

PORT OF NEWPORT
MINUTES
December 17, 2008
SPECIAL MEETING

I. CALL TO ORDER

Commission President Rob Halverson called the special meeting of the Port of Newport Board of Commissioners to order on Wednesday, December 17, 2008, at 6:00 p.m., in the Central Lincoln PUD Cafeteria, 2129 N. Coast Highway, Newport, OR, the same being within the boundaries of the Port District.

II. INTRODUCTIONS

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

Port of Newport Management and Staff: Don Mann, General Manager; Pete Dale, Project Manager; Maureen Keeler, Special Projects Manager; Kent Gibson, Port Operations, and Patty Benjamin, Administrative Assistant.

Others: Bill Bain, Mayor of Newport; Dr. George Boehlert, Director, Hatfield Marine Science Center; Paul Cederwall and Bill Vermie, Pacific Northwest Consultants, LLC; Chris Chandler, Central Lincoln PUD; Lorna Davis and Sunny Golden, Greater Newport Chamber of Commerce; Terry Dillman, News Times; David Jincks, President, Mid-Water Trawlers; Dr. Hal Pritchett, Facility Use & Design and Terminal Steering Committees; Ken Riley and Rob Thompson, Thompson Sanitary; Jim Seavers, Commercial Fisherman; Grant Snyder, Wiggins Towboats; Terry Thompson, Lincoln County Commissioner.

III. SOLICITATION FOR OFFER: NOAA MARINE OPERATIONS CENTER-PACIFIC (MOC-P)

A. Project Overview—Port of Newport. Don Mann, General Manager, provided a review of the events that resulted in the Port of Newport being considered as a possible site for the new NOAA Marine Operations Center-Pacific (MOC-P). Starting with his and Commissioner Halverson's visit to NOAA's headquarters in Silver Springs, Maryland nearly a year ago, he recounted the site visit NOAA personnel made to Newport when the port was one of eleven ports under consideration as the new MOC-P home port. After Newport made the "short list", Mann ordered a Solicitation for Offer packet when it became available and attended a pre-bid conference in Seattle on December 5, 2008. In the meantime, he identified the firm of Pacific Northwest Consultants, LLC and, based on their background in government contracting and auditing, asked them to attend the pre-bid conference with him. Mann had applied in writing for an extension on the time line for submitting an offer, but said it was unlikely that would be granted so he will consider the deadline to be January 21, 2009 unless he hears otherwise. The site under consideration for NOAA's use is at South Beach, west and downstream from the Oregon State University (OSU) pier, and the 3-5 acres of backup property is in the vicinity of the former Ore-Aqua site, now leased to Yaquina Bay Fruit Processors. He said the current tenant understands the NOAA proposal and would like to reduce his leased footprint anyway.

B. Consultant Presentation—Pacific Northwest Consultants, LLC. Mann introduced Paul Cederwall and Bill Vermie, Pacific Northwest Consultants, LLC, who offered a brief background on their consulting firm and then gave a Power Point presentation that described what the NOAA offer would entail. The presentation included space requirements for buildings, parking, outdoor storage, and a pier; a diagram of a possible site layout; and a list of factors that NOAA will use as criteria to award the home port project. The award factors included, among others, location, financing, site compatibility and configuration, availability, delivery time line, and quality of life. Mr. Vermie emphasized the importance of the various factors and said the financing issue could be a challenge because it included a requirement for proof of funding up front, although he pointed out that the other bidding ports would be in a similar situation as Newport. The other known bidders, based on who had attended the pre-bid conference, are the Port of Bellingham, the current lessor Seattle (Lake Union), Port Angeles, and the Port of Astoria. Another Power Point slide showed the list of benefits to the Central Oregon Coast if NOAA chose Newport as its new home port. The list was broken down into tangible benefits, such a \$19 million annual economic impact, and less tangible, such as partnering opportunities with the Hatfield Marine Science Center (HMSC) and an environmentally friendly long-term port tenant.

Mr. Vermie said the Port's offer would have to include a response to each of the award factors and NOAA would be looking for a very detailed narrative, so he and Mr. Cederwall would need local help in gathering the information to be included in the offer. Using the quality of life award factors as an example, he said much of that information had probably already been prepared by the Chamber of Commerce, so if it could be accessed they would include it in the response. He said as far as benefits to NOAA for relocating to Newport, what they were looking for was something unique and not available at other ports. He referred to it as the "wow factor". He said they would also need help in mitigating some perceived disadvantages, such as Newport's distance from the NOAA Western Regional Center, which rates high as an award factor criterion and puts Newport at a disadvantage since Newport is one of the furthest ports from the center in the western region. Vermie said that Seattle had been touting its depth of marine services and ship yards, so any information that would help mitigate that would be advantageous. In answer to a question from Commissioner Goblirsch, Mr. Vermie said NOAA had hired a consultant company to do the

groundwork, but the ultimate decision about the new home port would be made by “the brass”. A brief discussion followed about whether NOAA preferred to work with union versus non-union ship yards and whether Newport’s prevailing wage rate was substantially lower than Seattle’s. Project Manager Pete Dale said that he could supply information on prevailing wage rates.

Commissioner Goblirsch suggested that emphasis could be placed on the HMSC and the commercial fishing fleet as a resource for the research that the NOAA ships do. Terry Thompson said that the smaller NOAA vessels might be more efficient than the larger ones out of Newport, and General Manager Mann said he had asked NOAA to provide specifications for those vessels in writing. The site layout drawing included 400 feet of pier for the smaller vessels but Mann said they might also be able to use floating docks.

A question arose about the demographics of the researchers and their families, and Commissioner Barton said that she had been told by NOAA representatives at the pre-bid meeting in Seattle that that information was available online.

Referring to the transportation award factor, Newport Mayor Bill Bain said the Highway 20 improvement project would be finished in 2011, which would line up nicely with completion of the NOAA home port facility, and said the airport will soon have commercial flights in and out several times each day.

Commissioner Fleck asked how proof of financing could be guaranteed upfront, and General Manager Mann said David Ulbricht, from Morgan Securities, had attended the pre-bid conference and was working on some different approaches to the project. Mr. Ulbricht had worked with the Port on the general obligation bond that was passed to renovate the shipping terminal, and had intended to attend the meeting that evening but couldn’t make it because of bad weather. Mann added that, if the Port couldn’t offer proof of funding, its offer would be “dead on arrival”. Commissioner Goblirsch asked about state funding, and Mann said he had talked with the Governor’s Revitalization Team and they were aware of the opportunity but couldn’t commit state funds because two Oregon sites were vying for the project. He said he had also asked NOAA if the project could be phased as far as constructability but has not received an answer yet. In answer to a question from Dr. Boehlert, Mann said the ballpark figure for the project was \$25 million. He added that the KPFF engineers that are working on the terminal project are developing a cost for the NOAA piers. Mr. Vermie cautioned that the Port of Newport would be going in with an almost all new facility, whereas some of the other ports might be able to use existing facilities or reconfigure some that are already in place, and if the \$25 million is much higher than the other bidders, the Port of Newport would be considered outside of the competitive range. He also talked about amortizing the \$25 million over the term of the 20-year lease or “betting on the come” that NOAA would extend the lease or the Port would find another tenant if they left.

Mr. Cederwall explained the bidding process, saying that NOAA and their consulting firm would look at all the bids submitted by the January 21, 2009 deadline and pick the best offers from those. Then they would start a second process to accept a best and final offer, and planned to award the contract by September of 2009. So if the Port of Newport is selected in January, there would be an opportunity to prepare a best and final offer in more detail and “nail down” some of the award factors, while participating in ongoing discussions with NOAA and their consultants at the same time. Cederwall described the initial bid offer is just “the first shot to get a foot in the door”.

Commissioner Goblirsch asked how the information could be gathered in such a short amount of time, and Mr. Vermie said they would start with a work session the following day to delegate responsibilities and avoid recreating information that had already been produced. Commissioner Goblirsch suggested setting up interviews with a small group of fishermen who have a lot of practical information to share, and Commissioner Halverson suggested Rich Belloni as a contact at the school district, since he would be aware of any buildings that the school district might be offering for sale. The General Manger added that a lot of the school district, hospital, Coast Guard, Marine Science Center, and Corps of Engineers information would be readily available on their respective web sites. He said the groups he had talked to in the community were already thinking things through because of the short time line.

Commissioner Barton requested that the Port get financing input from more than one source so there would be comparisons to study. She recommended contacting Greg Sammons, who has a local securities firm, in addition to David Ulbricht who is already working on the financing. Mayor Bain said Seattle Northwest Securities had done a good job for the city and suggested contacting the city’s finance director about them. Commissioner Barton asked if a sub-committee of the commission should be formed exclusively for looking at financing and conducting interviews, and the chairman said he wasn’t sure about that; that he understood response time was critical and if there was someone else who could look at the financing and it didn’t cost anything, that would be great. Commissioner Fleck also expressed concern about the cost. In answer to a question from Commissioner Goblirsch about the financial risk, Mr. Cederwall said that if the Port of Newport makes the next cut, then there would be an opportunity for fine tuning the details about buildings and drawings and offices, but regarding the financing “you either have it by January 21 or you don’t”. Reading from the Solicitation for Offer, the wording was specific to “evidence of at least a firm commitment of funds”, and Mr. Cederwall added that NOAA would not care whether the funding came from one, two, or three sources. Commissioner Barton suggested contacting Fred Postlewait, President of Oregon Coast Bank, and Commissioner Fleck said it might be a good idea to convene the Financial Oversight Committee that had worked with the Port on the terminal bond to review the offers and make recommendations.

David Jincks suggested looking into Homeland Security issues relating to NOAA vessels and other transportation vessels traveling within a certain distance of each other, adding that Homeland Security had had an issue with cruise ships in southeast Alaska so if the piers were in a location where shipping or commercial vessels have to transfer, that could be a problem. Dr. Boehlert said Peter Zerr, OSU Ship Operations, knew a lot about Homeland Security requirements with respect to research vessels and suggesting discussing the issue with him.

In answer to a question from Mayor Bain, Mr. Cederwall said the lease payments would start when NOAA takes occupancy; there would be no progress payments. The chairman asked if it wouldn't be better to have two financial guarantees, given the current economic market, and Mr. Cederwall said it couldn't hurt. Commissioner Mathews commented on some of the award factors, such as quality of life, being more important than price, and Mr. Vermie said that was true but it didn't mean the price was unimportant.

The chairman stated that current NOAA facility, Lake Union, would be offered for lease by NOAA again but the piers, which had been destroyed in a fire, would be rebuilt only if Lake Union won the award. Regarding transportation, a discussion followed about travel time from Newport to Seattle/Bellingham, and Jincks said not to forget train service, adding that he often takes the train from Albany to Seattle and it is as fast, if not faster, than driving. Regarding transit time from Seattle/Bellingham to Newport by water, Jincks said it really depends on the time of day you hit the locks. Grant Snyder, Wiggins Towboat, said it was about ten hours from Seattle to Port Angeles. Jincks cautioned that fuel savings might be balanced out by maintenance, since the ships would be sitting in salt water and subject to tides, versus a fresh water lake with no tides.

Commissioner Barton said she had spoken with a friend who works at NOAA who said it can easily be a 24-hour cruise to get to the ocean. The General Manager cautioned against discussing the project with NOAA employees because that could give the appearance of favoritism towards Newport, due to the NOAA facility that is already here.

Dr. Boehlert asked the consultants to e-mail a copy of their Power Point presentation to the people present at the meeting because seeing the various points again would help in providing the information that was needed.

David Jincks mentioned that the Newport community has supported large vessels for many years and that local expertise is at such a high level that people bring their boats down from Seattle for repairs and maintenance. He said Newport offers manufacturing and repair work and, apart from haul out capability, everything is here. Commissioner Fleck agreed, saying that he does a lot of marine supply business with National Marine Fisheries because of the level of local expertise. Commissioner Mathews added that travel time for a welder in Newport would be about fifteen minutes, versus Seattle where you might wait half a day for it, which he felt would be a selling point. In answer to a question from the chairman, Jincks said the haul out capability for Wahl Marine in Reedsport is 900 tons but depends on tides and draft.

In answer to a question from Commissioner Fleck, Mr. Cederwall said current NOAA employees could not be approached to support Newport as the new home port, but there are no such restrictions on former NOAA employees. Bruce McCain, Fred Jones, and Warren Taguchi were mentioned as former NOAA employees who could be interviewed. Dr. Boehlert went on to say that NOAA owns three buildings at HMSC and three different activities of three components of NOAA, two of which are located at the Western Regional Center are located there—the Alaska Center, the Pacific Marine Environmental Laboratory, and the Northwest Fisheries Science Center, for a total of 60-70 NOAA employees on site in Newport. He said HMSC's annual report includes NOAA's budgetary information. Commissioner Goblirsch asked if material used to recruit researchers for HMSC was available and Dr. Boehlert said he could probably find some of that information in the strategic plan they use in recruiting. He pointed to a report that he and Don Mann had helped to prepare as a strong argument for the level of community support for this type of activity, saying that the community may be small but there is depth and focus here.

General Manager Mann said he would develop a "clearing house" point of contact and e-mail tree for distributing information, and see that a copy of tonight's Power Point presentation was sent to everyone present. Commissioner Goblirsch asked if everyone was in agreement that the Port should move forward with the project. David Jincks said, "Whether we get this or not, the experience we gain from this will be invaluable. I think we need to proceed as impressively as we can, with everyone pulling together, because some day this will pay off, even if it doesn't this time."

Commissioner Barton said the arts community should be contacted through the Oregon Coast Council for the Arts, and Frank Geltner was mentioned as a contact, even though he is retired from OCCA.

Mayor Bain said he was aware of at least five major residential developments being built. He recommended contacting James Bassingthwaite at the city planning office for more information on existing housing and those poised for development. He also mentioned the new water treatment plant that will be coming online. Commissioner Mathews added that ocean view homes in Newport would cost less than homes on Lake Union.

Dr. Pritchett pointed out that Oregon State University has a lot of NOAA grants, including a wave basin, and it might be worth checking to see what part that might play in putting the offer together.

Grant Snyder noted that the NOAA offer was a Port-initiated program but was community based as far as the process to bring everyone in on the campaign.

C. Pacific Northwest Consultants, LLC Consulting Agreement. The General Manager thanked the Lincoln County Commission for committing up to \$15,000 from their Economic Development Program towards the NOAA homeport project, and the City of Newport had offered \$5,000 in assistance. Mann said there might be money from the state's Port Planning and Marketing Program in the form of a \$15,000 matching grant for both Astoria and Newport and said that total of \$35,000 would cover the consultant's contract. He outlined the contract and work scope for the commission and noted that it has been reviewed by the Port's legal counsel.

In answer to a question from Commissioner Barton, Mann said the Port would need to pay for the services of an architectural firm for the site lay out and to work with the engineers in helping to develop costs. He said he didn't know what the cost for the architectural services would be to the Port as yet. He added that Quade Construction had referred him to a local architect, and Dr. Boehlert suggested that he contact Jim Lewis, of the gLAs Architect Group in Eugene. Mr. Lewis has done work for OSU and is also the architect on the Oregon Coast Community College project. A discussion followed about the level of detail that would be necessary in the drawings and banker's packages.

Commissioner Goblirsch moved to approve the contract between the Port of Newport and Pacific Northwest Consultants LLC for the completed submittal package for the NOAA project. Commissioner Mathews seconded the motion.

By way of discussion, Commissioner Barton said she had been impressed by Mr. Cederwall and Mr. Vermie at the pre-bid conference in Seattle and was glad they would assist on the NOAA project.

The chairman called for a vote and the motion passed 5-0.

It was the consensus of the commission that General Manager Don Mann should sign the contract on behalf of the Port.

IV. PUBLIC COMMENT

There was no public comment.

V. OTHER

There was no other business.

VI. ADJOURNMENT

There being no further business to come before the Special Meeting of the Port Commission, the meeting was adjourned at 7:45 p.m.

ATTEST

Ginny Goblirsch, Interim President

Dean Fleck, Secretary