



**DOUGLAS COUNTY
INDUSTRIAL DEVELOPMENT BOARD**

744 S.E. Rose Street - Roseburg, Oregon 97470
(541) 672-6728 Fax (541) 672-7011

Minutes

October 18, 2011

10:30-11:30

Umpqua Room

Roseburg Public Safety Center

700 SE Douglas

Roseburg, OR 97470

I. Welcome & introductions

A. Self Introductions

Perry Murray thanked Kelly Morgan for filling in last month, during Perry's absence.

II. New Business:

A. Approval of Previous Minutes – September 20, 2011

Ron Doan made a motion to approve the minutes of the September 20, 2011 meeting. Dave Sabala seconded. The motion passed unanimously.

B. Appoint Nominating Committee

Perry asked if a motion was necessary to appoint a committee and after a brief discussion it was decided not.

The County will advertise within the County for applications. These will be compiled at the Commissioner's office. The Nominating Committee will make recommendations. The Commissioner's will ultimately make the decisions. Terms ending are Perry Murray, Alex Palm (who completed Lynn Herbert's term), Ron Doan, and Gary Waggoner

Perry pointed out that applications were available here at this meeting, and that current board members must reapply.

Kelly Morgan, incoming President, was asked by Perry if he would chair the Nominating Committee, and he said yes.

Norm Gershon reminded everyone that he has one year left on his term, but due to retirement, he will be away from Douglas County for ½ the year. He would miss a meeting some meetings, but not all. He would be happy to stay on the board, or retire from the board, but wants whatever is best for the board.

Susan Morgan urged coastal representation on the board, since Gary Waggoner has expressed that he does not intend to reapply

C. Debt Service Obligation (Continued)

Discussions resumed. Responses to the questions that were raised at the September 20, 2011 IDB meeting regarding debt retirement were reviewed and discussed.

1. What will paying the three loans off take the debt service to?
2. What will the fund balance be if we pay off the debt?
3. Why should we pay down the outstanding debt?
4. How were the suggested loans chosen and why?
5. Should we pay off some off the higher balance loans with higher interest rates?
6. Is there a way to trade the debt or finance to lower interest debt?
7. Is there a way to build the spec building and use it as collateral to get another lower rate loan to pay off the higher rate debt?
8. What is collateralizing the current loans?
9. If we pay these off can we still get another note at another time?

Further discussions were:

Question 3: Per Perry, County has received a number of loans through Business Oregon for infrastructure improvements, and are repaying those loans. The land can be sold and those debts retired. Many of our industrial properties have wetland issues, which are costly to mitigate. So with very little industrial property without wetland issues, there really isn't much land based assets to back up the debt. Another part is that the revenue stream is degrading – the primary source is lottery dollars, which have decreased 38% since 2008. A final part is that notes received for industrial land are troubled.

Question 1. What will paying the three loans off take the debt service to (it had been suggested that the IDB pay off the Green Industrial Park loan of \$58k, the Sutherlin Industrial Park loan of \$12k, and the Bolon Island loan of \$109k)? Alex Palm asked why would it not be considered to pay off the higher interest rate debt?

Perry answered that if the higher interest rate loans were paid first, it would potentially jeopardize the spec building project.

Lauren Young asked if it had been determined that we could not mortgage the spec building?

Perry stated this was addressed this to the finance committee. Two things came to mind. One was a bond, which they believed there was very little chance of the county floating a bond to generate cash for the industrial board. The other option was commercial or private financing. When currently paying 4-5% interest it would not be enough of an improvement to make it worthwhile especially if there are loan fees associated with it.

Norm asked if the answer then is, yes, they could get a mortgage?

Perry stated that one of the members serves as a commercial loan officer at a local bank and they would not approve a loan unless there was a tenant involved that they felt comfortable with. They would not approve a spec loan.

Eric Swanson stated he thought looking into public financing would be more appropriate being there could be many different scenarios. He said when they looked into the financials; there wouldn't be hesitation to approve the loan. He suggested that the board check into different sources due to the local banks not having much to do with public financing.

Susan Morgan stated that another aspect of that would be to identify a source to pay that money back.

Perry stated the reason the larger loans that were not recommended to be paid down was that there was opportunity to actually sell some land and retire that debt.

Perry stated if they debts were paid down as presented it would only be impacting the fund approximately 20% and would not affect the fund reserves significantly. He said it would be cleaning up some of the older loans that have been hanging around a while. He stated there is no opportunity for the loans to have a revenue source to repay them.

Norm Gershon made a motion to pay off the 3 small debts as presented. Kelly Morgan seconded. Further Discussion ensued. Dave Sabala called for a vote. The vote was taken. The motion passed unanimously.

D. South Umpqua Industrial Park - Alpha Leisure Property Discussion

Perry explained that Alpha-Leisure has a five year loan with a balloon payment, which he pays 2000 dollars per month for 38 acres of prime industrial shovel-ready land with no interest and an option for 14 acres more. Perry said the way Alex and he understood it is that the option is just an option, that Alpha-Leisure doesn't have to buy the first property and they believe the option has no time limit on it. Perry said he believed that Alpha-Leisure would be asking the County for an extension and are speculating on this property. He said that Alpha-Leisure could also be at some point marketing this property to another speculator, because there is not a clause to allow the County the opportunity to buy this property back. Perry stated that the remaining industrial properties along the I-5 corridor are encumbered with wetland issues and would cost a significant amount of money and site prep to get these properties shovel-ready.

Perry asked the question, how important is it when you take someone out to a site, for it to be shovel-ready and able to build on as soon as they have their plans?

Perry explained that this is the third year and Alpha-Leisure has approximately \$72k into it thus far and suggested that the Board think about approaching Alpha-Leisure and offering him his money back. He explained that there would not be a significant net difference if they were to give Alpha-Leisure his money back and regain control of that property. Perry stated that approaching Alpha-Leisure would also enable the Board to know what Alpha-Leisure is thinking.

It was said if they were to approach Alpha-Leisure that they would think that there is a prospect.

Perry stated that if the Industrial Board were to have a prospect they would then be pressured to make a decision and negotiate. He said right now they are not. Perry stated that the Board needs to be prepared to do what they are offering. He restated by approaching Alpha-Leisure, it would give them an idea to what they are thinking.

Norm asked what the balloon payment would be at the 5 year mark. It was said to be approximately \$600k.

Lauren Young asked what the price was on the extra acreage.

Alex Campbell said he believed the \$600k was if there was employment created. He said he recalls that it is closer to a \$1 million dollar balloon payment without employment

It was said that if Alpha-Leisure asked for an extension the board would have to decide on that and if not, Alpha-Leisure would have to make the balloon payment or walk-away from the \$100k he has already invested in it.

Norm asked if they should try to do this now so that they are unencumbered if a prospect comes or should they wait and when they have a prospect come, try to make a deal.

Ron Doan made a motion to move forward with approaching Alpha-Leisure and having some discussion with him, offering him half of what he's paid. Dave seconded. Motion passed unanimously.

III. Reports/Discussion

Corp Switchyard Update-Commissioner Susan Morgan

Perry opened the discussion and asked Eric if he would give an update. Eric said that they are moving forward on trying to gain access to the property to discuss the environmental issues that were mentioned in the September 20th, 2011 meeting. He stated that in the downtown switchyard project there is expansion potential to an existing company. He said he made contact with their state partners and there is potential for a grant.

Susan asked if Eric had looked into getting the piece of industrial land that is currently in foreclosure. She said the other piece of property is a city park and asked how available it would be for industrial development. She asked if there were any deeds that deeded it to the city restricting the use of and future uses of it and what the issues would be around rezoning it. She asked about the surrounding neighborhood and what their reactions might be to an industrial development and losing their park. She asked if that had been a part of any of their discussions.

Eric stated these are all issues and very preliminary, that the whole presentation is in the first beginning stages. He said the Gilbert property would have less environmental issues. He said that they had presented this to the city council.

IV. Adjourn DCIDB Business Meeting

Respectfully submitted,

Douglas County Industrial Development Board

Brandi Whelchel, Staff

Kelly Morgan, Vice President

Attachment A

A Tape of The Meeting Is Available At The CCD Office at 744 SE Rose, Roseburg, Oregon.

The following is the list of DCIDB members who attended the meeting:

Norm Gershon, Lauren Young, Ron Doan, Alex Palm, Perry Murray, Kelly Morgan, and Dave Sabala

The following is the list of attending DCIDB Ex-officio members:

Eric Swanson, Dr. Joe Olsen, Charmaine Vitek, Robb Paul, Scott Somers, Patricia Klassen

County Representatives:

Commissioner Susan Morgan, Paul Meyer

Staff:

Tracy Loomis, CCD; Brandi Whelchel, CCD; Alex Campbell, The Partnership

Ad Hoc Committee Members:

Alex Palm

Guests:

Brent Hensky, Loran Waldron, Melony Hakola, John Ayer