



Petersburg Borough, Alaska

Land Disposal Application

(\$500.00 non-refundable filing fee required)

Form must be completed in its entirety to be considered

Office Use:
Rec'd. by: <u>DKA</u>
Fee: \$ <u>500.00</u>
Date Rec'd: <u>6/22/23</u>

Date: June 7, 2023

This is a request for land disposal via (circle one):
Lease **Purchase** **Exchange** **Other**

Parcel ID #(s) of Subject Property:
1001958.00

Proposed term of lease: _____
(total years)

Legal Description of Property:
Subdivision: Wikan Enterprises PLAT#: 9293
Section 33
Zone 1

Current Zoning of Property:
Tidelands: 37&38
Range: 79E

Applicant Name: John B, Sheri L Wikan; Wikan Enterprises, Inc

Applicant Mailing Address: PO Box 929
Petersburg, AK 99833

Applicant Contact Info: (907) 518-1120
(phone and/or email) swikan@gmail.com

1. Size of Area requested (identify the minimum area necessary in square feet): 6,722
2. Attach a map showing the location of the land requested. Map must show surrounding area with the land requested clearly marked with bolded borders or highlighted color.

3. Narrative on use of property: Explain proposed use of land and when use is expected to begin and end. Include any planned new construction or renovation, including time-frame when construction or renovation will be completed and type of materials to be used. Provide the estimated dollar value of proposed improvements. Explain the value of the proposal to the economy of the borough and any other information you feel should be considered. (attached additional sheet if necessary)

See attachments.

4. Name and address of all adjacent land owners or lessees, including upland owner(s) if applicable: (attach additional sheet if necessary)

US Coast Guard: 107 Dock St
Petro 49 Inc: 100 Dock St
Birchell Properties: 904 S Nordic Dr
(auto repair and coffee shop)

Alaska Commercial Electronics: 908 S Nordic Dr
Petro 49 Inc: 901 S Nordic Dr
Petro 49 Inc: 902 S Nordic Dr

5. Are there any existing permits or leases covering any part of the land applied for?

Yes No

If yes, please check one: (Lease Permit)

Describe the type of permit or lease, if applicable, and the name and last known address of the permittee or lessee: Tidelands Lease; Wikan Enterprises, Inc./ John B and Sheri L Wikan

6. What local, state or federal permits are required for the proposed use? (list all)
State of Alaska Business License; Petersburg Borough Sales Tax Account

7. If applicant is a corporation, provide the following information:

A. Name, address and place of incorporation: Wikan Enterprises, Inc, PO Box 929, Petersburg, Alaska
Incorporated in the State of Alaska

B. Is the corporation qualified to do business in Alaska?: Yes No

Name and address of resident agent: Sheri Wikan; PO Box 929, Petersburg, AK 99833

8. Why should the Planning Commission recommend Assembly approval of this request?
Wikan Enterprises, Inc is a business that has successfully operated for over 30 years and has played an integral role in the local economy. Our services are critical to the commercial fishing fleet in the region, providing essential maintenance and repairs for marine diesel engines. We are trying to pass our business on to new owners, that will continue on with what we've built over the last three decades. Please see attachments for more details.

9. How is this request consistent with the Borough's comprehensive plan?
By allowing the sale of the tidelands for the purpose of continuing an existing essential business and addressing the financial advantages and risks associated with leasehold improvements, the borough can promote economic development, stability, and longterm prosperity. The sale aligns with the statutes provided and demonstrates that outright sale, in contrast to leasing, is in the best interests of the borough. Please see attachments for more details.

10. Prior to submitting this application, please verify with pertinent Borough Departments that the land requested for lease, purchase or exchange is not needed for a public purpose by speaking with the appropriate personnel in the Electric, Water, Wastewater, Community Development, Harbor or Public Works Departments and obtain their comments and signatures below. (attach additional sheet if necessary):

Department Comments: Attached comments from Harbormaster Wollen in email dated June 21, 2023 3:36 pm

Signature of Department Commenter

Department Comments: Attached comments from Public Works Director Cotta in email dated June 21, 2023 3:51 pm

Signature of Department Commenter

Department Comments: Attached comments from Community Development Director Cabrera in email dated June 21, 2023 4:31 pm.

Signature of Department Commenter

Department Comments: _____

Signature of Department Commenter

Dear Planning Commission & Borough Assembly,

As we embark on the retirement process and seek to sell our business, Wikan Enterprises, Inc., we are quickly learning that we will need to acquire the leased property our largest business asset sits on, our 3200sf shop. Without the inclusion of these tidelands in the business sale, we would be unable to attain a fair market value for our business due to the financial implications listed below. Regrettably, should the borough decide against selling us the tidelands we have been leasing for over 30 years, we will be unable to successfully sell the business as a whole, and will be compelled to undertake the liquidation process and cease operations within the next 1-2 years. Considering the type of services we offer, this would be detrimental to our local fishing fleet, and overall economy.

When we started our business, the availability of suitable commercial or industrial land was significantly limited. Building our business on this leased land was our last resort. Had we possessed a comprehensive understanding of the long-term ramifications associated with constructing our business assets on leased land, particularly in light of the ever-evolving landscape of finance and lending, we would have endeavored more vigorously to acquire this land at an earlier stage. Nevertheless, we find ourselves at the present juncture.

Please take into consideration the following information when forming your decision to allow for the Direct Sale of this land:

1. **Importance of Continued Economic Development:** Wikan Enterprises, Inc. has played an integral role in the local economy, serving as a Detroit Diesel Dealer, Volvo Penta Dealer, and performing maintenance and rebuilds on many other brands of marine engines. Our services are critical to the large commercial fishing fleet in the area, providing essential maintenance and repairs to their marine diesel engines. It was mentioned by the Harbormaster recently, that our fleet will be growing with the development of the Scow Bay Harbor area as well, so this business will become even more essential if that is the case. By continuing to operate and grow, our business sustains not only the livelihoods of our employees but also supports the economic well-being of the community. Selling the tidelands and allowing the business to continue under new ownership ensures the preservation of jobs, support for our commercial fishing fleet and ongoing economic development.

2. **Unforeseen Market Value Implications:** When we embarked on this journey in 1992, we were unaware that building our business on leased land would have a significant impact on its market value. Over the years, we invested our time, energy, and resources into constructing the building that houses our operations and outfitting it to meet the needs of our customers and regional building codes. However, we were not advised that leasehold improvements would be considered less valuable than those on owned land. This unforeseen consequence has created a disparity between the true value of our business and the market perception of its worth.

3. Limited Options for Financing and Investment: As we work with potential buyers for our business, we face substantial challenges due to the nature of leasehold improvements. Lending institutions view the building as a leasehold improvement, leading to shorter loan terms, higher interest rates, stricter lending criteria, and higher costs. This restricts the pool of qualified buyers, as they encounter difficulties securing financing for an investment perceived as riskier compared to real property purchases. By selling the tidelands and transitioning the business to a real property, broaden financing options, and ultimately secure a fair market value for our years of hard work.

4. Unique Expertise and Industry Demand: With over five decades of experience, we have developed a deep understanding of the marine diesel industry and established ourselves as a trusted resource for our customers. We are one of only two marine diesel shops in the area, catering to the specific needs of commercial fishing vessels. Our knowledge, expertise, and reputation are invaluable assets that contribute to the overall competitiveness and growth of the industry. Selling the business in its entirety, rather than liquidating the leasehold improvements separately, ensures the continuation of this vital resource for the community.

5. Precedents being set: It is worth noting that the Harbor Department has plans to engage in a land exchange with Petro 49, Inc. This exchange involves the trading of comparable leased and zoned land situated directly across the street from Wikan Enterprises, Inc. in return for a privately owned parcel already held by Petro 49, Inc. The implementation of this arrangement would establish a precedent for the borough to release leased tidelands to the private sector.

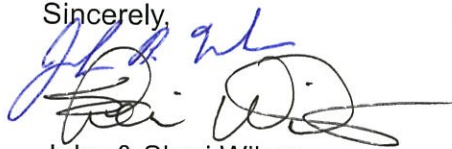
6. Possible public auction of leased tidelands: In the event the borough determines it is beneficial to release this property through a sale, we respectfully advocate for a direct sale rather than an auction, as is allowed in the Petersburg borough statutes. As noted by a borough official recently, the borough could potentially permit the sale of our leased property at auction, which further underscores the inherent risks associated with owning assets on leased land.

Presently, we have a prospective party interested in carrying on the business in its existing state. However, should they encounter challenges in meeting the financial requirements of a commercial loan or be unwilling to assume the risks associated with acquiring leasehold improvements rather than real property, we will proceed with the liquidation of our business. This will include the sale of our building, to any entity that can afford to pay us what we need to attain for the price of our largest asset.

Given the unique circumstances and challenges surrounding the proposed sale of our business, we kindly request that the Planning Commission and Borough Assembly take our perspective into account and extend support for the sale of the tidelands. Such a decision would not only afford us equitable market value for our business but also foster sustained economic growth, safeguard employment opportunities, and preserve the viability of the marine diesel industry within the region. We firmly believe that our years of unwavering diligence and commitment warrant just compensation.

Thank you for devoting your time and consideration to this matter. We eagerly anticipate a favorable resolution that benefits all parties involved. Please help us ensure that this important trade business stays operational in Petersburg.

Sincerely,

Handwritten signatures of John and Sheri Wikan in blue ink. The signatures are stylized and overlapping, with the word 'Wikan' appearing to be written in both.

John & Sheri Wikan
Wikan Enterprises, Inc.

Dear Planning Commission & Borough Assembly,

We would like to express our endorsement for Wikan Enterprises, Inc's acquisition of the tidelands property it sits on, from the borough. As prospective buyers of this business, we respectfully urge you to consider the distinct advantages and potential that come with owning this property. We would like to emphasize the importance of purchasing the tidelands on which the business operates, rather than continuing to lease the land. We believe that ownership of the land is crucial for the long-term stability, growth, and financial viability of the business.

In learning more about the process of purchasing this shop, and being informed of different loan programs and market valuation information, we have been made aware of some factors that have put the process on hold for us. The risk involved with investing in a leasehold improvement on property owned by the borough will likely result in us not moving forward with this purchase, if the borough is unwilling to dispose of the property to the Wikans prior to the sale of their business. Below are key points highlighting the hurdles of financing presented by continuing to lease the land and the benefits of purchasing the tidelands:

1. **Enhanced Financing Opportunities:** The acquisition of the tidelands provides us, as prospective buyers, with significantly improved financing options compared to leasing. Financial institutions perceive leasehold improvements as less valuable and more risky collateral than real property. By owning the land, we can secure more favorable loan terms, including longer loan durations, lower interest rates, and reduced down payments (from upward of 25% cash down in a leasehold improvement situation, to as low as 5% down, as real property). This not only lowers our financing costs but also ensures greater financial stability for the business.
2. **Increased Market Value:** Leasehold improvements, such as the building constructed by the current owners, are not considered real property and are subject to more rapid depreciation. This depreciation negatively impacts the overall market value of the business, making it less attractive to potential lenders and investors. However, by purchasing the tidelands and owning the real property, the market value of the business is enhanced, bolstering its financial prospects and increasing its appeal to financing institutions. Just like the Wikans, we will need to protect any investments we make in this community, for the future, when we also decide to retire, or need to sell the business for any other reason.
3. **Mitigating Risk:** Continuing to lease the land introduces a significant level of uncertainty and risk to the business. As lessees, we are subject to the terms and conditions set forth by the borough, including the possibility of lease termination or non-renewal at the end of the lease term. This lack of control over the land hampers our ability to secure long-term financing and plan for the future. By purchasing the tidelands, we gain a sense of security and stability, allowing us to invest confidently in the business's growth and expansion.
4. **Long-Term Business Planning:** Ownership of the tidelands enables us to implement long-term business planning, fostering stability and growth. It provides the flexibility to make

significant capital improvements, expand facilities, and adapt to changing market conditions without the limitations imposed by leasehold agreements. By having complete control over the property, we can make strategic decisions that benefit the business's long-term success, creating a sustainable enterprise that will positively impact the local community.

5. **Borough's Best Interests:** While we understand the borough's preference toward leasing land to promote orderly marine development, we believe that the sale of the tidelands in this particular case serves the borough's best interests. By facilitating the acquisition, the borough supports the stability, growth, and economic development of Wikan Enterprises, Inc., ensuring its continued contribution to the community. The sale of the tidelands aligns with the borough's goals of supporting local marine businesses and fostering a thriving economy. The failure to approve the sale of the tidelands to Wikan Enterprises, Inc. will most likely result in us pulling out from the sale of the business, which in turn would very likely lead to liquidation of the business assets, and closure of the longstanding business.

In the event that the borough determines it is beneficial to divest itself of this property through a sale, we respectfully advocate for a direct sale rather than an auction. The prospect of the borough potentially permitting a party other than the Wikans to acquire this land further underscores the inherent risks associated with owning assets on leased property.

In addition to the compelling reasons outlined above for purchasing the tidelands on which Wikan Enterprises, Inc. operates, we would like to emphasize how our specific qualifications as prospective buyers further strengthen the case for acquiring the land. While these details are minor points compared to the broader argument, they highlight our unique suitability to lead the business and ensure its continued success.

Earl Warner's extensive experience servicing and maintaining large engines and his diesel certification from Universal Technical Institute make him exceptionally well-suited to navigate the complexities of the marine diesel industry. His background as an electrician further enhances his ability to handle the technical aspects of the business. Earl's expertise and knowledge will be instrumental in providing top-notch service to the commercial fishing fleet and ensuring the seamless continuation of Wikan Enterprises, Inc.'s reputation for excellence. Earl has already committed to working full time to start his training with John.

Hillary MacDonald's diverse entrepreneurial background, which includes owning and operating various successful businesses, positions her as a capable leader in managing and growing Wikan Enterprises, Inc. Furthermore, her experience in bookkeeping and her familiarity with the operations side of a diesel marine business provide valuable insights into the financial and administrative aspects of the industry. Hillary's skills in these areas will contribute to the efficient management of the business and its sustained profitability.

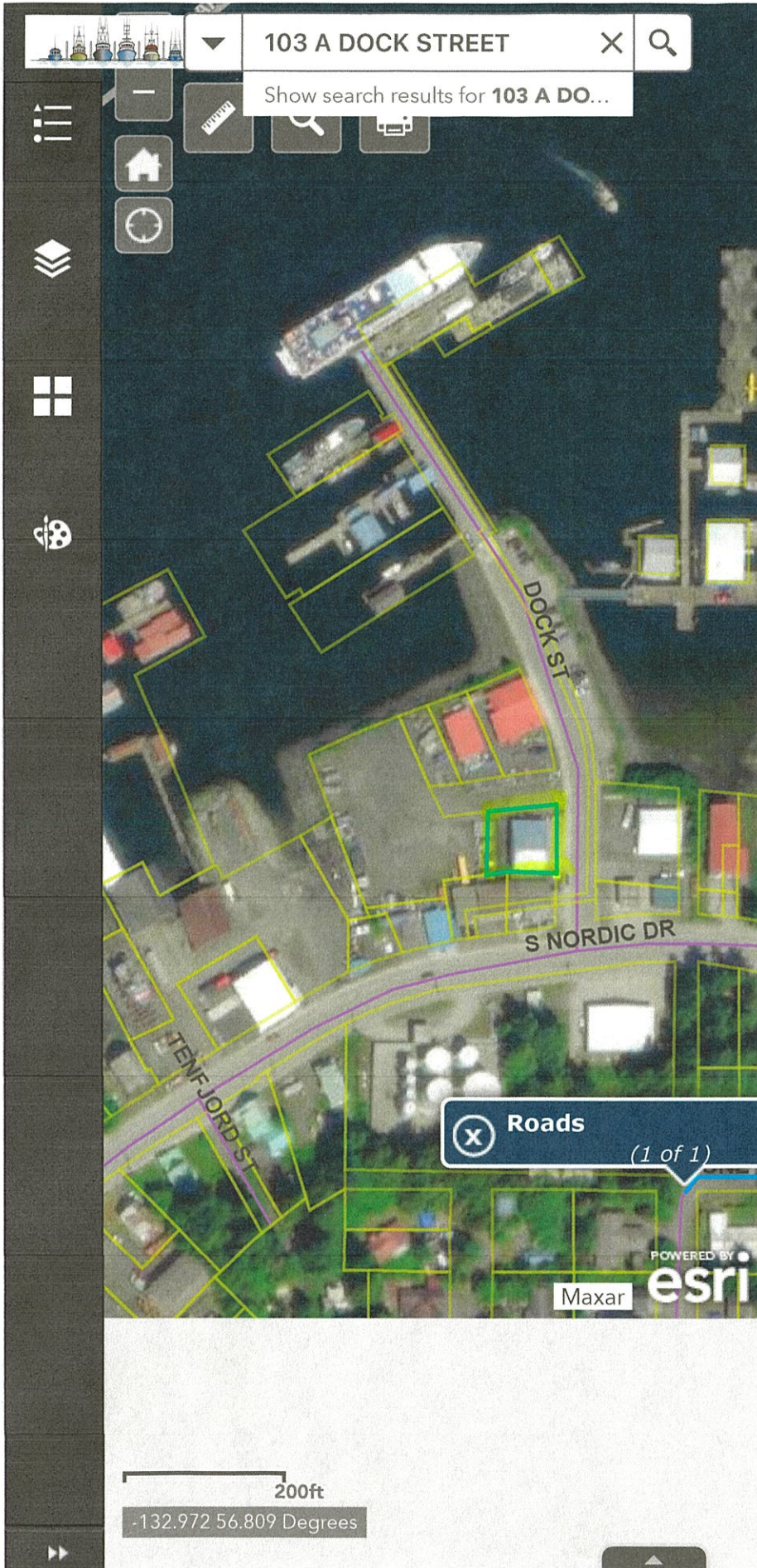
We appreciate your consideration of our qualifications and our shared vision for the future of Wikan Enterprises, Inc. We hope the borough will consider the need to let go of this piece of property in order to allow this essential trade business to continue on in Petersburg. As we all are aware, many small communities, including our own, are desperately lacking a strong

workforce in the trades, and the loss of this business would be detrimental to our commercial fleet and local economy.

Sincerely,

A handwritten signature in blue ink, consisting of two distinct parts: a stylized 'E' followed by a horizontal line, and a stylized 'H' followed by a horizontal line.

Earl Warner and Hillary MacDonald
Prospective Buyers



Tidelands

6/19/23

500.00

500.00

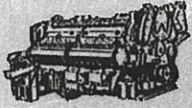
6/19/23

31809

Petersburg Borough

\$500.00

SECURITY FEATURES INCLUDE TRUE WATERMARK PAPER, HEAT SENSITIVE ICON AND FOIL HOLOGRAM.



WIKAN ENTERPRISES, INC.
PO BOX 929
PETERSBURG, AK 99833
(907) 772-4155

FIRST BANK
89-4/1252

31809

FRAUDARMOR

DATE
6/19/23

Memo: 19649

Five Hundred and 00/100 Dollars

AMOUNT

\$ 500.00

PAY
TO THE
ORDER
OF:

Petersburg Borough
PO Box 329
Petersburg, AK 99833



[Handwritten Signature]
MP
AUTHORIZED SIGNATURE



⑈031809⑈ ⑆125200044⑆ 0000540220⑈

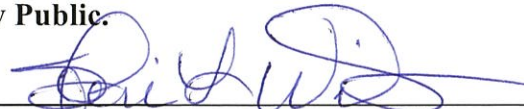
Details on Back
Security Features Included

NOTICE TO APPLICANT(S):

Applicant will be required to pay a non-refundable filing fee with the Borough of \$500 to cover estimated costs of: a title report, survey, legal fees, postage, recording fees, public noticing and advertising and other costs incidental to the processing of this application.

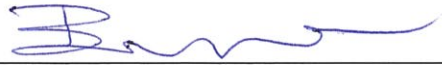
I hereby certify that I have received and reviewed a copy of Petersburg Municipal Code Chapters 16.12 and 16.16 (as they may pertain to my particular application) and understand the Code requirements. I further certify I am authorized to sign this application on behalf of the applicant.

Please sign application in the presence of a Notary Public.



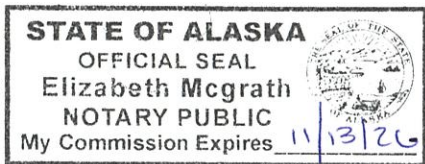
Applicant/Applicant's Representative

Subscribed and sworn to by Sheri L. Wikan, who personally appeared
before me this 18th day of June, 2023.



Notary Public

Notary Public in and for the State of Alaska. My Commission Expires: 11/13/2026



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John B. Wikan
Applicant/Applicant's Representative

Subscribed and sworn to by John B. Wikan, who personally appeared
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Elizabeth Mcgrath
Notary Public

Notary Public in and for the State of Alaska. My Commission Expires: 11/13/2026

