

OLD BUSINESS AGENDA ITEM

DATE: 3/17/2017
RE: International Terminal Shipping Facility / Real Property Transactions
TO: Port of Newport Board of Commissioners
ISSUED BY: Kevin Greenwood, General Manager

LEASE ARRANGEMENT FOR REAL PROPERTY

Silvan Forest LLC:

- Silvan is a broker out of Bellevue, Wash. with facilities in Coos Bay and six other locations in the Pacific NW and has a strong reputation.
- Silvan and Teevin are working on a "leasehold interest" agreement for their relationship.
- The Port met with Silvan on two occasions in the last year to come to this point.
- This is a true Public Private Partnership.
- Silvan is responsible for contracting with end markets and shippers.
- Silvan will pay for Wharfage and Service & Facility fees.
- Shipper will pay for Dockage and Security fees.
- Shipper will pay Stevedore for labor.

Tariffs (on 5mbf, 537 ft. long Handysize vessel, six days of charges, 5mbf):

- Dockage (\$13, Terminal Tariff No. 1). 573 ft. x 6 days x \$3,822 = \$22,932
- Service & Facilities (\$11, Terminal Tariff No. 1). \$7.75 / 1000 bf x 5mbf = \$38,750
- Wharfage (\$11.7, Terminal Tariff No. 1). \$9.50 / 1000 bf for 5mbf = \$47,500
- Security (\$1.13, Terminal Tariff No. 1). \$895 / day x six days = \$5,370, but is a pass through and not included in the analysis.

TIGER US Dept. of Transportation:

- Met with MARAD officials in DC. The Port's cash contributions will be used as a construction loan and backfilled by the Silvan contribution. Currently completing NEPA review and final elements of grant agreement

State IFA Loan:

- The Port has an approved \$2-million loan with the State's Infrastructure Finance Authority (IFA). The rate is 3.29% over 25 years with an annual payment of approximately \$120,000.

TIMELINE

substantive dates

- Final Agreement w/ TIGER May 1, 2017
- Final Agreement w/ IFA April 1, 2017
- Final Agreement w/Silvan April 15, 2017
- Lease w/Teevin..... April 15, 2017
- Receive SOW from engineer for (1) final engineering, (2) bid development, (3) project management..... April 15, 2017
- Distribute Bid documents May 15, 2017
- Award General Contract July 1, 2017

- Project Completion..... late fall 2017

OTHER

- The Hall Family is awaiting their permit from the USACE. They will be submitting alternate easement configurations for the Port's engineer to review. The easements on Hall property that were approved by the commission a couple of months ago will need to be reviewed again as soon as the Hall engineer finalizes his review.
- Staff will begin recruiting for positions to serve on the new International Terminal Users Adhoc Committee to review operations plan.

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Port of Newport



600 S.E. Bay Blvd., Newport, OR 97365 / (541) 265-7758 / www.portofnewport.com

MEMO OF UNDERSTANDING BETWEEN PORT OF NEWPORT AND SILVAN FOREST LLC

1. Silvan agrees to submit \$2.5MM as a loan for access to the 9-acres shipping facility.
2. Silvan agree to place \$2.5MM in an escrow account to be used by Port for construction purposes. Any unused portion of the loan will be returned to Silvan.
3. For funds to be released from the escrow account, Port needs to receive both funds from the \$2MM TIGER grant and \$2MM IFA loan by a date to be discussed
4. Port agrees to pay \$60,000 per year as interest on the loan until loan is fully abated.
5. Port agrees to account the tariffs income (including dockage fee, service and facility fee, and wharfage fee) as a restricted fund. During the fiscal year of the Port, the restricted fund shall be distributed in the following orders:
 - a. Debt service payment for the IFA loan.
 - b. The labor cost for an additional employee to be hired (not to over an amount to be discussed)
 - c. After A and B is fully covered, the remaining fund is distributed 50/50 between Port and Silvan with Silvan's portion be applied as abatement of the loan.
6. Term of agreement ends when abatement is completed. Port agrees not to increase tariff fees during term of agreement.
7. Parties agree that the risks and benefits will be shared according to this agreement and that neither party will be required to repay the other's investment outside the terms of this agreement.
8. Teevin has the option to renew the lease for 5 years and every 5 years after.
9. If shipments halt for more than a year, Port has right not to renew option or an exception could be made if abatement is not completed.
10. Port agrees to maintain the terminal berth depth to enable "Handy" size vessels to call into the International Terminal.

This agreement, when executed, will be used as the basis for developing a more formal legal document between the parties.

Neither Sivan nor the Port shall have any legal obligation to the other with respect to the transaction contemplated hereby unless and until the parties have executed and delivered a more formal legal document developed based

By:  JAMES LUO Date: MAY 12th 2017 on this memo.
Its:  CTO
Silvan Forest LLC

By: Walter Chuck, Commission President
Port of Newport

Date: _____

International Terminal Shipping Facility Financial Analysis

Year	1	2	3	4	5	6	7	8
Number of shipments	6	10	10	10	10	10	10	10
Tariff Proceeds	635,178	1,058,630	1,058,630	1,058,630	1,058,630	1,058,630	1,058,630	1,058,630
Additional Costs	(322,462)	(342,462)	(342,462)	(342,462)	(342,462)	(342,462)	(342,462)	(342,462)
Lost Service Revenue	(38,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)	(95,000)
Net Operating Income	274,716	621,168	621,168	621,168	621,168	621,168	621,168	621,168
Abatement	(221,358)	(433,084)	(433,084)	(433,084)	(433,084)	(433,084)	(113,222)	0
Income After Abatement	53,358	188,084	188,084	188,084	188,084	188,084	507,946	621,168
Amount Owed on Abatement	2,278,642	1,845,558	1,412,474	979,390	546,306	113,222	0	0

* 6 shipments in the 1st year and 10 in each year after based on Sylvan projections. Average Tariff is \$105,863 per shipment

* Additional Costs include Loan Payment (\$117k), Personnel Expenses (\$75k), Dredging/Maint. (\$100k) and Ancillary Costs (\$5k/ship).

* Lost service revenue is 10% per 5 & 6 shipments, 20% per 7 & 8 shipments and 25% per 9 and 10 shipments

* Net Operating Income includes tariff proceeds - additional costs - lost service revenue

* Abatement includes 50-50 split after subtracting \$192,462 for loan pmt. and personnel which are included in Additional Costs

* no tariff or lease rate increases over the abatement period

2015-16 PORT OF NEWPORT OPERATING FUND SUMMARY

GENERAL FUND						NOAA
OPERATING	ADMIN	NIT	SO. BCH.	NO. COMM.	TOTAL	TOTAL
Income	\$615,479	\$383,325	\$1,661,489	\$694,522	\$3,354,815	\$2,566,555
Expense	\$754,100	\$603,115	\$1,007,954	\$512,438	\$2,877,607	\$2,393,614
Net	\$(138,621)	\$(219,790)	\$653,535	\$182,084	\$477,208	\$172,941
NON-OPERATING						
Income	\$100,240	\$0	\$0	\$0	\$100,240	\$0
Expense	\$113,427	\$0	\$0	\$6,918	\$120,345	\$10,900
Net	\$(13,187)	\$0	\$0	\$(6,918)	\$(20,105)	\$(10,900)
NET INCOME	\$(151,808)	\$(219,790)	\$653,535	\$175,166	\$457,103	\$162,851