

REPORTS



Tuesday, September 23, 2008

MEMORANDUM

To: Sawmill Cove Board of Directors
From: Garry White, Director
Subject: Sawmill Cove Management Report

1. The CBS Assembly approved the Purchase and Sale Agreement of the pulp dock property on 06/24/2008. City is executed the agreement on Aug. 1st, 2008, with a hopeful closing by the end of October.
2. \$30,000 was approved in FY09' CBS budget for the repair the sprinkler system in the Stores Building. Scott Brylinsky is currently accepting bids for the project. Estimated new costs for completion is \$45,000.
3. December 2006, TAB purchased 3.0 acres of land and the bottling building for about \$722,000. The sale includes restrictions (reverters) on the deed that allows the City to repossess the property if TAB does not perform certain improvements by certain dates.

The first reverter clause deadline of June 7, 2008 has passed for TAB to greatly expand their bottling line, make improvements to the bottling building and complete other, lesser items. They have failed to meet this benchmark. On 07/10/08, the SMC Board motioned that the city send TAB a 45 day written notice to cure the default related to the reversionary interest. The letter was sent certified mail on 07/14/08.

The 45 day period to cure the default of the reverter clauses expired on August 29, 2008. TAB has yet to address any of the clauses and has informed the SCIP board that they sold the building to Cove Partners LLC in Dec. 2006. Cove Partners LLC has hired a law firm to represent their interest in the property. TAB claims they have new contracts for bulk and bottled water and would like more time before the city exercises their options. Cove Partners LLC's attorney claims they need an additional 3 weeks to address the legality of the reverter clauses. On 08/26/2008, the SCIP board approved the 21 day extension, with the hopes that TAB can produce new contracts to keep the business operational. September 19, 2008 has passed without any action from Cove or TAB.

4. Construction of a Multi-purpose dock at SCIP. The SMC Board withdrew their support for a modified ordinance that asked for an advisory vote of the public in relation to the CBS to construct a Multi-purpose dock at SCIP. The Board's original ordinance requested to "construct a dock"; at the Assembly table it was modified to "plan to construct a dock". The Board felt that a plan had already existed in the waterfront development plan and that the modified ordinance was not the right course of action and redundant. A comprehensive plan will be developed and discussed with the public.

Public forums and meetings will be held to address and educate communities concerns regarding the construction of a Multi-purpose dock.

Recent work on this project is to determine a revenue stream to offset the debt service of this project. The big unknown is whether the dock will receive any revenues from the Marine Passenger Service Fees that CBS receives from cruise ship passengers. The CBS Assembly has passed ordinance 2008-29, which establishes a Fund for all "head tax" fees. It will be entered into the SGC, under 4.05. The administrator will collect and analyze requests. He then informs, the tourism committee, ports and harbors and SCVB of the request and allows for a brief comment period before submitting requests and his recommendations to the Assembly. The dock project currently does not service debt without revenues from Marine Passenger Service Fees.

5. On January 17, 2008 the Sawmill Cove Board reviewed the marine services survey that was mailed to over 600 Sitka vessel owners. The Board also discussed two concept designs for a marine haul out facility.

Present at the meeting were the owners of the private haul out facility – Halibut Point Marine. They enlightened the Board on the issues surrounding ownership and operations of a haul out and boat repair yard. Since that meeting the owners of Halibut Point Marine have expressed interest in responding to a City RFP for haul out services. Their interest is based upon an opportunity to buy land at Sawmill Cove for this purpose. They are not interested in leasing.

End users have been contacted requesting input on wants and needs and issues with location at SCIP. Other facilities in SE Alaska are being researched to see what they did right/wrong. Funds sources are being researched.

6. The SCIP Board has approved their Strategic Plan and will be presenting it to the Assembly and community soon. A major part of the plan is to develop a comprehensive land use and marketing plan for the different properties at the park, keeping SCIP mission statement in mind of providing family wage jobs and retaining ownership of water front properties. Current work being completed is to identifying the highest and best uses of the properties now that the new re-plat of SCIP subdivision has been approved. Values for each property are being identified as to determine fair market sales or lease prices. Operation costs of buildings and park are being identified as well. A marketing plan is being developed to optimize the sale or lease of the properties.

The plat is specifically laid out to facilitate the development of a marine services industry at the north end of the site.

7. All current leases at the park have been gathered and reviewed to ensure tenants are operating within their approved lease areas and are being charged the approved contract rate. The city and SCIP Director has compared lease information to make sure both parties are in agreement with current lease arrangements at the park.
8. The bulk water pipeline project is complete. SEDA continues to get a steady stream of inquiries regarding bulk water. The inquiries of late have been from more sophisticated parties than past years.

However, it is imperative the Sitka clear the political hurdles necessary to build a dock. PND Engineering was contacted on water delivery options to get bulk water from shore to tanker ships. Estimated cost of constructing two mooring buoys for tanker ships to tie is \$3mm-\$4mm (tankers would need to have on ship piping system to get water from shore). PND states that some tanker ships have this option, but due to water depths, the mooring buoys would have to be placed very far from shore, making this option not likely viable. Estimated cost of construction two mooring buoys for tankers with off shore water pipeline intergraded into buoy system is estimated to cost more than the construction of a dock. A dock is the best and most economical option at an estimated cost of \$10mm-\$15mm.

9. On August 27, 2008 the CBS Assembly approved a long term lease to STA for a 10,000 SF lot. STA plans to move their Tribal Tannery to this location after the construction of roughly a 3,000 SF building. The facility will provide an additional 2-4 FTE at the location. The overall operation is estimated to employ 44 full time people between tribal tours to tour the operation, tannery workers, and at home fur crafters.
10. At the August 26, 2008 meeting the SCIP board approved a short term lease for 1,600 SF of space in the Stores building for Tongass Biofuels to test their bio fuel briquette machine. Tongass Biofuels is a newly formed entity that will be manufacturing bio fuel bricks from waste cardboard, wood scrapes and other wood products.
11. Director met with members of the city electric department to coordinate efforts on blue lake expansion project and how SCIP can be helpfully and how expansion project can benefit SCIP. The electric department is requesting space to use for rock storage, dam infrastructure set up, and contract employee housing. There is a possibility that a building will be built and surfaces graded. More discussion to come.