

Statement from Assemblyman Dave Brena

In 1968, the City entered a lease with White Pass specifically to accommodate an ore haul. No one anticipated the huge increase in tourism and no lease mechanism was in place for the City to participate in the vast earnings from tourism. We are now five seasons from this lease terminating.

Currently the White Pass pays the Municipality \$127,200 to lease the uplands, the Ore Dock and the Broadway Dock. White Pass earns over \$500,000 per year off the subleases alone and several million per year off the revenue from the docks.

The latest White Pass memorandum of understanding (MOU) specified a beginning lease rate of \$250,000 per year, escalating by 3.5 percent per year for 15 years. The Municipality would be required to pay \$7.5M toward the construction of the new \$15M floating dock.

Over the extended term of lease negotiation with the White Pass no Assembly member, that I know of, has completed an economic analysis of the value of the waterfront. Recently Paul Taylor and I independently valued the docks. My analysis estimated that over 15 years beginning in 2023, the Municipality would earn over 66 million dollars in revenue if we operated the docks with no lessee.

These economic analyses have now been validated by the letter from Holland America Group, and although it is only a letter of interest, the terms, suggested payments, and conditions broadly represent an offer in excess of \$40 million dollars more than the White Pass MOU.

I am also philosophically opposed to negotiating with a tenant who states that they will not clean-up the contamination or repair the unsafe condition of the Ore Dock until the Municipality agrees to sign a new lease. The 1968 lease specifically states that the Municipality cannot negotiate with a tenant who is in default of their lease. The only reason that White Pass is not technically in default of their lease is the Assembly has not given "Notice" of

default. The Assembly voted by a four to two margin to terminate negotiations with White Pass and to give them notice to begin the clean-up. After all these years, I think we can be extremely proud of those who voted in favor of the health and welfare of the citizens of Skagway. For those who do not know the vote, here are the totals. In favor of terminating the lease discussions with White Pass and giving notice to facilitate the clean-up: David Brena, Jay Burnham, Steve Burnham, and Tim Cochran. Those opposed: Dan Henry and Orion Hanson.

Moving forward the Municipality has two choices. First, we could manage and operate our own waterfront. This would be the preferred option in my opinion. Several cruise line groups have expressed concern about the negative effects of the Municipality granting a monopoly to any operator.

Second, we could prepare a request for proposal (RFP) with minimum requirements. White Pass or the new owner can participate as could anyone else. A new Port Director could be extremely helpful in developing the overall waterfront strategy and infrastructure requirements.

The future of tourism is extremely bright and the question arises as to what we can do between now and 2023 when the lease expires. First several have stated that we could “make do” with the existing docks by simply moving the gangways. This would be inconvenient but workable. Alternatively, we could condemn an unused portion of the tidelands through eminent domain and build a floating dock either ourselves or in partnership with a new lessee. This process would take two years if White Pass opposed it and one year if they didn't. In either case we could have a floating dock in place by 2020.