

Thursday, July 22, 2010

MEMORANDUM

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

1. Cove Partners and the former TAB Building.

Cove Partners has placed \$170k into a CBS controlled account. An amendment to the warranty deed has been submitted to remove the reversionary interest in the property.

Cove has completed the electrical upgrades to their building. Cove has been inquiring about roofing contractors.

The CBS Assembly has approved an ordinance to adjust the current CBS water rates and to establish a water rate for "Raw water for water bottling at Sawmill Cove Industrial Park". The rate will be set at: one dollar and thirty cents per thousand gallons.

Cove appears to be moving forward with their plans to market Sitka's premium water. They anticipate having a grand release of their new biodegradable bottle for production soon.

2. Construction of a dock at SCIP.

The Governor vetoed \$487k allocated in the State capital budget for the construction of a bulkhead dock at the SCIP. \$487k approved by the Federal Government survived the budget, but we are unclear on how the funds will flow from the Feds to the CBS, more information to come later. Other sources of funding are being considered.

The SCIP Board has broken the development of a dock down into two separate phases.

Phase I includes a 120' bulkhead dock and 2 mooring dolphins. Phase I allows for barge traffic and smaller ships to use the dock. The bulkhead dock would allow freight associated with the proposed Blue Lake Dam expansion, State improvements of Sawmill Creek Road, and other projects to be moved across the bulkhead portion of the dock. Additionally current and future tenants of the park would be able ship material and products from the park.

Phase II consists of adding the infrastructure to allow larger vessels such as cruise ships to use the dock. The Board intends to have broad public discussion regarding Phase II.

3. Marine Services RFP.

The CBS Assembly approved the Marine Services RFP at their 03/24/09 meeting. The RFP was mailed to target clients worldwide. The RFP was advertised on www.sitka.net, www.sawmillcove.net, and CBS website. Additionally, the RFP was advertised in Sitka Sentinel, Juneau Empire, Pacific Fishing Magazine, Fishermen's News, and the Daily Shipping news.

The CBS received one response to the RFP from Puglia Engineering Inc. of Bellingham, WA. The proposal was concept in general. Puglia is currently working on more in-depth information.

The Director met with Puglia Engineer and toured the Fairhaven Shipyard in late December 2009. At that time Puglia was investigating a feasibility study to determine if shipyard in Sitka could economically compete and exist.

Puglia has reported as it stands now, it would not be feasible. Puglia is working on several other projects and have place this project on the side until they can free up more time to complete additional due diligence.

4. Bulk Water.

The Assembly approved an amendment to the TAB contract that allows the group another 12 months to export 50 million gallons of water. The CBS charged TAB \$100k to amend the contract. A major change to the contract was the removed of Section 5.2, which gave TAB exclusive rights to Sitka's bulk water allocations. The CBS now has the right to negotiate with other entities interested in obtaining a bulk water contract. TAB has a contract for about 1/3 of Sitka's allocation. The other 2/3's is now open to other potential clients. Several clients are in the process of developing proposals to establish additional contracts.

Sitka has recently been in a number of online news articles regarding its plans to sell bulk water for export. CNBC plans to spend all day on the 26th and 27th of July filming for a story on the issue.

5. Sitka Tribe of Alaska Tribal Tannery.

The Sitka Tribe of Alaska has suggested that they will be moving in a different direction and will not be using the "old carpenter shop" as the location for their tannery in regards to their EDA grant.

6. 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. SWPPP continue to be a development concern.

7. The Audio Workshop group has been successful in recording music and has chosen to extend their lease at least another month to continue to record.

8. The CBS Assembly approved an ordinance that would change Sitka General Code regarding how property can be sold. The change will allow for a discussion of future property sales with the Assembly earlier in the process and save CBS funds and time.
9. The SCIP is scheduled to be paved this summer.
10. The SCIP Board has approved a flexible capital improvement list to help make the park more marketable, reduce expenses and liability to the CBS, protect the assets, and make the park more appealing. CBS Public Works is in the process of executing the list.
11. The painting of the Administration Building will be completed this summer.
12. The Director has been working with Montlake Mining Company on a lease area for their proposed fish meal plant.
13. Kari Johnson has established a lease with the CBS in the Administration building to be used for craft work.
14. The Army Corps of Engineers has been in Sitka to analyze the quality of rock at the proposed rock quarry adjacent to the SCIP. CBS staff and the Director are working on a marketing plan to sell the rock.