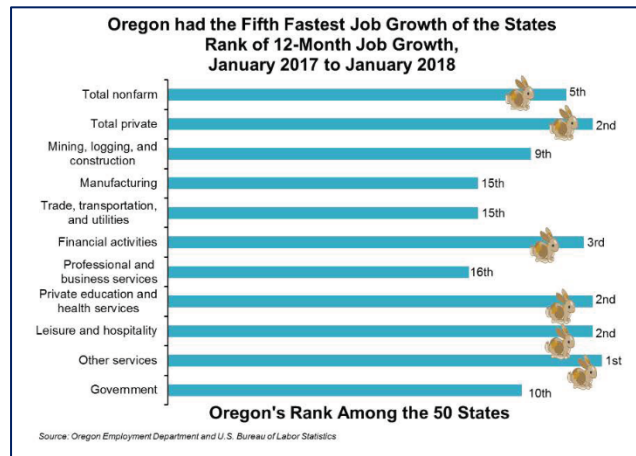
Seafood processing at the Port is expected to remain a core industry sector as commercial fishing remains strong. The Port’s availability of deep water piers and access to the Columbia

River and Pacific Ocean meshes well with the trend toward consolidation of both the fishing fleets and fish processing. Still, an important challenge for fish processors located at the Port is having a stable workforce. While well-paid, work is seasonal and demanding physically. The industry is trending toward more automation which over time will replace some of the manual labor.

D. Industry Trends for State and Nation

Overall Trends:

Oregon had the fifth fastest job growth among the states from January 2017 to January 2018. Adding 50,600 jobs for a growth rate of 2.7 percent, behind Utah (+3.1%) and Idaho, Nevada, and Washington, which tied for second with growth rates of 2.8 percent. California ranked seventh with a growth rate of 2.4 percent. Oregon’s growth rate last year was faster than the overall national rate of 1.6 percent. That’s not a new trend. Oregon has been adding jobs faster than the U.S. since 2013.

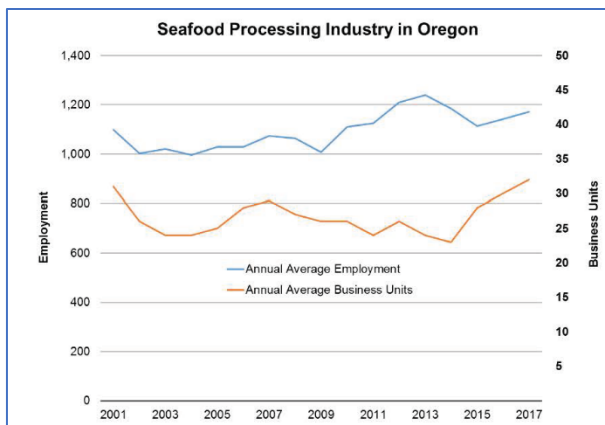


Looking at job growth rankings by industry sector shows that many areas of Oregon’s economy were adding jobs at a fast pace. Sectors with the most job growth included: Other services (repair and maintenance businesses, personal and laundry services, and membership associations/ organizations), private education and health services, leisure and hospitality, and financial activities.

The two states heavily dependent on the energy sector, Alaska and North Dakota were the only two states to lose jobs in 2017.

Fisheries/Seafood Processing Industry

According to a May 24, 2018 Oregon Employment Department report, the number of seafood processing businesses had been slowly declining since 2007, but that trend reversed in 2015. Oregon’s processing industry gained five businesses that year. Two more were gained in 2016, and two more again were added in 2017. But the trend toward more consolidation may



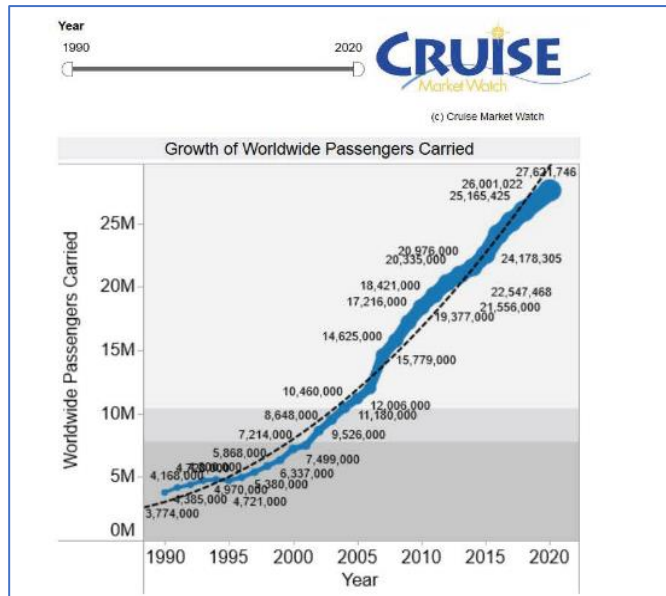
continue. Pacific Seafood has moved to operate a Trident Seafood plant in Newport, leaving just two main seafood processors in the busy port town. Consolidation has also occurred in the Oregon fishing fleet. Three ports: Astoria, Newport and Charleston, had about 83 percent of all commercial fish landings by value in Oregon in 2017. Smaller ports like Garibaldi, Depoe Bay, and Florence struggle to find money for infrastructure, dredging, and jetty maintenance that can

attract vessel owners and seafood processors.

The seafood processing industry fared relatively well during the Great Recession. Employment dipped significantly in one year (2009), but otherwise mostly grew through 2013. Employment in 2013 was about 150 more than in 2001. This may not sound like much of an accomplishment, but Oregon lost more than 40,000 jobs from all manufacturing businesses during the same period. From 2013 to 2015 employment fell by about 125 jobs, but the industry gained 28 jobs in 2016, and another 31 in 2017. This could be a new trend of an increasing number of processors and employees, but employment in the industry is quite variable so long-run trends are hard to establish. The entrance of a few specialty processors who serve niche markets may be helping employment to grow.

Cruise Ship Industry

Cruising continues to one of the fastest growth segments of the Travel and Leisure industry sector. Worldwide the ocean cruise industry has an annual passenger compound growth rate of 6.6% from 1990—2020. Growth strategies to date have been driven by larger capacity new builds and ship diversification, more local ports, more destinations, and new on-board and shore activities that match the demands of consumers. The industry is also expanding rapidly internationally. These activities help increase penetration into the North American market that continues to grow.



Economic Development Analysis

Clatsop County and the Port district are confronted by many of the same challenges faced by communities throughout the state in terms of lack of proximity/access to the urban services and transportation, limited number of trained and/or available workers, and lack of housing for the workforce. However, the district is younger, more educated and benefits from higher income levels than many of the state’s rural communities. In addition, Clatsop County has been able to maintain a relatively stable economy and job growth due to its connection to natural resources, a healthy industrial base and active tourism industry all of which are supported by Port activities and properties.

Economic and industry growth outlook is projected to remain stable and gives the Port and its partners the opportunity to think long term about strategies to support existing industries and new business growth. Alongside this pursuit, the critical challenges of workforce training and readiness as well as available workforce housing should be considered by regional and local partners as these issues are already impacting the area’s economic development growth and will hamper future opportunities if not addressed.

IV. Policy Context

A. Threshold Statement

The Port’s Strategic Business Plan Update has been prepared utilizing Port resources and is based on template provided by Business Oregon’s Port Division. The Port recognizes it is currently out of compliance with its existing IGA with Business Oregon implementing their 2010 Plan, and thus is ineligible for State funding. The central focus of 2019 Strategic Business Plan is to map out a two to four-year action plan including accountability measures that will bring the Port back into compliance with Oregon statutory language while moving the Port toward financial stability and sustainability.

B. ORS 777

Under ORS 777, the Port of Astoria has expansive authority to regulate all aspects of maritime commerce at the mouth of the Columbia River. The Port of Astoria’s mission is to generate economic growth and prosperity in a safe and environmentally responsible manner. If the Port determines that particular safety and environmental concerns are not being addressed in the Astoria harbor, the Port could adopt regulations and a funding mechanism to address those needs. The appropriate next steps are (1) to evaluate the scope of unmet safety and environmental needs, (2) to examine the cost of the Port providing the equipment and personnel to address these needs and (3) if the Port determines regulation is necessary, to develop an appropriate package of regulations and the associated tariff of charges.

Chapter 777 also provides expansive powers to Oregon port districts by providing broad venues within which ports may acquire, own and operate facilities that accomplish their purposes. The Port’s long-term vision is to be a significant contributor to the community’s and state’s economic development and a catalyst for job and business creation. The Port implements ORS 777 by:

- ✚ Maintaining and improving its existing infrastructure to better support existing business lines and tenants.
- ✚ Supporting new businesses through maintaining deep-draft terminal capabilities, leveraging assets to support commercial fishing and tourism, and marketing a variety of industrial properties.
- ✚ Evaluating the financial sustainability and economic resiliency of marine facilities for inclusion in the Port’s industrial properties portfolio.
- ✚ Providing a flexible yet disciplined framework for evaluating and responding to new and emerging markets or business opportunities.

C. ORS 198

Oregon Revised Statute 198 is the State’s organizing statute for Special Districts. All of Oregon’s ports are defined as “Special Districts” and have administrative regulations regarding district formation, modification and dissolution, and the adoption of ordinances and regulations.

The Port’s policies and procedures, updated in 2017, incorporate the administrative regulations of ORS 198 into the standard practices, operations and decision-making processes of both the Port Commission and Port staff.

D. Environmental Issues

Located at the mouth of the Columbia River, water quality is the primary local and regional environmental issue in which the Port is most actively involved. The Port plans for and manages stormwater, wastewater, dredging and wetlands, all of which affect the quality of the Columbia River

By the very nature of its geographic location on the Columbia River, the Port is not only dependent on the quality of its water environment, it has a stewardship role in the future of the river's quality as well. One very public example is the Port's new stormwater treatment facility which includes settling ponds, swales, salmon habitat restoration and treatment of industrial stormwater, located adjacent to Pier 3 and at the west end of Astoria's waterfront walking trail.

E. Statewide Planning Goal 9—Economic Development

The Port's Goal 9 strategies include pre-development feasibility and funding to support infrastructure development at its properties in order to support and expand its existing assets and industries. The Port's immediate and long-term growth potential and revenue are dependent on improvements of its assets, which if not improved create the risk of loss of industry base, expansion opportunities or new business development. Port properties are included in designated Enterprise and Opportunity Zones.

F. Statewide Planning Goal 12—Transportation

The Port's long-term planning includes improvement to its Waterfront West and East properties, both of which include piers, marinas and docks. Improvements at these facilities will increase its maritime transportation networks and access.

Additionally, the Port's planning includes improvements and new development at its regional airport. This goal will allow the Airport's to expand its aviation related industrial base as well as support airport—based aircraft and daily aircraft operations.

G. Statewide Planning Goal 17—Water Dependent Use

The Port's plan includes major investments in its piers and equipment to support fishing, seafood processing, boat repair, cruise and tourism/lodging uses.

H. Statewide Port Strategic Plan Recommendations

This plan supports the recommendations of the Oregon Statewide Port Strategic Plan for:

- ✚ Investing to grow existing businesses
- ✚ Developing plans and infrastructure to "tap into emerging markets"
- ✚ Consistency with the goals and objectives of the statewide template for Port Strategic Business Plans

This plan is structured to link investments with their ability to meet the requirements of the following:

- ✚ Business Oregon Marine Navigation Improvement Fund
- ✚ Business Oregon Port Planning and Marketing Fund
- ✚ Business Oregon Port Revolving Fund
- ✚ Connect Oregon

What is the Oregon Statewide Strategic Port Plan Recommending?
Strategic Plan = Business Plan

Oregon's Statewide Port Strategic Plan will be a business plan between the state of Oregon and each of Oregon's Ports. It will:

- Better organize the institutional relationship between each port and the state
- Create a state port investment fund with components based on port size and market differences, which will fund the state's highest port priorities based on need, job creation, ability to advance Oregon's key industries, and financial ability to operate and maintain the investment
- Establish a port-oriented training program for port commissioners and managers
- Create a Marine Transportation mode program through OSCT and the Oregon Public Ports Association, and
- Organize a strategic response group led by OSCT which will organize state agencies to respond to special port business opportunities or to emergency situations

What the Ports Get:

- Business & certified program objectives within OSCT
- Consolidated Funding Programs
- State Advisory and Support on Business Development, Regulatory, Legislative Matters
- State-subsidized training and certification programs

What the State Gets:

- Formal Business Relationship with State Port
- Funding tied to Positive Business Relationship, KPI and ability to maintain and operate capital facilities
- Port commitment to compliance with state, federal, and local regulations
- Port accountability on use of state funds

Oregon's Stable Markets related to Ports include commercial fishing along north Coast, property development; agriculture; bulk, cargo, automobiles; recreation; sport fishing; and tour boats.

I. Other Local and Regional Plans

The City of Astoria's economic development strategy coincides with the Port's plan in supporting the maritime industry and seafood processing. In addition, the City of Astoria is working to expand its education and research and development industries, both of which are critical to the long-term success of the Port's main industries. Long term it is in the Port's best interest to partner with the City with the City's efforts to ensure long term survival, support and new innovation in maritime related industries and seafood processing. Additionally, in the future, there may be opportunities to work with the City and new private enterprises to develop new innovations related to wood products that would enable flexibility in the logging industry.

Another key partner as the Port's focuses on regaining financial stability, is Clatsop County, particularly on airport maintenance and improvements support to maintain this critical business and emergency transportation link.

J. Political Context and Analysis

One of the highest priorities for the Port is to re-establish an Intergovernmental Agreement (IGA) with Business Oregon. (See Appendix) A new IGA between the Port of Astoria and Business Oregon will require State approval of this Strategic Business Plan Update. Recognizing that lack of IGA compliance in the past has undercut its relationship with Business Oregon, the Port is committed to this Strategic Business Plan Update which provides specific actions and measurable outcomes for inclusion in a new IGA.

V. Situational Analysis

A. Strengths, Weaknesses, Opportunities and Threats

Strengths, weaknesses, opportunities and threats (SWOT) analysis is directed at enumerating some of the characteristic conditions that can be either modified or addressed as the Port moves to meet its stated mission and goals. These strengths, weaknesses, opportunities, and threats include the following:

1. Strengths

- ✚ Location at the mouth of the Columbia river, with proximity to the Pacific Ocean
- ✚ Availability of deep draft piers to support general cargo and berthing operations
- ✚ Available industrial land with both waterfront and airport locations
- ✚ Two marinas that support both recreational and commercial boating
- ✚ Regional airport with two runways capable of landing jets and four-engine aircraft
- ✚ Attractive community setting with a flourishing tourism industry
- ✚ Continued, steady fish processing and fishing industry
- ✚ Close proximity to and availability of timber for log exporting

2. Weaknesses

- ✚ Deferred maintenance of the Port's berthing and dock structures and lack of a funded maintenance reserve imperils the Port's ability to continue operations
- ✚ Lack of compliance with the State Intergovernmental Agreement, and thus ineligibility for State funding
- ✚ Carryover lack of public trust due to previous management crises, lack of transparency, and credibility
- ✚ Lack of sufficient Port revenue to support and implement critical infrastructure improvements, and for expansions such as more berthing space to accommodate the industry trend toward larger/longer cruise ships
- ✚ Lack of sufficient revenue for required maintenance to support future Airport operations
- ✚ Cost, potential contaminant liability and need for upland disposal of soils from dredging
- ✚ Distance from a major population center for potential cargo distribution
- ✚ Lack of significant upland space with adjacent transportation facilities and docks to support large cargo/container operations
- ✚ No active rail connection to a major distribution center or deep-water pier facility
- ✚ Small population and market base
- ✚ Local industrial base with slow long-range growth projections
- ✚ Limited water/sewer/electrical infrastructure to support industrial expansion

3. Opportunities

- ✚ Growing tourism industry in Astoria, Warrenton and South County
- ✚ Increasing the size of docking space for cruise ships would bring in more berthing revenue to the Port, and more tourism revenue to Clatsop County
- ✚ Developing the south end of the airport (install water, sewer, power infrastructure) for

future potential “shovel-ready” projects

- ✚ Increasing the number of pads for Executive Hangars at the airport
- ✚ Cooperating with the State, Clatsop County Emergency Management, US Coast Guard and Oregon National Guard at Camp Rilea for inclusion and participation in the Oregon Resiliency Plan. May generate opportunities for new revenues and grants.
- ✚ Exploring the concept of a business, educational and community services campus that would focus on the disciplines surrounding environmental studies, levee management, habitat restoration and emergency preparedness. Potential partners include CREST, Clatsop CC Environmental Services, if wetlands are the predominant feature of the airport industrial park.
- ✚ Partnering with communities for development of campground or water sports activities on Skipanon Peninsula
- ✚ Creation of a wetlands mitigation bank for future development of Port properties. Credits could potentially benefit the Port.
- ✚ Future development of the waterfront visitor industry properties: Riverwalk Inn and Seafarer Restaurant
- ✚ Development along waterfront from Seaman’s Memorial Park to Portway Avenue. Address parking, ingress/egress, new corridors, dining, parking, visitor amenities
- ✚ Expansion of the west and east mooring basins to accommodate more slips

4. Threats

- ✚ **Deterioration of existing facilities through deferred maintenance**
- ✚ **Lack of sufficient Port staff to pursue important tenant management, marketing, public outreach, planning and operational support needs**
- ✚ Challenges matching up Port waterfront development with local community waterfront design and accessibility interests.
- ✚ **Financial challenges related to maintenance needs, prior commitments, and expanded operational expenses**
- ✚ **Legal costs related to tenant, leasing issues, passing ship fees**
- ✚ Sea lions occupying and damaging east mooring basin piers
- ✚ Dredging and wastewater environmental regulations

B. Critical Issues

The Port faces a number of critical issues in determining investment priorities. Central to these issues are:

1. **Maintenance and Renovation of Port Infrastructure and Facilities.** Project costs to get the Port’s waterfront properties (piers and marinas) to maintainable condition are over \$28 million:

Pier 1 (timber, piles)	\$865,000
Pier 2	\$5,345,000
Pier 3	\$225,000
Gateway	\$90,000
Boatyard	\$567,500

Dredging	\$1,095,000
Waterfront West General Updating Costs	\$892,600
East Basin	\$8,855,000
West Basin	\$798,400
Chinook Building	\$10,000
Seafare Restaurant Building	\$150,000
Airport	\$9,743,750
Administration/Security	\$119,900
Security	\$50,000
Renovations Subtotal	\$28,807,150

Annual maintenance costs once/if waterfront assets are in maintainable condition:

Pier 1 (piles, asphalt, deck, substructure, bull rail, utilities)	\$250,000
Pier 2 (warehouse, piles, deck, substructure, asphalt, utilities)	\$350,000
Pier 3 (boatyard, piles, asphalt, uplands, floating dock)	\$125,000
Gateway (asphalt, utilities)	\$100,000
West Marina (includes dredging)	\$175,000
East Marina (includes dredging)	\$150,000
Center Waterfront Dredging	\$1,500,000
Stormwater Maintenance	\$100,000
Annual Maintenance Costs Subtotal	\$2,750,000

2. Need to Increase and Stabilize Port Revenue. Without additional revenue streams, the Port will continue the spiral of deferred maintenance and eventual loss of income-producing resources. While generation of revenue and job creation are priorities, the focus of the Port is on maintenance and improvement of neglected assets and the support of existing business lines and tenants.

The Port is also facing several immediate challenges that will potentially have a significant fiscal impact on Port resources:

- ✚ Department of Environmental Quality Administrative Order on Consent (AOC-4). The Port will have a financial obligation to the Port’s attorneys for their legal representation once the 17-year dispute over contaminated soils between Piers 2 and 3 is resolved.
- ✚ Pier 2 seawall erosion is causing the underlying support to deteriorate at an increasing rate, which will continue to accelerate the costs to repair. Further delay will result in additional costs to the Port, and place in jeopardy seafood processing tenant operations.
- ✚ Closure of the causeway

3. **Need to Foster Public Trust.** The Port is addressing the financial and infrastructure issues, and prior management discord that has caused much of the public’s distrust. However, fostering trust will take time. The Strategic Business Plan Update provides the public with a means to understand and track the Port’s progress resolving its financial and infrastructure issues.
4. **Loss of Matching Grants for FAA-Funded Improvements at the Airport.** The Port has two primary sources for funding FAA and other infrastructure grant match requirements: ConnectOregon grants and Critical Oregon Airport Relief (COAR) grants. ConnectOregon funding for airports and ports was not included in the Oregon Legislature’s 2017 Transportation Bill. The COAR program has less than \$2 million annually for all of Oregon’s critical airports of which the Port of Astoria Regional Airport is one.

C. Demand Analysis

Over the next five years, the Port is expected to experience overall stability and moderate growth in its major industries.

Log Exports

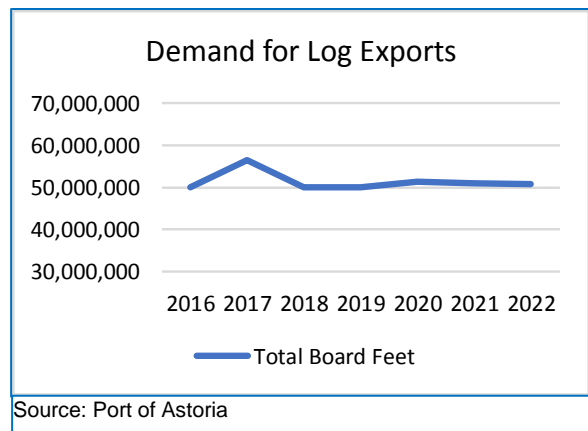
If the US trade tariffs with China are resolved, China’s demand for logs is expected to remain stable for the next three to five years largely due to the logging ban it enacted in 2013 which has created a deficit expected to last until between 2023 and 2027.

However, sources of the logs are currently in question with the US—China trade tariffs significantly impacting US log exports.

As China’s demand slows, demand for log exports may come from other developing nations.

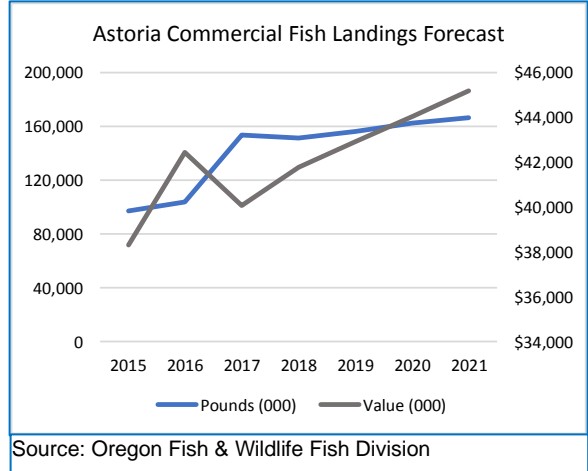
During the last two years, log exports out of the Port of Astoria has totaled 50 to 55 million board feet per year. But the recent trade tariffs have effectively stopped the exports to China. In the interim, some logs may be shipped down the Oregon Coast for milling.

In the long run, global demand for wood products is expected to be strong as the World Bank predicts that global timber demand will quadruple by 2050 driven by population growth and GDP growth driven by the developing world.



Seafood Processing

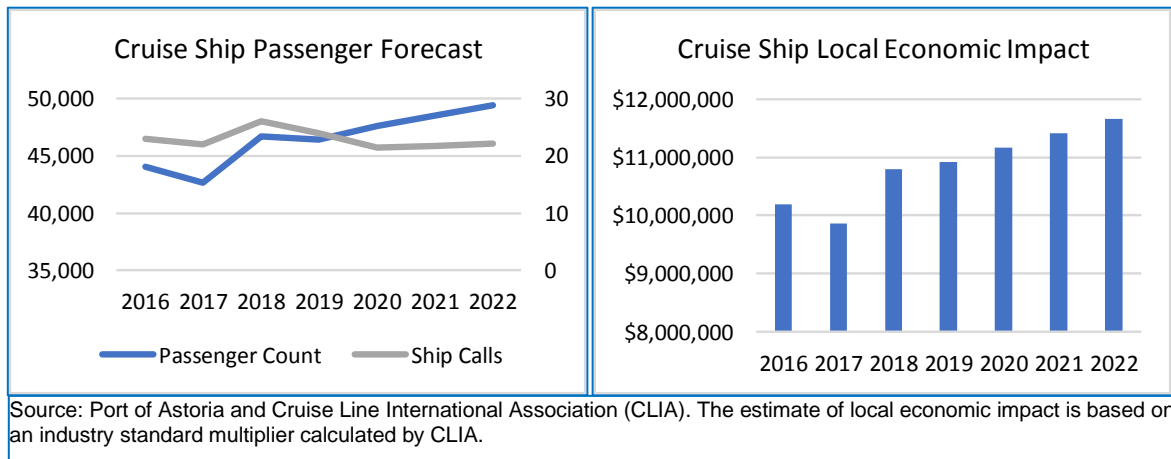
Seafood processing will continue to be a strong and important industry at the Port of Astoria. Astoria’s location and infrastructure if maintained could foster industry stability and growth. While it is inherently difficult to forecast landings, the industry will likely experience moderate growth in both harvested volume and value over the next five years.



Given anecdotal evidence of Astoria’s local interest and tourist demand for seafood and consumer access to locally harvested seafood, infrastructure improvements at Port property that would support this type of development will likely experience strong demand. Further, the City of Astoria has identified seafood processing as one of their five-year economic strategies which offers the Port the opportunity to partner locally to support expansion of the industry into new products and development.

Cruise Ship Operations

Since 2015, cruising demand has increased by 30 percent and is expected to increase by as much as 4.8 percent annually over the next five years. As discussed in other sections of this report, the industry is transitioning to fewer larger ships carrying more passengers per ship. Assuming Astoria is able keep up with this transition by improving infrastructure to accommodate larger ships, Astoria is likely to remain an active port-of-call over the long term. Over the next five years, growth in passenger counts are expected to increase by 5.9 percent translating to a local impact of \$11.7 million in economic activity by 2022.



Local Workforce Housing

The City of Astoria has established significant need for workforce housing and is working on initiatives to determine where and how to increase its housing stock. The Port could work with the City of Astoria to establish demand and development potential on Port properties.

D. District Needs

The growth outlook for the Port's primary industries is positive, however any growth poses critical challenges to local resources. The greatest local needs are family-wage jobs, workforce development strategy and resources, workforce housing and infrastructure improvement funding. Given the demand for Port industries and products as well as the desirability of the local community, significant economic development potential exists. A coordinated partnership and strategy is required to address challenges which threaten future opportunities:

1. Obtaining funding and resources to rehabilitate and improve Port infrastructure and facility assets.
2. Continuing to collaborate with Clatsop County and the district's local communities on business development.
3. Working with the City of Astoria to support workforce development and workforce housing efforts.
4. Partnering with the City of Astoria on shared economic development strategies including expansion and sustainability of the seafood processing industry as well as supporting industries (e.g. boat building and repair, marine fabrication, etc.), maritime industry expansion. Exploring opportunities to create wood product innovations to allow local industry flexibility and sustainability.

E. Risk Analysis

Log Exports

While long term health of log exports is expected to remain stable, commodity markets are prone to short term shocks based on global economic circumstances, currency markets and trade markets. Within the next five years, there is concern regarding a decrease in China's demand for logs due to a slowing Chinese economy which may impact demand for softwood logs by as much as 18 percent. There is also concern about the value of the dollar relative to the yuan, which has been declining. This could shift exports to other markets for a period. Lastly, there is the risk of an extended trade war between the U.S. and China. It is unclear how trade disputes will unfold at this point as well as the extent to which wood products will be impacted. A ten-year horizon concern is China's intent to reenter its wood production industry as its plantations mature. It is likely that much of its production will meet domestic demand, thereby reducing demand for imports and it is also likely that China will enter the log export markets.

Given the Port of Astoria significant exposure to any decrease in demand from China, long term strategies should include a consideration of alternate export markets as well as wood product innovation which would allow swift and flexible options to alternate between log exports and value-added wood production.

Seafood Processing

An immediate risk to the fishing and seafood processing industry is available workforce. The inability to find qualified candidates threatens short term growth but is a larger long-term problem of sustainability for the local community as employers more rapidly replace labor with automation. Supporting the efforts of partners to foster education, innovation and research will allow the industry to meet short-term needs while also creating an educated workforce able to sustain and create employment opportunities.

Cruise Ship Industry

Astoria is a natural and well-established port-of-call for the Alaska/Pacific Northwest cruise lines. As discussed in other sections, future growth is projected to be stable if Astoria is able to improve existing infrastructure as cruise ships trend larger.

Astoria—Warrenton Regional Airport

Lektro, an international exporter of commercial airplane tugs, was sold in early 2019. A major employer whose lease pays for the State of Oregon debt service on their building is no longer based in Astoria. Should the new owners move the Lektro operation closer to their Midwest headquarters, the Port could be left with significant debt service with no source of repayment.

Structural Issues at Pier 2

Already weight-limited, the Pier 2 structural issues are of the highest priority, and threaten the future of the seafood processing on the dock. (See Oregon Department of Transportation November 30, 2018 letter in the Appendix)

Lack of Infrastructure Funding

Rehabilitation of the Port's aging infrastructure is currently estimated at \$28 million, a sum outside the means of the Port.

VI. Goals and Objectives

A. Management Goals

1. Policies and Procedures

In 2017, the Port updated its Policies and Procedures and Bylaws. Goal is to update these based on the findings of this updated Plan and recommendations from the ad hoc Finance Committee, including documentation of the decisions (leases, budget adjustments, maintenance, capital, and contracted services expenditures.) Annual reporting on the measurement of actual practices is recommended.

2. Staffing

Goal is to provide adequate Port staffing both in terms of the level and breadth of coverage, and in terms of experience required to operate and maintain the entirety of Port facilities and services.

3. Staff and Board Development

Goal is to have trained and experienced staff in-house. **Board development goal is to have an improved understanding of the Port's finances and operational requirements and challenges.**

4. Emergency Management Procedures and Protocols

Goal is to have a Continuity of Operations Plan/Updated Emergency Management Plan in place by the end of 2022.

B. Financial Goals

1. Property Management

The Port owns large tracks of vacant or under-utilized property, much of it near or at the airport in Warrenton. Most of this property is challenged due to either extremely high water tables or at elevations that are subject to the potential impacts of earthquakes (soil liquidification), tsunamis, storm surges, high wind events and inundation zones. The Port continues to seek solutions that can mitigate the impacts that result from storms, earthquakes and subsequent tsunamis. For example, the Port also owns substantial property holdings in these low-lying areas near the Skipanon River and some of these areas should be considered for the purposeful creation of wetlands to obtain Wetland Mitigation Credits. With mitigation credits rapidly approaching \$200,000 per acre for wetland mitigation credits, an evaluation of converting these “wetlands” to “Wetland Mitigation Credits” is a potential development opportunity. These credits can be sold on the open market or they can be used for mitigation credits for future Port projects.

Many, if not most of the Port's leases are below market value. Port staff continue to make concerted efforts towards rental adjustments to bring all leases up to current market conditions. Additionally, the Port has made strides towards leasing available properties at current market rates. The Port is the largest landowner on the river front in Astoria. The Port will be evaluating the potential opportunities to sell under-performing properties and use proceeds from sales of these properties towards the repairs and replacement of necessary infrastructure on Port properties that can generate revenue.

The Port's new stormwater treatment facility completed in 2017, provides the needed stormwater system capacity. The challenge is determining a fair and equitable approach to

viability of the piers is of significant concern. Repair and ongoing maintenance of Pier 2, to preserve not only the infrastructure, but the seafood processing jobs and revenue Port is critical to the State, the Port and the local community.

- Negotiations with Business Oregon to secure the loans to build the Bornstein seafood processing facility and to rehabilitate the Lekto building at the Airport, established long-term leases for the facilities. Annual revenue for the Bornstein building matches the debt service to Business Oregon, with no additional revenue to the Port. The Lekro lease is similar, with only \$29,000 in lease payments over debt service, an amount that does not meet ongoing maintenance costs and an annual reserve for depreciation.
- Lekro, an international exporter of commercial airplane tugs, was sold in early 2019. A major employer whose lease pays for the State of Oregon debt service on their building is no longer based in Astoria. Should the new owners move the Lekro operation closer to their Midwest headquarters, the Port could be left with significant debt service with no source of repayment.

Debt Management Goal is to lower the Port's debt to equity ratio.

Action Plan

- Manage the Port's debt agreement with Business Oregon by prioritizing and implementing Pier 2 repairs in upcoming operating budgets (See 2019—2020 Port of Astoria Capital Projects in Appendix)
- Develop a Pier 2 Rehabilitation Plan and funding proposal to Business Oregon

3. Depreciation

The Port books approximately \$1.9 million in depreciation annually. Annual revenues are not sufficient to cover operating expenditures (personnel and materials and services), debt and capital improvements, and set aside a reserve for depreciation.

Depreciation Goal is to work toward funding the Port's depreciation account.

Action Plan

- Evaluate where the Port can begin to establish depreciation reserves
- As finances improve, establish a depreciation reserve account, documenting depreciation per Port asset

4. Reserves

Currently, the Port has less than three months reserve for operations. Along the West Coast, the average in 2017 was 190 days. (Six months is an industry best practice). Natural disasters are part of the North Coast environment, from severe weather events to the Cascadia subduction. Economic resiliency must be built into the Port's management philosophy and operations.

Goal is to work to increase the Port's operating reserve over time.

Action Plan

- Identify and evaluate opportunities for increasing the Port's operating reserves

C. Property and Infrastructure Goals (Marine, Aviation, Industrial, Commercial, Recreational)

1. Port of Astoria Regional Airport

a. Airport Facilities

- Background and Status—
The Port of Astoria Regional Airport provides nearly 400 jobs with payrolls of over \$23 million. Tenant business activity results in over \$75 million in sales and other outputs. (See Airport Advisory Committee May 28, 2019 Report in the Appendix)



The Port has an

obligation to maintain airport operational functionality for the entire coastal region from Southwest Washington to Tillamook. In the event of a disaster, the airport may be the sole source of emergency supplies for recovery efforts.

However, key issues face the Airport long term:

- ✓ Airport buildings and infrastructure require significant attention.
- ✓ Prior financial decision-making has resulted in total airport revenue not meeting airport operating expenses. For example, agreements made with several tenants in the early 2000's established lease rates that did not cover the Port's buildings and infrastructure capital improvements.
- ✓ The Port has the obligation to maintain airport operational functionality for the US Coast Guard Air Station without financial assistance from the Coast Guard.
- ✓ Currently, non-capital operating revenue for the Airport is approximately \$636,000 annually. Annually, debt service of \$393,000 and operating expense of approximately \$342,000 totals \$735,000, resulting in nearly a \$100,000 net loss to the Port.
- ✓ The City of Warrenton's sanitary sewer system is experiencing a dramatically greater volume of water from the airport than the volume of water the City is delivering to the Airport. This could indicate that groundwater is penetrating a failing conveyance system which is multiple decades old.
- ✓ Loss of ConnectOregon grants means losing a resource for matching dollars for future Port FAA grants and projects such as Life Flight's new facility. Without funding for the required match, not only will it be difficult for the Port have competitive FAA grant applications, but over time, the Airport could lose FAA certification for continued operations. Lack of airport capacity and services would be devastating to the Port's Airport tenants, emergency response capabilities and the region.

- Goal—Increase Airport revenues to fully offset operating expenses and provide funding for long-term capital improvements.
- Action Plan—Short- and long-term activities recommended by the Airport Advisory Committee include:
 - ✓ Follow through on immediate opportunities to increase hangar lease rates
 - ✓ Pursue more government fuel sales
 - ✓ Seek opportunities to bring in additional business development
 - ✓ Actively pursue new local and State funding partnerships
 - ✓ Evaluate the pros and cons to spinning off the Airport into an Airport Authority, as a separate governmental entity, separate from the Port of Astoria
 - ✓ Develop a temporary (5—10 years) container mini storage facility
 - ✓ Develop the east Skipanon Peninsula into a watersports camp/village
 - ✓ Develop a food cart pod on Port property between King St and Harbor Ave
 - ✓ Update the FAA Airport Master Plan and to the extent possible, integrate the Strategic Business Plan Goals and Activities into the Master Plan

b. Airport Industrial Park

- Background and Status—For multiple reasons related to its location, the 26-acre Airport Industrial Park will be a challenge to develop as a revenue-generating Port asset:
 - ✓ It is on a low-lying land with significant wetlands
 - ✓ It is in earthquake, tsunami and inundation zones
 - ✓ Its proximity to the Port of Astoria Regional Airport means that development must follow FAA guidelines
 - ✓ Within the Warrenton’s City limits, it must adhere to the City’s building codes



Port of Astoria
Airport Industrial Park

- Goal—Make the Industrial Park a performing asset for the Port.
- Action Plan
 - ✓ When a potential development opportunity is proposed, conduct thorough due diligence on the proposal to ensure the development meets the Port’s Strategic Business Plan
 - ✓ Determine the most feasible use of the property and follow through on development:
 - ✓ Undertake a thorough feasibility of the potential for development of the Industrial Park including wetland delineations, FAA and zoning constraints, associated development costs, and consistency with the Port’s Strategic Business Plan
 - ✓ Explore development options—public, private and non-profit sectors
 - ✓ Draft a business plan for Industrial Park development based on the outcomes of the feasibility study
 - ✓ Seek partners and funding for the planned development

2. Waterfront West (Piers 1, 2 and 3, boatyard, and property west of Portway Street)

- Background and Status—Waterfront West produces the most gross revenue (over \$5 million) and most net income (approximately \$1.5 million) for the Port. The Port’s log exporting, fish processing and cruise ship business activity have historically accounted for the majority of the Waterfront West revenue. Seafood and cruise ships are forecast to continue to be economic drivers for the Port; largely uncertain are revenues from log exports, which in the past have accounted for over 20% of the Port’s income.



Waterfront West lodging properties’ future development potential has yet to be realized. Lodging along the Columbia River is in high demand much of the year, and developers are taking an interest in Astoria as a tourism destination.

The Port’s boatyard is currently an under-performing asset. Because of its lack of a full-service haul-out and boat repair facility, and inadequate space, demand has been limited. Tongue Point, under its new ownership, is developing as a barge and tug building and repair hub. Warrenton/Hammond Marina offers boat repair services locally. Pier 3, current location for the Port’s boatyard, will have new space available as current leaseholders are moving, leaving the Pier available for expanded use.

Biggest issue facing Waterfront West is deterioration of the piers

- Goals—Improve the piers to full functionality and support waterfront tenants’ development efforts.
- Action Plan—Planned strategic development action activities are both targeted and multi-faceted:
 - ✓ Work with existing tenants to determine their immediate and long-term development needs
 - ✓ Address Pier 2 rehabilitation work
 - ✓ Seek funding to finalize rehabilitation of Pier 2
 - ✓ Explore the feasibility, desirability and interest in expanding the Port’s boatyard
 - ✓ Develop a Master Plan (update the 2001 Central Waterfront Master Plan) for parking, vehicle safety, lighting, and traffic ingress and egress for tenants and visitors to Waterfront West including an evaluation of a Phase 1 Megler Bridge to Portway St Local Improvement District (LID). A second phase in the future could be a LID from Portway St to Youngs Bay.

3. Waterfront East (Mooring basins and property east of Portway Street)

- **Background and Status**— Public access is via a failing closed causeway, which has been estimated to require at least \$4 million to repair (source: ODOT).

The East Mooring Basin is sized for approximately 1,000 boat slips, but deferred dredging has meant that only a third of the basin’s capacity is deep enough for boat mooring.



Currently, due to the causeway closure, only a handful of slips are being leased. To build out the basin to its full capacity, including dredging and slip construction will require over \$3 million. Market for additional moorage would have to be explored to justify further development.

A Master Plan is needed for the future development of this important and strategically located Port property in collaboration with the City of Astoria, affected Port tenants (primarily a limited number of vessel owners and operators who moor their vessels in the marina), adjoining neighbors and local community members and stakeholders.

The East Mooring Basin has received Federal designation as an Opportunity Zone, which could help leverage private sector investment.

- **Goal**—Make the East Mooring Basin a performing asset for the Port and the Astoria community
- **Action Plan**—Develop a Master Plan to determine the feasibility of the most viable options for the East Mooring Basin’s future. The investigative and visioning process should identify how to address:
 - ✓ Next two years: Make repairs so boat ramp stays open, maintain parking availability, improve causeway to allow foot traffic
 - ✓ Appropriate property development and acceptable usages of the property
 - ✓ Repairs/Replacement of the causeway
 - ✓ Resolving conflicts due to the inundation of an ever-growing pinniped population,
 - ✓ Potential expansion of the Port’s boat ramp
 - ✓ Traffic flow and impacts of new development
 - ✓ Ingress, egress to the property
 - ✓ Parking, lighting and security
 - ✓ Increased quality of life experiences for the community and visitors
 - ✓ Quality amenities and services for visitors, residents and workers nearby the mooring basin
 - ✓ Preservation of view corridors and increased opportunities to enjoy the sights of the Columbia River

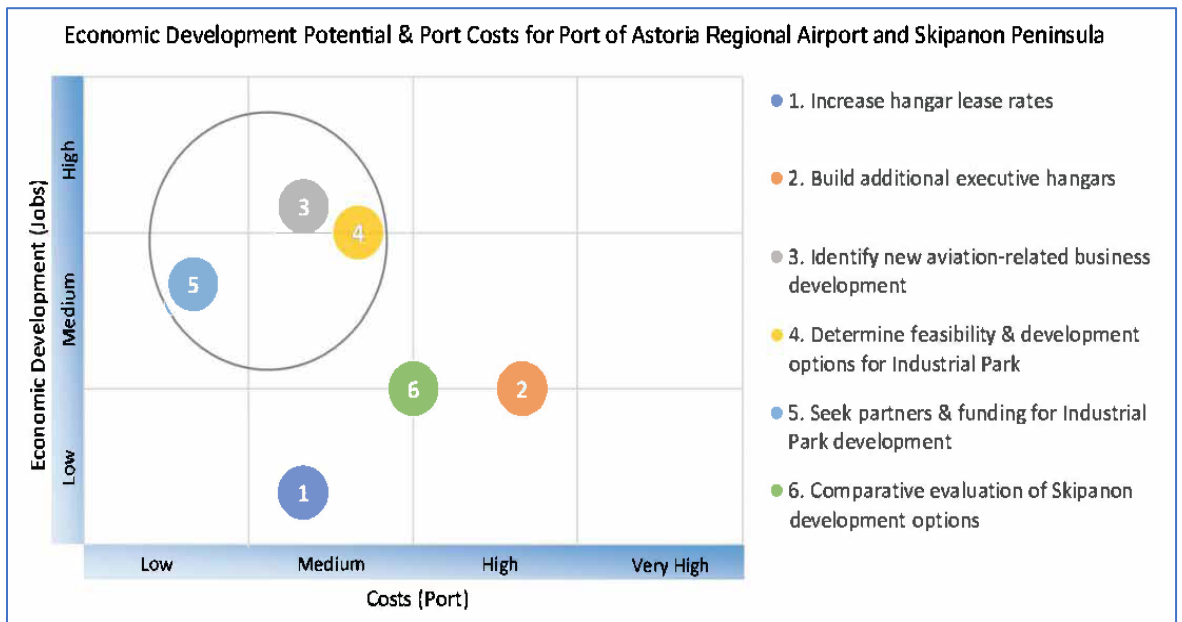
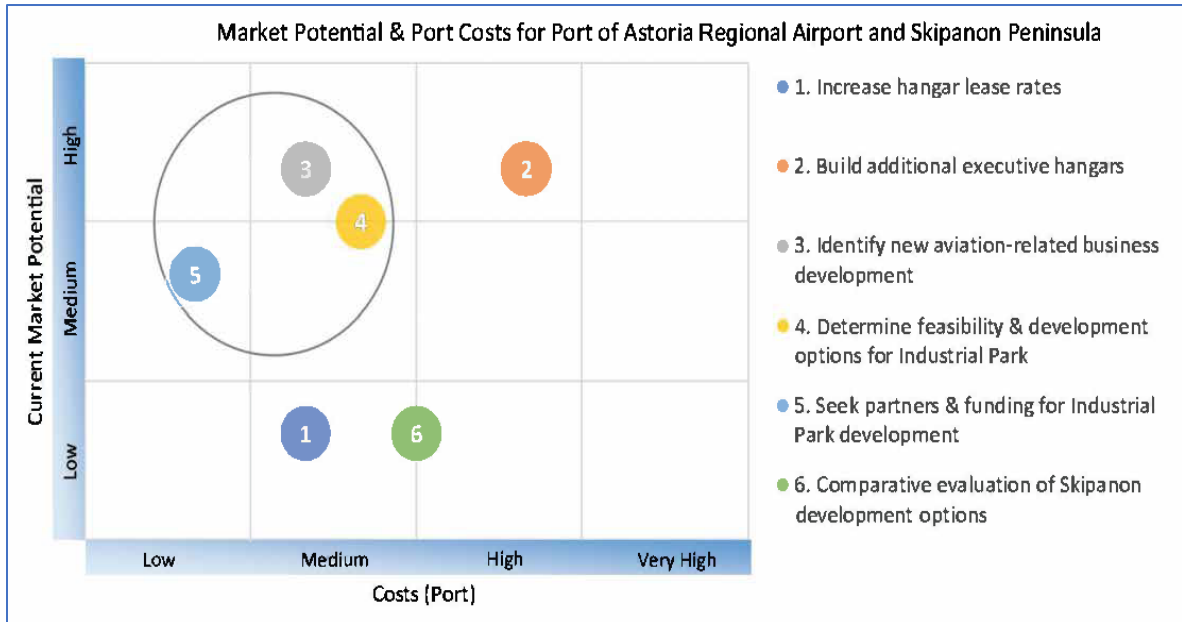
- ✓ Increasing the Port’s net revenue from the property as a result of prior and future investments
- ✓ Potential for public—private partnerships

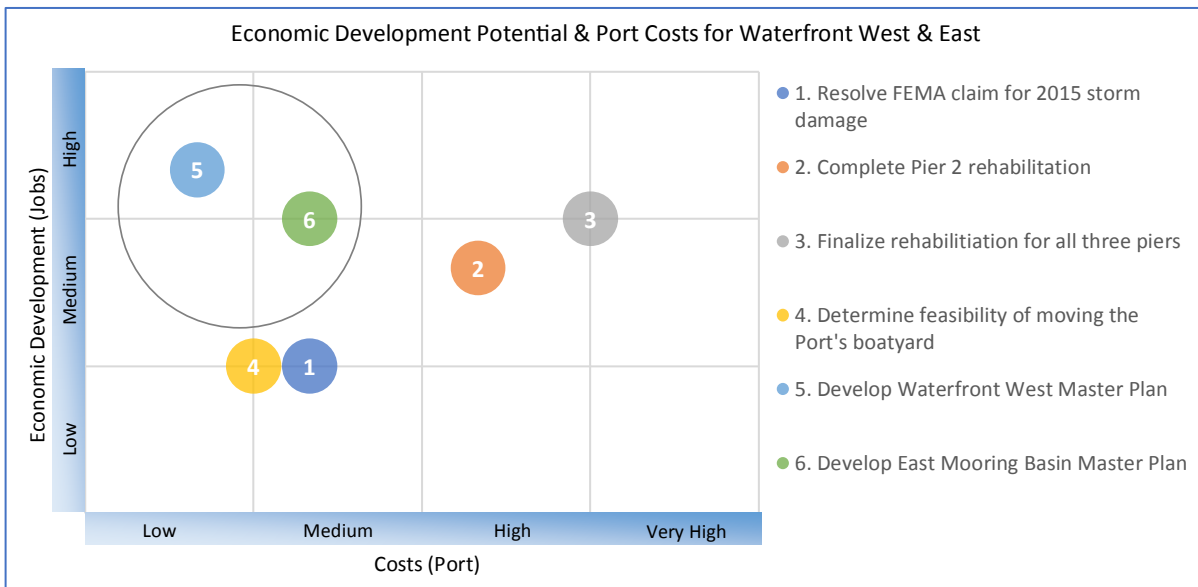
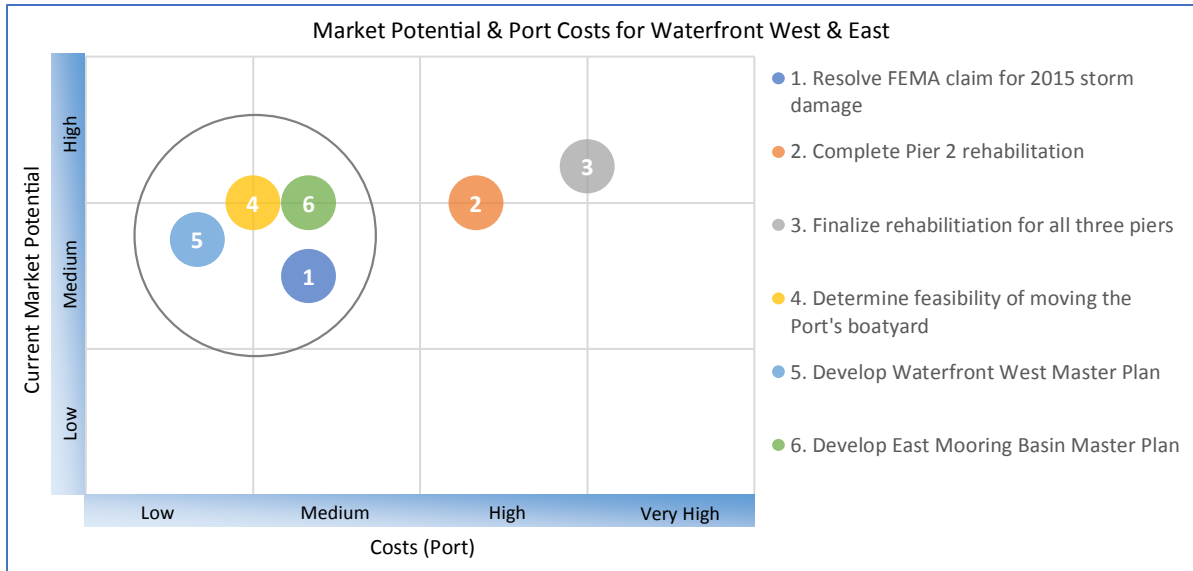
4. Skipanon

- Background and Status—The Port owns 200 acres along the west side of Harbor Drive. Because of the wetlands and diking constraints, the land may not be suitable for future commercial development. One option to commercial development might be establishing the acreage as a “Mitigation Land Bank,” as wetland credits can be worth upwards of \$175,000 per acre.
- Strategic Objective: Determine the highest and best use for the property
- Action Plan: Engage the public in identifying key priorities for the future of the Skipanon property. As applicable, follow up with a comparative evaluation of the various development options:
 - ✓ Determine the feasibility of commercial development
 - ✓ Partnering with communities for development of campground or water sports activities on the peninsula
 - ✓ Determine the feasibility and ultimate value of purposely creating additional wetlands for estuarian habitat and the creation of Port-owned “Mitigation Land Bank.”
 - ✓ Evaluate the benefits to the Port and District to selling the property
 - ✓ Evaluate the costs/benefits to doing nothing with the property

Comparative Evaluation

The following diagrams illustrate the evaluation of recommended projects in order to prioritize their implementation. Each project’s local market and economic development potential is compared relative to its potential costs. Opportunities with the best current market and economic development potential and lowest costs are identified as high priorities, while opportunities with less current potential benefit or higher costs are identified as lower priority efforts.





D. Infrastructure Goals

1. Challenges

Updating and maintenance are the major infrastructure challenges for the Port at this time. All three piers require significant rehabilitation, waterfront and Airport buildings have long-standing maintenance issues. Dredging is a multi-million dollar challenge for the Port: Replacement of the Port's aging dredge vs using a private contractor; disposal of the dredge spoils as flow lane disposal could be further restricted or banned in the future. Maintenance of the West Mooring basin is a perennial challenge. The future of the East Mooring basin is uncertain. New development at the Airport will require new water and sewer infrastructure, and the Skipanon property is completely unimproved.

2. Infrastructure Objectives

- Update the failing infrastructure to modern-day standards
- Maintain infrastructure that is in good repair to preserve the longevity and useful life
- Develop new infrastructure as new facilities are built out
- Explore options for bringing fiber optic broadband access to Port properties.

3. Action Plan

- Develop and implement a Planned Maintenance System and Schedule (PMS) for the Port's to maintain the Port's infrastructure and equipment at safe and effective levels. Address maintenance personnel and equipment needs for all port properties, including the Airport
- Develop a detailed and comprehensive plan for improvements and updates required to address neglected and deferred maintenance to bring infrastructure and port equipment up to a safe operational level

E. Environmental Goals

1. Environmental Challenges

The Port's environmental obligation is to ensure processes and procedures are in place for all tenants and Port facilities to prevent contaminants from entering the storm water system. Challenges for the Port include:

- Failing pier structures
- Sea-bird fecal matter and fish particles getting into the storm water system
- Longstanding AOC-4 contamination at Pier 2
- Significant penetration of ground water in the City of Warrenton's sanitary system at the Airport
- Lack of a formal program educating tenants, latest storm water technology, and staff training on the Port's storm water complexities. If the Port expects its tenants to contribute toward the stormwater system improvements, tenants will need to participate in identifying how the system will benefit them.

2. Environmental Goals

- Maintain compliance with all Department of Environmental Quality (DEQ) standards and regulations regarding storm water pollution management
- Invest in equipment necessary to prevent contaminants from entering the Port’s storm water systems on all Port properties
- Improve access to all storm water outfalls that are used for testing storm water samples

3. Action Plan

Central Waterfront and Piers

- Continue to evaluate all Port pier structures and prioritize the repair and/or replacement of pier structures that are failing, with a focus on Piers 1 and 2
- Work with our seafood processing customers to develop and implement procedures to eliminate the discharge of sea-bird fecal matter and fish particles into the Port’s storm-water system. Initially focusing on the building roofs to address these issues.
- Educate customers on the location of drains and runoff conduits to prevent the discharge of contaminants into the Port’s storm system.
- Bring to closure the permanent clean-up solutions for AOC-4 which has been a 17 year-long process.
- Invest in training for all staff to provide the proper education and tools to manage the Port’s storm-water systems.
- Explore the latest technology available to help maintain and operate a successful storm-water management system across all Port properties.

Airport

- Design and implement a new Storm Water Pollution and Prevention Plan for the Airport
 - Educate Airport customer and new tenants on the location of drains and runoff conduits to prevent the discharge of contaminants into the Port’s storm system.
- Develop and implement a strategy that addresses the significant penetration of ground water into the City of Warrenton’s sanitary water system at the Airport

F. Marketing Goals

1. Background and Status

Currently, the Port’s marketing efforts have been primarily through staff networking and business development outreach. There has not been a specific Marketing Plan for the Port or individually for the Port properties. In large part this is because there is limited Port property available for development: Airport Industrial Park, vacant land at the south end of the Airport runway, and Skipanon. However, there are opportunities for more systematically marketing the Port, port properties and supporting existing tenants business development activity.

2. Goals

- Improve public awareness of the Port and its activities and undertakings
- Recruit/Support new business development for all Port properties

3. Action Plan

Short-Term Activities:

- **Seafood business development/expansion**
- **Airport business development/expansion**
- **Tourism destination development along the central waterfront, lodging, restaurant(s), conference center, locally-based retail**

Longer-Term Activities

- Conduct a cargo market study
- Conduct an Airport Industrial Park feasibility study to determine the highest and best uses of the wetland-challenged property
- Conduct an East Mooring Basin market study to examine highest and best use(s) of the basin, costs, market demand, and the most feasible development options
- **Complementary marketing of the Airport Industrial Park with the County's North Coast Business Park (NCPB)**
- **Airport development—new hangars**

VII. Facilities and Business Plan

A. Five Year Capital Plan

1. Port of Astoria Regional Airport—Airport Facilities

Goal: Increase Airport revenues to fully offset operating expenses and provide funding for long-term capital improvements

Two-Year Activities:

- Follow through on immediate opportunities to increase hangar lease rates
- Pursue more government fuel sales
- Seek opportunities to bring in additional business development
- Actively pursue new local and State funding partnerships
- Evaluate the pros and cons to spinning off the Airport into an Airport Authority, as a separate governmental entity, separate from the Port of Astoria
- Develop a temporary (5—10 years) container mini storage facility
- Develop the east Skipanon Peninsula into a watersports camp/village
- Develop a food cart pod on Port property between King St and Harbor Ave

2. Port of Astoria Regional Airport—Airport Industrial Park

Goal: Make the Industrial Park a performing asset for the Port

Two-Year Activities:

- When a potential development opportunity is proposed, conduct thorough due diligence on the proposal to ensure the development meets the Port’s Strategic Business Plan

3. Waterfront West (Piers 1, 2 and 3, boatyard, and property west of Portway Street)

Goals: Improve the piers to full functionality and support waterfront tenants’ development efforts

Two-Year Activities:

- Work with existing tenants to determine their immediate and long-term development needs
- Address Pier 2 rehabilitation work
- Seek funding to finalize rehabilitation of Pier 2
- Explore the feasibility, desirability and interest in expanding the Port’s boatyard

4. Waterfront East (Mooring basin and property west of Portway Street)

Goal: Make the East Mooring Basin a performing asset for the Port and the Astoria community

Two-Year Activities:

- Make repairs so boat ramp stays open
- Maintain parking availability
- Improve causeway to allow foot traffic

5. Skipanon

Goal: Determine the highest and best use for the property

Two-Year Activity:

- Engage the public in identifying key priorities for the future of the property

6. Infrastructure

Goals: Update failing infrastructure to modern-day standards. Maintain infrastructure that is in good repair to preserve the longevity and useful life

Two-Year Activity:

- Develop and implement a Planned Maintenance System and Schedule (PMS) for the Port's to maintain the Port's infrastructure an equipment at safe and effective levels. Address maintenance personnel and equipment needs for all port properties, including the Airport.

B. Management Plan

1. Policies and Procedures

Goal: Update the Port's Policies and Procedures and Bylaws

Two-Year Activities:

- Update and implement Financial Policies
- Review and update as needed organizational processes and procedures

2. Staffing

Goal: Provide adequate Port staffing both in terms of the level and breadth of coverage, and in terms of experience required to operate and maintain the entirety of Port facilities and services

Two-Year Activities:

- Evaluate organizational staffing, roles and responsibilities. Implement organizational changes as needed
- Evaluate the need for a Port Property Administrator to negotiate and manage Port leases and contracts

3. Staff and Board Development

Goal: Have trained and experienced staff. Board development goal is to have an improved understanding of the Port's finances and operational requirements and challenges

Two-Year Activities:

- Establish a Standing Finance Committee
- Conduct a full day Board Training Retreat

4. Emergency Management Procedures and Protocols

Goal: Complete a Continuity of Operations Plan/Updated Emergency Management Plan by the end of 2022

Two-Year Activities:

- Research and outline needed Plan components

C. Financial Plan

1. Property Management

Goal: Maximize revenues received from Port properties

Two-Year Activities:

- Review all Port leases to identify potential rental adjustments
- Negotiate new leases at current market rates
- Evaluate potential opportunities to see underperforming assets

2. Debt Management

Goal: Lower the Port's debt to equity ratio

Two-Year Activities:

- Manage the Port's debt agreement with Business Oregon by prioritizing and implementing Pier 2 repairs in upcoming budgets (See 2019—2020 Port of Astoria Capital Projects in Appendix)
- Develop a Pier 2 Rehabilitation Plan and funding proposal to Business Oregon

3. Depreciation

Goal: Work toward funding the Port's depreciation account

Two Year Activities:

- Evaluate where the Port can begin to establish depreciation reserves
- As finances improve, fund a depreciation reserve account, documenting depreciation per Port asset

4. Reserves

Goal: Increase the Port's operating reserves over time

Two-Year Activities:

- Identify and evaluate opportunities for increasing the Port's operating reserves

D. Environmental Plan

Goals:

- Maintain compliance with all Department of Environmental Quality (DEQ) standards and regulations regarding storm water pollution management
- Invest in equipment necessary to prevent contaminants from entering the Port's storm water systems on all Port properties
- Improve access to all storm water outfalls that are used for testing storm water samples

Two Year Activities—Focus will be on the central waterfront and piers:

- Continue to evaluate all Port pier structures and prioritize the repair and/or replacement of pier structures that are failing, with a focus on Piers 1 and 2
- Work with our seafood processing customers to develop and implement procedures to eliminate the discharge of sea-bird fecal matter and fish particles into the Port's storm-water system. Initially focusing on the building roofs to address these issues.
- Educate customers regarding proper management of storm-water systems to prevent the discharge of contaminants into the Port's storm system.
- Bring to closure the permanent clean-up solutions for AOC-4 which has been a 17

year-long process.

- Invest in training for all staff to provide the proper education and tools to manage the Port's storm-water systems.
- Explore the latest technology available to help maintain and operate a successful storm-water management system across all Port properties.

E. Marketing Plan

Goals:

- Improve public awareness of the Port and its activities and undertakings
- Recruit/Support new business development for all Port properties

Two Year Activities—Focus will be on the central waterfront and piers:

- Support seafood business development and expansion
- Support tourism destination development along the central waterfront, lodging, restaurant(s) conference center, locally-based retail

VIII. Attachments and Exhibits

Summary of Preliminary Public Input

Current Intergovernmental Agreement Between the Port of Astoria and Business Oregon's Infrastructure Financing Authority

Port of Astoria Ad hoc Finance Committee May 2019 Report

ODOT November 30, 2018 Pier 2 Letter

Port of Astoria Strategic Business Plan Update
Attachment A
Public Input

Given that the priorities of the Port of Astoria for 2019—2024 are on achieving financial stability and sustainability, and fostering community trust, interviews with stakeholders and key industry individuals focused on how the Port can achieve these key priorities. The following summary reflects a cross section of individuals including Port staff and individuals knowledgeable about the Port, public officials, Port tenants and users, and Port district taxpayers. Geographically, interviews were distributed throughout the district. Summary comments from the interviews include:

1. What do you see as the primary role of the Port in Clatsop County?

- The Port is the County’s economic front. The bow stem of the ship. A maritime Port.
- Economic development: Jobs. Responsibility to protect estuary. Provide a healthy economy without trashing water or air.
- Distribution and shipping. Trade goods in and out. Tourism, eg, cruise ships (ship passenger spending is beneficial to the local economies)
- Fish processing cluster, log exporting, marinas, airport, greenway access to Columbia River.
- Managing existing assets on the waterfront and at the airport.
- Should be anything to do with transportation through or near Port facilities, business and/or recreational.
- Port’s responsibility is to maintain jobs and create wealth for the district.

2. What do you think it does best?

- Has diversified over the years, eg, cruise ships (positive economic development), log exporting (significant revenue generator). Eggs aren’t all in one basket.
- Well-managed airport. Advisory Committee is very well organized and well lead. Seem to have their “ducks in order” and know what project funding to ask for.
- Managing cruise ships. Come in mostly during the tourism shoulder season so don’t add much traffic to the local community
- Adding more hangars at the airport is good.
- Fish processing, logs, marinas. All are good for our business. Keeping boats and jobs here is helps our business.
- Airport: Airplane traffic, receiving grants for renovations and upgrades.
- Maintaining the face of Pier 1, dredging.
- Very good maintenance people.

3. What do you think it’s not doing very well?

- Causeway. Unfortunate to have it closed to the public.
- Have a waiting list of over 100 at the moorage. Need to make renovations to open up more slips.
- Keeping the public informed, educated on what they do and are doing. Engaging the business community so they can partner better and take advantage of business opportunities at the Port.

- Connecting with what the citizens of Astoria on what they want and have invested in regarding the Astoria waterfront: Scale of development, entrepreneurs, local businesses, access to river.
- Communicating on the value of the Port and what it brings to the community.
- Matching revenues with needed infrastructure renovation and maintenance expenditures.

4. What would you like to see it be doing in the next 5 years?

- Get finances in order.
- Revitalize Marine Advisory Committee. Need a plan and how to get there.
- Follow a strong economic development plan.
- Foster a stronger relationship with the State.
- Continue to bring in cruise ships.
- Be thoughtful about what is developed along the waterfront.
- Economic development that is appropriate to the river and to the land the Port owns.
- Prioritize properties, offload those that are current and future liabilities to the Port.
- Identify and focus on a limited number of priorities, inform the public on the priorities and keep the public informed on the progress meeting those priorities.
- Develop a plan and stick to it.

5. Opportunities for the Port?

- Skipanon—Potential for a wetlands mitigation bank, but will need a feasibility study.
- Development of the Airport Industrial Park.
- Cold storage.
- Public/Private partnership of the East Mooring Basin, if development is small scale, authentic, and has a historic feel.
- Post-earthquake, potential for Port to serve as a hub for emergency supplies and services.
- Increased commercial and private fishing, and fish processing.
- Increased boat repair.

MEMORANDUM

TO: Commission President - Frank Spence
FROM: ad hoc Finance Committee Chair – Walt Postlewait
SUBJECT: ad hoc Finance Committee Final Findings and Recommendations
DATE: 5/3/2019

This memo summarizes the ad hoc Finance Committee’s findings and recommendation to the Port of Astoria’s Board of Commissioners concerning the financial state of the Port and financial policies and procedures currently in place.

The Port’s current financial condition is the result of many years of mismanagement and neglect of infrastructure. The current list of unfunded maintenance needs is overwhelming. While our Committee does make recommendations to sell off high-maintenance or underperforming properties, these actions will not address the Port’s problems in the long-term. It is highly unlikely that the Port will be able to overcome its financial challenges on its own. Additional state or federal public investment will be required.

Our top recommendations to the Port are:

- 1) Acknowledge that the Port cannot solve these problems on their own
- 2) Ensure that the Port is in full compliance and qualifies for state and federal assistance
- 3) Reestablish credibility and rebuild relationships with state and federal decision makers
- 4) Formalize a strategic plan that recognizes current problems and provides a realistic path forward
- 5) Make the case that significant public investment is needed to protect jobs and preserve strategic infrastructure on the Columbia River

This effort will require humility by the Board and Port management. Inward fighting and dysfunction must stop. The Board and Port management must work with each other rather than against each other. Information needs to flow freely between staff and the Board and there must be complete honesty and transparency with all state and federal agencies, and the citizens of Clatsop County.

The current outlook is dire. We must face reality, seek expert help and chart a path forward. This is what the Board was elected to do, what the Port executive director was hired to do and what stakeholders of the Port expect.

Other recommended actions from the Committee are as follows:

Finalize the Strategic Plan

- 1) Completion of the revised strategic plan is critical to securing future funding and should be given the highest priority. The Board should read the existing strategic plan, and review a draft of the revised plan within the next 30 days. A clear timeline for adoption of the plan needs to be created and made public.
- 2) The Port’s mission statement should be edited or restated to acknowledge current difficulties and the need for fiscal improvement, balanced with the Port’s role in creating opportunities for economic development of Clatsop County.

- 3) All stakeholders and/or users of the Port should be identified along with the assets critical to each user group. The impact on each group should be formally assessed when allocating Port resources over a certain threshold. Resources are finite and every yes is a no to something else.

Reduce the Port's Maintenance Exposure

- 4) Make a list of all major assets (i.e. buildings, infrastructure, land, equipment, stock) and determine the following:
 - a) Annual financial impact on the Port
 - b) Asset marketability
 - c) Economic development opportunity lost if sold to a private party
- 5) Maintain a complete list of deferred maintenance needs (grouped by major asset) and determine the expected timeline to address each need based on the Port's current financial condition. Create a list of items that are unlikely to be addressed within a 5-10 year timeframe. These findings should be presented to the Board along with staff's assessment of the economic impact of each unaddressed maintenance item.
- 6) At least every 3 years, the condition of all Port assets should be evaluated for maintenance needs and the overall condition documented. Income, expense and economic development impact should be assessed. Maintenance should be prioritized and a determination made as to retain or liquidate the asset. All upgrades or maintenance performed should be documented. Assets that have unmanageable deferred maintenance costs should be thought of as liabilities rather than assets. This formal review of Port assets should be presented to the Board.
- 7) Seek to reduce the \$25m+ of maintenance liabilities by selling assets rather than repairing them. All buildings should be considered for potential sale. The sale of assets should follow the Port's adopted policies. In general, the Port should hold land and sell buildings as the Port has shown that it cannot keep up with the required building maintenance.
- 8) Standard Operating Procedures need to be drafted and approved addressing the marketing of Port assets, the sale of Port assets, and the allowable uses for sale proceeds.
- 9) Prioritize the sale of the Riverwalk Inn, Seafare Restaurant and Chinook buildings and invest proceeds in critical infrastructure (i.e. Pier 2).
- 10) Consider selling/leasing East Mooring Basin to a private party. Obligations to other vested Federal and/or State agencies must be considered in this evaluation. However, this property continues to deteriorate and it seems highly unlikely the Port will ever have the cash necessary to make required improvements to make this a useable community asset. The sale of significant assets should only be considered when the proceeds from the sale can be invested into assets.
- 11) Have an understanding that reducing the number of assets also reduces the ongoing maintenance requirements of the Port. A reduction of maintenance liabilities will only fully be realized when there is a corresponding reduction in Port overhead.

Assess the Contribution of Each Port Asset

- 12) Develop a better understanding of how each dollar of revenue is generated and each expense dollar is spent. At a minimum the Port should be able to break down profitability by Geographic area (East, West, Airport). Ideally each Port property and/or operation would show its contribution/impact on the bottom line.
- 13) Review all current leases and compare current lease rate vs current market rate vs the Ports full cost (including deferred maintenance). Rents that are under market should be adjusted when lease renewal allows. Present summary findings to the Board. The public deserves to know what properties are leased at below market rates and the amount of economic development supported by the Port.
- 14) The full cost of each property (including property maintenance and dredging) should be passed along to those that benefit from the asset. When possible this should be included in lease payments. However, the Port should consider assessing new user/activity fees as needed to fully recoup these costs.
- 15) Evaluate a possible special assessment on all tenants (similar to an HOA) for Port common areas and general services provided by the Port (i.e. security, roads, water treatment, etc.) that are not currently billed to tenants.

Improve the Quality and Flow of Financial Information

- 16) Month end closing procedure completed within 10 days of month end with results presented to the Commission within 30 days of each month end. This will require certain financial estimates to be made, which can be true-up the following month.
- 17) Financial packet to Commission members (available to the public) may include items such as:
 - a) One-Page Executive Summary from Finance Director
 - b) 5 key metrics used to measure current condition and assess improvement/deterioration
 - c) YTD Budget vs Actual
 - d) Projected Profit and Loss for 12 Month ended June 30
 - e) Summarized Profit and Loss by Department/Area/Operation with:
 - i) All Port expenses allocated to a revenue center (including overhead cost)
 - ii) Pass-through items shown separate from standard labor and material expenses
 - f) A reconciliation of pass-through items (rebilled utilities, rebilled labor/equipment, fuel sales)
 - g) Schedule showing where Port labor was invested during the period
 - h) Cash forecast
 - i) Major expenditures during the recent period (grouped by asset/project)
 - j) Large upcoming expenditures, why they are needed and how they will be funded
- 18) Financial packet information should be presented monthly by the Port's Finance Director. Whenever possible, Department heads should make presentations to the Board directly rather than the Executive Director. Hearing from and directly asking questions of subject experts provides greater competency and transparency. It also limits opportunity for selective information sharing.
- 19) Port management should discuss current budget shortfalls and necessary spending cuts so that expenses match revenues. The Board should hold management accountable for balancing the budget.

Create and/or Follow Existing Policies and Procedures

- 20) The Board, Port management and staff need to stay up to date on policies and resolutions that the Port is required to abide by. A systematic training schedule for all parties should be established, including an annual update that summarizes recent policy changes and an annual ethics training. Proper governance builds credibility and is a key component in obtaining the support and confidence of state and federal agencies, and other stakeholders in the County.
- 21) Existing statutes and resolutions should be organized and made available to both the Board and Port staff. Staff should identify and reference relevant policy when actions are being considered to ensure that the Port stays in compliance.
- 22) Create and/or follow existing policies and procedures that will trigger a budget revision when significant revenue or expense lines differ from the budget. There should have been a redraft of the budget when it became apparent that the 2018-2019 revenue line item for Dockage and Vessel Services was going to be missed by 15% or more
- 23) Create and/or follow existing policies and procedures for the sale of assets. The sale process should be public with the Board being the executing party. A third party expert should be used to determine the value of the asset. When an asset's sale price is below the third party assessment the asset should be publicly marketed via a formal RFP process. When competing offers exist, priority should be given based on overall financial strength and expected economic development impact. We recommend that proceeds from the sale of assets be first re-invested into existing assets by addressing deferred maintenance needs. Acquisition of new assets should only be considered once the maintenance schedule is current.
- 24) Create and/or follow existing policies and procedures for establishing and renewing leases. Leases should be written based upon a standard template constructed by legal and/or real estate experts and approved by the Board. All future lease negotiations should include a schedule of expected future maintenance costs over the lease term and should address how these costs are accounted for in the lease. Consider funding a reserve for these maintenance costs rather than spending funds on existing projects.

Increase Transparency and Public Communication

- 25) Create a permanent Finance Committee to meet no less than quarterly to discuss financial condition of the Port, operational performance and items that may impact future financial results. Committee should be made up of the following- Port Executive Director, Port Director of Finance, three budget committee members, and three Clatsop County citizens. A memo summarizing the Committee's meeting should be passed along to the Board at a regular Port meeting where the public can make comments.
- 26) Establish an anonymous feedback loop to help facilitate better communication between staff, the executive director and Board members. This mechanism would allow all parties to express satisfaction, concern and/or ideas to improve efficiency and limit waste. At a minimum, an annual survey should be utilized seeking this feedback. Results should be presented to the Board along with the raw data set of the survey. The Board should ensure that feedback received is not filtered by Port management or staff.
- 27) Contract with a third party to assess all staffing levels, functions, job descriptions, and effectiveness of all Port staff. Confirm that staffing levels, functions and skill sets are appropriate for the Ports size and complexity. Make staffing adjustments and annual operating budget based on the audit recommendations.

- 28) Consider reviewing the financial packet as part of “work meeting” outside of the regular Board meeting. This would allow for a more informal back and forth between staff and Commissioners. An abbreviated financial summary could then be presented in the regular Board meeting. All work meetings should be open to the public, and the financial packet made available to the public.
- 29) Closed door meetings of the Board and Port management should be limited to topics required by statute
- 30) Assemble a panel of experts from the State and/or other regulatory bodies that can provide an outside perspective to both the Board and the general public on what public money may be available to the Port and what strings will come attached with future funds. Receiving an assessment directly from these officials and allowing the public to ask questions will help restore public trust.
- 31) Once the strategic plan has been completed, schedule a public town hall meeting to provide the public an opportunity to hear and comment on the plan.

Airport Advisory Committee Memorandum & Recommendations

TO: Port of Astoria Commission President
CC: Port of Astoria Commission
Executive Director Jim Knight
Airport Manager Gary Kobes
FROM: Henry Balensifer, on behalf of the Airport Advisory Committee
SUBJECT: Report and Recommendations of the Airport Advisory Committee
DATE: May 28, 2019

Purpose:

This memo is to reply to a request by the Port of Astoria Commission for reviewing the financial health and sustainability of the Astoria-Warrenton Airport (KAST) located in Warrenton, OR, as well as provide recommendations for developing new revenues with a short turnaround. This request was generated by a recommendation from the Airport Advisory Committee in late 2018, to authorize a “Governance and Sustainable Revenue Generation Task Force.”

Preface:

The Astoria-Warrenton Regional Airport supports a great deal of regional commercial and military activity. Beyond the well-known US Coast Guard, and Department of Defense use, it also supports the primary boarding method by the Columbia River Bar Pilots, overnight shipping by FedEx and UPS, business jet traffic, sardine spotters for the fishing industry, and a multitude of tourists who fly in. The airport is the base of operations for three publicly traded tenants, UPS, JBT LEKTRO, and Mammoth Energy Services, as well as non-profit tenants that provide critical air ambulance services—Life Flight Network.

Department of Defense traffic has increased steadily, as Camp Rilea remains a premier disaster response training site for the NW region.

Overall economic impacts of the airport are shown in appendix A per the Oregon Aviation Plan. FAA statistics for airports of comparable size show that the Astoria-Warrenton Regional Airport receives the largest FAA investment within the state, largely due to its strategic importance and location.

On another note, the airport currently has all executive and T-hangars leased out, a marked improvement from when over a dozen hangars were vacant, and others were being used to store hay and junk equipment. All port-owned T-hangars are now required to be used for aviation uses. This was a policy recommendation by the Airport Advisory Committee several years ago, to better align airport operations with federal rules.

Actions by the Committee:

Division of Work

To accomplish the task the Port Commission requested the subcommittee work on, it divided into 3 subcommittees (SubCte): Financial SubCte, led by CAPT (ret) Dan Travers, which reviewed existing and past financial performance of the airport as well determine if any fee or lease increases (within the Port's power to do so under existing leases) would result in noticeable revenue increases; Grants & Strategic Partnerships SubCte, led by John Raichl, which would reach out to other governmental entities to see if funds, grants or partnerships could be formed to help further economic development goals at the airport; and Economic Development SubCte, led by COL (ret) Todd Farmer. These subcommittees met separately from the Airport Advisory Committee, and also added advisory members to their ranks to bring in expertise or perspectives helpful to their tasks.

Subcommittees:

Financial Subcommittee

Conclusion: *Immediate fee and lease increases (where applicable) would not substantially affect the airport's bottom line but will be addressed.*

Previous reports from this committee dating to December of 2018 show that the airport was "approaching break even from airport operations." Additional review of fuel sales, leases and other agreements, and adding the payroll expense of an assistant based at the airport showed that the airport is turning a modest profit, but at the expense of about \$100,000 in deferred maintenance each year. The Financial SubCte created a 5 year model of revenue and expenses that broke down revenues and expenses past, present and future. The details of this model are rather technical, but for the purposes of illustrating areas of revenue generation for the business model of the airport and how debt service (which is temporary) and rebilled utilities (which aren't a true source a revenue) affect them, the table in Appendix C shows that the business model for the airport is relatively sound.

Reasonable increases to hangar leases would not provide enough revenues to make up for the deferred maintenance or FAA grant matches, however, adding new businesses in the business park or airside could drive new revenues. Additionally, the full Airport Committee has recommended staff pursue more government fuel sales, as that could provide an easy "quick win" of revenue that could have a meaningful revenue impact. As of this date, the airport director is in the process of growing that business.

While the FAA offers grants to keep the infrastructure of the airport surfaces in good order, the Port has broader maintenance obligations such as tenant roofs, hangar doors, and other issues that it is failing to keep up with or will become problematic in the future without intervention. This is not a new issue. Modeling the airport as a business unit over 5 years has been of great assistance to the airport committee in evaluating challenges and prioritizing investments. With respect to the great challenges the Port faces, the Airport Committee's job is to provide advice. As such it is worth noting airport improvements outside of major capital projects required of FAA grant matches have gone largely unfunded every year they have been presented for the budget process.

Overall, this subcommittee concluded that without new business generation and development, the airport will continue to have to defer maintenance. If the Port ceased making FAA grant matches, more significant financial issues would occur, as would the financial obligations of the Port.

Grant & Strategic Partnership Subcommittee

Conclusion: Local and State Partnerships may exist, where previously they did not. There are no conclusive commitments to any resources however, and this SubCte will continue to meet until it has exhausted its search of partners and grant opportunities. A supplementary report will be filed once it has more information.

The outcome of a meeting between the subcommittee and Clatsop County Commissioner M. Kujala and county staff showed that the potential for assistance exists. The County’s support is nuanced in that they see any investment as earmarked for improving infrastructure with the goal to spur industrial or aviation related development. The County made it clear that it was not interested in funding operations or maintenance. It is clear from initial conversations both to County and the City of Warrenton that no local entity is interested in providing what could be perceived as a “bailout” or any sort of O&M assistance.

While the City has not yet formally met with the SubCte, it should be noted that it has been reported by City of Warrenton staff during their City Commission meetings, that the Port has a significant impact on its sewer treatment plant capacity, which is accelerating requirements for plant expansion in order to meet new housing and business development, the costs of which exceed a million dollars. The impacts stem from inflow and infiltration of stormwater into the airport’s sewer systems. By 2017 numbers, it was estimated that up to \$55,000 worth of effluent a year is being treated that should not be going into the sewer system. The City has offered to partner with the Port in having infrastructure smoke tested professionally to validate and expand on the work done by the Port, as the Port’s initial attempts at smoke testing have not identified a conclusive source of infiltration.

The subcommittee has not formally met with the City of Warrenton, Oregon Dept. of Transportation, Oregon Dept. of Aviation, or any federal agencies. It will meet with entities in the future in pursuit of grants and partnership opportunities.

The major takeaway from this SubCte is that partnership opportunities exist that are previously not thought to have been available. It is incumbent upon the Port to approach entities, particularly local ones, thoughtfully, as Port finances remain a political issue and budgets across the county’s various jurisdictions are challenged.

Economic Development Subcommittee

Conclusion: The Port should consider all its Warrenton properties for development. Container mini-storage demand is high and can provide a good return with low setup costs. Additionally, the East Skipanon Peninsula should be returned to recreational zoning and take advantage of existing plans for partnerships with the City of Warrenton to develop a unique surfing and camping area. Finally, the Port should begin to investigate how to take all its Warrenton properties and spin them off into a newly created Airport Authority, that would be a separate governmental entity, independent of the Port of Astoria. This would be a 3-5 year process requiring FAA approval. The Port could and should remain a major stakeholder in the new entity.

The Economic Development SubCte discussed amenities that would provide low setup costs, be impermanent, and provide a relatively higher ROI for the cost of setup. The purpose of impermanence was to utilize existing land that currently is unbuildable due to high site prep costs and environmental factors. The committee comprised of Col (ret) Todd Farmer, Henry Balensifer, Brandon Kraft, Jenna Travers.

The committee reviewed ideas for developments strategies in the context of regional demand and trends, as well as long term sustainability. Beyond industrial developments such as Hampton Mill, JBT LEKTRO and Warrenton Fiber, two major industries exist in Warrenton that continue to show strong demand now and in the future: storage and camping/recreation. The City of Warrenton has over 1,700 storage units within the city limits, with demand for more. Additionally, Warrenton is the largest camping location regionally, and among the largest in the state, with demand for more.

The Port has publicly committed resources to the Airport, while now publicly suggesting those resources may have been non-existent. Investment in the airport for new business development has not seriously occurred since 2006 and if recent developments at the airport are any indication, it is not expected the Port will be either a) in a financial position to invest in the airport or b) view airport investment and development as do most other airports across the state and country. This is in no way to suggest ill will from the Port, but simply recognizes a difference in opinion on how to run an airport, which is a very different business model from a maritime facility.

The SubCte decided on 4 steps, of which 2 are connected. The SubCte conducted a SWOT analysis to come better define the recommended options as well as evolve those that ended up being too risky or challenged to be worth further discussion.

1. Develop a temporary (5-10 years) container mini storage facility on the 3 mitigated acres at the Airport Business Park in order to develop revenues to pay for making the site shovel ready for a permanent tenant/industrial business or help boost revenues to fix deferred maintenance of airport infrastructure.
 - a. Due to federal flood standards, potential soil/geotech issues, and other cost drivers that make immediate development cost prohibitive from an investor standpoint, the Port should grade and gravel the site and either partner with a private entity to develop a mini storage utilizing shipping containers as storage units, (the SubCte identified at least one if not two entities who could provide assistance) or manage the storage facilities on its own. A cost analysis should be done between security costs and private investment/share of profits to determine the highest and best value to the port. The SubCte found that while a private partner who specializes in container storage setup and management would reduce revenues to the Port, it also reduces startup costs and risk.
 - i. With about 60 of the 40' containers rented, it was modeled that the facility would pay for itself (assuming no private partner) in under 2 years. Minimum market rate gross revenues would be about \$122,400 per year under the 60 unit model.
2. Develop the East Skipanon Peninsula into a watersports camp/village. This would require a close partnership with the City of Warrenton. It addresses an existing plan for the partnership the City of Warrenton and Port of Astoria adopted in the late 1990s and was adopted under the City of Warrenton Waterfront Redevelopment Plan. During the 1990s windsurfing was a large recreational industry, but most of it moved to Hood River after port priorities changed and the project partnership unrealized. Hood River's wind and kite surfing industry is becoming saturated, and outdoor recreation is a huge industry in Warrenton.
 - a. Private partnership would be likely necessary—and recommended—to realize this. The SubCte met with Warrenton Public Works and toured the site. There are considerable sections of land not listed as wetlands in the middle of the peninsula. This could be built into a surfers camp. The SubCte recommends keeping amenities relatively limited (tent camping only) in order to both keep the camp attractive and cost-effective to surfers, as well as

- discourage RV camping which would require more infrastructure. If private investment was made, more could be realized to capture Yurt or other type camping.
- b. It is recommended the port vacate all government-owned plats on the peninsula, as well as the road. This would make development easier and more flexible. The Port should either partner with DSL, or exercise its claimed rights to the DSL properties in the process of vacating/owning the plats. There is one particular oddball tract in the peninsula that would require either partnership or accommodation, but it is not considered problematic to advancing the concept. The Warrenton Fire Marshall will need to approve what type and width of the road are acceptable, which is a potential cost threat. The existing King St is a previously paved, but seriously degraded road that would need to be redone regardless of what surface the Port puts on it.
 - i. Cost threats to this concept are road and water utility development, however, alternatives exist depending on how serious the Port wants to pursue this.
 - c. The Port should partner with the City of Warrenton to advocate for aligning Lower Columbia Tourism Committee marketing efforts to help give this effort a boost.
3. Develop a food cart pod on Port Property between King St. and Harbor Ave. This is seen as a positive amenity to the surfers camp, as well as can build a business's name enough to someday build a bricks and mortar restaurant. Baked Alaska started out as a food cart, for example. On the entrance to King, there is a small side road that is not deemed a wetland and could be cleared and used for this. While this is intended to complement the camping concept, it could stand on its own. Bricks and mortar development in that area would likely be unable to develop due to FEMA flood code standards and elevations required to build. As a result, the only type of development that makes sense is mobile food establishments in that area. Existing Warrenton establishments that have sought to expand have run into flood code issues for new construction which has effectively halted their growth in place.
 4. Consolidate Port properties within Warrenton and spin them off into a new governmental entity. The Port needs to review its strategic plan and priorities and determine what areas it is going to reasonably be able to invest in. While the Port committed to making its FAA grant matches this year, it has reported to the committee that often it's a matter of choosing pier improvements or the airport grants. In reviewing the record as far back as the 80s, it appears the Port has often had to make this choice. The SubCte feels the Port should not try to hold on to that which it cannot reasonably maintain, as the deferred maintenance—especially if FAA grants are ceased due to lack of match funds from the Port—may reach a point where the airport becomes beyond repair. Airport closure is unacceptable. It would have significant economic impacts to the community, not just because of access to critical overnight shipping services provided by UPS and FedEx, but also due to the US Coast Guard, Columbia River Bar Pilots. It also would preclude eventual commercial air services to the public at large. It is not unreasonable to expect the aviation industry to morph beyond airlines and that some sort of commercialized air transportation would come back to the airport. More and more individuals travel for work, as jobs within the area have not corresponded to the population growth.

It is important to note that the FAA has ultimate authority on whether this could occur. It is reasonable to expect that a well thought out plan would allow for this. FAA participation is essential.

- a. The Port Commission should set up a workgroup headed by one of their own to comprise of one elected representative from each city in the county, a County Commissioner, and representatives from the FAA, Business Oregon, and Oregon Dept. of Aviation to develop a plan for naming the new entity, how the board would be elected, and transitioning the airport and the Port's other Warrenton operations and tenants to the new entity's

- ownership. Due to his familiarity with the airport and expertise, it is also encouraged Gary Kobes be part of this workgroup.
- b. The Port should either exercise its purported rights to own what it currently leases from the Oregon Dept. of State Lands or ask the legislature to pass a bill to convey that land to Port of Astoria in trust until the new airport authority is stood up.
 - c. A modest, county-wide bond should be put to the voters to assist with fixing the most critical of infrastructure, and to kick start funds in the new airport authority's accounts for FAA grant matches.
 - d. This would enable the Port of Astoria to focus on its maritime terminals and better invest in its maritime properties.

Summary

I hope that this memorandum is helpful and provides the necessary insight to the commission in making sound decisions related to the airport, its tenants, its users, and community beneficiaries. While the subcommittees submit their work with the understanding that the Port of Astoria has no current intention of divesting of the airport. The spinning off the airport to create a new entity has been a point of discussion over the past few years, albeit not seriously considered until recently. The committee recognizes that when Gary Kobes retires, the Airport may once again be without an onsite manager for a long time at which point the airport is more than likely to degrade to a level it becomes unsustainable. The Committee asks the Port to ponder the long-term implications of losing an asset by choice and sustaining that asset for the region by spinning it off or the implication of losing the airport through slow decay.

After the completion of the Taxiway A Project and Phase 1 Apron Rehabilitation projects FAA funding will be scaled back as the airport goes through a 4-5 year planning and permitting cycle with no construction funding planned. This will include a two-year master plan update and followed by a two-year environmental assessment and permitting to implement the projects identified in the master plan update. This is a great time to begin working with the FAA and other regional stakeholders on a concept for spinning off the airport.

Subcommittees will continue to work and report on their findings as necessary. It is our hope that those meetings will conclude by the end of Fall. As concepts and ideas are better fleshed out, the Airport Advisory Committee will report on their findings and recommendations.

Respectfully Submitted,



Henry A. Balensifer III
For the Airport Advisory Committee
Tenant/Industry Member

Airport Advisory Committee:

Henry Balensifer; Communications Manager, JBT LEKTRO Inc.

Philip Bales, DDS; Lieutenant Colonel, Oregon Air National Guard, Ret.

Brandon Craft; Property Manager, Lincoln Properties

Todd Farmer; Oregon Military Department Facility Manager, Camp Rilea; Colonel, US Army, Ret.

John Raichl; Former Port Commissioner; Clatsop County Sheriff, Ret.

Mark Smith; Part 135 Operator; Colonel, US Air Force, Ret.

Dan Travers; Life Flight Network Station Manager; Captain, US Coast Guard Ret.

CDR Todd Troup; Executive Officer, US Coast Guard Sector Columbia River

Andy Whitten; Oregon Pilots Association and Education liaison

Appendix A
 Economic Impact Data from Oregon Dept. of Aviation, Aviation Plan 2018

PORT OF ASTORIA REGIONAL AIRPORT

	Direct	Indirect/Induced	Total
Employment			
– Tenant	368.0	530.0	898.0
– GA Visitor	7.3	3.0	10.3
– CIP	15.5	16.3	31.8
Employment Total	391.8	549.3	941.1
Payroll			
– Tenant	\$22,035,104	\$18,061,793	\$40,096,897
– GA Visitor	\$246,551	\$193,622	\$440,173
– CIP	\$847,869	\$633,291	\$1,481,160
Payroll Total	\$23,129,524	\$18,888,706	\$42,018,230
Sales/Output			
– Tenant	\$73,449,488	\$66,429,289	\$139,878,777
– GA Visitor	\$361,379	\$251,699	\$613,078
– CIP	\$1,939,667	\$1,537,006	\$3,476,672
Sales/Output Total	\$75,750,534	\$68,217,994	\$143,968,528

Source: Mead and Hunt, EDR Group, Aviation, IMPLAN econometric package

**Appendix B
FAA Operational and Funding Statistics**

Airport	Physical Characteristics			Operational Characteristics			Base of Airside Businesses				FAA Funding	
	Primary Runway Length	Secondary Runway Length	Airport Area Acres	Total Daily Operations	Daily Military Operations	Daily Civilian Operations	Transient General Aviation	Local General Aviation	Air Taxi	# Based Aircraft	2019-2024 NPIAS 5 YR Plan	Required Match
Aurora Sta	5,000	---	144	260	3	257	148	88	21	346	\$ 2,800,000	\$311,111
Scapoose I	5,100	---	196	164	2	162	91	51	7	132	\$ 2,301,111	\$255,679
Chehalis	5,000	---	438	131	1	130	55	63	12	63	\$ 1,111,110	\$123,457
Kelso	4,291	---	110	112	2	110	52	54	4	67	\$ 1,777,778	\$197,531
Astoria	5,794	4,467	870 (640)	106	38	68	32	31	4	41	\$ 4,744,444	\$527,160
Newport	5,398	3,001	700	55	11	44	29	11	4	26	\$ 4,483,332	\$498,148
Tillamook	5,001	2,911	360	70	1	69	52	18	-	18	\$ 1,975,555	\$219,506

Appendix C
Revenues by Actual and sans Debt Service and Rebilled Utilities

Revenue	Actual	Net Debt Service & Rebilled Utilities
Fuel Sales Gross Margin	21.2%	37.7%
Landside Leases	49.9%	32.7%
Airside Leases	11.6%	20.6%
T Hangars	10.9%	~7.6%
Misc. Fees & Charges	5.8%	1.3%
Rebilled Utilities	~0.7%	0%
Total	100%	100%

Intergovernmental Agreement
Establishing a Business Relationship
Between the
Oregon Infrastructure Finance Authority
And
Port of Astoria, Oregon

This Intergovernmental Agreement (“IGA” or “Agreement”) is made by and between the State of Oregon, acting by and through its Oregon Infrastructure Finance Authority of the Business Development Department (“Department”), and the Port of Astoria (“Port”).

Recitals

A. At the direction of key state legislators and the Oregon Business Development Commission, the Department, in Spring 2009, commenced a statewide strategic planning effort in order to determine what the State of Oregon’s interest and involvement in Oregon’s 23 port districts should be. The result of this process was the “Ports 2010: A New Strategic Business Plan for Oregon’s Statewide Port System” (as modified or supplemented from time to time the “Statewide Ports Strategic Plan” or “Plan”).

B. On May 12, 2010, the Infrastructure Finance Authority (“IFA”) board unanimously approved the Statewide Ports Strategic Plan. This approval included a request and recommendation that the Oregon Business Development Commission endorsed the Statewide Ports Strategic Plan as the Department’s policy and guideline for state/port relations, activities and investments.

C. On September 24, 2010, the Oregon Business Development Commission endorsed the Statewide Ports Strategic Plan and adopted the Plan as the Department’s policy and guideline for State/Port relations, activities and investments.

D. The Statewide Ports Strategic Plan, published in October 2010, requires that port districts enter into intergovernmental agreements with the Department if they want to receive Department staff support and funding assistance.

E. Pursuant to ORS 190.110, the Port desires to enter into this Agreement in order to be eligible for coordinated funding programs; state advocacy and support on business development, regulatory and legislative matters; and state supported training and certification programs from the Department.

F. Pursuant to ORS 190.110, the Department desires to enter into this Agreement to assure that (1) funding for Port projects is tied to state priorities, including key industries; (2) there is a return on investment (“ROI”) for state investments; (3) the Port develops and maintains the ability to operate and maintain its capital facilities; (4) the Port is committed to compliance with state and federal directives; and (5) the Port is held accountable for the proper use of state funds.

Agreement

Section 1. Purpose

This IGA is intended to (a) implement the Statewide Ports Strategic Plan by evidencing the commitment of the Department and the Port to the policies and guidelines set forth in the Plan and (b) provide a description of the roles and responsibilities of and actions to be undertaken by the Department and the Port.

Section 2. Appendix A and Appendix B to the Agreement

Appendix A that is attached to this Agreement sets forth certain representations and facts related to the Port. The Port may update these representations and facts by written notice to the Department.

Appendix B that is attached to this Agreement sets forth certain representations and facts related to the Department. The Department may update these representations and facts by written notice to the Port.

Section 3. Port's Acknowledgement

The Port acknowledges that it has read and understands the Statewide Ports Strategic Plan and agrees that it will use its best efforts to implement the policies and conform to the guidelines set forth in the Plan. The Port also understands and acknowledges that the Department is relying on the Port's commitment as set out in this Agreement when making any decisions regarding the award of grants, loans, or technical assistance to the Port pursuant to ORS 285A.600-732 and that the Port's compliance with the terms of this Agreement is required for the Port to be eligible for any grant, loan or technical assistance award.

Section 4. Port's Representations

The Port represents and warrants to the Department the following:

4.1 Organization and Existence. The Port is duly and validly organized and in existence as a port under ORS Chapter 777 and a special district pursuant to ORS 198.010(20).

4.2 Authority. The Port has full legal right, power, and authority to execute and deliver this Agreement and to incur and perform its obligations under this Agreement.

4.3 Authorization. This Agreement and the Port's execution and delivery hereof have been duly authorized by the Port's governing body, and this Agreement has been duly executed and delivered on behalf of the Port by an authorized officer of the Port. This Agreement has been authorized by official action of the governing body of the Port in accordance with applicable law and the Port's requirements for filing public notices and holding public meetings.

4.4 Enforceability. This Agreement constitutes the legal, valid and binding obligation of the Port enforceable in accordance with its terms, subject to the laws of bankruptcy and other similar laws affecting the enforcement of creditors' rights generally.

4.5 No Breach. The authorization, execution and delivery of this Agreement by the Port and the performance by the Port of its obligations hereunder will not result in any breach of, or default under

any of the terms of, any existing ordinance, order or resolution, or agreement or instrument to which the Port is a party or by which the Port or any of its property may be bound, except as previously disclosed in writing to Department. Nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Port was created or established or any laws, rules, regulations, ordinances, orders, resolutions, or court orders to which the Port or its properties or operations is subject.

4.6 Continuing Representations. The representations and warranties of the Port contained herein are true on the Effective Date of this Agreement and will remain true at all times thereafter until the final performance, observance and discharge of all duties, covenants, agreements and obligations of the Port under this Agreement, except that the representations of the Port contained in Attachment A may be updated by the Port from time to time by written notice to the Department.

Section 5. Conditions Precedent to this Agreement

This Agreement is not effective until the date (“Effective Date”) that this Agreement is fully executed, it has received all required approvals and the following have been delivered to the Department, in form and substance satisfactory to the Department and its counsel:

- A.** A copy of the organizational documents of the Port certified by an authorized officer of the Port as being a true and complete copy; and
- B.** A copy of the meeting minutes, resolution or ordinance documenting the official action of the Port authorizing the execution, delivery and performance of this Agreement.

Section 6. Roles, Responsibilities & Commitments of the Department.

The Department, in order to fulfill the recommendations of the Statewide Ports Strategic Plan, agrees to undertake the following implementation actions:

6.1 Revise State Ports Program Institutional Structure. The Department shall restructure its Ports Program so as to promote the coordination of State/Port-related functions. In the short-term, the Department shall endeavor to establish memoranda of understanding with other relevant State agencies to obtain commitments for assistance with the Port Program. Over the longer-term, the Department shall use good faith effort to provide additional technical assistance including coordination for environmental compliance, regulatory agency reviews, and permitting on major Port projects requiring environmental review.

6.2 State and Federal Coordination. The Department shall continue to provide federal coordination assistance on funding requests and regulatory and permitting issues. The Department will use good faith efforts to include in any memoranda of understanding described in Section 6.1 above ways to streamline permitting and regulatory processes where practical, while also supporting regional efforts aimed at accomplishing the same goal with federal agencies. The Department will cooperate with the Oregon Public Ports Association (“OPPA”) to convene the cargo ports to discuss and identify priorities for marine transportation system navigation improvements, dredging, and jetty repairs and coordinate federal funding requests based on those priorities to the Oregon congressional delegation.

6.3 Capital Facilities Plan. In order to assist ports with their capital facilities funding needs, the Department shall work with the ports and OPPA to create a six-year state-wide Capital Facilities Plan (“CFP”) identifying the top state-wide priorities for state funding and existing funding sources as well as any shortfall of funds for projects. The projects will be based on rankings developed by a committee representing the ports and the Department and separated into small/medium and large port categories. The CFP will be updated every biennium. The CFP and any updates thereof are subject to approval by IFA, and IFA will administer the CFP.

6.4 Funding of Port by the Department. The Department shall establish eligibility criteria in order to streamline the review process for any Port request(s) for funding by the Department. The criteria will include at least the following:

6.4.1 The Port shall be in compliance with the terms of this Agreement, including those items specified in Appendix A.

6.4.2 The Port shall submit and receive approval from the Department for an updated Strategic Business Plan based on a Department template.

6.4.3 The Port shall have a current Capital Facilities Plan in a form approved by the Department as described in Appendix A.

6.4.4 The Port shall be in compliance with the terms of any loan agreements or other funding agreements between the Port and the Department.

The Port understands and acknowledges that it may not in fact be awarded funding it seeks due to lack of funds or the result of the underwriting analysis done by the Department at the time of the Port’s application for funding. This Agreement is not a commitment by the Department to provide the Port with any funding.

6.5 Training Program. The Department, working with OPPA or the Special Districts Association of Oregon (“SDAO”), shall establish a training program for Port commissioners and managers. As part of this training program, the Department will identify trainers and program content for a series of port-oriented training workshops and potentially use the OPPA or the SDAO, or both, to administer the training program, track successful completion of program courses and monitor the Port’s compliance with program standards.

Section 7. Roles, Responsibilities & Commitments of the Port

The Port is responsible for managing the Port’s assets and liabilities within the district. In order to fulfill its obligations under this Agreement, the Port agrees to implement the following required policies, plans and programs:

7.1 Port Plan. The Port shall adopt a Strategic Business Plan and a Capital Facility Plan (collectively and individually without distinction “Port Plan”), and periodically update them if required by circumstance. The Port Plan must be consistent with the templates included in the Statewide Ports Strategic Plan. The Department will provide funding assistance to support those planning efforts set forth in Appendix A, subject to Department’s approval of Port’s application, availability of funds, requirements of program rules and execution of a funding contract. The Port shall identify one or more

core functions that the Port provides and identify current and new industries and economic development that the Port expects to support and promote. Targeted industries in the Port’s Strategic Business Plan must be consistent with the Department’s key state industry list in the Statewide Ports Strategic Plan or regionally important industries identified in the Port’s Strategic Business Plan.

7.2 Planning Process. When preparing or updating its Port Plan, the Port shall prepare, distribute and publicize a work program and schedule for the planning process. The work program must identify specific opportunities for government stakeholders, residents of the district and Port businesses and tenants to submit to the Port verbal and written comments on the draft interim and final components of the Port Plan. The Port’s Strategic Business Plan must also identify key industries, both local and regional and including new or emerging industries that the Port supports and indicate the level of support for these key industries from the local stakeholders and the community.

7.3 Training. Upon implementation of a training program for Port commissioners and managers by the Department, the Port will ensure that its commissioners and senior managers attend the sessions of this program as set forth in Attachment A.

7.4 New Business Opportunities. The Port will evaluate opportunities for new business in the marketplace for their suitability based on the key Industry list of the Commission and the regionally important industries identified in the Port’s Strategic Business Plan. In order to qualify for Department funds to attract a new business, the Port shall verify the existence and viability of the market for the proposed new business opportunity by conducting a market feasibility study or providing determination by research and analysis, subject to review and approval by the Department, that shows the business opportunity is consistent with the Port’s Strategic Business Plan.

7.5 Governance. The Port shall adopt, maintain and enforce governance policies of the Port Commission and management policies that are consistent with best management practices; both of which must comply with state ethics laws pertaining to conflict of interest and fiduciary responsibilities.

7.6 Statewide Capital Facilities Plan. As stated in Section 6.3 above, the Department has committed to the creation of a Statewide Capital Facilities Plan for ports under the oversight of the IFA and the Department. The purpose of this Statewide Capital Facilities Plan is to develop and adopt a plan which will be updated annually to identify and prioritize statewide port infrastructure needs. The Port will participate in the preparation of the Statewide Capital Facilities Plan as requested by OPPA or the Department or both.

7.7 Plan Amendment. The Port may amend its Port Plan in response to unforeseen business opportunities or circumstances. Any amendments to a Port Plan in response to unforeseen business opportunities or circumstances must be consistent with the requirements of this Agreement.

7.8 Audit. The Port shall cooperate in any review of the Port’s audit that is done by the Oregon Secretary of State’s Audit Division.

Section 8. Reporting Requirements

8.1 New Department Programs. The Department shall, from time to time, update the Port on the implementation of any new programs.

8.2 Reports. The Port shall comply in a timely manner with all reporting requirements set forth in its funding agreements with the Department. Further, within 180 days of the end of its fiscal year ending each June 30, the Port shall provide to the Department, on a consolidated basis, in a format approved by the Department, (1) a progress report regarding the status of all projects funded by state grants or loans and (2) an itemization of all expenditures made in the fiscal year for all state grants and loans.

8.3 Notification of Meeting Dates and Plan Changes. The Port shall regularly update the Department on public or commission meeting dates and shall in a timely manner provide to the Department draft plan components for all planning and marketing programs (such as the Strategic Business Plan, Marketing Plan and Capital Facilities Plan), when in process.

Section 9. General Terms.

9.1 Term; Termination. The term of this Intergovernmental Agreement commences on the Effective Date of this Agreement and ends on the anniversary of the Effective Date; provided however that this Agreement becomes renewed automatically unless either party gives to the other notice at least thirty (30) days prior to the then effective end date of the term.

This Agreement may be terminated by written mutual consent of the parties. In addition, this Agreement may be terminated by either party with not less than ninety (90) days' written notice to the other party.

Termination of this Agreement does not terminate any other agreement between the Department and the Port unless the other agreement expressly so provides.

9.2 Notice. Except as otherwise expressly provided in this Agreement, any notices required or permitted to be given hereunder must be given in writing by personal delivery, facsimile, or mailing the same, postage prepaid to the Department or the Port at the address or number set forth below, or to such other addresses or numbers as either party may indicate pursuant to this section. Any communication or notice so addressed and mailed becomes effective five (5) days after mailing. Any communication or notice delivered by facsimile becomes effective on the day the transmitting machine generates a receipt of the successful transmission, if transmission was during normal business hours of the party receiving the communication, or on the next business day, if transmission was outside normal business hours of the party receiving the communication. Any communication or notice given by personal delivery becomes effective when actually delivered.

Notices to Department:

Oregon Business Development Department
775 Summer Street N.E., Suite 200
Salem, OR 97301-1280
(Attention: Dave Harlan, Ports Program and Policy Manager)
Facsimile Number: (503) 581-5115

Notices to Port:

Port of Astoria
10 Pier 1, Suite 103
Astoria, Oregon 97103

(Attention: *Jack Crider, Executive Director*)

9.3 No Third Party Beneficiaries. Department and the Port are the only parties to this Agreement and are the only parties entitled to enforce its terms. Nothing in this Agreement gives, is intended to give, or is to be construed to give or provide any benefit or right, whether directly, indirectly or otherwise, to third persons any greater than the rights and benefits enjoyed by the general public unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement.

9.4 Independent Contractors. The parties agree and acknowledge that their relationship is that of independent contracting parties and that the Port is not an officer, employee, or agent of the State of Oregon as those terms are used in ORS 30.265 or otherwise.

9.5 Successors and Assigns. This Intergovernmental Agreement inures to the benefit of and is binding upon the Department and the Port and their respective successors and permitted assigns. Port shall not assign or transfer any interest in this Agreement without the prior written approval of Department.

9.6 Amendments. This Intergovernmental Agreement may be amended only by an amendment signed by both parties. No waiver or consent shall be effective unless in writing and signed by the party against whom enforcement is sought.

9.7 Severability. In the event any provisions of this Intergovernmental Agreement are held invalid or unenforceable by any court of competent jurisdiction, such holding does not invalidate or render unenforceable any other provisions hereof.

9.8 Headings. All headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Agreement.

9.9 No Construction against Drafter. Both parties acknowledge that they are each represented by and have sought the advice of counsel in connection with this Agreement and the transactions contemplated hereby and have read and understand the terms of this Agreement. The terms of this Agreement are not to be construed against either Party as the drafter hereof.

9.10 Governing Law. This Agreement is to be governed by and construed in accordance with the laws of the State of Oregon without regard to principles of conflicts of law.

9.11 Counterparts. This Agreement may be executed in several counterparts, each of which constitutes an original, and all of which when taken together constitutes one agreement binding on all parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed by their authorized representatives. The Port, by signature of its authorized representative, hereby acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and conditions.



STATE OF OREGON
acting by and through the
Oregon Infrastructure Finance Authority
of the Business Development Department



PORT OF ASTORIA

By: _____
Lynn Schoessler, Executive Director

By: _____
Daniel R. Hess, President

Date: _____

Date: _____

APPENDIX A - Port

1. Port Contact Person. The Port’s contact person for this Agreement is Jack Crider, Executive Director.

2. Certain Representations of the Port.

2.1 The governing body of the Port is the Board of Commissioners, comprised of 5 members, who are elected for four (4) year terms. Two (2) commissioners appear on the general election ballot every 4th year, and three (3) commissioners appear on the ballot every 4th year. The chief executive [operating] officer of the Port is the Executive Director.

2.2 The ports primary business lines include operations of the Astoria Warrenton Airport (FBO & fuel sales), marina operations (moorage & fuel sales), a boatyard, docking and wharfing at three piers in the west end of Astoria, utilities services, security services, equipment rentals, the North Tongue Point facility and property management of other port owned real estate. Industries supported by the Port of Astoria and its facilities include fishing, seafood processing, wholesale trade, waste management, wood products manufacturing, cargo storage and shipping, exports, support activities for transportation, transportation equipment manufacturing, and tourism.

3. Additional Eligibility Criteria for Streamlined Funding Process. Below are additional eligibility criteria to streamline the process for review of the Port’s request(s) for funding by the Department:

3.1 Develop and adopt a Capital Improvement Plan to address deferred maintenance of the ports assets and improvements needed to support new business activities. This plan will be in place by December 31, 2012 and will be used during the budget process for the budget years 2012-17. The following table includes capital projects the port intends to pursue that will be included in the Capital Facilities Planning process.

PROJECT	SOURCE OF FUNDS
Additional Security	FEMA
Airport 101 entrance & bridge	SPWF
Airport 101 Terminal and Taxiway	FAA, SPWF TA
Container Crane	Shipper Investment
East Basin Causeway replacement	ODOT, USACE
MSRC Warehouse	OPRF
New Hotel	Revenue Bond
North Tongue Point – Fender Piles	General Fund

North Tongue Point Grain Elevator and Conveyors	Shipper Investment
North Tongue Point Pellet Mill	Shipper Investment
North Tongue Point Pier Utilities	SPWF
North Tongue Point Purchase (DSL)	Shipper Investment
North Tongue Point Purchase (Washington Group)	Revenue Bond
Open Access Dock Hoist	General Fund
Pier 1 Building Refinance	Revenue Bond
Pier 2 East Pier deck and face replacement	Connect Oregon IV
Pier 2 West Deck Replacement	General Fund
Pier 3 - Boatyard surfacing south end	General Fund
Pier 3 Docking Facility	Federal, tenant investments
Pier 3 Purchase (DSL)	Revenue Bond
Pier 3 Wing Wall	USACE, Marine Navigation Fund
Railroad Improvements to North Tongue Point	FRA, ODOT Rail, RR
Tractor Tug	Revenue Bond

3.2 Develop and adopt policies that strengthen governances and ethics and more clearly define the roles and responsibilities of staff and the commissions. Policies should include an enforcement mechanism that protects the Port against breach of policies by elected officials or staff; and based on an SDAO or other appropriate template.

3.3 Show good faith effort to implement the Port of Astoria Strategic Business, demonstrated by activities included in the adopted annual budget.

4. Department’s Funding Assistance for Port Planning Efforts. Consistent with the terms of item 7.1 of this IGA, Port of Astoria expects to submit funding applications for planning efforts for the following projects during the life of this agreement (2012-2017).

Project	Source of Funds
Capital Improvement Plan	Port Planning & Marketing Fund
Airport 101 entrance	SPWF TA
Pier 3 Wing Wall	Marine Navigation Fund

5. Training. The Port shall require that its commissioners and managers undergo training in accordance with the following schedule: beginning July 1, 2012.

All newly elected or appointed Commissioners shall participate in relevant SDAO board training within 1 year of their election or appointment. Port-specific training will be available to board members and staff as well. Executive Director will participate in port specific training at least once a year. Other staff will be encouraged to participate in training and development activities according to the Port’s Training and Development policy.

6. Other.

<i>TASK</i>	<i>TIMELINE</i>
Link markets and activities to state’s Key Industries	To be included in Strategic Plan 5 year update - 2015
Identify significant local industries that are important to port district and region	To be included in Strategic Plan 5 year update – 2015
Describe how port’s activity and facilities support identified significant local industries	To be included in Strategic Plan 5 year update - 2015

APPENDIX B - Department

- 1. Department Contact Person.** The Department's Ports Program Manager, Dave Harlan, will serve as the Department's contact person for this Agreement.
- 2. Notifications of Meeting Dates and Plan Changes.** The Department shall regularly update the Port on public or Oregon Business Development Commission meeting dates and shall in a timely manner provide to the Port draft plan components for all planning and marketing programs (such as the Strategic Business Plan, Marketing Plan and Capital Facilities Plan), when any changes/updates are in process.
- 3. Training.** Target date for the Department to begin making Training available for Ports elected officials and management staff is August 2012.
- 4. Best Practices Handbook.** Target date for the Department to have Best Practices Handbooks available for ports is August 2012.
- 5. Port Planning and Marketing Funds.** Sufficient funds are available from the Port Planning and Marketing Fund for the Port of Astoria to apply for funding to develop a Capital Improvement Plan during 2012.



2019-20 Capital Projects
Capital Projects - Proposed

Department	Description	Proposed Capital Expenditure	POA Funded	Grant Funded
Administration	GIS Phase 3	40,000	40,000	
Administration	2020 IT Upgrades	5,000	5,000	
Airport	AIP 24: Taxiway A Realignment	3,477,778	197,778	3,280,000
Airport	AIP 25: Apron Rehabilitation	1,111,111	27,778	1,083,333
Airport	ODA Pavement Maintenance	22,222	2,222	20,000
Airport	Taxway/Ramp Striping; Closed Runway Marking; 12,000 LF	12,000	12,000	
Airport	Engineering report on sanitary ground water intrusion	15,000	15,000	
Boatyard	Travel Lift winch	20,000	20,000	
Boatyard	Haulout Dock Dredging (Bergerson)	15,000	15,000	
Boatyard	New Forklift	40,000	40,000	
Security	Port Wide Security Upgrades - Generator for P1, Fencing, Move Fuel T	200,000	50,000	150,000
WFE	Bollards East of Chinook Building (5-10)	10,000	10,000	
WFE	Marina Piling Replacement (25)	75,000	75,000	
WFE	West Marina Dredging	150,000	150,000	
WFE	East Mooring Basin Relocation of transformer/utilities	15,000	15,000	
WFW	Fire suppression/system upgrades - Pier 2	25,000	25,000	
WFW	Dredge repairs - New Genset engine, meters, and equipment	25,000	25,000	
WFW	New P/U - flatbed - maintenance dept	25,000	25,000	
WFW	materials for P2E/P1 bridges	10,000	10,000	
WFW	P2 west engineering	250,000	250,000	
WFW	Shore power on Pier 2 East	10,000	10,000	
WFW	Pier Piling Replacement (25)	75,000	75,000	
WFW	Pier 2E Fender Pile Replacement (15)	50,000	50,000	
WFW	Pier 2E Bent Repairs	150,000	150,000	
WFW	Gateway Interior Upgrades (Continued from 2019)	15,000	15,000	
		<u>5,843,111</u>	<u>1,309,778</u>	<u>4,533,333</u>