

**Gary Paxton Industrial Park
Board of Directors Meeting
March 25, 2015 - 6:00 PM
Maksoutoff Room – Harrigan Centennial Hall
Minutes**

A. CALL TO ORDER: The Acting Chair called the meeting to order at 6:05 pm.

B. ROLL CALL

Members Present: Dan Jones, Ptarmica McConnell, Scott Wagner (left about 8:30pm), Charles Horan

Members Absent: Grant Miller

City Representatives: Jay Sweeney, Michael Harmon, Steven Eisenbeisz

Others Present: Garry White, Linda Wilson
Pat Glaab (Alaska and Pacific Packing)
Richard Riggs (Silver Bay Seafoods), Troy Denkinger (SBS)
Todd Fleming and Jeremy Twaddle (Sound Development)
Brian Hanson (Attorney for Cove Partners/Starwest)
Terry Trapp (Alaska Bulk Water, Inc.)
Alex Wiessburg (Commercial Fisherman)
Members of the Public and Representatives of the Media

C. REVIEW OF MINUTES – February 12, 2015

MOTION: M/S McConnell/Wagner moved to approve the minutes of February 12, 2015.

ACTION: Motion PASSED 4/0 on a voice vote.

D. CORRESPONDENCE AND OTHER INFORMATION

Minutes attached from December 2014, January 2015, and February 2015.

Mr. White advised that a letter was received late today from Terry Trapp of Alaska Bulk Water, Inc. to formally record interest in lease or purchase of property at the Industrial Park. Mr. Trapp will speak under persons to be heard. Formal action cannot be taken by the Board, since this item is not on the agenda. Copies of the letter were provided to the Board.

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA - NONE

F. REPORTS

1. GPIIP Financials

Mr. White reported that the budget item for Building Repair and Maintenance is a little over for the year, but the rest of the budget is on track.

2. GPIIP Management Report

- Bulk Water – Alaska Bulk Water, Inc. (ABW) has received Corps of Engineers permits to begin working within their tidelands lease area.
- Project/Site Manager – has resigned.
- Blue Lake project tenants are gone.

G. PERSONS TO BE HEARD

Mr. Trapp (Alaska Bulk Water, Inc.) referred to his letter of March 25, 2015:

- Have contracts to ship a minimum of 10 million gallons of water per month to California.
- Have Corps of Engineers permits to start construction of loading station.
- Plan to have loading station completed in June or July and begin shipping water.
- Ability to offload water via a tanker vessel does not exist yet. Therefore, water will be shipped initially in flexi-tanks inside shipping containers that can be loaded onto a barge.
- In order to store the shipping containers, ABW will need about three acres of land that can be used.

Mr. Trapp reminded the Board of the years of effort that have been invested to making this venture work and asked that they consider his request for use of Park property while they are planning for the lease or sale of remaining Park uplands.

The Acting Chair called for any other persons to be heard on any item on or off the agenda.

H. UNFINISHED BUSINESS

1. Strategic Planning

Mr. White reviewed the memo dated March 19, 2015 (included in packet) and made the following points:

- Working to remove EDA grant covenants that are preventing the sale of the Administration Building to Silver Bay Seafoods.
- Past Land Use Plans have set aside Lots 3, 6, and 7 for marine services industry. However, the Board approved leasing these lots to I Water due to a lack of other property that is not covered in rock.

Mr. White stated that current proposals include requests to purchase some of the waterfront property. He requested Board direction on their willingness to sell any waterfront property or only offer it for long-term lease.

Ms. McConnell stated that she believes that the best use of that property is to support marine industry services as supported by the three of the current proposals. If public money is used, then long-term leases are preferred. If a property is to be sold, the purchaser must put up a substantial amount of private capital investment.

Mr. Jones stated that he wants the CBS to retain ownership of the waterfront and allow use through long-term leases or possibly through a tariff schedule that can allow access and use of the property with fees based on the use.

Mr. Horan stated that the CBS should keep access to the waterfront to allow for as many potential uses and users as possible. He liked the idea of a published tariff schedule for the dock and waterfront areas adding that a marshaling area will be needed for dock and port uses.

Mr. Wagner stated that he prefers long-term lease of these areas vs. sale of the property.

PUBLIC COMMENT:

Mr. Riggs and Mr. Denkinger both suggested the Board consider adding language into leases that requires the lessee to use the property for a specific purpose(s) as approved by the Board and that if the lessee changes the use of the property beyond the scope of the uses approved in the lease, the lease can be terminated.

Mr. Denkinger emphasized that the success of a boat haulout is based on the ability to provide a wide range of marine services on site. This requires a significant amount of land be set-aside for marine service vendors.

Mr. Hanson, Attorney for Cove Partners/Starwest asked that the Board consider the interests of current property owners within the GPIP that also want access to and use of the waterfront and dock.

BREAK: 7:10 to 7:15

2. Multipurpose Dock Discussion

Mr. White reviewed the memo dated March 12, 2015 (included in packet) and requested that the Board select either Site A or Site B based on their priority uses and desired functions of the dock.

The Board reviewed options provided in the Preliminary Cost Estimates for Possible Marine Service Facilities at Sawmill Cove (included in packet). The following points were included in Board discussion:

- About \$7million remaining after spending a little under \$500k for geotechnical work and project management on Site A.
- The geotechnical study found much deeper sediment at Site A than was expected. A piling supported dock could be cost prohibitive at this site.
- Approximately 60k cubic yards of rock remains on Park property that could be used as fill at Site B to create more uplands and get into deeper water.
- No geotechnical study has been done for Site B. Need to find out if we can use some of the Federal Highway money that DOT is holding to do this study.
- Cost estimates for the various options are based on the best information available, however, true costs are not known until the project bids come in.
- Any project using public funds will need to be approved by the State first.
- Most users of a dock facility would not need 40' depth.
- Without a public/private partnership and at least \$3-\$4 million in additional private funds, there is likely not enough money to construct the dock at Site A.

PUBLIC COMMENT:

Mr. Riggs advised the Board to stay within the scope of the project as it was presented to the voters that approved the GO bond.

Mr. Hanson stated that when Cove Partners/Starwest purchased property at the Park they believed there would be a multipurpose dock constructed that would serve ocean-going freighters. He expressed concern at diverting any public money toward marine industry services infrastructure vs. a multipurpose dock that was the intent of the voters.

Alex Wiessburg commented that, from the perspective of a local fisherman, Sitka already has adequate space at a hard faced dock and that what they need and would use is more work float space.

3. Alaska & Pacific Packing (APP) lease request

Mr. White reviewed the background and key points of the memo to the Board dated March 11, 2015. (Memo included in packet)

MOTION: M/S McConnell/Wagner moved to approve the lease to Alaska & Pacific Packing as per the terms of the March 11, 2015 memo adding the option to purchase Lot 8 when all benchmarks are met, removing employment credits, clarifying that guaranteed access to the waterfront and tidelands via the access and utility easement is non-exclusive, and that the CBS reserves the right to move any utilities within the easement at CBS expense.

Terms provided in the March 11, 2015 memo:

1. Lease terms for Block 4, Lot 8 – 32,362 SF of raw land shall be:
 - a. At a rate of \$15,300 per year;
 - b. For a term of 10 years with five (5) five-year renewal options;
 - c. Executed when all of the rock is removed from the property; and that

- d. Within 24 months from the execution of the lease, APP must have constructed a 4,000 square foot building on the lot and have certified payroll for two full-time employees at \$36k per year or the CBS can terminate the lease; and that
 - e. Within 48 months of execution of the lease, APP must have installed industrial freezing equipment or the CBS can terminate the lease.
 - f. Lot 8 square footage will be adjusted to reflect actual usable property with a deduction for the bulk water meter building.
2. Lease terms for a 20,000 SF portion of tidelands directly in front of Lot 2, including use of old mooring dolphins installed when the site was used as a pulp mill, shall be:
 - a. At a rate of \$1,800 per year;
 - b. Concurrent with the lease of Lot 8; and that
 - c. Within 48 months from lease execution an access ramp and floating dock must be constructed and located in the tidelands following CBS building permit process or CBS can terminate the lease; and that
 - d. CBS will not warrantee the condition of the current mooring dolphins; and that
 - e. APP will indemnify the CBS for use of the dolphins and waive rights to pursue any claim against the CBS for use of the dolphins.
 3. Guaranteed access to the waterfront and tidelands via the access and utility easement located between Lots 2 and 4 shall be based upon;
 - a. Payment of an annual \$3,000 user fee; and that
 - b. The term of the access and utility easement agreement shall be concurrent with and incorporated into the Lot 8 lease; and that
 - c. Guaranteed access is non-exclusive, meaning that APP shall not prevent others from crossing the access and utility easement.
 4. Other terms:
 - a. Lessee has the option to renew the lease for five (5) five-year terms. New terms can be discussed 24 months before the end of the lease. Lessee must provide, in writing, their request to exercise lease extension at least 30 days prior to lease expiration; and that
 - b. If the lease is terminated, all buildings and improvements on the property at the end of the lease term must be removed from the property and/or return to the condition it was received in or the improvements become the property of the CBS; and
 - c. A CPI adjustment will be applied to the lease and user fees on the 61st month after lease execution. CPI adjustment will be based on the average of the Anchorage and Seattle "all items" figure of the "consumer price index for all urban consumers."

Upon meeting the required benchmarks above, APP may purchase Lot 8 for the 2014 appraised value of \$170,000.

PUBLIC COMMENT:

Mr. Riggs and Mr. Denkinger asked the Board to ensure that the scope of uses proposed by APP is a covenant within the lease so that if use of the property changes substantially from that approved scope, the lease can be terminated.

- The board did not include any covenants in the motion.

ACTION: Motion PASSED 3/1 on a roll-call vote.

Yeas: Scott Wagner, Charles Horan, Ptarmica McConnell

Nays: Dan Jones

Absent: Grant Miller

5. Silver Bay Seafoods (SBS) lease/purchase requests

A) Administration Building Lease Request

Mr. White reviewed the background and key points of the memo to the Board dated March 23, 2015 (included in packet). He noted that Fortress of the Bear (FoB) will need to relocate and that as compensation for the move, FoB has been offered two months free rent. SBS will lease the same area, under the same terms as their 2011 lease.

Mr. Riggs stated that Silver Bay Seafoods is expanding operations and expects to have a bigger season that requires housing for additional employees. Silver Bay Seafoods has offered to help Fortress of the Bear move their current lease area to a different part of the Administration Building.

MOTION: M/S **McConnell/Wagner** moved to approve the lease to Silver Bay Seafoods under the same terms as the 2011 lease.

Terms of the 2011 lease:

- Lease area in Administration Building - rooms 104, 105, 106, 107, 108, and 111
- Lessee will lease the space as shown for \$4,000.00/month payable at a rate of \$0.86/square foot. Sales tax is to be paid in addition to the stated rent.
- All other standard building lease terms.

ACTION: Motion **PASSED 4/0 on a roll-call vote.**

Yeas: McConnell, Wagner, Jones, Horan

Nays: NONE

Absent: Miller

B) Land Lease/Purchase Request

Mr. White reviewed the status of properties that are included in the SBS proposal.

Mr. Riggs comments reflected a need for more consideration of the SBS proposal based on Board discussion related to the Strategic Plan and Multipurpose Dock Development.

PUBLIC COMMENT: NONE

The Remainder of Item 4 (4B) was tabled.

6. Raw Water Sales Fund

Mr. White reviewed the memo dated February 18, 2015 (included in packet).

MOTION: M/S **McConnell/Horan** moved to request that the Assembly approve transferring \$36,854 from the Raw Water Sale Fund as a credit to the GPIP Enterprise Fund as reimbursement for staff hours spent working on raw water sales for FY2015 and requests the Assembly include \$31,154 as a budget item for FY2016 for the same purpose.

Board discussion included asking if any of the Raw Water Sales Fund money can be used for capital projects related to Raw Water Sales.

PUBLIC COMMENT: NONE

ACTION: Motion **PASSED 4/0 on a roll-call vote.**

Yeas: Horan, McConnell, Jones,

Nays: NONE

Absent: Miller, Wagner

I. NEW BUSINESS

1. GPIIP Capital Budget

Mr. White reviewed the memo dated March 19, 2015 (included in packet) and noted that the \$3,000 for improved cell phone service budgeted in FY2015 has not been spent. The GPIIP Board is responsible for submitting a 6-year capital budget to the City.

Item tabled for further discussion.

2. Sound Development Proposal

Todd Fleming and Jeremy Twaddle commented on their proposal:

- Goal is to construct a large warehouse to lease spaces to marine industry service vendors.
- Hoping to find space that is not in conflict with other proposals but will support/enhance MIS center development at the GPIIP.
- Consider the southern portion of Lot 9A including the old utility dock.
- Would purchase property at 2014 appraised value.
- Understand that the Board needs more time to consider the proposal in conjunction with other waterfront development proposed.

Item tabled.

J. ADJOURNMENT:

MOTION: M/S McConnell/Horan moved to adjourned the meeting at 9:12pm.