

STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND AND WATER

PRELIMINARY DECISION

ADL 232886

Silver Bay Seafoods, LLC

Application for Lease

AS 38.05.083

This Preliminary Decision is the initial determination on a proposed disposal of interest in state land and is subject to comments received during the Public Notice period. The public is invited to comment on this Preliminary Decision. The deadline for commenting is **March 1, 2019**. Please see the Comments Section of this decision for details on how and where to send comments for consideration. Only the applicant and those who comment have the right to appeal the Final Finding and Decision.

Proposed Action:

The Department of Natural Resources (DNR), Division of Mining, Land and Water (DMLW), Southcentral Regional Land Office (SCRO) has received a request from Silver Bay Seafoods, LLC (SBS) to lease 182 acres, more or less, of state-owned tide and submerged lands located within Krestof Sound just south of Olga Point near Sitka, Alaska, for 10 years for the purpose of culturing Pacific oysters (*Magallana gigas*). The location of the project area is further described as being within the W1/2 of Section 3 and the E1/2 of Section 4 in Township 54 South, Range 62 East, Copper River Meridian.

SCRO is considering the issuance of a 10-year aquatic farmsite lease to SBS, serialized as ADL 232886, for the purpose of an aquatic farm consisting of one parcel to be used for the installation of 22 convoy systems of grow-out rafts and trays to cultivate Pacific oysters.

Scope of Review:

The scope of this decision is to determine if it is the State's best interest to issue this aquatic farmsite lease.

Authority:

This lease application is being adjudicated pursuant to AS 38.05.035(b)(1) Delegation of the Powers and Duties of the Director; AS 38.05.070(b) Generally; AS 38.05.083 Aquatic Farming and Hatchery Site Leases; and AS 38.05.945 Notice. The authority to execute the Preliminary Decision, Final Finding and Decision, and the lease, has been delegated to the Regional Manager of SCRO.

Administrative Record:

Case file ADL 232886 constitutes the administrative record for the SBS lease application.

Legal Description, Location, and Geographical Features:

The state land where this proposed leasehold is located is described as follows:

- **Site reference name:** Olga Point
- **Legal description:** W1/2 Section 3 and E1/2 Section 4, Township 54 South, Range 62 East, Copper River Meridian
- **Geographical locations:** Krestof Sound, north-northwest of Sitka, Alaska, just south of Olga Point and near the western shore of Krestof Island
- **Approximate Lat/Longs:**

Description of the parcel, dimensions:

The proposed aquatic farmsite is composed of a single parcel located on state-owned submerged lands, totaling 182 acres. See Figure 1 for project location. This parcel is enclosed by the following ten coordinates:

ID	Latitude/Longitude Coordinates at Corner	Distance between Corners (feet)
NE1	57° 13.325' N/135° 33.276' W	NE1 to SE1 3,770
SE1	57° 12.712' N/135° 33.192' W	SE1 to SE2 1,085
SE2	57° 12.733' N/135° 32.870' W	SE2 to SE3 985
SE3	57° 12.893' N/135° 32.865' W	SE3 to SE4 490
SE4	57° 12.924' N/135° 32.733' W	SE4 to SW1 730
SW1	57° 12.944' N/135° 32.560' W	SW1 to SW2 630
SW2	57° 13.051' N/135° 32.501' W	SW2 to SW3 405
SW3	57° 13.110' N/135° 32.432' W	SW3 to SW4 850
SW4	57° 13.246' N/135° 32.467' W	SW4 to NW1 845
NW1	57° 13.372' N/135° 32.581' W	NW1 to NE1 2,310

- **Existing surveys:** None
- **Municipality/Borough:** City and Borough of Sitka
- **Native Corporations/Federally Recognized Tribes:** Sealaska Corporation, Sitka Tribe of Alaska, Shee Atiká, Inc.

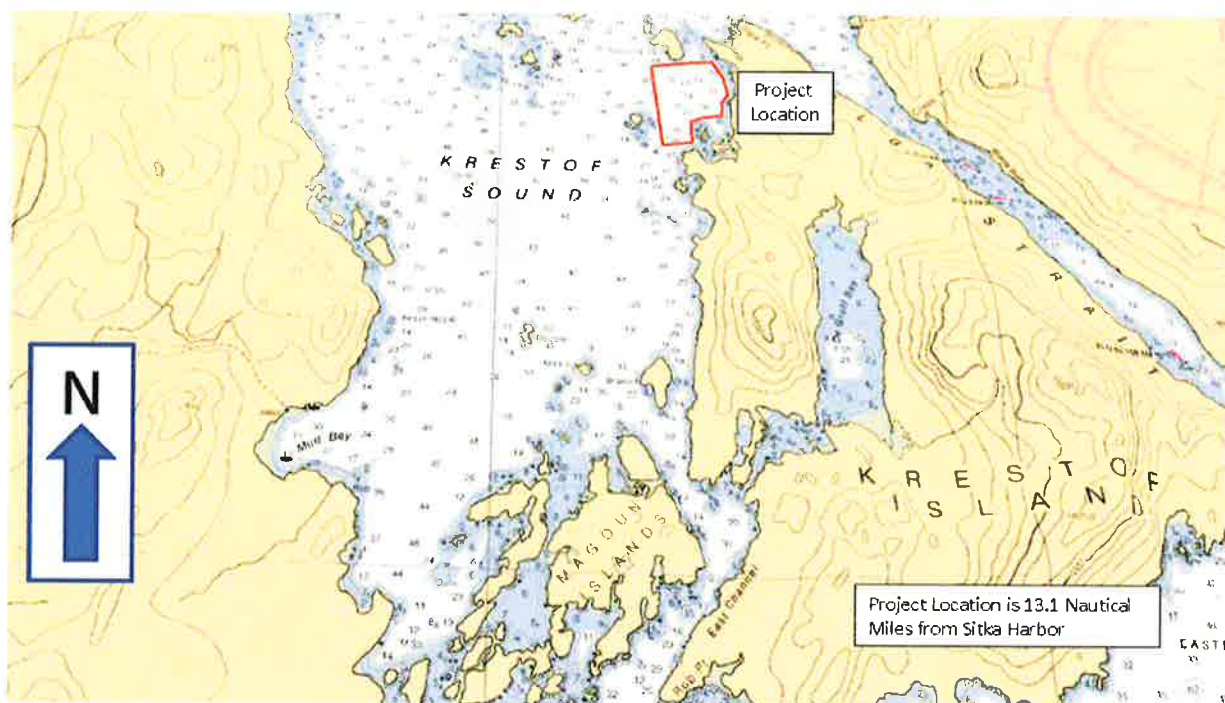


Figure 1: ADL 232886 Project Location

Title:

A DNR Title Report (RPT-10301) issued on November 29, 2017 from DMLW’s Realty Services Section attests that the State of Alaska holds title to the subject tide and submerged lands under the Equal Footing Doctrine and the Submerged Lands Act of 1953. The United States of America owns the land and mineral estates of the adjacent uplands of Krestof Island that is within the Tongass National Forest.

Third Party Interests:

No third-party interests are known at this time.

Classification and Planning:

The project area is subject to DNR’s Northern Southeast Area Plan (Area Plan), the Baranof Island Area, and within the Sitka Sound Tidelands Resource Management Zone, Map 2-1. The tideland designation for the site is Resource Management-High Value (Habitat and Public Recreation). This designation converts to the tideland classification of Resource Management Land. The closest uplands to the proposed leasehold are Tongass National Forest land.

In Chapter 2 of the Area Plan, Areawide Land Management Policies, the goal for Aquatic Farming is to “provide opportunities to increase income and diversify the state’s economy through the use of state tidelands and submerged lands for aquatic farming.” As specified in the Area Plan in Chapter 3 under Management Summary for Special Management Zones, the management intent for the Sitka Sound Tidelands Resource Management Zone (SSTRMZ) for Marine Waters and Tidelands is two-fold:

- “To protect the sensitive fisheries, marine mammal concentration areas, shorebird and waterfowl concentration areas, anadromous streams and areas of estuarine wetlands, as well as brown bear and deer winter concentration within intertidal areas.

- To preserve and protect the customary, traditional, recreational and personal use resources and public access to these resources.”

The Management Summary further explains, “The marine and intertidal waters of this Tidelands Resource Management Zone support a myriad of activities. Pacific herring utilize the shoreline for spawning and the marine waters for overwintering. Waterfowl and shorebirds are found to concentrate throughout this area in the spring and fall. Chinook, coho, pink, chum, and sockeye salmon along with anadromous steelhead use these areas for rearing, schooling, spawning, and migration. Brown bears concentrate along the shoreline/upper intertidal area throughout this tidelands management area. The area of the SSTRMZ is also used for a wide variety of traditional, recreational, and personal use activities, primarily by the residents of the community of Sitka. Departmental authorizations... shall follow the standards and procedures for authorizations described under 'Management Guidelines: Habitat Areas' in Chapter 2 of the Area Plan, under the section, 'Fish and Wildlife Habitat and Harvest Areas.’” The guidelines include that “all land use activities will be conducted with appropriate planning and implementation to avoid or minimize adverse effects on fish, wildlife, or their habitats.” The aquatic farmsite as proposed is consistent with the Area Plan.

Traditional Use Findings:

Traditional use findings will not be discussed in this Preliminary Decision because the proposed leasehold is located within the City and Borough of Sitka, an organized borough. Pursuant to AS 38.05.830, a traditional use finding is not required.

Access:

Access to and from the aquatic farmsite is by a shellfish tender from the boat harbor in Sitka, Alaska.

Access To and Along Navigable and Public Waters:

Nearly all shore and tide lands in the State of Alaska are subject to a To and Along Easement under AS 38.05.127 and 11 AAC 51.045. The purpose of this easement is to uphold the constitutional right of the public to have free access to, and use of, the state’s waterways. At the proposed leasehold, the Along easement is 50 feet seaward from the line of mean high water (MHW).

Public Trust Doctrine:

Pursuant to AS 38.05.126 all authorizations for this site will be subject to the principles of the Public Trust Doctrine; specifically, the right of the public to use navigable waterways and the land beneath them for: navigation, commerce, fishing, hunting, protection of areas for ecological studies, and other purposes. These rights must be protected to the maximum extent practicable while allowing for the development of this project. As such, SCRO is reserving the right to grant other authorizations to the subject area consistent with the Public Trust Doctrine.

Lease Discussion:

SBS submitted an aquatic farm application for a DNR aquatic farmsite lease to culture Pacific oysters (*Magallana gigas*) on April 28, 2017. On November 6, 2018, SBS submitted an updated application in response to a DMLW request. The proposed aquatic farm site is located on state-owned tide and submerged lands within Krestof Sound, approximately 11.3 nautical miles north-northwest of Sitka, just south of Olga Point and against the western shore of Krestof Island. The proposed leasehold will be comprised of one parcel, covering an area of approximately 182 acres.

The proposed aquatic farmsite operation must be in the overall best interest of the State before an authorization may be issued. Factors that are to be considered in this decision are identified in 11 AAC 63.050(b) and 11 AAC 63.050(c). These factors are addressed in this decision and include consideration of land management policies for the project area, existing uses, public access to and along public waters, and the public trust doctrine.

SBS proposes to use a grow-out raft and tray culture system for cultivating the Pacific oysters. Each raft will hold a maximum of 720 trays. Six rafts will be tethered together with 23 feet of chain between each raft. This group of rafts is referred to as a convoy. Each convoy will be anchored at both ends. Each anchor will have a retrieval buoy to the surface. There will be 22 convoys on the parcel, consisting of a maximum of 132 grow-out rafts. The rafts will be tended regularly using a shellfish tender designed for oyster farming using rafts and cages. The shellfish tender will operate out of Sitka daily, and there will not be a need for an overnight facility at the leasehold.

The proposed leasehold's location against the western shore of Krestof Island is within a relatively small bight in Krestof Sound (see Figure 1b in the attached Development Plan for the location in Krestof Sound). The location of the proposed leasehold will completely unencumber the remainder of Krestof Sound. Pursuant to AS 38.05.127 and to be cited in the proposed lease, the State of Alaska reserves a public access easement to and along all public or navigable water bodies that border on or are included in this leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. Further, SBS plans that a minimum of 100 yards (300 feet) will be provided between the shore at mean lower low water (MLLW) and the closest raft to allow public access to Tongass National Forest uplands. In consultation with SBS, locations for safe anchorages will be maintained to the north, east, and southeast of the proposed aquatic farm parcel. Each raft convoy will have navigation lights at each end to signal its presence in the dark. The location was carefully selected by SBS for a minimal impact on existing uses.

The proposed leasehold would provide opportunity to Alaskan residents in the way of employment, labor dollars that contribute to supporting the community, mariculture education through work in the business, generating sales and revenue for the State, and private investments in a community. With encouragement from the Alaska Fisheries Development Foundation and the industry, Governor Walker created an Alaska Mariculture Task Force (AMTF), through Administrative Order 280 that was signed on February 29, 2016. The AMTF is directed to create a comprehensive plan to boost the mariculture industry, which includes aquatic farming and enhancement of wild fisheries in Alaska. The recommendations developed by the AMTF include details on public and private investments, regulatory issues, research and development needs, environmental changes, public education, and workforce development. Eleven AMTF members, appointed by the Governor, developed the comprehensive recommendations. Advisory committees also assisted the AMTF members with their mission. On August 27, 2018, Governor Walker issued Administrative Order 297 which extends the life of the AMTF until 2021. The AMTF meetings are open to the public.

In consideration of concentrating the proposed leasehold against the western shore of Krestof Island to completely unencumber the remainder of Krestof Sound, addressing navigation and access in the vicinity of the proposed leasehold, planning such that the cumulative impacts will

not be excessive, and the Tongass National Forest as upland owners will retain a reasonable access to tidewater, the proposed aquatic farmsite lease is considered compatible with 11 AAC 63.050(c).

The Commercial Use Requirement (CUR) states a farm needs to be making annual sales “of at least \$3,000.00 per acre or fraction of an acre, or \$15,000.00 per farm, whichever is less.” Under 11 AAC 63.110(7), the lease will include provisions that failure to meet the CUR constitutes a default and may be cause for revocation, and annual reports of the previous year’s sales are due by January 31st of every year.

The proposed lease will be subject to the terms of DMLW’s standard lease document and any Additional Stipulations based, in part, upon the following considerations.

Operation and Development Plan:

The Operation and Development Plan revised and submitted on December 12, 2017, is accepted by SCRO as complete but may be subject to change based on agency and public review. Should the proposed lease be granted, it is anticipated that the Development Plan will need to be updated throughout the life of the lease as activities and/or infrastructure are added or subtracted. All updates must be approved, in writing, by SCRO before any construction, deconstruction, replacement of infrastructure, or change in activity will be permitted. SCRO reserves the right to require additional agency review and/or public notice for changes that are deemed by SCRO to be beyond the scope of this decision.

Hazardous Materials and Potential Contaminants:

No hazardous materials or fuel will be stored on the proposed leasehold.

The use and storage of all hazardous substances must be done in accordance with existing federal, state and local laws. Debris (such as soil) contaminated with used motor oil, solvents, or other chemicals may be classified as a hazardous substance and must be removed from the sites and managed and disposed of in accordance with state and federal law.

Lease Performance Guaranty (bonding):

In accordance with AS 38.05.083(e), SBS will be required to submit a performance guaranty for the lease site.

- **\$32,000.00 Performance Bond:** This bond will remain in place for the life the proposed lease. The bond amount is based upon the level of development, amounts of hazardous material/substances on site, and the perceived liability to the state. This bond will be used to insure the applicant’s compliance with the terms and conditions of the lease issued for their project. This bond amount will be subject to periodic adjustments and may be adjusted upon approval of any amendments, assignments, re-appraisals, changes in the development plan, changes in the activities conducted, or changes in the performance of operations conducted on the authorized premises, and as a result of any violations to one or more of the authorizations associated with this project.

- **Reclamation Bond:** SCRO is reserving the right to require a reclamation bond due to non-compliance issues during the term of the lease or near the end of the life of the project.

Insurance:

In accordance with 11 AAC 96.065, SBS will be required to submit proof of liability insurance to SCRO, with the State of Alaska listed as a “NAMED” insured party. SBS will be responsible for maintaining such insurance throughout the term of the lease.

Survey:

In accordance with AS 38.04.045, this short-term lease does not require a survey. However, the State of Alaska reserves the right to require one in the future should the need arise due to changes in statutes or increased use of the area. SBS has submitted GPS coordinate point(s) for the ten corners of the proposed leasehold.

Compensation/Appraisal:

DMLW has approved an administrative lease fee schedule for aquatic farmsites that meet the conditions listed within the schedule. The most current lease fee schedule will be used to establish the fair market rental each lessee must pay. Fees are subject to adjustment per AS 38.05.083(c). The current annual rate for a 182-acre aquatic farm lease is a base fee of \$13,577.00 for the first 161 acres, and \$53.00 for each additional acre or partial acre. In accordance with the Aquatic Farmsite Fee Schedule, Report No. 2522-13, a breakdown of the lease fee will be as follows:

$$182 \text{ acres } (161 \text{ acres at } \$13,577) + (21 \text{ acres } \times \$53) = \mathbf{\$14,690.00 \text{ per year}}$$

The applicant has the option to have an appraisal done, at the applicant’s expense, before the lease is issued if the applicant does not agree to use the DNR approved fee schedule. If an applicant opts for an appraisal, the appraisal must be approved by DNR’s Appraisal Unit. The appraisal will establish the fair market rental for the lease and the fee schedule will no longer be an option. The parcel may need to have an approved Alaska Tidelands Survey to accomplish the appraisal. If a survey is required, the cost will be incurred by the applicant.

Assignment of Lease:

The proposed lease, if issued, may be transferred or assigned to another individual or corporation **only** with prior written approval from the DMLW. A lease will not be assigned to an entity if that entity does not meet the statutory requirements of the lease or the lease is not in good standing.

Reclamation:

In accordance with AS 38.05.090(b), all lessees must restore their lease sites to a “good and marketable condition” within 120 days after termination of the lease. What level of reclamation constitutes as being “good and marketable” is at the discretion of SCRO. DNR reserves the right to require a reclamation bond at any time.

Agency Notice:

An Agency Notice was conducted for a 20-day review starting on November 6, 2017 and then extended due to agency request. The extended deadline for agency comments was December 5, 2017. The following agencies were included in the review:

- DNR DMLW - Mining
- DNR DMLW - Water
- DNR Southeast Land Office
- DNR Office of History and Archaeology/SHPO
- DNR Natural Resource Conservation and Development Board
- DNR Division of Parks and Outdoor Recreation
- DNR Division of Oil and Gas
- DNR DMLW - Realty Services
- Department of Fish and Game (ADF&G) - Habitat
- ADF&G - Aquatic Farm Coordinator
- Department of Environmental Conservation (DEC) - Shellfish
- Department of Transportation and Public Facilities
- U.S. Forest Service -Tongass National Forest
- U.S. Army Corp of Engineers
- U.S. Fish and Wildlife Service
- National Oceanic and Atmospheric Administration
- U.S. Environmental Protection Agency
- U.S. Coast Guard
- City and Borough of Sitka

Agency Review Comment(s):

During the Agency Review, SCRO received comments from three agencies.

ADF&G Comment:

ADF&G completed a preliminary review and determination of the proposed aquatic farm. In a letter to SCRO, several concerns were raised relating to marine mammals, invasive species, and access and use of wildlife in adjacent lands by hunters and trappers. Site-specific conditions are recommended to be added to the aquatic farm lease and aquatic farm operation permit authorizations, where appropriate, and ADF&G requested that an advisory of the recommendations be provided in the DNR PD that is provided to the applicant and the public. Within ADF&G's letter, there are three comments that are addressed by SCRO below.

ADF&G Comment 1:

"Marine Mammal

There are concerns with the project as proposed including marine mammal disturbances during the aquatic farm operation installation and daily activities, competition for space as marine mammal habitat and farm area overlap in the project area, and exchanges with marine mammals and the large number of convoys, rafts, and anchor systems. Very little is known about the impacts to marine mammals for an aquatic farm operation of this size and configuration.

The following stipulations are recommended to minimize impacts to marine mammals in the area of the proposed aquatic farm operation:

- The lease holder/permit holder will implement best management practices to reduce impacts to marine mammals in the area of Olga Point including:
 - a. regular maintenance of farm structures (i.e. keep lines secured and anchor wraps under tension);
 - b. limit the use of underwater lighting;
 - c. ensure waste material and debris are collected and disposed of correctly;
 - d. use caution when operating vessels;
 - e. directing aquatic farm workers to avoid interacting with or feeding marine mammals; and
 - f. monitor marine mammal species in the vicinity of the farm.
- Any marine mammal entanglements should be immediately reported to the department aquatic farming coordinator (phone 907-465-6150 and dfg.dcf.aquaticfarming@alaska.gov) and National Marine Fisheries Service Alaska 24 hr. Stranding Hotline, phone 877-925-7773.

In addition, we recommend that the applicant contact NOAA Fisheries Small Take Program at (301) 713-2322 to assess any impacts to whales and other non-ESA listed species and evaluate if a disturbance (“take”) permit is necessary under the Marine Mammal Protection Act.”

SCRO Response:

DNR statutes and regulations do not specify management of aquatic farms relating to marine mammals, and management of marine mammals are outside the scope of DNR’s authority. SCRO has shared ADF&G’s comments for the proposed lease with SBS to inform SBS of these concerns.

In addition, pursuant to the lease stipulations No. 4 and No. 26, the stipulations require the lessee to comply with all applicable laws, regulations, ordinances, and order that a public authority has put into effect.

ADF&G Comment 2:

“Potential introduction of invasive species

The following stipulation is recommended to minimize the potential introduction of invasive species:

- The lease holder/permit holder will implement best management practices to prevent the introduction or spread of aquatic invasive species that can occur when aquatic farm activities translocate gear and product including:
 - a. Any previously-used in-water infrastructure must be inspected for nonindigenous or invasive species prior to relocation. If non-native species are detected, infrastructure must be decontaminated by removing it from the water. It may be left “high and dry” for at least 30- days or thoroughly washed with hot, pressurized water prior to being re-submerged. Contact the Invasive Species Coordinator at (907) 465-6183 for more details.
 - b. Use “hot dipping” protocols to remove fouling organisms from Pacific oysters; this is a common practice in aquatic farming.
 - c. Develop a monitoring schedule to periodically inspect in-water infrastructure for invasive species, such as *Didemnum vexillum*.
 - d. Develop a response plan that identifies steps for quickly responding to observance of

invasive species in any aspect of in-water operations.

Any observations of invasive species should be immediately reported to the ADF&G aquatic farming coordinator (907) 465-6150; dfg.dcf.aquaticfarming@alaska.gov) and to the ADF&G invasive species coordinator (907) 465-6183; dfg.dsf.invasivespecies@alaska.gov.”

SCRO Response:

DNR statutes and regulations do not specify management of invasive species and management of invasive species is outside the scope of DNR’s authority. SCRO has shared ADF&G’s comments for the proposed lease with SBS.

In addition, pursuant to the lease stipulations No. 4 and No. 26, the stipulations require the lessee to comply with all applicable laws, regulations, ordinances, and order that a public authority has put into effect.

ADF&G Comment 3:

“Access by Existing Fishery Uses

There are no concerns relating to existing commercial, sport, and personal use fishery uses for the location of the proposed aquatic farm. Subsistence use harvest for marine invertebrate, seal hunting, deer hunting, and salmon fishing is known to occur in the vicinity. The location of the aquatic farm is also near an established permitted aquatic farm in Krestof Sound.

The following stipulation is recommended to maintain access and minimize impacts for existing fishery uses in the area including commercial, sport, personal, and subsistence uses:

- The aquatic farm operation may not impede access to plants, fish, and wildlife resources, and shellfish other than the species being cultured at the site to the extent that such access does not disrupt the operation of the aquatic farm, disturb the species being cultured, or damage any of the shellfish aquatic farm culture equipment, facilities, or gear.”

“Access by hunters and trappers

There are concerns relating to access and use of the adjacent uplands for recreational and subsistence hunting and trapping. The location of the aquatic farm is popular for anchoring boats used by hunters and trappers as it is a sheltered location. The following stipulation is recommended to maintain access to the adjacent lands:

- The aquatic farm operation must maintain access and minimize impacts for wildlife use in adjacent lands to the extent that such access does not disrupt the operation of the aquatic farm, disturb the species being cultured or damage any of the shellfish aquatic farm culture equipment, facilities or gear.”

SCRO Response:

Within the proposed lease agreement there will be language citing the Public Trust Doctrine which guarantees public access to and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. If the lease is issued, it will be subject to the principles of the Public Trust Doctrine regarding navigable or public waters. The lessor reserves the right to grant other interests to the leasehold consistent with the Public Trust Doctrine.

Further, pursuant to AS 38.05.127 and to be cited in the proposed lease, the State of Alaska reserves a public access easement to and along all public or navigable water bodies that border on or are included in this leasehold. No public access easement may be obstructed or otherwise rendered incapable of reasonable use for the purposes for which it was reserved. No public access easement may be vacated, abandoned, or extinguished without the prior written approval of State of Alaska. In addition, lease stipulations No. 4 and No. 26, require the lessee to comply with all applicable laws, regulations, ordinances, and order that a public authority has put into effect.

Further, in consultation with SBS, locations for safe anchorages will be maintained to the north, east, and south of the proposed aquatic farm parcel.

USDA Forest Service, Tongass National Forest, Sitka Ranger District, Comment:

The Tongass National Forest (TNF), Sitka District Ranger provided comments given the site location is adjacent to National Forest System lands, with concern related to National Forest users' ability to safely anchor, passage between islands and into a cove, and access to uplands. Within the TNF's letter, there are three comments that are addressed by SCRO below.

TNF Comment 1:

"Safe anchorage

The constructed features of an aquatic farm may interfere with the ability of National Forest users to locate and use safe anchorages. I request any infrastructure be clearly marked and opportunities for safe anchorages be maintained."

SCRO Response:

Nearly all shore and tidelands in the State of Alaska are subject to a To and Along Easement under AS 38.05.127 and 11 AAC 51.045. The purpose of this easement is to uphold the constitutional right of the public to have free access to, and use of, the State's waterways. The issuance of this aquatic farm lease will not block reasonable access to state navigable water. The along easement extends 50 feet seaward from the line of mean high water. Further, in consultation with SBS, locations for safe anchorages will be maintained to the north, east, and southeast of the proposed aquatic farm parcel. Each raft convoy will have navigation lights at each end to signal its presence in the dark.

TNF Comment 2:

"Passage between islands and into a cove

The waterway between Krestof Island and the unnamed island at the southwest border of the project is a frequent travel route to access National Forest System land. I would like to see the route through this passage maintained. The small cove at the southeast corner of the project area provides safe anchorage for National Forest users and access to upland uses. I would like to see direct access maintained to this cove coming from the north, on the east side of the unnamed island."

SCRO Response:

In consultation with SBS, access and locations for safe anchorages will be maintained to the north, east, and southeast, including the small cove to the southeast, of the proposed aquatic farm parcel.

TNF Comment 3:**“Access to uplands**

“Existing upland uses on Krestof Island dependent on shoreline access include picnicking, camping, hiking, and hunting. The proposal does not address how access for the public and Forest Service employees will be maintained. A buffer of adequate width and depth at low tide could ensure that access is maintained over approximately one mile of adjacent coastline accessing National Forest System lands.

From experience with aquaculture development adjacent to National Forest System lands, we anticipate that there may be requests in the future to build upland facilities. I want to emphasize that requests for upland use are reviewed on a case-by-case basis. The analysis process is rigorous and can be lengthy, and the decision to authorize use of National Forest System lands is discretionary.”

SCRO Response:

Nearly all shore and tidelands in the State of Alaska are subject to a To and Along Easement under AS 38.05.127 and 11 AAC 51.045. The purpose of this easement is to uphold the constitutional right of the public to have free access to, and use of, the State’s waterways. The along easement extends 50 feet seaward from the line of mean high water. Further, in consultation with SBS a minimum of 100 yards (300 feet) will be provided between the shore at MLLW and the closest raft.

SBS has not indicated to SCRO an interest in TNF upland property use. SCRO has provided SBS the comments from TNF and they are aware of the discretionary nature regarding authorization of National Forest System lands.

City and Borough of Sitka Comment:

The City and Borough of Sitka (CBS) submitted comments indicating that the SBS proposed 10-year aquatic farmsite lease “requires careful consideration of matters of local concern pursuant to the portion of the Sitka Coastal Management Plan (SCMP) enforceable policies adopted by ordinance into the Sitka General Code. It is the goal of the SCMP ‘to support the development of mariculture and aquaculture activities while minimizing adverse impacts to existing fish and seafood resources.’ The SCMP’s objective is ‘to provide for and regulate the orderly development of aquaculture and mariculture activities and industries in order to encourage new economic development while protecting and enhancing the public resource.’ The City and Borough of Sitka is in support of mariculture and aquaculture as long as the specific area is not in conflict with competing uses such as recreation, subsistence and commercial uses.” CBS provided applicable policies with staff analysis, as well as potential concerns.

Within the CBS’s letter, there are 14 comments that are addressed by SCRO below.

CBS Comment 1:

“The proposed size is several times larger than any other existing permitted oyster farm. This size could further impact physical and economic uses in the area. At the same time, it is recognized that the size makes it more economically feasible, which also works towards mitigating impacts as well.”

SCRO Response:

If the proposed lease is authorized, physical access to the shoreline will be maintained from the north, east, and southeast of the proposed parcel. Studies by the State of Alaska Department of Commerce, Community, and Economic Development in May 2015 (Alaska Shellfish Farm Size Feasibility Study) have shown that the larger sized oyster farms contribute to the potential success of the oyster farm. SBS indicated that the site location was chosen carefully with consideration of having a minimal impact on existing uses.

CBS Comment 2:

“As defined by the SCMP the public benefit from this private venture will include socioeconomic gains such as new jobs, renewable resources and resource development. However, there could be impact to the public by changes to the aesthetic and physical nature of the area that may block or harm the ability to use it for eco-tourism, recreation, subsistence, commercial fishing, salmon runs, etc. Being public lands, there are not direct upland property owners being impacted.”

SCRO Response:

The public may benefit from the potential employment opportunities and access to fresh Alaska oysters. Adverse impacts such as the effects of access is addressed in the ADF&G and TNF comments within this Preliminary Decision. The impact to upland land owners or users is also addressed in SCRO’s responses to the TNF comments.

CBS Comment 3:

“The proposal is for a 10 year lease. This is not a short-term lease. Less priority consideration should be given to the proposed long-term lease.”

SCRO Response:

DNR by regulation (11 AAC 63.100(c)) may not authorize aquatic farm leases for less than a 10-year term.

CBS Comment 4:

“The size is much larger than the average farmsite. The size will create the potential for greater impacts, both positive and negative. Greater scrutiny should be applied to reviewing the proposal and crafting any conditions or amendments to the proposal.”

SCRO Response:

DNR adjudicators scrutinize all aquatic farm applications, regardless of the proposed size in acres. The process to go from review through lease authorization is directed by regulation (11 AAC 63). Please see Lease Discussion on page 2 and CBS Comment 1 within this Preliminary Decision for further discussion on the size of the proposed leasehold.

CBS Comment 5:

“The proposed location and the size of the facility could impact navigation around areas used for tourism, recreation, commercial fishing, and subsistence.”

SCRO Response:

Within the proposed lease agreement there will be language citing the Public Trust Doctrine

which guarantees public access to and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. If the lease is issued, it will be subject to the principles of the Public Trust Doctrine regarding navigable or public waters. The lessor reserves the right to grant other interests to the leasehold consistent with the Public Trust Doctrine. Please see the responses to ADF&G Comment 3 and TNF Comments 1, 2, and 3 for further related responses to this comment.

CBS Comment 6:

“Here the proposed anchoring incorporates multiple concrete anchors at 2,500 pounds each. Plus retrieval buoys. The Mean Lower Low Water will be between 60-190 feet at its lowest point beneath the rafts and at 72-202 feet at the anchors. No shore ties are proposed. The length from anchor to anchor will be 1,250 linear feet. Staff request any anchoring be sufficient to anchor the proposed size.”

SCRO Response:

The CBS comment is accepted. In consultation with SBS, anchoring will be sufficient for the proposed aquatic farm size.

CBS Comment 7:

“Staff would suggest that a performance bond and insurance be included in any lease to guarantee that any infrastructure would be removed after the lease expired or upon any circumstance where removal would be required.”

SCRO Response:

The CBS comment regarding a performance bond is accepted. SCRO requires a form of security, such as a bond, cash deposit, certificate of deposit, or other form of security acceptable to the commissioner from all authorized leaseholders (11 AAC 63.080). Proof of commercial general liability coverage and workers’ compensation coverage is required at a minimum for aquatic farm lessees (11 AAC 96.065).

CBS Comment 8:

“Potential for contamination of wild stocks, disease, predator problems, and other biological problems.”

SCRO Response:

DNR statutes and regulations do not specify management of aquatic farms relating to biological issues, and this is outside the scope of DNR’s authority. SCRO has shared CBS’ comments for the proposed lease with SBS to inform SBS of these concerns. Pursuant to statutes applicable to ADF&G (AS 16.40.100-.199), an applicant for an aquatic farmsite lease from DNR must also obtain an aquatic farm permit from ADF&G.

CBS Comment 9:

“Water quality issues related to sediments, algae growth, excess food and waste disposal, etc.”

SCRO Response:

Regarding water quality issues, pursuant to the lease stipulations No. 4 and No. 26, the lessee is

required to comply with all applicable laws, regulations, ordinances, and order that a public authority has put into effect. Water quality issues are under DEC authority.

CBS Comment 10:

“Use of toxicants and pharmaceuticals.”

SCRO Response:

The application did not include a request or need for the use of toxicants and pharmaceuticals at the proposed leasehold.

CBS Comment 11:

“Elimination of, or impacts on, alternate uses of the site and surrounding areas, including recreation, tourism, commercial uses, and subsistence.”

SCRO Response:

SCRO consulted with SBS regarding site selection. The location was carefully selected by SBS for a minimal impact on existing uses. Within the proposed lease agreement there will be language citing the Public Trust Doctrine which guarantees public access to and the public right to use, navigable and public waters and the land beneath them for navigation, commerce, fishing, and other purposes. If the lease is issued, it will be subject to the principles of the Public Trust Doctrine regarding navigable or public waters. The lessor reserves the right to grant other interests to the leasehold consistent with the Public Trust Doctrine.

CBS Comment 12:

“Damage caused by inadequate skills and knowledge by the developer to adequately develop a mariculture operation.”

SCRO Response:

SCRO carefully adjudicates the aquatic farm program application and development plan, including the ability to meet the commercial use standard required by 11 AAC 63.030. There are measures that can be taken in the event of poor performance.

CBS Comment 13:

“Difficulties in siting a mariculture facility so that good tidal flushing, sufficient depth to minimize sedimentation, “Floating Facilities” requirements, no blockage of navigation or access, no major adverse impacts on significant wild stocks or anadromous streams, alternative locations, permission of the upland owner, sufficient space to assure no impact from adjacent users, and other factors are all met.”

SCRO Response:

The upland owner is the Tongass National Forest who has provided a review and comment of this aquatic farm proposal and SCRO has provided responses to those comments in this decision. Navigation, and access and location selection are addressed in SCRO’s responses to the above comments. DNR statutes and regulations do not specify management of aquatic farms relating to biological and water quality issues, and this is outside the scope of DNR’s authority. Biological and water quality issues are under ADF&G and DEC authority.

CBS Comment 14:

“In summary, the for-profit mariculture industry is growing in Alaska. Potentially, mariculture could prove to be a valuable addition to Sitka’s economy, but care must be exercised to ensure that it will not cause major adverse impacts to existing resources, uses, and activities. The City and Borough of Sitka is in support of mariculture and aquaculture as long as the specific area is not in conflict with competing uses such as recreation, subsistence and commercial uses.

CBS recommends addressing trash and oil/gas spill procedures, environmental concerns, and invasive species awareness/control as other areas in Sitka Sound have been plagued with didemnum vexillum and botryllid tunicates.

The City and Borough of Sitka would have no basis for objection to the issuance of this permit as long as all floating facilities policies (as referenced above) are met. CBS has no direct enforcement mechanism to ensure compliance on State tidelands, even though the enforceable policies clearly state the City’s intent.”

SCRO Response:

The CBS comment is accepted and has been addressed by SCRO in the responses to Comments 1 through 13.

Public Notice of the Preliminary Decision:

Pursuant to AS 38.05.945, this PD will be advertised for 30-day public comment period. Notice will be posted on the Alaska Online Public Notice System at <https://aws.state.ak.us/OnlinePublicNotices/Default.aspx>, and the post offices located in Sitka, Angoon, and Kake. Courtesy notices will also be mailed or emailed to neighboring property owners, DNR permit/lease holders, and other interested parties on January 25, 2019 for a 30-day public comment period.

Comment(s):

This decision is subject to both public and agency comments and all comments received by the comment deadline will be considered in the Final Finding and Decision. Only those who comment and the applicant have the right to appeal the Final Finding and Decision.

Written comments about this project must be received in this office no later than 5:00 PM on March 1, 2019 to be considered.

To submit comments, please choose one of the following methods:

- Postal: Department of Natural Resources
Southcentral Region Office
ATTN: Karen Cougan
550 West 7TH Avenue Suite 900C
Anchorage, AK 99501-3577
- Phone: 907-269-8543
- E-mail: karen.cougan@alaska.gov

Fax: 907-269-8913

If public comments result in significant changes to the Preliminary Decision, additional public notice may be given. To be eligible to appeal the Final Finding and Decision, a person must provide written comments during the Preliminary Decision comment period per AS 38.05.035(i)-(m).

Signature Page Follows

Recommendation:

DMLW has completed a review of the information provided by the applicant, examined the relevant land management documents, and has found that this project is consistent with all applicable statutes and regulations. DMLW considered three criteria to determine if this project provided the best interest to the State and the development and enjoyment of its natural resources. The criteria include direct economic benefit to the State, indirect economic benefit to the State, and encouragement of the development of the State’s resources. This authorization provides a direct economic benefit to the State with the collection of one-time filing fees and any yearly rent/fees. The authorization of this lease is in the State’s best interest as it furthers economic development of the State’s aquatic farm industry. It is recommended that DMLW issue a 10-year lease to SBS.

Karen Cougan 12/31/18
Karen Cougan, Aquatic Farm Program Coordinator Date

Preliminary Decision:

It is the determination of the Division of Mining, Land, and Water that it may be in the State’s best interest to issue an aquatic farmsite lease to SBS, as described above. Upon authorization of lease ADL 232886, the applicant will be required to pay the annual lease fee of \$14,690.00, submit a \$32,000.00 performance bond, and provide proof of liability insurance. This Preliminary Decision shall now proceed to public notice.

Clark Cox 1-18-19
Clark Cox, Regional Manager Date
Southcentral Regional Land Office, Division of Mining, Land & Water

Attachments

Attachment A – Development Plan: General Location Map, Site Plan Maps, Project Description, and Operation and Development Plan (The complete Development Plan is available upon request.)



Attachment A Development Plan

2. PROJECT DESCRIPTION

The proposed aquatic farm site is composed of a single parcel located on state-owned submerged lands, totaling 182 acres. This parcel is enclosed by the following ten locations:

ID	Lat/Lon Coordinates at Corner	Distance between Corners (ft)
NE1	57° 13.325' N 135° 33.276' W	NE1 to SE1 3,770
SE1	57° 12.712' N 135° 33.192' W	SE1 to SE2 1,085
SE2	57° 12.733' N 135° 32.870' W	SE2 to SE3 985
SE3	57° 12.893' N 135° 32.865' W	SE3 to SE4 490
SE4	57° 12.924' N 135° 32.733' W	SE4 to SW1 730
SW1	57° 12.944' N 135° 32.560' W	SW1 to SW2 630
SW2	57° 13.051' N 135° 32.501' W	SW2 to SW3 405
SW3	57° 13.110' N 135° 32.432' W	SW3 to SW4 850
SW4	57° 13.246' N 135° 32.467' W	SW4 to NW1 845
NW1	57° 13.372' N 135° 32.581' W	NW1 to NE1 2,310

The proposed aquatic farm is located 11.3 nautical miles NNW of Sitka, located just South of Olga Point and against the Western shore of Krestof Island. Grow-out rafts will be built using a rugged design from Vancouver Island University's Deep Bay Marine Station. Each raft is 27 ft x 27 ft with 72 drops. The raft design uses a combination of primary structural beams (steel) and secondary interstitial beams (2"x10"x16' untreated planks). The supporting structure of each raft is a combination of aluminum 4" steel 'T' and 'I' beams, assembled with galvanized bolts in order that rafts can be bolted together with simple tools. Rotomolded dock floats (billets) manufactured by ACE Plastics are used for flotation.

Each drop will allow up to 10 Aqua-Pacific Wire's nested metal MaxFlow trays to be suspended below the raft to a maximum depth of 12 ft. Each raft will hold a maximum of 720 trays, each tray is 22 inches x 22 inches x 6 inches manufactured using Aquamesh®, a wire mesh welded from plain steel strands of wire, then pulled through molten zinc to completely surround the weld to prevent the steel from rusting.

Six rafts will be tethered together in a line using 23 ft of chain between each raft. We refer to this collection of rafts as a convoy. Each convoy will be anchored at both ends using a set of three 2,500 lb. 1-cubic yard concrete blocks. The total length of a convoy, from anchor to anchor assuming a 4:1 scope in 120 feet of water is approximately 1,250 ft. Convoys are separated by a minimum of 165 ft. There will be 22 convoys located on the parcel (132 rafts). Distance between surge buoy and rafts on each end of the convoy is 20 ft. The surge buoy is a 4 x 4 ft platform that uses two rotomold floats for flotation. The distance between the three anchors on each end of the convoy is 20 ft. Each anchor has a line to a retrieval buoy at the surface.

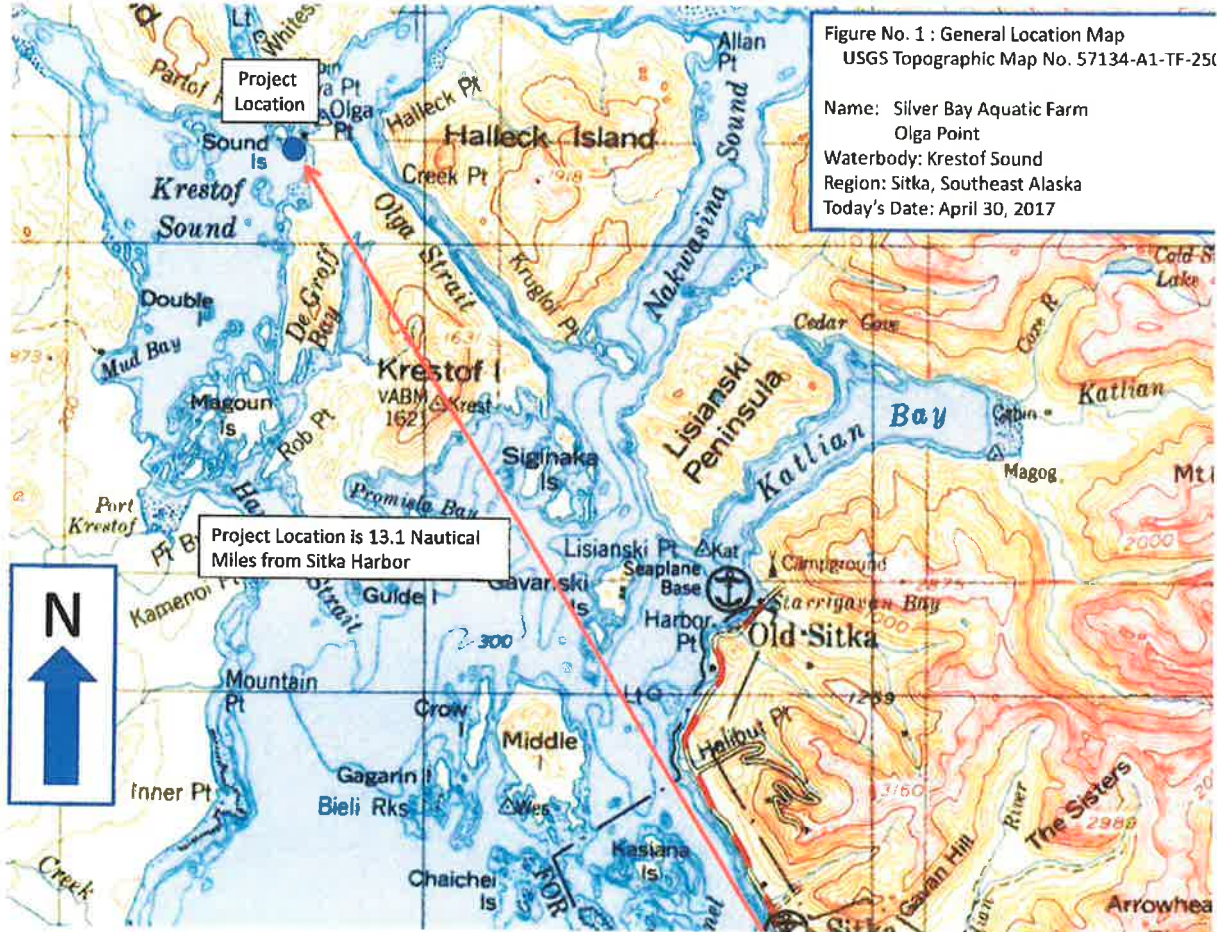
Rafts will be tended regularly using a shellfish tender specifically designed for oyster farming with rafts and cages. The tender will be used to clean the cages using hot dipping, sorting oysters, and tumbling them. The shellfish tender will operate out of Sitka daily, eliminating the need for overnight facilities at the farm site.

Storage, additional processing, and packaging will be done at Silver Bay Seafoods' Sitka plant.

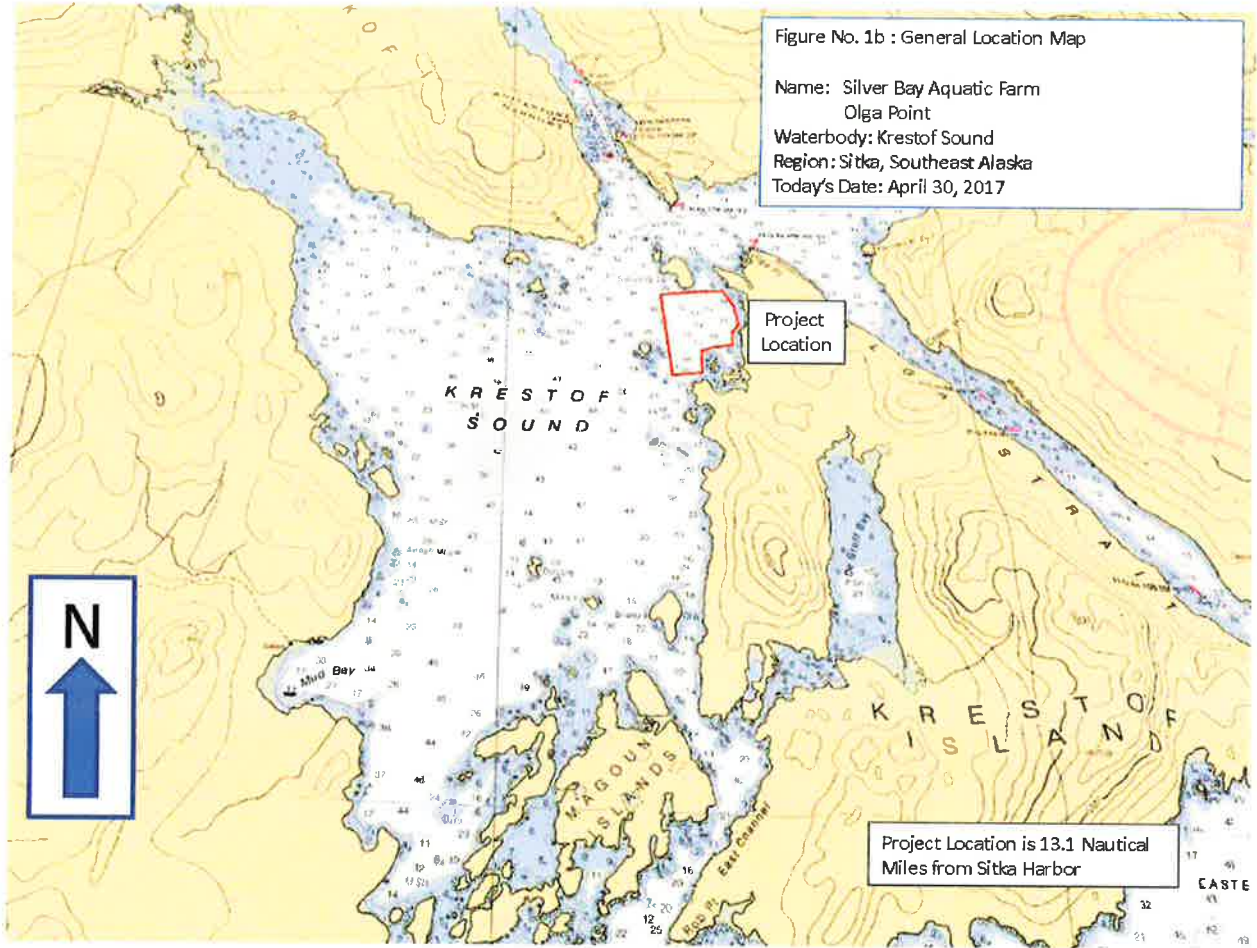
City / Borough Authorizations will be coordinated with:

Megan Bosak, Community Affairs Director
City and Borough of Sitka
100 Lincoln Street
Sitka, AK 99835
PH: 907.747.1824

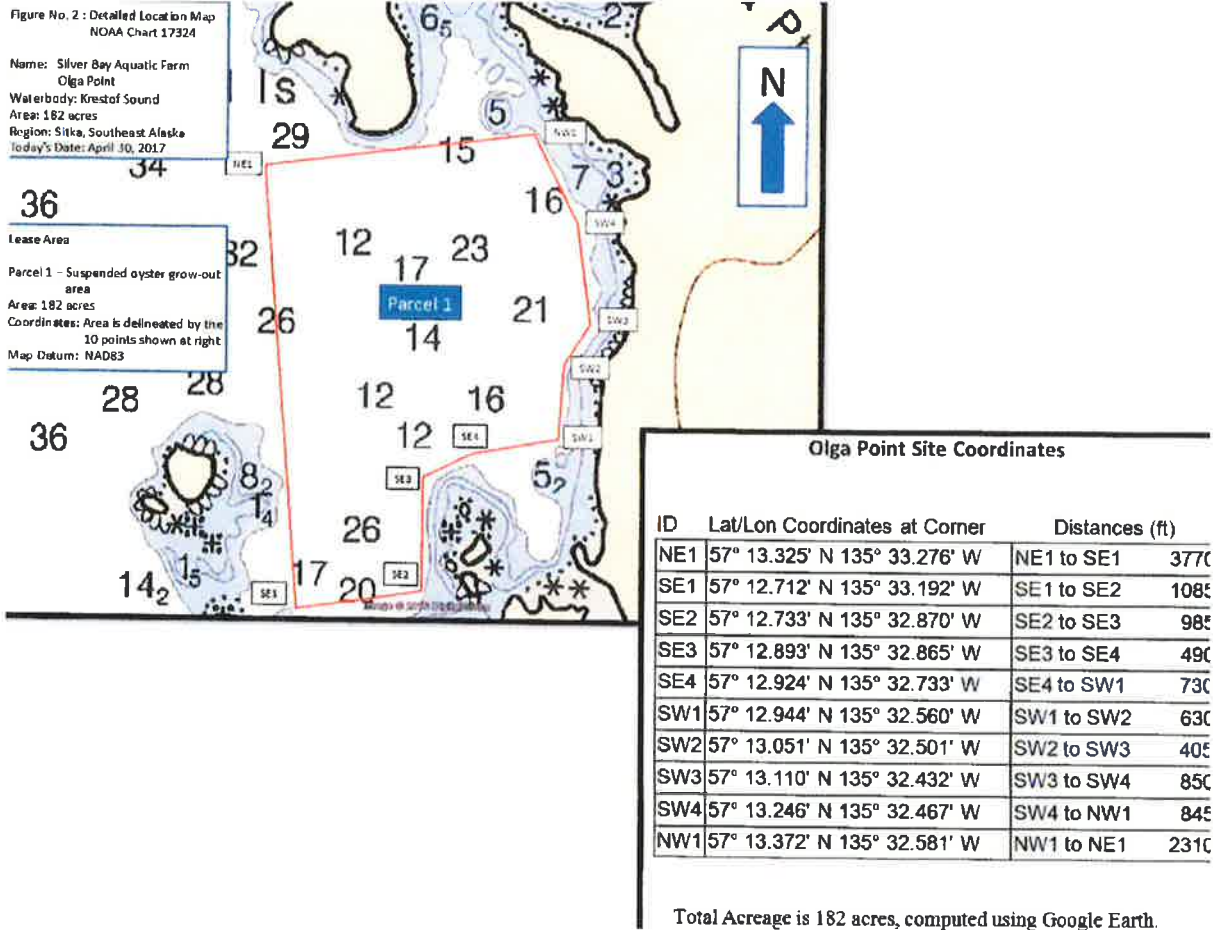
Attachment A Development Plan



Attachment A Development Plan



Attachment A Development Plan



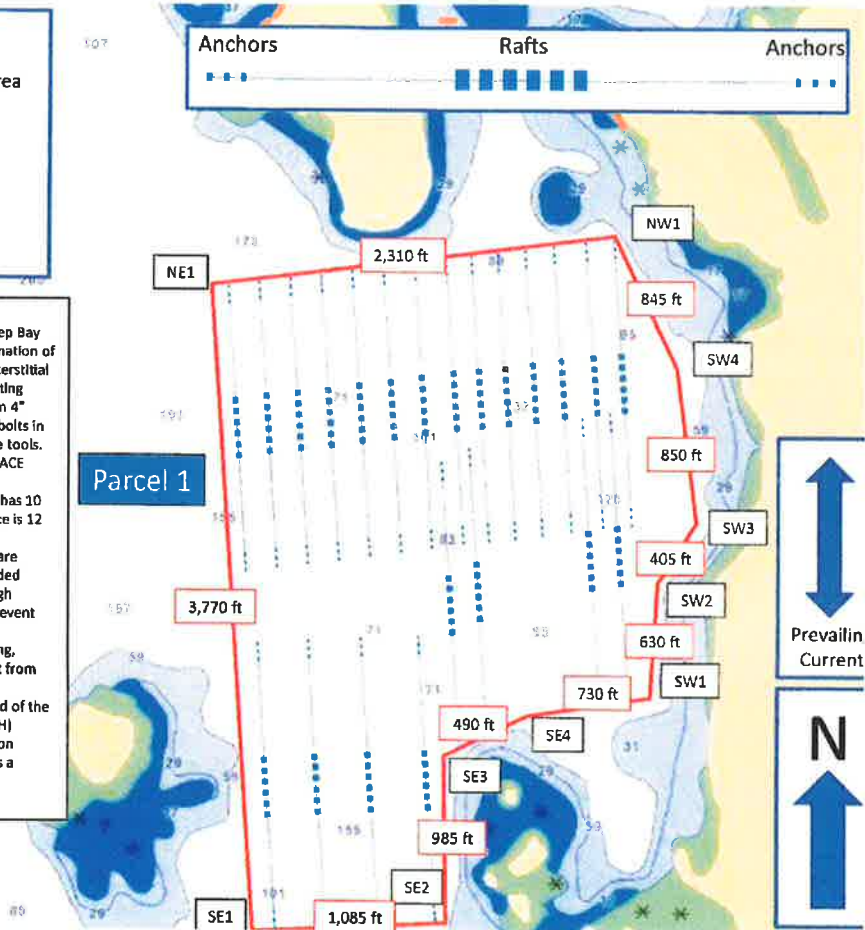
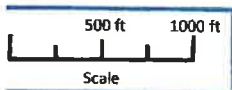
Attachment A Development Plan

**Figure No. 3 : Aquatic Farm Site Plan
Raft / Anchor Placement
Suspended Culture Oyster Grow-Out Area**

Name: Silver Bay Aquatic Farm
Olga Point
Waterbody: Krestof Sound
Area: 182 acres
Region: Sitka, Southeast Alaska
Today's Date: April 30, 2017

Raft/Convey Details

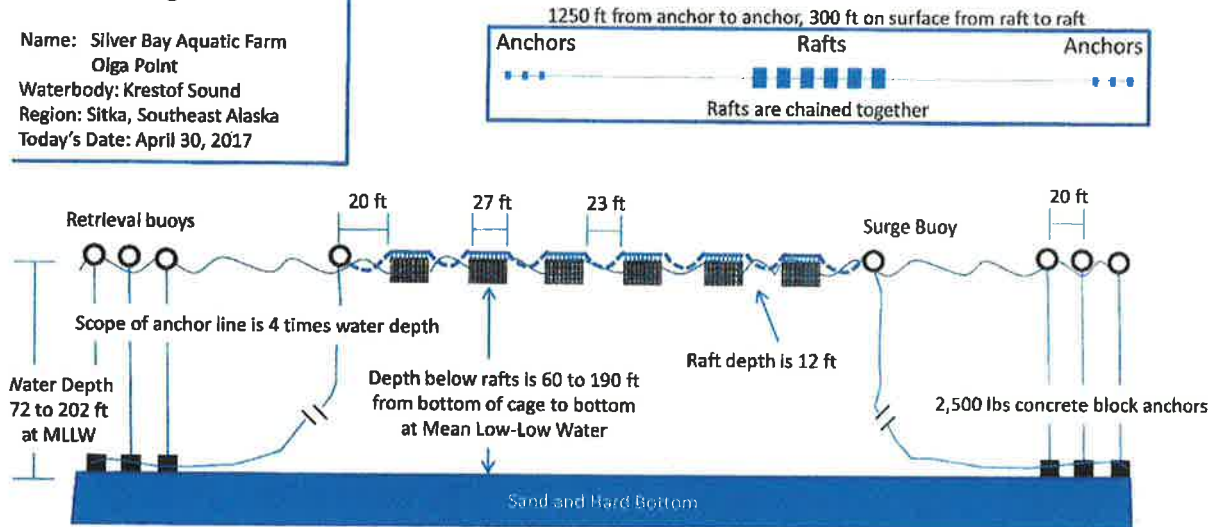
- Raft design from Vancouver Island University's Deep Bay Marine Field Station; The raft design uses a combination of primary structural beams (steel) and secondary interstitial beams (2"x10"x16' untreated planks). The supporting structure of each raft is a combination of aluminum 4" steel "T" and "I" beams, assembled with galvanized bolts in order that rafts can be bolted together with simple tools. Rotomolded dock floats (billets) manufactured by ACE Plastics are used for flotation.
- Each Raft is 27 x 27 ft and has 72 drops; each drop has 10 trays; depth to the bottom of the trays from surface is 12 ft; rafts are 2-3 ft above water line
- Each tray is 22 x 22 x 6 inches (see Figure 5); trays are manufactured using Aquamesh®, a wire mesh welded from plain steel strands of wire, then pulled through molten zinc to completely surround the weld to prevent the steel from rusting.
- There are 6 rafts chained together with 23 ft spacing, forming a convey; total length of convey is 1,250 ft from end to end, including anchors
- Distance between surge buoy and rafts on each end of the convey is 20 ft; Surge buoy is a 4 x 4 x 2 ft (L x W x H) platform that uses two rotomold floats for flotation
- Distance between anchors is 20 ft; each anchor has a retrieval buoy to the surface.



Attachment A Development Plan

Figure No. 4 : Detailed Cross Sectional Diagram

Name: Silver Bay Aquatic Farm
Olga Point
Waterbody: Krestof Sound
Region: Sitka, Southeast Alaska
Today's Date: April 30, 2017



Raft/Convoy Details

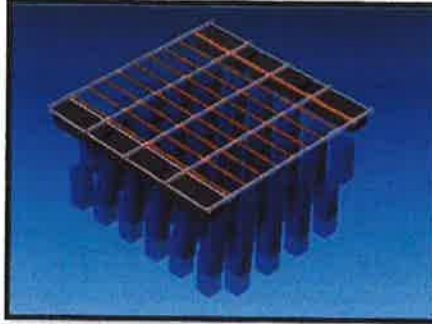
- Raft design from Vancouver Island University's Deep Bay Marine Field Station; The raft design uses a combination of primary structural beams (steel) and secondary interstitial beams (2"x10"x16' untreated planks). The supporting structure of each raft is a combination of aluminum 4" steel 'T' and 'I' beams, assembled with galvanized bolts in order that rafts can be bolted together with simple tools. Rotomolded dock floats (billets) manufactured by ACE Plastics are used for flotation.
- Each Raft is 27 x 27 ft and has 72 drops; each drop has 10 trays; depth to the bottom of the trays from surface is 12 ft; rafts are 2-3 ft above water line
- Each tray is 22 x 22 x 6 Inches (see Figure 5); trays are manufactured using Aquamesh®, a wire mesh welded from plain steel strands of wire, then pulled through molten zinc to completely surround the weld to prevent the steel from rusting.
- There are 6 rafts chained together with 23 ft spacing, forming a convoy; total length of convoy is 1,250 ft from end to end, including anchors
- Distance between surge buoy and rafts on each end of the convoy is 20 ft; Surge buoy is a 4 x 4 x 2 ft (L x W x H) platform that uses two rotomold floats for flotation; the surge buoys acts as marker buoys for the site.
- Distance between anchors is 20 ft; each anchor has a retrieval buoy to the surface; Water depth at low water is 72 to 202 feet from the surface to the bottom.

Attachment A Development Plan

Figure No. 5 : Raft and Cage Details

Name: Silver Bay Aquatic Farm
Olga Point
Waterbody: Krestof Sound
Region: Sitka, Southeast Alaska
Today's Date: April 30, 2017

3-D Visualization of Raft



Aqua-Pacific Wire MaxFlow Cage



Raft/Cage Details

- Raft design from Vancouver Island University's Deep Bay Marine Field Station; The raft design uses a combination of primary structural beams (steel) and secondary interstitial beams (2"x10"x16' untreated planks). The supporting structure of each raft is a combination of aluminum 4" steel 'T' and 'I' beams, assembled with galvanized bolts in order that rafts can be bolted together with simple tools. Rotomolded dock floats (billets) manufactured by ACE Plastics are used for flotation. Each Raft is 27 x 27 ft and has 72 drops
- Each drop has 10 trays; Each tray is 22 x 22 x 6 inches, purchased from Aqua-Pacific Wire; Trays are manufactured using Aquamesh®, a wire mesh welded from plain steel strands of wire, then pulled through molten zinc to completely surround the weld to prevent the steel from rusting.
- Surge buoy is a 4 x 4 ft platform that uses two rotomold floats for flotation

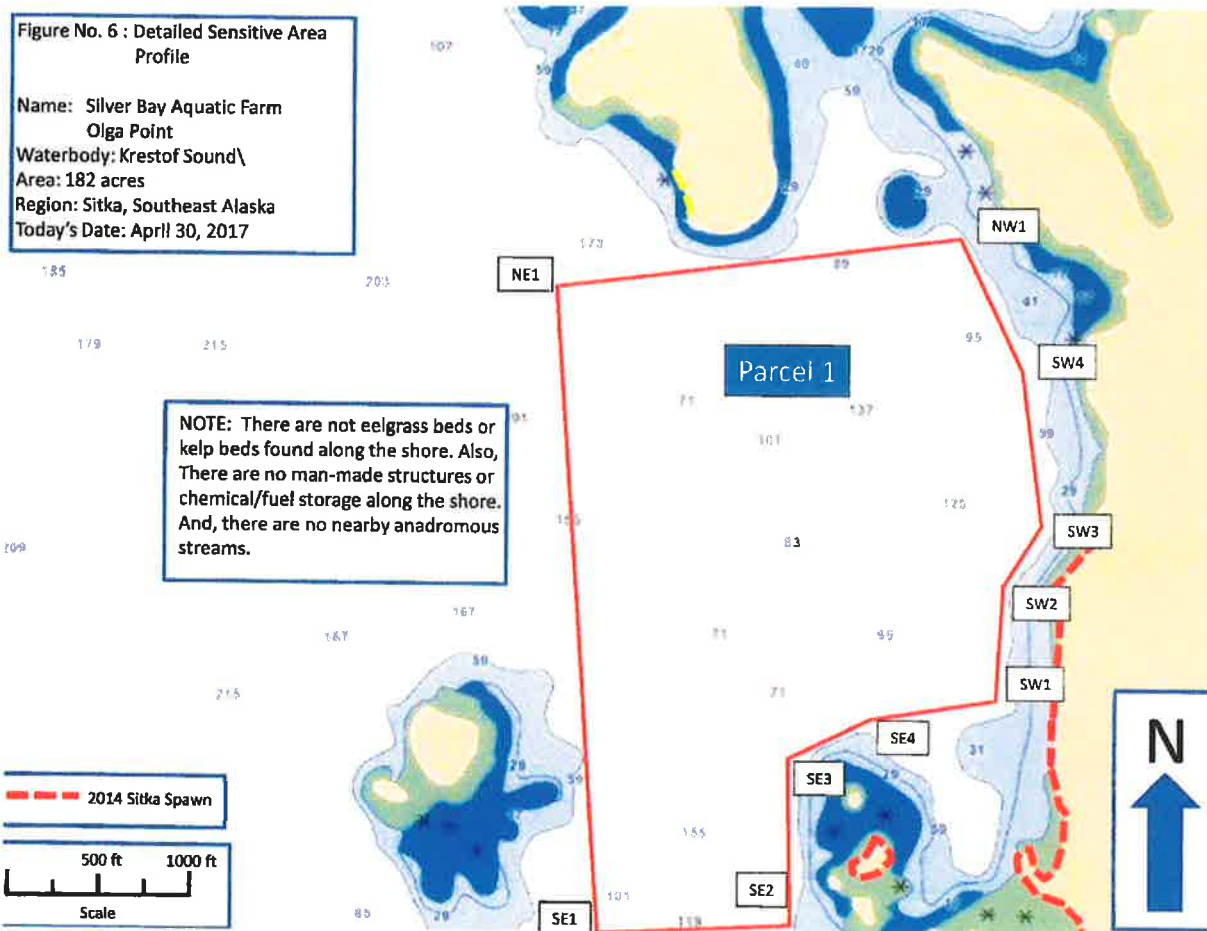
Surge Buoys are placed at each end of convoy



Raft Being Deployed



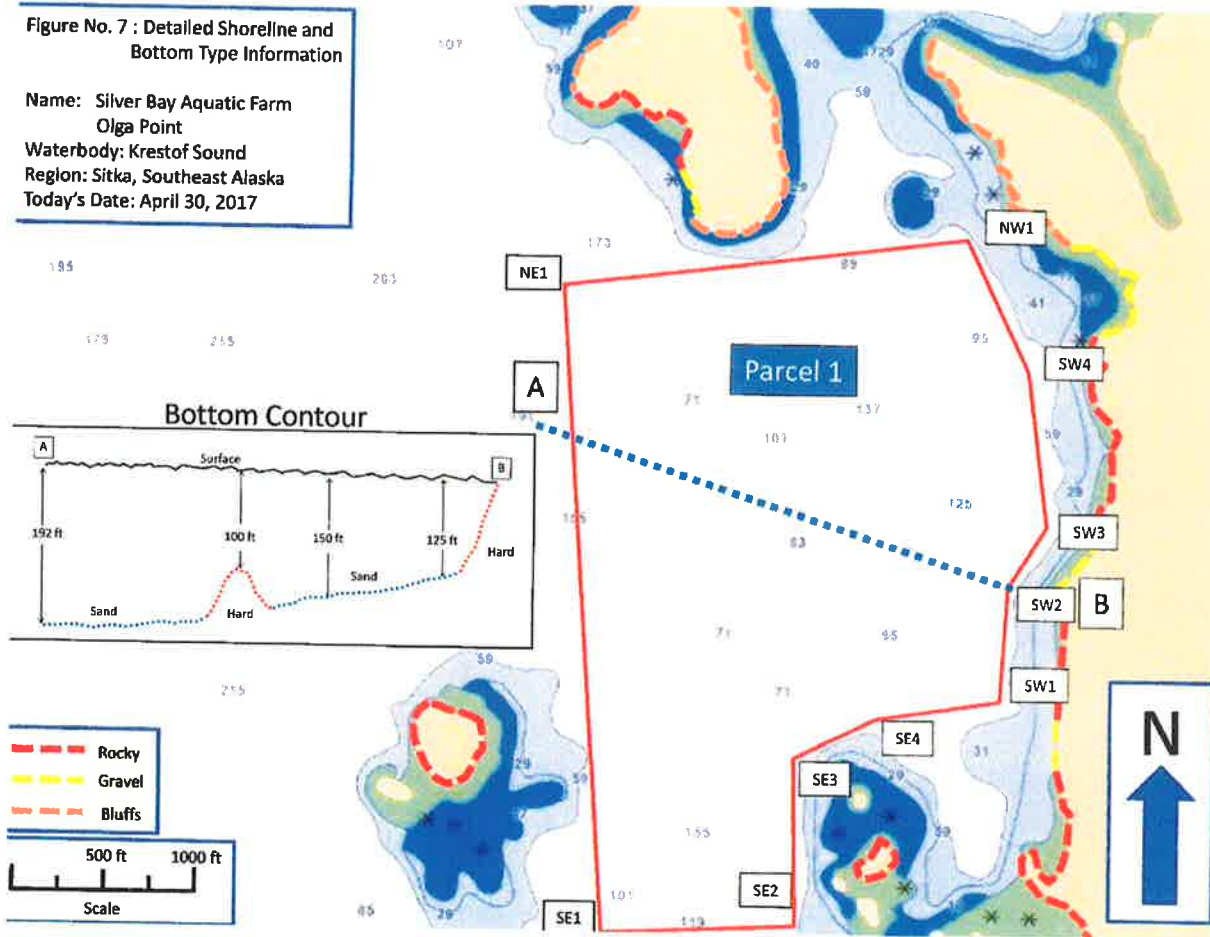
Attachment A Development Plan



Attachment A Development Plan

Figure No. 7 : Detailed Shoreline and Bottom Type Information

Name: Silver Bay Aquatic Farm
Olga Point
Waterbody: Krestof Sound
Region: Sitka, Southeast Alaska
Today's Date: April 30, 2017



Attachment A Development Plan



***Complete one operation and development plan for each species**

AQUATIC FARM OPERATION AND DEVELOPMENT PLAN – PART A

Part A includes questions regarding your proposed operation. Your proposed aquatic farm or hatchery plans must demonstrate technical and operational feasibility (AS 16.40.105(4)). Please provide any additional information that you consider pertinent to your operating plan on additional sheets of paper as necessary.

Name Silver Bay Seafoods Species Pacific Oyster
 ADNR Lease ADL No.: 232886 ADF&G Permit No. _____ - AF - _____

1. Provide an estimate of the total days and number of people (including yourself) that will be needed to operate your farm site for each year:

Year 1:	Number of Days <u>250</u>	Number of People <u>3</u>
Year 2:	Number of Days <u>250</u>	Number of People <u>6</u>
Year 3:	Number of Days <u>250</u>	Number of People <u>22</u>
Year 4:	Number of Days <u>250</u>	Number of People <u>32</u>
Year 5:	Number of Days <u>250</u>	Number of People <u>47</u>

2. Site Monitoring/Maintenance

a. How often, in days per month, do you intend to monitor your site for things such as adequate anchoring, disease, exotic species settlement, fouling, gear drift, snow load, wind damage, vandalism, etc.?

Growing season 22 (days/month) Winter months 20 (days/month)

b. Where will you store any farm gear and/or equipment when not in use? Silver Bay Seafoods Sitka Plant

c. How will you keep the gear and shellfish free of fouling organisms (hot-dip, air dry, pressure washing, etc.)? Hot-Dipping

d. How will you manage incidental species over the course of operations (sea urchins, sea cucumbers, butter clams, or other non-targeted species)? Regular monitoring to remove incidental species. Each cage will be checked quarterly.

e. For on-bottom culture, if you intend to use predator netting, how long will you keep netting over your product? N/A (months)

3. Recordkeeping

a. What methods are you going to use to measure the success of your operation (growth, survival or mortality rates, production, etc.)? Animal growth, mortality rates, production cost, net profit

b. Will you maintain records of aquatic farm product, such as counts and measurements to track survival and growth? Yes No Describe: Logs of growth, harvest and mortality will be collected for each raft

Attachment A Development Plan

- c. Do you plan to record other physical or environmental parameters at your site such as water temperatures and salinity? Yes No Describe: Water quality, water temperature, and salinity measurements will be taken at each visit

4. Harvest

- a. How often do you intend to harvest your product? 250 days / year
- b. How do you intend to harvest your product? Suspended: Manual Other _____
On-Bottom: Hand/Digging _____ Hydraulic wand _____ Manual _____ Other _____

5. Sales

- a. DNR has a commercial use requirement (CUR) of \$3,000 per acre per year or \$15,000 per farm, whichever is less. What is your anticipated total production using farm gate value by the end of year 5?
\$ 5,380,182

6. Seed Acquisition

- a. Which certified shellfish seed source(s) will you use? OceansAlaska, Hawaii Shellfish, Alutiq Pride, Silver Bay Seafoods
- b. Applicable for indigenous species (mussels, scallops, abalone, etc.), how do you intend to collect wild seed? N/A

PART A – SIGNATURE BLOCK

Signature: _____

Date: 12-12-17

Attachment A Development Plan

AQUATIC FARM OPERATION AND DEVELOPMENT PLAN – PART B

Complete one operation and development plan for each species using a reasonable expectation of what you believe is possible for each year of the 10-year lease and operation permit. This is a projection to help you visualize a 10-year farming plan keeping in mind that annual sales at the end of year 5 must meet or exceed the commercial use requirement and sales must then be maintained or increased in the remaining years of the lease. Commercial use equals the annual sum of farm sales from all species combined. The commercial use requirement does not have to be met for each species. Your plan can be amended to reflect any changes as the aquatic farm operations develop.

Calendar Year	Installation Schedule		# of Hatchery-Produced Seed	# of Seed Collected Onsite (Only applies to indigenous sp.)	Aquatic Farm Production		
	Support Facilities ¹	Equipment/ Gear Types And Numbers ²			Anchoring Systems	Projected Sales ³ (\$)	# of Animals
(Year 1) 2018		132 - 27x27 ft rafts 10 trays / tray: FLUPSY 99 x 26 ft	10,000,000		\$		
(Year 2) 2019			20,000,000		\$		
(Year 3) 2020			34,000,000		\$ 1,365,200	4,845,000	872,100
(Year 4) 2021			34,000,000		\$ 3,028,696	10,537,875	1,896,818
(Year 5) 2022			34,000,000		\$ 5,380,182	18,352,456	3,303,442

¹ Support facilities examples: caretaker, storage, or processing facilities, work rafts, etc. This must correspond to diagrams and drawings.
² Equipment examples: grow-out rafts, longlines, buoys, etc. Gear examples: trays, tiers of lantern nets, or predator netting. This must correspond to diagrams and drawings.
³ Projected sales are based on Farm Gate Income which is defined as the unprocessed value, excluding the cost of packaging or transport of the product to its' first point of sale.
⁴ By the end of your 5th year, projected sales for all species combined must meet the commercial use requirement (CUR) defined as the annual sales of at least \$3,000 per acre or fraction of an acre, or \$15,000 per farm, whichever is less (11 AAC 63.02(b)). The CUR applies to the combined total of all species, is not a "per species" requirement and must be maintained or increased in Years 6 - 10.

I understand I must improve productivity according to above operation and development plan for this species and that this plan can be amended to reflect any changes as the aquatic farm operations develop.

SIGNATURE _____ DATE 12-12-17

Attachment A Development Plan

(Continued – Page 2)

AQUATIC FARM OPERATION AND DEVELOPMENT PLAN – PART B

Name Silver Bay Seafoods ADL Number 232886 ADF&G Permit No. _____ -AF- _____ Species Pacific Oyster
(Individual plan required for each species)

Calendar Year	Installation Schedule of New Structures (Corresponds with diagrams and drawings)		# of Hatchery-Produced Seed	# of Seed Collected Onsite (Only applies to indigenous sp.)	Aquatic Farm Production Projected Harvest and Sales		
	Support Facilities ¹	Gear Types And Numbers ² Anchoring Systems			Projected Sales ³ (\$)	# of Animals	# of Pounds
(Year 6) 20_23			34,000,000		\$ 5,897,665	19,723,188	3,550,174
(Year 7) 20_24			34,000,000		\$ 6,094,061	18,352,456	3,596,468
(Year 8) 20_25			34,000,000		\$ 6,215,942	19,980,376	3,596,468
(Year 9) 20_26			34,000,000		\$ 6,340,261	19,980,376	3,596,468
(Year 10) 20_27			34,000,000		\$ 6,467,066	19,980,376	3,596,468

¹ Support facility includes: caretaker, storage, or processing facilities, work rafts, etc.
² Equipment includes: grow-out rafts, longlines, buoys, etc. Gear includes: trays, tiers of lantern nets, or predator netting. This must correspond to diagrams and drawings.
³ Projected sales are based on Farm Gate Income which is defined as the unprocessed value, excluding the cost of packaging or transport of the product to its first point of sale.

I understand I must improve productivity according to above operation and development plan for this species and that this plan can be amended to reflect any changes as the aquatic farm operations develop.

SIGNATURE _____ DATE 12-12-17