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Thursday, March 26, 2026

MEMORANDUM

To: John Leach – CBS Administrator
From: Garry White, Director
Subject: NSRAA Lot 2 & 3 Lease Extension and Combination

Introduction

The Northern Southeast Regional Aquaculture Association (NSRAA) is requesting to extend its current leases for Lot 2 and Lot 3 at the Gary Paxton Industrial Park (GPIP) and combine both leases into a new lease for a newly created Lot 1 at the GPIP.

The GPIP Board met on February 19th, 2026, and approved the following motion:

Motion: M/S Howard/Campbell moved to recommend approval of a lease of Lot 1 for 10 years with option for 4 renewals at flat rate of \$800/month.

Action: Passed (4/0) on a roll call vote.

NSRAA currently has lease agreements with the CBS for both Lots 2 & 3. Both leases with the CBS are set to expire in May 2026. The Lot 2 lease allows NSRAA the option for (4) successive terms of (10) ten years. The Lot 3 lease allows for the option for (3) successive terms of (10) ten years.

NSRAA met with the GPIP Board in June 2022, to request to combined Lot 2 and Lot 3 at the GPIP into one continuous lot and have the related leases amended to reflect the new lot. NSRAA was in the process of expanding its hatchery operations by constructing another hatchery on Lot 3. The planned expansion required additional space and even with approved setback variances, the plans showed that more space was needed. The GPIP Board approved the following motion:

Mitchell/Ystad moved for the approval of NSRAA combining Lot 2 & 3 and the amendment of the lease.

Action: Passed (4/0) on a roll call vote (Mr. Wagner recused himself)

The CBS Planning Commission met in July 2022, and approved the approved the following motion:

Alderson/Mudry moved to approve the final plat for a lot merger of the properties at 4680 and 4690 Sawmill Creek Road in the GP Gary Paxton special zone. The properties were also known as Lots 2 & 3, Block 4, Sawmill Cove Industrial Park Re Subdivision No. 1. The request was filed by NSRAA. The owner of record was City and Borough of Sitka.

Action: Passed 3-0 by voice vote.

Background

NSRAA is a private non-profit corporation created to assist in the restoration and rehabilitation of Alaska's salmon stocks and to supplement the fisheries of Alaska. NSRAA leases property at the GPIIP and other locations around Baranof Island to produce millions of Coho and Chum Salmon to the common property fishery in the Sitka area.

Lot 2

The City and Borough of Sitka (CBS) and NSRAA entered into a lease agreement for Lot 2 at the GPIIP in 2006 to construct a multi-million-dollar fish hatchery on the property, including an outfall pipe that extends into the bay. Initial term of the lease was for a 10-year term with a lease amount of \$1,200 annually. The lease was extending in 2016 for another 10 years with an option to extend the lease for (4) four – additional 10-year terms. The lease amount was increased to \$2,400 annually, with the lease amount to be negotiated at each extension.

Lot 3

NSRAA and the CBS entered into a lease agreement on February 2018 for a 3-year term to acquire the adjacent Lot 3 to continue with its due diligence regarding expanding fish hatchery operations at the GPIIP site. The lease rate was set at 50% of market value of \$289.41/month with annual CPI adjustments. Section 1.3 of the lease agreement allowed NSRAA to exercise the option for (4) successive terms of (10) ten years. In February 2021, the lease was extended until May 2026 at a lease rate of 50% of new market value of \$401.25/month, with annual CPI adjustments. The lease allowed an option to extend the lease for (3) three additional 10-year terms. NSRAA had a clause that the lease would be terminated if NSRAA did not construct a new hatchery within 3 years. NSRAA has completed the construction of a second hatchery on the property and an additional outfall pipe into the bay.

GPIIP Tideland Lease

NSRRA and the CBS entered into a tideland lease for 69,647 SF of tidelands in Sawmill Cove in front of their hatchery operations for outfall lines associated with the hatchery operations in July 2022. Additionally, NSRAA uses the tidelands as a staging area to transfer hatchery salmon to net pens to be reared at different locations. The term of the lease is 30 years. Market rate rent amount for the tidelands was set at by Sitka General Code 18.16.210 to be \$490 annually. Rent was waived in consideration of the favorable economic impact the hatchery has on the community and local economy.

New Proposed Lease Terms

Lot 1 (former Lots 2 & 3 combined) is located on the far northern portion of the GPIIP, adjacent to the newly constructed GPIIP Haul Out and Shipyard. The lot is 77,330 SF and houses two NSRAA fish hatcheries and a caretaker housing unit. NSRAA will continue to operate fish hatcheries at the site.

The 2026 assessed value of Lot 1 is \$464,000.

\$464,000 @ 9% = \$41,760 per year or \$3,480/month

The GPIIP Board is recommending a discounted lease rate without annual CPI adjustments due to the economic impact the NSRAA hatcheries has on the local economy and fishing sectors.

Action

- Assembly approval of a new lease for NSRAA on Lot 1 at the GPIIP.