

If this item is pulled from the consent agenda the following motion would be in order:

POSSIBLE MOTION

I MOVE TO approve Amendment No. 1 to the Northern Southeast Regional Aquaculture Association lease agreement as recommended by the Gary Paxton Industrial Park Board and authorize the Municipal Administrator to execute the document.



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Monday, April 18, 2016

MEMORANDUM

To: Mark Gorman, CBS Administrator
From: Garry White, Director
Subject: NSRAA Lease Extension

Introduction

Northern Southeast Regional Aquaculture Association (NSRAA) is requesting to extend its lease with the CBS for Lot 2 of the Gary Paxton Industrial Park (GPIP).

The GPIP Board of Directors recommended extending the lease at its April 7th, 2016 meeting.

Background

NSRAA is a private non-profit corporation created to assist in the enhancement of Alaska's salmon stocks and to supplement the fisheries of Alaska.

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 hatchery produces millions of Coho and Chum Salmon which contribute to the common property fishery in the Sitka area. The GPIP hatchery has created 1 ½ FTE job at the site and provides other economic benefits to the community through fish harvest and processing.

Initial Lease Terms

The CBS and NSRAA entered into a lease agreement on May 8th, 2006 for an initial 10 year term.

Section 1.2 of the initial lease allowed the option for the lease to be extended for two successive terms of twenty years each.

Section 2.1 of the initial lease called for an adjustment to the rent amount. Rent amounts were to increase to 9% of 60% of appraised value, with a cost of living adjustment each year thereafter.

Rent Calculation for initial lease terms

Lot 2 is a 60,180 square foot upland parcel located adjacent to Sawmill Creek and the waterfront.

The CBS Assessor has valued the property at \$270,900 or \$4.50/SF. (RAW LAND ONLY)

$\$270,900 * 60% * 9% = \$14,629$ annually or \$1,219/month

All other lease terms were to remain the same.

GPIP Board New Lease Term Recommendations

The GPIP Board recommends the following new lease terms:

Section 1.2 – The Lessee shall have the option to extend the lease agreement for four (4) successive terms of ten (10) years each.

Section 2.1 – Lessee rent amount shall increase from \$100 per month to \$200 per month for the entire 10 year extension. Lease rates will be negotiated at the time of each renewal.

Section 2.2 – No cost of living adjustments be applied to lease rate.

All other lease terms are to remain the same.

*The GPIP Board recommended a lower than market lease rate due to the economic impact the NSRAA hatchery at the GPIP provides to the community. Total estimated annual value to the fishing industry produced from Sawmill Creek Hatchery is estimated to be greater than \$4.5 million annually.

Additional Information

- Attached is the initial lease agreement dated 05/08/2006.
- Attached is an Amendment to the original lease with the recommended new lease terms.

Below are the minutes from the GPIP meeting on 04/07/2016. *(Note: Draft Minutes Only)*

1. NSRAA Lease Extension

Scott Wagner – Recused Agenda item under acting Chair, Dan Jones

Mr. Reifentstahl offered the following for Board consideration:

- NSRAA is a non-profit organization that contributes a high return on investment to the local economy.
- NSRAA is requesting a commercial appraisal of the property and would prefer to the opportunity to purchase the property rather than pay market rate rent.

MOTION: **M/S Horan/Miller** moved to recommend that the Assembly renew the NSRAA with the following amendments:

- a. The lease shall be for ten years at a rate of \$200 per month
- b. There shall be four additional options to renew for ten years each
- c. Lease rate shall be negotiated at the time of each renewal.

Discussion included:

- Basis for offering a below market lease rate needs to be justified for the Assembly.
- CPI adjustment options were considered, but not recommended.
- The length of the renewal terms was discussed.

ACTION: **Motion PASSED 3/0 on a roll call vote**

Yeas: Dan Jones, Grant Miller, Charles Horan,
Nays: none Absent: Ptarmica McConnell Recused: Scott Wagner

Action

- Assembly approval of Amendment No.1 to the Lease Agreement with new lease terms as recommended by the GPIP Board.

**AMENDMENT NO. 1 TO
LEASE AGREEMENT BETWEEN THE CITY AND BOROUGH OF SITKA AND
NORTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION**

WHEREAS, the City and Borough of Sitka ("Sitka") and the Northern Southeast Regional Aquaculture Association ("NSRAA") entered into a Lease Agreement ("Agreement"), on May 8th, 2006;

WHEREAS, Sitka and NSRAA agree to amend the Agreement as set out in this Amendment No. 1 to the Lease Agreement between the City and Borough of Sitka and Northern Southeast Regional Aquaculture Association (Amendment No. 1) at Sections 1.2, 2.1, and 2.2.

NOW, THEREFORE, Sitka and NSRAA agree to amend the Agreement as follows:
(New language underlined; deleted language stricken)

Section 1.2 Options to Renew.

The Lessee shall have the option to extend the Lease Agreement for Four successive terms of ten (10) years each upon the same terms and conditions as this Lease Agreement (except Section 1.2) with the lease payments as described in Article II, based upon the following conditions:

- (a) There is no continuing material default by Lessee under this Lease Agreement at the time of exercise of this right or at the commencement of any extended term;
- (b) Sawmill Cove Industrial Park Board of Directors has determined under Subsection 3.5 that NSRAA has adequately controlled its odors during the immediately preceding term of the lease;
- (c) Lessee makes a written request to exercise such option not more than one year or less than six months from the end of the immediately preceding term;
- (d) Lessee is in compliance with law and this Lease Agreement and is not in default under this Lease Agreement; and
- (e) Options to renew must be approved by the Assembly of the City and Borough of Sitka.

Section 2.1 Calculation & Method of Payment of Rent During the Initial Ten-Year Term of the Lease.

Lessee shall pay the lease payments for each month in advance upon the first day of each and every month for which rent is due throughout the term of the Lease Agreement without the necessity of any billing by Lessor. Lessee has the option of making annual, lump sum payments in lieu of monthly payments. The following table shows the amount of lease payments due each

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this ____ day of _____, 2016, **Mark Gorman** signed this document, and by signing affirms that he is the **MUNICIPAL ADMINISTRATOR** of the City and Borough of Sitka, Alaska, a municipality organized under the laws of the State of Alaska, that he has been authorized to execute the foregoing document, and executes the document freely and voluntarily.

Notary Public for Alaska
My Commission Expires: _____

ATTEST:

Sara Peterson
Municipal Clerk