

POSSIBLE MOTION

I MOVE TO approve the tidelands lease agreement between the City and Borough of Sitka and Northern Southeast Regional Aquaculture Association, Inc. for Lot 3, Block 1, GPIIP submitted for this agenda item and authorize the Municipal Administrator to execute the lease. Further, I move to make the following findings in support of approving the lease:

1. Because of the business nature sought for this lease, i.e., an outfall for the existing operational infrastructure for NSRAA's fish hatchery on GPIIP leaseholds, competitive bidding is inappropriate, and,
2. Rent is waived in consideration of the highly favorable economic impact NSRAA's hatchery operations has on the community.



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Tuesday, June 21, 2022

MEMORANDUM

To: John Leach, CBS Administrator
From: Garry White, Director
Subject: NSRAA Tidelands Lease Request

Introduction

The Northern Southeast Regional Aquaculture Association (NSRAA) is requesting to lease a ~1.60 Acre section of the GPIP Tidelands for the installation of a marine outfall drain line from its planned new constructed hatchery expansion on Lot 3. Please see the attached request letter from NSRAA.

The GPIP Board met in March and April to discuss the item and passed the following motion at the April 18, 2022 meeting:

Motion: Ystad/Johnson moved to recommend a 30 year lease for NSRAA for ~1.60 acres of tidelands as outlined in the amended drawing. The Board recommends a fee of \$0.00 for use of the tidelands.
Action: Passed (3/0) on a voice vote

Note: Members Wagner and Mitchell recused themselves from the vote due to conflict of interest.

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.

The City and Borough of Sitka (CBS) and NSRAA entered into a lease agreement for Lot 2 of the GPIP in 2006 with an initial term of 10 years 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.

NSRAA leased the undeveloped Lot 2 from the CBS in 2006 and constructed a multi-million dollar fish hatchery on the property, including an outfall pipe that extends into the bay. The lease on Lot 2 allows for the original outfall pipeline and does not charge any additional fees for the outfall drain. The hatchery provides millions of Coho and Chum Salmon to the common property fishery in the Sitka area.

NSRAA and the CBS entered into a lease agreement for Lot 3 on February 27, 2018 for a 3 year term to acquire the property to continue with its due diligence regarding expanding fish hatchery operations at the GPIP site. Section 1.3 of the lease agreement allowed NSRAA to exercise the option for (4) successive terms of (10) ten years. The CBS amended the original Lot 3 lease in

2021 to give NSRAA lease terms that coincide with the lease terms of NSRAA's for Lot 2 which expires on May 1, 2026.

NSRAA is now moving forward with its plans to expand its current GPIIP Hatchery operations.

Other Information

- Sitka General Code (SGC) 18.16.210 (Tidelands leases), the CBS requires annual tidelands lease payment to the CBS to be 4.5% of the value of the tidelands and for the lease term to be adjusted every 7 years by the SCG CPI stated adjustment. *Please see SGC 18.16 for greater detail.*
- SGC 2.38.080 (GPIIP General Powers) gives the GPIIP Board powers to lease tidelands outside of Title 18 requirements. *Please see SGC 2.38 for greater detail.*

Proposed Terms

NSRAA is requesting to lease ~1.69 Acres of tidelands for a 30 year term. Please see attached map of the proposed lease area. *Please note the proposed lease area will include the existing marine outfall drain line install in 2006 as part of NSRAA's Lot 2 lease with the CBS.*

Market Rent

A 2014 tideland appraisal of the GPIIP tidelands by Alaska Appraisal Associates, Inc. determined the value at \$0.15/SF. The CBS Assessor agrees with the valuation.

~1.6 Acres = ~69,600 SF @ \$0.15/SF = \$10,440

\$10,440 @ 4.5% = \$490 annually

**The GPIIP Board Recommended waiving a fee of \$490 due to the economic impact the NSRAA has on the community.*

Action

- CBS Assembly approval of proposed NSRAA Tideland lease request.

To: Gary White - GPIP Director and GPIP Board of Directors
From: Adam Olson – NSRAA Operations Manager
Subject: NSRAA GPIP Tidelands Lease Request

Background

Northern Southeast Regional Aquaculture Association (NSRAA) leased Lot 3 in 2018 to expand its operations at Sawmill Creek Hatchery. The expansion has been broken up into multiple phases to facilitate funding through the Pacific Salmon Treaty Mitigation Program. To date, NSRAA has completed the installation of an additional supply pipeline off of the bulk water line and is currently working with the CBS to complete the installation of the backup water system from the CSW intake system in Sawmill Creek. The next phase that NSRAA wishes to complete this May-July is to install a new drain line from Lot 3 to a marine outfall located on CBS tidelands. The original outfall was authorized as a condition of the lease for Lot 2 to construct the hatchery. To date, NSRAA has secured approximately \$4.6 million of the estimated \$9 million to construct the expansion facility and all associated infrastructure.

Request


NSRAA requests the GPIP Board to move to direct the CBS to issue a long-term lease for ~2.69 acres of tidelands adjacent to Lot 2 in the GPIP. NSRAA would like a term of 30 years with option to renew, as NSRAA intends to continue to operate the Sawmill Creek Hatchery in perpetuity. The proposed lease area, depicted in the attached drawing, encompasses both the existing and proposed outfall, as well as provides for the area to install a docking facility in the future. NSRAA transports 50,000,000 chum and 2,000,000 coho salmon from the facility each year, and currently do so by temporarily mooring a netpen frame on aging leftover mill infrastructure. Tidelands in the GPIP area have been most recently assessed at a value of \$0.15/ft². City tidelands leases are traditionally calculated at 4.5% of market value. For reference, the resulting compensation and calculation is shown below:

$$2.69 \text{ acres} = 117,000 \text{ ft}^2 \times \$0.15/\text{ft}^2 = \$17,550 @ 4.5\% = \$790 \text{ annually}$$

Given NSRAA’s non-profit status, the economic benefit created from NSRAA salmon to the community of Sitka, and the original provisions to install an outfall as part of the lease for hatchery construction; NSRAA requests the GPIP Board to direct the CBS to enter into the above-described lease for **\$0.00 annual compensation.**

I will be present at the next scheduled Board of Directors meeting to answer any questions, and please don’t hesitate to reach out prior to the meeting.

Respectfully,


Adam Olson
NSRAA Operations Manager
(907) 752-1308 (c)
(907) 747-6850 (o)

To: Gary White - GPIP Director and GPIP Board of Directors

From: Adam Olson – NSRAA Operations Manager

Subject: NSRAA GPIP Updated Tidelands Lease Request

Background

The existing outfall (shown in yellow on the attached drawing) was authorized in 2006 as a condition of the lease for Lot 2. NSRAA has been working towards expanding its operation in the GPIP since 2018. To date, NSRAA has secured approximately \$4.6 million of the estimated \$9 million to construct an expansion facility and all associated infrastructure on Lot 3. The request to install an additional outfall parallel to the existing triggered a review and request from the CBS for NSRAA to apply for a tidelands lease. The previously proposed tidelands area overlapped an existing lease issued to Sayak Logistics. At the March 31st meeting, the GPIP Board approved recommending an NSRAA tidelands lease at no cost with the condition the Sayak Logistics lease area could be shifted to accommodate. NSRAA has worked cooperatively with Sayak Logistics on the attached drawing.

Request

The proposed NSRAA lease area has been modified and reduced in size to both encompass the existing and proposed hatchery outfalls and allow for non-conflicting use of the area with the amended Sayak Logistics lease. On the attached drawing, the proposed NSRAA lease area is shown in dashed orange lines and is approximately 69,600 ft² (1.60 acres). For reference, the modified Sayak Logistics lease area is shown in brown. The proposed amendment to the Sayak lease does not pose a conflicting use for NSRAA operations.

Assuming the GPIP Board moves to amend the Sayak lease as proposed, NSRAA requests the GPIP Board to recommend the CBS issue a long-term lease for 1.60 acres of tidelands adjacent to Lot 2 in the GPIP.

Respectfully,



Adam Olson
NSRAA Operations Manager

Proposed NSRAA Tidelands Lease & Ammended Sayak Logistics Tidelands Lease

