

POSSIBLE MOTION

I MOVE TO approve Amendment No. 6 to the lease between the City and Borough of Sitka and Sitka Animal Hospital, approve the terms of exception from competitive bidding and authorize the Municipal Administrator to execute this document.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members
From: Keith Brady, Municipal Administrator *VB*
Date: 2-6-19
Subject: Approval of a lease extension with Dr Hunt

Summary

Dr. Hunt is a veterinarian and has been leasing part of the animal shelter building since 1996. He has requested an extension to his lease for 5 years for business purposes to bring on business partners.

Fiscal Note

The rent would be \$1100/month.

Recommendation

The Assembly should only approve the extension if they except it from "competitive bid" as "inappropriate." Dr. Hunt will give his reasons for exception at the Assembly meeting.

Detail

Since 1996, Dr Hunt has had five lease amendments to either change the lease amount or to extend the lease.

Agreement	Lease Start Date	Lease End Date	Rent per Month
Original	January 8, 1996	7 years	\$780
Amendment No. 1	February 28, 1997	to 2003	\$896 for the duration of the original lease
Amendment No. 2	February 28, 2003	February 28, 2009	\$1,400
Amendment No. 3	February 28, 2009	February 28, 2012	\$800 based on providing reception services for the Sitka Animal Shelter

Amendment No. 4	February 29, 2012	February 28, 2017	\$800
Amendment No. 5	February 29, 2017	February 28, 2022	\$800
Amendment No. 6 (proposed)	February 28, 2019	February 28, 2027	\$1100

The fair market value for the space the clinic uses, including kennels, minus shared space in a typical lease like this, based on the 9% fee simple model, should be about \$1400/month. The offer of \$1100 is due to the services Dr Hunt and his staff are providing the city while in the building, some of those services are:

- Front desk reception when Animal Control Director (ACD) is not in the building, take messages and Shelter donations.
- Take in animal surrenders when ACD is not in the building.
- Secure animals found at large when ACD is not in the building.
- When their work load permits, show animals available for adoption when ACD is not in the building.
- Vet Clinic staff does the majority of the laundry and puts it away.
- The Clinic provides some healthcare free of charge and some at discount according to severity.
- Clinic staff keeps lobby clean at all times including any transient messes.
- Assist with kenneled animals care when they see need.

One of the concerns is that Amendment 6 would violate Charter and Code in that it is not being done by "competitive bid" or excepted therefrom by the Assembly as "inappropriate". See the applicable Charter and Code sections below. The extended term of the current lease does not expire until 2/28/22. The Assembly could only approve another extension if it excepted the amendment from competitive bidding as "inappropriate" as defined in Charter and Code.

Sitka Charter, Section 11.14(b)

(b) Disposals. The municipality may sell, lease, or otherwise dispose of municipal property. Such disposal shall be by competitive bid and awarded to the highest qualified bidder, unless the assembly finds that competitive bidding is inappropriate due to the nature of the property or the circumstances surrounding its disposal, to include possible unjust results with regard to adjacent or neighboring property owners. The assembly shall enact ordinances governing property disposals.

SGC 18.12.010

A. Real property, including tidelands, and land acquired from the state, may be sold or leased only when authorized by ordinance. Lease of space within municipal buildings that are of a value of less than one thousand dollars shall be treated as disposals of personal property without ordinance. All other leases of space within a municipal building shall be treated as disposal of real property under this chapter.

E. Sale or lease of municipal real property, including tidelands, shall be by competitive bid, unless the assembly finds that competitive bidding is inappropriate, due to the size, shape, or location of the parcel, rendering it of true usefulness to only one party, or is waived by subsection C of this section. The assembly may also find that competitive bidding is inappropriate due to the nature of the property or the circumstances surrounding its disposal to include possible unjust results with regard to the existing lessee, or adjacent or neighboring property owners

**AMENDMENT NO. 6 TO LEASE
BETWEEN CITY AND BOROUGH OF SITKA
AND SITKA ANIMAL HOSPITAL**

City and Borough of Sitka ("CBS" or "Lessor"), 100 Lincoln Street, Sitka, Alaska 99835, and Dr. David J. Hunt, D.V.M., P.C., d/b/a Sitka Animal Hospital ("Lessee"), PO Box 1774, Sitka, Alaska 99835, agree to amend and modify the "Lease [Sitka Animal Hospital]" ("Lease"), dated January 8, 1996, including its amendments consisting of the first amendment by letter dated February 28, 1997, Sitka Animal Hospital Second Amendment to Lease (September 3, 2002), third amendment by CBS Assembly motion on August 12, 2003, Sitka Animal Hospital Third Amendment to Lease (April 30, 2009), Amendment No. 4 to Lease (September 23, 2011), approved by the CBS Assembly motion on September 13, 2011, and Amendment No. 5 to Lease (October 21, 2016), approved by the CBS Assembly motion on September 27, 2016. This Amendment No. 6 to Lease Agreement between City and Borough of Sitka and Sitka Animal Hospital ("Amendment No. 6") was approved by the CBS Assembly in accordance with the Lease at Section 24 by motion, adding a new Section 4.5, Section 4.6, and Section 4.7 (new language underlined; deleted language stricken):

4.5 Extension of Term. The term of the Lease as provided for in Section 4, and based on prior amendments, is extended for five (5) years, beginning February 29, 2022 until February 28, 2027. Such additional period of five (5) years is hereinafter referred to as the "Extension Period."

4.6 Rent During Extension Period. The monthly rent payable under Section 6 of the Lease shall be \$1,100 during the first year of the Extension Period. The monthly rent payable during the second (2nd), third (3rd), fourth (4th), and fifth (5th) years of the Extension Period shall be determined in accordance with the following provisions.

The monthly rent shall be adjusted during the second (2nd) and all subsequent years of the Extension Period, based on the Consumer Price Index, at a time when any adjustment could be made effective July 1st of the year applied. An adjustment shall be based on the prior year annual report for the municipality of Anchorage, Alaska, from the United States Department of Labor and Workforce Development, Consumer Price Index, and determined to be the percent change to the current year from the percent change of the prior year, and will be effective July 1st of any year applied. The first adjustment date shall be July 1, 2020. Following the availability of the Consumer Price Index necessary to make an adjustment for each year an adjustment is to be made, Lessee shall calculate and notify Lessor in writing of the amount of the adjusted monthly rent. Lessee shall pay the adjusted monthly rent to the Lessor from July 1st of the year of adjustment until the next adjustment of monthly rent. If Lessee fails to satisfy this obligation, Lessor may calculate and notify Lessee in writing of the amount of the adjusted monthly

rent. Lessor may then demand payment of any unpaid adjustments retroactive to the last adjustment date, which shall be considered past due if not paid within ten (10) days of written demand and, if not so paid, shall constitute a default under the Lease.

4.7 Reception Services. Sitka Animal Hospital shall continue providing reception services for the animal shelter.

All other sections of the Lease that are not modified by this Amendment No. 6 remain in full force and effect.

This Amendment No. 6 was approved by the City and Borough Assembly on [_____].

Amendment No. 6 becomes effective on February 28, 2022, which is when the current extension of the Lease expires, based on Sitka Animal Hospital Fifth Amendment to Lease.

CITY AND BOROUGH OF SITKA, ALASKA

Date

By: P. Keith Brady
Its: Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2019, by P. Keith Brady, Municipal Administrator of the CITY AND BOROUGH OF SITKA, ALASKA, an Alaska home rule municipality, on behalf of the municipality.

Notary Public in and for the State of Alaska
My commission expires: _____

SITKA ANIMAL HOSPITAL

Date
By: David Hunt
Its: President
STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2019, by David Hunt, President of the Sitka Animal Hospital, an Alaska corporation, on behalf of the corporation.

Notary Public in and for the State of Alaska
My commission expires: _____