



CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS
330 Harbor Drive
Sitka, AK
(907)747-1811

Meeting Agenda City and Borough Assembly

Mayor Mim McConnell
Deputy Mayor Matt Hunter
Vice-Deputy Mayor Benjamin Miyasato, Aaron Swanson,
Steven Eisenbeisz, Tristan Guevin, and Michelle Putz

Municipal Administrator: Mark Gorman
Municipal Attorney: Robin L. Koutchak
Municipal Clerk: Colleen Ingman, MMC

Thursday, January 8, 2015

6:00 PM

Assembly Chambers

WORKSESSION WITH GARY PAXTON INDUSTRIAL PARK BOARD

[14-247](#)

Gary Paxton Industrial Park property lease/sale discussion

Attachments: [Memo GPIP Discussion.pdf](#)
[Strategic Plan SCIPplanReviewedJuly2010.pdf](#)
[SBS_proposal_aug2014.pdf](#)
[SBS_Proposal_dec2014_Updated.pdf](#)
[APP_Proposal_Sept2014.pdf](#)
[GPIP Board Minutes..pdf](#)
[SCIP Bulkhead FY13\(STATE\).pdf](#)
[Memo Silver Bay Proposal.pdf](#)
[Memo Alaska & Pacific Packing.pdf](#)
[useplanTENANTS.pdf](#)
[2014 appraisal.pdf](#)
[Letter from Electric Department.pdf](#)



Legislation Details

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[useplanTENANTS.pdf](#)
[2014_appraisal.pdf](#)
[Letter from Electric Department.pdf](#)

Date	Ver.	Action By	Action	Result
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329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

December 22, 2014

MEMORANDUM

To: Mayor McConnell and the CBS Assembly
Mark Gorman - Administrator

From: Garry White, Director

Subject: Property Lease/Sale Work Session with GPIIP Board

Introduction

The Gary Paxton Industrial Park (GPIIP) Board of Directors has a strategic plan for the development of the industrial park (see attached). The plan was adopted by the Assembly in 2009. The GPIIP Board has actively worked the plan since its inception. The mission of the GPIIP is the following:

It is the mission of the Gary Paxton Industrial Park board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs in conformance with established community plans and policies.

The industrial park has been nearly fully leased for the past two years during the Blue Lake Dam Expansion project. As the expansion project started to wrap up, the GPIIP Board of Directors received multiple proposals to lease and/or purchase a majority of remaining property at the industrial park. The Board has discussed the proposals at multiple meetings and has requested a special meeting with the Assembly to share information and discuss direction on future of the industrial site.

Background - Property Sale History

The CBS acquired the GPIIP in 1999; in 2000 the CBS Assembly approved an ordinance that established rules and procedures governing leases and property management at the GPIIP. The purpose section of the enabling ordinance states; *“Unlike other property owned by the municipality, the former Alaska Pulp Corporation mill site was acquired not for governmental purposes from the state or federal government, but for economic development and disposal. In general, the property will not be used for public improvements. It will be leased or sold to individuals and corporations to develop business opportunities and provide jobs. For that reason, it is important to enact a procedure for property management and disposal at the site which more closely corresponds to private sector disposals.”*

The GPIIP Board of Directors has made multiple lease and sales recommendations to the CBS Assembly based off the enabling ordinance and the Guiding Principles of its Strategic Plan.

Guiding principles

1. Always preserve public access and marshalling areas to the waterfront as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1 & 2, identify and minimize negative cash flows to the City from the operation of the Park.

Previous Property Sales

- Lot 5 (Bottling Plant)
 - Property sold in 2006 to True Alaska Bottling Company (TAB) per property purchase request for use as a water bottling facility.
 - 3 acre parcel containing a 73,000 building for a sales price of \$722,720
 - Sales price set by outside appraisal firm.
 - \$4.00/SF for property
 - \$2.74/SF for building
 - The CBS placed “reversion clauses” in the purchase agreement which required TAB to complete elements of their purchase proposal by set benchmark dates or the property would revert back to the CBS.
 - TAB failed to meet reversion clauses.
 - The CBS eventually amended their claim on the property Deed of Trust to release its reversionary interest in the property through negotiation with TAB’s legal representation.
- Lots 10 (Pulp Dock/Warehouse) & Lot 21 (Old APC Warehouse)
 - Property sold to SBS per property purchase request for use as a fish processing facility and bunkhouse.
 - Pulp Dock/ Warehouse - 187,252 SF parcel consisting of a ~75,000 SF warehouse, 600’ long dock, and 60,000 SF of tidelands. Old APC Warehouse – 18,315 SF containing a dilapidated building that was demolished.
 - Sale price of \$1,000,000 with purchase price to be refunded with certified repair costs of \$3,000,000 expended to fix failing dock infrastructure.
 - Pulp dock deemed unsafe by outside engineering firm. Engineering estimates to repair ranged from \$3 million for short-term fix to \$20 million for permanent repair. CBS did not have ability to fund repair, therefore the CBS chose to divest itself from the problem property.
- Lot 22 (Stores & Maintenance Building)
 - Property sold to SBS via RFP process for use as a fisherman support center and value added/secondary processing.
 - The City received two responses to RFP.
 - 49,846 SF parcel containing a 38,347 SF building for a sales price of \$245,000.

- Sales price set by SBS offer in response to RFP.
 - Next highest bidder's offer was \$15,000.
 - Property was determined by CBS Building Official to not be in a leasable condition at time of sale due to lack of fire suppression equipment, leaking roof, and flooding in the building.
 - Lot 16a (Carpenter Shop and Tire Shop)
 - Property sold to SBS via RFP process for use as a fisherman/fleet storage and construction of bunkhouse.
 - SBS was the only responder to the RFP
 - 66,491 SF parcel including the ~ 5,000 Carpenter Shop (the area of the tire shop was not determined as the shop was not in useable condition). Sales price of \$235,000.
 - Sales price set by SBS offer in response to RFP.
 - Property was not in leasable condition at the time of sale due to the lack of fire suppression equipment, no working utilities, and leaking roof.
 - Lots 3, 6 & 7 (raw land)
 - Pending property sale to I Water LLC based on a property purchase request from I Water LLC for the construction and use of parcels as a water bottling facility.
 - 107,810 SF of total raw land for a pending sales price of \$567,000.
 - I Water entered into a 30 month lease of the property with the CBS with option to purchase property when certain elements of their purchase proposal are completed.

Proposals

The GPIIP Board has received two proposals for lease/purchase of the waterfront and associated upland properties.

- G. Pat Glaab, doing business as Alaska & Pacific Packing (APP), requests to lease property at the Gary Paxton Industrial Park (GPIIP) for design and fabrication of equipment for the seafood processing industry and other related marine services industries. Please see the attached proposal and resume from Mr. Glaab
- Silver Bay Seafoods (SBS), a local seafood processing company, proposes to purchase property at the Gary Paxton Industrial Park (GPIIP) for the expansion of seafood processing and marine services. SBS has suggested it will work with Halibut Point Marine Services (HPM), a local marine service business on the marine service portion of their plan. Please see SBS's attached proposal.

GPIIP Board Action

(Meeting minutes attached)

- May 2014 GPIIP Meeting - The Board first heard verbal proposals from Pat Glaab/APP and SBS to lease/purchase property at the GPIIP under the person's to be heard portion of the agenda.

- No formal action by board as neither entity was officially on the agenda.
- September 2014 GPIIP Board Meeting - Formal written proposal were submitted and presented by both entities for action.
 - No formal action by the Board.
 - GPIIP Director was instructed to work with both entities to develop a more detailed lease proposal with performance benchmarks.
- December 2014 GPIIP Board Meeting – Detailed lease/purchase proposals with performance benchmarks present. Proposals further vetted by the Board. (Please see GPIIP Board memos related to APP and SBS proposals)
 - Board takes formal action on a portion of SBS’s proposal. The Board recommends that the Assembly sell to SBS lots 11, 9c, 12a, and 13 for 2014 appraised value and to approve a lease to purchase agreement for lot 23 with the following terms:
 - Property is leased in current condition for \$1 per year with lessee responsible for all building expenses, including repairs.
 - CBS agrees to sell the parcel to SBS at the 2014 appraised value as soon as the US EDA grant covenants have been met.
 - Upon execution of the lease, it becomes a purchase agreement.

**Above action address Sections A, B, & C of the SBS proposal.*

 - The Board does not take action on the APP proposal or the marine services portion of the SBS proposal.
 - Board requests work session with the Assembly.
 - *Note: The Board additionally recommended the sale of Lot 17(16,997 SF) to Monarch Tanner during this meeting.*

Discussion Items

- **Multi-purpose Dock at the GPIIP.**

The GPIIP Board of Director’s strategic plan calls for the construction of a multi-purpose dock at the GPIIP. Since 1999 the City has considered the potential development of a deep-water port at the Industrial Park. Every Legislative Priorities list from 2003 through 2014 includes reference to development of a marine industry and infrastructure at the GPIIP and/or a specific funding request. For years the Board requested funding for both a multi-purpose dock and a marine haul out. In 2011, the Board set the construction of a multi-purpose dock as their #1 priority. Attached is the legislative request for the fiscal year 2013.

The CBS received funding from the State of Alaska via a 2012 statewide transportation general obligation bond in the amount of \$7.5 million for the construction of a multi-purpose dock at the GPIIP.

In the spring of 2014, the engineering firm Moffatt and Nichol was select to plan, permit, and design the multi-purpose dock. The original basis of design for the multi-purpose dock includes

a fixed dock of approximately 200' in length drafting ~40' located near the center of the waterfront.

The current proposals for use of the GPIIP have potential impact on the intended and future uses of the multi-purpose dock. The project has been placed on hold awaiting further direction by the GPIIP Board and Assembly.

The marine service center portion of the SBS proposal calls for the CBS to fund and construct marine haul out piers to accommodate a 250 ton marine travel lift.

The current design of the multi-purpose dock does not currently include both marine haul out piers. Rough ballpark estimates suggest that marine haul piers can be accommodated in the multi-purpose dock design for a cost up to \$3.5 million dollars. Adding the marine haul out piers at current funding levels would reduce dock deck surface by roughly half. (*Professional engineering services can provide a more detailed estimate.*)

- ❖ Discussion and direction on CBS funding and construction of marine haul out piers as a part of the multi-purpose dock.
 - ❖ If marine haul out piers are incorporated into the multi-purpose dock it is imperative that sufficient land is available for a marine service center. Discussion and direction on performance benchmarks or other measures to ensure a marine service center is located at the GPIIP for the useful life of the marine haul out infrastructure.
- **GPIIP Waterfront Lease/Purchase (Lots 4, 8, 9a, and area designated as Water Access Area)**

Both APP and SBS request to lease/purchase a portion of the waterfront located at the GPIIP. Please see each entity's proposal for greater detail on intended use.

- ❖ Discussion and direction on the competing proposals for waterfront property.
- **GPIIP Marine Service Center**

The SBS proposal discusses the creation of marine service center at the GPIIP. Please see SBS's proposal for details.

- ❖ Discussion and direction on proposed lease to purchase agreement performance benchmarks.

Additional Information

- A professional appraisal of the GPIIP properties was completed in October 2014. The full appraisal can be viewed at www.sawmillcove.com



329 Harbor Drive, Suite 212 * Sitka, Alaska 99835

Creating Jobs and Business Opportunities

Sawmill Cove Industrial Park Strategic Plan June 2009

The Mission

It is the mission of the Sawmill Cove Industrial Park board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs in conformance with established community plans and policies.

Introduction

This Strategic Plan was initially formulated by the SCIP Board at a planning session held in May, 2008 worked on and formally adopted by the board in August 2008. Adjustments to the plan have been made as plan priority items have been completed. The Plan was updated by the SCIP Board June 2009 for presentation to the City Borough Assembly for review and comment.

The Sawmill Creek Industrial Park has been improved, marketed and developed with several businesses. There are still large areas of opportunity for continued development. The project is fairly well defined and we are moving into a time of transition where we expect to accelerate park development and use within the private sector. Our goal is to dispose of the lands in a manner consistent with our mission. This updated plan calls for three significant strategies enumerated in the following attachments with appropriate action plans.

- Strategy 1 - We will develop a comprehensive land use and marketing program for the park.
- Strategy 2 - We will develop a plan to build a multi-purpose dock at the park.

Strategy 3 - We will continue to monitor market and local conditions to determine if the development, marketing, and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

These strategies and related action plans are outlined for Assembly review and approval or comment. They are made based on the following guiding principles.

Guiding principles

1. Always preserve public access and marshalling areas to the waterfront as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1 & 2, identify and minimize negative cash flows to the City from the operation of the Park.

See also attached

1. Land Use Plan
2. Sawmill Cove Subdivision
3. Sawmill Cove Overlay Map

Action Plan

Strategy No. 1
 Plan No. A
 Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To create a detailed property information base to be used in land use decision-making.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Develop detailed property information for each parcel/building including dimensions, physical characteristics, and location of utilities and other infrastructure.	ED	6/8	ongoing	7/10
2	Identify the possible highest and best use for all uncommitted parcels and buildings, utilizing recently approved plat and waterfront development plan.	Board	6/09	ongoing	
3	Using the Guiding Principals, determine priorities regarding sale versus lease for each property.	Board	6/09	ongoing	
4	Actively promote the sale or lease of the former administration building.	ED	6/08	ongoing	
5	Actively promote the sale or lease of the former maintenance/stores building.	ED	6/08		5/09
		Responsible: <input type="text"/>			



Action Plan

Strategy No. 1
 Plan No. B
 Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To create a plan for a marine service industry at the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Identify properties within Plan A that would appropriately serve an expanded marine services industry.	Board	8/08	ongoing	4/09
2	Develop and release an RFP for a marine haul out facility to serve the marine services offered at the Park.	ED	3/00		4/09
3	Solicit from current Sitka marine service providers considerations to accommodating their needs at the Park.	ED Board	6/09	ongoing	
4	Review other marine service facilities outside of Sitka to determine necessary components of a successful marine services industry.	ED	6/09	ongoing	
		Responsible:	<input type="text"/>		

Action Plan

Strategy No. 1
 Plan No. C
 Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To develop a Marketing Plan for the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Research successful marketing plans currently in use in marine industrial parks in Alaska and USA.	ED	6/8	ongoing	
2	From Plan A and the research of other marketing plans, develop lease rates and land value estimates and other pertinent information to be used in marketing the Park through either lease or sales.	ED	6/09	ongoing	
3	Present the Park to local, regional and national markets with a web-based advertising program, supplemented with other media as appropriate.	ED	6/09	ongoing	
		Responsible: <input type="text"/>			

Action Plan

Strategy No. 2

Plan No. A

Date: June 1, 2009

Strategy: We will develop plan to build a multi-purpose dock at the Park.

Specific Result: To develop a comprehensive plan for the construction, use and management of a multi-purpose dock.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	<p>List all of the potential uses of a multi-purpose dock at the Park to include, but not limited to, the following uses:</p> <ul style="list-style-type: none"> • Bulk Water shipment. • Ocean-going freight, in or out of Sitka. • Container transshipment facility tied to Prince Rupert. • Shipment of bottled water • Shipment of fish processed at SCIP • Export of rock. • Bio-fuel projects using fish waste, wood products, and recycled materials • Scientific and Marine/Fishing Research vessels • Cruise Ships 	ED + Board	8/09	ongoing	
2	Determine which of these or other potential uses are viable for Sitka and the Park.	ED	8/09	ongoing	
3	Design a multi-purpose dock that would meet the determined needs.	ED	11/09	ongoing	
4	Seek funding or private/public partnerships and build an agreed-upon multi-use dock that would meet as many of the needs as possible as well as generated sufficient income that the dock could be fiscally viable.	ED + CBS	2000	ongoing	
5	Develop a management plan for the use of the multi-purpose dock if it is to remain in the ownership and control of the City and Borough of Sitka or the Saw Mill Cove Industrial Park.	ED + CBS			
		Responsible:	<input type="text"/>		

Action Plan

Strategy No. 2

Plan No. B

Date: June 1, 2009

Strategy: We will develop plan to build a multi-purpose dock at the Park.

Specific Result: To develop an information program regarding the multi-purpose dock.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Develop specific informational materials that will accurately describe the intended and potential uses of a multi-purpose dock.	ED	6/09	ongoing	
2	Prepare and disseminate accurate information to voters regarding the intended and potential uses of a multi-purpose dock (This effort will not be lobbying or advocacy; it will be the presentation of factual information that will allow the Assembly and voters to make informed decisions).	ED + Board	6/09	ongoing	
Responsible:		<input type="text"/>			

Action Plan

Strategy No. 3
 Plan No. A
 Date: June 1, 2009

Strategy: We will continue to monitor market and/or local conditions to determine if the development and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

Specific Result: To maintain continuing efforts on long-term projects at the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Maintain a comprehensive plan for marketing bulk water and managing bulk water export information requests.	ED	6/08	ongoing	
2	Continue to pursue the development of a private marina in Herring Cove.	ED	6/08	ongoing	
3	Improve cell phone coverage at the Park and provide high speed internet access to all areas of the Park.	ED + CBS	6/08	ongoing	
4	Pull together existing studies that have been conducted over the years and identify areas that need further study to fully take advantage of the potential of the Park.	ED	6/08		6/09 ✓
5	Continue to research the development of a rock quarry in the vicinity of the Park.	ED	1/09	ongoing	
		Responsible:			

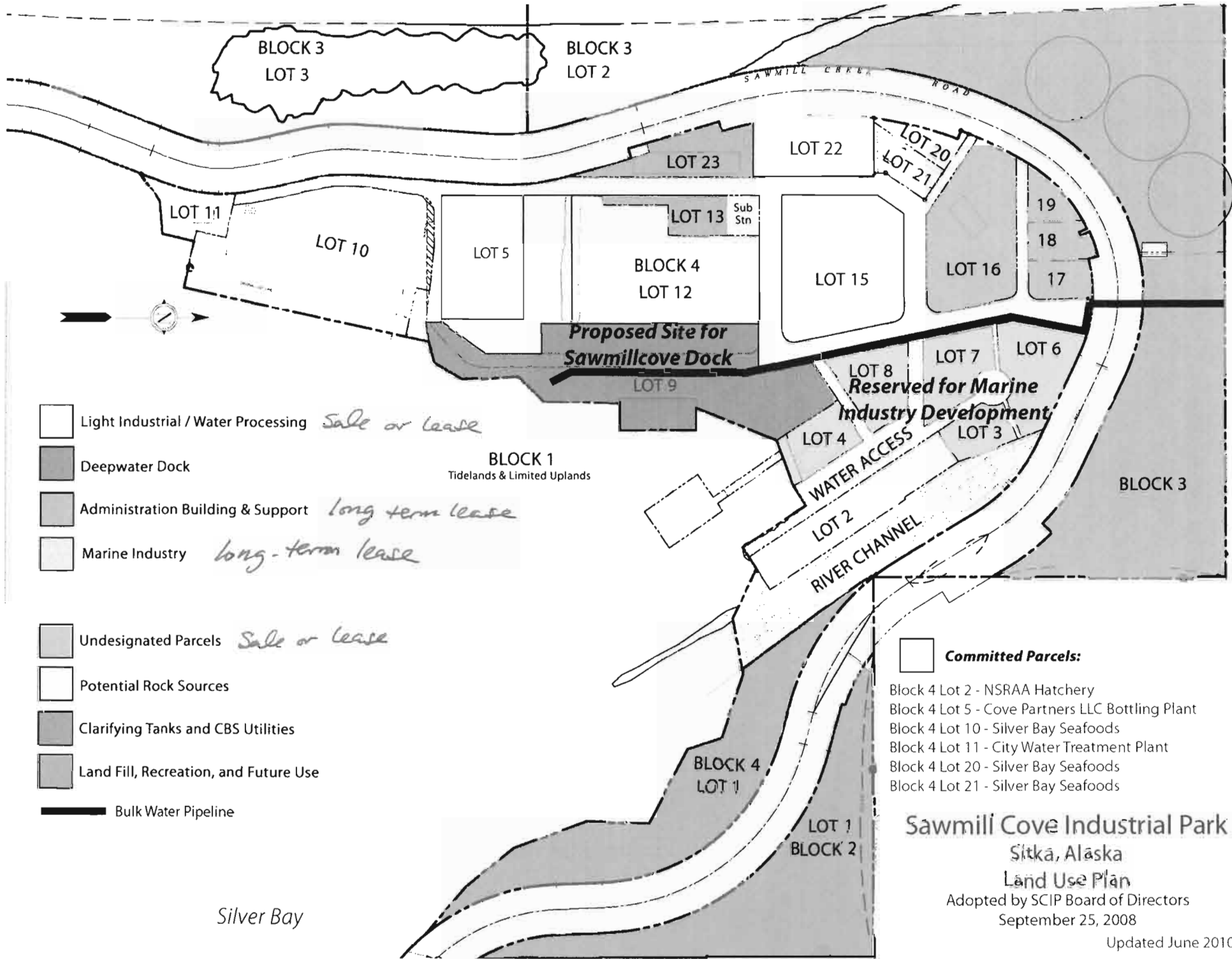
Action Plan

Strategy No. 3
 Plan No. B
 Date: June 1, 2009

Strategy: We will continue to monitor market and/or local conditions to determine if the development and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

Specific Result: To monitor and adjust internal Saw Mill Cove Industrial Park Board and Executive Director relationships, internally and with the City and Borough staff and Assembly.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Meet with CBS Administrator and staff to clarify roles in the management and operation of the Park, and to develop an authority matrix.	ED	6/8		7/08 ✓
2	Work with the Public Works Department during the upcoming paving project to insure that pavement is placed in locations that will least likely need to be disturbed in the future.	ED	4/09		4/10 ✓
3	Examine the possibility of inviting SEDA to relocate their office to the Park.	ED			
Responsible: <input type="text"/>					



Silver Bay

Sawmill Cove Industrial Park
 Sitka, Alaska
 Land Use Plan

Adopted by SCIP Board of Directors
 September 25, 2008

Updated June 2010

Memorandum

To: City and Borough of Sitka Assembly

Date: September 9, 2009

Subject: Status of Ocean-going Dock Plans at Sawmill Cove Industrial Park (SCIP)

Background

This provides additional background for the deep water dock strategy. The most likely near-term industrial user of a multi-purpose dock would be the cruise lines. The use of a dock for cruise ships has been the subject of great debate in the community. This has resulted in some confusion, misunderstanding and a hesitancy to move forward with a plan or dock project. A deep water ocean-going dock had been present at the site since the pulp mill was constructed in 1960. Sawmill Cove Industrial Park (SCIP) represents one of the most likely places for such a dock as it is a semi-isolated industrial area, has excellent protected deep water and as the site develops, the need for a deep water ocean-going dock becomes more important. The development of SCIP as a port site requires strategic planning around a deep water dock as the centerpiece of its waterfront development.

Funds for the construction of a dock have consistently been included in City and Borough of Sitka's (CBS) congressional requests since 2000.

The issue of docks has been the subject of the following municipal elections.

- The Oct. 2004 election required a public vote before the CBS could sell, lease, or dispose of any municipal tidelands for purpose of building a dock longer than 200 feet. Docks at the SCIP were exempted.
- During the Oct. 2005 election an advisory question was passed by a public vote to allow construction of a multi-purpose deepwater dock at the SCIP.
- Proposition No. 5 on the October 2006 CBS ballot repealed Section 18.12.014 of the Municipal Code. The 2006 initiative requires a public vote before the CBS can sell, lease, or dispose of any real property for purposes of building a dock longer than 300 feet that could be used by cruise ships. Docks at Sawmill Cove are included. **This proposition does not require a vote if CBS retains ownership of the dock property.**

Advantages of a Dock at SCIP

A deep water dock is essential to certain types of ocean-going commerce. Below is a list of some of the possible users.

- Support Blue Lake dam expansion
- Shipment of fish processed at SCIP
- Shipment of bottled water
- Shipment of bulk water (dock must be designed to allow large bulk water vessels)
- Export of rock
- Tie up larger research vessels
- Bio-fuel projects, such as fish waste, wood products, or recycled materials
- Container transshipment facility, tap into Prince Rupert
- Tie up Cruise Ships

Once a dock is built, businesses will be attracted that have not been envisioned during planning.

Revenue Generated and Economic Impact

- Direct revenue from wharfage and tie up fees
- Sales of utilities and water
- Other dock side services
- Jobs would be created through increased long-shoring personnel, security and maintenance
- Increased sales tax especially with cruise ship use
- Increased administrative presence and service industries related to dock users
- Increase of demand (rent/value) for the City-owned real estate at the cove, the administrative building, etc.

Possible Sources of Funding

- Federal grants.
- State grants.
- Wharfage and tie-up revenue.
- State of Alaska Commercial Passenger Vessel Tax Account
- Marine Passenger Fee Fund
- Municipal bonds.
- Revenues from sales or leases of Sawmill Cove properties.
- Private investors.
- Other

Past Concerns and Response

- Retail Sales Issues – with cruise ship use
 - Currently no retail business is allowed at Sawmill Cove Industrial Park other than what is already provided for in SGC Table 22.16.015-6
- Tourism Concerns – with cruise ship use
 - The 2007 Sitka Visitor Industry Plan 2.0 encourages that this type of planning proceeds, keeping in mind the quality of life and authentic character of the community. (Section I.3.d)
- Traffic Issues – with cruise ship use
 - Transportation Engineering NorthWest, LLC completed a Transportation Impact Study on Sept. 20, 2006 to determine the impact of traffic and infrastructure of a Cruise Ship docking at SCIP. It was determined that “Based on the estimated increase in daily traffic volumes, all roadways are designed to carry this additional traffic demand, and thus, no roadway improvements are need for traffic capacity. In general, the additional traffic demands generated by the SCIP would be similar to the years when the Alaska Pulp Company has 400 employees working in three shifts at the site.”
- Environmental and Safety concerns – with cruise ship use
 - Cruise ships in Alaska are held to very high standards and regulations. These standards and regulations are enforced by state and federal agencies including the Alaska Department of Environmental Conservation, U.S. Environmental Protection Agency, the U.S. Coast Guard and International Convention of Safety of Life at Sea (SOLAS) among others.
- Sawmill Cove Industrial Site Environmental Issues
 - All uses must adhere to a set of environmental rules established in full in two documents that memorialize agreements with the State of Alaska under which the City and Borough manages the Park. The agreements are the Memorandum of Understanding’s Management Plan and the Prospective Purchaser Agreement.
 - Contaminant studies at the park began in 1990 by the EPA, in cooperation with the U.S. Fish and Wildlife Service and DEC. In 1995, a Commitment Agreement was signed by APC and DEC, which required APC to investigate and remediate any and all constituents of concern present at the site. Upon completion of the remediation, the DEC determined that the only ecological risk was the depressed seafloor in what is known as the Area of Concern (AOC). In 1999 the CBS signed an MOU with the State to take over the environmental monitoring of the SCIP. This MOU requires monitoring for 40 years in 10 year increments; the first monitoring will be 2010. In 2003 The DEC did a review of the park to make sure remediation had worked and to investigate how the AOC was doing. During their

investigation they determined the natural remediation was functioning as intended and recovery seemed to be ahead of schedule.

- Cove Capacity for Handling Deep Water Docks
 - Sawmill Cove Industrial Park waterfront development plan by PND dated April 2002 identified about five possible locations for deep water docks in the area.
- Ballast Water Concerns – bulk water tankers
 - The USCG is responsible for monitoring ballast water as mandated under 33 CFR 151.2035(b).



208 Lake St. Suite 2E Sitka, Alaska 99835

Phone: 907.966.3110 Fax: 907.966.3115

Sitka ♦ Craig ♦ Valdez ♦ Naknek ♦ Metlakatla

June 26, 2014

Gary Paxton Industrial Park Board
Attn: Mr. Garry White, Director
329 Harbor Drive, STE 212
Sitka, AK 99835

RE: Gary Paxton Industrial Park – Real Estate Purchase Proposal

Dear Mr. White and Board Members:

Silver Bay Seafoods (“SBS”) is pleased to present this proposal to purchase property within the Gary Paxton Industrial Park. The land use development plan, described further within this proposal and depicted in Exhibit A, includes the following elements:

- A. Seafood Byproducts / Oil Plant
- B. Corporate Offices / Marines Services Center Offices
- C. Seafood Value Added Re-Processing & Cold Storage
- D-F. Marine Services Center – Haul Out, EPA/ADEC Wash Down Pad, Storage, Support Services

While the acquiring entity is SBS, we are excited to jointly present the land use plan with another well respected and successful local business, Halibut Point Marine Services (HPMS). HPMS’s haul out expertise combined with SBS’s fleet relations present an ideal, and singularly unique strategic partnership and opportunity to maximize the success of a Marine Service Center in Sitka.

We are confident that you will find that these two well established businesses in the Sitka community, each with a proven track record of both vision and successful implementation, have presented a very strategic proposal for the City of Sitka. This proposal not only meets the general mission of the Gary Paxton Industrial Park – to create and sustain family wage jobs in Sitka, but it promotes growth of existing local businesses “from within”, invites new business opportunity to support well established industry, and addresses specific needs that the Board and the community have identified over the last decade.

Best Regards,



Richard A. Riggs CEO

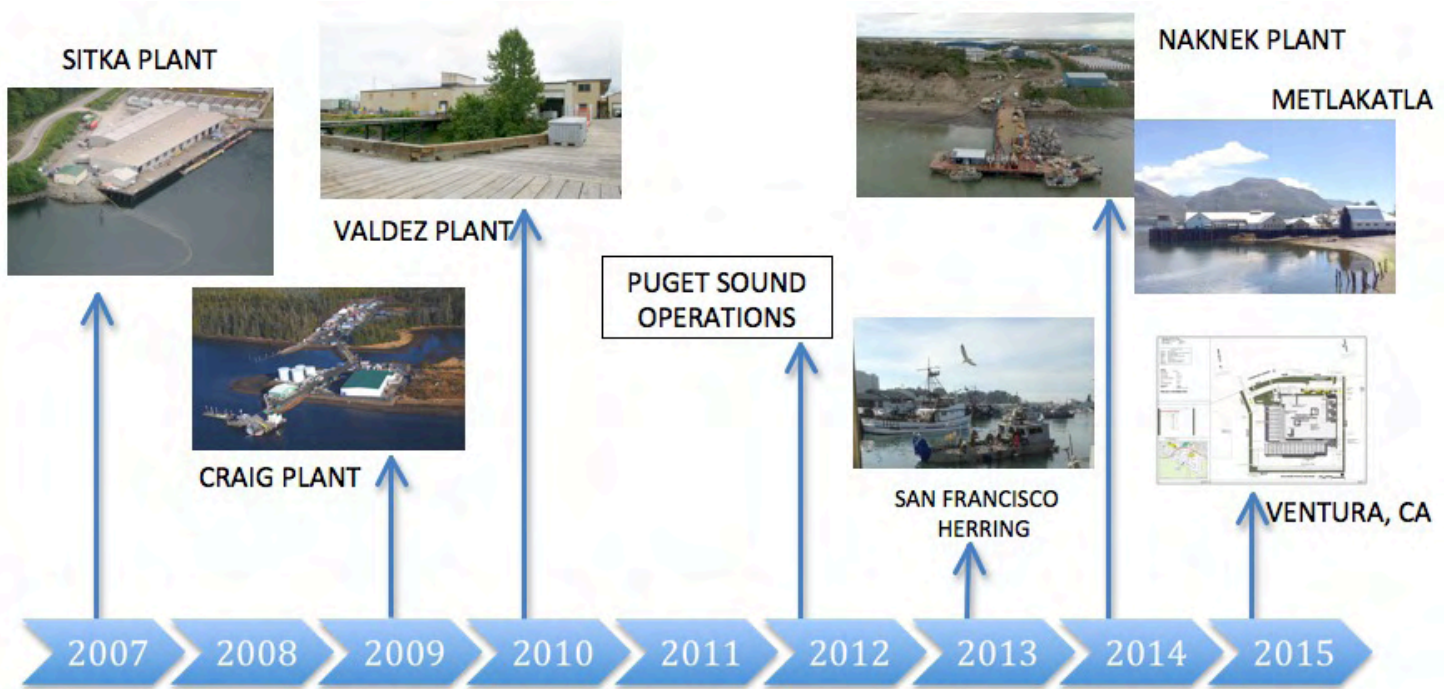
Silver Bay Seafoods
208 Lake Street, STE 2E
Sitka, AK 99835
Ph. (907) 966-3110
Cell (907) 738-7271
Fx (907) 966-3115
E-mail: richard.riggs@silverbayseafoods.com

SILVER BAY SEAFOODS - INTRODUCTION & BACKGROUND:

Silver Bay Seafoods, LLC (“SBS”) is an integrated seafood processing company with state of the art facilities in Sitka (2007), Craig (2009), Valdez (2010), and Naknek (2014), Alaska. SBS also operates the Annette Island Packing facility, in cooperation with Metlakatla Indian Community, as well as operates in both Puget Sound (Seattle) and San Francisco, and has recently announced plans to build and operate a new state of the art facility in Ventura, California.



In eight short years, commencing here in Sitka in 2006, Silver Bay Seafoods has grown from a passionate, but unrealized vision of Alaska fishermen to becoming a major participant in the Alaska seafood processing industry. In total, over 300 Alaska fishermen comprise the majority of the ownership. SBS is molded to fit their vision for the Company. The primary vision of SBS is to operate state of the art freezing and processing facilities that maximize quality, opportunity for harvest, and value for the resource. SBS’s track record in implementing this vision is both well documented and unprecedented.



COMPANY CULTURE / CORPORATE OFFICES: While SBS has grown to be a significantly sized seafood company, we pride ourselves in being the Company with a face and pulse. This applies to our fleet, our employees, our customers, and the communities we operate within; which are also the communities within which we reside. Commencing with the vertically integrated Alaska fisherman, the positive energy and passion is apparent throughout the organization, and spills over into the community.

Silver Bay’s corporate office is located in Sitka. There is a reason Sitka is the location of our corporate offices, rather than Seattle as is customarily the case in the Alaska seafood business; it is because we cherish calling Sitka “home”. SBS employees and owners are contributors not only to the economy of Sitka, but to the community of Sitka – both on a corporate level, and an individual level.

ECONOMIC CONTRIBUTION: The implementation of this vision benefits not just the SBS fleet, but the entire industry and the communities we operate within as well. Silver Bay is both proud and humbled to be an integral contributor to the economy of each community we both operate in, and live in. Below is a snapshot of a few of SBS’s economic milestones:

- 2013 purchased 130 million pounds of salmon, 56 million pounds processed in Sitka.
- 2013 ex-vessel purchases in excess of \$63 million.
- Substantial Raw Fish Tax revenue recognized in each community.
- Property Taxes: Number 1 single source of property tax in both Sitka and Craig.
- 2013 Cost of Goods Sold – in excess of \$120 million – significant multiplier dollar benefit.
- 2013 SBS payroll: in excess of \$14.6 million.
- 2013 seasonal employees: in excess of 1,000.
- 95 Full Time Employees.
- Capital Expenditure Contribution: \$80 million statewide since inception, \$25 million Sitka.
 - In 2007, SBS utilized 100% local contractors and suppliers for the initial \$7M project.
 - SBS has used Sitka contractors (SE Fire, Sitka Electric, etc.) in all other Alaska projects.

GARY PAXTON INDUSTRIAL PARK & SBS GROWTH: In 2006 SBS commenced construction of the Sitka facility at what was then the Sawmill Cove Industrial Park. The project was completed on time, within a 7-month timeline, and with exclusive reliance on local contractors and in-house skilled and non-skilled labor forces. The scope, schedule, and efficiencies of the facility were previously unprecedented in the Alaska salmon industry and brought an initial \$7M capital project to Sitka. This facility is SBS's flagship facility in terms of historical volume and tenure.

In 2007 SBS processed over 21 million pounds of salmon at the Sitka facility. Upon completion of the 2007 salmon season, SBS immediately commenced expansion of operations in Sitka to accommodate the Sitka Sound Sac Roe fishery. In prior years, Sitka was afforded limited local processing capacity and as a result much of the harvest was transported to Canada for freezing and subsequent processing. SBS's herring expansion operation more than doubled the available local capacity in 2008 and immediately was recognized as another proven success. The increase in local processing capacity results in a higher value of harvest by maximizing quality and results in additional raw fish tax revenue for the State of Alaska and the City and Borough of Sitka.

In 2008-2012, SBS continued to invest in the Sitka facility, by expanding production and product lines, to increase daily processing capacity for salmon. In a low return year, 2008, SBS managed to process over 27 million pounds of salmon in Sitka. Total production increased through 2011, when SBS processed just over 50 million pounds of salmon, only to be outperformed in 2013 with 56 million pounds of salmon.

In aggregate, SBS has invested over \$25M in the SBS Sitka facility in a 6-year period. This investment in infrastructure has likewise been an investment in Sitka and promoted the primary goal of the Sawmill Cove Industrial Park – *“creating family wage jobs for Sitkans”*. In 2006 SBS shared an aggressive vision for developing the facilities at the Park in a manner that served Alaska fishermen and created family wage jobs for Sitkans. While the dream was big, the reality has far exceeded expectations. SBS is very proud of the immediate contribution it has made to fulfilling the mission of the Park and to complementing the economy of Sitka. This is likewise an achievement the Board can be proud of cultivating; through good stewardship of the Industrial Park the Board helped plant a seed that has flourished not only at the Gary Paxton Industrial Park and Sitka, but throughout Alaska and beyond.

HALIBUT POINT MARINE - INTRODUCTION & BACKGROUND:

Halibut Point Marine Services LLC (HPMS) was formed in 2005 by Chuck McGraw Sr., Chris McGraw, Chuck McGraw Jr. and Chad McGraw. HPMS purchased the assets of Halibut Point Marine Inc. which had been operating a marine haul out facility in Sitka since the late 1980s.

HPMS took over the haul out operation and since 2005, has maintained haul out services at consistent levels over the past 9 years servicing the majority of Sitka's commercial and pleasure boat fleet. During these 9 years of operations HPMS has gained extensive knowledge and expertise with facility layout, equipment, scheduling, and environmental regulations associated with a marine services facility.

HPMS's current equipment can service vessels up to 88 metric tons. This will accommodate the majority of the troll and seine fleet in Sitka. However the lift cannot accommodate most tenders and many new seine vessels that are being constructed are too large for HPMS's current equipment. HPMS working with Silver Bay Seafoods sees the potential to expand its operations and better service the commercial fishing fleet with a facility that includes a larger marine lift at the Gary Paxton Industrial Park.

LAND USE PLAN (Reference Exhibit A):

The current Sawmill Cove Industrial Park Strategic Plan is attached as Exhibit B for easy reference. The Strategic Plan identifies these three Guiding Principles:

1. Always preserve public access and marshalling areas to the waterfront as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1&2, identify and minimize negative cash flows to the City from the operation of the Park.

The Board can be confident that the land use plan presented by SBS and HPMS is not only consistent with these Guiding Principles, but likewise is based on the proven track record of two successful Sitka businesses.

An integral component of various elements of this land use plan is the successful completion of the multi-use loading dock and haul out pier.

SEAFOOD BY-PRODUCTS / OIL PLANT – AREA A: For the last decade, Sitka has been considering various “seafood waste” solutions. In December of 2009, SEDA hosted and facilitated a community forum to discuss the issue and the growing concern. The meeting was open to commercial fish processors, charter sport fish guides, federal, state, tribal and local agencies, and other concerned citizens – a wide open spectrum. Various plans and ideas were contemplated and discussed by entrepreneurs in 2010, and USDA and AIDEA likewise were asked to participate. These ideas that never reached implementation, contemplated space at the Park. Concurrently, SBS researched various alternatives and in 2011, invested the capital necessary to turn “seafood waste” into “seafood by-products” in Sitka. Not only has SBS successfully initiated its seafood byproducts plan in Sitka, but SBS has also expanded this program into SBS’s other 4 Alaska facilities.

The goal is 100% utilization, and developing Area A (the site of the former waste water treatment plant) into the SBS seafood by-product facility, will facilitate achieving that objective. SBS has envisioned Area A accommodating this future expansion ever since the City and Borough of Sitka announced plans to route wastewater into town and eliminate the Park’s wastewater treatment plant. SBS intends to diversify its seafood by-products line by manufacturing wild Alaska salmon oil. Area A is strategically located for byproduct handling because it is downstream of our processing lines and already has a building that is adequately sized for this operation.

This land use is not only a “green” land use project, but it will add to SBS’s growth and economic benefit in terms of full time employment and added value to Alaska’s resource and ultimately to Alaskan fishermen.

ADMINISTRATIVE BUILDING – AREA B: With the exception of the “one time event” associated with the Blue Lake Dam Project, the administrative building located in Area B has been underutilized and has not come close to recognizing lease revenues that offset the operational costs– a condition that conflicts with Guiding Principle number 3 for the Park. As noted in the background section of this proposal, SBS takes great pride in being an Alaskan seafood company with our corporate offices located in Alaska, and more specifically Sitka. SBS’s growth both within, and outside of Sitka, has likewise resulted in growth at the corporate level. Having office space available in Sitka to accommodate that growth will help ensure that SBS remains corporately headquartered in Sitka. This space is likewise envisioned to provide administrative support to the Marine Service Center.

SEAFOOD VALUE-ADDED, REPROCESSING AND COLD STORAGE – AREA C: The SBS Mission Statement is as follows:

Through sound management, innovation, teamwork and vision, provide member fishermen and other strategic partners with the “Silver Bay Experience” that is predicated on exceptional and unparalleled performance that is second to none; simultaneously promoting the growth and sustained profitability of the Company.

The “Silver Bay Experience” for fishermen has included a commitment to constructing state of the art, high volume processing and freezing facilities that 1) maximize opportunity to harvest and 2) enhance the quality of the harvested and processed resource and 3) maximize the value of the resource. As an example of fulfilling this commitment, Sitka processed 50M pounds in 2011 and 56M pounds in 2013, and at the same time fishermen recognize prices for pink salmon that were nearly 4 times higher than the 2005 (pre SBS) price of \$0.12 per pounds. Statewide, SBS processed nearly 130 million pounds of salmon in 2013 and has expanded into Bristol Bay in 2014.

While the focus to date has been on maximizing the value of the commodity by directing capital investment in processing and freezing facilities, SBS’s vision going forward includes cold storage, reprocessing, and value added facilities. Even at a commodity level, Silver Bay’s story of vertically integrated, Alaskan fishermen that “own” the chain of custody several steps further than just the delivery to the plant, is an excellent marketing tool. Ultimately, SBS looks forward to telling that same Silver Bay story to the consumer, thus including Alaskan fishermen in every step of the process, from the Pacific Ocean to the center of the plate.

While there are many locations to pursue this next phase, there is no place we would rather implement this vision than in Sitka; it’s our home and it’s where the dream of Silver Bay first became a reality – it’s our roots. This expansion will further fulfill the mission of the Park and be consistent with the Strategic Plan the board adopted in 2009. Not only will it create and add value to existing jobs at the Park, but it will add value to an industry that is vital to our community.

MARINE SERVICE CENTER – AREA D-F: Throughout the last decade, the Board has attempted to promote the Park as a location for a marine service center. There have been two different surveys, a feasibility study, and a Request for Proposals. HPMS and SBS are prepared to implement this vision. As envisioned, the Sitka Marine Service Center will provide haul out and repair services for vessels that transit Alaska. HPMS has the expertise to operate the facility and SBS has the relationship with a large cross section of the fleet, including tenders owned by SBS.

AREA D will be utilized as the wash-down area for vessels. EPA regulations regulate the discharge of water used to pressure wash the bottom of vessels. In most instances this water has to be collected and treated prior to discharge. The location of the wash-down area needs to be in close proximity to the haul out pier in order to minimize the distance the vessels have to be transported. Area D fits this criteria given its location adjacent to the proposed new pier location. The remainder of area D would be utilized for short term vessel storage and provide a staging area. Vessels that are out of the water for routine maintenance such as zincs and bottom paint would be stored in this location. This short distance to the wash-down pad allows for a short cycle time between when a vessel is done at the wash-down pad to being blocked and ready for additional maintenance.

AREA E will provide vessel storage for large projects or for owners that might just want to store a vessel out of the water for the winter. Long term goals for this area would be to include some covered areas where boats could be put in a shelter so that weather sensitive work could be completed such as

fiberglass, welding, painting etc. could be performed. Demand for this need would drive the timeline for any type of shelter construction.

This land use is not only consistent with the Park's strategic plan, but it is consistent with the feasibility study the City and Borough of Sitka performed in 2013 which specifically identified this area being utilized as we propose – reference Exhibit C.

AREA F is envisioned to be available for marine and other skilled trades, businesses and vendors that would complement the clientele of the Sitka Marine Services Center. The current Strategic Plan prepared by the Board likewise envisioned this use for Area F – as it is identified as “Reserved for Marine Industry Development” on the Park's Land Use Plan drawing adopted on September 25, 2008. The success of the Sitka Marine Service Center and the ability to recruit fleet to utilize the facilities is going to be greatly influenced by availability of services to support the fleet. This is critical to the success of this vision.

This land use is not only fulfilling the guiding principles of the Strategic Plan by creating family wage jobs, but it will fulfill a preferred land use identified by the Board over the last decade. As noted, SBS and HPMS provide the ideal strategic relationship to implement the vision. We intend to purchase a 150-250 ton mobile boat lift to service a fleet class that cannot currently be accommodated in Sitka. This will not only keep vessels in Sitka, but it will bring both vessels and associated business and employment opportunity to Sitka.

PURCHASE PRICE:

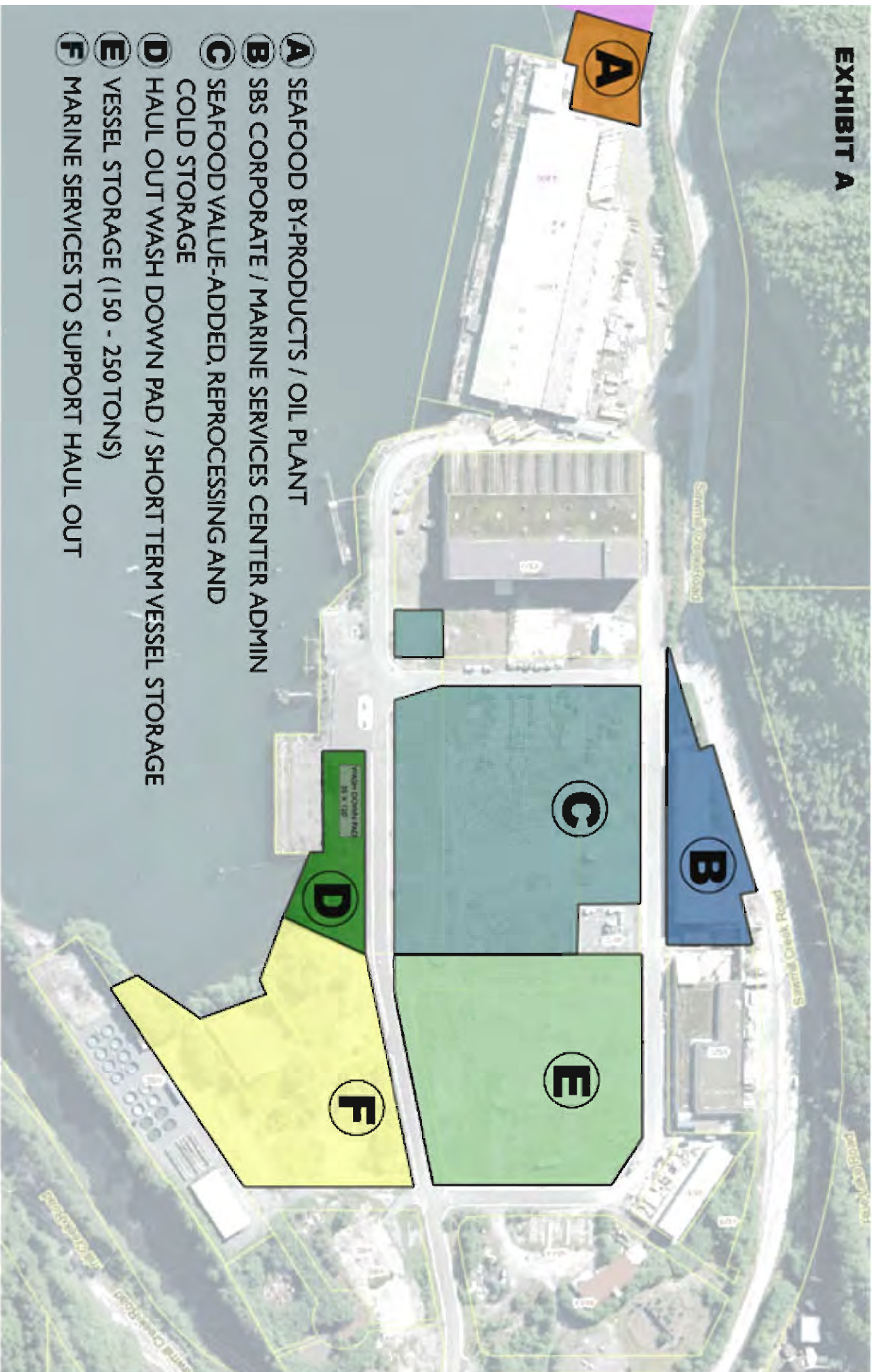
SBS's purchase price for the areas identified (A-F) is \$2,100,000. SBS is prepared to make a lump sum payment simultaneous with transfer of title. Obviously the successful implementation of the land use is heavily dependent upon the successful completion of the multi-use loading dock and boat haul out pier in a manner that complements the Park. As such, we likewise envision a use agreement as well as the purchase and sale agreement. It would also be envisioned that the subject property would be returned to an “as-was” condition, relative to prior to the Blue Lake Dam project, including topography and other relevant features. Realizing that the mounds of earth and rock stored on the subject property was envisioned to be utilized in the construction of the multi-use dock, SBS is certainly willing to accommodate a transitional period.

CONCLUSION:

This proposal not only meets the general mission of the Gary Paxton Industrial Park – to create and sustain family wage jobs in Sitka, but it promotes growth of existing local business “from within”, invites new business opportunity to support well established industry, and addresses specific needs that the Board and the community have identified over the last decade.

EXHIBIT A

EXHIBIT A



- A** SEAFOOD BY-PRODUCTS / OIL PLANT
- B** SBS CORPORATE / MARINE SERVICES CENTER ADMIN
- C** SEAFOOD VALUE-ADDED, REPROCESSING AND COLD STORAGE
- D** HAUL OUT WASH DOWN PAD / SHORT TERM VESSEL STORAGE
- E** VESSEL STORAGE (150 - 250 TONS)
- F** MARINE SERVICES TO SUPPORT HAUL OUT

EXHIBIT B



329 Harbor Drive, Suite 212 * Sitka, Alaska 99835

Creating Jobs and Business Opportunities

Sawmill Cove Industrial Park Strategic Plan June 2009

The Mission

It is the mission of the Sawmill Cove Industrial Park board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs in conformance with established community plans and policies.

Introduction

This Strategic Plan was initially formulated by the SCIP Board at a planning session held in May, 2008 worked on and formally adopted by the board in August 2008. Adjustments to the plan have been made as plan priority items have been completed. The Plan was updated by the SCIP Board June 2009 for presentation to the City Borough Assembly for review and comment.

The Sawmill Creek Industrial Park has been improved, marketed and developed with several businesses. There are still large areas of opportunity for continued development. The project is fairly well defined and we are moving into a time of transition where we expect to accelerate park development and use within the private sector. Our goal is to dispose of the lands in a manner consistent with our mission. This updated plan calls for three significant strategies enumerated in the following attachments with appropriate action plans.

- Strategy 1 - We will develop a comprehensive land use and marketing program for the park.
- Strategy 2 - We will develop a plan to build a multi-purpose dock at the park.

Strategy 3 - We will continue to monitor market and local conditions to determine if the development, marketing, and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

These strategies and related action plans are outlined for Assembly review and approval or comment. They are made based on the following guiding principles.

Guiding principles

1. Always preserve public access and marshalling areas to the waterfront as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1 & 2, identify and minimize negative cash flows to the City from the operation of the Park.

See also attached

1. Land Use Plan
2. Sawmill Cove Subdivision
3. Sawmill Cove Overlay Map

Action Plan

Strategy No. 1
 Plan No. A
 Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To create a detailed property information base to be used in land use decision-making.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Develop detailed property information for each parcel/building including dimensions, physical characteristics, and location of utilities and other infrastructure.	ED	6/08		2/09
2	Identify the possible highest and best use for all uncommitted parcels and buildings, utilizing recently approved plat and waterfront development plan.	Board	6/09		6/09
3	Using the Guiding Principals, determine priorities regarding sale versus lease for each property.	Board	6/09	on going	
4	Actively promote the sale or lease of the former administration building.	ED	4/08	11/09	
5	Actively promote the sale or lease of the former maintenance/stores building	ED	9/08		5/09
		Responsible: <input type="text"/>			

Action Plan

Strategy No. 1

Plan No. B

Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To create a plan for a marine service industry at the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Identify properties within Plan A that would appropriately serve an expanded marine services industry.	Board	8/08		04/09
2	Develop and release an RFP for a marine haul out facility to serve the marine services offered at the Park.	ED	8/08		4/09
3	Solicit from current Sitka marine service providers considerations to accommodating their needs at the Park.				
4	Review other marine service facilities outside of Sitka to determine necessary components of a successful marine services industry.	ED			
		Responsible:	<input type="text"/>		

Action Plan

Strategy No. 1
 Plan No. C
 Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To develop a Marketing Plan for the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Research successful marketing plans currently in use in marine industrial parks in Alaska and USA.	ED			
2	From Plan A and the research of other marketing plans, develop lease rates and land value estimates and other pertinent information to be used in marketing the Park through either lease or sales.	ED			
3	Present the Park to local, regional and national markets with a web-based advertising program, supplemented with other media as appropriate.	ED			
		Responsible:	<input type="text"/>		

Action Plan

Strategy No. 2
 Plan No. A
 Date: June 1, 2009

Strategy: We will develop plan to build a multi-purpose dock at the Park.

Specific Result: To develop a comprehensive plan for the construction, use and management of a multi-purpose dock.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	<p>List all of the potential uses of a multi-purpose dock at the Park to include, but not limited to, the following uses:</p> <ul style="list-style-type: none"> • Bulk Water shipment. • Ocean-going freight, in or out of Sitka. • Container transshipment facility tied to Prince Rupert. • Shipment of bottled water • Shipment of fish processed at SCIP • Export of rock. • Bio-fuel projects using fish waste, wood products, and recycled materials • Scientific and Marine/Fishing Research vessels • Cruise Ships 	Board	8/08		8/08
2	Determine which of these or other potential uses are viable for Sitka and the Park.	ED	6/09	11/09	
3	Design a multi-purpose dock that would meet the determined needs.	ED	11/09	10/10	
4	Seek funding or private/public partnerships and build an agreed-upon multi-use dock that would meet as many of the needs as possible as well as generated sufficient income that the dock could be fiscally viable.	ED – City Staff	11/09	10/10	
5	Develop a management plan for the use of the multi-purpose dock if it is to remain in the ownership and control of the City and Borough of Sitka or the Saw Mill Cove Industrial Park.	ED – City Staff			
		Responsible:	<input type="text"/>		

Action Plan

Strategy No. 2
 Plan No. B
 Date: June 1, 2009

Strategy: We will develop plan to build a multi-purpose dock at the Park.

Specific Result: To develop an information program regarding the multi-purpose dock.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Develop specific informational materials that will accurately describe the intended and potential uses of a multi-purpose dock.	ED	6/08	11/09	
2	Prepare and disseminate accurate information to voters regarding the intended and potential uses of a multi-purpose dock (This effort will not be lobbying or advocacy; it will be the presentation of factual information that will allow the Assembly and voters to make informed decisions).	Board	1/09		
		Responsible: <input type="text"/>			

Action Plan

Strategy No. 3
 Plan No. A
 Date: June 1, 2009

Strategy: We will continue to monitor market and/or local conditions to determine if the development and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

Specific Result: To maintain continuing efforts on long-term projects at the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Maintain a comprehensive plan for marketing bulk water and managing bulk water export information requests.	ED	6/08		
2	Continue to pursue the development of a private marina in Herring Cove.	ED			
3	Improve cell phone coverage at the Park and provide high speed internet access to all areas of the Park.	ED	6/08		
4	Pull together existing studies that have been conducted over the years and identify areas that need further study to fully take advantage of the potential of the Park.	ED	6/08		6/08
5	Continue to research the development of a rock quarry in the vicinity of the Park.	ED			
		Responsible: <input type="text"/>			

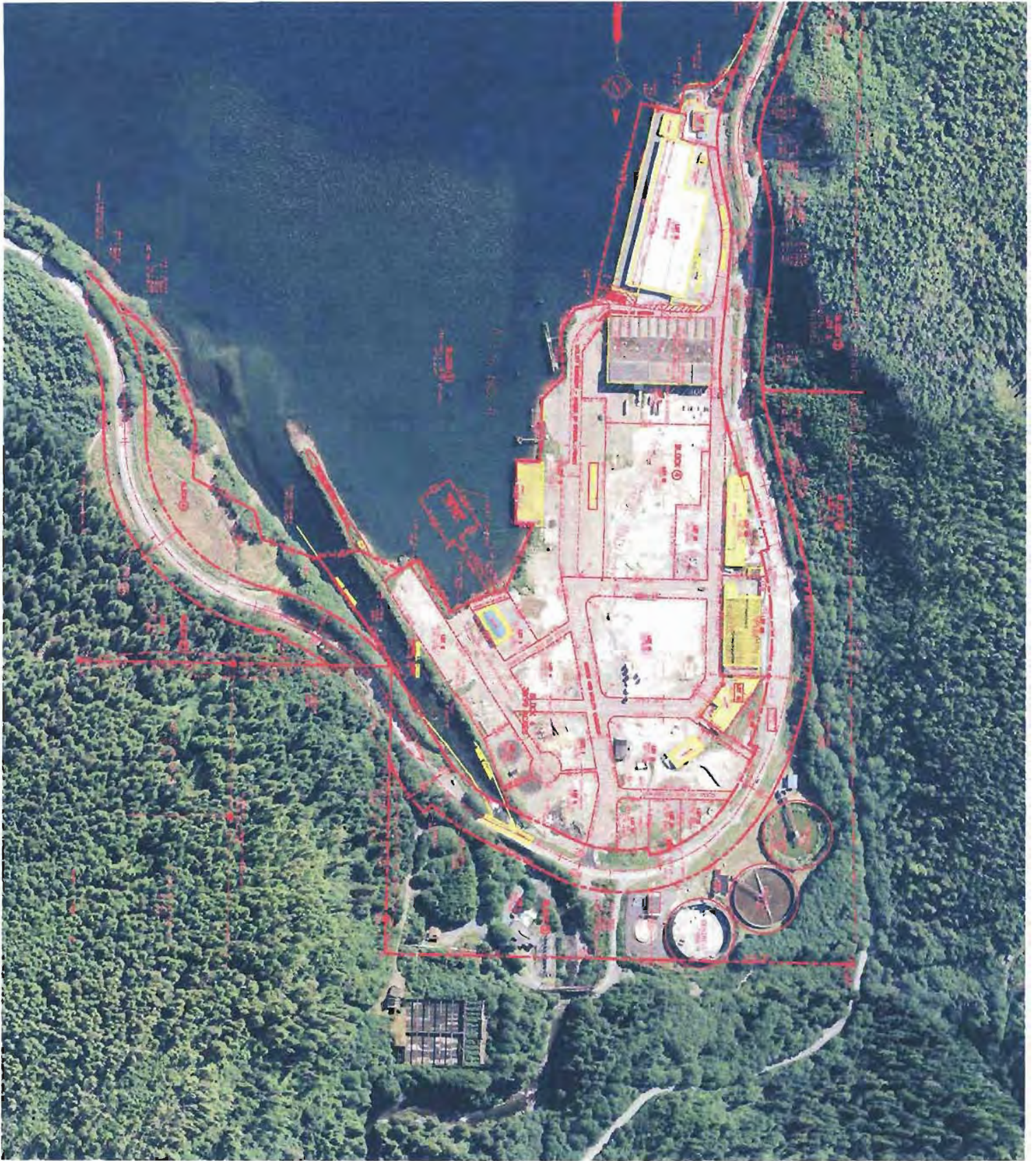
Action Plan

Strategy No. 3
 Plan No. B
 Date: June 1, 2009

Strategy: We will continue to monitor market and/or local conditions to determine if the development and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

Specific Result: To monitor and adjust internal Saw Mill Cove Industrial Park Board and Executive Director relationships, internally and with the City and Borough staff and Assembly.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Meet with CBS Administrator and staff to clarify roles in the management and operation of the Park, and to develop an authority matrix.	ED	06/08		07/08
2	Work with the Public Works Department during the upcoming paving project to insure that pavement is placed in locations that will least likely need to be disturbed in the future.	ED	4/09		
3	Examine the possibility of inviting SEDA to relocate their office to the Park.	ED			
		Responsible: <input type="text"/>			



THIS PLAN IS THE PROPERTY OF THE ENGINEER AND IS NOT TO BE REPRODUCED OR COPIED IN ANY MANNER WITHOUT HIS WRITTEN CONSENT.

DATE: _____
BY: _____
FOR: _____

THE ENGINEER HAS CONDUCTED A VISUAL INSPECTION OF THE SITE AND HAS FOUND THAT THE PROPOSED DEVELOPMENT IS IN ACCORDANCE WITH THE ZONING REGULATIONS AND THE SUBDIVISION ACT. THE ENGINEER HAS NOT CONDUCTED A SURVEY OF THE SITE AND HAS NOT VERIFIED THE ACCURACY OF THE DIMENSIONS AND LOCATIONS OF THE PROPOSED BUILDINGS AND DRIVEWAYS.

THE ENGINEER HAS CONDUCTED A VISUAL INSPECTION OF THE SITE AND HAS FOUND THAT THE PROPOSED DEVELOPMENT IS IN ACCORDANCE WITH THE ZONING REGULATIONS AND THE SUBDIVISION ACT. THE ENGINEER HAS NOT CONDUCTED A SURVEY OF THE SITE AND HAS NOT VERIFIED THE ACCURACY OF THE DIMENSIONS AND LOCATIONS OF THE PROPOSED BUILDINGS AND DRIVEWAYS.

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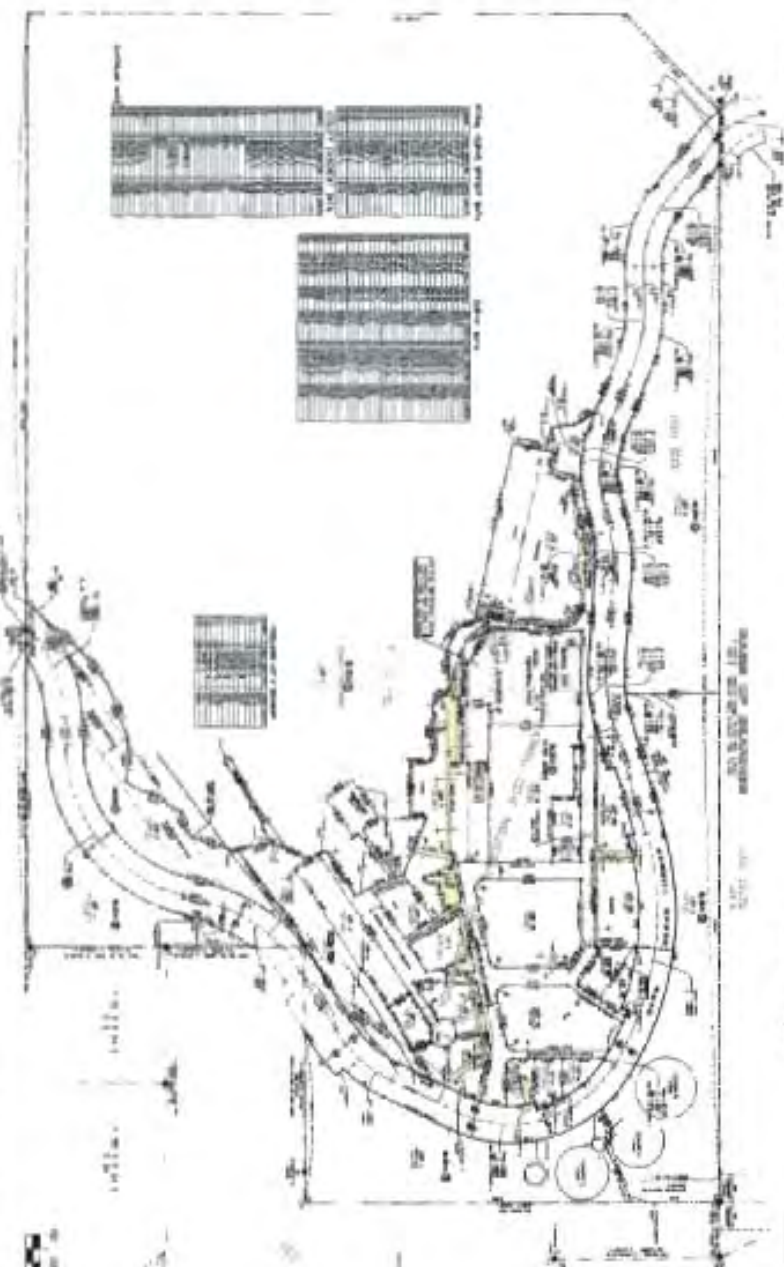
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ONELL
REGISTERED PROFESSIONAL ENGINEER
NO. 12345
SAWMILL COVE INDUSTRIAL PARK
RESUBDIVISION NO. 1

NOTES
1. THE PROPOSED DEVELOPMENT IS SUBJECT TO THE APPROVAL OF THE LOCAL AUTHORITY.
2. THE ENGINEER HAS CONDUCTED A VISUAL INSPECTION OF THE SITE AND HAS FOUND THAT THE PROPOSED DEVELOPMENT IS IN ACCORDANCE WITH THE ZONING REGULATIONS AND THE SUBDIVISION ACT.
3. THE ENGINEER HAS NOT CONDUCTED A SURVEY OF THE SITE AND HAS NOT VERIFIED THE ACCURACY OF THE DIMENSIONS AND LOCATIONS OF THE PROPOSED BUILDINGS AND DRIVEWAYS.

LEGEND
1. PROPOSED BUILDINGS
2. PROPOSED DRIVEWAYS
3. EXISTING DRIVEWAYS
4. EXISTING BUILDINGS
5. EXISTING UTILITIES

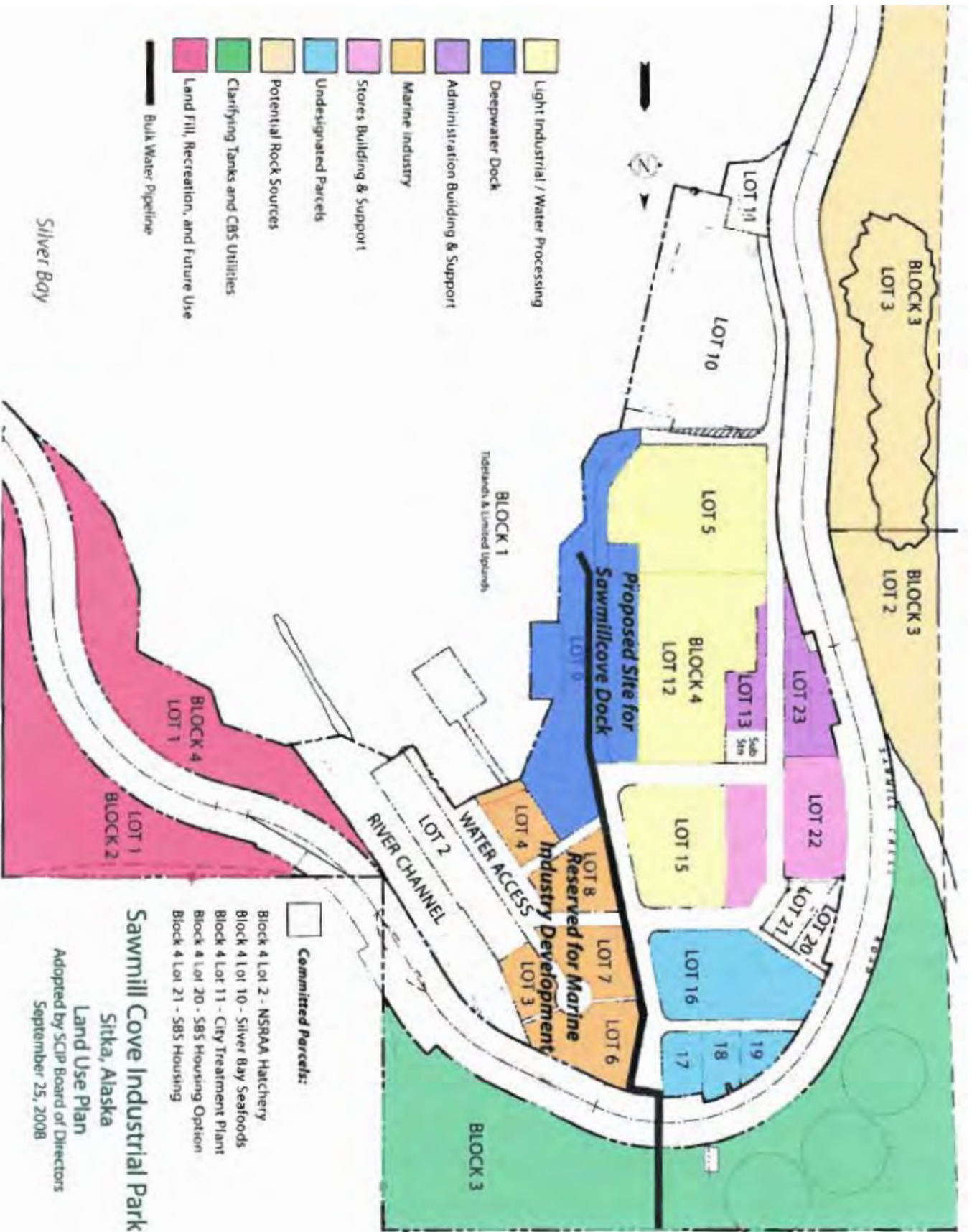


NO.	DATE	REVISIONS



SAWMILL COVE INDUSTRIAL PARK
RESUBDIVISION NO. 1
A RESUBDIVISION OF SAWMILL COVE INDUSTRIAL PARK RESUBDIVISION NO. 1, EXCLUDING LOT 2

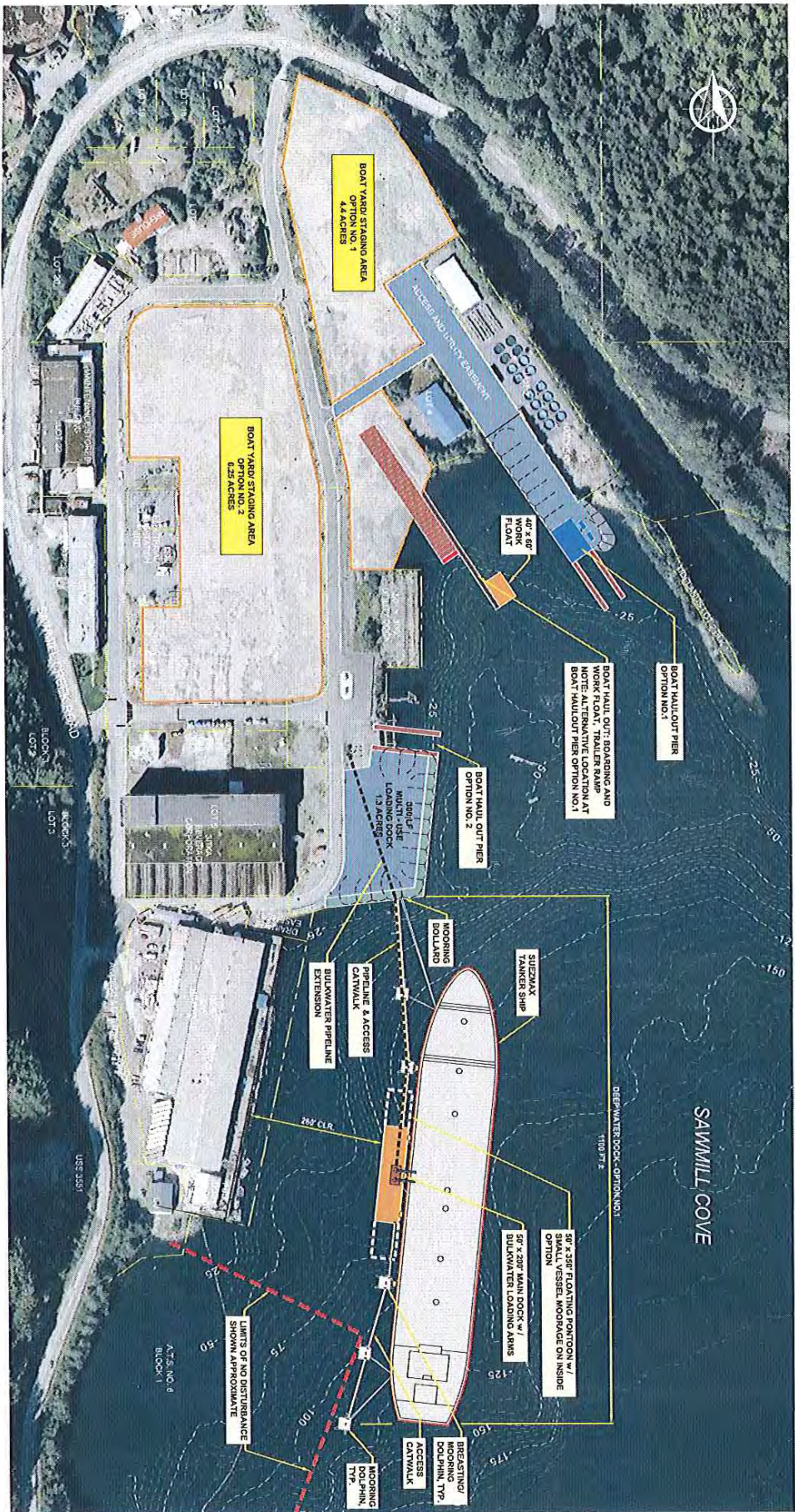
SAWMILL COVE INDUSTRIAL PARK
RESUBDIVISION NO. 1
A RESUBDIVISION OF SAWMILL COVE INDUSTRIAL PARK RESUBDIVISION NO. 1, EXCLUDING LOT 2



Silver Bay

EXHIBIT C

EXHIBIT C



- NOTES:
1. BATHYMETRY SHOWN APPROXIMATE, FROM (NOAA) NATIONAL GEOPHYSICAL DATA CENTER, HYDROGRAPHIC SURVEY H11123 (2004).
 2. AERIAL PHOTOGRAPHY FROM CITY AND BOROUGH OF SITKA.
 3. PROPERTY BOUNDARIES APPROXIMATE.

PRELIMINARY



REV. DATE DESCRIPTION DWN. CRD. APP.



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DATE: JAN 07, 2013

PROJECT NO. 132708 | DWN. FILE

CITY AND BOROUGH OF SITKA

SCP FEASIBILITY STUDY

SAWMILL COVE INDUSTRIAL PARK

SITE PLAN

SHEET 2

OF 4



208 Lake St. Suite 2E Sitka, Alaska 99835

Phone: 907.966.3110 Fax: 907.966.3115

Sitka ♦ Craig ♦ Valdez ♦ Naknek ♦ Metlakatla

December 12, 2014

Gary Paxton Industrial Park Board
Attn: Mr. Garry White, Director
329 Harbor Drive, STE 212
Sitka, AK 99835

RE: Gary Paxton Industrial Park – Real Estate Purchase Proposal

Dear Mr. White and Board Members:

It was Silver Bay's pleasure to present our real estate purchase proposal at the September 24, 2014 meeting. Since that time, we have appreciated the meetings both with CBS staff and Mr. White, and have also taken time to meet with various user groups of the proposed Marine Services Center.

Taking feedback from the September 24th Board meeting, and after multiple meetings with staff and others, we have modified the proposal as follows:

- Significantly reduced Area D (portion of Lot 9A, plat No. 2013-2) from the Original Exhibit A. This provides +/- 1,000 LF (per plat 2013-2) along the easterly shoreline of the GPIIP that will remain CBS property along the waterfront. While it is apparent there are varying opinions on this subject, we have presented this modification to demonstrate an accommodation of the opinion that CBS needs to retain this area, at least in the near-term. The remaining waterfront area still included in the proposal is the least desirable from an existing bathymetry perspective, and is required for the implementation of the SBS proposal – which includes utilizing existing rock at the GPIIP as fill beyond the current uplands. As a result of this modification, we have relocated the wash down pad, short term vessel storage, and staging that was originally identified within Area D, to Area C. It should be noted that SBS believes the high dock (aka “utility dock” as referenced by APC) located within Lot 9A would complement the fleet and the proposed Marine Services Center very well once rehabilitated, and as such we would include a first right of refusal (FROR) on the property if this modification is ultimately the concept desired by the GPIIP and CBS.
- Reduced Area F from the footprint identified in the Original Exhibit A by excluding Lot 8 (plat No. 2008-27). This concession / modification was made solely to accommodate APP's interest in pursuing a long term lease directly with CBS. APP's scope of work, once implemented, appears to complement the Marine Services Center well. At the same time, no different than the Board's 2009 Strategic Plan identifies this northeasterly portion of the GPIIP (Lots 3, 4, 6-8) as “Reserved for Marine Industry Development” with a long term vision of a marine services center, Silver Bay sees great opportunity for this entire area being utilized to complement and promote this marine services center as being the best facility in Alaska. As noted in the original proposal, the ability to recruit fleet to utilize the facility is going to be greatly influenced by the availability of services to support the fleet. As such, we request the first right to purchase lot 8 (per plat No. 2008-27) if either a lease is not executed with APP or it is terminated, as well as lots 3, 6, and 7 (per plat No. 2008-27) if the existing lease encumbering these properties is terminated.

- Agreed upon the milestones that trigger the transition from lease to purchase:
 - SBS acquires a 150 – 250 ton mobile lift.
 - SBS performs / documents 20 vessel lifts.
 - SBS installs EPA approved wash down pad.
 - SBS installs electrical infrastructure to the long term storage area.

Silver Bay has also prepared a 3-D rendering of “the vision” for the proposed marine services center, which we are calling “The Sawmill Cove Shipyard”. We are very excited about implementing this vision and developing a facility that is second to none in terms of what it provides to the community and the fleet. The rendering, including the modifications described herein, is attached and we look forward to presenting it to the Board and the community of Sitka at the next meeting.

Best Regards,



Richard A. Riggs CEO

Silver Bay Seafoods
208 Lake Street, STE 2E
Sitka, AK 99835
Ph. (907) 966-3110
Cell (907) 738-7271
Fx (907) 966-3115
E-mail: richard.riggs@silverbayseafoods.com

SAWMILL COVE SHIPYARD



TITLE: SAWMILL COVE SHIPYARD REV -
DWG NO. -
DATE 12/12/2014
SCALE: NONE SHEET 1 OF 1



PROPRIETARY AND CONFIDENTIAL
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208 Lake St. Suite 2E Sitka, Alaska 99835

Phone: 907.966.3110 Fax: 907.966.3115

Sitka ♦ Craig ♦ Valdez ♦ Naknek ♦ Metlakatla

June 26, 2014

Gary Paxton Industrial Park Board
Attn: Mr. Garry White, Director
329 Harbor Drive, STE 212
Sitka, AK 99835

RE: Gary Paxton Industrial Park – Real Estate Purchase Proposal

Dear Mr. White and Board Members:

Silver Bay Seafoods (“SBS”) is pleased to present this proposal to purchase property within the Gary Paxton Industrial Park. The land use development plan, described further within this proposal and depicted in Exhibit A, includes the following elements:

- A. Seafood Byproducts / Oil Plant
- B. Corporate Offices / Marines Services Center Offices
- C. Seafood Value Added Re-Processing & Cold Storage
- D-F. Marine Services Center – Haul Out, EPA/ADEC Wash Down Pad, Storage, Support Services

While the acquiring entity is SBS, we are excited to jointly present the land use plan with another well respected and successful local business, Halibut Point Marine Services (HPMS). HPMS’s haul out expertise combined with SBS’s fleet relations present an ideal, and singularly unique strategic partnership and opportunity to maximize the success of a Marine Service Center in Sitka.

We are confident that you will find that these two well established businesses in the Sitka community, each with a proven track record of both vision and successful implementation, have presented a very strategic proposal for the City of Sitka. This proposal not only meets the general mission of the Gary Paxton Industrial Park – to create and sustain family wage jobs in Sitka, but it promotes growth of existing local businesses “from within”, invites new business opportunity to support well established industry, and addresses specific needs that the Board and the community have identified over the last decade.

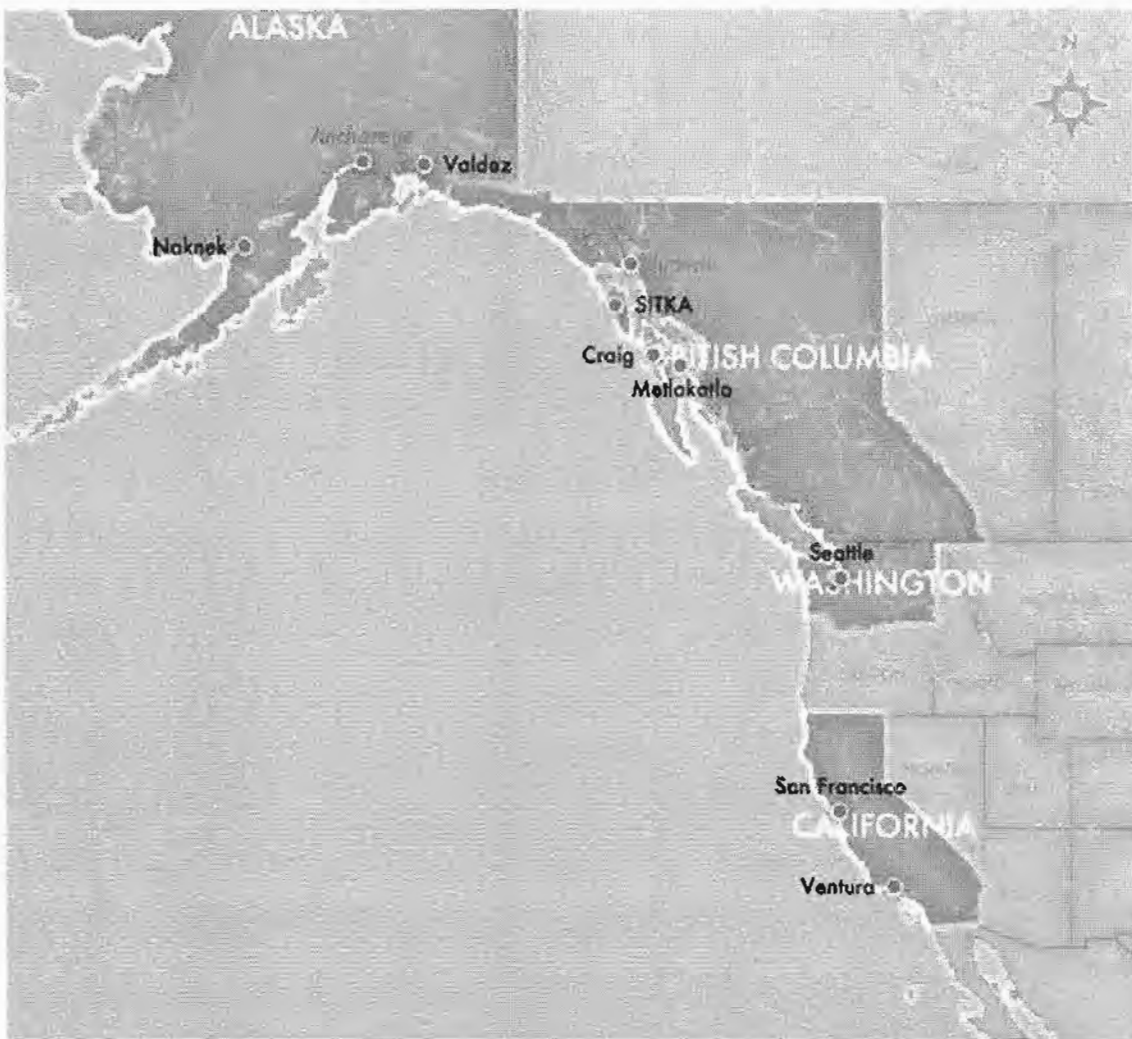
Best Regards,

Richard A. Riggs CEO

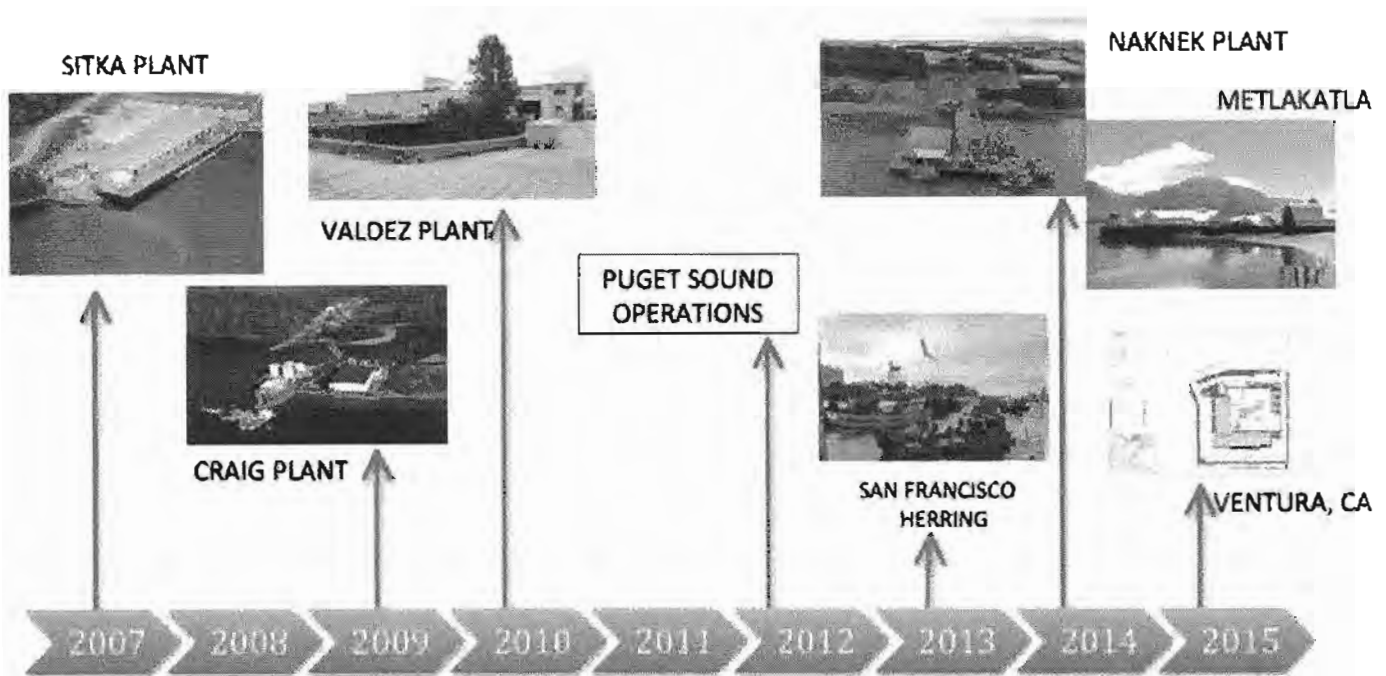
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SILVER BAY SEAFOODS - INTRODUCTION & BACKGROUND:

Silver Bay Seafoods, LLC (“SBS”) is an integrated seafood processing company with state of the art facilities in Sitka (2007), Craig (2009), Valdez (2010), and Naknek (2014), Alaska. SBS also operates the Annette Island Packing facility, in cooperation with Metlakatla Indian Community, as well as operates in both Puget Sound (Seattle) and San Francisco, and has recently announced plans to build and operate a new state of the art facility in Ventura, California.



In eight short years, commencing here in Sitka in 2006, Silver Bay Seafoods has grown from a passionate, but unrealized vision of Alaska fishermen to becoming a major participant in the Alaska seafood processing industry. In total, over 300 Alaska fishermen comprise the majority of the ownership. SBS is molded to fit their vision for the Company. The primary vision of SBS is to operate state of the art freezing and processing facilities that maximize quality, opportunity for harvest, and value for the resource. SBS's track record in implementing this vision is both well documented and unprecedented.



COMPANY CULTURE / CORPORATE OFFICES: While SBS has grown to be a significantly sized seafood company, we pride ourselves in being the Company with a face and pulse. This applies to our fleet, our employees, our customers, and the communities we operate within; which are also the communities within which we reside. Commencing with the vertically integrated Alaska fisherman, the positive energy and passion is apparent throughout the organization, and spills over into the community.

Silver Bay's corporate office is located in Sitka. There is a reason Sitka is the location of our corporate offices, rather than Seattle as is customarily the case in the Alaska seafood business; it is because we cherish calling Sitka "home". SBS employees and owners are contributors not only to the economy of Sitka, but to the community of Sitka – both on a corporate level, and an individual level.

ECONOMIC CONTRIBUTION: The implementation of this vision benefits not just the SBS fleet, but the entire industry and the communities we operate within as well. Silver Bay is both proud and humbled to be an integral contributor to the economy of each community we both operate in, and live in. Below is a snapshot of a few of SBS's economic milestones:

- 2013 purchased 130 million pounds of salmon, 56 million pounds processed in Sitka.
- 2013 ex-vessel purchases in excess of \$63 million.
- Substantial Raw Fish Tax revenue recognized in each community.
- Property Taxes: Number 1 single source of property tax in both Sitka and Craig.
- 2013 Cost of Goods Sold – in excess of \$120 million – significant multiplier dollar benefit.
- 2013 SBS payroll: in excess of \$14.6 million.
- 2013 seasonal employees: in excess of 1,000.
- 95 Full Time Employees.
- Capital Expenditure Contribution: \$80 million statewide since inception, \$25 million Sitka.
 - In 2007, SBS utilized 100% local contractors and suppliers for the initial \$7M project.
 - SBS has used Sitka contractors (SE Fire, Sitka Electric, etc.) in all other Alaska projects.

GARY PAXTON INDUSTRIAL PARK & SBS GROWTH: In 2006 SBS commenced construction of the Sitka facility at what was then the Sawmill Cove Industrial Park. The project was completed on time, within a 7-month timeline, and with exclusive reliance on local contractors and in-house skilled and non-skilled labor forces. The scope, schedule, and efficiencies of the facility were previously unprecedented in the Alaska salmon industry and brought an initial \$7M capital project to Sitka. This facility is SBS's flagship facility in terms of historical volume and tenure.

In 2007 SBS processed over 21 million pounds of salmon at the Sitka facility. Upon completion of the 2007 salmon season, SBS immediately commenced expansion of operations in Sitka to accommodate the Sitka Sound Sac Roe fishery. In prior years, Sitka was afforded limited local processing capacity and as a result much of the harvest was transported to Canada for freezing and subsequent processing. SBS's herring expansion operation more than doubled the available local capacity in 2008 and immediately was recognized as another proven success. The increase in local processing capacity results in a higher value of harvest by maximizing quality and results in additional raw fish tax revenue for the State of Alaska and the City and Borough of Sitka.

In 2008-2012, SBS continued to invest in the Sitka facility, by expanding production and product lines, to increase daily processing capacity for salmon. In a low return year, 2008, SBS managed to process over 27 million pounds of salmon in Sitka. Total production increased through 2011, when SBS processed just over 50 million pounds of salmon, only to be outperformed in 2013 with 56 million pounds of salmon.

In aggregate, SBS has invested over \$25M in the SBS Sitka facility in a 6-year period. This investment in infrastructure has likewise been an investment in Sitka and promoted the primary goal of the Sawmill Cove Industrial Park – *“creating family wage jobs for Sitkans”*. In 2006 SBS shared an aggressive vision for developing the facilities at the Park in a manner that served Alaska fishermen and created family wage jobs for Sitkans. While the dream was big, the reality has far exceeded expectations. SBS is very proud of the immediate contribution it has made to fulfilling the mission of the Park and to complementing the economy of Sitka. This is likewise an achievement the Board can be proud of cultivating; through good stewardship of the Industrial Park the Board helped plant a seed that has flourished not only at the Gary Paxton Industrial Park and Sitka, but throughout Alaska and beyond.

HALIBUT POINT MARINE - INTRODUCTION & BACKGROUND:

Halibut Point Marine Services LLC (HPMS) was formed in 2005 by Chuck McGraw Sr., Chris McGraw, Chuck McGraw Jr. and Chad McGraw. HPMS purchased the assets of Halibut Point Marine Inc. which had been operating a marine haul out facility in Sitka since the late 1980s.

HPMS took over the haul out operation and since 2005, has maintained haul out services at consistent levels over the past 9 years servicing the majority of Sitka's commercial and pleasure boat fleet. During these 9 years of operations HPMS has gained extensive knowledge and expertise with facility layout, equipment, scheduling, and environmental regulations associated with a marine services facility.

HPMS's current equipment can service vessels up to 88 metric tons. This will accommodate the majority of the troll and seine fleet in Sitka. However the lift cannot accommodate most tenders and many new seine vessels that are being constructed are too large for HPMS's current equipment. HPMS working with Silver Bay Seafoods sees the potential to expand its operations and better service the commercial fishing fleet with a facility that includes a larger marine lift at the Gary Paxton Industrial Park.

LAND USE PLAN (Reference Exhibit A):

The current Sawmill Cove Industrial Park Strategic Plan is attached as Exhibit B for easy reference. The Strategic Plan identifies these three Guiding Principles:

1. Always preserve public access and marshalling areas to the waterfront as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1&2, identify and minimize negative cash flows to the City from the operation of the Park.

The Board can be confident that the land use plan presented by SBS and HPMS is not only consistent with these Guiding Principles, but likewise is based on the proven track record of two successful Sitka businesses.

An integral component of various elements of this land use plan is the successful completion of the multi-use loading dock and haul out pier.

SEAFOOD BY-PRODUCTS / OIL PLANT – AREA A: For the last decade, Sitka has been considering various “seafood waste” solutions. In December of 2009, SEDA hosted and facilitated a community forum to discuss the issue and the growing concern. The meeting was open to commercial fish processors, charter sport fish guides, federal, state, tribal and local agencies, and other concerned citizens – a wide open spectrum. Various plans and ideas were contemplated and discussed by entrepreneurs in 2010, and USDA and AIDEA likewise were asked to participate. These ideas that never reached implementation, contemplated space at the Park. Concurrently, SBS researched various alternatives and in 2011, invested the capital necessary to turn “seafood waste” into “seafood by-products” in Sitka. Not only has SBS successfully initiated its seafood byproducts plan in Sitka, but SBS has also expanded this program into SBS’s other 4 Alaska facilities.

The goal is 100% utilization, and developing Area A (the site of the former waste water treatment plant) into the SBS seafood by-product facility, will facilitate achieving that objective. SBS has envisioned Area A accommodating this future expansion ever since the City and Borough of Sitka announced plans to route wastewater into town and eliminate the Park’s wastewater treatment plant. SBS intends to diversify its seafood by-products line by manufacturing wild Alaska salmon oil. Area A is strategically located for byproduct handling because it is downstream of our processing lines and already has a building that is adequately sized for this operation.

This land use is not only a “green” land use project, but it will add to SBS’s growth and economic benefit in terms of full time employment and added value to Alaska’s resource and ultimately to Alaskan fishermen.

ADMINISTRATIVE BUILDING – AREA B: With the exception of the “one time event” associated with the Blue Lake Dam Project, the administrative building located in Area B has been underutilized and has not come close to recognizing lease revenues that offset the operational costs– a condition that conflicts with Guiding Principle number 3 for the Park. As noted in the background section of this proposal, SBS takes great pride in being an Alaskan seafood company with our corporate offices located in Alaska, and more specifically Sitka. SBS’s growth both within, and outside of Sitka, has likewise resulted in growth at the corporate level. Having office space available in Sitka to accommodate that growth will help ensure that SBS remains corporately headquartered in Sitka. This space is likewise envisioned to provide administrative support to the Marine Service Center.

SEAFOOD VALUE-ADDED, REPROCESSING AND COLD STORAGE – AREA C: The SBS Mission Statement is as follows:

Through sound management, innovation, teamwork and vision, provide member fishermen and other strategic partners with the “Silver Bay Experience” that is predicated on exceptional and unparalleled performance that is second to none; simultaneously promoting the growth and sustained profitability of the Company.

The “Silver Bay Experience” for fishermen has included a commitment to constructing state of the art, high volume processing and freezing facilities that 1) maximize opportunity to harvest and 2) enhance the quality of the harvested and processed resource and 3) maximize the value of the resource. As an example of fulfilling this commitment, Sitka processed 50M pounds in 2011 and 56M pounds in 2013, and at the same time fishermen recognize prices for pink salmon that were nearly 4 times higher than the 2005 (pre SBS) price of \$0.12 per pounds. Statewide, SBS processed nearly 130 million pounds of salmon in 2013 and has expanded into Bristol Bay in 2014.

While the focus to date has been on maximizing the value of the commodity by directing capital investment in processing and freezing facilities, SBS’s vision going forward includes cold storage, reprocessing, and value added facilities. Even at a commodity level, Silver Bay’s story of vertically integrated, Alaskan fishermen that “own” the chain of custody several steps further than just the delivery to the plant, is an excellent marketing tool. Ultimately, SBS looks forward to telling that same Silver Bay story to the consumer, thus including Alaskan fishermen in every step of the process, from the Pacific Ocean to the center of the plate.

While there are many locations to pursue this next phase, there is no place we would rather implement this vision than in Sitka; it’s our home and it’s where the dream of Silver Bay first became a reality – it’s our roots. This expansion will further fulfill the mission of the Park and be consistent with the Strategic Plan the board adopted in 2009. Not only will it create and add value to existing jobs at the Park, but it will add value to an industry that is vital to our community.

MARINE SERVICE CENTER – AREA D-F: Throughout the last decade, the Board has attempted to promote the Park as a location for a marine service center. There have been two different surveys, a feasibility study, and a Request for Proposals. HPMS and SBS are prepared to implement this vision. As envisioned, the Sitka Marine Service Center will provide haul out and repair services for vessels that transit Alaska. HPMS has the expertise to operate the facility and SBS has the relationship with a large cross section of the fleet, including tenders owned by SBS.

AREA D will be utilized as the wash-down area for vessels. EPA regulations regulate the discharge of water used to pressure wash the bottom of vessels. In most instances this water has to be collected and treated prior to discharge. The location of the wash-down area needs to be in close proximity to the haul out pier in order to minimize the distance the vessels have to be transported. Area D fits this criteria given its location adjacent to the proposed new pier location. The remainder of area D would be utilized for short term vessel storage and provide a staging area. Vessels that are out of the water for routine maintenance such as zincs and bottom paint would be stored in this location. This short distance to the wash-down pad allows for a short cycle time between when a vessel is done at the wash-down pad to being blocked and ready for additional maintenance.

AREA E will provide vessel storage for large projects or for owners that might just want to store a vessel out of the water for the winter. Long term goals for this area would be to include some covered areas where boats could be put in a shelter so that weather sensitive work could be completed such as

fiberglass, welding, painting etc. could be performed. Demand for this need would drive the timeline for any type of shelter construction.

This land use is not only consistent with the Park's strategic plan, but it is consistent with the feasibility study the City and Borough of Sitka performed in 2013 which specifically identified this area being utilized as we propose – reference Exhibit C.

AREA F is envisioned to be available for marine and other skilled trades, businesses and vendors that would complement the clientele of the Sitka Marine Services Center. The current Strategic Plan prepared by the Board likewise envisioned this use for Area F – as it is identified as “Reserved for Marine Industry Development” on the Park's Land Use Plan drawing adopted on September 25, 2008. The success of the Sitka Marine Service Center and the ability to recruit fleet to utilize the facilities is going to be greatly influenced by availability of services to support the fleet. This is critical to the success of this vision.

This land use is not only fulfilling the guiding principles of the Strategic Plan by creating family wage jobs, but it will fulfill a preferred land use identified by the Board over the last decade. As noted, SBS and HPMS provide the ideal strategic relationship to implement the vision. We intend to purchase a 150-250 ton mobile boat lift to service a fleet class that cannot currently be accommodated in Sitka. This will not only keep vessels in Sitka, but it will bring both vessels and associated business and employment opportunity to Sitka.

PURCHASE PRICE:

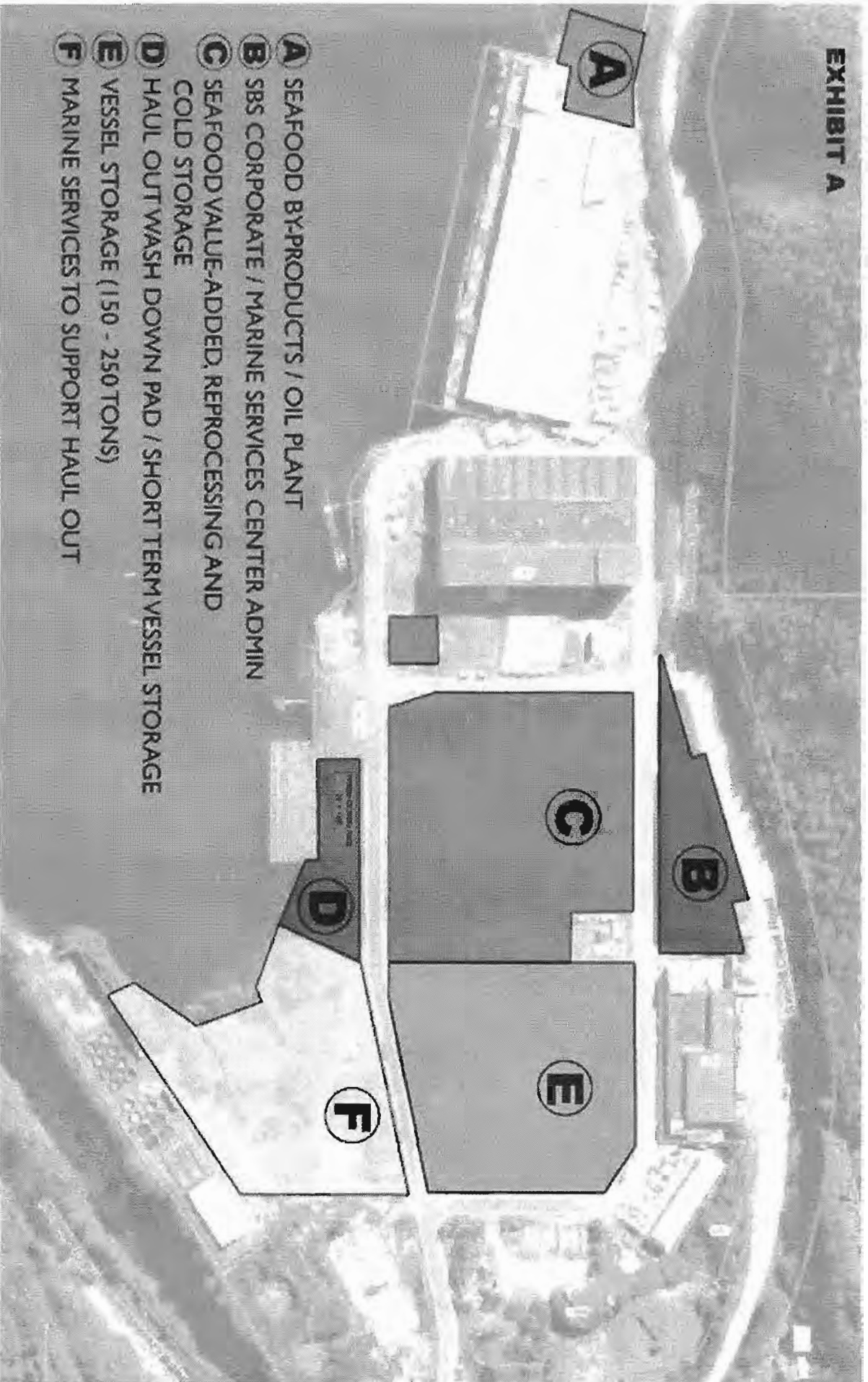
SBS's purchase price for the areas identified (A-F) is \$2,100,000. SBS is prepared to make a lump sum payment simultaneous with transfer of title. Obviously the successful implementation of the land use is heavily dependent upon the successful completion of the multi-use loading dock and boat haul out pier in a manner the complements the Park. As such, we likewise envision a use agreement as well as the purchase and sale agreement. It would also be envisioned that the subject property would be returned to an “as-was” condition, relative to prior to the Blue Lake Dam project, including topography and other relevant features. Realizing that the mounds of earth and rock stored on the subject property was envisioned to be utilized in the construction of the multi-use dock, SBS is certainly willing to accommodate a transitional period.

CONCLUSION:

This proposal not only meets the general mission of the Gary Paxton Industrial Park – to create and sustain family wage jobs in Sitka, but it promotes growth of existing local business “from within”, invites new business opportunity to support well established industry, and addresses specific needs that the Board and the community have identified over the last decade.

EXHIBIT A

EXHIBIT A



- A** SEAFOOD BY-PRODUCTS / OIL PLANT
- B** SBS CORPORATE / MARINE SERVICES CENTER ADMIN
- C** SEAFOOD VALUE-ADDED, REPROCESSING AND COLD STORAGE
- D** HAUL OUT WASH DOWN PAD / SHORT TERM VESSEL STORAGE
- E** VESSEL STORAGE (150 - 250 TONS)
- F** MARINE SERVICES TO SUPPORT HAUL OUT



329 Harbor Drive, Suite 212 * Sitka, Alaska 99835

Creating Jobs and Business Opportunities

Sawmill Cove Industrial Park Strategic Plan June 2009

The Mission

It is the mission of the Sawmill Cove Industrial Park board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs in conformance with established community plans and policies.

Introduction

This Strategic Plan was initially formulated by the SCIP Board at a planning session held in May, 2008 worked on and formally adopted by the board in August 2008. Adjustments to the plan have been made as plan priority items have been completed. The Plan was updated by the SCIP Board June 2009 for presentation to the City Borough Assembly for review and comment.

The Sawmill Creek Industrial Park has been improved, marketed and developed with several businesses. There are still large areas of opportunity for continued development. The project is fairly well defined and we are moving into a time of transition where we expect to accelerate park development and use within the private sector. Our goal is to dispose of the lands in a manner consistent with our mission. This updated plan calls for three significant strategies enumerated in the following attachments with appropriate action plans.

Strategy 1 - We will develop a comprehensive land use and marketing program for the park.

Strategy 2 - We will develop a plan to build a multi-purpose dock at the park.

Strategy 3 - We will continue to monitor market and local conditions to determine if the development, marketing, and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting

These strategies and related action plans are outlined for Assembly review and approval or comment. They are made based on the following guiding principles.

Guiding principles

1. Always preserve public access and marshalling areas to the waterfront as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1 & 2, identify and minimize negative cash flows to the City from the operation of the Park.

See also attached

1. Land Use Plan
2. Sawmill Cove Subdivision
3. Sawmill Cove Overlay Map

Action Plan

Strategy No. 1

Plan No. A

Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To create a detailed property information base to be used in land use decision-making.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Develop detailed property information for each parcel/building including dimensions, physical characteristics, and location of utilities and other infrastructure.	ED	6/08		2/09
2	Identify the possible highest and best use for all uncommitted parcels and buildings, utilizing recently approved plat and waterfront development plan.	Board	6/09		6/09
3	Using the Guiding Principals, determine priorities regarding sale versus lease for each property.	Board	6/09	on going	
4	Actively promote the sale or lease of the former administration building.	ED	6/08	11/09	
5	Actively promote the sale or lease of the former maintenance/stores building	ED	7/08		5/09
		Responsible: []			

Action Plan

Strategy No. 1
 Plan No. B
 Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To create a plan for a marine service industry at the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Identify properties within Plan A that would appropriately serve an expanded marine services industry.	Bornd	8/08		04/09
2	Develop and release an RFP for a marine haul out facility to serve the marine services offered at the Park.	ED	8/08		04/09
3	Solicit from current Sitka marine service providers considerations to accommodating their needs at the Park.				
4	Review other marine service facilities outside of Sitka to determine necessary components of a successful marine services industry.				
		Responsible: _____			

Action Plan

Strategy No. 1

Plan No. C

Date: June 1, 2009

Strategy: We will develop a comprehensive land use and marketing program for the Park.

Specific Result: To develop a Marketing Plan for the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Research successful marketing plans currently in use in marine industrial parks in Alaska and USA.	ED			
2	From Plan A and the research of other marketing plans, develop lease rates and land value estimates and other pertinent information to be used in marketing the Park through either lease or sales.	ED			
3	Present the Park to local, regional and national markets with a web-based advertising program, supplemented with other media as appropriate.	ED			
		Responsible:			

Action Plan

Strategy No. 2

Plan No. A

Date: June 1, 2009

Strategy: We will develop plan to build a multi-purpose dock at the Park.

Specific Result: To develop a comprehensive plan for the construction, use and management of a multi-purpose dock.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	List all of the potential uses of a multi-purpose dock at the Park to include, but not limited to, the following uses: <ul style="list-style-type: none"> • Bulk Water shipment. • Ocean-going freight, in or out of Sitka. • Container transshipment facility tied to Prince Rupert. • Shipment of bottled water • Shipment of fish processed at SCIP • Export of rock. • Bio-fuel projects using fish waste, wood products, and recycled materials • Scientific and Marine/Fishing Research vessels • Cruise Ships 	Board	8/08		8/08
2	Determine which of these or other potential uses are viable for Sitka and the Park.	ED	8/08	11/09	
3	Design a multi-purpose dock that would meet the determined needs.	ED	11/08	10/10	
4	Seek funding or private/public partnerships and build an agreed-upon multi-use dock that would meet as many of the needs as possible as well as generated sufficient income that the dock could be fiscally viable.	J-D City Staff	11/09	10/10	
5	Develop a management plan for the use of the multi-purpose dock if it is to remain in the ownership and control of the City and Borough of Sitka or the Saw Mill Cove Industrial Park.	ED City Staff			
		Responsible:			

Action Plan

Strategy No. 2
 Plan No. B
 Date: June 1, 2009

Strategy: We will develop plan to build a multi-purpose dock at the Park.

Specific Result: To develop an information program regarding the multi-purpose dock.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Develop specific informational materials that will accurately describe the intended and potential uses of a multi-purpose dock.	ED	6/08	11/09	
2	Prepare and disseminate accurate information to voters regarding the intended and potential uses of a multi-purpose dock (This effort will not be lobbying or advocacy; it will be the presentation of factual information that will allow the Assembly and voters to make informed decisions).	3 card	1/09		
Responsible: _____					

Action Plan

Strategy No. 3

Plan No. A

Date: June 1, 2009

Strategy: We will continue to monitor market and/or local conditions to determine if the development and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

Specific Result: To maintain continuing efforts on long-term projects at the Park.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Maintain a comprehensive plan for marketing bulk water and managing bulk water export information requests.	ED	6/09		
2	Continue to pursue the development of a private marina in Herring Cove.	ED			
3	Improve cell phone coverage at the Park and provide high speed internet access to all areas of the Park.	ED	6/09		
4	Pull together existing studies that have been conducted over the years and identify areas that need further study to fully take advantage of the potential of the Park.	ED	6/09		6/09
5	Continue to research the development of a rock quarry in the vicinity of the Park.	ED			

Responsible:

Action Plan

Strategy No. 3

Plan No. B

Date: June 1, 2009

Strategy: We will continue to monitor market and/or local conditions to determine if the development and management of the Saw Mill Cove Industrial Park is appropriate or needs adjusting.

Specific Result: To monitor and adjust internal Saw Mill Cove Industrial Park Board and Executive Director relationships, internally and with the City and Borough staff and Assembly.

#	ACTION STEP (Number each one)	Assigned To:	Start Date:	Due Date:	Completed Date:
1	Meet with CBS Administrator and staff to clarify roles in the management and operation of the Park, and to develop an authority matrix.	ED	6/1/09		6/7/08
2	Work with the Public Works Department during the upcoming paving project to insure that pavement is placed in locations that will least likely need to be disturbed in the future.	ED	4/09		
3	Examine the possibility of inviting SEDA to relocate their office to the Park.	ED			
		Responsible: _____			



THIS PLAN IS A PRELIMINARY PLAN AND IS SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS AND THE STATE ENGINEER.

DATE: _____

BY: _____

FOR THE BOARD OF SUPERVISORS OF THE COUNTY OF _____

THE BOARD OF SUPERVISORS OF THE COUNTY OF _____ HAS REVIEWED THIS PLAN AND HAS APPROVED IT AS SHOWN ON THIS DATE.

BY: _____

FOR THE BOARD OF SUPERVISORS OF THE COUNTY OF _____

THE BOARD OF SUPERVISORS OF THE COUNTY OF _____ HAS REVIEWED THIS PLAN AND HAS APPROVED IT AS SHOWN ON THIS DATE.

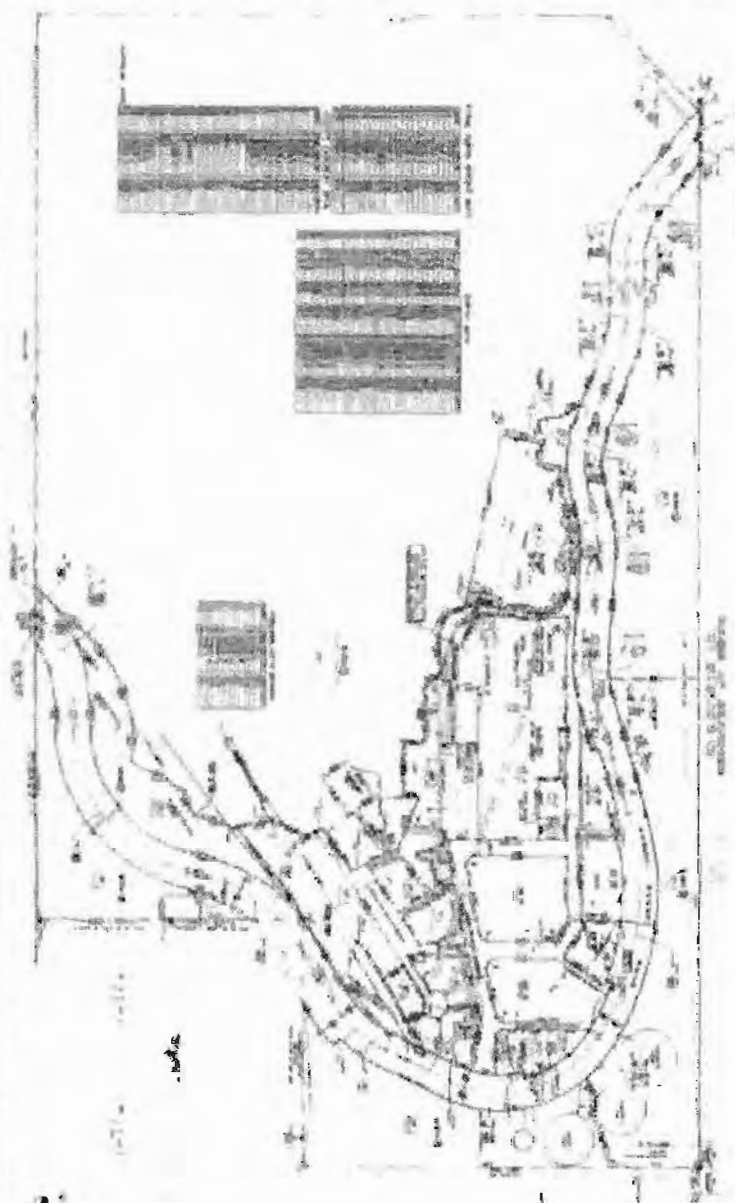
BY: _____

THIS PLAN IS A PRELIMINARY PLAN AND IS SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS AND THE STATE ENGINEER.

DATE: _____

BY: _____

FOR THE BOARD OF SUPERVISORS OF THE COUNTY OF _____



SITE MAP

NO. 1	...
NO. 2	...
NO. 3	...
NO. 4	...
NO. 5	...
NO. 6	...
NO. 7	...
NO. 8	...
NO. 9	...
NO. 10	...



DATE: _____

BY: _____

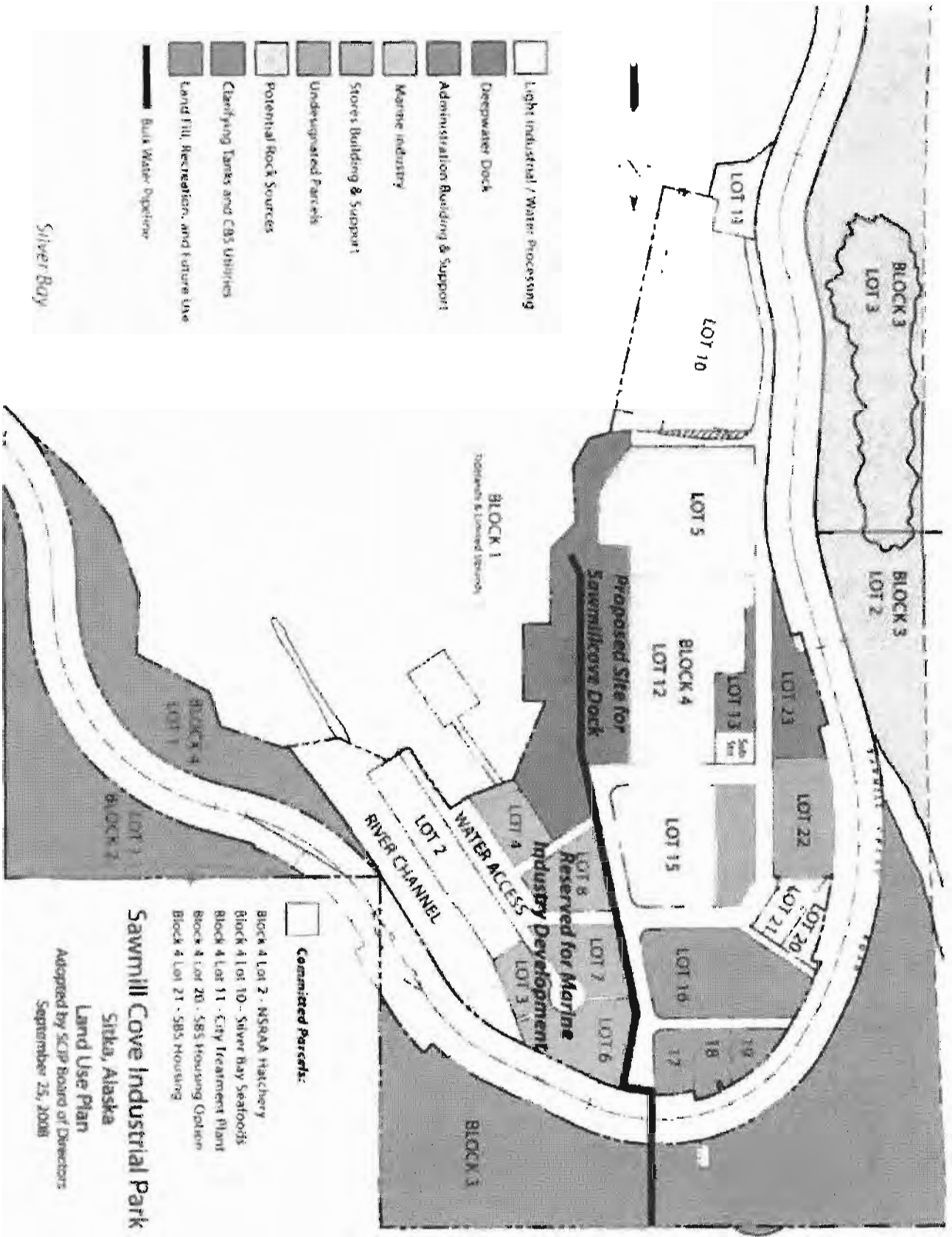
FOR THE BOARD OF SUPERVISORS OF THE COUNTY OF _____

SAWMILL COVE INDUSTRIAL PARK
RESUBDIVISION NO. 1

A SUBDIVISION OF SAWMILL COVE INDUSTRIAL PARK, BEING A PART OF SAWMILL COVE INDUSTRIAL PARK, BEING A PART OF SAWMILL COVE INDUSTRIAL PARK, BEING A PART OF SAWMILL COVE INDUSTRIAL PARK.

Silver Bay

- Light Industrial / Water Processing
- Deepwater Dock
- Administration Building & Support
- Marine Industry
- Stores Building & Support
- Undesignated Parcels
- Potential Rock Sources
- Clarifying Tanks and C&S Utilities
- Land Fill, Recreation, and Future Use
- Bulk Water Expeller



Committed Parcels:

- Block 4 Lot 2 - NSAAA Hatchery
- Block 4 Lot 10 - Silver Bay Seafoods
- Block 4 Lot 11 - City Treatment Plant
- Block 4 Lot 20 - 585 Housing Option
- Block 4 Lot 21 - 585 Housing

Sawmill Cove Industrial Park

Sitka, Alaska

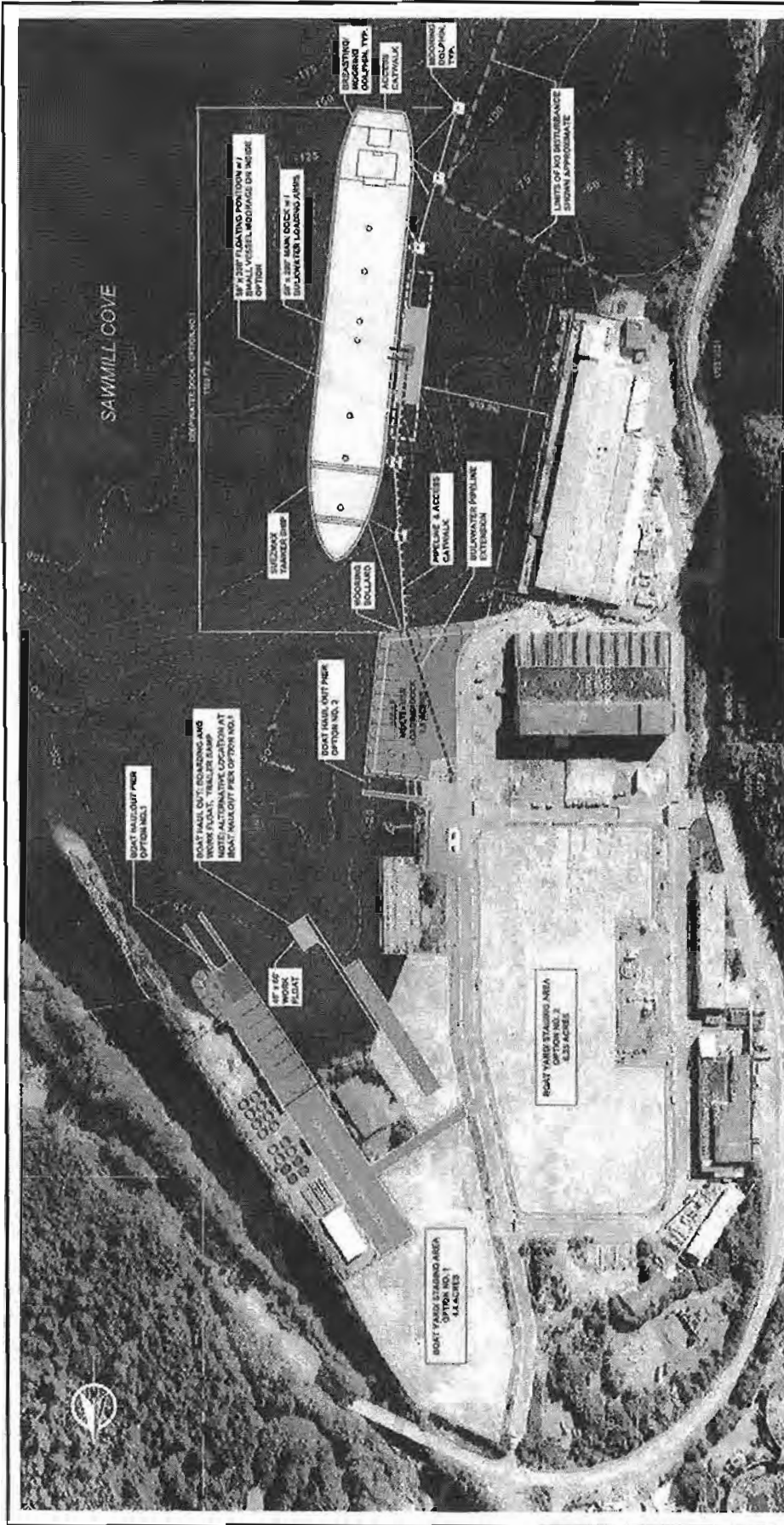
Land Use Plan

Adopted by SCP Board of Directors

September 25, 2008

EXHIBIT C

EXHIBIT C



- NOTES:
1. BATHYMETRY SHOWN APPROXIMATE. FROM INDIA NATIONAL.
 2. GEOTECHNICAL DATA CENTER. FROM INDIA NATIONAL.
 3. PROPERTY BOUNDARIES APPROXIMATE.

PRELIMINARY

CITY AND BOROUGH OF SITKA
 SCIP FEASIBILITY STUDY
 SAWMILL COVE INDUSTRIAL PARK
 SITE PLAN



R | N | D
ENGINEERS INC.
 1000 ...
 SCALE IN FEET:
 1" = 100' 2 1/2" = 250 FT.

REV.	DATE	DESCRIPTION	DATE	BY	APP.



September 2, 2014

Proposal to Lease/Purchase Property at Gary Paxton Industrial Park

I would like to propose the lease of lots 4 and 8 and a portion of lot 9a east of e27 (approximately 30,000 square feet of the north-end adjacent to lot 4), of section D – block 4 of G.P.I.P. This includes the building on lot 4 and the easement/right-of-way to the water adjacent to lot 4 (Tideland lease, lot 1, block 1). Also counted in are the three dolphins located directly in front of the property.

My business, Alaska & Pacific Packing, is centered around designing and fabricating equipment for the seafood processing industry. I intend to manage large refit projects for shore-based, as well as floating processors. Adequate room for future expansion is essential, as well as waterfront access for efficiently servicing floating processors and large support vessels, such as tenders and ice barges. This facility in its entirety is essential not only for Alaska & Pacific Packing, but also for collaboration with local sub-contractors that will need to utilize this space to fulfill their portion of a project.

To date, my projects have been as a contractor, assembling and disbanding teams for each job. The defining asset of this business is the talent pool brought to each project; as a result I need to offer full-time long-term employment to retain these skills. With this space I plan to offer consistent employment to professionals, including engineering and trades, who form the majority of my employees. Overall, my intent is to use the building to facilitate Alaska & Pacific Packing's move into a permanent physical presence and provide long-term employment of the professionals and tradesmen who are the cornerstone of this business.

That being said, I am proposing to lease the building and lots for a 10-year period, with a 5-year renewal, at \$20,000 per year for the building (or 8% of appraised value) and \$.30 per square foot per year for lot 4, 8, and the portion of 9a. The lot lease would begin after the rock is removed and the site graded to a useable condition. This lease is to include an established purchase agreement, pegged at the current appraised value, and can be executed at will but subject to pre-lease agreement conditions. It needs to include full waterfront primary access and use of the six dolphins directly in front of the property for the purpose of securing a floating dock. G.P.I.P. will not be responsible for maintenance of, or warrant the condition or serviceability of these dolphins. G.P.I.P. will grant prior approval to enhance the waterfront, building, and property as needed to facilitate our work within the frame work of its building

codes and other official agencies. This includes an employment creation incentive of \$10,000 credit for every employee earning over \$38,000 annually not to exceed 50% of lease.

The first phase of the project will include;

- 1) A 200 foot floating dock and access ramp capable of supporting a 10,000# vehicle.
- 2) Remodel of building interior to accommodate offices and employee support facilities
- 3) Outfitting of a fabricating shop and parts and materiel storage area within the building.
- 4) Begin design plans and negotiate contracts for test freezer/ pet food freeze operation

As there are already tenants leasing this site, it is understood that occupancy dates be flexible. Occupancy can be negotiated, full or partially, between the parties, with a three month notice to either party in the absence of a mutual agreement.

G. Pat Glaab

C.E.O. Alaska & Pacific Packing

609 Oja Street, Sitka, AK 99835

Cell: (907) 738-2227

G. Patrick Glaab

609 Oja St., Sitka, AK 99835 (907) 738-2227 pglaab89@gmail.com

I have been designing, building, and operating fish processing equipment and facilities for the Alaska commercial fisheries for the last 30 years. Starting my career at Sitka Sound Seafoods, with experience in Bristol Bay and most recently at Silver Bay Seafoods, I have been on the leading edge of fisheries expansion and development and have had the good fortune to be the principle design and construction engineer for nine major retrofits and new plants. Critical to these successes was working in state-of-the-art manufacturing facilities for five years, which gave me insight to successful business practices and a 21st Century tool box from which I work. My involvement in commercial fishing has also added to my diverse fisheries background, and has allowed me to garner an intimate understanding of the many challenges and peculiarities the seafood industry faces. In each of these experiences, I have delivered beyond expectation.

It is time to take the next steps toward meeting the current challenges of the fish processing industry. I intend to build a business incorporating highly-skilled professionals and innovative processing technologies, and Sitka is the first choice for this enterprise.

Employment History

South East Alaska Purse Seiner

2010-present

F/V Norisle out of Sitka, AK

- *Owner and operator*

Processing Plants and Product Development

2006-2010

Silver Bay Seafoods, Sitka AK

- Responsible for conceptualizing, designing, budgeting, staffing, and managing both construction and first year production of all (3) Silver Bay plants processing cumulatively 3.5 million pounds per day, coming in under my proposed budgets for all areas.
- Designed and built a 65 ton pumped slush ice system for the Sitka plant.
- Designed pumping and off-load systems including computerized weighing system and self-feeding tanks.
- Designed 700,000 lbs. per day self-loading freezer that uses 40% less electricity per ton than standard freezers.
- Designed auto-bagging machines and automated van loading conveyors.
- Designed “super tender” off-load systems.

Refit of Floating Processor “Innovator”

2005-2006

Snopac Industries, Seattle, WA

- Redesigned freezer and production lines to double daily output of vessel. (600,000 lbs. finished weight per day).
- Managed retrofit project.

Designed and Constructed Freezer Plant for Bay Watch Seafoods

2005

Baywatch Seafoods, Naknek, AK

- Designed and built a direct drive diesel freeze system capable of freezing 115 tons of product per day.

Bristol Bay Drift Gillnetter**2004-2013***F/V Yellow Fin, Naknek, AK*

- Completely rebuilt F/V Yellow Fin and built RSW system to float and chill catch appropriately to maximum quality standards while still fishing competitively by volume.
- Designed and installed a successful onboard freezer system for conversion to Catcher-Processor for fall fishing of Coho.

Chief Engineer & Chief Operations Officer**2000-2004***Leader Creek Fisheries, Naknek, AK*

- Responsible for all physical plant design and construction.
- Designed and built a unique offloading system to accommodate the quarter mile distance from the tender vessels to the plant.
- Performed all tasks with severe capital and time constraints.

Maintenance & Development Technician**1996-2000***Cardinal Glass, Portage WI*

- Participated in construction and operation of two float glass facilities (600 tons per day, 10 acres under roof, \$100 million in capitalization each).
- Learned 21st century manufacturing technologies, protocols and management systems.

Plant Manager, Sitka Sound Seafoods in Dry Bay, AK**1990-1994***Sitka Sound Seafoods, Sitka AK*

- Reorganized buying and processing protocols, developed new infrastructure to accommodate market-changing quality goals.
- Designed and built an ice utility which supported a product quality paradigm change.
- Hired, trained, and managed a staff of twenty and provided fishermen services to over 100 set-net fishermen on both the Alsek and East Rivers.

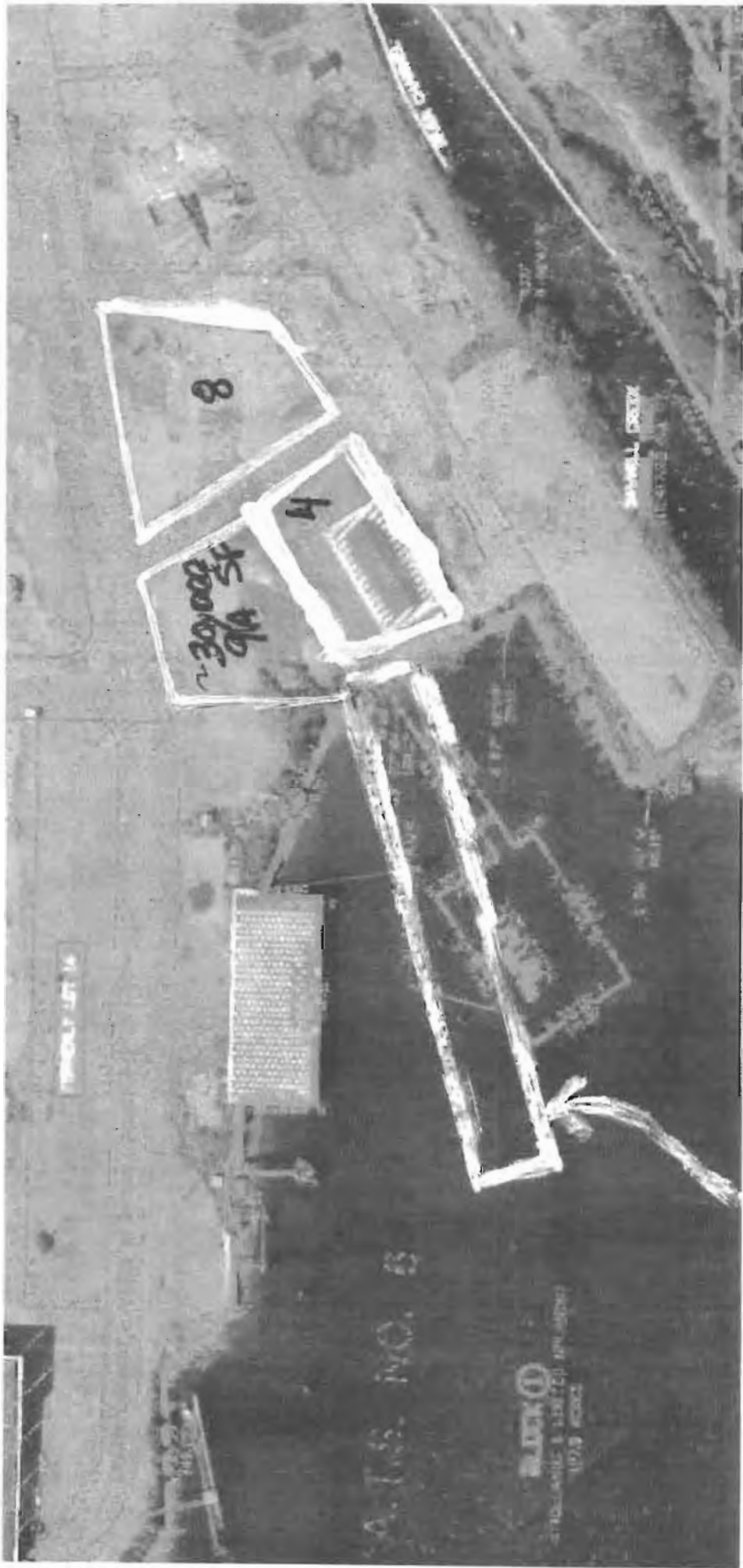
Remote Facility Development**1988-1990***Sitka Sound Seafoods, Sitka AK*

- Modified freezer and production facilities in Yakutat plant
- Implemented a uniform maintenance and capital upgrade program for fleet of four fish-buying scows.
- Designed and built a remote ice facility for the Tsiu river set-net community.

Contract Buying- Scow Operator in Port Alexander, AK**1984-1988***Sitka Sound Seafoods, Sitka, AK*

- Designed and built ice utility to facility trip fishing and improve quality of troll caught catches.
- Increased volume from 300,000 lbs. to 1 million lbs. annually.
- Redesigned product flow and unloading / buying procedures to accommodate large volumes.

Dock Worker**1980-1984***Sitka Sound Seafoods, Sitka, AK***Education****University of Wisconsin, Madison****1983-1987**



250' long x 50' wide

proposed lease AREA

⊗ map not to scale



Minutes

A. CALL TO ORDER: The Chair, called the meeting to order at 3:01 pm.

B. ROLL CALL

Members Present: Grant Miller, Steven Eisenbeisz, Charles Horan, Dan Jones

Members Absent: Chris Fondell

City Representatives: Mark Gorman, Jay Sweeney, Michael Harmon, Phyllis Hackett, Stephen Weatherman, Christopher Brewton, John Flory,

Others Present: Garry White,
Pat Glaab, Richard Riggs, Steve Reifenzstuhl

C. REVIEW OF MINUTES – April 10, 2014 and April 28, 2014

MOTION: M/S Eisenbeisz/Jones moved to approve the minutes of April 10th and April 28th, 2014

ACTION: Motion PASSED 4/0 on a voice vote.

D. CORRESPONDENCE AND OTHER INFORMATION

Mr. Sweeney provided highlights from the Budget Performance Report and Financial Analysis covering the nine month period that ended on March 31st:

- Financial operations for end of nine months are ahead of both the annual plan and the comparison year.
- Slight decline in top line revenue for the third fiscal quarter due to declining occupancy rates.
- Revenue is robust at about 150% above the nine period compared to last year.
- Costs of operations are higher, with a year to date increase of about 9.7%. This includes the presence of a park manager who was not there for a portion of the comparable period.
- Working capital designated for projects is being spent.
- Working capital as of March 31, 2014 was \$889,000.
- SCIP Fund is expected to exceed last year's growth and current year fiscal planning.
- Need to plan for change in cash flow (loss of lease revenues) when the Blue Lake and SMC Phase II projects are completed.

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA - NONE

-

F. REPORTS

1. Sawmill Cove Management Report

Mr. White reviewed the report included in the packet and noted the following:

- Feasibility Study – working to talk to stakeholders:
 - invitations to meet with Halibut Point Marine have been extended;
 - invitations to meet with Allen Marine have been extended;
 - public meeting held on April 28th (low attendance despite promotion efforts).

- Dock – Entered into a contract with Moffatt & Nichol on April 28th to provide engineering services for the dock design. Mid-June design alternatives will be presented to the Board. Moffatt & Nichol representative met with key stakeholders in Sitka during April visit.
- Bulk Water – Continue to work with Alaska Bulk Water, Inc.
- Bottled Water - Assembly approved the Water Purchase Agreement and Lease Agreement with I Water.
- Environmental Monitoring – amendment to the record of decision is waiting for final approval by DEC.

G. PERSONS TO BE HEARD

Mr. Glaab expressed his interest in leasing the 4690 building to manufacture equipment mostly related to the seafood industry, conduct research and development, and to have an on-site professional staff (engineer, etc.). He provided some examples of his experience and plans and stated that his plans should fit well with other marine industry and/or vessel haul out development at the SCIP.

The Board asked if there was enough contract work available to keep a full-time staff. Mr. Glaab confirmed that seafood processors throughout Alaska have issues that need these services and there is not really anyone in Alaska providing these services. He stated that his company also builds and tests equipment and needs space to conduct some long-term testing, including space for a commercial seafood freezer that could also be used for overflow of seafood coming into Sitka at high harvest periods.

The Board asked if Mr. Glaab really needed waterfront access property or could he use uplands property? Mr. Glaab stated he is planning to build four specialized, ice manufacturing barges for use in Bristol Bay. This project requires access to waterfront. Also, working on retrofits of large tender vessels and floating processors requires waterfront access.

Mr. White stated that there are currently multiple proposals for SCIP property in hand and he wants to make sure that each proposal has fair opportunity to be heard by the Board.

Mr. Glaab stated that since the Electric Department is leasing the building, he brought his initial proposal forward to the Director to prepare for a formal proposal and he would like to start development at the SCIP for the 2015 fishing season.

Richard Riggs addressed the Board:

- Silver Bay Seafoods has constantly been looking at opportunities for growth. A formal proposal was not brought forward sooner due to the needs of the Blue Lake project being the highest and best use of the Park for the City.
- With other interested parties coming forward, Silver Bay Seafoods would like to make it known that they would like the opportunity to make a formal proposal for Park property based on growth of the company.
- A detailed proposal is not yet available, however, the proposal will include incorporation of space for a vessel haul out.
- The proposal will likely be for a joint venture between Silver Bay Seafoods and Halibut Point Marine taking the majority of available SCIP property including the Administration Building. HPM would run a haul out for larger vessels not being served by their other facility.

Mr. Riggs has worked with Mr. Glaab and has spoken with him about the Silver Bay Seafoods proposal regarding whether the two proposals can work together or are in conflict. This needs to be proved out as proposals move forward.

Mr. Riggs provided a summary of Silver Bay Seafoods history of growth, emphasizing that the company is fishermen owned.

Mr. Gorman suggested using some of the remaining planning money available to help develop the synergy between the various entities and proposals discussed and make the best use of all available land.

Mr. Reifenhohl expressed that both of these proposals sound great and there is no apparent conflict with NSRAA activities at the SCIP. NSRAA is not interested in more SCIP property.

H. UNFINISHED BUSINESS

1. Bulk Water Fee Discussion

Mr. White reviewed the memo and proposed ordinance included in the packet.

Since the SCIP Board's recommendations in December an ordinance was developed by CBS administration which differs from the one approved by the SCIP Board. The draft ordinance was presented to the CBS Investment Committee for its comments.

The Administration has not yet made a decision. City staff requested that Mr. White write the Ordinance based on SCIP Board recommendations and then City staff would work to resolve differences.

Mr. Jones stated that the SCIP Board approved recommendations to go to the Assembly in December of 2013. He does not see that the SCIP Board's recommendations have changed over the past five months and would like to see the Board's recommendations, as approved in December, go to the Assembly. The recommendations approved in December were based on meetings between the Director and City Staff in November 2013.

Mr. White responded that the only things that he suggests addressing in the proposed ordinance presented by City staff is to:

- Use the term "raw water" instead of "bulk water" due to likelihood of selling more raw water for bottling than raw water for bulk shipment.
- The main point is to determine allocation of revenues from water sales. This is a policy decision to be made by the Board.
- Everyone appears to agree on the allocation of the bulk water fees.

The Board continued discussion on "bulk water fees" vs. "bulk water sales" and how revenues should be allocated.

Mr. White reviewed the proposed ordinance included in the packet to match up with the SCIP Board recommendations approved on December 5, 2013.

FOR REFERENCE - SCIP Board recommendations approved on December 5, 2013.

MOTION: *M/S Jones/Horan moved to recommend the Assembly approve the recommendations found in bullet points 1 through 5 of the memo dated November 26, 2013 adding that under Item #1 of the CBS Staff/SCIP Director Recommendations the new account shall be named the SCIP Bulk Water Fee Fund and under Item #2 wording shall be added to specify that any department requesting to draw funds from the SCIP Bulk Water Fee Fund shall include this as a line item in their annual budget and submit a draft of the budget to the SCIP Board for their review and to allow the SCIP Board to make their recommendations to the Assembly.*

CBS Staff/SCIP Director Recommendations as per memo dated November 26, 2013

1. *A separate CBS account should be established for non-refundable payments associated with bulk water contracts. This new account shall be named the SCIP Bulk Water Fee Fund.*
2. *Account funds will be transferred to appropriate enterprise/general funds to offset expenses for department services related to the CBS bulk water venture. Any department requesting to draw funds from the SCIP Bulk Water Fee Fund shall include this as a line item in their annual budget and submit a draft of the budget to the SCIP Board for their review and to allow the SCIP Board to make their recommendations to the Assembly.*
3. *Capital projects requesting funds from the account will require recommendation from the SCIP Board and approval from the CBS Assembly.*
4. *Section 4.06.025 is deleted from the SGC 4.06, as it is no longer applicable.*

5. *The remaining portions of SGC 4.06 will remain as currently written.*

The Board continued discussion on “bulk water fees” vs. “bulk water sales” and how revenues should be allocated.

Mr. White requested direction from the Board regarding item five of the SCIP Board’s approved recommendations from December, “*The remaining portions of SGC 4.06 will remain as currently written.*”

- The Board’s recommendations to the Assembly are that no changes be made to SGC 4.06. Sales revenues from bulk (raw) water sales will be distributed equally between the General Fund, Water Fund, Electric Fund, and SCIP Fund.
- The Administration’s proposed Ordinance 2014-06 makes a substantial change to SGC4.06. Sales proceeds will go into a new fund and the Assembly will determine how those funds are spent, instead of automatically allocating the funds equally to the General, Electric, Water, and SCIP Funds.

The Board’s consensus was to leave the portion of the current code related to revenues from bulk water sales unchanged. And to make it clear the only issue is to define the allocation of the bulk water contract fees/deposits in the case when water is not sold (e.g. how the \$1,350,000 received on deposit will be allocated.)

I. NEW BUSINESS

1. Industrial Park Name Change

Mr. White reviewed the memo dated May 13, 2014, included in the packet.

MOTION: Horan/Jones moved to approve changing the name of the Sawmill Cove Industrial Park to the Gary Paxton Industrial Park.

Discussion:

- Perhaps change the wording from “Industrial Park” to something more fluid.
- Suggest giving some alternatives to the Assembly to choose from.
- Mr. Paxton is happy with the term Industrial Park.

ACTION: Motion was passed on a voice vote 4/0

2. Lot 18 Easements

Mr. Weatherman a summary of the UV treatment plant project:

- Plan complete.
- Out to bid within a couple weeks.
- Projected to finish construction in the first quarter of 2015.
- All permitting is in place.

Mr. Weatherman reviewed the easements that may be needed by the Water Department and provided details of the project’s design.

Board requested information on the operating costs per gallon of water. Mr. Weatherman said he could get that information.

Board consensus was that the hydrant easement and slope easements would be approved as needed.

3. SCIP Strategic Plan Discussion

Mr. White advised the Board that he is making efforts to ensure that all proposals for SCIP property have a fair chance to be heard by the Board. Need to be consistent and fair, rather than take proposals and then go out for RFP. Things to consider include:

- June 13th alternative dock design (construction type not configuration details) options will be presented. Selection of dock design could be affected by the proposals. Therefore, proposals should be reviewed and considered before dock design is selected.
- Next steps for the feasibility study will also change based on what the Board decides to do with the various proposals.
- Need to determine how the Board will select proposals.

The Board stated that they have been actively marketing the park for development ideas and will hear proposals as they are submitted.

J. ADJOURNMENT – The meeting adjourned at 5:20pm.

**Gary Paxton Industrial Park
Board of Directors Meeting
September 24, 2014 - 5:00 PM
Maksoutoff Room – Harrigan Centennial Hall**

Minutes

A. CALL TO ORDER: The Chair called the meeting to order at 5:02 pm.

B. ROLL CALL

Members Present: Grant Miller, Dan Jones, Steven Eisenbeisz, Chris Fondell (teleconference),
Ptarmica McConnell (teleconference)

Members Absent: NONE

City Representatives: Mark Gorman, Jay Sweeney, Michael Harmon, John Flory, Chris Brewton, Pete Esquiro, Phyllis Hackett

Others Present: Garry White, Linda Wilson
Evy Kinnear (Fortress of the Bear)
Terry Trapp (Alaska Bulk Water, Inc.) and Trevor Sande (R&M Engineering) - via teleconference
Pat Glaab (Alaska and Pacific Packing)
Richard Riggs (Silver Bay Seafoods)
Chris McGraw (Halibut Point Marine Services)
~20 public members
Shannon Haugland (Sitka Sentinel), Robert Woolsey (KCAW)

C. REVIEW OF MINUTES – August 28, 2014

MOTION: M/S Eisenbeisz/Jones moved to approve the minutes of August 28, 2014.

ACTION: Motion PASSED 5/0 on a voice vote.

D. CORRESPONDENCE AND OTHER INFORMATION - NONE

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA - NONE

F. REPORTS

1. Sawmill Cove Management Report - (provided in packet – no oral report)

G. PERSONS TO BE HEARD - NONE

H. UNFINISHED BUSINESS - NONE

I. NEW BUSINESS

1. Fortress of the Bear Lease Request

Mr. White reviewed the main points of the lease request and advised the Board that past leases for the requested space have ranged from \$0.65 to \$1.00 per square foot per month. The flat rate of \$650 per month being offered by Fortress of the Bear works out to \$0.725 per square foot per month.

Mrs. Kinnear added that the Fortress of the Bear hopes to have their own building for an office and workspace within two years. Space in the Administration Building is the nearest option.

MOTION: **M/S Jones/Eisenbeisz** moved to approve a month-to-month lease of 896 square feet of the kitchen area in the Administration Building to Fortress of the Bear under the terms presented by staff in the memo dated Monday, September 22, 2014 and with the understanding that the lease area may not be available for the entire two years.

Terms of Memo of September 22, 2014:

- 896 square feet within the Kitchen Area (Room 111 of Area S1).
- Lease payment at a flat rate of \$650 per month.
- Term is month-to-month.

ACTION: **Motion PASSED 5/0 on a roll-call vote.**

Yeas: Steven Eisenbeisz, Dan Jones, Grant Miller, Chris Fondell, Ptarmica McConnell,

Nays: None

Absent: None

2. Alaska Bulk Water, Inc. Tidelands Lease Request

Mr. White reviewed the main points of the lease request as per the memo dated Monday, September 22, 2014. He stated that discussions with the US Coast Guard are not final, however, so far no constraints to navigation have been identified.

Mr. Sande responded to questions from the Board:

- When static the chains will rest on the sea bottom and when a ship is tied to the buoys the chains will pull toward the ship with about a 20% angle downward at the shore end and between 30% and 40% at the deep end.
- A large tanker vessel tied to the buoys is significant warning to other vessels in the area and a vessel would have to be almost on top of a buoy before there would be any hazard.

MOTION: **M/S Jones/Eisenbeisz** moved to recommend that the Assembly approve a tidelands lease to Alaska Bulk Water, Inc. for a temporary mooring station for the export of bulk water as described in the memo dated Monday, September 22, 2014 or to approve any other appropriate legal structure that provides Alaska Bulk Water, Inc. use of the tidelands for this purpose.

Terms of Memo of September 22, 2014:

- Lease (*or other means to secure use*) of 18 acres of tidelands in Sawmill Cove of Silver Bay directly in front of the Gary Paxton Industrial Park.
- Annual tidelands lease payment of 4.5% of the value of the tidelands.
- 18 acres at a value of \$2.00 per square foot as determined by the City Assessor = \$1,568,160 total value x 4.5% = \$70,568 annual lease payment.
- Terms are month-to-month.

ACTION: **Motion PASSED 5/0 on a roll-call vote.**

Yeas: Grant Miller, Dan Jones, Steven Eisenbeisz, Ptarmica McConnell, Chris Fondell

Nays: None

Absent: None

3. Alaska & Pacific Packing (APP) Lease Request

Mr. Miller reviewed the key points of the lease request as per the memo dated Monday, September 22, 2014.

Mr. Glaab addressed the Board, providing the following information for consideration:

- Long-term career experience in design and construction of seafood processing plants and associated equipment.
- Past work was mostly as a contractor. The goal of the proposal is to create a permanent structure and professional staff for the business.
- Over a two-year start up period staff would be built up to include an estimated six full-time professionals (engineers, welders, etc.) and four to six additional casual help. Depending on the project there would be an estimated 10-12 employees.
- Activities would include designing, building, and testing equipment, design of full-structures and floating processors, and potentially a commercial freezer for the storage of fish waste and/or leased freezer space.
- Fish waste from SPC and SSS would be frozen for the pet food industry.

Mr. Glaab responded to questions from the Board:

- The offer of \$47,643 in annual lease payments is based on 9% of the assumed value of the property.
- In addition, a credit of up to 50% of the lease value is being requested based on number of employees and their wage level. It is understood that there would be a sunset date established for employee credits. This would be part of the negotiation of terms.
- Anticipate an immediate investment of \$150k for a building/machine shop, then another \$150k for a floating dock. The estimated cost for a commercial freezer is \$600k.
- After two years of initial development, it is expected that the business would need to secure space for future expansion. If all property is sold, then this would be a significant problem prohibiting future growth of the business at this location.
- The proposal for a tidelands lease by Alaska Bulk Water, Inc. does not appear to create a conflict with the tidelands lease that APP wants to establish.

Mr. White provided other information for consideration:

- Lease structure for rate increases has varied and some have included a CPI adjustment every five years.
- Working with the Municipal Attorney on language for the lease that would indemnify the City for use of the existing dolphins by APP.

Mr. Miller invited the public to comment or ask questions about the APP proposal. There were no comments or questions from the public.

Board consensus was to support the concept but to work on negotiating terms and bring a more detailed lease proposal back for Board consideration.

Mr. Glaab stated that Sitka holds an advantage over a smaller community such as Wrangell when trying to attract and maintain a professional level staff. People at this level want the kind of amenities Sitka has to offer.

MOTION: M/S Jones/Eisenbeisz moved to table the item with no specified time limit.

ACTION: Item tabled.

4. Silver Bay Seafoods Land Purchase Request

Mr. Riggs addressed the Board and the Public, reviewing the proposal and making the following points for consideration:

- The history of Silver Bay Seafoods is one of steady growth in capacity building and employment.
- The company has a good track record and vertical integration through direct ownership by Alaska fishermen plays an important role in SBS successful growth and expansion.

- SBS started in Sitka in 2006 by leasing about one-third of the old pulp dock/warehouse and now has facilities in six Alaska locations along with one in Puget Sound, one in San Francisco, and plans for another in Ventura.
- A state of the art facility was built in Naknek in 2014.
- SBS has invested over \$20 million in the Sitka facility during the past six years.
- Salmon is the number one product with crab and herring also being processed here.
- A new canning line is being put in and SBS plans to create its own labeled brand of canned salmon.
- A salmon oil plant is also planned.
- As of 2011 SBS has been utilizing the bulk of the seafood by-products. The goal is for 100% utilization.
- Silver Bay Seafoods is an Alaskan company with headquarters in Sitka. Due to growth, there is need for more office space. The Administration Building would provide space for SBS Corporate Headquarters as well as office space for the new HPM boat haul out facility.
- SBS provides significant contributions to the local economy through property tax, raw fish tax, and the economic multiplier of dollars spent in the community.
- Believe the SBS proposal addresses the mission of the Industrial Park. The plan calls for expanding value added products and add a cold storage facility.

Mr. McGraw provided the following information for Board consideration:

- Has owned Halibut Point Marine Services since 2005.
- The boatyard was reconstructed to meet EPA standards for a wash down area.
- The facility has a maximum capacity of 88 tons and hauls out about 350 vessels per year.
- Do not intend to close the current facility but to expand to operate a second facility for larger vessels at the GPIIP. Looking at a 250-ton capacity boatlift for the new facility. The two locations would be run as a single business with boats too large for the HPM location sent to the GPIIP.
- The areas proposed for the haul out facility include a wash-down area, long-term vessel storage, and space for local marine service vendors.

Mr. Miller invited the public to comment or ask questions about the proposal. There was no response from the public.

Mr. White reviewed some points from the memo of Monday, September 22, 2014:

- The old wastewater treatment plant, identified as "A" on the proposal map, has been decommissioned and can be sold.
- The Administration Building, identified as "B" on the proposal map, has had a negative cash flow ever since the City took ownership. However, due to a covenant attached to an EDA grant the building cannot be sold until 2021. A lease to purchase agreement would be allowed.
- Section "D" on the proposal map includes the old utility dock, which is a liability for the CBS in its current condition. A portion of this property is also being requested by the APP proposal.
- Section "F" is property also being requested as part of the APP proposal.
- Based on the Board's Strategic Plan, Sections D and F of the proposal are parcels that the Board does not really want to sell, but would prefer to lease.

Board comments included:

- Prefer to develop a lease to purchase agreement with specific benchmarks.
- Need to provide and preserve public access to the waterfront.
- A portion of the uplands that connect to the future dock need to be retained to serve as a marshaling area and provide access to the dock.

Mr. Riggs stated that SBS understands the need to have access to the dock and that SBS would be using the dock facility and not inhibit its construction.

Board comments included:

- The ultimate goal of the Industrial Park Board is to dispose of the property to maximize the benefit to the City and community, however in order to have a viable dock a certain portion of the uplands would need to be retained.
- Need to keep CBS ownership of the waterfront.
- Consider leasing option for the areas identified for use as a vessel haul out.

Mr. Riggs responded that SBS would be open to leasing some property with a lease to purchase agreement for other property.

Mr. Miller again invited the public to comment or ask questions about the proposal.

Mr. Lawrie asked how the SBS/HPMS proposal helps the majority of vessels in the local fishing fleet? The current HPM facility is crowded. Would the new facility be open for everyone to use or just for SBS vessels?

Mr. McGraw responded that the new EPA wash-down area did reduce the work area. The facility can handle four boats per day, which is comparable to any other facility in Southeast Alaska. The problem comes with scheduling since so many vessel owners want to haul out during the same time period. The new facility would be open to everyone, not just vessels owned by SBS.

Mr. Miller again invited the public to comment or ask questions about the proposal. There was no further response from the public.

Board consensus was to have additional information gathered and details worked out through negotiation in order to bring a more developed plan to the Board that considers if and how the two proposals might be able to work together or if one will need to be selected over the other.

Mr. White asked that the Board consider any benchmarks that will need to be included in a lease to purchase agreement.

Mr. Gorman stated that City staff will need to work with Mr. White and the Legal Department between now and the next Board meeting to work through some of the details and come up with concept options.

J. ADJOURNMENT –

MOTION: Eisenbeisz/Jones moved to adjourn the meeting at 7:08pm

**Gary Paxton Industrial Park
Board of Directors Meeting
December 17, 2014 - 6:00 PM
Maksoutoff Room – Harrigan Centennial Hall**

DRAFT Minutes

A. CALL TO ORDER: The Acting Chair called the meeting to order at 6:01 pm.

B. ROLL CALL

Members Present: Dan Jones, Grant Miller (teleconference), Chris Fondell, Ptarmica McConnell, Scott Wagner

Members Absent: NONE

City Representatives: Mark Gorman, Mim McConnell, Michael Harmon, John Flory, Chris Brewton,

Others Present: Garry White, Linda Wilson
Pat Glaab (Alaska and Pacific Packing)
Richard Riggs (Silver Bay Seafoods); Troy Denkinger (Silver Bay Seafoods)
Ed Gray (Monarch Tannery) – via teleconference
Members of the Public and Representatives of the Media

C. REVIEW OF MINUTES – September 24, 2014

MOTION: M/S Fondell/McConnell moved to approve the minutes of September 24, 2014.

ACTION: Motion PASSED 5/0 on a voice vote.

D. CORRESPONDENCE AND OTHER INFORMATION

- Summary of the 2014 property appraisal (included in packet)
- Industrial Park Fund Financial Analysis as of September 30, 2014 (included in packet)

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA - NONE

F. REPORTS - NONE

G. PERSONS TO BE HEARD

Nancy Davis spoke in support of the proposal submitted by Silver Bay Seafoods.

H. UNFINISHED BUSINESS

1. Alaska & Pacific Packing (APP) lease request

Mr. White reviewed the background and key points of the memo to the Board dated December 9, 2014. (memo included in packet)

Mr. Glaab noted that an area of the property he is requesting to lease is the same property being requested in the Silver Bay Seafoods proposal. Mr. Glaab stated that he does not see a workable solution for his proposal if this piece of property is leased or sold to Silver Bay Seafoods and that he needs to work with the City and Borough of Sitka (CBS) as the APP landlord.

Discussion points included the following:

- APP is requesting employment credits.
- APP is requesting a lease rate based on property value of \$4 per square foot.
- The 2014 property appraisal with a 9% return on value results in a significantly higher lease rate.

MOTION: M/S Miller/McConnell moved to table the item.

2. Silver Bay Seafoods (SBS) land purchase request

Mr. White reviewed the background and key points of the memo to the Board dated December 11, 2014. (memo included in packet)

Mr. Riggs presented a slide show illustrating the 8-year history of Silver Bay Seafoods and the steady growth of the company.

Discussion points included the following:

- The SBS proposal can be broken into two separate sections:
 - Property acquisition for seafood processing facility development.
 - Property acquisition for a marine haul-out and service center.
- Silver Bay would take liability for the rock currently being stored on the associated properties.
- The plan calls for a marine lift and associated equipment to be in place by the end of 2016.
- The City multi-purpose dock would include the addition of haul-out piers to allow a 250 capacity marine lift to use the dock to lift large vessels.
- SBS believes their plan leaves enough room to accommodate the needs of the APP proposal. They reduced the size of their original proposal request, specifically to accommodate APP.
- The proposal will not affect bulk water exports.
- The haul-out would be run by Halibut Point Marine Services and serve boats of any size, and supplement the existing Halibut Point Marine Haul-out.
- The CBS does not want the Administration Building back once a lease to purchase agreement is executed.

Jeff Farvour commented that he supports having diverse tenants at the Industrial Park. He added that although the location appears to be a great place to put a boat haul-out, there is significant wind to contend with and that needs to be taken into consideration.

MOTION: M/S Miller/Fondell moved to recommend that the Assembly sell to Silver Bay Seafoods Block 4, Lot 11, Lot 9c, Lot 12a, and Lot 13 for the 2014 appraised value and to approve a lease to purchase agreement for Block 4, Lot 23 based on the following terms:

- Property is leased in current condition for \$1 per year with lessee responsible for all building expenses, including repairs.
- CBS agrees to sell the parcel to Silver Bay Seafoods at the 2014 appraised value as soon as the U.S. EDA grant covenants have been met.
- Upon execution of the lease, it becomes a purchase agreement.

Mr. Gorman stated that the CBS would try to expedite the release from the EDA covenants attached to the Administration Building (Lot 23).

MOTION to AMEND: M/S Jones/McConnell moved to amend the motion to remove Lot 9c from sale and reduce the purchase price accordingly.

Discussion point – The purpose is to maintain CBS ownership of Lot 9c to maintain adequate waterfront property to serve a multi-purpose dock and port facility.

Miller Called for the Question

ACTION: Motion FAILED 1/4 on a roll-call vote.

Yeas: Dan Jones

Nays: Grant Miller, Ptarmica McConnell, Chris Fondell, Scott Wagner

Absent: None

Miller Called for the Question on the original Motion

ACTION: Motion PASSED 5/0 on a roll-call vote.

Yeas: Dan Jones, Grant Miller, Scott Wagner, Ptarmica McConnell, Chris Fondell

Nays: None

Absent: None

The Board requested Mr. Glaab respond to the SBS proposal as presented, including the modifications made to accommodate APP.

Mr. Glaab stated that this would not be acceptable as the property set aside for APP would be land locked and does not fit the needs of the business as planned and proposed.

Mr. Glaab also asked if the dock placement in the SBS proposal was necessary or if it could be moved enough to accommodate his need for control of APP's own water access. The current proposal by SBS would not be realistic or practical for APP.

MOTION: M/S McConnell/Fondell moved to table the remainder of the item.

I. NEW BUSINESS

1. GPIIP Multi-purpose Dock discussion

Mr. White reviewed points from the memo to the Board dated December 9, 2014 (included in packet).

Discussion included consideration of the following:

- Limited to remainder of the \$7.5 million in state funding unless the net proceeds from property sales can be used toward the project.
- Community comments have been in favor of a large vessel haul-out at the Industrial Park. However, there have been questions and differing opinions about the ownership and operation of the haul-out.

MOTION: M/S McConnell/Miller moved to direct City Staff to develop analysis for:

1. The cost of a dock with a 200' face at -40' depth with the capacity to handle a 250-ton boatlift.
2. The maximum dock face that could be constructed to support a 250-ton boatlift with the remaining funds available from the \$7.5 million.

ACTION: Motion PASSED 4/1 on a roll-call vote.

Yeas: Dan Jones, Grant Miller, Ptarmica McConnell, Chris Fondell,

Nays: Scott Wagner

Absent: None

2. Monarch Tannery Lot 17 purchase request

Mr. White reviewed the key points of the memo to the Board dated December 11, 2014 (included in packet).

Discussion included the following for consideration:

- Monarch Tannery has been a tenant for several years and has proved that it is a viable business.
- The Tannery is now ready to grow and is also now subject to loss of its current lease in the Administration Building pending Assembly approval of the proposal by Silver Bay Seafoods to take over the building.
- The Tannery's proposal to purchase Block 4, Lot 17 began prior to the 2014 property appraisal and the business plan for expansion was based on a valuation of \$4.00 per square foot (\$68,000) at that time.

- Paying the current appraised value of \$110,000 does not kill the deal, but the business plan would need to be re-evaluated prior to final commitment.
- There is a fire-line running through the property. Mr. Gray assured the Board that the tannery building could fit on either side of the fire line.
- A business like the tannery has no real options to locate in other areas of town but needs to be in an industrial zone.

Mr. Gorman stated that the City would take care of removing the rock currently on the property.

MOTION: M/S Miller/Fondell moved to recommend that the Assembly approve the sale of Block 4, Lot 17 to Monarch Tannery for the 2014 appraised value of \$110,000.

ACTION: Motion PASSED 5/0 on a roll-call vote.
Yeas: Ptarmica McConnell, Grant Miller, Scott Wagner, Chris Fondell, Dan Jones
Nays: None
Absent: None

3. GPIIP Officer Election

MOTION: M/S Fondell/McConnell moved to appoint Grant Miller as Chair and Dan Jones as Vice Chair.

ACTION: Motion PASSED 5/0 on a voice vote.

J. ADJOURNMENT: The meeting adjourned at 9:10pm

FY2013 CBS LEGISLATIVE CAPITAL PROJECT REQUEST

Project Title: SAWMILL COVE INDUSTRIAL PARK BULKHEAD DOCK

Total Waterfront Development Project Cost:	\$ 7,500,000
FY2013 State Priority 1 Funding Request:	\$ 7,500,000
Previous Upland Development Funded:	\$ 5,500,000 (Federal)
Previous Upland Development Funded:	\$ 4,000,000 (CBS)
City and Borough of Sitka Federal Tax ID Number:	92-0041163

In 1993 the Alaska Pulp Corporation mill operation shut down, resulting in the loss of over 400 jobs in the community of Sitka. The City and Borough of Sitka took over the former Alaska Pulp Corporation mill site in 1999. Over \$11,000,000 of Federal, State and CBS funds were used to complete upland utilities, system upgrades, and paving. The State contributed \$1,000,000 toward a raw water line to allow for bulk water export. A Wastewater Outfall Project has also been completed to support fish processors. The Industrial Park is operational, with tenants including Cove Partners Water Bottling, Fortress of the Bear, Island Fever Diving, Monarch Tannery, Audio Workshop, Child Song Dolls, NSRAA Salmon Hatchery and Silver Bay Seafoods. Total private investment into the industrial park is over \$20,000,000. Development at the industrial park has created 60 full time jobs and seasonal employment for over 320 people.

The 2002 Sawmill Cove Industrial Park Waterfront Plan details the improvements that must be completed to permit deep water port use of the Industrial Park. The existing docks and waterfront facilities are failing and unsafe for use and must be removed and new pilings, bulkhead, dredging and shoreline protection, and other improvements must be completed to allow the park access to the ocean and water transportation avenues.

The highest priority Waterfront Development Project is the Sawmill Cove Bulkhead Dock Completion – total cost \$7,500,000. CBS requests \$7,500,000 in State funds. This multi-purpose dock facility, a bulkhead cargo and freight dock, will be located in the center of the Industrial Park waterfront (Lot 9). Development includes a bulkhead dock, fender system, uplands improvements, and other infrastructure improvements to allow freight to come over the dock. Currently there is no docking facility at the industrial park. The Sawmill Cove Industrial Park has not reached its full potential due to the lack of infrastructure to access the ocean and water based commerce. **A bulkhead dock is critical for future development of the park.** It will help grow existing tenant's business, attract new business, and is essential in creating new jobs. Additionally, a bulkhead dock on the south end of town will help reduce traffic on State road systems and will help the CBS with logistics of the Blue Lake Dam expansion project.

Past public investments into the Sawmill Cove Industrial Park have resulted in private investment, job creation, and a sustainable tax basis for the CBS. The former Pulp Mill deep water dock formerly served ocean going container ships transiting across the Pacific Ocean. Sitka is closer to open ocean than any other SE port. The Waterfront Development Project at Sawmill Cove Park is the key to enabling Sitka to develop an economically viable deep water port intermodal facility once again.



329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

December 11, 2014

MEMORANDUM

To: Gary Paxton Industrial Park Board of Directors (GPIP Board)
From: Garry White, Director
Subject: Silver Bay Seafoods – Real Estate Purchase Proposal

Introduction

Silver Bay Seafoods (SBS), a local seafood processing company, proposes to purchase property at the Gary Paxton Industrial Park (GPIP) for the expansion of seafood processing and marine services. SBS has suggested it will work with Halibut Point Marine Services (HPM), a local marine service business on the marine service portion of their plan. Please see Silver Bay Seafoods' attached proposal.

The GPIP Board met with SBS at their September 24th meeting. Minutes from that meeting are attached in the packet. The Board directed the GPIP Director to work with SBS on negotiating terms and bring a more detailed lease/purchase proposal back for Board consideration.

Property

SBS proposes to purchase a majority of the uncommitted parcels of property available at the GPIP. See attached map.

Proposed Lease/Purchase Agreement Terms

The following proposed terms have been discussed with SBS and are for the Board's consideration. In addition to the terms below, all standard lease and purchase agreement terms will apply.

Each parcel will be discussed in relation to the purchase proposal by SBS. Please attached SBS proposal for further details on use of the property.

Lot 11 – SBS proposed area A

Lot 11 is a 25,606 SF waterfront parcel containing a 2,760 SF building located near the existing SBS fish processing plant.

- SBS purposes to purchase the property and existing building for use of a seafood by-product/oil plant.

Recommended Terms:

- Parcel is sold in current condition for 2014 appraised value.
 - Equipment inside of building (former CBS waste water treatment plant related) is sold or removed for a negotiated value agreed on between CBS WWTP Department and SBS representative.

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

• Lot 11 Land (25,606 SF)	\$195,00
• <u>Lot 11 Bldg (2,760 SF)</u>	<u>\$124,000</u>
Total	\$319,000

Lot 23 (Administration Building) – SBS proposed area B

Lot 23 is a 37,244 SF parcel containing a 32,000 SF building located adjacent to SMC Rd.

- SBS proposes purchase the property and existing building for use as corporate offices of SBS and administration offices for the marine service center.

Property Concerns

- Lease revenues have traditionally not covered operational costs of the building resulting in negative cash flow.
- The building was remodeled in 2001 using EDA funds. Sale of building is limited by EDA covenants which exist for another ~7 years.

Recommended Terms:

- Parcel is leased in current condition for \$1/YR with lessee responsible for all building expenses, including repairs.
 - CBS agrees to sell parcel to SBS at 2014 appraised value when US EDA grant covenants have been met.

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

• Lot 23 Land (37,244 SF)	\$233,000
• <u>Lot 23 Bldg (32,000 SF)</u>	<u>\$0</u>
Total	\$233,000

The following properties are related to SBS’s seafood value added re-processing and cold storage proposal. These properties will be developed secondary to the Marine Service Center properties discussed below.

Lots 9c, 12a, & 13 – SBS proposed area C

Lots total 173,054 SF or 3.97 acres of raw land located in the center of the GPIIP, adjacent to the proposed multi-purpose dock location in the center of the park. *(Note: Parcel 9b has been removed from SBS’s original proposal)*

- SBS proposes to use the property for seafood value-added reprocessing and cold storage area.

Recommended Terms:

- Property is sold in current condition for 2014 appraised value.

OR

- All lots are leased to SBS at market rate determined by 2014 appraised value for a term of 10 years.
 - SBS has the ability to purchase property when the following conditions are met:
 - SBS demonstrates the property is being used for value-added reprocessing and/or cold storage, including refrigerated container cold storage yard.
 - 75% of lease revenues will be applied toward future purchase price if SBS meets conditions to purchase property, not to exceed sales price. In the event no sale is executed, CBS retains all lease revenues.
 - Lease rate will be based on 9% of appraised value of property.

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

• Lot 9c (34,636 SF)	\$182,000
• Lot 12a (117,608 SF)	\$529,000
• <u>Lot 13 (20,810 SF)</u>	<u>\$114,000</u>
Total value of C	\$825,000

The following properties are related to SBS’s marine service center proposal. These properties will be the primary initial focus of development for SBS. The following proposals assume the following:

- CBS will fund and construct marine haul out piers to accommodate a 250 ton marine travel lift.
- SBS will purchase a 250 ton marine travel lift.
- SBS will install an EPA approved wash down pad for a 250 ton lift.
- SBS will assume all rock not claimed by the CBS on leased/purchased lots for placement into tidelands of Sawmill Cove to extend waterfront.
 - CBS will assist with permitting of rock placement in tidelands.

Lot 9a – SBS proposed area D

Proposal requests a portion of Lot 9a, which is estimated at 35,000 SF of raw, waterfront property located adjacent to the multi-purpose dock location and directly upland from the Utility Dock. Actual property square footage will need to be determined.

- SBS proposes to use the property as part of the marine service center for vessel wash-down area and short-term vessel storage.

Property Concerns

- The property is currently covered in rock from the Blue Lake Project.
- Property is adjacent to Utility Dock which is failing and currently cannot be used.

Recommended Terms:

- Property is leased to SBS at market rate determined by 2014 appraised value for a term of 12 years.
 - Lease payments will be deferred until marine haul out piers are constructed and available for use.
 - SBS has the ability to purchase property when the following conditions are met:

- A 250 tons marine travel lift is purchased and operational on site
- An EPA approved wash down pad for 250 ton lift is installed.
- 20 any size vessel lifts have been documented.
- 75% of lease revenues will be applied toward future purchase price if SBS meets conditions to purchase property, not to exceed sales price. In the event no sale is executed, CBS retains all lease revenues
- Lease rate will be based on 9% of appraised value of property.

Discussion Item:

- The Utility Dock is currently unusable and exists as a liability for the CBS.
 - Utility Dock is of similar construction and condition as Pulp Dock, which was sold to SBS in 2007 and has been refurbished for continued use.
- Board discussion on selling Utility Dock or future plans for dock.
 - 2014 Appraisal did not value dock.

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

- Lot 9a (151,506 SF) \$1,182,000

- 35,000 SF @ \$7.8017/SF = \$273,060

**Note: Actual lease/purchase price will be set by actual square footage identified via a survey.
 **Updated: Please see amended SBS proposal dated 12/12/2014*

Lots 15 – SBS proposed area E

Lot 15 is an 113,369 SF parcel of raw land located in the center of the park

- SBS proposes to use the property as part of the marine service center for vessel storage and covered work area in future.

Property Concerns

- A portion of the raw property is currently covered in rock.

Recommended Terms:

- Property is leased to SBS at market rate determined by 2014 appraised value for a term of 12 years.
 - Lease payments will be deferred until marine haul out piers are constructed and available for use.
 - SBS has the ability to purchase property when the following conditions are met:
 - A 250 tons marine travel lift is purchased and operational on site
 - An EPA approved wash down pad for a 250 ton lift is installed.
 - 20 any size vessel lifts have been documented.
 - 75% of lease revenues will be applied toward future purchase price if SBS meets conditions to purchase property, not to exceed sales price. In the event no sale is executed, CBS retains all lease revenues
 - Lease rate will be based on 9% of appraised value of property.

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

- Lot 15 (113,369 SF) \$510,000

Lots 4, 9a, & Water Access Area – SBS proposed area F

All lots totaled are estimated at 89,031 SF or 2.04 acres of property which contains a 6,900 SF building located adjacent to the water. (*Note: Parcel 8 has been removed from SBS' original proposal.*)

- SBS proposes to use the properties as part of the marine service center, specifically for available land for skilled trade, businesses, and vendor to support the marine service center.

Property Concerns

- A majority of the raw property is currently covered in rock.
- An easement exists on 9a for utility infrastructure and bulk water pipeline.

Recommended Terms:

- Property is leased to SBS at market rate determined by 2014 appraised value for a term of 12 years.
 - Lease payments will be deferred until marine haul out piers are constructed and available for use.
 - SBS has the ability to purchase property when the following conditions are met:
 - A 250 tons marine travel lift is purchased and operational on site
 - An EPA approved wash down pad for a 250 ton lift is installed.
 - 20 any size vessel lifts have been documented.
 - 75% of lease revenues will be applied toward future purchase price if SBS meets conditions to purchase property, not to exceed sales price. In the event no sale is executed, CBS retains all lease revenues
 - Lease rate will be based on 9% of appraised value of property.
- SBS receives first right of refusal to lease/purchase lot 8 in the event the CBS does not enter into lease agreement with Alaska & Pacific Packing.
 - SBS's original proposal requested Lot 8, based on discussion at the 9/24 GPIIP board meeting, SBS has withdrawn request to allow the CBS to negotiate directly with Alaska & Pacific Packing for lease/purchase of the lot.

***Updated: Please see amended SBS proposal dated 12/12/2014*

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

• Lot 4 (26,031 SF)	\$209,000
• <u>Lot 4 Bldg (6,900 SF)</u>	<u>\$345,000</u>
Total Lot 4	\$554,000
• Lot 9a (151,506 SF)	\$1,182,000
30,000 SF @ \$7.8017/SF =	\$234,051
• Water Access (45,922 SF)	\$345,000
33,000 SF @ \$7.5127/SF =	\$247,919
Total value of F	\$1,035,970

**Note: Actual lease/purchase price will be set by actual square footage identified via a survey*

Additional Terms

- SBS request first right of refusal to lease/purchase lots 3, 6, & 7 in the event that the CBS terminates current lease arrangement, contingent on SBS having an operational marine service center.
- If purchase options are not executed and lease agreement is terminated all buildings and improvements on the property at the end of lease term must be removed from the property and/or return in the condition it was received or the improvements become property of the CBS.
- CPI adjustment will be applied to lease on the 61st month after lease execution. CPI adjustment will be based on the average of the Anchorage and Seattle “all items” figure of the “consumer price index for all urban consumers”
- CBS reserves first right of refusal to purchase lots 4, 8, 9a, and area designated as water access in the event SBS offers the properties for sale.

SBS Total Proposed Purchase Price

SBS has proposed to purchase all discussed properties for \$2,100,000.

SBS’s purchase proposal is based on 2008 CBS Assessed values and other information. Since SBS’s original proposal an appraisal was completed on the GPIIP in the fall of 2014 which resulted in higher property values.

Total appraised value of properties requested for purchase:

• Lot 11 Land (25,606 SF)	\$195,00
• Lot 11 Bldg (2,760 SF)	\$124,000
• Lot 23 Land (37,244 SF)	\$233,000
• Lot 23 Bldg (32,000 SF)	\$0
• Lot 9c (34,636 SF)	\$182,000
• Lot 12a (117,608 SF)	\$529,000
• Lot 13 (20,810 SF)	\$114,000
• Lot 15 (113,369 SF)	\$510,000
• Lot 4 (26,031 SF)	\$209,000
• Lot 4 Bldg (6,900 SF)	\$345,000
• 65,000 SF of Lot 9a	\$507,111
• <u>33,000 SF of Water Access</u>	<u>\$247,919</u>
Total Property Value	\$3,196,030

**Note: Actual lease/purchase price will be set by actual square footage identified via a survey.*

Additional Considerations

- The CBS recently received \$7.5 million for the construction of a multi-purpose dock from the State of Alaska. Public access and use must be ensured.
- Current zoning at GPIIP needs to be addressed. GPIIP zoning code was established to allow flexibility in use, with Assembly approval of leases or sales resulting in a permitted zoning use. With the sale of property, new zoning will need to be established for the GPIIP which will codify any future uses of the property after initial sale or lease.
- Access to CBS utilities and utility easements must be preserved as a majority of utilities were established with federal grant funds.
- The GPIIP Strategic Plan was recommend by the GPIIP Board and approved by the CBS Assembly for development of the park.
- A majority of the raw land at the GPIIP has had minimal use since the CBS took ownership of the property.
- As stated above the Administration Building has had minimal tenancy and has resulted in negative cash flow to the industrial park enterprise fund.
- The CBS is currently working with an engineering firm to construct a multi-purpose dock, which will increase the marketability of the GPIIP.
- The GPIIP is one of the last available developable properties in the immediate Sitka area without topographical constraints and with utilities available on site.

Action

- Board discussion of Silver Bay Seafoods' proposal.



329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

December 9, 2014

MEMORANDUM

To: Gary Paxton Industrial Park Board of Directors (GPIP Board)
From: Garry White, Director
Subject: Alaska & Pacific Packing Lease Request

Introduction

G. Pat Glaab doing business as Alaska & Pacific Packing (APP) requests to lease property at the Gary Paxton Industrial Park (GPIP) for design and fabricating of equipment for the seafood processing industry and other related marine services industries. Please see the attached proposal and resume from Mr. Glaab.

The GPIP Board met with Mr. Glaab at their September 24th meeting. Minutes from that meeting are attached in the packet. The Board directed the GPIP Director to work with Mr. Glaab on negotiating terms and bring a more detailed lease proposal back for Board consideration.

Property

APP proposes to lease lots 4, approximately 12,500 SF of tidelands directly seaward of lot 4, Lot 8, and approximately 30,000 SF of the north-east portion of lot 9a. (See attached map)

Proposed Lease Terms

The following proposed terms have been discussed with APP and are for the Board's consideration. In addition to the terms below, all standard lease terms will apply.

APP requests two separate leases are established. A lease for Lot 4 and the tidelands initially, with another lease for lots 8 and a ~30,000 portion of Lot 9A once rock is removed from the property.

LEASE #1

Lot 4 (including building 4690)

Lot 4 is a 26,031 SF waterfront parcel containing a 6,900 SF building located near the northern portion of the waterfront.

- The purposed uses of the property are for engineering offices, fabrication shop, and future freezer operations.

Recommended Terms:

- Lease term for a 10 year period.
 - The following must be completed by 12/31/2017 or the CBS Assembly has the option to terminate the lease.
 - APP must prove evidence of certified payroll for 2 full-time employees for the prior 12 consecutive months
 - APP must provide evidence that at least 10 tons of fish waste was industrial frozen on site.
- Lease rate will be based on 9% of appraised value of property.

2014 Appraised Value (Full GPIP appraisal available at www.sawmillcove.com)

• Lot 4 Land (26,031 SF)	\$209,000
• Lot 4 Bldg (6,900 SF)	\$345,000
Total	\$554,000

Lot 4 raw land	\$209,000 @9% = \$18,810 per year
Lot 4 building	\$345,000 @9% = \$31,050 per year

APP requests the following rates:

Lot 4 raw land	26,031 SF @\$0.30/SF/YR	\$7,809 per year
Lot 4 building	6,900 SF @ \$0.24/SF/month	\$20,000 per year

Tideland

The proposal requests a 12,500 SF portion of the tideland directly in front of Lot 4 including old dolphins installed when the site was used as a pulp mill.

- The purposed use of the tidelands is to construct an access ramp and floating dock to service floating processor and other vessels.

Recommended Terms:

- The term of lease shall be concurrent with Lot 4 and building 4690.
 - The following must be completed by 12/31/2017 or the CBS Assembly has the option to terminate the lease.
 - An access ramp and floating dock must be constructed and located in the tidelands following CBS building permit process
- CBS will not warrantee condition of current mooring dolphins. APP will indemnify the CBS for use of dolphins and waive rights to pursue any claim against the City for use of the dolphins.
- Lease rates will be based on 4.5% of appraised value of tidelands.

2014 Appraised Value (Full GPIP appraisal available at www.sawmillcove.com)

- Tidelands adjacent to uplands are valued at \$2.00/SF

~12,500 SF @ \$2.00/SF = \$25,000 @ 4.5% = \$1,125 annual lease rate

LEASE #2

Lot 8

Lot 8 is a 32,362 SF parcel of raw water located adjacent to Lot 4.

- The purposed use of the properties is for future marine service uses

Recommended Terms:

- The term of the lease will be for 10 years from the when all of the rock can be removed from the property.
 - 60 months from the execution of the lease, APP must have established infrastructure or certified job payroll related to the marine services industry.
- Lease rate will be based on 9% of appraised value of property.

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

- Lot 8 (32,362 SF) \$170,000

Lot 8 raw land \$170,000 @9% =\$15,300 per year

APP requests the following rates:

Lot 8 raw land 32,362 SF @\$0.30/SF/YR \$9,709 per year

Portion of Lot 9a

The proposal requests a 30,000 SF portion on the NE corner of the 151,506 SF waterfront parcel adjacent to Lot 4.

- The purposed use of the properties is for future marine service uses

Recommended Terms:

- The term of the lease will be for 10 years from the when all of the rock can be removed from the property.
 - 60 months from the execution of the lease, APP must have established infrastructure or certified job payroll related to the marine services industry.
- Lease rate will be based on 9% of appraised value of property

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

- Lot 9a (151,506 SF) \$1,182,000

~30,000 SF @ \$7.8017/SF = \$234,051 @ 9% = \$21,065 annually

APP requests the following rates:

Lot 9a raw land ~30,000 SF @\$0.30/SF/YR \$9,000 per year

Additional Terms

- Lessee has option to renew lease for 4-5 year terms, new terms can be discussed 24 months before end of lease term. Lessee must provide in writing their request to exercise lease extension at least 30 days prior to lease expiration.
- If lease is terminated all buildings and improvements on the property at the end of lease term must be removed from the property and/or return in the condition it was received or the improvements become property of the CBS.
- CPI adjustment will be applied to lease on the 61st month after lease execution. CPI adjustment will be based on the average of the Anchorage and Seattle “all items” figure of the “consumer price index for all urban consumers”
- APP request an option to purchase property at will for current appraised value.

APP Total lease payments

CBS Market Rate (based on 9% return on property value)

Lot 4 raw land	\$18,810 per year
Lot 4 building	\$31,050 per year
~12,500 SF of tidelands	\$1,125 per year
Lot 8 raw land	\$15,300 per year
~30,000 SF of Lot 9a	\$21,065 per year
Total annual lease	\$87,350 per year

APP Proposed lease rates

Lot 4 raw land	26,031 SF @ \$.30/SF/YR	\$7,809 per year
Lot 4 building	6,900 SF @ \$0.24/SF/month	\$20,000 per year
~12,500 SF @ \$2.00/SF = \$25,000 @ 4.5%		\$1,125 per year
Lot 8 raw land	32,362 SF @ \$.30/SF/YR	\$9,709 per year
Lot 9a raw land	30,000 SF @ \$.30/SF/YR	\$9,000 per year
Total annual lease		\$47,643 per year

Proposed Employment Incentives

APP requests employment creation incentives of \$10,000 credit for every employee earning over \$38,000 annually, not to exceed 50% of annual lease payments for each lease.

- Employment incentives will expire 36 month from execution of lease

Note: Prior to 2008, the CBS provide job creation employment credits. Previous tenants of both the pulp dock warehouse and bottling plant building have negotiated similar lease credits as requested by APP. Other incentives to locate business at the industrial park have included ramped up lease rates for the first few years of operation

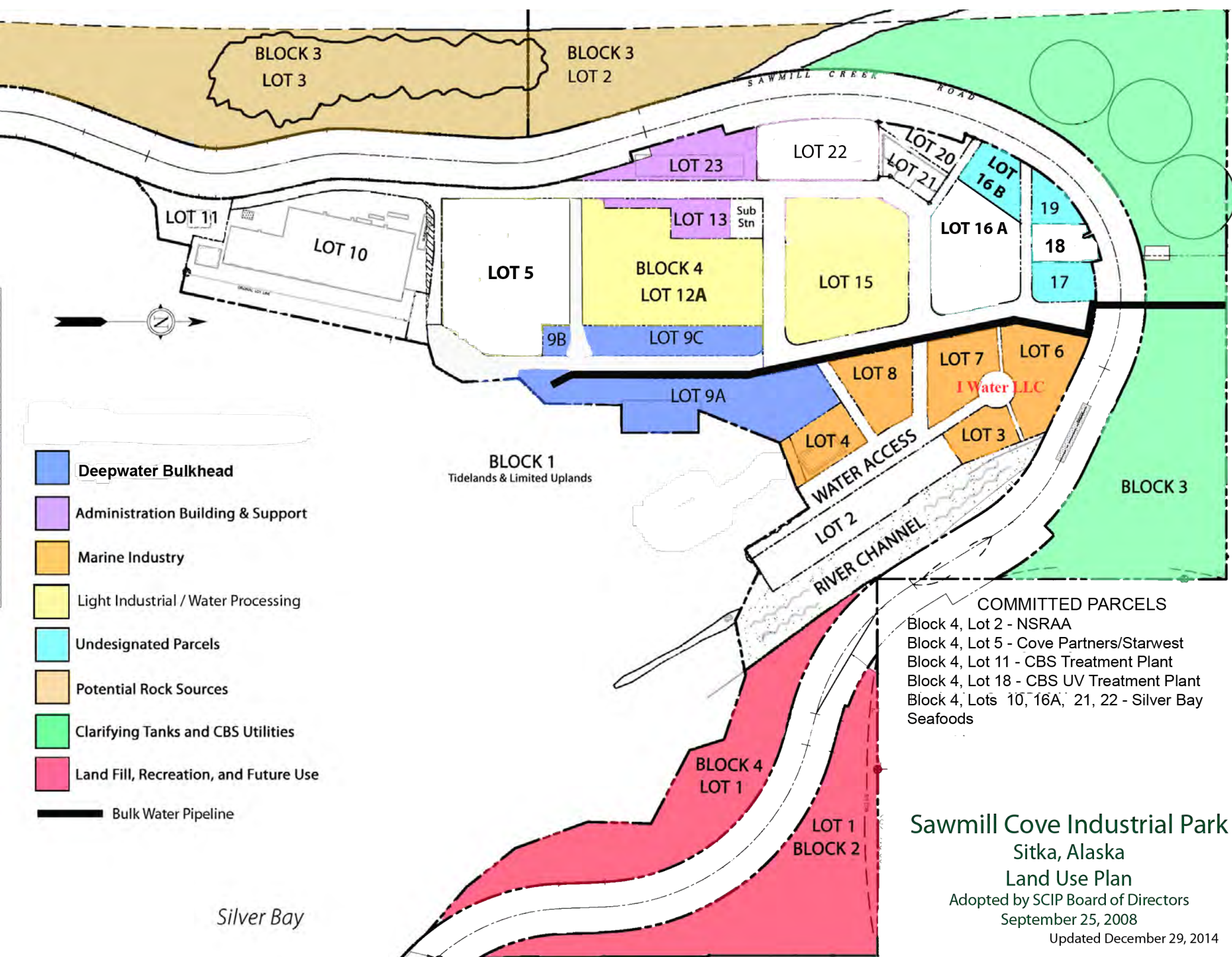
Additional Considerations

- The CBS recently received \$7.5mm for the construction of a multi-purpose dock from the State of Alaska. The CBS is currently working with an engineering firm to construct a multi-purpose dock, which will increase the marketability of the GPIIP.

- Access to CBS utilities and utility easements must be preserved as a majority of utilities were established with federal grant funds.

Action

- Board discussion of APP's proposal and approval of lease terms.



Sawmill Cove Industrial Park
 Sitka, Alaska
 Land Use Plan
 Adopted by SCIP Board of Directors
 September 25, 2008
 Updated December 29, 2014

Real Estate Appraisal



GARY PAXTON INDUSTRIAL PARK
4600 Sawmill Creek Road
Sitka, Alaska

AS OF
October 29, 2014

PREPARED FOR
Mark Gorman, City Administrator
City & Borough of Sitka

PREPARED BY
Kim M. Wold
ALASKA APPRAISAL ASSOCIATES, INC.

Alaska Appraisal Associates, Inc.

10000 Rainier Ave S
Seattle, WA 98178
Phone 206-453-4370
Fax 866-416-1789
Email Kim@alaska-appraisal.com

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Seattle, WA 98178

www.alaska-appraisal.com

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Fax: 866-416-1789

Email: Kim@alaska-appraisal.com

November 14, 2014

Mark Gorman
City & Borough of Sitka
Municipal Administrator
100 Lincoln St.
Sitka, AK 99835

RE: **Gary Paxton Industrial Park
4600 Sawmill Creek Road
Sitka, Alaska**

Dear Mr. Gorman:

Pursuant to your request, we have prepared an appraisal for the above referenced property. The purpose of this appraisal is to estimate the market value of the fee simple interest in 18 parcels located in the Gary Paxton Industrial Park for asset management/sale negotiations. No personal property, furniture, fixtures, equipment, or other non-realty items are included in the value estimates. This appraisal is intended for the exclusive use of City & Borough of Sitka.

This summary appraisal report has been completed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation as well as the bylaws of the Appraisal Institute.

The attached report details the scope of the appraisal, level of reporting, definition of value, valuation methodology, and pertinent data researched and analyzed in the development of this appraisal.

We certify that we have no present or contemplated future interest in the property appraised beyond this estimate of value.

This appraisal report and all of the appraiser's work in connection with the appraisal assignment are subject to the Limiting Conditions and Assumptions, and all other terms stated in the report. Any use of the appraisal by any party, regardless of whether such use is authorized or intended by the appraiser, constitutes acceptance of all such Limiting Conditions and Assumptions, and all other terms stated in the report.

Extraordinary Assumptions: It is assumed that: (1) All lots are clear of rock and other materials and cleaned of all debris, equipment, etc.; (2) All marine improvements, including docks, piling, dolphins, etc. have no contribution value and are excluded from the value estimates; (3) All appurtenant structures to the administration building that encroach upon the utility easement area suffer no material loss in value; (4) The administration building has adequate parking, both onsite and along Sawmill Creek Road, as well as the two parking lots lying to the north of the highway; (5) All equipment in the wastewater treatment building is removed and has no negative effect on the improvements' value; (6) Lots 16A, 19, and 20 have ingress via access and utility easements by unimproved rights-of-way included within the Sawmill Cove Industrial Park Subdivision No. 2; (7) The access and utility right-of-way appurtenant to Lots 3, 6, and 7 is vacated and the land area of 35,000 square feet creates a total assemblage of 126,057 square feet.

Hypothetical Conditions: None

In my opinion, the value of the subject property, as of October 29, 2014, was as follows:

SUMMARY OF VALUES				
Parcel No.	Land Value	Tideland Value	Imp Value	Total Value
1	\$195,000		\$124,000	\$319,000
2	\$1,182,000	\$7,500	0	\$1,189,000
3	\$41,000		0	\$41,000
4	\$182,000		0	\$182,000
5	\$529,000		0	\$529,000
6	\$114,000		0	\$114,000
7	\$233,000		0	\$233,000
8	\$510,000		0	\$510,000
9	\$209,000	\$48,000	\$345,000	\$602,000
10	\$345,000		0	\$345,000
11	\$170,000		0	\$170,000
12	\$110,000		0	\$110,000
13	\$827,000		0	\$827,000
14	\$567,000		0	\$567,000
15	\$81,000		0	\$81,000
16	\$51,000		0	\$51,000
17	\$52,000		0	\$52,000
18	\$78,000		0	\$78,000
TOTALS	\$5,476,000	\$55,500	\$469,000	\$6,000,000

November 14, 2014
Page 3

Respectfully Submitted,
ALASKA APPRAISAL ASSOCIATES, INC.

A handwritten signature in black ink, appearing to read "Kim M. Wold". The signature is fluid and cursive, with the first name "Kim" and last name "Wold" being the most legible parts.

Kim M. Wold
Licensed General Appraiser
jw

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Summary of Salient Facts

Subject Property	Gary Paxton Industrial Park 4600 Sawmill Creek Road Sitka, Alaska
Property Overview	An assemblage of 18 parcels including uplands and tidelands, located within the Gary Paxton Industrial Park. Off-site improvements include road and utility infrastructure. On-site improvements include an administration building, wastewater treatment building, and a warehouse.
Interest Appraised	Fee Simple
Date of Inspection	October 20 and 30, 2014
Date of Valuation	October 29 and 30, 2014
Date of Report	November 14, 2014
Highest and Best Use Land as Vacant	Commercial or industrial development
Highest and Best Use As Improved (Parcels 1, 7, and 9)	As improved

Reconciled Market Value

SUMMARY OF VALUES							
Parcel No.	Lot	Block	Plat No.	Land Value	Tideland Value	Imp Value	Total Value
1	11	4	2008-27	\$195,000		\$124,000	\$319,000
2	9A	4	2013-2	\$1,182,000	\$7,500	0	\$1,189,000
3	9B	4	2013-2	\$41,000		0	\$41,000
4	9C	4	2013-2	\$182,000		0	\$182,000
5	12A	4	2013-2	\$529,000		0	\$529,000
6	13	4	2008-27	\$114,000		0	\$114,000
7	23	4	2008-27	\$233,000		0	\$233,000
8	15	4	2008-27	\$510,000		0	\$510,000
9	4	4	2008-27	\$209,000	\$48,000	\$345,000	\$602,000
10	Access	ROW		\$345,000		0	\$345,000
11	8	4	2008-27	\$170,000		0	\$170,000
12	17	4	2008-27	\$110,000		0	\$110,000
13	1	1	ATS6 2006-8	\$827,000		0	\$827,000

14	3,6,7	4	2008-27	\$567,000		0	\$567,000
15	16A	4	2013-2	\$81,000		0	\$81,000
16	19	4	2008-27	\$51,000		0	\$51,000
17	20	4	2008-27	\$52,000		0	\$52,000
18	1	2	2008-27	\$78,000		0	\$78,000
TOTALS				\$5,476,000	\$55,500	\$469,000	\$6,000,000

Extraordinary Assumptions

It is assumed that: (1) All lots are clear of rock and other materials and cleaned of all debris, equipment, etc.; (2) All marine improvements, including docks, piling, dolphins, etc. have no contribution value and are excluded from the value estimates; (3) All appurtenant structures to the administration building that encroach upon the utility easement area suffer no material loss in value; (4) The administration building has adequate parking, both onsite and along Sawmill Creek Road, as well as the two parking lots lying to the north of the highway; (5) All equipment in the wastewater treatment building is removed and has no negative effect on the improvements' value; (6) Lots 16A, 19, and 20 have ingress via access and utility easements by unimproved rights-of-way included within the Sawmill Cove Industrial Park Subdivision No. 2; (7) The access and utility right-of-way appurtenant to Lots 3, 6, and 7 is vacated and has a land area of 35,000 square feet.

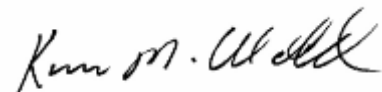
Hypothetical Conditions

None

Certification Statement

I CERTIFY THAT, TO THE BEST OF MY KNOWLEDGE AND BELIEF:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with Uniform Standards of Professional Appraisal Practice.
- I, Kim M. Wold, have personally made a visual inventory of the subject property.
- The appraiser gratefully acknowledges the assistance of David E. Hunnicutt, MAI, JD in the inspection of the property and comparable sales research necessary to complete this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Kim M. Wold, have completed the Standards and Ethics Education Requirement for Candidates/Practicing Affiliates of the Appraisal Institute.



Kim M. Wold
The date of this report is November 14, 2014

Limiting Conditions and Assumptions

This appraisal and report were customized for a specific property, use, and user, at a specific time. Therefore, this appraisal and report are only reliable under the following:

Limiting Conditions:

1. That the appraiser is not required to give further consultation, testimony, or attend in court with reference to the property in question unless arrangements have been previously made.
2. Possession of this report or a copy thereof does not carry with it the right of publication or distribution. Neither all nor any part of the contents of this report (especially any opinions and conclusions, the identity of the appraiser or the appraisal firm) shall be disseminated to the public or distributed to any individual or entity by any means without prior written permission of the appraiser.
3. When it is being used only for the intended use stated herein by the intended user stated herein.
4. When it is used in a timely manner, as the appraiser cannot be responsible for unforeseen market changes that occur after the valuation date.
5. When the distribution of the total valuation, if any, in this report between land and improvements is applied only under the reported highest and best use of the property. The allocation of value for land and improvements must not be used in conjunction with the subject property and other properties, as it may result in an unreliable conclusion.
6. It is understood that any sketches and maps are presented only to assist the reader of the report in visualizing the property.
7. When the user has read and understands the report in its entirety. Any lack of understanding about this appraisal could result in its misuse, which might put the user in jeopardy.
8. Secondary opinions and conclusions made by the appraiser are formed only to contribute to the Primary Appraiser Generated Information (PAGI). This is the information that the intended user will isolate and rely on. Unless specifically listed as a PAGI, these secondary opinions include but are not limited to square footage calculations, effective age, highest and best use, replacement cost new, etc. Isolating and inappropriately using any of the secondary appraiser generated information out of context could jeopardize the user.

General Assumptions

This assignment cannot proceed without making some general assumptions; however, these assumptions should not be taken lightly or as a matter of fact. If any of these assumptions are found to be inaccurate, the opinions and conclusions reached herein could be in error and jeopardize the user. The appraiser(s) are not competent in these fields; however, each of these assumptions can be explored by other experts and professions. The user should decide if these assumptions are acceptable. The appraiser is not competent in the following fields and makes no guarantees, express or implied, regarding the topics of these assumptions. Unless otherwise stated, described, and considered in this report, it is assumed that:

9. Title to the property is good and marketable. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Unless otherwise stated, it is also assumed that the property is free and clear of any liens or encumbrances.
10. The property is under responsible ownership and competent management.
11. All engineering studies, land surveys, and other professional reports relied on by the appraiser are correct. Should such studies not be provided to the appraiser, it is assumed that there are no hidden or unapparent conditions of the property, subsoil, structure, or any other property component that would render it more or less valuable.
12. The property is in full compliance with all applicable federal, state, and local laws and regulations.
13. The property conforms to all applicable zoning and land use regulations and restrictions.
14. All required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any state or national government, or private entity or organization, have been or can be obtained or renewed for any use on which the opinion of value is based. This includes the American Disabilities Act.
15. The use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass.
16. There are no hazardous or toxic materials on, in, or near the property. The presence of substances such as, but not limited to, asbestos, urea formaldehyde foam insulation, radon, mold, and other potentially hazardous or toxic materials would significantly affect the value opinion. Unless otherwise stated, the opinions and conclusions are predicated on the assumption that there is no such material on, in, or near the property which would cause a loss in value.
17. Any proposed improvements are assumed to be completed in a good competent manner, in accordance with the submitted plans and specifications.
18. The structure was properly designed and constructed. This means that each individual building component is reliable and has been properly installed. It is assumed that no defects have occurred over time. This includes, but is not limited to termite damage. All mechanical components are assumed to be in operable condition and are appropriate for the structure. All electrical and plumbing equipment is assumed to be appropriate and in working order. It is assumed that the insulation is adequate.
19. The property has a plentiful supply of potable water, and that adequate sewage disposal is available.
20. If a survey was not provided to the appraiser, the public records are assumed to be correct with respect to size and shape.
21. The property has a legal and physical means of ingress and egress.
22. The subject property is legally and physically suitable for occupancy and livability.
23. Market forces remain relatively constant in the future. If an opinion of marketing time is formed, the user should be cautious when relying on this opinion, as the appraiser cannot foresee spastic changes in these forces.
24. All files, work papers, and documents developed in connection with this assignment are the property of Alaska Appraisal Associates, Inc. Information, estimates, and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to

assist the client in visualizing the property; no other use of these plans is intended or permitted.

25. The liability of Alaska Appraisal Associates, Inc. and its employees is limited to the intended user only. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the intended user, the intended user shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the intended user agrees that in the event of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party) or any awards or settlements of any type in such suit, regardless of outcome, the intended user will hold the appraiser completely harmless in any such action.
26. If there are any tracts that, according to map, plat, or survey, indicate riparian and/or littoral rights, said rights are assumed to go with the land, unless easements or deeds are found by the appraiser to the contrary.

Definitions

Market Value, as defined in the *Dictionary of Real Estate Appraisal, 5th ed.* (Chicago: Appraisal Institute, 2010), is:

The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.¹

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting knowledgeably, for self-interest, and assuming that neither is under duress.
2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the terms identified by the appraiser as applicable in an appraisal (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value.
 - Identification of the specific property rights to be appraised.
 - Statement of the effective date of the value opinion.
 - Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
 - If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that a property should bring in a competitive and open market

¹ For further discussion of this important term, see *The Appraisal of Real Estate*, 13th ed. (Chicago: Appraisal Institute, 2008), 20-25.

under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
 - Both parties are well informed or well advised, and acting in what they consider their best interests;
 - A reasonable time is allowed for exposure in the open market;
 - Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
 - The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (12 C.F.R. Part 34.43(g); 55 *Federal Register* 34696, August 24, 1990, as amended at 57 *Federal Register* 12202, April 9, 1992; 59 *Federal Register* 29499, June 7, 1994)
4. The International Valuation Standards Council defines *market value* for the purpose of international standards, as follows: “The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after property marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.” (*International Valuation Standards*, 8th ed., 2007).
 5. Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (*Uniform Standards for Federal Land Acquisitions*)
 6. The Alaska Supreme Court defines *market value* as follows: “The price in (terms of) money that the property could be sold for on the open market under fair conditions between an owner willing to sell and a buyer willing to buy, with a reasonable time allowed to find a purchaser. *State v. 7.026 Acres*, Sup. St. Op. No. 601, 466 P2d 364, 365; (1970).” The opinion further reads, in part: “The highest and most profitable use for which the property is adaptable is to be considered, to the extent that the prospect of demand for such use affects the market value while the property is privately held. Fair market value is normally based on a parcel’s fee simple value.”

7. The definition of market value applied for estate taxation purposes is contained in Revenue Ruling 59-60 and also in Section 20.2031(b) of the Treasury regulations, as follows:

“The amount at which the property would change hands between a willing buyer and willing seller, when the former is not under any compulsion to buy, and latter is not under any compulsion to sell, both parties having a reasonable knowledge of relevant facts.”

The Treasury regulation goes on to state: “The fair market value of a particular item of property includible in the decedent’s gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. . . . All relevant facts and elements of value as of the applicable valuation date shall be considered in every case.”

Regulation 20.2031(b) requires a residential or commercial appraiser to follow the valuation guidelines when preparing a residential home appraisal for tax purposes or retrospective date of death valuations, and that appraiser should hold a designation and be qualified as stated under regulations Section 1.170A-17(a).²

A **Fee Simple** interest is defined in the *Dictionary of Real Estate Appraisal, 5th ed.* (Chicago: Appraisal Institute, 2010), as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

A **Leased Fee** interest is defined in the *Dictionary of Real Estate Appraisal, 5th ed.* (Chicago: Appraisal Institute, 2010), as:

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

² See Susan Kassell, Office of Chief Counsel, Department of the Treasury, Internal Revenue Service INVO 2009-0016 Release Date 1/2/08, UIL 170.00-00, in reference to holders of the MAI, SRA, SRPA, and SREA designations of members of the Appraisal Institute: “The Service does not consider any particular organization’s recognized appraisal designations to be superior to, or preferred over, those of any other organization. The example was included in the proposed regulations merely as an illustration of the types of designations that would satisfy the education and experience requirement and was not intended to indicate any preference for designations offered by a particular organization. In addition, the proposed regulation refers to designations “similar to” those provided as examples. The Service recognizes that there are other organizations awarding designations that would also be recognized professional appraiser organizations.”

Leasehold Interest is defined in the *Dictionary of Real Estate Appraisal, 5th ed.* (Chicago: Appraisal Institute, 2010), as:

The tenant's possessory interest created by a lease.

Extraordinary Assumption is defined in the *Uniform Standards of Professional Appraisal Practice, 2012-2013 Edition* (The Appraisal Foundation), as:

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Hypothetical Condition is defined in the *Uniform Standards of Professional Appraisal Practice, 2012-2013 Edition* (The Appraisal Foundation), as:

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Exposure Time is defined in the *Dictionary of Real Estate Appraisal, 5th ed.* (Chicago: Appraisal Institute, 2010), as:

The time a property remains on the market.

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.

Based on a review of the Sitka marketplace, an exposure time of three to nine months is estimated for the subject property. Exposure time is predicated on a reasonable listing price at or slightly above the market value estimate for the property. It is assumed that a sale will be consummated for cash or terms equivalent to cash and that the property will be adequately exposed on the open market and handled by a real estate broker who is knowledgeable and has the competency to properly present a property of this type. The most typical purchaser for a property such as the subject would be an owner/user.

Marketing Time is defined in the *Dictionary of Real Estate Appraisal, 5th ed.* (Chicago: Appraisal Institute, 2010), as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.)

A marketing time of three to nine months is estimated for the subject property, based on current economic conditions, supply, demand, sales activity, and the prevailing interest rate environment.

Appraisal Specifics

Privacy Statement

In compliance with the Gram-Leach-Bliley Act, the appraiser will not provide any nonpublic personal information to any person or entity where that information will be used for solicitation purposes. This information may be shared among parties to process and service the consumer's transaction.

Electronic Signature

My original signature has been copied to this report electronically. This report was delivered to the client by Email. While there is no way to prevent unethical or criminal tampering, this signature is password protected. If you are an intended user as described in this report and have concerns about its authenticity, you may send the report to me for verification.

Legal Description

The property is legally described as:

Parcel 1: Lot 11, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.

- Parcel 2: Lot 9A, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 2, according to Plat No. 2013-2.
- Parcel 3: Lot 9B, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 2, according to Plat No. 2013-2.
- Parcel 4: Lot 9C, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 2, according to Plat No. 2013-2.
- Parcel 5: Lot 12A, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 2, according to Plat No. 2013-2.
- Parcel 6: Lot 13, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 7: Lot 23, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 8: Lot 15, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 9: Lot 4, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 10: The access and utility right-of-way area located between Lots 2 and 4, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 11: Lot 8, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 12: Lot 17, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 13: Lot 1, Block 1, Alaska Tideland Survey No. 6, according to Plat No. 2006-8.
- Parcel 14: Lots 3, 6, 7, and a proposed vacated access and utility right-of-way, providing access to said lots, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.
- Parcel 15: Lot 16A, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 2, according to Plat No. 2013-2.

Parcel 16: Lot 19, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.

Parcel 17: Lot 20, Block 4, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.

Parcel 18: Lot 1, Block 2, of the Sawmill Cove Industrial Park, Resubdivision No. 1, according to Plat No. 2008-27.

All of the parcels are located within the Sitka Recording District, First Judicial District, State of Alaska.

Appraisal Purpose

The purpose of this appraisal is to estimate the market value of the subject property.

Intended Use

The intended use of this appraisal is for asset management/sale negotiations. This appraisal and report may be inappropriate for other uses and jeopardize the user. This appraisal may not be used or relied on for any use except the stated use without the express written consent of the appraiser. The appraiser, appraiser's firm, and related parties assume no obligation, liability, or accountability for any other use without such written consent.

Intended User(s)

This appraisal is intended for the exclusive use of City & Borough of Sitka. Regardless of who pays for this appraisal the intended user is City & Borough of Sitka only. The scope of work in this appraisal is customized for the intended user. This appraisal and report may be inappropriate for other users and may put them in jeopardy. Therefore, regardless of the means of possession of this report, this appraisal may not be used or relied on by anyone other than the herein stated intended user. The appraiser, appraisal firm, and related parties assume no obligation, liability, or accountability to any third party.

Three-Year Sale History

There have been no sales transactions involving the subject property within the preceding three years.

Current Listing/Pending Contracts

There are no current listings or pending contracts encumbering the subject property. The City and Borough of Sitka has received proposals for the purchase of portions of the site from Silver Bay Seafoods and Alaska Pacific Packing. The Silver Bay Seafoods offer is for acquisition of Lots 4, 8, 9A, and an access right-of-way of 33,000 square feet for a price of \$2,100,000. The Alaska Pacific Packing offer is at appraised market value.

Ostensible Owner

Title to the property vests to City and Borough of Sitka.

Appraisal Scope

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to determine the appropriate scope of work. USPAP defines the scope of work as:

The amount and type of information researched and the analysis applied in an assignment. Scope of work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

This Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2 of USPAP for a real property appraisal report. There may be insufficient information presented for this report to be understood. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's work file. The information contained in the report is specific to the needs of the client and for the intended use stated in this report.

Scope of Work

- The subject property was identified to the appraiser by the client providing the property address and the current owner's name. A tax card and plat were pulled for that address through the tax assessor's office and/or title agency records. The physical property was located by common address.
- The following approaches to value have been considered in the scope of work decision for the main "Value Opinion":
 - The Cost Approach was not performed.
 - The Direct Comparison Approach was performed.
 - The Income Approach was not performed.
- Additional information concerning the scope of work is conveyed throughout the report.
- Please be aware that the term "Inspection" may be used in this report. The term inspection found anywhere in this report is to mean a "Personal Visual Inventory" of the subject's or comparable property's components. This is opposed to a "Building Inspection," which investigates the appropriateness and soundness of various components of the improvements.
- The American Disability Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property or comparables to determine whether or not they are in conformity with one or more of the requirements of the Act.

- The signee(s) on the Certification is competent in all aspects of this assignment.

Extent of Research of the Subject Property

- The flood zone information for the subject properties was obtained through our appraisal software from a third party provider based on the property address.
- Unless otherwise stated, the appraiser(s) has made no evaluation of the structural, electrical, plumbing, and/or mechanical systems. We have assumed that these systems are operable and adequate for their intended use.
- The subject properties' assessment and tax information was researched for past sales and physical characteristic information. The subject properties' zoning was obtained from an interview with the zoning authority personnel.
- The subject property data that was obtained from second-hand sources was validated by the appraiser personally accessing the subject property. In addition, the owner was interviewed concerning past sales, utilities, and physical property characteristics.
- Kim M. Wold and David E. Hunnicutt, MAI, JD did personally make a visual inventory of the subject properties while walking over the land, through the interior, and around the exterior of the subject property. I am familiar with the subject neighborhood and the market area. I have worked in and around this area for a number of years. I did drive through parts of this neighborhood in conjunction with this assignment, noting such things as the typical style/design, age, size, quality, and use of the properties. The appraiser(s) has completed no research concerning the character of the inhabitants of the neighborhood such as sex offenders, nor has any study been made of crime statistics committed in the area surrounding the subject property.
- The subject improvements were measured by the appraiser for purposes of this appraisal. The appraiser also relied on measurements set forth in assessment records for the subject property.
- Unless a professional inspection, structural engineer study, or similar report was provided to the appraiser, the subject property information was obtained by a method of data gathering known as a "Personal Visual Inventory." This consists of the appraiser compiling notes of what components are there and how many of them there are. This personal visual inventory was made on-site or from the curb. The extent of the subject property accessed was stated above and did not include accessing any part of the property that could not be walked through in an upright manner, or that required the use of special equipment such as a ladder. None of the property components were dissected or invasively inspected by the appraiser.
- The appraiser has not performed a "Building Inspection" which is a process utilized to rate the appropriateness and usability of the various components of the structure. This

process involves inspecting and testing. Should you have concerns about these issues, please seek a qualified professional to investigate these issues for you. The information obtained from an inspection may affect the value of the subject property, so the appraisal should be made after the inspection rather than vice versa.

- Neither police records nor past issues of newspapers have been researched concerning the subject property's past use for anything that might affect the safety or health of present and future occupants. This includes, but is not limited to, the by-products of methamphetamine production, infectious disease, or environmental hazards.
- If available in the normal course of business, the appraiser has evaluated any previous sales within the preceding three years prior to the effective date of the appraisal, and any current contract, listing, or option of the subject property for its applicability in forming an opinion of current market value and/or marketability.

Extraordinary Assumptions / Hypothetical Conditions

- There are extraordinary assumptions utilized in forming the opinions and conclusions of the primary appraiser generated information. Please refer to the Letter of Transmittal and Summary of Salient Facts earlier in this report for further information.
- There are no hypothetical conditions utilized in forming the opinions and conclusions of the primary appraiser generated information.

Extent of the Analysis & Associated Research

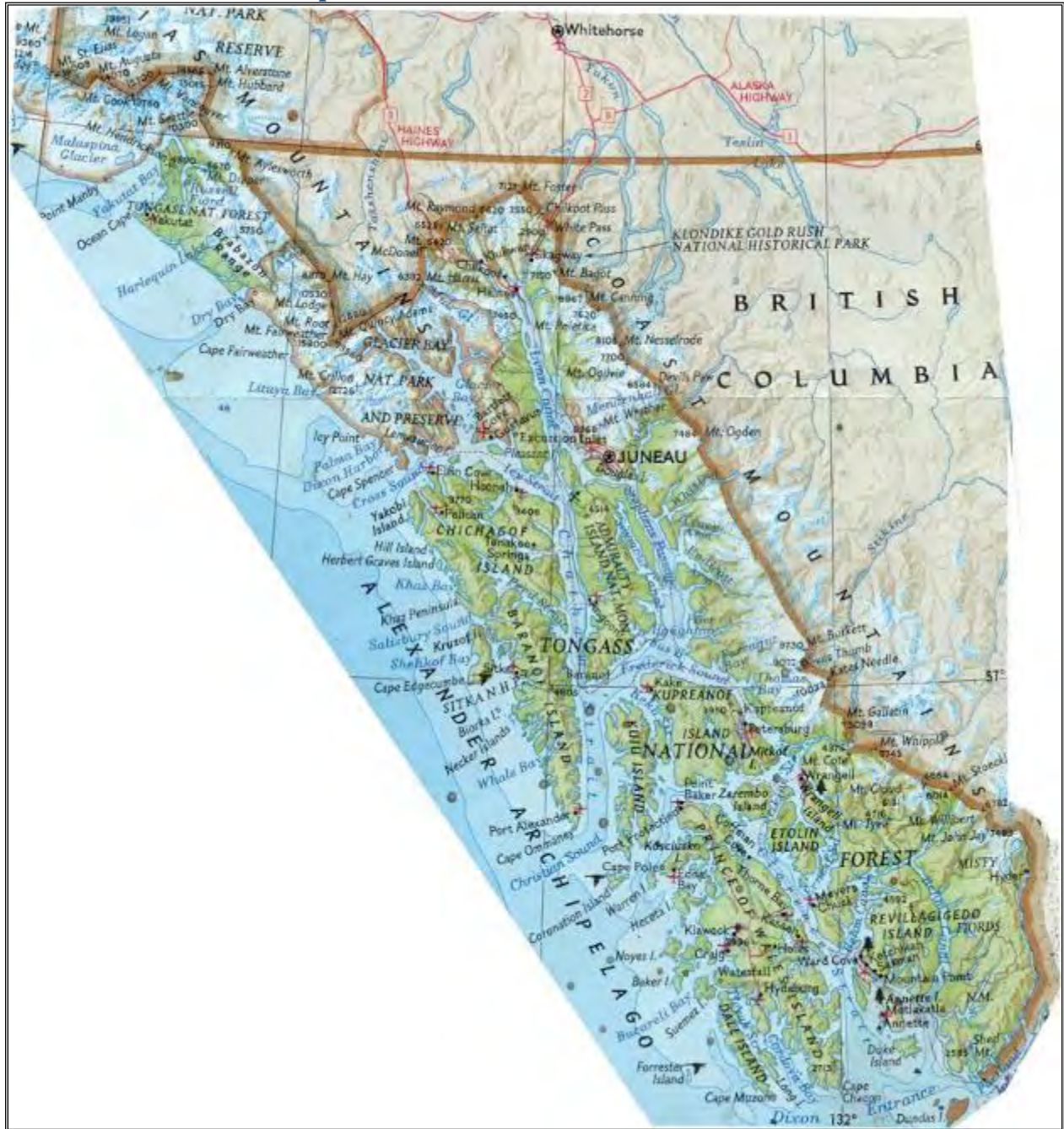
- The following analysis and associated research have been performed in conjunction with the main opinion of value:
- The Direct Sales Comparison Approach was performed by an analysis in which the subject is compared to similar properties that have a recent marketing history.
 - A quantitative analysis was performed. Many of the property characteristics were considered including; the date of sale, location, and utility. A line by line adjustment grid was utilized.
 - The comparable properties were obtained from a thorough search of office files, assessor's records, title agency records, and/or through local realtors. Some comparable sale information was obtained from appraisers involved in the valuation of properties in Southeast Alaska. The tax data was supplied by the local assessor's office. The physical property characteristics were verified by a curbside visual inventory. An attempt was made to verify the sales prices and dates of sales by a telephone interview with one of the parties in the transaction or real estate sales agent. Some of the data that could not be verified may have been used in the analysis. The data records were analyzed for errors and

inconsistencies. Records that showed a large discrepancy from the other data was not used. Sales prices are not public record in Alaska. While sales prices were confirmed with at least one knowledgeable party, there is no certainty that the information is correct.

Additional Information

- The projected use of the subject property is consistent with those permitted uses included in the waterfront and industrial zoning classifications, or as permitted by the Sawmill Creek Industrial Park Board.

Southeast Alaska Map



Sitka Area Analysis

Sitka

(SIT-kuh)

Current Population:	9,039 (Dept. of Labor Estimate June 2013)
Incorporation Type:	Unified Home Rule Municipality
Borough Located In:	City & Borough of Sitka
Taxes:	Sales: 5% from Oct-Mar.; 6% from Apr. - Sept., Property: 6.0 mills, Special: 6% Bed Tax; 5.0% Tobacco Tax

Coastal Management District: Sitka

Location and Climate

Sitka is located on the west coast of Baranof Island fronting the Pacific Ocean, on Sitka Sound. An extinct volcano, Mount Edgecumbe, rises 3,200 feet above the community. It is 95 air miles southwest of Juneau and 185 miles northwest of Ketchikan. Seattle, Washington, lies 862 air miles to the south. The community lies at approximately 57.053060° North Latitude and -135.330000° West Longitude. (Sec. 36, T055S, R063E, Copper River Meridian.) Sitka is located in the Sitka Recording District. The area encompasses 2,874.0 sq. miles of land and 1,937.5 sq. miles of water. January temperatures range from 23 to 35 °F; summers vary from 48 to 61 °F. Average annual precipitation is 96 inches, including 39 inches of snowfall.

History, Culture and Demographics

Sitka was originally inhabited by a major tribe of Tlingits, who called the village "Shee Atika." Russian Vitus Bering's expedition arrived in 1741, and the site became "New Archangel" in 1799. St. Michael's Redoubt trading post and fort were built here by Alexander Baranof, manager of the Russian-American company. Tlingits burned down the fort and looted the warehouse in 1802. In 1804, the Russians retaliated by destroying the Tlingit Fort in the Battle of Sitka. This was the last major stand by the Tlingits against the Russians, and they evacuated the area until about 1822. By 1808, Sitka was the capital of Russian Alaska. Baranof was Governor from 1790 through 1818. During the mid-1800s, Sitka was the major port on the north Pacific coast, with ships calling from many nations. Furs destined for European and Asian markets were the main export, but salmon, lumber, and ice were also exported to Hawaii, Mexico, and California. After the purchase of Alaska by the U.S. in 1867, it remained the capital of the territory until 1906, when the seat of government was moved to Juneau. A Presbyterian missionary, Sheldon Jackson, started a school, and in 1878 one of the first canneries in Alaska was built in Sitka. During the early 1900s, gold mines contributed to its growth, and the city was incorporated in 1913. During World War II, the town was fortified and the U.S. Navy built an air base on Japonski Island across the harbor, with 30,000 military

personnel and over 7,000 civilians. After the war, the BIA converted some of the buildings to be used as a boarding school for Alaska Natives, Mt. Edgecumbe High School. The U.S. Coast Guard now maintains the air station and other facilities on the island. A large pulp mill began operations at Silver Bay in 1960. In 1971, the city and borough governments were unified. Sitka offers abundant resources and a diverse economy.

A federally-recognized tribe is located in the community -- the Sitka Tribe of Alaska; Central Council Tlingit & Haida Indian Tribes. Tlingit and Russian culture influence Sitkan arts and artifacts and remain a part of the local color. Sitka has year-round access to outdoor recreation in the Gulf of Alaska and Tongass National Forest.

According to Census 2010, there were 4,102 housing units in the community and 3,545 were occupied. Its population was 16.8 percent American Indian or Alaska Native; 65.3 percent white; 0.5 percent black; 6 percent Asian; 0.3 percent Pacific Islander; 9.8 percent of the local residents had multi-racial backgrounds. Additionally, 4.9 percent of the population was of Hispanic descent.

Facilities, Utilities, Schools and Health Care

Water is drawn from a reservoir on Blue Lake and Indian River and is treated, stored, and piped to nearly all homes in Sitka. The maximum capacity is 8.6-million gallons per day, with 197-million gallons of storage capacity. Ninety-five percent (95%) of homes are connected to the piped sewage system, which receives primary treatment. Refuse is collected and placed in a van and shipped to the State of Washington. The community participates in annual hazardous waste disposal events. The borough owns hydroelectric facilities at Blue Lake and Green Lake and a diesel-fueled generator at Indian River. The capacity of the Blue Lake reservoir is undergoing expansion. Electricity is provided by Sitka Electric Department. There are 7 schools located in the community, attended by 1,769 students. Local hospitals or health clinics include Mt. Edgecumbe/SEARHC Hospital; Sitka Community Hospital; U.S. Coast Guard Air Station. The hospitals are qualified Acute Care facilities. The USCG Air Station provides emergency support only and Medevac Services, and is a qualified Emergency Care Center. Long Term Care: Sitka Pioneers' Home. Specialized Care: Aurora's Watch (operated by Shee Atika Corp.); Sitka Council on Alcoholism & Other. Emergency Services have limited highway, marine, floatplane and airport access. Emergency service is provided by 911 Telephone Service, volunteers and the military. Auxiliary health care is provided by Sitka Fire Dept./Ambulance/Rescue (907-747-3233/3245); SEARHC Air Medical (907-966-2411); U.S. Coast Guard Air Station/Medevac (907-966-5430).

Economy

The economy is diversified with fishing, fish processing, tourism, government, transportation, retail, and healthcare services. Cruise ships bring over 200,000 visitors annually. In 2009, 572 residents held commercial fishing permits, and fish processing provides seasonal employment. Sitka Sound Seafood and the Seafood Producers Co-op are major employers. Regional healthcare services, the U.S. Forest Service, and the U.S. Coast Guard also employ a number of residents.

The 2005-2009 American Community Survey (ACS) estimated 4,652 (MOE +/-341)¹ residents as employed. The ACS surveys established that average median household income (in 2009 inflation-adjusted dollars) was \$58,895 (MOE +/--\$3,740). The per capita income (in 2009 inflation-adjusted dollars) was \$30,013 (MOE +/--\$2,251). About 6.7% (MOE +/-2.6%) of all residents had incomes below the poverty level.

¹ All ACS statistics are published with their respective margin of error (MOE).

Transportation

The state-owned Rocky Gutierrez Airport on Japonski Island has a 6,500' long by 150' wide paved and lighted runway. The runway is scheduled for repaving in 2013. In addition to daily jet service, several scheduled air taxis, air charters, and helicopters are available. The city and borough operates five small boat harbors with 1,350 stalls and a seaplane base on Sitka Sound at Baranof Warm Spring Bay. There is a breakwater at Thompson Harbor but no deep draft dock. A boat launch, haul-out, boat repairs, and other services exist. Cruise ships anchor in the harbor and lighter visitors to shore. The Alaska Marine Highway System (state ferry) has a docking facility. The ferry serves Sitka several times a week with a six hour run to Juneau. Freight arrives by barge and cargo plane.

Economy

The Alaska Department of Labor published an economic demographic, and social study in the November 2013 issue of *Economic Trends* magazine. A copy of the section pertaining to Sitka follows:

By MALI ABRAHAMSON

Sitka's Diverse Economy

Fishing town returns to its roots after end of timber era



The Southeast city of Sitka has one of the lengthiest colonial histories of any place in Alaska. Known to the Russians as Novo Arkhangelsk — “New Archangel” — Sitka was established as the capitol and administrative headquarters for Russian America.

In 1799, Russians set up the headquarters of the Russian American Company near what was originally a Tlingit settlement, taking advantage of the lucrative fur trade between Alaska Natives and Russians along the Alaska coast. The high price that otter pelts fetched in the Chinese and European markets brought enormous profits for traders who bartered for pelts in Sitka, then crossed the Pacific to deliver to eastern Asian ports such as Canton and Okhotsk.

In 1867, the transfer of Alaska to the United States from Russia took place in Sitka, and until 1906 the town served as the capital of what was then known

as a district.

Alaska's first gold discovery was near Sitka in 1872, a few years after the purchase. This ignited mining interests and spurred the stream of prospectors during the Klondike Rush who spread by the thousands into the Juneau mining district and eventually the interior.

Despite the presence of potentially economic mineral deposits nearby, a stigma developed over mining in Sitka. According to a recent assessment by Avalon Development of Fairbanks, Sitka's reputation in the mining world during the rush was damaged by speculation, lack of capital, and poor management despite enormous endeavors in Juneau and elsewhere. Other political factors and land ownership precluded mining firms from exploring the region in the mining revivals up to the present day, so few data are available on the resource.

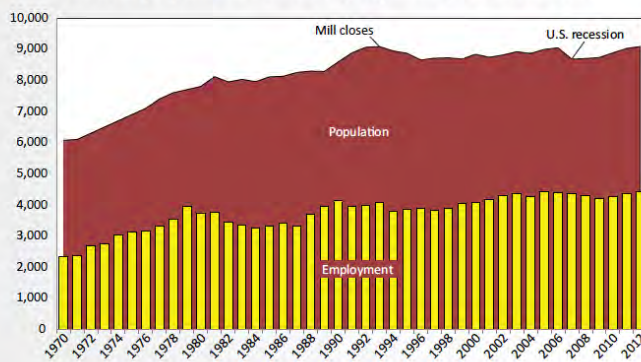
Seafood would eventually become the base of Sitka's economy, which was punctuated by the tumultuous rise and fall of the timber industry. Unlike some communities in Southeast that took a long-term hit from the removal of a large industry from a small economy, Sitka's population, jobs, and wages have recovered due to its relatively diverse economy. (See Exhibit 1.)

Structural change from timber

The timber era in Sitka was instigated by the federal government, which signed several long-term contracts in the 1950s to supply timber to mills in Southeast. One of these was the Alaska Lumber and Pulp Company, which was the largest employer in Sitka from the 1960s through its closure in 1993. Population also peaked that year at 9,000, a gain of about 3,000 since the start of timber's rise.

The mill's closure was followed by stagnating

1 Stability Despite Economic Changes Sitka's population and employment, 1970 to 2012



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section



Above, Lincoln Street is the main street in downtown Sitka. In the center is St. Michael's Russian Orthodox Cathedral. Photo by Roger Wollstadt. Above left is a peregrine falcon in Sitka. Photo by Alan Wu

employment and a 5 percent decline in the population over the next three years. (See Exhibit 1). An Alaska Department of Labor and Workforce Development study of former workers found that by 1996, 30 percent of the mill workers had left Alaska. The remaining workers had difficulty finding other jobs and saw their once-high earnings fall despite Sitka's relatively diversified economy.

Average monthly wages also peaked in 1993 due to high-paying mill jobs, then dipped considerably from a high of \$3,700 (in 2012 dollars). After a few solid years of growth, wages were still well below that level in 2012, at \$3,350.

Today, Sitka's population has grown to just over 9,000, recovering its 1993 high. The area's slow-down from the 2007-09 U.S. recession was small and short-lived, much like it was for the rest of the state, and 2012 brought record employment of 4,433.

The numbers from 2012 don't show surging growth, but given the increasing pace of retirement and seasonal industries, slow employment and population growth don't signify an unhealthy economy. Sitkans have a high quality of life — low utility rates and

unique access to health care, education, and recreation for a town of its size. Healthy earnings from fisheries have also helped shield the economy after the loss of the timber industry.

Sitka's unemployment rate was the fifth-lowest of any borough or census area in 2012 and was second-lowest in Southeast, after Juneau. Though Sitka's per capita income is slightly below the state average, it tops the U.S. average. Sitka residents also rely less on government transfer payments such as food and income assistance than other Alaskans.

Fish brings in \$47 million a year

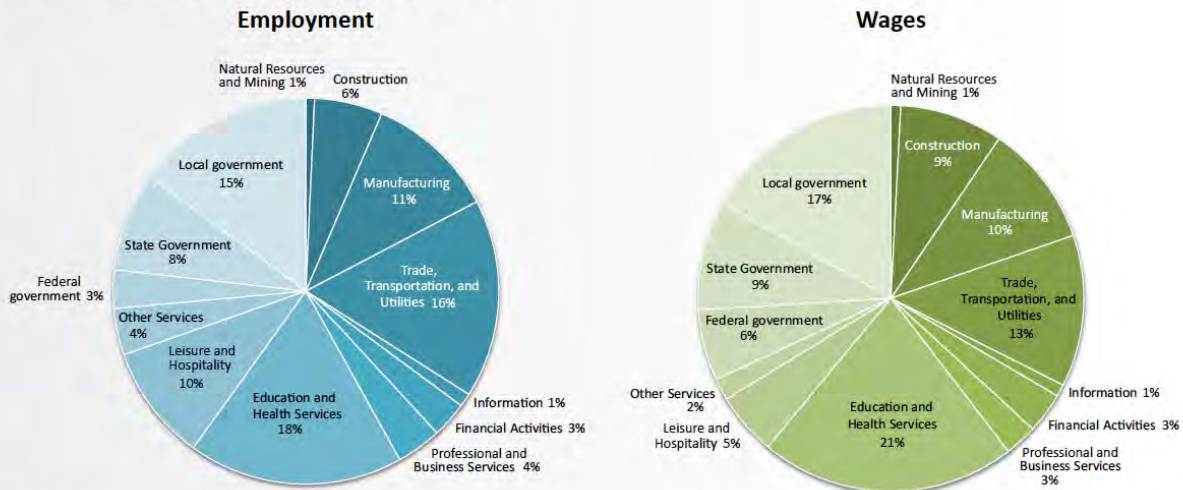
The National Oceanic and Atmospheric Administration — or NOAA — reports that Sitka is the ninth-largest port in the United States by value and the 14th largest by volume of seafood harvested.

Seafood harvesters aren't reflected in regular employment data because most are self-employed,¹ but according to the U.S. Census Bureau's analysis of tax receipts, 596 of these "nonemployers" — the

¹For more on fishing jobs and how they're counted, see the main article on page 4 of this issue.

2 Sitka's Range of Industries

Percentages of jobs and wages, 2012



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Census term for businesses without employees — in Sitka’s fishing industry reported \$47 million in receipts in 2012. This was about 9 percent of the state total for self-employed fishermen’s earnings, another indicator of the major role fishing plays in Sitka.

Salmon is critical to the area, both from a commercial perspective and a history of subsistence. According to Alaska Department of Fish and Game reports, Sitka permit holders received an estimated \$16 million in gross ex-vessel² value from salmon in 2012, and adding high-value sablefish, halibut, and other seafood harvests brings the total to \$41 million.

Natives historically harvested herring roe on the branches of hemlock trees (see the photo on page 18), and today, commercial herring openers in the spring are one of the most iconic derby fisheries in the world, even having been featured on reality television.

Other natural resources have also spurred fledgling businesses such as a tribal-run tannery, sea salt manufacturing, and bulk water sales.

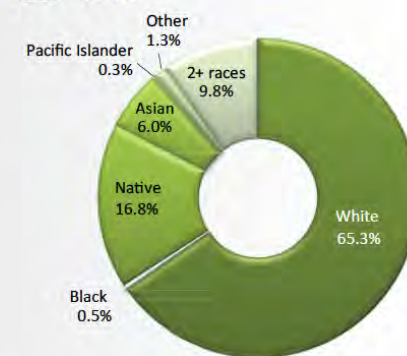
Manufacturing mainly processing

Seafood processing has ramped up in recent years

²Ex-vessel is the price for fish at the dock, before processing.

3 Sitka's Racial Makeup

2012



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

with the added capacity from the opening of the Silver Bay plant in 2007. July processing employment had peaked at about 400 until that year, then reached a record 1,100 jobs in 2011. In that stellar fishing year, Sitka plants processed a net 87.8 million pounds of seafood with a wholesale value of \$170.8 million.

High plant numbers are helping drive the last four years of job growth shown in Exhibit 1. Although



Above, this photo shows Sitka with a herring fleet in the harbor. Photo by Flickr user BackwaterSurfer

the numbers have yet to be finalized, 2013 appears to have been a similarly epic year for salmon throughout Southeast.

Though the majority of manufacturing jobs are in seafood, Sitka also has a well-established shipbuilding firm and a brewery that distributes outside the area.

Tourism in Sitka

Tourism is a well-supported primary industry in the community, and cruise passengers have typically been shuttled into downtown to see its myriad historic and educational sites. A private entity recently built a new mooring facility just north of town and hopes to attract ships in future tourism seasons.

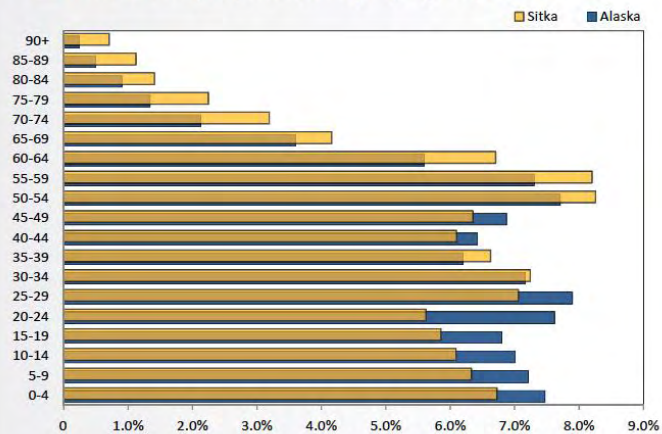
Several hotels and restaurants in the downtown area cater to day-in visitors and locals. These leisure and hospitality employers provide 10 percent of local jobs but only 5 percent of wages. (See Exhibit 2.) These types of jobs are often part-time, lower paying, and seasonal.

A niche for health care

While fishing and tourism bring in money from outside, health care and education organizations

4 Sitkans Older Than Alaskans

On average, percents by age group, 2012



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

generate significant wages and jobs in the area. In an unusual mix of public and private facilities, Sitka has made a small-town niche for these services, which provide higher average wages than Sitka's rural Southeast counterparts.

The regional Native hospital SEARHC, Sitka's

largest employer, is a major contributor to the 18 percent of private health care jobs and 21 percent of the industry’s private wages. (See Exhibit 2.)

Another major health care contributor is the state-run Sitka Pioneers’ Home, which houses 75 of Alaska’s elders. The Pioneers’ Home also affects Sitka’s overall age distribution, which is four years older than the state median. (See Exhibit 4.)

A legacy of education

The community remains focused on education despite the 2007 closure of Sheldon Jackson College, which opened in 1878 and was once the only institution of higher learning in the territory. The college campus was transferred to the Sitka Fine Arts Camp, drawing artists who perform and offer workshops for all ages.

The fine arts camp is one of the two private education organizations that create jobs and bring worldwide talent to Sitka. The other, the Sitka Sound Science Center, hosts students from several outside universities for their field courses in marine science.

The two state-run educational institutions are the Alaska State Trooper Academy and Mount Edge-



Above, harvested Sitka herring roe attached to hemlock branches. Photo by juneautek.com

cumbe High School. The trooper academy offers instruction in criminal investigation, police procedure, laws, physical skills, and the training of village public safety officers, troopers, and wildlife officers. Mount Edgecumbe, the state-run boarding school, serves students from all over Alaska and is the largest school in Sitka by enrollment. These organizations add state jobs, but also employment for housing, catering, and maintenance contractors.

The University of Alaska Southeast also has a branch in Sitka, with 80 to 90 jobs during the school year and enrollment of 1,160 in spring 2012.

Education and health made up a third of all employment in 2012 when private and government jobs were combined, and many of those were year-round positions. This is reflected in the high proportions of nurses and teachers shown in Exhibit 5.

Government’s share of jobs

Sitka’s government employment is similar to that of the state as a whole, accounting for 26 percent of payroll jobs in 2012 when schools, hospitals, and tribes are included. There are small offices at the trooper academy (Department of Corrections), Department of Fish and Game, Department of Health and Social Services, and Indian Health Service.

Sitka’s federal employment has declined, which is also similar to the rest of the state. Federal jobs in Sitka peaked at 210 in 2004 with many seasonal forestry jobs, and has been reduced by about 25 percent since then, shrinking the overall government share of jobs and wages.

5 Seafood Processing Tops Occupations
Sitka, total workers and wages in 2012

Occupations	Workers	Wages
Meat, Poultry, and Fish Cutters and Trimmers	617	\$5,378,616
Retail Salespersons	297	\$2,832,517
Waiters and Waitresses	200	\$1,348,616
Cashiers	192	\$1,739,710
Registered Nurses	184	ND
Construction Laborers	165	\$2,352,802
Teachers and Instructors, All Other	160	ND
Nursing Assistants	133	\$3,398,125
Janitors/Cleaners, Exc Maids and Housekeeping Cleaners	132	\$2,097,355
Combined Food Prep and Serving Workers, Incl Fast Food	122	\$677,956
Fishers and Related Fishing Workers	115	\$1,835,922
Secondary Teachers, Exc Spec and Career/Tech Ed	108	ND
Maids and Housekeeping Cleaners	106	\$703,438
Office and Administrative Support Workers, All Other	95	\$1,731,100
Bartenders	91	\$669,525
Recreation Workers	87	ND
General and Operations Managers	85	\$4,293,660
Stock Clerks and Order Fillers	85	ND
Bookkeeping, Accounting, and Auditing Clerks	83	\$2,106,586
Social Workers, All Other	79	\$1,824,066

Notes: This table counts workers by occupation regardless of seasonality or longevity of their employment. It excludes federal workers. ND means wages are suppressed to protect the confidentiality of an employer or its workers. Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The gross sales tax for the City and Borough of Sitka are shown on the following chart.

GROSS SALES TAX BY INDUSTRY TYPE (January - December)					
INDUSTRY TYPE	2011	2012	2013	2014	Grand Total
Agriculture, Forestry, & Fishing	\$ 26,986.13	\$ 21,410.19	\$ 22,705.77	\$ 17,459.80	\$ 88,561.89
Construction	\$ 119,999.28	\$ 139,068.45	\$ 219,352.06	\$ 163,838.32	\$ 642,258.11
Finance, Insurance, & Real Estate	\$ 248,856.58	\$ 270,821.71	\$ 311,040.73	\$ 233,367.63	\$ 1,064,086.65
Manufacturing	\$ 333,886.53	\$ 321,287.44	\$ 294,210.35	\$ 173,105.77	\$ 1,122,490.09
Retail Trade	\$ 5,118,321.41	\$ 5,069,556.45	\$ 5,500,447.90	\$ 4,537,419.93	\$ 20,225,745.69
Services	\$ 1,448,200.82	\$ 1,477,568.60	\$ 1,735,589.33	\$ 1,548,250.57	\$ 6,209,609.32
Transportation & Public Utilities	\$ 709,248.74	\$ 685,024.91	\$ 695,063.31	\$ 528,667.65	\$ 2,618,004.61
Wholesale Trade	\$ 69,266.11	\$ 53,442.09	\$ 56,393.12	\$ 46,977.93	\$ 226,079.25
Grand Total	\$ 8,074,765.60	\$ 8,038,179.84	\$ 8,834,802.57	\$ 7,249,087.60	\$ 32,196,835.61

The sales report has fluctuated over the years, but declined 7.3 percent in 2010. The City and Borough of Sitka sales tax clerk has indicated that gross sales remain weak into 2011. Updated sales information could not be obtained from the City and Borough of Sitka. Anecdotal information suggests that sales are rebounding in 2013.

Listed below are the past five years bed tax receipts for the City and Borough of Sitka.

BED TAX TOTAL BY YEAR	
Year	Bed Tax Due
2010	\$ 322,102.36
2011	\$ 317,107.52
2012	\$ 348,859.87
2013	\$ 367,970.53
2014	\$ 356,180.53
Grand Total	\$ 1,712,220.81

The bed tax receipts peaked in 2007 at \$405,206 and fell to a low of \$317,107 in 2011. Revenues have risen in the following years. 2014 is expected to produce the highest bed tax revenue since 2007 when the full year receipts are collected.

Conclusion

The local economy is the weakest of all the major cities in Southeast Alaska. A new cruise ship wharf may help increase tourism and tax revenues. The assessor reports few real estate

transactions over the past six months. Real estate prices are considered fragile with a downward trend bias. Overall, there is above average downward price risk for real estate and no near term catalyst for price appreciation.

The cruise industry has less economic impact than in Ketchikan, Skagway, or Juneau. The total number of passengers arriving in Sitka in 2013 was 102,938. The number declined to 91,043 in 2014 due to capacity reductions and itinerary changes. The number of passengers expected to visit in 2015 is estimated at 102,000.

Recent construction projects have boosted the economy over the past three years. There is concern regarding future government capital projects due to declining state and federal budgets. Private capital investments may offset some of the public capital spending declines.

Neighborhood Map



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www.delorme.com

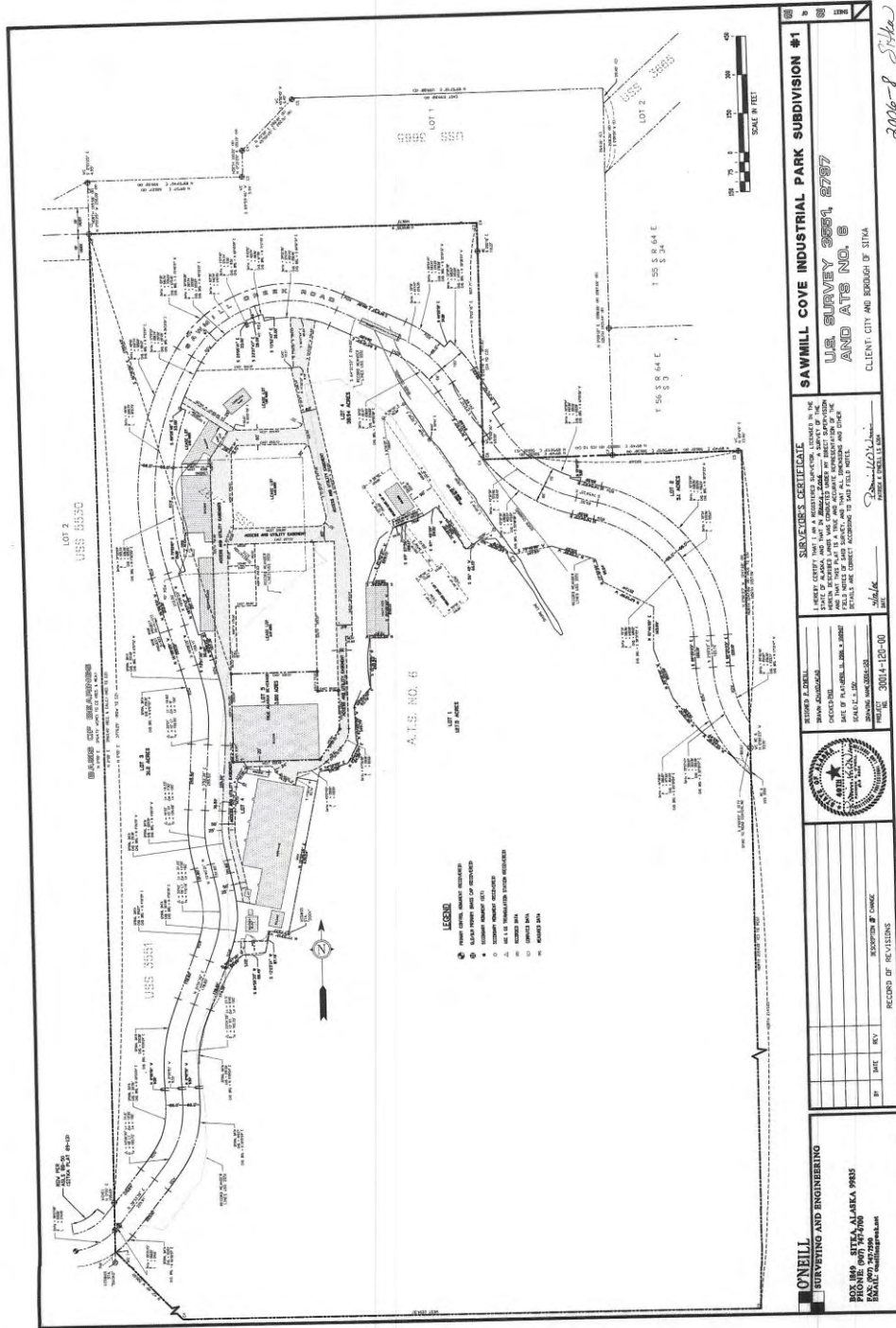
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MN (19.6° E)

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Data Zoom 13-1

Plat Map

11/2/14, 3:1

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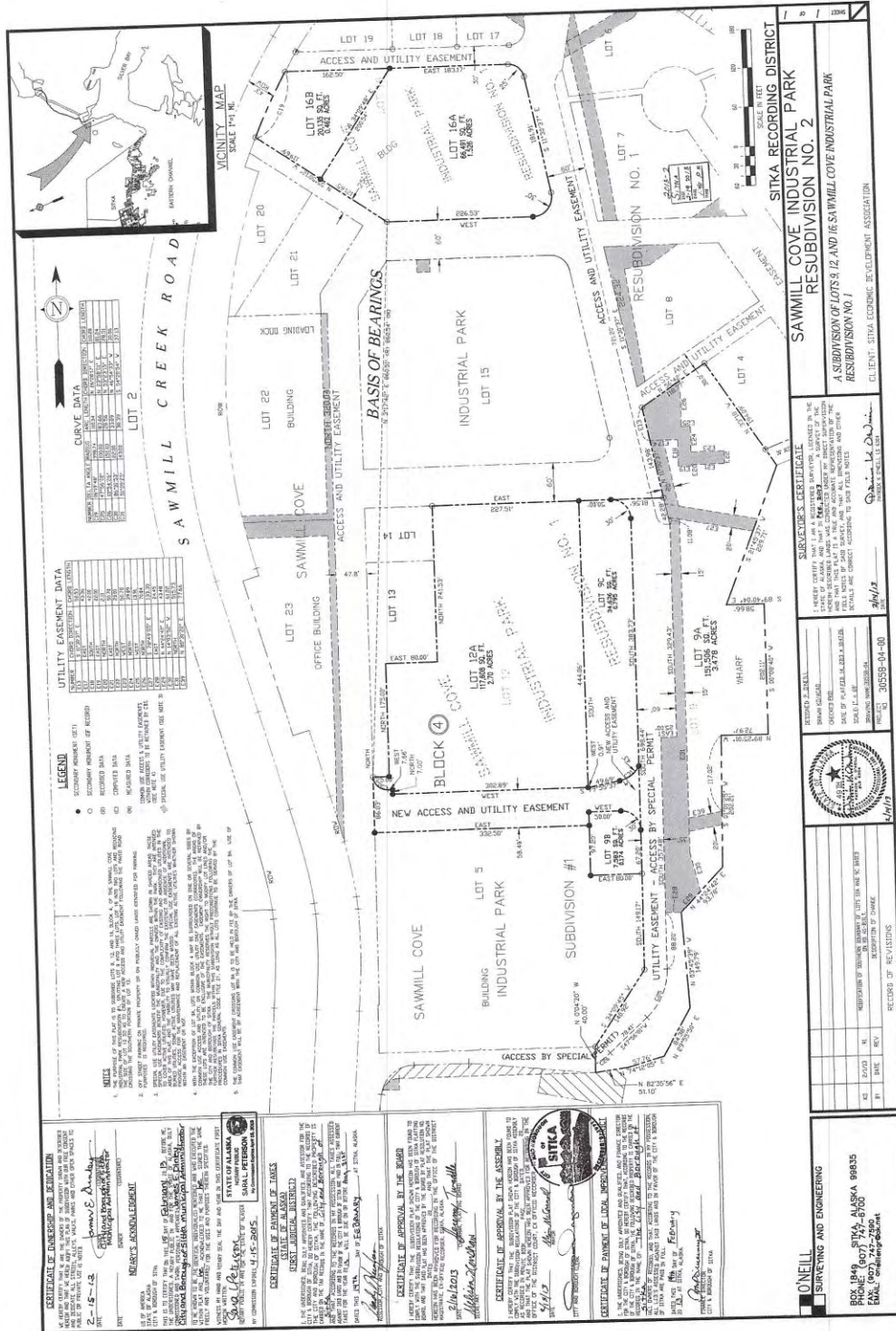


Page 1

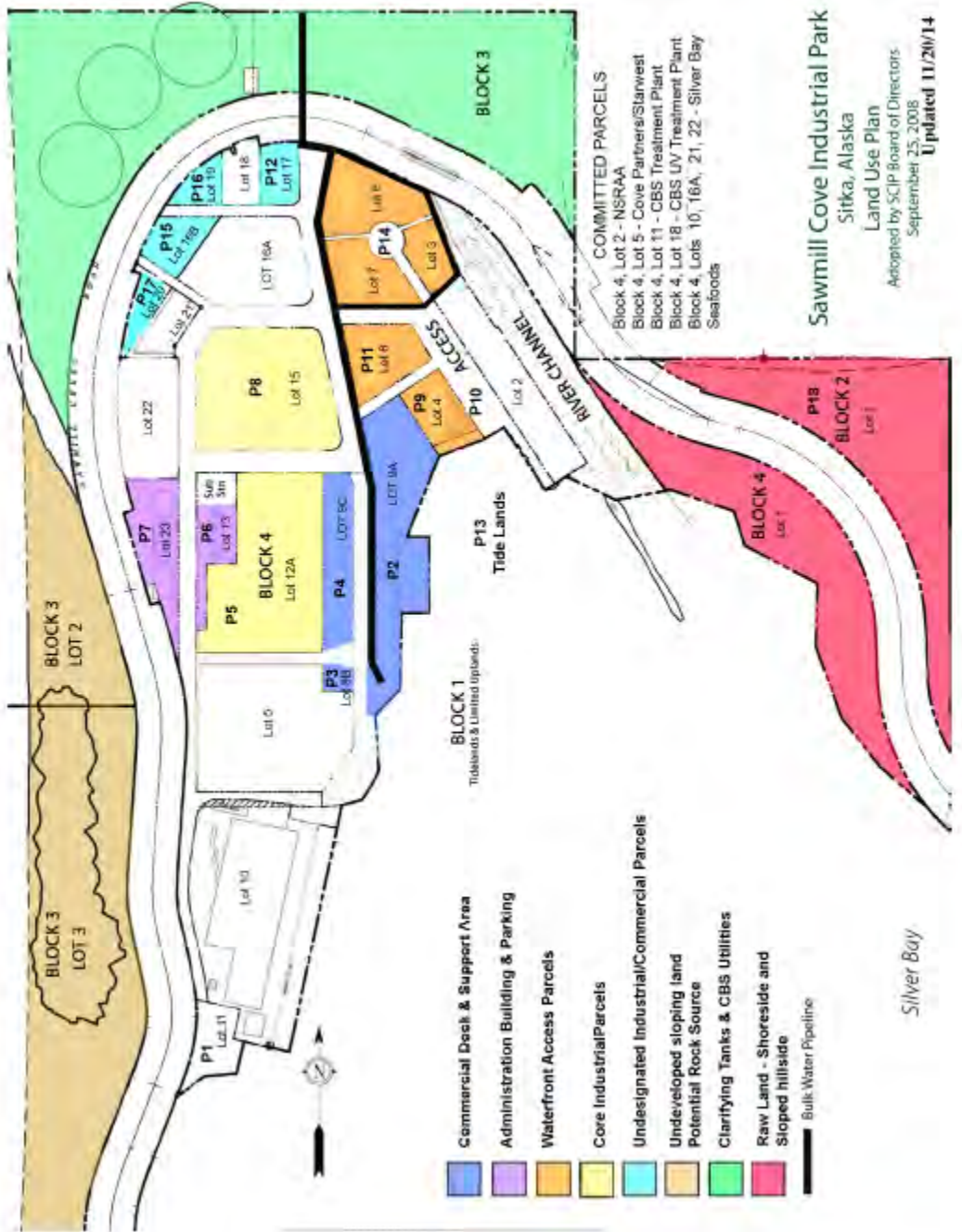
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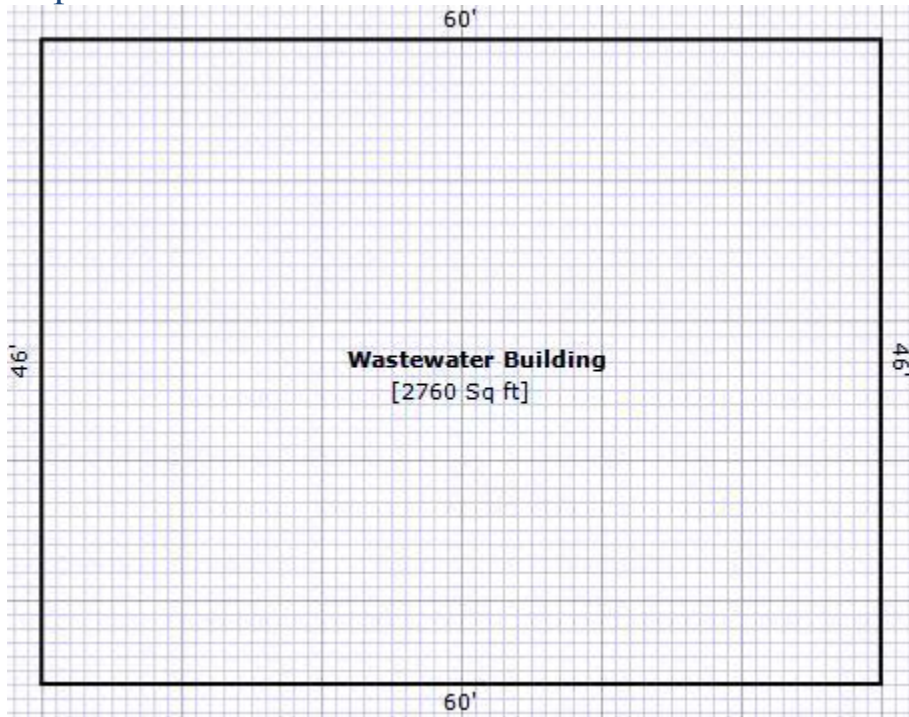
Land Use Map



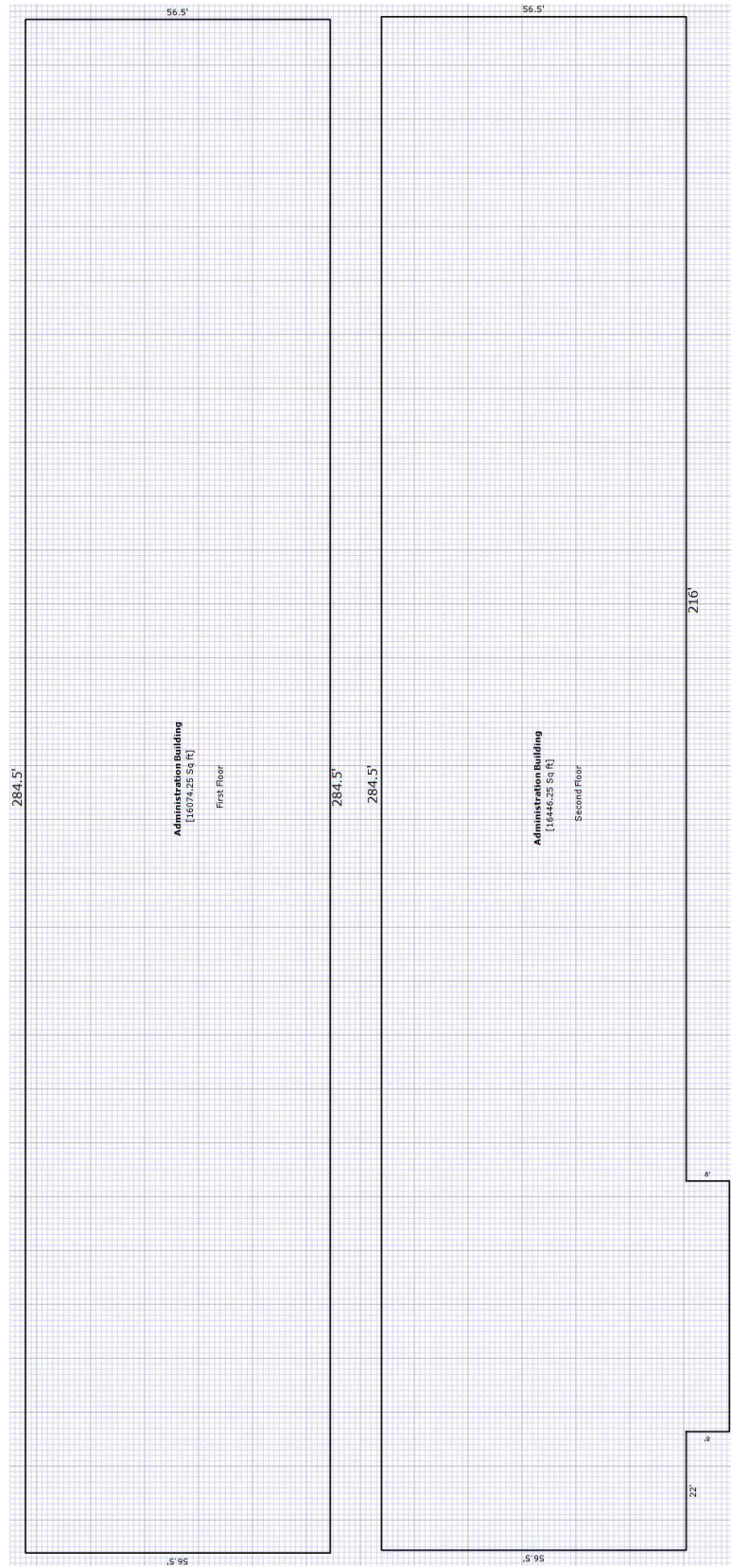
Site Plan



Improvement Sketches



PARCEL 1

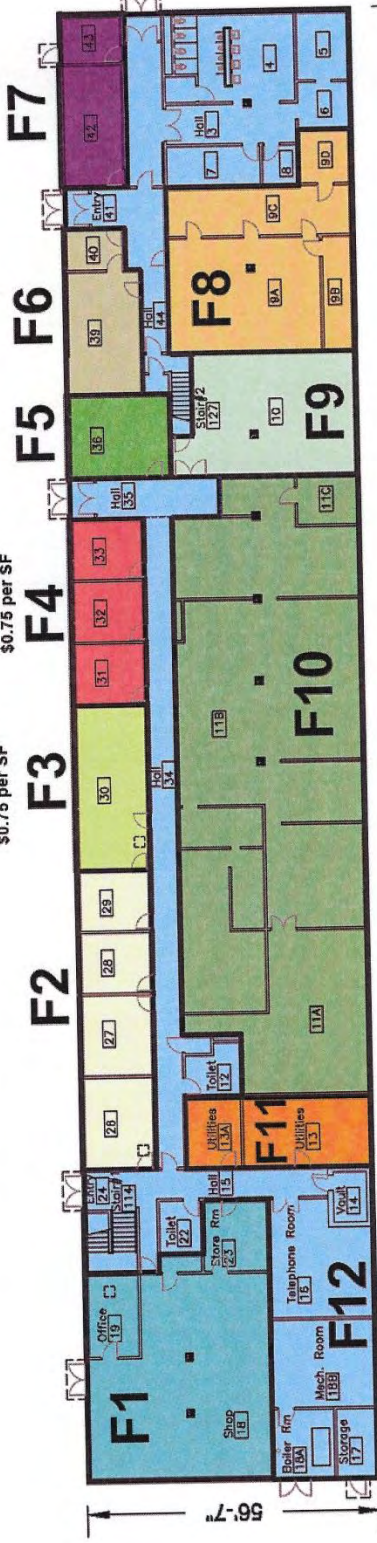


PARCEL 7

Administration Building 1st Floor



F1-18 = 1342 SF
 F1-19 = 181 SF
 F1-23 = 189 SF
Total F1 = 1712 SF
\$0.75 per SF
 F2-26 = 270 SF
 F2-27 = 240 SF
 F2-28 = 180 SF
 F2-29 = 180 SF
Total F2 = 870 SF
\$0.75 per SF
 F3-30 = 480 SF
Total F3 = 480 SF
\$0.75 per SF
 F4-31 = 180 SFS
 F4-32 = 180 SF
 F4-33 = 187 SF
Total F4 = 547
\$0.75 per SF
 F5-36 = 338 SF
Total F5 = 338 SF
\$0.75 per SF



F6-39 = 370 SF
 F6-40 = 100 SF
Total F6 = 470 SF
\$0.75 per SF
 F7-42 = 307 SF
 F7-43 = 125 SF
Total F7 = 432 SF
\$1.00 per SF
 F8-9A = 154 SF
 F8-9B = 154 SF
Total F8 = 308 SF
\$1.00 per SF
 F9-10+127 = 807 SF
Total F9 = 807 SF
\$1.00 per SF
 F10-11A+11B+11C = 4178 SF
Total F10 = 4178 SF
\$1.00 per SF
 F11-13 = 351 SF
 F11-13A = 154 SF
Total F11 = 505 SF
\$1.00 per SF
F12 common area

PARCEL 7

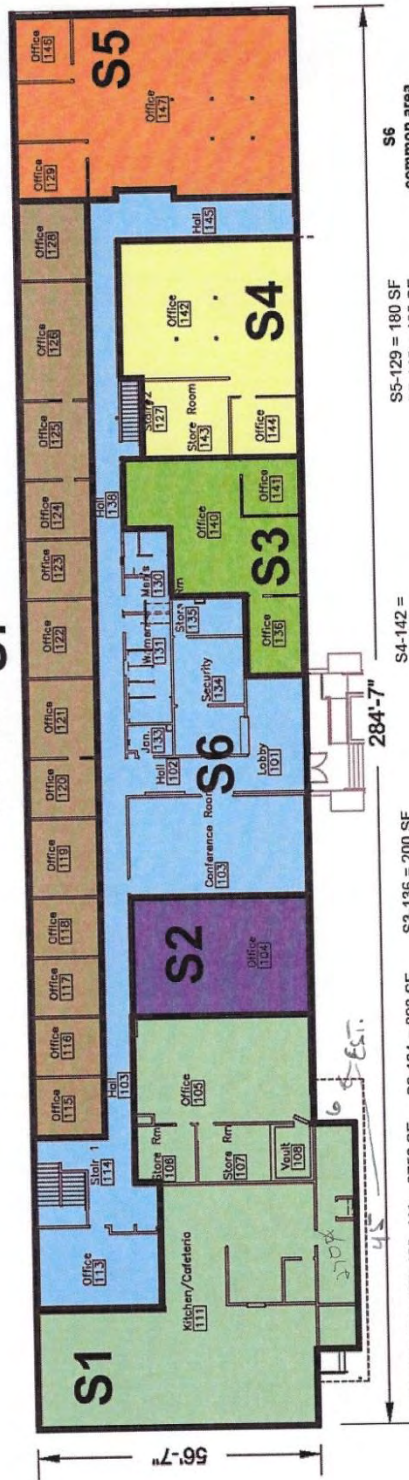
Administration Building 2nd Floor



S7-115 = 180 SF
 S7-116 = 180 SF
 S7-117 = 180 SF
 S7-118 = 180 SF
 S7-119 = 240 SF
 S7-120 = 180 SF
 S7-121 = 240 SF
 S7-122 = 240 SF
 S7-123 = 180 SF
 S7-124 = 180 SF

S7

S7-125 = 240 SF
 S7-126 = 360 SF
 S7-128 = 240 SF
Total S7 = 2820 SF
\$1.25 per SF



S1-105+106+107+108+111 = 3756 SF
Total S1 = 3756 SF
\$0.65 per SF

S2-104 = 893 SF
Total S2 = 893 SF
\$1.25 per SF

S3-136 = 200 SF
 S3-140 = 738 SF
 S3-141 = ??? SF
Total S3 (136+140) = 938 SF
\$1.25 per SF

S4-142 =
 S4-143 =
 S4-144 =
 S4-147 =
Total S4(142+143+144) = 1530 SF

S5-129 = 180 SF
 S5-146 = 180 SF
 S5-147 = 1797 SF
Total S5 = 2157 SF
\$1.25 per SF

S6
 common area

16,373

PARCEL 7

Description of the Site

The following grid shows the individual parcel's attributes such as size, configuration, water frontage, access, utilities, easements, etc.

PARCEL DESCRIPTIONS										
Parcel No.	Shape	Access	Road Frontage	Water Frontage	Adverse Easemnt	Utilities	Topo	Upland Size (SF)	Tideland Size (SF)	Total Size (SF)
1	Highly Irregular	Unimproved	31'	260'	No	E	Level	25,606	0	25,606
2	Highly Irregular	Improved	1,054'	1,020'	Yes	E,W,S	Level	147,735	3,771	151,506
3	Irregular	Improved	147'	0	No	E,W,S	Level	7,503	0	7,503
4	Irregular	Improved	476'	0	No	E,W,S	Level	34,636	0	34,636
5	Irregular	Improved	340'	0	No	E,W,S	Level	117,608	0	117,608
6	Irregular	Improved	343'	0	No	E,W,S	Level	20,810	0	20,810
7	Highly Irregular	Improved	932'	0	No	E,W,S	Bench	37,244	0	37,244
8	Irregular	Improved	328'	0	No	E,W,S	Level	113,369	0	113,369
9	Irregular	Unimproved	347'	128'	Yes	E,W,S	Level	26,031	24,217	50,248
10	Irregular	Unimproved	70'	356'	No	None	Level	45,922	0	45,922
11	Irregular	Improved	224'	0	No	E,W,S	Level	32,362	0	32,362
12	Irregular	Improved	143'	0	No	E,W,S	Slope	16,997	0	16,997
13	Irregular	Unimproved	N/A	N/A	Yes	None	Submerged	0	5,553,900	5,553,900
14	Irregular	Improved	337'	0	No	E,W,S	Level	126,057	0	126,057
15	Irregular	Unimproved	0*	0	No	None	Bench	20,135	0	20,135
16	Irregular	Unimproved	0*	0	No	None	Bench	12,669	0	12,669
17	Irregular	Unimproved	0*	0	No	None	Bench	13,088	0	13,088
18	Irregular	Improved	1,239'	0	Yes	None	Steep Slope	222,869	0	222,869
		TOTAL AREA						1,020,641	5,581,888	6,602,529

Utilities – E=Electric, W=Water, S=Sewer

* Parcels 1, 15, 16, and 17 have no permitted access from Sawmill Creek Road.

Access

The access to the subject properties consists of improved and unimproved rights-of-way and easements. The improved access has asphalt paving with a concrete curb and street lighting. The unimproved accesses are rudimentary roads typically lacking in utility infrastructure. It is assumed that developers of properties having unimproved access will not be burdened with the cost of off-site street improvements.

Soil Conditions

Several of the parcels have large concrete foundation structures lying below grade. These foundations may create atypical development costs related to the placement of new foundation footings and utility extensions. The load bearing capacities of the various parcels is considered good.

Easements/Restrictions

There are extensive utility easements that impair several of the parcels. The special use easements benefit the municipality and the owners within the Gary Paxton Industrial Park. The easements are intended to cover active utilities; however, due to the complexity of

existing and abandoned utilities in the area of this plat, the inability to visually confirm the existence or absence of additional buried utilities, some active utilities may not be depicted on the plat. Special use easements are intended to provide access for the maintenance and replacement of all existing active utilities, whether shown within an easement or not. It is assumed that there are no other adverse easements, other than those depicted on the property plats.

Site Improvements

Site improvements are assumed to include clearing and grading into a developable condition. All stockpiled materials are assumed to be removed.

Flood Zone

The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject flood map information is as follows:

Map No.	02220C0436C
Map Date	September 29, 2010
Zone	D

**Hazardous Materials/
Toxic Waste**

The on-site inspection of the property did not reveal any indication of hazardous materials, toxic waste, or other environmental hazards. The appraiser is not an expert in the identification of hazardous materials, toxic waste, or other environmental hazards. Therefore, the user is advised to conduct their own investigation or to retain the services of a professional to assess the potential for hazardous materials, toxic waste, or other environmental hazards.

Site Comments

The parcels have average development potential for destination oriented industrial land uses. The nature and intended use of the Gary Paxton Industrial Park creates a synergy for various industrial uses. The improved transportation and utility linkages are rated as good.

Description of the Improvements

PARCEL 1

Improvements on Parcel 1 consist of a 46 foot wide by 60 foot long Class S steel warehouse. The building has a gable roof design. Entry to the structure is via three single man doors as well as two rollup garage doors that are 8 foot wide by 8 foot tall. The gross building area is 2,760 square feet. The height to the eave is 20 feet.

The foundation is a concrete perimeter footing with a 6 inch stem wall. The floor is a reinforced concrete slab with floor drains. The structural frame is engineered steel bents with galvanized

steel purlins and girts. There is blanket insulation on the interior walls and ceiling. Interior lighting is provided by six halogen lamps that are hung from the ceiling. The building has four electrical unit heaters located in the building corners.

Electrical service is three phase. There are no interior plumbing fixtures. There is potable water to the building. A sewer lift will be required to pump effluent to the industrial park sewer system. There is a connection to a waste water outfall.

There is a large electrical transformer located at the corner of the building.

It is assumed that the interior equipment and the longshore shed will be removed from the property.

The overall condition of the improvements is good.

PARCEL 7

This parcel is improved with a two story administrative office building originally constructed as part of the Alaska Pulp Company mill site. The building has a footprint of 56.5 feet by 284.5 feet. The second floor has identical dimensions as the first floor, with the addition of an 8 foot by 46 foot wide bump out on the north side of the building. The ceiling height is 10 feet. The gross building area is calculated as follows:

	<u>Gross Area</u>	<u>Net Rentable Area</u>	<u>Efficiency Ratio</u>
First Floor	16,074.25	11,629	72%
Second Floor	<u>16,446.25</u>	<u>12,094</u>	<u>74%</u>
TOTAL	32,516.50	23,723	73%

* The building lease plan shows a gross building area of 32,476 square feet; however, the difference is of no effect on the improvement's value.

This is a Class D wood framed structure with a low slope roof with membrane roofing. The primary entry is along the north side of the building and includes a stairway as well as an ADA compliant ramp. There are two additional entryways on the north side of the building. The lower floor has six double man door entries as well as a single man door, primarily located on the west, east, and south sides of the building. Primary access is available to the second floor where there is a lobby and reception area. A central corridor runs east to west on both floors. There is extensive partitioning on both floors to provide conference rooms, private office suites, restrooms, etc. The first floor includes communication rooms, mechanical room, a boiler room, etc.

The foundation is a concrete perimeter footing and stem wall that serves as a retaining wall on the south, west, and north sides of the structure. The structure is wood framed. The exterior siding is a manufactured hard board. The windows are mostly aluminum framed with fixed pane upper panels and awning type lower panels. The windows all have thermal glazing.

The interior has flooring surfaces including carpet, vinyl, and asbestos tile. The interior wall finishes include sheetrock, wood panel wainscots, and full wood paneling. Ceiling finishes include dropped acoustic tile as well as Celotex ceilings.

Electrical service is 110/220. The lighting is predominantly fluorescent fixtures. There are adequate bathroom facilities. Bathrooms have sheet vinyl on the floors with sheetrock walls and ceilings. Bathroom fixtures are white porcelain. Countertops are laminate. Toilet stalls are compartmented with one stall being ADA compliant.

Heat is provided by an oil fired boiler. Heat is distributed via radiators typically located on the exterior walls. There are additional radiators along the hallway corridors.

The building is equipped with emergency exit signage. The building lacks a fire sprinkler system.

There are shed shelters located on the south side of the building that provide shelter to the entries as well as an area for BBQ.

There are 15 on site parking spaces to the north of the main entry. On the north side of Sawmill Creek Road are 18 parallel parking spaces, with an additional 12 spaces being provided in small parking lots, each containing six spaces.

The building is in an overall worn condition. The exterior siding appears to be failing as there was significant bubbling of paint noted on the exterior. It is likely that there is water intrusion into the superstructure. The interior finishes are quite worn with no recent renovation or remodeling having taken place. The boiler is very dated and is inefficient. The heating system is in need of replacement. Water piping is uninsulated, which leads to heat loss. The insulation qualities of the building are substandard. The electrical lighting fixtures are inefficient and should be replaced. The partitioning of the first and second floors is outdated relative to contemporary design trends. The partitioning would fail to meet the needs of any single tenant in the Sitka marketplace.

The improvements have significant physical deterioration and functional obsolescence that is viewed as incurable.

PARCEL 9

This site is improved with a 60 foot wide by 115 foot long by 16 foot to the eave Class S industrial building. Entry is via four single man door entries and a double man door entry into a mechanical room. There are two 10 foot wide by 10 foot tall rollup garage doors. The interior has minimal partitioning, to include a mechanical room, bathroom, office, etc. The building has a gable roof design. The gross building area is 6,900 square feet. The height to the eave is 20 feet.

The foundation is a concrete footing and stem wall. The floor is a concrete slab with in-floor heat tubing. The superstructure is steel bents set on 20 foot center. The purlins and girts are

galvanized. The floor, walls, and ceilings are insulated. There are thermal pane windows on the westerly end of the building.

The building has water lines and waste lines stubbed in to support additional bathrooms and a break room. There is a hot water heater located in the mechanical room that is oil fired.

The interior framing is 2 by 4 inch stud walls. The bathroom has concrete floors with sheetrock walls and ceiling. Plumbing fixtures are white porcelain.

The building has three phase electrical service. There are extensive surface mounted fluorescent light fixtures. The building has a fire sprinkler system.

The building was built in 2002 and is in good condition. The building is unfinished relative to the original proposed plans. Should the building fail to be completed as proposed, some of the water and sewer line stubs may become obsolete. Given that there is in-floor heat tubing, it would be cost prohibitive to change the internal plumbing piping. The in-floor heat lacks a boiler.

The overall condition of the existing improvements is good.

Property Assessment and Taxes

The property is owned by the City and Borough of Sitka and is not assessed for tax purposes, as was the policy of the previous assessor. The parcel identification numbers are as follows:

<u>Parcel No</u>	<u>Tax Parcel ID No.</u>
1	6-1000-003
2	6-6500-900
3	6-6500-925
4	6-6500-950
5	6-6500-600
6	6-6500-700
7	6-6500-200
8	6-6500-500
9	6-6400-800
10	N/A
11	6-6400-700
12	6-6400-200
13	6-1000-050
14 (Lot 3)	6-6400-500
14 (Lot 6)	6-6400-300
14 (Lot 7)	6-6400-400
15	6-6500-450
16	6-6400-000
17	6-6500-300
18	6-1000-075

Zoning

Exhibit 1 - A Binding Attachment to Ordinance 2006-24

**Portion of Zoning Table 22.16.015-6
Retail and Business Uses for SC District**

Retail Use	Existing	Revised Code Per Ordinance 2006-24
Building, hardware and garden materials	P	P
Bulk forest products sales		P
Retail forest products sales		conditional use
Art galleries and sales of art		not permitted
Department and variety stores	P	not permitted
Food stores		conditional use permit
Agricultural product sales	P	P
Motor vehicle and boat dealers	P	P
Auto supply stores	P	P
Gasoline service stations	P	conditional use permit
Apparel and accessory stores	P	not permitted
Furniture and home furnishing stores	P	conditional use permit
Eating and drinking places	P	conditional use permit
Drug stores	P	not permitted
Liquor stores	P	not permitted
Used goods, second hand stores	P	conditional use permit
Sporting goods	P	not permitted
Books, stationary, video, and art supply		not permitted
Jewelry stores	P	not permitted
Monuments, tombstones, gravestones	P	P
Hobby, toys, game stores	P	not permitted
Photographic and electronic stores	P	not permitted
Fabric stores	P	not permitted
Fuel dealers	P	conditional use permit
Florists	P	not permitted
Medical supply stores	P	not permitted
Pet shops	P	not permitted
Sales of goods that are wholly manufactured at Sawmill Cove Industrial Park SCIP		P
Sales of gifts, souvenirs and promotional materials that bear the logo or trade name of an SCIP permitted use business		P
Stand alone souvenir and gift shops		not permitted
Bulk retail	P	not permitted
General business services	P	conditional use permit
Professional offices	P	P
Communications services	P	P
Research and development services	P	P

sc district amend table revised-1.xls: Name Print Date:8/10/2006

Subject Photographs



Aerial view of the subject property



Subject Parcel 1



Subject Parcel 1



Subject Parcel 1



Subject Parcel 1



Subject Parcel 2



Subject Parcel 2



Subject Parcel 2



Subject Parcel 2



Subject Parcel 2



Subject Parcel 3



Subject Parcel 4



Subject Parcel 5



Subject Parcel 5



Subject Parcel 6



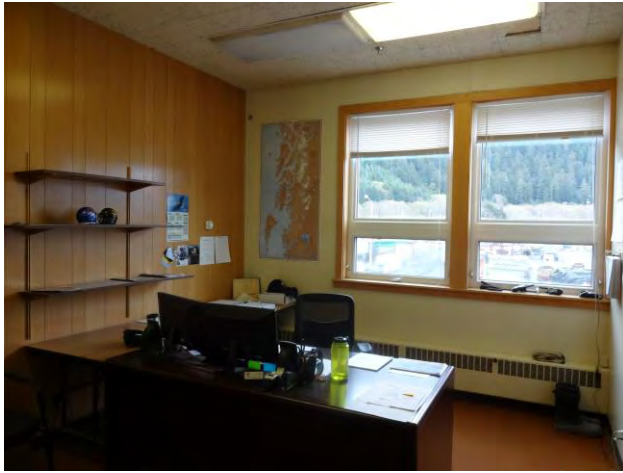
Subject Parcel 7



Subject Parcel 7



Subject Parcel 7



Subject Parcel 7



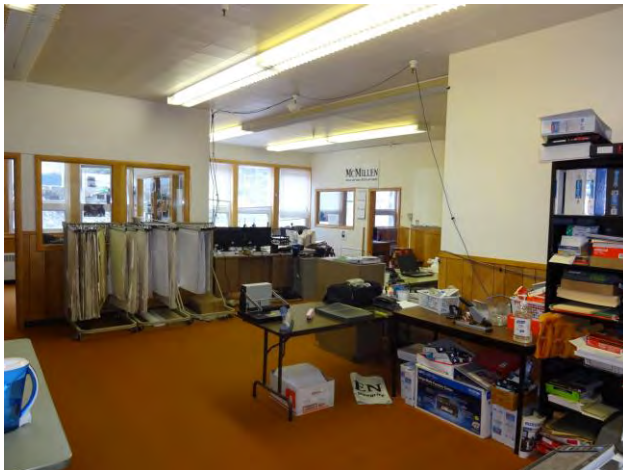
Subject Parcel 7



Subject Parcel 7



Subject Parcel 7



Subject Parcel 7



Subject Parcel 8



Subject Parcel 8



Subject Parcel 9



Subject Parcel 9



Subject Parcel 9



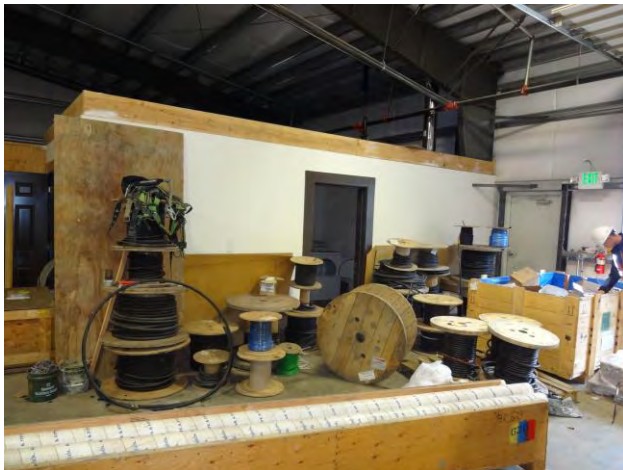
Subject Parcel 9



Subject Parcel 9



Subject Parcel 9



Subject Parcel 9



Subject Parcel 10



Subject Parcel 11



Subject Parcel 12



Subject Parcel 13



Subject Parcel 13



Subject Parcel 13



Subject Parcel 13



Subject Parcel 14



Subject Parcel 14



Subject Parcel 14



Subject Parcel 15



Subject Parcel 15



Subject Parcel 15 (right of photo)
Subject Parcel 16 (left of photo)



Subject Parcel 16



Subject Parcel 17



Subject Parcel 18



Subject Parcel 18



Street scene of Sawmill Cove Road viewing north



Street scene of Sawmill Cove Road viewing north



Street scene of Sawmill Cove Road viewing west



Street scene of Sawmill Cove Road viewing east, fronting Parcel 18

Highest and Best Use

The property's value is dependent on an opinion of highest and best use for the subject site as if vacant and as improved or proposed.

Highest and best use may be defined as

the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.³

The theoretical focus of highest and best use analysis is on the potential uses of the land as though vacant. In practice; however, the contributory value of the existing improvements and any possible alteration of those improvements are also important in determining highest and best use and, by extension, in developing an opinion of the market value of the property.

In the analysis of highest and best use of land as though vacant, the appraiser seeks the answers to several questions:

- Should the land be developed or left vacant?
- If left vacant, when would future development be financially feasible?
- If developed, what kind of improvement should be built?

In the highest and best use of the property as improved, additional questions must be answered:

- Should the existing improvements on the property be maintained in their current state, should they be altered in some manner to make them more valuable, or should they be demolished to create a vacant site for a different use?
- If renovation or redevelopment is warranted, when should the new improvements be built?

In general, if the value of a property as improved is greater than the value of the land as though vacant, the highest and best use is the use of the property as improved. However, a property's existing use may represent an interim use, which begins with the land value for the new highest and best use and adds the contributory value of the current improvements until the new highest and best use can be achieved. In practice, a property owner who is redeveloping a parcel of land may remove an improvement even when the value of the property as improved exceeds the value of the vacant land. The cost of demolition and any remaining improvement value are taken into consideration in the test of financial feasibility for redevelopment of the land. Likewise, if an improved property has value but may have greater value if modified in some way, the cost of modifying the improvements and the value gained in that modification are accounted for in the determination of highest and best use.

³ *The Appraisal of Real Estate* 11th Edition, Page 297, Appraisal Institute

As market/marketability analysis progresses to highest and best use analysis, appraisers first consider the reasonably probable uses of a site that can be legally undertaken. In the analysis of pertinent data, four steps are implicit and are applied in the following order to develop adequate support for the appraiser's highest and best use opinion:

1. Legally permissible
2. Physically possible
3. Financially feasible
4. Maximally productive

These criteria are generally considered sequentially. The tests of physical possibility and legal permissibility can be applied in either order, but they both must be applied before the tests of financial feasibility and maximum productivity. A use may be financially feasible, but this is irrelevant if it is legally prohibited or physically impossible.

Highest and Best Use As Vacant

The parcels' physical attributes are generally conducive to development with a multitude of industrial land uses. The parcels have either developed or platted partially developed access and availability to utility linkages. Parcel No. 18 is the only parcel with significant development limitations due to an adverse topography. The only significant limitations to development of the parcels is configuration, parcel size, and subgrade foundation structures.

The development of parcels within the Gary Paxton Industrial Park are limited to those permitted uses as identified by the Sawmill Cove Land Use Overlay.

The development trend is for industrial oriented land uses, as encouraged by the Sawmill Cove Industrial Park Board.

The highest and best use of the subject parcels, as vacant, would be for industrial development with those parcels having usable water frontage having a marine oriented use.

Highest and Best Use As Improved

Parcels 1 and 9 have industrial warehouse type improvements that were constructed in 2002. The improvements are minimally finished beyond a shell structure, with Parcel 9 being incomplete relative to the original plans. The improvements would have market appeal to owner/users. The improvements contribute to the overall property value and constitute the highest and best use, as improved, subject to the addition of interior finishes and potential development of marine improvements.

Parcel 7 is improved with an administrative office building of approximately 32,500 square feet. The rent roll identified 11 tenants, consisting of private and public entities. The total area currently occupied is 8,840 square feet, which indicates 37 percent occupancy. Upon completion of the Blue Lake Dam project, there will be a significant drop in occupancy.

The current scheduled income is \$129,738 per year and is expected to drop in the next year. Based on the net rentable area of 23,723 square feet, the current income equates to \$5.46 per square foot per year of net rentable area.

Six office building properties located in the Juneau marketplace were analyzed on the basis of their operating expenses per square foot on an annual basis. These were all existing buildings constructed between 1980 and the early 1990s. The expense comparables indicated fixed and operating expenses ranging from \$7.35 to \$15.73 per square foot of net rentable area. The efficiency ratio of the comparables ranged from 79 to 100 percent; whereas the subject's efficiency ratio is 73 percent. The comparable expenses were without inclusion of the janitorial costs. After adjustment to the subject's efficiency ratio, the annual expense cost ranged from \$10.07 to \$19.42 per square foot. The average annual operating expense was \$15.78 per square foot, which included property taxes, insurance, heat, utilities, maintenance, and reserves.

The subject's expenses for the past year totaled \$249,200 or \$10.50 per square foot of net rentable area. It should be noted that the expenses do not include property taxes and would not include provisions for deferred maintenance.

Assuming that the administration building would have annual operating expenses of \$15.78 per square foot, as reflected by the average of the comparables, there is a long term future expectation that the property would function at a substantial operating loss. It is viewed as untenable to hold the property with the expectation of attracting new tenants and increasing the building's occupancy. Further, it is uneconomic to cure the physical and functional deficiencies to better compete in the marketplace.

While the physical improvement is substantial, it is so uneconomic to operate that it is considered to contribute no value to the overall property. The cost of demolition is considered to offset any interim use value. The highest and best use of Parcel 7, as improved, is industrial oriented development, possibly incorporating the existing improvements.

Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

- The Cost Approach
- The Direct Sales Comparison Approach
- The Income Capitalization Approach

This appraisal includes the following:

- Cost Approach: This approach is applicable; however, is not necessary to produce a credible estimate of value and has not been developed.
- Direct Sales Comparison Approach: This approach is applicable, necessary, and has been fully developed.
- Income Capitalization Approach: This approach is not applicable and has not been developed.

Direct Sales Comparison Approach

The following steps describe the applied process of the Direct Sales Comparison Approach.

1. The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
2. The most pertinent data is further analyzed and the quality of the transaction is determined.
3. The most meaningful unit of value for the subject property is determined.
4. Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
5. The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Land Value

The subject's land value has been developed via the sales comparison approach. We have researched and analyzed various types of comparable land sales. The sales selected were deemed to be the most recent and comparable data available. The sales are summarized on the following Comparable Land Sales Summary Table for each "key lot." The key lot analysis values one parcel out of a group of similar parcels. The key lot is then used to value the other lots in the group with adjustments being made for significant value attributes. Descriptive analyses and adjustment grids are contained in the report addenda.

**COMPARABLE LAND SALES SUMMARY TABLE
"KEY LOT" LOT 4 (PARCEL 9)**

No.	Location	Sale Date	Price	Size in SF (Uplands)	Price/ SF Allocated to Uplands
1.	4513 Halibut Point Rd, Sitka	03/01/2005	\$2,040,000	179,507	\$9.21
2.	4056 S Tongass Hwy, Ketchikan	01/02/2008	\$850,000	138,956	\$6.12
3.	111 JT Brown St, Craig	09/22/2009	\$542,725	65,135	\$8.00
4.	916 Nordic Drive, Petersburg	06/30/2011	\$268,000	5,000	\$12.00
5.	301-307 Front Street, Hoonah	05/25/2012	\$295,000	6,000	\$13.00
6.	Alice Loop Road, Sitka	12/31/2014	\$604,000	89,433	\$6.75

The comparable sales were located in Sitka, Ketchikan, Craig, Petersburg, and Hoonah. The sales were all waterfront properties, some of which included tidelands. The sales occurred between March 2005 and December 2014, which is a pending sale. The gross sales prices ranged from \$268,000 to \$2,040,000.

The prices allocated to the upland portions of the comparables ranged from \$6.12 to \$13 per square foot.

The comparables were essentially fee simple transactions, which were cash sales under normal conditions.

No adjustment for economic trends was necessary, as the market is viewed as stable.

The key parcel is rated to have an average location. Comparable No. 1 was rated superior, as it is located on Halibut Point Road and is adjacent to tidelands having unique deep water moorage attributes. Comparables 2 and 3 were rated as similar in location. Comparables 4 and 5 were both located on major thoroughfares in what is known as the business districts of Petersburg and Hoonah. Both of these parcels were rated superior. Comparable No. 6 is closer in proximity to downtown Sitka but lacks utility of its water frontage. It is rated inferior overall in location.

The comparables were adjusted for size. Overall, the comparables bracketed the subject key parcel.

The subject's upland topography was level. Comparable No. 1 was terraced and was adjusted upward for this inferiority. The other comparables were similar in topography and no adjustments were necessary.

The subject parcel had all utilities available. Only Comparable No. 2 lacked public water and were and was adjusted upward.

No adjustments were necessary for zoning classifications.

The subject is encumbered with an access and utility easement extending along its upland frontage. Each of the comparables was considered superior in this attribute and were adjusted downward.

The comparable sales were reconciled to an upland value of \$8.00 per square foot.

The tidelands adjacent to Parcel 9 were valued as a ratio to the uplands. Typically, sales and leases of tidelands in Southeast Alaska tend to fall within a range of 20 to 35 percent of the adjacent upland value. This ratio is supported by comparables cited in this report.

The specific ratio is highly dependent on the utility of the tidelands, i.e., whether they are economic to fill or, alternatively, provide deep water access and protection from adverse wind and wave conditions. A tideland value ratio of 25 percent will be applied, utilizing a base upland value of \$8.00 per square foot. The tideland value is estimated at \$2.00 per square foot.

COMPARABLE LAND SALES SUMMARY TABLE
"KEY LOT" LOT 12A (PARCEL 5)

No.	Location	Sale Date	Price	Size in SF	Price/ SF
7.	4620 Sawmill Creek Road, Sitka	10/28/2009	\$245,000	49,846	\$4.92
8.	6104 Ridgewood St, Ketchikan	12/23/2010	\$800,000	233,264	\$3.43
9.	Harbor Way, Hoonah	09/14/2011	\$27,600	6,903	\$4.00
10.	Harbor Way, Hoonah	08/17/2012	\$83,795	20,657	\$4.06
11.	4644 Sawmill Creek Road, Sitka	02/20/2013	\$235,000	66,491	\$3.53
12.	202 Jarvis St, Sitka	08/17/2013	\$743,000	114,903	\$6.47

Parcel 5 (Lot 12A) was selected as the key lot for the upland parcels lacking water frontage within the main industrial park complex. The comparables were obtained from the Sitka, Ketchikan, and Hoonah marketplaces. The sales occurred between October 2009 and August 2013. The gross sales prices ranged from \$83,795 to \$800,000, on an allocated basis. The indicated sales prices per square foot ranged from \$3.43 to \$6.47.

Each of the sales involved fee simple property rights, sold for cash terms, under normal conditions of sale.

No adjustment for economic trends was necessary, as the market is viewed as stable.

The subject key lot was rated as average for locational attributes. Comparables 7, 8, and 11 were rated as similar in location. Comparables 9 and 10 were rated as inferior, as they were located in Hoonah, which has inferior economic attributes. Comparable No. 12 was rated as superior, as it is more centrally located.

The key lot had an area of 117,608 square feet. The comparables ranged in size from 6,903 square feet to 233,264 square feet. Adjustments were made based on relative size, compared to the subject key lot.

The comparables were similar in topography and no adjustments were necessary.

The subject had all utility services available. Only Comparable No. 8 required an upward adjustment for lack of public water and sewer services.

No adjustments were necessary for zoning or easements.

After adjustment, the comparables supported a price per square foot of \$4.50, giving weight to Comparables 7, 8, and 12.

**COMPARABLE LAND SALES SUMMARY TABLE
"KEY LOT" ATS 1 (PARCEL 13)**

No.	Location	Sale Date	Price	Size in SF	Price/ SF
13.	Mile 6 N Tongass Hwy, Ketchikan	10/31/2005	\$603,750	635,105	\$0.48
14.	Mile 6 N Tongass Hwy, Ketchikan	10/31/2005	\$304,900	513,137	\$0.54
15.	Mile 7 N Tongass Hwy, Ketchikan	10/28/2005	\$642,000	351,529	\$0.72
16.	7599 N Tongass Hwy, Ketchikan	06/08/2010	\$1,470,000	1,306,800	\$0.58
17.	4513 Halibut Pt Road, Sitka	08/15/2011	\$290,625	266,587	\$1.09

Key Lot ATS 1 (Parcel 13) utilized Comparables 13 through 17 to support the value estimate. The comparables were located in the Ketchikan and Sitka marketplaces. Specifically, Comparables 13, 14, 15, and 16 were located in Ward Cove and were part of the original Ketchikan Pulp Mill complex. These parcels were primarily used for docking and log storage.

The comparables sold between October 2005 and August 2011. The indicated sales prices of the comparables ranged from \$290,625 to \$1,470,000. Comparable 17 reflected the fee simple value of a capitalized annual lease.

The sales price indications represent fee simple property rights. The terms of the transactions were cash, negotiated under normal conditions of sale.

No economic trends adjustment was necessary, as the market is viewed as stable.

The key lot was viewed as having average locational attributes. All of the comparables were viewed as having superior location attributes. The comparables located in Wards Cove are more protected from adverse wind and wave conditions. Comparable No. 17 is located in a superior neighborhood and was given a downward adjustment.

The subject tidelands were substantially larger than the comparables; however, it is highly likely that the subject tidelands will be subdivided into smaller tracts for better economies to the end user. Nonetheless, downward adjustments were made to the comparables relative to their size.

Each of the comparables had similar topographical conditions and no adjustments were necessary.

Utilities were not considered to be a material factor in the value indications of the comparables and no adjustments were made.

No adjustments were made for zoning or easements.

After adjustment, ATS 1 is estimated to have a unit value of \$0.15 per square foot.

COMPARABLE LAND SALES SUMMARY TABLE
"KEY LOT" LOT 1, BLOCK 2 (PARCEL 18)

No.	Location	Sale Date	Price	Size in SF	Price/ SF
18.	800 Bk Miller Ridge Rd, Ketchikan	03/03/2008	\$100,000	200,103	\$.50
19.	NHN Indian River Road, Sitka	04/02/2009	\$1,800,000	9,365,400	\$.19
20.	D-1 Loop Road, Ketchikan	12/06/2010	\$69,000	1,261,933	\$.05
21.	Hugli Avenue, Ketchikan	12/08/2011	\$155,500	239,329	\$.65
22.	Yaw Drive, Sitka	05/21/2012	\$485,000	1,756,927	\$.28

Lot 1, Block 2 is valued based on five land sales located in the Ketchikan and Sitka marketplaces. The comparables sold between March 2008 and May 2012. The gross sales prices ranged from \$69,000 to \$1,800,000. The indicated sales prices per square foot ranged from \$0.05 to \$0.65.

Each of the sales involved fee simple property rights and were sold for cash terms. The sales were all negotiated under normal conditions.

No adjustment for economic trends was necessary as the market is viewed as stable.

The subject's location was considered average. Comparables 18, 19, 21, and 22 were rated as superior as they had closer proximity to business centers, residential areas, schools, and other amenities. Comparable No. 20 was rated as similar in locational attributes.

The subject's size was 222,869 square feet. The comparables bracketed the subject in size. Adjustments were made to the comparables relative to their size.

The subject's topography was considered steep. Comparables 18, 19, 20, and 22 were considered similar in topography. Comparable No. 21 was considered superior and was given a downward adjustment.

The subject has no utility services, although a high voltage transmission line crosses a portion of the property. Due to the high cost of installing a transformer and the need to install utility poles and extensions onto the subject property, it is assumed that the subject has no electrical service. Although Comparables 19 and 20 had electrical service ... however, there would be substantial cost extending the electrical service into the properties. No adjustments were made to these comparables for utilities. Comparable No. 21 had water and sewer available and electrical service was in very close proximity. A downward adjustment was made to this comparable.

No adjustments were made for zoning or easements.

After adjustment, the comparables support a value of \$0.35 per square foot for the subject parcel.

Land Value Conclusion

The individual parcel valuations are shown on the following Key Lot Adjustment Grid:

KEY LOT ADJUSTMENT GRID									
Key Lot	Subj Parcel	Size (SF)	Location	Size	Utilities	Adjusted Price/SF	Indicated Value	Rounded Value	
Lot 4 (Parcel 9)	9	26,031	\$0.00	\$0.00	\$0.00	\$8.00	\$208,248	\$208,000	
	1	25,606	(\$0.40)	\$0.00	\$0.00	\$7.60	\$194,606	\$195,000	
	2	147,735	\$0.85	(\$0.85)	\$0.00	\$8.00	\$1,181,880	\$1,182,000	
	10	45,922	\$0.00	\$0.00	(\$0.50)	\$7.50	\$344,415	\$345,000	
Lot 12 (Parcel 5)	5	117,608	\$0.00	\$0.00	\$0.00	\$4.50	\$529,236	\$529,000	
	3	7,503	\$0.00	\$1.00	\$0.00	\$5.50	\$41,267	\$41,000	
	4	34,636	\$0.00	\$0.75	\$0.00	\$5.25	\$181,839	\$182,000	
	6	20,810	\$0.00	\$1.00	\$0.00	\$5.50	\$114,455	\$114,000	
	7	37,244	\$1.00	\$0.75	\$0.00	\$6.25	\$232,775	\$233,000	
	8	113,369	\$0.00	\$0.00	\$0.00	\$4.50	\$510,161	\$510,000	
	11	32,362	\$0.00	\$0.75	\$0.00	\$5.25	\$169,901	\$170,000	
	12	16,997	\$1.00	\$1.00	\$0.00	\$6.50	\$110,481	\$110,000	
	14	126,057	\$0.00	\$0.00	\$0.00	\$4.50	\$567,257	\$567,000	
	15	20,135	(\$1.00)	\$1.00	(\$0.50)	\$4.00	\$80,540	\$81,000	
	16	12,669	(\$1.00)	\$1.00	(\$0.50)	\$4.00	\$50,676	\$51,000	
	17	13,088	(\$1.00)	\$1.00	(\$0.50)	\$4.00	\$52,352	\$52,000	
ATS 1 (Parcel 13)	13	5,510,340	\$0.00	\$0.00	\$0.00	\$0.15	\$826,551	\$827,000	
Lot 1, Block 2 (Parcel 18)	18	222,869	\$0.00	\$0.00	\$0.00	\$0.35	\$78,004	\$78,000	
TOTALS		6,530,981					\$5,474,641	\$5,475,000	

Improvement Valuation

We have researched and analyzed four comparables in this approach. The sales selected were deemed to be the most recent and comparable data available. The comparable sales are summarized on the following Improved Comparable Sales Summary Table, followed by descriptive analyses.

IMPROVED SALES SUMMARY TABLE

No.	Location	Sale Date	Price	Building Size (SF)	Price/ SF
1.	213 Smith Street	12/04/2008	\$507,000	9,100	\$55.71
2.	311 Price Street	10/01/2011	\$495,000	7,200	\$68.75
3.	115 Harvest Way	01/12/2012	\$352,500	7,000	\$50.36
4.	201 Price St	12/23/2011	\$375,000	6,000	\$62.50

Improved Sale No. 1**Property Identification**

Record ID 200
Property Type Commercial, Retail/Shop
Address 213 Smith Street, Sitka, Alaska 99835

Sale Data

Grantor Allen Marine LLC
Grantee Baranof Investments LLC
Sale Date December 04, 2008
Deed Book/Page 2008-002016-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$1,057,000
Downward Adjustment \$550,000 Land Value
Adjusted Price \$507,000

Land Data

Land Size 1.680 Acres or 73,174 SF
Zoning C-2, Commercial
Topography Level
Utilities W,S,T,E
Shape Trapezoidal

General Physical Data

Building Type Single Tenant
Gross SF 9,100

Construction Type Wood Frame
Roof Type Enameled Steel
Foundation Concrete
Electrical 110/220
HVAC HW space heater
Sprinklers Yes
Stories 1
Year Built 2004
Condition Average

Indicators

Sale Price/Gross SF \$116.15 Actual or \$55.71 Adjusted
Floor Area Ratio 0.12
Land to Building Ratio 8.04:1

Legal Description

Lots 1 and 2, Allen Projects Lot Line Adjustment, Plat 2003-12, Sitka Recording District.

Remarks

This is a Miracle Truss building that has a first floor area of 8,400 square feet and a storage mezzanine of 700 square feet. The first floor is divided into a retail storefront and maintenance shop. The quality of the building is low cost. The shop area has overhead garage doors. The height to the eave is 24 feet.

Improved Sale No. 1 (Cont.)



Improved Sale No. 2**Property Identification**

Record ID 343
Property Type Commercial, Shop
Address 311 Price Street, Sitka, Alaska

Sale Data

Grantor Shaffer and Hansen
Grantee Charles and Linda Kelly
Sale Date October 01, 2011
Deed Book/Page 2011-001317-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$695,000
Downward Adjustment \$200,000 Land Value
Adjusted Price \$495,000

Land Data

Land Size 0.728 Acres or 31,692 SF
Zoning C2, Commercial
Topography Level
Utilities W,S,T,E
Shape Trapezoidal

General Physical Data

Building Type Multi Tenant
Gross SF 7,200

Construction Type Class S
Roof Type Metal
Foundation Concrete
Electrical 110/220
HVAC Electric Heat
Sprinklers Yes
Stories 1
Year Built 2004
Condition Good

Indicators

Sale Price/Gross SF \$96.53 Actual or \$68.75 Adjusted
Floor Area Ratio 0.23
Land to Building Ratio 4.40:1

Legal Description

Lot 2, Vern Heights Estates, Plat 2005-13, Sitka Recording District.

Improved Sale No. 2 (Cont.)**Remarks**

This is a Class S engineered steel building with four bays. The building was constructed in 2004 and is average plus quality. The building has a dry sprinkler system. Heat is provided by electric space heaters. The average height is 20 feet. One of the bays has 10 foot ceiling height and has a two bedroom 1,200 square foot apartment above it.



Improved Sale No. 3**Property Identification**

Record ID 344
Property Type Commercial, Shop
Address 115 Harvest Way, Sitka, Alaska

Sale Data

Grantor Martin Revocable Trust
Grantee 115 Harvest Way LLC
Sale Date January 12, 2012
Deed Book/Page 2012-000061-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$495,000
Downward Adjustment \$142,500 Land Value
Adjusted Price \$352,500

Land Data

Land Size 0.344 Acres or 14,991 SF
Zoning C2, Commercial
Topography Level
Utilities W,S,T,E
Shape Irregular

General Physical Data

Building Type Multi Tenant
Gross SF 7,000

Construction Type Class S
Roof Type Metal
Foundation Concrete
Electrical 110/220
HVAC Electric Heat
Sprinklers Yes
Stories 1
Year Built 2001
Condition Good

Indicators

Sale Price/Gross SF \$70.71 Actual or \$50.36 Adjusted
Floor Area Ratio 0.47
Land to Building Ratio 2.14:1

Legal Description

Lot 1, Harvest Subdivision, Plat 2009-14, Sitka Recording District.

Remarks

This is a one story, Class S engineered steel structure. There is a two-story office located at one end of the building. The office has an area of 375 square feet on each floor or 750 square feet total. The rest of the building is a five bay warehouse shop facility with some mezzanines. Each bay has its own bathroom.

Improved Sale No. 3 (Cont.)



Improved Sale No. 4**Property Identification**

Record ID 345
Property Type Industrial, Shop
Address 201 Price St, Sitka, Alaska

Sale Data

Grantor Sitka House Business Org
Grantee Hansen & Hansen Enterprise, LLC
Sale Date December 23, 2011
Deed Book/Page 2011-001678-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$575,000
Downward Adjustment \$200,000 Land Value
Adjusted Price \$375,000

Land Data

Land Size 0.824 Acres or 35,895 SF
Zoning I, Industrial
Topography Level
Utilities W,S,T,E
Shape Square

General Physical Data

Building Type Multi Tenant
Gross SF 6,000

Construction Type Class S
Roof Type Metal
Foundation Concrete
Electrical 110/220
HVAC Oil Heat
Sprinklers Yes
Stories 1
Year Built 2001
Condition Average

Indicators

Sale Price/ SF \$95.83 Actual or \$62.50 Adjusted
Floor Area Ratio 0.17
Land to Building Ratio 5.98:1

Legal Description

Lot 1, Breedlove Subdivision, Plat 2007-2, Sitka Recording District.

Remarks

This is a one story Class S structure of average quality. The improvements are in average quality. The average story height is 20 feet.

Improved Sale No. 4 (Cont.)



Analysis Grid

The above sales have been analyzed and compared with the subject property. We have considered adjustments in the areas of:

- Property Rights Sold
- Financing
- Conditions of Sale
- Economic Trends (time)
- Location
- Physical Characteristics

On the following pages are two sales comparison grids displaying the subject Parcels 1 and 9, the comparables, and the adjustments applied for each parcel.

Improved Sales Summary and Adjustment Grid					
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property Name:	Parcel 1				
Address:		213 Smith Street	311 Price Street	115 Harvest Way	201 Price St
City:		Sitka	Sitka	Sitka	Sitka
Date of Sale:		12/4/2008	10/1/2011	1/12/2012	12/23/2011
Sale Price:		\$1,057,000	\$695,000	\$495,000	\$575,000
Price/SF (Bldg Only)		\$55.71	\$68.75	\$50.36	\$62.50
Property Rights:		Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment					
Conditions of Sale:		Normal	Normal	Normal	Normal
% Adjustment					
Economic Conditions	10/29/2014	12/4/2008	10/1/2011	1/12/2012	12/23/2011
Months Elapsed		71.83	37.47	34.03	34.70
% Adjustment		0.00%	0.00%	0.00%	0.00%
Adjusted Price/SF:		\$55.71	\$68.75	\$50.36	\$62.50
Building Size (SF)	2,760	9,100	7,200	7,000	6,000
Comparison		Inferior	Inferior	Inferior	Inferior
\$ Adjustment		\$8.00	\$7.00	\$7.00	\$6.00
Age/Condition	2002	2004	2004	2001	2001
Comparison		Superior	Superior	Inferior	Inferior
\$ Adjustment		(\$2.00)	(\$2.00)	\$1.00	\$1.00
Quality	Average				
Comparison		Inferior	Similar	Similar	Similar
\$ Adjustment		\$10.00	\$0.00	\$0.00	\$0.00
Functional Utility	Average				
Comparison		Superior	Superior	Superior	Superior
\$ Adjustment		(\$3.00)	(\$3.00)	(\$3.00)	(\$3.00)
Building Height	20'	24'	20'	20'	20'
Comparison		Superior	Similar	Similar	Similar
\$ Adjustment		(\$4.00)	\$0.00	\$0.00	\$0.00
Finish	Average				
Comparison		Superior	Superior	Superior	Superior
\$ Adjustment		(\$15.00)	(\$15.00)	(\$10.00)	(\$10.00)
Sprinkler	No	Yes	Yes	Yes	Yes
Comparison		Superior	Superior	Superior	Superior
\$ Adjustment		(\$4.00)	(\$4.00)	(\$4.00)	(\$4.00)
Net Adjustments:		(\$10.00)	(\$17.00)	(\$9.00)	(\$10.00)
Adjusted Price/Sq. Ft.:		\$45.71	\$51.75	\$41.36	\$52.50
Average Price/Sq. Ft.:		\$47.83			
Reconciled Price/Sq. Ft.:		\$45.00			

PARCEL 1

Improved Sales Summary and Adjustment Grid					
Subject		Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property Name:	Parcel 9				
Address:		213 Smith Street	311 Price Street	115 Harvest Way	201 Price St
City:		Sitka	Sitka	Sitka	Sitka
Date of Sale:		12/4/2008	10/1/2011	1/12/2012	12/23/2011
Sale Price:		\$1,057,000	\$695,000	\$495,000	\$575,000
Price/SF (Bldg Only)		\$55.71	\$68.75	\$50.36	\$62.50
Property Rights:		Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment					
Conditions of Sale:		Normal	Normal	Normal	Normal
% Adjustment					
Economic Conditions	10/29/2014	12/4/2008	10/1/2011	1/12/2012	12/23/2011
Months Elapsed		-1326.20	-1360.57	-1364.00	-1363.33
% Adjustment		0.00%	0.00%	0.00%	0.00%
Adjusted Price/SF:		\$55.71	\$68.75	\$50.36	\$62.50
Building Size (SF)	6,900	9,100	7,200	7,000	6,000
Comparison		Inferior	Similar	Similar	Superior
\$ Adjustment		\$3.00	\$0.00	\$0.00	(\$1.00)
Age/Condition	2002	2004	2004	2001	2001
Comparison		Superior	Superior	Inferior	Inferior
\$ Adjustment		(\$2.00)	(\$2.00)	\$1.00	\$1.00
Quality	Average				
Comparison		Inferior	Similar	Similar	Similar
\$ Adjustment		\$10.00	\$0.00	\$0.00	\$0.00
Functional Utility	Average				
Comparison		Similar	Similar	Similar	Similar
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Building Height	20'	24'	20'	20'	20'
Comparison		Superior	Similar	Similar	Similar
\$ Adjustment		(\$4.00)	\$0.00	\$0.00	\$0.00
Finish	Average				
Comparison		Superior	Superior	Superior	Superior
\$ Adjustment		(\$10.00)	(\$15.00)	(\$5.00)	(\$5.00)
Sprinkler	Yes	Yes	Yes	Yes	Yes
Comparison		Similar	Similar	Similar	Similar
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Net Adjustments:		(\$3.00)	(\$17.00)	(\$4.00)	(\$5.00)
Adjusted Price/Sq. Ft.:		\$52.71	\$51.75	\$46.36	\$57.50
Average Price/Sq. Ft.:		\$52.08			
Reconciled Price/Sq. Ft.:		\$50.00			

PARCEL 9

Adjustment Notes

The comparables have received adjustments for various characteristics that influence value. Downward, or negative adjustments have been made when a comparable possesses a superior characteristic, while upward, or positive adjustments have been for inferior characteristics. The intent of this process is to bring the comparables to approximate parity with the subject.

The comparables were located in the Sitka marketplace. The sales transpired between December 2008 and January 2012. The gross sales prices ranged from \$495,000 to \$1,057,000. The indicated sales price per square foot of building area only was \$50.36 to \$68.75.

Each of the properties conveyed fee simple property rights and were negotiated for cash under normal terms of sale.

No economic trends adjustment was necessary as the market is viewed as stable.

PARCEL 1:

Improved Comparables 1, 2, 3, and 4 were substantially larger than the subject's 2,760 square feet and more economies of scale as far as their construction. These comparables would have lesser marketability due to their smaller universe of potential purchasers. Upward adjustments were made to these comparables.

The subject was built in 2002. The comparables were adjusted relative to their age difference to the subject.

The subject's quality was rated as average, although it is recognized that there is likely some superamenity to the construction materials. Comparable No. 1 was a Miracle Truss building and was rated as inferior in quality. No adjustments were necessary to Comparables 2, 3, and 4.

The subject's functional utility was considered average. All of the comparables were rated as superior in that they had functioning bathrooms.

The subject's building height was 20 feet. Comparable No. 1 had a 24 foot height to the eave and was given a downward adjustment.

The subject's level of finish was considered average. All of the comparables had superior interior build outs and finishes and were adjusted downward.

The subject lacked a fire sprinkler system. Each of the comparables had fire suppression systems and were adjusted downward.

After adjustment, the comparables supported an estimated value per square foot of \$45 for the subject.

PARCEL 9

The same improved comparables were used to value Parcel 9 as were used to value Parcel 1.

Parcel 9 had a gross building area of 6,900 square feet. The comparables bracketed the subject. Appropriate adjustments were made for size differential.

The comparables bracketed the subject in age and appropriate adjustments were made for age differential.

The subject’s quality was rated as average. Comparable No. 1 was inferior in quality due to its utilization of a Miracle Truss building package. The remaining comparables were similar to the subject.

No adjustment was necessary for functional utility.

The subject’s building height was 20 feet. Only Comparable No. 1 required a downward adjustment for height differential.

The subject’s finish was rated as average. Each of the comparables was superior in the extent of finish and downward adjustments were made.

No adjustment was necessary for sprinkler systems.

After adjustment, the comparables support a value of \$50 per square foot for the subject.

Sales Comparison Approach Conclusion

PARCEL 1

Parcel 1’s improvement value was estimated at \$45 per square foot. Land is added at its previously estimated value. The value calculation is shown as follows:

2,760 SF x \$45/SF	=	\$124,200
Land Value	=	<u>\$195,000</u>
 TOTAL VALUE	=	 \$319,200
ROUNDED	=	<u>\$319,000</u>

PARCEL 9

Parcel 9’s improvement value was estimated at \$50 per square foot. Uplands and tidelands are added at their previously estimated values. The value calculation is shown as follows:

6,900 SF x \$50/SF	=	\$345,000
Upland Value	=	\$209,000
Tideland Value	=	<u>\$ 48,000</u>
 TOTAL VALUE	=	 \$602,000

Final Reconciliation

The process of reconciliation involves the analysis of each approach to value. The quality of data applied, the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed.

Value Conclusion

Based on the data and analyses developed in this appraisal, we have reconciled to the following individual parcel values, as of October 29, 2014, subject to the Limiting Conditions and Assumptions of this appraisal:

SUMMARY OF VALUES							
Parcel No.	Lot	Block	Plat No.	Land Value	Tideland Value	Imp Value	Total Value
1	11	4	2008-27	\$195,000		\$124,000	\$319,000
2	9A	4	2013-2	\$1,182,000	\$7,500	0	\$1,189,000
3	9B	4	2013-2	\$41,000		0	\$41,000
4	9C	4	2013-2	\$182,000		0	\$182,000
5	12A	4	2013-2	\$529,000		0	\$529,000
6	13	4	2008-27	\$114,000		0	\$114,000
7	23	4	2008-27	\$233,000		0	\$233,000
8	15	4	2008-27	\$510,000		0	\$510,000
9	4	4	2008-27	\$209,000	\$48,000	\$345,000	\$602,000
10	Access	ROW		\$345,000		0	\$345,000
11	8	4	2008-27	\$170,000		0	\$170,000
12	17	4	2008-27	\$110,000		0	\$110,000
			ATS6				
13	1	1	2006-8	\$827,000		0	\$827,000
14	3,6,7	4	2008-27	\$567,000		0	\$567,000
15	16A	4	2013-2	\$81,000		0	\$81,000
16	19	4	2008-27	\$51,000		0	\$51,000
17	20	4	2008-27	\$52,000		0	\$52,000
18	1	2	2008-27	\$78,000		0	\$78,000
TOTALS				\$5,476,000	\$55,500	\$469,000	\$6,000,000

Appraisal Qualifications

Kim M. Wold

EXPERIENCE

Employed by the Ketchikan Gateway Borough from January 1976 to October 1978 as a Junior Appraiser with subsequent advancement to an Appraiser position. The position involved the revaluation of approximately 5,000 properties within the Ketchikan Gateway Borough.

Founded Alaska Appraisal Associates, Inc. and served as President and Chief Appraiser from October 1978 to present. Also associated during this period with Hugh A. Thompson and Associates Inc. of Redmond, Washington.

PROFESSIONAL TRAINING

Attended numerous and appraisal related courses presented by the American Institute of Real Estate Appraisers, Northwest Center for Professional Education, Marshall Valuation Service, University of Alaska, and the International Right of Way Association.

Completed courses sponsored by the American Institute of Real Estate Appraisers and the Appraisal Institute in conjunction with the University of Portland, University of Colorado, University of San Diego, and Arizona State University. These courses include:

Basic Valuation Principles 1978	-	Course 1A
Residential Valuation 1978	-	Course 8
Capitalization Theory 1979	-	Course 1B
Case Studies 1981	-	Course 2-1
Appraisal Report Writing 1981	-	Course 2-2
Investment Analysis 1982	-	Course 6
Standards of Professional Practice 1983	-	Course 2-3
Litigation Valuation 1985	-	Course 4
Standards of Professional Practice 1991	-	Course 410/420
State Certification/License - Residential 1991		
State Certification/License - Commercial 1991		
Highest & Best Use and Market Analysis, 1993	-	Course 520
Advanced Residential Report Writing, 1995	-	Course 500
Standards of Professional Practice, 1997	-	Course 410/420
Automated Valuation Models, 1999		
Technical Inspection of Real Estate, 1999		
Internet and Appraising, 1999		
Standards of Professional Practice, 2000	-	Course 410/420
Law and Value; Communication Corridors, Tower Sites, and Property Rights, 2001		
Attacking & Defending an Appraisal in Litigation, 2001		
Valuation of Detrimental Conditions in Real Estate, 2002		

Appraisal Litigation Practice and
 Courtroom Management, 2003
 The Road Less Traveled; Special Purpose Properties, 2004
 Hospitality Properties, 2004
 Standards of Professional Practice, 2004
 Rates & Ratios; Making Sense of GIMs, OARs & DCF, 2004
 Supporting Capitalization Rates, 2004
 Condominiums, Co-Ops, and PUDs, 2006
 What Clients Would Like Their Appraisers to Know, 2006
 Residential Highest and Best Use, 2007
 Standards of Professional Practice, 2007
 Current Issues and Misconceptions in the Appraisal Process, 2007
 Business Practices and Ethics, 2009
 Uniform Standards of Professional Appraisal Practice, 2009
 Highest and Best Use and Market Analysis, 2009
 Understanding the New Interagency Appraisal and Evaluation Guidelines, 2011
 General Appraiser Site Valuation & Cost Approach, 2011
 Self Storage: Emerging Core Asset, 2011
 Appraisal Curriculum Overview, 2011
 Fundamentals of Separating Real Property, Personal Property,
 and Intangible Business Assets, 2012
 Standards of Professional Practice, 2013
 Uniform Standards of Professional Appraisal Practice Update, 2014

PROFESSIONAL LICENSING

Licensed by the State of Alaska, Department of Commerce and Economic Development,
 Division of Occupational Licensing, in September, 1991 as a General Real Estate Appraiser.
 Current license expires June 30, 2015.

PROFESSIONAL AFFILIATIONS

Senior Member - National Association of Review Appraisers and
 Mortgage Underwriters
 Associated Member - Appraisal Institute
 Fee Appraiser - Federal Housing Authority (FHA/HUD #2218)

AREAS APPRAISED IN ALASKA

Areas in which appraisals have been completed include Bristol Bay, Bethel, Anchorage, Haines,
 Hoonah, Juneau, Yakutat, Sitka, Wrangell, Petersburg, Craig, Klawock, Hydaburg, Metlakatla,
 Thorne Bay, Hollis, Ketchikan, Unalaska, Chignik, St. Paul Island, and numerous remote
 locations throughout Southeast Alaska.

Appraisals have also been completed in the Seattle metropolitan area.

TYPES OF PROPERTIES APPRAISED

Single and multi-family residential, income producing properties, special purpose properties such as sawmills and fish processing plants, tidelands, logging camps, grocery stores, shopping centers, aviation facilities. Extensive experience appraising urban and remote acreage of varying highest and best uses such as residential, commercial, industrial, agricultural, forestry, mining claims, tidelands, recreational, etc.

TYPES OF APPRAISALS

Appraisals have been conducted for a multitude of purposes including market value, insurance, estate, ad valorem, eminent domain, charitable contributions, syndication, etc.

SPECIAL PROJECTS

Served as a member of the Ketchikan Gateway Borough Land Selection Committee evaluating municipal land selections (1980).

Appraised State lands in the Ketchikan and Prince of Wales Island area to assist in reconstituting the University of Alaska Land Trust (1987).

Served as a member of the Alaska Mental Health Land Valuation Panel evaluating Southeast Alaska lands to settle the Weiss v. State of Alaska litigation (1988).

Conducted physical and legal attribute identification of Southeast Alaska lands and improved properties for the reconstitution of the Mental Health Land Trust (1993).

PUBLISHED ARTICLES

No published articles in the preceding 10 years.

EXPERT WITNESS

Testified as an expert witness in proceedings before the U.S. Bankruptcy Court. Testified in the Superior Courts within the States of Alaska and Washington in regard to real estate and business valuations. Testified before the Boards of Equalization for the Ketchikan Gateway Borough and the City of Craig. Testified in Internal Revenue Service tax appeal hearings.

Specific Cases Testified – In re: Salmon Falls Resort, LLC, US Bankruptcy Case No. K09-00301-DMD; Trident Seafoods Corporation v. Commonwealth Insurance Company; Case No. 2010-CV-00214-RAJ; In re: Alaska Fur Gallery, US Bankruptcy Case No. A09-00196-DMD

APPRAISAL CLIENTS

Government Agencies - Federal Deposit Insurance Corporation, Alaska Native Health Service, Alaska Renewable Resource Corporation, Alaska Department of Natural Resources, Alaska State Building Authority, Alaska Housing Finance Corporation, Bureau of Indian Affairs, U.S. Department of Agriculture -Forest Service, Ketchikan Public Utilities, Metlakatla Housing Authority, National Oceanic & Atmospheric Administration.

Municipalities - Cities of Craig, Juneau, Klawock, Petersburg, Ketchikan, Thorne Bay; Ketchikan Gateway Borough.

Financial Institutions - Alaska Pacific Bank, Commercial Fisheries and Agricultural Cooperative Bank, First Bank of Ketchikan, First National Bank of Anchorage, Seafirst Mortgage Corporation, Tongass Federal Credit Union, Ward Cove Credit Union, KeyBank National Association, Wells Fargo Bank, Frontier Bank, Federal National Mortgage Association, First Heritage Bank, Alaska Growth Capital, Native American Bank, Cascade Bank, True North Federal Credit Union, Northrim Bank, Toyota Financial Services, Banner Bank

Fisheries - Craig Fisheries, E.C. Phillips Cold Storage, Ward Cove Packing Company, Wrangell Seafoods, Silver Lining Seafoods, Excursion Inlet Packing Co., Hoonah Seafoods, Canadian Fisheries Co., North Pacific Processors, Sitka Sound Seafoods, Norquest, YKI Fisheries, Salamataof Seafoods, Pacific Star Seafoods, Ocean Beauty Seafoods, Trident Seafoods, Pelican Seafoods, Westward Seafoods, Harbor Crown Seafoods, Alyeska Seafoods, Maruha Nircho, Silver Bay Seafoods

Forestry - Alaska Timber Corporation, Louisiana Pacific Corporation, Georgia Pacific Corporation, Pacific Forest Products, Mitkof Lumber, Wrangell Forest Products, Valentine Logging, Sealaska Timber Corporation, Whitestone Logging.

Native Corporations - AHTNA, Inc., Cape Fox Corporation, Sealaska Corporation, Shaan Seet Corporation, Kootznoowoo Inc., Klawock-Heenya Corporation, Ketchikan Indian Corporation, Tlingit-Haida Regional Housing Authority, Klukwan, Inc., Huna Totem

Tourism - Waterfall Resort, Yes Bay Lodge, Clover Pass Resort, Whale Pass Lodge, Hyda-Way Lodge, King Salmon Motel, Tides Inn, Royal Executive Suites, Scandia Inn, Beachcomber Inn, Driftwood Lodge, Mink Bay Lodge, Juneau Travel Lodge, Stikine Inn, Fireweed Lodge, Leonard's Landing, Sure Strike Lodge, El Capitan Lodge, Rocky Point Lodge, Juneau Hotel

Addenda

Land Sale No. 1**Property Identification**

Record ID 453
Property Type Land, Vacant
Address 4513 Halibut Point Rd, Sitka, Alaska

Sale Data

Grantor Richard E. Scheumann, et al
Grantee Charles & Nancy McGraw
Sale Date March 01, 2005
Deed Book/Page 2005-000324-0
Property Rights Fee & Leasehold
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$2,500,000
Upward Adjustment \$90,000 Leased fee interest
Downward Adjustment \$550,000 Improvements & travel lift
Adjusted Price \$2,040,000

Land Data

Zoning I, Industrial
Topography Terraced
Utilities W,S,T,E
Shape Irregular
Use at Sale Boat haul out and repair
Easements/Restrictions None
Site Improvements None

Land Size Information

Gross Land Size 5.086 Acres or 221,541 SF
Front Footage 576 ft Total Frontage: 576 ft Sitka Sound

Indicators

Sale Price/Gross Acre \$491,557 Actual or \$401,110 Adjusted
Sale Price/Gross SF \$11.28 Actual or \$9.21 Adjusted
Sale Price/Front Foot \$4,340 Actual or \$3,542 Adjusted

Legal Description

Lots 52, 53, and 55, USS 3475; ATS 1275, Lots B and C, ATS 1386; Lots 58A, B,C, and D, USS 3475, Sitka Recording District.

Remarks

This is a waterfront industrial parcel consisting of uplands and tidelands. The site has frontage on Halibut Point Road with direct access. There is deep water marine access. A portion of the tidelands was leased at \$7,112 per year, indicating a leased fee value of approximately \$90,000. Improvements included in the sale included a dock and travel lift having a contribution value of \$550,000. The property was developed with a cruise ship dock facility. The allocated value to the 179,507 square feet of uplands is \$10.72 per square foot. The unfilled tideland value was allocated at \$2.74 per square foot.

Land Sale No. 2**Property Identification**

Record ID	230
Property Type	Residential, Waterfront
Address	4056 S Tongass Highway, Ketchikan, Alaska
Location	South

Sale Data

Grantor	Gain Estate
Grantee	Gary & Leilani Lake
Sale Date	January 02, 2008
Deed Book/Page	2008-000003-0
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Cash
Verification	Confirmed by Kim M. Wold

Sale Price	\$850,000
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Land Data

Zoning	RH/RL, Residential
Topography	Level
Utilities	T,E
Shape	Irregular
Use at Sale	Mobile Home Park
Easements/Restrictions	None
Site Improvements	Clearing, grading

Land Size Information

Gross Land Size	3.190 Acres or 138,956 SF
Front Footage	1008 ft Total Frontage: 1008 ft Tongass Narrows

Indicators

Sale Price/Gross Acre	\$266,458
Sale Price/Gross SF	\$6.12
Sale Price/Front Foot	\$843

Legal Description

Lot 3, subdivision of a portion of USS 1697, Plat 2007-37, Ketchikan Recording District.

Remarks

This is an old, dilapidated mobile home park that is being replatted into a residential subdivision. The site had several mobile homes that the purchaser was required to give vacation notice and incur the costs of removing the mobile homes. There was a single family residence on the site that had no contribution value. A significant portion of the site area is below the high tide mark and cannot be developed. There is a stream flowing through the westerly portion of the property that is undevelopable and composes approximately 10 percent of the site area.

Land Sale No. 3**Property Identification**

Record ID 426
Property Type Land, Waterfront
Address 111 JT Brown St, Craig, Alaska 99921

Sale Data

Grantor City of Craig
Grantee Silver Bay Seafoods
Sale Date September 22, 2009
Deed Book/Page 2009-002976-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$542,725 Capitalized Lease

Land Data

Zoning I, Industrial
Topography Level Upland/Submerged Tideland
Utilities W,S,T,E
Shape Irregular
Use at Sale Commercial
Easements/Restrictions None
Site Improvements None

Land Size Information

Gross Land Size 1.744 Acres or 75,957 SF
Uplands Land Size 1.495 Acres or 65,135 SF , 85.75%
Wetlands Land Size 0.248 Acres or 10,822 SF , 14.25%

Indicators

Sale Price/Gross Acre \$311,243
Sale Price/Gross SF \$7.15
Sale Price/Uplands Acre \$362,955
Sale Price/Uplands SF \$8.33

Legal Description

Portion of Lot 2 and Lot 3, False Island Subdivision, Plat No. 2001-15, Ketchikan Recording District.

Remarks

This is an industrial waterfront site consisting of uplands and tidelands in the False Island Industrial Park. The property is located approximately two miles north of downtown Craig. This is part of a transaction that involved a processing building that was also leased to Silver Bay Seafoods. The indicated upland value is \$8.00 per square foot. The indicated tideland value is \$2.00 per square foot.

Land Sale No. 4

Property Identification

Record ID 388
Property Type Industrial, Marine Industrial
Property Name Petersburg Shipyard
Address 916 Nordic Drive, Petersburg, Alaska 99833

Sale Data

Grantor Petersburg Shipwrights, Inc
Grantee Piston & Rudder Service, Inc.
Sale Date June 30, 2011
Deed Book/Page 2011-000451-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$1,350,000
Downward Adjustment \$1,082,000 Buildings, Personal Property, and Intangibles
Adjusted Price \$268,000

Land Data

Zoning Waterfront Industrial
Topography Sloping
Utilities W,S,T,E
Shape Irregular
Use at Sale Shipyard
Easements/Restrictions None Noted
Site Improvements Clearing, Grading, Levelling

Land Size Information

Gross Land Size 1.294 Acres or 56,356 SF
Uplands Land Size 0.115 Acres or 5,000 SF , 8.87%
Wetlands Land Size 1.179 Acres or 51,356 SF , 91.13%

Indicators

Sale Price/Gross Acre \$1,043,474 Actual or \$207,149 Adjusted
Sale Price/Gross SF \$23.95 Actual or \$4.76 Adjusted
Sale Price/Uplands Acre \$11,761,200 Actual or \$2,334,816 Adjusted
Sale Price/Uplands SF \$270.00 Actual or \$53.60 Adjusted

Legal Description

Several parcels, retained in appraiser's file.

Remarks

This is a sale of marine industrial property in Petersburg that houses a shipyard. The sale included improvements, personal property, and goodwill. The purchaser indicated that the improvements are valued at \$545,000, the personal property including inventory is valued at \$402,000, and the goodwill is valued at \$135,000. There is also an ARMY Corps of Engineers permit that went along with the sale. This was an arm's length transaction. The upland price allocation is \$12 per square foot. The tideland price allocation is \$2.87 per square foot.

Land Sale No. 5**Property Identification**

Record ID 472
Property Type Industrial, Waterfront
Address 301-307 Front Street, Hoonah, Alaska

Sale Data

Grantor Dignon Co., Inc.
Grantee Alaska Seafood Holdings, Inc.
Sale Date May 25, 2012
Deed Book/Page 2012-000792-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$5,220,000
Downward Adjustment \$4,925,000 Imps & Bus. Enterprise
Adjusted Price \$295,000

Land Data

Zoning CI, Commercial Industrial
Topography Level uplands
Utilities W,S,T,E
Shape Irregular
Use at Sale Industrial
Easements/Restrictions Slope & Utility
Site Improvements Clearing & Grading

Land Size Information

Gross Land Size 1.560 Acres or 67,964 SF
Useable Land Size 1.560 Acres or 67,964 SF , 100.00%

Indicators

Sale Price/Gross Acre \$3,345,642 Actual or \$189,074 Adjusted
Sale Price/Gross SF \$76.81 Actual or \$4.34 Adjusted
Sale Price/Useable Acre \$3,345,642 Actual or \$189,074 Adjusted
Sale Price/Useable SF \$76.81 Actual or \$4.34 Adjusted

Legal Description

Lots T-22 and T-23, Tidelands Addition to City of Hoonah, Plat 109, and a portion of ATS 29, and a portion of USS 2577, Sitka Recording District. (Full metes and bounds description retained in appraiser's files).

Remarks

This is an assembled parcel located near the center of downtown Hoonah. The parcel consists of approximately 6,000 square feet of uplands and filled tidelands. There are 61,964 square feet of tidal and submerged lands. The site has good water marine access. The site was improved with a going concern seafood processing and cold storage facility that was sold. The upland land was allocated a value of \$13 per square foot and the tidelands were allocated at \$3.50 per square foot.

Pending Land Sale No. 6**Property Identification**

Record ID 473
Property Type Commercial, Waterfront
Address Alice Loop Road, Sitka, Alaska

Sale Data

Grantor Shee Atika, Inc.
Grantee Sitka Tribe of Alaska
Closing Date December 31, 2014
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Contract Price \$604,000

Land Data

Zoning W, Waterfront
Topography Level
Utilities W,S,T,E
Shape Irregular
Use at Sale Vacant
Easements/Restrictions None
Site Improvements Clearing & Grading

Land Size Information

Gross Land Size 2.053 Acres or 89,433 SF

Indicators

Sale Price/Gross Acre \$294,189
Sale Price/Gross SF \$6.75

Legal Description

Lot 11, Alice & Charcoal Subdivision, Sitka Recording District.

Remarks

This is a site located in Sitka. The purchaser intends to use the site as a bus facility. The contract was entered into in 2011; however, due to government funding, still has not closed.

Land Sale No. 7**Property Identification**

Record ID 474
Property Type Industrial
Address 4620 Sawmill Creek Road, Sitka, Alaska

Sale Data

Grantor City and Borough of Sitka
Grantee Silver Bay Seafoods LLC
Sale Date October 28, 2009
Deed Book/Page 2009-001657-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$245,000

Land Data

Zoning IL, Light Industrial
Topography Level
Utilities W,S,T,E
Shape Irregular
Use at Sale Industrial
Easements/Restrictions None
Site Improvements Clearing & Grading

Land Size Information

Gross Land Size 1.144 Acres or 49,846 SF

Indicators

Sale Price/Gross Acre \$214,103
Sale Price/Gross SF \$4.92

Legal Description

Lot 22, Block 4, Sawmill Cove Industrial Park Subdivision No. 1, Sitka Recording District.

Remarks

This is an irregular shaped parcel having frontage on Sawmill Creek Road but no direct access. The parcel is below highway grade. Primary access is from an improved interior roadway within the Gary Paxton Industrial park. The site was improved with an old, dilapidated building remaining from the prior pulp mill operation. The building was unusable at the time of sale and contributed no value to the sales price.

Land Sale No. 8**Property Identification**

Record ID	203
Property Type	Commercial
Address	6104 Ridgewood St, Ketchikan, Alaska
Location	North Tongass

Sale Data

Grantor	Walton Properties
Grantee	S&S Construction
Sale Date	December 23, 2010
Deed Book/Page	2010-004180-0
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Cash
Verification	Confirmed by Kim M. Wold

Sale Price	\$800,000
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Land Data

Zoning	CG, General Commercial
Topography	Gently undulating
Utilities	T,E
Shape	Irregular
Use at Sale	Vacant
Easements/Restrictions	Sewer, Slope
Site Improvements	Clearing, grading

Land Size Information

Gross Land Size	5.355 Acres or 233,264 SF
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Indicators

Sale Price/Gross Acre	\$149,393
Sale Price/Gross SF	\$3.43

Legal Description

Lot 2, Block 4, Crowder/Karlson Subdivision, Plat 2006-31, Ketchikan Recording District.

Remarks

This is a portion of the former Ridgewood Mobile Home Park located off North Tongass Highway. The property is accessed off Don King Road. The site is partially graded as part of a mobile home park. This area is overgrown with alder after closure of the mobile home park. Unstable soils comprise the northerly portion of the site. A stream flows across the westerly portion of the site. This area is forested and will require site development and fill. The site was purchased for equipment storage and operation of a concrete batch plant.

Land Sale No. 9**Property Identification**

Record ID 475
Property Type Commercial, Commercial
Address Harbor Way, Hoonah, Alaska

Sale Data

Grantor City of Hoonah
Grantee Huna Fish Company LLC
Sale Date September 14, 2011
Deed Book/Page 2012-000826-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$27,600

Land Data

Zoning CI, Commercial Industrial
Topography Level
Utilities W,S,T,E
Shape Rectangular
Use at Sale Commercial
Easements/Restrictions Utility
Site Improvements Clearing & Grading

Land Size Information

Gross Land Size 0.158 Acres or 6,903 SF

Indicators

Sale Price/Gross Acre \$174,164
Sale Price/Gross SF \$4.00

Legal Description

Lot L-21C, ATS 29, Plat 2010-8, Sitka Recording District.

Remarks

This is a site located in a city industrial park. This is the purchase of the fee simple interest in the land underneath an existing commercial processing business. The site has good utility.

Land Sale No. 10**Property Identification**

Record ID 476
Property Type Commercial, Commercial
Address Harbor Way, Hoonah, Alaska

Sale Data

Grantor City of Hoonah
Grantee Dennis Mayer, et al
Sale Date August 17, 2012
Deed Book/Page 2012-001202-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$83,795

Land Data

Zoning CI, Commercial Industrial
Topography Level
Utilities W,S,T,E
Shape Irregular
Use at Sale Vacant
Easements/Restrictions Utility
Site Improvements Clearing & Grading

Land Size Information

Gross Land Size 0.474 Acres or 20,657 SF

Indicators

Sale Price/Gross Acre \$176,701
Sale Price/Gross SF \$4.06

Legal Description

Lot 4A, Hoonah Harbor Subdivision, Plat 2010-9, Sitka Recording District.

Remarks

This is a parcel located in a city industrial park. The parcel has a corner location with platted street frontage on two sides. The site has good utility for commercial development.

Land Sale No. 11**Property Identification**

Record ID 477
Property Type Industrial, Industrial
Address 4644 Sawmill Creek Road, Sitka, Alaska

Sale Data

Grantor City of Sitka
Grantee Silver Bay Seafoods, LLC
Sale Date February 20, 2013
Deed Book/Page 2013-000220-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$235,000

Land Data

Zoning I, Industrial
Topography Level
Utilities W,S,T,E
Shape Irregular
Use at Sale Vacant
Easements/Restrictions None
Site Improvements Clearing & Grading

Land Size Information

Gross Land Size 1.526 Acres or 66,491 SF

Indicators

Sale Price/Gross Acre \$153,955
Sale Price/Gross SF \$3.53

Legal Description

Lot 16-A, Sawmill Cove Industrial Park, Sitka Recording District.

Remarks

This is an irregular shaped parcel of land located in the Gary Paxton Industrial Park. The site had improved road frontage. The property was purchased for construction of a bunkhouse.

Land Sale No. 12**Property Identification**

Record ID 478
Property Type Industrial, Industrial
Address 202 Jarvis St, Sitka, Alaska

Sale Data

Grantor John R. Dawson Revocable Living Trust
Grantee Orca Holdings LLC
Sale Date August 17, 2013
Deed Book/Page 2013-001038-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$1,092,000
Downward Adjustment \$349,000 Less Improvements
Adjusted Price \$743,000

Land Data

Zoning I, Industrial
Topography Level
Utilities W,S,T,E
Shape Irregular
Use at Sale Industrial
Easements/Restrictions None
Site Improvements Clearing & Grading

Land Size Information

Gross Land Size 2.638 Acres or 114,903 SF

Indicators

Sale Price/Gross Acre \$413,980 Actual or \$281,673 Adjusted
Sale Price/Gross SF \$9.50 Actual or \$6.47 Adjusted

Legal Description

Lot A, Amended Dawson Subdivision, Plat 90-104, Sitka Recording District.

Remarks

This is a level site that was sold as part of a going concern ready mix and equipment rental business. The site has restricted visibility, but otherwise has above average locational attributes.

Land Sale No. 13**Property Identification**

Record ID 137
Property Type Industrial, Waterfront
Address Mile 6 N Tongass Hwy, Ketchikan, Alaska
Location North Tongass

Sale Data

Grantor Ketchikan Gateway Borough
Grantee Boyer Towing, Inc.
Sale Date October 31, 2005
Deed Book/Page 2005-004742-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$603,750

Land Data

Zoning IH, Heavy Industrial
Topography Sloping upland, submerged tidelands
Utilities T,E
Shape Irregular
Use at Sale Vacant
Easements/Restrictions Typical
Site Improvements None

Land Size Information

Gross Land Size 14.580 Acres or 635,105 SF
Uplands Land Size 3.000 Acres or 130,680 SF , 20.58%
Wetlands Land Size 11.580 Acres or 504,424 SF , 79.42%
Front Footage 888 ft Total Frontage:

Indicators

Sale Price/Gross Acre \$41,409
Sale Price/Gross SF \$0.95
Sale Price/Uplands Acre \$201,250
Sale Price/Uplands SF \$4.62
Sale Price/Front Foot \$680

Legal Description

Tract 3015 of the Ward Cove SE Replat, subdivision of portions of ATS No. 1 and USS 1208, Plat 2005-30, Ketchikan Recording District

Remarks

A narrow strip of uplands extending along the North Tongass Highway right-of-way. The uplands slope to the mean high water line. The tidelands are submerged with deep water moorage capability. The upland area is allocated a value of \$2.75 per square foot. The tideland value allocation is \$0.48 per square foot.

Land Sale No. 14**Property Identification**

Record ID 138
Property Type Industrial, Waterfront
Address Mile 6 N Tongass Hwy, Ketchikan, Alaska
Location North Tongass

Sale Data

Grantor Ketchikan Gateway Borough
Grantee Joergen Schade
Sale Date October 31, 2005
Deed Book/Page 2005-004625-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$304,900

Land Data

Zoning IH, Heavy Industrial
Topography Sloping uplands/submerged tidelands
Utilities T,E
Shape Irregular
Use at Sale Vacant
Easements/Restrictions Typical
Site Improvements None

Land Size Information

Gross Land Size 11.780 Acres or 513,137 SF
Uplands Land Size 0.230 Acres or 10,000 SF , 1.95%
Wetlands Land Size 11.550 Acres or 503,137 SF , 98.05%
Front Footage 672 ft Total Frontage:

Indicators

Sale Price/Gross Acre \$25,883
Sale Price/Gross SF \$0.59
Sale Price/Uplands Acre \$1,328,144
Sale Price/Uplands SF \$30.49
Sale Price/Front Foot \$454

Legal Description

Tract 3013 of the Ward Cove SE Replat, subdivision of portions of ATS No. 1 and USS 1653, Plat 2005-30, Ketchikan Recording District.

Remarks

A narrow strip of sloping uplands lying to the water side of the North Tongass Highway. The tidelands are submerged with deep water moorage capacity. The value allocated to the uplands is \$3.50 per square foot. The tideland value allocation is \$0.54 per square foot.

Land Sale No. 15**Property Identification**

Record ID 136
Property Type Industrial, Waterfront
Address Mile 7 N Tongass Hwy, Ketchikan, Alaska
Location North Tongass

Sale Data

Grantor Ketchikan Gateway Borough
Grantee Joergen Schade
Sale Date October 28, 2005
Deed Book/Page 2005-004354
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$682,000
Downward Adjustment \$40,000 Improvements
Adjusted Price \$642,000

Land Data

Zoning IH, Heavy Industrial
Topography Level to steep
Utilities T,E
Shape Irregular
Use at Sale Dock
Easements/Restrictions Typical
Site Improvements Dock, ramp, float

Land Size Information

Gross Land Size 8.070 Acres or 351,529 SF
Uplands Land Size 2.094 Acres or 91,215 SF , 25.95%
Wetlands Land Size 5.976 Acres or 260,315 SF , 74.05%
Front Footage 918 ft Total Frontage:

Indicators

Sale Price/Gross Acre \$79,554 Adjusted
Sale Price/Gross SF \$1.83 Adjusted
Sale Price/Uplands Acre \$306,590 Adjusted
Sale Price/Uplands SF \$7.04 Adjusted
Sale Price/Front Foot \$699 Adjusted

Legal Description

Tract 3011 of the eWard Cove SE Replat, subdivision of ATS No. 1, and ATS 439, and portions of USS 1653 and 1656, Plat No. 2005-30, Ketchikan Recording District.

Remarks

An upland parcel extending along the North Tongass Highway consisting of natural and filled, level lands. A driveway and parking area have been developed on a portion of the property. The tidelands consist mostly of submerged lands suitable for deep water moorage. There was a float and ramp developed on the tidelands that were allocated a value of \$40,000. The value allocated to the uplands is \$5.00 per square foot. The tideland value allocation is \$0.72 per square foot.

Land Sale No. 16**Property Identification**

Record ID	342
Property Type	Industrial, Waterfront
Address	7599 North Tongass Hwy, Ketchikan, Alaska 99901
Location	Wards Cove

Sale Data

Grantor	Ketchikan Gateway Borough
Grantee	State of Alaska
Sale Date	June 08, 2010
Deed Book/Page	2010-002006-0
Property Rights	Fee Simple
Conditions of Sale	Normal
Verification	Confirmed by Kim M. Wold

Sale Price	\$2,640,000
Downward Adjustment	\$1,170,000 Less Improvements
Adjusted Price	\$1,470,000

Land Data

Zoning	IH, Heavy Industrial
Topography	Level
Utilities	T,E
Shape	Irregular
Use at Sale	Industrial
Easements/Restrictions	Yes
Site Improvements	Clearing, grading, asphalt pavement

Land Size Information

Gross Land Size	30.000 Acres or 1,306,800 SF
Uplands Land Size	9.500 Acres or 413,820 SF , 31.67%
Wetlands Land Size	20.500 Acres or 892,980 SF , 68.33%

Indicators

Sale Price/Gross Acre	\$49,000 Adjusted
Sale Price/Gross SF	\$1.12 Adjusted
Sale Price/Uplands Acre	\$154,737 Adjusted
Sale Price/Uplands SF	\$3.55 Adjusted

Legal Description

Lot 3A, Plat 2010-19, Ketchikan Recording District.

Remarks

This is a waterfront industrial site consisting of uplands and submerged lands. The site has level access off North Tongass Highway. The tidelands lie within Wards Cove and are considered to be well protected. The loading capacity of the soils is considered good. The property was improved with a Class S industrial building originally constructed in 2000 to house a veneer plant. The veneer plant subsequently failed and the property was repossessed by Ketchikan Gateway Borough. The building was essentially a shell with several raised concrete foundations which impaired its utility. The building was allocated a value of \$1,170,000. The land value was allocated \$2.30 per square foot for the uplands and \$0.58 per square foot for the tidelands.

Land Sale No. 17**Property Identification**

Record ID 479
Property Type Industrial, Waterfront
Address 4513 Halibut Pt Road, Sitka, Alaska

Sale Data

Grantor State of Alaska, DNR
Grantee Halibut Point Marine
Sale Date August 15, 2011
Property Rights Lease
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$290,625 Capitalized Lease

Land Data

Zoning I, Industrial
Topography Submerged
Utilities W,S,T,E
Shape Irregular
Use at Sale Industrial
Easements/Restrictions None
Site Improvements None

Land Size Information

Gross Land Size 6.120 Acres or 266,587 SF

Indicators

Sale Price/Gross Acre \$47,488
Sale Price/Gross SF \$1.09

Legal Description

ATS 1687, Portion of Lot 51 and all of Lots 52, 53, and 55, USS 3475, and adjacent tidelands of Tracts B and C of ATS 1386 and entire ATS 1275, Sitka Recording District.

Remarks

This is a parcel of tideland that is predominantly submerged. The tidelands have deep water attributes and are used to support a cruise ship dock. The tidelands extend beyond the dock face. The annual rent is \$23,250 which, when capitalized at 8 percent, equals a fee simple value of \$290,625.

Land Sale No. 18**Property Identification**

Record ID	273
Property Type	Land, Residential
Address	800 Bk Miller Ridge Rd, Ketchikan, Alaska
Location	Bear Valley

Sale Data

Grantor	Robert H. Ziegler, Jr.
Grantee	Jerry & Candi Scudero
Sale Date	March 03, 2008
Deed Book/Page	2008-000791-0
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Cash
Verification	Confirmed by Kim M. Wold

Sale Price	\$100,000
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Land Data

Zoning	RM, Medium Density Residential
Topography	Steep Slope
Utilities	None
Shape	Irregular
Use at Sale	Vacant
Easements/Restrictions	Yes
Site Improvements	None

Land Size Information

Gross Land Size	4.594 Acres or 200,103 SF
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Indicators

Sale Price/Gross Acre	\$21,769
Sale Price/Gross SF	\$0.50

Legal Description

That certain unsubdivided remainder of Treetops Addition to Highlands Subdivision of portions of Eureka and Home Lode, USMS 769, Phase II, Plat No. 93-42, Ketchikan Recording District.

Remarks

This is a tract of land lying adjacent to the Highlands Subdivision and the adjoining Bear Valley Subdivision. Access is available via Miller Ridge Road and Summit Terrace. The site has second growth conifer tree cover. Utilities are available in Miller Ridge Road and Summit Terrace. This was a speculative land purchase. The property is encumbered with easements for access, slope, utility, etc.

Land Sale No. 19**Property Identification**

Record ID 383
Property Type Land, Vacant
Address NHN Indian River Road, Sitka, Alaska 99835

Sale Data

Grantor Sheldon Jackson College
Grantee Baranof Island Housing Authority
Sale Date April 02, 2009
Deed Book/Page 2009-000443-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$1,800,000

Land Data

Zoning N/A, None
Topography Rugged
Utilities T,E
Shape Irregular
Use at Sale Vacant
Easements/Restrictions None Noted
Site Improvements Some Clearing

Land Size Information

Gross Land Size 215.000 Acres or 9,365,400 SF
Front Footage Indian River Road; Sawmill Creek Road

Indicators

Sale Price/Gross Acre \$8,372
Sale Price/Gross SF \$0.19

Legal Description

Lots 5, 7, and 8, Sheldon Jackson College Subdivision, according to Plat 2008-9, Sitka Recording district.

Remarks

This is a large tract of land located in Sitka. Approximately 10 acres are quarried while the rest remains undeveloped. Portions of the property are very steep in topography. This is considered an arm's length transaction with normal conditions of sale. This sale is analyzed based on the price allocated to Lot 5 only.

Land Sale No. 20**Property Identification**

Record ID	318
Property Type	Future Development, Vacant
Address	D-1 Loop Road, Ketchikan, Alaska 99901
Location	D-1 Loop

Sale Data

Grantor	Ketchikan Gateway Borough
Grantee	Marble Island LLC
Sale Date	December 06, 2010
Deed Book/Page	2010-003975-0
Property Rights	Fee Simple
Conditions of Sale	Normal
Financing	Cash
Verification	Confirmed by Kim M. Wold

Sale Price	\$69,000
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Land Data

Zoning	FD, Future Development
Topography	Sloping
Utilities	T,E
Shape	Triangular
Use at Sale	Vacant
Easements/Restrictions	Yes
Site Improvements	None

Land Size Information

Gross Land Size	28.970 Acres or 1,261,933 SF
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Indicators

Sale Price/Gross Acre	\$2,382
Sale Price/Gross SF	\$0.05

Legal Description

Tract J, ASLS 81-39, Plat 81-24, Ketchikan Recording District.

Remarks

This is a large tract of land located behind D-1 Loop Road. The site has direct access. Portions of the site have been filled with wood waste. There is a good view amenity. The purchaser obtained a site closure permit from the Alaska Department of Environmental Conservation. The proposed use is for a residential subdivision and light industrial.

Land Sale No. 21**Property Identification**

Record ID 417
Property Type Land, Vacant
Address Hugli Avenue, Ketchikan, Alaska 99901

Sale Data

Grantor Estate of Larri Joe Ferguson
Grantee James J. Annicelli, JR.
Sale Date December 08, 2011
Deed Book/Page 2011-003633-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$155,500

Land Data

Zoning RL, Residential
Topography Moderate Slope
Utilities W,S,T,E
Shape Irregular
Use at Sale Vacant
Site Improvements Some clearing and grading

Land Size Information

Gross Land Size 5.494 Acres or 239,329 SF

Indicators

Sale Price/Gross Acre \$28,302
Sale Price/Gross SF \$0.65

Legal Description

Tract A-1-A Ferguson/KGB Subdivision, according to Plat No. 2001-25, Ketchikan Recording District, First Judicial District, State of Alaska.

Remarks

This is a sale involving a large residential parcel in Ketchikan. The parcel has access via Hugli Avenue which is a gravel surfaced road. There is potential for good view amenity. The parcel has areas of steep slope that would be difficult to develop. There is a small road and pad in place on the property. This is considered an arm's length transaction.

Land Sale No. 22**Property Identification**

Record ID 481
Property Type Land, Vacant
Address Yaw Drive, Sitka, Alaska

Sale Data

Grantor Baranof Island Housing Authority
Grantee AK Dept of Public Safety
Sale Date May 21, 2012
Deed Book/Page 2012-000771-0
Property Rights Fee Simple
Conditions of Sale Normal
Financing Cash
Verification Confirmed by Kim M. Wold

Sale Price \$485,000

Land Data

Zoning R2, Residential
Topography Sloping
Utilities None
Shape Irregular
Use at Sale Vacant
Easements/Restrictions None
Site Improvements None

Land Size Information

Gross Land Size 40.334 Acres or 1,756,927 SF

Indicators

Sale Price/Gross Acre \$12,025
Sale Price/Gross SF \$0.28

Legal Description

Lot 5A, Plat 2012-2, Department of Public Safety Subdivision, Sitka Recording District.

Remarks

This is semi-remote site that is to become part of the Alaska Department of Public Safety training facility. The parcel is undeveloped with muskeg and forest lands. The topography ranges from gentle to steep slopes. The intended use is for a trooper driver training course.

Comparable Land Sales Adjustment Grid							
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Address:	Lot 4	4513 Halibut Point Rd	4056 S Tongass Highway	111 JT Brown St	916 Nordic Drive	301-307 Front Street	Alice Loop Road
City:		Sitka	Ketchikan	Craig	Petersburg	Hoonah	Sitka
Date of Sale:		1-Mar-05	2-Jan-08	22-Sep-09	30-Jun-11	25-May-12	31-Dec-14
Sales Price:		\$2,040,000	\$850,000	\$542,725	\$268,000	\$295,000	\$604,000
Allocated Sales Price/ SF Uplands:		\$9.21	\$6.12	\$8.00	\$12.00	\$13.00	\$6.75
Property Rights:	Fee Simple	Fee & Leasehold	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment							
Financing:	Cash	Cash	Cash	Cash	Cash	Cash	Cash
% Adjustment							
Conditions of Sale	Normal	Normal	Normal	Normal	Normal	Normal	Normal
% Adjustment							
Economic Trends	10/29/2014	3/1/2005	1/2/2008	9/22/2009	6/30/2011	5/25/2012	12/31/2014
Months Elapsed		117.63	83.07	62.10	40.57	29.57	-2.10
% Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/SF		\$9.21	\$6.12	\$8.00	\$12.00	\$13.00	\$6.75
Location	Average	Superior	Similar	Similar	Superior	Superior	Inferior
% Adjustment							
\$ Adjustment		(\$3.00)	\$0.00	\$0.00	(\$3.00)	(\$4.00)	\$1.00
Upland Size (SF):	26,031	179,507	138,956	65,135	5,000	6,000	89,433
Comparison		Inferior	Inferior	Inferior	Superior	Superior	Inferior
% Adjustment							
\$ Adjustment		\$1.50	\$1.25	\$1.00	(\$2.00)	(\$2.00)	\$1.25
Topography	Level	Terraced	Level	Level	Level	Level	Level
Comparison		Inferior	Similar	Similar	Similar	Similar	Similar
% Adjustment							
\$ Adjustment		\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Utilities	W,S,T,E	W,S,T,E	T,E	W,S,T,E	W,S,T,E	W,S,T,E	W,S,T,E
Comparison		Similar	Inferior	Similar	Similar	Similar	Similar
% Adjustment							
\$ Adjustment		\$0.00	\$0.50	\$0.00	\$0.00	\$0.00	\$0.00
Zoning	WI	I	RH/RL	I	WI	CI	W
Comparison		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment							
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Easements	Access/Util	None	None	None	None	None	None
Comparison		Superior	Superior	Superior	Superior	Superior	Superior
% Adjustment							
\$ Adjustment		(\$0.40)	(\$0.40)	(\$0.40)	(\$0.40)	(\$0.40)	(\$0.40)
Net Adjustments:		(\$0.90)	\$1.35	\$0.60	(\$5.40)	(\$6.40)	\$1.85
Adjusted Price/Sq. Ft.:		\$8.31	\$7.47	\$8.60	\$6.60	\$6.60	\$8.60
Average Price/Sq.Ft.:		\$7.70					
Reconciled Price/Sq.Ft.:		\$8.00					

Comparable Land Sales Adjustment Grid							
Subject		Comparable 7	Comparable 8	Comparable 9	Comparable 10	Comparable 11	Comparable 12
Address:	Lot 12	4620 Sawmill Creek Road	6104 Ridgewood St	Harbor Way	Harbor Way	4644 Sawmill Creek Road	202 Jarvis St
City:		Sitka	Ketchikan	Hoonah	Hoonah	Sitka	Sitka
Date of Sale:		28-Oct-09	23-Dec-10	14-Sep-11	17-Aug-12	20-Feb-13	17-Aug-13
Sales Price:		\$245,000	\$800,000	\$27,600	\$83,795	\$235,000	\$743,000
Sales Price/SF:		\$4.92	\$3.43	\$4.00	\$4.06	\$3.53	\$6.47
Property Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment							
Financing:	Cash	Cash	Cash	Cash	Cash	Cash	Cash
% Adjustment							
Conditions of Sale	Normal	Normal	Normal	Normal	Normal	Normal	Normal
% Adjustment							
Economic Trends	10/29/2014	10/28/2009	12/23/2010	9/14/2011	8/17/2012	2/20/2013	8/17/2013
Months Elapsed		60.90	46.87	38.03	26.77	20.53	14.60
% Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/SF		\$4.92	\$3.43	\$4.00	\$4.06	\$3.53	\$6.47
Location	Average	Similar	Similar	Inferior	Inferior	Similar	Superior
% Adjustment							
\$ Adjustment		\$0.00	\$0.00	\$1.00	\$1.00	\$0.00	(\$2.00)
Size (SF)	117,608	49,846	233,264	6,903	20,657	66,491	114,903
Comparison		Superior	Inferior	Superior	Superior	Superior	Similar
% Adjustment							
\$ Adjustment		(\$0.50)	\$0.50	(\$1.00)	(\$1.00)	(\$0.50)	\$0.00
Topography/Soils	Level	Level	Level	Level	Level	Level	Level
Comparison		Similar	Inferior	Similar	Similar	Similar	Similar
% Adjustment							
\$ Adjustment		\$0.00	\$0.50	\$0.00	\$0.00	\$0.00	\$0.00
Utilities	W,S,T,E	W,S,T,E	T,E	W,S,T,E	W,S,T,E	W,S,T,E	W,S,T,E
Comparison		Similar	Inferior	Similar	Similar	Similar	Similar
% Adjustment							
\$ Adjustment		\$0.00	\$0.50	\$0.00	\$0.00	\$0.00	\$0.00
Zoning	CG	IL	CG	CI	CI	I	I
Comparison		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment							
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Easements	None	None	Sewer, Slope	Utility	Utility	None	None
Comparison		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment							
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Adjustments:		(\$0.50)	\$1.50	\$0.00	\$0.00	(\$0.50)	(\$2.00)
Adjusted Price/Sq. Ft.:		\$4.42	\$4.93	\$4.00	\$4.06	\$3.03	\$4.47
Average Price/Sq.Ft.:		\$4.15					
Reconciled Price/Sq.Ft.:		\$4.50					

Comparable Land Sales Adjustment Grid						
	Subject	Comparable 13	Comparable 14	Comparable 15	Comparable 16	Comparable 17
Address:	ATS 1	Mile 6 N Tongass Hwy	Mile 6 N Tongass Hwy	Mile 7 N Tongass Hwy	7599 North Tongass Hwy	4513 Halibut Pt Road
City:	Sitka	Ketchikan	Ketchikan	Ketchikan	Ketchikan	Sitka
Date of Sale:		31-Oct-05	31-Oct-05	28-Oct-05	8-Jun-10	15-Aug-11
Sales Price:		\$603,750	\$304,900	\$642,000	\$1,470,000	\$290,625
Allocated Sales Price/ SF Tidelands:		\$0.48	\$0.54	\$0.72	\$0.58	\$1.09
Property Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Lease
% Adjustment						
Financing:	Cash	Cash	Cash	Cash	Cash	Cash
% Adjustment						
Conditions of Sale	Normal	Normal	Normal	Normal	Normal	Normal
% Adjustment						
Economic Trends	10/29/2014	10/31/2005	10/31/2005	10/28/2005	6/8/2010	8/15/2011
Months Elapsed		109.50	109.50	109.60	53.47	39.03
% Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/SF		\$0.48	\$0.54	\$0.72	\$0.58	\$1.09
Location	Average	Superior	Superior	Superior	Superior	Superior
% Adjustment						
\$ Adjustment		(\$0.20)	(\$0.20)	(\$0.20)	(\$0.20)	(\$0.50)
Size (SF)	5,510,340	635,105	513,137	351,529	1,306,800	266,587
Comparison		Superior	Superior	Superior	Superior	Superior
% Adjustment						
\$ Adjustment		(\$0.20)	(\$0.20)	(\$0.30)	(\$0.15)	(\$0.35)
Topography	Submerged	Submerged	Submerged	Submerged	Submerged	Submerged
Comparison		Similar	Similar	Similar	Similar	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Utilities	None	T,E	T,E	T,E	T,E	W,S,T,E
Comparison		Similar	Similar	Similar	Similar	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zoning	WI	IH	IH	IH	IH	I
Comparison		Similar	Similar	Similar	Similar	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Easements	None	None	None	None	None	None
Comparison		Similar	Similar	Similar	Similar	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Adjustments:		(\$0.40)	(\$0.40)	(\$0.50)	(\$0.35)	(\$0.85)
Adjusted Price/Sq. Ft.:		\$0.08	\$0.14	\$0.22	\$0.23	\$0.24
Average Price/Sq.Ft.:		\$0.18				
Reconciled Price/Sq.Ft.:		\$0.15				

Comparable Land Sales Adjustment Grid						
Subject		Comparable 18	Comparable 19	Comparable 20	Comparable 21	Comparable 22
Address:	Lot 1, Block 2	800 Bk Miller Ridge Rd	NHN Indian River Road	D-1 Loop Road	Hugli Avenue	Yaw Drive
City:	Sitka	Ketchikan	Sitka	Ketchikan	Ketchikan	Sitka
Date of Sale:		3-Mar-08	2-Apr-09	6-Dec-10	8-Dec-11	21-May-12
Sales Price:		\$100,000	\$1,800,000	\$69,000	\$155,500	\$485,000
Sales Price/SF:		\$0.50	\$0.19	\$0.05	\$0.65	\$0.28
Property Rights:	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment						
Financing:	Cash	Cash	Cash	Cash	Cash	Cash
% Adjustment						
Conditions of Sale	Normal	Normal	Normal	Normal	Normal	Normal
% Adjustment						
Economic Trends	10/29/2014	3/3/2008	4/2/2009	12/6/2010	12/8/2011	5/21/2012
Months Elapsed		81.03	67.87	47.43	35.20	29.70
% Adjustment		0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Price/SF		\$0.50	\$0.19	\$0.05	\$0.65	\$0.28
Location	Average	Superior	Superior	Inferior	Superior	Superior
% Adjustment						
\$ Adjustment		(\$0.25)	(\$0.10)	\$0.10	(\$0.15)	(\$0.10)
Size (SF)	222,869	200,103	9,365,400	1,261,933	239,329	1,756,927
Comparison		Similar	Inferior	Inferior	Similar	Inferior
% Adjustment						
\$ Adjustment		\$0.00	\$0.25	\$0.25	\$0.00	\$0.25
Topography	Steep	Steep Slope	Rugged	Sloping	Moderate Slope	Sloping
Comparison		Similar	Similar	Similar	Superior	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	(\$0.20)	\$0.00
Utilities	None	None	T,E	T,E	W,S,T,E	None
Comparison		Similar	Similar	Similar	Superior	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	(\$0.05)	\$0.00
Zoning	R	RM	N/A	FD	RL	R2
Comparison		Similar	Similar	Similar	Similar	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Easements	Utility	Yes	None Noted	Yes	None	None
Comparison		Similar	Similar	Similar	Similar	Similar
% Adjustment						
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Adjustments:		(\$0.25)	\$0.15	\$0.35	(\$0.40)	\$0.15
Adjusted Price/Sq. Ft.:		\$0.25	\$0.34	\$0.40	\$0.25	\$0.43
Average Price/Sq.Ft.:		\$0.33				
Reconciled Price/Sq.Ft.:		\$0.35				



City and Borough of Sitka

Electric Department
105 Jarvis Street
Sitka, Alaska 99835
(907) 747-1870, FAX (907)747-3208
Christopher Brewton, Director
chrisb@cityofsitka.com

January 6, 2015

Gary Paxton Industrial Park Board
Attn: Mr. Garry White, Director
329 Harbor Drive, Suite 212
Sitka, AK 99835

Re: GPIP Real Estate Purchase Proposals

Garry,

This letter is in response to the recent proposals discussed at the GPIP Board Meeting of December 17, 2014 and is intended to provide you relevant information concerning electric service for the proposed park expansion and planned disposition of remaining materials from the Blue Lake Expansion Project.

I have reviewed the Silver Bay proposal of June 26, 2014, the Silver Bay proposal modification of December 12, 2014, the Alaska and Pacific Packing proposal of September 2, 2014, the Summary of Salient Facts provided by Alaska Appraisal Associates, Inc. dated November 14, 2014, and your transmittal letters of December 9, 2014 and December 11, 2014.

Silver Bay Proposal (June 26, 2014):

Area A – Seafood By-Product/Oil Plant: The intent is to install facilities to manufacture wild Alaskan salmon oil. I am unaware of the existing capacity or condition of electric service to the facility, therefore electric upgrades may be required at both the facility and substation level. Service upgrades can be readily accommodated however; substation upgrades will require purchase and installation of long-lead time equipment. The existing substation transformer is rated at 7.5 MW and the current peak load is 3.5 MW. I anticipate there is adequate capacity for this new load but cannot confirm that until we review the planned project additions.

Area B – Administrative Building: To my knowledge the existing electric service provided to the Administrative Building at full occupancy during the Blue Lake Expansion Project was acceptable. I would therefore not expect any significant electrical upgrades for this facility.

Area C – Seafood Value-Added, Reprocessing and Cold Storage: Although there are no specifics provided in the proposal, the electric infrastructure to support this “new” industry could be substantial.

Providing additional electric service to this parcel should be relatively simple as the GPIIP Electric Substation abuts this property and required utility corridors and/or rights-of-way, if any, should be easy to accommodate. However, if there is inadequate electric capacity, the substation will require additional infrastructure including an additional power transformer, circuit breakers, switchgear cabinets, distribution bus, and related system protection.

There is adequate space within the existing substation to accommodate this growth, however, the equipment often requires a long lead time to design, specify, purchase and install. Coordination with Silver Bay Seafood will be critical to ensure this capacity is available to meet their expansion needs.

AREA D-F – Marine Service Center: We do not anticipate significant electric load growth to support a marine facility and allied industries. However, as discussed in the proposal, growth in this sector will be driven by market demand. As such there should be adequate time to install necessary electric infrastructure to accommodate this business sector.

However, one key issue will be the thoughtful design, development and construction of utility corridors and/or rights-of-way to facilitate expansion. A 250-ton travel-lift is a significant load and all surface/subsurface installations, including utilities, must be designed to withstand these loads.

Purchase Price: Offer is contingent upon the property being returned to an “as-was” condition prior to the Blue Lake Expansion project. SBS further states they recognize the earth and rock stored on the property was intended to be used for the construction of a multi-use dock and SBS is willing to accommodate a transitional period.

As you are aware the Electric Department is presently leasing lots 8, 9a, 17 and will continue to do so until final disposition of the Blue Lake material is resolved.

Silver Bay Proposal Modifications (December 12, 2014):

Reduced Area D: This area is reduced to allow CBS to retain additional waterfront area. This modification further states this reduction leaves less desirable property available for the implementation of the SBS proposal – which includes utilizing existing rock at the GPIIP as fill beyond the current uplands. As noted above, the Electric Department is responsible for disposition of the Blue Lake material. As such, SBS will be eligible to negotiate procurement of this material.

Please note the appraisal for these properties assume all rock and other materials are cleared from the properties. It appears the SBS proposal contemplates rock fill as part of their proposal, and as such, they should be prepared to negotiate purchase of this material.

Alaska and Pacific Packing Proposal (September 2, 2014):

Lots 4, 8, and portion of 9a: Proposal includes potential manufacturing, fabrication, and servicing of seafood processing equipment as well as floating processors and support vessels. All of these allied industries could utilize large amounts of electric energy and consequently would require service and substation upgrades, depending on the final facility configuration. This will require utility substation upgrades to provide electric service to the facility.

The lease offer would begin after all rock is removed from the lots and the site graded to useable condition. As noted, the Electric Department is responsible for disposition of the materials resulting from the Blue Lake Expansion Project.

Summary of Salient Facts - Alaska Appraisal Associates, Inc. (November 14, 2014)

Extraordinary Assumptions: (1) As noted, the Blue Lake Expansion Project has utilized a significant portion of the Industrial Park for temporary placement of construction materials and all material will ultimately be removed or utilized. Did the appraisal consider a value added assessment of the rock? This would be very helpful information as at least one proposer has implemented use of this material in their planned project development. Obviously, there would be a cost component to the proposer to bring in construction materials if the site did not presently contain a significant amount of rock.

(4) The parking lot across Sawmill Creek Road adjacent to the Blue Lake Road gate was constructed as a Federal Energy Regulatory Commission (FERC) 4(e) condition pursuant to relicensing the Blue Lake Hydroelectric Project. This parking lot must be maintained for the purpose of public parking for access to the Blue Lake Road.

Thanks for your hard work in bringing these proposals forward, please contact me if you have questions or need amplifying information.

Sincerely


Christopher Brewton
Utility Director

Cc: Mark Gorman, Municipal Administrator