

Thursday, August 26, 2009

MEMORANDUM

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

1. Cove Partners and the former TAB Building.

CBS Building official has informed us that the building has been brought to code in regards to fire suppression.

Cove Partners has purchased three new bottle molding lines and is planning to increase their production at the Sitka plant. The plant is once again producing bottled water and Cove has started distribution of water in WA, OR, AK, and Western Canada.

The SCIP Board at their 07/20/09 meeting approved a motion to drop the reversionary interest in Lot 5 if Cove placed \$170k into an escrow account under CBS control by 01/01/10 with \$150k for fixing the building roof, \$20k to be used for sewer upgrades, and that CBS retain any interest from escrow account.

The Assembly at their 07/28/09 meeting adjusted the recommendation from the SCIP Board to read "to remove CBS reversionary interest in Lot 5 provided the following is completed by 01/01/10. That \$170k be placed in an escrow account to address roof, sewer, electrical, and other capital upgrades established under the control of the CBS and that any interest from the escrow account goes to the CBS."

At the 07/20/09 SCIP meeting electrical concerns with the building were brought up by the Director, but refuted by the Cove members. The Director contacted CBS Electrical Director after the meeting to discover that the electrical issues warranted attention by Cove. This information was given to Cove before the 07/28/09 Assembly meeting and discussed by the Assembly at the meeting.

Cove appears to be moving forward with their plans to market Sitka's premium water. The Director has been assisting a marketing group with pictures of Blue Lake and the Sitka to highlight the purity and beauty of Sitka.

2. Construction of a dock at SCIP.

Funds were requested from the State to construct a 120' bulkhead at the SCIP to be used to assist the CBS with bringing in materials for the expansion of Blue

Lake. The legislative budget did not include any funding for the project. Funds have also been requested from the Federal Government. No word on funding from the Feds yet.

The Director has researched multiple options of revenue sources, including a cruise ship mooring at the dock, and can not find sufficient revenue to offset the debt service associated with funding the construction of the proposed dock design with bonds. Research needs to be completed on other revenue sources and different dock designs.

The SCIP Board addressed the issue of constructing a dock at the park at their 05/28/09 meeting. The board wishes to meet with the assembly before moving forward with a plan. The Assembly requested to meet with the SCIP board at their 09/22/09 meeting.

The SCIP Director will be addressing capital funding for a dock with the USDA Under Secretary of Rural Development at the 08/29/09 meeting held in Sitka. The representative will be touring the SCIP that afternoon.

### 3. Marine Services RFP.

The CBS Assembly approved the Marine Services RFP at their 03/24/09 meeting. The RFP has been mailed to target clients worldwide. The RFP is being advertised on [www.sitka.net](http://www.sitka.net), [www.sawmillcove.net](http://www.sawmillcove.net), and CBS website. The RFP is being advertised in Sitka Sentinel, Juneau Empire, Pacific Fishing Magazine, Fishermen's News, and the Daily Shipping news.

The Director has received positive feedback from a number of independent marine service operators about the possibility of establishing a business at the park. Although, funding for infrastructure still seems to be an issue.

The September 10 deadline for submittal of proposals is approaching fast.

### 4. Bulk water pipeline project is complete.

TAB's contract has been approved for a 1 year extension. TAB has until 12/08/09 to export 20 million gallons of water.

A number of new inquiries have been received by the Director and have been directed to TAB.

### 5. Sitka Tribe of Alaska Tribal Tannery.

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. STA's grant application has been approved by US EDA.

STA has requested to get a formal lease in place. They worked with their engineers to establish a location for their building on a portion of Lot 17. Lot 17 has a fire water line running through the middle of it, which makes finding a building footprint difficult. The Director has recently met with STA officials and their engineering firm to discuss building location.

STA has found a number of issues with the underground infrastructure of Lot 17 and requested to move the site location to Lot 15 at the SCIP 07/20/09 meeting. The Board approved the request and STA is moving forward with investigating Lot 15.

#### 6. Stores Building.

At the 01/22/09 SCIP meeting the CBS Building Official notified the board that he was closing the building until it has sufficient fire protection equipment. A Notice and Order for the Stores Building dated 01/23/09 states that the sprinkler waiver for the building has been improperly granted. The building was not allowed for use until the building is sprinkled. All tenants had until 04/15/09 to vacate the building.

At the 01/22/09 SCIP meeting the board discussed selling the building. At the 03/23/09 SCIP Board meeting a RFP for the sale or long term lease of the building was approved by the board. The RFP was approved by the CBS Assembly at their 04/14/09 meeting.

Two proposals were received by the May 28<sup>th</sup>, 2009 deadline. The SCIP Board met on 06/08/09 and determined that Silver Bay Seafoods proposal scored the best and recommended to the Assembly to accept SBS's proposal. The Assembly approved the SCIP Boards recommendation at their 06/23/09 meeting.

The CBS Attorney suggests that a purchase agreement needs to be approved by the SCIP Board and the Assembly before transfer of the property can happen. Attorneys for both CBS and SBS are negotiating the specifics of the purchase agreement.

The CBS finance department has informed the Director that an US EDA grant was used to upgrade portions of the Stores Building between 2001-2003. The Director is working with EDA and CBS to determine what was upgraded on the building and if EDA will consider waiving grant requirements of if the CBS will owe EDA funds with the sale of the building.

7. The SCIP website ([www.sawmillcove.com](http://www.sawmillcove.com)), managed by SEDA, has been updated and highlights the land use plan.
8. The Fortress of the Bear lease was approved at \$50 per month and extended to Dec. 2010 by the Assembly at their 05/12/08 meeting.
9. The SCIP Board toured the SCIP at their 05/28/09 meeting to look at the Administration building, the former carpenter shop, and the utility dock to view the condition of the facilities. The view of the Board and Assembly members present was that certain liabilities existing with the carpenter shop and utility

dock. CBS staff has address liability concerns by enclosing and preventing access to the carpenter shop and restricting access to the utility dock.

10. The SCIP Board has approved a short term lease for storage of SAR equipment in the Administration building. The Board also approved usage of the building for SAR command staff during SAR missions near the SCIP.
11. The SCIP Director met with the CBS Building Official and determined that the Blue building located near the FOB lease area is available to lease.
12. Chris Deaborn has been hired as the new SCIP Site Manager.
13. The CBS Public Works department has been reorganized. Dan Jones, CBS Engineer will be replacing Scott Brylinsky duties in relation to the SCIP. Please welcome Dan and thank Scott for his hard work of the past years.
14. SWPPP letters have been sent to all tenants at the SCIP informing them of their responsibility to determine their need to investigate their operation in regards to NPDES.