



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 24<sup>th</sup> 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](http://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](http://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](http://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](http://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.