




City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members
Thru: John Leach, Municipal Administrator 
From: Michael Harmon, P.E., Public Works Director
Melissa Haley, Controller
Date: May 7th, 2020
Subject: Authorization to Apply for U.S. Department of Transportation Grants for GPIIP Haulout and MSC Port Wall and Crane

Background

BUILD 2020 Grant Program Description:

The FY 2020 BUILD program gives special consideration to projects that emphasize improved access to reliable, safe, and affordable transportation for communities in rural areas, such as projects that improve infrastructure condition, address public health and safety, promote regional connectivity or facilitate economic growth or competitiveness. Consistent with USDOT R.O.U.T.E.S. initiative, USDOT seeks rural projects that address deteriorating conditions and disproportionately high fatality rates on rural transportation infrastructure. Such projects may concurrently invest in broadband to better facilitate productivity and help rural citizens access opportunities or promote energy independence to help deliver significant local or regional economic benefit.

Link to grant information:

<https://www.transportation.gov/administrations/office-policy/build-fy2020-nofo>

PIDP 2020 Grant Program Description:

The National Defense Authorization Act for Fiscal Year 2020 (NDAA) (Pub. L. No. 116-92, December 20, 2019) and the Further Consolidated Appropriations Act, 2020 (the Act) (Pub. L. No. 116-94, December 20, 2019) authorized and appropriated \$225 million for the Port Infrastructure Development Program (PIDP) to make grants to improve facilities within, connecting to, out of, or around coastal seaports, inland river ports and Great Lakes ports. The Act directs that at least \$200 million of the appropriated funds be for grants to coastal seaports or Great Lakes ports. Funds for the PIDP are to be awarded as discretionary grants on a competitive basis for projects that will improve the safety, efficiency or reliability of the movement of goods into, out of, around or within a

port.

Link to grant information:

<https://maritime.dot.gov/PIDPgrants>

GPIP Haul Out:

In 2018 the GPIP Board began actively planning for the construct and operate a marine vessel haul out and related marine shipyard services. The goal of CBS is to create a privately run and managed marine services shipyard at the GPIP. Specifically, CBS is seeking to construct a marine vessel haul out facility and an EPA approved boat washdown area(s). CBS desires a functional vessel haul out system in place by June 1, 2021. Additionally, CBS has available for long-term lease up to 6.8 acres of GPIP uplands and would like to create opportunities for marine tradesmen and support businesses that support Sitka's commercial and sport fishing fleets.

Grant funding is wanted for an approximately \$7-million project to perform all environmental permitting, design and construction of infrastructure necessary to support its marine haulout and upland shipyard operations.

The CBS is in the process of selecting a proposer to develop and operate a haulout and shipyard at GPIP. It is anticipated that this grant funding and public proposed public infrastructure would great assist in accelerating and augment this overall development plan.

MSC Port Wall & Crane:

The steel sheet pile retaining wall was originally constructed in 1976. Over the years several different corrosion protection systems have been installed to reduce corrosion of the sheet piling and steel tie-back rods. Additionally, there is a crane at the top of the wall that needs to be replaced to continue to support the fishing fleet and businesses that use this to load/unload product.

In 2011 an engineering condition assessment was performed on the retaining wall. The study concluded that a major renovation of the structure would be required in the near future for approximately \$9 million including all design, construction and permitting.

The CBS is in the process of advertising for private partnership ideas to develop and operate the MSC. It is anticipated that this grant funding and proposed public infrastructure would great assist in accelerating and augment any overall development plans we receive.

Analysis

BUILD 2020 Grant Key Factors:

- The BUILD Grant was announced on December 20, 2019. Applications due by May 18, 2020.

- FY 2020 BUILD Grant program has \$1 billion in available funds. Not more than 50 percent to rural and urban projects.
- Not less than \$1 million and not more than \$25 million allowed per project. Not more than \$100 million for any one state.
- Grant awards are expected to be announced in September 2020 and funds must be expended no later than September 30, 2027.
- Can submit up to three BUILD grant applications.
- Previously incurred expenses cannot be included in the application.
- Will be required to follow the full Federal processes for procurement and permitting. Federal permitting will take 6 to 8 months and approximately \$200k per project.
- Benefit/cost analysis is required and will be a very important score to complete against other applicants.
- Federal share is 80% and non-Federal share is recommended 20%. Although not recommended, rural communities can have a smaller non-Federal share.

PIDP 2020 Grant Key Factors:

- Projects must improve safety, efficiency, or reliability of the movement of goods into, out of around, or within a port.
- Three merit criteria:
 - Effect on movement of goods.
 - Leverage of Federal funding.
 - Net benefit
- Minimum award is \$1 million (no maximum).
- No more than \$56.25 million to any one state.
- Preference will be given to projects requiring a lower percentage of Federal share.
- Federal share is 80% and non-Federal share is 20%. May request special consideration for projects under \$10 million.
- Benefit cost ratio (BCR) must be greater than one.
- Only one application is allowed.

Fiscal Note

Estimated Project Cost:

GPIP Haulout and Uplands	\$8,174,000 (20% Match \$1,634,800)
MSC Port Wall and Crane	\$9,222,900 (20% Match \$1,844,580)

If funded, these infrastructure improvements will be accounted for within the GPIP Enterprise Fund and the Harbor Department Enterprise Fund as capital projects. To keep the grant match commitment flexible to be adjusted in the future, the grant application does not specify specifically what funding sources may be used to support the 20% match amount.

We have outlined below potential sources for the \$1,634,800 match for the GPIIP Haulout and \$1,844,580 match for the MSC Port Wall and would come to the Assembly to authorize execution of the grant if/when we are selected for a grant. At this time, we would also seek Assembly guidance to finalize the source of working capital to be used to match the grants.

Possible match funding scenarios:

GPIIP Haulout:

The 20% match commitment of \$1,634,800 for the haulout could be funded in part or in whole by the SE Economic Special Revenue Fund and/or the General Fund. The GPIIP fund could contribute a small portion, though its working capital is dwindling.

MSC Port Wall & Crane:

The 20% match commitment of \$1,844,580 for the MSC Port Wall could be funded in large part by the MSC Enterprise Fund Working Capital, though as revenue generated from the Port Wall is paid to the Harbor Fund, there is justification to use Harbor Fund working capital to fund part or all of the MSC Port Wall.

Available Working Capital:

SE Economic Development Fund	~\$2.1 Million
MSC Working Capital	~\$1.8 Million
Harbor Working Capital	~\$5.3 Million
GPIIP Working Capital	~\$300K
General Fund Working Capital	~\$5.7 Million at end of FY19 (difficult to predict for end of FY20 due to impact of pandemic)

Recommendation

- Approve resolution 2020-11 authorizing the Municipal Administrator to apply for a BUILD 2020 Grant with the U.S. Department of transportation (USDOT) for \$6,539,200 with a 20% match commitment to support haulout infrastructure at the Gary Paxton Industrial Park (GPIIP).
- Approve resolution 2020-12 authorizing the Municipal Administrator to apply for a BUILD 2020 Grant with the U.S. Department of transportation (USDOT) for \$7,378,320 with a 20% match commitment to support the reconstruction of the port wall and crane at the Marine Services Center (MSC).
- Approve resolution 2020-18 authorizing the Municipal Administrator to apply for a Port Infrastructure Development Program (PIDP) 2020 Grant with the U.S. Department of transportation (USDOT) for \$7,378,320 with a 20% match commitment to support the reconstruction of the port wall and crane at the Marine Services Center (MSC).

Each grant resolution approval is a separate agenda item. Please refer to the

separated resolution and grant narratives provided in each agenda item. At the time of this memo the grant narrative for the PIDP was not complete but for reference will be very similar to the BUILD grant narrative for the Marine Services Center.