

**CITY AND BOROUGH OF SITKA (CBS) PROPOSED LEASE TERMS WITH SITKA COMMUNITY
BOATYARD, LLC (SCB) FOR DEVELOPMENT OF A MARINE HAULOUT AND SHIPYARD
AT THE GARY PAXTON INDUSTRIAL PARK (GPI)**

A. PROJECT FINANCING:

The Selection Committee is recommending that no CBS funds be used for the initial phase development.

B. LEASE TERMS:

Phase 1: The CBS proposes a 50 year lease with SCB for a ~10,412 SF portion of Lot 9a, ~8,000 SF of tidelands, Lot 9b, Lot 9c, and Lot 15. The lease will be secured with a \$5,000 performance bond that can be applied to lease payments after 36 months. The lease will be structured to immediately release a ~10,412 SF section of Lot 9a and ~8,000 SF of tidelands to SCB. Lots 9b and 9c will be automatically released within terms of the lease to SCB once performance benchmarks are met by SCB. Lot 15 will be automatically released within terms of the lease to SCB once a second set of benchmarks are met.

Lease terms, rates, and performance benchmarks are outlined below:

Phase 1A – The CBS will lease a ~10,412 SF portion of Lot 9A and 8,000 SF of tidelands directly seaward of the Lot 9a uplands. The purpose of this initial portion of the lease is for SCB to finance and install marine travel lift piers, build a retaining wall, install a staging dock, and purchase or lease a marine travel lift to haul vessels. Lease rates are outlined below.

Lot 9a

| <i>Month</i> | <i>Rate/Sq. Ft./YR</i> | <i>Space</i> | <i>Monthly Payment</i> | <i>Yearly Total</i> |
|---|------------------------|-----------------------|------------------------|---------------------|
| <i>1st through 36th</i> | <i>\$0.00</i> | <i>10,412 sq. ft.</i> | <i>\$0</i> | <i>\$0</i> |
| <i>37th - 60th</i> | <i>\$0.06</i> | <i>10,412 sq. ft.</i> | <i>\$52.06</i> | <i>\$624.72</i> |
| <i>61th – 120th</i> | <i>\$0.12</i> | <i>10,412 sq. ft.</i> | <i>\$104.12</i> | <i>\$1,249.44</i> |
| <i>121th – 240th</i> | <i>\$0.18</i> | <i>10,412 sq. ft.</i> | <i>\$156.18</i> | <i>\$1,874.16</i> |
| <i>241th – 600th</i> | <i>\$0.24</i> | <i>10,412 sq. ft.</i> | <i>\$208.24</i> | <i>\$2,498.88</i> |

Tidelands

| <i>Month</i> | <i>Rate/Sq. Ft./YR</i> | <i>Space</i> | <i>Monthly Payment</i> | <i>Yearly Total</i> |
|---|------------------------|----------------------|------------------------|---------------------|
| <i>1st through 36th</i> | <i>\$0.00</i> | <i>8,000 sq. ft.</i> | <i>\$0</i> | <i>\$0</i> |
| <i>37th - 60th</i> | <i>\$0.06</i> | <i>8,000 sq. ft.</i> | <i>\$40</i> | <i>\$480</i> |
| <i>61th – 120th</i> | <i>\$0.12</i> | <i>8,000 sq. ft.</i> | <i>\$80</i> | <i>\$960</i> |
| <i>121th – 240th</i> | <i>\$0.18</i> | <i>8,000 sq. ft.</i> | <i>\$120</i> | <i>\$1,440</i> |
| <i>241th – 600th</i> | <i>\$0.24</i> | <i>8,000 sq. ft.</i> | <i>\$160</i> | <i>\$1,920</i> |

Once SCB meets the following performance benchmarks, the CBS will release Lots 9b and 9c:

- SCB documents that they have secured at least \$2,000,000 in financing.
 - The CBS will review financing documentation.
- SCB provides a draft contract, including detailed designs, with a firm to install marine travel lift piers
 - The CBS will review and approve contract to ensure project matches infrastructure proposed, ensure infrastructure fits with existing infrastructure of the GPIIP, and meets all CBS building codes, State, and Federal requirements.
- SCB provides a draft contract, including detailed designs, with a firm to install a retaining wall.
 - The CBS will review and approve contract to ensure project matches infrastructure proposed, ensure infrastructure fits with existing infrastructure of the GPIIP, and meets all CBS building codes, State, and Federal requirements.
- SCB provides a draft contract, including detailed design, with a firm to install a staging dock.
 - The CBS will review and approve contract to ensure project matches infrastructure proposed, ensure infrastructure fits with existing infrastructure of the GPIIP, and meets all CBS building codes, State, and Federal requirements.
- SCB provides a signed contract with a firm to purchase or lease a travel lift between 100-300 tons.
 - The CBS will review and approve contract to ensure project matches infrastructure proposed, ensure infrastructure fits with existing infrastructure of the GPIIP, and meets all CBS building codes, State, and Federal requirements.
- SCB must complete all above benchmarks by January 31st, 2022 or lease can be terminated by the CBS.

Phase 1B – The lease between CBS and SCB will be structured to automatically release lots 9b and 9c once the above performance benchmarks are met. The purpose for this second phase of the lease is for SCB to construct a wash down pad and water treatment facility. Lease rates are outlined below.

Lots 9b & 9C

| <i>Month</i> | <i>Rate/Sq. Ft./YR</i> | <i>Space</i> | <i>Monthly Payment</i> | <i>Yearly Total</i> |
|---|------------------------|-----------------------|------------------------|---------------------|
| <i>1st through 36th</i> | <i>\$0.00</i> | <i>42,219 sq. ft.</i> | <i>\$0</i> | <i>\$0</i> |
| <i>37th - 60th</i> | <i>\$0.06</i> | <i>42,219 sq. ft.</i> | <i>\$211.10</i> | <i>\$2,533.14</i> |
| <i>61th – 120th</i> | <i>\$0.12</i> | <i>42,219 sq. ft.</i> | <i>\$422.19</i> | <i>\$5,066.28</i> |
| <i>121th – 240th</i> | <i>\$0.18</i> | <i>42,219 sq. ft.</i> | <i>\$633.29</i> | <i>\$7,599.42</i> |
| <i>241th – 600th</i> | <i>\$0.24</i> | <i>42,219 sq. ft.</i> | <i>\$844.38</i> | <i>\$10,162.56</i> |

Once SCB meets the following performance benchmarks, the CBS will release Lot 15:

- SCB provides a draft contract, including detailed design, to install a wash down pad and water treatment facility.
 - The CBS will review and approve contract to ensure project matches infrastructure proposed, ensure infrastructure fits with existing infrastructure of the GPIIP, and meets all CBS building codes, State, and Federal requirements.
- SCB must complete all above benchmarks by June 30st, 2022 or lease can be terminated by the CBS.

Phase 1C – The lease between CBS and SCB will be structured to automatically release lot 15 once the above performance benchmark is met.

Lot 15

| <i>Month</i> | <i>Rate/Sq. Ft./YR</i> | <i>Space</i> | <i>Monthly Payment</i> | <i>Yearly Total</i> |
|---|------------------------|------------------------|------------------------|---------------------|
| <i>1st through 36th</i> | <i>\$0.00</i> | <i>113,369 sq. ft.</i> | <i>\$0</i> | <i>\$0</i> |
| <i>37th - 60th</i> | <i>\$0.06</i> | <i>113,369 sq. ft.</i> | <i>\$566.85</i> | <i>\$6,802.14</i> |
| <i>61th – 120th</i> | <i>\$0.12</i> | <i>113,369 sq. ft.</i> | <i>\$1,133.69</i> | <i>\$13,604.28</i> |
| <i>121th – 240th</i> | <i>\$0.18</i> | <i>113,369 sq. ft.</i> | <i>\$1,700.54</i> | <i>\$20,406.42</i> |
| <i>241th – 600th</i> | <i>\$0.24</i> | <i>113,369 sq. ft.</i> | <i>\$2,267.38</i> | <i>\$27,208.56</i> |

Other Terms of lease:

- Lease rate CPI Adjustment will start year 20. (Not to exceed 2% per year)
- CBS will allow SCB lender to secure a lease-hold interest to secure financing.
- CBS reserves the right to lease lots 9b, 9c, & 15 to non-competing uses during initial phase.
- SCB will give CBS 45-days' notice when it intends to provide documentation of performance benchmarks.

Total upland lease rates in Phase 1

| <i>Month</i> | <i>Rate/Sq. Ft./YR</i> | <i>Space</i> | <i>Monthly Payment</i> | <i>Yearly Total</i> |
|---|------------------------|------------------------|------------------------|---------------------|
| <i>1st through 36th</i> | <i>\$0.00</i> | <i>166,000 sq. ft.</i> | <i>\$0</i> | <i>\$0</i> |
| <i>37th - 60th</i> | <i>\$0.06</i> | <i>166,000 sq. ft.</i> | <i>\$830</i> | <i>\$9,960</i> |
| <i>61th – 120th</i> | <i>\$0.12</i> | <i>166,000 sq. ft.</i> | <i>\$1,660</i> | <i>\$19,920</i> |
| <i>121th – 240th</i> | <i>\$0.18</i> | <i>166,000 sq. ft.</i> | <i>\$2,490</i> | <i>\$29,880</i> |
| <i>241th – 600th</i> | <i>\$0.24</i> | <i>166,000 sq. ft.</i> | <i>\$3,320</i> | <i>\$39,840</i> |

Phase 2: The CBS proposes a lease matching terms of the Phase 1 lease with SCB for lots 6, 7, 8, and a 43,637 SF section of the northern portion of Lot 9a within 60 months from execution of a lease in Phase 1.

Lease terms, rates, and performance benchmarks are outlined below:

- SCB reserves first right of refusal to lease property for use as a boatyard.
- SCB must exercise its option to lease lots within 60 months from execution of a lease in Phase 1.
- SCB must give CBS 6 months notices of intent to exercise Phase 2 properties.

- CBS reserves the right to lease lots on a short term, month to month basis to non-competing use.
- SCB must demonstrate its ability to haul at least 100 vessels per year prior to executing first right to lease Phase 2 lots.
- SCB must provide documentation that it has ability to lift at least 5 vessels per day to executing first right to lease Phase 2 lots.

Lots 6, 7, 8, and 43,367 SF of Lot 9a

| Month | Rate/Sq. Ft./YR | Space | Monthly Payment | Yearly Total |
|--|-----------------|-----------------|-----------------|--------------|
| 1 st through 12 th | \$0.06 | 149,906 sq. ft. | \$749.53 | \$8,994.36 |
| 13 th – 24 th | \$0.12 | 149,906 sq. ft. | \$1,499.06 | \$17,988.72 |
| 25 th – 36 th | \$0.18 | 149,906 sq. ft. | \$2,248.59 | \$26,983.08 |
| 37 th – 60 th | \$0.24 | 149,906 sq. ft. | \$2,998.12 | \$35,977.44 |

B. Additional Terms

1. SCB is required to operate a vessel haul out and boat yard on leased property. If SCB changes operations on lease property, the CBS reserves the right to terminate lease.
2. SCB is required to provide vessel haul out data to the CBS during its first 5 years of operation annually, no later than 30 days from anniversary of lease execution.
3. SCB shall be an independent contractor who has the exclusive right to operate a marine haul out and shipyard at GPIIP. SCB shall lease upland areas from CBS and SCB shall have the right to sublease those lands.
4. SCB shall be responsible for operating in accordance with all codes and laws and for enforcing the same requirements with any subleases that SCB may create.
5. SCB will be required to pay all published CBS utility fees and charges.
6. SCB shall collect and remit CBS sales tax for services or sales that SCB provides at GPIIP.
7. SCB is responsible for the safety of persons using facilities.
8. SCB shall provide a port security plan, if required in the future
9. SCB shall be responsible for maintenance of SCB's infrastructure and equipment.
10. SCB shall provide insurance requirements outlined in the RFP.
11. SCB will maintain, ensure non-competitive access, and scheduled use of the waterfront access ramp for existing business of the GPIIP. Any issues will be vetted by GPIIP Board.
12. SCB is required to allow an area to install anchors and cable systems to pull vessels up the ramp.
13. SCB shall provide annually user agreements of tenants of the haul out yard to ensure all environmental and safety precautions are being followed.

14. All other standard CBS lease agreement terms.

C. CBS Responsibilities

- CBS will remove all debris, including vehicles, structures and materials, from SCB leased land prior to SCB beginning operations.
- CBS will provide snow removal on streets within GPIP to provide access to SCB lease property
- CBS will maintain water, sewer and electrical service within utility right-of-ways.

D. CBS RAISE Grant

- The CBS intends to apply for a USDOT RAISE Grant. The CBS grant is written to be flexible for multiple options for vessel haul out and shipyard development. The CBS will investigate how grant funds can be applied to the development of a haul out and shipyard at the GPIP. The CBS intends to work with SCB on property development if grants funds are awarded and SCB is successful in their development efforts.