

POSSIBLE MOTION

I MOVE TO approve, as recommended by the Gary Paxton Industrial Park Board, a lease agreement between O'Brien and Son's Construction LLC and the City and Borough of Sitka for Block 4, Lot 7 of the Gary Paxton Industrial Park and authorize the Municipal Administrator to execute this document.



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Monday, February 5, 2018

MEMORANDUM

To: Gary Paxton Industrial Park (GPIP) Board of Directors
From: Garry White, Director
Subject: O'Brien Lot 7 Lease Request

Introduction

O'Brien and Son's Construction LLC (O'Brien) is requesting to lease lot 7 of the GPIP to process rock and other materials and to stage construction equipment. Please see attached letter of request from O'Brien.

The GPIP Board met January 25, 2018 and approved the following motion:

MOTION: M/S: **Horan/Finkenbinder** Moved to recommend the City and Borough of Sitka Assembly lease lot 7 to O'Brien and Son's Construction for a 12 month term, with an option for three (3) successive 12-month terms at \$1000/mo. for year 1, \$1100/mo. for year 2 and \$1200/mo. for year 3 and 4.

ACTION: Motion PASSED 3/0
Yes: 3-Finkenbinder, Horan, Bevan
No: 0
Recused: 2-Jones, Wagner

Background

O'Brien and Son's Construction LCC is a local site preparation contractor located in Sitka. Principal owner, Jim O'Brien has a long history of working in the community of Sitka.

Lease Terms

O'Brien is proposing to lease lot 7 for a 12-month term, with an option for three (3) successive 12-month terms. Lot 7 is a 32,879 SF parcel of raw property located in the northern portion of the park.

Rent

Lot 7 was appraised in 2014 at a value of \$147,956 or \$4.50/SF.

$\$147,956 @ 9\% = \$13,316$ annually or \$1,109.67/month

(The GPIP Board typically tries to achieve a 9% return annually on the value of the property asset in rental amount. Rent is adjusted based on activity, business establishment, and job creation.)

The GPIP Board is recommending a ramp up lease rate to allow for business establishment at the GPIP. The recommended rent schedule is as follow:

Rent by Month, Block 4 Lot 7				
Month	Rate/Sq. Ft./Mo	Space	Rent/Month	Rent/Year
1 st through 12 th	\$0.030	32,789 sq. ft.	\$1,000	\$12,000
13 th – 24 th	\$0.034	32,789 sq. ft.	\$1,100	\$13,200
25 th – 36 th	\$0.037	32,789 sq. ft.	\$1,200	\$14,400
37 th -48 th	\$0.037	32,789 sq. ft.	\$1,200	\$14,400

Additional Information

- O'Brien plans to remove the existing rock above a concrete slab left by previous a tenant of the lot. O'Brien will be required to leave the entire lot graded level with the concrete slab with a covering of 2" minus finish.
 - The finished lot grading at the end of the lease will benefit the GPIIP property for future uses.

Action

Assembly approval of the attached lease between the CBS and O'Brien and Son's Construction LLC.