



**Sawmill Cove Industrial Park
Board of Directors Meeting
May 28, 2009 – 3:30 PM
SCIP Administration Building
4600 Sawmill Creek Road**

A. CALL TO ORDER

The Chair called the meeting to order at 3:37 pm.

B. ROLL CALL

Board Members Present: Grant Miller; Charles Horan; Lowell Frank; Trevor Harang(3:43)

Board Members Absent: Chris Fondell

City Representatives: Jim Dinley; Scott Brylinsky; Brent England; Theresa Hillhouse (arv. 3:43)

Others Present: Garry White; Linda Wilson
Jack Ozment (Assembly); Phyllis Hackett (Assembly – Arv. 3:48); Rich Riggs (SEDA – Arv. 3:45);
Brian and Michelle Gundaker (Bike & Hike); Craig Giamonna (Sitka Sentinel); Ed Iwamoto (Theobroma)

C. REVIEW OF MINUTES – April 30, 2009

MOTION: **M/S Harang/Horan** moved to approve the minutes of April 30, 2009.

Comment: Mr. Horan commented that a statement he made at the April 30th meeting had been left out of the minutes and wanted to reiterate that before any changes are made to the plat the Board needs to review the plat with City Staff in order to fully understand the complexities and avoid future problems.

ACTION: **Motion PASSED** unanimously 3/0 on a voice vote (Mr. Harang arrived after the vote)

D. CORRESPONDENCE AND OTHER INFORMATION (NONE)

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA

Item I.1., Theobroma Lease, was moved forward on the agenda to take place before the Park Walk-Through.

Mr. Ozment requested the addition of the Fortress of the Bear lease as an item for discussion.

The FOB lease could not be added as an agenda item due to open meeting rules as it had not been included in the published agenda. Information on this item could be shared under persons to be heard and under the SCIP Management Report, however there could be no voting or decision making by the Board on this issue during this meeting.

F. REPORTS

1. SCIP Management Report (included in packet)

Mr. White stated that the attorney for Cove Partners said that a new business plan is being developed.

Mr. Horan asked if the improvements being made to the bottling plant create a situation of implied acquiescence on the part of the City. Since the City is allowing the work to be done, granting permits, and opening the building, does this create any legal problems regarding the reverters and City rights?

Mr. Hillhouse arrived and stated that she had talked to Cove Partners attorney recently and expressed the City's need to know that Cove is financially viable. This would require a very narrow confidentiality agreement. The Cove attorney said he would advise his clients to present their business plan soon.

Ms. Hillhouse stated the City needs to see a business plan that shows a significant amount of money will be invested and some evidence that Cove has the financial resources available to make that investment.

Mr. Horan stated that he is concerned about the confidentiality agreement being a red herring to create a reason for delay. He stated that the Board wants to see a plan with assurance of investment adequate to get the plan moving.

Mr. Horan stated that he is particularly concerned that the City is allowing Cove to occupy the building when their legal ground to do so has not been cleared.

Ms. Hillhouse stated that the Board should have the Director contact Cove Partners regarding the limitations of moving forward to the next phase beyond bringing the building up to fire code.

Mr. Miller asked if the Board should set a time limit on a response from Cove.

Ms. Hillhouse stated that there is an underlying lawsuit regarding the failure of the Title Company to clear the title prior to transferring ownership from TAB to Cove Partners. This lawsuit is heating up but has not been resolved. When resolved, Cove could receive a settlement that would provide additional funding for them to move forward with their business plan.

Mr. White continued with his review of the SCIP Management Report, making the following comments:

- The RFP for development of a Marine Service Center at SCIP has been advertised. The key people involved in the marine industry in Ketchikan are aware of the RFP. Someone is coming up from Washington State on June 3rd to look at SCIP property re. the RFP.
- STA is still working with their engineers to design a building that can fit on Lot 17 and accommodate the Fire line. As long as STA development remains below 10,000 square feet and stays within the bounds of Lot 17, there is no need to go back to the Assembly.
- Two responses to the Lot 22/Stores Building RFP have been received. As this item was not on the agenda, no discussion took place, however copies of both proposals were distributed to each Board member to take home for review before discussion at the next Board meeting.
- The Assembly granted Fortress of the Bear a lease extension at the current rate of \$50 per month through the end of December 2010. This gives FOB time to develop a business plan. FOB is generating a lot more business now and there is someone at the door collecting money.

G. PERSONS TO BE HEARD (NONE)

I. UNFINISHED BUSINESS (item moved forward on agenda)

1. Theobroma Lease

Mr. White stated that Theobroma's original lease was from April 2003 to April 2005. Last year TCC was granted a lease extension to August 2009, however this extension was never signed, so TCC has been on lease holdover status. Consumer Price Index adjustments continue to be made on schedule and the Finance Director has made arrangements with Mr. Iwamoto to make double payments during the summer months in order to become current on monies owed.

Mr. Iwamoto stated that he worked with Mr. Wolff (City Finance Director) on an agreement to make double payments in June, July, and August in order to catch up.

Mr. White advised that the current lease agreement allows for one 5-year lease extension.

Ms. Hillhouse stated that the original lease could be amended, and advised that there was a confession of judgment that TCC would remain current on payments to the City.

Mr. Iwamoto stated that due to low cash flow in February he met with Mr. Wolff to workout a payment plan to make double payments during the summer months of June, July, August, and September when cash flow is good, then make regular payments in October, November, and December. Payments for the months of February, March and April could then be deferred if needed. This schedule works for TCC and Mr. Iwamoto would like to continue to have three to four months of reduced or no rent and then make it up with double payments for three or four months in summer.

Mr. White stated that he would work on a new lease agreement that includes a payment plan and bring it back to the Board for their consideration.

Mr. Horan stated that he would like to see a written agreement on the payment schedule beyond the verbal agreement between Mr. Iwamoto and Mr. Wolff.

Ms. Hillhouse advised the City needs a written promissory note that states expectations in addition to the lease. Ms. Hillhouse stated that this was the first time she had heard that TCC had not signed the lease extension and was on holdover status and advised that Mr. Iwamoto work with the Finance Director to draft a promissory note to bring to the Assembly when they are considering a lease extension or new lease.

Mr. Iwamoto stated that he had not signed the lease extension after being advised by other tenants not to do so if he was not happy with the current lease rates. Mr. Iwamoto stated that he feels the lease rates may be too high for the level of services he is receiving. He stated that snow removal was one problem and that there was no access to his shop for an extended period of time last winter when the drive was covered with up to six inches of ice. Mr. Iwamoto asked if a refund or rebate can be made to TCC when such loss of business occurs due to lack of landlord services.

Mr. Brylinsky advised that this is covered in the operational portion of the lease and that snow removal is the responsibility of the landlord, however, it is the responsibility of the tenant to inform the landlord of the problem. The City plowed the snow and removed ice when they were made aware of the problem.

Mr. Iwamoto stated that he would like to sit down with one or two people to discuss what he might realistically ask for as he feels he is paying too much in rent. He asked how rents were determined and if a comparison was made to rents in Seattle and Anchorage. He also asked why his property taxes had gone down but his lease rate had not changed if the lease was based on a return on the value of the property.

Mr. Horan stated that Mr. Iwamoto's question was legitimate and that if he wants to negotiate a new deal this is a good time to do that.

Mr. Horan advised that Mr. Iwamoto should know what would motivate the Board to grant a favorable new deal and that is mainly the creation of new jobs and business growth.

Mr. Horan stated that there is limited room to negotiate on lease rates as the Board does not want to undercut lease rates of the private sector. The Board does not intend to compete with local business and draw tenants away from those who have invested private capital. There needs to be a fair and consistent rate schedule for SCIP.

Mr. White invited Mr. Iwamoto to meet with him after the Board had a chance to review the rent schedule.

H. PARK WALK THROUGH

Ms. Hillhouse stated that the City was clean with TAB regarding leasehold interest in the Carpenter's Shop regarding clean-up responsibilities. A notice should be sent to TAB listing what needs to be done and stating that there is a time limit for TAB to respond and complete the work or the City will clean-up the property and send a bill for the work to TAB.

MOTION: M/S Frank/Harang moved to suspend meeting rules during the walk through of the park.

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

No minutes were taken during the park walk through.

Park Walk Through ended at 5:09pm

MOTION: M/S Harang / Frank moved to come back into a regular meeting session.

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

I. UNFINISHED BUSINESS

2. Utility Dock Condition

Mr. White reported that he called PND Engineers regarding the cost to have them make a condition assessment of the Utility Dock. For a full assessment the cost estimate is \$50k. For one person to do a quick review the cost would be about \$6k.

Mr. White stated that he and Mr. Brylinsky had looked at the condition of the pilings and structure under the dock during a recent low tide. One piling has no bottom and one has been chopped off. Photos were taken that can be viewed after the meeting.

Mr. Brylinsky stated that his concern was to assess the condition of the dock to determine if there was an immanent hazard and that after examining the dock he sees no threat of immanent collapse. There is a large hole at one end of the dock that needs to be covered properly to prevent anyone from falling through.

Mr. England stated that he is already planning to properly cover the hole.

Mr. Miller stated that he is interested in finding out if the dock could be repaired for use by barges and other small vessels.

Mr. Horan suggested that Fred Monrine (spelling) be asked to take a look at the Utility Dock for his opinion and a general cost estimate of what it might take to fix the pilings and construct fenders. Mr. Monrine is currently working with Silver Bay Seafoods to fix the Pulp Dock, which is of similar construction and age to the Utility Dock.

Mr. Miller advised that some uses for such a dock are on the horizon and include the Blue Lake dam expansion project and the possible movement of timber for wood based products.

Mr. Horan stated that use of the Utility Dock would not conflict with a deepwater dock.

Mr. White agreed to contact Fred Monrine (spelling).

Mr. Ozment suggested that a horse-barrier be placed to stop vehicles from going onto the dock.

J. NEW BUSINESS

1. Sawmill Cove Dock

Mr. White stated that the reason to bring this issue up now is to consider whether or not to bring a ballot question to the voters in October this year. Research is ongoing on how to pay for construction and maintenance of a dock at SCIP.

Mr. White advised that he talked to Senator Bert Stedman regarding use of Marine Passenger Fee funds for design and construction of a dock facility at SCIP. Mr. Stedman responded that this was unlikely.

Mr. White estimated the cost for construction of the dock at \$10 million, bonding that amount for 20 years at 9% would be a annual payment just over a \$1mm. Research indicates that approximately \$645k in annual revenues might be generated from the docking of a single cruise ship based upon the 2008 schedule and comparing docking fees charged in Juneau and Ketchikan. This leaves \$375k short of the needed funding.

Mr. White reported that recent comments made by representatives in the cruise industry (as reported in newspapers, magazines, teleconferences...) indicate that the major cruise companies are likely to renegotiate docking fees in Alaska ports due to the new \$50 marine passenger fee. Due to such uncertainties with the cruise industry it would be difficult to request a revenue bond based on docking fee revenues.

Mr. White reported that he has not yet found a way to pay for the dock without some funding from the cruise industry, either from the marine passenger fee fund or some other source of cruise generated revenue.

Mr. White stated that research on dock design requirements for cargo/freight vessels show that the PND design may not be adequate. The PND dock design accommodates a ship with a maximum draft of 39.5 feet. This is okay for cruise ships and barges, but would not work for bulk water vessels or large cargo ships that can have a draft of 60+ feet. A different mooring system needs to be considered.

Mr. White reported that major cruise lines are considering filing a class action lawsuit against the \$50 marine passenger fee. Ports around the world are watching for the outcome. The cruise industry will be pulling ships out of Alaska to drive the market price up by reducing passenger capacity.

Mr. White stated that Senator Stedman suggested looking at energy related funding for dock development.

Mr. Miller stated that SCIP needs a dock and to dismiss the revenue that could be generated by docking a single cruise ship per day means a reality check for the lost revenue to the City.

Ms. Hackett stated that she was surprised and concerned that the SCIP Board is considering a cruise ship dock. She emphasized the need for the SCIP Board to be transparent and hold public meetings. Ms. Hackett also expressed surprise that the Board is even considering a cruise dock. She then asked why they Board is even doing research and suggested that even planning and research on the subject should be conducted only in a public forum.

Mr. White responded that the SCIP Board went before the Assembly last year to request an advisory vote be placed on the 2008 ballot regarding construction of a multi-purpose dock at SCIP that could serve a single cruise ship. The Board was told to come back with more information and a plan on how to pay for it.

Mr. White also stated that SCIP Board meetings are public.

Mr. Miller stated that the SCIP Board requested, several times, to have a work session with Assembly to present the SCIP strategic plan but has so far not been granted a meeting. Presenting the strategic plan to the Assembly was a first step toward holding a series of public hearings about plans for the park, including construction of a dock.

Ms. Hackett stated that she is concerned about public perception since the public voted several times against a cruise ship dock.

Mr. White stated that in fact the public voted in 2005 to allow construction of a Multi-purpose dock at the park. Then in 2006 the public voted to require a vote on the subject of a cruise ship dock at the park. There has not been a vote to not allow construction of a dock at the park.

Mr. White stated that the BOD cannot make a presentation to the public without the ability to answer questions and provide reasonable information at the public forums. This requires doing research.

Mr. Horan stated that berthing a cruise ship at the dock is a likely component to make a dock feasible. The income from docking fees could be up to \$6 million amortized, which would cover a large portion of the \$10 million construction costs. Mr. Horan said he believes the public would accept a City owned and controlled dock at SCIP that included cruise ship use. This location does not block the viewshed.

Mr. Ozment stated that the numbers still don't show viability with or without cruise ship use.

Mr. Dinley stated that the Board had agreed and planned to bring the Strategic Plan to the Assembly first and then to the public.

Ms. Hillhouse advised that once an item becomes a ballot proposition SCIP cannot advocate for or against it.

Mr. Horan suggested that any vote should be on real merits and that there has not been any vote that prohibits the City from building a dock at SCIP.

Mr. White stated that the SCIP Board simply wants to ask the question "can we construct a dock at SCIP with a cruise ship component." A yes/no vote clears the issue for legislative consideration. Another option is to start by constructing the bulkhead for freight then come back and ask the question regarding use by cruise ships and the revenue that would be generated from that.

Mr. Miller stated that all funding opportunities are being reviewed including the possibility of berthing a single cruise ship per day. The SCIP Board has been prepared to present the SCIP strategic plan to the Assembly for several months.

Mr. White stated that he has asked the Mayor to schedule a work session with the Assembly to review the strategic plan and make sure that the SCIP is moving in the right direction.

Ms. Hillhouse suggested that if a work session is not possible, then the SCIP Strategic Plan can be placed on the regular agenda.

Mr. White stated that his quarterly reports to the Assembly have included information about planning for a multi-purpose dock at SCIP with the possibility of berthing a single cruise ship per day to help pay for the dock and bring revenue to the City. The Board's intent has always been to develop the strategic plan that includes a dock at SCIP and then bring the plan before the Assembly for their review and direction, then hold several public forums.

Mr. White suggested that the Strategic Plan should be updated now that some of the action items have been taken care of and that the format should be cleaned up before presenting it to the Assembly.

Mr. Riggs suggested that if there is not enough time to finalize the entire Strategic Plan the dock issue could be brought before the Assembly and then request to come back with the entire plan at a later time.

Mr. Miller stated that the dock is related to other parts of the Strategic Plan, it is all a connected package. It is important to present the total concept of Park development to the Assembly and the public and provide the SCIP Board's vision for the Park in order to receive feedback on whether we are moving in the right direction

Mr. Horan suggested that a 15-20 minute presentation could be made to the Assembly on the Strategic Plan with the dock component, including why a deepwater dock is needed to support other development.

With consensus of the Board, Mr. Miller directed the Director to have the strategic plan updated and properly formatted, then schedule another SCIP meeting to approve the revised version and then have the Strategic Plan placed on the Assembly agenda.

2. Administration Building Lease Rate

Mr. White stated that although in-town rates do not include utilities, the condition and location of the Administration Building make \$1.25-\$1.50 on the high side compared to current space available in town. A balanced rate schedule needs to be developed that does not unduly compete with private business but is comparable. A rate of \$1.00-\$1.15 per square foot upstairs and \$0.75 per square foot downstairs is probably more realistic.

Mr. Horan agreed that the location of the Administration Building hampers demand, but that lowering the rate would not likely create demand. We should consider lowering the rate for downstairs storage by \$0.10, with the understanding that space is rented as is/where is with no expectation that the City will be investing in building improvements such as fixing the downstairs bathrooms. If we renegotiate rents, then the leases should be renegotiated too. The current rate of \$0.75 per square foot during the summer includes electric use and the \$0.50 winter rate is for storage only without electricity.

Mr. White stated that office space in town rents from \$1.03 per square foot and suggested mirroring that rate.

Mr. Horan asked for a comparison of storage space rates for locations such as Smith and Price Streets.

Mr. White said he would do some research and bring information on out of town storage rates to a future meeting.

3. Lot 16 Discussion

Mr. White stated that there are funds available in the repair and maintenance budget to close up the old carpenter's building on Lot 16 in order to keep people out. The estimated cost is several hundred dollars.

Mr. Horan stated that there are some potentially hazardous materials that also need to be cleaned up.

Mr. Brylinsky stated that nothing had been done to clean up Lot 16 yet due to a sublease with TAB. However, a letter will now be sent to TAB regarding a deadline for cleanup and removal of TAB property. After that the City will clean up the site and send TAB a bill for any relevant expenses.

Mr. White stated that the old tire shop is unusable and would cost \$7k-\$8k to demolish. He suggested a lease of that property that would trade two years rent in exchange for demolishing and clean-up of that building site.

Mr. White suggested that when the City replat is done, Lot 16 (approximately 1.9 acres) could be split up into smaller parcels. The carpenter's building is unusable in its present condition, but could be renovated and an RFP could be put out on the entire lot or just the carpenter's building.

Mr. Horan advised waiting for the Marine Service RFP returns on September 10th. He suggested that any replat should include lot line adjustments to match what is physically on the ground.

Mr. Miller stated that a plat is need that shows all lots, easements, roads, utilities, and significant landscape features.

Mr. White stated that Lot 19 will probably never be useable and Lot 18 has some issues, however Lot 17 is ready.

Mr. Ozment asked if there were any fuel storage tanks under the old tire shop.

Mr. Brylinsky and Mr. White both responded that they believe all tanks were removed.

K. ADJOURN

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

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

The meeting adjourned at 6:40 pm.