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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](http://www.sawmillcove.com)