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April 5, 2018

State of Alaska  
Department of Commerce  
Community & Economic Development

Commissioner Navarre and Director Cioni-Haywood,

The Haines Economic Development Corporation is pleased to see Tract 30 included in the Opportunity Zones Program in Alaska. The Lutak Dock in Haines is an example of one of the many community projects that could benefit immediately from this program.

The economic hardships affecting Tract 30 include a median household income of \$55,876, well below the state average (*U.S. Census Bureau, 2015 Small Area Income and Poverty Estimates.*) Additionally, unemployment rates for the Haines Borough have been on the uptick in recent years, but at 17.2 and 16.9 percent for January and February 2018 respectively, unemployment rates are the highest they've been for this same two-month time period in the past 13 years (*State of Alaska Department of Labor and Workforce Development.*)

There are several projects in our borough that could make use of the capital gains incentives under the Opportunity Zones Program, the most critical being the replacement of Lutak Dock, the infrastructure that facilitates the shipment of fuel and goods not only to Haines, but into Canada and Interior Alaska via the dock's connection to the road system. This dock may eventually facilitate growth of other industries including mineral exploration or mining projects, construction projects and timber exports. But a recent structural analysis proved the 60-year-old dock is beyond repair and in danger of imminent structural failure. The timeline for this project includes continuing with the design phase in FY19. Attached documents provide more in-depth information about the Lutak Dock and how the Haines community has undertaken planning for this project; however, securing funding is the biggest barrier to accomplishing this project.

The Lutak Dock project presents an excellent opportunity for a public-private partnership or other types of investments that may take advantage of the Opportunity Zones Program.

In considering Tract 30's eligibility for the program, we ask the state to consider the following:

**Community Support:** The Lutak Dock replacement project has broad community support. It's recognized as vital to Haines' economy, livelihood and in keeping costs of shipping, fuel and

goods at stable levels. The community particularly recognizes the dock's importance to Interior Alaska, and as the only point at which the Alaska Marine Highway System and road system connects in Southeast Alaska.

**Project Feasibility:** Feasibility studies have been completed for this project.

**Workforce Readiness:** This project holds the interest of several contractors and companies that the borough has engaged in recent years for repairs to keep the dock operational as funding for a long-term fix or replacement is pursued.

**Alignment with Existing Initiatives:** Lutak Dock replacement has ranked first on the Haines Borough's Capital Improvement List for the last few years.

**Economic Hardship:** With the state's economy suffering the last few years, so have local communities as they struggle to replace state funding with other sources. Funding for multi-million dollar infrastructure projects now rely on local bonding, federal funding or other creative sources.

**Geographical Representation:** Lutak Dock does not serve only Haines. It is critical infrastructure to transport fuel, goods and services to Yukon and Interior Alaska. It ties marine transportation and shipment into the road system at the point of the dock. Lutak Dock therefore represents a critical piece of infrastructure region-wide.

**Investment Opportunity:** The opportunity is ripe for a private-public partnership or private investment into the dock that would bolster not only our local economy, but also opportunities for potential investors.

We'd like to point out that the Lutak Dock project, while the most critical, is not the only project currently under consideration and design that could provide investment options through the Opportunity Zones Projects. Our community is planning for new uplands and floats necessary for our small boat harbor; Haines is planning to move on to the electrical phase of the wastewater treatment plant upgrades projects, already under contract for design; and the local school's biomass project is already in the design phase.

The Haines Economic Development Corporation stands ready to support and help facilitate local involvement through the Opportunity Zones Program anyway we can.

Thank you for your consideration,



Margaret Friedenauer  
Executive Director  
Haines Economic Development Corporation

# Project Title: Haines Borough - Lutak Industrial Dock Replacement Design

TPS Number: 60592

Priority: 1

Agency: Commerce, Community and Economic Development  
Grants to Municipalities (AS 37.05.315)

Grant Recipient: Haines Borough

FY2019 State Funding Request: \$3,700,000

Future Funding May Be Requested

## Brief Project Description:

A recent structural analysis proved Lutak Dock is beyond repair and in danger of imminent structural failure. Requested funding would cover design and owner-supplied material costs for the preferred replacement option that was selected following a lengthy public process.

## Funding Plan:

|                               |               |
|-------------------------------|---------------|
| Total Project Cost:           | \$4,143,209   |
| Funding Already Secured:      | (\$443,209)   |
| FY2019 State Funding Request: | (\$3,700,000) |
| Project Deficit:              | \$0           |

## Explanation of Other Funds:

FY11 - Lutak Port Development Plan: Haines Borough appropriation - \$50,000

FY12 - Lutak Port Development Plan: State of Alaska appropriation - \$120,000

FY14 - Loss of Fill investigation PND - \$89,506

FY15 - Emergency reinforced slab over cell: \$35,000

FY17 - Lutak Dock Design and Development Concepts contract with R&M Consultants, Inc.: \$129,530; cost-benefit analysis with Northern Economics, Inc.; \$11,272.50

FY18 - Lutak Dock Roll on Roll Off Condition Report with R&M; \$7,900

## Detailed Project Description and Justification:

Lutak Dock has exceeded its useful lifetime, has experienced local failures, and is expected to fail or be condemned as unsafe in the next 10 years. The Haines Borough seeks an appropriation for design and owner-supplied materials for the rehabilitation of Lutak Dock, which is a year-round, sheltered harbor, with excellent road connectivity. It is a critical link in the Alaska Marine Highway System and provides essential, economic transportation and services for the Borough, Southeast Alaska, the Interior, and the Yukon.

A 2014 structural assessment prepared by PND Engineers, Inc. concluded "the structure has reached the end of credible 60-year service life" and "is effectively on borrowed time." Inspections have revealed loss of nearly all the support structures on the face of the dock. Corrosion includes complete wall penetration of the thinner wall sections on the interconnecting arcs.

An inspection conducted by Echelon Engineering for PND Engineers reported an average loss of 37 percent of the original 0.500 inch wall thickness, indicating major to severe damage. According to national inspection standards for docks, with this type of damage repairs should be carried out on a high priority basis and with urgency. Localized failure can be expected at any time.

Virtually all the consumer goods and all the fuel and petroleum products for Haines come over Lutak Dock. According to a cost-benefit analysis prepared by Northern Economics (2016), the average freight revenue per ton-mile for freight moved by truck is over seven times

as much as the average freight revenue per ton-mile for freight moved by barge. It is likely that the difference in modal transportation costs is even higher for the alternate routes that would be used to transport freight into Haines due to border crossings, road conditions, and terrain.

Through this project, the Haines Borough is considering options for addressing the corroding, aging Lutak Dock with the purpose of:

- Providing a reliable dock facility built to modern standards;
- Maintaining existing working area and functionality; and
- Maximizing life expectancy.

The Haines Borough Assembly on 10/11/16 authorized the Borough Manager to execute a contract with R&M Consultants, Inc. for the Lutak Dock Design and Development Concepts project for an amount not to exceed \$129,530. The request for proposals sought licensed design firms to provide conceptual options for replacing or refurbishing the Lutak Dock. Concepts included research, analysis, cost estimating, and outreach. R&M Consultants provided a decision memo dated 1/3/17 (attached) recommending Alternative 1B: Encapsulate Using Modified Diaphragm (\$32 million) as the engineers' preferred option.

The Planning Commission and Port and Harbor Advisory Committee held a joint work session on 2/1/17 to review the Lutak Dock concepts. Each group held an additional meeting to discuss Lutak Dock concepts and recommended Alternative 1A: Encapsulated Cells with Modified Diaphragm and Reclaimed Uplands (\$37.4 million) as the preferred option. The assembly also supported this option in an attached resolution. Alternative 1A maintains the same general footprint and use as the existing dock and includes the reclamation of several cells that have been partially excavated and are owned by the Borough. This funding request would be for the design and owner-supplied materials for this preferred option.

**Project Timeline:**

FY19: Design and owner-supplied materials (\$3,700,000)

**Entity Responsible for the Ongoing Operation and Maintenance of this Project:**

Haines Borough

**Grant Recipient Contact Information:**

**Name:** Brad Ryan  
**Address:** 103 Third Avenue  
Haines, AK 99827  
**Phone Number:** (907)314-0648  
**Email:** bryan@haines.ak.us

**This project has been through a public review process at the local level and it is a community priority.**

## Haines Borough Legislative Capital Budget Account Summary

| <b>Priority</b> | <b>Project</b>   | <b>State<br/>Funding<br/>Requested</b> | <b>Total<br/>Project<br/>Cost</b> | <b>TPS<br/>Number</b> | <b>Viewable By<br/>District</b> |
|-----------------|--|--|-----------------------------------|-----------------------|---------------------------------|
| 1.              | Haines Borough - Lutak Industrial Dock Replacement Design            | \$3,700,000                            | \$4,143,209                       | 60592                 | All Juneau Legislators          |
| 2.              | Haines Borough - Wastewater Treatment Facility Electrical Upgrades   | \$525,000                              | \$2,744,550                       | 63271                 | All Juneau Legislators          |
| 3.              | Haines Borough - South Portage Cove Harbor Expansion Moorage Floats  | \$4,690,619                            | \$31,190,619                      | 64621                 | All Juneau Legislators          |
| 4.              | Haines Borough - South Portage Cove Harbor Expansion Drive Down Ramp | \$5,945,000                            | \$32,445,000                      | 64333                 | All Juneau Legislators          |
| 5.              | Haines Borough - Swimming Pool Floors                                | \$172,800                              | \$172,800                         | 60626                 | All Juneau Legislators          |