



**Sawmill Cove Industrial Park
Board of Directors Meeting
May 15, 2007 – 3:00 PM
SEDA Board Room
329 Harbor Drive Suite 212, Sitka 99835**

A. CALL TO ORDER

The Chair called the meeting to order at 3:00 pm.

B. ROLL CALL

Board Members Present:	Nancy Davis Charles Horan	Bob Loiselle Grant Miller
Absent and excused:	Trevor Harang	
Others Present:	Maria Finkenbinder Rich Riggs John Sherrod	Theresa Hillhouse Troy Denkinger
In teleconference:	Rob Zuanich	Dick Kearns

C. REVIEW OF MINUTES – April 30, 2007 and May 3, 2007

MOTION: M/S Loiselle/Miller moved to approve the minutes from April 30, 2007 and May 3, 2007.

ACTION: Motion **PASSED 4-0** on a voice vote.

D. CORRESPONDENCE & OTHER INFORMATION - None

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA

Mr. Horan wanted to know more about PND's scope of work on the pulp dock, saying that the Board needs to get involved in the process. The Chair suggested discussing it under Other Business.

F. UNFINISHED BUSINESS - NONE

G. NEW BUSINESS

1. Silver Bay Seafoods Lease Assignment

Ms. Hillhouse said that Stikine Holdings is requesting two things: (1) Name Silver Bay Seafoods LLC as an additional lessee, and (2) Consent to the assignment of the lease to Alaska Pacific Bank and Alaska Industrial Development Export Authority (AIDEA), which is identical to the consent granted to Baranof Frozen Foods.

Silver Bay Seafoods LLC as additional lessee

Ms. Hillhouse told the Board that instead of naming Silver Bay Seafoods as an additional lessee, she and Rob Zuanich are working on having Stikine Holdings enter into a sublease agreement with Silver Bay

Seafoods, after which the Board can deal with it as consent to the sublease at a future meeting. She explained that it would be easier for the City to deal with one entity, Stikine Holdings. The format will be similar to the sublease agreement between Sitka Maritime Heritage Society and Delta Western.

Mr. Zuanich concurred with Ms. Hillhouse but added that they will be bringing the issue back before the Board shortly after the Assembly approves the lease assignment.

Consent to lease assignment

Ms. Hillhouse pointed out that the draft consent as presented is identical to the consent granted to Baranof Frozen Foods except that AIDEA requested that the final sentence shall be included wherein the Lessor agrees not to modify the lease without the consent of the bank. She added that she made minor edits to break long sentences into short ones.

Mr. Zuanich explained that this is a “boilerplate” language that AIDEA requires on all such assignments. He also stated that AIDEA asked to be removed from the draft consent since Alaska Pacific Bank will be the direct lender, not AIDEA.

MOTION: **M/S Loiselle/Miller** moved to recommend to the Assembly approval of the lease assignment from Stikine Holdings LLC to Alaska Pacific Bank with the draft consent to be amended by deleting any reference to AIDEA.

ACTION: Motion **PASSED 4-0** on a voice vote.

Short Term Lease

Mr. Riggs and Mr. Denkinger told the Board that they are looking at leasing a portion of the old warehouse at the south end of the pulp dock during the summer season. Mr. Riggs said that the building is currently filled with junk and they are hoping that the City can clear it out for them to lease at the same rate as the warehouse building.

MOTION: **M/S Loiselle/Miller** moved to authorize Mr. Bevan to work out a short term lease with Stikine Holdings.

DISCUSSION: Mr. Horan expressed concern that at 5 cents per square foot, it won't cover the cost of removing the junk out of the small building. He suggested looking at the total numbers and considering what's fair for the City.

On Mr. Miller's question who will initiate the clean-up of the building, Mr. Riggs said that they will help out with the clean up and won't charge the City for it.

Mr. Loiselle stressed that the Board is just working with a major tenant and not setting precedence by allowing Stikine to lease the building for a period of four months.

ACTION: With the consent of the second, the motion was withdrawn.

MOTION: **M/S Loiselle/Miller** moved to direct Mr. Bevan to work out a short term lease with Stikine Holdings at terms mutually acceptable for a period of not more than 5 months.

ACTION: Motion **PASSED 4-0** on a voice vote.

Update from Mr. Riggs

Mr. Riggs updated the Board on the load testing conducted by PND Engineers on the pulp dock. The results were extremely favorable and they found no issues that would get in the way in the operations of

Silver Bay Seafoods. He said that they had a lot of interaction with PND Engineers and had a dialogue with Dick Somerville related to PND's project with the City. He also said that the fish processing plant is coming together in time. He invited the Board to visit their new building.

Ms. Hillhouse informed the Board that the City just signed the contract with PND.

Mr. Loiselle suggested that the next Sawmill Cove Board meeting be held at Sawmill Cove and to include a plant visit.

2. TAB Bulk Water Contract

Mr. Kearns informed the Board that TAB's customer has 20 vessels with 13 ready to ship water. A vessel is around 700 feet in size and can hold 40 million gallons with a turnaround time of 30 days. The 13 vessels will be spaced through the month at equal amounts of time to load water. He pointed out that water will be processed first using TAB's proprietary equipment before it is shipped. It will take at least 2 days to process 40 million gallons of water given the capacity of their processing equipment. Eventually, they will be increasing the equipment's processing capability. They currently have an order for two ship loads of water, 40 million gallons each, which they are expecting to move in September.

He explained that they have a multiyear agreement with a customer who wants to be assured TAB is capable of supplying the water they require. He added that the customer is in a position wherein they need to have a long and enduring relationship with a water supplier. He stressed that they need to get the contract in place for the volume they are requesting and then put in place the mooring system. They will also be working on the necessary permits.

Ballast Water Discharge

Mr. Miller raised the issue on ballast water discharge which he felt, if left unchecked, could have devastating effects on Sitka's marine life. He said that the risk factor is pretty high as it could wreak serious havoc on the entire coastline. He wanted to make sure that Sitka will have assurances on what the impact would be for the volume of water TAB wants to ship. He stressed the need to balance risk and value.

Mr. Miller also wanted to know if TAB has secured the necessary permits and wanted to ascertain who is responsible for such. He pointed out that the current contract states that TAB shall comply with all applicable international, federal, state and local requirements regarding the discharge of ballast water. He stressed the need to monitor it. He also requested Mr. Kearns to find out if the ship treats ballast water. He added that perhaps TAB should also check on Valdez regulations including data on compliance and violations of these regulations.

Mr. Kearns said that the burden is on the ship owner and transporter to get the necessary state and federal permits for all applicable laws. They won't be able to transport water if they haven't completed the permitting process. He added that he is aware that the ships can only discharge ballast water offshore.

The Chair stated that the bulk water contract shouldn't preclude the City from terminating the contract if environmental issues arise.

Homeland Security

Ms. Hillhouse brought up the issue regarding the need for Homeland Security clearance when cruise ships are in the area. She expressed concern that the vessels would be facing some limitations in summer due to this constraint but she added that the Harbormaster is looking into this.

Mr. Kearns said that is likely that they would have more vessels coming in from October to February as there would be more water during these months based on the Blue Lake water curve.

Harbor Pilots

On Mr. Miller's question if TAB has looked into the availability of harbor pilots to bring the ships in, Mr. Kearns said that he brought three harbor pilots to check out the site. He felt that they are more than capable of doing it.

Volume of Water

Mr. Loiselle thought that the volume of water that TAB wants to take – 9.5 billion gallons a year – is staggering and it would draw so much interest and concern from the community. He said that it is, in essence, going back to exclusivity although TAB has to entertain other potential customers. He pointed out that the Board needs additional information and to weigh in with facts. He pointed out that there are a lot of issues that needs to be resolved before the Board can make a recommendation. To wit:

- (1) Volume and size of vessels
- (2) Potential interference with the operations of other tenants e.g. fish processing plants
- (3) Environmental concerns including ballast water discharge
 - How close to the shoreline
 - Treated or not

He further remarked that it is a matter for the City and the Sawmill Cove Board to consider the costs and benefit. The risks need to be identified and environmental concerns addressed. TAB's request is a big deal but there is a downside to it. TAB should be willing and able to spend money on research. He added that other concerns will quickly rise to the surface and the Board should be ready to address it.

The Chair expressed concern that TAB hasn't taken any water yet and now they are requesting an increase in their bulk water allotment. She feared that after TAB makes its first shipment, nothing will follow for the next 12 months. She thought that the increase is premature and suggested that TAB should start with the first 2 shipments and in the meantime, do the necessary research.

Mr. Horan shared other members' comments about the volume of water that TAB wants to take and the need to understand the logistics of loading the water. He felt that the public should know that a myriad of things need to be addressed first such as the following:

- (1) Permitting process
- (2) Conflict with boat traffic in Silver Bay
- (3) Environmental impact, and
- (4) Socio-economic impact.

He also stressed that the Board needs to have a thorough understanding of the "elastic guarantee" mechanism – how it will work with TAB's plan, referring to the table in Section 3.2 of the contract.

Further, Mr. Horan asked clarification on item no. 4, page 3 of Mr. Kearns' letter to the Board. To wit:

"This deposit, in whole or in part, will be applied toward the \$0.01 per gallon cost for raw water that is shipped in bulk, and all other terms would apply as to the initial allotment granted under the existing contract, with the exception of a 12-month performance period for initial bulk shipping to occur in order to secure an increased allotment that will be granted and remain in effect for the contract period."

Other Comments

Mr. Kearns said that TAB is willing to put in a non-refundable deposit and that the contract will take effect upon first shipment of water. He told the Board that if they don't take water in 18 months, they will lose the contract. He agreed that more research needs to be done. He will try to contact the crude oil shipping company in Valdez and work with them on how to address environmental concerns. He also said that

TAB and TAB's customer share Sitka's objective of maintaining its pristine environment. They are very willing to cooperate on these issues.

In addition, Mr. Kearns assured the Board that he will work with Mr. Bevan on the various issues that the Board brought up.

Ms. Hillhouse suggested that TAB provide background information about TAB's customer and made it available for scrutiny. She also pointed out that TAB's request will ultimately become Amendment No. 1 to the existing bulk water contract which could also include additional provisions for environmental monitoring or DEC oversight.

The Chair said that the Board is supportive of TAB's plans but they want to make sure that it is done right. The members agreed that with good information, they will be more comfortable to advocate TAB's request for increased water allotment before the Assembly and the public.

TAB's obligations to the City

Asked by the Chair about their status with the City, Mr. Kearns said that he gave a check to Mr. Wolff before he left and will give another one on Friday (May 18th) to cover for lease payments. He also said that TAB is current within 60 days with their utilities.

The Chair said that this agenda item is deferred until such time that Mr. Kearns can come up with sufficient information as requested by the Board.

H. OTHER BUSINESS

1. Pulp dock project

Mr. Horan said that, as a follow up on the minutes from a previous meeting, he wanted to know more about the scope of services in the PND contract with the City regarding the pulp dock. He explained that they need to focus on what the fix is for the pulp dock, saying that the City should be able to service the lease terms of the tenants while mindful that the tenants have an option.

Mr. Loiselle suggested inviting Mr. Somerville of PND to the next Board meeting. He said he had a chance to speak with Mr. Somerville and the latter expressed willingness to meet with the Board. He also asked staff to provide the Board a copy of the RFP or the scope of work in the PND contract. He expected that PND will come up with options on how to fix the pulp dock.

The members agreed that the tenants and the Board should be involved in the process.

I. REPORTS

1. Sawmill Cove Management Report

J. ADJOURNMENT

Staff was directed to schedule an evening meeting at Sawmill Cove, possibly during the last week of May.

MOTION: M/S Loiselle/Miller moved to adjourn the meeting.

The meeting adjourned at 4:45 pm.