
MEMORANDUM

To: Mayor McConnell and Assembly Members
Mark Gorman, Municipal Administrator

From: Michael Harmon, Public Works Director *MA*
Gary E. Baugher Jr., Maint. & Operations Supt. *EB*

cc: Jay Sweeney, Finance Director

Date: 7/14/2014

Subject: Approval of United Parcel Service (UPS) Airport Sublease

Background

A few months ago United Parcel Service (UPS) contacted the City and Borough of Sitka (CBS) to inquire about the possibility of subleasing the spaces (old Harris air) across from the Nugget restaurant at the Rocky Gutierrez Airport Terminal Building. At that point, subleasing rates were negotiated and reviewed by the assessors department. A draft sublease agreement was reviewed by the CBS attorney and the UPS attorney's. The spaces that UPS requested to sublease are L-1, L-1a, L-2, and L-3 (attached in the sublease agreement exhibit A). This will be a new sublease agreement with UPS.

Analysis

The UPS sublease agreement is for three years which will begin November 1, 2014, and end on February 28, 2017. Upon Assembly and DOT&PF approval, the tenant shall have the right to exercise options to renew for two successive terms of three years each upon the same terms and conditions as this sublease agreement. This will be an additional \$10,460.00 annually for the City and Borough of Sitka from the Airport Terminal Building. These spaces have been vacant for five years. With this sublease all of the spaces available at the Airport Terminal Building will be subleased.

Fiscal Note

The UPS terminal building sublease rate is calculated off of 600 square feet of space they are requesting. The rate is \$871.67 per month/or \$10,460.00 per year, plus the City and Borough of Sitka Sales Tax.

The sublease rate will be adjusted based on the percentage difference between "All Items" figure for Anchorage, Alaska in the "Consumer Price Index for All Urban Consumers", (CPI). The adjustment shall occur annually on March 1, and the tenant is required to make such adjustments on its own each year.

Recommendation

Authorize the Administrator to execute the sublease agreement between CBS and UPS, subject to “consent to sublease” approval from DOT&PF.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2014-26

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AUTHORIZING
SUBLEASE OF SPACES BY UNITED PARCEL SERVICE AT THE SITKA
ROCKY GUTIERREZ AIRPORT TERMINAL BUILDING

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to become a part of the Sitka General Code (“SGC”).

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstances shall not be affected.

3. **PURPOSE.** State of Alaska owns the Sitka Rocky Gutierrez Airport Terminal Building (“Terminal Building”) in Sitka, Alaska. City and Borough of Sitka (“CBS”) has a 30-year lease agreement with the State of Alaska, Lease No. ADA-50103, which began on July 1, 1994 and expires on June 30, 2024.

United Parcel Service (“UPS”) would like to sublease the spaces known as L-1, L-1a, L-2 and L-3, consisting of 600 square feet, to operate as a commercial business specializing in delivering, receiving and distributing parcels and other merchandise. The Sublease Agreement would be a sublease, beginning November 1, 2014, and ending on February 28, 2018, with an option for two 3-year extensions. The Sublease Agreement ending date of February 28, 2018 is consistent with current sublease agreements at the airport terminal and allows for all options of renewals to be done at the same time in 2018.

4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that:

- A. The Assembly finds that competitive bidding is inappropriate under SGC 18.12.010E for Terminal Building space as UPS is willing to pay fair market value for the space as determined by the Municipal Assessor, and will execute the new standardized Terminal Building Sublease Agreement;
- B. Execution of the attached sublease is authorized; and
- C. Approval of this sublease agreement is contingent on the State of

44 Alaska DOT&PF approval and consent to the Sublease Agreement.

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46 5. **EFFECTIVE DATE.** This ordinance shall become effective the date after
47 passage.

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49 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and
50 Borough of Sitka, Alaska this 12th day of August, 2014.

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Mim McConnell

56 ATTEST:

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60 Colleen Ingman, MMC
Municipal Clerk