DOCKS AND HARBORS OPERATIONS MEETING

June 11, 2025 at 5:00 PM

Port Office Conference Room/Zoom Webinar

A. **CALL TO ORDER:** Mr. Sooter called the meeting to order at 5:00 p.m.

B. **ROLL CALL:** James Becker, Clayton Hamilton, Debbie Hart, Matt Leither, Nick Orr, Annette Smith, Shem Sooter and Don Etheridge

Absent: Tyler Emerson and Debbie Hart.

Also in Attendance: Carl Uchytil-Port Director, Mathew Sill-Port Engineer, Matthew Creswell-Harbormaster, and Melody Musick-Administrative Officer and Nicole Lynch with the CBJ Law Dept.

C. **PORT DIRECTOR REQUESTS FOR AGENDA CHANGES**

Mr. Uchytil indicated there's no changes but when we went to print for the Goldbelt Lease there's a correction to the packet attached. The lease starts on page 19 of the agenda packet.

D. **PUBLIC PARTICIPATION ON NON-AGENDA ITEMS** – None

E. **APPROVAL OF MINUTES –**

1. May 21, 2025 Meeting Minutes
   Hearing no objection, the minutes were approved as presented.

F. **UNFINISHED BUSINESS**

2. **New Goldbelt Tram Lease**

Presentation by Port Director: Mr. Uchytil summarized changes that occurred in 2015 to the Golbelt Tram lease that was originally signed in 1995. From 1996-2006 Mount Roberts Tram paid $90,000 in annual rent with no royalty rent as stipulated in the original lease. In 2006-2011, Mt. Roberts paid$104,000 with no royalty rent. In 2015, after renegotiating the lease to remove the royalty rent, annual rent was assessed at $272,000, from 2015-2021. In 2021 the lease was reappraised, and the annual rent was adjusted to $204,000. The new appraisal amount is $272,007. Page 10 and 11 of the agenda packet contain the 2015 resolution that amended the original lease agreement. Mr. Uchytil indicated that the language in resolution would indicate every 5 years that CBJ and Goldbelt would get an appraisal to establish fair market value.

Ms. Smith asked, because the rent is adjusted every 5 years, has the rent amount kept up with the rate of inflation?

Mr. Uchytil explained that, no, it's a market appraisal so for example in 2015-2020 it was $272,000. Then following the appraisal in 2021, it was $204,000, so it went down, now it's up to $272,000 so it's not linked to inflation.

Ms. Smith asked if Docks and Harbors does any maintenance on the Goldbelt Tram property?

Mr. Uchytil responded, No.

Mr. Hamilton asked, was that amount of $272,000 was that due based on cost sharing?

Mr. Uchytil responded, No. The appraisal was done approximately in 2014 which determined the $272,000, which is unrelated to the original base rent and royalty rent structure. Mr. Uchytil said that he began in 2011 as Port Director and there was a strained relationship with Goldbelt, but the original 1995 lease agreement required a payment of around (not exact) $90,000 a year plus royalties. The royalties from 1995-1998 were 10% of the appraised market value per year, approximately $30,000 as well as royalty rent of 1-5% of revenues not less than $60,000 annually to be appraised every 3 years. There was a different regime on how the lease was to be determined back then. Part of that strain was due to the construction of the Tram being very contentious. There was lots of public testimony, public opposition against the Tram. Mr. Uchytil said that the drafters back in 1995-1996 were more focused on punitive arrangements. Revenue sharing as written in the original lease did not function as written and Docks and Harbors did not collect royalties which led to negotiating to get rid of it and implementing standardized practice.

<u>Committee Questions</u>

Mr. Hamilton asked to clarify what it meant when the lease did not pay any royalty rent? Docks and Harbors did not collect royalty rent or was that not paid? Did this go to court and was there an actual lawsuit?

Mr. Uchytil responded, nothing went to court. Mr. Uchytil said this occurred before his time as the Port Director. Docks and Harbors did not collect royalties until the lease was renegotiated.

Mr. Leither clarified that there's an appraisal every 5 years and rent is based on that appraisal.

Mr. Uchytil said that's correct.

Mr. Leither said since property generally increases every year, is the amount they are paying less than fair market value for every year past the first year of the new rate?

Mr. Uchytil said that the appraisal process is when the appraiser goes and looks at commercial property; within that time, the market goes up and down. The appraiser looks at square foot costs, tourism facilities and determines fair market value based on those factors.

Mr. Leither asked if there's a process for an appreciation of property, (for example in that 3rd year) so that property is averaging its value over those 5 years?

Mr. Sooter asked if all our other leases adjust annually or are they every 5 years?

Mr. Uchytil responded, yes. Within code, the requirement is every 5 years to have a rent review or re-valuation in the form of appraisal of all Docks and Harbors lease properties. The appraisals and CPI fluctuate over the years. The original lease contained language to conduct revaluation every three years at the direction of the Assembly at the time.

Mr. Hamilton asked if this is a 5-year review minimum?

Mr. Uchytil said that he would need to review the minimum and maximum review periods.

Mr. Hamilton said that Mr. Pierre is looking for stability, which provides an opportunity for the Board to review the terms of the lease to find the most mutually beneficial outcome.

Mr. Leither asked if there is a way to assess or extrapolate annual adjusted rent values using a five-year appraisal to average the rent amount based on appraised value throughout the five-year evaluation term.

Mr. Ethridge responded that his concern with projecting out market value is that if property values drop over 5 years, similar to what occurred during the COVID-19 pandemic, that model would not accurately reflect the appraised value and put Docks and Harbors ahead.

Mr. Hamilton said the Board does not want to burden Goldbelt if COVID happens again but would also like to continue profiting off Goldbelt's current success.

Mr. Uchytil reviewed CBJ code section 05 CBJAC 50.040 Appraisal, lease, rent requirements and dispute resolutions; concluding that rental adjustments must be made at least every 5 years.

Ms. Smith asked if every five years is the maximum timeframe for lease adjustment periods.

Mr. Sooter responded yes.

Mr. Leither said working with our current term contract for appraisal, how much does an appraisal cost.

Mr. Uchytil responded we share between $5,000-$10,000 for each appraisal. Most leases require the lease holder to pay for the appraisal.

Public Comment - None

Committee Discussion & Action

Mr. Orr said he thinks the lease should be based on an income-based appraisal, that way the lease is not necessarily tied to the property values downtown and Docks and Harbors get to share as the revenue goes up. Three-year appraisals are typical in the institutional real estate space but five is also adequate or as Mr. Leither suggested a CPI the yearly rate could go up or down and then you have the cost of the $10,000 appraisal. Mr. Orr would recommend an income-based appraisal approach rather than a sales appraisal approach.

Mr. Leither clarified that although the $10,000 appraisal rate is high, the difference between $204,000 or $272,007; $35,000 is the average over 5 years. That's a significant amount over $10,000 for the cost for additional revenue.

Mr. Orr said there is nothing wrong with 5-year appraisal method. The thing that jumps out is rent was $272K in 2015 and $272K in 2029, that seems like property value has inflated with the number of cruise ship passengers that utilize run the Tram property. Passenger fees are going up 20% in some cases and I am wondering if Docks and Harbors can benefit from that?

Mr. Uchytil addressed question with Appendix B: page 11 of 16 of the Goldbelt Tram Site leases and CBJ Policy 53.20.190, (2) Adjustment of Rental – Any changes or adjustments shall be based primarily upon the values of comparable land in the same or similar areas; so that's how CBJ based on the rate of comparable lands verses income based.

Mr. Hamilton said, except for this original lease we're looking at, which previously was income based.

Mr. Uchytil responded, except in 1995 when we were looking at when a tram was put in, it was very contentious. The Tram was required to be put in a public bathroom; there were a lot of things that were piled on to the original lease agreement. The City bases rentals on comparable property appraisal methods.

Ms. Smith asked, once we look through this and make a change then the Assembly can say still say no if they don't like what the Board is asking.

Mr. Uchytil clarified that for example, if Goldbelt comes to the Board asking for a new lease, say they want to forgo 5 years to secure financial securities to fix the foundation which is going to cost them $3-5 million. They are going to make those improvements, 5 years from now, the building is appraised again, those improvements are not considered as their major maintenance costs.

Mr. Leither expanded on what Mr. Uchytil said, the Goldbelt Tram equipment was valued in 2014 as 19 million dollars, so they're not valuing the land as much. He assumed it would be more today.

Mr. Hamilton, just a point of information, if you take the 2014 and the CPI guide, it's $400,000.

MOTION BY MS. SMITH TO RECOMMEND THE ASSEMBLY APPROVE A NEW 35-YEAR LEASE WITH GOLDBELT, INC FOR THE TRAM PROPERTY AT A LEASE RENT OF $272,007 ANNUALLY.

Mr. Hamilton asked for the motion to be amended by adding the CPI annually.

<u>Discussion on the Amendment</u>

Mr. Leither stated the CPI and Property values are not tied. He asked does anyone know whether they roughly correlate or are they similar.

Mr. Orr stated, from a finance perspective, not always, because if you think about property as a financial assessment, that as property owner, you are not going to accept 5% when everyone else gets an 8%. That's why rents go up. It doesn't necessarily mean that, if there is no demand for the property then prices go flat because there is no one who wants what you have.

Mr. Leither said that with the Amendment, Mr. Hamilton is recommending an appraisal every 5 years. From what Mr. Orr says, the price can go up and down, but after 5 years the price could go up or down.

Mr. Ethridge said, having an unknown rent each year would harm the Lessees' ability to finance the improvements that they're looking to do.

Mr. Orr stated if they have control over the repairs they don't really care.

Ms. Smith asked Mr. Hamilton, in the proposed amendment what you are looking at, stay the CPI is 1% per year, would go up to $274,720, every year, but then on the 5th year, we get an appraisal that brings it back down to $272,000 then you start back over again and adjust every year including the CPU.

Mr. Hamilton said that's a bigger issue and we should let the Board decide that in 5 years.

Mr. Orr, yes, if it goes back to $272,000 then after 5 years, you start over again, but if the appraisal is $250,000 then rent starts at $250K. In the meantime, you would get the CPI which is something although it is not a lot.

MOTION BY MR. HAMILTON TO RECOMMEND THE ASSEMBLY APPROVE A NEW 35-YEAR LEASE WITH GOLDBELT, INC FOR THE TRAM PROPERTY AT A LEASE RENT OF $272,007 ANNUALLY AND ADD CPI ANNUAL ADJUSTMENT.

Motion approved unanimously.

Ms. Musick asked that the timing of the Lease billing be clarified since CPI comes at a varied time throughout the year.

Mr. Uchytil responded that the CPI doesn't have to be linked to the previous calendar year. It's called Urban Alaska CPI and it's annually done each year March to March, and it'll provide the CPI over any period you want.

Ms. Smith asked if the referral is to the Anchorage CPI which is calculated every year.

Mr. Uchytil will work with the law department on language of the lease to update it.

G. NEW BUSINESS

3. Taku Dock Use Permit

Presentation by Port Director:

Mr. Uchytil said this is concerning the Use Agreement for the Taku Dock. Docks and Harbors owns the Taku Dock that Taku Smokeries uses. Taku Smokeries does not have an exclusive use of the facility. They maintain what they have on docks. Docks and Harbors are responsible for major maintenance. They have been operating a Use Agreement for at least the past 15 years or more. The current Use Agreement expired in 2024. It has taken until now to get an agreement with Taku Smokeries. For the past 15 years the lease agreement has $6 per ton. On page 57 of the packet there's a reasonable value to establish a lease permit we use an appraiser for determining that rate for moving freight across the dock. Table 2 contains data of revenue collected over the past 15 years. Moving forward, page 58 of the agenda packet, you see how much the wharfage charges are throughout Alaska. You can see Wrangell at $2.50/ton to Whittier with a railroad at $40/ton. It appears somewhat arbitrary rather than scientific to find a tonnage fee we can live with. The recommendation is $10/ton. It's on the hirer end of wharfage rates but that price is based on communities around the state.

<u>Committee Questions</u>

Mr. Becker asked who does the maintenance on the dock?

Mr. Uchytil responded that they do their own repairs.

Mr. Becker recommended the rate of $10 per tonnage.

Ms. Smith asked if this was a reasonable rate?

Mr. Hamilton said if you average all the rates and exclude the two higher amounts it averages out to be about $6, but if you look at Anchorage and Kodiak, I wonder if we don't want to pick a rate that is comparable to their rates.

Mr. Uchytil summarized (page 63 of 126) that per the usage agreement Taku Smokeries will continuously maintain the dock in a good state of repair at no cost to the City. The operator shall undertake and complete minor repairs and key maintenance of the dock, including the replacement of wear surfaces on the dock. The City shall undertake major repairs and replacements of dock components that have reached the end of their useful life. They have a permit to use that area but if someone else wanted to use that area, they would need to get a permit.

Public Comment- none.
Committee Discussion/Action

Ms. Smith asked Mr. Hamilton if there would be a CPI increase on Goldbelt would you also put a CPI on the tonnage rate? So, would you start at $10 and then add a CPI increase?

Mr. Hamilton responded that no, as part of the local economy and to shelter farmers and fishermen, he would lean towards stability in the price assessed.

Mr. Orr added even with the CPI on Goldbelt, that is a flat fee. He doesn't see that this is all that different.

MOTION BY MS. SMITH TO APPROVE A USE AGREEMENT WITH TAKU SMOKERIES FOR ANNUAL RENTAL RATE OF $10 PER TON OF GOODS CROSSING THE DOCK.

Motion passed unanimously.

4. Engineering Design Contract - Aurora Harbor Drive Down Float

The presentation by Port Director-Mr. Uchytil referenced the Memo (Page 93 of 196) to get the Aurora Harbor Drive Down Float as a way of getting it funded as quickly as reasonably possible. The next Board meeting is on the 26th of June. The next Assembly meeting is the 28th of July to get the information to the board that at the next board meeting they'll have more specifics. MARAD was specific about how the grant is carried out. On page 95, there is a Welcome Aboard packet that specified Next Steps and a timeline. Docks and Harbors has a selection committee for engineering services to help design and permit the drive down float. With the selected engineers being PND Engineers. In the meantime, Mr. Uchytil said that MARAD will award the grant. Mr. Uchytil explained that they will allow us to expand our local match money (14-million-dollar project, a 20% local match) and we think that we're going to get half of that local match from the State ADOT Municipal Harbor Program. Docks and Harbors has permission for MARAD to do up to 35% of the design work and NEPA (National Environmental Protection Act) work, outreach to Natural resources, historical resources. So, through that process we have permission to move forward with an award to PND, however, we have not negotiated the award yet. Mr. Uchytil said he was coming to the Board tonight to give the background on where we were at and to let the Board know that we have permission from MARAD to expand up to $700,000 for these elements that will get us to the grant award. Mr. Uchytil explained that he put a motion in the memo to the approval of the $700K contract to PND otherwise the decision would go into the August board meeting.

Committee Questions-none.

Public Comment-none.

Comment Discussion & Action

MOTION: MR. ETHERIDGE MADE THE MOTION TO RECOMMEND THE ASSEMBLY APPROVE A CONTRACT WITH PND ENGINEERS NOT TO EXCEED $700,000 FOR PRE-AWARD DESIGN EFFORTS AS APPROVED BY THE MARITIME ADMINISTRATION.

Motion passed unanimously.

5. Request for Launch Ramp Donation- TSI Salmon Derby

Presentation by Board Member Orr- Mr. Orr requested that the Board give a launch ramp permit for the TSI Salmon Derby that is coming up in August.

<u>Committee Questions</u>- none

<u>Public Comment</u>- none

<u>Committee Discussion/ Action</u>
MOTION BY MS. SMITH TO DONATE A DOCKS & HARBORS LAUNCH RAMP PERMIT TO TERRITORIAL SPORTSMEN INC. IN SUPPORT OF THE 2025 SALMON DERBY.

Motion passed unanimously.

H. ITEMS FOR INFORMATION/DISCUSSION

6. Statter Harbor Phase IIID- Schedule Update

Presentation by Harbormaster – Mr. Creswell presented that The Statter Harbor Phase IIID had been awarded to Dawson Construction for the paving, landscaping of the bus lot, Originally the work was anticipated to begin in August and conclude next year, Docks and Harbors had a meeting last Friday in which Dawson presented two documents included in the packet, with phasing plan of how they would like to do approach the project. The plan includes a very aggressive schedule with Dawson beginning construction next Monday and to be completed roughly by mid-October. They planned to have the lot paved by then and by winter and the start of next season, it will be fully done. When staff walked the site on Monday with Dawson, we agreed that it was doable. Docks and Harbors had a public meeting today in Assembly Chambers with the operators regarding the use the lot and told them about how Docks and Harbors would handle the plan and who would manage traffic flow, pedestrian queuing and staging. All operators are all in support of this project. Dawson had a plan for all staging, and it will go full speed from the start. If the weather cooperates and it all goes well, the project will be completed roughly by October 15th.

Ms. Smith asked if Dawson will probably be working on this during Salmon Derby and some busy days, do you have plans for how that will be handled?

Mr. Creswell responded, yes Dawson and the Port have a plan for when we have sunny days, crab openings and the Salmon Derby. The one thing that this may mean we use a designated are of the lot for stashing a few trailers and other equipment. Mr. Norbryhn and Mr. Creswell will work very closely with Dawson to monitor the use of the area. It will depend on what phase of construction, what adjustments will be needed. Public will not lose the launch ramp area to this construction area other than Zone 4, the pink area which the start date is to be determined. Docks and Harbors will be working with Dawson and PND to mitigate any impact on that area.

Mr. Uchytil that Mr. Creswell and Mr. Cryts worked hard with Dawson to do all this work. From a contractual perspective there would be no way where we could write a contract that would be this prescriptive. When Docks and Harbors originally wrote the contract there was a lot more flexibility for the contractor. When the low bid contractor came forward and said we've got a plan and it's complicated, but we can make it work. The Harbormaster and the Deputy Harbor Master looked at the plan and said that work for us and that works for them and that is how that played out.
Committee Discussion/ Public Comment-none.

I. STAFF, COMMITTE, AND MEMBER REPORTS

Ms. Smith the South Douglas made a recommendation on the naming of Douglas Harbor that Mr. Uchytil recommended. The only change they accepted is the name of Douglas Harbor. Therefore, our business is done.

Mr. Uchytil explained there was an Assembly meeting on Monday. CBJ did pass a resolution to transfer Mayflower Island to Douglas Indian Association (DIA). Mr. Uchytil did not know what DIA's plan for that area. The Assembly scheduled a Special Assembly meeting today because they ran late. They approved the Taku Harbor improvement award to Trucano Construction. Also the Assembly approved a new Collective Bargaining Agreement (CBA) with MEBA, which is the union that represents Docks and Harbors and other CBJ employees. The agreement was a 3% increase starting in July, the following year a 3% increase and at the end of the 3rd year a 5% increase. The 3% will be adjusted in our budget going forward.

Mr. Uchytil said the period for applicants for our Docks & Harbor Board closed on Friday. There were seven potential applicants.

Mr. Uchytil said he did include info on the PIPD grant in the packet. We had a Washington DC MARAD person walk through Aurora Harbor. Mr. Sill and Mr. Uchytil took that representative out to the Auke Bay Loading Facility and the Drive Down Float. She is part of that NEPA evaluation process. Typically, she would not be here this early, but she was doing a PIPD grant in Hoonah. That all went very well.

There is a NOFO (Notice Of Funding Opportunities), which means there is a grant opportunity for the next ground of PIPD grants. We don't have anything queued up that would be competitive. When we do our strategic planning, we can think of the next projects. The Alaska Department of Transportation has a Municipal Harbor Grant program. It's open now for FY27, however Mr. Uchytil said he didn't think he'd have anything he could compete for. Previously there was only one-year other year when we didn't compete, since 2011, for a Harbor matching grant. Mr. Uchytil encouraged if anyone could think of a project worth pursuing that they bring it forward. Mr. Uchytil said that it pays for floating breakwaters and major maintenance of floats.

Ms. Smith asked whether the old Ketchikan floating breakwater allowed Docks & Harbors to purchase it?
Mr. Uchytil said possibly. We haven't seen huge interest in buying that float. The owner of the old Ketchikan breakwater is looking for hundreds of thousands of dollars for that float.

Mr. Becker asked how much that float is being used?

Mr. Hamilton responded he knew of someone who had been using it, but he got scared off because he didn't want his stuff to be impounded.

Mr. Sooter asked Mr. Creswell if he saw much use of that concrete float?

Mr. Creswell said he thought there was only one person to use it.

J. COMMITTEE ADMINISTRATIVE MATTERS

1. Next Operations Meeting is July 16.
2. Next Board meeting is July 24.

K. **ADJOURNMENT** AT 6:20 PM.