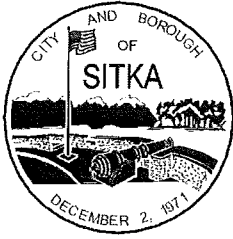


Memo and materials submitted by Interim Administrator Hugh Bevan



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Gary Paxton and Assembly Members
Chairman Scott Wagner and GPIP Board Members

From: Hugh Bevan, Interim Municipal Administrator

HB 1-26-20

Date: January 26, 2020

Subject: Marine Haul Out

Background

In summer 2021 Halibut Point Marine (HPM) will permanently close their marine haul out business. It is extremely important for Sitka's commercial and recreational boating communities and our marine tradesmen that haul out services continue to be available in Sitka.

For the past several years the GPIP Board has discussed options for placing a haul out at the Industrial Park. Engineering studies have been performed that evaluate various locations for a haul out as well as upland areas for dry-land boat repair work.

On December 4, 2019 the GPIP Board took extensive public testimony on the haul out concept. This testimony was overwhelmingly in favor of constructing a haul out at GPIP.

The Board passed the following 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 ton Marine Travel Lift is new and not used equipment, that additional wash down space is added to the proposal, that a finger float is added, that additional infrastructure on marine piers is added to allow for people to exit the vessels before vessel is hauled"

Motion Passed 5-0

Recently an ad hoc group of interested persons formed the Sitka Marine Haul out Working Group. They have had several meetings and have explored ideas for grant and loan funding of a new haul out.

Analysis

For a new haul out to be operational by the time the HPM facility closes the City should take definitive action very soon so that enough time is allowed to design, permit and construct a haul out.

However, there is a shorter timeline option besides the traditional travel lift and pile supported piers type system that was recommended by the GPIIP Board. That system involves a trailer that is designed to use a ramp and boats are moved onto the trailer for transport to the uplands. Allen Marine uses a self-propelled marine trailer of this type at their Sitka boat yard.

Based upon what I have heard over the past few years including my time on the GPIIP Board I have developed the following priorities for a GPIIP haul out (regardless of the type of system) and I recommend them to you:

1. The haul out system should conveniently and efficiently serve Sitka's commercial and sport fishing fleet.
2. The haul out system should be operated by the private sector and not the City. (This could be expanded to include management of the entire Marine Services Sector at GPIIP that includes the uplands marine service businesses)
3. The haul out system must be operational by May 2021.

Financing

The creation of a Marine Services Sector at GPIIP is a very important Economic Development project. The financial benefits to the entire community are large. Boat repair work that is being done at other ports could be done in Sitka. Our marine tradesmen industry will grow.

The City's Southeast Economic Development Fund has a current balance of approximately \$2 million.

The Fund is structured in Chapter 4.44 of the City Code to allow the City to underwrite loans made by a commercial bank to a private entity. The bank is responsible for evaluating the entity's business plan and for servicing the loan if the bank's loan package is approved by the Assembly.

An example is the City placing a direct deposit in a bank equal to the amount of the bank's loan to the private entity. The City's deposit is used to guarantee the loan, thus removing the bank's risk in taking the loan.

A potential operator of a haul out and perhaps of the entire Marine Services Sector will be selected based upon a solicitation of proposals. The proposal text will discuss the possibility of a \$1M City loan guarantee if the preferred respondent is able to secure a loan package from a commercial bank.

The RFP will lay out the acceptable uses of the \$1M loan guarantee such as the purchase of a marine haul out trailer and necessary uplands infrastructure such as a wash down pad.

I envision the City retaining a lien of some sort on the haul out machine or some other asset to protect our interests in the deal.

It is important to recognize that \$1 million in seed money will not complete all the necessary uplands infrastructure to achieve a fully functioning Marine Services Sector at GPIP. Additional work will be ongoing for several years.

The City may or may not be the funding source for that additional work and I am not proposing funding beyond the \$1 million loan guarantee at this time.

Recommendations

Following this line of thinking I recommend the following:

1. Publish an RFP that solicits proposals for the operation of a marine haul out system at GPIP. The Assembly may want to review the RFP before it is advertised.
2. Task SEDA and Blankrome to seek additional funding for further uplands development to support the Marine Services Sector.

Chapter 4.44

SOUTHEAST ECONOMIC DEVELOPMENT FUND

Sections:

- 4.44.010 Establishment.
- 4.44.020 Participation loans and loan guarantees to private enterprise.
- 4.44.030 Loans and transfers to other municipal funds.
- 4.44.040 Repayments and interest earnings on the fund corpus.

4.44.010 Establishment.

There shall be established a southeast economic development fund ("fund"), for qualifying loans and transfers to other municipal funds, and for financial institution participation loans to private enterprises. Loans or transfers to other municipal funds shall be for purposes of promoting the efficiency and effectiveness of municipal government, or for improvements which shall lessen rate and fee burdens on citizens. Loans to private enterprises shall be for purposes of expanding the municipality's economic base, generating commerce external to Sitka, and creating family wage jobs in Sitka. Only the assembly can authorize any loan or transfer from this fund. (Ord. 15-27 § 4 (part), 2015; Ord. 11-02 § 4 (part), 2011.)

4.44.020 Participation loans and loan guarantees to private enterprise.

- A. Any loan or loan guarantee to a private enterprise shall be a participation loan in conjunction with a financial institution. No loans shall be made by the fund directly to a private enterprise.
- B. Proposals for participation loans or loan guarantees shall be prepared by the participating financial institution and presented to the assembly for approval by the participating institution.
- C. The municipal administrator shall be responsible for developing and administering administrative policies governing participation loans and loan guarantees to private enterprise.

(Ord. 15-27 § 4 (part), 2015.)

4.44.030 Loans and transfers to other municipal funds.

- A. Any proposed loan or transfer from the fund to another municipal fund shall be proposed to the assembly by the administrator with justification as to the benefits to be derived from the loan or transfer. The assembly shall decide whether to approve the loan

or transfer, including whether to grant the full amount requested or a lesser amount, and whether to set any conditions.

B. Any loan from the fund to another municipal fund requires interest to be charged at a rate to be determined by the assembly.

(Ord. 15-27 § 4 (part), 2015; Ord. 11-02 § 4 (part), 2011. Formerly 4.44.050.)

4.44.040 Repayments and interest earnings on the fund corpus.

A. All loan repayments, including both interest principal repayments, shall be redeposited into the fund.

B. Investment earnings on the undisbursed corpus of the fund shall be transferred to the building maintenance fund.

(Ord. 15-27 § 4 (part), 2015.)