

Monday, April 5, 2010

## MEMORANDUM

To: Sawmill Cove Industrial Park Board of Directors (SCIP Board)

From: Garry White, Director

Subject: OmegaSea

### **Background**

OmegaSea Ltd. was one of the first tenants at the SCIP, leasing portions of the pulp dock warehouse. OmegaSea's business model is to take fish waste and turn it into pet foods. In the past, OmegaSea produced the product at the park and created jobs. In recent years, they grinded and froze the fish waste to be transferred to a manufacturing site outside of Sitka.

OmegaSea has been actively involved in trying to help Sitka deal with its emerging fish waste issue. The State of Alaska Department of Environmental Conservation has stated that they have issue with the current way the two larger fish processing plants in the Sitka harbor channel are disposing of their waste. Omega has been looking at various additional pet food products and markets to utilize the estimated 16 million pounds of fish waste produced annually in Sitka.

Please see additional background information about the company included in attached business plan.

### **Request**

OmegaSea is requesting to purchase roughly 21,222 square feet of property located on the western portion of Lot 16 also known as Lot 16-C (see attached drawing). The exact lot footprint will be determined with a survey taking into account for site topography and site characteristics. OmegaSea is offering to purchase the lot for \$20,000.

### **Additional Benefits to Sitka (provided by OmegaSea)**

#### **Best Case Scenario**

1. Wages paid to members of the community totaling \$58,122 -year one, \$163,272 - year 2, and \$ 172,872 - year 3. This does not take into account the approximately \$300,000 that will be spent locally in construction wages to finish the project
2. Fish waste problem in the channel eliminated
3. Some smaller local processors able to process more Cod in the winter.

4. The shipment south of an additional 60 to 120 truckloads of fish per year ( value of \$142,857 - \$285,714)
5. Additional available commercial space and equipment valued at Approximately \$1,000,000
6. \$28,000 to \$37,000 paid to City in Utilities per year

#### **Worst Case Scenario - Project fails immediately**

1. Some wages will have been paid, totally approximately \$40,000 +. This does not take into account the approximately \$300,000 that will be spent locally in construction wages to finish the project.
2. OmegaSea will still grind and freeze its own fish ( Approximately 400,000 lbs)
3. The shipment south of and additional 8-10 truckloads of fish per year( value of \$19,200 - \$\$24,000 )
4. Additional available commercial space and equipment valued at Approximately \$1,000,000
5. \$4,000 to \$8,000 paid to City in Utilities per year

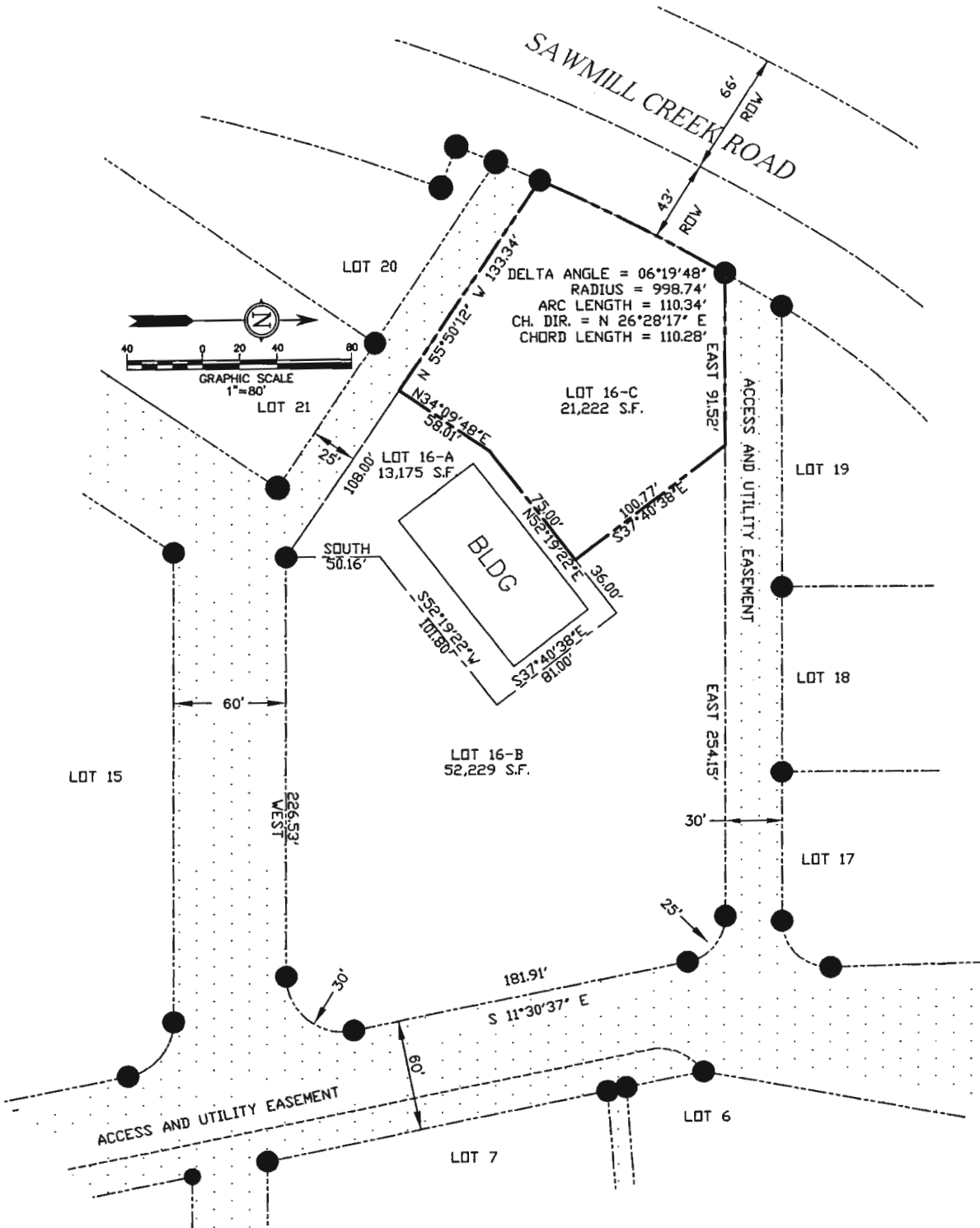
#### **Additional Information**

- The CBS Assessor has determined the value of the property to be assessed at \$4/SF. Assessed property value is \$84,888 based of 21,222 SF.
- At the March 29, 2010 SCIP meeting, the Board directed the SCIP Director to work with OmegaSea to develop a lease with an option to purchase or a sales agreement that gave the CBS assurances that jobs would be created.
  - OmegaSea will need to obtain bank financing to construct the building. Omega's bank was not receptive to financing a building on leased land.

#### **Proposed Property Sale**

1. OmegaSea pays market rate for the property
  - a. A \$10,000 credit is paid back to OmegaSea for every 2080 hours worked for employees earning at least \$15/hr at the Sitka plant, evidenced by OmegaSea payroll records.
  - b. Job credits will cease when OmegaSea has reach the point when it has paid \$20,000 for the property or 5 years from the date of sale, whichever come sooner.
2. OmegaSea purchases property for \$20,000
  - a. For a period of 10 years from the date of sale, if the property is sold for any reason, OmegaSea will pay CBS the difference between market rate price and sales prices at date of sale, within 30 days of property closing.
  - b. OmegaSea must show a payroll of at least \$80,000 annually by one year from purchase date or be fined \$10,000 annually up the difference between market rate and sales prices at the date of sale. Reversionary language would be place on the Deed of Trust until market rate is reached.

Alaska facility analysis			
		Sitka	
			Notes
Land	\$	20,000	
Site prep	\$	41,000	
concrete - 8000 sq, ft	\$	38,000	
<b>sub total</b>			<b>\$ 99,000</b>
Building cost	\$	55,000	
Erect and finish off building	\$	90,000	
Sprinklers	\$	45,000	
electrical	\$	50,000	
Engineering Drawings	\$	6,000	
sewer	\$	10,000	
water	\$	6,000	
Insulation	\$	12,000	
<b>sub total</b>			<b>\$ 274,000</b>
Existing equipment	\$	197,000	( See attachment - Existing Equip.)
Freezer equipment total	\$	435,000	
Equipment Install	\$	50,000	
totes 75	\$	45,000	
Start up capital & misc	\$	100,000	
<b>sub total</b>			<b>\$ 827,000</b>
<b>Total</b>			<b>\$ 1,200,000</b>



**City and Borough of Sitka**  
 DEPARTMENT OF PUBLIC WORKS  
 100 LINCOLN STREET • SITKA, ALASKA 99835  
 TEL (907) 747-1804 FAX (907) 747-3158

West of STA lease area  
 Version 2

DRAWN: TAD	SCALE: As Shown
CHECKED: G.White	DATE: Mar 2010
DRAWING NAME: STA Tannery Ver C2.dwg	
SHEET NO.   1 / 1	