

## **POSSIBLE MOTION**

### **I MOVE TO:**

1) approve, as recommended by the Gary Paxton Industrial Park Board, a lease agreement, with amended terms, between Northline Seafoods, LLC and the City and Borough of Sitka for Block 4, Lot 4 of the Gary Paxton Industrial Park, and,

2) approve, as recommended by the Gary Paxton Industrial Park Board, a lease agreement between Northline Seafoods, LLC and the City and Borough of Sitka for a portion of Block 4, Lot 9A of the Gary Paxton Industrial Park and authorize the Interim Municipal Administrator to execute these documents.



Thursday, June 15, 2017

MEMORANDUM

To: Phillip Messina – CBS Administrator  
From: Garry White, Director  
Subject: Northline Seafoods LLC Lease Requests

**Introduction**

Northline Seafoods LLC (Northline) is requesting to lease two separate parcels of property at the Gary Paxton Industrial Park (GPIP).

Northline requests to lease a 43,637 SF portion of Lot 9A. Northline wishes to modify the waterfront of the lot to allow its barge to be hauled out of the water to conduct marine repair on lot 9a.

G. Pat Glaab is a principal owner of both Northline and Alaska & Pacific Packing (APP), which currently leases property at the GPIP. APP is currently leasing Lot 4 at the GPIP. Mr. Glaab wishes to amend terms of the existing lease and change the leasing entity from APP to Northline.

The GPIP Board met on June 8<sup>th</sup>, 2017 and recommended both leases be approved by the Assembly as presented below.

**Background**

G. Pat Glaab, principal of both Northline and APP, is a commercial fisherman who is also involved in the seafood processing industry. Mr. Glaab has been involved in numerous seafood processing plant design and construction projects.

Currently Northline/APP employs 7 people at the GPIP, retrofitting a floating barge into a floating processing plant. Northline wishes to continue to complete its project at the GPIP. Northline plans to haul out its barge and needs additional space at the GPIP to complete the work.

APP is currently leasing the following parcels at the GPIP.

1. Lot 8 Lease – 29,421 SF of raw land:
  - a. 10 - year term with five (5) five-year renewal options;
  - b. Rent is \$1,147/month;
  - c. Executed November 10, 2015; and that
  - d. Within 24 months from the execution of the lease, APP must have constructed a 4,000 square foot building on the lot and have certified payroll for two full-time employees at \$36k per year or the CBS can terminate the lease; and that

- e. Within 48 months of execution of the lease, APP must have installed industrial freezing equipment or the CBS can terminate the lease.

*NOTE: Mr. Glaab has stated to the GPIIP Board that the lease between the CBS and Northline/APP on lot 4 has met his needs. The GPIIP Board will consider recommending termination of the Lot 8 lease in November 2017.*

2. A 20,000 SF portion of tidelands directly in front of Lot 2
  - a. At a rate of \$1,800 per year;
  - b. Terms concurrent with the lease of Lot 8; and that
  - c. Within 48 months from lease execution an access ramp and floating dock must be constructed and located in the tidelands following CBS building permit process or CBS can terminate the lease; and that
  
3. Guaranteed access to the waterfront and tidelands via the access and utility easement located between Lots 2 and 4;
  - a. Payment of an annual \$3,000 user fee; and that
  - b. The term of the access and utility easement agreement shall be concurrent with and incorporated into the Lot 8 lease; and that
  - c. Guaranteed access is non-exclusive, meaning that APP shall not prevent others from crossing the access and utility easement.
  
4. Lot 4 Lease - 26,031 SF waterfront parcel containing a 6,900 SF building located near the northern portion of the waterfront.
  - a. 12-month term;
  - b. Rent is \$4,155/month;
  - c. Executed 12/12/2016.

**New Proposed Lease**

Northline proposed and the GPIIP Board approved recommending the following lease terms for a 43,637 SF portion of lot 9a. Please see attached map.

Purpose: Lease area to conduct marine fabrication and repair of floating barges.

Terms of the lease are the following:

- Term of 24 month, starting 07/01/2017
- The CBS will be allowed to access the property to stage and conduct shoreline stabilization in the 30' access and utility easement between Lot 4 and the tidelands.
- Due to CBS use of the lease property and the start up nature of the use of lot 4, a ramped up rental schedule is being recommended.
 

○ Months 0-12 = \$0/month	\$0 total
○ Months 13-15 \$0.01/SF = \$436.37/month	\$1,309.11 total
○ Months 16-18 \$0.02/SF = \$872.74/month	\$2,618.22 total
○ Months 19-21 \$0.03/SF = \$1,309.11	\$3,927.33 total
○ Months 22-24 \$0.06/SF = \$2,618.22	\$7854.66 total
- Northline will be responsible for rock on the lot currently and will return property in a flat and level condition.
- Northline has CBS permission to modify waterfront topography to accommodate the haul out of the barge, including obtaining any required permits.

- All other standard lease terms will apply

The GPIIP Board approved the following motion:

**MOTION:** M/S Finkenbinder/Bevan moved to accept lease for Lot 9A as presented.

**ACTION:** Yeas: Jones, Horan, Wagner, Finkenbinder, Bevan

Nays:

**Motion Passed 5/0 on roll call vote**

### **Lease Amendment**

Northline proposed and the GPIIP Board approved recommending the following terms for a lease between the CBS and Northline.

Purpose: Lease of a building for design and fabrication of various marine service industry projects. Mr. Glaab is requesting a purchase option of the building to allow for continued improvements to the building and property by Northline.

Lot 4 lease;

- a. Lessee name changed from APP to Northline;
- b. Term is for 5 years, starting 07/01/2017;
- c. \$10,000 employee lease credit for each employee making over \$36,000 annually at the GPIIP site;
  - i. Lease credits not to exceed \$20,000 annually;
  - ii. Lease credits expire after 3 years.
- d. After 5 years, Northline can purchase the property at today's value of \$554,000 (2014 appraised value for building and footprint of 26,031 SF), contingent on the following:
  - i. Northline has 4 FTE making over \$36,000 annually at the time of sale.
  - ii. CBS retains first right of refusal to purchase property in the event Northline wishes to sell the property.
- e. All other lease terms remain the same.

*Note: The CBS retains a 30' Access and Utility Easement between Lot 4 and the tidelands.*

The GPIIP Board approved the following motion:

**MOTION:** M/S Finkenbinder/Bevan Approve Lot 4 lease as stated (*above*):

**ACTION:** Yeas: Jones, Horan, Wagner, Finkenbinder, Bevan

Nays:

**Motion Passed 5/0 on roll call vote**

### **Additional Information**

The GPIIP Board plans to address the Tidelands Lease and Guaranteed Access to the waterfront and tidelands via the access and utility easement located between Lots 2 and 4 that are tied to the Lot 8 lease at a future date.

### **Action**

- Assembly approval of the GPIIP Board recommendation of a lease for 43,637 SF portion of Lot 9a.
- Assembly approval of the GPIIP Board recommendation of the amended terms of the Lot 4 lease.