

To: GPIIP Board
From: Linda Behnken/Jeremy Serka
Date: 5/6/21
Subject: Response to GPIIP RFP clarification questions

Thank you for this opportunity to provide answers to your questions. Our responses to your general questions are below. Questions are in bold text. Questions that required proprietary or confidential information to adequately answer are included in **Attachment A**, which we request you treat as CONFIDENTIAL.

Question: Do you understand that your proposal isn't completely "privately funded" as required by the RFP, because the \$1.25M loan and \$400K grant are both "public funds".

Our response to the RFP describes the Sitka Community Boatyard LLC's preferred approach to raising \$2.5 million of the estimated \$2.9 million project total using a mix of low interest loans and private investment. The source of these loans and investments includes public revolving loan programs, such as the loans offered by SEDA, the Federal Small Business Development Loan program, and the State of Alaska, as well as private loans from Rasmuson Foundation and local fishermen. The term "privately funded" was not defined in the RFP. Our interpretation of "privately funded" is inclusive of loans to private entities such as SCB as it is the private entity, not the public, that is responsible for the loan repayment. Thus, we believe the source of the loan is not a disqualifying factor. To prohibit the use of low interest local, State or Federal revolving loan funds is not consistent with the RFP's purpose of providing "vessel haul out equipment and services that will support the Sitka fleet" in a cost-effective manner. If the term "privately funded" in the RFP was meant to prohibit bidders from using any or all low interest public revolving loan programs at the local, state, or federal level in their financial package, or grants from public entities such as the Denali Commission, that interpretation and the rationale supporting it was not clearly stated in the RFP. We believe our planned use of a SEDA loan and Federal Small Business Development loan are in compliance with the "privately funded" provisions of the RFP.

We recognize that the "Preferred Outcome" was for a developer to demonstrate the ability to finance the entire project without CBS funds. We interpret that to mean asking for a direct non-repayable equity investment in the project using CBS funds is undesirable and would be penalized when evaluating how competing proposals meet the preferred outcomes. We did not interpret that to mean that SCB was prohibited from applying for a SEDA loan as a private entity seeking financing from a public loan fund as other businesses in this community have done. Additionally, the previous review of the Warren/Cooper proposal established that the proposal was eventually disqualified not due to the nature of their funding request (which was the SEDA economic development fund, the same fund we are targeting) but due to the changes in their funding needs. Our proposal and Attachment A of this response clearly state the funding sources and public or private loan programs we propose. If the SEDA loan is denied, we have identified other loan funds for financing as detailed in Attachment A; however, these are not our first choice due to increased cost and the complexity of collateralizing the loan.

Of the remaining \$400,000 in requested GPIIP investment, our understanding is that \$100,000 of this is already committed to utility improvements at the site. The remaining \$300,000 is a request for a similar investment by GPIIP in the washdown utility infrastructure. At the recent meeting of the GPIIP Board, and prior to the evaluation of our proposal, we explained that we have a contingency plan should one or another source of financing fail. The requested \$300,000 from GPIIP in infrastructure represents approximately 10% of the \$2.9 million cost of this project. If the GPIIP infrastructure funds are not

available, SCB does have contingency plans detailed in Attachment A and wishes to discuss alternate ways of funding that component. The preferred outcomes section of the RFP notes that “*The City and Borough of Sitka reserves the right to negotiate with the finalist(s).*”

If the answer to #1 is yes, do you believe your proposal is responsive to the RFP?

We believe our proposal is very responsive to the RFP. We have structured our proposal to maintain City ownership of the land and operate the boatyard using a long-term lease, which was described in the RFP as a City preference. Our proposal maintains access to the GPIIP ramp, provides a float to safely disembark, provides for long term storage of boats, provides utilities and public access to work on boats, allows covered areas to be constructed, and provides for sub-leasing to other commercial vendors, which were all listed as “aspirational” goals in the RFP. We have also developed a construction and operation plan that will result in a working haul out within 1 year – which is again consistent with the urgency described in the preferred outcomes.

We believe the financing package we propose is the most cost-effective way to build a privately operated haul-out on leased public land to meet the needs of Sitka’s fleet and marine trades. As noted above, we believe the source of the loans in our financing should not be a disqualifying factor. We further note that we have contingency financing plans should one source of financing fail. These contingency plans are described in Attachment A and demonstrate the financial depth of our proposal consistent with RFP goals and evaluation criteria.

Our proposal also contains several innovative components that go above and beyond RFP specifications, such as a public/private/non-profit partnership that facilitates numerous sources of affordable financing now and in the future. We have also proposed an advisory board to ensure the needs of the local fleet are met and to help guide future development. Finally, we have proposed a process to transparently review lease fees at 5-year intervals to share in profitability as the business and land use mature.

If you understand that your proposal is not responsive because it is not completely “privately funded”, do you want CBS to waive this requirement?

As stated above, we believe our proposal is responsive to the RFP. SCB will hold the **loans** as a private entity, hence the local, State, Federal or private source of the loans in our financing package should not be a disqualifying factor. We believe the request for GPIIP investment in the washdown infrastructure is consistent with GPIIPs existing commitment to invest \$100,000 in the electrical infrastructure. If the GPIIP Board or the CBS disagrees with our interpretation of the term “privately funded,” then we request that GPIIP and the City waive the requirement for private funding as it was not clearly defined in the RFP and prevents access to numerous local, State, and Federal loan interest loan funds that are necessary to make the haul-out project affordable. Prohibiting these public loan funds will also increase haul-out costs for local vessels and make the goal of maintaining City ownership of the land much more difficult to achieve, both of which are inconsistent with the goals of the RFP. In the RFP, the CBS reserves the right to negotiate with the finalist(s) and to refuse or accept any and/or all proposals.

In sum, we believe our proposal is very responsive to the RFP. We appreciate the opportunity to clarify that the term “privately funded” was not defined in the RFP and that our interpretation of “privately funded” did not preclude the use of low interest local, state, and federal **loans** because it is the private entity that is responsible for repayment. To prohibit these loans serves only to increase the cost of haul-out services to the local Sitka fleet. We further appreciate the opportunity to clarify our interpretation of terms in the “preferred outcomes” section and the use of preferred outcomes in distinguishing between competing proposals rather than as disqualification criteria. We note that the RFP identifies five

evaluation criteria totaling a maximum score of 140 points. The financial package, along with the firm's qualifications, experience, and design are grouped into Criteria 1 worth 30 out of the 140 possible points. Agreement or disagreement with our interpretations can be reflected by individuals when scoring under Criteria 1, but should not prevent our proposal from being evaluated against all five scoring criteria and reviewed by the Assembly.

Please add more clarification on the team's qualifications to construct a marine haul out and shipyard.

The Proposal states Sitka Custom Marine (SCM) will be overseeing construction. What qualification does SCM have related to construction management of a project of this nature?

The owner and lead project manager of SCM is Jeremy Serka and the head foreman is Mike Matz. Both Jeremy and Mike worked together at Allen Marine for approximately 10 years. Mike Matz was the lead operator and foreman for Allen Marine for over 20 years. During their time at Allen Marine, Jeremy and Mike worked together on numerous vessel constructions, repairs and yard improvements, including two 78ft catamarans, two 65-foot landing crafts, dozens of 30-foot charter boats, and a number of 33- and 44-foot catamarans. In addition, Mike was on scene for construction of the floating dry dock, buying and assembly of the new 165-ton Ascom travel lift, and the yard improvements for the ramp.

Jeremy Serka has a B.S. in Environmental Science from Huxley College, Western Washington University in Bellingham, WA. Jeremy paid his own way through school while fishing during the summer in Southeast Alaska. He owned and operated a Christmas tree farm in Oregon and a retail sales lot in Seattle for over fifteen years, ran a charter fishing boat business in Sitka for nine years, owned and operated a commercial power troller in Sitka for six years, and has owned and operated Serka's Welding for twelve years. Jeremy is a 12-year resident of Sitka and worked during the winter months for seven years as a fabricator, welder and supervisor prior to becoming a year-round resident.

Jeremy is a proficient manager of both time and resources who has gained the trust of dozens of businesses that use his services and expertise every year. SCM has the experience and connections to oversee the construction of a marine haul out from start to finish and to ensure the work meets community goals. All work for the construction of the haul out will be assigned to professional contractors selected through a competitive bid process. SCM, the SCB, and the law offices of Royce and Brain will ensure that all work is finished as specified.

The proposal asks for public funding in both a grant and a loan. State reporting and auditing requirements will be subject for the use of these funds. Please clarify Sitka Community Boatyard's ability to pay prevailing wages and meet the State's registration / reporting requirements.

The Sitka Community Boatyard LLC will be registered in the State of Alaska and file the necessary biennial and tax reports to remain in good standing throughout the lease term. A public board made up of local business owners, marine trades professionals, and city delegates will be used to guide SCB. The SCB will retain the services of a bookkeeper to track of all revenues and expenses of the boat yard operation, and will provide quarterly reports to investors, lenders and board members.

ASFT has a 10-year history of successfully managing grants and a three-year history of managing program related investment debt. Sitka Custom Marine, owned by Serka's Welding and Fabrication LLC, has also been in business for 12 years and is SCM management is proficient with tax and reporting requirements. The work of hauling boats, maintaining the yard and equipment, managing employees and sublessees will fall on SCM. SCM has a bookkeeper who will also provide quarterly reports to SCB.

SCM will offer all employees competitive wages with benefits and will file all reports required by the DOL, unemployment and insurance agencies, etc., as required by the state and city.

For specific information on anticipated salaries and wages, see Attachment A.

Please add more clarification on working with the CBS and GPIP to secure additional funding to fully develop the boatyard.

Do you agree that CBS should continue to apply for federal/state grants?

Yes, we agree. One of the main advantages of our proposal is that it creates a framework that facilitates numerous sources of affordable financing. The Sitka Community Boatyard will be a collaborative effort of city, non-profit and private entities. Each entity has unique access to specific funding sources, and collectively the entities working together have a greater chance of qualifying for and receiving the funding needed to develop a boat yard for Sitka's immediately needs, while working long term to fund the boat yard Sitka deserves. If the City or GPIP are successful in securing grant or infrastructure investment funding, the funds could be used to upgrade and widen the existing ramp, adding a marine rail way capable of hauling larger ships and barges, purchase a 300-ton travel lift and construct piers to support this equipment, purchase a self-propelled trailer to efficiently haul smaller boats, construct buildings that allow work on boats out of the weather, conduct additional clean up and upgrade of the boatyard area, etc. Our proposal includes an advisory board to guide boat yard development and a transparent process to evaluate lease fees on a 5-year interval to offset development expenses and share profitability between the public, private and non-profit partners. Once GPIP and the Assembly make a decision on our proposal, SCB looks forward to collaborating with GPIP and CBS on the scope of future federal/state grants such as a potential revised Build grant and improvements to be financed using the States general obligation bond funding authority.

Please clarify on how SCB envisions a Public/Private/Partnership moving forward if the CBS is successful in obtaining grant funds. See above

Please provide greater detail on initial startup phase costs.

- o Are written bids from contractors available for the Board's review? See Attachment A
- o Is the project advancement contingent on \$400k capital investment from GPIP? We have a contingency plan but believe GPIP investment in this project is consistent with GPIP priorities for use of the industrial site. See Attachment A
- o Is there a contingency plan if project goes over budget? We have been thorough and erred on the side of over-estimating costs. See Attachment A
- o How does SCB believe it will construct project for far less than estimated costs provided to GPIP Board by PND Engineers? We have bids for the work from two qualified companies. See Attachment A
- o Please provide more detail to the \$1.25M (page 5) figure to fund the construction of the Travelift slip, piers, and bulkhead/retaining wall. See Attachment A
- o Is the estimated cost for the 150-ton Travelift available? See Attachment A

Please clarify the amount and type of electrical and water service infrastructure that is expected from the CBS (Page 9). Does SCB have a detailed scope or an estimated cost for these improvements? See Attachment A

Please clarify the construction timeline as the proposal seems to be quite aggressive given the permitting timelines and contractor planning/mobilization.

The limiting factor of getting a haul out built and running by April 2022 is the permitting of the travel lift slip. Once awarded a contract, SCB will apply for the CBS loan of \$1.25 million. The loan and equity capital will be used to fund the construction of the travel lift piers. We will solicit bids for approximately 3 weeks from Alaska pile driving companies including Western Marine, Turnagain Marine and Trucano Construction in Juneau. Around week 6 we will look to award a contract for the haul out piers. The pile driving company will conduct all the necessary engineering, permitting, transport of materials and construction of the piers. We have been advised by Western Marine and Turnagain that the permitting process could take 7 to 9 months and the construction will only take a 1 month. While waiting for the permits to be approved for the haul out, we will solicit bids for the washdown pad, retaining wall for the haul out piers, travel lift and dry dock storage utilities. We expect the uplands work to take 2 – 4 months from bid to completion. The travel lift will be ordered after a final determination on our funding request by the Rasmuson Foundation which is expected in the Fall of 2021 and take 3 to 4 months to arrive in Sitka.

Please add more clarification on the operations of the haul out.

- **Are proposed fees charged to users of the facility for haul out and storage available for GPIP Board review?** See Attachment A
 - **Has SCB completed a loan payment cash flow analysis to repay the proposed CBS \$1.25 loan?** See Attachment A
- **Does SCB have any performance targets, i.e., number of hauls anticipated per year.** See Attachment A
- **Please clarify responsibilities for ongoing maintenance of facilities; i.e. snow removal, haul out/ramp maintenance, road maintenance, etc.** We anticipate the CBS will continue to perform road maintenance and snow plowing as it is currently doing. SCB will be responsible for snow removal and grounds maintenance of the washdown pad and boat storage sites. The finer details of snow removal and lot maintenance can be discussed in the context of the lease agreement.
- **Please clarify ownership of travel lift, dock, piers and other ancillary infrastructure built by Sitka Community Boatyard.** The travel lift, staging dock, and yard equipment will be owned by Sitka Community Boatyard. The piers and other ancillary infrastructure built by SCB as site improvements will be managed by SCB for the extent of the long-term lease, then remain as-is/where-is site improvements for CBS use if or when the lease is terminated.

Please add more clarification on proposed lease areas.

- **The area identified in the proposal as the location of the travel lift slip piers and staging rock was not included in the area identified as available in the RFP. Do you have an estimated square footage of area you would like to lease in this area?**

If the area of our proposed travel lift slip was not intended to be available, then the RFP was misleading. Our proposed location for the travel lift slip has been identified in many GPIP meetings as the best location for a travel lift slip and staging dock. The site was also identified as a potential area for sale in

the previous RFP, as highlighted in orange. In fact, Appendix C in the RFP document includes a haul out pier drawn in the exact location we are proposing for constructing the pier (11/30/20 GPIIP meeting doc; Sawmillcove.com)

The approximate area needed for a haul out pier is 50' wide by 80' long. The staging dock is 10' wide and 40' long. The square footage of required waterfront is approximately 8,000 square feet (about 100' of shoreline and 80' extending out from the bank for the slip).

Lot 9B, which was also designated as an area to own in the RFP document, is the location we propose for the washdown pad. Lot 9C could also serve this purpose but be operationally less efficient. The washdown pad in conjunction with the travel way to the haul out pier would be approximately 200 ft long by 100 ft wide, or 20,000 square feet.

- **Lots 16b, 19, & 20 were not offered as lease areas in the RFP. Do you wish to lease these properties in addition to the lots identified as available? Does the \$1/foot proposed lease rate include these properties?**

SCB proposes to lease lots 16b, 19 and 20 to facilitate development of marine service business and other operations, and to help to offset boat-yard operational expenses. **Anticipated lease revenue from these lots is described in Attachment A.** Our proposed \$1 /ft for each boat hauled lease rate is the total payment for all leased property for the first 5 years, with an opportunity to negotiate a new lease rate at that point. After the SCB has weathered the startup phase and revenues are better defined, we look forward to discussing future lease rates for all properties and uses.

Please add more clarification on proposed lease rates.

- **Please clarify the \$1/foot for each vessel hauled.**
 - o **Is \$1/foot the only rate SCB envision paying for the first 5 years?** Yes, as described in our proposal, after the initial 5-year period, SCB and GPIIP official can review the profitability of the operation and negotiate future lease fees for haul out operations, vessel and gear storage, and sublease fees for additional businesses in 5-year increments. This transparency and public/private coordination will ensure a viable marine services center with competitive rates that will meet Sitka's need. For additional factors SCB considered in developing the lease rates, please **see Attachment A**

Does this rate include the entire 6.84 acres requested, plus the additional area south of the GPIIP Dock and lots 16b, 19, & 20? **See above**

- o **Is the \$1/foot a one-time fee, or is it monthly, quarterly, annually?** The \$1/ft fee is a one-time payment based on each vessel hauled. It will be calculated and paid on a quarterly basis.

Please clarify what lease rates SCB intends to charge for third party businesses on site. Does SCB intend to provide any of those lease rates to the CBS? See Attachment A

Lease rates for third party businesses will be no less than 9% of previous land sales in the park. Previous sales of land were around \$2.61 / ft, thus a yearly lease rate of \$.24/ft will be the starting price when negotiating subleases. This is the same rate that GPIP has been using to establish its leases. SCB does intend to provide a portion of the sublease fees from third party businesses to the city of Sitka after the startup phase.