

## **Memorandum 12-064 Recommendations for Lease on Lot 88-3, Homer Spit**

**Memorandum ID:** 12-064

**Memorandum Status:** Backup

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MEMORANDUM 12-064

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TO: MAYOR HORNADAY AND CITY COUNCIL  
THROUGH: WALT WREDE, CITY MANAGER  
FROM: LEASE COMMITTEE  
DATE: APRIL 2, 2012  
RE: RECOMMENDATIONS FOR A LEASE ON LOT 88-3, HOMER SPIT

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### Background

The Lease Committee reconsidered a proposal with additional information submitted by Mr. William Sullivan, Dockside II for a new long term lease on Lot 88-3, on the Homer Spit. Below is the excerpt from the Special Meeting on March 28, 2012 reflecting the discussions and recommendations on the proposed lease.

### STAFF & COUNCIL REPORTS/COMMITTEE REPORTS/BOROUGH REPORTS

#### A. Staff Report – Updates and Status Report

City Manager Wrede thanked the committee for reconsidering this proposal and allowing the benefit of the doubt on the efforts of Mr. Sullivan to provide information and responses to the criteria listed in the Lease Policy. Mr. Wrede further noted that Mr. Sullivan is working diligently to come under compliance with the Fire Marshal requirements, application of a Conditional Use Permit and setback requirements.

There was no further discussion.

### PENDING BUSINESS

#### A. Dockside II Lease Proposal

HAWKINS/ABBOUD - MOVED TO DISCUSS THE DOCKSIDE II LEASE PROPOSAL.

There was no discussion.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Chair Yager thanked Mr. Sullivan and stated he had several questions and a few comments. He noted that he did own a fishing processing business. He acknowledged that Mr. Sullivan's business was an asset to the Spit and the community and the trickle- down effect.

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Discussion ensued with Mr. Sullivan responding to questions from the Committee and the following points were noted:

- Fire Marshal has received Mr. Sullivan's documents and they are currently under review – confirmed today, March 29, 2012
- Setback issues will be handled by a proposed trade with the city, Mr. Sullivan and the neighboring lessees involved.
- City Manager Wrede stated that the city is proposing to trade the 15 foot easement that will be used for the Spit Trail at the back of the property with land at the front of the property along the roadway.
- Liability Insurance required was renewed on March 25, 2012 and Mr. Sullivan can provide an updated certificate.
- The City Manager confirmed receipt of permits.
- Mr. Sullivan was requesting a 20 year Lease with two five years renewal options for a total of 30 years.
- The Committee expressed concern with the length of the lease versus the amount of investment previously done by Mr. Sullivan.
- Mr. Sullivan stated that he maintains a small operation since he works out of pocket and cannot get bank financing for his operation since he does not own the land. He believes that when he obtains a long term lease he will then qualify for funding from various sources.
- Chair Yager offered that with all Mr. Sullivan's ideas that this current lot may be too restrictive if he has a long term lease.
- Mr. Sullivan responded that he will remain a small operation as he does not want to relocate to a larger lot or have the overhead of a larger operation. Mr. Sullivan stated he wants to improve his current operations but not increase them.
- The City Manager confirmed for the committee that a standard base lease is 20 years with two 5 year options.
- Mr. Sullivan added that he was unaware of Conditional Use Permits and was not contacted by the City about any of the requirements until a few months ago and assured the Committee that he is working with the Planning Department to get into compliance.
- Mr. Williams explained what he meant when Mr. Hawkins inquired about the value added products statement in his proposal – responding Mr. Williams stated, Homer is the largest Halibut port and he would like to offer processing services instead of sending it down the road. He is working with Korea and is processing skate wings on the Spit. He would like to bring other fisheries such as cod.
- Mr. Williams additionally offered that he would like to offer some retail services, work with farmers markets and branding for preparation of product locally and then shipping out; take advantage of the current fish market; and automating his processes would allow him to increase his business and productivity. This would allow him to offer longer employment options also.

Further discussion and concerns expressed by the Committee were parking and placement of containers on the lot; the placement of buildings in the designated parking area; mixing retail with processing; site drawings; the lack of a written Capital Development Plan; infringement on neighboring property; HEA easements prohibiting permanent structures and lessee pays for the unusable property; showing a measure of safety for the neighboring properties when submitting the Conditional Use Permit; the proposed term of lease.

**HAWKINS/ABBOUD - THE LEASE COMMITTEE RECOMMENDS THAT WILLIAM SULLIVAN BE GIVEN THE OPPORTUNITY TO NEGOTIATE A NEW LEASE FOR LOT 88-3 ON THE HOMER SPIT ROAD WITHOUT A COMPETITIVE BIDDING PROCESS BECAUSE IT IS IN THE PUBLIC INTEREST TO DO SO FOR THE FOLLOWING REASONS:**

1. MR. SULLIVAN'S BUSINESS GREATLY BENEFITS THE COMMUNITY ECONOMICALLY BY PROVIDING A MARKET FOR LOCAL FISHERMENT, PROCESSING THE FISH IN HOMER AND PROVIDING THE FISH TO LOCAL MARKET.
  2. MR. SULLIVAN HAS HAD 22 YEARS OF EXPERIENCE PROCESSING SEAFOOD ON THE HOMER SPIT.
  3. MR. SULLIVAN'S FINANCIAL CONDITION IS STABLE AND HAS MAINTAINED A VERY GOOD LEASE PAYMENT HISTORY IN THE PAST.
  4. RECOMMENDS A 20 YEAR LEASE WITH TWO 5 YEAR OPTIONS.
- THE LEASE COMMITTEE FURTHER RECOMMENDS THAT THE NEW LEASE BE CONTINGENT UPON MR. SULLIVAN COMING INTO COMPLIANCE WITH ALL ZONING AND LAND USE REQUIREMENTS AND OBTAINING THE NECESSARY PERMITS.

A brief discussion regarding including performance standards on this lease ensued. It was noted that in the Lease Policy there are specific requirements and standards that need to be completed during the lease, application for the CUP will have an effect on the lease; the duration of a lease without a Capital Investment and Development Plan.

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YAGER/ZIMMERMAN - MOVED TO OFFER A FRIENDLY AMENDMENT OF A 10 YEAR LEASE WITH TWO 2.5 YEAR EXTENSION OPTIONS FOR A TOTAL OF FIFTEEN YEARS.

The City Manager offered some advice on making a recommendation on a shorter term based on the investment plan. The lease can be amended at a later date. There was no discussion and the friendly amendment was accepted by all parties.

There was no further discussion.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Chair Yager requested the Clerk to read the motion currently on the floor. Chair asked for additional discussion. There was none.

VOTE. (Main) YES. ZIMMERMAN, ABBOUD, YAGER, HAWKINS.

Motion carried.

Mr. Sullivan thanked the committee members and would like to keep more open dialog with the City. Some days it's tough out there.

### RECOMMENDATION

Approve the recommendation to have the City Manager Enter into negotiations for a recommended 10 year lease with two 2.5 year renewal options on Lot 88-3 on the Homer Spit without going through the Request for Proposal process based on the following reasons:

1. Mr. Sullivan's business greatly benefits the community economically by providing a market for local fishermen, processing the fish in Homer and providing the fish to local market.
2. Mr. Sullivan has had 22 years of experience processing seafood on the Homer Spit.
3. Mr. Sullivan's financial condition is stable and has maintained a very good lease payment history in the past.

Related Resolutions **Memorandum - Related Resolutions:** [Resolution 12-033 Authorizing Lease Negotiations for Lot 88-3 on the Homer Spit, Lot 88-3 William Sullivan, dba Dockside II](#)

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