



City of Homer

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Port and Harbor

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Memorandum

TO: PORT AND HARBOR ADVISORY COMMISSION

FROM: BRYAN HAWKINS, PORT DIRECTOR/HARBORMASTER

DATE: MARCH 17, 2020

SUBJECT: LEASE APPLICATION – SEA TOW SOUTH CENTRAL ALASKA-TREY HILL

Sea Tow South Central Alaska has submitted a completed Lease Application for the portion of Lot 48, also known as 4667 Homer Spit Rd. This property was leased in the past to Kachemak Port Services as a ferry ticket office until 2013 and includes a single story ground floor office building (336 sq. ft.), and the 2nd floor of the connected 2 story building providing additional office space and restrooms with exterior stair access (960 sq.) . The first floor of the 960 sq. footprint building is a City owned pump house with water storage tank and not available or included in this lease proposal. The property was included in a Land Available for Lease RFP advertised starting February 28 2020 and closing on March 17 2020. The applicant was the only responding proposer. This property is currently vacant, and because it houses critical City infrastructure, must be maintained. The main details, staff comments, and notes of the lease proposal are listed below:

Basic Notes:

- Term requested is - “minimum of 3 years”. Length of term , as per HCC 18, can be part of the negotiation process between City and proposer when developing a lease for final council review and approval
- Primary proposed business is a maritime business - 24/7/365 On-water Service Provider, providing recreational and commercial boater assistance with tows, jumpstarts fuel/part drops, and salvage/recovery services.
 - (HCC 21.30.020 (f) Marine Industrial- permits use in the area of marine equipment sales, rental, services, repair and storage)
- Accessory proposed use for the property is employee housing.
 - (HCC21.30.020 (l) permits “caretaker, business owner or employee housing as an accessory use to primary use, limited to no more than 50 percent of the floor area of a building”, and occupants have

to live there for more than 30 consecutive days) The first floor (other 50%) of this building houses City facilities as a pump house and water tank storage and falls under a primary permitted use listed in HCC 21.30.020 (a) Port and Harbor facilities.

- The \$30 lease Application fee has been paid as of 3/18/20 \$300 lease fee due at time of lease finalization.
- Proposed improvements and benchmarks for development- Interior flooring replaced and interior paint applied to building upon one week of occupancy. Remodel of bathroom to include shower/laundry and kitchenette upgrade = 6 months from time of occupancy
- In 2013 the last set base rent for this property was:
 - 2136 sq ft of Land (foot print of lower building and 10 parking spaces) equaled:
 $\$1,049.70 \times 12 = \$12,596.43 / 2136 = \$5.90/\text{sf}$ AND
 - 960 sq ft (of office space where they didn't have control of the land underneath or the entire building) at: $\$128.48 \times 12 = \$1,541.70 / 960 = \$1.61/\text{sf}$

The current proposal offers a bid of \$1. 50/sf per annum for:

- 3096 sq.ft at: $\$387.00 \times 12 = \$4633.00 / 3096 = \$1.50/\text{sf}$
- 18.08.075 gives guidance on allowed Lease rental rates and fair market value and , as per HCC 18, can be part of the negotiation process between City and proposer when developing a lease for final council review and approval

As stated before, this building is currently vacant. Because this property houses essential City equipment it must be maintained. Lease income generated by the property could be used to off-set the price, in part, of that required maintenance.

RECOMMENDATION

For discussion and review. Any recommendations to City Council or direction to staff must be done by way of motion.

Attachments: HCC 18 & HCC 21 Marine Industrial