

Docks and Harbors Board Members:

I'll forego preliminary information up front, and assume we all have enough background from the past 3 meetings where we discussed the project at 1000 Harbor Way.

First, I want to acknowledge that the position you're in with CDD is not really fair. CDD can't (or doesn't want to) bend on the rules, and D&H doesn't want to sell the land. Between these two entities, why should you be the one to concede?

Second, Mr. Grant's letter to the board last month asked great questions. Jeremy and I would have asked the same ones. To Mr. Grant's point, the conversation (especially after just the first subcommittee meeting) was relatively brief and not exhaustive.

At the first meeting, I heard a lot of "this particular project makes sense to approve." Since our first meeting, I have been hearing a lot more of "is there any way out of this?" So third, I would also like to recognize that the answer is clearly yes - you hold plenty of control to shut this thing down with a simple vote.

But why would you want to shut it down?

Let's forget about what CDD is telling you that you "have to do." You don't have to do anything. Let's forget about all of the possible alternatives. There are probably years worth of alternatives we could pursue until we are blue in the face. Tidelands are scarce, agreed. But when you look at the parcel we are asking to purchase, I think it is hard to honestly argue that it is of much value to you. Let's explore:

How can this parcel be used?

Near-future uses

For the next 58 years, this parcel is leased to a building. Quite simply, that is the only use for this parcel of land until the lease is up.

This conversation has sometimes turned toward "best waterfront use" or the "maritime nature" of the building. A few points on that thread:

1. It's pretty fair to say that our company is the IT department for Juneau's maritime industry: Alaska Glacier Seafoods, Taku Smokeries, DIPAC, APICDA, UFA, Allen Marine, other water-related tour companies, etc. We also often end up working on boat nav systems, maritime communications systems, etc. As the primary tenant in this building, we have plenty of connections to the maritime industry.
2. Our building has a long-standing lease with Wartsila, which is a cruise ship maintenance contractor.

3. If we ever get through renovations, Marine Exchange is moving in as another major tenant. That's all 3 tenants, maritime.
4. We are building premium waterfront office space. This is something unique Juneau does not have much of, and we are trying to permit and build a facility that honors our position on the water.

Maybe these points help address the use of the building, and I'm adding them for a little more color. But let's not lose sight of the overarching point here: The lease does not specify anything about what the building shall be used for. And as such, the use of the building is not technically part of the conversation for the next 58 years. It's a building, and it pays rent to the owner of the land.

So does D&H want to be in the landlording business? That is up to you, but I'll wager the answer is "no," at least in this case.

1. It's not a lot of rental income to D&H. I'm sure we can all agree this conversation is not about the rent.
2. D&H has to manage the lease. We can also agree that cashing a check once a year is not a big inconvenience. But there are appraisals, lease updates and renewals, and (perhaps worst of all) issues like this one. CDD will send us back here every time we try to pull a building permit in the future. And it's probably not just CDD - it's only a matter of time before we are back here again because of our insurance, or your insurance, or FEMA, or whoever else chooses to call this out.

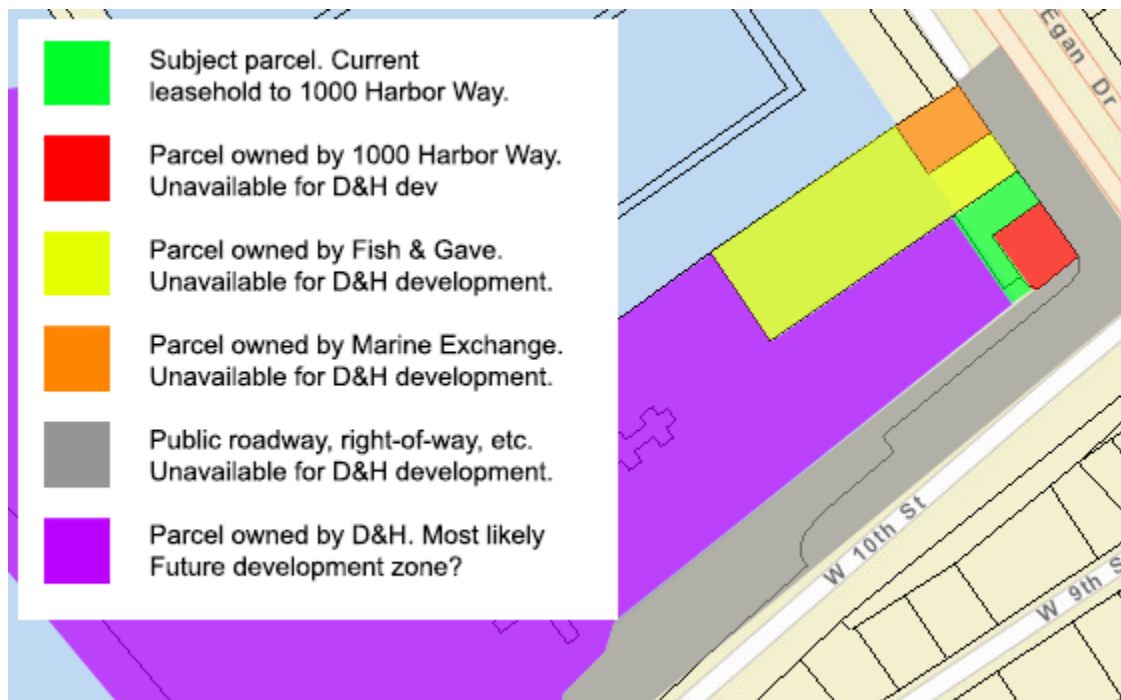
The landlording business, at least in this case, seems to be kind of a big shoulder shrug. Not a lot of rent. Some base level of noise, and some thorny edges that eat up board time. Do these activities do anything to move your mission forward?

Far-future uses

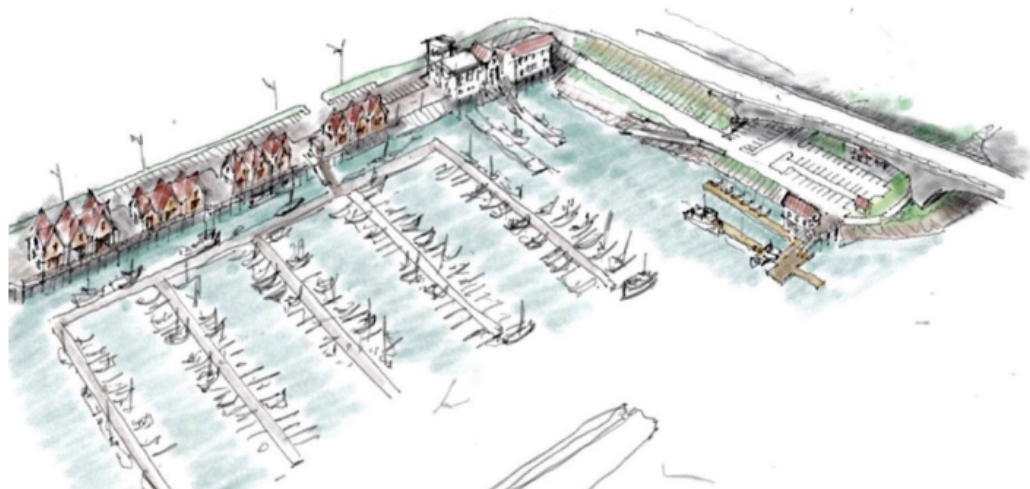
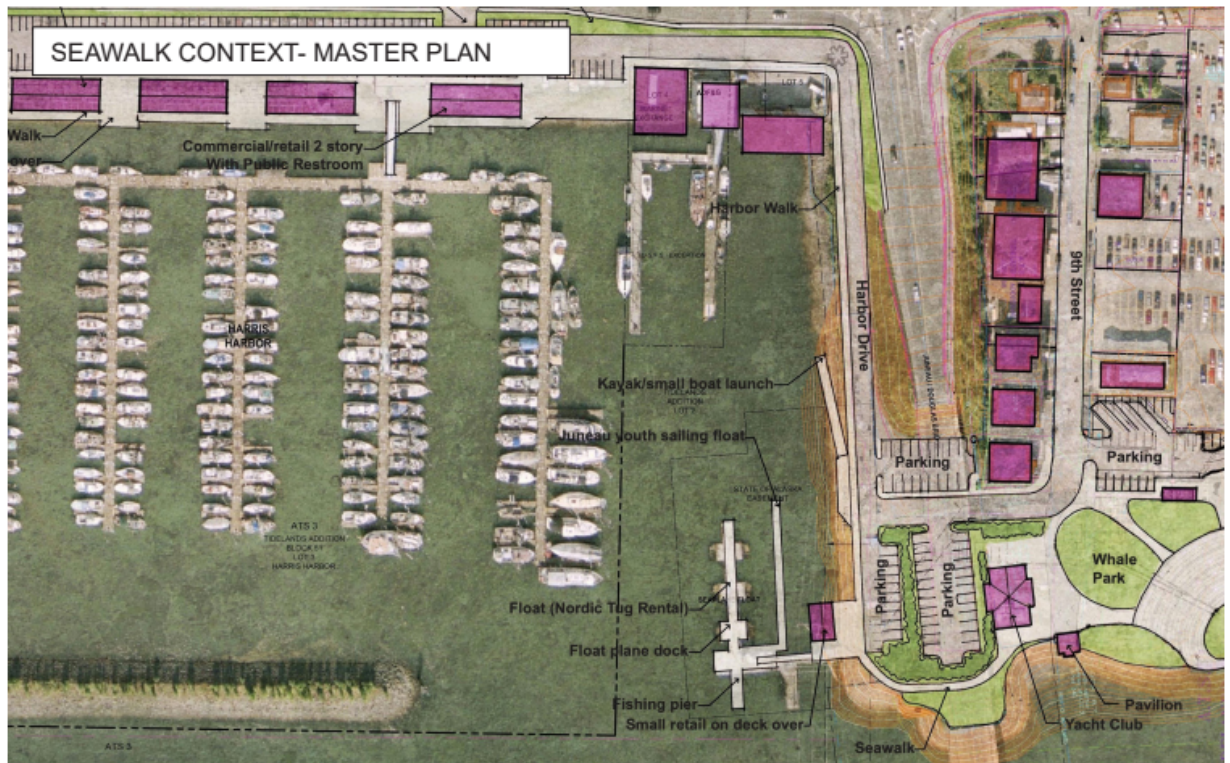
But what about after the lease is up? Might D&H want to reclaim the parcel for development then? 58 years is a long time and a lot can change. Last week, Mr. Ridgeway told a short story about how much has changed in just 35 years of living in Juneau. To his point, 58 years is almost twice as long as that, and who are we to say how this land might be used then?

So let's imagine that 58 years have passed. It's 2080 AD, we are all dead, and our grandchildren or great-grandchildren are elected to the D&H board. The building at 1000 Harbor way has fallen down and the creosote piles are all that remains. Our civic-minded progeny are faced with the decision: what will they do with this parcel for the greater community good?

Consider the neighborhood and development options available:



1. The (red) adjacent corner lot is privately owned and not available for D&H development.
2. The (yellow) adjacent lot to the northwest is owned by US Forest Service and is shared-use among a number of government agencies. It's complicated, it's multi-agency, and I think it's fair to say that this would be even less available to D&H purchase or development than the neighboring private lots.
3. The next (orange) lot is a new building for Marine Exchange. It will surely still be there and unavailable for development.
4. Road (gray) is road. Unavailable for development.
5. The (purple) water to the southwest is wide open and owned by D&H. If there was a project D&H wanted to do in the neighborhood, this space is most likely. In fact, we have a conceptual plan for this zone, which builds a kayak/small boat launch into this finger of water. See two diagrams below.



Maybe this project never happens, and maybe D&H doesn't want it to happen. Maybe no project ever happens here (in which case, who cares if you sold the parcel?) But let's assume the city pursues development: in the context of this concept or any similar development in the purple zone, does adding our (green) leased parcel to a development here provide any additional value? What is the marginal gain of also developing on the 29 linear feet which today sits under our building? To me, it seems like there is basically nothing to be gained, but that's up to your imagination. Also, did CBJ

really wait 58 years to develop this park, or did it already move forward successfully inside the bounds of the purple zone, leaving this parcel alone (and again then, who cares if you sold the parcel?) Is it useful in any of these scenarios for D&H to own the parcel in question at this point?

6. Having explored the adjacent lots, let's look at the parcel under consideration. It is awkward and small. Shown below, we have the 29 foot (blue) intertidal/shoreline section discussed above, and a small (green) zone. The green uplands slopes into the ocean underneath the slab. Not awesome land. It has 39 feet of street frontage, with a utility pole blocking part of it. Even without setbacks, it is hard to imagine fitting anything useful in this little sliver of land. With setbacks, it's laughable. Yet taken in turn and evaluating all the development options above, it seems that the whole decision boils down to the use of this ~285 square feet of dumpy land boxed in by neighboring lots. 58 years from today.



Having written this far, it is obvious to me why we initially had broad support of selling this land “in this case.” What an awkward little parcel. It seems destined to host part of a building on the corner lot for generations to come, which IS one thing it does well.

What's in it for you?

Easements, covenants, first right of refusal

I'm a little surprised this point has not received more discussion. The Bridge to Norway Point plan brings the seawalk right through our property. It is up to you to decide whether that plan is something you choose to support in the future, but this entire conversation seems to be about retaining future options, so we'll discuss it here.

The plan runs the seawalk through our parking lot, but at the moment, there is nowhere for you to do that. We own the parcel on the corner, and we control the use of the leased parcel for another 58 years. In your deliberations, you have mentioned that similar seawalk negotiations with landowners elsewhere in town have been difficult. You have a captive audience here and we can put a seawalk easement in with the stroke of a pen today. This seems like real value to your organization and future plans. Certainly of more value than retaining full ownership of the tiny leasehold parcel, no?

Exercising your power discretion and free will

Ordinance, process, and bureaucracy exist in the world as rails to keep things in line. As a business owner, I dream of a world where everything is defined by process and automated decision making. But that is not our world. There are fuzzy edges in every system, and for that reason we put humans into important seats. The D&H board is a great example of this: it is a deliberative body that exists so that smart people can look at a situation where ordinance found its practical limits, discuss special cases, and make decisions to move things forward.

In his letter, Mr. Grant identified some of these fuzzy edges. The prescribed process for D&H or the board was not clear, and the legal boundaries in which D&H could make a decision were not clear.

Mr. Brown has clarified these points to the group, and I'll paraphrase my understanding: (1) Although D&H is missing some of the policy documents that could guide such a decision, you do not need to wait for such documents to be produced to make a specific decision. (2) Likewise, you should defer to the other existing land use plans to help inform a decision, and you may "cherry pick" language that supports the outcome you would like. Here is a good one, if you like. Goal 1 from the most general 2016 CBJ Land Management Plan.

Goal 1: Continue the land disposal program which systematically places CBJ land into private ownership.

Objectives:

- Make land available for community expansion.
- Expand the property tax base.
- Minimize the CBJ's costs for disposing of land.
- Provide opportunities for a variety of housing by disposing of land in multiple locations, by a variety of methods and at several price ranges.
- Maximize the CBJ's return on its property.
- Provide opportunities for as many people as possible to acquire CBJ land.

More specifically, Mr. Brown (again paraphrasing) said that even if you had a D&H land use plan that said something like "we will not sell tidelands," it would still be in your power to make a decision to go ahead and sell tidelands in any specific case. And more generally, Mr. Brown did clarify that you do not have "a mandate" to hold tidelands based on any of the documents. This is your decision to make, no rules.

Alternatives, and their challenges

Are there any alternatives for us? Maybe, but let's discuss them:

1. Appeal to planning commission for a variance on this building permit

I'm told there is a track record of CDD denying a variance, and then the planning commission granting that type of variance. But this is actually quite different: there is no such thing as a variance to build over a property line at all. Could we try? Sure. Using my "practicality lenses," I think it's pretty clear we would be right back here next month.

Also, what about next time? The roof on this place needs replacing in 10 years, and we will not be able to pull that permit then. The parking lot needs new engineering in 5-10 years and we will not be able to pull that permit then. We have the land lease for 58 more years. How many times in the life of this building are we going to go to CDD for who-knows-what, get denied, and be sent back here to ask again?

2. Appeal to the assembly for a variance on this building permit

I'm told there is also a track record of the Assembly passing specific ordinance or exceptions to allow building permits where otherwise disallowed. However, Mr. Brown has made it clear that the Assembly is unlikely to pass something like this without the support of CDD. CDD is never going to support an exception - a property line through a building is anathema to them. They are going to do whatever they can to force it to get cleaned up.

Also, as above, what about next time? And the time after that?

3. Appeal to the assembly for the land purchase

In theory we could go over your head and lobby directly to the Assembly. First, they are unlikely to approve it without your support. More important, I would prefer to respect your sovereignty here and trust you to make a reasonable decision. It has to go to them anyway.

4. Lease additional land for the deck component

Yes, we could solve the deck-side permit problem by adjusting the leased parcel property line. But the deck is one of many permit problems we face today. The other challenges to permit today relate to taking care of the building: roofline integration into new siding, awning for adequate weather protection, etc.

And it does not solve the problem for the next time. As above. Forever.

5. Sell part or all of the deeded property to D&H

Another solution is to sell our deeded parcel to D&H, lease back the land, and let you do the consolidation. We have discussed this briefly, and it's a non-starter. To review: (1) From what I gather, you don't have \$473k to buy it. (2) The new lease destroys the building's operational finances. (3) Most important, the bank will not allow it.

What about the valuation?

I have also heard some grumbling about the parcel being appraised so low. Well, it's going to get re-appraised, and we all know it's going to be more than the \$73k from last time. After adjusting for inflation and the additional 7 feet we are requesting, I would guess it's \$110-130k. As a reminder, essentially the entire leased parcel is intertidal and not buildable without major cost and complexity, so the appraiser uses a lower comp rate than uplands.

Who are you working with?

At this point, most of you know who we are. But we are asking you to exercise your power and make a judgment about what is best for the community. You are putting your reputations on the line for us. Part of that is knowing who is behind the project, so a few words on that.

Jeremy and I both grew up here and started our business here because we love our community, and we want to make it better. Jeremy grew up gillnetting out of Harris Harbor, and today we both have slips in Harris Harbor. We are your neighbors and constituents. We are also the IT department for over 80 Juneau-based organizations, and we have created 14 tech jobs for our staff here. We do everything we can to support our employees, and part of that vision was purchasing this building for them and creating a beautiful waterfront workplace.

As a refresher, this is the building at 1000 Harbor Way. This is arguably the most prominent corner intersection in Juneau, and this thing is an eyesore.



Below is a rendition of what we are trying to build. Our IT business is about making organizations in Juneau better. This project is about making something physical in Juneau better.



This building has good bones, and we are trying to give it another 50 years of good life. This means fixing stuff. Asbestos, gone. Plumbing and Electrical, all new to commercial standards. Heat pumps, EV chargers, the works. The property line issue is causing an administrative headache today, but it's also like the old plumbing and asbestos - it's a mistake of history that we are trying to fix. We believe in quality, and we want to bring that standard to our community.

A note on timeliness

We have been using the public process the best way we can. While the timeline on this project is not really your problem, it bears sharing with everyone what we are dealing with. One contingency on our SBA financing was to complete the re-siding during this building season, and we have a floating rate on part of our financing until siding is done. We expected to be done in May-June, with a hard deadline of January 2023, but we cannot really order materials until we have clarity on what can be permitted. We first approached CDD about this issue in February of this year, and held our first meeting with D&H staff on February 24. We have now navigated 5 months of evolving public process and advice. Granted, US monetary policy is also not your problem, but since our first meeting with D&H, our floating rate has added almost \$1000/mo to our payments, for the life of the loan.

Your deliberation and decision needs to happen at a pace you're comfortable with. I would like to respect that. But I would ask you to consider our constraints and also consider the question as a whole as outlined in this document. Do you send us back to various other bodies to waste time on fruitless appeals? Do you spend more time deliberating and discussing in further meetings? Mr. Grant's letter called out some critical problems to explore, but it seems like you have what you need to satisfy those concerns at this point.

So, do you shut us down?

Last week, Mr. Etheridge asked the question "why would we be talking about selling tidelands in one location at the same time as we are trying to buy tidelands down the street?" I actually think

this is a very practical thing to do as rational humans: we bring value to the world by working together and making decisions based on context. In the case of this poor little parcel, I think it's hard for any of us to imagine a compelling use for D&H: low relative value for D&H. Meanwhile we have a buyer for whom owning it would solve a litany of very meaningful problems: high relative value for HG. This is a very special opportunity for you to exercise your power as board members and cut through with a pragmatic decision. It is decisions like this that add value to a community.

Mr. Brown has empowered you to hold a vote on this question. You might choose to build out more policy and process to help guide your future decisions, but you are not constrained today by that lack of structure. We are asking for review of this letter, discussion at tomorrow's meeting, and ultimately a motion, something like: "To support the sale of TIDELANDS ADDITION BL 5 to 1000 Harbor Way LLC; to forward the application to the lands commission; and to have D&H staff work with the CBJ legal department during the drafting of the Purchase and Sale agreement to negotiate any details including easements, right of first refusal, etc. to facilitate the future seawalk encroachment on the owner's lots."

Thanks for your time in reading this, and in working with us over the past several months. I'm looking forward to seeing you tomorrow.

Sincerely,
Tyler Gress