

Tuesday, April 21, 2009

## MEMORANDUM

To: Sawmill Cove Industrial Park Board of Directors (SCIP Board)

From: Garry White, Director 

Subject: Island Fever Diving and Adventures, LLC. Lease

### Background

At the March 17, 2008 SCIP Board meeting, the Director was directed to contact Island Fever Diving and Adventures to inform them that their lease rates would be set at market rate for the entire year. A letter was sent to the lease holder on March 18, 2008. The current lease was signed on 04/03/08 and as directed by the board at the 2008 meeting, the lease agreement is up for review.

The current lease agreement is for room 19 (181 SF), room 26 (270 SF), and room 27 (240 SF) for a total of 691 SF. The current agreement calls for \$.75/SF for the months May – September and \$.50/SF for the months October- April.

$691 \text{ SF} \times \$0.75 = \$518.25 \times 5 \text{ months} = \$2,591.25$

$691 \text{ SF} \times \$0.50 = \$345.50 \times 7 \text{ months} = \underline{\$2,418.50}$

Total \$5009.75 annually

Per the discussion at the March 2008 meeting proposed year round market rate lease would be the following:

$691 \text{ SF} \times \$0.75 = \$518.25 \times 12 \text{ months} = \$6,219 \text{ annually for a } \$1,209.25 \text{ annual increase.}$

The lease holder does not utilize the facility during the winter months, as such no electricity is consumed and restroom cleaning for first floor is not needed.

The lease holder has expressed some interest in consolidating their usage into the shop area room 18 (1,342 SF)

$1,342 \text{ SF} \times \$0.75 = \$1,006.50 \times 12 \text{ months} = \$12,078.00 \text{ annually}$

(Note: this does not include room 19 which is currently being used by lease holder)

*Janney?*

**City and Borough of Sitka  
Month-to-Month Lease Agreement  
Island Fever Diving and Adventures, L.L.C.**

This lease agreement is made between the City & Borough of Sitka of 100 Lincoln Street; Sitka, Alaska hereinafter referred to as Lessor and Island Fever Diving and Adventures, L.L.C., 805 Halibut Point Road, NO. 5; Sitka, Alaska 99835, hereinafter referred to as Lessee.

The Lessor and Lessee agree as follows:

1. Lessor shall lease to Lessee 691 square feet in the Administration Building at the Sawmill Cove Industrial Park hereinafter referred to as SCIP for the purpose of operating a bicycle rental and tour business including outside storage of bicycles and equipment.

Lessee shall use the area only for activities related to bicycle rental, storage and repair.

2. This lease agreement is to be on a month-to-month basis, the term beginning April 1, 2007.

3. Lessee understands that the space being leased is in an "as is" condition which means any improvements necessary to make the lease area acceptable to the Lessee are the responsibility of the Lessee. This requirement includes the leasehold area as well as any common areas the Lessee needs to conduct its business.

4. Lessee understands that any improvements to the leasehold made by Lessee must conform to City building codes and the improvements must be approved by the Sawmill Cove Site Manager.

5. Should the Lessor find a better and higher use for the specific area, the Lessee will be given either a 30- day notice to vacate or be invited to move to another location within the SCIP at the Lessee's expense.

6. Should the Lessee decide to give up their lease at SCIP, a 30-day written notice in writing will be given to the Municipal Administrator.

7. The Sawmill Cove Board of Directors may decide to evaluate the lease and rent rate should this month to month lease extend past twelve months time.

8. The Lessee agrees they are solely responsible for all security necessary to protect their property. The Lessor shall not be held liable for damage or loss.

9. Lessee is responsible for any damage caused by its customers including excessive janitorial cleaning of restrooms and carpets. Normal wear and tear is acknowledged.

10. Lessee understands the leasehold area is not heated. Should the Lessee choose to install portable or permanent electric heaters, the lease rate will increase by \$0.16 per square foot per month to pay for electrical consumption..

11. Lessee shall pay to Lessor rent on the following schedule:

May 1 to September 30 = \$ 0.75 per square foot

October 1 to April 30 = \$0.50 per square foot

Year round \$25.00 per month per storage container up to four containers.

City sales tax will be added to all rent charges.

Lease rate includes use of common areas of the building including restrooms

12. The rent is due the first day of each month delivered to City Hall (City & Borough of Sitka; 100 Lincoln Street; Sitka, Alaska 99835) and no invoice will be sent.

13. Lessee understands that SCIP is open for business from 7:00 AM to 3:30 PM on weekdays. Access to the Administration Building at other times must be coordinated with the Sawmill Cove Site Manager.

14. Lessee shall indemnify Lessor and hold it harmless from any and all claims, demands, suits, loss, liability and expense for injury to or death of persons or damage to or loss of property arising out of or connected with the exercise of the lease privileges granted to it.

15. Lessee shall maintain comprehensive liability insurance in coverage and amounts acceptable to Lessor. Lessee's insurance policy shall be maintained during the life of this lease. Lessee shall provide Lessor with a current certificate of insurance. Insurance binders are due at the execution of this lease. The City and Borough of Sitka shall be named on Lessee's policy as an Additional Insured. Coverage limits are:

State limits Worker's Compensation

\$500,000 General Business Liability

\$300,000 Automotive Insurance

16. Upon termination of this lease, Lessee shall remove all materials, equipment and other personal property from the leased area and return the area to a satisfactory, broom-clean condition.

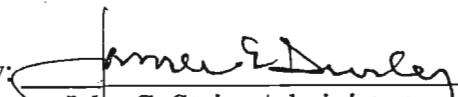
IN WITNESS WHEREOF, the parties to these presents have executed this contract in the year and day first mentioned above.

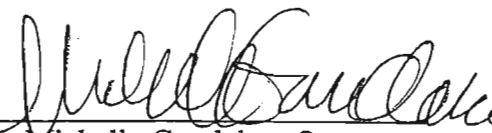
**City & Borough of Sitka**

**Island Fever Diving and Adventures, L.L.C.**

100 Lincoln Street  
Sitka, Alaska 99835  
(907) 747-3606

805 Halibut Point Road, No. 5  
Sitka, Alaska 99835  
(907) 747-4821

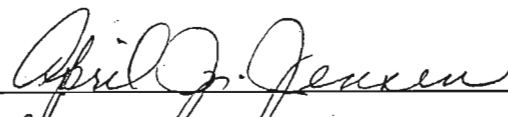
By:   
~~John C. Stein, Administrator~~  
James E. Pinley

By:   
Michelle Gundaker, Owner

Date: April 3 2008

Date: 4/3/08

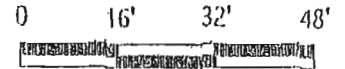
Attest:

By:   
Deputy Clerk

Lease  
Areas

# Administration Building - Lease Area Planning

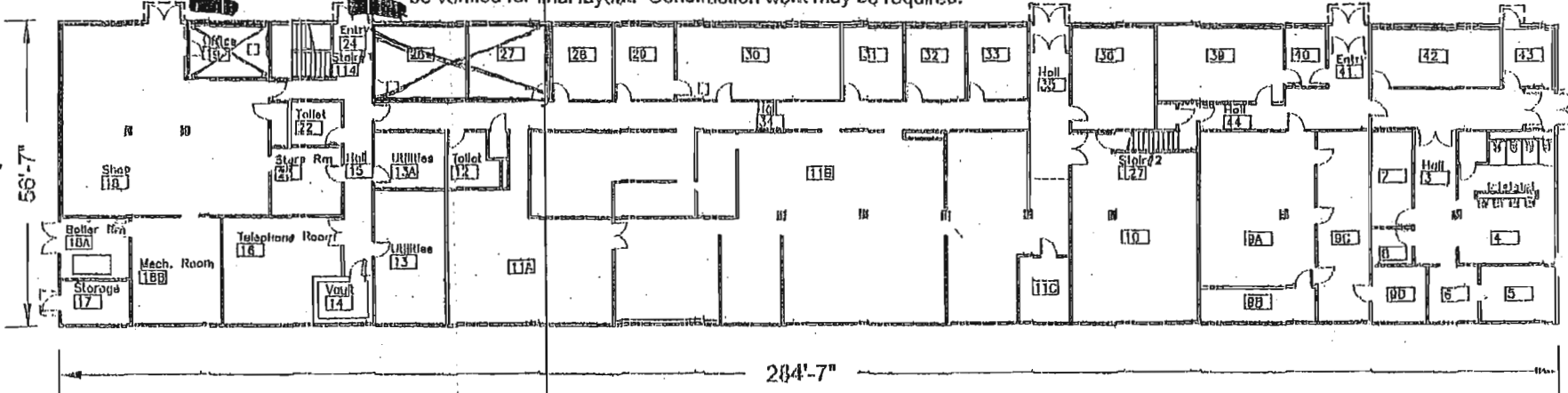
Note: Access to electrical disconnects, toilet facilities and thermostats, and egress paths was considered in layout of lease areas, but these and other code requirements must be verified for final layout. Construction work may be required.



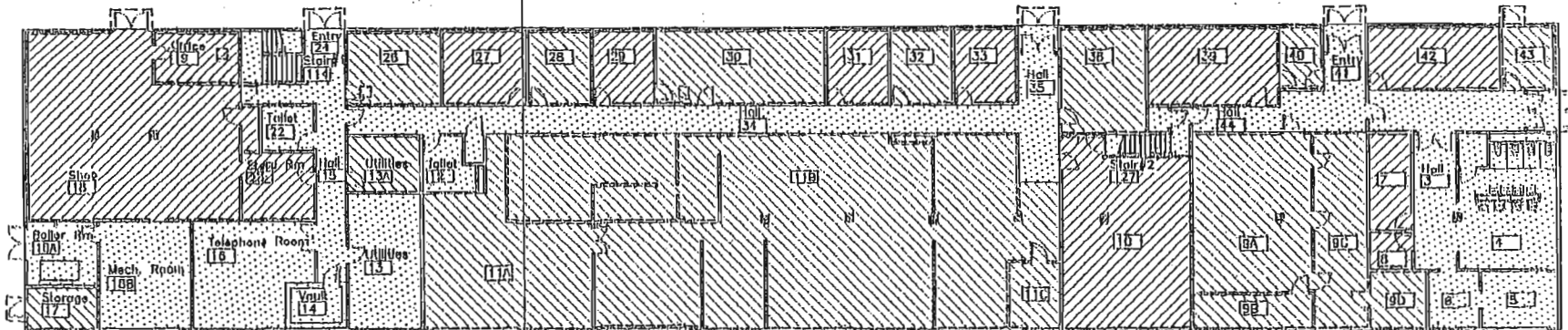
**First Floor**

1A  
Floor  
Plan

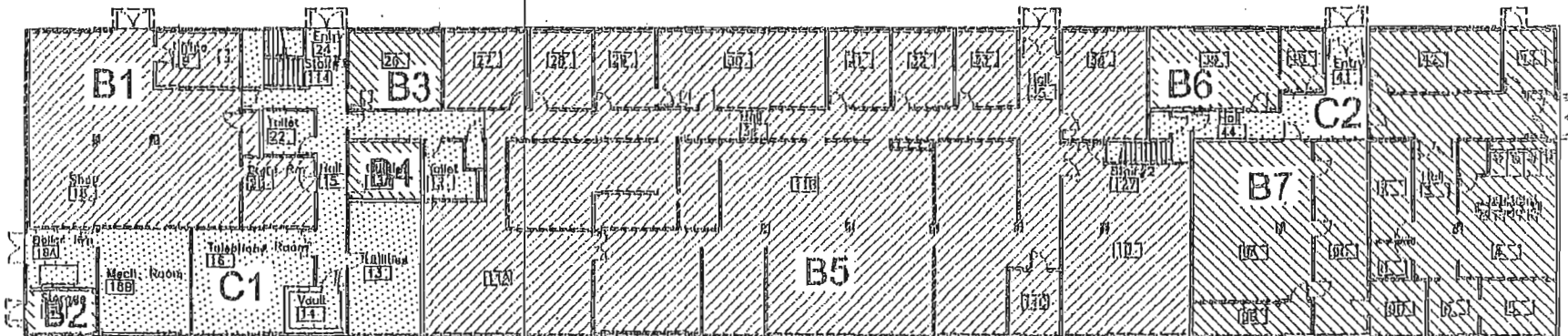
16,103 sqft



1B  
Small  
Lease  
Areas



1C  
Large  
Lease  
Areas



Note: Hallways 15, 34 and other areas must remain accessible for future plumbing, electrical, communications improvements and repair as utility corridor and treated as "easements".

## Bike and Hike Lease

Mr. Bevan explained that the previous lease offered to Bike and Hike was approved in March of 2007 and due to expire this month. Under the previous lease agreement, Bike and Hike paid 75 cents per square foot during the summer months (May–September) and was given a reduced rate of 50 cents per square foot for the remaining off season months when the space was being used for storage only. Bike and Hike currently leases approximately 690 square feet of space on the lower floor of the Administration Building.

Bike and Hike appears to have been a good tenant with no noted late payments or other problems. They have made some improvements to the space.

Mr. Horan raised the issue of establishing a fair rate policy that has all tenants paying the same rate schedule. This would set policy that would help attract future tenants.

Mr. Harang suggested renewing the Bike and Hike lease for another year as per the previous lease, but giving the company written notice that next year their rates would be set at market rate for the entire year with no discount for winter months.

**MOTION:** M/S Harang/Fondell moved to extend the lease as is for one more year with notice that next year the lease will be at full market rate for the entire year.

**ACTION:** Motion PASSED unanimously on a voice vote.

### 3. SCIP Marketing of Vacant Land and Stores Building

Mr. Bevan stated that a new plat of the SCIP property was ready pending approval by the Planning and Zoning Commission. Property is ready to advertise, we just need to decide how to move forward.

Mr. Horan emphasized the need to maintain control of the waterfront without restricting use of the other property.

Ms. Davis noted that with the FTA funds we may have no choice but to provide free and clear right of ways.

Mr. Horan suggested putting out multiple RFPs to address the best use of each part of the SCIP site and have the RFPs advertised and included on the website. The first RFP should be for a marine services business (such as the boat haulout) focused on the lots currently set aside for this use. The second RFP could be for the Administration Building with favor going to those business proposals that will create jobs.

Ms. Davis pointed out that the Administration Building cannot be sold without first paying back the Federal grant. She went on to state the need for communicating with the Assembly before any incentives could be offered.

Mr. Bevan emphasized the need to make sure that local business owners and residents are made aware of the RFPs and available property first. The property could be leased or sold or offered as a lease with option to purchase, but there must be some method established to ensure follow through on any accepted proposals.

Mr. Horan suggested there are three ways to ensure follow-through:

- o Conditional lease
- o Reverter clause
- o Or a required development time-line
- o

March 18, 2008

Michelle,

Yesterday the Sawmill Cove Board approved a one year extension of the Bike and Hike lease under the same terms. The Board wants to notify Bike and Hike that next year, the rates will go to market amount year-round.

As of this date, that would be \$0.75 per SF year round. The Board wanted to give Bike and Hike plenty of notice that this change was coming up in a year.

I will get a new lease drafted and sent to City Hall. I will let you know when that happens so you can meet the new Administrator and sign the lease.

Hugh