THE CITY AND BOROUGH OF JUNEAU, ALASKA
Assembly Committee Of The Whole Work Session Minutes

Monday, September 28, 2015

I. ROLL CALL

Deputy Mayor Mary Becker called the meeting to order at 6:00 p.m. in the Assembly Chambers.

Assemblymembers Present: Mary Becker, Karen Crane, Maria Gladziszewski, Loren Jones, Jesse Kiehl, Jerry Nankervis, Merrill Sanford, Kate Troll and Debbie White.

Assemblymembers Absent: None.

Staff present: Kim Kiefer, City Manager; Amy Mead, City Attorney; Beth McEwen, Deputy Clerk

II. APPROVAL OF AGENDA

Hearing no objection, the agenda was approved as presented.

III. APPROVAL OF MINUTES

A. August 24, 2015 Committee of the Whole Meeting DRAFT Minutes

Hearing no objection, the minutes of the August 24, 2015 Committee of the Whole meeting were approved.

B. September 10, 2015 Committee of the Whole Meeting DRAFT Minutes

Hearing no objection, the minutes of the September 10, 2015 Committee of the Whole meeting were approved.

IV. AGENDA TOPICS

A. Introducing "Buddy" - JPD Canine Officer

Officer Michael Wise and JPD Canine Officer Buddy are a team. Police Chief Bryce Johnson explained the training while Officer Wise and Buddy performed a live search scenario to demonstrate Buddy's training and capabilities. Chief Johnson explained that Buddy is a single purpose trained narcotic/meth drug sniffing dog. As a single purpose trained dog, he is not trained for other things such as finding people, doing handler protection or other tasks. Officer Wise has been training with Buddy since June 2015. Chief Johnson said they received grant funding from the DEA to cover the costs for getting Buddy and training him.

(Clerk's note: the sound system was not turned on at the beginning of this meeting, therefore the audio for this meeting did not begin until 6:11pm.)

B. AVISTA: Liquefied Natural Gas (LNG) Project

AVISTA staff members Eric Erickson and Jeff Smith gave a presentation on the proposed LNG project AVISTA is looking at bringing to Southeast Alaska. Mr. Erickson said that when AVISTA merged with AEL&P, he was tasked with looking at the possibility of bringing LNG to Juneau and possibly other communities in Southeast Alaska. AVISTA is headquartered in Spokane, WA and provides LNG to approximately 330,000 customers in Idaho, eastern Washington, and southern Oregon. If they bring LNG to Southeast Alaska, it would not be very different from what they are currently doing in WA, the main difference would be the method of delivery to Southeast Alaska would be via ISO containers in which the LNG is cooled and converted into liquid form to approximately 1/600th of the capacity in its gaseous form. The other main difference is that the system up here would be stand alone and not interconnected to other utilities. In the Juneau market, most people use some form of heating oil and AVISTA is hoping they will replace heating oil with LNG gas.

Mr. Smith gave a presentation covering what the project would mean for Juneau in terms of economic development. He said that a couple of risks that jump out in the forefront, is that it is a very large investment, approximately $130 million dollars, and would really need conversion of customers to occur. The faster the conversions occur, the sooner they can recover those investment costs. So far, AVISTA has approval from their board of directors in moving forward on this for the following steps: 1) presenting to groups like this 2) discussions with Alaska State Legislators for options with them, and 3) taking the steps necessary to go through the regulatory process. He said that Fairbanks is already working on a similar process and it can be used as a model on how this will play out moving forward.

He said the anticipated economic impacts for Juneau would be a $5-15 million annual savings on energy heating costs only, 60-180 new jobs (economic development); 90 construction jobs year 1, then 20 construction jobs years 2-10 during the construction phase. Mr. Erickson said that AVISTA is looking at investing $100million in getting the gas to the door of the customer.

He said they are here to request support from the Assembly in terms of a Resolution stating that CBJ is interested in seeing a project like this move forward and/or a letter of support that they could take to the State. AVISTA would then be approach the State of Alaska and the Regulatory Commission of Alaska to begin moving the project forward.

COW members had many questions for Mr. Smith and Mr. Erickson regarding the conversion costs, what the project would require from CBJ, and how the economics may be changed given the big drop in oil prices in the past year, as well as any assistance programs that may be offered or in place to assist residences in converting from heating oil to LNG.

AVISTA staff explained the conversions costs may run an average $6,000, they could be as low as $2,000 or as high as $15,000. Mr. Smith clarified that these costs would be the cost to bring the service to the house and converting the existing equipment over. As for the conversion assistance, Mr. Erickson said that Alaska Housing Finance Corporation has an energy rebate program and that is one of the potential opportunities for assistance. Mr. Smith said that with AIDA financing, the average loan interest rate is 3% but Fairbanks has been able to secure 1% interest loans but those had to be done through the state. It is channeled through AIDA but it is not an AIDA product that they are utilizing. Fairbanks itself has been able to work through the state to get that so AVISTA is hoping to get non-binding letters of support or interest to say that this is of interest to Juneau.

Additional discussion took place regarding various price points, electric cars, AEL&P burning diesel fuels if/when they aren't able to connect to the hydroelectric sources and how LNG would fit into this picture. Mr. Smith explained they are looking at other markets including cruise ships and Mr. Erickson explained that they have ordered another generator that includes duel fuel options for AEL&P. Discussion then took place regarding sources for the LNG market. Mr. Smith explained the current process going on in Vancouver, B.C. as one of the examples of a liquefaction plant but also explained that that facility is targeting the Asian market as the U.S. West Coast market is not big enough for the capacity that the B.C. plant is producing. They would be shipping 150,000 cubic meters via large ships to the Asian markets and would not have the interest in messing with trying to ship 2,000 cubic meters ships that would go to Juneau and other similar smaller markets.

When asked what AVISTA is hoping for from CBJ, Mr. Smith said primarily at this time, they are looking to get a letter of support that they can take up to the state to be able to get state assistance.

MOTION by Ms. Gladziszewski for the City Manager to write a letter of support for the LNG project. *Hearing no objection, the motion carried.*

The Manager asked if the committee wished the letter to come back to the Assembly before it is sent out. They said there was no need to bring it back Assembly for final approval.

C. Gastineau Apartments Proposal – Bauer/Clifton Interiors

Jeremy Bauer and Jason Clifton of Bauer/Clifton Interiors were present and Cascade Development member Laurie Kibby was on the phone.

Their hope is to enter into a private/public partnership with CBJ to be able to replace the current Gastineau Apartment Building with a mixed use development which would include a small contemporary boutique hotel, , high rise condominiums, long term apartment rentals, a restaurant and lounge and other amenities as part of the hotel and made available to the residents of the condominiums, and a parking garage. While the parking would meet the needs of the building, they are also proposing having additional parking for use by the city.

Mr. Bauer explained that CBJ has set aside $1.8 million to help deal with the problem and that a portion of that money has been set aside for preparation of the demolition as well as some legal fees. He said that what they are proposing is to provide a private/public partnership to go into this project them building the project in return for providing parking spots which would make up for the $1.8 million the city is putting into the demolition. He said basing the parking spot rate at approximately $50,000-60,000 per parking space based on other build outs in Juneau, they could do the math and figure out how many public parking spots that would equate to (30-36).

On top of the parking spots, Mr. Clifton noted that they would try to allocate some of the apartments as "affordable housing" and they would like to try to maintain some green space replacing the current pocket park. Since the two front lots fall into the Juneau Historic District so they would pay special attention to bringing back some of the historical character to this location. They could even utilize some of the design from the existing Gastineau Apartment building into the design for the new building. They would also pay attention to the neighbors and not make it so large that it doesn't fit in with the surrounding areas. They would stair step it up the hill to achieve the intended use, in smaller portions and also pay attention to the Gastineau Ave, stair stepping back away from the street. He said a few of the conceptual renderings were part of the packet distributed to the Assemblymembers.

Ms. Becker asked where they propose the parking would go. Mr. Bauer said his thought was to put it on the back side in the lower portion and although it may not all end up underground, they would utilize the backside through a retaining wall. It would be accessed through the front of the building off Franklin Street through either a ramp down or straight into a parking structure located back behind the hotel in the hillside.

Assemblymembers had a number of questions about where they are in the current process and what the timelines are for acting on this.

Mr. Clifton said they have fostered a positive relationship with the Barrett family and have secured a binding letter of intent with the sellers at this time. It is contingent the completion of a proposed private/public partnership between CBJ and Cascade Development.

Ms. Laurie Kibby from Cascade Development said their objective is to find a way for positive partnership with private/public how to coordinate this project. Cascade Development has a binding agreement with the Barretts and Cascade can decide whether to move forward or not based on what they may be able to work out between Cascade and CBJ. She anticipates that once all the issues that CBJ has and they can coordinate the project. Cascade and the Barretts have agreed to put together a purchase and sale agreement within the next 60 days. Final purchase and sale agreement depending on any agreements made with CBJ. She sees the overall timing as follows:

- 60 days for final purchase and sale agreement
- 6-9 months for design and engineering
- Depending on when construction begins, it would be 18-24 months for completion.

Additional questions and discussion took place regarding the timelines for the current demolition process as well as how the above proposal might fit into those timelines, especially in light of the fact that neither Cascade Development nor CBJ currently own the property.

Ms. Mead explained that because we do not own the property, CBJ is working under the legal framework through Title 19 of the International Property Management Code (IPMC). CBJ has issued a demolition order that is binding on the current property owners. CBJ is moving forward to do the demolition ourselves. The constitution provides that we cannot spend money unless we spend it for a public purpose. The way the IPMC works says that we can expend this money but our protection in spending this money is through a lien so that is the first thing CBJ is working under. The IPMC prohibits the transfer of the property unless the new owners are provided a copy of the demolition order and would agree to be bound by the demolition order. CBJ cannot spend money on this unless it is through the IPMC process.

Ms. Mead said that, for the next steps, if we agree to spend money in furthering this project, just as we offered to the Barretts, CBJ can enter into an agreement as to how that lien gets satisfied. It would not necessarily be a cash requirement. It could be a trade for parking spaces or something else that meets a public purpose. The first part is that CBJ can spend the money and the lien is what secures our spending of the money. She said she has not heard that is something everybody understands is the reality of the situation. She said she cannot see us spending the money without that protection. She said what CBJ does with the lien may have more options if entered into some kind of agreement with Cascade Development.

Ms. Kibby said they were under the impression that the demolition would proceed, the Barretts would be selling the property with the lien and there would be an understanding in advance [with CBJ] on they could satisfy that lien, possibly not with a return of cash but possibly an equal value in kind item on the property whether it be parking or a combination of parking and other things such as affordable housing. She said they would build that into the purchase and sell agreement with the Barretts.

Ms. Crane asked if the financing is secured for their proposal and what would happen if the financing falls through.

Ms. Kibby explained that it is much too early in the process for the financing to be secured. They would still need to go through the full process of design, engineering, conditional use permits (CUP). It would have to all be designed, engineered, and approved before they would go out to seek financing. She said her understanding of the CUP process is that the rights and obligations would travel with the property.

Additional discussion took place regarding the lien and the legal requirements for proceeding with either the demolition and/or the CUP process.

Ms. Mead said that contrary to what Ms. Kibby stated, the lien cannot be a condition of a CUP. The lien is a separate matter entirely from the CUP process. She said it could go two ways: 1) They do not purchase the property until the demolition has been completed and the lien goes with the property, or 2) we can enter into a three party arrangement in which CBJ agrees to hold the lien in exchange for parking or other solution to satisfy the lien. She said another way to do it would be for them to purchase it now with the understanding that the demolition order stands and CBJ agrees to go forward with the demolition but the lien will stand until something can be worked out to satisfy the lien.

Ms. Troll said that would be her desire on how to proceed.

Mr. Kiehl said he is excited by this proposal and his only disagreement would be that they could go with a nine story building. He asked Ms. Mead about what would or would not be available legally within the proposal Cascade Development handed out. He mentioned Pocket Park and that the City Manager has the authority to negotiate the sale of City Land but asked Ms. Mead if Pocket Park could be disposed of within this negotiation. Ms. Mead explained the constitutional requirements as well as the code requirements for the method and authority to dispose of public lands for fair market value or in exchange for something that is in "in kind" equivalent of fair market value for the public purpose. Ms. Mead also explained that the demolition order piece would be separate from any negotiation of the Pocket Park piece under CBJ Code 53.09.260.

Additional discussions took place regarding the proposal from Cascade Development and also hypothetical scenarios in case they cannot come up with the financing necessary once they have gone through the design and engineering process. There was discussion about potential risks to CBJ and to Cascade Development. Ms. Mead said we cannot place conditions other than the lien on a possible sell between the current buyer and a future buyer. Ms. Mead also explained the CUP process for Ms. Kibby.

Additional discussion took place regarding Cascade's language in their proposal about "cooperating" in the demolition process and what that would look like and how they propose to do that. Mr. Clifton explained that in addition to the current building, there may be foundation or electrical or other things shared with the Elks building and they may want to try to work with the demolition contractors to ensure those are either kept or at least considered when the demolition work is taking place. They also discussed the total amounts involved. Mayor Sanford said that portions of the $1.8 million have already been used and the remaining amount may be $1.2 or so at this point. Ms. Kiefer said the total amount of what CBJ spends on the demolition of the project is the amount involved and that it could be more or less than the $1.8 million that the Assembly has authorized but if they only use $1.4 million or $1.6 million, there would not be a difference between the actual amount and the $1.8 million amount to be put towards other portions of this project.

Ms. Becker asked Engineering/Public Works Director Rorie Watt to come up to comment on this. Mr. Watt said that is a different beast altogether. He said the Assembly has given direction to him to demolish the building and he can do that and it will be a difficult task all on its own. He said to modify the demolition on the fly to accommodate a future project that we don't know what it is yet, that is a big can of worms.

Ms. Crane said she agreed with Mr. Watt and did not see it being an option in the demolition process. Mr. Jones said he had similar questions. He said the demolition is happening in January and if the design wasn't being completed until 6-9 months from now, how they could factor that into the demolition schedule.

Ms. Troll said that conceptually she is really excited by this proposal. That said, she wants to make sure CBJ proceeds in a way that protects CBJ's legal interest. The Assembly has given the Engineering Department direction that they want the building demolished by April and she does not want to see anything slowing down that process. She asked that considering all these things, does a letter of intent from CBJ meet their needs in Cascade Development's negotiations with the Barrett?

Ms. Kibby said that would be very helpful and would allow them to move forward. It would allow them to move forward with discussions with the Barretts and with CDD and also talk with some of their financial partners.

Additional discussion took place with Mayor Sanford explaining that there are already protections built in to the demolition bid documents with respect to the Elks Building as well as keeping the hillside stabilized. Mr. Watt said the winning bidder and their demolition engineer needs to submit a plan in keeping the hillside stable. He said if they were trying to selectively preserve pieces of the foundation on the fly; that could become very problematic.

Ms. White said she was initially excited about the proposal provided in the packet but then the agreement that they handed out during the meeting was very different and she did not see it as a two way agreement.

Additional discussion took place about how projects similar to this are done across the country as well as what can and cannot be done legally for CBJ such as the Alaska Constitutional restrictions on only spending tax dollars for public good. Mr. Watt asked them to clarify who is holding the purse strings on the demolition project.

MOTION by Ms. Gladziszewski for the City Attorney and City Manager work on a letter of agreement or a contract depending on what is appropriate to say that the Assembly supports this project and that the city is interested in getting its investment back in either in kind or something else for the value of what we put into the project, whether that is $1.8 million or if Pocket Park is included, that value as well. How they handle the lien issue has to be worked would with the city attorney. They would bring the agreement back to the Assembly for approval.

Discussion on the motion:
Ms. Gladziszewski said it is too complicated to try to look at any tax rebates and/or consider the consultation on the demolition. Mr. Sanford said they need to continue on the path of the current demolition. Others agreed with the motion as proposed. Ms. Crane said she would like to see us move forward in some way.

Mr. Nankervis asked for clarification as to what the motion did and didn't include.

Ms. Mead said as she understands it, the motion is for the City Manager and City Attorney to negotiate the possibilities of a contractual agreement for the satisfaction of the lien and to do that with the potential owners and to not wait until the purchase is agreed upon or finalized. She said that for clarity on the record, if there is a sale that is going to go forward, that there is language that CBJ is going to require that will satisfy the demolition order piece. Ms. Becker asked Ms. Mead to also include the language about Pocket Park also be included.

Additional discussion took place regarding the possibility of affordable housing being included. Mr. Nankervis said he was excited about their proposal but also expressed his many concerns about all the variables this project has already encountered as well as those moving forward and not necessarily the proposal from Cascade Development but how it all works with the involvement by CBJ. He said at the last COW meeting, concerns were raised regarding what appeared to be sole sourcing of a different project and one of his concerns tonight with this proposal is that not only would it be a sole source issue, but one that CBJ was being asked to subsidize as well. He said he would not object to the motion at this time but he did want to raise his concerns about process and all the unknown variables at this time.

Ms. Gladziszewski and Ms. Crane addressed Mr. Nankervis' concern saying that this project is different from the one mentioned in the previous COW meeting due to the property in question here is not one that CBJ owns. Additional discussion took place regarding the potential sale of Pocket Park and the code section that applies to any disposal of that property. Mr. Nankervis asked if City Manager's negotiations with this group would obligate the Assembly. Ms. Mead said it would not.

There being no further discussion and no objection, the motion directing the City Manager and the City Attorney to come up with a letter of agreement to be brought back to the Assembly passed.

D. Capital Transit Update

Mr. Watt said there is a memorandum in the packet along with significant back up. In June they presented proposed route changes that came from the transit drivers. That proposal was sent out for public comment and they received very good support from the public. They are ready to implement the proposal with a target date of Nov. 2 if Assembly is OK with that.

Questions took place regarding the proposed target date of November 2 and the reasons for that change and all the notices, printing of new timetables and route maps that would be involved. Additional discussion took place about all the public comment/notice that had taken place up to this time and Mr. Watt said it would be nice to switch the route schedule to coincide with the opening of the new Mendenhall Library at Dimond Park and the work on this has been telling the public that we were looking at implementing this during the fall. Ms. Kiefer said this proposal went to the Planning Commission in September and that we have been getting the comments out for some time.

Mr. Kiehl asked if the Planning Commission comments about St. Ann's, Savikko Park, and other issues are being addressed. Mr. Watt said that there is a laundry list of small issues to be addressed. He said nothing has to happen on St. Ann's as they won't run the bus down there anymore. There are some DOT sidewalks on 3rd Street that DOT has told CBJ that they will be fixing. The terminus of the route in Savikko Park at the rink is the current winter route so it is already happening in some instances. He said they are not anticipating a lot of service there but it may be a priority for a bus shelter in the future but that is not going to be happening this winter. He said on Riverside, they will be utilizing existing bus stops at the Library and looking at another stop on Stephen Richards. They will be utilizing existing stops on the Loop Road so there is not much to change there. In Lemon Creek, we will be reducing service so it is primarily a public notice issue. They do have a companion proposed change to move the Davis Avenue stop to make the route work better so that is a stand-alone issue. At the Airport, they have the same thing and they will take that to the Planning Commission as a stand-alone issue. He said they do not see any problem moving forward with the route changes now and if it delayed further, he thinks they may lose some of the momentum with the public that has been built up with this whole recommendation/review process. Mr. Kiehl said he appreciates all the work that has gone into this but feels that additional public notice needs to be greater. Mr. Watt said that the maps, schedules, routes, PSAs, info will all be done and ready by Nov. 2. The other improvements on the bus stops will not be able to be completed as quickly as they would like, especially the one which DOT has control over.

Ms. Troll expressed her appreciation for all the work and time and effort that has gone into this process She said there have been lots of neighborhood meetings, Planning Commission meetings, and she feels the ridership is quite well informed and has been involved in this process throughout and she felt that they should keep the Nov. 2 implementation date.

Ms. Becker asked for any additional comments and hearing none, Mr. Watt will proceed with the Nov. 2 implementation process.

Mr. Watt said in a related matter, as mentioned in the meeting on September 22, they have been undergoing long talks with the owners of the Mendenhall Mall and they did not want any improvements made to the current bus stops. However, the Mendenhall Mall owners are willing to sell a parcel of land to CBJ. Mr. Watt said they have looked at it and they think it could work as a Valley Transit Center with a little bit of additional room that could be used for park and ride. At the meeting on September 22 meeting, staff asked for the Assembly to give them some money to evaluate the value of the property and the Assembly gave them some limited authorization. Subsequently, the mall owners provided staff with a property appraisal of that piece of land. The appraisal has it valued at $775,000. Staff has not had time to focus on the appraisal so they have not had a chance to agree or disagree or look at it in any close detail yet. He said it is unusual in that it is in a very good location both for what we currently do as well as what they have conceptually wanted to do for a valley transit center. Generally, you want your transit center as a hub and also a destination in itself. There were previously a lot of negative comments on the proposed Pipeline Park location. Unlike the Pipeline Park location, the closer the transit center is to the Mendenhall Mall area, the better it would be for route transfers and timing. He said that from a long term strategic planning took, he would advocate for the Assembly to obtain this piece of property for this purpose.

He said that while he understands the Assembly does not like to take property off the tax rolls and possible trade off would be to consider ultimately disposing of the Public Works Streets Maintenance shop located in the industrial zone since many of those tasks have been moving to the seven mile shop. He said he is not necessarily trying to link the two or consider a trade but wanted to identify that they are trying to make progress on all the land management fronts.

Additional discussion took place regarding this proposal. They discussed the number of cars that might be included in a park and ride feature, possibly 15 to 30 depending on whether or not the pond would be filled. They also discussed park and rides during the PWFC meetings and also where and how they would look for the funding for the land purchase and how it would be different from any grant funding from the federal government in the form of transit grants. Grants are not eligible for land acquisition.

He said that mainly the Assembly needs to decide if they wish to pursue this or not for the future.

The members had a number of questions to Mr. Watt regarding the original proposal for the Pipeline Skate Park vs. this proposal. Mr. Watt was directed to bring back the pros and cons of both this proposal and what was looked at for the Pipeline Park proposal and bring it back to the Assembly for comparative purposes at a future meeting.

E. Bridge Park Follow-Up

Mr. Watt said that following the Thursday morning COW meeting, they did all the things the Assembly asked for including modifying the bid alternates. Assuming we go down the path of reserving land for some type of housing alternate, the Assembly action at the bid award would be to not award the added alternatives. He said they didn't want to spend any more effort than is necessary and it would have made for a much messier bid award if they were to delete, delete, delete.

He said they also got quite a bit of information from Department of Transportation (DOT) discussing the land under the bridge. CBJ granted DOT the air rights of the land over the bridge. DOT would like to acquire the land under the bridge as Right of Way (ROW). Under the current Memorandum of Agreement (MOA) with DOT for that land, they have lined it up so a future bridge project can look at the DOT MOA can say this is priority for transportation and first bridge use as the first priority.

Planning, Lands, Docks & Harbors, Engineering, Public Works all met and looked at what could be done and they came up with the legal options under the current zoning. The general consensus is that there is more detailed work needed and they need to have comments from developers and find out what is involved. They suggested taking the housing options and refer it to the Lands Committee.

He said that the informal response that he has received from developers at this point is that is not a big enough piece of property to get 30 units on the property.

Assemblymembers asked questions about the maps and the ROW, and Airspace. Mr. Watt said they really need some more detailed work on this involving property developers giving their feedback on what they feel is or is not feasible.

Ms. Crane suggested they accept Mr. Watt's recommendation to forward the issue of all 5 recommendations given in the memo to the Lands Committee for additional review. Hearing no objection, that will be the direction taken.

V. **STAFF REPORTS** – none.

VI. **COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS** None.

VII. **ADJOURNMENT** - There being no further discussion, Ms. Becker adjourned the meeting at 9:08 p.m.

Submitted by Beth McEwen, Deputy Clerk