

Discussion / Direction / Decision
on a marine haul out strategy.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Gary Paxton and Assembly Members

From: John Leach, Municipal Administrator

Date: October 5, 2020

Subject: GPIIP Vessel Haul-Out Strategy

Background

The CBS has long recognized the importance of the fishing and maritime industry to the community of Sitka. The GPIIP Board and CBS have been working together on vessel haul out development concepts since the GPIIP properties were acquired.

The public announcement in the fall of 2019, that Halibut Point Marine (HPM) will cease public haul out operations in the summer of 2021 has intensified the priority of establishing a marine haul out facility.

Summary of project development to date:

- January 30, 2020 GPIIP Board and Assembly held a joint work session to discuss different concepts regarding; ownership of facility and operations, infrastructure needed to support the fleet, and funding for the haul out construction and operations. The Assembly gave direction to develop an RFP to investigate private ownership and operations of a haul out.
- February 27, 2020 GPIIP Board met to recommend approval of the RFP.
- March 10, 2020 CBS Assembly met and approved the RFP for release.
- On March 11th, 2020 City and Borough of Sitka (CBS) released a Request for Proposal (RFP) for the Construction and Operation of a Marine Haul Out and Shipyard.
- April 15, 2020 the RFP closed. The CBS received two proposals from the RFP process.
- April 27, 2020 GPIIP Board met to discuss and score both proposals as part of the CBS RFP Selection Committee. The CBS Selection Committee scored the proposal from WC Enterprises (now SIMS) with the highest score.
- May 12, 2020 CBS Assembly accepted the GPIIP Board's recommendation to move forward with negotiating terms to move forward on a haul out at the GPIIP

- b. **Haul Out Task Force (HTF):** The HTF would have a diverse knowledge of GPIIP, the regions vessel fleet and CBS finances along with having the time to commit to detailed reviews. The HTF is proposed to consist of 2 GPIIP Board Members, 2 Port and Harbors Commission Members, 2 Assembly members (as appointed by the Assembly), the GPIIP Director and the Administrator. This group's focus will be largely proofing the economics, business plan and customer base assumptions. They will also provide focused first-line feedback to refine assumptions before draft options go public in the more formal GPIIP Board meetings and work sessions.
 - c. **GPIIP Board:** The GPIIP Board will review all work products developed by TWG and reviewed by the HTF and will be the interface between these plans and obtaining public input and Assembly action. The GPIIP Board may need to have several work sessions to include public input and, at times, may bring in the Port and Harbors Commission. The GPIIP Board will give ultimate direction to task the HTF to refine and improve work products as needed.
3. **Set our course:** Finalize a basis of design document that becomes the core framework to develop the project (size of boats, type of haul out and machine, etc.)
4. **Execute:** Develop a draft RFP (likely design/build) to execute a project in accordance with the approved basis of design.

We have set a goal to complete Stage-1 by the end of April 2021 if we need to secure a general obligation bond.

Part of the Stage-1 deliverable involves developing an RFP plan or strategy. There are three clear options that the Assembly should consider pursuing prior to putting the TWG or HTF to work. The three strategies are:

1. Full Private Sector Development RFP

This option assumes the CBS will sell GPIIP property to an outside entity for full private sector development of a vessel haul out.

Property (Please see the attached map - orange)

- CBS would agree to sell the following upland Lots for private development of a haul out:
 - Lot 6 41,028 SF
 - Lot 7 32,879 SF
 - Lot 9b 7,583 SF
 - Lot 15 113,369 SF194,859 SF or 4.47 Acres uplands
- CBS would agree to sell limited waterfront property and tidelands for marine haul out pier access. (See attached map - orange)

Mitigation

- Local marine trade vendors and stakeholders work together and submit a proposal to control their own destiny.
- CBS develops construction and operations regulations to address potential safety and environmental concerns.

3. CBS Developed Haul Out

This option assumes the CBS continues to search for outside funding support via Federal/State Grants or borrows funds to develop a vessel haul out.

Pros

- The CBS would fully control the site and development.

Cons

- No funding has been identified for the project.
 - Without outside funding, a CBS subsidy will be required.
- Potential for a longer time frame before a vessel haul out is put into operation.

Fiscal Note

We have secured an appropriation of \$100,000 to support specialized consultant services for the technical analysis and design related to the development of a haul out basis of design and RFP. Funding for this work will come from the Economic Development Fund when/if it's necessary.

The following is a beginning phase high-level ROM Cost for a haul out to get to the point of hauling and washing boats (assuming 150-ton). It is important to note there are other major elements/costs to developing the uplands not included in these costs.

Haul out pier:	\$2,600,000
Concrete washdown pad and water treatment:	\$1,000,000
150-ton travel lift:	\$1,200,000
Total:	\$4,800,000

Recommendation

Recommend the Assembly choose, by motion, one of the three strategies for haul out development as previously detailed:

1. Full Private Sector Development RFP
2. Partial Private Sector Development RFP
3. CBS Developed Haul Out

Encl: (1) GPIP memo of September 29, 2020 and all enclosures.



329 Harbor Drive, Suite 202
Sitka, AK 99835
Phone: 907-747-2660

Tuesday, September 29, 2020

MEMORANDUM

To: John Leach, CBS Administrator
From: Garry White, GPIIP Director
Subject: GPIIP Vessel Haul-Out Development

Introduction

The CBS and GPIIP Board have taken multiple steps over the past two decades to develop a vessel haul out at the GPIIP properties.

The biggest hurdle to the development of a vessel haul out at the GPIIP has been the lack of funding for the project. The CBS has been unsuccessful in obtaining outside funding for this project.

The CBS has released multiple Request for Proposals (RFPs) for private sector development of a vessel haul out. Past proposals from the private sector for development of a haul out have not come to fruition due to either; 1) the proposer requesting financial support from the CBS, which was not deemed feasible, or 2) the CBS did not want to give up ownership and/or control of GPIIP property to a third party.

The GPIIP Board met on September 17th to discuss next steps to develop the haul out with the recent news that the CBS was not successful in obtaining a USDOT Build Grant for haul out development. After hearing public comments, the Board suggested that another RFP for private sector development be released. The Board stated that the RFP should be clear that no CBS funding is available for the project. The issue of property ownership/control was not discussed in detail during the Board discussion.

The GPIIP Director is recommending that the Assembly provide direction on the following options for a vessel haul out RFP, considering funding and control.

1. Full Private Sector Development RFP

This option considers the CBS is willing to sell GPIIP property to an outside entity for full private sector development of a vessel haul out.

Property (Please see the attached map - orange)

- CBS would agree to sell the following upland Lots for private development of a haul out:
 - Lot 6 41,028 SF
 - Lot 7 32,879 SF

- Lot 9b 7,583 SF
- Lot 15 113,369 SF
194,859 SF or 4.47 Acres uplands

- CBS would agree to sell limited waterfront property and tidelands for marine haul out piers access. (See attached map - orange)

Pros

- The benefit of a full private sector development is potentially more private sector developers will be willing to propose as they can realize control over their investment and potentially earn a better return on their investment.
- Faster development than public sector development.

Cons

- Potential loss of local control of the site.
- Potential for local marine trade vendors to not to have access to site.

Mitigants to Cons

- CBS adjusts zoning code to require that all property can only be used for public haul out operations.
- CBS includes contract language which requires property be used as a public haul out operation only.
- CBS enters into a lease to purchase agreement that allows private sector to own property once certain benchmarks have been completed, such as construction of haul out piers, wash down infrastructure, etc.

2. Partial Private Sector Development RFP

This option considers that the CBS wishes to continue to control the GPIIP property via long term leases. This type of RFP would be similar to the RFP the CBS released in April 2020. (All proposals submitted required some sort of financial support from the CBS. No private entity proposed using 100% outside funding.)

Property (Please see the attached map)

- All GPIIP property will be leased to entities or held in reserve.
- CBS allows access ramp to be used “as is” or with minimal improvements.
- CBS could consider building EPA approved wash-down facility.
- CBS could agree to sell a small portion of waterfront property (in green on the map) for private sector development of a marine haul out piers.
 - Location of access is related to conversation regarding a private sector haul out on Lot 5.

Pros

- The CBS would continue to control the site.

Cons

- This method of RFP has been tried without success.

- Potential for local marine trade vendors to not to have access to site.
- Potential liability risk with private haul out operations being completed on public property.

Mitigants to Cons

- Local marine trade vendors and stakeholders work together and submit a proposal to control their own destiny.
- CBS develops construction and operations regulations to address potential safety and environmental concerns.

3. CBS Developed Haul Out

This options considers that the CBS controls its own destiny and continues to search for outside funding support via Federal/State Grants or borrows funds to develop a vessel haul out.

Pros

The CBS would fully control the site and development.

Cons

- No funding has been identified for the project.
 - Without outside funding, a CBS subsidy will be required.
- Potential for a longer time frame before a vessel haul out is put into operation.

Background

The GPIIP Board has long recognized the importance of the fishing and maritime industry to the community of Sitka.

The GPIIP Board and CBS have been working on vessel haul out development concepts since the GPIIP properties were acquired. Every Legislative Priorities list from FY2005 through FY2016 included a reference to development of a marine industry and infrastructure at the GPIIP and/or a specific funding request. The CBS most recently applied for a USDOT Build Grant in May 2020.

In 2009, the CBS released a RFP for private sector development 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 2014, Silver Bay Seafoods proposed to construct a haul out at the GPIIP properties. After months of negotiations the venture did not move forward due to multiple reasons, including lack of waterfront ownership, infrastructure funding, and having other GPIIP lots being leased to other ventures in GPIIP.

In the spring of 2020, the CBS released another RFP for private sector development of a haul out. The RFP was structured for long term leases only.

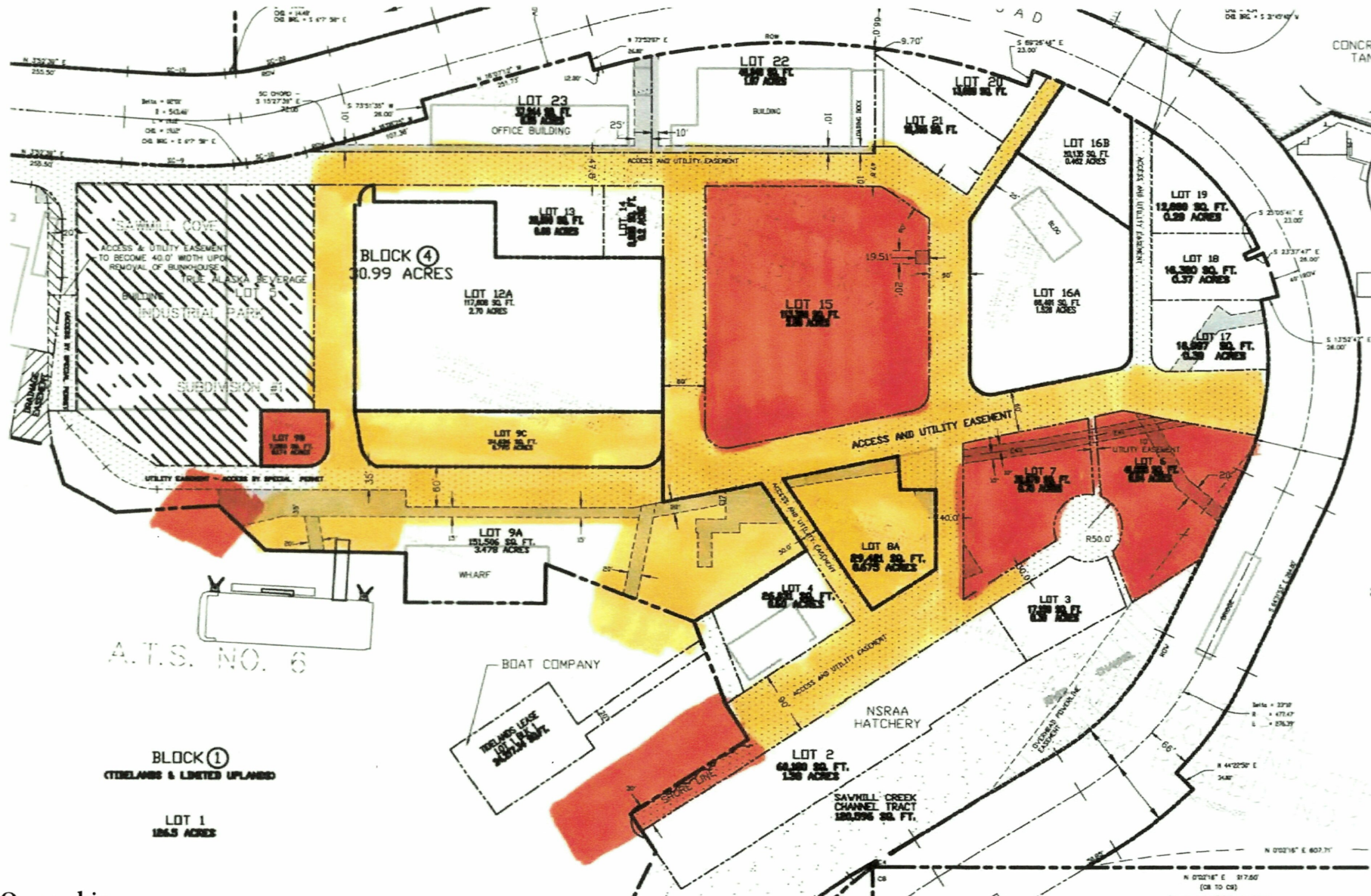
The CBS received two proposals from the RFP process. The GPIIP Board met on April 27th to discuss and score both proposal as part of the CBS RFP Selection Committee. The CBS Selection Committee scored the proposal from WC Enterprises/SIMS with the highest score. The CBS Assembly accepted the GPIIP Board's recommendation to move forward with negotiating terms to move forward on a haul out at the GPIIP with WC/SIMS at its May 12th, 2020 meeting.

The CBS negotiation team consisting of the CBS Administrator, CBS Public Works Director, and the GPIIP Director met multiple times in May and June with the WC/SIMS' principal owners. After considering all available information, listening to public stakeholder comments, and investigating more in-depth on the financial costs to move forward with a proposal; WC/SIMS concluded that the associated costs to complete a haul would require a larger financial subsidy from the CBS. A modified proposal was brought to the Assembly. The CBS Assembly rejected the modified proposal by WC Enterprises due to substantial changes to WC request for financial support.

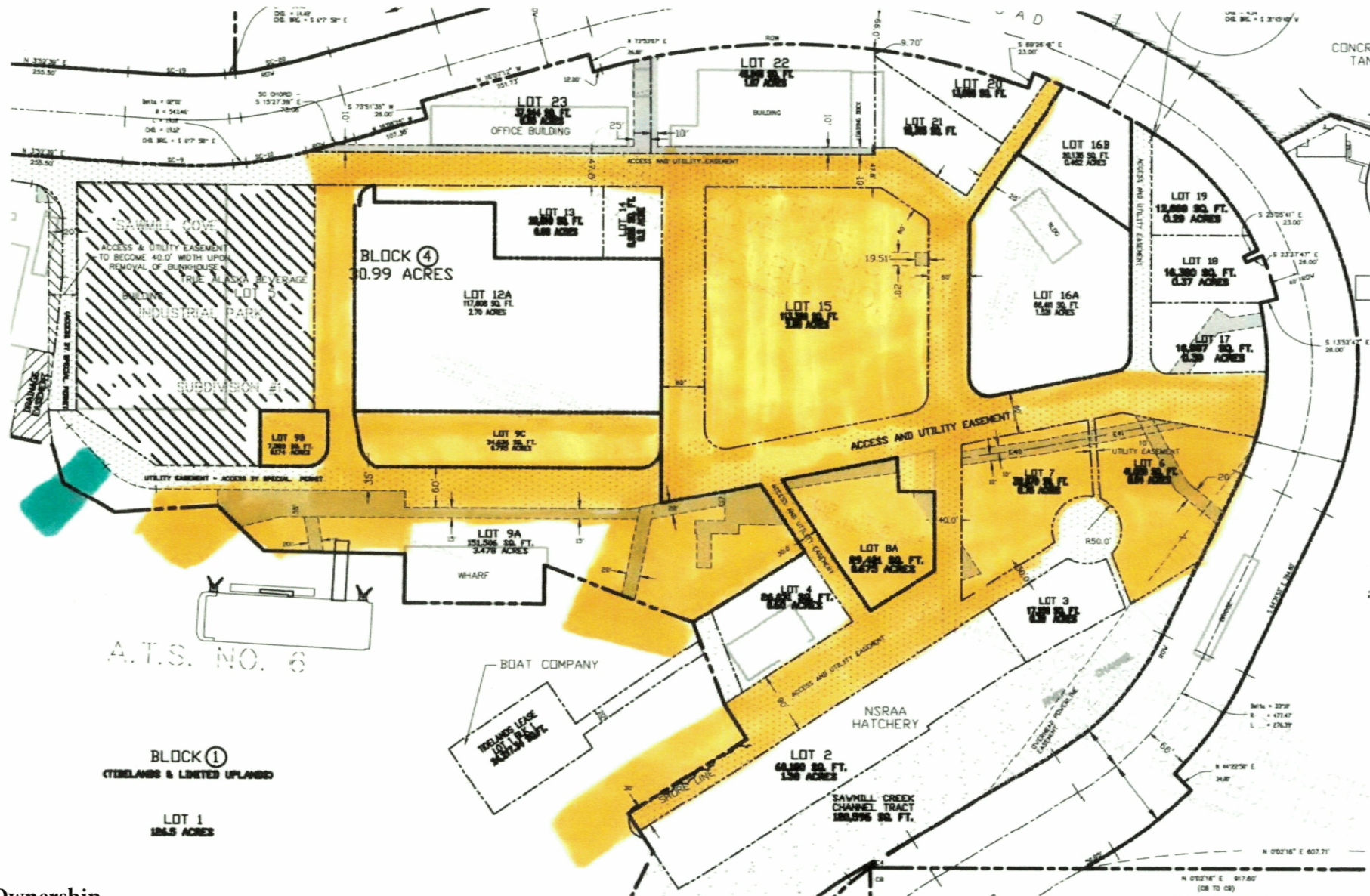
Action

- Assembly discussion/direction on what option of RFP should be released.
- Assembly discussion/direction on potential for CBS developed haul out.

Option 1



Option 2



Legend:
Yellow- CBS Ownership
Green- Private Ownership

Gary Paxton Industrial Park – Board of Directors Meeting
September 17, 2020 3:00pm – Harrigan Centennial Hall
DRAFT Meeting Minutes

A. CALL TO ORDER: The Chair Scott Wagner, called the meeting to order at 3:00 pm

B. ROLL CALL

Members Present: Scott Wagner, Mike Johnson, Jamal Float, Vaughn Morrison

Members Absent: Al Stevens

Staff Present: Garry White, Makena Hardwick

City Representatives: Thor Christianson (Assembly Liaison), John Leach (Administrator), Michael Harmon (Public Works Director)

Others Present: Jeremy Serka, Marsh Skeele, Baker Ainslie, Jeff Farvour and others present in person and via Zoom

C. Review of Minutes – June 22, 2020

Motion: M/S Float/Morrison to approve the minutes of June 22, 2020

Action: Motion Passed 4/0 on a voice vote

D. Correspondence & Other Information- Mr. White added that the USDOT Build Grant was not received

E. Changes/Additions/ Deletions to Agenda- None

F. Reports – Mr. White reported a lot of use in the dock, bulk water potential deal in the works. Fuel Sales have been providing cash flow and positive revenue. Last night P&Z Commission address zoning codes. Mr. White will bring zoning code tables back to Board for input as haul out priority has changed.

G. Persons to Be Heard- None

H. Unfinished Business

1. Gary Paxton Industrial Park (GPIP) Waterfront Development/Haul Out Proposals

Mr. White stated that this has been a long process. In November of 2019 received notification that HPR Marine haul out would close. Mr. White went over a brief summary of the process up to this point. Mr. White went over design concepts from previous planning for the haul out. We have the option of going back to the private industry. Private industry presents the issue of control. Or develop it through the City to maintain control, however the City does not have the

Gary Paxton Industrial Park Board Meeting
September 17, 2020

funds to support this project currently. Another option that happened in Petersburg, tradespeople came together with private capital to bring a haul out.

Mr. Leach spoke to the funding of the project. Sales tax is at a huge loss from previous years. Projected \$85 million loss from lack of visitors due to Covid. Could potentially loan some funds. \$1.4 left in economic development fund. Mr. Leach Summarized the reasoning behind the high cost of development.

Mr. Harmon came forward to explain that the traditional approach costs \$4.8 million to get a haul out started. Cost of wash down pad and treatment is \$1 million. Treatment could be simplified, and could be a temporary wash down set up. However, the City must ensure that wherever the wash down pad is you can deal with the contaminants.

Mr. Christianson suggested that all involved parties need to decide how much control they are willing to give up. The Petersburg model has more political capital and it would involve more Sitkans.

Mr. Harmon Suggested bringing a team in that can help with that. Other options include waiting for the opportunity to apply for future grants, working multiple potential paths, or trying to find a public/private partnership.

Mr. Christianson Asked Mr. Harmon, "From where we are now, and all the work we have done, how close are we to having a shovel ready proposal?"

Mr. Harmon replied "We have the McGraw drawings, and 2007 plans, we aren't there, but if we said we were, we could get everything together quickly. No Bid Package is ready."

Chair Wagner asked to hear from the public:

Baker Ainslie came forward to say that he would love to repurpose his design, it does not require the grant. Would need the economic develop money to buy a trailer. The big problem now is time there are only 10 months until the next fishing season starts.

Jeremy Serka came forward and stated the he still plans to help the project move forward by working the industry on the sidelines. And that he would continue to talk to people in the community about building a haul out without City funds. Mr. Serka also said that he would like to avoid repeating the previous situation.

Jeff Farvour was the final member of the public to come forward he added that he hopes the City does not sell the land and lose control of the project. He suggested that local fishermen would like to hear from the City more formally.

Chair Wagner invited discussion from the board upon hearing no one else from the public come forward.

Mr. Float would like to see a phased in approach. Could put out an RFP, potentially long-term 99-year lease, reviewed in accordance with a mission statement put forward with the RFP.

Mr. White provided a brief historic review. Mr. White also stated that he is looking for the community to come together, go out and find their financing. If someone wants to build their own haul out I don't think anyone would say no.

Mr. Christianson suggested they use that as a framework to get stakeholders together in a formal meeting to jumpstart the co-op instead of waiting for the groups to do it on their own. Having a meeting with the 3 fish plants and the people from this group is a good start.

Mr. Morrison said we can't move forward until we have a substantial financial investment.

Chair Wagner suggested that interested parties work with Mr. Harmon on the group he is forming. Create options based on potential scenarios

Mr. White would like to open another RFP, but put out that there is no city money.

Mr. Leach stated that if the economic development money from the city was used, it would be loaned, and there is no budget for future use.

Mr. Harmon suggested that the RFP be very clear on what type of partnership the city is bringing to the table. Mr. Harmon would like to wait to get the task force started if they are unsure which direction they are going in to pick up the project.

Mr. White asked if it would be beneficial to do an RFI.

Mr. Leach stated that they have had problems with RFIs in the past. They are supposed to be confidential, but they received requests for competitor's information.

Mr. Harmon explained that an RFI is the traditional route, and then an RFP once you get into a competitive and narrowed down stage.

Board decided to put together another RFP for the haul out.

I. New Business

1. Delta Western Fuel Sales Proposal

Mr. Johnson recused himself from the Board discussion and spoke on behalf of Delta Western. Delta Western provides service for the fleet, revenue to the dock and revenue to town.

Traffic has increased, one stipulation for an unattended dock is that it cannot be open to the public. Proposal due to that was based on only serving Silver Bay Seafoods. Have been approached by other fleets to service them as well. Nothing would change, except opening up to more fleets. Not open to the public, because there is no attendant there.

Mr. Float asked why can it not be open to the public?

Mr. Johnson explained that it is Coast Guard EPA regulated, can service a "fleet", exempted fishing boats recently.

Chair Wagner asked if DW is proposing adding another tank?

Mr. Johnson responded, "Not as of right now, but we will look into that later."

Mr. Christianson asked if the board can add language that says DW can sell to anyone legally?

Chair Wagner voiced that his only concern is potential competitor's being upset by seemingly preferential treatment.

Motion: M/S Float/Morrison to allow DW to provide service to other fleets

Action: **Motion PASSED** 4/0 on a voice vote.

2. Sitka Salmon Shares Proposal

Mr. Skeelee spoke on behalf of Sitka Salmon Shares. Sitka Salmon Shares would like to store a movable freezer container and movable crane at GPIP 8 months a year. SSS would be willing to pay for the use of the dock. And the cost to bring potable water down to the freezer container.

Mr. Christianson stated that he has no problems with the concept, possibility allow the crane to be available for rent to the public. Would have to prove that it can be done with the space restrictions.

Mr. White voiced concern over the use of the land by one operator.

Mr. Leach added that the City has thought of putting a crane down there for additional revenue and public use.

Mr. White invited Mr. Skeelee to come back to the next meeting with a full proposal.

J. Adjournment: The Chair, Scott Wagner, adjourned the meeting at 4:41pm