



Tuesday, February 05, 2008

MEMORANDUM

To: John Stein, Administrator  
From: Hugh Bevan  
Subject: Pulp Dock Repair Concepts

During the spring and summer of 2007 the Sawmill Cove Board, City staff, and PND Engineers of Juneau developed nine design concepts that would mitigate the structural problems associated with the former pulp dock and warehouse.

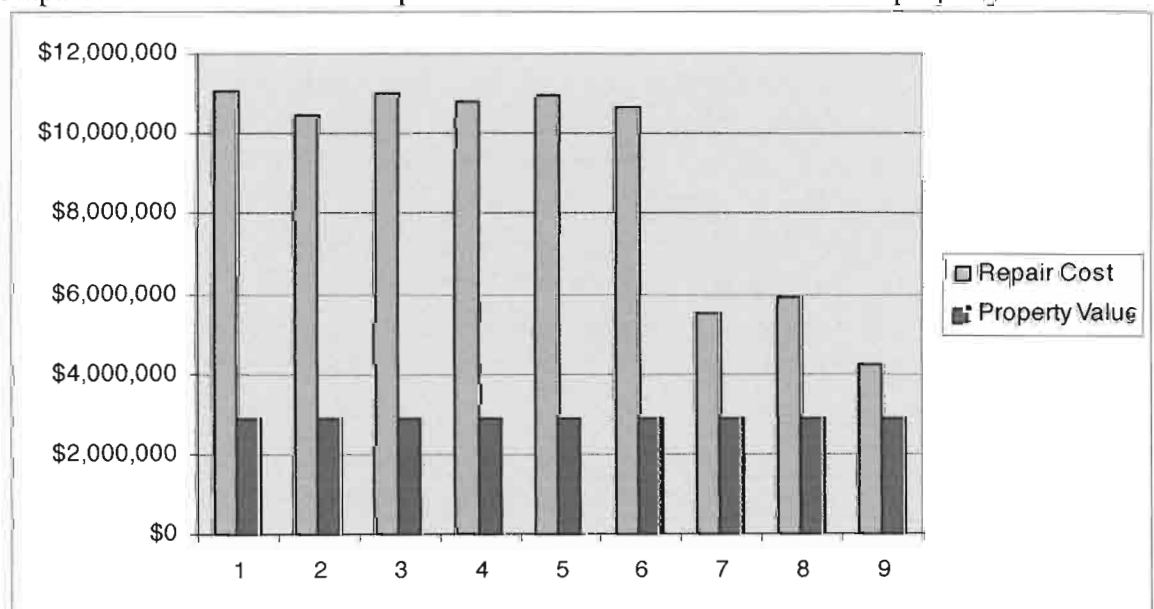
During the design workshops the Board heard from the building tenants regarding the alternatives. Silver Bay Seafoods was not satisfied with Concepts 2, 4, 6, 7 or 8 because the repair project would reduce the size of the warehouse and dock.

Concept 9 repairs only a few piling. The other problem with Concept 9 is that it is not a long term solution. In about 5 years the City will have to put more money into the facility.

If we assume a \$6 million City project and if the City dedicates 100% of the building rents to paying for the project, it will take 18.2 years to break even. Plus the City will have to put \$30,000 to \$50,000 per year into normal maintenance such as sprinkler system certification, structural steel painting, etc.

Over the course of 18 years the City will also have to replace the fender system on any dock they construct. Fender systems are consumable.

The graph compares the cost of the nine repair alternatives with the value of the property.



This listing is a comparison of the major terms of Silver Bay's original proposal of September 27, 2007 and the final agreement with the Sawmill Cove Board. There are a handful of lesser terms that I have not listed.

The estimated cost for the City to repair the building and dock ranges from \$3.5 million to over \$10 million. If the City were to put \$6 million into repairs, it would take 18.2 years to recover the funds based upon the rents from tenant leases.

The comparison shows the evolution of the negotiations with Silver Bay.

#### Silver Bay original proposal.

- Silver Bay will pay CBS \$1 million at closing
- CBS will refund the \$ 1 million over five years for all capital improvements, maintenance or other expenditures relating to the repair or reconstruction of the dock, warehouse and/or sprinkler system.
- CBS will refund the interest earned on the \$1 million to Silver Bay.
- The parties shall share all closing costs. CBS shall pay all surveying and platting costs.
- CBS shall take no action under the Building Code to restrict Silver Bay activities on the dock that are more restrictive than the parameters set out by the June 30, 2004 report by PND Engineers.
- The uplands and tidelands transferred by CBS with the warehouse and dock total 202,000 square feet.
- Both employee housing lots are included in the agreement.

#### Sawmill Cove Board and Silver Bay Final Agreement

- Silver Bay will pay CBS \$1 million at closing
- CBS will refund the \$1 million over three years for eligible capital improvements to the warehouse and dock.
- CBS will retain the interest earned on the \$ 1 million.
- CBS will pay closing, surveying and platting costs.
- The Building Code will govern the proposed improvements by Silver Bay.
- The uplands and tidelands transferred by CBS with the warehouse and dock total about 187,200 square feet.
- One employee housing lot is included in the Agreement.
- Included in the agreement is a right of first refusal for Silver Bay to purchase or lease the second employee housing parcel.