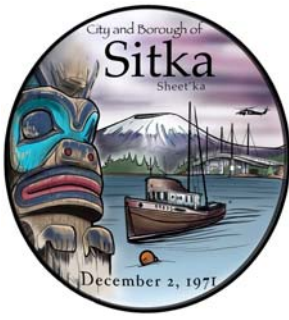


Sponsors: Knox and Himschoot

Discussion / Direction / Decision on a community solution for a shipyard and haulout in Sitka.



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members
From: Assemblymembers Knox and Himschoot
Date: May 17, 2021
Subject: Discussion/Direction/Decision on Boat Haulout Funding Options

Background

The following information was provided by Garry White on behalf of the GPIIP Board of Directors:

“Since acquiring the industrial site in 1999, the CBS considered the potential for development of a marine haul out at the Industrial Park. Every Legislative Priorities list from FY2005 through FY2016 included a reference to development of a marine industry and infrastructure at the SCIP and/or a specific funding request.

Timeline:

- *In 2003, SEDA sponsored a Sitka Marine Industries Meeting with marine business owners and stakeholders.*
- *In 2007, SEDA conducts the Sitka Marine Industries Survey. SEDA receives roughly 200 responses that are shared with the GPIIP Board and public on the wants and needs of the local fleet, marine operators and general public.*
- *In 2007, PND provides two concept plans for a vessel haul out at GPIIP to the CBS.*

PND Preliminary Engineer’s Estimate

- *Concept No. 1 = \$6,264,192 (Fill out in the tidelands to reach deeper water)*
- *Concept No. 2 = \$6,797,824 (Dredge a portion of the cover to create deeper)*
- *In 2009, A Request for Proposal was developed and released for the construction of a vessel haul at the GPIIP. The RFP was mailed directly to a list of over 60 targeted clients and advertised globally. The GPIIP Director met with various marine service providers throughout the state and in the Puget Sound area that were interested in operating a marine haul out, but many were not interested in providing the funding for the base infrastructure needed for a haul out operations. The CBS received one proposal to the RFP from Puglia Engineering Inc. out of Bellingham, WA. Puglia and the CBS could not come to terms on the proposal and investment, due to large capital*

requirement (~\$21 million) requested to be funded by the CBS. (*Note: There was a global recession in 2009, access to capital was limited)

- In 2011 Halibut Point Marina updated their facilities to include 5 new EPA compliant wash down pads and widened the haul out by three feet to accommodate more vessels.
- March 2014 a Preliminary Screening Level Assessment and Feasibility Study is completed for the GPIIP related to the viability of a vessel haul out, a large commercial vessel moorage, and a deep water multi-purpose dock at the GPIIP.

The following is a section of the Executive Summary related to the feasibility of a vessel haul-out facility at the GPIIP:

The analysis indicates a weak to moderate opportunity for a haul-out facility for vessels up to 150 tons and a weak opportunity for a haul-out facility for vessels over 150 tons. Under a scenario in which the existing Halibut Point Marine were to cease haul-out operations, the analysis would indicate a moderate to strong opportunity for a haul-out facility for vessels up to 50 tons.

The entire feasibility study can be found at this link.

<https://static1.squarespace.com/static/588a6f0ce6f2e19614b36071/t/5bcf5172419202d3830c8e4d/1540313533731/SCIP+Phase+2A+Preliminary+Screening-Level+Assessment+FINAL+%281%29.pdf>

- September 2014, a report titled “Trends and Opportunities in the Alaska Maritime Industrial Support Sector” is released. The report is commissioned by the State of Alaska Department of Commerce, Community & Economic Development and completed by the McDowell Group.

<http://www.mcdowellgroup.net/wp-content/uploads/2015/02/Trends-and-Opportunities-in-the-Alaska-Maritime-Industrial-Support-Sector.pdf>

- In March of 2017, SEDA hosted a marine service meeting related to the development of a haul out at the GPIIP. A few comments from the public are the following:
 - An access ramp is needed to support not only vessels, but barges in SE needing to get hauled out. Ketchikan is very expensive.
 - Allen Marine is switching from a traditional marine ways to an access ramp.
 - Covered work areas are needed.
 - Finding a private entity to fund the base infrastructure for a haul out will be tough, the CBS should try to participate in finding funding.
 - Sitka should look for a niche to find a competitive advantage over other region haul out facilities.
 - A lot of vessel work can be completed while the vessel is in the water, future GPIIP Dock should allow constructed to allow for in water vessel work (completed).
- August 1, 2017, Northline Seafoods leases a portion of Lot 9a for a 2 year term to construct a gravel access ramp to haul its barge for retrofit. The terms of agreement are for a ramp of 8% grade to be constructed by Northline and turned over the CBS at the end of the lease agreement.
- In June of 2018, the CBS enters into agreement with PND to provide a conceptual design and estimate on constructing an access ramp for a vessel haul out operation.

Conceptual design and estimate attached.

- *In August and September 2018, the GPIIP Board does a site visit for the potential access ramp and upland support areas. The Board discusses potential funding sources for the entire project and recommends a phased development approach due to the uncertainty of funding opportunities. The Board recommends the following priority of a phased development:*
 1. *EPA approved water treatment infrastructure.*
 2. *EPA approved wash down pad or water collection infrastructure.*
 3. *Ramp infrastructure improvements, including installing a concrete ramp.*
 4. *Upland improvements (Electric, water, lighting, etc.).*
 5. *Timber float.*
 6. *Potential CBS owned infrastructure to haul vessel (Hydraulic trailer or lift).*
- *The GPIIP Board received estimate for Phased development at its October 2019 meeting. The GPIIP Board discussed funding and the potential for private sector development of a vessel haul out.*
- *In November 2019 the CBS received a proposal from Halibut Point Marina (HPM) for private sector development of the infrastructure for a vessel haul out.*
- *The GPIIP Board met in December 2019 to discuss the HPM proposal and passed the following motion:*

MOTION:M/S Stevens/Morrison moved to recommend the CBS assembly moves forward with negotiations on Mr. McGraw's proposal contingent on that the marine piers are at least 26 feet wide, that the 100 tons Marine Travel Lift is new and not used equipment, that additional wash down space is added to proposal, that a finger float is added, that additional infrastructure on marine piers is added to allow for people exit the vessels before vessel is hauled."

From 2020 to present is outlined in this timeline provide by Administrator Leach:

- *March 2020 – RFP for private development of haulout issued*
- *June 2020 – RFP awarded to WC (SIMS) and began negotiating terms*
- *July 2020 – Application for 2020 BUILD grant submitted. WC (SIMS) bid rejected.*
- *September 2020 – Unsuccessful in BUILD grant application*
- *February 2021 – Another RFP for private development of haulout issued with no CBS funding available (lease credits offered)*
- *April 2021 – One bid received from SCB, but proposal was sent back to SCB from GPIIP board with clarifying questions*
- *July 2021 – Modified and negotiated lease terms with SCB, approved by GPIIP and presented to Assembly for approval. CBS applies for 2021 RAISE grant*
- *October 2021 – Lease document finalized and presented to SCB*
- *November 2021 – CBS is unsuccessful in RAISE application*
- *April 2022 – SCB relinquishes their existing lease rights and withdraws bid. CBS applies for 2022 RAISE grant.*
- *May 2022 – GPIIP and CBS working to develop RFP for PPP (still attempting to identify funding)*

According to the State Office of Management and Budget the Wrangell Boatyard received this investment from the state totaling over \$12,000,000 nearly a decade ago:

- FY11 - \$75K for master planning
- FY12 - \$3.7 million for upland improvements
- FY13 - \$6.1 million for upland improvements
- FY13 - \$2.75 million for a 250-ton lift

Using HPM operations, Wrangell's public audited financials, a borrowing rate of 5.25%, and a project cost of approximately \$7.5M as a baseline, an analysis in 2020 showed the CBS General Fund would likely have to provide over \$620K annually to subsidize operations of the boatyard. Both borrowing rates and the costs of construction have increased since that analysis.

Analysis

As a result of three private boatyards (Allen Marine, Halibut Point Marine under Bob Jacoby and Halibut Point Marine under the McGraw family) selling operations or opting to develop other business interests on their waterfront properties, Sitka is now without a functional haulout and boatyard to serve a fleet of roughly 600 vessels.

According to a recent grant approved unanimously by the assembly on May 10, 2022, for an updated study to make a haulout "shovel ready:"

Sitka's maritime industry is an important part of the community that is currently being affected by lack of critical infrastructure in the community. 2020 ADF&G records show more than 400 commercial fishing vessels homeported in Sitka. Sitka-based fishermen hold 526 commercial fishing permits of which 366 were fished in 2020 by Sitka fishermen, who landed 17.8 million pounds with estimated gross earnings of \$31.1 million. Sitka is home to one of the largest fishing fleets in Alaska. According to the National Oceanic and Atmospheric Administration, Sitka ranked 19th in the nation for fishery landings and value in 2019 and 7th in the State of Alaska for the same statistics.

It is clear the infrastructure to support this productive and local fleet is critically needed. It is also clear this infrastructure should be located on public lands to ensure the services there will be available in perpetuity. Finally, it is also clear that infrastructure such as boatyards requires public funds, or at least public private partnerships, to remain viable.

In a fiscal analysis provided by City Finance Director it may be possible to bond for the construction of a public boatyard, but the maintenance and operation of the yard would require continued contributions from the community. To build and operate a boatyard on public lands in Sitka using public funds will require increasing fees and taxes. Wrangell's current operation nearly breaks even, but they do not have a requirement to pay any debt service coverage as the State of Alaska financed their development costs.

While the CBS awaits the outcome of the most recent RAISE grant application sometime this fall the Assembly could direct the Administrator to work with the Legal Department to draft ballot measures asking the public to decide if a publicly funded and operated boatyard is a city responsibility and approving a tax or fee structure to pay for building, maintaining, and operating a public boatyard. This ballot measure must include the taxes and fees that would be levied on the community to support operations and maintenance

into the future.

Fiscal Note

Fiscal impacts will vary greatly depending on the outcome of grant applications, final scope and development of infrastructure and services available, and what entity provides infrastructure, services, and staffing. While the development of a public haulout would best serve the fleet and community with the receipt of grant funds for development, examining the costs of community funded development is important to the discussion. The following examples are from the attached spreadsheet provided by the Finance Department. The consideration of public funding through a bond issuance comes with the need to generate the necessary revenue to retire the debt. Debt service revenue can be generated by the community as a whole in the form of a dedicated sales tax, a harbor wide excise tax, or a targeted excise tax on certain length of vessels.

Amount	Term (yrs)	Rate*	Total interest over life of loan	Annual principal/interest	% increase in Sales Tax to pay for debt service (year round) based on FY21 sales tax levels	Ad valorem exise tax needed on Harbor fees	Excise tax annual/foot moored in harbor
\$10,000,000	10	3.3%	\$1,903,235	\$1,190,324	0.52%		
\$10,000,000	10	4.0%	\$2,329,094	\$1,232,909	0.54%		
\$10,000,000	10	5.0%	\$2,950,457	\$1,295,046	0.57%	63.25%	\$ 28.75
\$10,000,000	10	6.0%	\$3,586,796	\$1,358,680	0.60%		
\$10,000,000	20	3.3%	\$3,818,761	\$690,938	0.30%		
\$10,000,000	20	4.0%	\$4,716,350	\$735,818	0.32%		
\$10,000,000	20	5.0%	\$6,048,517	\$802,426	0.35%	39.50%	\$ 18.00
\$10,000,000	20	6.0%	\$7,436,911	\$871,846	0.38%		
\$10,000,000	30	3.3%	\$5,905,245	\$530,175	0.23%		
\$10,000,000	30	4.0%	\$7,349,030	\$578,301	0.25%		
\$10,000,000	30	5.0%	\$9,515,431	\$650,514	0.29%	32.00%	\$ 15.00
\$10,000,000	30	6.0%	\$11,794,673	\$726,489	0.32%		
\$15,000,000	10	3.3%	\$2,854,853	\$1,785,485	0.79%		
\$15,000,000	10	4.0%	\$3,493,642	\$1,849,364	0.81%		
\$15,000,000	10	5.0%	\$4,425,686	\$1,942,569	0.85%	95.00%	\$ 43.00
\$15,000,000	10	6.0%	\$5,380,194	\$2,038,019	0.90%		
\$15,000,000	20	3.3%	\$5,728,142	\$1,036,407	0.46%		
\$15,000,000	20	4.0%	\$7,074,525	\$1,103,726	0.49%		
\$15,000,000	20	5.0%	\$9,072,776	\$1,203,639	0.53%	59.00%	\$ 26.75
\$15,000,000	20	6.0%	\$11,155,367	\$1,307,768	0.58%		
\$15,000,000	30	3.3%	\$8,857,867	\$795,262	0.35%		
\$15,000,000	30	4.0%	\$11,023,545	\$867,451	0.38%		
\$15,000,000	30	5.0%	\$14,273,146	\$975,772	0.43%	47.75%	\$ 21.75
\$15,000,000	30	6.0%	\$17,692,010	\$1,089,734	0.48%		
\$20,000,000	10	3.3%	\$3,806,471	\$2,380,647	1.0%		
\$20,000,000	10	4.0%	\$4,658,189	\$2,465,819	1.1%		
\$20,000,000	10	5.0%	\$5,900,915	\$2,590,091	1.1%	126.50%	\$ 57.50
\$20,000,000	10	6.0%	\$7,173,592	\$2,717,359	1.2%		
\$20,000,000	20	3.3%	\$7,637,523	\$1,381,876	0.6%		
\$20,000,000	20	4.0%	\$9,432,700	\$1,471,635	0.6%		
\$20,000,000	20	5.0%	\$12,097,035	\$1,604,852	0.7%	78.50%	\$ 36.00
\$20,000,000	20	6.0%	\$14,873,823	\$1,743,691	0.8%		
\$20,000,000	30	3.3%	\$11,810,489	\$1,060,350	0.5%		
\$20,000,000	30	4.0%	\$14,698,059	\$1,156,602	0.5%		
\$20,000,000	30	5.0%	\$19,030,861	\$1,301,029	0.6%	64.00%	\$ 29.00
\$20,000,000	30	6.0%	\$23,589,347	\$1,452,978	0.6%		

Recommendation

If there is interest, direct the Administrator to work with the Legal Department to draft ballot measures for a tax or fee structure to pay for building, maintaining, and operating a public boatyard. All ballot measures related to construction would include a provision to not enact the measure if the RAISE grant is approved.

Enclosures:

2014 Preliminary Screening-Level Feasibility Assessment and Planning for a Marine Center at Sawmill Cove Industrial Park – City and Borough of Sitka & Northern Economics

Sept 2014 Trends and Opportunities in the Alaska Maritime Industrial Support Sector. - Alaska Department of Commerce, Community & Economic Development and The McDowell Group

Haulout Debt Service and Tax Calculations spreadsheet – May 2022, Melissa Haley