

**Gary Paxton Industrial Park – Board of Directors Meeting  
October 29, 2020 3:00pm – Harrigan Centennial Hall**

**A. CALL TO ORDER:** The Chair, Scott Wagner, called the meeting to order at 3:02 pm

**B. ROLL CALL**

**Members Present:** Scott Wagner, Vaughn Morrison, Mike Johnson, Jamal Floate, Chris Ystad

**Members Absent:** None

**Staff Present:** Garry White, Makena Hardwick

**City Representatives:** Thor Christianson (Assembly Liaison), John Leach (Administrator), Brian Hanson (City Legal), Michael Harmon (CBS PW)

**Others Present:** Dr. Wein, Kai Olney-Miller Malicoat, Jeremy Serka, Jeff Farvour, Robert Woolsey via Zoom, and Fred Paley and Chuck Cartier on teleconference

**C. Review of Minutes – September 17th, 2020**

**Motion:** M/S Morrison/Floate to approve the minutes of September 17th, 2020

**Action:** Motion Passed 5/0 on a voice vote

**D. Correspondence & Other Information-** NSRAA wishes to move forward with their lease on lot 3. So long as notice has been given the city they can move forward with the lease extension.

**E. Changes/Additions/ Deletions to Agenda-** None

**F. Reports –**

Garry White reported on the recent GPIIP usage.

Mr. White: The dock saw a tremendous amount of use this summer. I've been contacted by Cruise Line Industry for 6-8 port calls for a 300' vessel next summer. This will require a port security plan, logistics of moving passengers, and an updated fender system will also need to be put in place. Stan Eliason and Mr. White will meet with Cruise Line Agency on Monday. The Old Sitka Dock has scheduling conflicts, so expansion to GPIIP is being looked at to accommodate increases in cruise ship traffic.

Currently working on a user yard agreement, fashioned after the Wrangell agreement. As well as a haul out agreement. And establishing a fee schedule going forward for use of the ramp.

Will be hearing from a gentleman who wishes to obtain a bulk water contract with the city of Sitka. Another group, who is utilizing an underwater submarine to transport water, for a much cheaper fee than previous estimates is also interested in Sitka's bulk water export potential.

**G. Persons to Be Heard- None**

**H. New Business**

**1. Artic Blue Waters Alaska Inc. Bulk Water Proposal**

Conference call begun with Mr. Paley and Mr. Cartier. A request for a water purchase agreement with Artic Blue Waters. Most recent contracts with the group were in 2016. The City has 9.5 billion gallons available to export each year. Mr. White then explained briefly the process of how the water would be obtained and transported.

After a brief pause to reconnect Mr. Paley with a clearer connection Fred began a prepared statement to the board. Mr. Paley provided a brief history of their dealings with bulk water in Sitka. Mr. Paley cited previous projects that brought income to the City of Sitka.

Mr. White outlined the terms of the agreement proposed. A 20-year contract with the option to extend so long as performance benchmarks are met regularly. They are asking for 2 billion gallons of water in Phase 1 of the agreement. Arctic will pay the CBS \$10,000 for phase 1. Arctic would have a first right of refusal to another 6.8 billion gallons of water if they choose to implement a Phase 2 of the agreement. Arctic will pay the CBS \$350,000 for Phase 2. This would leave the city with 700-750 million gallons of water available for a local bottling operation, considering the 100 million gallons allocated to Eckert Water. In the past, charges have been \$0.01 per gallon. It has been suggested that the price per gallon be cut in half due to water being sourced from the CBS powerhouse after bay versus the CBS penstock. A few other terms, the municipality retains its rights for the City's use of the water as a priority. Brian Hanson, the municipal Attorney, has reviewed the contract. They will also be required to establish their own water loading process and pay for the costs to transport the bulk water.

Mr. Paley clarified that after 5 years there will be a price review, with the potential for a price increase by maximum 3%.

Mr. White: There are stages in the contract that suggest that if you use more water you get more water, and vice a versa.

**Motion:** **M/S Morrison/Floate** to move the contract forward as is to the Assembly for approval with terms as presented.

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

Mr. Wagner opened the floor to public comment.

Dr. Wein: I would like to know more about the world market of bulk water. I would like to know what Artic Blue knows and insure that we are not accepting a price that is lower than the standard market.

Jeremy Serka: Will traffic in the sound be interrupted by the loading process?

Mr. White: In response to the traffic in the sound due to the loading process there is a limit put in place by the City that says only 33.6 million gallons may be collected per day. The CBS owns the tidelands and the water purchase agreement addresses that the CBS will approve any water loading plan. Loading should take place away from the dock due to water depth needs. In response to Dr. Wein, Mr. White indicated that the research he has done shows that the price that Sitka has for their bulk water if anything is high. The world market for bulk water export is so limited that Sitka is one of the few players currently participating and therefore can set the precedent.

## **2. Kai Olney-Miller Malicoat Proposal**

Mr. White gave a brief background by explaining that Mr. Malicoat is interested in leasing property at the mill site to haul his vessel out and have work done there over the winter.

Mr. White would like to give Mr. Malicoat an opportunity to haul his vessel using the existing GPIIP infrastructure.

A piece of property has been mapped out for possible use.

Mr. Malicoat came forward to present his proposal to the board. He stated that the plan was formed out of necessity and more financially feasibility for himself. He would also like to see a haul out at the GPIIP site, and a way to show the town what is possible out there. Once more infrastructure is put in place at the site it will be a wonderful resource for the community.

Mr. Floate inquired about the how long the project would take.

Mr. Malicoat responded that he would like to place the vessel at GPIIP soon, but wouldn't start working on vessel until next fall.

Mr. Christianson inquired on how the vessel would be removed from the water.

Mr. Malicoat responded that he was looking into different options using local labor to remove the vessel.

Further Board discussion revolved around insurance and potential liability and environmental risk to the CBS. The Board discussed merits of leasing property while the CBS is planning to release another RFP for private sector development of a haul out.

Mr. White responded that he will bring a GPIP Facility User Agreement forward to the Board at its next meeting to address insurance requirements and liability issues. Mr. White is recommending a short term, month to month lease that allows the CBS to terminate the lease with 30 day notice.

Mr. White stated that the GPIP typically asks for a 9% return on investment for lease rates. The proposed rate from Mr. Malicoat was \$105 per month. A 9% ROI would be \$136 per month.

The Board discussed the low rate for vessel work as compared to other yards and the potential for more requests for vessel storage versus using the property for a vessel haul out.

Mr. White suggested that this project was more of a proof of vessel haul out concept and rates could be adjusted moving forward.

The Board discussed issues of protecting the CBS in the event the vessel was abandoned at the park and the potential for environment issues. It was suggested that some form of surety bond be required to cover costs to the CBS for both issues.

Mr. Wagner opened the floor to public comment.  
No public comment was received

**Motion:** **M/S Floate/Morrison** moved to move forward with the proposal at .04 a sf for a month to month lease with the stipulation that some legal protection, such as a surety bond be put into place to protect the city.

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

## **I. Unfinished Business**

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

Mr. White gave a summary of past efforts to develop a haul out at the GPIP. Past efforts have not been successful due to either the CBS not having the funding to build the haul out or the CBS' not wishing to give you control of the site to a private entity.

The City does not have the funding for a public development of the infrastructure needed for the haul out. The private sector has not stepped forward to fund the haul out without an ownership component.

The most recent RFP process heard concerns from tradespeople that control was being given over to a third party and the local tradespeople could be elbowed out. Research of other haul out facility suggests that profits are not made in hauling vessels, but in providing marine trades. Mr. White suggested that there needs to be a profit incentive to a private entity to offset the expense to develop the haul out infrastructure.

Mr. White provided the Board a draft RFP. The current draft allows for potential sale of GPIIP properties to an entity that can demonstrate a successful history of haul out experience. Questions the board must address: Does the board approve of private sector investment and giving up control of the land?

Does the board approve of a developer controlling the land and leasing to operators?

Mr. Christianson stated that the results from this decision will not go to the assembly after this GPIIP meeting. It will go back to the workgroup and will be made available to the public as well. Then it will come back to GPIIP before finally going to the assembly.

You don't make money hauling boats. At some point, concessions will have to be made unless we wait around for another grant, which will likely not be available for another 15-20 years. When we do get proposals, they may not look exactly like we want them to.

Mr. Wagner opened the floor to public comment.

Public Comment:

Jeremy Serka suggested that haul out is important to the local fishing fleet. He suggested starting small with the ramp and something that can be affordable. The City needs to be careful to not cork itself with something that cannot be improved further with growth. He wondered about the City going after a bond.

Jeff Farvour suggested the CBS needs a mission statement for the development could help guide it. Might need to start entertaining a fully private yard.

Mr. Wagner brought the discussion back to board.

Mr. Wagner asked if the city has the ability to put covenants on the real estate.

Mr. Hanson said that enforcement of those covenants in a sale is nearly impossible. Conditions could be put into a lease however.

The Board discussed the draft RFP. The Board liked that it casts a broad net to determine what different entities are out there. The City has an option to refuse any bid that doesn't fit with the community's goals. The Board would like to see a local group of tradespeople, fishermen, and processors work together to bid on the project. Mr. Christianson suggests that city would be willing to work with a local co-op.

Mr. Leach discussed the low potential for the CBS to obtain a revenue bond for the project and discussed other critical infrastructure financial needs to the CBS.

**Motion:** **M/S Floate/Morrison** moved to move the RFP forward to the workgroup with terms as listed in the presented RFP.

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

**J. Adjournment:** The Chair, Scott Wagner, adjourned the meeting at 4:27pm