

**PORT OF NEWPORT  
MINUTES  
January 14, 2009  
SPECIAL MEETING**

**I. CALL TO ORDER**

Interim Commission President Ginny Goblirsch brought the special meeting of the Port of Newport Board of Commissioners to order on Wednesday, January 14, 2009, at 6:00 p.m., in the Hatfield Marine Science Center, Building 904, Classroom 30/32, 2030 SE Marine Science Drive, Newport OR, the same being within the boundaries of the Port District.

**II. INTRODUCTIONS**

**Commissioners Present:** Ginny Goblirsch, Interim President; Dean Fleck, Secretary; Don Mathews, Treasurer; and JoAnn Barton, Assistant Secretary-Treasurer.

**Port of Newport Management and Staff:** Don Mann, General Manager; Patti Britton, Director of Finance; Pete Dale, Project Manager; Kent Gibson, Port Operations; Maureen Keeler, Special Projects Manager; Gina Nielsen, Marina Office Supervisor; and Patty Benjamin, Administrative Assistant.

**Others:** Bill Bain, Newport Mayor; Dr. George Boehlert, Director, HMSC; Rick Brown, citizen; Paul Cederwall and Bill Vermie, Pacific Northwest Consultants; Carol Cole and Jim Shaw, South Beach residents; John Crawford, Lee Fries, Larry Johnson, Chris Mochon-Collura, David Shellshear, Bridget Wolfe, Brook and Ilene Young, Newport residents; Terry Dillman, News Times; Wayne Hoffman Midcoast Watersheds Council; David Jincks, Mid-Water Trawlers; Fred Postlewait, Oregon Coast Bank; and David Ulbricht, Wedbush Securities.

**III. NOAA MARINE OPERATIONS CENTER-PACIFIC (MOC-P)**

**A. Solicitation for Offer, Project Update.** General Manager Don Mann provided a brief review of the process the Port was engaged in, in preparing its Solicitation for Offer to bring the NOAA home port project to Newport. He said a matrix had been created for the twenty-four team members who were providing information from their different areas of expertise, and the Port's consultants were incorporating that information into the offer as it was being prepared. He said it was about half-way completed, and added that the deadline had been extended from January 21, 2009 to February 4, 2009. Mann said that some members of the community had suggested using the terminal site for the NOAA facility, rather than the South Beach property that was under consideration, but NOAA requires a segregated site that can be fenced off and will not share their facility with any other users, so combining the fishing fleet with NOAA would be out of the question. However, the terminal facility would be used by NOAA for heavy lift operations that exceeded the capability of their own dock or the OSU dock, as it has done in the past.

**B. Financial Risk Assessment.** The General Manager introduced Paul Cederwall and Bill Vermie, from Pacific Northwest Consultants, who had compiled a Power Point presentation that showed the potential financial risks for the Port and the community associated with bringing NOAA's new home port to Newport. The first slide showed the components of the lease, including base rent on a 20-year lease, amortization of tenant improvements, and monthly operating costs such as repair and maintenance, insurance, and management. The second slide showed some potential risks such as non-recoverable costs if construction, operating, and financing costs were underestimated or if the project was not completed on time. The last two slides showed a comparison of the costs involved and principal remaining for a \$25 million construction project with 5% financing and a \$30 million construction project with 6.5% financing. General Manager Mann said he anticipated having firm development cost numbers to work with within the next week, and the final numbers would be presented to the commission as soon as they were available. David Ulbricht, Wedbush Securities, said he was still researching various avenues of financing the project. Ulbricht said he thought it boded well as far as terms of the lease that NOAA has been at its present location for such a long time. Mann agreed and said there was risk, but there were ways of minimizing that risk.

A discussion followed about the time involved in the permitting process. Commissioner Barton noted that the permitting process was the one exception to NOAA's time line but Mr. Vermie pointed out that the exception would not alleviate the additional interest that would have to be paid during a delay. In answer to a question from Commissioner Fleck, General Manager Mann said he had spoken with the Department of State Lands, the Governor's Office of Natural Resources, and the Army Corps of Engineers, but had not contacted the other permitting

agencies about the proposed project. Commissioner Barton suggested putting together a sub-committee to talk with project leaders from Oregon Department of Fish & Wildlife and NOAA, to make them aware of the Port's intent to make an offer on the NOAA home port project and "get them on board early in the game". Commissioner Fleck agreed that was a good idea, and he and Commissioner Barton were appointed to that sub-committee. In answer to a question from Commissioner Mathews, Mr. Vermie said NOAA would narrow down the list of prospective Ports to two or more before the end of the year, and if the Port of Newport makes that cut it would then be time to talk more seriously with the permitting agencies.

Commissioner Goblirsch called for questions or comments from Newport Mayor Bill Bain and Dr. Boehlert, HMSC. A discussion followed about the upgrade in fiber optic technology and cable service in the community, and the status of ongoing negotiations for air service into Newport. Dr. Boehlert said he was preparing letters of support for the project and the General Manager said he would provide names addresses for Dr. Boehlert. Commissioner Goblirsch said a letter was being prepared for the governor's signature, now that the Port of Astoria has dropped out of competition for the home port project.

General Manager Mann and Commissioners Fleck and Goblirsch discussed the meeting schedule with the finance committee and the possibility that a special meeting would have to be scheduled before the next regular commission meeting on January 27, 2009.

#### **IV. TERMINAL RENOVATION**

A. Economic Development Administration (EDA) Grant Application. General manager Don Mann explained that Special Projects Maureen Keeler was working on an application for a grant from the Economic Development Administration (EDA), which would offset some of the cost of the upland buildings and the infrastructure that goes into the ground on the Terminal Renovation Project. He went on to explain that building costs were escalating while the Port waits on the permitting process, so he would like to shift as much of the bond measure money as possible over to the actual pier construction. He said the EDA grant was part of the government's stimulus package and the application would need to be submitted next week. The limit on the application was \$2 million, and the Port will apply for \$1.9 million. He said the Port's project fits the criteria because it is "ready to go" with the engineering and design work already done, and he was confident that the Port would receive funds from the program. He asked for the commission's permission to submit the application and said he would send the commission a summary of the application

Commissioner Fleck moved to approve the grant application contingent on the commission's receiving an application summary when it is done. Commissioner Mathews seconded the motion and it passed 4-0.

Special Projects Manager Maureen Keeler explained that the EDA is very favorable to the Port's project, and that the application is being coordinated from a regional perspective with a separate application from the Port of Toledo. She said a meeting would be scheduled with EDA regional staff in Seattle and, if the Port's proposal is approved, the Port would then be invited to submit a final application. In answer to a question from Commissioner Barton, Mann said there should be a decision on the application by March but the Port might not get the money at that time.

#### **V. PUBLIC COMMENT**

Commissioner Goblirsch opened the meeting for public comment.

Wayne Hoffman: I am excited about the opportunity to bid on the NOAA facility. As soon as you have a reasonable design for the dock, start having consultation meetings with ODFW and NOAA and potentially US Fish & Wildlife Service, because there is a possibility of their involvement in the bid process as well. If you do that quickly enough, you might be able to tweak the design to make the permitting easier before you submit it. Having that conversation as early as you can might have some benefits for you. Your relationship with them doesn't have to be adversarial. Second thing is, in deciding whether you want to prepare a bid in which you haven't completely amortized the cost of construction by the end of your twenty year lease, think about potential future uses for it. Is this dock going to be a total white elephant if NOAA leaves in twenty years, or is it a dock that you're going to be able to rent? Are these buildings you'll be able to rent? Is it a design that will be easy to convert to university labs or other uses? You need to think about those kinds of considerations because the bottom line is that if NOAA leaves when those twenty years are up, there will still be infrastructure here; and if it has value, it doesn't have to be completely paid for. But if it doesn't have value to anybody else, you're stuck.

Brook Young: The new proposed NOAA facility is going to be on this side of the bay where the NOAA dock is now? Does that include the sand pile land, the flat to the west of NOAA dock?

Don Mann: It does not include the dredge disposal site.

Young: Where are all the buildings going to go?

Mann: They will be in the area where the old Weyerhaeuser salmon facility was.

Young: Does the Port own that?

Mann: Yes.

David Shellshear: I'm curious about the potential interface with the home port and the ocean observing opportunity that we may have. Would the same facility be utilized by NOAA for both, for the maintenance of ocean observation equipment?

Dr. George Boehlert: NOAA has a big component of the ocean observing system generally, and there are others. Certainly a lot of it is based out of the university fleet so the Wecoma or her successor or other vessels like the Wecoma that come here periodically would be working on it. I think it probably is a good idea within the proposal to write up a summary of the Yaquina Bay Economic Foundation (YBEF) project on the ocean observing system and to have a letter from YBEF's current president as well, that talks about that project and how the community has galvanized and gotten behind this as an economic activity for the community. It is a good point, and I think that they will be doing components of ocean observing out of that operation. If they're in Seattle, they'll have a lot longer run time to get there to do it than they would if they were here.

John Crawford: I'm interested in knowing how the NOAA operation will benefit the community in terms of new hires and potentially how many new residents would have to be housed. Do you have any sense of that?

Bill Vermie: NOAA would be bringing in about 65-70 employees and in addition to that they're going to rely on local labor and work force to do the repair and maintenance on the vessels. There are some estimates out there that the economic impact to the community would be about \$19 million per year.

Crawford: Does that include longshoremen?

Don Mann: No, unless they had to do work on the other side at the terminal. There is an agreement that research vessels are exempt.

Crawford: And the surge you referred to of people coming in for special projects, what would the magnitude of that be?

Commissioner Barton: They weren't very explicit about that.

Vermie: A lot of that would be management oversight, inspector general type people. There are also crews on boats but that's not part of the 60 people. You don't want to overestimate the impact of that because a lot of them live on the boats.

Commissioner Goblirsch: We understand about 60 families would relocate to Newport.

Vermie: Sixty-five to seventy families, but probably not everybody in Seattle would want to relocate to Newport. They could be well plugged into the community up there. If they don't want to relocate, NOAA will bring in other people so there will be an influx of those families.

Crawford: How many ships are we thinking about at any one time?

Vermie: There are four that would be home ported here and they want a surge capability for two more, so six potentially.

Commissioner Barton: A lot of the researchers, if I understood what we were told at the pre-bid conference, who work on these vessels, even now while they're home ported in the Puget Sound area, live in other areas. They fly in to Seattle and get on the vessel and do their two, three, four months stint, so all of the scientific community that works on the vessels will not necessarily relocate to this area.

Chris Mochon-Collura: When was the solicitation for bids received? How much time did you have to get it together?

Bill Vermie: Late November, and the pre-bid was December 5.

Commissioner Barton: It was about a sixty day turnaround time initially.

Collura: That doesn't seem like much time. The associated risks for a project of this size don't sound excessive to me, especially if they're going to be here for twenty years. Hopefully it won't be a white elephant where you can't use it beyond that, but designed so you can use it. I'm still not sure about the location, of where this is.

Don Mann: (Holding up a small site map) You know where the HMSC's visitor's center entrance is? It's right across the street, where Port Dock 2 is.

Collura: You mentioned that there might have to be some dredging?

Mann: For the west end of the site where we are proposing to put the pier, there are some shallower areas. They are requesting a 24-foot depth in front of the pier and most of the vessels, when they're in at dock, don't draw more than 18 or 20, but they want an extra safety factor. (Mann gave Collura the site map.)

Collura: I would suggest, if you don't want any surprises, I don't know how this land was in the past. I know it is dredge spoils originally from the channel, but have you taken some cores from that and had them analyzed?

Mann: We just finished doing a Level 1 environmental assessment and if we get the nod, then we get the geo-tech information.

Bridget Wolfe: Considering what you ran into with the environmental agencies across the way on the cargo dock, have you talked to them at all, to ODFW and NOAA/NMFS about siting something here? Do you have any idea whether they would have any serious problems with it?

Commissioner Fleck: That's what we discussed earlier. JoAnn and I will be going over there and talking to them preliminarily, to let them know what's going on with this thing.

Wolfe: I know that you were going to do that. I just wondered whether you had any discussion with them at all yet.

Don Mann: I can say that they are aware that we're talking about this project at this point. I had discussions with DSL, the same folks that are working with us on the terminal permit, and also with Marguerite and Jessica from the governor's Natural Resources Advisory Group, and they said they would assist with the agencies as well.

Commissioner Goblirsch: We requested that she provide all the agencies preliminary information that the port was doing this and where our location was, and then when we actually have some information to share we'll share that. But there isn't much time for discussions. We have to get this in, and then we have a number of months. If they truly are interested in Newport, then we really have to get steaming on that part of it.

John Crawford: Is there any potential negative impact on HMSC relative to the use of this space precluding their servicing any ships they might be using for research?

Don Mann: We have had some long discussions over the last couple of days that the biggest negative is making sure that the siting of the pier on this side works well with the existing OSU pier, and that we don't interfere with the Wecoma or other visiting vessels coming into that site. We've gone back and forth with three or four different concepts, working with Peter Zerr from OSU ships operations and the skippers on the vessels. I think they've finally narrowed it down to one option and we're going to put that one on the drawing board one more time to see if it works. Peter Zerr has been really good about working with us. He has met with the engineers several times.

Carol Cole: I'm not sure what's going on with the airport and the airlines. If we say we are going to have air service, are we required to have it? And if we get the air service, and I understand it will be subsidized for the first couple of years, if it doesn't pan out financially would the community be forced to continue it by subsidizing it?

Commissioner Goblirsch: In the request, it doesn't say that local air service is required. They want to know distance to the closest airports, rail terminals, buses, and that kind of thing. So we would provide the fact that the city is in negotiations now and that a carrier has been chosen, and beyond that we have Corvallis, Albany, and Salem, and rail transportation to a variety of places. We wouldn't be signing a contract that says "we'll make sure you have air service forever."

David Shellshear: Once this bid is submitted and if the regulatory fisheries agencies have a problem with the area to the west of the existing dock, are we handcuffed by that site or potentially could we site them off a pier west of the Pasley area. In other words, we've got one dock project going and if the fisheries agencies have a problem with dredging for an additional pier west of the OSU pier, as long as we had bid that we're going to provide the facility could we move to the other side?

Don Mann: We would not know the answer to that until we have this preliminary discussion with the agencies to see how they feel. My guess is that you would have to receive a letter of jeopardy from NMFS and/or ODFW. If there is a determination of jeopardy to the habitat that means that you could never build anything in that area. We would try to provide a design that would be acceptable to the agencies. Like Wayne said, if we meet early on maybe there's some ideas they have on the best design for the pier. As far as building it further upstream or near the terminal, the only way they would accept that would be if the facility was completely isolated and there was no other access to the NOAA facility.

Commissioner Goblirsch: What would have to happen is we would have to completely displace the fleet up there.

Shellshear: If the distant water fleet were using the east end of the facility, and what is being currently called the cargo portion or Pasley portion was to be expanded west with the pier, the facility could be divided.

Commissioner Mathews: It wouldn't be stand alone at all. There is so much multi-use between where they would be that you would basically put them on an island at that point. If you could do anything, it would be go east and be on Hall property.

David Jincks: I think there would be some real compatibility issues with the fishing fleet there. For example, many of us have trawls that are 900 feet long, and we lay those out and work on them up there. We'd be out of business. I don't know if you've ever been to a NOAA facility but they are pretty much a lock down facility. They've got gate guys, checking you in and out.

Commissioner Goblirsch: There is also homeland security. The only room over there would be on the Hall property and that's not Port of Newport property. So if the Halls wanted to submit a proposal...

David Ulbricht: Being at the pre-bid conference and witnessing some of the folks who where there, do you have an idea of what other folks are bidding on this project?

Commissioner Barton: Do you mean do we know who the other entities are? There is no reason to believe that everyone who is interested in submitting an offer was necessarily at the pre-bid conference.

Don Mann: We know Port Angeles, Bellingham, and the existing landlord, Lake Union, will bid, and Newport.

Ulbricht: I thought I heard the Port of Tacoma was interested.

Mann: I hadn't heard about the Port of Tacoma, but before we decided to do this I called the Port of Portland to make sure they were not vying for the project and they aren't. The only other Oregon site was Astoria but they withdrew.

Commissioner Goblirsch read an e-mail that the Port had received from Fran Recht of Depoe Bay, OR, into the record:

*I am hoping that the Port can rethink its priorities and use the bond measure to replace the Pasley (by removing the ship in its entirety and not filling the estuary) to serve the NOAA fleet if we get the contract and not to serve a very improbable cargo future. This way you could use the bond measure as leverage for other grant funds and have an enticing deal for NOAA to come to Newport. Being on the north side of the bay has a lot of advantages for personnel and for security and safety. Furthermore, there would not be as much of an issue regarding cumulative impacts. Thank you for consideration of my comments.*

## **VI. OTHER**

Commissioner Goblirsch called on Wayne Hoffman, Midcoast Watersheds Council, for an update on an estuary restoration project that involved some survey work on Port property. Hoffman said that the project was on 35<sup>th</sup> Street in South Beach, on the road that leads to Idaho Point. There is culvert there that belongs to the City of Newport, and it runs under the road to allow drainage from a hillside. The culvert needs to be replaced but there are significant engineering issues in replacing it, due to the tidal situation. Hoffman said an engineering firm from Salem, West Consultants, had been hired to survey the site and provide design information, and then an application will be made, in partnership with the City of Newport, to replace the culvert. He thanked Port Manager Don Mann for his cooperation in granting access to the property through a land-owner agreement so the survey work could be done.

## **VII. ADJOURNMENT**

There being no further business to come before the Special Meeting of the Commission, the meeting was adjourned at 7:20 p.m.

ATTEST

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Ginny Goblirsch, Interim President

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Dean Fleck, Secretary