Memorandum 14-060 Snug Harbor Seafoods Lease Lot 13B Port Industrial Subdivision #2

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TO: Lease Committee

FROM: Walt Wrede

DATE: March 14, 2014

SUBJECT: Revised Lease Proposal / Snug Harbor Seafoods

Background

In the Fall of 2010, the City issued a Request for Proposals (RFP) to lease parcels of land adjacent to the port and harbor. The RFP specifically requested proposals for all or a portion of Lot 13 B, Port Industrial Subdivision #2. The City received one proposal for half of Lot 13 B from Snug Harbor Seafoods. Snug Harbor requested a shorter term lease because it wanted to continue to do business at that location but wished to stay flexible, monitor changes in the industry, and defer large capital investment for the immediate future. The Lease Committee reviewed the proposal and staff recommendations at a Special Meeting on November 30, 2010. The Committee recommended approval of the lease proposal and also recommended a five year term with two one-year options. This recommendation was consistent with a prior recommendation from the Committee that the City make shorter term leases available to companies which provide a significant economic impact but are not in a position to make a large capital investment.

On December 13, 2010, the Homer City Council adopted Resolution 10-98 entitled “A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA APPROVING A FIVE-YEAR LEASE WITH TWO ONE-YEAR OPTIONS ON ONE HALF OF LOT 13 B FOR SNUG HARBOR SEAFOODS AND AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE THE DOCUMENT.” At the time the proposal was reviewed and approved, the applicant made a commitment to installing a permanent building affixed to a foundation and connected to City water and sewer. This commitment resolved some outstanding zoning problems, provided for a more permanent, legal structure, and made a longer term lease possible (longer than a standard short term, six month lease).

What Has Occurred in the Interim?

The City and Snug Harbor have continued lease negotiations during the interim. The negotiation process took longer than anticipated but there was a lot to do and the result has been good for both the City and Snug Harbor. The primary reason for the delay is that Snug Harbor’s plans for the site and for the building have changed significantly. Snug Harbor is now requesting that it be able to lease Lot 13 B in its entirety. Its original proposal was for one half of the lot. Lot 13 B contains approximately 22,622 square feet. This request is made to accommodate an expanded operations plan and provide for a better site plan and space utilization.

In addition to the request for additional space, Snug Harbor has expanded its building plan and the range of activities the building can accommodate. The approved building and site plans are attached for your information. This represents an increased and significant investment compared to the original proposal and warrants a longer lease term. The proposed uses in the new facility include seafood purchases; both commercial and sport, sport and commercial fish retail sales, storage, office space, watchman’s quarters, shower and restroom facility, kitchen facility, other seafood logistics and support activities, and possible fish processing in the future. The City has also

followed-through with its stated intent to make improvements adjacent to Lot 13 B which includes paving Fish Dock Road and constructing the pathway along the breakwater.

What is the Present Status of Lease Negotiations?

Lease negotiations are complete and Snug Harbor awaits approval by this Committee and the City Council. The company fundamentals regarding things like corporate status, financial capacity, experience, etc. have not changed to the degree that they warrant a detailed discussion here. We are confident that Snug Harbor has the capacity to do what it promises and comply with the terms of the lease. This is a much stronger proposal than the original because it is a significantly greater investment and commitment and it is likely to result in more jobs and increases taxes and revenues.

The attached site plan and building plan has been reviewed and approved by both the Fire Marshall and the City Planning Department. The lease document itself has been reviewed several times by the parties and agreement has been reached on the document and all key items including allowed uses, development schedule, rent, and term. The rent is based upon an appraisal. Discussions between the parties continue regarding allowed equipment on the Fish Dock, but that is a separate discussion and will be handled through the Fish Dock Permitting process.

What has Changed? Why is a New Approval Needed?

The City Administration felt that it was important to have the revised proposal reviewed and approved again because it is significantly different than what was originally approved. The primary differences are:

A larger building which represents a much greater investment and commitment
A revised and expanded list of proposed uses which could result in more jobs and additional revenue.
A revised site plan and request to lease the entire Lot 13 B instead of just half of it.
A new term: 20 years plus two five-year options.

RECOMMENDATION

Recommend approval of a new lease for Snug Harbor Seafoods for Lot 13 B in its entirety; term 20 years plus two five-year options, lease amount $15,835.44 annually to start, and the building, site plan, and permitted uses as described above.

Related Resolutions**Memorandum - Related Resolutions:** Resolution 14-043(A) New 20-Year Lease with Snug Harbor Seafoods for Lot 13B, Port Industrial Subdivision Number 2

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