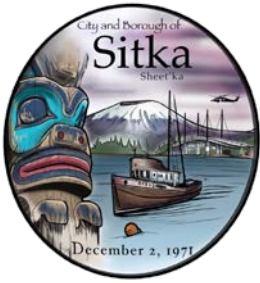


POSSIBLE MOTION

I MOVE TO approve a sublease agreement between Northline Seafoods LLC and Sitka Salmon Alaska Holdings LLC with the condition that all parties become compliant with Sitka General Code and authorize the Municipal Administrator to execute this document.



City and Borough of Sitka

PROVIDING FOR TODAY...PREPARING FOR TOMORROW

Coast Guard City, USA

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator

Date: January 5, 2021

Subject: GPIP Lot 4 Sublease Agreement

Background

Northline Seafoods LLC is requesting to sublease a portion of its lease area on Lot 4 and Lot 8 to Sitka Salmon Shares Alaska Holdings LLC dba Sitka Salmon Shares.

Analysis

Lot 4 Lease - The CBS and Northline Seafoods LLC entered into lease agreements to lease Lot 4 in September 2017. General lease terms are below.

26,031 SF Waterfront parcel containing a 6,900 SF building.

- Term is for 5 years, starting 09/01/2017;
- Rent is \$4,155/month;
- 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:
- Northline has 4 FTE making over \$36,000 annually at the time of sale.
- CBS retains first right of refusal to purchase property in the event Northline wishes to sell the property.

Lot 8 Lease - The CBS and Northline Seafoods LLC entered into a lease agreement to lease Lot 8 in August 2018. General lease terms are below.

29,421 SF of raw land:

- Rent of \$1,147/month;
- Executed August 1st, 2018
- Term – month to month.

Per Section 8.2 of the Lot 8 lease agreement, the GPIP Board needs to approve any sublease agreement. GPIP Board approval for a sublease is only needed due the lease being a month to month lease and not a long-term lease.

Fiscal Note

In a compliance review, it was discovered that Sitka Salmon Shares has not filed sales tax returns for the fourth calendar quarter of 2019 and the first three calendar quarters of 2020. Sitka General Code 4.09.270 requires that each person (entity) engaged in business in the City and Borough of Sitka subject to taxation under Section SGC 4.09.010 shall file a sales tax return. Letters were sent to both Northline Seafoods and Sitka Salmon Shares on December 11, 2020 stating that the matters must be resolved prior to Assembly approval of the sublease agreement. Lessees and sublessees of Municipal property must remain in compliance with all aspects of the Sitka General Code.

Recommendation

Approve the proposed sublease between Northline Seafoods and Sitka Salmon Shares **only on the condition that all parties become compliant with Sitka General Code.**

Encl: GPIP Sublease Request Memo
 Draft Sublease Agreement
 Northline Seafoods Lease, Lot 4
 Northline Seafoods Lease, Lot 8
 Northline Seafoods Compliance Letter
 Sitka Salmon Shares Compliance Letter



329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

Thursday, December 3, 2020

MEMORANDUM

To: John Leach, CBS Administrator
From: Garry White, Director
Subject: Northline Seafoods LLC Sublease request

Introduction

Northline Seafoods LLC is requesting to sublease a portion of its lease area on Lot 4 and Lot 8 to Sitka Salmon Shares Alaska Holdings LLC.

The Gary Paxton Industrial Park (GPIP) Board of Directors met on November 30th and approved the following motion:

Motion: M/S Floate/Ystad move to approve the sublease between Northline Seafoods and Sitka Salmon Shares and ask them to create an official document to present to the City Assembly.

Action: Passed (5/0) on voice vote

Per section 9.2 of the Lot 4 lease agreement, a sublease of the property requires approval of the GPIP Board and Sitka Assembly.

Section 9.2 Limitations on Subleases.

Lessee shall not sublease the Subject Property or any portion of it except with the approval of the GPIP Board of Directors and the Sitka Assembly, which approval shall not be unreasonably withheld.

Background

Lot 4 Lease

The CBS and Northline Seafoods LLC entered into lease agreements to lease Lot 4 in September, 2017. General lease terms are below.

Lot 4 lease – 26,031 SF Waterfront parcel containing a 6,900 SF building.

- Term is for 5 years, starting 09/01/2017;
- Rent is \$4,155/month;
- After 5 years, Northline can purchase the property at 2017's value of \$554,000 (2014 appraised value for building and footprint of 26,031 SF), contingent on the following:
 - Northline has 4 FTE making over \$36,000 annually at the time of sale.
 - CBS retains first right of refusal to purchase property in the event Northline wishes to sell the property.

Lot 8 Lease

The CBS and Northline Seafoods LLC entered into a lease agreement to lease Lot 8 in August, 2018. General lease terms are below.

Lot 8a Lease – 29,421 SF of raw land:

- Rent of \$1,147/month;
- Executed August 1st, 2018
- Term – month to month.

Per Section 8.2 of the Lot 8 lease agreement, the GPIIP Board needs to approve any sublease agreement. GPIIP Board approval for a sublease is only needed due the lease being a month to month lease and not a long term lease.

Action

- Assembly approval of the proposed sublease between Northline and Sitka Salmon Shares for Lot 4.