Memorandum 13-074 Recommendation to Approve Lease for Alaskan Coastal Freight, LLC

Memorandum ID: 13-074
Memorandum Status: Backup

Memorandum 13-074
TO: MAYOR WYTHE AND CITY COUNCIL
THROUGH: WALT WREDE, CITY MANAGER
FROM: LEASE COMMITTEE
DATE: MAY 15, 2013
SUBJECT: RECOMMENDATION TO APPROVE LEASE FOR ALASKAN COASTAL FREIGHT, LLC
At a Special Meeting of the Lease Committee on May 14, 2013 the Committee approved the staff recommendation to lease a portion of Lot 13 to Alaskan Coastal Freight, LLC at $0.60 per square foot for 5 years. Plus the following additional staff recommendations: Review and approval of the drainage plan by appropriate authorities; An approved timetable for development; Supplemental information regarding planned improvements; An estimate of the proposed and past investments; Other required information such as employment and financial impacts. The committee further approved the recommendation to exchange the cost of improvements performed by the lessee in lieu of the same amount of rent.

Following is the excerpt from the minutes of that meeting regarding the committee's recommendations:

NEW BUSINESS
A. Proposal & Assignment: Alaskan Coastal Freight
1. Chapter 6 – Proposal Evaluation Process
2. Staff Evaluation & Findings

Chair Yager requested a motion to bring Item A. Alaskan Coastal Freight Proposal to the floor for discussion.

HAWKINS/ZIMMERMAN – MOVED TO BRING ALASKAN COASTAL FRIGHT PROPOSAL FORWARD FOR DISCUSSION.

There was no discussion.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Mr. Wrede commented on the review process conducted by staff and the proposal was found to be completed with the exception of a project timeline or development plan. Mr. Wrede further stated that the information Mr. Flanagan omitted from the proposal he did provide in his statement under Public Comment. There was no information provided on employees/future employment opportunity and spin off either in the proposal.

Chair Yager inquired if Mr. Flanagan would like to address those items now for the committee.

Mr. Flanagan provided information on 600 tons of equipment, winter projects, freight hauling in amounts of 200 tons or more; and that there appears to be more satellite business available. Currently he has no plans for expanding his employees which number 1 on the beach an 4 in the boat. Mr. Flanagan stated his biggest concern is safety for the pedestrians and civilians that bypass the area on a daily basis; he also noted that the Harbormaster has a better view on that parcel in regards to security. He sees the possibility of growth in the business industry. Mr. Flanagan described how he will install the culverts.

A brief discussion on a drain line, contaminant issues, installation of a system to deal with oil, using money from the proposed lease to defer that cost; a system installed out East End Road by Mr. Flanagan for a cost of approximately $10,000. Chair Yager asked for a recap on the basis for agreeing to $0.50 per square foot lease rate instead of the $0.60. Mr. Flanagan cited the costs he will incur in leasing this portion of a parcel was the

improvements he intended to perform and the benefits to the community his lease provided last year.
Mr. Zimmerman provided some points in leasing at the lower rate to recent lessees.
Chair Yager questioned the amount of improvements proposed by Fortune Sea, LLC and using those as a comparison to what Mr. Flanagan proposes. He expressed concern regarding a precedent being set.

Mr. Wrede offered one alternative to deduct the money paid on improvements and that the city has accepted work for rent in the past.

Mr. Flanagan cited that he is proposing to rent land that currently is not usable and making it usable.

Mr. Zimmerman expressed concerns over what the Lease Policy states in regard to the appraisal.
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ABBOUD/ZIMMERMAN - MOVED TO APPROVE THE STAFF RECOMMENDATIONS AND FORWARD TO CITY COUNCIL PRORATING THE RENTAL AMOUNT FOR THE AMOUNT OF THE PROPOSED AND REQUIRED IMPROVEMENTS TO THE PROPERTY.

There was no further discussion.

VOTE. YES. ABBOUD, HAWKINS, ZIMMERMAN, YAGER.

Motion carried.
Related Resolutions**Memorandum - Related Resolutions:** Resolution 13-054 Authorize Lease Negotiations with Alaskan Coastal Freight, LLC for Lease on the South End of Lot 13, Homer Spit Subdivision No. 2

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