

PORT OF NEWPORT
MINUTES
April 16, 2012
Special Meeting / Public Forum

I. CALL TO ORDER

Commission President JoAnn Barton called the Special Meeting / Public Forum of the Port of Newport Board of Commissioners to order on Monday, April 16, 2012 at 6:00 PM in the Oregon Coast Community College Community Room No. 140, 400 SE College Way, Newport, OR 97365, the same being within the boundaries of the Port District.

II. INTRODUCTIONS

Commissioners Present: JoAnn Barton, President; David Jincks, Vice-President; Walter Chuck, Secretary; Don Mathews, Treasurer; Dean Fleck, Assistant Secretary-Treasurer.

Port of Newport Management and Staff: Don Mann, General Manager; Pete Dale, Project Manager; Jim Durkee, Terminal Operations Supervisor; Rick Fuller, NOAA MOC-P Facilities Manager; Barb Martin, Accounting Assistant; Patty Benjamin, Administrative Assistant.

Others Present: Jerry Anderson, Independence resident; Mike Becker, Bob Berman, Al and Lavonne Bussey, Pat Cowan, Wayde and Barb Dudley, Frank Geltner, Wayne Hill, Olie Olson, Tim Seitz, Liz and Jean Shuber;, Lavonne Wesley, Newport residents; Ken Brown, Les Schwab Tires; Tracy Burchett, Yale Fogarty, Rob Halverson, Dave Jones, Keith and Orton and Irene and Susan and Drew Kaminski, Jason Kirchner, Pat Ruddiman, Jeff Smith, Barrett Tower, and Rod Worman, ILWU Local 53; John Chapman, OSU; Jim Cline, Rogue Ales; Rep. Jean Cowan, State Representative; R. and B. Cowlishaw, William Ruddiman, and Shannon Tower, Toledo residents; Steve Cullen, Jones Oregon Stevedoring; Terry Dillman, News Times; Mark Ellsworth, Governor's Economic Revitalization Team; Lee Fries, CM/GC Selection Committee; Chuck Gerttula and Rick Graff, Port of Toledo; Pete Gintner, Port legal counsel; Russ Glascock, RG Ranch; Dewey Goodell, Leeway Logging; Ralph Grutzmacher, City of Toledo; Neal Henning, Mariner's Square; Andrew Kittel, Alsea Watersheds council; Tim Miller, Siletz resident; Hal Pritchett, Facility Use & Design and Terminal Steering Committees; Jay Robinson, Eco-Subdivision NW; House Co-Speaker Arnie Roblan, State Representative; Mark Saelens, Lincoln County Solid Waste District; Dale Sause, Sause Bros. Ocean Towing & Cargo; John and Sara Skamser, Foulweather Trawl; Grant Snyder, Wiggins Tow Boats & Barge; Matt Spangler, Department of Land Conservation & Development; David Smallwood, Tidewater resident; Bill Stone, Corvallis resident; Shawn and Eric Teevin, Eric Oien, Teevin Bros.; Steve and Norm Unger, Waldport residents; Jeff Vermilya, Hancock Timber Group; Bob and Rob Wienert, Road & Driveway; Ed Wiles, Wiles Construction.

III. INTERNATIONAL TERMINAL and LOG EXPORTS

1. Opening Remarks—Commission President JoAnn Barton reviewed the agenda and introduced the presenters. She said she hoped the public forum format would provide an open exchange between the Port, the presenters, and those in the audience who had questions or comments.

2. Yaquina Bay Invasive Species—Ralph Breitenstein / Q and A. Ralph Breitenstein said he had been doing invasive species research at Hatfield Marine Science Center/OSU for more than five years. The central question he wanted to address was whether logs could be exported from Newport to Asia without irreversibly damaging the eco-system. Using slides projected onto a large screen, he highlighted issues with ballast water and explained how ballast water exchange, when done properly and safely, can greatly reduce the number of organisms in the ballast tanks. Breitenstein went on to explain the two categories of non-indigenous species: introduced species, which had been transported by man from their home species range to a new one that they would not normally reach without human intervention, and doesn't hurt the environment; and invasive species, which is an introduced species that causes economic or ecological damage. He used the parasite that is killing off the mud shrimp locally, resulting in a decline in the number of shrimp and in the fishing bait industry in Oregon and Washington, as an example of an invasive species. He said the parasite was introduced by ballast water, most likely from China, in the mid-late 1980s. In answer to a question from Commissioner Mathews, Breitenstein said the mud shrimp are not expected to make a come back, and when they go away the entire eco-system will be changed because marine introductions are "pretty much forever". Data shows that that Yaquina Bay and Coos Bay have about the same percentage of native and introduced species, even though Coos Bay has had shipping and larger vessels for a longer time. He pointed out that once an organism hits the coast, they generally spread up and down the coast, so each port is responsible for protecting the entire west coast. In answer to a question from the audience, Breitenstein said that even if a robust remediation system was implemented in Yaquina Bay, we would still be susceptible to "sloppy practices" from elsewhere on the coast. Breitenstein listed some "best practices" to use in protecting the coast, including not taking on ballast water at night when there are more organisms, and compliance verification to ensure the ship has changed out its ballast water. He added that some new products have been developed and approved by the International Maritime Organization (IMO) to filter and treat ballast water.

Dale Sause, Sause Bros., said the technology is advancing quickly because no one in the maritime industry wants to harm the environment. He said there are safe ways to execute open sea ballast water exchanges and added that a new barge is being designed around internal ballast that never leaves the vessel. He noted that new regulations will require every ship that dry docks after 2013 or 2014 to install a ballast water treatment system during its dry dock period.

Both Breitenstein and Sause expressed support for establishing a log shipping operation in Newport and encouraged the Port to move forward.

3. Log Yard Operations—Teevin Bros. / Q and A. The chair introduced Shawn Teevin, Paul Lagner, and Eric Oien from Teevin Brothers. Shawn Teevin provided a brief background on his company, explaining that it was founded in 1978 and now employed over 200 direct employees and another 150-200 indirect employees. They have operations in various locations, including Seaside, Eugene, and Rainier, OR. He said the company is actively involved in the communities where they are located. He showed the audience a drawing of a preliminary design for the operation they had proposed to the Port of Newport. He said it would be an asphalt surface and the storm water system would be designed by environmental consultant John van Staveren, who had worked with the Port on the NOAA MOC-P and International Terminal Renovation projects. Van Staveren had also designed the storm water system at Teevin's Rainier site. Teevin said his plan was to work with local timberland owners, who are already shipping logs off their tree farms to different locations. He said the operation would initially create 20-22 direct family wage jobs with benefits, and another 10-15 indirect jobs to support the operation. He said he expected to see a log ship every 4-5 weeks, which would require 40-44 longshoremen during the week it would take to load the vessel. He estimated that the Port would realize approximately \$100,000 in revenue per vessel, and he touched on other areas that would benefit from the operation, such as fuel suppliers, parts suppliers, and maintenance workers. He said local contractors would be used to develop the site and Teevin Brothers and their timber partners had budgeted over \$2 million for the build out. They will negotiate with the Port on a rent exchange for some period of time. Teevin said he had been in preliminary discussions with Sause Bros. and Georgia-Pacific in Toledo about the potential for other cargo, such as waste paper to be recycled or redwood cedar, that would be brought back on barges that would normally return empty.

4. Open Round Table Discussion

In answer to a question from Commission President JoAnn Barton, Teevin said he anticipated at start up 40-60 trucks per day during loading. He added that log trucks coming in over Highway 20 and John Moore Road would not be driving the full length of town as they do now. He said Langner had met with the Newport Public Works Department about the Bay Road and John Moore Road. He noted that John Moore Road had been designed for industrial use to accommodate traffic to the Port; and while they recognized that the Bay Road was narrower and had more safety constraints, perhaps there could be improvements to that road over the long term.

Referring again to the preliminary design drawing, Teevin pointed out that no logs would be staged on the dock and space would be available to stage other cargo in the interim. He said they would work with the Port and the fishing industry to develop a traffic safety plan so the fishermen would have access to their gear during ship loadings.

Commissioner Chuck asked how the small timber land owners in the local area could participate. Teevin responded that Merrill and Ring was their marketing company and would operate out of Newport buying logs on the open market. He said Merrill and Ring is not restricted to large, commercial land owners. They represent both private and industrial land owners, and over half of their supply comes from small, non-industrial timber land owners.

General Manager Don Mann asked Teevin to expand on the log yard layout as it related to stormwater management. Teevin said there were some unknowns because as of July 1 the Department of Environmental Quality (DEQ) was coming out with new sediment control requirements; however, all the asphalt would slope to retention ponds where there would be filtration systems. He said the operation would actually enhance the man-created working wetlands that were on the site because the stormwater would be collected and filtered, and that's not happening now. Citing their Eugene operation, he said the company was used to intense scrutiny and would meet or exceed environmental standards.

Newport resident Liz Schubert asked why Teevin Brothers was interested in bringing a log operation to "tiny little Newport's pristine bay". Teevin said they were a service provider and were there at the request of their customers, who own the surrounding timberland. He reiterated that the "logs have to go somewhere" and shipping them from Newport would take trucks off the road, create jobs, and bring in revenue for a port and a community that needs it. He said timing was a large factor and, had there been a serviceable facility, a log operation might have happened a long time ago. He said he understood small towns, having grown up in Seaside, OR, but Teevin Brothers runs a quiet, clean operation. Referring to one of the drawings, he pointed out that their operation in another small community was at the base of a hillside full of houses, much like the Newport operation would be. When issues arise, he said, he would address them, but there are very few. Commission President JoAnn Barton stated: "This is a return of an industry that had a long history here and, through a combination of circumstances, went away. Part of the circumstance was that the facility that was being used to ship the logs deteriorated, which the Port is

endeavoring to repair. The point I want to make is that this is a return of an industry to Yaquina Bay, not the initiation of a new one.”

Dale Sause, Sause Bros., said his family’s company had shipped millions of board feet out of the Yaquina River for decades. He cited increased shipping from the Teevin terminal, as well as from Coos Bay, and said the cycle was returning. He noted that not all logs “make the sort” for export so they would return to domestic mills, increasing activity in those operations. He saw this as an opportunity to bring back an industry with family wage jobs, and said it was an opportunity that he would hate to see the coast of Oregon miss. A round of applause followed that statement. Commissioner Barton added that she felt tourism was a great industry but any small community that relied solely on tourism for its economic foundation could find itself in a really bad way because events could happen to devastate that industry. She said having an industry that provides jobs is critical to a healthy economy in a small community. She added that she didn’t believe loading one ship with logs per month would hurt tourism. Shawn Teevin said it was quite the contrary in Astoria—the tourists line up to watch.

Chuck Gerttula, Port of Toledo, said he agreed that logging was a cyclical harvest and “the logs were going to go somewhere”. Their going from Newport would cut down on fuel use and traffic on the roadways. He said the Port of Newport was fulfilling its mandate to provide economic development and had the Port of Toledo’s complete support.

In answer to a series of questions from Newport resident Olie Olson, Shawn Teevin said the log trucks would operate from 6:00 AM – 4:00 PM, Monday – Friday, and the log yard would be designed around port access roads to keep the traffic off the city streets; the trucks would be supplied by whoever the tree farms were hiring; fumigation of the logs was not required because they would be debarked on site by an all-electric debarker. Teevin added that the biggest noise complaint at their Rainier operation was not the debarker but the “beep, beep” of the backup alarms that OSHA required on their equipment. In answer to another question from Olson, Teevin said the company would spend \$8 million just to come to Newport and start up, so they would need to be here a minimum of sixty months to turn a profit; however, an increase in timber supply was anticipated because the industrial and local tree farms would hit their peak in another five to ten years so there will be even more supply than there is now. Projecting out to that increase, Langner said, “as it sets now, maybe at maximum there could be a couple of vessels a month”. In answer to another question from the audience, Teevin said the bark from the logs would be sold, locally if there was a market, to bark suppliers as “beauty bark”.

Bob Berman, Newport resident, asked what impact the log yard would have on recreational users of the surrounding property, particularly a “very popular dog walking area”. Referring again to the preliminary design drawing, Teevin pointed out the area their facility would encompass and said that for safety and security reasons it would be fenced. Commissioner Barton noted that the green fields leading up to the proposed yard were privately own and posted “No Trespassing”, but the log yard would be on Port property and would not impact the area around the LNG tank.

Newport resident Mike Becker said he lived on the hill overlooking the proposed log yard site and the operation had his absolute support; however, he was concerned about the intersection between John Moore Road and Bay Boulevard. He was afraid it would become even more dangerous than it already was, with log trucks coming down the hill. Commission President Barton said he was expressing a concern that had been expressed many times before. Teevin reported that they had spent the morning with the City of Newport Public Works Department addressing that very concern, and it was his opinion that the intersection needed to be fixed whether the log yard was there or not. Barton added that she also had concerns about Bay Boulevard, which had been designated as a “Scenic Loop” and attracted joggers, bicyclists, and tourist traffic. She assured Becker that Teevin Brothers and the Port were acutely attuned to the potential problem and were working on it.

Russ Glasscock, small wood mill owner, said he would be very happy to see Teevin Brothers bring a log operation to Newport and hoped they would be successful and stay a long time. He asked if they had considered using the rail head in Toledo. Teevin said they had not had time to consider potential resources of value-added product by rail, but they were familiar with rail operations as they were one of the largest shippers on that same railroad out of their Eugene operation, so it could be an opportunity in the future.

Andrew Kittel, Alsea Watersheds Council, said this was a positive opportunity for Lincoln County on many levels. He stated: “County residents have to assume responsibility for economic growth and we grow trees. For the last 25 years this county has been basically shut down for marketing trees. As a woodland owner and member of the Isaac Walton League and Alsea Watersheds Council, I totally support this operation and so do landowners up and down the coast. The regulations are in place to ensure this will be a successful and safe operation and I applaud you for stepping up to the plate. The Port should take this opportunity to rejuvenate this county and let Newport be a diverse economy. Please support this and move this thing forward.” Kittel’s statement was followed by another round of applause.

Yale Fogarty said ILWU Local 53 fully supported the Port of Newport brining in a log operation and he would “personally throw a party” if Sause Bros. returned to Newport. Fogarty credited Newport’s history of cargo and shipping for its “pristine bay”. He said Newport currently had ten longshoremen but that number would increase to 25 full time workers and another 25 part-time jobs, once the work was

sustained, and those jobs would be available to local residents. He said another bonus would be longshore workers who would travel to Newport for work, boosting the local economy while they were here. Fogarty said Teevin Brothers was a proven “good neighbor” and went on to speak about how shipping revenue would benefit the fishing fleet, tourism, and the community as a whole by enabling the Port to complete an estimated \$3 million in needed infrastructure repairs and maintenance to its facilities. He thanked the Port for recognizing and acting on the opportunity to turn the community into even a greater asset to the State of Oregon.

In answer to a question from John Chapman, OSU, Eric Teevin said the ships would be on trans-ocean routes with very little coast wise traffic, and it made better economic sense for them to leave Newport with a full load of cargo rather than stopping at other ports to complete their load. He said scheduling ships and managing inventory were key issues. The vessel is scheduled thirty days out and has a five to six day window, depending on weather and crew conditions. He said there were about ten different ships that work the China route but due to draft and bridge height limitations, only a limited number of those would call at Newport.

Commissioner Barton asked John Chapman, OSU, if the bay was actually “pristine” and he said it was not, but it was sensitive and vulnerable and extremely valuable.

Mark Ellsworth, Governor’s Economic Revitalization Team, asked the panel to specify the projected job creation numbers. Eric Teevin said there would be 21-22 employees working directly for Teevin Brothers at the start up, plus another ten sub-contractors, plus the ILWU jobs that were created at the facility. He also spoke to the “ripple effect” of potential job creation in the forest products business. He added that there is a “multiplier effect” at their other operations: that one FTE creates .7 FTE off site, such as restaurants, fuel vendors, and other material supplies, and that did not include jobs that would be created on the dock if Sause Bros. came back to Newport.

Steve Cullen, Jones Stevedoring, said he had grown up in Waldport and remembered a time when the timber industry was very important to the community. Jones Stevedoring was the company that had served the log ships when they were in Newport in the past. He said he dealt with Teevin Brothers in Longview, WA and they were a “first class operation”. He supported their coming to Newport “all the way”.

Yale Fogarty, ILWU Local 53, pointed out that chip trucks go to the Georgia-Pacific plant in Toledo every day and come back empty, so perhaps the dock could be used to support G-P by loading bark. He said such an operation would not add trucks to the road, because they were there already. Dale Sause, Sause Bros., said he had been in discussions over the past year about bringing paper for recycling to the plant at Toledo and there is a great potential for that.

Newport resident Lavonne Wesley said she had always liked the logging industry and supported a log yard coming to Newport, but was also interested in the possibility of cruise ships making calls at the Port. Port Manager Don Mann said there had been talk of that in the past but he didn’t know if cruise ships would be compatible with a log operation due to space limitations, since there is room for only one ship at the dock at a time. The log ships would be 590 – 680 feet long, with 100 – 107 foot beam, and would draw 29 – 30 feet of water when fully loaded. Mann added that bringing cruise ships to Newport would not be something the Port could do alone. It would have to be a community effort.

Sara Skamser, Foulweather Trawl, said her netmaking operation leased space from the Port at the multi-use terminal and wondered if there was any additional undeveloped property that could be used for warehousing in that area. Port Manager Don Mann replied that there is only a small piece, which he described as “postage-stamp sized”, but said the Port would be working on its Strategic Business Plan and Capital Facilities Plan over the next year and would address space and compatibility of businesses and other Port users.

Dean Jones, ILWU Local 40, said he had interactions with Teevin Brothers at some of their other locations and it had been his experience that they always did what they said they would do. He noted that he did not live in Newport but, in looking around, he could see that the residents were proud of their community and had reason to be. He felt they were making a wise decision in bringing in a log yard.

Commissioner David Jincks: “Over seven years ago we passed a bond to rehabilitate the terminal facility. It has taken a long time. We grossly underestimated how many contaminants were in those cement hulls. It cost a lot of money to clean them up and a tremendous amount of money to get one of them out of there. We’re in a good position now to pay the community back for passing that bond and we’re moving in the right direction. Growing up in this community, I still have a fond memory of ships and barges laying in the bay and a lot of activity happening around them. I think we’re going to see that again and it will be a big benefit for this community. It has been said here tonight that a community needs more than one or two industries to keep it going. Whether it is timber or tourism, we all get along and make it work. It is important to the community to continue doing that. I welcome you here and thank you for your input here tonight.”

Commissioner Mathews said he echoed Commissioner Jincks’ comments and also welcomed Teevin Brothers. He joked that he had lost the Pasley and was soon to lose the Hennebique so he was running

out of things to talk about on his Marine Discovery Tours boat. The log operation would give him something new to point out from the wheel house.

Commissioner Dean Fleck thanked Shawn and Eric Teevin and Paul Oien for making a third trip to Newport and for conducting a public forum. He said he thought they would bring a lot to the community and he looked forward to the partnership. Commissioner Fleck's comments were followed by a round of applause.

Commissioner Walter Chuck thanked Shawn Teevin for providing him a tour of their Rainier facility and added that it was as nice as it looked in the photograph.

Commission President JoAnn Barton recognized Co-Speaker Arnie Roblan and Representative Jean Cowan for their years of assistance to the Port, most recently in helping to secure the funding to continue the terminal project when it was literally on the verge of being shut down because it was running out of money. Barton noted that the shortfall was not due to budgeting errors but because it was a very costly project, significantly beyond what had been funded for. She said the two representatives worked tirelessly on behalf of the project and were absolutely instrumental in helping the Port to secure the grants and loans that were needed to keep going, and she thanked them both for their efforts.

Representative Jean Cowan said she appreciated the community's turning out that evening to look at the log operation proposal and said she had learned a lot from the presentations. She credited the dedication of the Port Commission and the creativity of General Manager Don Mann for moving the community back towards economic health. She added that both she and Co-Speaker Roblan supported using our natural resources in a way that was healthy in our communities, and turned the floor over to him.

Co-Speaker Roblan said it was great to see a community get behind a project. He continued, "When the legislature was trying to find what little money they could to help, it was impressive to see a community that was trying to help themselves and create a port that functions and brings value back so it can take care of itself in the future". He said that was why he supported Rep. Cowan and the rest of the delegation in backing the project. He said he was excited about the Port of Newport and had been since he saw the vision that the board and General Manager Mann brought forward. He added that he couldn't be more proud of a group of dedicated individuals. He said he knew from his experience in Coos Bay that the quality of the people the Port was bringing in was truly amazing and would add value to the community.

Representative Cowan expressed her gratitude to the governor's office for working quietly "around the edges" in ways the legislature couldn't, and said she thanked the governor and those who worked for him, referring to Mark Ellsworth, for that. Commission President Barton said she had been remiss and apologized for not acknowledging how deeply indebted the Port was to the governor's office and to Ellsworth in particular, for working on behalf of the Port. Ellsworth said the governor cared deeply about the project.

Newport resident Wayde Dudley asked Shawn Teevin when he expected to break ground. Teevin said they still had to work out lease details with the Port and agreements with their customers, but they hoped to hit the summer work window for site development. General Manager Don Mann said the dock was scheduled to be completed by the end of December, and Teevin said if that were the case, it was possible that the first vessel would be loaded in January.

In conclusion, Commission President JoAnn Barton made the following statement: "I want to thank you all for coming tonight—the presenters who took time out of their schedules and those who came to support them and provide information. Again, I would like to extend our sincere thanks to Co-Speaker Roblan and Representative Cowan and the governor's office for the myriad ways you have helped the Port move forward. It has been quite a ride being on the Port Commission these last four plus years. We never expected the kind of welcome growth we have seen and it has been gratifying. When I ran for the Port Commission, I never in my wildest dreams believed that we would undertake the kind of economic development that we have in this community and it makes me very, very proud to say that in the time I have served alongside these people on this port commission, I feel we have made a tremendous impact for the better in this community. I am very proud of the work that we've done and I think we're getting better and better. I would like to say on a personal note that I think it's really providential that we have this opportunity coming up in terms that my caring about conservation and about an environmental legacy that we leave for our children. This is a wonderful opportunity. We're going to have state of the art equipment. No expense will be spared in working with our environmental consultant to ensure that the facility we build is also state of the art. We did not skimp at all on NOAA MOC-P and will not skimp in building this facility. We will do it right and do it well. I know and trust this consultant and the job will get done right. As we continue to contemplate this facility, I do not see any road blocks in the way. The Port commission will take a formal vote on it. Shortly thereafter, the Port will enter into negotiations with Teevin Brothers on the lease agreement, and we'll go from there. This feels like a good fit for Newport."

Yale Fogarty, ILWU Local 53, said he would like to recognize Joshua Dodson, Day CPM, and Natt McDougall Company (NMC) for doing an outstanding job on the terminal project. Barton said she wanted to mention Frank Berg, Day CPM, by name for making a lot of things happen for the Port as the project moved forward.

IV. OTHER

There was no other business.

V. ADJOURNMENT

The Special Meeting / Public Forum adjourned at 8:05 PM.

ATTEST:

JoAnn Barton, President

Walter Chuck, Secretary

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