



A. CALL TO ORDER

The Chair called the meeting to order at 2:00 pm.

B. ROLL CALL

Board Members Present:	Nancy Davis Bob Loiselle	Trevor Harang
Absent and excused:	Charles Horan	Grant Miller
Others Present:	Hugh Bevan Doris Bailey John Stein John Sherrod Troy Denkinger Rob Zuanich Dick Kearns	Maria Finkenbinder Rich Riggs Theresa Hillhouse Jack Ozment

C. REVIEW OF MINUTES – July 26th, 2006 Meeting

MOTION: M/S Harang/Loiselle moved to approve the minutes from the July 26th, 2006 meeting as presented.

ACTION: Motion **PASSED 3-0** on a voice vote.

D. CORRESPONDENCE & OTHER INFORMATION

Mr. Bevan drew the members' attention to his memo to City Administrator John Stein regarding retail sales at Sawmill Cove. He said that the Assembly adopted the Board's recommendation to allow sales of gifts, souvenirs and promotional materials that bear the logo or trade name of an SCIP permitted use business. He added that the Assembly also passed a motion by Mayor Dapceovich to make general business services a conditional use permit.

He also pointed out the two letters from Building Official Scott Brylinsky to Mr. Doug Jay of Baranof Frozen Foods regarding a "Notice of Violation and Order to Correct Life Safety System" and "Plan Review on Temporary Use of Bunkhouse and Trailer." Both letters were further discussed under New Business.

E. CHANGES/ADDITIONS/DELETIONS TO THE AGENDA

Mr. Loiselle requested to have an opportunity to report to the Board his observations from a personal visit to the H₂O Bottling facilities in Eugene, Oregon.

Mr. Bevan also requested a few minutes to bring up three items.

F. UNFINISHED BUSINESS

1. Stikine Holdings lease terms

Mr. Bevan stated that the Board's goal is to have a draft lease by Thursday the following week. He pointed out that SEDA Staff and Stikine Holdings already have an agreement on certain items. He updated the Board on the key elements of the current understanding between the two parties. To wit:

- (1) Term on the lease - 25 years with three, ten year extensions
- (2) Stikine will have an option to purchase its leasehold which will expire on Dec. 31, 2010.

Mr. Loiselle suggested that the purchase price shall be based upon current appraisal in "as was" condition. He also said that the City can have the option to sell the whole building subject to existing leases.

The Board also discussed the legal implications on selling the leasehold with two other tenants in the building.

- (3) Lease payments shall ramp up under the following schedule:

First six months	- \$0.00 per square foot per month
Second six months	- Uniform monthly increase from \$0.00 to \$0.30 per square foot per month Plus \$0.05 per square foot per month sprinkler surcharge beginning in month 13

Mr. Stein suggested making \$0.01/square foot as initial rate for legal consideration. The members pointed out that the \$0.00/square foot has been used in other leases.

Lease rates shall be held constant until year six of the lease and shall increase thereafter based upon an annual CPI adjustment or 3% whichever is less.

Mr. Bevan said that the CPI will be an average of the Anchorage and Seattle CPI. He also pointed out that the "ramp up" schedule is the same as BFF's schedule.

If CBS elects to perform an appraisal at the end of the first 25 year term of the lease, the lease renewal rent can be no greater than 110% of the amount paid by Stikine prior to the appraisal.

Ms. Hillhouse suggested using the phrase "lease renewal rate" instead of "lease renewal rent", and "amount due" instead of "amount paid".

- (4) Stikine shall lease about 34,500 square feet of warehouse plus about 5,000 square feet of outside area for a van loading facility. Final location of the housing facility and terms are under development.

If the van loading facility is used by other tenants, Stikine shall be responsible for its pro rate share of the cost of the facility.

Mr. Bevan explained that this provision opens the possibility for a joint use.

- (5) Stikine requests at least 7,000 square feet for employee housing at the Industrial Park. Final location of the housing facility and terms are under development.

Mr. Bevan briefed the Board on the possibility of TAB giving up a chunk off its leasehold area next to the Stores building. He said that SEDA Staff and Stikine are working out an arrangement with Mr. Kearns for this purpose.

- (6) If Stikine fails to operate the facility for 12 consecutive months as a fish processing facility (or other approved business) that employs at least 15 people. The City may declare the lease in default.
- (7) The City has the option to sell the building in the future.

Ms. Hillhouse suggested adding the phrase "subject to any option applicable."

- (8) Stikine shall have preferential use of 80 linear feet of "fendered" dock under the same terms as BFF. Stikine wharfage payments shall range between \$20,000 per year and \$35,000 per year based upon the number of pounds of fish landed at the dock.
- (9) Stikine shall construct an 8 foot high chain link fence within the warehouse to separate Stikine's lease area from BFF.

The Board briefly discussed this provision in conjunction with BFF's request for an additional lease space of 10 feet in this area and 50 feet along the corridor for equipment and forklift movement. Mr. Bevan suggested that the Board entertain BFF's request if for some unfortunate reason, the Stikine lease does not come together.

Ms. Hillhouse suggested that they set aside a common area between the two tenants as an option.

- (10) Stikine shall have the first right of refusal to lease additional space within the warehouse if such space is vacated by BFF.

Mr. Bevan clarified that this provision does not apply to the Omega Sea lease area.

- (11) Stikine shall receive employee credits up to a total of \$64,000 per year.
- (12) Sitka agrees to fund the extension of electrical conduit, conductors, transformer, and electric meter to the Sawmill Creek Road side of the warehouse if Stikine agrees to pay the standard, published rates for all utilities.
- (13) Sitka agrees to provide \$350,000 economic development grant on behalf of Stikine Holdings. This grant shall be used for development of employee housing at the Industrial park. Housing developed with said grant shall not be sold or encumbered by Stikine without prior approval by Sitka.

Mr. Bevan told the Board the \$350,000 is an aggregate of the electric concession that Stikine originally asked. On how it will work, Stikine will submit an expense report and City will reimburse Stikine.

Mr. Denkinger explained that he took the number (7 mkWh) off a Wrangell fish processing plant whose operations are similar to that of Stikine's.

Mr. Zuanich said that Stikine won't be able to avail of the USDA Rural Development grant money of \$5 million, saying that the money has rolled back to the General Fund. He added that they'd rather have a stand alone housing facility for 100-120 employees, requiring at least 7,000 square feet.

- (14) CBS will retain ownership and management of the new outfall pipe.
- (15) CBS will provide 20 parking spaces for Stikine's use at no cost to Stikine.

Mr. Bevan pointed out that BFF has 12 parking spaces and that there is a possibility of opening up parking spaces across the road which APC used to have.

General Discussion

The Board agreed to meet on Thursday, August 24th at 9:00 am to finalize the draft lease and recommend it to the Assembly for approval on Sept. 12th. They expressed appreciation to Stikine Holdings representatives for being flexible in working out certain issues in the lease.

G. NEW BUSINESS

1. Baranof Frozen Foods Lease Area Modifications

Mr. Bevan said that BFF is requesting the following proposed lease area modifications:

- (1) 50 feet of the corridor presently allocated to the Stikine lease discussion;
- (2) Additional 10 feet of warehouse space south of their freezer as a minimum and possibly 30 feet;
- (3) Additional space adjacent to the road side of the warehouse to operate an additional employee bunkhouse, at no charge;
- (4) Additional space adjacent to the road side of the warehouse for installation of a compressor room for its freezing equipment, at no charge.

On Mr. Loiselle's query regarding BFF's lease rate on the space outside the warehouse, Mr. Bevan said that BFF is paying the same lease rate which is \$0.30/square foot. Mr. Loiselle suggested lowering the rate for the external space and charge BFF such rate for any additional space they need. He also said that BFF should submit a plan before any additional building can be constructed in the area. He wanted the Board to convey to BFF that the tenants are expected to meet a certain level of quality for employee housing.

Mr. Stein noted the incremental increase in the number of bunkhouses BFF is operating and expressed concern about BFF housing situation.

Mr. Bevan reiterated his earlier suggestion that the Board entertain BFF's request if for some unfortunate reason, the Stikine lease does not come together.

MOTION: M/S Loiselle/Harang moved to:

- (1) Adjust the lease rate for the area outside the warehouse from \$0.30/square foot to \$0.035/square foot effective September 1, 2006; Such rate shall also apply to any additional space BFF is requesting outside the warehouse;
- (2) Require BFF to submit a written plan for Board approval before any additional structure can be installed in the property;
- (3) Deny BFF's request for additional space.

DISCUSSION: Mr. Loiselle suggested that the Chair on behalf of the Board write a letter to BFF President Doug Jay to express the Board's concerns regarding the piecemeal development of BFF's facilities outside the warehouse and to remind BFF to defer to the Board before any additional facility is installed at the site.

ACTION: Motion **PASSED 3-0** on a voice vote.

The Chair requested Mr. Bevan to draft the letter suggested by Mr. Loiselle.

2. True Alaska Bottling Bulk Water Modifications

Mr. Bevan outlined the key points of the proposed bulk water agreement with TAB which uses the sliding scale template. He showed how the TAB agreement differs with the Quest contract. To wit:

	TAB	Quest
Contract Term	20 yrs + 3 @ 5 year extensions	12 yrs + 3 @ 5 yr extensions
Maximum Water	8,960 acre feet 8.0 million gallons per day	14,000 acre feet 12.5 million gallons per day
Minimum Annual Purchase	20 MG first 24 mos.	40 MG each 12 mos.
Price	\$0.01/gallon CPI after year 10	\$0.01/gallon CPI after year 6
Exclusivity	Refer third party inquiries to TAB. TAB has 90 days to make a deal.	Exclusive distribution rights to 21 US States & countries worldwide.

Mr. Loiselle remarked that the bulk water agreement is integral with TAB's purchase and sale agreement. He suggested that they recommend for approval by the Assembly soonest. He believed that it is the key for H₂O Bottling to get their financing and close the deal.

Mr. Kearns concurred with Mr. Loiselle and added that TAB and H₂O find the document satisfactory. He said that it has to be approved by the Assembly subject to the signing of the purchase and sale agreement. He explained that H₂O assumed that the bulk water agreement was part of the purchase and sale agreement. He added that TAB needs the following to complete the process: (1) bulk water agreement; (2) bottled water agreement, and (3) notice of reversionary satisfaction.

Ms. Hillhouse said that timing is important. TAB needs to be prepared to satisfy the IRS lein within a 30-day period after executing the agreement. She also said that she is preparing the amendments to the lease and the notice of completion, as pointed out by Mr. Kearns.

On referring third party inquiries to TAB, Mr. Bevan said that TAB would have to enter into agreement with the interested party.

On Mr. Stein's question why set the price static for 10 years, Mr. Bevan explained that H₂O Bottling's Lew Graham told him that price predictability is important for buyers.

Mr. Loiselle's Report

Mr. Loiselle shared with the Board his observations during his personal visit to H₂O Bottling facilities in Eugene, Oregon. He met with Max Langenburg and Lew Graham and toured a significant part of the plant. H₂O is looking to Sitka to provide the bulk of their production of True H₂O bottled water. During the discussions, he said it became clear to him that the bulk water contract is an integral part of the purchase and sale agreement. He also mentioned that H₂O is now developing promotional materials for True H₂O.

MOTION: M/S **Loiselle/Harang** moved to recommend to the Assembly to approve the bulk water contract with True Alaska Bottling.

ACTION: Motion **PASSED 3-0** on a voice vote.

3. City Funded Multi-purpose Dock

Mr. Bevan told the Board that Mr. Horan requested him to stimulate some more dialogue regarding the possibility of the City funding the construction of the multipurpose dock. He brought back before the Board a memo he presented in May 2006 on alternatives to private sector funding which outlined the advantages and disadvantages of each alternative. He said that a reasonable analysis would require professional assistance.

The Board briefly discussed the possibility of using grants or revenue bonds to fund the construction of the dock. Mr. Bevan pointed out that if the state head tax initiative passes, the revenue has to be used for the industry. He said that money can be another source for funding. City Staff informed the members that there is uncertainty with the FTA grant at this time. FTA has some issues with the notion of the City using the HUD grant as a match. Ms. Hillhouse said that FTA has extended the time period for completion of the grant process.

Ms. Hillhouse also briefed the Board on the Clear Vote ballot initiative which she said prohibits the sale, transfer or lease of City tidelands for use as a dock for large cruise ships without public vote. She clarified that it does not prohibit the City from building its own dock. She said the Court has ruled that “uses” was so broad a concept that it was subject to confusion and misunderstanding, and it might violate the law restricting initiatives to legislative and not administrative matters.

Mr. Loiselle pointed out that the Board has addressed the major issues that the dock opponents have raised. He said the Board voted no on helicopter service operating out of Sawmill Cove. The Board has proposed changes to the retail and business uses in the Zoning Code. A transportation study is under way to address concerns regarding bussing in cruise ship visitors to town. Mr. Loiselle also stressed that the study commissioned for the proposed SJ dock indicated that a dock will stabilize the number of tourists, not increase it.

H. OTHER BUSINESS

I. REPORTS

1. Sawmill Cove Management Report

In addition to his written report, Mr. Bevan gave the following update:

- City started advertising the bulk water pipeline project. Bids will be opened on Sept. 12.
- The Sawmill Cove Board is expected to produce a report, present, and speak from the document about the development plans for Sawmill Cove during a Tourism Stakeholders Meeting on Sept 11, 5:30 – 8:30 pm.
- Mike Read of TENW will be calling in during the Board's meeting on Aug. 24th to discuss the draft transportation study.

J. ADJOURNMENT

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

The meeting adjourned at 4:05 pm