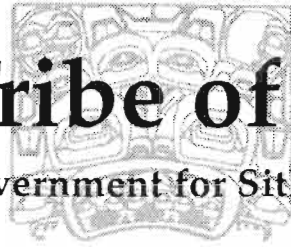


Sitka Tribe of Alaska

Tribal Government for Sitka, Alaska



July 15, 2009

Garry White
Sitka Economic Development Association
329 Harbor Drive
Sitka, AK

RE: Tannery Lease

Dear Mr. White:

Based on your request this letter is intended to serve as a brief write-up for the Sawmill Cove Board's packet for the meeting to be held on July 20. Thank you for the opportunity to submit this for consideration.

We have been working with the firm Jensen Yorba Lott, Inc. to provide A&E services for the design of a free standing Tannery building at the Sawmill Cove Industrial Park. We have been in the process of trying to configure a footprint of the proposed facility on Lot 17, to in turn be able to provide you with some measurements/meet and bounds which will identify the specific 10,000 SF portion of that lot to be detailed in the lease agreement.

Based on preliminary work performed by Tony Yorba and Pat O'Neil, as well as discussion amongst parties, including key City and Borough employees, it has been determined that there is "a virtual rats nest of underground utility pipes in the vicinity of lot 17, all capable of causing significant hardship to the project"; to use someone else's words. There seems to be very little usable documentation on these pipes which have been discovered over time, due to the fact that no as-built exists with details of their location, configuration and depth. Much of the information which has been gathered is extremely conflicting. I have been convinced that to proceed on a "leap of faith basis" could leave the Tribe at risk if disruption occurs to a separate utility user, and/or if significant delays and costs are incurred based on additional work needing to be performed.

To mitigate at least some of this risk it has been proposed that the surveyor do extensive exploratory excavation on the site to try and locate and identify utilities, as it has been indicated that the CBS is unwilling or unable to provide the service. While I feel the surveyor's cost quote and reasoning are both fair and sound in judgment, it mandates work which is unbudgeted for. Further, it has become apparent there is high likelihood that a fire water line will need to be relocated at a cost which has been indicated as high as \$30,000. Finally, I have been told that the electrical power will need to travel

approximately 270 feet underground from the closest primary power source to make it available to Lot 17. This in itself is estimated at \$27,000. These few items have aggregated to a level which appears to be cost prohibitive based on the grant funding available.

In speaking with you I am under the understanding that the assembly had approved the lease of Lot 17 *or* Lot 15. At this point in time ***I am requesting the board permit Sitka Tribe of Alaska to change locations from Lot 17 to Lot 15.*** I am hopeful that some investigation might find conditions at the new proposed site more suitable for the project at hand.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Pete DeRensis', with a long horizontal flourish extending to the right.

Pete DeRensis
Acting Planner, Sitka Tribe of Alaska

cc: Sawmill Cove Board



329 Harbor Drive, Suite 212 * Sitka, Alaska 99835 * Phone: 907-747-2660

Wednesday, August 6th, 2008

MEMORANDUM

To: Jim Dinley, Administrator
From: Sawmill Cove Board of Directors
Subject: Sitka Tribe of Alaska Lease

On April 10th, 2008 and August 4th, 2008 the Sawmill Cove Board of Directors met to consider a request from the Sitka Tribe of Alaska to lease 10,000 SF of property at the Sawmill Cove Industrial Park to construct a building to house the Sitka Tribe of Alaska's Tribal Tannery.

After considerable deliberation the Board unanimously approved the following motions:

1. At the April 10th, 2008 meeting the Board "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."
2. At the August 6th, 2008 meeting the Board "moved to recommend to the Assembly that a 10,000 square foot portion of the SW corner of Lot #15 of Sawmill Cove Industrial Park be selected for the STA Tannery, with the understanding that STA will make efforts to work with the various agencies to substitute a portion of Lot #17 for Lot #15, and that a standard lease will be developed following the terms previously agreed upon by the Board and STA."
 - The Board preferred Lot #17 over Lot #15 as it fits better with their Strategic Plan for the SCIP. STA has already submitted applications to the EDA considering the use of Lot #15 and are concerned that changing the location of the building will result in the loss of funding for their project due to time constraints. Therefore, the Board asked STA to try and change the lot location to #17, but if it results in loss of funding, Lot #15 will be acceptable.

Board attendance at the meeting: Miller, Horan, Harang, Fondell.

Represent the City were Administrator Dinley, Attorney Hillhouse, Public Works Operations Chief Brylinsky.

March 27, 2008 - NEW BUSINESS

1. STA Tannery

Ms. Craig stated that the Sitka Tribe of Alaska (STA) is interested in pursuing an opportunity to move the STA tannery to a site at SCIP. Currently, they are considering the purchase of the warehouse building owned by The Boat Company and are working with the Federal Economic Development Administration to acquire funding. This building is not being used and appears to meet the size and condition needs of the STA tannery. Purchasing the existing building at a favorable price would be more cost effective for STA than building a new building on another lot. She explained that the STA would need to negotiate with the SCIP Board for a non-terminable lease with a term of not less than 20 years and negotiate a more favorable lease rate.

Ms. Davis stated that STA would need to work with Mr. Bevan to negotiate the terms of a lease.

Mr. Horan expressed his concern that the warehouse building owned by The Boat Company is located in the waterfront area that has been set aside for development of marine industry business. He noted that since the tannery does not require waterfront access, perhaps another suitable location at SCIP could be found for the tannery so that the waterfront area would remain available for marine industry development making best use of that property.

Mr. Feldspausch provided an overview of plans for and needs of the tannery at SCIP.

- Approximately 6,000 square feet would be used for commercial tanning of hides.
- Approximately 1,000 square feet would provide office space, and room for artist demonstrations.
- STA tour busses would bring people to the site to view the process and artist demonstrations.
- The tannery processes hides received from across the state.
- Two full-time and two to three more seasonal full-time employees are expected.
- Possible addition of a walk-in freezer onto the existing building.
- Space for five to six vehicles at the site and access for the STA tour busses.

He noted that the tannery has a low profit margin and requires high volume production to be viable and that tourism would help support the tannery. He stated that STA has already begun planning for their wastewater discharge and that this should not be a problem. It was also noted that the tanning process, properly conducted, does not produce noticeably offensive odors.

Mr. Horan suggested that STA consider the Stores Building as an option. While this building does need investment to make it useable, this would preserve the waterfront as a marine industry area.

Ms. Craig expressed concern that EDA may not fund lease or purchase of the Stores Building due to its poor condition. The Stores Building is also not ideal for tourism.

Ms. Davis acknowledged that the Stores Building would require some work and investment, but that the EDA has put money into similar buildings in the past. She stressed that SCIP would be a good location for the tannery and that the Board would like to work with STA to find an optimal site that would work for both parties.

Mr. Horan suggested a possible partnership with another business or organization that could take over additional space in the Stores Building.

Ms. Craig and Mr. Feldspausch agreed to work with Mr. Bevan to identify potential SCIP sites that might work for the tannery and to negotiate the lease if a site is agreed upon.

April 10, 2008 - UNFINISHED BUSINESS

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

July 21, 2008

UNFINISHED BUSINESS

1. STA Tannery lease/location (moved forward from G.3 to G.1)

Mr. White reviewed portions of the minutes from March 27 and April 20, 2008 from Board discussions on selecting a site and developing a lease for the STA Tannery to move to SCIP. Key points in the minutes are:

- 3/27/08 Robi Craig and Jeff Feldpausch agreed to work with Hugh Bevan on site selection and lease terms.
- 4/10/08 After visiting SCIP Hugh Bevan, Robbie Craig, and Jeff Feldpausch brought a site recommendation back to the Board for consideration. The site identified was a portion of Lot #15. "After discussion a consensus of the Board 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."
- 4/10/08 The Board "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."
- No specific site location was formally agreed upon or guaranteed

Mr. White also noted a letter from Hugh Bevan to Robbie Craig of STA, dated April 14, 2008 that stated a site for the STA Tannery was yet to be determined.

Mr. White reported that, early in July, Board members Charles Horan and Trevor Harang visited SCIP to review possible sites for the STA Tannery. Lots #19 and #18 were determined to be the preferred choices due to their location away from the area being reserved for development of marine services.

Mr. Feldpausch stated that based on discussion at the April 10, 2008 SCIP Board meeting he had believed that the NW corner portion of Lot #15 would be made available and that the EDA grant application process and building plans had moved forward with the assumption that this parcel would be the one selected for the STA Tannery. He stated that Lots #18 and #19 both pose significant site development costs making them unsuitable due to the limited budget for the project. The problems with Lot #19 include removal of large concrete slabs and space configuration. Lot #18 would require water and sewer being brought in from quite a distance and the addition of some fill material. The NW corner of Lot #15 would have a lower development cost. Mr. Feldpausch also suggested that the NE corner of Lot #15 might work as well. He would need to determine if the building footprint would work.

After discussion the Board determined that Lot #18 is the best option and avoids any conflict with future development of marine services at SCIP. The Board directed Mr. Feldpausch to consult with the STA engineer to determine the feasibility of developing Lot #18 for the tannery and to bring this information to the next Board meeting. The Board will postpone any decisions until that time.

Mr. Feldpausch agreed to consult with the STA engineer and bring the findings back to the SCIP Board.

August 04, 2008 – UNFINISHED BUSINESS

1. STA Tannery lease/location

Robi Craig referred to the detailed memo from STA to the SCIP Board and stated that the memo describes the current situation:

- Due to deadlines to secure EDA funding, STA had to move forward with the application process with documents being filed with several State and Federal agencies.
- As per previous site selection review at SCIP with Hugh Bevan and the consensus of the SCIP Board at their April 10th, 2008 meeting, the STA believed that a portion of Lot #15 was the site that would be secured for the Tannery.
- All application documents identify this portion of Lot #15 as the site for the Tannery. It is unlikely that these applications can be modified to change the site selection without a possible loss of funding.
- The architect has been designing based on a building site on Lot #15.
- All other Lots discussed to date would require additional site preparation that would cost more money than STA has available for the project.

Mr. Harang suggested that Lot #17 should be considered as it is fairly close to utilities and looks to be at grade level with no or minimal fill required to build on. Lot #17 had not previously been considered.

After discussion the Board came to a consensus that the interests of SCIP would be better served with the STA Tannery located on Lot #17, however due to the complex application process that STA has already gone through, a portion of Lot #15 would be granted if this is the only way to secure funding for the project.

MOTION: M/S Harang/Fondell moved to recommend to the Assembly that a 10,000 square foot portion of the SW corner of Lot #15 of Sawmill Cove Industrial Park be selected for the STA Tannery, with the understanding that STA will make efforts to work with the various agencies to substitute a portion of Lot #17 for Lot #15, and that a standard lease will be developed following the terms previously agreed upon by the SCIP Board and STA.

IX. UNFINISHED BUSINESS:

Item C

Electrical Utility Director Hire

MOTION, by Westover to approve the hire offer of Christopher D. Brewton as Electrical Utility Director with a starting salary of \$105,000 and in accordance with the other provisions as noted in the attached July 29, 2008 offer letter by Municipal Administrator James E. Dinley and depicted below:

- \$105,000 to start;
- \$110,000 following successful six-month probationary period;
- Vacation accrual 200 hours annually;
- A one-time moving allowance of \$5,000 (reimbursable expenses);
- Assume the position between October 15 and November 15, 2008;
- The offer is subject to routine background checks.

Jim Dinley reviewed the hiring process for the Assembly as outlined in his memorandum.

The assembly discussed the merits of the candidate.

Motion PASSED on a 6-0 roll call vote.

Item D

SJCCC Grant

MOTION, by Cavanaugh to approve awarding Sheldon Jackson Child Care Center a \$100,000 grant from the Stevens Economic Development Fund under the Private Sector Revolving Loan category to go towards the purchase of the Sheldon Jackson Child Care Center facility located at 111 John Brady Drive.

1. If Sheldon Jackson Child Care Center is not awarded the USDA loan, then the \$100,000 "grant" will be unencumbered and the monies returned to the Private Sector Revolving Loan Fund; and,
2. A deed restriction which shall require if Sheldon Jackson College Child Care Center is no longer used as a child care center, the current owner of the property shall reimburse the CBS the \$100,000 "grant."

SJCCC was present to answer questions. Sherrod asked Hillhouse to comment on Item 2 of the motion. Hillhouse commented that they could have a successor group that could be a non-profit. It needed to be clear when they obtain the deed to the property that notice would go to the future buyer.

Motion PASSED on a 6-0 roll call vote.

Item E

Lease Agreement
STA Tannery

MOTION, by Stein to approve the Lease Agreement between the CBS and Sitka Tribe of Alaska at the Sawmill Cove Industrial Park property to construct a building to house the Sitka Tribe Alaska's Tribal Cannery pursuant to the recommendation of the Sawmill Cove Industrial Park Board in their August 6, 2008 Memorandum.

Dave Miller of STA favored this lease.

MOTION, by Sherrod to amend by inserting Lot 15 or Lot 17 upon mutual agreement of the parties and USEDA.

Motion on the amendment PASSED on unanimous voice vote.

Motion, by Cavanaugh to amend the Lease by dropping Section 1.2 Options to Renew and Section 2.3 Calculation and Method of Payment of Rent During Successive Optional Ten Year Renewals of the Lease in their entirety and any other reference for Options to Renew.

Cavanaugh found the existing language confusing. She wants a provision for purchasing after 20 years rather than successive leasing.

Robbie Craig of STA believes this will work and the will of the Tribe is to own the land in time.

Garry White, director of the SMC Board, believes the board would be in concert with this as well.

Motion on the amendment PASSED on a 6-0 roll call vote.

The main motion PASSED as amended on a 6-0 roll call vote.

Recess

A recess was taken from 8:25 until 8:30 p.m.

Item F
Non-Profit Grant Funds

MOTION, by Raffaele to approve the reallocation of \$8,000 (previously awarded to Sitka Works) in the form of a non-profit grant to be rolled over into next fiscal year.

Sitka Trail Works requested that the funds be rolled into next year's process.

Shelia Finkenbinder, thought the funds should be awarded this year to economic organizations. She added that she would like to see the grant funding broken down by categories.

Dan Jones, president of the Sitka Summer Music Festival Board, brought up that the committee's initial recommendation was for \$5,000 but they were awarded \$2,000.

Stein favored Sitka Trail Works.

Motion PASSED on a 5-1 roll call vote with Stein opposed.

Item G
ORD. 2008-34

MOTION, by Stein to approve Ordinance 2008-34 on second reading.

Vacating the portion of alley lying between 1201 Edgecumbe Drive and 1202 Halibut Point Road.

Deputy Mayor read the Title and Purpose sections.