

**March 4, 2015, Senate Bill 11, Senate Committee on Environment and Natural Resources
Testimony and remarks of Floyd Holcom, Astoria, Oregon**

Chair, Sen. Chris Edwards

Vice-chair, Sen. Alan Olsen

Members

Sen. Michael Dembrow

Sen. Floyd Prozanski

Sen. Chuck Thomsen

Chair Edwards, Vice Chair Olsen and Senatorial Members, Dembrow, Prozanski and Thomsen. My Name is Floyd Holcom, a native Oregonian, Born in Astoria and with my wife, and children, the recent owners of the Hanthorn Cannery in Astoria, Oregon. My Testimony today is one of vital importance to the continued operation and continued restoration of one of Oregon's most Historical Treasures, the 140 year old Hanthorn Cannery at Pier39-Astoria.

My Short Remarks today will be broken down in three areas and a portion of my written testimony, which I will be leaving with you for record:

1. History of the Hanthorn Cannery
2. The Economics of Historical Renovation
3. Interactions with the Department of State Lands

History of the Hanthorn Cannery and the Fishing and Fish Canning Industry.

In my opening statement I mentioned we are the recent owners of the Hanthorn Cannery, as JO Hanthorn, Built the subject Cannery on an Island of the shores of Astoria, Oregon in the Columbia River in 1875, only 10 years after the Civil War, 16 years after Oregon became a State and where it remains to this day. One only has to read and the refer to history at the Oregon Historical Society of JO Hanthorn's contribution to Oregon's History, but let me indulge why this particular Story is so important. You see, Hanthorn was a visionary and not only built the cannery, but he coordinated the development of the Columbia River Packers Association, won numerous awards of Canned Salmon production, and is key figure of the Cultural and Industrial History of our State.

From 1875 to 1897, when the Railroad was connected to Astoria, and as a Railroad stock owner Hanthorn assisted in the creation of the Columbia River Packers Association and built the first over water industrial railroad spur to his plant, still seen to this day, sending salted and canned Salmon to their market which spanned across America. By 1920, the CRPA discovered a species of Fish, and canned it at the Hanthorn Cannery, as it was then and up to 1981 known as "The Skunk Works" of the Bumble Bee/CRPA. They liked it, labeled with one of their Brands, Bumble Bee and of course, you know that Bumble's Albacore Tuna surpassed Salmon Sales by World War 2. To this Day, Bumble Bee Tuna is well known and with these efforts, it was canned and created at the Hanthorn Cannery.

By 1956, the CRPA controlled the World of Fish and Astoria then became the World Headquarters of Bumble Seafood and was a large Industrial figure in Oregon, but unfortunately moved its Headquarters from Astoria for San Francisco in 1981. But not before being one of Oregon's Largest Employers putting generation of kids through college and keeping thousands of fisherman and Cannery workers employed. 1981, Astoria Seafoods and then Crystal Ocean Seafoods kept the Hanthorn Cannery continually

operational until 2002. How did I come to purchase such historical, iconic structure? It was at the advice of, then Director of DSL, Anne Hanus. Crystal Ocean Seafoods went bankrupt and after a Cake cutting event at the State Land Board with then Governor Kitzhaber in 2001, Director Hanus asked me to confirm if this old cannery building was about to fall in the water. I was a consultant at that time, landing submarine cables to Oregon's Shore and just created Goal 19, which included a law that this legislative body passed to attract Submarine Fiber Optic Cables to Oregon Shores. This new administrative rule that I helped Dr. Jeff Kroft write allowed DSL to set \$250,000.00 per cable as a fee to the common school fund for every cable that lands in Oregon. We acquired the historic building from Honda Finance, and I was called up to the Iraq War, where I served as a Army Special Forces Operator in the liberation of Baghdad, Iraq only to return 13 months later to start the restoration project of the Hanthorn Cannery in late 2003/2004, 11 years ago. As a veteran owned business, it has been a large portion of Astoria's resurgence of tourism success. Never in my wildest dream would I believe that DSL would forget its mission to preserve the public trust and attempt to scalp the success of Historic renovation.

Economics of Historical Waterfront Building Restoration

Our Family to date has invested our life savings in to the restoration of the cannery. Our initial DSL lease was for 15 years, which we adopted from the purchase of the Cannery, and had an additional 15 year option, which we have exercised and rejected last year by DSL. We initially protested a lease from the State DSL, as Hanthorn had a title to the Tide lands and Submersible Lands, which was before DSL was created and of course, that also was rejected by DSL. The Cannery was built on an Island, which DSL does not recognize as non-submerged lands. We have upland preference to the ownership of the structure, which seems to be a distraction to the new land managers of DSL. From a \$150.00 a year DSL lease in 1981, to more than a proposed \$3,500 a year in 2002, to a proposed tripling of this to the near \$18,000 a mark.

Imagine if you will, buying a house on an Island with a 30 year fixed mortgage, and at the 15 year mark, the bank comes in and says, we are tripling your payment requirements, without notice! It's not feasible and in most cases, unaffordable, and that is what DSL has done. DSL is asking for more annual money than the annual Taxes we currently pay. The current demands by DSL has placed our financing in jeopardy and the entire project into a questionable economic future.

The Investment in the restoration and the incubation of businesses in a Historical Building is critical to the long term maintenance and financial survivability of the building itself. The Creation of a 501c3, the Hanthorn Cannery Foundation in 2004, was critical in the restoration efforts as well as the development of the educational free museum that interprets the History of the Canning Industry, the only one of its kind in Oregon. The Hanthorn Cannery Foundation provides a reunion each year to celebrate this strong cultural heritage. The Hanthorn Cannery from an abandoned Cannery Building to now containing of more than 100 employees operating with 20 businesses has been a large positive impact on Astoria's economy. As a landlord, the business can not survive if a government agency turns around and triples a lease fee in the middle of a long-term project. It just does not work with the overhead numbers, and it is not sustainable to keep overhead low in such a challenged investment, especially in such a Historic Structure built over water, 140 years ago.

There is no question that we all support the foundations of the Common School Fund, but Education includes History and I argue that the Hanthorn Cannery provides more economical education benefit

yearly than the total amount the DSL is trying to get though its increased lease fees at the Hanthorn Cannery.

If it's true that Rural Clatsop County contributes more waterway lease fees to DSL's Commons School Fund than any other County in Oregon, why is it that Clatsop County schools are so poorly funded?

DSL and the Land Board's relationship to property owners and Historic Waterfront Structures.

In 1859, Oregon received its authority to own submersible and submerged land under the equal footing doctrine. Unlike the State of Washington where upland owners preserved their right to submerged lands, Oregon held the lands in Public Trust. In this present day opinion, Historical Structures must be or eligible for registered with the Federal Government as a National Historic Structures to be eligible for DSL to provide a low lease, currently at \$300, but it can not be a commercial use. However, this is contrary to the equal footing doctrine as Oregon Historic Buildings must be first declared Historic in the State of Oregon, and Recognized as Eligible for National Registration. This gray area needs to be erased as the State Laws are Oregon State Laws and to invoke a federal recognition by definition removes the equal footing of Oregon in the definition of Historic.

DSL has an important mission to the preservation of Oregon lands to the betterment and within the guidelines of the Public Trust, to support the Common School Funds. To not recognize a building like the Hanthorn Cannery as Historic is, in our opinion, questionable at best and places the entire mission of DSL at risk. To send a letter to a historic leaseholder and demand that you follow the lease guidelines or remove your historical structure within 30 days is contrary to the State Historical Preservation Office goals and Statues and I argue, questionable to the Public Trust.

An easy solution to this issue would be to modify this Bill in removing the requirement of the necessity that in order for a leasehold to be historic it needs National recognition and allow commercial uses. Unfortunately, DSL recently changed OARs to exclude Historic Structures if not used for commercial or Not for Profit Uses midstream during our renovation and sees no allocation for grand fathering these OARs to when we started the project, which has been detrimental to our ownership. The challenge with Historic structures is if you do not have paying tenants, you can not feasibly maintain the Historic Structure, especially if its 140 years old and above the Columbia River. Grants and donations rarely are enough to meet the annual high costs of renovation and maintenance of overwater historical structures.

Conclusion: I ask that you save our ability to accomplish our mission and move this Bill to the Senate Floor for a Successful Vote and protect Oregon Historical and Cultural Asset from egregiously overcharged DSL annual Fees. Questions?

REFERENCES:

ML 662, DSL Lease with NBSD, LLC signed 4/1999

JO Hanthorn, "The Oregonian's Handbook of the Pacific Northwest", 1894 pg. 296

ORS Chapter 274

DSL Division 82, OAR 141-082-0000

"(e) Historical vessels or structures not eligible for registration and owned by non-profit organizations (limited to youth-oriented, historical, educational, or scientific organizations). The annual lease compensation is \$300 (which will be increased each year on July 1st by three percent) per year per structure or combination of structures at a single location or facility."

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