

PROPERTY ASSESSMENT & FEASIBILITY STUDY

SILVER BAY PROPERTY

JUNE 23, 2016

DRAFT



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ACKNOWLEDGEMENTS

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The City and Borough of
Wrangell Alaska

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Executive Summary

INTRODUCTION

The former Silver Bay Logging Mill property (the Silver Bay Property) is one of the last and largest pieces of industrial land available in Wrangell, Alaska. The mill was one of the largest employers in the community, providing over 200 jobs during peak operations and over 50 when it closed in 2010. Closure of the last operating mill on the island marked a milestone in the economic history of the community. With the decline of the timber industry, the local economy has adapted and diversified with significant activity in marine trades, seafood processing, tourism, health care, and professional services. This property assessment and feasibility study is part of the City and Borough of Wrangell's (CBW) efforts to assess how the Silver Bay Property can be repositioned to serve the community and economy in the future. The property assessment and feasibility study took a high-level, comprehensive review of the opportunities and constraints of the Silver Bay Property.

KEY FINDINGS

Market Opportunities. The economy of Southeast Alaska and Wrangell is dominated by three sectors: maritime, government, and tourism. Based on the success of the Marine Service Center in downtown Wrangell, there appears to be opportunity and demand for establishing another boatyard at the Silver Bay Property. The design and operation of the new boatyard would need to be carefully considered to ensure it complements, rather than competes with the existing facility. With the larger space available at the Silver Bay Property, the new boatyard could focus on serving larger vessels than the Marine Service Center.

From a demand perspective, opportunities appear less favorable for addition or relocation of seafood plants and barge terminals. The existing facilities in downtown Wrangell appear to meet the needs of the operators for both sectors. Shifting

these operations to the Silver Bay Property would likely entail additional transportation and logistical costs—on top of the capital costs to construct new facilities.

The tourism sector appears to be best served by downtown Wrangell, where recent investments have been made, including improvements to the dock, streetscape enhancements, and the construction of the Nolan Center. Additional amenities, including waterfront park spaces, have been identified in the Wrangell Waterfront Master Plan.

Physical Conditions. The size, location, and historic operations of the Silver Bay Property present physical constraints and opportunities.

- With over 50 acres of upland property there is a large amount of land potentially available for redevelopment.
- The location approximately 6 miles south of downtown provides some level of seclusion while also being only a short drive away.
- The property has direct access onto Zimovia Highway and there is approximately 30 feet of draft at the existing pier. The bulkhead is failing and would need to be stabilized to allow for shipping of goods or haul-out of boats. Despite the worn condition of the decking, the supporting pilings and structure of the pier appear to be sound.
- Public-water and sewer-service lines terminate approximately 500 feet north of the property.
- More than half of the upland property appears to be filled land. Reconnaissance borings indicate that the fill material consists primarily of quarry spalls and shot rock, which should provide a stable source for future development.
- Environmental cleanup actions have been conducted by the property owner, and in 2014 the Alaska Department of Environmental Conservation (DEC) issued a Cleanup

Complete Determination. With the length of operations and the size of this property, there is potential that some residual environmental impacts remain.

Community Input. Based on interviews with local stakeholders and participants in a community meeting on February 17, 2016, there is strong support for the City to play a role in repositioning this property for economic development. Many community members expressed a desire for the City to play as small a role as possible to encourage the private market to develop the site, but also acknowledged that no obvious private investor is apparent. There was broad support for continued industrial use of the property. Development of another boatyard was the most commonly cited idea for future use of the property. Other desired future uses identified by community members included education, manufacturing, and barge-shipping operations.

Land Use Framework. The Silver Bay Property is identified in the City Comprehensive Plan and in the zoning code as a unique property for waterfront industrial development. As a large property under single ownership, if the property is subdivided into smaller parcels for phased development, a plan for providing access and infrastructure will be required.

FUTURE USE CONCEPTS

Considering the market opportunities, physical conditions, land use regulations, and community interests in the property, the preferred future development concept is a mix of marine industrial, manufacturing/light industrial, and education uses with potential for supporting services such as retail. Two development plan options have been created to illustrate the scale and orientation of these different types of uses. The waterfront portion of the property is reserved for marine-related uses including a boatyard. Space is set aside near the highway

for manufacturing, light-industrial, vocational-education, and retail uses. These types of uses could be developed in phases and potentially complement each other. For example, students at a vocational school could get real-world experience working with private businesses at the boatyard. The filled land north of the former mill, referred to as Mount Sealy, is reserved for use as storage because of the topography and limited load-bearing capacity and stability of the historic fill material.

RECOMMENDATIONS

- **Public Sector Role in Redevelopment.** The CBW should proceed to negotiate an agreement with the current property owner to acquire the property. With its ability to take a long-term, patient view of property and its access to public grants, the CBW is in the best position to lead the redevelopment effort. The terms of the transaction will be important and the City will need to carefully consider measures to manage risks associated with market viability, land value, investment in marine and upland infrastructure, and legacy environmental conditions.
- **Public-Private Partnerships.** The CBW should engage potential partners including the school district, University of Alaska-Southeast, Wrangell Cooperative Association, and private businesses to implement development projects on the property. Partner organizations bring different perspectives, institutional capacity, and funding to support the effort.
- **Funding.** In the current economy, State of Alaska funding resources are very limited. The CBW should proactively pursue federal as well as state funds and engage with private sector businesses to make targeted investments in the property.

Property Overview

The former Silver Bay Logging mill property (the Property; Silver Bay Property) is one of the last and largest pieces of industrial land available in Wrangell, Alaska. Located approximately six miles south of downtown Wrangell, the property has frontage and access to Zimovia Highway and deep-draft marine access to Shoemaker Bay (see Figure 1). The entire property is under single private ownership and consists of both fee-simple parcels and two tideland leases. The approximately 98-acre property includes 52 acres of uplands and 46 acres in-water.

The City and Borough of Wrangell (CBW) has conducted a feasibility study to evaluate the redevelopment potential of the Silver Bay Property and explore the options for public sector investment in the site. The feasibility study used a risk-based approach to conduct a high level, broad evaluation of the opportunities and constraints associated with the property including:

- Market trends and opportunities (Section 2)
- Land- use regulatory framework (Section 3)
- Physical site conditions (Section 4)
- Environmental conditions (Section 5)

GOALS

The CBW developed the following goals for future redevelopment of the Silver Bay Property:

1. Increase jobs and stimulate economic development
2. Capitalize on deep-water access and existing marine infrastructure
3. Complement other economic activities in the community
4. Explore opportunities for public/private partnerships
5. Manage risk for the CBW and the community



Figure 1. Vicinity Map

SITE DESCRIPTION

Since the 1950s, the property was used as a logging mill, first under the Alaska Pulp Corporation, and then as the Silver Bay Logging Company. At its peak, the Alaska Pulp Corporation employed more than 200 workers. By 2009, the mill ceased operations. The property is currently vacant. Nearly all of the former mill buildings have been removed. An environmental cleanup has been conducted, including excavation of soils contaminated by historic mill operations. In 2014 the Alaska Department of Environmental Conservation (ADEC) issued a determination that cleanup was complete.

PROPERTY FACTS

Zoning: Waterfront Development District

Size: 52 acres upland; 46 acres in-water

Tideland

Lease Area: 37 acres

Utilities: Municipal water and sewer lines end approximately 500 feet north of the property.

Electricity potential to re-establish a dedicated service line to Southeast Alaska Power Agency switchyard.



REUSE CONCEPTS

Based on the market assessment, technical analysis, and community involvement through this feasibility study process, the preferred use for the Silver Bay Property is a mix of uses including commercial boatyard; small-scale manufacturing; education and workforce training; and supporting services. Two conceptual site plans have been prepared to illustrate how the property can be efficiently developed for these uses. This suite of uses meets the City's goals for redeveloping the property including creating jobs, capitalizing on deep-water access, complementing other economic activities in the community, and creating opportunities for public-private partnerships. By approaching development at the site with a mix of uses, the community can mitigate risks associated with each type of development. These different types of uses can also attract a variety of financing for construction and operations. The concept plans anticipate phasing of development and provide some vacant space to allow for the potential expansion of certain uses as the market dictates in the future.

These types of uses are expected to complement rather than compete with existing businesses in Wrangell. These uses build on current or existing successful clusters of businesses and programs in the community to expand economic development capacity.

Commercial Boatyard

In the early 2000s, the CBW made a key investment in the Marine Services Center in downtown Wrangell. The Marine Service Center now operates at or near capacity and the boatyard has established a track record of providing high-quality services and local economic opportunity. The market assessment indicates that there is potential to expand operations into a second boatyard at the Silver Bay Property (see Section 2). Establishing another boatyard at the Silver Bay

Property could capitalize on the large land area there by serving larger vessels. The 300-ton travel lift, which currently operates at the Marine Service Center, could be moved to the Silver Bay Property. A new slipway could be constructed at the Silver Bay Property with sufficient width to fully maximize the capacity of the 300-ton travel lift, which is now limited at the Marine Service Center. The Silver Bay Property also provides upland area for boat storage. The CBW could transfer the upland boat storage that currently extends beyond the Marine Service Center to a downtown property nearby the Silver Bay Property. This would create more space for commercial and tourist-related uses in downtown.

The conceptual site plans provide up to 13 acres of upland property to support the boatyard. The facility is cited adjacent to the existing dock for the efficiency of vessel movement.

Small-Scale Manufacturing

There are emerging opportunities in specialized manufacturing, such as constructing high-quality musical instruments from local timber. There is a limited supply of industrial property in Wrangell to support growth of these types of businesses. To assist start-up businesses, the Silver Bay Property can provide space and infrastructure through land lease and/or development of an incubator building. An incubator building could provide shared access to equipment and programmatic support to growing businesses. There could also be strong potential for connections and synergies with vocational-education and workforce-training programs.

Education and Workforce Training

The Silver Bay Property could also be used to host vocational-education and workforce-training facilities. These programs could support and expand the existing University of Alaska Southeast Tech Prep program in the Wrangell School District.

Establishing a training facility at the Silver Bay Property would create opportunities for partnerships with marine industrial businesses, specialty manufacturing, and light industrial users that will be targeted for recruitment to the site. Providing workforce training serves to increase the capacity and skills of the local labor force, which has been identified as a key need to support economic development. Training the local workforce to work for local industries provides a path for younger residents to remain in Wrangell for the long-term.



Existing boatyard at the Silver Bay Property.

EVALUATION OF USE TYPES AND GOALS

A summary assessment of the potential types of future uses, relative to the stated goals for redevelopment, is presented in

Table 1. The green colored cells indicate that the use meets the goal; brown is neutral, and orange means that the use does not meet the particular goal.

Table 1. Evaluation of Uses and Goals

Goals & Uses	Jobs & Economy	Use Deep-Water Access	Complement Existing Economy	Partnership Opportunities	Manage Risk
Commercial Boatyard	Good potential	Dependent on water access	Builds on existing marine services	With public and private parties	Opportunity to spread risk
Small-Scale Manufacturing	Has potential	May not be needed	Supports emerging businesses	With public and private parties	Depends on viability of businesses
Education & Workforce Training	Supports workforce development	Not needed	Supports existing and growing businesses	With public and private parties	Opportunity to spread risk
Tourism	Has potential	Not needed	Competes with downtown-based tourism activities	With public and private parties	Developing a tourism destination at the site would be a high risk investment
Barge Shipping	Likely to shift rather than increase jobs	Dependent on water access	Shifts existing operations	With private parties	Opportunity to spread risk
Waste Management & Recycling	Likely small number of jobs	Dependent on water access	Supports, but not likely to add significantly	With public and private parties	Would be a high risk investment

Figure 2. Conceptual Site Plan Option A



Figure 3. Conceptual Site Plan Option B



Market Overview

Two complementary market assessments were conducted as part of the feasibility study; one focused on the maritime sector and the other on upland real estate (See Appendix A). Both studies reviewed recent trends in the market, identified potential demand and opportunities that build on local economic strengths, and are suitable to the Silver Bay Property. In general, as the local and regional economy has shifted from large dependence on the timber industry, the economic growth sectors for Southeast Alaska and Wrangell are in marine-related industries and tourism. With downtown Wrangell better suited to support tourism activities, the greatest economic opportunity for the Silver Bay Property appears to be in the maritime sector.

LOCATION

Location is always a fundamental consideration in real estate development, and for remote areas like Wrangell, it is even more important. The CBW lies within the larger geographic region of Southeast Alaska and encompasses 2,541 square miles, with a population density of 0.9 people per square mile. Accessing the property from locations outside of Wrangell Island requires transportation by either boat or plane because the island is not connected to the mainland via a bridge. Flight times to the CBW airport via Alaska Airlines range from 2.5 hours from Seattle and Juneau, to 3.5 hours from Anchorage (see Figure 4). As such, the area is relatively isolated. While this isolation likely comes hand in hand with the area's ability to attract tourists to its surrounding natural beauty, it also likely increases the difficulty of moving people or goods to and from the area.



Figure 4. Travel Time to Wrangell

SOCIOECONOMIC STATISTICS

As of 2015, the CBW had a population of 2,383 people. Their median household income is \$54,619 per year, which is 16% lower than the average for Southeast Alaska but 2% higher than the national average. The unemployment rate is about 9.5%, significantly higher than state and national rates. The median age in the CBW is approximately 48 years old, which is greater than that of the State of Alaska, at 34 years, and the overall United States, at 37 years. The fastest growing age demographic within the CBW are people aged 65 to 79 years old; from 2010 to 2013 their population increased by 16%. As seen in the figure below, populations are generally poised to increase in age cohorts of 55 and older and decrease otherwise.

The fundamental factors influencing the future use of the property are best framed through an understanding of regional industry and job trends, as these economic trends affect demand for properties like this one. When compared to the nation as a whole, a significantly higher portion of Alaska's jobs can be attributed to natural resource-related and oil and gas industry-related jobs. As such, the fact that oil prices have decreased 70% over the past two years has put the Alaskan economy as a whole into a similar decline. For example, unemployment rates in the state, region, and CBW itself far exceed national averages (as shown to the right).

Trends in other key job sectors have also contributed to this economic decline. The State of Alaska is experiencing a budget deficit, which has coupled with federal spending cutbacks to reduce spending on infrastructure projects; as a result, in 2016 construction spending is expected to experience an 18% decline. Another important economic sector in Wrangell is tourism; however, the state has also reduced investment in tourism-related transportation infrastructure, such as the Alaska Marine Highway System.

Figure 5. Demographics

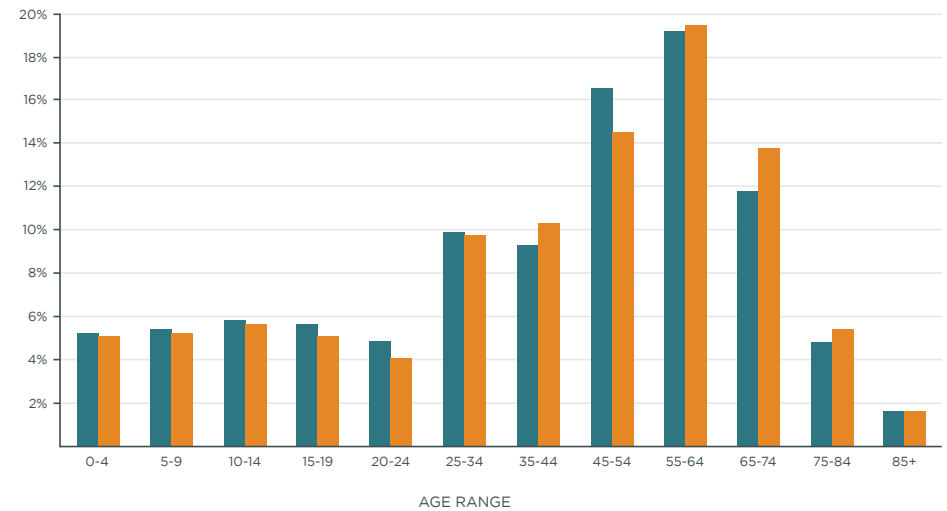
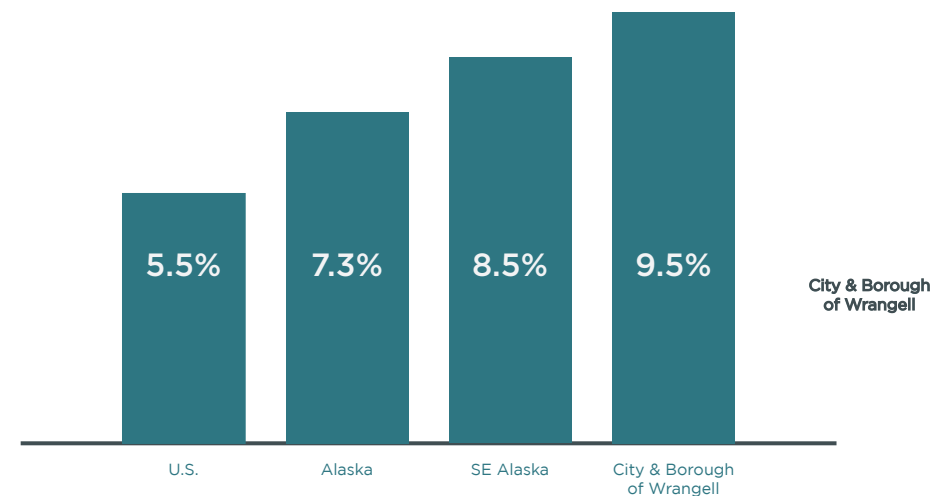


Figure 6. Unemployment



TRENDS IN MARKETS

The economic development opportunities at Wrangell are strongly influenced by the forces that impact the State of Alaska, particularly Southeast Alaska. The following section reviews key trends affecting the economy and identification of market opportunities and constraints.

Recent Trends in Southeast Alaska

Overall employment and wage income in Southeast Alaska is dominated by three sectors: the government accounts for 35.2% of wage income and 29.8% of jobs; the seafood industry accounts for 11.9% of wage income and 9.6% of jobs; the visitor industry accounts for 8.7% of wage income and 15.2% of jobs. Combined, these three sectors account for 56% of earnings and 55% of jobs. None of the other sectors accounts for more than 6.9% of wage income or 10.1% of jobs.

Overall, trends during the past five years have been largely positive for the Southeast Alaskan economy:

- Population grew by 2,600 people.
- 1,500 new jobs were added.
- Workforce earnings increased by \$275 million, mostly from the private sector.
- New jobs and investments occurred in the areas of seafood, tourism, mining, construction, healthcare, maritime, and energy. Only the government experienced a downturn.
- Housing starts tripled.

However, the Alaska Department of Labor and Workforce Development estimates that employment in Southeast Alaska will fall by 500 jobs in 2016, which represents a modest decline of 1.4%. Most of the impact is expected to be felt in the government, which accounts for more than a third of employment in Southeast Alaska. The government sector

is expected to lose 450 jobs. Losses are also expected in construction and professional and business services (expected loss of 100 and 50 jobs, respectively). These losses will be partially offset by gains in trade; transportation; and utilities; education and health services; and leisure and hospitality, with all three sectors each expected to add 50 jobs.

Trends in the City and Borough of Wrangell

Wrangell's economy has gone through a major transformation from a heavy reliance on forest products to a more balanced economy that depends on the maritime sector, the government, tourism, and other sectors. Forest product manufacturing was the centerpiece of the economy well into the 1990s, with peak sawmill employment over 200 workers, with an additional 32 longshoremen loading ships. By 1990, annual payrolls exceeded \$10 million at the sawmill (not counting the tug operations), timber harvest, and longshore operations. However, after passage of the Tongass Timber Reform Act by Congress in 1990, "mill closures resulted in an immediate loss of 20% of Wrangell's employment and 30% of local employment earnings. Wrangell's population dropped from 2,758 in 1994 to 1,911 in 2006 before a small trend in population increase began."

In 1986 the City of Wrangell began the process of reengineering its economy with a purchase of the sawmill site in downtown, which led to several investments:

- Development of flash-freezer space and cold storage in a vacant seafood plant, later purchased by Trident Seafood with the goal of enhancing the maritime (fishing and seafood processing) sectors.
- Development of the Marine Service Center, including a 150-ton and then a 300-ton Travelift haul-out, with repair facilities and boat storage. This boatyard has been very successful, accommodating 200 to 275 boats per year since development. It has helped attract other vessels to the area.

- Built a convention and visitors center near the Marine Service Center, upgraded the cruise ship dock, and rebuilt Front Street with the goal of enhancing the tourism industry.
- Construction of Heritage Harbor in 2010, a new boat basin that can accommodate around 165 boats with 1,500 feet of transient moorage space. The harbor is well utilized.

Market-Based Opportunities for Future Uses

Based on the market fundamentals, redevelopment of the Silver Bay Property will be challenging, but there are several opportunities where there appear to be demand and growth potential: boat repair and construction and specialized manufacturing. Given the large size of the property, several different types of uses could be developed that would generate synergies and share site-improvement costs.

Boat Construction and Repair

Based on the performance of the existing Marine Service Center and the regional trends in the maritime sector, there appears to be market demand to support increased commercial boatyard capacity. Since the fiscal year of 2009, the Marine Service Center has hauled out more than 210 vessels per year. During the past four years, the yard has handled more than 247 boats per year. This accounts for approximately 6% of haul-outs in Alaska by number of lifts and 2% by value of repair/maintenance. The Marine Service Center primarily caters to commercial fishing boats but also accommodates recreational boats and other commercial boats (harbor boats including tugs and other boats). The Marine Service Center appears to operate at or near capacity during peak season (before and after fishing seasons).

The CBW could possibly support the development of a 10- to 15-acre boatyard/storage facility at the Silver Bay Property to try capturing a larger share of the market. Undertaking development of a new commercial boatyard would require

significant capital and come with a set of risk factors including:

- High Cost of Development—The existing Marine Service Center took approximately \$15 million to develop. The potential to transfer the 300-ton lift from the Marine Service Center to the Silver Bay Property represents large potential savings. Due to the state's current budget deficit and limited federal funds, obtaining public grants will be challenging.
- Regional Competition—There are 25 travel lifts in 15 different Alaskan communities, in addition to five dry-dock facilities. Kodiak has the largest capacity travel lift with an ability to haul out vessels up to 180' long, 42' wide, and 660 tons. Wrangell has the second largest lift (300 tons).
- Split Operations—Development of a second boatyard could tax existing operators if they were to operate split operations (at the existing and new boatyards) by requiring additional capital outlays for buildings, equipment, and other resources.
- Labor Force—Increasing the scale of marine services may well exceed the capacity of the local labor pool. Recruiting and retaining skilled labor have been identified as challenges. Development of workforce training and in-migration could alleviate this problem. However, boatyard operations are seasonal and workers would be looking for full-time, year-round work.

Manufacturing

Based on interviews with local stakeholders, there appears to be demand for specialized manufacturing and light-industrial building space. Potential users include fabrication of high-end musical instruments using local timber. The small scale of the existing market makes the potential demand difficult to quantify, but from a land use and economic perspective, these types of uses would be compatible on the Silver Bay Property.



Tourism

In 2014, an estimated 14,720 tourists visited Wrangell and spent \$4.1 million. The visitor business in Wrangell generated employment for approximately 85 individuals in 2013, with an income of \$1,461,237. Wrangell has made strategic investments in downtown facilities to enhance and grow the tourism industry, including construction of a convention and visitors center, upgrades to the cruise ship dock, and reconstruction of Front Street. To capitalize on these investments, it is recommended that tourism uses continue to focus on downtown. With the scarcity of developable industrial land in Wrangell, it is also recommended that the Silver Bay Property be reserved for industrial uses.

Barge Lines

Barge service to Wrangell is currently provided by Alaska Marine Lines (AML) and Samson Tug and Barge. AML provide twice-a-week regular barge service and Samson provides

weekly service. Other barge services (such as fuel and project cargo) are provided on an as-needed basis. In general, barges carrying diesel, heating oil, aviation gas, and gasoline are towed from Washington each month, or less frequently, from Nikiski to provide fuel for Southeast Alaska. An additional “resident” barge takes fuel from Ketchikan and provides supplies for the smaller communities or industrial activities.

Each year, Wrangell receives approximately 17,000 tons of inbound cargo and ships approximately 23,000 tons of outbound cargo. Inbound cargo primarily consists of consumer goods and inputs to manufacturing. Outbound cargo primarily consists of fish/seafood product shipments, forest products, and waste materials.

Barge service is accommodated at the barge ramp and cargo wharf in downtown Wrangell. The barge ramp, which is used for shipping and receiving conventional, roll-on/roll-off, and containerized general cargo, is equipped with a pneumatic system to raise and lower the transfer bridge, and there are over two acres of open storage at the rear of the ramp. The barge ramp has berthing space of 400 feet with alongside depth of 20 feet. The cargo wharf is used for shipping and receiving containerized general cargo. At the rear of the facility is about 8,700 square feet of paved open storage, and there is more open storage available. The cargo wharf has berthing space of 300 feet with alongside depth of 32 feet. When additional space is required during the peak summer season, barge lines can use a portion of the boatyard for storage.

It is uncertain whether the barge lines would move to the Silver Bay Property. The existing barge facilities are appropriately sized to accommodate normal loads. Shifting the barge lines to the Silver Bay Property would entail additional capital costs, as well as increased transportation and logistical costs for the barge lines and their customers, who need to transit from the site to downtown.

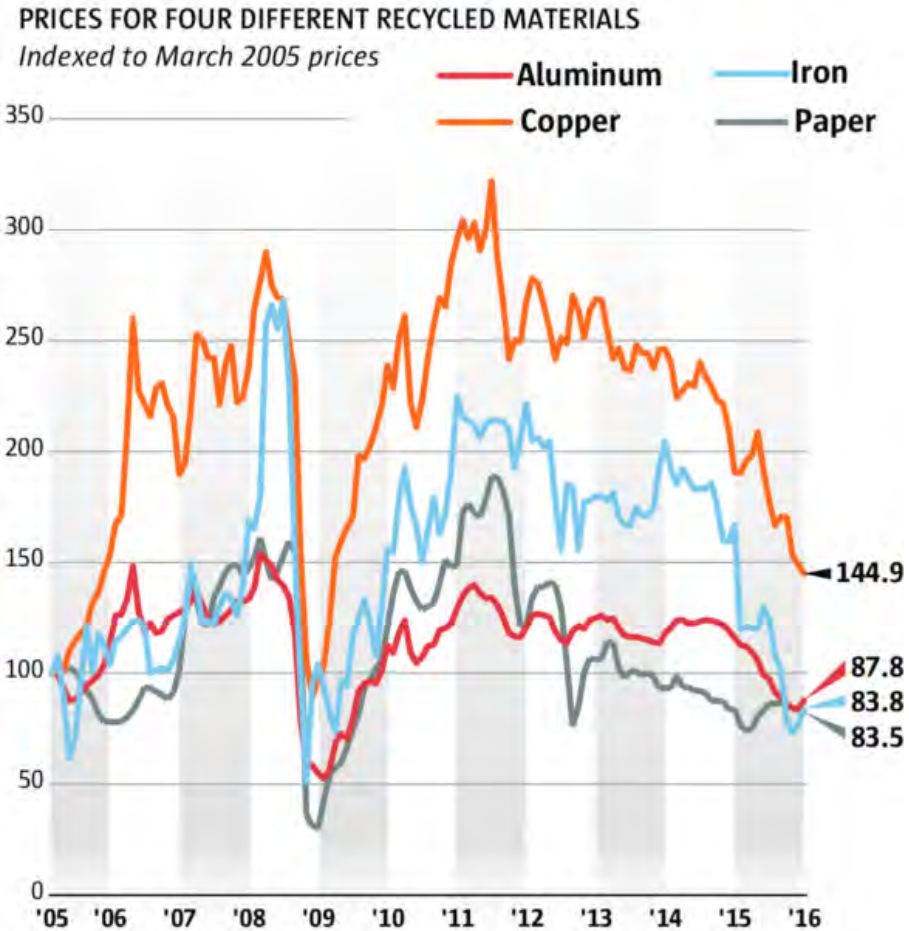
Waste Management and Recycling

The feasibility of establishing a waste management or recycling center at the Silver Property was also evaluated. In the recent past, there has been some interest and research into the viability of these uses in Wrangell and Southeast Alaska. For example, in 2014, the municipalities of Wrangell, Petersburg, Coffman Cove, Craig, Hydaburg, Kasaan, Klawock, and Thorne Bay jointly issued a solicitation for firms to provide scrap-metal recycling services. Notably, Sitka and Juneau did not participate in this effort. An existing construction company already operating barges throughout Southeast Alaska was selected. Their plan was to use excess space on their barges to haul scrap metal to a centralized recycling facility. They eventually abandoned the planned arrangement and backed out of the process. Experts in the industry that were interviewed as part of Silver Bay Property feasibility study expressed skepticism about the economics and logistics of establishing a recycling facility in CBW. The primary challenges are the small volume of waste material produced by the small population, transportation costs, and commodity prices. Global prices for recyclable commodities such as steel, copper, and aluminum have dropped significantly (see Figure 7).

Figure 7. Recycled Material-Price Trends

Recycled-material prices drop

Prices fluctuate for recycled materials, and some are hitting severe lows compared to four or five years ago.



Source: Institute of Scrap Recycling Industries

Source: The Seattle Times

Community Input

Since the lumber mill closed, there has been a large amount of community interest and discussion in the future of the Silver Bay Property. In 2010, a survey of community interests was conducted as part of the CBW Comprehensive Plan Update process. Community members stated that increased jobs and a stronger economy were the highest needs in Wrangell. When asked specific questions about the Silver Bay Property, 63% of respondents supported development of a new industrial park at the site, and 66% of respondents supported moving the downtown barge-landing facility to the site. During the Wrangell

Waterfront Master Plan process in 2015, community members also expressed support for the idea of moving the barge-landing facility out of downtown to another location such as the Silver Bay Property.

A community meeting was held on February 17, 2016 as part of the feasibility study process. Participants engaged in a facilitated Strengths, Weaknesses, Threats, and Opportunities (SWOT) assessment focused on redevelopment of the property. The following table summarizes the community's ideas and concerns.

Table 2. SWOT Analysis

STRENGTHS	<ul style="list-style-type: none"> • Large property • Deep-water access • Site already partially developed with existing bulkhead and pier • Willing seller • Potential for employment 	<ul style="list-style-type: none"> • Potential partnerships with schools • Good access to roads and downtown • Proximity to quarry • Good location • Public utilities located close to property 	<ul style="list-style-type: none"> • Poor condition of marine infrastructure at site • Limited size and skills of local workforce • Limited local housing capacity • Debt capacity of City 	<ul style="list-style-type: none"> • Load-bearing capacity of historic fill material on site • Proximity of site to residences (potential for nuisance) • Limited sightlines on highway curve near access points 	WEAKNESSES
	OPPORTUNITIES	<ul style="list-style-type: none"> • Potential for commercial boatyard and marine-industrial use • Federal funding • Experienced staff at City who developed existing boat yard 	<ul style="list-style-type: none"> • Educational possibilities, especially with school district vocational-education program and proximity to the Institute Property • Overall economic benefits of redevelopment • Potential relocation for downtown industrial uses 	<ul style="list-style-type: none"> • Competition with other shipyards • Piecemeal development of the property • Lack of funding from state • Increased traffic • Impacts on downtown businesses 	

Land Use Regulatory Framework

Development of waterfront property, such as the Silver Bay Property, is regulated by a set of federal, state, and local laws and regulations. The allowed uses and development regulations for the upland portions of the property are permitted under CBW authority. Improvements in-water or shoreline will require state and federal review and permitting.

LOCAL LAND USE FRAMEWORK

CBW Land Use Plans

As required by state law, CBW has adopted a Comprehensive Plan to guide physical development. The Comprehensive Plan was updated in 2010. In 2015, the City also developed a Waterfront Master Plan that provides more focused and detailed policies and recommendations for development of the downtown waterfront.

The Comprehensive Plan includes goal and policy statements related to the future development of the Silver Bay Property:

Economic Development Goal—Maintain current jobs, support existing businesses, and pursue new development that will provide year-round jobs, build on local assets, and provide needed goods and services

- **Policy 10.** Maintain and support existing businesses and employers, including both private-sector and the community's government jobs
- **Policy 12.** Offer incentives, as appropriate, to support creation of new year-round jobs
- **Policy 16.** Support the local and regional commercial fishing fleet by providing harbor and marine-service infrastructure and encouraging private-sector development of services close to harbors
- **Policy 17.** Support expansion and diversification of local seafood-harvest processing capacity

- **Policy 26.** Provide harbor, dock, and launch facilities that attract and support commercial and private vessels and provide convenient public access to the ocean
- **Policy 32.** Designate areas for commercial and industrial development in logical locations to promote economic opportunity and satisfy current and future needs

CBW Zoning

The property is zoned as a Waterfront Development District (WDD). According to both the Comprehensive Plan and municipal code, the WDD prioritizes water-related industrial and/or commercial uses. The CBW's municipal code lists the following uses as permitted for the WDD:

- Piers, wharfs, and docks;
- Transportation and transshipment facilities;
- Marinas and small-boat harbors;
- Any water-dependent or water-related manufacturing, processing, fabricating, assembling, research, wholesale or storage uses;
- Facilities for construction, maintenance, repair and storage of vessels;
- Public parks and playgrounds;
- Boat sales, services, and supply establishments;
- Fish- and seafood-processing plants and cold-storage plants;
- Bait shops;
- Vessel charter offices;
- Marine warehouses;
- Freight storage and freight equipment-operation centers;
- Facilities for loading and unloading ships or barges, including cranes and ramps;

- Water-dependent or water-related retail commercial establishments dealing primarily in bulk materials delivered by ship;
- Harbormaster’s offices;
- Timber-processing facilities, provided that such facilities rely primarily upon water transportation for obtaining and shipping timber or timber products;
- Temporary dwellings to include modular dwellings or manufactured housing for guards or caretakers employed on site;
- Boat-launching facilities; and
- Float-plane facilities.

There are also a number of conditional uses listed:

- Water-related uses not mentioned above and their accessory uses;
- Other uses if there is no suitable upland alternative for a non-water-related or non-water-dependent use;
- Retail and wholesale businesses;
- Laundries and consumer services; and
- Animal establishments other than establishments for livestock.

It should be noted that while the municipal code limits use options to the preceding lists, since the WDD zone currently only applies to the Silver Bay Property and immediate vicinity, amending the zoning could be an efficient procedure to allow other appropriate uses.

Development Regulations

In addition to the zoning controls on types of use, municipal code includes development standards for the WDD. The maximum height of a structure is 35 feet, with some variance allowed if within reach of a fire ladder (WMC 20.52.080). Visual buffers between industrial and port-related uses require a buffer at least 25 feet in width and 75% sight-obscuring (WMC 20.52.200). Users must be vigilant about responsible handling of waste and volatile products (WMC 20.52.050). The CBW’s code does not call out minimum lot coverage standards for the WDD (WMC 20.52.005). Other standards are listed below:

Table 3. Setback Requirements (WMC 20.52.110)

Adjacent Uses	Minimum Setbacks (feet)
Highway	20
Rural Residential - Front Yard	20
Rural Residential - Side Yard	15
Rural Residential - Back Yard	20

Table 4. Parking Requirements (WMC 20.52.190)

Use	Minimum Parking Requirement
Retail	One space per 400 sq. ft.
Office	One space per 400 sq. ft.
School	One space per two employees and one per every 20 students over 16 years of age
Large Commercial	One space per 800 sq. ft.
Industrial	One space per two employees

Subdivision of Land

The property historically operated as one large facility under single ownership. If the property is sold in pieces and developed in phases, subdivision of the land will be required to ensure that sufficient access and utilities are available to each parcel. Title 19 of the Wrangell municipal code and State law (AS 40.15) regulates the subdivision of land. There is no “size exemption” in creating a lot. That is, regardless of size, any lot or parcel created for the intent to create a “unit” for transfer of ownership must follow the subdivision requirements. General subdivision requirements are:

1. The property must have a legal boundary survey conducted and the subdivision must be recorded.
2. The size and dimensions of the lot(s) must be shown on the plat.
3. Lot sizes must conform to underlying zoning requirements and the master plan of the borough.
4. All lots must abut a dedicated street right-of-way of 60 feet in width.
5. The street must be improved to a minimum gravel standard with a width of 36 feet.
6. Public sewer and water must be “obtainable,” or if not, State Health Department approval is required.
7. If the land to be subdivided lies adjacent to a State Highway, the connecting street must be approved by the State Highway Department.

The existing tax-parcel configuration of the Silver Bay Property does not appear to provide physical access or dedicated streets. If created before certain defined dates (1953, 1973, or 2008), lots within the subdivision may be a “lot of record” and “existing substandard lot.” However, significantly, when such lot adjoins other such lots in the same ownership, the lot cannot be

conveyed to another owner or any building permit issued unless in conformity with the subdivision regulations (WMC 19.40.010).

STATE AND FEDERAL ENVIRONMENTAL PERMITTING

Permits are required from the federal government for any projects that occur beyond the ordinary high-water mark of navigable water.

Section 404 of the Clean Water Act (CWA) establishes a program to regulate the discharge of dredged or fill materials into waters of the United States, including wetlands. Activities in waters of the United States regulated under this program include fill for development, water resource projects, and infrastructure development. Section 404 requires a permit before dredged or fill material be discharged into waters of the United States, unless the activity is exempt from Section 404 regulation (e.g., certain farming and forestry activities).

Section 10 of the Rivers and Harbors Act of 1899 prohibits obstruction to the navigable capacity of any waters of the United States.

The federal permit process also requires additional review and consultation including the following:

- Section 401 Water Quality Certificate and Coastal Zone Management Act Consistency Certification
- National Environmental Policy Act (Lead agency is the U.S. Army Corps of Engineers, based on the Section 404 and Section 10 permitting authorities)
- National Historic Preservation Act—Section 106 Consultation (Lead agency is the U.S. Army Corps of Engineers with consultation by Native American tribes and the State Historic Preservation Office)

TIDELAND LEASE REQUIREMENTS

In 1998 the tideland portions of the Silver Bay Property were conveyed to the City by the State of Alaska. If the City were to purchase fee-simple property and/or buy out the remainder of their lease agreements, the leases could be re-drafted to meet the needs of their development concepts. The current lessee is Silver Bay Logging, Inc. Lease rent is adjusted every ten years starting in 2006, and the existing lease term ends in 2036. Additional terms and conditions include:

- Lessor must be notified and receive documentation of improvements
- Lessor must grant permission for lessee to sublease to a third party
- Any permitted use of the property, as defined by Wrangell's municipal code, is permissible by the lessor
- Lessor reserves a public access right-of-way of 50 feet along mean high water or ordinary high
- At the end of the lease, all improvements must be removed
- Lessee indemnifies the State against any claims or damages



Physical Site Conditions

A preliminary assessment of physical site conditions was conducted, including review of site access, marine infrastructure, utilities, and subsurface geology (See Appendix B).

ACCESS AND CIRCULATION

Existing Conditions

The Silver Bay Property has historically been accessible by land and water. It has frontage on the Zimovia Highway, which also serves the entire western shoreline of Wrangell. The primary access driveway to the property is in the northern portion, and another entrance provides access to the former log-sorting yard in the southern portion. Most of the property is paved, which provides flexible internal-vehicle circulation.

When the mill was operational, the water was accessed via a dock on the north end of the property and a log boom on the south end. The northern pier is approximately 300 feet by 60 feet and is aligned parallel to the shoreline. The pier is

supported by creosote-treated timber piles with diameters of approximately 12 to 14 inches. In general, the piles appear to be in fair condition. Probing with a pick was conducted at the waterline on a limited number of piles to check for borers or decay, and all tested piles appeared to be sound. No probing was performed at the deck level due to lack of access. Physical damage was observed at a number of piles and much of the cross-bracing that is likely due to impacts from floating debris during storms. The northwest corner of the pier appears to have been impacted by vessels and is sagging significantly. The timber deck consists of 3-inch by 12-inch planks laid as a wearing surface over 4-inch by 12-inch structural planks. The deck is supported by a grid of 4-inch by 12-inch stringers and 12-inch by 12-inch pile caps. The wearing surface is heavily decayed and in some locations is supporting plant growth. The condition of the structural planks, stringers, and pile caps was not able to be physically assessed due to lack of access. Visually these structural elements appeared to be in fair condition.



Photograph 2. Condition of the pier.



Photograph 3. Condition of the bulkhead adjacent to the pier.

An elevated crane is situated at the south end of the pier, as shown in Photograph 3. The crane is supported on a steel-tower structure approximately 24 feet by 40 feet and stands approximately 45-feet tall from the deck to the base of the crane. The top of the mast, in its current position, is approximately 110 feet above the pier deck. The functionality of the crane is not known, however; it appears to be obsolete equipment and the supporting steel structure is corroded and in areas has physical damage. An overhead conveyer located at the south end of the pier spans between the shore and the North Pier (see Photograph 3). The conveyer is supported by steel towers at each end. The shore tower is significantly damaged near the base, with large tears and deflections in the columns.

Recommended Improvements

As illustrated in the conceptual plans (see Figures 2 and 3), it is expected that the existing access to Zimovia Highway can continue to serve as the primary entrance to the property. A second access point to the north is recommended. The proposed additional access point roughly aligns with a previous entrance that has been abandoned. Re-establishing that access point would allow more flexibility for access to and circulation on the property.

The northern pier appears to be in fair-enough condition to allow rehabilitation and re-use. Removal of the entire wearing surface as well as an unknown amount of the structural deck will be required. Additionally, replacement of a portion of the stringers, pile caps, and piles will be required in areas of physical damage or decay. Extensive replacement and enhancement of bracing will be needed. If the functions of the crane are needed for future use, the tower will need to be reconditioned and the crane will likely need to be replaced. Prior to any re-use of the pier, the conveyor system and towers will need to be demolished and removed from the site. The bulkhead will need

to be completely replaced if a vertical face at the waterline is needed for future functions. It may be possible to drive a sheet-pile type bulkhead just offshore from the existing bulkhead to reduce demolition efforts; however, more study of permit restrictions and costs is needed to prepare a plan for bulkhead restoration. Delaying the bulkhead restoration would reduce near-term development costs.



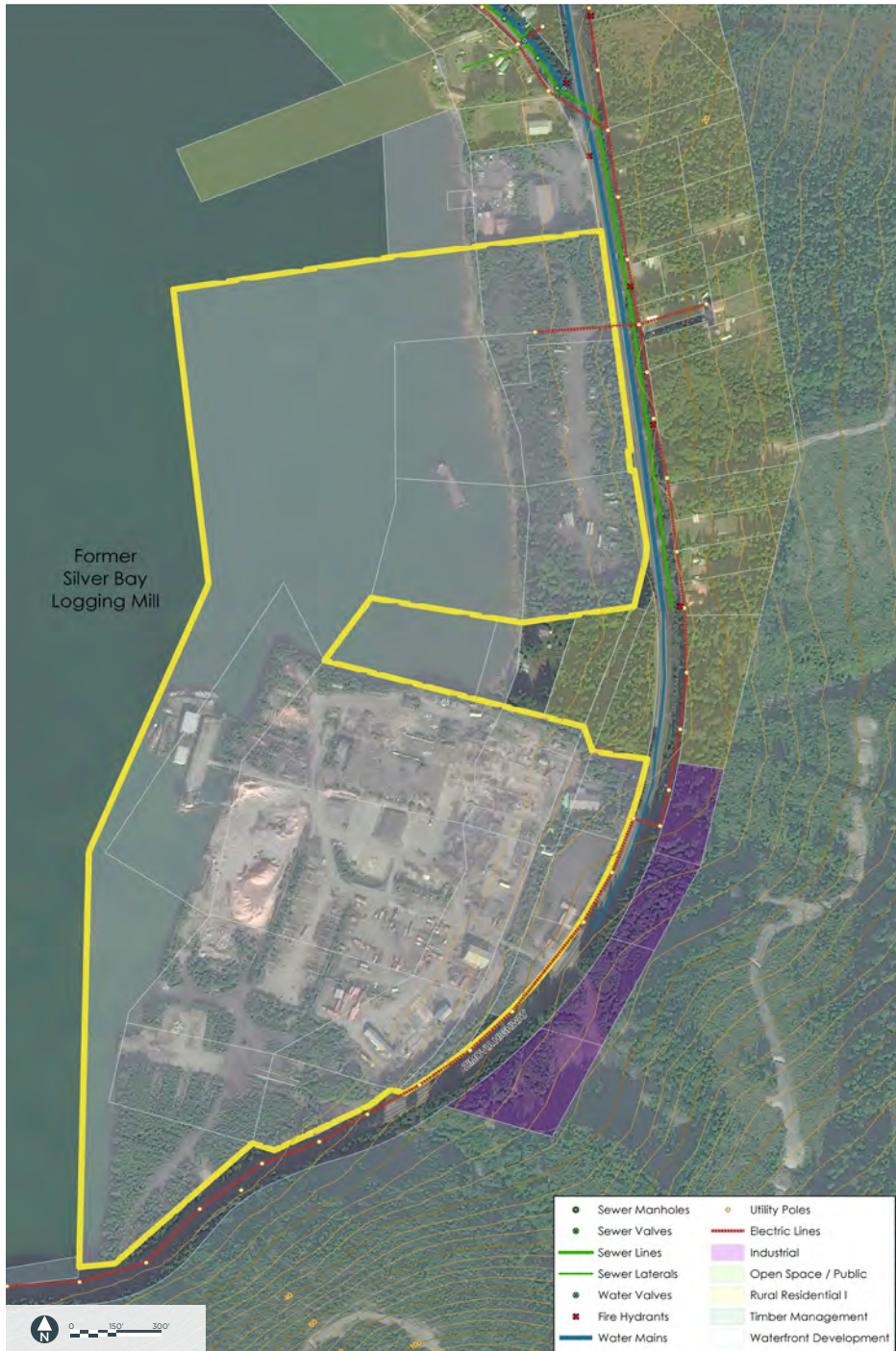


Figure 8. Zoning and Utilities

UTILITIES

Water, sewer, electricity, and telecommunication lines run from the north along the Zimovia Highway, all of which would need to be extended to serve the Silver Bay Property (see Figure 8).

Existing Conditions

The municipal water and sanitary-sewer systems extend to approximately 600 feet north of the Silver Bay Property. The water line is 12 inches in diameter and the sanitary sewer line is 6 inches in diameter. The water line connects to the municipal water-treatment plant that has an ozonation and sand-filtration process. The source of water is two reservoirs with a storage capacity of approximately 66 million useable gallons of water. Peak monthly water demand has been approximately 30 million gallons. While there is sufficient storage capacity to meet peak demands, City staff have indicated that the flow rate of the sand-filtration system can be a limiting factor. In the last seven years, the City has installed new water tanks to increase the capacity of the system. The sanitary-sewer system along Zimovia Highway flows primarily by gravity, assisted by a series of lift stations. The CBW wastewater-treatment plant processes an average of 10 million gallons per month and has sufficient capacity to meet forecasted growth for the next 20 years.

When the mill was in operation, it used private-sewer and water facilities. As such, it is also likely that there is a private tank currently located on site that was used for sewer services. Similarly, the City believes that the property used a private well for water.

There are no stormwater management treatment, detention, or retention facilities on the property. Two creeks cross the property. Mill Creek flows through the north side of the property. A man-made pond impounds water from the creek. The dam appears to cross the property line and impounded water is used by the property to the north. The structural

stability of the dam and the status of any water rights associated with the creek were not reviewed within the scope of this study. An unnamed creek flows through the southern portion of the Silver Bay Property. The creek enters the property via a 72-inch culvert under Zimovia Highway. The creek flows are conveyed through a 48-inch pipe across the property.

Local electric service is provided by Wrangell Light and Power, which purchases power from the Tye Lake Hydropower Facility that is operated by Southeast Alaska Power Agency. When the mill was in operation, it was served by a dedicated service originating from the switch yard at Shoemaker Bay. The dedicated line was built on top of the Wrangell Light and Power feeder #4, sharing the utility poles along Zimovia Highway. While the transformed dedicated to the mill has been decommissioned, the service line built of feeder #4 is still in place.

Recommended Improvements

The property should be connected to the municipal water, sanitary sewer, and power systems to support redevelopment. This will require some extensions of those distribution systems. Demand projections and assessments of public infrastructure capacity will need to be compared to determine the precise extent of required upgrades, but the following improvements are likely to be needed:

- **Water system.** Extension of 1,000 feet of 12-inch diameter pipe to connect the center of the property to the existing distribution line in Zimovia Highway. To meet fire flow requirements, a seawater system can be developed to supplement the municipal water system.
- **Sanitary sewer system.** Lift stations will be needed to connect to the public-sewer infrastructure. This can be designed with multiple micro-lift stations for specific

developments on the property connecting to a larger lift station that serves the whole property. Approximately 1,000 feet of 6-inch sanitary sewer force-main pipe will need to be installed to connect to the existing line on Zimovia Highway.

- **Electrical Power.** Power can be delivered to the property by either connecting to the feeder line adjacent to Zimovia Highway, or re-establishing the direct service line to the Shoemaker Bay switch yard. To ensure that sufficient reliable power is provided to support redevelopment of the Silver Bay Property, the City electrical superintendent has recommended that the dedicated tie-in to the switch yard be re-established.
- **Stormwater Management.** Redevelopment of the property will need to comply with current stormwater regulations. If a commercial boatyard is developed, this will need to include a wash-down area and treatment system designed to remove metals and petroleum hydrocarbons.

SUBSURFACE GEOLOGY

It is estimated that more than half of the upland property consists of fill material. Records documenting the fill of the Mt. Sealy area on the north end of the property indicated that fill was predominantly wood-wasted with a clay cap. No records of fill on the main portion of the mill property were discovered during the feasibility study. To better understand the characteristics of the historic fill, a series of six borings were conducted on the property (see Figure 9). While these borings are not the equivalent of a geotechnical study, they provide a preliminary assessment of conditions. Each boring encountered shot rock and quarry spalls and reached refusal at approximately six feet below grade surface. Based on these observations, it is assumed that redevelopment of the property will not require extraordinary geotechnical engineering.



Figure 9. Boring Locations

Environmental Overview

As an operating lumber mill since the 1950s, there is potential for environmental concerns related to the property. Following closure of the Silver Bay Logging Mill, the property owner conducted an environmental investigation and cleanup actions under the oversight of the Alaska Department of Environmental Conservation (ADEC). Cleanup actions, including excavation of soils contaminated by mill operations, have been completed; in 2014 ADEC issued a determination that cleanup was complete (it was designated as “Closed” on the Contaminated Sites Database) (ADEC, 2014).

HISTORICAL OPERATIONS

The Alaska Pulp Corporation owned and operated a sawmill on the Property from the mid-1950s to 1995. In 1995, Silver Bay Logging bought the Property and continued limited sawmill operations from 1998 until the mill closed in 2010. By 2011, most of the buildings and structures related to the former sawmill operations had been removed from the Property. During Alaska Pulp Corporation’s ownership, historical operations at the Property included a dip tank for lumber treatment, an ash disposal facility, a maintenance shop, a planar mill-paint station, an oil/water separator, polychlorinated biphenyl-containing transformers, and bulk storage of petroleum products across the Property (SMS, 1996) (see Figure 10). Historical operations related to Silver Bay Logging’s ownership of the Property were similar to that of the Alaska Pulp Corporation (Nortech, 2006), with the exception of treating and painting lumber.

AREAS OF CONCERN

An environmental review prepared in 1996 by Southwest Management Services (SMS) identified thirteen areas of environmental concern at the Property; however, following further evaluation, including sample collection and analysis, the report concludes that “no significant environmental

problem was found to exist anywhere at the sawmill” (SMS, 1996). A Phase I environmental site assessment (ESA) in 2006, completed by Nortech Environmental Engineering & Industrial Hygiene Consultants (Nortech), identified several potential environmental concerns related to oil-stained soil, poor housekeeping practices (including storage of fuel tanks, drums, propane cylinders, and lead-acid batteries), and a lack of a Spill Prevention Control and Countermeasures (SPCC) plan (Nortech, 2006). A Phase II ESA, completed by Nortech in 2011, identified significant petroleum contamination in surface soil across the Property (Nortech, 2011). The contaminants of concern (COCs) for the Property were identified as diesel-range organics, residual-range organics, and gasoline-range organics.

Eight areas of concern were identified by Nortech after the completion of the Phase II ESA (Nortech, 2011). SMS developed a cleanup plan to address those areas of concern (SMS, 2012) and cleanup activities began in May and June 2012 (ADEC, 2014). However, during the cleanup of the Property, six additional areas of concern were identified for remediation; ADEC requested an amended cleanup plan to address those areas (see Figure 10) (ADEC, 2014).

Figure 10. Environmental Cleanup Areas



CLEANUP ACTIONS

In April 2012, ADEC approved a cleanup plan produced by SMS detailing proposed cleanup activities for the petroleum-contaminated soil on the Property (SMS, 2013). Cleanup actions consisted primarily of excavation and on-site bioremediation of contaminated soils, as well as removal of recyclable/hazardous materials from the Property. During the cleanup, a significantly larger volume of contaminated soil was found than previously anticipated, resulting in an expansion of excavation areas (ADEC, 2014). Once the extent of the excavations was completed, fourteen separate cleanup areas had been identified by Nortech, SMS, and ADEC (see Figure 10) (ADEC, 2014). The limits of the excavations were based on reaching Method Two, Over 40-inch Zone (referring to the amount of precipitation received annually), Direct Contact cleanup levels (CULs) for the COCs in soil, as outlined in ADEC regulation 18 AAC 75.341(d).

ADEC determined that groundwater beneath the Property was not useable; therefore, groundwater at the site was not evaluated for the presence of contamination. The basis for this determination is that the Property is located immediately adjacent to steep uplands and on top of filled tidelands, which suggests that a usable aquifer is not present in the area (ADEC, 2014). However, cleanup standards for contaminated soil at the Property were required to be protective of surface water quality (ADEC, 2014).

Contaminated soil was excavated from designated cleanup areas and placed in five containment cells for bioremediation treatment on the Property. Approximately 3,560 cubic yards of excavated material was bioremediated by tilling the contaminated soil and applying urea and fertilizer. Soil samples were collected from the bioremediation cells and analyzed to monitor the concentrations of the COCs. Once COC concentrations in the soil were determined to be below CULs, the soil was then used to backfill the excavations on the

Property.

Residual soil contamination remains on the Property. However, concentrations of COCs in soil below CULs and ADEC determined that the remaining soil contamination does not exceed human health-risk standards, based on a cumulative risk determination (ADEC, 2014). The Property received a Cleanup Complete Determination (CCD) from ADEC on January 17, 2014 (ADEC, 2014).

Following the CCD, the following conditions apply to the management of and use of the Property:

- Point-source discharge from the oil/water separator is required to be managed through a water-discharge permit for any future facility at the Property.
- Any proposal to transport soil or groundwater off-site requires ADEC approval consistent with ADEC regulation 18 AAC 75.325(i).
- Movement or use of contaminated material in a manner that results in a violation of ADEC regulation 18 AAC 70 water quality standards is prohibited.
- The CCD for the Property does not preclude ADEC from requiring additional assessment and/or cleanup action if future information indicates that this site may pose an unacceptable risk to human health or the environment.

DATA GAPS

MFA identified the following data gaps during its review of the previous environmental reports for the Property (refer to Figure 10):

- **Dip Tank Characterization:** Previous consultants sampled only the concrete tank enclosure for contamination associated with the potential use of historical solvent. Migration pathways for solvents to be released from the tank

may include surface spills in the vicinity of the tank, spills and/or leaks from pipes or pipe fittings or from cracks in the tank. Each of these pathways, if complete, may have resulted in contamination to soil and/or groundwater in the vicinity of the tank, which were not sampled. Therefore, there is potential that soil and/or groundwater (if present) in the vicinity of the tank may be contaminated with solvents.

- **Groundwater to Surface Water Pathway Characterization:** Groundwater on the Property was determined not to need characterization or mitigation by ADEC; therefore, groundwater was not evaluated for the presence of contamination. Whereas cleanup standards for soil were required to be protective of surface water, the pathway from groundwater to surface water was not assessed. There is the potential for negative impacts to surface water quality if groundwater contamination is present and is discharging to surface water.
- **Sediment Characterization:** The characterization of sediments in the adjacent tidelands on the Property, specifically near the outfall of the oil/water separator, is extremely limited. Due to the extensive cleanup of petroleum-contaminated soil across the Property, it is likely that contamination associated with upland releases may have migrated to sediments in the adjacent waterway.

It is recommended that these data gaps be addressed during due diligence prior to a new owner acquiring the property.

IMPLICATIONS FOR FUTURE DEVELOPMENT

While ADEC has determined that the cleanup of the Property is complete, development of a property with a long history of bulk fuel and chemical handling carries inherent risk that grading and excavation activities may encounter contaminated wood waste and/or groundwater. As noted in the above section, MFA has identified several data gaps related to the characterization

of the subsurface at the Property. These data gaps indicate the potential for contamination to be present in areas of the Property that were not adequately characterized. There is the potential for future financial and liability risks associated with any additional contamination that may be present.

These risks can be mitigated in several different ways:

- Additional investigation—Property acquisition due diligence could include additional soil, groundwater, and sediment sampling to further evaluate environmental conditions.
- Contractual allocation and liability—Purchase and Sale Agreements can include language regarding indemnification, cost sharing, and roles and responsibilities of buyer and seller, relative to any impacts that may be encountered during construction and use of the property.
- Environmental insurance—Specialized commercial insurance policies are available that provide coverage for discovery of contamination on properties. Typically, these policies will exclude any known impacts and generally have a 10-year policy term.



Recommendations

The Silver Bay Property presents both an opportunity and a challenge. The property is one of the last available sites for redevelopment in Wrangell that has the size and zoning to support industrial uses. Only 0.25% of land in Wrangell is in either private or CBW ownership, so development opportunities are scarce. The current market conditions and costs of site improvements are significant challenges to redevelopment. With the decline of the timber industry, the community lost its major economic base. In the last two decades, a more balanced economy has emerged in Wrangell with increased activity in the maritime sector, tourism, and health care, but market trends indicate that there is not great enough demand in any of these areas to absorb the 50 acres of land available at the Silver Bay Property. The fact that the mill has been closed and available for sale for over five years and no private sector investors have taken it on confirms that finding.

FUTURE USE OF THE PROPERTY

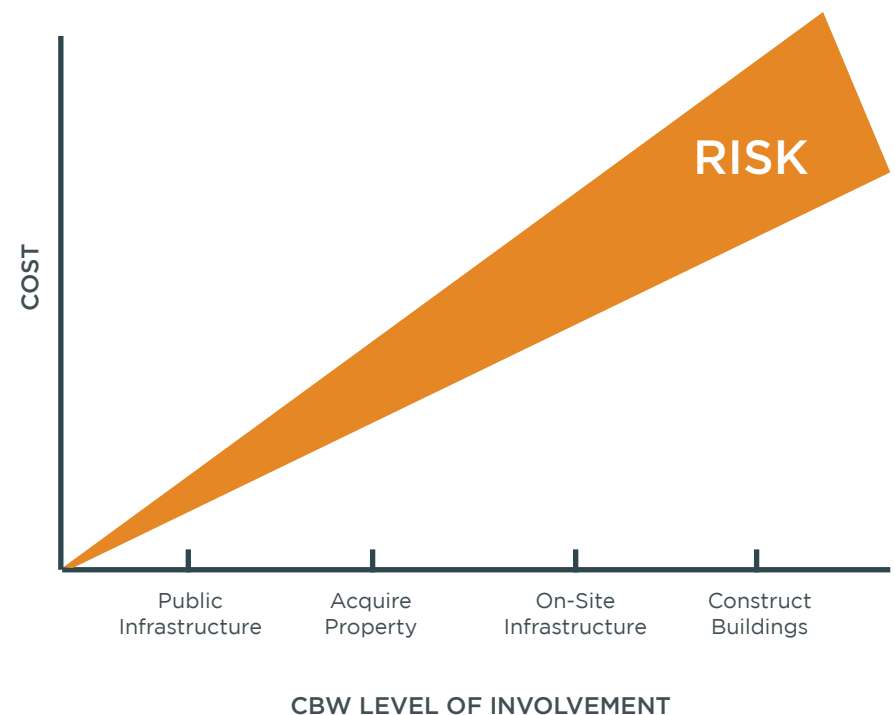
A mix of marine-related, industrial, and education uses are recommended as the most viable vision for redevelopment of the Silver Bay Property. These uses capitalize on the advantages of the property and the Wrangell economy. The key advantages of the property are its waterfront location, size, and zoning. These uses build on the growing marine-related industrial sector in the community, especially in commercial boat repair and maintenance, as well as the unique opportunities for partnerships in education and workforce development. The strategy of pursuing a mix of uses spreads risk and broadens opportunities for financing.

PUBLIC SECTOR ROLE IN REDEVELOPMENT

Based on the analyses conducted in this study, it appears that a public sector role in redevelopment will be critical to ensuring the property is efficiently utilized and to maximize its

potential contribution to the economy. A public sector agency such as the CBW, can play a significant role in positioning the Silver Bay Property for redevelopment. The public agency role could range from marketing and making investments in off-site infrastructure to taking ownership and making on-site improvements (Figure 11).

Figure 11. Levels of Investment



The levels of investment come with increasing costs and inherent risk. The initial selection of a targeted scenario for public investment will be driven largely by risk tolerance and confidence in the ability to obtain outside funding.

Level I. Invest in public infrastructure. Currently, municipal water and sewer are not extended to the Property. To make the Property more attractive to redevelopment, the CBW can put plans in place to extend these utilities. This may include preparing preliminary designs, cost estimates, and incorporating these utility extensions into the CBW's Capital Improvement Program.

While it is important for the City to signal to the private sector its willingness to make these utility investments, we recommend that the City not undertake final design or construction until a viable private partner or public-use plan is in place.

Level II. Acquire the property. With approximately 50 acres of upland property, there is a large amount of land that will likely be absorbed over a long time period. The CBW can minimize financial investment in the property by acquiring only a portion of the Property that it deems necessary or establishing a plan to acquire it in phases. The CBW could choose to lease or sell the property at some point, depending on market conditions. To manage risk associated with environmental liability, a prospective purchaser should conduct a Phase I ESA to meet federal bona fide prospective purchaser liability defense standards and consider obtaining an environmental impairment liability insurance policy. The purchase and sale agreement can also be tailored to include contractual release and indemnification terms.

Level III. Invest in on-site infrastructure. Providing key infrastructure would lower barriers to development and decrease risk for potential private developers. It is assumed that if the CBW constructs infrastructure on-site, it would maintain ownership of those facilities and allow private users access to those services through agreements or easements.

Level IV. Construct vertical buildings. Similarly, the CBW could further lower costs for private investors by funding building construction, if additional incentive is necessary. Ideally, the CBW would have specific users in mind and lease structures to these users. Speculative construction would represent an additional level of risk.

PUBLIC-PRIVATE PARTNERSHIPS

While the CBW has the long-term patience and potential to obtain state and federal funding support, successful economic redevelopment of the Property will require investments from other parties including private business partners. The CBW should be flexible in the terms it is willing to accept in partnerships including potentially transferring ownership of the property to support investment by other parties. The CBW could include right of first refusal or other property buyback provisions in a transfer agreement. The CBW should actively recruit private-sector partners in the maritime sector and specialized manufacturing.

Partnerships with educational programs, such as the University of Southeast Alaska Tech program and the Alaska Native Science and Engineering Program could also play an important anchor role in establishing a vocational training facility on the Property.

FINANCING

Redevelopment of the Silver Bay Property will require a significant upfront capital investment. If the CBW decides to play a lead role in the redevelopment, it should pursue a multi-pronged funding strategy including pursuing federal and state grants in economic development and workforce training/education along with contributions from development partners. The global market dynamics in the energy sector, and the declining price of oil in particular, are having a negative effect on the State of Alaska's budget. While the CBW was able to obtain millions of dollars in state grants to develop the Marine Services Center, the potential for funding from the state is likely to be diminished in the short term. A list of potential funding sources is provided in Appendix C.

ADDITIONAL SITE ANALYSIS

Site planning and design for real estate development is an iterative process. This property assessment and feasibility study provides a high-level analysis of the property. Prior to acquisition of the property, additional research should be conducted. The most critical areas for more analysis are:

- **Geotechnical.** A rigorous field investigation including borings and test pits on the property should be conducted to understand with greater certainty the load-bearing capacity of the historic fill material.
- **Environmental.** A field investigation should be conducted including soil, groundwater, and sediment sampling to fill in data gaps and better understand the potential liabilities associated with the property.
- **Schematic Site Planning and Cost Estimating.** To refine the understanding of development costs, schematic plans should be developed that illustrate the location and size of proposed buildings and infrastructure. More information will

be needed about the needs of potential site users than is currently available to prepare a schematic site plan.

- **Business Plan.** If the CBW acquires the property, it should prepare a business plan that recommends a management structure, evaluates potential revenues from lease or sale of property, and operational costs.

The CBW can pursue grants to fund these studies. The US Economic Development Administration (USEDA) in particular provides feasibility study grants for projects intended to promote economic and community development.

