



**Sawmill Cove Industrial Park
Board of Directors Meeting
July 10, 2008 – 4:30 PM
SEDA Office
329 Harbor Drive, Suite 212**

A. CALL TO ORDER

The Chair called the meeting to order at 4:33 pm.

B. ROLL CALL

Board Members Present: Grant Miller Trevor Harang
Charles Horan Chris Fondell

Board Members Absent: Lowell Frank

City Staff: Jim Dinley Dan Jones Scott Brylinsky Theresa Hillhouse (4:40)

Others Present: Gary White Linda Wilson Keith Perkins
Dan Parrent (JEDC) Brian Holst (JEDC) Scott Snelson Pete Derensis
Bruce Pauley (SE Biofuels) Yang-yang Chen (Headwaters Economics) Carol Goularte (USFS)
Jeff Feldpausch (STA Tannery) Robbie Craig (STA Tannery) Mike Miller (STA Council)

C. REVIEW OF MINUTES –July 7th, 2008

MOTION: M/S Harang/Fondell moved to approve the minutes of July 07, 2008 with one typographical error corrected (changing “Frank Lowell” to “Lowell Frank” under agenda item B)

ACTION: Motion PASSED unanimously on a voice vote

D. CORRESPONDENCE AND OTHER INFORMATION

Mr. White stated that he has been talking to some of the original TAB investors that are concerned about losing their investment in the building. They are considering other possible development projects that could preserve their financial interest in the TAB Building including the possibility of a partnership with Alaska Interstate Gas to bring natural gas to Sitka. (Reference: e-mail from Greg Miller dated July 04, 2008)

Mr. White noted another party making inquiries about purchasing bulk water – S2C Global Systems, Inc. (Reference: e-mail from Rod Bartlett dated July 02, 2008)

Mr. White referred to an article, “Southeast Alaska: a New Economic Analysis & the Future of Converting Biomass to Energy” included in the packet and advised that a full report is available on the website for Headwaters Economics (www.headwaterseconomics.org).

Mr. White noted that according to an ECONorthwest report, the market price being paid for bulk water ranges from less than half a cent to thirty-three cents per gallon. The average range appears to be about half a cent per gallon.

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA (NONE)

F. REPORTS

1. Sawmill Cove Management Report

Regarding the sale of bulk water, Mr. White reported that he spoke with PND Engineers about options for transferring bulk water to a ship. The option of constructing two mooring buoys for a ship to tie up off shore requires a long pipe out to the buoys to carry the water. Due to the distance from shore to the buoys, such a system would like cost as much or more than building a multipurpose dock. And such a system could only be used for one thing, transfer of bulk water. If this is the case, this option is not cost effective.

Mr. Horan stated that there may be a buoy mooring system available in Southeast Alaska and that either Fred Reeder or Dick Kearns may know where it is located.

Mr. Miller added that the distance between the current water pipeline outlet on the shore and the location of the mooring buoy would have to be determined to figure out the cost of constructing a pipeline to transfer the water from shore to ship.

G. UNFINISHED BUSINESS

1. STA Tannery lease/location

Ms. Craig stated that in order to move forward with the relocation of the STA Tannery to Sawmill Cove, STA needs a draft lease document to present to EDA in order to secure their funding.

Ms. Hillhouse advised that any long-term lease must go before the Assembly for approval.

Ms. Craig emphasized the need to finalize a site selection as this determines their building design. They are ready to move forward with the project, but need two things as soon as possible: a firm site selection, and a draft lease.

Possible locations for the STA Tannery at SCIP were discussed. It was decided that Mr. White, along with Mr. Horan, Mr. Harang, and a representative of the STA Tannery would tour SCIP on Monday to view potential sites.

Mr. Horan requested that estimated gross sales and employment figures be provided to support the decision of the Board to give STA a lease at below market rates. This information is to be included for presentation to the Assembly for approval of the lease.

Mr. Feldpausch reminded the Board that the STA Tannery has limited funds and that site development costs need to be considered when making the site selection.

2. SCIP Strategic Plan – Approve final draft (POSTPONED TO FUTURE MEETING)

H. NEW BUSINESS

1. Stores Building heating options

Mr. Parrant stated that there will be an Alternative Energy conference in Sitka in October sponsored by the Sitka Conservation Society and the Nature Conservancy. Pete Derensis and Bruce Pauley are studying the viability of manufacturing densified fuel from cardboard, paper and wood waste. The USFS is promoting its forest thinning project, and the City asked the USFS to make enough wood available to heat approximately 800 homes.

Mr. Parrent suggested that converting the heating system of the Administration Building from oil to a wood fired boiler would make a good showcase project for the October conference. Currently the

Administration Building uses approximately 4,500 gallons of heating fuel each year and that figure could double when the building is fully occupied. The 4,500 gallons of heating fuel could be replaced by approximately 50 cords of wood. At current prices this would save approximately 50% (\$10,000) in heating costs. The cost of installing the new wood based heating system is estimated at about \$30-35K for a single boiler. The boiler would cost approximately \$15K FOB and \$15-20K in additional materials and labor to install. Simple payback would be seen in about three years, with OEM costs payback would take about six years. The boiler currently in the Administration Building is fifteen years old. A new boiler would be placed in the Stores Building and the heat piped across to the Administration Building. Such a system would require approximately five to ten minutes of labor one to three times per day to keep the boiler fueled. Should the Board decide to move forward with this project a boiler could be delivered within 7-8 weeks. There are currently three such wood fueled boiler systems working in Alaska that are not near sawmills, including one completely off the road system.

Mr. Parrent offered to provide a summary report including financial information if the Board decides to pursue the project. He recommended the GARN boiler (www.garn.com).

Mr. Dinley asked what cost the City would have to pay for the wood coming from USFS thinning projects.

Ms. Goularte stated that the cost is yet to be determined.

Mr. Snelson stated that there is a company in Ketchikan interested in selling large quantities of cord wood at the market price (delivered to Sitka).

2. TAB Property Status

Ms. Hillhouse advised that the SCIP Board needs to:

1. send a "forty-five day written notice to cure default related to Reversionary Interest
2. after the forty-five day deadline, the SCIP Board must forward its recommendation to the Assembly regarding action to be taken

Mr. White reported that TAB paid \$50K to secure continuation of utilities (\$11K went toward back payment on utilities). TAB is still \$37K behind in payments to the City, and has failed to meet the "First Condition of Reversion" per Subsection 11 (a) of its Purchase and Sales Contract.

Mr. Kearns was called via speaker-phone (6:25pm)

Mr. Miller addressed Mr. Kearns, asking for a report on the status of the tasks assigned to TAB under the First Condition of Reversion and stating that the SCIP Board was preparing to send out a 45 notice to cure.

Mr. Kearns stated that he is negotiating with Langenberg Research regarding capital improvements. Two of the reversions require access to technology and equipment owned by Langenberg. If the deal with Langenberg fails to go through, TAB will have to renegotiate the agreement with the City of Sitka. Due to extended negotiations with Langenberg, Mr. Kearns requested a 60 to 90 extension on the reversion.

Mr. Miller stated that communication and negotiations between TAB and the City can continue, however the SCIP Board intends to send out the 45 day notice to cure now.

Mr. Kearns stated that this would be acceptable and that if the deal with Max Langenberg is not finalized in forty-five days then TAB will have to take an entirely new direction. A straight water bottling business in Sitka is not feasible due to high transportation costs.

Mr. Kearns reported on the status of the tasks to be done as per Subsection 11(a) related to the First Condition of Reversion.

- (i) a crew will be assigned to clean up debris on the site and this should take only two to three days to

complete.

(ii) Install water treatment equipment manufactured by Langenberg Research to meet water quality standards required by Purchaser's water product line. Equipment shall be capable of producing finished waters with different chemical compositions. Equipment shall be capable of treating up to 400,000 cases per month of finished water;

(iii) TAB now has the capacity to process 400,000 cases of water per month, however the equipment is not hooked up pending acquisition of the Langenberg technology and equipment.

(iv) Rebuilding the East wall of the building is part of the siding project and building of the loading dock. The siding is going to be replaced with lightweight "chipcrete." Silver Bay Seafoods was not there when the original TAB plan was developed, there is now some concern about the tight corner and space between the two businesses.

(v) An upgrade to the electrical system could be completed within 60 to 90 days. If the deal with Langenberg is finalized then additional electric capacity will be needed, however if the deal falls through, then additional electric capacity won't be required. A new transformer from the City would be required.

(vi) A viewing platform has already been constructed, but requires some finish work that could be done quickly.

Mr. Horan asked if TAB has an alternative business plan if the Langenberg deal falls through.

Mr. Kearns stated that TAB could be competitive in the Asian market utilizing the freight connections with the Port of Prince Rupert, however that would require a multi-purpose dock at Sawmill Cove for shipping the water. The estimated draw depth for ships loading the water is 36 to 42 feet.

Mr. Kearns stated that if he secures funding by the end of July, he will come to Sitka to ensure that all the work required per the First Condition of Reversion is completed.

Mr. Miller stated that the Board will take Mr. Kearns intentions into consideration and will initiate the 45 day notice to cure.

Mr. Hillhouse advised that if the property reverted to City ownership, TAB will have to negotiate a new lease.

MOTION: **M/S Fondell/Harang** moved to send out a 45 day cure letter to TAB regarding the First Condition of Reversion as per the purchase agreement between TAB and the City of Sitka.

ACTION: **Motion PASSED** unanimously (4/0) on a voice vote

3. Theobroma Lease

Mr. Miller reported that, as per a forty-five day notice sent to Theobroma, July 18, 2008 is the deadline to bring all payments owed to the City up to date.

Ms. Hillhouse advised that a letter with the SCIP Board's recommendation for action must be submitted to the Assembly soon after July 18th. No action is required now.

4. Lighthouse Fellowship Lease

It was determined that several questions need to be answered before any lease agreement can be written for the Lighthouse Fellowship to store the 4t of July booths at Sawmill Cove:

1. Does the Chamber of Commerce still own the booths?
2. Under what terms is the Lighthouse Fellowship using the booths?
3. What is the status and what were the terms related to the \$10K given by the City to LHF for the contract to run the booths in 2008?
4. How much money was made by LHF using the booths?
5. How is that revenue being used?

Mr. White stated that he would speak with representatives of COC and LHF and come back to the SCIP Board with more information.

5. Multipurpose Dock

Mr. White reviewed his memorandum to the SCIP Board dated July 10, 2008 regarding a proposed multipurpose dock at SCIP. (copy of memo in packet)

Mr. White advised that ordinance 2008-26 was significantly changed by the Assembly to call for an advisory vote requesting public support "to plan" for developing a dock at SCIP not for "constructing" a dock.

There was discussion regarding both the intent and the substance of the change with several key questions and concerns being raised:

1. it is not clear whether proceeding with this ordinance as amended by the Assembly will mean that a second advisory vote would be needed to seek permission to build the dock (legally no vote is required);
2. serious public education campaign needs to be initiated to explain rationale behind building a multipurpose dock that can serve a single cruise ship;
3. should the SCIP Board withdraw support for the ordinance as amended; provide a formal recommendation against the ordinance; encourage it to be pulled from consideration; or let it go as is;
4. a detailed plan showing feasibility would be required by the Assembly anyway, before construction of the dock could be approved;

Consensus of the Board was to let the ordinance move forward, as is, for now with the addition of supporting documentation provided as an attachment to the ordinance in the Assembly packet.

The memo by Garry White, dated July 10, 2008, will be amended to reflect the two million dollar FTA grant that has been applied for improved transportation (busses) to SCIP.

MOTION: **M/S Fondell/Horan** moved to approve the advisory memo by Garry White (as amended) and the position paper by Charles Horan as the SCIP Board's position to be included in the Assembly packet regarding the multipurpose dock ballot proposition

ACTION: Motion **PASSED** unanimously (4/0) on a voice vote.

I. OTHER BUSINESS (NONE)

J. ADJOURNMENT

MOTION: **M/S**

ACTION: Motion **PASSED** unanimously on a voice vote.
The meeting adjourned at 7:55 pm.