

PACIFIC CITY JWSA BOARD OF DIRECTORS
BUSINESS MEETING MINUTES

September 5, 2006

Chairman Kellow called the meeting to order at 5:00 pm, in the Authority's meeting room.

Directors present were George Baumgardner, Jack Brooks, Dick Carter and Doug Olson.

Guests present were Betty Robinson, Carolyn McVicker, Larry and Ilean Rouse, John Tenny, Jack Doyle, Anne Price, Jeff Schons, Mary Jones and Daryl Jimerson.

MINUTES:

A. 08/01/06 Business Meeting Minutes.

Motion

Director Brooks moved to approve the 08/01/06 Business Meeting Minutes. Director Baumgardner seconded, and the motion carried with five ayes.

B. 08/15/06 Brooten/Resort Bid Opening.

Motion

Director Brooks moved to approve the 08/15/06 Brooten/Resort Bid Opening Meeting Minutes. Director Carter seconded, and the motion carried with five ayes.

C. 08/22/06 Brooten/Resort Bid Award.

Motion

Director Brooks moved to approve the 08/22/06 Brooten/Resort Bid Award Meeting Minutes. Director Carter seconded, and the motion carried with five ayes.

FINANCIAL REPORT

A. Accounts Payable: 8/15, 8/28 & 9/5/06.

Motion

Director Brooks moved to approve the payables for 8/15, 8/28 & 9/5/06. The motion was seconded by Director Baumgardner, and carried with five ayes.

B. Fiscal Year 2005-2006.

As presented.

C. Fiscal Year 2006-2007

As presented

MANAGER'S REPORT

Mr. Owen stated that the DEQ permit approval is going well and that DEQ is dropping some of the monthly testing requirements during the summer months which will save PCJWSA about \$400 to \$500 per month.

Mr. Owen reported that there was another blockage in the discharge line and that it should be replaced this winter with a new 4" or 6" line.

Mr. Owen informed the Board that a pump in well #2 failed on August 26th and Cascade Waterworks had it replaced by August 30th.

Mr. Owen reminded everyone present that the Household Hazardous Waste event would be held at the WWTP on September 9th from 9:00 am to 3:00 pm.

Mr. Owen said that the Solita/Fisher sewer line was cleaned and inspected and that some damage was found, not due to current construction, but that of original installation. Mr. Owen continued that instead of replacing the line in place, a new line between two different manholes could be done avoiding the sewer line being under 12' – 13' of fill.

UNFINISHED BUSINESS

A. Pacific Sunset Development

Mr. Owen reported that part of the lift station building was constructed without contacting PCJWSA. Mr. Owen said that the lift station has not been reviewed or approved by the DEQ which means that PCJWSA cannot give final approval for the development. David Mann who does the review work for DEQ has been out of the country for several weeks and although he has returned it is not known what his workload is and when the review can be performed.

B. Bond Levy Advisory Committee

Mr. Owen stated that on August 30th the bond levy was filed with the Tillamook County Clerk and the official ballot measure is #29-100. The bond levy measure of 5.5 million dollars would be before the voters on November 7, 2006. Mr. Owen reported that a flyer will be designed and mailed and the website will be updated. Mr. Owen suggested a meeting with the Board and Advisory Committee be scheduled to discuss the objectives of the next two months. After discussion Mr. Owen said the meeting would be scheduled for September 12, 2006 at 5:00 pm.

C. Brooten/Resort Waterline Project

Mr. Owen reported that the project started September 5th. Oregon Underground is in the process of doing locates and will start laying 12" pipe on September 6th.

D. Cape Kiwanda Lodge and Spa

Director Olson declared a conflict of interest and stated that he would not participate due to the fact that he has leased his business to one of the Nestucca Ridge Development operating entities and in addition he has a contractual arrangement with the Nestucca Family Foundation of which Jeff Schons is a part. Director Olson also stated that one of the most important things to be done in the next few months is to pass a bond levy and he did not want to jeopardize that with his participation.

Mr. Owen said he would recap and give recommendations based on his understanding of what the project entailed. Mr. Owen stated the issue has been brought before the Board of Directors because he and the developers disagree on how to identify the units.

Mr. Owen continued that three years ago PCJWSA issued an availability letter for the Lodge and Spa. The Lodge was to include a restaurant, swimming pool, exercise room and twenty three hotel units along with three separate buildings referred to as cottages. Each cottage was to have six hotel rooms so the total planned for the project was forty one. In October 2003 Nestucca Ridge applied for and paid for four water services for the hotel and lodge. SDCs were approved based on PCJWSA's understanding of the project as a hotel at that time. The services included a 2" line which would service the lodge and spa and three 1" lines for the cottages. No activity happened until 2005 when Nestucca Ridge applied and paid for an extension for those SDCs. In June 2006 Nestucca Ridge came to PCJWSA and applied for a second extension for the sewer SDCs because the buildings were not constructed yet. Mr. Owen said it was then that he was informed that the project had changed. Mr. Owen said that his understanding was it had moved from being a hotel unit to a timeshare – condominium townhouse type of development. Mr. Owen stated that he wrote a letter to the developers saying that based on PCJWSA's understanding of the project, each of the units would be required to pay an individual SDC charge for water and sewer and that each unit would have its own water meter. Mr. Owen said that it was his feeling that the SDCs

would be based on what they paid for them and not what the current value was. Mr. Owen also said prior situations have occurred where this has not been the case and it wasn't until this particular project came up that he started thinking about that issue. Mr. Owen continued that the developers in subsequent conversations disagreed with his assessment and position.

Mr. Owen stated that two weeks prior he had a conversation with Bill Campbell of Tillamook County and shortly before tonight's meeting received a letter from Nestucca Ridge in regards to some of the issues in PCJWSA's letter. Mr. Owen said that his understanding, after conversing with Mr. Campbell, was that the entire development was going back before the Planning Commission for review and approval. Input would be required from PCJWSA along with additional availability letters for water and sewer.

Mr. Owen said that that different cities and districts handle SDCs differently; no two cities or districts are the same. Mr. Owen stated that his recommendations after discussing this issue with some of the board members, Jeff Schons, Mary Jones and Ray Bartlett were as follows:

1. PCJWSA should define each unit as being owned individually, privately held in fractional units, which would be similar to a condominium or townhouse like in Shorepine Village that currently has individual meters. It should be noted that each units SDC can be applied for and paid as they come on line.
2. Mr. Owen stated second, looking at the overall health of the district financially, PCJWSA needs to look at assigning a SDC value based on what was paid and not what the current value is. If someone wants to upgrade their meter from 3/4" to 1" the value of that service should remain what was originally paid for and not current value. Mr. Owen stated that there has been occasions in the past in which that was not the case; in fact, credits had been given for current value. Mr. Owen said he believes that was a mistake.
3. Mr. Owen reported that currently there are four water meters in and they are being billed on a monthly basis. Mr. Owen continued that along with the water SDCs they originally paid in 2003 they also paid sewer SDCs for all of the units in the buildings. Mr. Owen suggested that because the project has changed that PCJWSA refund the money of \$42,705.00 plus the interest that PCJWSA has earned with the local government investment pool which is about \$3000.00 and have the developers reapply for sewer and additional water they need for their development, if any, after they are finished with the Tillamook County Planning Commission.

Mary Jones stated that they provided their input in writing and key to this discussion is that the letter from Bill Campbell that says the use has not changed, that it is still hotel, commercial use, whether it is sold fractionally or not. Ms. Jones stated that they have not applied for a zone change and it is not zoned residential, it is commercial. Ms. Jones continued that in the past you have not approached the value of a connection as to what somebody paid and she can provide examples of that. Ms. Jones said that it was

not necessary to dwell on that issue but that it did not make sense; investments are worth more today than they were yesterday.

Jeff Schons added that based on history, the Pub, purchase in 1996 was upgraded from a 3/4" to a 1" line and it said on the application that it was an upgrade and it was very clear that it wasn't a mistake and it has happened several times since.

Ms. Jones said that the other point she wanted make is the approval process at the county is an alteration to their existing conditional use; it is not a new approval so if NRD does not receive approval on the alteration it reverts back to what was originally planned. Ms. Jones stated she does not believe NRD should be paid back sewer SDCs and have to start over.

Mr. Schons said that it a little confusing; it is a relatively new, form of doing business.

Mr. Owen asked if Mr. Schons could explain in detail what the units actually are. Mr. Owen said that in his mind they are individual units, each one requiring separate water meters and separate sewer services.

Ms. Jones said that are many ways to explain it but the simplest is that they are motel units where you prepay for your stay. The association of owners pays all of the costs, owns the property and buildings, they collect reserves for the eventual replacement and maintenance and they pay the utilities. Director Carter asked who is on the title, the individuals or the corporation. Ms. Jones stated it would be an undivided interest in real estate, so she didn't know how Tillamook County would handle it but it would probably be the association of owners. Chairman Kellow asked how it differed from a timeshare or did it? Ms. Jones answered that it doesn't differ from a timeshare necessarily, although there are numerous ways to do timeshares.

Mr. Owen stated that it was his understanding the units were not going to be owned by Nestucca Ridge Development, they would be owned by potentially seventeen different owners per unit. Ms. Jones replied that it would be owned by up to 306 share holders. Mr. Schons stated that following that logic though they could form an LLC and sell 306 memberships in the LLC, it's a form of financing. Director Baumgardner asked who the check would come from to pay the water and sewer bill. Ms. Jones said the owners association.

Mr. Schons said when Mr. Owen brought up this point of view he started thinking maybe NRD should go along with the 32 connections and pay for them instead of one or two commercial packages but, it turned into calling it residential when it isn't. Mr. Schons stated that he hoped to come to a more reasonable kind of middle ground conclusion.

Director Baumgardner said that he had first been on the sewer board in 1994 and didn't recall there has ever been a situation like this before or discussing a situation like this. Director Carter stated that he

also didn't think there had ever been any discussion about such a situation. Jeff Schons replied it is new ground.

Director Kellow stated the article in the newspaper seemed to describe the proposed alteration as shifting from hotel usage or room rental to more of an individual or condominium style of development in which there were different scenarios. Director Kellow continued that it was difficult to determine which it was. Mr. Schons replied it was difficult because the NRDs plan was to lay a condominium plat over each building. There would be an individual unit NRD would sell 1/17th undivided interest in a tax lot.

Mr. Schons said he had asked both Chairman Kellow and Mr. Owen to acknowledge that PCJWSA ordinances don't specifically deal with this and come up with an agreement amongst the parties that works for everybody. Mr. Schons continued that it was done with The Inn at Cape Kiwanda back when NRD bought that property. Mr. Schons said that he told Chairman Kellow and Mr. Owen that work needs to be done on the PCJWSA ordinances to deal with timeshare projects, fractional ownership projects and commercial condominium projects which are going to be seen in the future.

Chairman Kellow stated that there was a lot of information to consider and rather than making an immediate decision, time is needed to study the situation and possibly reach a resolution at the October meeting. Director Carter asked Mr. Schons if delaying the decision a month would hamper their development. Mr. Schons replied that the only thing that could hurt the project is whether there is a disagreement over sewer availability for the project. Mr. Owen stated there is no problem with issuing a sewer and water availability letter. Mr. Schons said it could wait until October. Mr. Owen asked the board permission to gather relevant information on the subject and send it to Mr. Bartlett for his input. Director Carter said he would appreciate Mr. Bartlett's opinion particularly how the units are held in title. Mr. Owen stated that in his conversation with Mr. Bartlett two weeks ago regarding this project Mr. Bartlett asked specifically how the units were going to be held. Mr. Owen said that he told Mr. Bartlett that they were going to be fractionally owned units with potentially seventeen different owners per unit. Mr. Owen said that Mr. Bartlett's initial response was that it sounded like a condominium project and would require separate sewer SDCs. Mr. Owen stated that maybe further explanation, along with the information from Mr. Schons, Ms. Jones and Mr. Campbell, could change that opinion. Director Carter and Chairman Kellow agreed. Mr. Owen also suggested that if Mr. Bartlett had specific questions about the project he should be able to call Mr. Schons and Ms. Jones directly. Mr. Schons and Ms Jones said that was acceptable to them.

Motion

Director Brooks moved to table this issue, gather further information, to seek counsel from Ray Bartlett and to extend the SDC extension until the October Meeting. Director Carter seconded, and the motion carried with four ayes.

NEW BUSINESS

None

GUEST QUESTIONS AND COMMENTS.

Mr. Doyle asked if there was a meeting with the Board of Directors, Mr. Bartlett, Mr. Schons and Ms. Jones, if it would be an open meeting. Mr. Owen responded in the affirmative.

Mr. Rouse suggested that the decision should be as Mr. Schons suggested, that it is not making a deal, but is a guideline for all projects in the future. The position should be stated clearly so that the community and new developments understand it. Director Carter agreed but stated that at the same time there is no way that PCJWSA can cover all of the new issues that keep popping up.

Mrs. Rouse said that she appreciated the tabling of the decision because she believes that there is more to be learned from the county about going from a minor review to a major review. Mrs. Rouse also said that she is a member of the CPAC group which is in the process of completing their bylaws and that when the CPAC is approved by the community, that the CPAC and PCJWSA should work very closely together.

CHAIRMAN/DIRECTOR COMMENTS

None

Chairman Kellow adjourned the meeting at 5:58 pm.

The PCJWSA Board of Directors approved these minutes on November 7, 2006 by the following votes:

Aye_____ Nay_____ Abstain_____ Absent_____

ATTEST:

Doug Kellow, Chairman

Tony Owen, Authority Manager