

**DRAFT** COOS COUNTY URBAN RENEWAL AGENCY

**BOARD MEETING MINUTES**

**Friday, March 16, 2012**

**7:30 a.m.**

**Port of Coos Bay Conference Room**

**Attendance: Board:** Caddy McKeown; Gene Melton; Howard Graham; Joe Benetti; Janet Rubin; Dan Smith.; Mike Vaughan; Fred Messerle; and Mike Stebbins. Chairman Todd Goergen and member Cam Parry were absent;

**Port Staff:** David Koch, Donna Nichols, Martin Callery, Elise Hamner, Donna Scholl

**Guests:** Rickey Wiley – Candidate for Coos County Commissioner

1. Call to Order/Self-Introductions

The meeting was called to order by Vice Chairman Benetti at 7:35 a.m. He asked for self-introductions.

2. Appointment of New Budget Committee Member for Vacant Position

Ms. Nichols said staff had placed an ad in the newspaper for a budget committee position and there was one response for filling the vacancy created by the loss of Mike Helfrich. She said Susanna Nordhoff applied. Ms. Nordhoff is an independent civil engineer who serves on the Coos Watershed Association board. Ms. Nichols said she did not know Ms. Nordhoff but Ms. Hamner knew her from the Coos Watershed Association board. Mr. Graham asked whether Ms. Nordhoff had mentioned her involvement with North Bend. Ms. Nichols said she had not. Mr. Melton asked if there was any background on Ms. Nordhoff. Ms. Nichols said there was not, nothing other than her expression interest in the position. She said if the board preferred more applicants, Port staff would advertise again and since the budget committee only meets once a year, there was time. Ms. Nichols asked if anyone else had comments. Ms. Hamner said two ads had been placed in the newspaper along with an advertisement on the Port's website but there wasn't much interest. Mr. Graham asked Mr. Stebbins if he had any input. Mr. Stebbins said Ms. Nordhoff kept him pretty busy in his representation of the city of North Bend. Mr. Benetti suggested advertising for the position again to produce more applicants and asked the board members to encourage people to apply. Ms. Nichols said another advertisement would go on the Port's website and people could apply by sending her an email but she didn't feel it was necessary to place another ad in the newspaper. Ms. McKeown said it would be prudent to have a broader pool of applicants. Mr. Graham felt it was a good idea to have at least two applicants to choose from.

3. Approval of the June 16, 2011 Board Meeting Minutes

Mr. Benetti asked for approval of the minutes of the June 16, 2011, Board Meeting minutes.

**Upon a motion by Commissioner McKeown (second by Mr. Melton), the CCURA Board voted unanimously to approve the minutes of the June 16, 2011, Board meeting. Motion carried.**

4. Discussion items:

A. Reappointment of Budget Officer

Ms. Nichols said she was typically the budget officer and the board has previously delegated the responsibility to her. Unless someone else wanted to do it, she would be happy to be the budget officer.

**Upon a motion by Ms. Rubin (second by Mr. Melton), the CCURA Board voted unanimously to approve the reappointment of Donna Nichols as Budget Officer of the CCURA for FY 2012/13. Motion carried.**

B. Setting Current Year Budget Calendar

Ms. Nichols hoped the calendar would work. She said the first budget meeting is scheduled at 7:30 a.m., Friday, May 4, 2012, and would most likely be at The Mill Casino. Mr. Benetti commented that usually one meeting is sufficient which Ms. Nichols confirmed. She said if there was need for a second meeting it would be the following Friday, May 11.

**Upon a motion by Mr. Graham (second by Mr. Melton), the CCURA Board voted unanimously to approve the FY 2012/13 budget calendar. Motion carried.**

C. Approval of June 30, 2011, Year-end Financial Report

Ms. Nichols said every year CCURA is supposed to submit a financial report to the Secretary of State. There is a compilation, a review or an audit. She said last year there was less than \$158,000 in expenditures so there was just a compilation report, which is a financial report that satisfies the Secretary of State. There were no adjustments and nothing that had a material effect on the reporting process. Ms. Nichols said the compilation that was provided to the board needs to be approved. She also discussed the current financial review as of February 29, 2012. There are currently \$743,000 in funds and the only committed funds this year are against the DEQ loan for the wastewater treatment feasibility study to which the CCURA dedicated \$90,000 in matching funds. Ms. Nichols said the study had not been completed, and thus the loan had not been paid.

Ms. Nichols said that CCURA has received approximately \$200,000 to \$208,000 in tax revenues so far this year, which is close to 90% of the taxes due. Mr. Benetti asked if \$200,000 was typically the average amount received. Mr. Nichols replied that last year it was approximately \$224,000 and felt this year's amount would be close to that.

Ms. Nichols said that Southport Forest Products has purchased some equipment so there will be other monies coming when the Enterprise Zone designation expires in 3 years. Ms. Nichols said incremental taxes that are being received are because of Southport's

building. Commissioner McKeown asked how the barge slip fit in. Ms. Nichols responded that the barge slip qualifies as developed infrastructure so it has land value. She said when Southport originally expanded its facility, it received five-year tax-free Enterprise Zone status. At the end of the five years, the improvement became taxable and CCURA is seeing the result of that. Mr. Benetti asked if the amount lessened and was not the full amount for the full five years. Ms. Nichols said it was the full amount for five years. Mr. Stebbins said there have been proposals to lessen the amount over the five-year period. Mr. Benetti thought he remembered at the fifth year it dropped to 25% but he wasn't sure. Ms. Nichols said she would research it and would let the board know at the next meeting. Ms. Nichols reminded the board there was need for a motion for approval of the compilation report.

**Upon a motion by Mr. Graham (second by Mr. Melton), the CCURA Board voted unanimously to approve the June 30, 2011, year-end financial report audit. Motion carried.**

D. Approval of One-year Renewal of Attorney Fee Agreement  
Mr. Benetti called for a motion for approval of a one-year attorney fee agreement.

**Upon a motion by Ms. Rubin (second by Commissioner McKeown), the CCURA Board voted unanimously to approve a one-year renewal of the attorney fee agreement with Stebbins and Coffey. Motion carried.**

E. Update to the North Bay Urban Renewal Plan and Approval of Resolution No. FY11/12-1

Mr. Stebbins said did a historical review of the North Bay Urban Renewal Plan due to other work he had to do for the Agency. He said the plan is like an ordinance or statute in terms of what can or cannot be done as an Urban Renewal Agency. He said plan should clearly define what an agency can do and it can look at the plan for guidance in decision-making. If a plan is ambiguous, then there can be issues and it makes it hard to work with the plan. Mr. Stebbins said during his work he found an ambiguity. He said the plan was adopted in 1986 and it provided for 20-year duration in Section 8. He said that despite three different amendments that were done to the plan since that time, no one ever formerly amended Section 8 to extend the life of the plan beyond 20 years. He said he found in piecing together agendas and meeting minutes that the records were incomplete and, as a result of advice from an attorney back in 1991, the Agency was told that to incur more indebtedness, there had to be an amendment to set a maximum indebtedness for the Agency. In 1998 the amendment was done, and in doing that, the plan for the Agency also had to be set up in order to retire the indebtedness. In looking at the amendment, it shows a 20-year plan to take care of the maximum indebtedness and a 20-year plan to execute the Agency's plan to do the development they wanted to do. From that point forward, the other two amendments contemplated a 20-year life expectancy of the Agency from 1998 forward, so Section 6 of the plan was changed to show 20 years but there was no change to Section 8, which created the ambiguity. The Agency interpreted its plan and all of its actions from 1998 forward as if it was continuing until 2018. Mr. Stebbins explained that the purpose of today's resolution was to clarify that the life of the

Agency goes to 2018 as it has been acting up to this point. Mr. Benetti wanted to confirm there was need for clarification because Section 8 of the plan hadn't been taken care of but everything else had been. Mr. Stebbins said that was correct. Mr. Stebbins said the current Agency plan still is ambiguous in the sense that in the board's last two amendments, the agency board adopted the consultants' reports saying they were going to act in accordance with them, and then never incorporated the information into the plan. He said there would be additional clarifying, more detail-oriented information that needs to be added to the plan. Mr. Benetti asked what the intent was at year 2018. Ms. Nichols responded it would depend on the Agency. Mr. Stebbins said it could be extended. Mr. Koch said between now and then he expected that the Agency would want to undertake another planning exercise and talk about what has changed since 1998. Mr. Stebbins said at the end of this year there could be some significant developments that would really change how this Agency does business. Mr. Callery said, in 2006, the Agency went through an exercise with HHPR as a consultant and that piece needs to be incorporated into the overall plan. Mr. Graham said the city of North Bend is undergoing a similar process and it is amazing how much information is garnered from doing an update. Mr. Benetti called for a motion to approve an update to the North Bay Urban Renewal Plan and approval of Resolution No. FY11/12-1.

**Upon a motion by Mr. Melton (second by Ms. Rubin), the CCURA Board voted unanimously to approve Resolution No. FY11/12-1. Motion carried.**

#### 5. Other Project Updates

Mr. Koch said the Port has been having discussions with two firms, one looking at biomass and one looking at multiple commodities and developing industrial grade wood pellets for export through the Port of Coos Bay, utilizing manufacturing facilities from the Roseburg area, Eugene area or a new facility in the Reedsport/Gardiner area. Mr. Koch said he knew these firms have had conversations with the Coquille Tribe about reactivating the old Weyerhaeuser dock north of the tribe's RV park. They also have been looking at North Spit property either as a stand-alone facility or partnering with an existing or a proposed terminal. He said this is a somewhat recent project relative to the other ones the Port has been discussing and it is beginning to move fast. Mr. Koch said the Port is actively pursuing this as a broader economic development project beyond just utilizing or creating new Port facilities to accommodate them. In addition, the Port is contacting other economic development partners outside of the Coos Bay area to see how it might link properties together to ultimately bring the product through Coos Bay on the rail line and out through a Port facility. Mr. Vaughan asked what the product would look like. Mr. Koch said it would be industrial grade wood pellets manufactured from wood fiber within this region and would be used for thermal power generation either stand alone or blended with another product as a way of "greening" the process of burning the other product. Mr. Callery commented there was a lot of interest in this concept right now primarily on the East Coast/Gulf Coast. They are currently shipping into industrial sites in Europe, but there is a growing demand throughout Asia mostly for the blending of products. He said some of the companies are talking about pure biomass power generation but initially he felt it would be blended with other commodities. Mr. Callery said the companies like the availability of wood biomass in this region. He said there are

a lot of commitments right now for the available biomass so it will depend on whoever gets to the table first with a viable project. Mr. Vaughan asked if the competition was for BTUs.

Mr. Callery responded that the producers have a formula for biomass in relation to hardwood and softwood content. He said he didn't recall what the exact blend was but one was combustibility and the second was BTU generation. They are looking for full combustibility with very little residual product after combustion. They also have to find the right mix to get a high BTU value. Mr. Callery said the producers are looking at the availability of all of the different wood waste streams in this region to determine if southwestern Oregon is a viable site. He said the Port has heard from two of these companies that they like what they see on the ground. The Port is hoping they would be able to site production facilities and utilize the rail line to get it here from throughout the region. Mr. Koch said it is similar to how wood chips are being imported from the Roseburg/Dillard area by rail car. The pellets could similarly come by rail as opposed to having to truck them over the Coast Range passes. Mr. Callery said there is one significant producer that has the capacity to produce industrial woodchips. It isn't doing a lot right now, but if the right opportunity came along, it could be a major supplier to the market demand. Mr. Koch said the Port is looking at a potential range of cargo from ½ million – 1 million tons a year moving through a Port facility. He said it may not seem like a lot when 1.5 million tons of cargo moved through the Port last year, down from historic highs of 8 million. Ms. Hamner commented that each rail car equates to approximately 3 ½ to 4 semi-trucks. Mr. Koch said every rail car helps the Port revitalize the railroad.

Mr. Koch said Project Mainstay is continuing to move forward with due diligence and it is not all of the evil and nasty things a person might read. He said the Port is very concerned with the environmental impacts of this project, particularly local impacts along the rail line in Coos Bay. He said when staff went through the process of narrowing down the firms for this project, one of the strongest categories evaluated was the environmental record of the companies that were proposing the project and their experience. This included not just what they said they were going to do but what they had done in other operations. He said the selected firms have experience moving coal in an urban environment in a way that it does not generate headlines of massive piles of coal blowing through the neighborhoods and communities. He said the company is currently moving coal in a highly regulated area. If a person were to go online to search for news reports about the operations, there wouldn't be stories because the company doesn't generate controversy or the type of pollution that people keep reading about from the Sierra Club and others bent on preventing projects like this. Mr. Koch said as the Port is moving through the due diligence process with this company, continually making sure that they are considering those aspects of their project as they are evaluating whether the bottom line pencils out for them to develop a project here. Mr. Koch said the Port is not developing this project behind closed doors. It is helping the company with due diligence behind closed doors because this project is far from certainty. Once it reaches the point of deciding to move forward with the next design phase and permitting, and if the port enters into an option agreement with them to allow them to continue to the next step, then more information can be made public.

Mr. Koch said for any of the board members who have been involved with economic development projects, the very beginning of those projects is a very sensitive time and they may be looking at other ports in addition to the Port of Coos Bay. There are competitors who are looking at similar projects in other places. All businesses have an interest at the very early stage of project development of keeping information confidential so that they can remain competitive in what they are trying to do. Mr. Koch said the Port expects the due diligence will be completed sometime between now and June. Initially it was April but it has been pushed back a couple of months due to working through issues related to the cost of the rail service. A draft rail capacity study has just been completed on the line estimating the cost to upgrade it to accommodate unit train traffic. To handle two unit trains a day it is going to cost about \$160 million to upgrade the line, and about \$60 million of that is just catching up on deferred maintenance. That is \$60 million the Port is going to have to come up with between now and 2020 in order to keep the rail line operating regardless of whether this project moves forward. Mr. Koch said the Port is working through those issues, and the costs are higher than anyone expected so it will take more time to figure out how to finance the improvements without putting the district tax base at risk, without putting the Port's finances at risk, and making sure there is guaranteed private capital backing the improvements. Mr. Koch said it will take a couple of months to work through the process and to know whether Project Mainstay will move forward.

Mr. Koch said if the project is developed here it will be a fully enclosed facility. When the product comes in on the rail cars, it will go into an enclosed building, doors will come down, cars will turn and dump into an underground enclosed conveyor system and from there it will go into a storage barn that is completely enclosed. He said no one will see the product from the time it enters the facility and goes out on the ship. The issue of covered coal cars is still in development. There is no preferred technology that works to physically cover the rail cars. Mr. Koch said there is a coating that is being applied in some, but not all cases, to keep the dust from coming off the coal. The Port has made it clear that whatever is done, Project Mainstay will be using the best available technology in bringing the rail cars to Coos Bay. If the best available technology is spraying a coating on the top, that is what they will use. As covered-car technology develops, and there is the ability to put a lid on the cars, the expectation is those will be the types of cars they will utilize. Mr. Koch said Union Pacific, BNSF and all the class one rail carriers are investing to develop the technology. He said based on what staff is hearing, the port expects that within four years, when this project might be up and running, the improved technology will be available. Mr. Callery said to keep in mind that coal has been moving through Oregon for 50 years, and until recently, there has been no concern about it. He said it moved to the power plant on the Columbia River, it moved through the Columbia River Gorge going north into Vancouver, B.C., Canada, for a long time and it hasn't been an issue until it became a possibility for a coal terminal somewhere in Oregon. Commissioner McKeown asked if they were still moving product to the Eugene charcoal plant. Mr. Callery said they had been doing it for awhile but he wasn't sure they were still doing it. He said it wasn't unit train traffic but more like ten cars at a time. Mr. Graham asked how long the permitting process would take. Mr. Koch said to build a brand new marine terminal it would take at least 18 months to two years to get through the pre-

application and application process. He said from an impact standpoint it is a less involved than an LNG facility. He said that took five years from the time the application was submitted. There were issues and problems with the pipeline component, FERC authorization, and periods of time where the permit was put on hold on the Port's end due to uncertainty the LNG project would move forward. Mr. Koch said it is reasonable to expect that a year to 18 months is reasonable from the time the application is submitted or at least the pre-application process starts on the facility and then another two years for construction. He said it will take the Port at least that long to complete railroad upgrades to be able to increase the load ratings on the bridges and catch up on deferred maintenance. He said the Port has been struggling to manage \$30 million in projects to rehabilitate the line and spending \$160 million for upgrades would be a significant undertaking. Mr. Graham asked if that amount would cover the costs. Mr. Koch replied it would not just help, it will cover the costs. He said if this project moves forward, it will result in more investment on the rail line than it has seen since it was first built 100 years ago. Mr. Callery said keep in mind the improvements the Port is talking about are passing tracks, because there is simply not a reasonable number of passing tracks to allow unit train traffic right now. There will need to be a communications and control system to notify trains as they reach a certain point whether it is safe to move from one point to another. He said all of this will be automated. In addition, bridges are an issue. The Federal Railroad Administration adopted a new regime two years ago for making sure bridges are up to load carrying capacity. That involves a lengthy inspection process and load rating analysis that has to be delivered. If a rail line is deficient, then the owner must bring bridges up to standard. He said it limits the capacity of the entire line if one bridge is deficient.

Mr. Koch said the Port also is talking to Project Mainstay about putting a \$20 per car fee on every unit train. Each unit train will move between 120-135 cars, depending on constraints. If the Port is running one unit train a day, the fee will generate \$2,700 a day in income, and over a one year period, it will equal \$1 million that will go into a sustainability fund managed by the Port that likely will partner with a group such as the Climate Trust or some other non-profit organization to develop programs and provide guidelines for managing funds such as this. It would fund projects within the rail corridor to reduce greenhouse gas emissions. The plan is to fund energy-efficiency projects, invest in renewable energy projects, to look at carbon-capture projects, and/or tree planting or urban forestry concepts. Mr. Koch said the Port sees this as not only an opportunity to mitigate the impact of the project but to infuse more capital into the community by underwriting green economic development opportunities. He said Project Mainstay has agreed to it in principle that they would be willing to pay on top of the normal rail rates in addition to capital projects. Mr. Graham asked if it would be the same rail operator the Port is currently using. Mr. Koch said the Port would continue using Coos Bay Rail Link and CBR has been studying what it would take for to gear up to handle the unit train traffic.

Mr. Melton asked about the availability of extra engines. Mr. Callery explained that unit trains use run-through power provided by the Class 1 carrier. They park a train on a siding just west of Eugene; it would still have UP power under it, their engineers would be certified on that type of locomotive and they would bring the train to Coos Bay and

take an empty train back. He said it's not a huge investment as far as any type of rolling stock and the biggest investment would probably be hy-rail vehicles and maintenance equipment. Mr. Koch said two unit trains a day would create 80 jobs just on the Coos Bay railroad, not including the construction jobs associated with the rehabilitation work that the Port will be doing in upgrades, the construction jobs at the terminal site and the jobs operating the terminal by loading the vessels and managing the unit trains on the property. He said the Port has an economic development job study for the unit train project that is underway right now. He said it assumes up to 12 million tons of cargo a year with up to 10 million from Project Mainstay and an additional 2 million tons of cargo coming from other existing facilities on the bay considering expansion of their operations.

Mr. Callery said the green fund Mr. Koch is referring to is in use in Southern California ports, Los Angeles and Long Beach, which currently have a similar program to find viable projects to fund that are both green related and in a form of local economic development. He said they have had a lot of success. Mr. Callery thought the Port of Portland had a smaller version of the program, but he wasn't sure if Tacoma or Seattle had a program. Mr. Vaughan said he understood this project was an export to Asia and wondered what made it so lucrative that made it a worthwhile investment. Also with global climate issues, what is it about this project that makes it sustainable as something worthy of our investment? Mr. Koch said in terms of investment, the Port expects that little to no tax dollars will have to be invested in this project. He said it would be \$250 million of private capital funding the development of a new terminal facility. He said it would be \$160 million of private capital backing upgrades to the rail line, which the Port is never going to find from any other source. He said in looking at other commodities such as pot ash, the Port wouldn't see an equivalent volume or the profit margin that could sustain that level of upgrade on the line. He said the iron ore company the Port has been talking to is looking at exporting between 1 million and 2 million tons of cargo; soda ash was in the 700,000 to 1 million-ton range, so there is no other commodity that is going to move in the volume necessary to underwrite this type of investment. He said in looking at the rail capacity study as an example, it evaluated several different scenarios. Scenario 1 was the basic scenario of 3 million tons of some bulk cargo, 3 million tons of coal or 3 million tons of a combination of iron ore and pot ash. It would cost between \$95 million and \$126 million, or an average of \$110 million just to move 3 million tons of cargo. This equates to about \$35 per ton of investment to move that cargo. At 10 million tons of cargo, it is an incremental increase so it's only \$160 million average cost to move 10 million tons of cargo. That equates to \$16 per ton of capital investment, about half the cost. Mr. Koch said that starts to make it pencil out in terms of someone wanting to come in and make that investment in the railroad to handle that commodity, and by making that investment, the Port has the capability of now and in the future to add additional commodities to keep the manifest trains running without having to figure out how to charge for \$60 million for deferred maintenance on the back of wood chips, lumber and logs moving through Ocean Terminals or Southport Forest Products. Mr. Koch said for a Port trying to revitalize a railroad, it's hard to turn down that amount of private investment to save the railroad that for four years didn't move a single train because no one was willing to reinvest in it.

From a channel standpoint, Coos Bay has a 37-foot-deep channel, yet all of the vessels in the Pacific fleet and the world fleets are getting larger and larger. He said 37 feet deep is great for a Handymax-size vessel, which move anywhere from 28 to 40 tons depending on configuration, but everything is going larger up to Panamax size. Panamax is the largest vessel currently moving through the Panama Canal. Those vessels can call on Coos Bay now, but only on the seven foot tides so there are restricted windows. Mr. Koch said the widening of the Panama Canal will allow post-Panamax size vessels passage. Vessels are getting bigger because it is cheaper per unit to move cargo on a larger vessel. He said West Coast and East Coast ports are looking at deepening and expanding their channels. He used the Columbia River as an example, saying the state just deepened that channel to 43 feet. Mr. Koch said the Port of Coos Bay needs to find a way to remain competitive. He said as the Port is looking at getting back to even 8 million tons of cargo a year to move enough cargo to stay competitive as a port. That requires analysis of not only rail capacity, but also channel capacity and vessel sizes.

Mr. Koch said Congress isn't earmarking projects and the Port knows to expand the channel to 40 feet of depth and 450 feet of width, even just as far as the Jordan Cove project, is a \$260 million to \$300 million endeavor. He said Jordan Cove doesn't need a deep channel, but would like it a little wider. The bulk carriers benefit from a deeper channel so they are willing to invest at 10 million tons of cargo level. They would be willing to invest in and privately fund the deepening of the channel at least as far as their berth, which gets the Port significantly farther up the channel toward eventually being able to develop other properties. Mr. Koch said when the Port started the deepening project study, the plan was to that intermodal container movement would fund it based on the economics until five to six years ago when the world economics changed. Container ports along the West Coast then experienced a capacity surplus. Other regions continued to invest in their freight corridors, so it's going to be at least 10 to 15 years before Coos Bay looks attractive again to someone looking to build an intermodal container facility, and they are going to use their existing facilities before they build a new one.

Mr. Koch said that if the Port has a project, such as Mainstay, that puts money into railroad upgrades and deferred maintenance, upgrading the capacity of the railroad to handle heavier trains, and funding the deepening and widening of the channel, the port looks more attractive earlier for development of a container facility. He said success builds on success. A Port that has a mission of enhancing maritime opportunities in Coos Bay, cannot turn its back on a company willing to invest money to deepen and widen the channel, which would make the port more competitive for other types of cargo. Mr. Koch said from a global impact and talking about the end user of the product: Coal is going to be burned; it's going to produce carbon dioxide; SOX and NOX, and emissions that contribute to global warming. The Port has looked at this, but this project is attractive in that the end user has committed to develop a state-of-the-art power generation facility, incorporating wind power, wave energy, solar power and biomass. Mr. Koch said he also knew if they don't source their coal from the Powder River Basin, they would source it from Indonesia because it has the same BTU content. However Powder River Basin coal is a cleaner burning fuel than Indonesian coal. Mr. Callery said there are a lot of coal sources out there, none of which are as clean-burning as Powder River Basin coal. He said that is one aspect that really needs to be taken into consideration. Mr. Koch said he

wouldn't say that shipping coal overseas is going to save the planet. At the end of the day, Asia's appetite for coal is 5 billion tons a year and it's increasing. Whether the United States ships coal to them or not, they have sources for coal beyond the Powder River Basin. He said 10 million tons going to feed a 5 billion ton appetite is insignificant to them and from a global perspective. Worldwide, people burn 8 billion tons of coal, and even if all of the West Coast facilities are built, it would only contributed about 100 million tons of coal going into a global consumption. Mr. Koch said this amount is not significant from a global perspective, from a climate change perspective, but it is very significant in Coos Bay.

Mr. Koch said he wasn't going to apologize to anyone for it and he can't wait until the Port has the opportunity if we can close this deal to start telling the story on a wider basis. He said it was painful to read in newspapers and in press releases coming from folks who want to kill this project and are speaking from ignorance. He said the Port hasn't had the opportunity to get its information out, but there also is deliberate misinformation on the part of others. Commissioner McKeown said 10 to 20 years out, the Port as the market shifts to other commodities, this shipper would be ready to shift in that it moves every commodity there is in the world. When they are done moving coal in this market, they would be poised to move soybeans, or pot ash or something else, and the Port will have the investment in the facility and the ability to move whatever else comes next. Mr. Graham said he didn't think misinformation was just a matter of ignorance. There are other agendas that play into it as well. Mr. Koch said the natural gas industry gave Sierra Club \$26 million over the last five years to kick-start their anti-coal campaign and they spent it gleefully fighting power plant projects.

Ms. Hamner said the point is that Project Mainstay would build a closed facility, a shell that can be totally cleaned and retrofitted to move other products, even food products. Mr. Wiley asked if the \$160 million upgrades to the rail line would also upgrade it to handle double-stack containers. Mr. Koch said it would not. The rail capacity study looked at four scenarios with the first scenario at 3 million tons of some type of bulk cargo, second scenario was 10 million tons of a bulk cargo, and the third scenario was 10 million tons of bulk cargo plus two intermodal container trains a day. He said that third scenario is where the cost of the tunnel improvements would need to be made to handle double-stacks. He said scenario four looked at 10 million tons of bulk cargo plus 2.4 million TEUs of containers, which would be double-stacked. Mr. Koch said that investment would be beyond the \$160 million for unit trains. Mr. Callery said it was not a huge cost and it the upgrades would be related to the portals. He said there are some pinnacles that come down between some of the timber sets or steel sets in one or two tunnels, but it really is the cast-in-place concrete portals that are the problem. He said the corners of the barrel portals can be notched. The other option is to take out a foot to a foot and a half of the bottom of the tunnel, reline that part of it and put in better drainage to solve the problem.

Mr. Koch said the \$160 million would deal with load rating improvements that will be built into the bridges and the passing sidings that could serve double stack container unit trains the same as bulk unit trains. The only exception is it doesn't include the tunnels, which would cost an estimated \$10 million to \$50 million. Mr. Wiley said he was

assuming the one turning bridge in Cushman could handle the height, too. Mr. Callery said the bridges were evaluated in 2003 and all that would have to be done is move some of the bracing for clearance. He said the line can handle plate F cars, which include high cube box cars. At this point, the rail line can't handle double stack containers or triple deck auto carriers. He said about two years ago the Port was looking at a project to consolidate the movement of two vehicle lines that come into the Northwest. The company was looking for one port. He said unfortunately their timeline the Port's timeline.

Mr. Koch said Jordan Cove's project is moving forward and the Port has the state permit associated with the slip and access channel. Jordan Cove will use the east berth of that facility if the project moves forward. They are moving forward with the next phase of planning and design for the development of not only the terminal with an export component but also import capability and the South Dunes power plant that will be constructed on the mill site to feed energy into that process. Mr. Koch said the capacity would be at 350 megawatts and that permitting process is underway. Mr. Callery said they are entering into a pre-application process with FERC within the next 30-60 days and FERC has changed the process so the pre-application is now a very defined 6-month timeline. Jordan Cove has been down this road before and does not anticipate any problems. The next phase is the actual application, which FERC has again changed, it is a defined one-year process. If Jordan Cove files a permit application in September or October of this year, in theory in 2013 it could have a permit for an export facility. Mr. Callery said they have approval from the U.S. Department of Energy for the export of natural gas as LNG but they still have to go through the FERC process for permitting the facility. Mr. Callery said an export facility would generate 90-96 vessel calls a year. If it was an import facility only, the construction investment would be \$1.5 billion for the terminal and \$1.5 billion for the pipeline. If it is an export facility, it's a \$3.5 billion terminal investment plus the \$1.5 billion for the pipeline. For an import-only facility it would bring 3.1 million hours of labor for construction and for export 7.3 million hours of labor. The timeline for construction is still over a 42-month period but the number of construction workers that would be here on average would just about double for those 42 months. Originally it was estimated the project would employ 400 workers, but for import/export it would be nearly 800, and at peak, it would be about 2,800 workers building the tanks. Mr. Koch said that equals 10% of the total workforce of Coos County.

Mr. Callery said these are very specialized jobs with mill spec welders for the actual tank construction, pipe fitters, steam workers, and instrumentation. He said the county could not provide all of that labor force, but at the same time there would be an economic impact from that type of a labor force in this area. Mr. Benetti asked if both of the projects would be working at the same time and how would that even work. Mr. Callery said they are talking about that and how they would house all of these people. Mr. Benetti asked when LNG was talked about before didn't they talk about phasing the project in because they didn't have enough employees here. Mr. Callery said they could actually do the project in about two years if they wanted, but that's why it is stretched out over a 42-month period. The pipeline construction won't start until mid-way through construction of the terminal because it's only a two season project so that aspect is almost immaterial as to what will be happening with the terminal. He said they are talking to various entities

here about housing and the development of temporary housing facilities. He said one of the interesting things that could come out of this is they are in discussions with the college about a full firefighting training center that would be part of their Southwest Oregon Safety Resource Center. It would be a fully outfitted training facility for all types of firefighting, starting with certification for Firefighter 1. Mr. Callery said those trainees also would be certified for natural gas and LNG firefighting and response. Currently, there is only one other certified facility in the United States – Texas A & M. There is a training center in Louisiana but it's not certified right now. He said this training center would be a big boost to the college, which would have four classrooms in their operations center. Ms. Rubin asked if it was four years until it is completed or four years before construction can start. Mr. Callery said they want to start construction in 2014 to be completed in four years. Mr. Benetti asked if the timeframe would be the same for Project Mainstay. Mr. Koch responded that it could be. Commissioner McKeown said it would be quicker to build. Mr. Koch said if the Port closes the transaction with Project Mainstay, it could be late 2014 when they would start construction. Mr. Graham felt it would be good if SWOCC could add an aviation component to the curriculum as well, because Coos Bay firefighters are being sent to Montana for training for airport fires. Mr. Callery said Jordan Cove is working with the curriculum coordinator at the college for the small firefighting capacity they currently have. He said Jordan Cove is paying for this and the information may not have gotten out. Last fall, they had to make a decision as to whether they were going to contract for firefighting service with a local district or whether they would have it available in-house. He said they finally made the decision that it had to be in-house since it's the only way they can meet the requirements of the national fire code. They will have a fully trained, fully staffed 24-hour a day firefighting and emergency response facility, with mutual aid agreements with the other entities in the region. The facility is partially to train their employees but it's also an opportunity for the college to have this new curriculum and to utilize it for the community.

Mr. Koch said there could be another project under construction during this same time period. He said Mr. Bishop started reporting on this project over a year ago and staff has continued the project forward for offshore wind development. Mr. Koch felt the Port was less than a week away from signing an exclusive negotiating agreement with an offshore wind developer that has proven experience developing and deploying a floating wind platform 10-15 miles off the coast. He said each unit would be equipped with a 5-7 megawatt turbine. The Port would partner with the company and give them a six-month exclusive right to the west berth of the slip and access channel that was just permitted for the Jordan Cove facility on the east berth. He said Jordan Cove has been involved in discussions with and identifying ways that it could support the offshore wind project while not being an owner or an investor. Mr. Koch said of all the projects discussed, this is the only one that will require some level of state, federal or local subsidy. He said it is new technology and the Port would partner in an application that would be submitted to the U.S. Department of Energy for a demonstration project. It is going to be a competitive solicitation with funding for up to three projects with one on the East Coast, one on the Gulf Coast and one on the West Coast. USDOE will fund up to \$50 million for the development and deployment of the wind platforms. Mr. Koch said they will be competing with companies that produce fixed platforms that are in shallow water

nearshore, as well as potentially others that are looking at more deep water offshore projects like this one.

He said the opportunities for developing this project in Coos Bay are exciting. The components can be constructed in parts of Oregon and in Asia and brought in for final assembly and deployment in Coos Bay, so there will be manufacturing and assembly jobs associated with that operation. Mr. Koch said the Port is looking at a concept that involves the development of a floating dry dock on the west berth that could have other purposes moving forward if this project goes away at some point. He said the wind resource off the coast of Southern Oregon is the best wind resource on the West Coast and there is opportunity for Coos Bay to become the assembly and deployment point for these offshore floating wind platforms along the entire West Coast. He said they can be towed for hundreds of miles and by assembling them on shore or in the floating dry dock and then towing them out by barge, they can be tethered by anchors offshore. This cuts the cost of typical offshore wind development because there aren't several floating barges putting the components together offshore. He said there are more onshore job opportunities associated with that. Mr. Koch said if the project moves forward according to the USDOE timeline, the Port would be looking at a completion date around 2017. Over the next five years, this project would be developed at the same time as the LNG project and potentially Project Mainstay. Mr. Koch said the company has been looking at potentially partnering with other ports as well but is coming to the point where they will go exclusively with the Port of Coos Bay as the only partner.

Commissioner McKeown said the Port wants this business because there are a lot of fabrication jobs. She said the platform itself is six stories tall, the tower is 300 feet and weighs 1,250 tons at full deployment. The device has three cylindrical floats that are connected in a triangular fashion. Commissioner McKeown said she had the pleasure of looking at their demonstration project last summer and went to the Department of Energy with the developers last February. She said Mr. Bishop who is 6' 4" stood inside one of the cross braces and they are enormous. She said launching them is problematic because they can't be picked up with a crane. Mr. Callery compared them to a deep sea drilling platform in size. Mr. Vaughan asked if most of the controversy about the platforms comes from the tethering and anchoring systems. Commissioner McKeown said they have a concrete anchor and cabling. She said an array of wind floats is comparable to wave energy buoys; the platforms are deployed in an array, the cables are connected and then brought on shore. Mr. Vaughan asked if there was any way the two technologies could be combined. Commissioner McKeown said not with this because the wave energy buoys are deployed at 37 fathoms or 222 feet, and the wind floats go out 10-15 miles offshore at 1,000 feet deep. Mr. Koch said there has been some discussion of running an undersea cable out to the wind platforms and whether it could co-locate the nearshore wave buoys in a way that they could tie into the cable. He said there are some opportunities to share those costs. Ms. Hamner commented the other goal would be to have less impact on fisheries corridors. Commissioner McKeown said the wind floats are far enough out that they don't impact the crabbers or commercial or recreational fishermen. They have to stay out of the shipping lanes and the viewshed issue is different than the wave projects because they are so far out to sea. Mr. Koch said once the exclusive negotiating agreement is signed, it triggers a period of due diligence and a

period where the application is being submitted. It also allows the Port to begin discussions with other ocean users to make sure this project is being designed and developed in a way that it minimizes or eliminates any potential adverse impact on the existing users.

Mr. Koch said there is a direct connection between this project and the Jordan Cove project. He said Jordan Cove would be paying for the development of the slip and access channel for their project and would be paying 85% of the cost of developing the full slip and access channel to serve both uses. Mr. Koch said the Port gets to develop for pennies on the dollar the west berth that could serve the offshore wind facility. If the Jordan Cove project does not move forward and the Port was looking at having to self-finance 100% of the slip and access channel, this project won't happen. The company does not have the financial backing to do the project on its own. Mr. Koch said the Port may at some point return to the Urban Renewal Agency to talk about partnering on funding a portion of the construction for the facility that would then be publicly owned and to see if this is even an option. The Port is looking for ways it can help with the 15% cost share from what Jordan Cove is paying for. Mr. Koch said they will also need a customer for the offshore-generated power. Jordan Cove initially and Project Mainstay subsequently have both indicated a commitment to purchasing that power. Mr. Koch said that helps even from an application standpoint with DOE that you already have a customer subscribed for the power that is going to be generated from the project. He said the onshore power infrastructure that is needed to transmit the power, not only to those customers but to hook into the grid itself, may be developed as part of the Jordan Cove project because of the South Dunes power plant and the opportunities to connect that into the larger grid to provide a redundant source of power down on the South Coast. Mr. Callery said when the Jordan Cove project was proposed simply as an import LNG facility the power plant proposal at the time was 40 megawatts and that was simply to operate the facility. Any excess power at that point would be put into the grid. By changing it to an export facility, Jordan Cove needs a much larger power supply because it would compress and chill natural gas flowing in from the pipeline. It is those units of the facility that consume a lot of power. They will actually be using natural gas to fire the facility and use the electricity for the compression and chilling units. He said if the offshore energy project provides more power, which could essentially go into the grid for this region.

Ms. Hamner said the reality is their power costs more to produce than either Pacific Power or Bonneville Power. Mr. Koch said if they can get the DOE funding and develop a 70 megawatt demonstration project off the coast it would be equal to 10-12 wind floats. At that volume, they could get the cost of the power down to \$.10 to \$.13 a kilowatt hour, which starts becoming competitive. Without the DOE funding, the cost would be \$.13 - \$.15 a kilowatt hour. Ms. Hamner said in Europe, the European unit is underwriting all of the deep sea wind and nearshore wind power projects, so the United States would not be unique if it were to underwrite ocean wind energy costs until the costs come down and the technologies improve. Mr. Koch said the final connection with Jordan Cove is the development of the South Dunes power plant. They are required to pay money into a carbon emission mitigation fund that the state manages. The Port has had discussions with the Governor's office about how the money could be programmed to make it a renewable energy investment in the community where that plant is being developed. The

current discussions have been around programming the \$8 million that Jordan Cove would pay into the offshore underwater cable. He said it is a significant undertaking and it won't pay for the entire cost but it would be a good boost in that direction. Mr. Koch said this wind project may become possible by four different ways Jordan Cove has proposed to making investments. It is what the Port has been working toward all along in how to take the Jordan Cove project and leverage that investment to create opportunities and advantages on the South Coast. He said the Port is doing the exact same thing with Project Mainstay. Coal is not the end; it is the means to another end and the opportunities that are created from that.

Mr. Vaughan asked if there had been an analysis of onshore and offshore wind that make this a more lucrative siting than a land base wind system with overall average wind speeds. Mr. Koch responded yes. Mr. Vaughan expressed concerns about the maintenance of the deep sea wind platforms. Commissioner McKeown she visited Vestas that provided the turbine for the demonstration project that is already in the water in Portugal. She said she also visited that operation and maintenance center, and they were managing two offshore wind farms. They discussed maintenance. They showed their maintenance vessels and discussed the regular rotation schedule used on the wind platforms. She said they have a regular maintenance schedule just like anything else does. Vessels are out in the array every single day. When the weather is bad they remain on shore. She said they looked at two different arrays with 100 turbines each and one a little farther out than the other. She said one was an older array that had been there a few years and it had a six-month rotation on maintenance. The newer array was heftier with newer technology and a one-year maintenance rotation. Mr. Vaughan asked about the water depth. Commissioner McKeown explained the wind farms she saw were in shallower water and the deep water farms are different. The technology for the buoys they are designing has been used for 30 years in the North Sea on deep water drilling rigs in very heavy weather. She said this is not something that is unknown and they are incorporating equipment technology with a proven history, attaching a tower to it that has a turbine. They know how to use so it's not like wave energy where they are trying to develop the actual buoy that produces the power in kilowatts, not megawatts, with all-new technology. Mr. Callery said the energy industry and others have used knowledge learned with North Sea oil and gas exploration and that platform technology will be utilized for this type of an offshore wind generation facility. Mr. Koch added the wind energy signature is very different for offshore than it is on land in terms of it being a steadier and more consistent flow. Commissioner McKeown said she had visited the Department of Energy when this project was just starting. She said the best spot for wind is from San Francisco to Coos Bay, 10-15 miles offshore. The estimate at that point in time was there are two to four terawatts of power production available between San Francisco and Coos Bay.

Mr. Benetti asked how many ship calls there would be on Project Mainstay since LNG is 90-96. Mr. Koch said initially it would be 100-150 which equals 6 million to 8 million tons, and it depends on the size of the vessels. Mr. Callery said if the Port gets the channel deepening then vessel calls will drop, but the volume will stay very much the same.

Ms. Hamner said the wastewater treatment study was started over a year ago. Initially, the city of Coos Bay asked the Port to do a feasibility study for doing municipal treatment on the North Spit. The study has been commissioned to look at three scenarios: one for municipal treatment, a second for a mix of municipal treatment and industrial treatment and third for industrial treatment. She said the Port slowed the study due to uncertainty with the city of Coos Bay and its plan with wastewater treatment plant number two that is out of compliance. She said at this point the city is moving forward with that plant's expansion. The Port could actually serve the city now if it piped its effluent under the bay, it could discharge into the ocean as is. However, that is not an option the city is ready to pursue. Ms. Hamner said the Port is hoping the study will have long-term viability for the communities, as the regulations change, towns grow or the plants become substandard. There is the opportunity to build on the North Spit and use the ocean outfall. She said the Port also delayed the study due to changing concepts for industrial uses on the North Spit. The Port is having the study look at what would be needed to treat storm water and effluent from a coal export facility, bulk ores and biomass or wood products facilities.

She said the Port asked the consulting firm, HDR, also to investigate the feasibility of using the wetlands as part of the treatment process. HDR analyzed different facilities around the Western United States, including Arcata, Calif., but determined it's not feasible here. The wetland area and lagoon is about 300 acres and it's not large enough. In addition, if treated wastewater flows into the wetlands for third-stage treatment it creates a monitoring and pollution process that is expensive. Engineers don't feel it's a wise use for the long-term. She said the Port is looking for ways to create a revenue stream that will pay to maintain the wetlands, which are degrading over time as the dunes move and fill in. She said there is also a desire by community groups and individuals to continue to use the wetlands, since the Port now owns the lagoon and surrounding wetlands. Weyerhaeuser has essentially donated that land to the community, so the Port is trying to still incorporate some kind of community use there and keep it open to the public. She said the research for grants has been completed and HDR has come up with a list of different funding options for building, designing and operating a facility and ways to go out for partnerships on maintaining the existing wetlands. This spring, the Port intends to bring cities and other entities together, including other sanitation districts, to update them on this process. She said hopefully within the next six months, the study will be completed. Ms. Nichols said very little of the loan has been used. Ms. Hamner said if they do geotechnical drilling to find out what the soils and soil makeup is around the lagoon area that will likely use up the extra money. This study would not design a facility.

Mr. Messerle said the County had received an inquiry from Rob Taylor of Bandon that mirrors an initiative that was done in Clackamas County to limit the ability of an urban renewal district to make a major change without a vote of the public. He said this came about because of the Bandon urban renewal expansion. Mr. Messerle said they are threatening an initiative petition if the County doesn't agree to institute it by board action. He said if the CCURA plan is going to be renewed in 2018 he wasn't sure how it would be impacted. He said it is something that is going to have to be dealt with. He felt there was a lot of misinformation being circulated about the process and people are sensitive to

the cost of taxes. Mr. Benetti asked if the Commissioners were contemplating making a decision. Mr. Messerle said the initiative hadn't been presented to them yet. Mr. Graham asked if the initiative was for lost revenues. Mr. Messerle said the sentiment is that enough is enough and in a rising economy, the urban renewal works well with the other taxing district because they will get some spillover valuation. But in a flatter, dropping economy, the funds that remain with the urban renewal agency cost the other districts. Mr. Graham commented what they are not figuring in is all of the money that is pouring into PERS reserve funds. Mr. Messerle said the PERS situation is going to own everyone unless someone gets it figured out quickly. Mr. Benetti asked if they were talking about abandoning urban renewal agencies. Mr. Messerle said they aren't talking about doing anything different than what is already in place. He said it's only if there is going to be a major change that the decision would have to be made through a vote of the public. Mr. Benetti said that major change would be an extension to the CCURA and it may be something to think about doing sooner than later. Ms. Nichols asked whether the group wants to propose legislation. Mr. Messerle said they are seeking the equivalent of a county ordinance. Mr. Benetti said he didn't know if extending the year would be considered a major change or not. Mr. Benetti asked Mr. Messerle if this group could get the initiative voter approved. Mr. Messerle said they are willing to push it to a referendum or initiative petition. Mr. Melton said the bottom line with Mr. Taylor is that he wants to do away with all urban renewal districts. Mr. Messerle said there is an adhoc group from Bandon that is behind this initiative. Mr. Stebbins said there are groups in other communities, too. Mr. Koch said an urban renewal agency exists to one day dissolve once the issues have been addressed. He said the Port's strategic plan calls for supporting the dissolution of the urban renewal agency at some point. The question is when, and once the projects have been completed, they will generate more tax revenues for the taxing districts once it does dissolve. Mr. Callery said when the agency was established, there was a decent industrial base. For the most part, with the exception of Southport Forest Products, that is gone. What the agency has done since that time is incrementally add the utility and transportation infrastructure to follow the County's long-range planning process in putting industry on the North Spit at a reasonable cost. Mr. Callery said the companies coming in know there will be development charges to put infrastructure in place. Some of that infrastructure is there, but not all of it. Ms. Nichols said that has been the struggle over the years, as companies wanted to come, but there was little infrastructure. Mr. Callery said now that there is infrastructure on the North Spit, there is a heightened level of interest in what the Port can provide. He said this is some of the last industrial land in a major harbor anywhere on the West Coast.

Mr. Stebbins said a major plan amendment calls for proceeding with a particular agency or city that you are working with but also all the other tax districts that it affects. Those districts consent or they can show up and object. He felt the adhoc group was attempting to change that to a referendum to the people, equivalent to a major plan amendment such as changing the indebtedness or defining the goals and investments. Mr. Messerle said they are going to push hard and get the discussion so it's going to have to be dealt with. Mr. Wiley said they are going to go after petitions in every town and every district, and they have been advertising for people to help collect signatures.

## 6. Other – Board Comments

There were no other comments.

7. The meeting was adjourned by Vice Chairman Benetti at 9:15 a.m.