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Tuesday, June 29th, 2021

MEMORANDUM

To: John Leach, CBS Administrator
From: Garry White, GPIP Director
Subject: GPIP Haul Out and Shipyard Proposed Terms

Introduction

On February 1st, 2021, the City and Borough of Sitka (CBS) released a Request for Proposal (RFP) for private sector development and operation of a Marine Haul Out and Shipyard at the Gary Paxton Industrial Park (GPIP). The RFP was open until April 8th, 2021.

The CBS received one proposal to the Request for Proposal (RFP) for private sector development of the haul out and shipyard.

The proposal from Jeremy Serka, Sitka Custom Marine and Linda Benken, ASFT Board President, as principals for a proposed entity called the Sitka Community Boatyard LLC (SCB) is attached and can be found at the following link:

<https://static1.squarespace.com/static/582222e36a49637d2e6e6edb/t/6087203d11dade4f469a1d7b/1619468361991/GPIP+Haulout+proposal+Serka.Behnken.pdf>

The GPIP Board met in executive session at its April 21st meeting as the Selection Committee to score the proposal. The Board was unable to come to a decision if the proposal was responsive to the RFP, nor score the proposal. Instead the Board sent the proposers a detailed list of qualifying questions to help clarify sections of the proposal (attached).

SCB provided a response to the RFP clarification questions on May 6th (attached). Some of the information provided was deemed to be proprietary/confidential and was provided to the GPIP Board via confidential documents and discussed in executive session.

The GPIP Board met again on May 12th in executive session as the selection committee and determined that the proposal was responsive to the RFP requirements. The Board tasked the GPIP Director with negotiating terms of a lease with the principals of SCB. Please see the attached GPIP Board response memo regarding how the proposal was scored and Board's statement about the proposal submitted.

The GPIP Director and GPIP Board Chair met with SCB folks multiple times to negotiated terms of a lease.

The GPIP Board met on June 17 to review the proposed terms and approved the following motion:

Motion: M/S Mitchell/Morrison move to accept SCB's proposal with the presented terms including the adjustment to the size of the lift to be purchased as approved by the selection committee.

Action: Passed (5/0) on a voice vote

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. The CBS has repeatedly included marine haul out infrastructure requests in both its Federal and State Legislative Priorities. The CBS most recently applied for a USDOT Build Grant in May 2020 and has submitted an application for the upcoming 2021 grant opportunities.

In 2009, the CBS released a RFP for private sector development of a vessel haul at the GPIIP. 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.

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, 2020 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 2020 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.

The Assembly gave direction to continue to work on basis of design of a haul out and to wait for the USDOT Build Grant funding decisions. The CBS was informed in early fall 2020 that it was not successful in obtaining any grant funding for the haul out development.

The GPIP Board met in September 2020 to discuss next paths forward and recommended that another RFP be issued for private sector development. The new RFP should be clear that the CBS did not have funding for the development of a haul out. The Assembly met in October 2020 and directed the GPIP Board to draft and release another RFP for partial private sector development of the haul out and ship yard. The GPIP Board met in late October to discuss a new RFP and recommended Assembly approval of the new RFP. The RFP was forwarded to the Ports and Harbors Commission and was further approved by a haul out working committee developed by the CBS Administrator. The Assembly gave final approval to release the RFP in late January 2021.

Proposed Terms

Please see the attached proposed lease term sheet.

SCB, in its initial development phase, proposes to construct a travel lift pier slip, a retaining wall, wash down pad, staging dock, and improve GPIP uplands for boat blocking and storage. SCB additionally plan to purchase a 150 ton marine travel lift. SCB estimates the cost of the development to be \$2.9 million dollars.

The proposed lease term sheet breaks the project down into Phase 1 and 2 with performance benchmarks to be met before additional property is release by the CBS for development.

Proposed Lease Area

Sitka Community Boatyard (SCB) is requesting to lease the following properties:

Each parcel will be discussed in relation to the lease proposal by SCB. Please see the attached SCB proposal for further details on use of the property.

**Note: The GPIP/CBS has traditionally charged a 9% return annually on the value of the property/asset*

PHASE 1

Travel Lift Piers and Staging Dock Area (Phase 1A)

SCB proposes to lease ~10,412 SF of uplands and 8,000 SF of tidelands in the southern portion of Lot 9a for constructing marine haul out piers to haul vessels out of the water and a staging dock for vessels using the facility.

~10,000 SF of the Southern portion of 9A - Lot 9a is valued at \$8/SF

- $10,412 \text{ SF} \times \$8/\text{SF} = \$83,296 \times 9\% = \$7,497$ annually

~8,000 SF of Tidelands – GPIP Tidelands are valued at \$2/SF

- $8,000 \text{ SF} \times \$2/\text{SF} = \$16,000 \times 9\% = \$1,440$ annually

**Please see term sheet for proposed lease rates*

Wash down Pad Area (Phase 1B)

SCB proposes to lease Lot 9b and 9C for the construction of an EPA approved wash down facility and potentially boat blocking.

Lot 9b is a 7,583 SF lot valued at \$5.74/SF

- $7,583 \text{ SF} \times \$5.74/\text{SF} = \$43,527 \times 9\% = \$3,917$ annually

Lot 9c is a 34,636 SF lot valued at \$5.25/SF.

- $34,636 \text{ SF} \times \$5.25 = \$181,839 \times 9\% = \$16,366$ annually

**Please see term sheet for proposed lease rates*

Boat Blocking Area (Phase 1C)

SCB proposes to lease 15 as a shipyard to conduct vessel work.

Lot 15 is an 113,369 SF lot valued at \$4.50/SF

- $113,369 \times \$4.50 = \$510,161 \times 9\% = \$45,914$ annually

**Please see term sheet for proposed lease rates*

PHASE 2

Boat Blocking and Gear Storage Area and Short/long Term Storage and Commercial Vendors Area

SCB proposes leasing Lot 6, 7, 8 and a portion of the northern portion of Lot 9a for boat blocking, gear storage, and future improvements to the GPIIP ramp.

Lot 6 is a 41,028 SF lot valued at \$6.22/SF

- $41,028 \text{ SF} \times \$6.22 = \$255,194 \times 9\% = \$22,968$ annually

Lot 7 is a 32,879 SF lot valued at \$5.72/SF

- $32,879 \text{ SF} \times \$5.72 = \$188,068 \times 9\% = \$16,926$ annually

Lot 8 is a 32,362 SF lot valued at \$6.16/SF

- $32,362 \times \$6.16 = \$199,350 \times 9\% = \$17,942$ annually

~43,634 SF of the Northern portion of Lot 9A is valued at \$8/SF

- $43,634 \text{ SF} \times \$8/\text{SF} = \$349,072 \times 9\% = \$31,416$ annually

**Please see term sheet for proposed lease rates*

Additional Considerations

- The CBS hired PND Engineers in 2019 to provide a Preliminary Design Summary and cost estimate for the development of a marine haul out at the GPIIP. Estimate cost estimates totaled ~\$7.5 million dollars. (See Attached)
 - This preliminary design estimate considered improving the existing GPIIP ramp and did not include marine haul out piers.
- The CBS applied for a ~8.2 million dollar USDOT Build Grant to develop a marine haul out and shipyard in 2020. The CBS grant was scored high, but was not successful in being awarded the grant. The CBS plans to apply for a USDOT Raise Grant (formerly building grant) again in 2021.
 - The USDOT Grant is an 80/20% match grant. The CBS allocated ~1.6 million dollars from the Southeast Economic Development Fund for its 20% match

during the 2020 grant process and is planning on using the same for the 2021 grant application.

- SCB proposes that future development of the site will include; upgrading haul out piers and shipyard area to accommodate a 300 ton marine lift, upgrading the existing GPIIP ramp to allow trailer and barge use, and subleasing parcels to marine services businesses.
 - No funding for these future developments have been identified in the proposal.
 - Per the RFP, public access to the GPIIP ramp must be made available to other existing business of the GPIIP
- The SCB proposal suggests that the CBS will do the following: “City grades yard and installs electrical and water as needed” on the site. CBS preliminary estimate for this cost is ~\$2.5 million dollars.
 - The \$2.5 million dollars includes water service, yard pedestals, lighting, etc... (See attached PND estimate).
 - SCB proposal cost estimate appears to only bring water and electric service to Lot 15.
 - The current term sheet does not include any CBS funding for yard upgrades.
- Access to CBS utilities and utility easements must be preserved as a majority of utilities were established with federal grant funds.
- 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

- Assembly approval of proposed lease terms with Sitka Community Boatyard LLC for development of a marine haul out and shipyard at the GPIIP.

**Note: A full lease agreement will be brought back to the Assembly for final approval upon approval of proposed lease terms.*