

TO:	Mayor and Borough Assembly
FROM:	Brad Ryan, Borough Manager
DATE:	March 1, 2023
SUBJECT:	Ore Terminal Removal Proposal

In mid-February I received outreach from Harold Jahn (Prosperity Investments (Canada) Inc.) requesting to tour the Ore Terminal and to discuss his interest in the Ore Loader. I arranged for Mr. Jahn to tour the facility with me on February 21, and following the site visit we discussed the Terminal and Loader.

Mr. Jahn indicated that he would like to purchase the Ore Loader and supporting infrastructure for \$1.00, indicating that this would be a savings to the Municipality because the Municipality would not have to pay for the intended demolition of the loader, and potentially the supporting infrastructure. Mr. Jahn indicated that the Ore Loader and facilities would be relocated to another Alaskan community (which I understand to be Haines) where it would be used to load ore over the water. He also indicated that he would like to dredge the Ore Basin because the minerals in the sediment have economic value.

We talked at length through the potential benefits and impacts to the Municipality if Mr. Jahn was allowed to remove the Ore Loader and associated facilities. There was very little conversation about the removal of sediments from the Ore Basin. I relayed to Mr. Jahn that the most efficient way to remove the Ore Loader would be to engage the firm that the Municipality will contract with for the Ore Dock Redevelopment project, as Ore Loader demolition is part of the project, and the future contractor will be responsible for its disposal.

Mr. Jahn indicated he would rather get it directly from the Municipality, so I asked him to provide me with a proposal in writing for the Assembly to consider at its March 2 meeting. Mr. Jahn provided two proposals from Terry Woodthorpe of Prosperity Investments (Alaska) LLC. I have not spoken to Mr. Woodthorpe about his proposal.

Below are some very basic pros and cons of authorizing Prosperity Investments (Alaska) LLC remove the Ore Loader and associated facilities. Please keep in mind that municipal code regulates the ways in which the Municipality is authorized to dispose of its real property.

Pros:

- Cost savings: The cost estimate to remove the Ore Loader is over \$1.5 million, not including the supporting infrastructure.

Cons:

- Potential delay to the larger Ore Dock Redevelopment project. This project is on a very tight schedule with a very complicated permitting process, and any unnecessary changes to these permits could cause delays. There are strict specifications for the Ore Loader

removal that need to be met to facilitate the larger project; if they are not met it could delay the project.

- Skagway is working closely with the Yukon Government to develop an environmentally friendly Ore facility. The Municipality is aware of the degraded condition of the Ore Loader, which was a major factor in the Municipality's decision to remove it instead of continuing to use it. It does not feel responsible to allow the structure to be re-erected and used in another community waterfront area, where residents will subsistence fish for salmon and halibut, and harvest shellfish. It is unclear if the Ore Loader would be rehabilitated prior to its reconstruction. This would be especially concerning if Haines is the intended community, because Skagway residents also fish in that area.
- If the Ore Loader is rebuilt to better protect the environment and its new community, the Municipality would be giving an Ore Loader away for \$1.00 to directly compete with ore loading operations in Skagway, potentially only 15 water miles away.

Manager's Recommendation: My recommendation is to continue with the Ore Dock Redevelopment project as planned. If Prosperity Investments (Alaska) LLC wants the Ore Loader, they can work with the contractors that will bid for the project in order to provide those bidders with cost savings on disposal, and these cost savings would be passed on to the Municipality. All eligible bidders for the project will be identified at the mandatory in person pre-bid meeting before the Ore Dock Redevelopment project is awarded.

As for the dredging project, I see that as an entirely separate proposal, and I would need a much better understanding of it before I could make a recommendation.