



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Michael Harmon, P.E., Public Works Director 

Date: March 16, 2022

Subject: **Granite Creek Lease Area 2 and 3 - Material Extraction & Sale Lease Agreement**

Background

The City and Borough of Sitka (CBS) Granite Creek Lease Area 2 & 3 is approximately 12.7 acres in size and located within the Granite Creek Industrial Area. The Site is intended to be used as a material extraction and sale site moving forward and will no longer operate as an overburden waste disposal site, however, the successful proposer shall be responsible for monitoring and routine maintenance of the closed overburden waste disposal area to prevent erosion, drainage issues, or impacts to roads. The Site will support construction activities in the community.

Lease Area 2 and 3's lease with McGraw's Construction expired February 15, 2022. The CBS Public Works department would like to enter a five (5) year lease agreement with McG Constructors, Inc. The CBS Public Works department advertised the public Request for Proposal (RFP) December 17, 2021 and closed the solicitation January 13, 2022. CBS received one response to the public RFP from McG Constructors, Inc. A review committee reviewed the proposal and unanimously supported awarding the lease to McG Constructors, Inc. A Letter of Intent to Award was signed and dated January 24, 2022.

CBS Public Works has assembled a Lease Agreement. The term of the initial lease will be five (5) years, with the option to renew for up to one (1) additional five (5) year term upon mutual agreement by CBS and McG Constructors, Inc. Lease rate will be \$1,875.00 per month and royalty rates will be \$3.55 per cubic yard during the first term (both subject to CPI increases upon exercise of lease renewal) but may be renegotiated at lease renewal period.

Lessee will be required to maintain records of material leaving the Site, submit quarterly reports, and provide a survey of the Site annually by a professional land surveyor registered to practice in the State of Alaska as a method of accounting control for royalties paid on yardage.

Lessee is obligated to operate in accordance with industry standards, have a CBS approved Mining Plan which includes a Training Plan approved by Mine Safety and Health Administration (MSHA), and monitor and maintain the existing overburden waste disposal area under a Storm Water Pollution Prevention Plan (SWPPP).

Lessee is required to have two bonds for the duration of the lease: a \$100,000.00 payment bond and a \$100,000.00 reclamation bond.

Lease Area 2 & 3 is part of the larger industrial zoning district, and natural resource extraction activities are covered under Conditional Use Permit 01-16. CBS Public Works intends to solicit operators for additional quarry areas adjacent to Lease Area 2 and 3 in the future.

Analysis

McG Constructors, Inc. is a Southeast Alaska contractor with a number of construction projects throughout Sitka and will use the Site in support of construction activities in the community meeting CBS's desired use of the Site.

McG Constructors, Inc. is responsible for all activities on the site for the duration of their lease(s) including but not limited to safety, site maintenance, obtaining and maintaining all necessary permits, and controlling access to the site. CBS Public Works personnel will monitor the site.

Fiscal Note

Based on McG Constructors, Inc.'s winning Bid, the lease and royalty rates will be \$1,875.00 per month and \$3.55 per cubic yard, respectively, each subject to CPI increases upon exercise of lease renewal. In comparison, the current lease rate is \$1,450.00 per month and royalty rate is \$1.55 per cubic yard. The existing lease also provided royalty on overburden disposal of \$0.50 per cubic yard; however, this lease area will no longer operate as an overburden disposal site and thus no disposal royalties will be collected from that operation.

Recommendation

Approve this ordinance authorizing the City and Borough of Sitka (CBS) Public Works Department to enter into a material extraction and sale Lease Agreement with McG Constructors, Inc. for Lease Area 2 & 3 in the Granite Creek Industrial District.

Encl: Lease Agreement
Ordinance