

**Sawmill Cove Industrial Park  
Board of Directors Meeting  
April 10, 2008 – 3:00 PM  
SEDA Board Room  
329 Harbor Drive Suite 212, Sitka AK 99835**

**A. CALL TO ORDER**

The Chair called the meeting to order at 3:00 pm.

**B. ROLL CALL**

**Board Members Present:** Nancy Davis                      Trevor Harang                      Grant Miller (via phone)  
Charles Horan                      Chris Fondell

**Absent:**

**Others Present:** Hugh Bevan                      Linda Wilson  
Robbie Craig (STA)                      Jeff Feldpausch (STA)                      Mike Miller (STA)  
Mike Venneberg                      John Sherrod                      Joel Hanson                      Rich Riggs

**City Staff:** Jim Dinley                      Scott Brylinsky                      Joe Castro

**C. REVIEW OF MINUTES – March 17<sup>th</sup>, 2008 meeting  
REVIEW OF MINUTES – March 27<sup>th</sup>, 2008 meeting**

**MOTION:** M/S Horan/Harang moved to approve the minutes from the March 17<sup>th</sup>, 2008 and the March 27, 2008 meetings.

**ACTION:** Motion PASSED unanimously by a voice vote

**D. CORRESPONDENCE & OTHER INFORMATION**

Ms. Davis distributed a letter she is sending to the City Assembly regarding the expiration of her term on the Sawmill Cove Board and her decision NOT to reapply for a position on the Board.

Mr. Bevan distributed a memo to the Sawmill Cove Board from representative of the STA Tannery, Robi Craig requesting a “non-cancelable lease” at Sawmill Cove Industrial Park. This item will be brought up for discussion under item F.2.

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

**F. UNFINISHED BUSINESS**

**1. FY09 SCIP Budget**

Mr. Bevan advised that the Board’s recommendations for addressing the FY09 SCIP budget deficit had been presented to the City. The Assembly will begin work on the FY09 budget at a worksession on April 24<sup>th</sup>, but the portion of the budget related to SCIP would not likely come up until a later meeting on May 1st. Public testimony is allowed at these meetings.

Mr. Bevan also noted that the current draft FY09 SCIP budget as presented by the City includes a reduction of the SCIP site manager position from full-time to half-time.

Mr. Horan suggested that the budget should show a revenue v. expense breakdown for each of the various segments of the SCIP: the Administration Building, Stores Building, etc.... This would reveal the problem spots that are being "subsidized" and are not currently providing enough revenue to cover their expenses. This would help to avoid a public perception that the entire SCIP is an economic drain.

Ms. Davis agreed that a breakdown would be beneficial and that this should be brought up with the Assembly, but there will not likely be time to do this for the FY09 budget.

Mr. Fondell stated that he did not want to see a reduction in the site manager position.

Ms. Davis stated that the Board should make a recommendation to the Assembly that the SCIP site manager position be funded as a full time position and explain why this is needed and where the funds might come from.

Mr. Castro advised that City Finance Director, Dave Wolff, believes the money should come from the Economic Development Fund. Mr. Castro said the SCIP site manager position will eventually be eliminated with on-call services to be handled by Public Works.

Grant Miller noted that the coming change in SEDA's Executive Director position combined with the loss of or reduced status of the SCIP site manager at the same time would create instability at SCIP and affect the progress being made.

Mr. Fondell brought up the potential for property damage at SCIP due to neglect or vandalism if there is no active site manager. The cost of this damage could easily be more than the cost of funding a full-time site manager.

Mr. Bevan noted that, beyond the site manager position, there was still a \$109,000 deficit to account for in the FY09 SCIP budget.

**MOTION:**        **M/S Miller/Harang** moved to draft a memo to the Assembly recommending an appropriation from the Economic Development Fund of \$170,000 for the Sawmill Cove Industrial Park (SCIP) FY09 budget, recognizing that FY09 is a transition year for SCIP. This appropriation includes funding for a full-time SCIP site manager.

**ACTION:**        **Motion PASSED** unanimously by a voice vote

There was Board consensus that over the next year (FY09) the SCIP Board will work on a transition plan and strategic plan and during that time the SCIP site manager will develop an operations manual for SCIP.

## 2. STA tannery

Mr. Bevan advised that Mark Buggins at the wastewater treatment plant was satisfied that management controls for tannery wastewater discharge have been discussed with STA. A 10,000 square foot lot across from the electric substation was proposed by Mr. Bevan as a likely location for the tannery. This parcel is identified as a portion of lot #15 and STA would build a new building on that land.

Ms. Craig stated that STA has been working with their consultants regarding the various site alternatives. The EDA funding requires an assurance that any lease be “non-cancellable for a period of at least 20 years.”

Mr. Feldpausch expressed concern about the cost to remove any old foundations or concrete slabs on the site prior to building and that this should be taken into consideration when coming to an agreement on a lease or purchase of the property.

Mr. Bevan stated that a formal appraisal of this lot had not been done, however, based on the TAB lease appraisal of \$4.00 per square foot, the current market value was probably around \$4.50 per square foot. If this is accurate, then the appraised value exceeds the amount of money available in the STA budget for a purchase of this lot.

Mr. Mike Miller stated that in the past, the City had indicated it would provide favorable lease options to the Sitka Tribe of Alaska for use of SCIP land.

Ms. Craig agreed, stating that EDA had allocated a \$20,000 to \$30,000 for property acquisition for this project. While STA would prefer to purchase the land, a lease on favorable terms could work. She stated that the 20 year non-cancellable lease meant the lease could not be revoked for 20 years as long as the terms of the lease were fulfilled by the STA.

Mr. Horan stated that if an agreement had ever been made regarding favorable lease terms for the STA at SCIP that this should be honored.

Ms. Craig offered to do some research to find evidence of any past agreement regarding lease terms between the City and STA for lands at SCIP.

Discussion continued on the subject of site selection and a consensus was reached that a portion of lot #15 was acceptable, and that another lot might be acceptable as long as there was no conflict with development of the Marine Industries portion of SCIP.

Mr. Horan suggested the option of offering a 20 year lease with a single up-front payment of an agreed upon amount (e.g. \$20,000).

Mr. Mike Miller stated that a 20 year lease with payment of \$20,000 up front and an option to extend the lease or purchase the property at market value should meet EDA requirements for funding the project.

Mr. Bevan stated that the STA should insure that this option meets EDA requirements before presenting it to the Assembly.

Mr. Horan pointed out that some land surrounding the Stores Building would need to be excluded from any lease or sale to provide for the needs of any future use of that building.

**MOTION:** M/S Horan/Harang moved to extend the Sitka Tribe of Alaska a 20 year lease on ten thousand square feet of land, site to be determined, for the sum of twenty-thousand dollars (\$20,000) paid upon signing of the lease with an option to extend the lease or purchase the property at fair market value at the end of the original lease, provided that STA follows through with the building of the STA tannery on the selected location.

**ACTION:**        **Motion PASSED** unanimously by a voice vote

**G.        NEW BUSINESS**

**1.    The Boat Company Lease**

Mr. Joel Hanson, employee of The Boat Company, requested the Board's assistance in making adjustments to their lease that would create favorable terms for sub-letting. He also asked for clarification on what type of businesses would fit into the Marine Industry area where they are currently located.

Ms. Davis stated that the plans to develop the waterfront area of Sawmill Cove into a marine industrial site include a broad range of businesses that relate to boat repair, maintenance, or construction. These businesses are not meant to compete with those already established in Sitka, but would provide additional services to meet the needs of local boat owners and attract others to haul their boats out here.

Mr. Bevan added that last year's rezoning of SCIP resulted in a list of businesses that could not be located at SCIP. Most of these relate to retail sales that would compete with existing downtown businesses.

Ms. Davis suggested that the Board might consider allowing a release of the tidelands area from The Boat Company's lease putting that under City control. This would reduce the lease payments of The Boat Company and also allow for flexibility in developing the marine industrial area of SCIP. She stated that under the current lease the City Assembly already had sufficient control over any sub-lease.

After some discussion the consensus of the Board was to ask Mr. Hanson to come back with any sublease proposal and then they would negotiate within the framework of developing the marine industrial area of SCIP. If such a proposal created significant jobs and/or revenue for the City, then this would be considered in lease adjustment negotiations.

**2.    Marine Industries – RFP concepts**

Mr. Bevan reviewed the major tasks for developing the SCIP marine industry area.

1. Waterfront infrastructure

- \* Conduct a "bathymetry" survey of the log pond (near term)
- \* Identify a location for a rock quarry, and provide for zoning and an operation plan for the quarry

2. Develop an RFP for a boat haul out service

- \* Request Assembly approval of the process (near term)
- \* Locate a private sector partner
- \* Develop a funding plan

3. Marine Support Services

- \* Identify lots/parcels for this use (near term)
- \* Incorporate management of this area into the haul out RFP

Mr. Horan emphasized the need to create a policy regarding land ownership of the SCIP that supports the ultimate mission of SCIP to create new jobs and bring added revenue to the City. To fulfill this mission a leasing of property at sub-market rates is preferable to selling the property. This avoids non-performance problems.

Mr. Bevan suggested that the Board review the memo regarding development of the marine industries RFP and give him their suggestions for further development and refinement of the options before the next SCIP Board meeting.

Mr. Horan suggested amending the RFP evaluation criteria to read as follows:

1. Demonstrate a financial capacity to ~~purchase~~ **lease** land, provide haul out machine and develop the property.
2. Demonstrate experience operating a marine haul out and boat storage facility.
3. Demonstrate experience constructing and managing industrial rental property.
- ADD 4. Points awarded based upon the proposed lease payments
- ADD 5. Demonstrate that the proposal will create new jobs and / or revenue for the City.

Each of the five criteria would receive an equal weight of 20 points.

Ms. Davis announced that another meeting would be necessary to cover this issue and the remainder of items on this agenda. The Board agreed upon April 22, 2008 at 7:00pm for the next meeting.

**3. Stores Building – Sale or lease marketing (Moved to next meeting)**

**4. Multi-purpose Dock (Moved to next meeting)**

**H. OTHER BUSINESS (NONE)**

**I. REPORTS (NONE)**

**J. ADJOURNMENT**

**MOTION:** M/S Harang/Fondell moved to adjourn the meeting.

**ACTION:** Motion **PASSED** unanimously on a voice vote.

The meeting adjourned at 5:04 pm.