



PORTS 2010 A New Strategic Business Plan for Oregon's Statewide Port System

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SUMMARY

i. Purpose of this Strategic Business Plan

Oregon's ports provide recreational, commercial, and economic services to residents and businesses in Oregon and beyond, serving as state, national and international transportation gateways. They are a key component in sustaining Oregon's economy and quality of life, supporting thousands of family wage jobs. One out of six Oregon jobs is directly or indirectly tied to cargo, recreation, industrial, commercial or other activities at Oregon's ports, including privately-owned and operated docks which import and export goods (some of which are on port-owned property, while others are on privately-owned land).

Since the last comprehensive port planning effort in 1980, there have been a number of smaller, more focused port planning efforts, each of which have made recommendations for management and growth of Oregon's ports. Since the 1980's, the State of Oregon's port program has experienced a number of changes, including declines in staffing levels and support. To compensate for these shortfalls, individual ports have been requesting funding from the legislature or Congress without a statewide effort to evaluate or rank their funding requests.

In the past three to four years, the number of individual port funding requests has increased, causing the legislature to request a more coordinated effort on the ports' part. Additionally, in the past 2-3 years, key legislators and the Oregon Economic and Community Development Commission (now the Business Development Commission) called for a statewide strategic planning effort to determine what the State of Oregon's interest and involvement in, Oregon ports should be.

The purpose of this Oregon Statewide Port Strategic Plan is to:

"Define the State of Oregon's future role, interest and investment in the statewide port system based on a realistic assessment of port markets, and economic and business development opportunities. It will identify infrastructure, equipment, administrative, regulatory and governance needs of the ports, and also identify ways that Oregon's

port system can best serve the interest of the State of Oregon and its residents.” Building on past planning efforts and lessons learned, the ports’ current situations, and their future outlook, this strategic plan provides a set of recommendations and implementation strategies intended to create a successful business relationship between Oregon’s state government and all Oregon ports.

ii. Strategic Business Plan Goals

The following goals for development of this strategic plan were formulated by the project’s Core Team based on the assessment of the data and stakeholder input. These will be discussed in greater detail in the Strategic Plan’s Recommendations chapter.

- Improve state support and funding for ports to identify and grow their existing business lines, including marine cargo and transportation, property development, tourism and recreation, air and surface transportation, and marine-dependent facilities.
- Identify strategies for Oregon’s ports to tap into emerging markets and respond quickly to new opportunities.
- Organize the State’s programs to facilitate the success of Oregon Ports consistent with the recommendation of the Statewide Port Strategic Plan.
- Provide education, outreach, training, advocacy and support for ports.
- Provide financing programs and investment strategies to improve the ports’ ability to pursue existing business lines and new markets.
- Endorsement - Upon completion of public review, seek adoption of the Port Strategic Plan by appropriate state agencies along with support by Oregon’s ports and OPPA.

iii. Summary of the Recommendations

This document, *Ports 2010: A New, Statewide Strategic Business Plan for Oregon's Port System*, is the result of the intense strategic business planning process. This strategic plan is a policy plan which lays out the framework for a new business relationship between OBDD and each port. The Strategic Plan recommends a number of changes to Oregon's state government institutional structure as it relates to ports, a change in how the ports and state agencies interact and coordinate, a new centralized infrastructure finance program, and a new marine transportation modal program. While its policies and framework will take effect upon adoption, including requirements for updates to individual port strategic plans, there are a number of other elements which will require an implementation process, and eventually legislative action, before they take effect.

Through the adoption process for this Strategic Plan it was noted that under the legislatively-directed reorganization of the former Oregon Economic and Community Development Department, the Oregon Business Development Department has been split into two main functions: Business Development Division, which focuses on economic and business development opportunities within the state, as well as job creation and retention, and the Infrastructure Finance Authority (IFA), under which state funding and financing of capital infrastructure improvements is housed. Under this restructuring, the Ports Program is located within the IFA, while the business development functions with which the Ports Program will coordinate will still remain within Business Development.

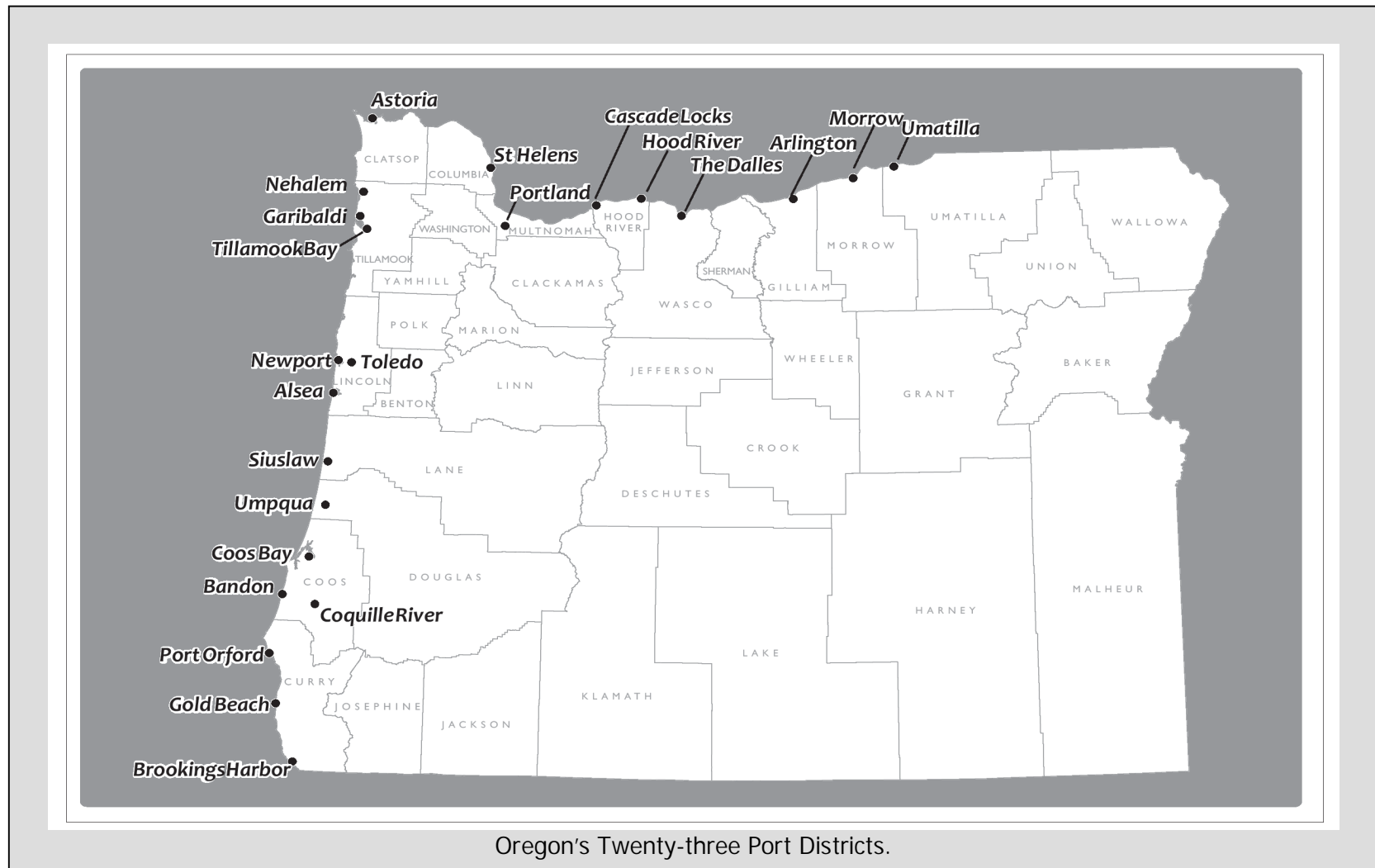
Thus, the recommendations that apply to business and economic development will require close coordination between the Ports Program manager and staff and OBDD's regional business development officers. Once the recommendations of this Strategic Plan are implemented, Oregon's ports will utilize the Ports Program for initial and primary points of contact, and the Ports Program will be responsible for coordination not only with other facets within the Business Development Department, but other state agencies as well. It is anticipated that each OBDD/Port business agreement will lay out communications and coordination expectations. Eventually, any business development or infrastructure project opportunity will be led by a coordinated team of port and state staff who will be working toward the common mission established in that business agreement

These will be discussed in more detail later in this document. In short, the recommendations laid out in this plan are:

- **Institutional and Training:** Revise the State's Ports Program Institutional Structure into a one-on-one business agreement between OBDD and each port. This would be an opt-in program whereby each port will individually establish a business relationship with OBDD and would be able to fully utilize OBDD resources to coordinate, support, and communicate port needs to state agencies for port business functions as well as infrastructure projects. Under these agreements, ports would be required to provide periodic progress reports of expenditures of state funding, and will also be required to assess feasibility before requesting state funds to expand or enter new markets. Differences between ORS 777 and ORS 778 may lead to different implementation processes that OBDD will need to consider when developing individual business agreements with each port. Establish a state-certified, port-oriented training program available to all ports that opt-in to the new Ports Program for those ports established and operating under ORS 777. Once OBDD has developed and implemented this training program, successful completion of training would be required by newly-elected port commissioners as well as port managers for the port to retain eligibility for OBDD technical support and funding assistance. The training program will also be available to currently appointed port commissioners. OBDD would certify existing, port-sponsored training programs that fit the agency's port training criteria. For ports with commissioners appointed by the governor, and for ports established and operating under ORS 778, OBDD will coordinate with the governor's office to review the criteria used to appoint those port commissioners, as well as reviewing current port-offered training programs, to determine applicability of this recommendation to those ports. OBDD will then develop an action and implementation plan accordingly. Local Port Strategic Plans will need to be updated to be consistent with the Statewide Strategic Plan, and these plans will need to demonstrate local coordination and support with jurisdictions and the local community.
- **Port Program Structure:** Retain the Ports Program within Business Oregon, but elevate it commensurate with the changes recommended in this Strategic Plan. OBDD should more strongly coordinate with other state entities that provide oversight or funding for port programs or projects, such as the Marine Board for recreational/boating facilities at ports and resource agencies for state and federal environmental review of state and federally-funded port projects. The State should work to establish a new transportation modal program within state government called the Marine Transportation Program (further study is needed to determine where this would best be housed and what functions it would oversee), and establish a supporting advisory committee as a subcommittee of OPPA to which ODOT and OBDD can supply coordinating liaisons.

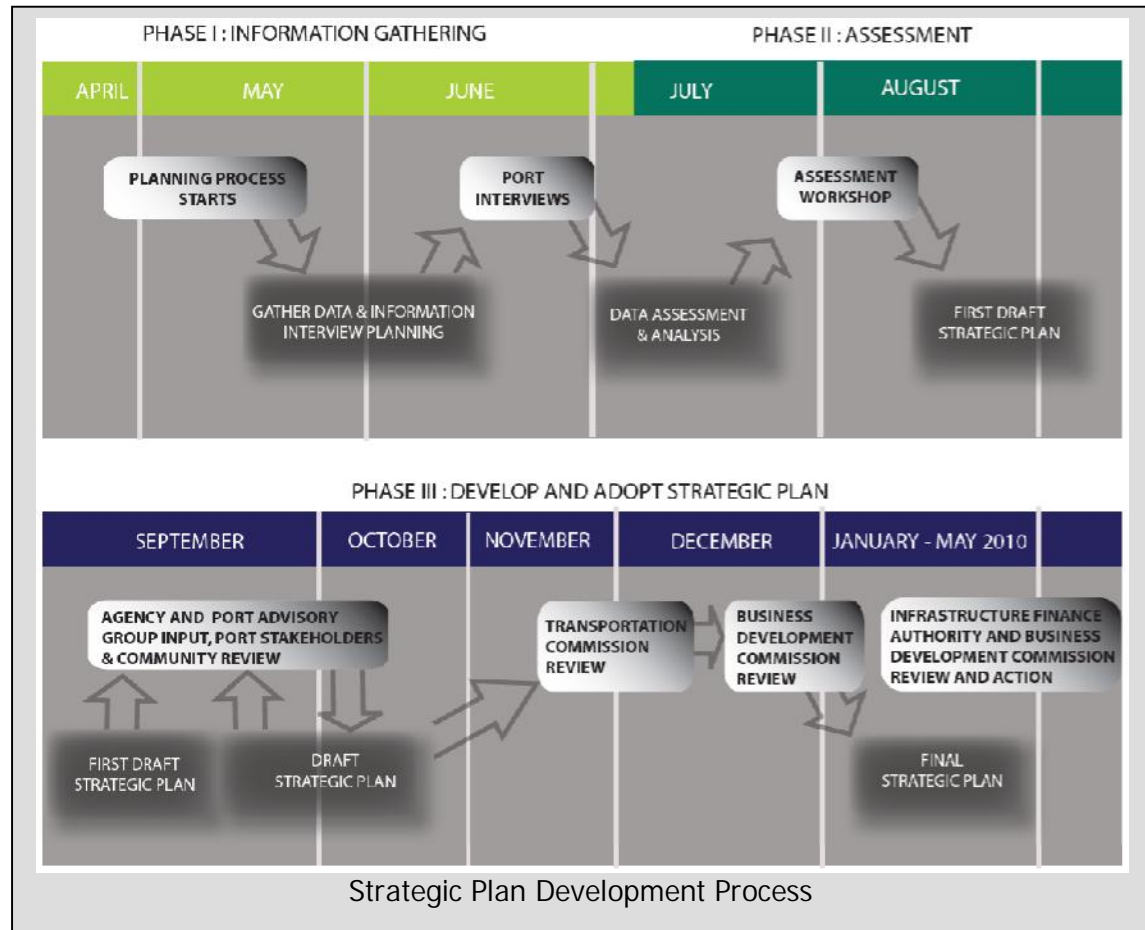
- **Key Industry Priorities:** To recognize the importance of Ports under state statute, and of the critical importance of marine cargo transportation to all of Oregon's statewide key industries, the State should, as part of its own mission, recognize and make it a priority to support Oregon's marine cargo transportation system as an integral link supporting the state's key industries. Part of this recognition should come in the form of marine transportation-related performance measures to be tracked as part of the Oregon Business Plan's Competitiveness Index. The state should work with the ports to identify regionally-significant industries that each port supports. As part of this recommendation, the State should work with the ports to develop a statewide Marine Transportation Plan as one of the state's modal plans.
- **Funding:** Establish a new "Port Investment Fund", a centralized port infrastructure funding account, which has sub-programs targeted to port and project size. The first element of this new funding program would consist of develop a five-year, prioritized statewide port capital facilities plan to assist in identifying funding needs and priorities. The Port Investment Fund (PIF) will require IFA support and legislative action to be established and funded. The Infrastructure Finance Authority would administer and approve the statewide port capital facilities program and PIF priorities. As part of this new funding program, a "Means Test" would be established which "pre-qualifies" ports in order to allow them to pursue the PIF for their infrastructure projects. Minimum requirements would include having a fully-executed OBDD/Port formal agreement and being in compliance with its terms and conditions, having an OBDD-approved Strategic Business Plan and Capital Facilities Plan, and the port being in satisfactory financial condition, demonstrating the ability to operate and maintain new capital facilities along with having at least six months of operating reserves. As an alternative to a new, separate fund, a component of a larger and expanded Special Public Works fund with funding targets and criteria for ports could be established.
- **Port Consolidation or Elimination is a Local Decision:** unless there is a specific funding or financial emergency which would involve the state, creation, consolidation, or elimination of port districts should remain a decision within each port district's local community. Although port districts are allowed under Oregon statute, they all were, and must be, created via local referendum and elected Port commissioners are subject to local recall under Oregon elections statutes. At this time there are no ports which are receiving operating assistance from OBDD. The information collected as part of the Strategic Plan found that each port is considered a critical component of their individual community's economic development vision, and have the ability to tap into a number of state and federal resources to help realize that vision. A number of ports continue to support the type of industries that OBDD and the Business Development Commission have

identified as key industries for the state. The ports often depend on state assistance and support in furthering these state-significant industries, but they also utilize local revenues to do so and develop business lines that may be of local and regional interest instead of a state-identified key industry.



iii. The Strategic Planning Process

The recommended strategic plan elements were developed through a collaborative and iterative process with Oregon Department of Transportation (ODOT), Oregon Business Development Department (OBDD, also known as "Business Oregon"), Oregon Public Ports Association (OPPA), Travel Oregon, and the Port Advisory Group. Each of the 23 ports in Oregon was interviewed as part of the process. Additionally, data on infrastructure conditions, commodity flow forecasts, market outlooks, and new and emerging markets were assessed. The latest available audits of each port were reviewed, along with inventories of port infrastructure and facilities. Port governance and infrastructure finance strategies from Washington, California, Florida, Louisiana, Indiana, and South Carolina were also examined in detail. The planning process benefited from the participation by individuals who have been involved in previous port planning efforts over the past 40 years and from the availability of documents produced for those efforts.



Policy input was provided through discussions with two key state legislators who regularly interact with ports, the Oregon Business Development Commission, the Oregon Transportation Commission, and the Infrastructure Finance Authority board.

ODOT is also undertaking two other key planning processes that relate to this Strategic Business Plan: the development of the state's first multimodal freight plan, and the Oregon Rail Study. Each of these processes provided information for this strategic business plan, including: commodity flow forecasts, rail business studies, shipper surveys, and the relationship between Oregon's freight transportation system and economic development. These concurrent planning efforts give Oregon the unprecedented opportunity to understand how freight flows through all of the available transportation modes, including ports, and to undertake freight, rail, and port planning efforts at the same time.

iv. Each Port is Different

As a whole, Oregon's ports provide facilities, services, and operations supporting recreation, commercial and sport fishing, business and economic development, and regional and international trade. However, each port is unique in what it provides, and no two of Oregon's ports are the same. Upper Columbia Ports provide loading points for Oregon's international agricultural trade, and the Ports of Portland, Coos Bay, and Astoria are international gateways. Although remotely located away from Oregon's population centers, coastal ports provide facilities that support tourism, recreation, and sport and commercial fishing that are key to their regional economies. Planned improvements will help with a few of the coastal ports, such as a significant highway improvement (US-20 improvements currently underway) as well as two projects to re-open rail operations between the coast and inland, but several other transportation corridors across the coast range remain inadequate.

This Statewide Strategic Port Plan recognizes the individuality of each port and each port's relationship with the State of Oregon.

v. Importance and Impact of Oregon's Ports

As stated previously, one in six Oregon jobs, excluding construction jobs, is in some way directly or indirectly dependent on ports. Oregon's six primary cargo ports (Portland, Coos Bay, Morrow, Umatilla, Astoria, and St. Helens) carry much of Oregon's imports and exports: one in every five imported or exported goods produced or

consumed in Oregon flows through Oregon's ports in some way, shape, or form, with value of over \$50 billion a year.¹

In wages alone, jobs related to Oregon's ports contribute over \$4.5 billion annually to the state's economy. This number is much larger when indirect and induced jobs are also taken into account. The Port of Portland and private companies operating in the Portland Harbor generate over \$3.2 billion a year in direct, indirect, and induced job wages and contribute almost \$6 billion annually to the Portland region's economy.²

Oregon's economy is highly dependent on its exported goods, and Oregon's ports serve as international gateways. The Port of Portland captured this in their statement: "Ask a wheat farmer in eastern Oregon, a crab fisherman on the coast or a sportswear manufacturer in the Portland area, and we think they will tell you that their ability to get their products through Port of Portland facilities to national and international markets is key to their business viability."³

The Oregon Business Plan notes that Oregon now exports nearly \$20 billion worth of products annually, and the state ranks in the top ten in exports per capita. Oregon's ports are involved with the transportation of much of these exports, and continue to adapt to changes in the market: "whereas the state has historically exported mostly lightly processed raw materials such as logs, lumber and wheat, today the overwhelming majority of our exports are —value added products such as electronics, machinery, and transportation equipment."⁴ Oregon's marine transportation ports support the State's key industries: high technology, metals, machinery, and transportation equipment.

Based on the recently-completed Oregon Commodity Flow Forecast (2002-2035),⁵ marine cargo comprises approximately 12 percent of the total commodity flow to, through, and within Oregon. By adding in commodities

¹ Based on information from the "Oregon Commodity Flow Forecasts, 2002-2035", Parsons Brinckerhoff for Oregon Department of Transportation, October 2009". Includes water, rail, truck, and air modes.

² "The Local and Regional Economic Impacts of the Port of Portland", Martin Associates, 2006. Includes Portland Harbor and private facilities in operating in the Port of Portland district. http://www.portofportland.com/PDFPOP/Trade_Trans_Studies_Ecnmc_Impact_2006.pdf

³ Port of Portland Annual Meeting statement, November 2008.

⁴ Oregon Business Plan "Policy Playbook: Initiative and Cluster Guide", December 2008.

⁵ Oregon Commodity Flow Forecast, Parsons Brinckerhoff for ODOT, October 2009.

transferred at ports and using other modes, such as air, rail and truck, yields almost 20 percent of total commodity flow in Oregon. This is equivalent to over 80,000,000 tons per year shipped, with goods valued at over \$50 billion.

Oregon's ports offer services beyond the handling of cargo. Most of Oregon's ports also provide land- and marine-oriented recreational activities at campgrounds, recreational vehicle (RV) parks, boat launches, and marinas. A 2003 report of recreation use, visitor spending, and regional economic effects found that 18 of Oregon's 23 ports provided for over 700,000 recreation visits in one year (2002), resulting in \$75 million in trip spending and \$31 million in purchases of boat-related goods and services. The spending by port visitors was even more significant, resulting in \$109 million in sales, which translated to \$41 million in wages and 1,670 jobs for Oregon's economy.⁶

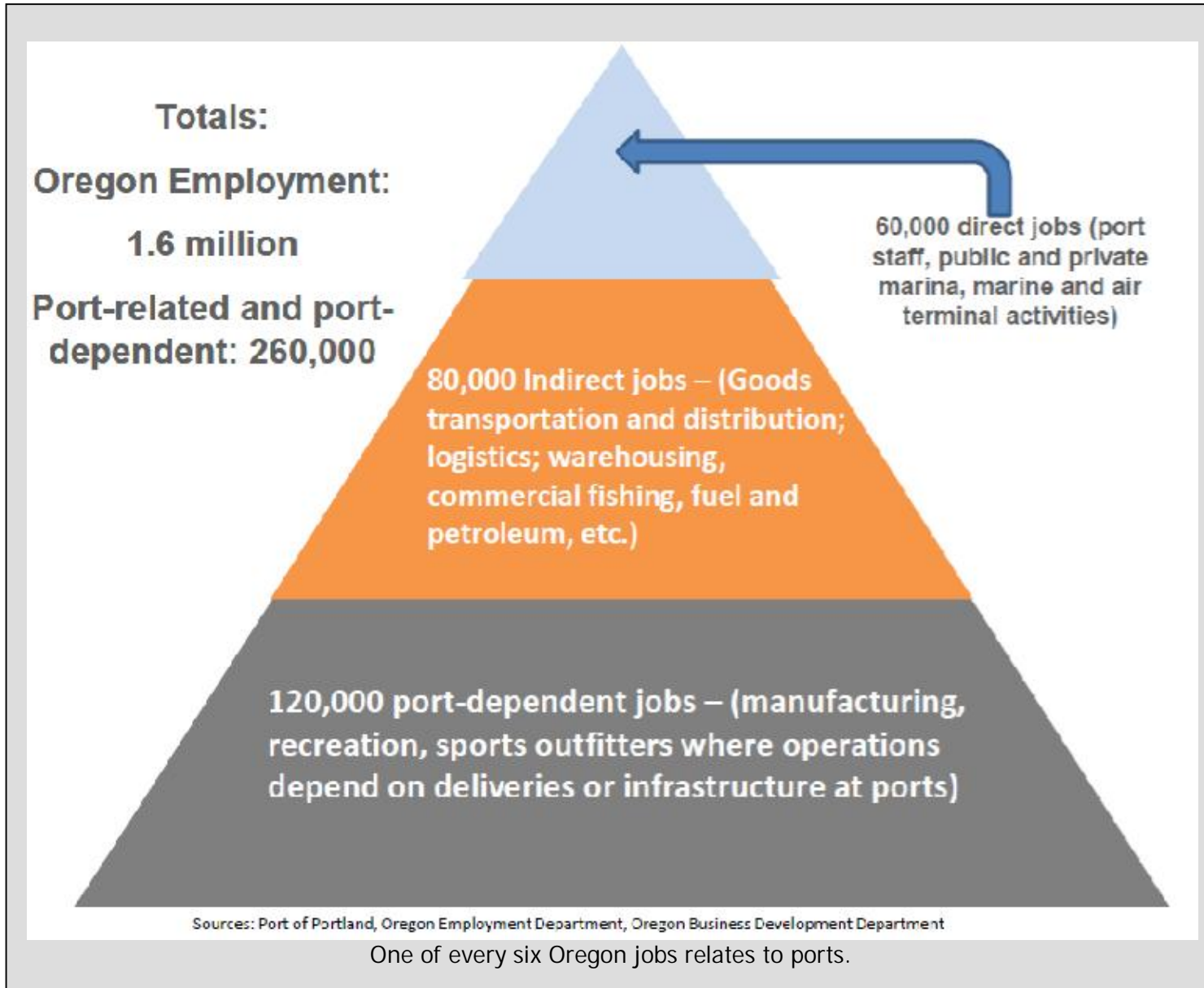
Oregon's ports support coastal and Columbia River commercial and recreational fishing. Of the 90,000 metric tons of commercial fish landed in 2008, 99% were brought in using port-owned or operated facilities (marinas, docks, boat launches, and moorage).⁷ The estimated annual value of commercial fish landings at Oregon's ports is approximately \$100 million.

Oregon's ports provide for economic development in a variety of other ways as well, including: land acquisition, light industrial development, management of transportation infrastructure, and business recruitment/retention. The Oregon Business Plan Framework⁸ includes initiatives for a variety of actions and strategies to improve Oregon's business climate, and many of them will involve Oregon's ports, and conversely Oregon's ports will need to be recognized by the Oregon Business Plan as important contributors to the success of the Oregon Business Plan. Public policy initiatives potentially involving ports include transportation, economic innovation, land use, energy, and water. "Cluster Initiatives" (industry-focused initiatives) potentially involving ports include: natural resources, forestry, food processing, agricultural products, seafood, tourism, Oregon's state-designated key industries, as well as "clean and green" energy such as wind, solar, and wave energy production.

⁶ "Economic Impacts of Recreation Activities at Oregon Coastal and River Ports", Wen-Huei Chang; R. S. Jackson, Engineer Research and Development Center Vicksburg Ms Environmental Lab, August 2003. Available through <http://www.stormingmedia.us/07/0777/A077714.html>.

⁷ Estimated using "Estimated Fish and Shellfish Landings by Port in Oregon, 2008" by the Oregon Department of Agriculture, and "Commercial Fishing Statistics" by BST Associates, 2009 (summary report for the Strategic Port Plan).

⁸ OregonBusinessPlan.org.



vi. Input from Port Stakeholders

All 23 ports, along with the OPPA, were interviewed regarding their current economic, infrastructure and market situation, strengths and challenges, what kind of assistance they would like from the State of Oregon, and specifically what they hope to gain from this strategic plan. Additionally, OBDD and consultant staff met with a number of state agencies, including ODOT, Treasurer's Office, Department of Environmental Quality, Marine Board, Department of State Lands, as well as members of the Business Development Commission and Infrastructure Finance Authority Board to receive their input and comments regarding the Strategic Port Plan.

Generally, port officials believe they face high, and sometimes unrealistic, community expectations. They believe the state government and legislature does not fully understand or recognize the ports' important role in the Oregon economy. Port officials also recognize that as a group, they lack advocacy for the limited decentralized sources of funding as well as for regulatory and legislative matters. The ports would like to see a mechanism developed to assist OPPA in elevating its stature with the member ports as well as with Oregon's state government. The marine cargo ports would like to see a more coordinated forum to discuss issues such as pilotage, navigation and continued dredging needs, permitting, and funding.

State agency representatives agree that better coordination between each port and the State is needed, but also stress that better state oversight of port compliance with state rules and regulations is needed as well. All state agencies interviewed indicated they intend to commit to coordinating with OBDD and the ports as an outcome of the Statewide Strategic Port Plan.

Two key legislators interviewed expressed a number of concerns regarding Oregon's ports:

- State funding to ports needs tracking and accountability and should be focused on business lines of state significance;
- The legislature wants "return on investment" for all capital funding projects and wants to see a demonstrated ability to maintain and operate new state-funded, capital facilities;
- New land use/development grant requests should include letters of support from local, land use municipalities (similar to the *ConnectOregon* model); and
- Port officials and commissioners have not always complied with state and federal laws and should have mandatory training.

vii. Strengths

Oregon's port system has many existing strengths as well as opportunities to grow these strengths:

- The Columbia River corridor includes three primary transportation modes – rail, barge, and highway – that is virtually unparalleled elsewhere in the western United States. Oregon's upper Columbia River ports (Cascade Locks, Hood River, Arlington, Morrow and Umatilla) and the Port of Portland enjoy good connections to all transportation modes: Class I (Union Pacific and Burlington Northern Santa Fe (BNSF) Railroads), highways (I-84, I-5, and US-97), air cargo (Portland International Airport) and uncongested marine access.
- Oregon's coastal location offers many scenic, fishery, and environmental features that provide the ports with opportunities to be a partner in or catalyst for economic development.
- The Port of Portland is one of the largest international grain export gateways in the country.
- There are a number of large existing or planned deep-water sites, such as those at Hayden Island (Portland), Port Westward (St. Helens), and Coos Bay, although they all have an approval or infrastructure component such as permitting that needs to be addressed. There are several "brownfield" site development opportunities for Oregon's ports at Portland (T-4 and others), Astoria (Tongue Point), and Coos Bay.
- *ConnectOregon* is an innovative, model program for transportation funding that receives national recognition in its multimodal, economic development capabilities.
- There are several growing, new, and emerging markets in Oregon– agriculture and processed food products; marine sciences; live fish; eco-tourism activities on the coast; and energy sources such as wind, wave, solar, biofuel/biomass, possible Liquefied Natural Gas (LNG) terminals – as well as stable markets including: upriver food processing, the Port of Portland's bulk and auto markets, commercial fishing along the north coast, property development, bulk, automobiles, recreation, sport fishing, cruise tour boats.
- The Port of Newport recently won the competition for relocation of the National Oceanic and Atmospheric Administration (NOAA) fleet to its facility, which will enable the Port to work with the community to establish a major marine science center in conjunction with the existing Hatfield Marine Center and the Newport Coastal Aquarium.

Many of the ports have worked for years to establish good relationships with local governments and other entities in their respective communities and have diversified their business lines to respond to their communities' needs. A number of the ports serve as de-facto public facilities districts as well as economic development engines for their

regions. *Overall*, Oregon's ports have high quality port management and staff who are invested in the ports' missions, but many ports are limited by small budgets and insufficient staffing levels.

viii. Challenges

In addition to their strengths, Oregon's ports also face a number of challenges.

- For the most part, Oregon's cargo ports are located in small markets, which limits their ability to compete with larger intermodal cargo ports such as Los Angeles/ Long Beach, Seattle/Tacoma/Everett. Additionally, international ports with excellent rail connections (at times subsidized by public entities) are competitors including the ports listed above as well as Prince Rupert in Canada and ports in Mexico for containerized traffic.
- Coastal ports suffer from limited transportation access as highways across the coast range experience partial or full closures during winter months due to weather or slides, and two cross-Coast Range rail lines are currently out of service.
- Many of the ports which own or intend to acquire waterfront land for economic development or marine terminals face "gentrification" pressures on these lands: there is increasing pressure to develop these as residential and commercial uses, which conflicts with industrial or marine terminal operations and port missions established by ORS 777 or 778.
- There are limited staff resources at many of the smaller ports and in OBDD, combined with constrained institutional support from the State of Oregon and OPPA.
- The State of Oregon has not developed a policy or procedure to quickly respond to special opportunities (such as major shipping company interest in Coos Bay or the recent NOAA or LNG opportunities) or special challenges (such as the rail line closures).
- Ports continue to be involved in operations in declining or threatened markets, including: wood chips, break bulk, commercial fish processing/canning, short-sea shipping (which has varied industry opinions about its viability). Impacts of developing future marine reserves are unknown and future efforts need to include studies of economic impacts on ports and coastal communities.
- There is limited federal support for coastal dredging and jetty maintenance, and weak state support for infrastructure improvements in general.
- Proposals to remove dams on the Snake River, in an effort to improve Salmon habitat, are feared by the ports to negatively impact the ability of barges to navigate the Columbia/Snake River system, resulting in goods that are

currently barged (the least expensive transportation mode, per ton-mile⁹) having to find alternative and more expensive transportation modes.

- Many of the ports have deferred higher-cost maintenance projects due to lack of funding and resources.

ix. Organization of the Strategic Business Plan Document

The chapters of this document are organized as follows:

- Past Port Planning Efforts: a history of port establishment and planning in Oregon
- Research and Analysis: a summary of state and federal laws, rules, administrative procedures, and regulations applicable to Oregon's ports; a comparison of other states' port institutions and port associations with Oregon's; and current, port-specific state and federal funding and financing sources.
- Statewide Port Assessment: a summary of the current economic, financial, infrastructure, and market situation for Oregon's ports and the State of Oregon's Port Program, including interviews with port officials and other key stakeholders, market profiles and "port-folios", general condition of financial and infrastructure, the results of the Strengths, Weaknesses, Opportunities and Threats analysis, and a market and economic outlook for Oregon's ports.
- Recommendations: the recommendations of this Strategic Port Plan and implementation strategies, including elements of the proposed memorandum of understanding between each port and OBDD and a template for each port to use in updating their strategic (business) plans to incorporate elements of this Strategic Port Plan.
- Templates: for individual port strategic business plans as well as the OBDD/port interagency agreement.

⁹ A Modal Comparison of Domestic Freight Transportation Effects on the General Public, Texas Transportation Institute Center for Ports and Waterways, Amended March 2009. http://www.americanwaterways.com/press_room/news_releases/NWFStudy.pdf

The appendices include:

- Appendix A: Research reports including regulatory, governance, and market/economic outlook
- Appendix B: Detailed summary of local, state and federal port-related funding sources
- Appendix C: A market and business profile for each port
- Appendix D: Summaries of public meetings and comments.

I. PAST PORT PLANNING EFFORTS IN OREGON

A. The 1960s

Although there may have been previous efforts to create an Oregon statewide port plan, the oldest available document is an extensive Port and Water Transportation Planning Study of 1968, written by Pacific Northwest Laboratories division of the Battelle Memorial Institute for the Oregon Port Authorities Commission. This plan was prompted by the 1965 creation of the Oregon Port Authorities Commission, a nine-member panel created by the legislature and appointed by the governor to “develop a statewide plan for development of ports, marine terminals, waterways and major airports,” although at the time of its creation, this commission was not expected to be a permanent fixture in state government.

Similar to the current planning process, the 1968 study explored the governance and “state importance” issue of ports. It looked at other states’ governance structures of port activities and development, including state port authority structures most common at that time (and still existing today) in Southeastern states such as Alabama and South Carolina, and regional port authorities such as the Delaware River Port Authority. The study analyzed whether separate local port operations have any conflicts or issues with the state’s interests and vice versa and whether or not there should be state intervention in water transportation issues. The study concluded that while water transportation and Oregon’s ports in general were an important driver of Oregon’s economy, “the best interests of the State of Oregon require that the separate ports maximize the use of available resources and that they make the wisest use of their alternative resources and programs.” It also recommended creating some sort of agency for coordinating port development in Oregon but stopped short of recommending a strong oversight authority, concluding that “no other state has created an agency that could adequately provide for all of Oregon’s port functions.”

In its report to the legislature, the Oregon Port Authorities Commission recommended establishment of a state port agency to “coordinate the development and financing of Oregon’s 23 port districts and Portland’s Commission of Public Docks,” according to an article in the Eugene Register-Guard on Jan. 13, 1969. While this did not happen, that legislative session did lead to the creation of a Ports Division when the State Highway Department, the Department of Motor Vehicles, the Parks Department, and the State Board of Aeronautics were combined to form the Oregon Department of Transportation.

B. The 1970s and Early 1980s

The 1970s saw the passage of Senate Bill 100 (SB 100), which resulted in another series of port planning work tied to the development of the land use system, culminating in the Oregon Ports Study of 1980. The 1980 Study was undertaken to assist ports in the then-new land use planning process, as well as identifying land use and resource needs for Oregon's ports.

The Lower Columbia River Ports Region Study of 1975 evaluated and made recommendations on a number of potential deep draft sites from Portland downriver to Astoria, although it is likely that a number of the sites recommended for further consideration would likely be off the table today because of subsequent environmental restrictions and regulations. The Ports Division that was created within ODOT in 1969 was formally added to statute during the 1973 legislative session, and was moved to the Oregon Economic Development Department (now Oregon Business Development Department) in 1975. Legislation passed two years later in 1977 resulted in the creation of the Port Revolving Loan Fund.

Another wave of port planning began in the mid-1980s and resulted in several significant documents, including the Oregon Coastal Ports Study of 1986, a joint effort of the Departments of Transportation and Economic Development; the Lower Columbia River Assessment of Oregon Deep Draft Sites, also published that same year; and the somewhat controversial Oregon Port Assessment prepared by Booz Allen Hamilton, for the Oregon Economic and Community Development Department and the Governor's Advisory Committee for Maritime Affairs, also in 1986. The Oregon Coastal Ports Study looked at transportation improvements that would improve the competitiveness of the ports of Astoria, Newport, and Coos Bay. The Oregon Port Assessment provided an overview of Oregon's port system and noted that then-current financial and market trends were problematic for a state highly dependent on international trade, stating "a continuation of current trends suggest that future Oregon imports and exports will be dependent on the port systems of other states." The study concluded, among other things, that Oregon's ports were inadequately funded compared with ports in Washington and California. It also looked at the potential benefits – and risks – of relocating the state's container handling activities from Portland to the Astoria area. It found that "the existing situation with Oregon's ports requires that the state have an expanded role in port planning and development activity," and that the "state should upgrade and expand its span of interest and influence over Oregon's ports." The Oregon Port Assessment recommendations were not implemented, possibly due to the change in gubernatorial administration which occurred at that time.

C. Efforts Since the Late 1980s

In the late 1980s and into the 1990s, a number of other key port planning efforts were undertaken. The Oregon Ports Development Study was prepared by Ports Division staff for the Oregon Port Planning and Development Advisory Committee in 1989. The 35-page document inventoried port activities, holdings, opportunities, and financial performance, and it made some modest recommendations for improving port performance.

In 1997, the last time that ports were examined on a statewide basis, the Oregon Statewide Ports Study Technical Document, was published by the Ports Division. The document was developed with the guidance of the Oregon Ports Advisory Council, a public body created by the Oregon Legislature in 1995 (statutory references to the Council have since been dropped). The study inventories the activities, holdings and financial performance of the ports and it includes an estimate of their economic impact to the state. The planning effort was triggered by changes in the way federal funding was to be used to pay for maintaining coastal bar crossings and other navigation improvements. A dredging contingency plan was developed in response to the potential reductions in federal funds for maintenance dredging; however, the pushback on those changes led to the federal government dropping plans to ask local jurisdictions to bear 25 percent of the cost of maintenance dredging, and instead that cost-sharing approach was applied only to new projects. The Oregon Statewide Ports Study Technical Document does not make any recommendations but references a “statewide ports study” to be completed in the coming year, along with the dredging contingency plan. Although it appears the “statewide ports study” was never completed, this process did lead to the Oregon Maintenance Dredging Contingency Plan of 1998.

Additionally, there were some recommendations from the Oregon Ports Advisory Council included in the 1997-1999 Oregon Ports Biennial Report to the Legislature, including:

- All ports in Oregon should be encouraged to take a critical look at their financial condition and identify and execute actions to improve their long term financial performance.
- The state grant and loan programs should be reviewed to ensure appropriate incentives are available to ports that develop plans for long term financial stability.
- The Port Planning and Marketing Program and other appropriate technical assistance resources of the Economic Development Department should be made available to a port or group of ports willing to undertake creative long-range financial planning efforts.

- Ports should be encouraged to consider the benefits to be gained from partnering with other ports and local governments to pursue mutual goals and leverage resources.

During the late 1990s, the Ports Division was reduced in stature and was administratively eliminated before 2000. The popular Port Planning and Marketing Fund, which was added in the 1980s when the Ports Division consisted of five full-time staff supported solely by earnings from the Revolving Loan Fund, was retained in what became the Ports Program residing in the Oregon Business Development Department; however, the Port Program's staffing was decentralized and spread to other programs within the department.

The Marine Navigation Improvement Fund was created in the late 1990s during this transition. References to the Ports Division were briefly removed from statute during that period but were restored by the Legislature as a result of aggressive lobbying efforts by the Oregon Public Ports Association. OECD added back two professional port positions in 2006 – a Ports Manager and a Ports Policy and Program Coordinator (PPC), but subsequently eliminated the PPC position because of budget restrictions.

References to a Ports Division were again removed from statute with the approval of Senate Bill 350 by the 2007 Legislature. Today, the Port Program has one full-time manager, who is also a liaison to the Oregon Freight Advisory Committee, ODOT's Freight Plan efforts, as well as OBDD's business development field representatives.

II. GOVERNANCE AND FUNDING

To assist in the development of the Strategic Port Plan, in-depth background research on applicable statutes, regulations, governance, and funding was undertaken. The topic of governance was investigated by examining Oregon's past and present governance structures for ports, as well as comparing Oregon's port governance with that of other states.

This chapter focuses on Oregon's ports in general (not each specific port):

- Identifying the statutory role, responsibilities and powers of Oregon ports
- Summarizing the State of Oregon's interest in the system including transportation, economic development, maintaining navigation access and core missions
- Giving an overview of state and federal statutes and regulations and how they relate to the ports' statutory role and responsibilities (including how state rules on comprehensive planning may affect ports)
- Identifying examples of established intergovernmental agreements that involved ports
- Discussing examples of regulatory conflict that may be able to be addressed by this strategic plan
- Summarizing the governance relationship between the ports and Oregon state government, and comparing it to how ports are regulated in other states.

A more detailed summary of state and federal regulations as well as the study of governance are found in Appendix A. Since each port falls under the planning and land use jurisdiction of a municipality (city, county or regional government), local land use regulations (governed by state statute) apply to ports as well.

A. State Statutes and Regulations

Oregon Revised Statutes

Oregon Revised Statutes (ORS) Chapter 777 enables the formation of port districts in Oregon and defines their expected purposes, activities, and financial abilities. ORS 777 includes a subsection specifically for the Oregon International Port of Coos Bay, and ORS 778 describes the Port of Portland's powers in addition to those granted within ORS 777. The statutes provide expansive powers to Oregon port districts by providing broad venues within which ports may acquire, own, and operate facilities and services that accomplish their purposes. For example,

under the purview of these statutes ports can own and operate transportation facilities (water, rail and air), act as utility providers (water and electric power) for their industrial customers, and own/operate as businesses (fuel distribution, processing facilities for fish, meat and agriculture, and industrial parks). This broad leeway is emphasized in ORS 777.258, which states that a port “may, in general, do such other acts and things, not mentioned [in relevant statutes], as tend to promote the maritime shipping, aviation and commercial interests of the port.” Except for the Port of Portland and Oregon International Port of Coos Bay, which have board members appointed by the governor, all ports have locally-elected port commissions.

All of Oregon’s ports are defined as “Special Districts” under ORS 198, which provides additional (and sometimes, overlapping) regulations in administrative areas - including formation, modification, mergers and dissolution of districts; and adoption of port ordinances and regulations. ORS 198.010 also allows the formation of the other types of special districts that pertain to operations and services currently or potentially provided by Oregon’s port system including utilities (ORS 261), and parks and recreation (ORS 266).

ORS 777.065 declares that development of port facilities at certain ports (specifically called out are the Ports of Umatilla, Morrow, Arlington, The Dalles, Hood River and Cascade Locks and the development of deepwater port facilities at Astoria, Coos Bay, Newport, Portland and St. Helens) is a state economic goal and requires state agencies to assist ports in this endeavor. The legislature recognized that “assistance and encouragement of enhanced world trade opportunities are an important function of the state, and that development of new and expanded overseas markets for commodities exported from the ports of this state has great potential for diversifying and improving the economic base of the state.” It gives state importance to development and improvement of port facilities which could serve as global gateways for Oregon which is by declaration, to be a state economic goal of high priority. The statute also requires all agencies of the State of Oregon to be directed to “assist in promptly achieving the creation of such facilities by processing applications for necessary permits in an expeditious manner and by assisting the ports involved with available financial assistance or services when necessary.”

Oregon Statewide Planning Goals

Since 1973, Oregon has maintained a strong statewide program for land use planning based on a set of 19 statewide planning goals. The goals express the State of Oregon’s policies on land use and related topics such as natural resources, economic development and transportation. The goals are mandatory and have been adopted as

Oregon Administrative Rules (OAR) Chapter 660; all comprehensive, land use, and transportation system plans must adhere to these goals. Oregon's cities and counties are responsible for complying with Chapter 660 by assuring that their comprehensive plans and development ordinances fulfill each of the goal requirements. Each port's responsibilities, with regards to the statewide goals, are to coordinate the improvement of their facilities and long range plans with the local jurisdiction(s).

The planning goals that are applicable to ports include Goal 5: Open Spaces, Scenic and Historic Areas and Natural Resources, which is intended to conserve open space and protect natural and scenic resources; Goal 9: Economic Development, intended to provide adequate opportunities throughout the state for a variety of economic activities vital to the health, welfare, and prosperity of Oregon's citizens; Goal 12 – Transportation: To provide and encourage a safe, convenient and economic transportation system; and Goals 16-19 – Estuarine Resources, Coastal Shorelands, Beaches and Dunes and Ocean Resources, which focus on the unique characteristics of Oregon's land mass interface with the Pacific Ocean, estuaries and wetlands.

Goal 9 (Economic Development) was amended in 2008 and specifies the requirements for complying with the goal. Cities and counties are required to assess national, state and local trends and inventory their commercial and industrial zoned lands. Based on an assessment of future economic opportunities, jurisdictions must identify and plan for the number and types of sites that will be required to accommodate the future economic needs. The Goal 9 planning process present an opportunity for ports to coordinate with the local jurisdiction(s) to incorporate their long range vision into the city or county's comprehensive plan, improving the standing of future regulatory issues related to commercial and industrial development with state and federal agencies. The Department of Land Conservation and Development (DLCD) has been very aggressive in the past two to five years in providing funds to communities to update the Goal 9 section of their comprehensive plans.

Goal 12 refers to "transportation" as the movement of people and goods, and it is directed at all modes including port facilities, airports, railroads, and regional pipelines. The rule requires jurisdictions to prepare transportation systems plans (TSPs) that are composed of transportation system planning and transportation project development. Local jurisdictions must coordinate with their local ports as part of developing or updating TSPs.

Goal 15 sets forth procedures for administering the 300 miles of greenway that protects the Willamette River, and includes Portland Harbor, including terminals owned and operated by the Port of Portland.

Goal 17 specifically identifies the need to conserve, protect, where appropriate, develop and where appropriate restore the resources and benefits of all coastal shorelands. It is this goal that specifically identifies “water dependent uses” in its statement: “Shorelands in urban and urbanizable areas and in rural areas built upon or irrevocably committed to non-resource use especially suited for water dependent uses shall be protected for water-dependent recreational, commercial and industrial uses.” Goal 17, OAR 660.037-0010 Water-Dependent Shorelands, was created in August 2002 to recognize the significant economic changes experienced by coastal communities from the early 1980s to 2000. The water dependent shorelands that had been designated in estuary plans in the early 1980s continued to remain vacant. As result, the term water-dependent use was more specifically defined and a new formula was created for determining the amount of water dependent shoreland that should be protected by each community.

Department of Environmental Quality

The Oregon Department of Environmental Quality (DEQ) is committed to working closely with Oregon's Ports to ensure appropriate environmental protection measures and the economic goals of the ports are met. The following are key components of DEQ's mission and operations as they relate to Oregon's ports.

- 401 Certifications: Section 401 of the federal Clean Water Act requires that any federal license or permit to conduct an activity that may result in a discharge to waters of the United States must first receive a water quality certification from the state in which the activity will occur. This section of the Clean Water Act is a direct delegation from Congress to the States, and allows each state an opportunity to ensure that federally approved activities will meet water quality standards and policies established by the state under the Clean Water Act. In Oregon, DEQ is the agency responsible for reviewing proposed projects under this requirement. By ensuring a project does not degrade water quality, Oregon's waters remain safe for a wide range of uses, such as drinking water, recreation, fish habitat, aquatic life, and irrigation. DEQ's 401 program staff evaluate project proposals for potential impacts to water quality and beneficial uses. Certifications may be: 1) issued for the project as proposed, 2) issued with conditions intended to eliminate or minimize impacts, or 3) denied. A proposal to remove material from, or place fill into, waters requires a Joint Permit Application submitted to both the US Army Corps of Engineers (USACE) and the Department of State Lands (DSL). These agencies process the applications separately. DEQ's 401 Water Quality Certification (WQC) process is triggered when USACE makes a determination that an application 1) requires a permit and 2) results in a discharge. All dredging projects in Oregon require a 401 certification. More information can be found at: <http://www.deq.state.or.us/wq/sec401cert/removalfill.htm>.

- Water Quality permits: a DEQ water quality permit is required whenever there is a discharge of pollutants to waters of the state or to the ground. Waters of the state include surface waters (wetlands, pond, lakes, streams, rivers, etc.) and groundwater. Permits are required for discharges of wastewater (sewage, processing water, etc.), wash water, and even for wastewater that may be relatively clean, such as non-contact cooling water. These discharges may occur through a variety of disposal systems including land irrigation, seepage ponds, onsite sewage systems, dry wells, etc., or may discharge to surface water directly through a pipe or ditch or indirectly through a storm sewer system. Certain industries and activities may also be required to obtain permits for stormwater runoff from their properties. Depending on activities occurring at Oregon's ports, water quality permits may be required. More information regarding DEQ's permit program and requirements can be found at: <http://www.deq.state.or.us/wq/wqpermit/permits.htm>. Regulations administered by DEQ's Land Quality Division that apply to port facilities include requirements for reporting and cleanup of spills of oil and hazardous materials. In addition to the planning for and responding to accidental spills from the Port's own operations, port personnel can often serve as the eyes and ears in the maritime environment to ensure good environmental stewardship for reporting and rapid response to small and large spills including "mystery sheens." DEQ appreciates the efforts of all parties to prevent and respond effectively to spills.
- DEQ's Land Quality programs also manage regulations pertaining to: management of hazardous waste; investigation and cleanup of hazardous substance releases; underground storage tanks; solid waste, including upland placement of dredged sediments as solid waste; spill response planning; and ballast water management. For additional information on these and other Land Quality program regulations, please see: <http://www.deq.state.or.us/pubs/factsheets.htm#LQ>. The following is a summary of the programs and primary regulations.
- Solid Waste (ORS 459, and OAR 340-093): solid waste regulations prescribe requirements, limitations, and procedures for storage, collection, transportation, treatment, and disposal of solid waste.
- Hazardous Waste (ORS 465 and 466, and OAR 340-100): these laws establish a regulatory structure for the generation, transportation, treatment, storage and disposal of hazardous wastes. The Hazardous Waste Program promotes reduction of hazardous waste generation and toxics use, and provides oversight of the management and disposal of hazardous waste.

- Underground Storage Tanks (UST: ORS 465 and 466, and OAR 340-150): the UST Programs ensure that underground storage tanks containing petroleum or hazardous substances are properly operated to prevent leaks, and oversees cleanup of petroleum tank releases to protect public health, safety, welfare and the environment.
- Invasive Species/Ballast Water Requirements (ORS 783, and OAR 340-143): Oregon's ballast water regulations require the reporting of ballast water management practices and prohibits the discharge of ballast water into state waters except under specified conditions. In most cases, vessels transiting into Oregon waters must complete an open ocean exchange of ballast water prior to discharge of ballast water into state waters.
- Environmental Cleanup (ORS 465, and OAR 340-122): the environmental cleanup laws address the release of hazardous substances. They require documentation of confirmed releases and additional investigation, removal, remedial action or long-term environmental controls or institutional controls. These laws set standards for degree of cleanup required and for the selection of a remedial action.
- Emergency Response and Preparedness (ORS 459, 466, and OAR 340-142): the Emergency Response Program ensures that new releases of oil and hazardous materials, including those caused by terrorist events and natural disasters, are contained and cleaned up. DEQ focuses on prevention and preparedness activities to minimize the effects of releases. DEQ regularly works with industry representatives and federal on scene coordinators to plan for and respond to major spills.

Oregon State Marine Board

The Oregon State Marine Board (OSMB) is Oregon's recreational boating agency, dedicated to safety, education and access while protecting the environment. OSMB provides grants and engineering services to local governments (cities, counties, park districts, and port districts) to develop and maintain accessible boating facilities and protect water quality. The ports typically rely on OSMB to provide preliminary engineering and funding for related capital improvement projects, especially for launch ramps, boarding floats, transient tie-up, restrooms, and other boating amenities.

Intergovernmental Cooperation Agreements

Port districts engage in economic development, and as such, they compete on behalf of their communities to attract new business opportunities to their respective regions. At the same time, many ports understand that achieving success in these competitive situations often requires discovering and formalizing areas of mutual interest with competitors. Two examples of intergovernmental cooperation agreements (IGCA) are:

- In order to achieve their mutual goals of deepening the federal navigation channel within the Columbia River, the Port of Portland joined four Washington State port districts in signing a cooperative agreement with the US Army Corps of Engineers (USACE). The agreement provides detailed definitions of terms, obligations for the parties, and a general description of funding expectations. The ultimate result is a document that helps achieve the ports' goals for Columbia River dredging improvements while also accomplishing certain goals of state and federal for ecosystem restoration.
- Ports of Portland and Vancouver USA Cooperative Agreement: Since the early 1990s, the Port of Portland and the Port of Vancouver USA (Washington) have worked diligently, through the evolution of several agreements (the latest beginning in 2004), to find and develop avenues for mutual cooperation. These two ports, who are competitors in a number of cargo and development markets, are separated by a state border and share the same metropolitan labor force that, in turn, reap benefits from the job-creation activities of either port district. The agreement's stated purpose is simple and direct: "to promote cooperation through openness and joint action." The suggested areas of cooperation are primarily joint marketing and joint pursuit of facility development, together with formulae for cost sharing and revenue sharing. The document names the expected staff participants, requires regular periodic meetings of the parties, requires setting of mutual goals, priorities and strategies for action, but also provides an easy termination clause.

B. Federal Statutes and Regulations

The following is a brief summary of federal statutes and regulations which affect Oregon's port system. All of these regulations are applicable to Oregon's ports, especially where federal funding is being sought or used, and are indicative of the highly regulated environment and responsibilities ports operate within, as well as indicating that ports would benefit from more support from the state.

National Environmental Policy Act

The National Environmental Policy Act (NEPA) process consists of an evaluation of the environmental effects of a federal undertaking including assessment of alternatives to the proposed project. The NEPA process is triggered when federal funds are to be used or may be used in project implementation, or where federal actions or coordination such as wetlands permitting are included. Since federal funding is available to ports for cargo, recreational, transportation access, or marine facilities, ports are more frequently becoming involved in the NEPA process.

There are three levels of NEPA analysis depending on whether or not an undertaking could significantly affect the environment: categorical exclusion (CE) determination; preparation of an environmental assessment/finding of no significant impact (EA/FONSI); and preparation of an environmental impact statement (EIS). The NEPA process can take anywhere from a few months (CE) up to several years (EIS), which will need to be factored into the project's timeline and budget.

For rail and highway projects requiring NEPA, project sponsors can utilize ODOT's Collaborative Environmental and Transportation Agreement for Streamlining to expedite state and federal resource agency review of a project and the environmental analysis and documentation. Ports, however, have historically not utilized this process and have typically navigated the NEPA process on their own.

Merchant Marine (and Related) Acts

The Merchant Marine Act of 1920 is a United States Federal statute that regulates maritime commerce in U.S. waters and between U.S. ports. A section of the Act, Section 27, also known as the Jones Act, deals with coastal shipping and directly affects the consideration of "short sea shipping" among Oregon's ports (and elsewhere in the US). It requires that all goods transported by water between U.S. ports be carried in U.S.-flag ships, built in the United States, owned by U.S. citizens, and crewed wholly by U.S. citizens. The purpose of the law is to support the U.S. merchant marine industry; however, agricultural interests generally oppose it because, they contend, it raises the cost of shipping their goods, making them less competitive with foreign sources. There are amendments to the Jones Act, known as the Cargo Preference Act, which provide permanent legislation for the transportation of waterborne cargoes in U.S.-flag vessels.

Rivers and Harbors Act

The geographic jurisdiction of the Rivers and Harbors Act of 1899 includes all navigable waters of the United States which are defined (33 CFR Part 329) as, "those waters that are subject to the ebb and flow of the tide and/or are presently used, or have been used in the past, or may be susceptible to use to transport interstate or foreign commerce." This jurisdiction extends seaward to include all ocean waters within a zone three nautical miles from the coast line (the "territorial seas"). Limited authorities extend across the outer continental shelf for artificial islands, installations and other devices (see 43 U.S.C. 333 (e)). Activities requiring permits under Section 10 of the Rivers and Harbors Act include structures (e.g., piers, wharfs, breakwaters, bulkheads, jetties, weirs, transmission lines) and work such as dredging or disposal of dredged material, or excavation, filling, or other modifications to the navigable waters of the United States. Ports with marine waterways that fall under this Act are considered the shepherds of that waterway (which essentially applies to all of Oregon's ports), and are responsible for funding or seeking state or federal funding assistance for activities to ensure continued navigation of those waterways.

Clean Water Act

The Clean Water Act defines "navigable waters" as "waters of the United States, including the territorial seas." Thus, jurisdiction under Section 404 of the Clean Water Act is defined as encompassing waters regulated by Section 10 of the Rivers and Harbors Act plus their tributaries and adjacent wetlands and isolated waters where the use, degradation or destruction of such waters could affect interstate or foreign commerce.

Activities requiring Section 404 permits are limited to discharges of dredged or fill materials into the waters of the United States. These discharges include return water from dredged material disposed of on the upland and generally any fill material (e.g., rock, sand, dirt) used to construct land for site development, roadways, erosion protection, etc. Since ports are located along coastal and river waterways, complying with this Act is critical for ports.

Marine Protection Research and Sanctuaries Act

The geographic scope of Section 103 of the Marine Protection Research and Sanctuaries Act of 1972 is those waters of the open seas lying seaward of the baseline from which the territorial sea is measured. Along coast lines

this baseline is generally taken to be the low water line. Thus, there is jurisdiction overlap with the Clean Water Act. By interagency agreement with the US Environmental Protection Agency, the discharge of dredged material in the territorial seas is regulated under the Section 103 criteria rather than those developed for Section 404. As with the Clean Water Act, ports must comply with this Act for navigation, dredging, water runoff, and other marine activities.

Other Federal Legislation

There are a number of other federal regulations with which each port's operations must comply; a sample is listed below:

- Captain of the Port, 50 U.S.C. 191.
- Coastal Zone Management Act (administered by NOAA)
- Deepwater Ports Act, 33 U.S.C. 1501, 1502;
- Eastern Pacific Tuna Fishing Act, 16 U.S.C. 972;
- Harbor Maintenance Tax (HMT): As a result of the 1986 Water Resources Development Act, users of federal navigation channels pay an ad valorem tax (currently 0.125 percent on export and domestic goods moved) into a trust fund to provide a source of non-federal revenue to perform maintenance dredging.
- Longshore Workers Compensation, 33 U.S.C. 902;
- Magnuson Fishery Conservation and Management Act, 16 U.S.C. 1802;
- Marine Mammal Protection Act, 16 U.S.C. 1362;
- Maritime Transportation Security Act of 2002 (MTSA)
- Ports and Waterways Safety Act, 33 U.S.C. 1223;
- Security and Accountability For Every Port Act of 2006 (SAFE Port Act) and 9/11 Recommendations Act of 2007: the SAFE Port Act codified into law a number of programs to improve security of US ports, such as additional requirements for maritime facilities, creation of the Transportation Worker Identification Credential (TWIC) System, establishment of interagency operational centers for port security, the port security grant program, the Container Security Initiative (CSI), foreign port assessments, and Customs-Trade Partnership Against Terrorism (C-TPAT). In addition, the SAFE Port Act created the Domestic Nuclear Detection Office within the Department of Homeland Security and appropriated funds toward the Integrated Deepwater System Program, a long-term US Coast Guard modernization program.

- Shore Protection from Municipal or Commercial Waste, 33 U.S.C. 2601;
- Superfund, 42 U.S.C. 9601;
- Tribal treaties and federal regulations involving Native American tribal fishing rights.

C. Recent Regulatory Issues

Background research conducted for this strategic plan revealed recent examples of instances where regulations under various programs conflicted with another:

- The Port of Newport is attempting to reconstruct a cargo dock at the request of the USACE and is experiencing environmental regulatory and permitting issues under state and federal environmental regulations.
- The Port of Arlington at one time had a USACE permit to begin construction of a new, waste off-loading and cargo dock east of Arlington. USACE put the permit on hold after construction was initiated due to a tribal historic fishing site claim, and the case is now in litigation.
- The Port of Portland is attempting to plan for and develop a marine industrial terminal on West Hayden Island but is experiencing delays within the local planning process.
- Based on prior agreements and practice, ships sailing the Pacific Ocean and calling into Oregon's Columbia River ports must utilize "double piloting." The captain of the international leg of the trip must yield command to a captain who pilots through the "bar" (such as the Columbia Bar offshore from the mouth of the Columbia River), who then yields command to another captain that pilots the vessel upriver.

The State of Oregon has a Pilotage Commission that controls the rates charged by the three pilot associations in Oregon. The ports' concern is the high percentage of vessel entry and berthing costs for pilotage fees when compared to the total cost of bringing a vessel into port. For example- Coos Bay's pilotage fees are 55 percent of the total costs associated with bringing a vessel to berth. All three associations are currently seeking to raise their rates, and the ports have requested some level of relief from these increased costs as a competitiveness issue.

D. Oregon's Port Governance

Oregon's state port's program is currently housed in the Infrastructure Finance division of OBDD (previously OECD), and has been within this department since 1973. Between 1969 and 1973, the state port governance structure consisted of a ports commission under ODOT.

Since 1973, there have been a number of discussions and requests to transfer the state Ports Program back into ODOT, but none of these efforts have resulted in that transfer. This strategic plan process also was charged with examining the relationship of the Ports Program to the different state agencies and making recommendations on whether the current institutional organization should be changed.

Currently some agencies within state government administer programs in which the ports play a role. These include:

- ODOT: ODOT administers the *ConnectOregon* funding program, for which ports are eligible to apply. ODOT also administers and staffs the Oregon Freight Advisory Committee, which is charged under state statute with advising ODOT on multimodal freight issues and planning.
- OSMB: OSMB is charged with statewide capital facilities planning and funding programs for boat launches/ramps, marinas, and water-based law enforcement. Ports which operate these functions must coordinate with OSMB, and often use Board funding for rehabilitation, reconstruction, or new facilities.
- NEPA: Unlike its neighbors Washington and California, the State of Oregon does not have an environmental policy act. Therefore, any process which triggers NEPA requires the lead agency (the port in this case) to coordinate with and obtain reviews and permitting from appropriate local, state, and federal resource agencies.

Oregon's ports work for advocacy and support through OPPA, a chapter of Special Districts Association of Oregon headquartered in Salem, and the Pacific Northwest Waterways Association (PNWA). OPPA is supported through member dues and is affiliated with the Special Districts Association of Oregon (SDAO) for dues collection, office space, and insurance.

E. Port Governance and Oversight Examples from Other States

Virtually all ports in the United States were established under state legislative authority in the early 1900s for the specific economic benefit of the region to be served by the port. In the early 1900s most "ports" were in the

middle of a city, and vessels went from port to port delivering local cargo and passengers, thus competition among ports was not as prevalent then as it is today. During the 1930s and up to World War II, the majority of port authorities in the United States were given charters to conduct international commerce activities via the sea and, in addition, to develop a regional economic base of activity that included industrial land development, economic enterprises, and with the popularity of aviation travel, airport jurisdiction. Several ports were also given the authority and responsibility to manage public transit, bridges and other transportation infrastructure.

Port governance is rapidly becoming a major topic of discussion for all west coast port authorities and state legislatures. The Washington and California legislatures have been considering bills that would substantially revise governance of the port system in those states. The recent discussions of port governance are due to a combination of the current state of the national and regional economies as well as the lack of available funds to support port growth and capacity expansion. Also playing into these discussions is the subject of port consolidation.

The state legislatures of California and Washington have very recently introduced bills in their respective bodies that call for a state port authority or, lacking that entity, a regional port authority by combining the administrative bodies of local ports into a common and more centralized functional body. The prime reason given is the cost structure of a separate entity and the perceived duplicative nature of the functions required by neighboring but competing ports. The focus in this effort is also the reduction of the competitiveness where the public perceives that one port is always attempting to “steal” customers away from their local competing port authority.

Washington State

Washington’s 75 port districts are independent county-authorized public entities, authorized by state law in 1911. A number of the districts are “dry” or land-based ports. In Washington state government, the port program is administered by the Washington State Department of Transportation (WSDOT). There is no port-related program within the Washington State Department of Commerce, which is Washington’s equivalent of OBDD.

Compared to Oregon’s ports, Washington ports are relatively well funded. As is the case with Oregon ports, Washington ports can levy property taxes, but are allowed to assess a much higher rate, up to 45 cents per \$1,000 of appraised value under Washington state law. This larger tax base enables Washington ports to provide a good level of funding toward the Washington Public Ports Association, enabling that entity to offer a wide variety of training, data collection, and analytical studies.

Port districts in Washington are governed by an elected commission, independent of other local jurisdictions, including cities, counties, and the state. Commissioners are elected to either four- or six-year terms. The Ports of Seattle and Tacoma have five commission members whom each hold office for four years. The other 73 port districts have three members with a term of six years. Commissioners may hold either district-specific or at-large positions, depending on port district policy. Port commissioners establish long-term strategies for a port district, and create policies to guide the development, growth, and operation of the port. They are also responsible for managing their port's annual budget, approving tax levy rates, and hiring the professional staff members responsible for the port's daily functions. Advocacy, coordination, and training are provided through the Washington Public Ports Association (WPPA), which includes 69 of the state's 75 port districts. The WPPA was created by the State Legislature in 1961 to promote the interests of the port community through effective government relations, ongoing education, and strong advocacy programs. It has a full time staff of seven and has recently completed several major studies for its members and the State Legislatures such as the 2009 State Marine Cargo Forecast, the State Rail Capacity Study (with WSDOT), and key legislative policy reports.

California

The California Association of Port Authorities (CAPA) was formed in 1940 to promote the interests of California's ports and to maintain the state's role in the global maritime industry. CAPA is comprised of the state's 11 publicly-owned, commercial ports: the Humboldt Bay Harbor District, the Port of Hueneme, the Port of Long Beach, the Port of Los Angeles, the Port of Oakland, the Port of Redwood City, the Port of Richmond, the Port of Sacramento, the Port of San Diego, the Port of San Francisco, and the Port of Stockton. CAPA members are all public agencies and each is organized and managed independently.

Five of California's ports are special districts, and six are departments of their respective host-cities; each is governed by a separate board of commissioners responsible for setting policy and managing port operations. Commissioners are either appointed by local jurisdictions or in some cases, directly-elected. Most of California's ports manage state tidelands on behalf of all Californians through agreements with the State Lands Commission. Subject to specific direction contained in each agreement, tideland properties and resources must be used for maritime purposes, including navigation, fisheries and commerce.

As with Washington, California's ports are better funded through tax base and harbor fees than Oregon's ports.

On behalf of its members, CAPA maintains an association office in Sacramento with about eight full time staff who primarily manage the governmental relations with California's legislative and administrative branches of state government. CAPA monitors legislative and regulatory proposals related to goods movement and the maritime community and provides educational leadership and advocacy on issues relating to transportation, trade, the environment and other subjects relevant to port operations. In addition, CAPA maintains formal agreements on behalf of its member ports with the Federal Maritime Commission (FMC) and provides regular communication with the FMC and other national interests.

Canada

After the Canada Maritime Act of 1996 came into force, letters of patent (the official grants of authority) were issued for 19 "Canada Port Authorities" (CPA); that number was reduced to 17 in 2008, with the amalgamation of the Vancouver, Fraser River and North Fraser port authorities into a single entity, the Vancouver Fraser River Port Authority (also known as Port Metro Vancouver).

Under the law, a CPA is a federal entity or, more precisely, "an agent of the Crown for port activities related to shipping, navigation, the transportation of passengers and goods and the storage of goods to the extent that these are specified in the letters patent." CPAs may engage in "other activities deemed in the letters patent to be necessary to support port operations" but only with the prior approval of the federal government before letters of patent are issued. Unlike many of their US counterparts, they may not engage in activity unrelated to their maritime functions such as airport, rail, or toll bridge operations. Other activities not expressly covered by the letters patent are subject to taxation in the same way that they would be if the port authorities were private corporations.

The CPAs are also required to be financially self sufficient and "no recourse to the federal treasury to discharge any obligation or liability of the port authority, with the exception of payments provided under legislation covering emergencies (e.g. disaster relief assistance) or other grant programs that apply generally to other companies and institutions." Port authority borrowing for port purposes may be obtained from private-sector lenders, based on the CPAs future revenues. The Canadian Government will not guarantee such loans, and a CPA is not able to borrow money as an agent of the federal government.

Each CPA must pay an annual charge to the Crown based on a formula that would be included in its letters patent. Surpluses at each port may not be distributed, since there are no shareholders, but may be re-invested in the ports. For the purpose of operating the port, a CPA is permitted to lease or license any federal real property that it manages, subject to the limits specified in its letters patent. CPA governing boards consist of seven to 11 directors who "shall have generally acknowledged and accepted stature within the transportation industry or the business community and relevant knowledge and extensive experience related to the management of a business, to the operation of a port or to maritime trade."

CPAs are also held to rigorous disclosure requirements. Additionally, federal law requires compliance with open meetings regulations, financial statements, disclosure of any conflicts of interest as well as remuneration and expenses of board members, chief executive officers, and employees whose remuneration exceeds a prescribed threshold, disclosure of details of port income and operating expenses, and adoption of a public land use plan. Every year, CPAs must also submit a five-year business plan to the Minister of Transportation in each province.

Other States

- Alabama: the Alabama State Port Authority owns and operates the Alabama State Docks in Mobile, the state's only cargo port. State funding is based on the state's legislatively-approved budget.
- Florida: Florida's seaports are represented by a trade association known as the Florida Ports Council (FPC). The FPC is made up of port directors from the 14 seaports, the executive director of the Office of Tourism, Trade, and Economic Development, and the State Secretaries of Transportation and Community Affairs. The FPC does not provide funding for port capital projects; instead, ports compete for funding through the Florida Seaport Transportation and Economic Development Council (an average of \$15 million annually in grants and \$10 million annually in loans and bond guarantees), Florida Department of Transportation's Strategic Intermodal System, and federal transportation funding through regional planning bodies.
- Hawaii: the Hawaii DOT Harbors Division, otherwise known as "Port Hawaii", operates ten commercial ports on six major Hawaiian islands: Oahu, Maui, Molokai, Lanai, Hawaii (the Big Island), and Kauai. Port charges are paid to the Harbors Division which forms the basis for most of the state ports funding. Port Hawaii also governs the 24-hour per day pilotage into and out of Hawaii's harbors.
- Indiana: the quasi-public entity, Ports of Indiana (formerly the Indiana Port Commission), created in 1961, owns and operates its three ports - one on Lake Michigan and two on the Ohio River. Ports of Indiana is run by

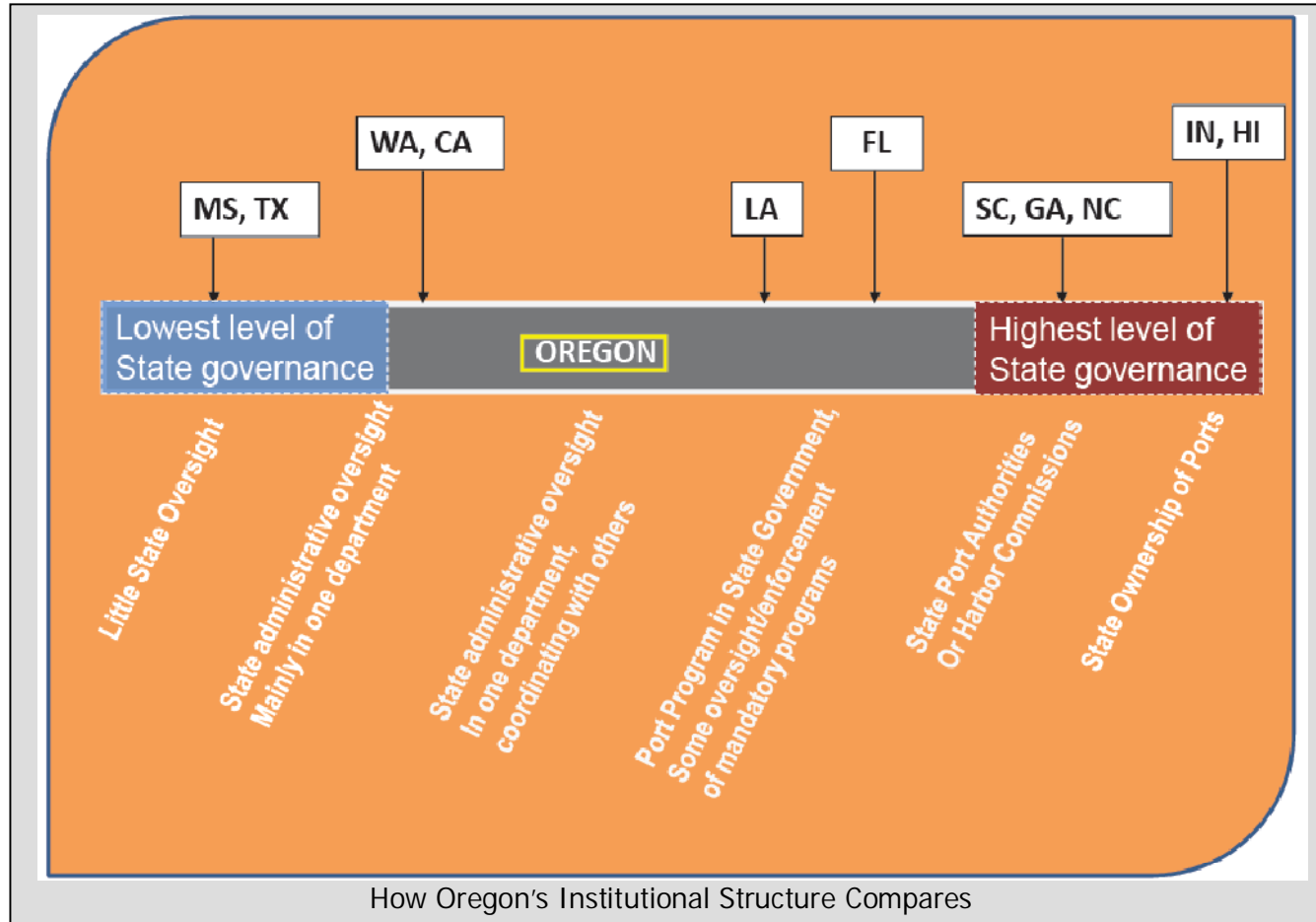
a seven-member commission, and each port operates as a cost center and is a regional taxing authority. Louisiana: administrative oversight of ports and harbors falls under the Louisiana Department of Transportation and Development's (LDOTD) Ports and Flood Control Unit. The trade association is the Ports Association of Louisiana, which is funded by its members on a level similar to the WPPA. LDOTD provides funding on a needs- and priority basis through the Port Construction & Development Priority Program, which averages approximately \$37 million per year.¹⁰

- Mississippi: oversight of Mississippi's 16 commercial ports is split between the Mississippi Development Authority and the Mississippi Department of Transportation. The State of Mississippi owns two ports while the other 14 are local port districts. There is no dedicated state funding source for ports; ports must compete for federal funding programs through state and regional programs with transportation agencies.
- South Carolina: The South Carolina Ports Authority is a state port authority that operates terminals at two seaports, Charleston and Georgetown. Funding is through tariffs and other fees, and the state budget process for capital projects.
- Texas: administrative assistance to Texas' 16 ports falls under the Texas Strategic Economic Development Planning Commission for administrative assistance and planning. The Texas Port Association is their equivalent to OPPA; very little state funding is allocated to Texas' ports.
- Port Authority of New York/New Jersey is one of the few bi-state port authorities and operates through interstate agreements.

¹⁰ Information from "Five Year Capital Improvement Plan 2007-2011", Shaw Environmental and Infrastructure for Ports Association of Louisiana, January 2007.

F. The Comparison to Oregon

Ranked on a scale of low governance (little or no state oversight or administration of port functions) to high governance (state ownership or strong state port or harbor commissions), Oregon's current port governance structure falls a little below average.



G. Current Port Funding and Finance Structure

The following summarizes key local, state and federal funding sources available to ports. A more detailed summary of the funding sources can be found in Appendix B.

1. Local

Oregon's ports are allowed to assess property taxes under Oregon statute. Taxes are collected locally; there is no state "Port tax". Port district rates (\$ tax per \$1,000 of assessed value) range from \$0.0256 in Cascade Locks to \$0.6119 in Coos Bay. According to the Port Audits summary, the average rate for the 23 port districts is approximately \$0.18. When factoring in local bond issues, which are assessed on top of the annual property tax, rates range from \$0.0256 in Cascade Locks to a high of \$0.8738 in Port Orford. Property tax revenues tend to account for less than half of port revenue in most instances.

In addition, the Ports of Cascade Locks and Hood River own and operate toll bridges and realize a substantial portion of their annual revenues from bridge toll receipts. Most ports receive revenue from tenant/user fees, leasing and sales of property, which tend to form the majority of operating revenue.

2. State

On the infrastructure funding side, there are a number of state programs that provide funding to ports:

- *ConnectOregon*: this is a biennial program which funds projects that promote job creation and retention, access to Oregon's key industries, and economic growth. Marine, air, and rail projects are eligible for these funds, but highway projects are not. There is currently \$100 million available in *ConnectOregon III* from the Lottery Fund for the 2009-2011 biennium. Rankings are recommended by a variety of modal and economic development advisory groups, and funding targets are based on geography; the Oregon Transportation Commission approves the list of projects to be funded. During the first two rounds of *ConnectOregon*, ports or their partners (private rail or terminal operators) received funding for approximately one-third of the program's total awarded projects.

- OSMB: OSMB is funded entirely through fees and penalties; it does not receive funding from the General Fund. The Boating Facilities program has developed a six-year capital facilities plan. The current planning period is (2005-2011) and uses the six-year plan to allocate Boating Facility Grants. There is approximately \$5 million per biennium available in this program. These grants, for which ports are eligible, are funds available to governmental agencies for acquisition and construction of public recreational motorized boating facilities, such as: boat ramps, boarding floats, restrooms, access roads, parking areas, transient tie-up docks, dredging and signs. Project sponsors must provide a 25% match. The six-year plan also provides guidance to the Oregon Department of Fish and Wildlife (ODFW) in allocating federal Sport Fish Restoration funds for motor boat access. Port-sponsored projects account for seven of the 44 projects (approximately 16 percent) awarded funding in the 2009-2011 biennium.
- Marine Navigation Improvement Fund (MNIF): this port loan and grant financing program provides funding for federally authorized projects that need matching funds and non-federally authorized projects that directly support or access an authorized navigation improvement project. Only ports incorporated under ORS 777 or 778 are eligible. Funding for projects is limited to money set aside by the Oregon State Legislature. Federally authorized projects include projects designed and operated by the USACE and must be authorized by Congress. They must be large enough to have a positive national cost/benefit ratio and be sponsored by a port and listed in the port's business or strategic plan. Non-federally authorized projects are smaller and cannot qualify for federal assistance. Proposed projects must support a certain level of commercial or recreational activity in order to qualify for state funding; meet the criteria of a freight project or a commercial/recreation project; be a new water project that directly supports, or provides access to, a federally authorized navigation improvement or navigation channel project; be ready to begin in the biennium in which funding is requested; and be listed in a port's business or strategic plan. Ports must secure, and be able to provide upon request, a land use compatibility statement from the appropriate jurisdiction(s) where the project is located and must meet at least one of the criteria as established by the Oregon State Legislature. In 2003, the Oregon Legislative Assembly approved \$3.5 million in funding for non-federally authorized projects.
- Port Revolving Fund: this loan program assists Oregon ports in the planning and construction of facilities and infrastructure. Any port incorporated under ORS 777 or 778 may apply for funding, although each applicant is limited to a total loan amount from this fund of no more than \$3 million at any one time. To be eligible for funding, the port must demonstrate that the proposed project is needed, feasible, a reasonable risk from a

practical and economic standpoint, has received all necessary permits required by federal, state or local agencies, and the applicant's financial resources are adequate to provide the working capital needed to ensure success of the project and the loan has a reasonable prospect for repayment. Funds may be used for port development projects (facilities or infrastructure) or to assist port-related private business development projects.

- **Port Planning and Marketing Fund:** this program (primarily grants) helps ports fund planning or marketing studies related to expanding their trade and commerce activities. This includes developing and marketing facilities and services that support important industries in the state, including: agriculture, aviation, fishing, maritime commerce, transportation, tourism/recreation, and wood products. Any port incorporated under ORS 777 or 778 may apply for funding. Grants are capped at \$50,000 or 75 percent of the total cost of the project, whichever is less, and a 25 percent local cash match is required for all projects. Half of the funds available annually in the Port Planning and Marketing Fund are reserved for high-priority projects. These funds are reserved for the first four months of the state fiscal year, after which any remaining funds may be made available for other eligible projects. To be eligible, projects must: enhance the port's ability to conduct trade and commerce; lead to economic diversification, development of new or emerging industry, or redevelopment of existing public facilities; be consistent with any applicable county or city comprehensive planning; not unnecessarily duplicate the marketing efforts among ports; not be used to subsidize regular port operating expenses; and not require or rely on continuing subsidies from the Infrastructure Finance Authority (IFA). These funds are considered as a good source for updates to port strategic business plans, capital facilities plans, and economic/market studies for consideration of a new or expanded business opportunity.
- **Special Public Works Fund:** loan and grant assistance to eligible public entities for the construction of public water and sewer systems, roads, rail lines, docks and airport facilities leading to business location or expansion and the creation or retention of jobs. Loans and a small amount of grant funds are also available to help construct publicly-owned "community facilities." Port districts are eligible. Infrastructure must be needed primarily to support economic development, and 30 percent of jobs created or retained must be family wage jobs.

3. Federal

Ports are eligible to submit applications for a number of federal funding programs. At this time, they are subject to the same restrictions on use of funds that is placed on them by ODOT or the United States Department of Transportation (US DOT); other state-imposed conditions and restrictions (such as jobs retained

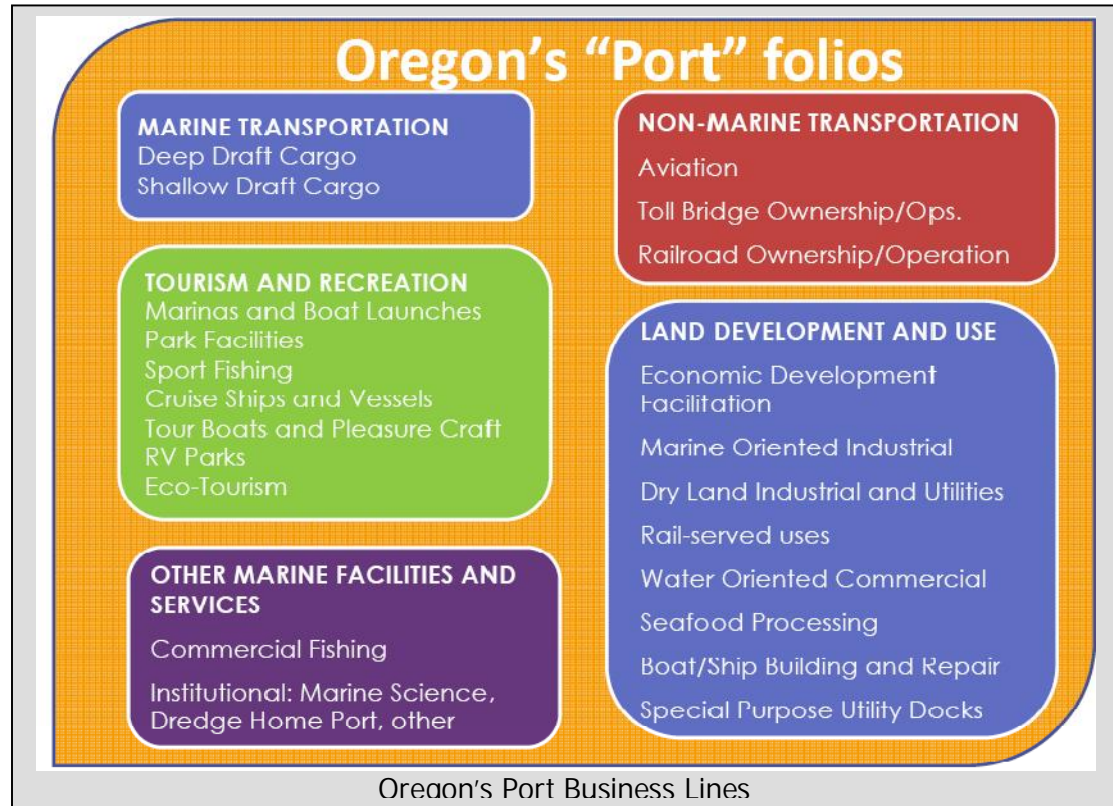
or increased, financial ability to operate and maintain, and so forth) are typically not placed on ports applying for federal funds.

Federal programs include:

- **Surface Transportation:** ports are eligible entities under a number of the traditional surface transportation programs. In Oregon, federal funding is apportioned through a ranking and evaluation process under ODOT. The state is divided into five regions, and each region is responsible for ranking their federal transportation project priorities through "Area Committees on Transportation". Ports are eligible to participate in this process. Programs include Surface Transportation Program (all modes), Enhancement (typically bicycle and pedestrian), and Congestion Mitigation and Air Quality (only in designated air quality management areas, which is not statewide).
- **American Recovery and Reinvestment Act of 2009 (ARRA):** this act spawned a variety of funding programs totaling \$787 billion in an effort to stem the economic recession that began in late 2007 and continued through 2009. Almost \$81 billion was included for infrastructure investments through "Core Investments" (roads, bridges, railways, sewers, other transportation including ports), investment into government facilities and vehicle fleets (including the USACE and the US Coast Guard), and supplemental investments. Ports applied for funds through the US DOT portion of the stimulus bill (through Oregon Transportation Commission) as well as Transportation Investment Generating Economic Recovery (TIGER) funds which were submitted directly to the US DOT.
- **Federal Boating Dollars Clean Vessel Act Funds:** these federal funds are distributed to TOSMB by the US Fish and Wildlife Service based on a national competitive grant process. Because this is a national competition, there is no set funding amount. Eligible projects include boat waste collection facilities or components, such as signs, pumpouts, dump stations and related support facilities; projects which receive this funding must make them free to the public (no charge for public use). Ports are eligible participants. Project sponsors must provide a 25 percent local match.

III. STATEWIDE PORT ASSESSMENT

Oregon's 23 ports have evolved into 23 individual economic development catalysts for their regions, often with multiple business lines and markets. Through the data collection and interviews with the ports and port stakeholders, it was determined that Oregon's ports have five primary market areas, which are called "Port-folios" here. These Port-folios recognize crossovers – such as tour boats using cargo docks, commercial fishing operations using port-owned marinas and shipyards, and so forth. They also recognize economic clusters throughout the state; for example, agricultural producers in central and eastern Oregon ship their products through Columbia River ports, while forest and other wood products from central, western and southern Oregon are shipped out of coastal ports.



A. Summary of Port Interviews

All 23 ports were interviewed for this statewide strategic business plan. Port interviews included a number of topics, including a general discussion of the services and facilities each offers; markets and business lines they serve; facilities and financial conditions; transportation access; assessment of the current state institutional/governance structure as it affects the ports; and what each port wanted to achieve through this

strategic planning effort. A Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis was conducted with each port focusing on the port and its relationship with the state. The following sections summarize the port interviews and data collection.

1. Services and Condition of Facilities

The ports offered the following regarding the various services and condition of their facilities:

- The Ports of Portland, Coos Bay, Umatilla, and Morrow are Oregon's largest cargo ports by volume, based on commodity flow surveys by ODOT, US DOT, and USACE.
- A number of cargo facilities/docks are in disrepair, especially those sold or leased to private entities that no longer exist or whose market has changed.
- There is mixed resource and financial ability to continue maintenance dredging; a few ports also have regulatory agency concerns regarding impacts to fish and where to place dredge material.
- Shipyards/boatyards and vessel repair facilities are found at the Ports of Astoria, Coos Bay, Brookings Harbor, Toledo, and Umpqua. Grain elevators on port-owned land are found at Arlington, The Dalles, Portland, Umatilla, and Morrow.
- Facilities supporting commercial fishing are located in Astoria, Garibaldi, Newport, Siuslaw, Coos Bay, Port Orford, Brookings Harbor, and Winchester Bay (near Umpqua); most of the facilities are in need of some repair or reconstruction, with the exception of Brookings Harbor, which has a new cold storage that is providing a service to local fishing.
- The following ports operate airports: Astoria, Coquille River, Gold Beach, Hood River, Morrow, Portland, St. Helens, and Tillamook Bay.
- Cruise/tour boat calls occur at Astoria, Cascade Locks, Hood River (spring and summer at the Marina dock) and very occasionally Arlington and The Dalles.
- Toll bridges are owned and operated by the Ports of Cascade Locks (Bridge of the Gods) and Hood River (Hood River Bridge). The Bridge of the Gods is considered in good condition, while the Hood River Bridge is being studied for replacement (it is currently narrow, and bicycles and pedestrians are prohibited from using it).

Oregon's ports provide a variety of recreational facilities. All of Oregon's ports own and/or operate marinas except for Coquille River, Nehalem, Tillamook Bay, Umpqua, Portland, and Morrow; Alsea leases its marina to a private operator. Ports owning and operating RV parks include Brookings Harbor, Garibaldi (which leases land to

two private operators), Gold Beach, Siuslaw, Tillamook Bay, Newport, Arlington, Cascade Locks, and Umatilla. The Port of Hood River owns and maintains waterfront land which has, over time, been considered by the local community as park land which makes it difficult to be developed for office or commercial uses.

All Oregon ports own land for industrial/business parks except Garibaldi. The Dalles, which has very little utility-serviced land remaining, is seeking funds to install infrastructure on 85 acres. Arlington owns some land that is not yet developed as an industrial park. Most ports consider themselves to be economic drivers of their communities, including those ports with little or no land available for development, and many ports are the primary owners of land available for economic development in their communities. The Port of Hood River has sold or developed much of its original supply of shovel-ready sites but still sees itself as an economic development driver within the community and is purchasing more industrial land for development.

The physical condition of port facilities is mixed statewide. There are a number of buildings, floating structures, piers, utilities, etc., within marinas, marine terminals, industrial parks, and airports in need of significant and costly repair. Much of this work having been deferred over time due to lack of planning, prioritizing budget requests for maintenance funds, or simply lack of funds. In addition, several ports have inherited privately-operated facilities that were no longer operating and in substandard condition, but are critical to overall port health if brought up to useable and code compliant standards.

The following chart shows general condition of port-owned facilities, or privately-operated facilities on port-owned land.

Infrastructure Condition at Oregon's Ports																			
Ports	Cargo Facilities					Commercial Fishing			Recreation				Landside Transportation			Economic Develo.			
	Container Loading/ Cranes	Cargo Docks	Auto Loading	Other	Food Processing/ Storage	Dock facilities	Processing/ Storage	Vessel Repair/ Storage	Marina	RV Park	boat launch	Cruise/ Tour Vessel Facilities	Park Facilities	Highway	Rail	To Air Cargo Facilities	Industrial/ Commercial Land Available	OBDD Certified Industrial Lands	Short-Term Economic Outlook of Area
Lower Columbia/Deep Draft																			
Astoria		○				●	○	○	●		●	○		○	○	○	○	●	○
Coos Bay	●	●				●	○	●	●	●				○	●	●	○	●	●
Newport		●				○	○	○		○				○	○	○	○	○	○
Portland	○	●	●		○									●	●	●	●	●	●
St. Helens				●					●		●			○	○	○	●	○	○
Upper Columbia																			
Arlington		●			●				●	○		●		●	●				●
Cascade Locks									●	●	○	●		●	○		○		●
Hood River									●		●	●		●			○		●
Morrow	●	●			●							●		●	●	○	○	●	●
The Dalles					○				●		●		○	●	○		●	○	●
Umatilla	●	●								○				●	○	○		○	●
Coastal																			
Alsea									●		●		●	●			●		●
Bandon						●			●		●		●	●			●		●
Brookings Harbor		○				●	●	○	●	○	●			●			●		●
Coquille River														●			●		●
Garibaldi						●	●	○	●	●	●			●			●		●
Gold Beach						○			●	●	●		○	●	●		●		●
Nehalem														●			○		●
Port Orford						○		●	●		●			●			○		●
Siuslaw						●		●	●	○				●			●		●
Tillamook Bay										●				●	●	○	●		●
Toledo								○	●				●	●	●		●		●
Umpqua (See Appendix C)													●	●	●		●		●
<i>Not applicable</i> (blank)																			
<i>Generally poor condition or negative market situation</i> ●																			
<i>Fair condition or situation</i> ○																			
<i>Generally good condition or positive situation</i> ●																			
Facilities owned, operated, or directly administered by the port.																			

The following chart summarizes current port market profiles and business opportunities based on the port interviews and market outlook.

Port Market Portfolios and Business Opportunities																							
Ports	Cargo					Commercial Fishing			Recreation				Aviation			Economic Develo.			Potential Future Business Lines				
	Container	Breakbulk	Autos	Dry Bulk	Liquid Bulk	Fleet	Processing	Vessel Repair/Storage	Marina	R/V Park	boatlaunch	Cruise / Tour Vessels	Park/Facilities	Cargo	Passenger	General	Ownts / Leases Commercial/Industrial	Serves as Economic Devel. Entry for Community		Toll Bridge/ Other	Government Fleet	Vessel Repair/Storage/Shipyard	Environmental Cleanup/ Stewardship
Lower Columbia/Deep Draft																							
Astoria						●	●	●	●	●	○					○				○	●		Potential LNG facility, and Port has right to condensate water for other uses; Tongue Point development; expand ship repair capability; growth in cruise line industry.
Coos Bay	●			●		●	○	●	●	●	●						○	○		●	○	●	Businesses/uses supporting proposed LNG terminal (port could get into liquid condensation business); ocean outfall could be used for poly-
Newport						●	○	○			○						○			●	○	○	Possible wood chips/forest product transload with Port of Toledo; wave energy; growth in scientific, ocean research with NOAA fleet being transferred here; container feed to Coos Bay
Portland	○	●	●	●	○										●	●	○	●		●	○	●	Growth in niche container markets, energy, agricultural and food products
St. Helens				●					●	●					○	○	●					Alternative energy business lines; development of remediated brownfield sites	
Upper Columbia																							
Arlington				●					●	○	●							●					Rail served waste; biodiesel, wind energy transport
Cascade Locks									●	●	○	●					○	○	●				Businesses as outgrowth of casino; hotel possible from operators of Sternwheeler; fish market for tribal fishers; more dock space for ocean going vessels
Hood River									●	●	●				○	●	○	●				High technology, aerospace, outdoor recreation equipment	
Morrow	●			○													○	●					
The Dalles									●	●	●	○					○	●					
Umatilla	○			○						○								●					Short sea shipping

Port Market Portfolios and Business Opportunities

Ports	Cargo					Commercial Fishing			Recreation				Aviation			Economic Develo.				Potential Future Business Lines			
	Container	Breakbulk	Autos	Dry Bulk	Liquid Bulk	Fleet	Processing	Vessel Repair/Storage	Marina	RV Park	boat launch	Cruise/Tour Vessels	Park Facilities	Cargo	Passenger	General	Owns/Leases Commercial/Industrial Land	Serves as Economic Devel. Entity for Community	Toll Bridge/ Other		Government Fleet	Vessel Repair/Storage/Shipyard	Environmental Cleanup/ Stewardship
Coastal																							
Alesea									•		•	•					•			•			
Bandon						•	•		•		•	•					•					•	Support for recreational visitors boating to town (golf, eco-tourism, etc.)
Brookings Harbor						•	•	•	•	•	•						•						Eco tourism
Coquille River																•	•						
Garibaldi						•	•	•	•	•	•						•	•				•	Eco tourism, boutique processing, commercial fleet with proper amenities.
Gold Beach						•	•		•	•	•	•					•	•					Eco tourism
Nehalem																	•						
Port Orford						•	•	•	•		•							•					
Siuslaw						•	•	•	•	•							•						
Tillamook Bay										•							•	•					
Toledo							•	•				•					•	•			•		
Umpqua *						•	•	•									•						

Not in the port's market portfolio (blank)
 Modest level of activity or potential •
 Moderate level of activity or potential ◉
 High level activity or potential ●

NOTES:
 Measured by relative intensity of the function as part of each port's overall function (or direct involvement in the community)

Cargo based on relative size of port's tonnage shipped as measured in recent Commodity Flow Forecast update by PB for ODOT.

* Does not include Salmon Harbor (see Appendix C).

2. Markets

Portland has historically occupied a niche position in the container market, most often serving as an international gateway for goods produced in the Pacific Northwest region of Oregon, Southwest and Eastern Washington, and Idaho. At the same time, Seattle/Tacoma in the Pacific Northwest and Los Angeles/Long Beach in California emerged as the dominant gateways for containerized imports to their respective regions and to the larger Midwest and East Coast intermodal markets. The reasons for Portland's regional export role involve Portland's inland transportation advantages for regional exports, its relatively small consumption market for imports, and its limitations in terms of the Columbia River dredge depth and location 100 miles upriver from the ocean. Today, for Portland to expand its role into the broader national intermodal container market, the Port faces competition not only from Seattle/Tacoma and Los Angeles/Long Beach, but also Vancouver and recently Prince Rupert in British Columbia, as well as emerging and potential gateways in Mexico.

Upriver ports have historically handled petroleum products inbound and grain and containers with export products outbound. There is now also a market for inbound containers filled with municipal solid waste.

Mineral bulks and automobiles remain a strong niche for the Port of Portland.

Oregon's forest industry has changed and declined over time, affecting many of the coastal ports.

Energy is emerging as a substantial market for Oregon's ports. Biofuels and wind energy components have been growing in the upriver region until the recent downturn. Wave energy as well as transport of energy components is becoming an emerging opportunity for Oregon's coastal ports.

Grain markets have a substantial interaction between Oregon and Washington ports, as well as a relationship with the BNSF and Union Pacific Railroads. While grain is important to Oregon's economy and depends on the highway, rail, and river system for transport, most grain elevators are privately owned. Competition from the new elevator in Longview may affect the Port of Portland, and the privately owned grain elevators along the Columbia River, but will likely have a negligible effect on the upriver ports and elevators. The BNSF short haul grain trains may have more of an effect in the long term if they develop additional facilities.

“Eco Tourism” is becoming a substantial growth industry for ports along Oregon’s southern coast. Commercial fishing on Oregon’s southern coast fishing is declining, while the northern coast saw substantial increases in the 1990s and is expected to continue to grow, although at a lower rate than the 1990s.

Coastal ports are considering the potential for short sea shipping, but there is mixed reaction in the marine cargo industry about the viability of this market. Umatilla desires to develop a short-sea shipping connection with Seattle/Tacoma. Upper Columbia River ports are also competing with Washington state ports for the same short-sea shipping market in addition to new direct rail service to the East Coast for produce grown in Washington, which is transported through the Ports of Benton Harbor and Pasco.

3. Transportation Access

The Ports of Astoria, Bandon and Newport do not consider themselves as navigationally constrained by channel depth and navigability for their cargo markets. Those with constrained depths include Portland and Coos Bay, although the Columbia River Dredging project is nearing completion (improving the channel depth to at least 43 feet), and Coos Bay plans to improve their existing channel depth to 50 feet. Umatilla and Arlington have navigation challenges with the turning basins at their docks. Many of the ports need annual maintenance dredging and, to fund it, must continue to seek federal assistance through Congressional apportionments.

At the present time, mainline rail access is available at the Ports of Portland, Morrow, Umatilla, and Arlington; and shortline access is located at Newport, Toledo, and Astoria. Coos Bay is in the process of reinstating rail service that was discontinued in 2008, while Tillamook Bay has excursion rail service along the coast and freight service in Western Washington County, but currently has published a freight embargo and applied for discontinuance of service for most of the line across the Coast Range. The remaining ports do not have readily-available rail service.

All Oregon ports have some type of highway access. Coastal ports all rely on Highway 101, with many requesting mobility improvements (passing lanes) on Highway 101, and Columbia River ports rely on Interstate 84 (I-84). All ports in the state rely on Interstate 5 (I-5) to some extent.

As noted above, the Ports of Astoria, Coquille River, Gold Beach, Hood River, Morrow, Portland, St. Helens, and Tillamook Bay own and operate airports. Most others have airports within reasonable proximity.

4. Financial Condition

Oregon's ports have mixed financial conditions. The economic downturn has worsened the overall financial situation of most of the ports, as it has other government entities. Most of the ports are tapping cash reserves to fund operations, often with less than six months of reserves. Many ports have substantial deferred maintenance and infrastructure improvement projects for a number of years because of lack of income. The combined port-identified infrastructure needs exceed \$500 million, which include a number of jetty repair, marine facilities rehabilitation, dredging, and cargo dock reconstruction projects.

Ports that are generally in stable financial condition include Bandon, The Dalles, Hood River, Cascade Locks, Garibaldi, Morrow, Portland, Nehalem and Umpqua. Ports with possible cash flow issues include Coos Bay (due to railroad acquisition, offset by Liquefied Natural Gas or LNG development) and Astoria, while Brookings Harbor suffers from a high debt to asset ratio. Approximately two-thirds of Oregon's ports are operating by using cash reserves, and a similar number are operating with less than six months of cash reserves. Deferred maintenance is a current concern, and likely an even greater future financial issue for many of the smaller, coastal ports.

For the ports that own and operate Marinas and RV Parks, there are mixed experiences with their financial condition; there is an approximate even split between those that break even and those that lose money. Marina rates being charged are typically not sufficient to cover the cost of maintenance, operations, and replacement.

Industrial/business parks: most of the ports own land that they market for industrial or commercial development. There are a variety of policies or practices with regard to private parties developing on port-owned land; some ports choose to sell the land to the developers, others choose to only lease land, while others make decisions on a case-by-case basis; cash flow is a consideration for these decisions. Some ports are running out of or have run out of port-owned land which may become a future cash-flow issue.

The toll bridges provide substantial amount of revenue for Cascade Locks and Hood River.

The Warm Springs Tribe Casino proposal in Cascade Locks currently generates revenue for the Port of Cascade Locks while the Tribe maintains an option on port-owned land.

5. Capital Facilities Needs and Funding Requests

As mentioned above, the total of the capital projects listed on the ports' capital facilities plans exceeds \$500 million. A number of ports have pending or recent requests for federal stimulus funding (ARRA) submitted through congressional representatives with 25 requests totaling \$58 million: Alsea, Bandon, Brookings Harbor, Gold Beach, Morrow, Port Orford, Siuslaw, Tillamook Bay, Toledo, Umpqua, Astoria, and Newport. The Port of Portland also separately requested and received \$8.9 million for renovation of Terminal 6 container docks. Astoria, Coos Bay, Morrow and Portland have applied for TIGER funding with total requests exceeding \$100 million.

Ports have applied for *ConnectOregon* funding in the past and are expected to do so for the 2009-2011 biennium. OSMB has funded a number of marina improvements and some operations; it does not allow ports receiving funds to charge for private boat launches. OBDD (formerly OECDD) has provided some funding in recent years but ports would like to see more and clearly defined economic development funding assistance in future.

The Port of Portland is a key partner in the I-5/Columbia River Crossing project, which is studying the environmental impacts, cost and revenue implications, and economic impacts of a substantial improvement to the I-5 crossing over the Columbia River, considered to be a major freight bottleneck for the Portland, OR/Vancouver, WA region as well as the I-5 interstate corridor.

The Port of Hood River is involved in the SR 35/Columbia River Crossing efforts to get \$200 million or more to replace the Hood River Bridge. Newport has been awarded the relocation of the NOAA fleet from Lake Union (Seattle) and likely will be seeking financial assistance for facilities, support services, and docks.

Port Financial Highlights

Ports	Key Revenue/ Funding Sources						Financial Status			Recent or Expected Grant Apps.					Major Capital Needs	
	Taxes	Facilities or Land Sales/ Leases	Marina/ Launch Fees	Dock/ cargo fees	Capital Grants (Past 2-3 years)	Other (List)	Trends past 5-10 years	As of Last Audit	Short-Term Outlook	Fed. Stimulus	OBDD	Connect Oregon	Marine Board	Other	Short Term	Long term
Lower Columbia/Deep Draft																
Astoria	○	●	○	•	•	Timber; fuel sales	+	+	o/+	●	○				Tongue Point Development; Pier II upgrade; USCG Air station relocation	
Coos Bay	●	○	○	•	○	Rent from LNG sponsor	-	○	o/+	○	•	○	Rail fund	Rail line	Marine Terminal (with private partner)	
Newport	○	○	●	○	○	RV park, interest	+	+	+	○			NOAA	Yaquina Bay dredging	Cargo dock rebuild	
Portland	○	○		●	○	Airport PFC	+	○	+			●		North Portland rail improvements; Brownfield remed.; T4 pipeline; T2 rail; Mulino airport improvements	West Hayden Island development	
St. Helens	○	●	●	•	•	Fees from Scappoose Industrial Airpark	○	○	o/+	•	•	•	FAA	Port Westward rail improvements	Airport runway expansion	
Upper Columbia																
Arlington	•		•		•	RV park breaks even	○	○	o/+	•	○	•		New barge dock	Water-to-rail waste transfer facility and rail improvements	
Cascade Locks	•	○	○			Toll bridge generates 90% of revenue; sternwheeler; RV park; land option from Casino proposal sponsor	+	+	+				SAFETEA-LU funds for design and engineering and construction of new access to marine park	Casino/I-84/port industrial land access; relocated port access road and RR grade separations	Mountain bike trail	
Hood River	•	○	○		•	Toll bridge; airport; parking fees at Event Site	o/+	+	+				\$250K from the Immediate Opportunities Fund for street improvements; FAA=\$100K per year	Light industrial buildings, roads/utilities, marina expansion	Toll bridge replacement; marina expansion	
Morrow	•	●		•	•		+	+	+	○	•	●	FAA	Rail siding improvements; marine terminal improvements; US-730 interchange; Boardman barge terminal (Tidewater)	Airport hangars and fuel supply; Rail logistics center	
The Dalles	●		•	•		Airport hangar fees	+	+	+			○		Dock for cruise boat (City applied for Connect Oregon II monies)		
Umatilla	○	•	•	•	●		○	○	o/+	●	●	•	MARAD for barge expansion; port is also seeking operating subsidies from WA for the short-sea model	Cargo dock expansion; short-sea shipping demonstration project	New cargo dock; short-sea shipping; new container crane; terminal access; new railroad loop	
	•	Small revenue component					+	Positive, Stable			•	<\$1 million		Short term includes stimulus requests		
	○	Medium revenue component					○	Neutral but stable			●	\$1 - 5 million				
	●	Top revenue source					-	Net deficit, unstable			○	Over \$5 million				
	Based on last 2-3 years of reports/audits.						Based on net income (profit/loss statements)									

Port Financial Highlights

Measured by relative intensity of the function as part of each port's overall function (or involvement in the community)

Ports	Key Revenue/ Funding Sources						Financial Status			Recent or Expected Grant Apps.				Major Capital Needs		
	Taxes	Facilities or Land Sales/ Leases	Marina/ Launch Fees	Dock/ cargo fees	Capital Grants (Past 2-3 years)	Other (List)	Trends past 5-10 years	As of Last Audit	Short-Term Outlook	Fed. Stimulus	OBDD	Connect Oregon	Marine Board	Other	Short Term	Long Term
Coastal																
Alsea	●	○	○		•	Interest	u	o	+	•					Water rescue, office facilities	
Bandon	●	○	○		•	Interest		o	o/-	○					Boat basin revitalization; maintenance dredging	
Brookings Harbor	●	•	•				-	u	u	○					Marina rehabilitation; RV Park upgrade, maintenance dredging	
Coquille River	○	○				Airport		o	o	•					Additional buildings needed to lease to small businesses	
Garibaldi	○	●	●		○	RV Park, motel, fish processing, retail outlets and restaurants on Port land are leased	o	+	+	○					New marina	Jetty repair, dredging Commercial Ave. breakwater
Gold Beach	•	●	●			Commercial and sport fishing; retirement facilities; tourism; Port operates a crane available for lease	o	+	+	○					Maintenance of office building; commercial building; maintenance dredging; security cameras; levee repair	
Nehalem	●	•				Interest; timber receipts	+	+	+						Dredging and channel maintenance	Port recently purchased a 20,000 acre site for possible commercial development
Port Orford	○		●		●	commercial fishing upland moorage; live-fish market	o	o	+	○			(S) bonds; loans; HIA grant	Breakwater; Marine Research facility; commercial/ retail building		
Siuslaw	○	●	○		•	Recreational fishing/tourism	o	o	o	●		•		North and South Jetty restoration; turning basin and maintenance dredging; bulkhead restoration; Old Town wharf replacement; Maple Street landing and dock; 40-acre "shovel-ready" industrial park	North and South Jetty Restoration	
Tillamook Bay	•	●			•	Industrial park; airport	o	o	+	●		●		Digester expansion; intermodal freight station		
Toledo	○	●			•	Fish processing; boat building;	+	o	+	●				Depot Slough maintenance dredging; wastewater improvement; shipyard expansion; two industrial/ office buildings	Cargo/rail improvements with Port of Newport for short-sea shipping	
Umpqua (Also see Appendix C)	○	●			•	Land sale payments and monthly moorage receipts from Fried Wahl boat building and repair	u	u	u	u				Maintenance dredging; jetty repair	Jetty repair	
Columbia River System										●				Dredging \$; lock repair	Dredging	Dredging
Short-Line Rail System (serving ports)										●	•	●		Port of Coos Bay.	Port of Coos Bay RR	Port of Tillamook Bay (unlikely); Astoria Line of P&W.
Pacific Marine Highway System										●				Dredging \$	Dredging	Dredging; jetty repair
														Short term includes stimulus requests		
		•	Small revenue component			+	Positive, Stable			•	<\$1 million					
		○	Medium revenue component			o	Neutral but stable			○	\$1 - 5 million					
		●	Top revenue source				Net deficit, unstable			●	Over \$5 million					
Based on last 2-3 years of reports/audits.							Based on net income (profit/loss statements)									

Port Investment Priorities

Ports	Cargo/Navigation					Shipyard/ Vessel Repair	Port Administration Facilities	Commercial Fishing			Recreation			Landside Transportation Access			Economic Development		
	Cargo Loading/ Dock Facilities	Piers/ Marine Terminals	Dredging/ Jetty/ Levee Repair	Governmental/ Institutional	Food Processing/ Storage			Dock facilities	Processing/ Storage	Vessel Repair/ Storage	Marina	RV Park	Boat launch/ basin	Tour Vessel Facilities	Park Facilities	Highway	Rail	To Air Cargo Facilities	Land Acquisition/ Development/ New or Innovative Business Lines
Lower Columbia/Deep Draft																			
Astoria		\$\$	\$\$\$																\$\$\$
Coos Bay		\$\$\$	\$\$\$			\$\$	\$\$	\$\$\$							\$\$				\$\$\$
Newport		\$\$\$	\$\$\$	\$\$\$															
Portland	\$\$\$	\$\$\$	\$\$\$											\$\$\$	\$\$\$	\$\$\$			
St. Helens			\$\$\$																
Upper Columbia																			
Arlington		\$\$\$																	
Cascade Locks																			\$\$\$
Hood River									\$\$	\$\$				\$\$\$				\$\$\$	\$\$\$
Morrow	\$	\$\$\$			\$\$\$									\$\$\$	\$\$\$				
The Dalles																			
Umatilla	\$\$\$	\$\$\$													\$\$\$				
Coastal																			
Alsea			\$\$	\$\$		\$\$	\$\$												
Bandon			\$\$									\$\$\$							
Brookings Harbor			\$\$					\$\$	\$\$	\$\$\$									
Coquille River			\$\$																
Garibaldi	\$\$		\$\$\$					\$\$	\$\$	\$\$									
Gold Beach			\$\$\$			\$	\$												\$\$
Nehalem			\$\$																
Port Orford			\$\$\$	\$\$\$															\$\$\$
Siuslaw		\$\$\$	\$\$																
Tillamook Bay			\$\$															\$\$\$	
Toledo			\$\$			\$\$\$								\$\$					\$\$\$
Umpqua*			\$\$\$																
Columbia/Snake River System			\$\$\$																
Pacific Marine Highway System			\$\$\$																
Not applicable		(blank)																	
Identified Needs < \$500,000		\$																	
Identified Needs \$500,000 - 1,000,000		\$\$																	
Identified Needs > \$1,000,000		\$\$\$																	

Based on Capital Facilities Plans, Federal Stimulus Requests, TIGER applications, Connect Oregon applications, and Port interviews
** Does not include Salmon Harbor (see Appendix C).*

6. Status of Strategic/Business/Master Plans

Strategic, business, or master plans either do not exist or were not available for seven of the state's 23 ports; most of those with existing plans will need to update them subsequent to adoption of this statewide strategic plan. At least five ports are currently developing or updating plans as of the summer of 2009. The Port of Portland has the most expansive plans given their role in Oregon's cargo market and statewide importance. At least four of the smaller ports have no or very old plans and no money/staff to update them.

7. Governance/State Services

Ports were asked their opinions regarding state governance of the port system and the current institutional structure. There is little support by the ports for an active, state-run port commission. Many would like to see ports elevated at the state level to a division level entity (similar to ODOT's Highway and Rail Divisions) and would like to see more influence of this program with the State Legislature. Ports seek better funding and activity level from OPPA; WPPA was used as an example of what is desired, and upriver Oregon ports have as strong of ties to Washington ports and WPPA as they do to OPPA; the Pacific Northwest Waterways Association is also a key outlet for Washington lobbying.

Most ports would like to see a loosening of bureaucracy on OBDD grants. About half of Oregon's ports have been active through *ConnectOregon*, and they are generally satisfied with the level of administration and bureaucracy. Many would like to see education of state officials and state legislators on the benefits of Oregon's port system, while others would like to see state-sponsored training on best practices programs for port officials and port commissioners.

A number of port coalitions have formed over the years to address issues within their section of the state, including the "Four Ports Group" consisting of the Ports of Bandon, Brookings Harbor, Gold Beach, Port Orford and the "Columbia Gorge Economic Development Coalition" consisting of the Ports of Hood River and Cascade Locks, plus Washington the ports in the Columbia Gorge. Umatilla actively coordinates with upriver Columbia River and Snake River ports in Washington state. Coos Bay would like to see a separate (funding and legislative) coalition of "cargo ports" that specifically addresses inland transportation and economic development for and from cargo handling.

8. Regulatory Issues

Ships entering Oregon's harbors from the Pacific Ocean must cross a section of ocean, called "bars", where major river outflows meet the Pacific Ocean. State procedures dictate that separate pilots are required to navigate cargo ships over the bars, and to navigate ships into the harbor. This is called "Double Pilotage" and is a significant concern with Oregon's cargo ports in that they believe that this results in a high percentage of vessel entry and berthing costs for pilotage fees when compared to the total cost of bringing a vessel into port. The Port of Coos Bay indicates that pilotage fees are 55% of the total costs associated with bringing a vessel to berth.

The State has a Pilotage Commission that controls the rates charged by the three Pilot Associations in the State of Oregon. All three associations are attempting to raise their rates this year and the Ports are seeking some sort of relief from these increased costs as a competitiveness issue. One method of relief for pilotage fees would be for all pilots to be state or port employees instead of independent contractors.

Other regulatory concerns expressed by ports include:

- State-sponsored Marine Reserves in Pacific fisheries are a major concern to commercial fishing ports
- Tribal issues have delayed Arlington's new dock and off-loading facilities and have also been an issue at Morrow
- Environmental issues affect Newport's ability to reconstruct its deep draft cargo dock
- Portland's development of West Hayden Island must occur within City of Portland's and Metro's land use decision-making process
- Lack of state support for and community controversy regarding LNG proposals in Coos Bay and Astoria
- Potential navigation and economic impacts of removal of Snake River dams.
- Local opposition ("NIMBY effect") to growth and change is very prevalent in Coos Bay.

B. OPPA

Ken Armstrong, OPPA Administrator, and Annette Price, OPPA Chair, were interviewed during the data collection phase and later to provide comments on the preliminary Plan recommendations. They indicated that OPPA has for years suffered from a lack of financial stability, but now that they are housed within the SDAO, they have stabilized the association's financial status. They also indicated that there were previous attempts to require port official

training through legislation, which was unsuccessful. They prefer the “opt-in” provision for the Strategic Plan elements (described in a later chapter).

C. Other State Agencies

OBDD and consultant staff met with senior officials from a number of state agencies as well as the Business Development Commission and IFA Board during the period when the Draft Strategic Port Plan was circulated for comment. State agencies included: ODOT, Treasurer’s Office, Department of Environmental Quality, Marine Board, and Department of State Lands. State agency representatives agree that better coordination between each port and the State is needed, but also stress that better state oversight of port compliance with state rules and regulations is needed as well. All state agencies interviewed indicated they intend to commit to coordinating with OBDD and the ports as an outcome of the Statewide Strategic Port Plan.

Regarding the potential establishment of a Marine Transportation Mode program within state government, the general consensus was that the directors of OBDD, ODOT, Marine Board, and potentially other state agencies should meet and decide where such a program is best housed, what the mission and role of that program should be, and how to implement and undertake such a program before approaching the state legislature with a proposal.

Members of the Business Development Commission and IFA Board felt that their roles with regard to statewide policy relating to ports and their economic development mission, as well as a potential new infrastructure funding program for ports, need to be better developed and established as part of developing, adopting, and implementing the Strategic Port Plan.

D. Key Legislators

Two key legislators were interviewed: Representative Dave Edwards, and Senator Betsy Johnson. Their comments generally included:

- State funding to ports needs tracking and accountability. State funds that are granted to the ports should focus the funds on business lines of state significance.
- The legislature is now requiring state funding sources to demonstrate some type of “return on investment” for capital funding; this is across the board, and not just for ports. Measures could include job creation or

retention, improvements in access to Oregon's key industries as defined by OBDD, development of new industries, and increased revenue for the state.

- Those receiving state infrastructure funding must demonstrate ability to maintain and operate new state-funded, capital facilities.
- New land use proposals, and development grant requests should include letters of support from local, land use municipalities.
- For a new funding program, the "Community College" funding model has merit.
- Port officials and commissioners have not always complied with state and federal laws; they should have mandatory training.
- The legislators would like to see a comprehensive priority list of port capital project needs.

E. Tourism Commission

The Plan's Core Team met with Todd Davidson, director of Travel Oregon, an umbrella arm for Oregon's tourism industry and staff to the Tourism Commission. The interview focused on Travel Oregon's and the Tourism Commission's mission and purpose as they relate to Oregon's ports. Travel Oregon believes ports can expand their services by offering meeting and convention facilities or at least be local contacts and catalysts for local and regional activities, which Travel Oregon can assist in coordinating. This group has a tourism development division that provides matching grants up to \$10,000. Travel Oregon has seven marketing regions, and the ports could work with each of those regions to secure marketing grants. This program is funded by a one percent statewide lodging tax, of which 15 percent is returned in revenue back to the regions for distribution. Travel Oregon's website could house port-related information and tourism links, and this organization has a strong relationship with OSMB.

Other key issues or challenges to further development of ports' services identified by Travel Oregon include:

- Ports hosting or facilitating meeting events with incentives have shown a substantial return on investment for Oregon's tourism industry until the economic downturn and corporate cost-containment efforts. They would like to see that practice return.
- Positioning or port calls of cruise ships is an issue that they would like to see addressed in this strategic plan because it can benefit local tourism. The Port of Astoria currently benefits from cruise ships, but Travel Oregon sees that other ports can benefit as well, although some ports, such as Newport and Coos Bay, may be limited

by bridge height restrictions. Note: The Jones Act as explained earlier under Regulations may be a constraint to cruise ships calling on multiple Oregon ports at the same time, as a number of cruise lines do not meet the requirements for US crews, ownership, construction, etc. This applies mainly to ocean-going cruise ships calling on Oregon, and less so to those cruise ships which travel up and down the Columbia River.

Ports provide support for tour operators and eco-tourism. Eco-tourism, as defined by Travel Oregon, is: experiential, exploratory, environmentally sustainable nature-based recreation, including hiking, adventures, and interpretive tours. Estuary kayaking out of Tillamook Bay is an example. Estuaries are included under eco-tourism, and ports are often located near estuaries. Ports also offer marinas and tie-ups for charter boats, RV parks, and park facilities. Certain ports with airports such as Coos Bay (although the Port no longer owns that airport) can provide crucial scheduled and charter passenger connections with California, Portland, Seattle, etc. Additionally, the South Coast has been innovative with tourism and South Coast ports provide that link. Bandon Dunes has been rated the #2 golf course in the world – the Port of Bandon could help here with ensuring their marina can accommodate larger, personal vessels.

IV. STRENGTHS AND CHALLENGES ASSESSMENT

A Strengths, Weaknesses, Opportunities and Threats (SWOT) evaluation was performed for Oregon's overall port system as well as for the three "mini-systems" in the state: Coastal Ports (Alsea, Bandon, Brookings Harbor, Coquille River, Garibaldi, Gold Beach, Nehalem, Port Orford, Siuslaw, Tillamook Bay, Toledo, and Umpqua), Lower Columbia and Deep Draft Ports (Astoria, Coos Bay, Newport, Portland, and St. Helens), and Upriver Ports (Arlington, Cascade Locks, Hood River, Morrow, The Dalles and Umatilla). Also included in this analysis was a data assessment of current financial and infrastructure conditions, market and economic status of the ports and the state, as well as an outlook for the future, which yielded the following findings:

- The State of Oregon has little recognition or acknowledgement of the role of ports in the state economy.
- There is a general desire not to change the ports governance structure, but rather to elevate the port system in OBDD to a division level.
- Columbia River ports are very tied to the dredging depth of the Columbia River, and coastal ports are highly dependent on maintaining the dredging depth of their navigation inlets from the Pacific Ocean.
- The commercial fishing outlook is generally declining on Oregon's southern coast, while it remains a steady industry on the north coast.
- Charter fleets and private vessels calling into ports are holding steady on the lower part of the Columbia River and the south coast; however, in a number of instances the size of the vessels arriving into ports exceed the size of the dock, slip, or marina facilities.
- Transport of logs/forest products out of coastal ports is generally declining, but the wood chip industry is holding steady.
- The ports are experiencing emerging industry growth in export/transport of biofuels and biomass, as well as wind energy components (although how long this will be sustained is uncertain). Other emerging industries include transport of live seafood and eco-tourism (especially for whale watching, marine reserves, scuba diving).
- Policies regarding leasing versus sale of developable land owned by ports varies throughout the state. Additionally, lease and facility rental rates are commonly below market average, which limits the ability for ports to keep pace with facility maintenance needs.
- There is some redundancy and overlap of services and business lines between ports, but not as much as anticipated at the start of the planning process.
- Most ports have solid working relationships with ODOT, but mixed relationships with OBDD.

A. Strengths

As mentioned in the Summary chapter, there are a number of strengths to Oregon's port system. The Columbia River transportation corridor includes four primary modes – rail, air, barge, and highway – that is virtually unparalleled in the western United States. There are many coastal scenic, fishery and environmental attributes of which the ports can be a partner or catalyst for economic development. Oregon's port system has many existing strengths as well as opportunities to grow these strengths:

- The Columbia River corridor includes three primary transportation modes – rail, barge, and highway – that is virtually unparalleled elsewhere in the western United States. Oregon's upper Columbia River ports (Cascade Locks, Hood River, Arlington, Morrow and Umatilla) and the Port of Portland enjoy good connections to all transportation modes: Class I railroads (Union Pacific and Burlington Northern Santa Fe or BNSF), highways (I-84, I-5, and US-97), air cargo (Portland International Airport) and uncongested marine access. The container-on-barge system between up river ports and Portland is unique in the region.
- Oregon's coastal location offers many scenic, fishery, and environmental features that provide the ports with opportunities to be a partner in or catalyst for economic development.
- The Port of Portland is one of the largest international grain export gateways in the country and is part of the second largest grain exporting region in the world. It is also the largest automobile importing port on the west coast, and fourth largest in the nation.
- There are a few planned deep-water sites large enough to accommodate a marine terminal,, such as those at Hayden Island (Portland), St. Helens, and Coos Bay, although they all have an approval or infrastructure component such as permitting that needs to be addressed. There are several "brownfield" site development opportunities for Oregon's ports at Portland (T-4 and others), Astoria (Tongue Point), and Coos Bay, but the development costs are high.
- *ConnectOregon* is an innovative, model program for transportation funding that receives national recognition in its multimodal, economic development capabilities; ports are eligible to compete for rail, marine, or airport projects (although a number of smaller ports have indicated their potential projects do not fare well within this program).
- There are several growing, new, and emerging markets in Oregon– agriculture and processed food products; marine sciences; live fish; eco-tourism activities on the coast; and energy sources such as wind, wave, solar, biofuel/biomass, possible Liquefied Natural Gas (LNG) terminals – as well as stable markets including: upriver

food processing, the Port of Portland's bulk and auto markets, commercial fishing along the north coast, industrial and commercial property development, bulk goods, recreation, sport fishing, and tour boats.

- The Port of Newport recently won the competition for relocation of the National Oceanic and Atmospheric Administration (NOAA) fleet to its facility, which will enable the Port to establish a major marine science center in conjunction with the existing Hatfield Marine Center and the Newport Coastal Aquarium.
- Many of the ports have worked for years to establish good relationships with local governments and other entities in their respective communities and have diversified their business lines to respond to their communities' needs. A number of the ports serve as de-facto public facilities' districts as well as economic development engines for their regions. Overall, Oregon's ports have high quality port management and staff that are invested in the ports' missions but smaller ports face staffing constraints because of their small revenue resources.

B. Challenges

In addition to their strengths, Oregon's ports also face a number of challenges.

- For the most part, Oregon's cargo ports are located in small markets, which limits their ability to compete with larger intermodal cargo ports such as Los Angeles/ Long Beach, Seattle/Tacoma/Everett, and international ports such as Prince Rupert in Canada and ports in Mexico for containerized traffic. Although Prince Rupert is by itself a small market, it has the benefit of a substantial public and private investment for water and rail access, which results in it being highly competitive with the other west coast ports.
- Coastal ports (cargo, recreation, and other business lines) suffer from limited transportation access as highways across the coast range often experience partial or full closures during winter months due to weather or slides, and two cross-Coast Range rail lines are currently out of service.
- There are limited staff resources at many of the smaller ports and in OBDD, combined with constrained institutional support from the State of Oregon and OPPA.
- The State of Oregon has not developed a policy or procedure to quickly respond to special opportunities (such as the recent NOAA or LNG opportunities) or special challenges (such as the rail closures).
- Cargo ports (with some exceptions) continue to be involved in operations in declining or threatened markets, including: wood chips, break bulk, commercial fish processing/canning, short-sea shipping (which has varied industry opinions about its viability). Impacts of developing future marine reserves are unknown and future efforts need to include studies of economic impacts on coastal ports and coastal communities.

- There is limited federal support for coastal dredging and jetty maintenance, and constrained state support for infrastructure improvements in general.
- Proposals to remove dams on the Snake River, in an effort to improve Salmon habitat, are feared by the ports to negatively impact the ability of barges to navigate the Columbia/Snake River system, resulting in goods that are currently barged (the least expensive transportation mode, per ton-mile¹¹) having to find alternative and more expensive transportation modes.
- Remnants of past industry operations, including log rafting pilings, as well as pilings from demolished bridge and retaining wall structures are navigation hazards and possibly hazardous materials (treated wood) in a number of navigable rivers, most notably the Columbia, Willamette and Yaquina Rivers. However, over the years, these remnants have also become habitat for in-water wildlife. There is currently no inventory of how many of these remnants there are, nor their specific locations, and there has been no comprehensive study performed as to what environmental impacts may be incurred by either leaving them in the water or by removing them.

On the statewide institutional side, the Oregon Transportation Plan (OTP) has modal plans for aviation, highway & rail but not for the marine mode. Ports make individual funding requests (state, federal) for navigation, dredging, jetties, and individually take their funding request message to Congress, without prioritization or a system-wide assessment. Oregon's state government does not have a function coordinating development of and planning for Oregon's Pacific Ocean and Columbia River Marine Highway Systems. Congress received over \$400 million in requests for Oregon marine navigation improvement projects in FY 2009-2010 with no priority list and no marine plan with which to evaluate the needs.

Larger cargo ports desire a stronger statewide voice with state agencies and the legislature for marine cargo issues. Marine transportation is an important component of Oregon's economy. The state needs to develop a planning approach for addressing marine transportation issues, including navigation in the state's overall intermodal planning approach for improving linkages between modes.

¹¹ A Modal Comparison of Domestic Freight Transportation Effects on the General Public, Texas Transportation Institute Center for Ports and Waterways, Amended March 2009. http://www.americanwaterways.com/press_room/news_releases/NWFStudy.pdf

1. Upper Columbia River Shallow Draft Ports Assessment

Strengths and Opportunities

- For the most part, there is good understanding by ports of their mission/ markets as representatives of their communities.
- All ports serve as economic drivers/ development commissions for their communities.
- Good overall professional quality of port management and staff.
- The Ports of Cascade Locks and Hood River own and operate toll bridges, with substantial toll revenue.
- Most of the ports are in stable financial conditions.
- All ports have marinas and other recreational activities and have diversified their business lines.
- The Port of Umatilla may benefit from potential federal funds for short-sea shipping.
- Cascade Locks Warm Springs Tribal Casino proposal.
- New economies are emerging: wind and solar energy, biofuels/biomass.
- The Ports of Morrow and Umatilla have substantial amounts of undeveloped industrial land. Morrow has rail access to their land.
- Morrow and Umatilla have achieved tribal coordination for future land development.

Challenges

- The Ports of Umatilla and Morrow compete for similar container/cargo markets;
- The Port of Arlington is experiencing difficulty attracting a new market.
- Rail service by Union Pacific to ports is limited due to high priority for through East-West train operations.
- Barges coming to and from the ports must pass through several locks, waiting times during peak periods.
- Competition from ports in Washington.
- There is a lack of funding and strength of port governance/OPPA, especially at legislature.
- Tribal treaty rights and fishing sites on the Columbia River may affect placement of new port facilities and navigation in/out of those facilities.
- The Columbia Gorge National Scenic Area and Friends of the Gorge can derail or delay new port development opportunities for the Ports of The Dalles, Hood River, and Cascade Locks that are either located in the river or outside of urban areas.
- The Ports of Arlington and The Dalles have very little or no remaining utility-serviced developable land.
- Replacement of Hood River Bridge and potential transfer of ownership to WSDOT or ODOT will eventually remove a large revenue source from the Port of Hood River's jurisdiction.

2. Lower Columbia/ Coastal Deep Draft Ports Assessment

Strengths and Opportunities

- The Columbia River channel deepening project is almost complete and will keep the port system competitive in the international market.
- All ports have diversified their business lines.
- Commercial fishing on north coast has stabilized over past 4-5 years after many years of decline.
- Good rail service by UP, Portland and Western and BNSF for the Columbia River ports.
- The Port of Newport won the relocation of the NOAA fleet; it can piggy-back with Hatfield Marine Center to create a marine sciences center for the West Coast and could create a new economy for the region.
- Port commissions have been stable in recent years.
- *ConnectOregon III* is an opportunity to fund some key access projects for the ports.
- Emerging new economies are: wave, wind and solar energy, biofuels/biomass, eco-tourism.
- Airport-related business opportunities at Astoria, Portland, Coos Bay, St. Helens.
- LNG terminals: Astoria, Coos Bay.
- Re-establishment of the Coos Bay rail line operations.

Challenges

- There are uncertainties over the impact of Panama Canal improvements on these ports or if there will be a need to site a very deep draft port to accommodate post-Panamax vessels.
- The Port of Coos Bay's rail line is out of service and restoration will cost \$15 million.
- Continued dredging is necessary for these ports.
- Limited financial resources and impact of economy.
- Many dock facilities are in disrepair, and many of these are privately owned, which limits the ports' control.
- There is a lack of funding and strength of port governance/OPPA, especially at legislature.
- The future of commercial fishing is uncertain; Pacific Ocean fisheries may be becoming overfished.
- These ports experience competition from Alaska, British Columbia, and California commercial fishing fleets.
- Environmental requirements threaten a number of maintenance/repair projects at the Ports of Newport, Coos Bay, Portland, and St. Helens.
- The economic downturn continues to put financial pressure on all of these ports.

3. Coastal Ports Assessment

Strengths and Opportunities

- The financial condition at most of these ports has stabilized.
- Marine/Ocean research is an emerging industry (landside facilities and vessel moorage)
- The “live fish” markets and facilities are expanding.
- Development of incubator buildings for emerging small businesses.
- Creating/enhancing port and environs as a tourist destination.
- Traditional and Eco-tourism are major markets

Challenges

- Small staff size and financial resources of these ports often limit an effective response to regulatory issues.
- These ports are experiencing difficulty overcoming deferred maintenance for jetties, marinas, and other facilities.
- Limited financial resources
- Inadequate transportation access particularly the distance to I-5 and the condition of 101, which inhibits the efficient movement of goods and services
- Lack of approved upland dredged material disposal and mitigation sites.
- Unknown impacts of marine reserves
- Uncertain fishing seasons (length and allowable catch)
- Loss of timber revenues.
- Remnants of wood pilings from log rafting or demolished bridge structures are environmental and navigation hazards in the Yaquina River.

C. Oregon's Lifeblood: Marine Cargo

Oregon's economy is highly dependent on its exported goods, and Oregon's ports serve as international gateways. Based on the recently-completed Oregon Commodity Flow Forecast (2002-2035),¹² marine cargo comprises approximately 12 percent of the total commodity flow to, through, and within Oregon. By adding in commodities transferred at ports and using other modes, such as air, rail and truck, yields Oregon's ports factoring into almost 20 percent of total commodity flow. This is equivalent to over 80,000,000 tons per year shipped, with goods valued at over \$50 billion.

Most marine cargo in Oregon is shipped through the Port of Portland (including private facilities in the Portland Harbor), accounting for 85 percent of all water flows in Oregon. The other 15 percent of the marine cargo market is shipped through Astoria, Coos Bay, Morrow, Umatilla and Arlington. There is one true "port system" in Oregon as marine cargo depends on vessels being able to navigate the Columbia River, the Willamette River to the Portland Harbor, and the Pacific Ocean and its inlets - a system which effectively links all of Oregon's cargo ports together. Additionally, both the Ports of Morrow and Umatilla load goods which flow through the Port of Portland, further cementing the importance of Oregon's marine transportation system.

Congestion and land limitations at the major West Coast container ports outside of Oregon have, in the past (and likely in the future) caused major carriers and providers such as APM/Maersk to seek a new location, such as Coos Bay. As mentioned earlier, Oregon's current cargo port activities provide jobs for thousands of Oregonians and contribute billions to the local and state economy. Enticing a new entity such as APM could potentially provide a major boost for the economy. However, that type of opportunity requires establishing good, multimodal transportation connections, and, for the state to become involved, would have to be market driven with commitments and not a speculative effort by the state.

1. What Types of Goods are Transported and How?

The primary commodities moved in the Port of Portland include grains, fuels, metals, mineral, machinery, motorized vehicles, and clay/concrete/glass/stone. Commodity movements by water at coastal ports (Coos Bay and Astoria) are dominated by the exchange of wood chips and logs, as well as fuel, lumber, commercial fishing,

¹² Oregon Commodity Flow Forecast, Parsons Brinckerhoff for ODOT, October 2009.

machinery and transport equipment. For the upriver Columbia River ports (Arlington, Morrow and Umatilla), downriver flows are dominated by the outbound flow of grains, animal feed (hay), and other agriculture products, while upriver flows are primarily waste, fuel, and fertilizers.

In the past, many of Oregon's coastal ports moved logs, lumber and other forest products. Much of that industry has declined; however, a number of ports, including Brookings Harbor, Coos Bay, and Astoria, are currently examining ways to revitalize the log/forest product transportation industry.

Oregon's exports are primarily transported in containers, intermodal (truck to ship), bulk, or breakbulk form. Container service and its intermodal connections is strategically important to Oregon. Hundreds of companies rely on containers at the Port of Portland, which serves state and regional markets. At this time most of the international container ship fleet can be served at the Port of Portland when the 43 foot channel deepening is completed on the Columbia River. The long-term trend for container vessels is to build increasingly larger ships for reasons of labor and fuel efficiency, the largest of which, as operated by Maersk, currently have loaded drafts of 51 feet. Expansion of the Panama Canal to accommodate 50 foot drafts (versus 39.5 feet today) is expected to accelerate conversion to the larger vessels. Such vessels will either not be able to call on the Port of Portland, or they will not be able to be fully loaded in order to navigate the 43 foot deep channel. There are, however, varying opinions as to how large the international fleet of mega-sized container vessels will be and the demand for these vessels to call on Oregon ports.

The intermodal truck market is critical to serving cargo that comes into and is consumed in Oregon, or is manufactured in Oregon for the export market. For intermodal goods destined for the Midwest and the East Coast by rail, major competitors for this market are the Seattle/Tacoma and Los Angeles/Long Beach. Recently, the Port of Prince Rupert, BC has emerged as an intermodal rail port serving the U.S. Midwest and potential gateways in Mexico have been studied as well. The Port of Portland is Oregon's leading intermodal port; in fact, all goods imported from international markets via intermodal shipping and destined for central and southern Oregon is loaded onto trucks as there are no rail intermodal offload centers outside of Portland. The Port of Portland has indicated maintaining the international-to-Oregon intermodal truck market is critical to their business strategy and that they have no desire to attempt to compete with larger West Coast ports for the domestic (non-Oregon) intermodal rail market. All of the marine cargo ports interviewed indicated continued support of Port of Portland container service is of statewide importance to Oregon, and all ports expressed the importance of continuing to serve as international gateways is of critical importance to Oregon's economy.

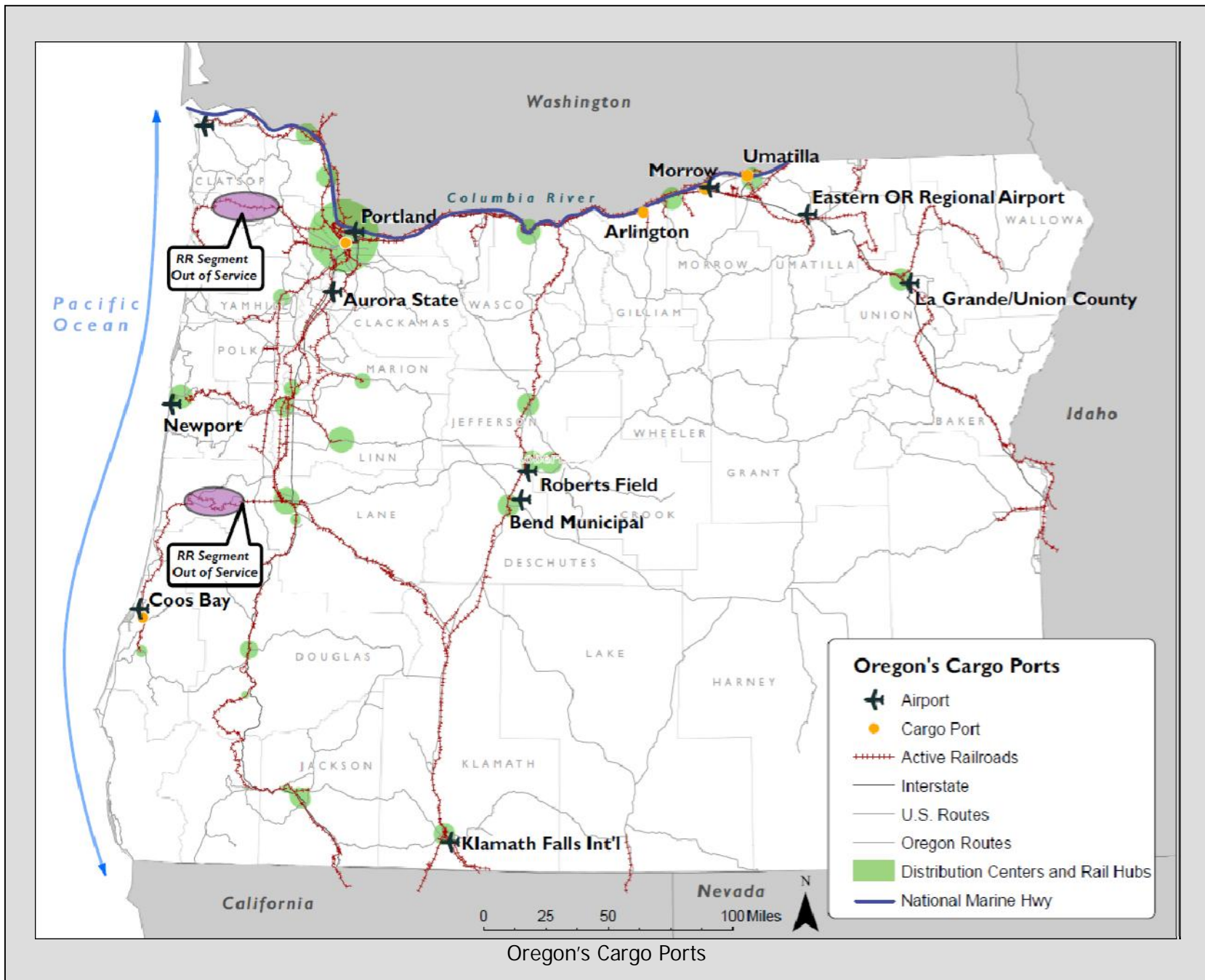
The Port of Coos Bay has noted that with increasing congestion at California ports (Oakland, Los Angeles, Long Beach), they believe that with a competitive marine cargo facility, and adequate rail and highway access inland, they can compete in the future for the northern California cargo market.

To ensure continued competitive access for Oregon importers and exporters to the broadest portion of the container shipping market, two things are of strategic importance for the State. First, it is critical that the State continue to support the Port of Portland and its role in the container shipping market, including continued support for Columbia River channel deepening and maintenance. Second, should bona-fide opportunities arise to develop a second container gateway in Oregon serving the larger post-Panamax vessels and the national intermodal market by rail, the State should carefully assess the potential and soundness of such a proposal and be prepared to support it fully, if warranted. Due to the substantial risks and industry dynamics involved in the container trade, such a project should not be undertaken speculatively by any port or the State, rather it should only be undertaken if it involves a major private investment and long-term commitment by a carrier or other entity directly involved in the container trade. The APMT proposal at Coos Bay was an example of such a potential opportunity.

Transportation Access and Closures

Oregon's Columbia River ports enjoy unparalleled access to a truly multimodal transportation corridor: rail (Union Pacific both east-west and north-south, BNSF north-south; Portland and Western), water (Columbia River barges and deeper draft vessels calling up to Portland), highway (I-84, I-5, US-97), and air (Portland International Airport). Except for the Portland metropolitan area, all of these modes offer relatively uncongested and competitive transportation access.

Oregon's coastal ports, however, suffer from remoteness – they are physically separated from the inland population, employment centers, and the major transportation network by the Coast Range. Two of the rail lines connecting the coast to the inland system, Port of Tillamook Bay and the Coos Bay Line, are currently out of service, with only the Port of Coos Bay having plans to rehabilitate track and restore service to their line. All east-west state highways passing through the Coast Range are subject to winter-time, weather related closures, averaging approximately five to seven days every year.



2. Concerns

There are two major concerns facing Oregon's ports with respect to marine cargo: the Panama Canal expansion project which is anticipated in 2014-2015, and the proposed breaching of the Snake River dams for salmon recovery (timeline uncertain).

The possible impacts of Panama Canal expansion are uncertain, but the impacts at this time do not appear to impact Oregon as much as it may impact other West Coast ports. The recent ODOT Commodity Flow Forecast (through 2035) addressed the Panama Canal expansion issue, stating: "the expansion of the Panama Canal is expected to shift some container liner calls from West Coast to East Coast ports, as it becomes less expensive to reach East Coast markets via the Panama Canal rather than shipping across the US mainland through West Coast ports. The impact to Oregon, however, is expected to be limited."¹³ The forecast identifies only selected international commodities shipped through Oregon ports to the East Coast which could be diverted to East Coast ports, most of which are machinery and base metals shipped from Asia to the Port of Portland and then via air, land, or rail to the East Coast. Automobiles handled through the Port of Portland are not expected to be impacted, as they are typically destined for the Midwest rather than East Coast, via rail.

The outcome of the proposed Snake River dam removal is less certain. The concern of the Columbia River ports is that removing the dams will also remove an important river navigation link, resulting in transportation of goods to downriver ports (Morrow, Umatilla, Portland) being shifted from barge to rail, which was the transportation mode for goods movement between Montana, Idaho and Oregon until the dams were built in the mid 1970s. The rail infrastructure, however, has not seen much improvement since the 1970s and may not be able to handle additional demand. The ports believe that they are at a competitive disadvantage because of the imminent loss of business and the lack of an infrastructure plan to address this loss. While the State of Oregon has officially supported dam removal to assist with salmon recovery, in 2008 the Bush Administration proposed an alternative salmon recovery plan that would not include dam removal. The Obama Administration recently prepared their alternative recovery plan which does call for dam removal if the other recovery efforts are unsuccessful. The recovery plan is still in pending litigation.

¹³ Oregon Commodity Flow Forecast, op. cit., Page 16.

D. Outlook for the Future

Oregon's ports have an exciting, yet challenging future ahead of them. As with any economy, markets will thrive and decline over time, and new markets will emerge. Emerging markets for Oregon's ports include biomass/biofuels, marine sciences, tourism including eco-tourism, energy including LNG, wind, wave, solar, fertilizer and bi-products including those produced by recombiners.

OBDD has identified a number of key Oregon industries that provide major contributions to Oregon's economy and has developed business strategies to nurture and grow those industries. OBDD also recognizes that there are regional and local industries which serve as the lifeblood for their host communities; if these disappear, they have ripple effects on Oregon's economy. For example, while commercial fishing comprises less than one percent of the entire commodity flow in Oregon, the jobs and economic return provided by commercial fishing make it the leading industry in a number of coastal communities, spinning off a number of support and related jobs. On the other hand, the loss of commercial fishing activity in a number of locations has led to the growth of charter fishing, sport fishing, and crabbing industries; the growth of sport fishing in such communities has supported substantial job growth and, in some instances, elevated tourism and recreation to become the largest driver of local economies.

It is important to note that even though ports may not directly own or operate a business line themselves, they are catalysts for economic growth in their communities. The Port of The Dalles, for example, does not have much serviced land remaining that they own, but they continue to use their economic development authority granted in ORS 777, along with experience coordinating with the regional economic development authority as well as city and county officials, to encourage development in their district. The Port of Coos Bay is a partner in a number of community improvement projects and continues to work with Coos County and local cities to foster economic development. The Port of Portland is a major stakeholder in virtually all planning and growth processes in the Portland metropolitan area, realizing the tie between what they do and the well-being of the community as a whole.

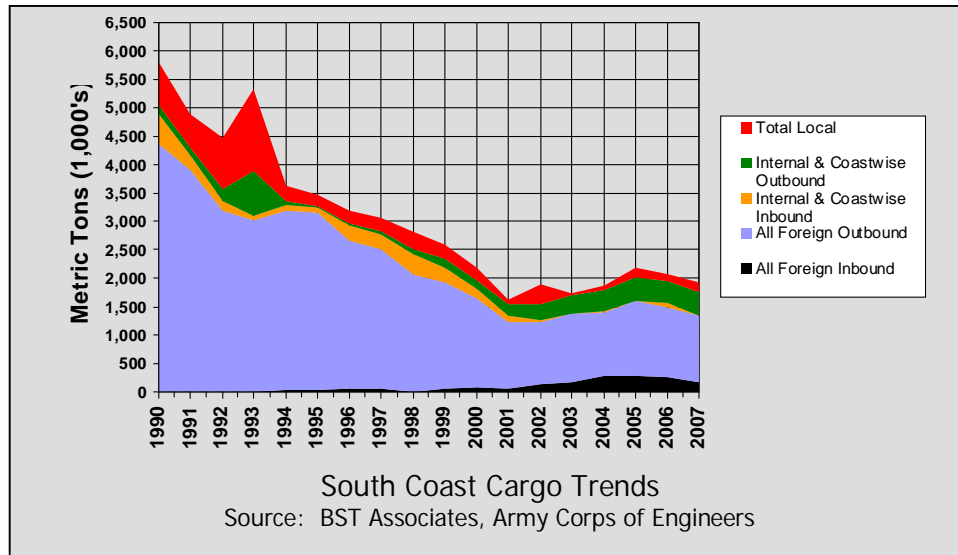
1. Market and Economic Outlook

Deep Draft Ports

The following section summarizes cargo trends and projections for the deep draft ports in Oregon, including the lower Columbia River ports of Portland, St. Helens, and Astoria, as well as the coastal deep draft ports of Newport

and Coos Bay. Also included will be the outlook for how cargo trends may spur off-shoot or support uses (or spur more privatization of cargo facilities), in general, qualitative trend terms.

The only deep draft cargo port on the southern Oregon Coast is Coos Bay, which was once not only the largest forest products port in the US, but also one of the largest forest products ports in the world. Cargo volumes, however, dropped sharply during the 1990s.



In 1990 the volume of cargo moving in and out of southern coast ports totaled nearly 5.8 million metric tons, led by 4.4 million tons of foreign exports. In addition to the export cargoes there were also approximately 500,000 metric tons each of coastwise receipts and coastwise shipments, as well as nearly 750,000 metric tons of local movements.

By 2001 the total volume of cargo had dropped to just 1.6 million metric tons, due primarily to a steep drop in foreign exports. On the positive side, coastwise shipment

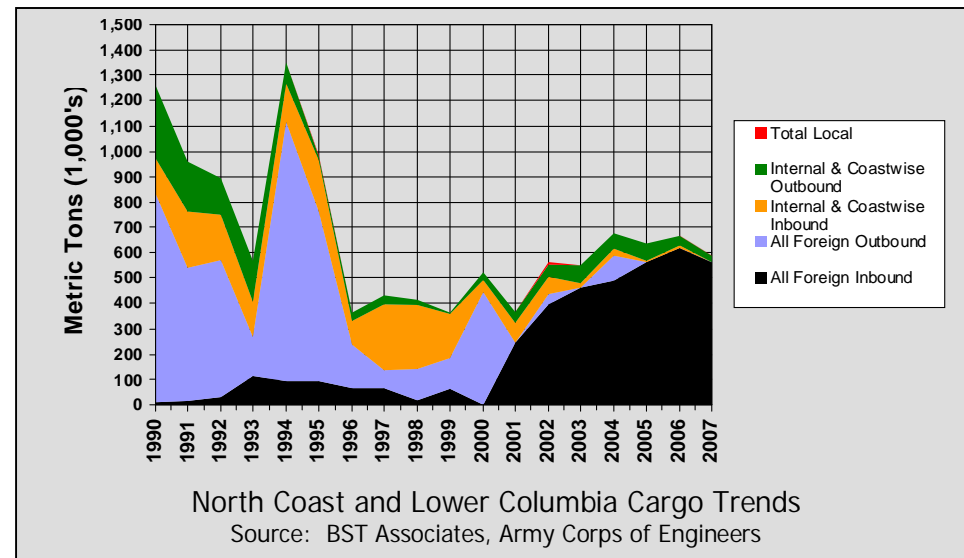
began to climb in 2001, as did foreign imports. Cargo movements have always been dominated by forest products, including wood chips, wood in the rough (i.e. logs), lumber, and other wood products. In 1990 nearly 2.8 million metric tons of wood chips were shipped, along with more than 1.9 million metric tons of logs and nearly one-half million tons of lumber. Between 1990 and 2000 the volume of wood chips dropped from 2.8 million to less than 1.4 million. Between 2001 and 2004 the volume dropped to 1.1 million metric tons, but by 2005 the region recovered from that decline and the volume has remained relatively steady since.

The shipments of logs have seen a deeper and more sustained decline. Between 1990 and 2000 the volume of log shipments dropped by nearly 80%. Lumber volumes have fluctuated between 110,000 and 180,000 metric tons since 1998, following a decade of decline.

Movements of sand and gravel fluctuate depending on local projects, but tend to range between 150,000 and 200,000 metric tons per year. With the exception of a small volume of primary wood products, no other cargoes move through southern Oregon ports.

The volume of cargo shipped through Oregon ports on the northern coast and lower Columbia River has grown relatively steadily over the past decade. With the exception of 2001, the volume of cargo grew from 500,000 metric tons in 2000 to more than 600,000 metric tons in both 2004 and 2006. Up to 1996 the volume of waterborne cargo moving through this region experienced wild swings, dropping from nearly 1.3 million metric tons in 1990 to less than 400,000 metric tons in 1996.

The North Coast / Lower Columbia region of the state has seen a major shift in the types of cargo movements handled. Prior to 2001 the largest share of cargo movements was accounted for by foreign exports during most years, but a drop in exports also caused most of the drop in total traffic. In 2001, the Port of St. Helens saw the start of gypsum imports for the new US gypsum wallboard plant in Rainier, and since that time foreign imports of gypsum have accounted for an increasingly large majority of the region's cargo.

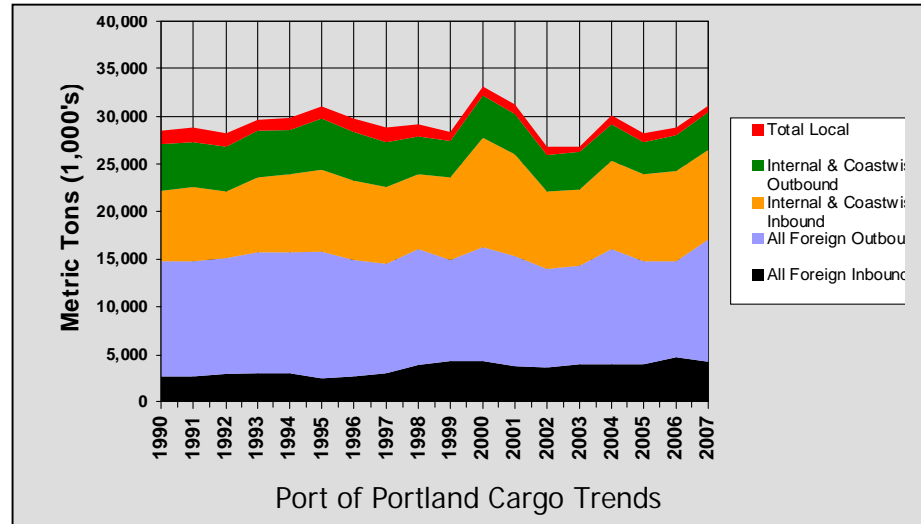


As with the South Coast, the most important reason for declining cargo volumes in the North Coast / Lower Columbia region was the drop in exports of forest products. In 1990, 737,000 metric tons of wood in the rough (i.e. logs) were shipped from the region, accounting for nearly 60 percent of all cargo movements. By 1995 log exports had dropped to 188,000 metric tons, and by 2000 they had ceased. Lumber experienced a similar decline, dropping from 192,000 metric tons in 1990 to just 1,000 metric tons in 1995, before stopping completely. The only forest product still moving in measurable quantities is wood chips, which continue to average approximately 50,000 metric tons per year.

Port of Portland Trends

The Port of Portland is the center of waterborne cargo movements in Oregon, handling volumes far greater than those moving through other regions of the state. The volume of cargo moving through Portland has seen several periods of growth as well as several periods of decline since 1990.

Foreign exports account for the largest share of Portland's cargo, and these are closely tied to the receipts of grain by barge (i.e. "internal and coastwise inbound"). Internal (to Oregon) and coastwise outbound traffic has remained fairly steady since 1990, while foreign imports have shown a slow but steady increase.



Upriver Columbia River "Shallow Draft" Ports

The Columbia River/Snake River system begins at the mouth of the Columbia River and extends to Lewiston, Idaho at the confluence of the Snake and Clearwater Rivers. There are eight dams and navigational locks that facilitate barge traffic movements, including locks, are located at the Bonneville, The Dalles, John Day and McNary Dams on the Columbia River and locks located at Ice Harbor, Lower Monumental, Little Goose and Lower Granite Dams on the Snake River. The upriver, or "shallow draft" Oregon ports are located near the McNary (Umatilla), John Day (Morrow), The Dalles, and Bonneville Dams.

Grain moving downstream toward the Port of Portland is the lifeblood of the barging system on the Columbia River/Snake River system. USACE statistics show that grain accounted for an average of 53 percent of all commodity tonnage moving on the Columbia River portion of the system, as measured at the Bonneville Lock and Dam, from 1993 through 2007. Upriver-bound movements of petroleum products are also key, accounting for an average of 20 percent of cargo movements at Bonneville Dam. Other commodities, such as forest products, sand and gravel, chemicals and fertilizer, and garbage made up the remainder.

Between 2002 and 2007, the volume of grain shipped by barge on the Columbia River grew steadily, from 4.3 million metric tons to 4.8 million metric tons. Petroleum products also saw strong growth, with total volume rising from 1.8 million short tons in 2002 to 2.1 million short tons in 2007. Forest products, on the other hand, did not fare as well. Paper and pulp volumes dropped from 232,000 metric tons to 165,000 metric tons, while other wood products remained essentially flat at 1.4 million metric tons.

The Commodity Flow Forecast process summarized recent trends. According to this data, the volume of grain moving downstream by barge grew from 4.4 million metric tons in 1997 to 5.0 million metric tons in 2000. The volume of grain is projected to continue growing at an average rate of 1.8 percent per year, reaching 8.6 million metric tons in 2035.

Gravel and crushed stone is the other main commodity moving downstream by barge. The volume of gravel is reported to have dropped between 1997 and 2000, from 1.6 million metric tons to 1.2 million metric tons. The volume is projected to climb slowly between 2000 and 2020, reaching the 1997 level by 2020, and then remaining flat after that.

Empty containers are moved on the Columbia River/Snake River in relatively limited volume now, but this volume is projected to more than double between 2000 and 2035, growing from 201,000 metric tons to 441,000 metric tons (primary upriver). Upriver barge flows are dominated by two commodities, gas, fuel, and petroleum/coal products, and gravel and crushed stone. These two commodity groups account for 87 percent of upriver cargo, and this share is not projected to change throughout the study period. Outbound flows of gas, fuel and petroleum/coal products grew from 2.3 million metric tons in 1997 to nearly 2.8 million metric tons in 2000. It is projected to continue growing slowly, at an average rate of 0.3 percent per year, exceeding 3.0 million metric tons by 2035.

Upriver flows of gravel and crushed stone fell slightly between 1997 and 2000, but are projected to grow at an average rate of 0.7 percent per year between 2000 and 2035. These same two commodity groups account for essentially all internal (entire trip in Oregon) barge flows. The forecast 2000 to 2035 growth rate for gravel and crushed stone is 1.5 percent per year, with a forecasted short-term decline over the next 2-3 years before rising again. The volume of gas, fuel and petroleum/coal products shipped by barge through Oregon ports is projected to grow throughout the period, from 508,000 metric tons in 2000 to nearly 1.0 million metric tons in 2035.

Forecasts

The ODOT Commodity Flow Forecast anticipates that the volume of ocean cargo moving through Oregon ports will grow over the next few decades. Outbound ocean freight is projected to grow at an annual average rate of 0.8 percent, while inbound freight is projected to grow at an annual average rate of 1.4 percent.

These forecasts show that the single largest-volume inbound commodity type consists of petroleum and coal products, including gasoline and other fuel; this commodity group accounted for approximately two-thirds of inbound ocean freight in 2000 but is projected to account for just over half of inbound freight by 2010. Despite inbound volume growing at a very slow rate of 0.1 percent per year, the share of total freight accounted for by this commodity is projected to continue to decline through 2035, to less than 39 percent. Other commodities are projected to grow at higher rates and thus comprise a higher share of overall inbound commodity flow by 2035. Inbound commodities that are projected to grow at much faster rates include nonmetallic minerals, nonmetallic mineral products, vehicles, metallic ores, and metals.

Outbound ocean cargoes consist primarily of dry bulk commodities, including grains, animal feed, chemicals, and fertilizers. The rate of growth of outbound ocean cargo is driven by the projected growth rate for grain exports. Grain accounts for nearly two-thirds of outbound ocean tonnage, and this share is projected to remain steady by the year 2035.

The total volume of outbound ocean cargo is projected to grow at an annual rate of 0.8 percent per year between now and 2035. Grain exports are anticipated to grow at an annual rate between of 0.6 percent per year during the same time period. Exports of base chemicals comprise slightly less than 13 percent of total outbound tonnage today; they are projected to grow faster than exports of grain, and by 2035 they are projected to account for more than 13 percent of outbound tonnage. Fertilizer also accounts for a substantial share of outbound ocean cargo, with 11.6 percent of total tonnage today, and a low growth rate of 0.1 percent per year expected through 2035.

The Marine Cargo Forecast prepared for WPPA and WSDOT includes forecasts for goods moving through all ports on the lower Columbia River, including those in both Washington and Oregon. This forecast calls for imports to Oregon ports on the Columbia River to grow by an average of 2.6 percent per year through 2030, and exports to grow by 0.8 percent per year. Imports to Oregon Columbia River ports are projected to grow slowly over the next two to three years and then grow at a much faster rate up to 2030. After 2010 the import growth rate is projected

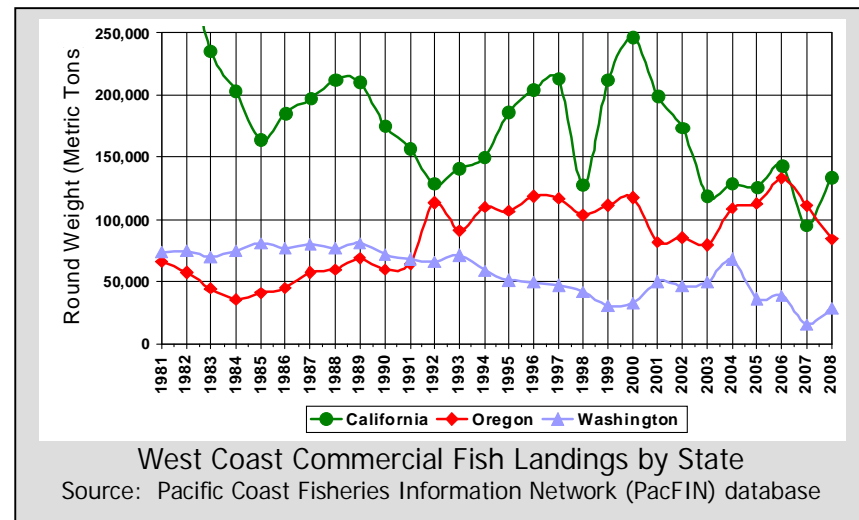
to average between 2.6 percent and 3.2 percent per year; exports from Oregon Columbia River ports are projected to remain flat over the next two to three years and then grow up through 2030 at a rate of 0.9 percent per year.

Commercial Fishing

Oregon’s commercial fishing industry contributes substantially to Oregon’s coastal economy and the livelihood of many Oregon residents. It is also a growing industry both domestically and internationally. Ports that serve commercial fishing fleets are: Astoria, Newport, Coos Bay, Port Orford, Garibaldi, Gold Beach, Brookings Harbor and Siuslaw. The Oregon commercial fish processing industry is concentrated in the Astoria, Newport, and Coos Bay.

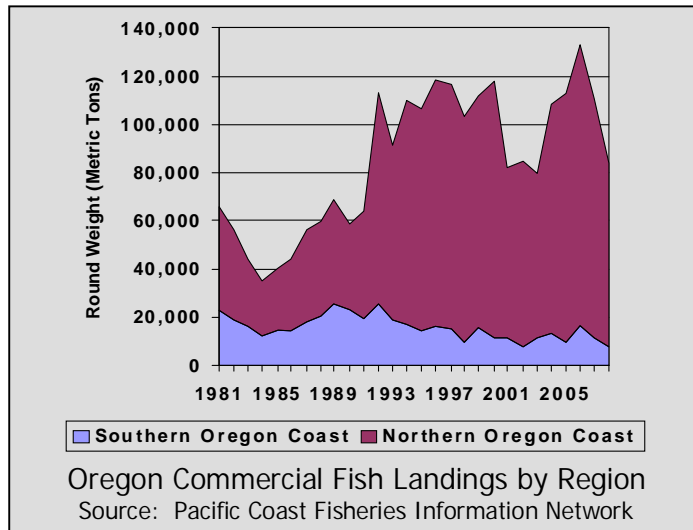
Although the tonnage is less than one percent of the total commodity flow on a statewide basis, the impact on Oregon’s economy and the value of the product cannot be overstated. Over the past two decades the commercial fishing industry in Oregon has experienced both years of steady harvest as well as wide fluctuations in the number of fish caught. At the same time the value of this harvest has risen steadily while the number of vessels has dropped substantially. Finally, there has been a substantial shift in the species harvested by commercial boats.

In recent decades the commercial fishing industry in Oregon has fared much better than that of Washington or California. In 1984, Oregon’s commercial fish harvest amounted to approximately 40,000 metric tons. Landings increased in the 1990s. After 2000, the volume of fish harvested commercially began to fluctuate widely. From 2001 through 2003 the volume fell to around 80,000 metric tons. Both 2004 and 2005 saw a return to the 110,000 ton level, while 2006 saw the volume of fish harvested jump to more than 130,000 metric tons. In both 2007 and 2008, however, the volume dropped sharply, with only 84,000 metric tons harvested in 2008.



The number of vessels in the Oregon commercial fishing fleet fell dramatically during the 1990s, from more than 5,400 boats in 1990 to less than 1,300 boats in 1998, with the drop split evenly between the north and south coasts. Along the south coast, Douglas County and Lane County lost the highest share of their fleet, and the remaining fleet is concentrated in Coos County and Curry County. Along the north coast Lincoln County and Clatsop County have the largest share of the commercial fishing fleet.

Because of the depletion of the California, Washington and Alaskan fisheries, Oregon's commercial fishing fleet is experiencing more competition in the Pacific fisheries off of the Oregon coast from fishing fleets based in other states. Using resources such as the Pacific Fisheries Information Network, the Oregon Department of Agriculture, a fishing outlook report,¹⁴ and recent trends including establishment of Marine Reserves off the Oregon coast, the following assumptions were made regarding growth in the industry as part of the Commodity Flow Forecast:



- The southern Oregon Coast commercial fishing industry will experience continued decline of the commercial fishing fleet, reduction of fisheries, species depletion, and continued consolidation of the commercial fish processing industry. The ports have been making funding requests for cold storage and processing facilities, and it is assumed that these eventually will get built. Additionally, there is a small but growing industry of transporting live commercial fish commodities. Thus the forecast is for an offset between the fleet decline, new storage and processing centers, and the new live market, and commercial fishing growth on the South Coast will be minimal (but will not decline).
- The North Coast will continue to experience constrained growth due to depletion of certain fish species, limits due to tribal fishing treaties, and competition from the Alaska and Washington fleets off the Oregon Coast, but it

¹⁴ "Oregon's Commercial Fishing Industry: Year 2005 and 2006 Review and Year 2007 Outlook", Oregon Department of Fish and Wildlife and Oregon Coastal Zone Management Association Inc., June 2007

will continue to see some growth in demand. Thus, growth rates for North Coast counties will be approximately two to three percent per year.

- To keep pace with increased demand in Oregon, domestically in the US, and internationally, Oregon's fish farming industry as well as the Columbia River fisheries will continue to see moderate growth, on the order of two percent per year.

Recreation

During the 1980s, the Oregon Coast charter industry diversified from complete dependence on salmon to other species including bottom fish and now tuna and other species. This shift in focus was the result of a decrease in the availability of salmon. However, salmon are still an important draw for recreational fishing to the Oregon Coast. The number of vessels in the recreational fleet in Oregon has dropped in recent years for the Oregon Coast and Columbia River regions, and this fleet is now concentrated on the southern Oregon Coast and lower Columbia River. Most of the decline in the recreational fleet was comprised of vessels that are small enough to be transported by trailer. The total number of vessels 27 feet long or less, and are located on the coast and river, has dropped by nearly ten percent in the last decade. The number of boats that require moorage (larger vessels) grew by 50 percent, led by the Lower Columbia and the Coast.

In addition to locally-owned boats, marina facilities on the upper Columbia River serve boaters who cruise in from out of the area, such as boaters based in Portland. Recreation, including eco-tourism, is expected to continue to grow as a larger part of Oregon's key industries.

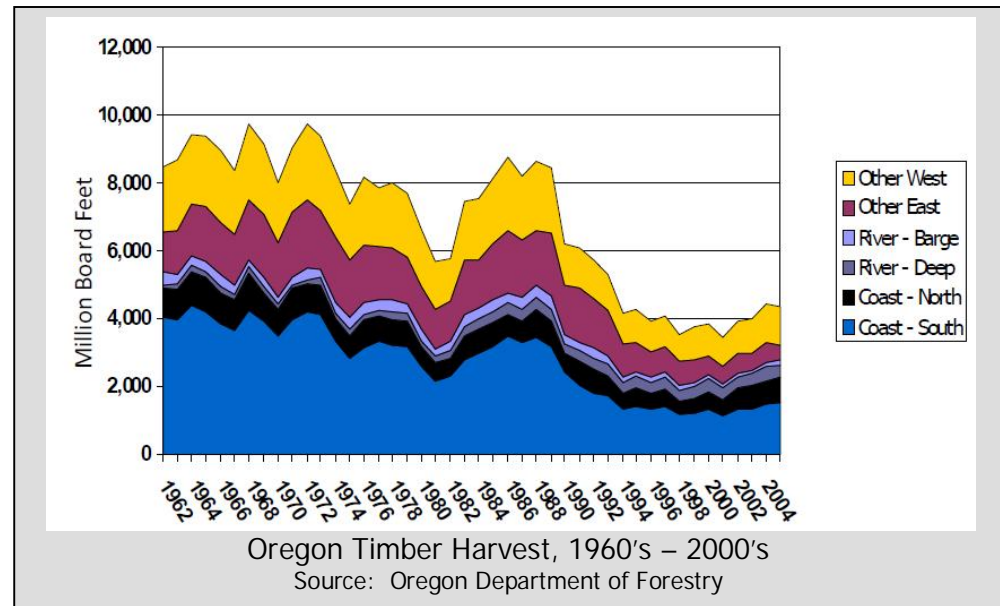
2. Forest Products Outlook

Forest products are one of two traditional mainstays of the Oregon coastal economy, and the fates of many ports have been tied to trends in the timber industry. According to data from the Oregon Department of Forestry¹⁵, For the last two decades timber harvest volumes have dropped by more than half, much of which occurred between 1988 and 1996. Even before the peak harvest years of 1985 through 1989 there were negative signs - between 1964 and 1973 the annual harvest exceeded nine billion board feet in five out of ten years; after 1972, however, the industry entered a long slump that saw harvest volumes drop to 5.7 billion board feet in 1981 and 1982. A

¹⁵ http://www.odf.state.or.us/divisions/resource_policy/resource_planning/Annual_Reports/rpt25YearHistory.asp

recovery in the timber industry started in 1984 and lasted until 1989, with an average annual harvest of more than eight billion board feet during the period. This recovery ended abruptly in 1990, and since 1994 the annual harvest has averaged approximately 4 billion board feet.

Much of the decline in timber harvesting occurred in counties on the southern Oregon Coast, declining slowly during the 1960s and 1970s and then recovering for most of the 1980s. However, a steep decline that started in 1989 continued for the next decade, and as recently as 2005 the harvest level in counties on the southern coast was less than half what it was in 1988 and only one-third of the peak level of the 1960s. Northern Oregon Coast counties also experienced a decline in timber harvests, but the level of timber harvest in this region is much smaller than that of the south, averaging one-quarter to one-third of the volume of the south.



Relatively little timber harvesting occurs along the deep-draft and shallow-draft portions of the Columbia River in Oregon. Most of the timber harvest that does not occur along the coast takes place in inland counties, on the western and eastern sides of the Cascade Mountains, as well as in the Siskiyou Mountains in southern Oregon. The harvest trends in the inland counties have been similar to those of the south coast.

Waterborne movements of Oregon's forest products are centered on the southern Oregon Coast, although trends in the volumes of forest products moving by water reflect the level of timber harvest. The total volume of forest products moving through these ports dropped from 5.3 million metric tons in 1990 to 1.7 million metric tons in 2007, a decline of more than two-thirds.

The Port of Portland handles the next largest volume of forest products, but has also seen a sharp decline. In 1990 this port handled more than 2.8 million metric tons of forest products, but by 2007 this volume had fallen nearly 80 percent, to less than 500,000 metric tons. Waterborne movement through ports on the northern Oregon Coast and lower Columbia River region have essentially disappeared, dropping from 1.0 million metric tons in 1990 to just 33,000 in 2007.

Wood chips and wood in the rough (i.e. logs) are the two primary products moving through ports on the south coast. In 2007 more than 1.3 million metric tons of wood chips were moved, accounting for more than 75 percent of all forest products. Logs accounted for approximately 17 percent, while lumber accounted for most of the remainder.

At the Port of Portland, approximately two-thirds of forest product movements consisted of paper products and waste paper, with logs and lumber accounting for most of the remainder. One cargo that has nearly disappeared from Portland is wood chips - in 1990 the port handled more than 700,000 metric tons of wood chips, but by 2007 this had fallen to just 1,000 metric tons.

In 1990 logs accounted for nearly three-quarters of northern Oregon Coast / lower Columbia River waterborne forest products, while lumber accounted for nearly 20 percent. Neither of those commodities are now handled by ports in these regions.

The Commodity Flow Forecast indicates that forest and related wood/paper products as well as construction materials that use forest products will show a lower than average growth rate between now and 2035.

3. Harbors of Refuge

Harbors or Places of Refuge are ocean harbors which offer a place of refuge for a ship in need of assistance in a situation or severe weather. The intent is to provide a safe place to moor while the situation is being resolved or the severe weather passes, to minimize the risk of loss of life or loss of the vessel, as well as minimizing the risk of creating an environmental or navigation hazard. Harbors of refuge are designated by agreement between the US Coast Guard, the Oregon Department of Environmental Quality, the Oregon Maritime Board and the Oregon State Marine Board, and "Places of Refuge Project" of the Pacific States/British Columbia Oil Spill Task Force. In Oregon, coastal ports except for the Ports of Toledo, Alsea, and Tillamook Bay serve as harbors of refuge; the Port of Brookings Harbor is a Port of Refuge for vessels up to 150 feet in length. The Oil Spill Task Force Places of

Refuge effort is a work-in-progress¹⁶ which may involve federal funding to establish oil spill response infrastructure and crews at designated Places of Refuge, which would involve ports on the Oregon coast.

4. Energy Outlook

Oregon, through a variety of local, regional, state and federal efforts, is working to become a leader in developing and expanding alternative energy production, including wind, wave, solar, and bioenergy. The Oregon Business Plan strongly supports expansion of “green” energy, and the Oregon Business Development Department classifies Clean Technology (including renewable energy) as an Oregon Key Industry.

Wind energy primarily consists of large windmills (large propellers connected to a central turbine) which are located in wind-prone areas of central and eastern Oregon. The Ports of Portland and Morrow have been involved in the movement of much of the wind energy equipment which is placed on truck or train to the assembly and construction site.

Wave energy or wave power is a new technology involving the capture of energy from ocean surface waves from either a floating vessel or device, which is collected in an on-shore distribution site. A 2004 report from the Electricity Innovation Institute¹⁷ studied a number of sites near coastal ports, including Astoria, Garibaldi, Newport, Siuslaw (Cushman, near Florence), Umpqua (Reedsport), Coos Bay and Brookings Harbor. While the report does not recommend or prioritize the sites, it does recognize the potential to compete and conflict with a number of business lines or operations involving Oregon’s coastal ports, including ocean shipping lanes and navigation, submarine cables and pipelines, commercial and sport fishing grounds, and environmentally sensitive lands. Benefits to coastal ports could include: land sales or leases for energy collection and distribution sites, relatively inexpensive electricity from a renewable source, job creation, and potential for transport of wave energy equipment.

Solar energy is becoming a growth industry for Oregon. A number of solar manufacturers have been established, and lands in central and eastern Oregon which experience a higher level of sunlight are being viewed as potential “solar farms” (the Port of Kennewick in Washington state is one example). Not only do many of Oregon’s ports

¹⁶ http://www.oilspilltaskforce.org/docs/nrt_por_guidelines.pdf

¹⁷ “E2I EPRI Survey and Characterization of Potential Offshore Wave Energy Sites in Oregon”, Electricity Innovation Institute, 2004.

have industrial land which could be developed for solar manufacturing, Upper Columbia River ports have undeveloped land which could be made available for solar farms.

Bioenergy (or biofuel) is renewable energy made available from materials derived from biological sources, or biomass. Biomass is any organic material which has stored sunlight in the form of chemical energy; as a fuel it may include wood, wood waste, straw, manure, sugar cane, and many other byproducts from a variety of agricultural processes. Energy created from biomass includes ethanol and biodiesel. Ethanol production began booming in the mid 2000s due to tax incentives, and has become a substantial component of the overall biomass/bioenergy program in Oregon. Ports including the Port of Morrow have opportunities to participate in the bioenergy market, through transportation of ingredients as well as providing land for bioenergy factories. ZeaChem, Inc. recently received a \$25 million U.S. Department of Energy grant to build a demonstration bio-fuel project at the Port of Morrow. This project will produce bio-fuel from nearby poplar trees. If this technology proves viable, then the production plant will expand and demand for rail transportation from that location will increase, both to important biomass as well as export processed biofuel. There will likely be other demonstration projects for bio-mass production in different parts of the state.

5. Outlook for Marinas

Historically, ports and other quasi-public agencies are asked to provide services that were needed by society but were not profitable and therefore could not be provided by private enterprise. Examples include airports, marinas and public docks, and even some cargo facilities. Ports were allowed to establish a tax base to work from to fund these facilities and programs as over time communities realized there is insufficient (or non-existent) private revenue available. Some of the ports try to take a business-like approach but recognize that they can't charge enough to replace the facility. In addition, there has been competition between the ports (and private operators) to keep their rates competitive. All of the ports consider marina operations to be an element of their contributions to the local community and its economy, and in some cases consider marinas and other recreational business lines to be an obligation to the community.

From the interviews and data assessment, the financial and economic viability of Port-owned and operated marinas is mixed. In a number of instances, they do not generate enough revenue to cover all of their long term expenses, including debt service, maintenance and operations, and replacement. In order to make marina operations profitable, ports would need to charge rates that are market-compatible and ensure a high percentage (such as 75

percent or more) of the slips are rented on an ongoing basis. A review of the results of the data assessment indicates that many of the smaller ports are struggling financially as a whole, with a minimal operating reserve cushion to continue to operate marinas profitably. Many of the south coast ports are facing some major overhaul of their marinas.

Marina moorage rates in the Pacific Northwest, including Oregon's ports, vary widely. The highest rates are found in the densest urban areas, with much lower rates found on the coast. Rates are charged in order to be competitive with other ports' marinas as well as those owned and operated by private interests. The docks and floats in marinas typically have expected life spans of 30 to 40 years, and when they reach the end of their useful lives they must be rebuilt. A key issue with marina rates is whether or not they are high enough to cover costs, and the issue of costs raises a second key issue. Many marinas charge rates that are sufficient to cover operations and maintenance costs, but few marinas charge enough to cover the cost of facility replacement.

The financing of replacement is typically handled through the issuance of bonds. If the moorage rates are sufficient to cover operations and maintenance as well as bond payments then revenue bonds may be issued. If the marina rates are not sufficient then general obligation bonds backed by the port district, municipality, or other type of marina owner will likely be required.

A review of moorage rates at port-owned marinas indicates that these rates are likely not sufficient to cover replacement costs. Several recent projects in the Pacific Northwest have demonstrated that the moorage rate required to cover construction costs for marina docks and floats can amount to \$10.00 or more per foot per month. In contrast, rates at port-owned marinas run between approximately \$1.50 and \$6.00 per foot per month.

The moorage market on the Oregon coast and on the Columbia River is probably not strong enough to allow marina operators to raise rates to a level that would cover operating costs; however, these facilities are a key component to the local economy in many areas, and in order to preserve those economies the cost of replacing moorage facilities must be financed through tax revenues or grant programs.

V. THE STRATEGIC PLAN'S RECOMMENDATIONS

This chapter assesses the past, present and future information to identify what the ports in Oregon need from the State of Oregon, and what the state needs from the ports. These findings form the basis for the recommended elements of this strategic plan.

The recommended Strategic Port Plan would be a business relationship between OBDD and each port. The recommended approach for implementing this strategic plan is to work with each port to update their individual strategic plans. Each port would then be given an “opt-in” opportunity to formalize a business relationship between themselves and OBDD. This relationship could be a formal arrangement via individual port funding requests to OBDD (and possibly ODOT through the *ConnectOregon* funding program), or through an all-inclusive agreement between the individual ports and OBDD. Each agreement would have certain core ingredients but would be tailored to the individual port, reflecting the difference between ports.

A. The Findings

Competition between ports is not as prevalent as originally anticipated when the strategic planning process started. While there is some competition for containers between the Ports of Morrow and Umatilla and minor amounts of competition between marinas within the same geographies, ports generally have reduced competitive portfolios to reduce expenses and improve cost-efficiency, or have developed inter-port agreements realizing that cooperation, rather than competition, is more beneficial to all ports.

The following are the major conclusions reached regarding the state's existing Port Program housed in OBDD:

- **Governance and Coordination:** A better organization of port policy structure is needed within current state functions. While Oregon has existing programs that provide oversight and coordination of air, rail, and highway transportation modes, there is no current marine transportation program. Additionally, port-related functions are spread throughout a number of state agencies without a strong, centralized coordination function. Although this coordinated function is a priority under ORS 777.065, it has not been fully executed and requires improvement.
- **Accountability:** Improved accountability is needed for ports using state funding, and increased training opportunities and requirements are needed for port commissioners and key staff. There have been some

documented and anecdotal reports of mismanagement of state funds and non-compliance with environmental regulations.

- **Investment and Infrastructure:** The financial condition among Oregon's ports is mixed: 17 of the 23 ports are tapping infrastructure fund reserves for operations, and many of those ports have less than six months of reserves available. The combined port-identified infrastructure needs exceed \$500 million, not including the deferred maintenance projects which exist at most of the ports or landside transportation infrastructure needs for port access. The State of Oregon and the legislature should recognize that the capital needs of ports are going unmet and that this has potential implications for the state's economy. A number of large capital projects (jetty repair, marine facilities rehabilitation, cargo docks) are not funded, many of which will need federal funds. Current state investment in ports is not always targeted towards the "key industry clusters" identified by OBDD; a port-focused funding mechanism is needed to tie these investments to the state's business development strategy. Additionally, lack of state-level coordination on special opportunities, emergencies could miss future opportunities.
- **Oregon's Ports' Needs:** A stronger and coordinated statewide message and legislative presence with regard to port issues, funding, and economic development; higher level of state oversight in accountability; training of port managers and commissioners; strategic and priority-focused state funding, grants; regulatory compliance/permitting assistance; and education, marketing, publicity, and advertising assistance.
- **The State's Needs:** Ports to continue to be the local catalysts for economic growth of Oregon's key industries; assurance that state funds are being used to further the state's economic development goals and provide for a return on the state's investment in terms of job creation and retention, supporting Oregon's key industries, and identifying viable new industries that can benefit the state; highly trained and knowledgeable port officials who can work with the state on these goals while complying with state and federal requirements.

B. Goals and Objectives

The Strategic Port Plan's recommendations were driven by the following goals:

- Improve state support and funding for ports to identify and grow their existing business lines, including marine transportation, property development, tourism and recreation, air and surface transportation, and marine-dependent facilities.

- Objective 1 - Establish adequate long-term funding mechanisms that enable Oregon to maintain and improve infrastructure critical to the success of Oregon's economy, including investment in the jetties, navigation channels, and cargo terminals and equipment that comprise the marine highway systems of the Columbia River and Pacific Ocean.
- Objective 2 - Develop criteria, funding and priorities for state participation that provide ports the tools to invest in needed infrastructure improvements and property development while maintaining the ports' financial solvency.
- Identify strategies for Oregon's ports to tap into emerging markets and respond quickly to new opportunities
 - Objective 1 - Develop decision criteria that would enable ports to access identified state funds in a timely manner sufficient for the port to respond effectively to unexpected or unforeseen opportunities and emergencies.
 - Objective 2 - In concert with other goals and objectives, establish increased coordination and marketing assistance to help ports identify and prepare for emerging markets.
- Organize the State's programs to facilitate the success of Oregon Ports
 - Objective 1 - Establish a state staffing structure that coordinates port funding, advocacy and regulatory programs among various state agencies
 - Objective 2 - Develop a coordinated "Issues and Actions Forum" among Oregon's cargo ports and state transportation agencies which recognizes the critical statewide significance of the Pacific Ocean and Columbia River marine highway systems to the future success of Oregon's trade-based economy
- Provide educational, outreach, training, advocacy and support for Ports.
 - Objective 1 - Develop and implement a training program for port officials, including elected/appointed commissioners and senior staff, that equips them to carry out their duties in the most professional and ethical manner
 - Objective 2 - Develop an advocacy and educational program that clearly explains the value of Oregon's ports to the state economy and that provides substantive justification to state and federal legislators for ports' critical infrastructure needs

- Provide financing programs and investment strategies to improve the ability of Oregon's ports to pursue existing business lines and new markets.
 - Objective 1 - Establish investment criteria, strategies and state investment priorities that improve the financial strength of Oregon's ports while funding the State's highest port and economic development priorities
 - Objective 2 - In concert with other goals and objectives, improve state funding of critical port infrastructure investment requirements to enable Oregon's continued competitiveness in world markets.

- Endorsement - Upon completion of public review, seek adoption of the Plan by appropriate state agencies along with indications of support by Oregon's Port Districts and OPPA.
 - Objective 1 - Seek input from public bodies who have a stake in Oregon's ports, including city councils and county commissions, prior to adoption of the Plan by the Business Development Commission
 - Objective 2 - Incorporate the Statewide Strategic Plan into future updates of individual port strategic plans.

Recommendations

The following section details each recommendation of the Strategic Port Plan. This strategic plan is a policy plan which lays out the framework for a new business relationship between OBDD and each port. While its policies and framework will take effect upon adoption, including requirements for updates to individual port strategic plans, there are a number of other elements which will require an implementation process, and eventually legislative action, before they take effect. These are listed within each recommendation.

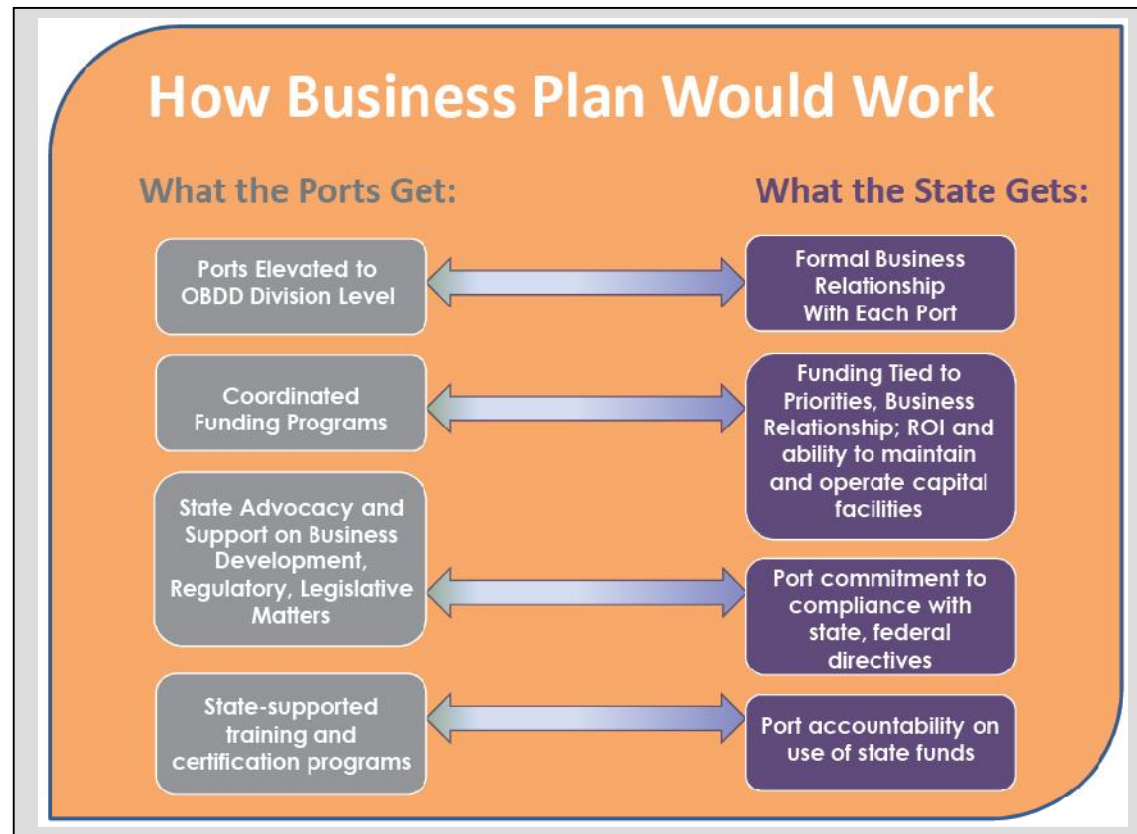
Unless noted within the recommendation, these recommendations are generally intended to apply to all of Oregon's ports as well as generally applicable to the Oregon Business Development Department. However, differences between ORS 777 and ORS 778 may lead to different implementation processes that OBDD will need to consider when developing individual business agreements with each port. It should be noted that under the legislatively-directed reorganization of the former Oregon Economic and Community Development Department, the Oregon Business Development Department has been split into two main functions: Business Development Division, which focuses on economic and business development opportunities within the state, as well as job creation and retention, and the Infrastructure Finance Authority (IFA), under which state funding and financing of capital infrastructure improvements is housed. Under this restructuring, the Ports Program is located within the IFA, while the business development functions with which the Ports Program will coordinate will still remain within Business Development.

Thus, the recommendations that apply to business and economic development will require the Ports Program manager and staff to directly coordinate with regional business development officers of OBDD, similar to the current arrangement. The primary difference rests with points of contact for each port; under the recommended Strategic Port Plan, ports will utilize the Port Program for initial and primary points of contact, and the Ports Program will be responsible for coordination not only with other facets within the Business Development Department, but other state agencies as well. It is anticipated that each OBDD/Port business agreement will lay out communications and coordination expectations. Eventually, any business development or infrastructure project opportunity will be led by a coordinated team of port and state staff who will be working toward the common mission established in that business agreement.

Recommendation 1: Revise State Port Program Institutional Structure into a Business Relationship with each Port.

A number of institutional and governance structures were examined during the development of this strategic plan. These included those already in place in other states, as well as within Oregon. Through interviews with all of the stakeholders, it was clear that there was little desire for a state-level port commission or other strong state oversight function. Many would like to see the port system elevated at state level to a division level entity within OBDD (similar to ODOT's Highway or Rail Divisions), and similar to the structure in place in the 1980s. Ports believe they need a system where there is more influence with the State Legislature, and many would like to see educational outreach to state officials and state legislators about the benefits of Oregon's ports.

There is a general belief by the ports that they are "on their own" for regulatory/ environmental compliance for projects. Most would like to see some relaxing of requirements or procedures on certain state grants, but not for state administrative or regulatory support. About half of the ports have been active through *ConnectOregon*, and they generally like the level of administration and bureaucracy.



While many ports use OSMB funding for recreational facility improvements, no “recreational” ports expressed an interest in spinning off their RV parks/marinas/parks and recreation function to a non-port entity, but instead felt that these were community assets they want or were obligated to provide.

There was general support to improve training programs for port commissioners and port administrators. Whether this should be mandatory and a formal certification process generated mixed opinions among the ports. Smaller ports could use assistance with funding, paper/reporting requirements, and other work for which they lack staff.

Washington state and California have strong, well-funded port associations with training/outreach programs, conferences, economic studies, and subcommittees/functions. There is a strong desire to elevate OPPA to a similar role, but a realization that Oregon’s port tax structure is not as strong as Washington’s or California’s and therefore it is unlikely that OPPA could be funded to the level commensurate with what is happening in either of those two states. Additionally, OPPA has been struggling to become financially stable and, in joining forces with SDAO, has nearly realized this goal. They are in the process of establishing a clear mission and a vision, and are working to gain favor within the port system.

Ports that move cargo and freight via road, rail, water and aviation would like to see some method of advancing freight related infrastructure issues forward (funding, capacity, economic development, etc) through some form of marine cargo advisory committee or a focused marine transportation program within a state agency. Most of Oregon’s transportation modes are represented in state planning and operations: highways are represented by ODOT’s Freight Mobility group and Highways Division; rail is represented by the ODOT Rail Division, and air is represented by the Oregon Department of Aviation. The only mode not currently represented with a formal modal group is marine/water transport.

The recommended institutional structure is as follows:

- Re-organize the institutional relationship between each port and the state. This relationship should take the form of a formal business agreement through either a contract or memorandum of understanding, with OBDD acting on behalf of the State of Oregon and identifying the roles, responsibilities, and expectations for each party (OBDD and each port). This would be an “opt-in” program; if the port desires OBDD staff support and funding assistance, they can choose to enter into the business agreement; if they choose not to opt in they would not receive OBDD assistance. Each agreement would have a provision to terminate the agreement based on agreed-upon circumstances. In developing and implementing these relationships, OBDD should consider differences between ORS 777 and ORS 778.

- Establish a Training Program for Port Commissioners and Managers. *This recommendation applies to ports with elected commissions established and operating under ORS 777.* Under this recommendation, OBDD would establish and certify trainers in a port-oriented series of training workshops, and should utilize OPPA to administer the training program as well as keep track of compliance and successful completion of training courses. The training program would likely be coordinated by OPPA through the SDAO, which already provides a number of training modules for general purpose government and special districts officials (but not specifically targeted to ports). Requirements to attend training would be triggered by each port's opting into the business agreement with OBDD, OBDD's implementation of the new training program, and would apply to newly elected or appointed officials or those current officials who want to take the training. OBDD would certify individual training programs run by the ports themselves for compliance with the OBDD training requirements, or other associations such as the WPPA or the American Public Ports Association and would allow individuals who have successfully completed these certified training courses to opt out of taking the OBDD Port module. There would also be a pre-qualification process whereby those who have demonstrated expertise and experience in port management and budgeting practices can also receive a waiver from the training requirement.

For ports with commissions appointed by the Governor, OBDD will coordinate with the governor's office to review the criteria used to appoint those port commissioners as well as current port-offered training programs. The Port of Portland, for example, already provides rigorous training for its commissioners and staff. Reviewing what is currently being offered by ports with governor-appointed port commissions will help inform what level of training is needed for the remainder of the ports and assist the state in implementation of needed training. Once that review has taken place, OBDD will be able to determine the applicability of this recommendation to all ports and coordinate with OPPA and SDAO to develop an action and implementation plan accordingly.

- Increased Accountability: ports using OBDD funding would be required, through the formal business agreement with OBDD, to provide periodic progress reports on the status of the grants or loans and an itemization of expenditures. Additionally, OBDD will have the option of requesting the Oregon State Auditor to review individual port audits).
- Initial Homework: ports using the Port Planning and Marketing Funds will be required, through the business agreement with OBDD, to do their "homework" consisting of a market feasibility study for proposed new business lines or identification of how the proposed grant would further a state-identified key industry that the port is

currently serving or is in the appropriate geography to serve. Ports would need to provide periodic progress reports on the status of the Port Planning and Marketing Fund grants and how the funds are being used.

- **Port Plans Should Demonstrate Local Coordination and Support.** Strategic, master, and capital facilities plans for ports in Oregon will be required to demonstrate that the appropriate local government stakeholders, as well as the community, have been involved in the development and review of these plans. Strategic plans should identify the local or regional key industries that the port supports (including new or emerging industries) and indicate the level of support from the local entities and community for these key industries.
- **Develop Future Strategic Plans Consistent with the Statewide Strategic Plan Template:** The Strategic Plan Template is presented later in this document. In this template, each port will be asked to identify one or more “core functions” that the port provides and to identify current and new industries and economic development that the port is expecting to support or help grow. The identified industries should be consistent with OBDD’s key state industry list, or identified as key regional industries.
- **Updated Strategic Plans Should be Followed Up with Updated Capital Facilities Plans.** As discussed earlier, deferred maintenance is a financial and economic problem for the majority of ports. If the port’s strategic plan identifies new infrastructure or upgrading of currently deficient infrastructure, the updated capital facilities plan should include reasonable cost estimates as well as estimated operating and maintenance costs for these facilities, and a determination made as to the financial capability of the port to own and operate these facilities. Additionally, the updated capital facilities plan should identify and assess utility needs and costs, whether provided by the port or by a non-port provider, which in either case would be a financial responsibility of the port to build, operate, and possibly maintain.

Suggested Implementation Process:

- **Training:** *For Ports established and operating under ORS 777*, OBDD, in discussion with OPPA and SDAO will need to develop, approve, and initiate the port training program, which could easily be coordinated with SDAO training programs already offered. Under this program, OBDD would certify trainers and the program contents; it would also assess *existing* port-sponsored training programs that some ports may already offer to determine if those programs meet OBDD’s training requirements. OPPA would host and market the training program and report to OBDD who has successfully taken the training course(s). OBDD will need to coordinate with OPPA to establish

policies for waivers for those who have completed similar training programs elsewhere (these programs will need to be pre-qualified by OBDD), officials who can demonstrate comparable experience and expertise through the current or previous experience, or other exemptions. *For ports with commissions appointed by the Governor*, OBDD will coordinate with the governor's office to review the criteria used to appoint those port commissioners, as well as reviewing current port-offered training programs, to determine applicability of this recommendation to those ports. OBDD will then develop an action and implementation plan accordingly.

- Implementation of individual port/OBDD agreements: the process of establishing these agreements includes defining the specific agreement type and content. It will take the form of an agreement between key port officials and key members of OBDD, including the Ports Program manager. Implementation could take the form of a memorandum of understanding, which could be structured so as to be signed by parties that can enter such agreements for each entity: the port director for each port district, which could require prior approval by that port's commission, and the Director of the Oregon Business Development Department. No legislative action is anticipated unless OBDD determines that differences between ORS 777 and ORS 778 result in difficulties or constraints in implementing these agreements.
- Individual port strategic plans: each port's strategic business plan will need to be updated to incorporate the State's Strategic Port Plan. Elements to be updated will be components of each business agreement. A template is included later in this Statewide Port Strategic Plan.

Recommendation 2: Revise and Elevate the Prominence of the Port Program Structure within State Government.

A number of governance and institutional structures were reviewed as part of the planning effort. They included a discussion as to whether the state Ports Program should continue to reside in OBDD, shifted to ODOT, or perhaps reestablished as a new, state entity. In Oregon's past, the Ports Program was originally located within ODOT, and then was shifted to OBDD in the 1970s, where it has since resided. During the data assessment and stakeholder input discussions early in this planning process, it was clear that there was little support for creating a new state entity such as a state port commission. After reviewing the situation in other states, it is also apparent that Oregon's ports are more of a system of local business and economic development entities than in states where governance of the port program is housed within a department of transportation.

It cannot be overlooked that there are significant contributions to Oregon's economy by its cargo ports. Relocating the Ports Program within ODOT would elevate the marine transportation discussion and oversight for Oregon's ports, but ODOT's business and economic development mission is different than OBDD's, and OBDD's business mission provides a better match to what the ports are currently doing and their future needs.

While a number of ports receive funding from the OSMB for recreational/boating facilities, they also continue to be shepherds for economic development in their communities and have chosen to continue to work under the economic development charge given in ORS 777.

Thus, it is recommended that the state's Ports Program remain within OBDD. However, to better foster the relationship between the ports and various functions within Oregon's state government, the following are recommended:

- **OBDD's Ports Program Should Coordinate State Port-Related Functions.** In the short term, this would entail the Port Program manager seeking out internal or inter-agency agreements between OBDD and other state agencies to gain time commitments from each group to dedicate to the Port Program. Agencies would include ODOT, OSMB, DLCD, and the Tourism Commission. The OBDD Port Program would also provide coordination and a review/comment forum for environmental compliance, regulatory agency reviews, and permitting on major port projects requiring environmental review, similar to the "Collaborative Environmental and Transportation Agreement for Streamlining" (CETAS) program that ODOT currently administers. In the long term, this would likely require three to four new OBDD staff in addition to the current Port Program manager to fully support this program; once this staffing level has been fully realized, the inter-agency agreements with other state agencies would no longer

be needed for administrative assistance (although they would still be in place for regulatory assistance). Although increasing the staffing level would require budget approval by the legislature, interviews with key legislators indicate a willingness to provide additional resources in the near term to transition the state's port system oversight to the recommended structure.

- Establish an ongoing State Agency Coordination Program with regard to port strategic plans and funding. As noted throughout this Strategic Plan, ports are involved with a number of state entities other than OBDD in program development, capital facilities planning, and funding. For example, the Marine Board is at the time of publishing this Strategic Plan updating its marine recreation facilities' capital facilities plan and funding program, which involve a number of ports. Also underway are budget planning and funding processes by the Department of State Lands and Department of Energy, both of which potentially involve port plans and projects. To ensure consistency between the different state agencies and each OBDD/port business agreement, the OBDD Ports Program should regularly and periodically coordinate with these other state entities, including participating in planning and funding programming processes.
- Create a Marine Transportation Mode Program within state government. Such a program would require a new staff person to serve as marine transportation mode lead. The directors of ODOT, OBDD, Marine Board, Department of State Lands and Department of Environmental Quality would meet to identify which department is best suited to house the new program and propose a funding package for legislative consideration. Further study is needed to identify specific functions, roles and responsibilities, and reporting and decision-making structure of this new program. Possibly, this individual would be responsible for the Marine mode of the Oregon Transportation Plan (OTP) and would also be the lead liaison with ODOT's other modal programs as well as the OBDD Ports Program. They would oversee the federally identified marine highway system within the state, similar to how other programs oversee the rail, air, and highway systems, and would be one of the Oregon liaisons to the ongoing Places of Refuge planning efforts (see Page 79 for more information). This program would convene cargo ports to discuss and list priorities for marine transportation system navigation, dredging, jetty repairs for all Oregon ports, and would coordinate the list with annual federal funding requests to the Oregon congressional delegation. It is also recommended that the new Marine Transportation Program prepare a Marine Transportation Modal Plan, similar to the other OTP modal plans and also similar to the Florida and Louisiana plans, and also scope and seek funding for a comprehensive study of the impacts, benefits and implications of remnant wood pilings in a number of Oregon's navigable waterways.

- Establish a New Cargo Port Advisory Subcommittee (or Port Navigation Subcommittee) at OPPA. A new Cargo Port Advisory Subcommittee would be established at OPPA, with liaisons provided by the Marine Transportation Mode Program Lead as well as ODOT and an OBDD Port Program staff person. While the subcommittee would emphasize its membership from Oregon's marine cargo ports, others with navigation, dredging, or similar marine transportation issues could be invited to participate as well. The subcommittee would meet quarterly or semi-annually and would use their meetings to vet port-specific and system wide cargo issues including navigation, pilotage and pilotage fees, dredging, and overall marine transportation system needs. The committee would identify a liaison to coordinate with OFAC and other state-sponsored advisory committees. Because of concerns about confidentiality of certain business agreements, ports participating in this group would not be required to disclose confidential, private, or proprietary information. This new subcommittee may require cargo ports to provide additional financial assistance to OPPA for staffing,

Suggested Implementation Process

The directors of ODOT, OBDD, Marine Board, Department of Energy, Department of State Lands and Department of Environmental Quality would meet to identify which department is best suited to house the new program and propose a funding package for legislative consideration. Further study is needed to identify specific functions, roles and responsibilities, and reporting and decision-making structure of this new program.

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Recommendation 3: Recognize the Importance of Oregon’s Ports within the State’s Economy

As mentioned earlier, one in every six Oregon jobs is related to or in some way dependent on Oregon’s ports. Oregon’s port business and market lines contribute billions of dollars per year to the state’s economy. The Oregon Business Development Department recognizes key industries and emphasizes tax incentives, low-interest loans and other finance programs, and its own business services to attract and promote these industries (it should be noted that these programs apply to other industries, but without the state emphasis). The state-recognized five key industries are Advanced Manufacturing, Clean Technology, Forest and Wood Products, High Technology, and Outdoor Gear and Apparel¹⁸. Oregon’s Marine Transportation System and Industry, strongly supported by Oregon’s marine cargo ports, plays a critical role in supporting all five key industries as well as other important components of the state’s economy such as agriculture and distribution.

Additionally, the Oregon Business Plan discusses the need to upgrade the state’s roads and bridges as one of its initiatives, and it also maintains the “Competitive Index”¹⁹. The Index measures the performance of a number of key indicators that assess Oregon’s economic competitiveness in the Oregon Business Plan’s emphasis areas: Pioneering Innovation, People, Place, and Productivity. While the Index measures “bridge and road deficiency” and “airport performance” under Productivity, it does not include measurements about Oregon’s multimodal freight transportation system, which highly integrates Oregon’s marine cargo ports into the overall freight transportation backbone supporting Oregon’s industries.

Containerized, bulk, and intermodal goods transportation through Oregon’s ports has statewide impact on Oregon’s economy, industries, and consumers. Thus, to recognize the importance of Marine Cargo transportation and ports as economic development entities under state statute, the State should as part of its own mission recognize and make it a priority to support Oregon’s transportation and distribution system (marine as well as other freight modes) through priorities for funding and administrative support, and through recognition in the Oregon Business Plan’s Competitive Index. Additionally, as part of this recommendation, the State should work with the ports to develop a statewide Marine Transportation Plan as one of the state’s modal plans.

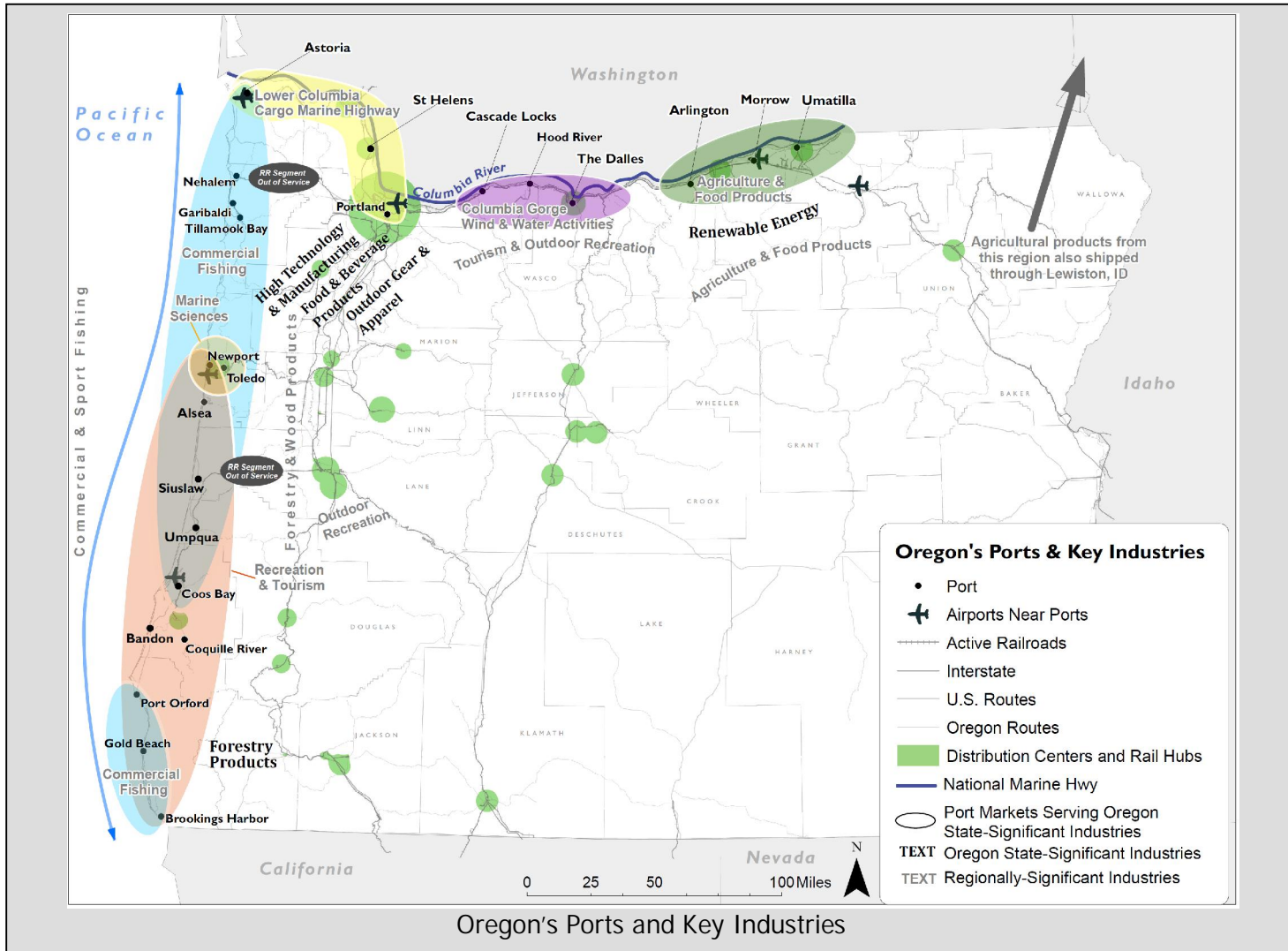
¹⁸ <http://www.oregon4biz.com/The-Oregon-Advantage/Key-industries/>

¹⁹ OregonBusinessPlan.org

Additionally, the State should recognize that Oregon's ports support employment in non-cargo, regionally-significant industries. While by themselves they may not have the statewide significance of the state-recognized industries, they are critical to the economic well-being and livelihood of those living and working in those communities. The State should as part of its economic and business development mission recognize and make it a priority to support regionally-significant industries as part of its business mission with ports.

Suggested Implementation Process

OBDD should work with the state economist to identify and characterize the Transportation and Distribution system's impact on supporting Oregon's Key Industries, and recognize it within state functions and on state-supported marketing efforts, including the Business Oregon and Oregon Business Plan websites. Additionally, as part of the recommendation to develop a Marine Transportation function, ODOT and OBDD should seek through the next legislative session funding to develop the first Marine Transportation Plan as one of the modal plans under the Oregon Transportation Plan. OBDD should also maintain and periodically update the list and map of state-significant and regionally-significant industries as they relate to Oregon's ports as each port updates its strategic business plan. The map below shows the currently identified state-significant and regionally-significant industries that were identified through the Statewide Port Strategic Plan, while the table below shows the regionally-significant industries supported by each of the ports.



Ports	State Key Industries Supported*	Regionally Significant Industries*
Lower Columbia/Deep Draft		
Astoria		Commercial fishing
Coos Bay	Wood and Forest Products; Clean technology/energy	Sport fishing; recreation and tourism
Newport	Clean technology/energy, Wood and Forest Products	Marine sciences
Portland	Electronics and Manufacturing, Clean Technology, Metals, Transportation Equipment, Outdoor gear and apparel	Land use and economic development, food and beverage products
St. Helens	Clean technology/energy	Land use and economic development
Upper Columbia		
Arlington	Clean technology/energy	Waste disposal; tourism and outdoor recreation; land use and economic development
Cascade Locks		Sport and private fishing; tourism and outdoor recreation; land use and economic development
Hood River	Clean technology; High technology; Outdoor gear and apparel	Sport and private fishing; tourism and outdoor recreation; wind and water recreation; land use and economic development
Morrow	Clean technology/energy	Land use and economic development; agricultural and food products
The Dalles		Land use and economic development; tourism
Umatilla		Land use and economic development; tourism; agricultural and food products
Coastal		
Alsea		Commercial and sport fishing; tourism
Bandon		Commercial and sport fishing; tourism
Brookings Harbor		Commercial and sport fishing; tourism
Coquille River		Land use and economic development
Garibaldi	Wood and Forest Products	Land use and economic development; tourism; commercial and sport fishing
Gold Beach		Land use and economic development; commercial and private fishing; tourism
Nehalem		Navigation of channel
Port Orford		Land use and economic development; commercial and private fishing; tourism
Siuslaw		Land use and economic development; commercial and private fishing; tourism
Tillamook Bay	Clean technology; Wood and forest products	Land use and economic development; commercial and private fishing; tourism
Toledo	Wood and Forest Products	Land use and economic development; commercial and private fishing; tourism
Umpqua		Land use and economic development; commercial and private fishing; tourism; sport fishing; shellfish industry

* Activity occurs on port owned land, port is directly involved in supporting the industry, or industry is included in the port's strategic business plan.

Oregon's Ports and Relationship with State/Regional Key Industries

Recommendation 4: Create a Port Investment Fund and Statewide Port Capital Facilities Plan.

This recommendation consists of two components: development of a statewide port capital facilities plan (CFP), and establishment of a new, centralized port infrastructure funding source called the Port Investment Fund (PIF). Both the Port CFP and the PIF would have components based on port size and market differences. These components will fund the state's highest port priorities based on need, job creation, ability to advance Oregon's key industries, and financial ability to operate and maintain the investment. The existing Port Revolving Fund and Marine Navigation Improvement Fund could be separately retained or combined to initiate the new PIF, and ports would continue to be eligible for *ConnectOregon* funding. This program will need legislative approval to establish the new fund and adoption of an administrative rule to establish criteria and how it will be administered.

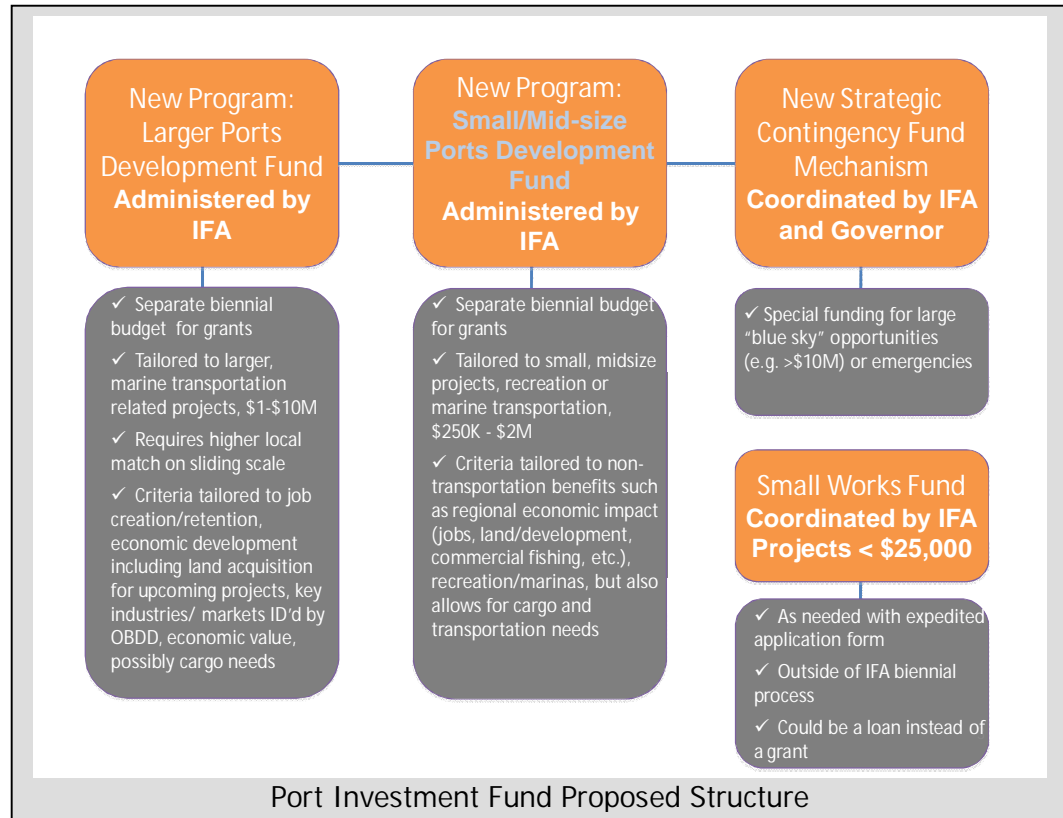
Under the program described below, the state definition of port size, which is used in summarizing the Port Audit Summary, would be used:

- Small ports are those with less than \$4.5 million in assets (8 ports currently in this category)
- Medium ports are those with \$4.5 million to \$15 million in assets (7 ports currently in this category); and
- Large ports are those with more than \$15 million in total assets (includes 8 ports).

This new program would be a two-step process, approved and administered through the Infrastructure Finance Authority (IFA):

- **Port Capital Facilities Plan:** First, ports would be asked to convene and under the oversight of IFA and administered by OBDD, develop a five- or six-year capital facilities plan (CFP) of the top port priorities around the state for which state funds may be sought. The CFP should identify existing funding sources which could be sought for projects, as well as identify the "unfunded" or shortfall of funds. This funding shortfall could be used as a basis to seek funding from the legislature for the PIF. This CFP project list could also include projects identified by the Marine Transportation Modal Program through the proposed Marine Transportation Plan. The CFP should be updated every biennium to precede the major budgetary legislative session, in the event that additional funds for the program will be sought or the project list has been amended. The CFP should receive endorsement by the IFA Board. This list should be separated into small/medium and large port categories, and the process could be facilitated through OPPA with support from OBDD.

- **Port Investment Fund:** A new Port Investment Fund will be created and administered by the IFA. The IFA would accept funding applications for port investment projects on a biennial basis. The funding applications could be similar in nature to the type of information requested in *ConnectOregon* applications, including: types of businesses or industries being supported, jobs created or retained a market or economic study indicating that the proposed project is a supportable, sustainable industry (or indicate that without project funding, it would be threatened). A “means test” whereby the port would demonstrate financial or economic need, the ability to provide the required matching funds (or a financial report or other documentation on why matching funds cannot be provided), and the ability to maintain and operate the proposed infrastructure will also be required. Projects which identify local match to be supplied by non-port entities must include commitment letters from these entities as part of the application.



- **Elements of the Port Investment Fund:** The new program would have two or three tiers, reflecting differences in port sizes, business lines, and financial capacity to provide matching funds, and would include a “means test” for state funding: ability to provide matching funds, market viability of the project, ability of the port to operate and maintain the facility without further requests to the state for operating assistance funds.
 - A “Small Works” fund should be established for capital projects of <\$25,000 (which includes repair of needed facilities or equipment) that would require a minimum of application paperwork, but would still need

to demonstrate that the proposed use is consistent with the Port/OBDD business agreement and that the port can afford to operate and maintain this project without further state assistance. Emergency projects would have a small local match or a waiver of the match requirement. The fund would be set up to handle funding requests as loans instead of grants.

- A Small/Medium size port investment fund (non-cargo projects) should be directed at priority projects which serve port market portfolios except for marine cargo projects, which would be eligible under the Medium/Large PIF program.,.
- A Medium-Large-size port investment fund which includes marine cargo projects. This would be aimed at the larger, cargo-oriented ports and fund larger-scale projects. It is expected that ports in this program have a revenue and financial structure better able to accommodate larger projects and a larger local match.

A two-step process would be used to qualify ports for use of the Port Investment Fund (“means test”) as well as evaluate and prioritize projects (programming), as follows:

- Means Test: This step “pre-qualifies” ports in order to pursue the PIF for their infrastructure projects. Minimum requirements would include having a fully-executed OBDD/Port formal agreement and being in compliance with its terms and conditions, having an OBDD-approved Strategic Business Plan and Capital Facilities Plan (OBDD would have the option to qualify a previously-completed plan, or pre-qualify based on an active plan update or revision), and the port being in satisfactory financial condition, demonstrating the ability to operate and maintain new capital facilities along with having at least six months of operating reserves.
- Project Prioritization Process: In order to be eligible to be considered for the PIF, a project must be on the statewide five-year port capital facilities list (this requirement could be waived for Small Works projects), must either implement a business element contained in the port’s strategic plan, or if a new market, must complete the “homework” needed to address viability of new market. Priority would be given to projects which fill a state or port priority funding need, with emergencies constituting a higher priority. Points would also be given for projects from ports demonstrating financial responsibility: credit given for positive financial performance of port, and previous financial responsibility on previous grants/projects, and operating reserves > two years. The port must disclose all funding sources they are seeking for the project. Priority would also be given to projects which leverage private or federal investment (especially where there is private funding for the project). Matching funds provided on a “sliding scale” percentage basis, based on port’s regular revenue (not grant funds) from prior audit, and size and scale of overall port operations (port assets as categorized by the State), up to a 50 percent match

requirement. Other criteria should include: return-on-investment in terms of job creation or retention; retaining or initiating new business lines identified as strategic for the port as part of its Strategic Business Plan or identified as either a Regional or State Key Industry; if the project is a deferred maintenance project identified as strategic based on the port's Strategic Business Plan.

Suggested Implementation Process

The entire structure of this program will need to be developed, including: how the Small Works program will be administered, what information and compliance will be required for the streamlined funding application, how the individual elements such as the Small/Medium Port and Large Port programs will be administered, and the funding targets. Implementation will require IFA to administer the development of a short-term capital facilities priority list (five- or six-year plan) as well as the funding criteria and evaluation process. Legislative action (possibly in the 2011 session) will be necessary to establish the program and provide funding.

Until the legislature acts to establish funding for this program, the following process could be used in the interim:

- Under the oversight of IFA, OBDD and the ports could work to develop and adopt a 5-year prioritized CFP, which would identify statewide port infrastructure needs and the funding gap or shortfall to fully fund the list.
- OBDD works with OPPA and the Marine Board to identify and prioritize port-sponsored marine recreation projects that would be included on the OSMB's six-year CFP.
- OBDD, under IFA's oversight, develops the structure for the PIF, as well as potential funding sources for the program, which could be used to approach the legislature in an upcoming session.

Alternative Port Infrastructure Funding Program

During the review process of this Strategic Plan, a number of concerns were expressed regarding the continued and enhanced practice of providing funds exclusively for ports, or any other targeted group. The concerns are two-fold:

- Why the ports should have their own fund for typical infrastructure activities that are also funded by other IFA (and other) programs accessible by Ports, and
- The ability of the state to manage and administer separate, individual funding programs for a variety of special districts or public entities such as cities and counties in an era of limited resources for all state infrastructure needs.

A second option is proposed which would give the ports a funding target as part of a larger infrastructure program. In this case, the existing Special Public Works Fund (SPWF) would be expanded into a revised program which would still consist of primarily loans as well as grants, but the maximum loan and grant amounts would be increased and the overall program would receive a higher funding level (contingent upon legislative adoption of this new program). The expanded SPWF would be administered through the IFA as the SPWF is now, and the eligibility list for the program would remain the same (cities, counties, airport and special service districts established under ORS, Tribal Councils of Indian tribes, and ports). The IFA would establish a multi-year funding program, and ports would for the first time have a targeted funding amount, especially for historic Port Planning and Marketing fund support. This would be consistent with other planning grant targets within the current SPWF program for municipal planning and feasibility studies. The expanded SPWF would also have separate targets for small/medium and medium/large ports similar to what was described earlier in the PIF recommendation. Also as discussed earlier under the proposed PIF, a Small Works program could be established but would be open to all eligible entities.

As with the PIF option above, this concept could also include the “means test” underwriting approach whereby OBDD would pre-qualify, or underwrite the port, and then funded projects, based on compliance discussed earlier under “Means Test”. The advantage of this approach is that ports could pursue larger projects from a larger, overall funding pool, as well as having the opportunity to jointly pursue water and sewer projects with their local utility providers where the port is seeking to extend service, while still having an established funding target in the program. This also helps get to the loan-grant decisions and collateral determinations based on project size and port size and financial capacity. The other advantage is that funding priorities, accounting, and administration of the program would be consistent across the various

entities, instead of having separate criteria and levels of state staff oversight as would occur if the SPWF and PIF were separate programs.

Under this option, separate statewide capital facilities plans could be developed for ports and for utilities (water and sewer) which would identify comprehensive lists of project backlog and funding needs for which state funding would be sought. These CFPs would give the IFA Board and the legislature a much more comprehensive understanding of infrastructure funding needs of ports and water and sewer providers. Funding criteria would likely need to be revised from the current SPWF criteria to reflect the difference between port and utility providers as well as return-on-investment criteria that have been included in recent funding programs such as *ConnectOregon*.

Recommendation 5: Port District Consolidation or Elimination is a Local Decision Item.

At the beginning of this planning process the topic of port consolidation or elimination was discussed. There have been discussions and at least one previous study of port consolidation (Port Consolidation Study, Ports of Garibaldi, Nehalem and Tillamook Bay, report by The Benkendorf Associates, Corp. December 2008). Late in the 1990s there was consideration by Malheur County for a “dry land” port which received endorsement by the Oregon Economic and Community Development Commission, but local officials were unable to pass a tax base and the interest apparently has waned. Other than these instances, no other recent considerations of port consolidation or elimination were identified during the development of the Statewide Port Strategic Plan.

Although port districts are allowed under Oregon statute, they all were, and must be, created via local referendum. Elected Port commissioners are subject to local recall under Oregon elections statutes. The information collected as part of the Port Strategic Plan resulted in findings that each port is considered a critical component of their individual community's economic development vision, and have the ability to tap into a number of state and federal resources to help realize that vision. At this time there are no ports which are receiving operating assistance from OBDD.

In terms of economic development, ports continue to adapt to changes in local market conditions and business lines. A number of ports continue to support the type of industries that OBDD has identified as key industries for the state. The ports often depend on state assistance and support in furthering these state-significant industries, but they also utilize local revenues to do so and develop business lines that may be of local and regional interest instead of a state-identified key industry.

It is the recommendation of this Strategic Port Plan that decisions on port consolidation, elimination, and local business lines (which do not use state funding or support) continue to rest with the local port district, its officials, and its community.

C. Phasing in the Recommendations

As noted above, implementing all of the recommendations contained in this Strategic Port Plan will need to occur in phases. Some of the recommendations will require administrative action within state government, while others will require legislative action. Additionally, the institutional recommendations pertaining to the Ports Program and a new Marine Transportation Program will require additional staffing levels to be fully realized, and on an interim basis will require inter-agency agreements within the state to implement.

The following phasing strategy is recommended for the three main recommendation categories: Institutional, Funding, and Policy.

Institutional and Staffing

The following elements of Port Program functions will be required when these recommendations are fully implemented:

- Completion of the individual port strategic business plans
- Oversight of the individual port strategic planning processes
- Multi-agency coordination and development of interagency agreements for improving permitting and coordinating on environmental studies and permitting processes
- Increased focus on federal lobbying issues and funding requests to the Oregon congressional delegation
- Assisting ports with development of infrastructure master plans as appropriate
- Recapitalization of the Port Revolving Fund
- Implementation of the new port programs

- Development and implementation of state accredited training program including identification and development of a best practices handbook
- Port Reporting System update (which would help with requests for Army Corps assistance)
- Maintaining up to date port project list quantifying infrastructure needs and deferred maintenance backlog as well as development and implementation of port project prioritization process
- Staffing Marine Project Review Committee as part of Connect Oregon process
- Coordination aspects: continued direct coordination with all ports, liaison with OPPA, improved Coordination with ODOT on variety of transportation related issues (Marine Transportation Plan, industrial lands, and port-related rail issues), liaison to the new Marine Cargo advisory committee.
- Updating/revising ORS 777 (and possibly ORS 778 based on requests from the Port of Portland).

Fully implementing these recommendations will require a Port Program staffing level that is similar to what the Ports Division had in the mid-1980s: five, full-time equivalents. At that time, the Ports Division staff included a Port Manager who would also be the Ports Program's liaison to the new Marine Transportation Program, an outreach person who would also coordinate the training program, a state/federal/regulatory agency liaison, a program manager for the new Port Investment Fund, and an administrative assistant for the program (which could be shared with other OBDD functions). This would be in addition to the business and economic development staff that already exists within OBDD and continue to coordinate with ports as business and economic development entities. Thus, the recommendations would require an additional 3-4 FTE in the Ports Program over current levels. Creating a new Marine Transportation Function within the state would require one new FTE, which would be located based on decision from the proposed department directors' meeting.

Immediately upon adoption or endorsement of this Plan, OBDD should continue to work internally, as well as externally with other state agencies, to develop agreements which will establish departmental commitments or priorities for port-related functions. The first agreement should be with other state agencies to partner in establishing a Marine Transportation program (which in itself would require a new FTE).

The status quo (1 FTE in the Port Program) will oversee the completion or updates of the individual port strategic plans; however, a portion of the funding dedicated to the updating of these plans should be reserved either to hire a temporary position or retain a consultant to provide oversight and coordinate reviews and comments on the expected 16 or 17 plan updates expected within the first year after the adoption of the Statewide Port Plan. If the legislature establishes a new Port Investment Fund in the 2011 legislative session, the second priority should be to add 2 FTEs to implement the PIF, which would entail overseeing the establishment of a five-year Statewide Port Capital Facilities Plan as well as identifying funding priorities for the first two years of the PIF, as well as initiate the training program for Oregon's ports.

The next priority will be to establish a new FTE to be a port program liaison to the state and federal regulatory and environmental permitting process. Adding back the administrative assistant was our third priority.

Funding Levels and Restrictions

A consideration as part of financially supporting new staff positions needed to fully implement these recommendations includes recapitalization of the Port Revolving Fund. Funding to support an elevated Port Program could come through interest payments on a Port Revolving Fund that is recapitalized to a higher level than what it is today.

With a backlog of on-site port infrastructure projects exceeding \$500 million, and the backlog of navigation, channel clearing and deepening and dredging projects exceeding \$400 million, funding port infrastructure investments will require a much more aggressive and a higher funding level than what is currently available. At a minimum, the PIF should eventually provide \$10-15 million per biennium if it is to sustainably reduce the port backlog of infrastructure and deferred maintenance projects over a 20-year period.

There are already a number of funding programs, such as *ConnectOregon*, transportation funding under the Statewide Transportation Improvement Program, the Marine Board, and other programs listed earlier in this document for which ports can compete. Over the past two or three biennia, these programs in total have provided funding for port-sponsored projects that is within the \$10-15 million per biennium range.

Ports, as well as other project sponsors, regularly attempt to package funding from a variety of sources to gain larger, fully funded projects. Creating a dedicated fund such as the PIF will enable ports to tap into a program which could provide the matching funds needed to fully fund these larger projects. In order to avoid ports submitting duplicative

funding requests (applying for the same funding from multiple funding sources), ports should submit an overall funding program with each funding application that clearly shows which funding sources, and amounts, are being requested.

Funding for the PIF should be implemented over multiple biennia, reaching eventually a level of \$10-15 million per biennium. OBDD should seek a starting level of \$3-5 million for the first biennium in the 2011 session, raising to \$5-10 million for the next biennium (2013-2015), and then achieving \$10-15 million per biennium starting with the 2015-2017 biennium. The Five-Year Capital Facilities Plan which is recommended to be developed prior to initiating the PIF program should identify statewide port project priorities, as well as potential funding sources beyond the PIF to fund these projects, as a general funding program.

The Port Program manager, under the administration of the IFA, should establish an advisory group to develop funding criteria as well as establish funding policies. These criteria should take into consideration the “return on investment” emphasis of the state legislature for state investment in the port system, similar to how *ConnectOregon* evaluates projects, and should also require ports to provide a listing of other funding sources expected to be sought and utilized for projects funded through the PIF.

The new Strategic Contingency Fund should be set at a level to provide financing capabilities for projects of up to \$100 million. Examining the special circumstance cases that have arisen recently (the NOAA project, rail closures and rail line purchases, new international cargo terminal, etc.), a level of \$100 million should be sufficient to accommodate most of these emergency or special circumstance request. At least ten percent of this fund should be capitalized (\$10 million in cash reserves) with the rest falling within the state’s bonding capacity.

The Small Works Project program should have “upside” requirements, such as a maximum number of requests a port can make each year (such as two), or a total maximum dollar amount a port is awarded each year (such as \$50,000).

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D. Template for Port Strategic Plans

The following is a proposed template for new or updated existing port strategic plans in order to be consistent with this Statewide Strategic Port Plan. It is offered as a general guide to the development of strategic plans for ports in Oregon. Each port's business agreement will provide the opportunity to modify or streamline this template. It is not expected that every port will be required to address every topic in the template, but rather that each update will represent a significant step towards an effective program to address their major business and organizational challenges.

It should be noted here that this template is focused on developing strategic business plans, which serves as the vision and guidance document for port master planning and capital facilities planning. The following definitions are offered to differentiate between these documents:

Strategic Business Plan

A Strategic Business Plan is comprised of two parts:

- An assessment of the port's existing operations, facilities, markets and financial condition.
- A description of the port's long-range vision and mission statement, and goals, policies and strategies designed to manage the port's assets, resources and capabilities over a specific time period, in order to fulfill the mission.

Capital Facilities Plan

A Capital Facilities Plan describes the planned capital improvements to the port's land, buildings, facilities and equipment for a specific time period, such as 10-20 years. The plan should be divided into prioritized phases (such as 5-year increments) and illustrate the preliminary cost, time frame and potential funding source(s) to implement each project.

Facilities Master Plan

A Facilities Master Plan is a plan for maintaining and improving each port facility (such as a dock or boat ramp), utility system and other infrastructure elements such as; streets, lighting, pedestrian walkways and security.

NOTE: The Dept. of Land Conservation and Development's (DLCD) administrative rule for Goal 11- Public Facilities, includes the following definition: "A public facility includes, water, sewer, and transportation facilities, but does not

include buildings, structures or equipment incidental to the direct operation of those facilities.” A Public Facility Plan’s components (per DLCD) are described in OAR 660-011-0010, and include an inventory and general assessment of the condition of all significant public facility systems, a list and description of significant public facility projects and planning-level cost estimates, a policy statement indicating the provider of each system, and funding options as well as priorities for these facilities.

Strategic Business Plan Template

1. Port History and Mission: a brief introductory statement summarizing when the port was established and for what purposes (i.e. what prompted the formation of the port?), a statement of the port’s current mission and why, how the mission changed from the port’s original purpose, and definitions of terms used in the mission statement (such as family-wage jobs, financial return, create and retain jobs, quality of life, economic diversification, community development, economic development, etc.).
2. Port’s Overall Goals: brief overview of the port’s overall goals for specific areas, which should include (if applicable): marine property and facilities, industrial property, commercial property, recreational property and facilities, aviation property, management and commission structure, financial, environmental, and other factors important to the strategic plan.
3. Overview of the Strategic Plan’s Development Process: coordination and involvement of local entities and the community, land use coordination efforts with local entities and DLCD, process steps or phases, and adoption process should be summarized.
4. Port Overview and Description:
 - a) Port Resources: What net revenue does the port derive from operations, both before and after depreciation is accounted for? What tax or other ongoing non-operational revenues (timber receipts, OSMB maintenance grants, Federal Aviation Administration funds, etc.) does the port receive? Are port properties included in an Urban Renewal District generating monies for specific port projects? How many months of cash reserves does the port currently have, utilizing the latest budget and audit? What is the annual average of grant dollars the port has received during the past five years and what have they been used for?
 - b) Port Policies and Procedures: What is the management structure and what is the division of authority between management and the commission? All policies and procedures should support the port mission statement. Do

these policies encourage/require training of port commissioners and management staff? Does the port have established governances and what do they say about the division of authority, commission conflict of interest, a requirement that the commission follow proper procedures, and a clear definition of fiduciary responsibility and conflict of interest? Include governances as an appendix to the plan. In this template “governances” refers to any internal oversight, administrative, bylaws or policies that relate to the relationship between Port Commissioners and management, as well as the roles and responsibilities of each.

- c) Commission: Who is on the board, how long have they been on the board, and what are their backgrounds? Briefly restate what the governances require of commissioners and what their roles and responsibilities are. Have they undergone the required OBDD training? (Note: OBDD will be establishing the training program requirements as part of the implementation of the Statewide Port Strategic Plan).
 - d) Staff/Professional Development: Identify organizational structure, key staff, how long they have been with the port, and what their professional background and expertise includes. Describe the port’s policy on professional development – both for staff and the commission – and identify professional development goals for key staff and the commission to the extent possible.
 - e) Financial and Market Conditions: Who are the port and the community’s competitors (Other ports, other facilities, other communities or regions)? Do port activities and facilities compete with private operations in the region? What existing markets are served by the port and the community’s facilities (Examples: recreational fishing in Southern Oregon; local manufacturers looking to expand; small footloose manufacturers looking to relocate from high cost locations; retirees from California, etc.). Are these markets identified on OBDD’s key industries map, or are they identified as regionally-important industries by agreement between the Port and OBDD? What are the Port’s resources (operational surpluses, staff capacity) and assets (industrial land, buildings, other facilities) and what is the trend in the Port’s financial condition and capacity? Include total assets, port equity, debt, etc.
5. Defining the Problem and Opportunity: The intent is to tie the port’s development efforts to the economic needs and opportunities of the communities they serve.
- a) District Demographic Profile (Income, Poverty, Education, etc.): Most of this information can be obtained from the Oregon Employment Division’s Regional Profiles and from the underlying US Census data.
 - b) District Economic Profile (Workforce, Unemployment, Key Industries): Most of this information can be obtained from the Oregon Employment Division’s Regional Profiles.
 - c) Trends for Regional, State, and National (if applicable) Key Industries: Which industries are growing, which are mature (flat) and which are declining?

- d) Community Role: identify economic development issues not in the port's direct control, but for which the port has been a stakeholder or a partner. These can be private interests or other, local agency interests.
 - e) Analysis: How do the port district's income, poverty and educational levels compare to the state and the nation? How are the demographics of the district changing? What's happening with the region's workforce and what are the job trends for the region? What's happening with the region's key industries (manufacturing, tourism, natural resources, services, etc.) - which are growing, which are declining – and how does that contrast with state and national trends?
6. Policy Context: Include a threshold statement, such as indicating that the strategic plan has been prepared with funding from OBDD and based on this template, as well as indicating that the plan is consistent with local and regional (if applicable) planning policies and goals. Other items to include:
- a) Port is committed to following its governances and this strategic plan. The port will update its capital facilities plan at least once every 10 years, with a 5-year "midpoint review" to identify any changes in circumstances, goals and objectives, costs or policies that may affect the implementation of the CFP.
 - b) Indicate sitting commissioners have undergone board training and have agreed on procedures for handling conflict-of-interest issues and have agreed to follow best practices and fiduciary responsibility as defined above.
 - c) The plan should have flexibility to allow for unanticipated business opportunities that contribute to the port's economic development or revenue enhancement goals.
 - d) Planning and Environmental Policy Compliance Issues: Discuss the port's environmental values, practices and policies, and what the port's role is in addressing local and regional environmental issues. Address the Statewide Planning Goals relevant to ports (5,9,12,16-19), and specifically address:
 - i. Statewide Planning Goal 9 – Economic Development: How has and is the port addressing Goal 9 (ownership of industrial or commercial lands or buildings; pursuing opportunities to purchase and develop industrial and commercial lands)? Are their properties available that would enhance the Port's ability to meet its economic development and revenue goals? Does the port have adequate resources to do so?
 - ii. Statewide Planning Goal 12 – Transportation: How has and is the port addressing Goal 12? What transportation facilities (marinas, docks, airports, etc.) does the port own or operate? Are the port's transportation projects and needs included in local and regional transportation plans? What transportation access infrastructure improvements, outside of port ownership, are needed to maintain or improve access into/out of the port?
 - iii. Statewide Planning Goal 17 – Water Dependent Use: What is the applicability of Goal 17 to port waterfront lands? Does property need to be preserved for maritime cargo activity or other marine-related activities? Is

their waterfront property that could or should be redeveloped to increase economic activity, support local services and provide increased revenues for the port?

- e) Statewide Port Strategic Plan Recommendations: Address how the port's strategic plan is addressing the relevant recommendations contained in the Statewide Port Strategic Plan (or indicate which of those recommendations are not applicable).
 - f) Other Local and Regional Plans: Reference other community, county and regional economic plans and describe how they relate to the port's plan? If other plans reference key industries or opportunities how does the Port plan address them?
 - g) Political Context and Analysis: Characterize the working relationship of the port with the county, local cities and special districts. What interest or advocacy groups are involved with local issues and how can they be engaged or consulted. Are demographic changes driving changes in local and regional public perceptions and attitudes?
7. Situational Analysis – in context of district demographic/economic profile.
- a) SWOT: identify strengths, weaknesses, opportunities and threats
 - b) Critical Issues: What issue or issues does the port face that if left unaddressed would result in a serious erosion of the port's facilities, revenues or capacity (EXAMPLE – Bulkhead of the dock underneath Gold Beach Cannery Building is failing. Port is moving to diversify but if the old dock fails it could lose a key asset).
 - c) Demand Analysis: What type of demand is growing in the local and regional economy (housing, retail, etc.) based on key industry trends? What type of demand is decreasing? How do the port's assets match up with demand and opportunity?
 - d) District Needs: Given demand, economic needs and the port's assets, capacity and resources, what kinds of projects and strategies can the port most effectively pursue to address the economic needs of its district and its residents?
 - e) Port direct impact on jobs: make best effort to include available information on current jobs at the port, including port tenants (both private and public). It is understood that information may be considered proprietary and not be available.
 - f) Risk Analysis: What are the biggest risks facing the port in pursuing strategies to achieve its economic development and revenue goals, including political risk?
8. Goals and Objectives:
- a) Property Goals: (Marine, Aviation, Industrial, Commercial, Recreational, etc.): background and status, strategic objectives, action plan

- b) Management Goals: policies and procedures, staffing, staff and board development, emergency management procedures and protocols
 - c) Financial Goals: property acquisition, debt management, depreciation, reserves.
 - d) Environmental goals: background and status, objectives, action plan.
 - e) Marketing Goals: background and status, objectives, action plan.
9. Facilities and Business Plan
- a) Five- (or six-) Year Capital Program: The first 5-6 years of the longer-term Capital Facilities Plan. Based on property goals and objectives, priorities identified in the Strategic Plan and CFP, reviewed annually as part of budget process.
 - b) Economic and business plan: indicate how many new jobs the Strategic Business Plan is expected to realize over its planning timeline, as well as identifying how the Plan will work to retain existing jobs at the port and port tenants.
 - c) Management Plan: Based on management goals and objectives, updated annually as part of budget process. Includes professional development and board development goals.
 - d) Financial Plan: Based on financial goals and objectives, updated annually as part of budget process. As part of this plan, the port should evaluate the financial impacts of charging below-market rates for marinas, boat ramps, buildings, and other infrastructure and whether it can financially support operations and maintenance of these facilities, in conjunction with other infrastructure and port operations, as well as eventually upgrading, reconstructing, or replacing these facilities.
 - e) Environmental Plan: Based on environmental goals and objectives, updated annually.
 - f) Marketing Plan: Based on marketing goals and objectives, updated annually.

10. Attachments and Exhibits

E. Template for Individual Business Agreements

This could take one of several forms: a contractual relationship, a memorandum of agreement or understanding, or an interagency compact or agreement. It is intended to be signed by parties who can enter into contracts or agreements on behalf of the port and OBDD: the Port Manager or Port Commission chair as well as the Director of the Oregon Business Development Department.

The following are elements recommended to be included in the individual business agreements:

- Points of contact with each entity
- Roles, responsibilities, and expectations of each party
- Commitment from the port for abiding by the terms included in this strategic plan (training, environmental compliance, consistency of its strategic plan with the template contained in the Statewide Strategic Port Plan, etc.)
- Commitment from OBDD to coordinate within Oregon state government multi-department support of the port's needs in circumstances requiring this coordination (including planning, environmental resource agency review, permitting, etc.)
- Specific terms of the agreement, including how often to update port plans, elements to be included in these plan updates, identifying the port's core functions and markets/portfolios, addressing new or emerging markets in the port's business plan, etc.
- Termination clause.

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