



City and Borough of Sitka

PUBLIC WORKS

113 JARVIS STREET • SITKA, ALASKA 99835

PHONE (907) 747-4041 • FAX (907) 747-7668

MEMO

To: Mayor McConnell and Assembly Members
Mark Gorman, Administrator

From: Michael Harmon, Public Works Director *MAT*
Gary Baugher Jr., Public Works M&O Superintendent *GB*

Cc: Jay Sweeney, Finance Director

Date: 31 March 2014

Subject: Approve Amendment No. 2 to Ostrov Enterprises d/b/a Airport Gift Shop Sublease

Background

City and Borough of Sitka ("Sitka") owns the Airport Terminal Building ("Terminal Building"), which is built on land leased from the State of Alaska. Ostrov Enterprises ("Ostrov") currently has a sublease agreement ("Agreement") with the City and Borough of Sitka at the Terminal Building for a gift shop. Ostrov Enterprises also had a sublease with City and Borough of Sitka at the Terminal Building for Runway 29 Coffee Shop. Ostrov Enterprises sold their assets (inventory and equipment) to Island Girl Coffee, LLC. Ostrov requests the Assembly approve Amendment 2 and amend its current sublease to just include L-6 space. The State of Alaska "Sublease Guidelines for Tenants" requires approval by the State of Alaska, Department of Transportation and Public Facilities, of any terminal tenant subleases amendments or assignments. Ostrov must obtain and provide proof of the required insurance coverage in accordance with the Agreement.

Fiscal Note

Amendment 2 will amend Ostrov Enterprises sublease to 798 square feet of Terminal Space for the purpose of a gift shop. Ostrov Enterprises will be leasing L-6 space for \$1,356.60/month plus any other applicable costs.

Recommendation

Approve Amendment No. 2 to the Sublease Agreement between the City and Borough of Sitka and Ostrov Enterprises D/B/A Airport Gift Shop.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2014-09

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING THE
SUBLEASE WITH OSTROV ENTERPRISES d/b/a AIRPORT GIFT SHOP AT
THE SITKA ROCKY GUTIERREZ AIRPORT TERMINAL BUILDING TO
MODIFY LEASE SPACE AND SQUARE FOOTAGE DUE TO SALE OF
ESPRESSO STAND

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to become a part of the Sitka General Code (“SGC”).

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstances shall not be affected.

3. **PURPOSE.** The purpose of this ordinance is to authorize an amendment so that the leased space for an espresso stand at Sitka Rocky Gutierrez Airport Terminal Building (“Terminal Building”) by Ostrov Enterprises, known as Runway 29, (“Ostrov”) at L-4 be transferred to Island Girl Coffee, LLC.

On April 12, 2011, the sublease with Ostrov was approved based on Ordinance No. 2011-10 for space L-6, consisting of 798 square feet, which will remain as a “gift shop” and continue to be leased by Ostrov at the Terminal Building. A 7-year sublease was approved, ending February 28, 2018, allowing for two successive 3-year extensions.

Ostrov acquired the espresso stand from sublease Ground Control, who also subleased space in the Terminal Building. City and Borough of Sitka (“CBS”) Assembly approved Amendment No. 1 to the sublease with Ostrov in Ordinance No. 2012-44 on December 11, 2012 to add the leased area L-4, add the additional 255 square feet and increase the rent. Amendment No. 1 was signed on December 12, 2012.

Ostrov sold the espresso stand and all equipment to Kara Sisk and Maria Kesanoek, Island Girl Coffee, LLC. The espresso stand is located at space L-4 at the Terminal Building. Ostrov and Island Girl Coffee, LLC request approval to transfer leased area, consisting of 255 square feet, from Ostrov to Island Girl Coffee, LLC. The space subleased would continue to be an espresso stand.

4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that:

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- A. The Assembly finds that competitive bidding is inappropriate under SGC 18.12.010E for Terminal Building space L-4 based on the request of subleasee “Ostrov” to transfer this space due to the sale of the espresso business;
- B. Island Girl Coffee LLC is willing to pay fair market value for the space as determined by the Municipal Assessor;
- C. Execution of the attached Amendment No. 2 To Sublease Agreement Between The City And Borough Of Sitka And Ostrov Enterprises d/b/a Airport Gift Shop is authorized; and
- D. Approval of this sublease amendment is contingent on the State of Alaska DOT&PF approval and consent.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 22nd day of April, 2014.

Mim McConnell, Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk

**AMENDMENT NO. 2 TO SUBLEASE AGREEMENT
BETWEEN THE CITY AND BOROUGH OF SITKA
AND OSTROV ENTERPRISES d/b/a AIRPORT GIFT SHOP**

City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 ("CBS") and Ostrov Enterprises d/b/a Airport Gift Shop ("Ostrov"), 600 C Airport Road, Sitka, Alaska 99835 ("Tenant"), agree to amend and modify the Sublease Agreement ("Sublease") dated April 1, 2011 and Amendment No. 1 dated December 12, 2012. This Amendment No. 2 to sublease was approved by the CBS Assembly on _____, 2014, and is subject to approval by State of Alaska, Department of Transportation and Public Facilities ("DOT&PF") before becoming effective, in accordance with Section 24.2.

The following sections of the Sublease are amended as follows (new language underlined; deleted language stricken):

Exhibit A - Pictorial representation of the areas subleased in the Sitka Rocky Gutierrez Airport terminal building, ("Terminal Building"), including sublease space ~~L-4 and L-6~~, at 600 Airport Road, Sitka, Alaska 99835 ("Subject Property").

* * *

Section 1.1 Conveyance of Estate in Sublease.

CBS, for and in consideration of the Rents received and of the covenants and agreements made by Tenant, does sublease to Tenant, and Tenant subleases from CBS, the Subject Property as shown on Exhibit A. Exhibit A shows an approximately ~~1,053~~ 798 square feet of Terminal Building space for purposes of a gift shop. ~~and/or espresso stand.~~

* * *

Section 2.1 Calculation & Method of Payment of Rent During the Initial Five-Year Term of the Sublease.

The first year of the Sublease begins on the commencement date of this Sublease set out in Article I. Each successive year of the Sublease begins on the corresponding anniversary commencement date of the Sublease. Notwithstanding any other provision of this Sublease, on the term start date set out in Article I, Tenant shall pay the full Sublease Rent for the year. Subject to the provision in the previous sentence, Tenant shall pay the Sublease payments for subsequent years each month in advance on the first day of each and every month for which Rent is due throughout the term of the Sublease without the necessity of any billing by CBS. Tenant will sublease the space as shown in Exhibit A for ~~\$21,481.20~~ \$16,279.20/year payable at a rate of ~~\$1,790.10~~ \$1,356.60/month plus applicable cost of living adjustments referred to in Section 2.2 and extension option adjustments in Section 2.3.

All other sections of the Sublease that are not modified by this Amendment No. 2 remain in full force and effect.

**OSTROV ENTERPRISES d/b/a
AIRPORT GIFT SHOP**

Print Name _____

STATE OF ALASKA)
) **ss:**
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this ____ day of _____, 2014, personally appeared before me _____, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, and who by signing this agreement, swears or affirms that he/she is the _____ of Ostrov Enterprises d/b/a Airport Gift Shop and is authorized to sign this document on behalf of the Tenant, and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____

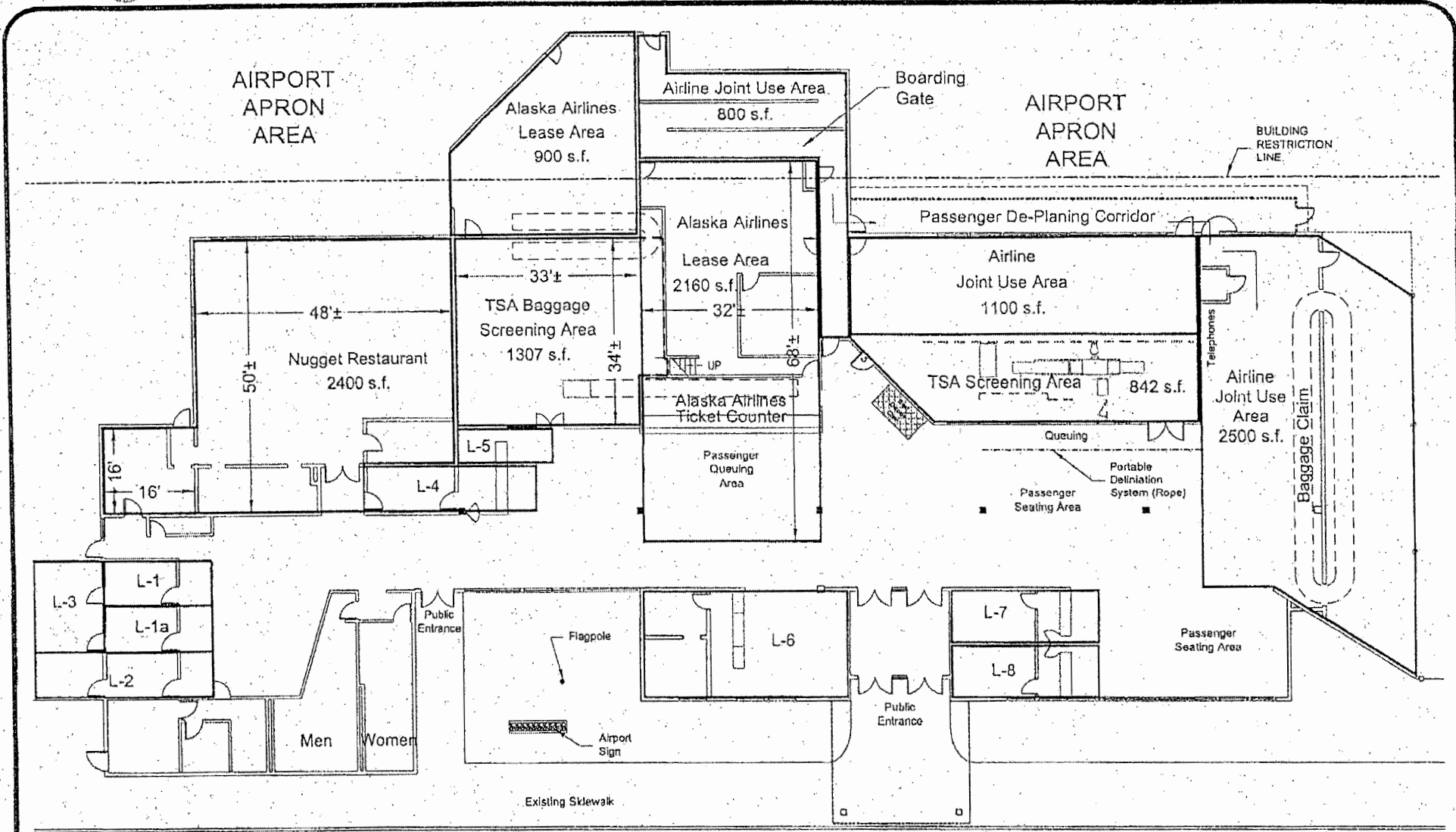
CITY AND BOROUGH OF SITKA

Mark Gorman, Municipal Administrator

STATE OF ALASKA)
) **ss.**
FIRST JUDICIAL DISTRICT)


THIS CERTIFIES that on this ____ day of _____, 2014, before me, a Notary Public in and for the State of Alaska, personally appeared Mark Gorman, who is the Municipal Administrator of the City and Borough of Sitka, Alaska, a municipal corporation organized under the laws of the State of Alaska, that he has been authorized by to execute the foregoing document, and does so freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____



L-1 Counter & Office Space	214 s.f.
L-1a Counter & Office Space	214 s.f.
L-2 Counter, Office & Outside Storage Space	260 s.f.
L-3 Outside Storage Space	194 s.f.
L-4 Counter & Office Space	255 s.f.
L-5 Counter Space	114 s.f.
L-6 Counter, Office & Storage Space	798 s.f.
L-7 Counter & Office Space	243 s.f.
L-8 Counter & Office Space	249 s.f.

EXH. A



City and Borough of Sitka
DEPARTMENT OF PUBLIC WORKS
100 LINCOLN STREET • SITKA, ALASKA 99835
TEL (907) 747-1804 FAX (907) 747-3158

**SITKA-R.G. AIRPORT
SUBLESSEE
USE AREAS**

DRAWN: PAR/TAD	SCALE: N.T.S.
CHECKED: RAR	DATE: 10Feb05
DRAWING NAME: Leases Feb 05	
SHEET NO. 1 / 1	