



**Sawmill Cove Industrial Park  
Board of Directors Meeting  
March 29, 2010 – 3:00 PM  
Administration Building  
Sawmill Cove Industrial Park**

**A. CALL TO ORDER:** The Chair called the meeting to order at 3:08 p.m.

**B. ROLL CALL**

**Board Members Present:** Grant Miller; Lowell Frank; Chris Fondell (left 4:37); Charles Horan (arr. 3:15)

**Board Members Absent:** Trevor Harang

**City Representatives:** Jim Dinley; Theresa Hillhouse; Dan Jones

**Others Present:** Garry White; Jack Ozment; Linda Wilson; John Dunlap (Allen Marine Tours); Bobbie Daniels (Fortress of the Bear); Craig Giammona (Sitka Sentinel); Jeff Feldpausch (Sitka Tribe of Alaska); Jamal Float; Denny Crews (OmegaSea)

**C. REVIEW OF MINUTES – March 29, 2010**

**MOTION:** M/S Fondell/Frank Moved to approve the minutes of March 04, 2010.

**ACTION:** Motion PASSED 3/0 on a voice vote.

**D. CORRESPONDENCE AND OTHER INFORMATION**

The terms of three Board members will be expiring within the next few months.

- Mr. Frank informed the Board that he will not be seeking a renewal of his term, which expires on May 13, 2010.
- Mr. Miller stated that he would likely seek a renewal of his term, which expires on June 10, 2010.
- Mr. Horan was not present at the time of this discussion. His term expires on June 20, 2010.

**E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA**

The Chair reserved the right to alter the order of the agenda items as needed.

**F. REPORTS**

**1. SCIP Management Report (included in packet)**

Mr. White reviewed the report:

- Cove Partners has completed repairs to the electric system at a cost of \$71k. Cove would like to spend some of the remaining money on production equipment, however the agreement with the City is for all \$170k to be spent on fixing the building (i.e. roof or sewer system).
- Senator Murkowski's State Director was given a tour of SCIP and informed on the status of the request for funds to build a bulkhead dock.
- There has been no further response from Puglia Engineering regarding the RFP for development of a Marine Service Industry.
- More bulk water proposals are expected.
- The Stores Building, now owned by Silver Bay Seafoods, is operational.
- Silver Bay Seafoods is considering lease of office space in the Administration Building.

**G. PERSONS TO BE HEARD**

- Mr. Float informed the Board of his interest in acquiring space at SCIP for a small sawmill business.
- o Ideally the space would be 200' x 200' = 40k square feet, but could start with a 40' x 80' pole barn
  - o a perimeter lot would work
  - o long-term lease with potential to purchase the property
  - o eventually build a timber frame structure
  - o old tire shop is one option
  - o lot 16/carpenters shop is another parcel that could be considered, if it does not go to the tannery
  - o estimate 1-4 full-time employees in five years producing frame packages

The Board directed Mr. White to work with Mr. Float to identify an appropriate parcel.

## **H. UNFINISHED BUSINESS**

### **2. OmegaSea (taken out of order)**

Mr. Miller recused himself due to a potential business relationship with OmegaSea. Mr. Horan was appointed to chair the meeting for this agenda item.

Mr. Crews was added to the meeting via telephone at 3:28 pm. The following points were made:

- o OmegaSea is interested in purchasing a parcel at SCIP for a business utilizing fish waste from Sitka processors.
- o Property at the west end of the carpenters shop is being considered.
- o OmegaSea has identified a broker that would purchase 2-3 million pounds of frozen fish waste at 8 to 9 cents per pound.
- o Significant research has been done to confirm a market for the product.
- o Niche market for high-end pet food that current retails from \$3.50 to \$12 per pound.
- o Potential for a good business, plus a solution for the fish waste problem currently facing the processors.
- o OmegaSea product is based on fresh Alaska seafood, and both 2008 and 2009 proved challenging to get enough raw material.
- o Demand is exceeding supply for seafood processor waste.
- o OmegaSea is not requesting any funds.
- o OmegaSea is requesting purchase of 22k square feet of property at SCIP for \$15,000 recognizing this is well below market value.
- o If the business fails, there will be a nice building and other improvements to the lot. It would take little time to purchase the prefabricated building and have it delivered to the site.
- o Mr. Crews will be investing about \$1.2 million in the business and is requesting price consideration on the land based on past investments at SCIP and an assurance that the building will go up.
- o OmegaSea needs a written commitment from two processors in order to move forward.
- o Bank loan information can be provided to the SCIP Board when available.

Mr. Horan suggested a long-term lease with an option to buy be considered. Discussion yielded the following:

- o Consider a long-term, market rate lease of the property during the term of business development with an option to purchase at a specific time to be determined in negotiation;
- o Consider credits for full-time equivalent jobs created;
- o OmegaSea wants to move ahead to be in business this summer, however, Assembly approval is required with the earliest possible meeting being on April 13<sup>th</sup>.
- o Structure the agreement to make it fully transferable.
- o Need to finalize negotiations by April 6<sup>th</sup> to get a proposal to the Assembly for the April 13<sup>th</sup> meeting.

The Board instructed Mr. White to work with Mr. Crews on the details of a lease with option to purchase for the property desired and bring this back to the Board for their consideration.

## **I. NEW BUSINESS**

## **1. Fortress of the Bear (FOB) (taken out of order)**

Mr. White informed the Board that the Fortress of the Bear has requested \$12.5k of the SCIP capital budget be for electrical work and a grinder pump that are required to provide working restrooms at FOB.

Ms. Daniels stated that FOB has already purchased two free-standing restroom facilities which are ready to be hooked up. These restrooms are required to meet the needs of 2010 visitor traffic and should be hooked up prior to the arrival of cruise ships beginning in early May. FOB has worked with an architect on a phased design for improvement of the site in stages as funds become available, however the restrooms are an immediate need.

Mr. Dunlap stated that Allen Marine has been working with FOB to develop their tour market. A combined Allen Marine wildlife and FOB tour was tested in 2009 and proved to be highly marketable. Allen Marine has invested about \$35k to build a new viewing platform at FOB as an investment in future tour development. There has been a cruise line request to increase capacity of the combined Allen Marine / FOB tour for pre-sales by the cruise company. Despite the economic downturn, Allen Marine is in business for the long-haul and is supporting FOB as an investment in the future. A community needs a variety of attractions to attract cruise lines.

The Board was supportive of FOB efforts to improve the site, but encouraged FOB to apply for an economic development loan through the City. Capital project funds are intended to be used for overall improvement of the Park and not for individual leaseholder improvements.

Mr. White and Mr. Dinley stated that they would clarify the procedure for applying for the economic development loan and inform FOB.

## **2. STA Tannery**

Mr. Feldpausch stated that the EDA grant requires that STA has title to the building during the twenty year lease. STA has the \$20k for the lease, but has no additional funds for purchase of the building. EDA funds must be used soon or they will be lost. STA is requesting a gift of the carpenter's shop as part of the 20 year lease agreement.

Mr. White advised the Board that the original lease agreement approved by the Assembly was for lease of 10k square feet for twenty years for an up front payment of \$20k. Lots 17 and 15 were both considered and were unsuitable. A portion of Lot 16 with the carpenters shop was approved for consideration by the Assembly. It has not been possible to divide out 10k square feet from lot 16. The parcel divided out is 13,175 square feet, plus the building. The building has a leaking, rusted roof, and many other problems that indicate little value. The Board had previously discussed tearing down the structure.

Mr. Miller suggested the building may have some value since there are other parties interested in leasing or purchasing it and there may be a use for it during the Blue Lake expansion project. There is a big difference between the original agreement of 10k square feet for a twenty-year lease at \$20k and gifting a building plus a larger lot size for the same \$20k.

Ms. Hillhouse advised that this would have to go back to the Assembly for approval.

Mr. Feldpausch stated that that tannery will support five to seven full-time jobs on site at peak production. This is three to five additional jobs than the current facility supports. STA has already spent \$25k-\$30k on preliminary site assessments and engineering studies. The EDA grant will cover fixing up the carpenters shop for about the same amount for a new building, but STA will end up with a larger building for that money.

Mr. Horan stated that additional consideration should to be given for the increased lot size and building.

Mr. Dinley suggested that one option would be to sell the building to STA for \$20k and then enter into a market rate lease for the land.

### 3. CBS Attorney Briefing

The Municipal Attorney briefed the Board on the status of the Supreme Court case brought forward on appeal by Sitkans for Responsible Government (SRG).

## H. UNFINISHED BUSINESS

### 1. Capital Projects

Mr. White advised that funds for capital projects are \$142k from a HUD grant and \$78k from an EDA grant. The \$78k is restricted to improvements to the Administration Building.

After touring the SCIP property to consider how to prioritize spending the funds the Board came up with the following list for capital expenditures:

#### **Administration Building**

1. Cell phone repeaters for full coverage to the building
2. Painting to protect the building exterior
3. Interior lighting – check status and replace/repair as needed

#### **Other**

1. Demolish the tire shop
2. Move large rock pile behind carpenters shop and use as fill to even out terrain
3. Remove alders
4. Clean up of carpenters shop to remove major waste
5. Engineering study of utility dock condition
6. Remove access to chlorine dock
7. Remove mooring buoy

## J. ADJOURNMENT

**MOTION:** M/S Horan/Frank Moved to adjourn the meeting.

**ACTION:** Motion PASSED 3/0 on voice vote.

The meeting adjourned at 6:40 pm.