

POSSIBLE MOTION

I MOVE TO approve, as recommended by the Gary Paxton Industrial Park Board, a lease agreement between Northern Southeast Regional Aquaculture Association, Inc. and the City and Borough of Sitka for Block 4, Lot 3 of the Gary Paxton Industrial Park and authorize the Municipal Administrator to execute this document.



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

Monday, February 19, 2018

MEMORANDUM

To: Keith Brady – CBS Administrator
From: Garry White - GPIP Director
Subject: NSRAA Lot 3 Lease Request

Introduction

Northern Southeast Regional Aquaculture Association (NSRAA) is requesting to lease lot 3 of the Gary Paxton Industrial Park (GPIP) to expand its operation.

The GPIP Board of Directors met on December 13, 2017 and approved the following motion:

MOTION: M/S: Bevan/Finkenbinder Moved to recommend the City and Borough of Sitka Assembly lease lot 3, as is, to NSRAA for a 3-year term at which time option to renew at terms concurrent with terms of lot 2 lease. Rent will remain at 50% of market value rental at renewal. **AS AMENDED**

ACTION: Motion PASSED 4/0

Yes: 4- Bevan, Jones, Horan, Finkenbinder
Recused: 1-Wagner

Background

The City and Borough of Sitka (CBS) and NSRAA entered into a lease agreement for Lot 2 of the GPIP in 2006 with an initial term of 10 years with a lease amount of \$1,200 annually. The lease was extending in 2016 for another 10 years with an option to extend the lease for (4) four – additional 10 year terms. The lease amount was increased to \$2,400 annually, with the lease amount to be negotiated at each extension.

NSRAA is a private non-profit corporation created to assist in the restoration and rehabilitation 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 provides millions of Coho and Chum Salmon 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.

NSRAA plans to expand salmon production on Lot 3 in the near future. The expansion will help alleviate crowding, increase capacity and address emergency water loss issues with existing facility. NSRAA estimates the new production will have an ex-vessel value of \$5-\$8 million dollars.

Property

Lot 3 is 17,150 square feet upland parcel located adjacent to Sawmill Creek and lot 2.

Rent

A 2014 Appraisal of the property has valued the property at \$77,175 or \$4.50/SF.

\$77,175 @ 9% = \$6,946 annually or \$578.81/month

(The GPIIP 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.)

NSRAA offered to lease the property for \$100/month. The GPIIP Board is recommending a discounted lease rate of 50% of market rate due to overall positive economic impact of the fish hatchery on the community.

50% of \$578.81 = \$289.41 per month.

At the end of the initial 3-year term, NSRAA is proposing for lease terms to match their existing lease with the CBS for lot 2. NSRAA's Lot 2 lease calls for four (4) – 10 year successive terms with approval of the CBS Assembly. Lease rate will be remain at 50% of market value at each renewal.

If NSRAA does not move forward with their plans to expand the hatchery within the next three years, the CBS can terminate the lease.

Additional Information

NSRAA requests to amend its Water Delivery Agreement (attached) with the CBS to increase the amount of water it uses to raise fish.

The Water Delivery Agreement will be addressed outside of this lease request.

Action

Assembly approval of the attached lease between the CBS and NSRAA.