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December 9, 2014

MEMORANDUM

To: Gary Paxton Industrial Park Board of Directors (GPIP Board)

From: Garry White, Director

Subject: Alaska & Pacific Packing Lease Request

**Introduction**

G. Pat Glaab doing business as Alaska & Pacific Packing (APP) requests to lease property at the Gary Paxton Industrial Park (GPIP) for design and fabricating of equipment for the seafood processing industry and other related marine services industries. Please see the attached proposal and resume from Mr. Glaab.

The GPIP Board met with Mr. Glaab at their September 24<sup>th</sup> meeting. Minutes from that meeting are attached in the packet. The Board directed the GPIP Director to work with Mr. Glaab on negotiating terms and bring a more detailed lease proposal back for Board consideration.

**Property**

APP proposes to lease lots 4, approximately 12,500 SF of tidelands directly seaward of lot 4, Lot 8, and approximately 30,000 SF of the north-east portion of lot 9a. (See attached map)

**Proposed Lease Terms**

The following proposed terms have been discussed with APP and are for the Board's consideration. In addition to the terms below, all standard lease terms will apply.

APP requests two separate leases are established. A lease for Lot 4 and the tidelands initially, with another lease for lots 8 and a ~30,000 portion of Lot 9A once rock is removed from the property.

**LEASE #1**

**Lot 4 (including building 4690)**

Lot 4 is a 26,031 SF waterfront parcel containing a 6,900 SF building located near the northern portion of the waterfront.

- The purposed uses of the property are for engineering offices, fabrication shop, and future freezer operations.

Recommended Terms:

- Lease term for a 10 year period.
  - The following must be completed by 12/31/2017 or the CBS Assembly has the option to terminate the lease.
    - APP must prove evidence of certified payroll for 2 full-time employees for the prior 12 consecutive months
    - APP must provide evidence that at least 10 tons of fish waste was industrial frozen on site.
- Lease rate will be based on 9% of appraised value of property.

2014 Appraised Value (Full GPIP appraisal available at [www.sawmillcove.com](http://www.sawmillcove.com))

• Lot 4 Land (26,031 SF)	\$209,000
• Lot 4 Bldg (6,900 SF)	\$345,000
Total	\$554,000

Lot 4 raw land	\$209,000 @9% = \$18,810 per year
Lot 4 building	\$345,000 @9% = \$31,050 per year

APP requests the following rates:

Lot 4 raw land	26,031 SF @\$0.30/SF/YR	\$7,809 per year
Lot 4 building	6,900 SF @ \$0.24/SF/month	\$20,000 per year

**Tideland**

The proposal requests a 12,500 SF portion of the tideland directly in front of Lot 4 including old dolphins installed when the site was used as a pulp mill.

- The purposed use of the tidelands is to construct an access ramp and floating dock to service floating processor and other vessels.

Recommended Terms:

- The term of lease shall be concurrent with Lot 4 and building 4690.
  - The following must be completed by 12/31/2017 or the CBS Assembly has the option to terminate the lease.
    - An access ramp and floating dock must be constructed and located in the tidelands following CBS building permit process
- CBS will not warrantee condition of current mooring dolphins. APP will indemnify the CBS for use of dolphins and waive rights to pursue any claim against the City for use of the dolphins.
- Lease rates will be based on 4.5% of appraised value of tidelands.

2014 Appraised Value (Full GPIP appraisal available at [www.sawmillcove.com](http://www.sawmillcove.com))

- Tidelands adjacent to uplands are valued at \$2.00/SF

~12,500 SF @ \$2.00/SF = \$25,000 @ 4.5% = \$1,125 annual lease rate

**LEASE #2**

**Lot 8**

Lot 8 is a 32,362 SF parcel of raw water located adjacent to Lot 4.

- The purposed use of the properties is for future marine service uses

Recommended Terms:

- The term of the lease will be for 10 years from the when all of the rock can be removed from the property.
  - 60 months from the execution of the lease, APP must have established infrastructure or certified job payroll related to the marine services industry.
- Lease rate will be based on 9% of appraised value of property.

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

- Lot 8 (32,362 SF)      \$170,000

Lot 8 raw land              \$170,000 @9% =\$15,300 per year

APP requests the following rates:

Lot 8 raw land              32,362 SF @\$ .30/SF/YR              \$9,709 per year

**Portion of Lot 9a**

The proposal requests a 30,000 SF portion on the NE corner of the 151,506 SF waterfront parcel adjacent to Lot 4.

- The purposed use of the properties is for future marine service uses

Recommended Terms:

- The term of the lease will be for 10 years from the when all of the rock can be removed from the property.
  - 60 months from the execution of the lease, APP must have established infrastructure or certified job payroll related to the marine services industry.
- Lease rate will be based on 9% of appraised value of property

2014 Appraised Value (Full GPIIP appraisal available at www.sawmillcove.com)

- Lot 9a (151,506 SF)              \$1,182,000

~30,000 SF @ \$7.8017/SF = \$234,051 @ 9% = \$21,065 annually

APP requests the following rates:

Lot 9a raw land              ~30,000 SF @\$ .30/SF/YR              \$9,000 per year

**Additional Terms**

- Lessee has option to renew lease for 4-5 year terms, new terms can be discussed 24 months before end of lease term. Lessee must provide in writing their request to exercise lease extension at least 30 days prior to lease expiration.
- If lease is terminated all buildings and improvements on the property at the end of lease term must be removed from the property and/or return in the condition it was received or the improvements become property of the CBS.
- CPI adjustment will be applied to lease on the 61st month after lease execution. CPI adjustment will be based on the average of the Anchorage and Seattle “all items” figure of the “consumer price index for all urban consumers”
- APP request an option to purchase property at will for current appraised value.

### **APP Total lease payments**

#### CBS Market Rate (based on 9% return on property value)

Lot 4 raw land	\$18,810 per year
Lot 4 building	\$31,050 per year
~12,500 SF of tidelands	\$1,125 per year
Lot 8 raw land	\$15,300 per year
~30,000 SF of Lot 9a	\$21,065 per year
<b>Total annual lease</b>	<b>\$87,350 per year</b>

#### APP Proposed lease rates

Lot 4 raw land	26,031 SF @ \$.30/SF/YR	\$7,809 per year
Lot 4 building	6,900 SF @ \$0.24/SF/month	\$20,000 per year
~12,500 SF @ \$2.00/SF = \$25,000 @ 4.5%		\$1,125 per year
Lot 8 raw land	32,362 SF @ \$.30/SF/YR	\$9,709 per year
Lot 9a raw land	30,000 SF @ \$.30/SF/YR	\$9,000 per year
<b>Total annual lease</b>		<b>\$47,643 per year</b>

### **Proposed Employment Incentives**

APP requests employment creation incentives of \$10,000 credit for every employee earning over \$38,000 annually, not to exceed 50% of annual lease payments for each lease.

- Employment incentives will expire 36 month from execution of lease

*Note: Prior to 2008, the CBS provide job creation employment credits. Previous tenants of both the pulp dock warehouse and bottling plant building have negotiated similar lease credits as requested by APP. Other incentives to locate business at the industrial park have included ramped up lease rates for the first few years of operation*

### **Additional Considerations**

- The CBS recently received \$7.5mm for the construction of a multi-purpose dock from the State of Alaska. The CBS is currently working with an engineering firm to construct a multi-purpose dock, which will increase the marketability of the GPIIP.

- Access to CBS utilities and utility easements must be preserved as a majority of utilities were established with federal grant funds.

**Action**

- Board discussion of APP's proposal and approval of lease terms.