

**MINUTES
REGULAR MEETING OF THE BOARD OF COMMISSIONERS
HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT**

July 10, 2014

PRESENT:

Commissioner Marks
Commissioner Wilson
Commissioner Higgins
Commissioner Newman
Commissioner Dale

President Marks called the Executive Closed Session to order at 6:15 p.m.

President Marks adjourned the Executive Closed Session at 6:55 p.m.

President Marks called the Regular Meeting of the Board of Commissioners to order at 7:04 p.m.

President Marks led those present in the Pledge of Allegiance.

District Counsel reported out of the Executive Closed Session as follows: Public Employee Performance Evaluation – No action taken; Threatened Litigation – No action taken.

PUBLIC COMMENT: None

CONSENT CALENDAR: None

COMMUNICATIONS AND REPORTS

CHIEF EXECUTIVE OFFICER REPORT:

- ❖ Redwood Terminal 2
 - CEO reported on Redwood Terminal 2 cleanup efforts that 1.5 million gallons of caustic liquors have been shipped and the District has paid \$200,000 in trucking services to date. The District has been reimbursed \$140,000 through the Coast Seafoods loan. EPA has cut back to shipping one green tank per day and are now blending solids with fly ash to get the pH level lower in order to transport the solids to Washington.
 - The Taylor Shellfish operation is up and running.
 - CEO thanked President Marks for taking the Redwood Region Economic Development Commission on a tour of the Pulp Mill.
 - The "For Lease" signs are out.
- ❖ The dredge was completely disassembled in order to transport it to Fields Landing. The reassembling was difficult, but is approximately 95% done. There is still equipment remaining in Oregon due to trucking delays. The seller has requested the District pay his bank to stop accruing interest and file lien releases.
- ❖ Staff is waiting on good weather to do the diving inspection on the outfall pipe.
- ❖ The new forklift has been delivered.
- ❖ CEO has devoted a lot of his time on the New Markets Tax Credit project.

STAFF REPORTS:

Director of Conservation Report:

- ❖ Participated with California Fish and Wildlife staff in a round of eelgrass monitoring. Former Conservation Specialist Jeff Robinson set it up years ago.

- ❖ Attended a Sea Level Rise Adaptation meeting.
- ❖ Working with PG&E on King Salmon dredging.
- ❖ Has been working on several permit applications: The Martin Slough Tide Gate Replacement, Coast Seafoods Expansion, and Chevron Dock Repairs are all in the works and are up on the District's the website.

Bar Pilot Report:

- ❖ The US Army Corps of Engineers dredge is here and is pushing hard in the bar and entrance channel. They are trying to get areas down to a depth of 44 ft. to start and then finally to 48 ft.
- ❖ First chip ship, NYK Lines, is due next Monday at 5:00 a.m. at California Redwood. K line, another large shipping carrier, might also start shipping chips.

District Planner Report:

- ❖ Working with the Humboldt County Economic Development staff. The EDA grant was filed, asking to provide more detail on infrastructure. The EDA, CDBG, and the TIGER Grants are all in the works.
- ❖ Working on a reuse permitting for the Shelter Cove building. He has been asked to find a competitive bid. The good news is the price is down and there is a good local Cultural Resources Consultant who has a great working relationship with Tribal Historic Preservation Officers.
- ❖ The Coastal Development Permit will proceed.
- ❖ Has been helping out on the New Market Tax Credit project.

District Treasurer Report:

- ❖ His staff is assisting District staff during District Bookkeeper's absence.

COMMISSIONER AND COMMITTEE REPORTS:

President Marks:

- ❖ Enjoyed leading the tour of the Pulp Mill for the RREDC.
- ❖ Attended North Coast Railroad Authority meeting. Northwestern Pacific Corporation (NWP Co) celebrated their 3rd year of successfully moving freight. They talking about doing some repair work between Windsor and Healdsburg for \$1.25M, but are waiting until their budget is in the black before they take on any other projects. Talked about cleaning up some of their property, which NWP Co. said they could do for \$250K, but then raised the price to \$600K. They had an agreement for a cell tower in Willits and are going to renegotiate.
- ❖ Said Cameron Renner from Renner Petroleum had some safety issue with trucks being able to drive through without stopping in some areas.

Commissioner Wilson:

- ❖ Said it is the 100 year anniversary of NWP Co.

Commissioner Higgins:

- ❖ Attended the Fort Bragg Salmon Festival, promoting the Eel River Recovery Program.
- ❖ Attended the Marine Life Protection Act meeting.
- ❖ Has been spending time on the New Market Tax Credit project.

OTHER BUSINESS:

E. ALBERT LEMUS (BY PHONE) – UPDATE ON NEW MARKETS TAX CREDIT PROGRAM

Via conference call Albert Lemus of Lowes Enterprises updated the Board of Commissioners on the New Markets Tax Credit project. He said he will be able to provide an answer for funding on July 25, 2014. The Harbor District is in a very enviable position to have 5 interested

intermediaries. The appraisal of Parcel A came in at \$3.8M, which is lower than expected. Lowes Enterprises is working to restructure the leverage loan to adjust to the shortfall. The current shortfall is \$1M. Mr. Lemus asked for direction on whether or not to include parcels B and C, which would exacerbate leverage shortfalls to approximately \$3M. The Harbor District has the option to secure a loan to cover the shortfall secured by parcels A, B, and C.

Commissioner Higgins said the property is worth \$3.8M blighted; if it were cleaned up and developed, it might be a whole different number. Mr. Lemus said the appraisal is without any contaminants on the property.

Mr. Lemus has been working with CEO to put together a project scope to make the building economically viable for tenants. Should they also include the acquisition of Parcels B and C into the appraisal? Adding those parcels into the appraisal would add to the shortfall, however the additional loans would be included into the paperwork.

CEO said he informed the Board of Commissioners that Mr. Lemus would be here next week and they could refine the details then.

Mr. Lemus said Option A is a \$13M tax credit transaction and does not include Parcels B and C. The total leverage is approximately \$8.842M which generates the New Markets benefit of \$4.1M. The Coast Seafoods loan has been considered for additional leverage. The gap is approximately \$1.1M. There are a number of options to fill the gap; details will be discussed next week.

CEO asked how much capital will be generated for improvements on the property for \$1M. Mr. Lemus said the District will receive a \$3.563M benefit.

Mr. Lemus said Option B has one significant difference. In this scenario the District would acquire Parcels B and C for \$2.38M and the District would have \$270,000 for improvements on the site. The total would change to \$16.2M from \$13M. The benefits grow to approximately \$6.1M, which is substantial. Mr. Lemus said he is in discussion with a couple of lenders who are interested. He asked the Board for approval to explore both options.

President Marks asked if the District went with the second option, would it mean more pressure on the project? He said while the benefits are great, the Board does not want to hinder the process. Mr. Lemus asked if money was not an issue, how long would it take to close on Parcels B and C. CEO said it would happen extremely fast. The seller is extremely motivated. Mr. Lemus said there is no timing difference between Options A and B other than the closing time on Parcels B and C. He is looking forward to spending more time with the Board next week and clarifying the process.

President Marks thanked Mr. Lemus for his time and the call ended.

UNFINISHED BUSINESS:

A. SECOND READING AND ADOPTION OF FY 2014/2015 BUDGET.

Director of Administrative Services said the Total Budget Balance amount has not changed since the first reading done on June 12, 2014. The only change was the dollar amounts for revenue for the Brownfields loan and TIGER Grant, which in turn changed the expenditures under non-operating expenses on property improvement. CEO said the reason for the change on the Brownfields loan was that the District had a two year allocation and did not get the first year so the District reduced the first year and excluded the TIGER Grant from the budget. Director of Administrative Services stated the FY 2014/15 Budget totals as follows: total revenue:

\$12,876,997; total operating expenses: \$2,178,700; total non-operating expenses: \$9,299,576; total excess revenue over (under) expenses: \$1,398,721; total deduction of single-use revenues: \$170,000; Total Budget Balance: \$1,228,721.

COMMISSIONER HIGGINS MOVED FOR THE ADOPTION OF FY 2014/2015 BUDGET.
COMMISSIONER DALE SECONDED. MOTION CARRIED WITHOUT DISSENT.

NEW BUSINESS:

A. CONSIDERATION OF ADMINISTRATIVE CONTRACTS FOR DIRECTOR OF ADMINISTRATIVE SERVICES, DIRECTOR OF CONSERVATION, DIRECTOR OF FACILITIES MAINTENANCE, DIRECTOR OF HARBOR OPERATIONS AND BAR PILOT, AND BAR PILOT.

CEO explained that this is an annual process of renewing the contracts for management employees.

COMMISSIONER HIGGINS MOVED FOR THE APPROVAL OF THE ADMINISTRATIVE CONTRACTS FOR DIRECTOR OF ADMINISTRATIVE SERVICES, DIRECTOR OF CONSERVATION, DIRECTOR OF FACILITIES MAINTENANCE, DIRECTOR OF HARBOR OPERATIONS AND BAR PILOT, AND BAR PILOT. COMMISSIONER NEWMAN SECONDED. MOTION CARRIED WITHOUT DISSENT.

B. CONSIDERATION OF PERMIT AND AGREEMENT TO OPERATE A CHARTER SERVICE WITH SILVER STAR SPORT FISHING LLC DBA SILVER STAR SPORT FISHING.

COMMISSIONER NEWMAN MOVED FOR THE APPROVAL OF PERMIT AND AGREEMENT TO OPERATED A CHARTER SERVICE WITH SILVER STAR SPORT FISHING LLC DBA SILVER STAR SPORT FISHING. COMMISSIONER WILSON SECONDED. MOTION CARRIED WITHOUT DISSENT.

C. CONSIDERATION OF LEGAL SERVICES WITH NIXON PEABODY FOR A YET TO BE FORMED NONPROFIT ORGANIZATION THAT WILL BE THE NEW MARKETS TAX CREDIT QUALIFIED BORROWER.

COMMISSIONER HIGGINS MOVED FOR THE APPROVAL OF CONTRACT FOR LEGAL SERVICES WITH NIXON PEABODY FOR A YET TO BE FORMED NONPROFIT ORGANIZATION THAT WILL BE THE NEW MARKET TAX CREDIT QUALIFIED BORROTHE DISTRICTR. COMMISSIONER NEWMAN SECONDED.

Commissioner Wilson asked for the staff report.

CEO said it had been an intense day with interviews from accounting and legal firms. The interview team consisted of Commissioner Higgins, District Planner, and CEO. They selected Novogradac and Company LLP for the financial consulting firm. Nixon Peabody, as the legal consulting firm, is a large firm with a strong environmental component. CEO asked the Board to approve Nixon Peabody as legal counsel to represent Qualified Active Low Income Community Business non-profit and Novogradac and Company LLP for the accounting firm. There is a \$2500 retainer for Nixon Peabody and a smaller retainer for Novogradac.

Commissioner Wilson said if the District is going through the time and expense of creating a non-profit, consideration should be given to the idea of making the mission broader to possibly be a tool for other products and things that the District does. District Counsel said when you form a

corporation, the mission is usually broad. There should not be much of anything to restrict what the corporation can legally do.

Commissioner Dale asked if the corporation has a lifespan. District Counsel said no, it does not have a lifespan.

President Marks said it does not have to be non-profit, it can be for profit but that carries more complications.

Commissioner Higgins said it is a complicated game. The District cannot just go recruit any lawyer to do New Markets Tax Credits. They are highly qualified and have seasoned teams. Albert Lemus has a track record with a capacity to perform. Building a foundation is a step in the right direction. He said he likes the idea of Nixon Peabody having a background in economic development.

COMMISSIONER HIGGINS ACCEPTED THE FRIENDLY AMENDMENT TO INCLUDE ITEM 10. D. APPROVAL OF ACCOUNTING SERVICES WITH NOVOGRADAC & COMPANY FOR FINANCIAL CONSULTING FOR NEW MARKET TAX CREDIT PROGRAM. COMMISSIONER NEWMAN SECONDED. MOTION CARRIED WITHOUT DISSENT.

D. CONSIDERATION OF ACCOUNTING SERVICES WITH NOVOGRADAC & COMPANY FOR FINANCIAL CONSULTING FOR NEW MARKET TAX CREDIT PROGRAM.

This item was discussed under item 10 C, see motion above.

E. CONSIDERATION OF RELEASE OF RFP FOR LEASES FOR THE HUMBOLDT BAY MARICULTURE PRE-PREMITTING PROJECT.

Adam Wagschal, HT Harvey & Associates, reported the project is funded through the Headwaters Fund and the Humboldt Bay Harbor, Recreation and Conservation District. The District is obtaining all required regulatory permits to lease out sites to local shellfish growers. The goal is to have the permits in hand within the next year. There is some chance the project description will change as the District goes through the process. Selections need to be made about who will lease the sites. The District started a planning process to educate people about the sites and is now looking at releasing Requests for Proposals. The three parts of the RFP include: how to divide the parcels for leasing, base costs for bids on the parcels, and proposed advertising through the RFP. The District has been pursuing permits for larger areas. The District has determined minimum costs for each parcel using lease costs in the bay and other places in the country as a basis for determination. Administrative costs will be incurred by the Harbor District and City of Eureka. Ted Kuiper helped compile much of the information. There is a lot of variability in terms of cost. California Department of Fish and Wildlife has been the best source for site lease costs. The District decided to come up with one minimum cost for bidding for intertidal sites. The District has been looking at advertising by notifying existing shellfish growers, putting ads in various magazines, and using an extensive email distribution and mailing list.

CEO said staff is asking the Board to approve the RFP as it has been developed. This does not guarantee the proposers have a lease and the Harbor District does have the right to reject. Staff is looking to distribute the RFP and see what kind of response is received. There is still at least a whole year worth of permitting to do. The response from the RFP will give a strong indication if there is a demand for the property. CEO stated the District does not want to get into tracking production; just simple leases.

Commissioner Dale said there should be some language in the RFP which requires production. Mr. Wagschal said the state does require production on their leases. CEO said even though, the District should include production in the lease.

COMMISSIONER NEWMAN MOVED FOR THE APPROVAL OF RELEASE OF RFP FOR LEASES FOR THE HUMBOLDT BAY MARICULTURE PRE-PERMITTING PROJECT. COMMISSIONER DALE SECONDED.

Commissioner Wilson there should be some communication with the Wiyot Tribe about the RFP and maybe asking them for some comment.

Ted Kuiper thanked District Staff for their great effort and well written RFP. He said he likes how the parcels have been subdivided. The timeline for the proposals should be discussed prior to the release of the RFP. He suggested the comment period should be extended to two periods of 30 days each. There are several publications that would be beneficial to advertise in. Mr. Kuiper suggested the District push back the deadline for receipt of proposals in order to get a bigger response. Subdivisions of subtidal 3, B, and C is recommended. These sites should be cut in half for smaller parcels for flupsy growers.

CEO said this is an ongoing process and is not final. The intertidal sites will go fast, then the District can focus more on the subtidal sites. Commissioner Wilson said proposals will be accepted after the deadline as well.

Commissioner Higgins said an extension would be reasonable with other factors left to the discretion of staff. CEO said there is not a lot of time, so staff is trying to expedite this process. Mr. Wagschal said the end date does have real implications. Commissioner Wilson said he is scheduled to present at the Shellfish Growers meeting.

Todd VanHerpe, Humboldt Bay Oyster Company, asked for more consideration to be given to the smaller operators that could benefit from flupsy sites

Sebastian Elrite, Aqua-Rodeo Farms, said he has been following the process and is pleased with how it is starting to shape up. He would like to see intertidal 2 divided up into smaller parcels. He has 10 acres, but is probably only using 3 acres of it. Smaller parcels mean bigger opportunity for smaller shellfish growers. Commissioner Dale said it is also a good idea for intertidal 1.

Commissioner Wilson asked if staff can slice it up more? CEO said the District has 6 areas at Woodley Island Marina that are small and available to smaller growers. Mr. VanHerpe said the water quality is not as great at the Marina as it is at the other parts of the bay. It is better than nothing, but ideally other areas of the bay would be better. CEO stated these are \$200-\$300/month tideland leases. Staff is thinking to keep the larger sizes, but let smaller growers get together and share the sites. Commissioner Wilson said the District could still have smaller spaces for the same price and there could be a minimum price for acreage. Commissioner Higgins said CEO suggested a collaborative strategy where small growers can get in. It sounded reasonable to him. CEO said extending out another 30 days to the 10th of October would would fit in the schedule..

COMMISSIONER NEWMAN PROPOSED A FRIENDLY AMENDMENT TO EXTEND THE COMMENT PERIOD BY 30 DAYS. COMMISSIONER HIGGINS SECONDED. MOTION CARRIED WITHOUT DISSENT.

F. CONSIDERATION OF ADOPTING RESOLUTION NO. 2014-08, A RESOLUTION ADOPTING AN INITIAL STUDY WITH MITIGATED NEGATIVE DECLARATION AND ADOPTING A MITIGATION MONITORING AND REPORTING PROGRAM FOR THE HUMBOLDT BAY WATER TRAILS PROJECT.

COMMISSIONER WILSON MOVED FOR THE ADOPTION OF RESOLUTION NO. 2014-08, A RESOLUTION ADOPTING AN INITIAL STUDY WITH MITIGATED NEGATIVE DECLARATION AND ADOPTING A MITIGATION MONITORING AND REPORTING PROGRAM FOR THE HUMBOLDT BAY WATER TRAILS PROJECT. COMMISSIONER HIGGINS SECONDED.

District Planner said three sites have been identified. Improvements at Woodley Island, Fields Landing, and Arcata. Moffitt and Nichols was retained to do the CEQA process and responses to the comments are available. The mitigation report has been modified to take into consideration Eelgrass concerns. District Planner recommended the Board accept the adoption of the CEQA documents.

Commissioner Wilson said it is great to have three projects shovel ready.

Commissioner Higgins said this project preceded his joining the Board.

Sebastian Elrite, Aqua-Rodeo Farms, said he is excited about the I Street location in Arcata because he uses that location frequently.

A ROLL CALL VOTE WAS TAKEN:

COMMISSIONER NEWMAN – AYE
COMMISSIONER DALE – ABSENT
COMMISSIONER MARKS – AYE
COMMISSIONER WILSON – ABSENT
COMMISSIONER HIGGINS – AYE

MOTION CARRIED WITHOUT DISSENT.

G. CONSIDERATION OF HUMBOLDT BAY WATER TRAILS PROJECT CEQA DOCUMENTS (SCH#2014052065) FOR ADOPTION.

COMMISSIONER DALE MOVED FOR ADOPTION OF THE HUMBOLDT BAY WATER TRAILS PROJECT CEQA DOCUMENTS (SCH#2014052065). COMMISSIONER WILSON SECONDED. MOTION CARRIED WITHOUT DISSENT.

ADMINISTRATIVE AND EMERGENCY PERMITS: None.


The Regular Meeting of the Board of Commissioners adjourned at 8:58 p.m.

APPROVED BY:



Greg Dale
Secretary

RECORDED BY:



Patricia Tyson
Director of Administrative Services