

W. G. B.

Memorandum Date: December 27, 2006
Order Date: January 10, 2007

TO: Board of County Commissioners

DEPARTMENT: CAO, Community and Economic Development

PRESENTED BY: Mike McKenzie-Bahr, C&ED Coordinator

AGENDA ITEM TITLE: ORDER/IN THE MATTER OF AUTHORIZING AN ECONOMIC DEVELOPMENT GRANT FROM VIDEO LOTTERY STRATEGIC OPERATING RESERVE FUND IN THE AMOUNT OF \$100,000 FOR TYREE OIL COMPANY AND AUTHORIZING THE COUNTY ADMINISTRATOR TO SIGN CONTRACTS RELATED TO THE PROJECT.

I. MOTION

Award \$100,000 in Video Lottery Contingency Funds to Tyree Oil Company and authorize the County Administrator to sign the project contracts.

II. AGENDA ITEM SUMMARY

The Economic Development Standing Committee is requesting the Board of Commissioners approve the award of \$100,000 of video lottery Strategic Operating Reserve Funds to Tyree Oil Company for construction costs to build a new fuel distribution facility in Lane County.

The County's money would be used to leverage a \$100,000 forgivable loan from the Strategic Reserve Fund that the State has approved contingent upon this \$100,000. The \$100,000 would be used for construction costs related to having a rail line extended, spurs and landings built out for loading and reload capabilities and transporting product to market. Anticipated work on the rail line includes ground preparation, construction of rail spurs, car docks, landings and product staging areas. The project enables Tyree Oil to create a new distribution network for alternative fuels in southern Oregon.

This project will create 6 new jobs.

The Lane Metro Partnership is assisting with the project.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

The EDSC unanimously voted (4-0) at its November 9, 2006 meeting to send this request to the Board of Commissioners. Since the application was submitted between the two grant cycles, it was held until this time in order to be brought forward as part of the Economic Development Grant Open Proposal Cycle.

The Economic Development Grant Open Proposal Cycle for the award of video lottery strategic funds officially began with the Board of Commissioners action on December 12, 2006 to award funding in the Economic Development Grant Initial Cycle. That action closed the Initial Cycle and allowed grant applications to come forward in the Open Proposal Cycle.

Following the meeting, staff placed an announcement in the Register-Guard newspaper notifying potential applicants that funding is available in the Open Proposal Cycle. (The ad is an attachment to this agenda item). The announcement sought letters of interest from businesses, organizations or agencies that were interested in applying for up to \$200,000 in funding to deliver the economic development services of job creation or workforce training.

Under the Open Proposal Cycle guidelines, letters of interest were due by January 2, 2007. We received two letters. One was the reconfirmation that the Tyree Oil Company is still seeking this funding. The second letter of interest may be withdrawn and we are moving forward with the process assuming that will be the case.

If the second letter of interest is not withdrawn, they will have until January 16 to submit a grant application. If an application is submitted, it will be reviewed by the Economic Development Standing Committee at its January 25 meeting. If it is recommended for funding, then both that project and the Tyree Oil project will be brought to the BCC at the same time.

The request for funding before you today is submitted by the Lane Metro Partnership on behalf of Tyree Oil.

Tyree Oil, Inc. began business in 1988 in Eugene, Oregon to distribute petroleum products for commercial and industrial customers. The company expanded by opening additional facilities in Roseburg, Coos Bay, and Reedsport, and has constructed facilities, purchased buildings and negotiated long-term leases for its operations. Tyree Oil has a total of 57 full-time equivalent employees. The company had annual sales last year of \$100 million and projects sales for 2006 at \$120 million.

Tyree Oil proposes to consolidate several of the company's small Eugene facilities onto a 12-acre brownfield site in west Eugene. The brownfield issues have been resolved and the 8-acre project site is clean and ready to go. Tyree anticipates having some lease income from adjoining property in the future which

will also bring new business investment dollars and tax revenue as well as new jobs to Lane County.

Tyree Oil, Inc. is seeking \$100,000 from the County to assist with construction of a new facility that will be the central receiving and distribution point for all of Tyree Oil products in the southern Oregon market. Specifically, the money will be spent to extend the existing rail line to serve this project and the adjacent 5 acres.

Anticipated work on the rail line would include ground preparation, construction of rail spurs, car docks, landings and product staging areas. Tyree Oil anticipates a cost of \$250,000 to \$300,000 for the rail extension part of this project.

The adjoining 5-acre property is also owned by Tyree Oil, which is currently attempting to negotiate a lease to a complementary natural resource company. The new Tyree Oil facility and the Lessee (as yet un-named for company confidentiality purposes) will need to have the rail line extended, spurs and landings, for loading and reload capabilities and to transport product to market. This will greatly improve the efficiency of the company's operations for all products, particularly the emerging alternative fuel markets and will provide the basic rail transportation infrastructure that will enable the retail availability of alternative fuel products throughout southern Oregon and it will also enable the lessee of the 5 acre parcel to conduct its business and create jobs.

On October 9, 2006, Governor Ted Kulongoski signed approval of a \$100,000 forgivable loan through the Strategic Reserve Fund contingent on matching grant funds from Lane County. Other matching funds, grants and loans for this project include:

- Company minimum investment \$3.5 million.
- EPA grant of \$400,000 through partnership with LRAPA
- Low-interest loan from the city of Eugene up to \$500,000
- The Project is within the West Eugene Enterprise Zone and the company is submitting an application with the intent of seeking the five-year benefit.
- Tyree Oil will also be submitting an application for the State of Oregon Business Energy Tax Credit.
- The site is a brownfield redevelopment site, the former mill site of Triangle Veneer and McKenzie Forest Products.
- All earned SDC credits are being applied to the Tyree Oil project.

B. Policy Issues

The Board of Commissioners must decide: is this project worthy of funding from Lane County's Video Lottery Strategic Operating Contingency?

C. Board Goals

The awarding of video lottery funds for job creation meets the Board's goal to "Work for a strong regional economy to expand the number of family-wage jobs available in Lane County."

D. Financial and/or Resource Considerations

The project is the first project to come in under the 2006-2007 Open Cycle for video lottery funding.

After the awards made in the Initial Cycle, there is still \$200,000 available in the Strategic Operating Contingency. Awarding this project would leave \$100,000 available in the Strategic Operating Contingency

E. Analysis

Retention and creation of family wage jobs is one of the two priorities for the use of the video lottery funds. (The other priority is job training).

The cost per job appears to be consistent with goals for achieving median family income.

This plant should also build on the reputation of Lane County as a place that is conducive and friendly to sustainable businesses.

The Video Lottery Strategic Operating Contingency Fund is designed to be used when projects with merit arise. This is one of those projects.

F. Alternatives/Options

- 1) The Board could approve the ORDER implementing the EDSC recommendation for funding of the Tyree Oil Company Project.
- 2) If the Board has concerns about the project it could delay this request until those concerns are addressed.
- 3) The Board could determine that it is not in the best interest of Lane County to award funding to this proposal.

IV. TIMING/IMPLEMENTATION

If the Board approves this request, a contract will be finalized with Tyree Oil

Company. Construction on the facility is scheduled to begin April of 2007. The project scope of work is estimated to be complete by March 31, 2008.

V. RECOMMENDATION

The initial request for funding came from the Lane Metro Partnership, which is working with Tyree Oil on project funding.

The EDSC and the Community and Economic Development Coordinator recommend the Board approve the use of \$100,000 in Video Lottery Contingency Funds for construction development of Tyree Oil Company and authorize the County Administrator to sign the project contracts.

VI. FOLLOW-UP

If approved the contract will be finalized immediately and sent through the County review process. Staff will keep the EDSC updated with project progress and work with LMP to monitor the project for contract compliance.

VII. ATTACHMENTS

- A: Board Order
- B: Project Proposal from Lane Metro Partnership
- C: Economic Development Grant Open Proposal Cycle Legal Notice

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO.) In the Matter of AUTHORIZING AN ECONOMIC
) DEVELOPMENT GRANT FROM VIDEO LOTTERY
) STRATEGIC OPERATING RESERVE FUND IN THE
) AMOUNT OF \$100,000 FOR TYREE OIL COMPANY
) CONSTRUCTION DEVELOPMENT AND AUTHORIZING
) THE COUNTY ADMINISTRATOR TO SIGN CONTRACTS
) RELATED TO THE PROJECT.

WHEREAS, Lane County has goals and objectives to promote economic development through job creation and creation of family wage jobs, and

WHEREAS, The Board of County Commissioners has held in reserve video lottery economic development funds for opportunities that require immediate action in order to leverage jobs and other funds, and

WHEREAS, Economic Development Standing Committee (EDSC) has reviewed the proposal from the Lane Metro Partnership and Tyree Oil Company and recommends that this project be funded from the Strategic Operating Contingency, and

WHEREAS, the Board of County Commissioners has reviewed the proposal and found that time is of the essence in supporting this proposal and it is in the public interest to provide funding for this project; NOW, THEREFORE, IT IS HEREBY:

ORDERED that the Tyree Oil Company proposal is awarded \$100,000 from the Economic Development Grant Open Proposal Cycle, and

FURTHER ORDERED that \$100,000 be transferred from the Strategic Operating Reserve Fund (General Expense Operational Contingency) to the Strategic Investment Fund (Agency Payments) within the Special Revenue Fund, to fund the project, and

FURTHER ORDERED that a grant contract be executed with Tyree Oil Company in the amount of \$100,000 for the immediate development and implementation of the Tyree Oil Company project, and

FURTHER ORDERED that the County Administrator is authorized to sign the contract with Tyree Oil Company.

Signed this 10th day of January, 2007.

Faye Stewart , Chair
Lane County Board of Commissioners

APPROVED AS TO FORM
Date 1/5/07 lane county
[Signature]
OFFICE OF LEGAL COUNSEL

Lane County Economic Development Project

Section 1

Proposal Cover Page

Grant Amount Requested: \$100,000 Match Amount proposed: \$3.5 million

Please select the appropriate application box:

[X] Video Lottery Opportunity Reserve Fund

[] 2006-07 Initial Proposal Cycle

[X] 2006-07 Open Proposal Cycle

Project Focus (Required - select one category of economic development):

[X] Business development, [] Workforce development

PROJECT TITLE: Project Big Barrel (Tyree Oil Company)

Principal Project Organization: Lane Metro Partnership on behalf of Tyree Oil Company

Address 1401 Willamette Street 2nd Floor

Eugene, OR 97440

Project Contact Person: Glenda Poling

Phone: 541-242-2370 **Fax:** 541-686-2325

E-mail: Glenda@lanemetro.com

Person/Agency preparing fiscal reports Lane Metro Partnership / Tyree Oil

Title: _____

Address _____

Phone: _____ **Fax:** _____

E-mail: _____

Signature of Applicant and each Partner included in Proposal (Copy and Use additional sheets as needed)

Signature

Jack Roberts

Typed name/Title

November 1, 2006

Date

Lane Metro Partnership

Applicant Organization

BACKGROUND

Tyree Oil, Inc. began business in 1988 in Eugene, Oregon to distribute petroleum products for commercial and industrial customers. The company expanded by opening additional facilities in Roseburg, Coos Bay, and Reedsport, and has constructed facilities, purchased buildings and negotiated long-term leases for its operations. Tyree Oil has a total of 57 full-time equivalent employees. The company had annual sales last year of \$100 million and projects sales for 2006 at \$120 million.

The company recently began to distribute alternative fuels such as biodiesel, ethanol, etc. Currently, there is only one retail outlet south of Salem near Lane Community College for alternative fuels. This is the Sequential Biofuels station in Eugene which is supplied by Tyree Oil with biodiesel and ethanol products. The Sequential owners credit Ron Tyree for mentoring them along from a mere concept to full build out of the first alternative fuels station in Lane County Oregon. Tyree Oil sees a future and growth in alternative fuels and is working to increase product availability. This project would assist in the creation of a new distribution network for alternative fuels in southern Oregon.

As interest in alternative fuel such as biodiesel and E85 ethanol grows and usage increases, existing jobs will be retained by this cutting-edge business venture. The company anticipates that at least six new jobs will be created in the first year. Tyree Oil is sure to advance alternative fuels with their innovative approach and the expertise they bring to the industry. Job creation and retention is directly related to the company's success in gaining a competitive advantage in the emerging alternative fuels industry.

PROJECT

The new facility will be the central receiving and distribution point for all of Tyree Oil products for distribution in the southern Oregon market. Tyree Oil proposes to consolidate several of the company's small Eugene facilities onto a 12-acre brownfield site in west Eugene. The brownfield issues have been resolved and the 8-acre project site is clean and ready to go. Tyree anticipates having some lease income from adjoining property in the future which will also bring new business investment dollars and tax revenue as well as new jobs to Lane County.

The adjoining 5 acre property is owned by Tyree, which is currently attempting to negotiate a lease to a complementary natural resource company. The new Tyree Oil facility and the Lessee (as yet un-named for company confidentiality purposes) will need to have the rail line extended, spurs and landings, for loading and reload capabilities and to transport product to market. This will greatly improve the efficiency of the company's operations for all products, particularly the emerging alternative fuel markets and will provide the basic rail transportation infrastructure that will enable the retail availability of alternative fuel products throughout southern Oregon and it will also enable the lessee of the 5 acre parcel to conduct its business and create jobs.

The Lane Metro Partnership, on behalf of Tyree Oil Company and its potential Lessee, requests a \$100,000 grant allocation from Lane County's video lottery opportunity reserve account. The money will be spent to extend the existing rail line to serve this project and the adjacent 5 acres. Anticipated work on the rail line would include ground preparation, construction of rail spurs, car docks, landings and product staging areas. Tyree Oil anticipates a cost of \$250,000 to \$300,000 for the rail extension part of this project.

On October 9, 2006, Governor Ted Kulongoski signed approval of a \$100,000 forgivable loan through the Strategic Reserve Fund contingent on matching grant funds from Lane County. Other matching funds, grants and loans for this project include:

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- Tyree Oil will also be submitting an application for the State of Oregon Business Energy Tax Credit.
- The site is a brownfield redevelopment site, the former mill site of Triangle Veneer and McKenzie Forest Products.
- All earned SDC credits are being applied to the Tyree Oil project.

ANTICIPATED RESULTS

This project contributes to the Governor's and Commissioners goal of increasing the use of alternative energy products in Lane County and through-out Oregon. The project also develops and provides significant rail infrastructure and improvements in a brownfield site in west Eugene, a former wood products facility.

RECOMMENDATIONS

The Oregon Economic and Community Development Department is offering Tyree Oil a forgivable loan of \$100,000 from the Strategic Reserve Fund to assist Tyree Oil, Inc. in their expansion to purchase bulk handling equipment, warehouse equipment and lubricant re-packaging equipment. Construction on the facility is scheduled to begin April of 2007. The project scope of work is estimated to be complete by March 31, 2008.

Lane Metro Partnership's recommendation is for Lane County to grant \$100,000 to match the \$100,000 committed by the State of Oregon's Strategic Reserve Fund. The Lane County grant will assist Tyree Oil, Inc. in extending the rail line to its adjoining property. The rail extension is necessary for conducting business from both companies, Tyree and the Lessee.

Legal Notice

Date of Publication: December 17, 2006

Contact: Mike McKenzie-Bahr 541-682-4118 for Credit Card info

REQUEST FOR PROPOSALS

The Lane County Administration Department, Community and Economic Development Program is seeking respondents interested in applying for up to \$200,000 in funding to deliver the economic development services of job creation or workforce training. Letters of interest (LOI) describing the project will be accepted from potential applicants for a period of two weeks from the publication of this notice. If a LOI is received in the designated period, all interested parties who responded to the LOI will be sent notice that two additional weeks from the date of the letter will be allowed to submit their complete proposal(s) under the Open Proposal Cycle guidelines in the RFP.

To qualify for funding, respondent must be an equal opportunity employer and must be licensed to perform the work proposed in the applicant's proposal. In the event a proposal includes public improvements as defined in Oregon Revised Statutes ORS 279A.010 (aa), the applicant must comply with all applicable provisions of ORS 279A and ORS 279C.

Proposal packets will be available at the below address beginning at 9 a.m. on December 18, 2006 or on the web at http://www.lanecounty.org/CAO_EconDev/default.htm. Lane County may reject any proposal not in compliance with all prescribed public selection procedures and requirements and may reject for good cause, any and all proposals upon a finding that it is in the public interest to do so. For further information contact Mike McKenzie-Bahr at (541) 682-4118.

Letters of interest can be delivered to the following address: 2007 Open Proposal Cycle: Lane County Administration Department, 125 E. 8th Avenue, Eugene, Oregon, Attention: Mike McKenzie-Bahr, Community and Economic Development Coordinator.