


City and Borough of Sitka


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A Coast Guard City

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Michael Harmon, P.E. 

Date: July 20, 2021

Subject: Granite Creek Lease Area 5 Overburden Site- Lease Agreement

Background

The City and Borough of Sitka (CBS) Granite Creek Waste Area is near capacity, and a new public overburden disposal site needs to be developed for Sitka. The CBS Public Works Department received two responses to the public Request for Proposals (RFP) and selected Marble Island, LLC (Marble) to develop a Waste Area Management Plan and provide Waste Area Management Services to operate the new overburden disposal site on Lease Area 5 within the Upper Granite Creek Industrial District. Marble was selected based on having a superior, more in-depth development plan to increase capacity, safety, drainage, and the overall life span of the site in addition to a competitive overburden fee.

In coordination with CBS Public Works, Marble has completed a Waste Area Management Plan and begun the permitting process to allow the site to open as soon as approved by the Assembly. Marble's plan shows 4 phases of filling over the next 20 years based on current dumping rates.

CBS Public Works has assembled a Lease Agreement, which incorporates Marble's Waste Area Management Plan. The term of the initial lease will be 5 years, with the option to renew for up to 2 additional 5-year terms upon mutual agreement by CBS and Marble. Disposal fee rates remain fixed at \$4.80 per cubic yard during the first term but may be renegotiated at each lease renewal period.

Marble was granted a conditional notice to proceed in February 2021 which granted them access to the site to perform survey, to prep for immediate receipt of overburden on a case-by-case basis as approved by CBS and to expedite full opening of the site upon execution of the Lease Agreement. This was necessary to mitigate the impacts of the current waste area being at capacity and no longer being able to accept larger customer loads. This is an essential service to keep construction moving in Sitka.

Lease Area 5 is part of the larger industrial district covered under Sitka Conditional Use Permit 05-15 as most recently amended in April of 2021.

Analysis

The CBS Public Works Department supports Marble's Waste Area Management Plan (WAMP). The WAMP achieves CBS's goal of establishing a long-term, public overburden disposal solution for Sitka. Although the site is not intended for use as a quarry, the removal of a finite amount of rock as illustrated in the WAMP will maximize site longevity by raising the elevation of the public access and dumping zone and facilitating positive drainage. This preparatory work will more than double the available volume and longevity of the site.

Within the WAMP Marble has identified a damaged culvert on Harbor Mountain Road caused by an old slide that is allowing water to drain into the new waste area impacting the ability for this site to fully develop in the future. Marble has included rerouting this culvert in the WAMP and in return CBS will provide royalty credits for the small amount of rock that needs to leave the site. The cost for this repair equates to reduction of our standard rock royalty rate from \$1.55 per cubic yard down to \$0.50 per cubic yard. Approving this work in the WAMP will benefit CBS by helping increase the capacity of the waste site and simplifying environmental compliance.

The site will have additional developable capacity after the initial 20-year life; however, further planning will be needed to coordinate use beyond 20 years.

Marble is responsible for all activities on the site for the duration of their lease(s) including but not limited to safety, site maintenance, obtaining and maintaining all necessary permits, daily oversight, controlling access to the site, receipt and tracking of overburden volumes and making quarterly royalty payments to CBS. CBS Public Works personnel will monitor the site weekly at a minimum and provide written documentation of the inspections.

Fiscal Note

Based on Marble's winning Proposal, the public disposal fee for material dumped at the site will be fixed at \$4.80 per Cubic Yard. In comparison, the current overburden site has a fee of approximately \$4.18 per yard but this goes up three percent annually. On a quarterly basis, Marble will pay CBS a royalty of \$0.50 per cubic yard for all material disposed at the site and any native rock hauled off the site as described in Marble's approved WAMP. This is the same royalty rate as the current overburden site. Marble will negotiate royalties to CBS for any other commerce conducted on the site such as sale of topsoil or subletting space to other parties upon concurrence by CBS. There will be no lease payment with CPI adjustment for this lease area. The proposers were to account for this savings in their bid in an effort to keep fees as low as possible to customers. This also helps streamline the administration of the lease in that nothing needs to be adjusted in the first term.

Recommendation

Approve Ordinance 2021-21 authorizing the City and Borough of Sitka (CBS) Public Works Department to enter into a Lease Agreement with Marble Island, LLC (Marble) to operate Lease Area 5 in the Upper Granite Creek Industrial District as a public overburden disposal site.