

CLERK'S OFFICE

APPROVED

Date: 12-17-02

Submitted by: Chairman of the Assembly  
At the request of the Mayor  
Prepared by: Port of Anchorage  
For reading: October 15, 2002

ANCHORAGE, ALASKA  
AO NO. 2002-154

AN ORDINANCE OF THE ANCHORAGE MUNICIPAL ASSEMBLY AUTHORIZING THE SUBLEASE OF A PORTION OF ALASKA RAILROAD LEASE CONTRACT NO. 6434, ALSO KNOWN AS THE SOUTH TIDELANDS, LOCATED IN THE PORT OF ANCHORAGE, TOTALING APPROXIMATELY 8,567 SQUARE FEET, TO ALASKA BASIC INDUSTRIES, INC.

WHEREAS, the Municipality (Port of Anchorage) and Alaska Basic Industries, Inc. (ABI) are desirous to enter into a sublease of a portion of the South Tidelands, located in the Port of Anchorage, now leased by the Municipality from the Alaska Railroad (ARRC) under Contract No. 6434, totaling approximately 8,567 square feet; and,

WHEREAS, the ARRC consents to the Municipality's sublease of a portion of the South Tidelands to ABI; and

WHEREAS, AMC 25.30.020 states that disposal of Municipal land shall be by ordinance only.

NOW, THEREFORE, the Municipal Assembly ordains:

**Section 1.** The Municipality is authorized to sublease a portion of the South Tidelands, located in the Port of Anchorage, within the Anchorage Recording District, Third Judicial District, State of Alaska, as more particularly depicted on attached Figure 1, to Alaska Basic Industries, Inc., upon the terms and conditions summarized in the Assembly Memorandum submitted to the Assembly in conjunction with this ordinance.

**Section 2.** Notwithstanding the requirements of AMC 25.30.040, the fair market value of the South Tidelands subleased to ABI shall be valued throughout the term of the sublease, and all extensions of the sublease, as unimproved tidelands.

**Section 3.** This ordinance shall take effect immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this 17<sup>th</sup> day of December, 2002.

  
Assembly Chair

ATTEST:

  
Municipal Clerk

MUNICIPALITY OF ANCHORAGE  
Summary of Economic Effects - Utilities

AO Number: 2002-154 Title: **A Sublease of a Portion of Alaska Railroad Lease No. 6434 Totaling Approximately 8,567 Square Feet to Alaska Basic Industries, Inc. (ABI)**

Sponsor: **William J. Sheffield**

Preparing Agency: **Port of Anchorage** Others Affected: \_\_\_\_\_

CHANGES IN REVENUES AND EXPENSES

(Thousands of Dollars)

Operating Revenues:	FY 03	FY 04	FY 05	FY 06	FY 07
<b>Terminal Leases/Rentals</b>	<b>.850</b>	<b>1.275</b>	<b>1.275</b>	<b>1.275</b>	<b>1.275</b>
<b>TOTAL OPERATING REVENUES</b>	<b>.850</b>	<b>1.275</b>	<b>1.275</b>	<b>1.275</b>	<b>1.275</b>

Operating Expenses					
<b>TOTAL OPERATING EXPENSES</b>					

Non Operating Revenues:					
<b>TOTAL NON OPER. REVENUES</b>					

Non Operating Expenses:					
<b>TOTAL NON OPER. EXPENSES</b>					

NET INCOME (REGULATED):					
-------------------------	--	--	--	--	--

POSITIONS: FT/PT/and Temp.					

Impact on General Government (Yes or No) **NO** (If yes, attach S.E.E. for General Government agency impacted.)

Public Sector Economic Effects:

**The Municipality (Port of Anchorage) leases the South Tidelands from the Alaska Railroad Corporation (ARRC) under ARRC Lease No. 6434 at no fee, based upon other agreements with ARRC. This contractual sublease rate for this approximate 0.2 acre portion of the South Tidelands will provide the Port of Anchorage with additional annual Terminal Leases/Rentals revenue of \$850.00 for 2003 and \$1,275.00 for 2004 through 2007. The improvements will revert to the Municipality upon termination of the lease.**

Private Sector Economic Effects:

**No effects**

If further explanation is necessary, a separate page may be attached.

Prepared by: **Harry P. Finch**  
**Port Manager of Finance & Admin.**  
(Name, Title)  
Telephone: **343-6204**

Validated: *Cheryl Frasca*  
By OMB/Date *10/3/02*

Approved by: *[Signature]*  
Director, Preparing Agency

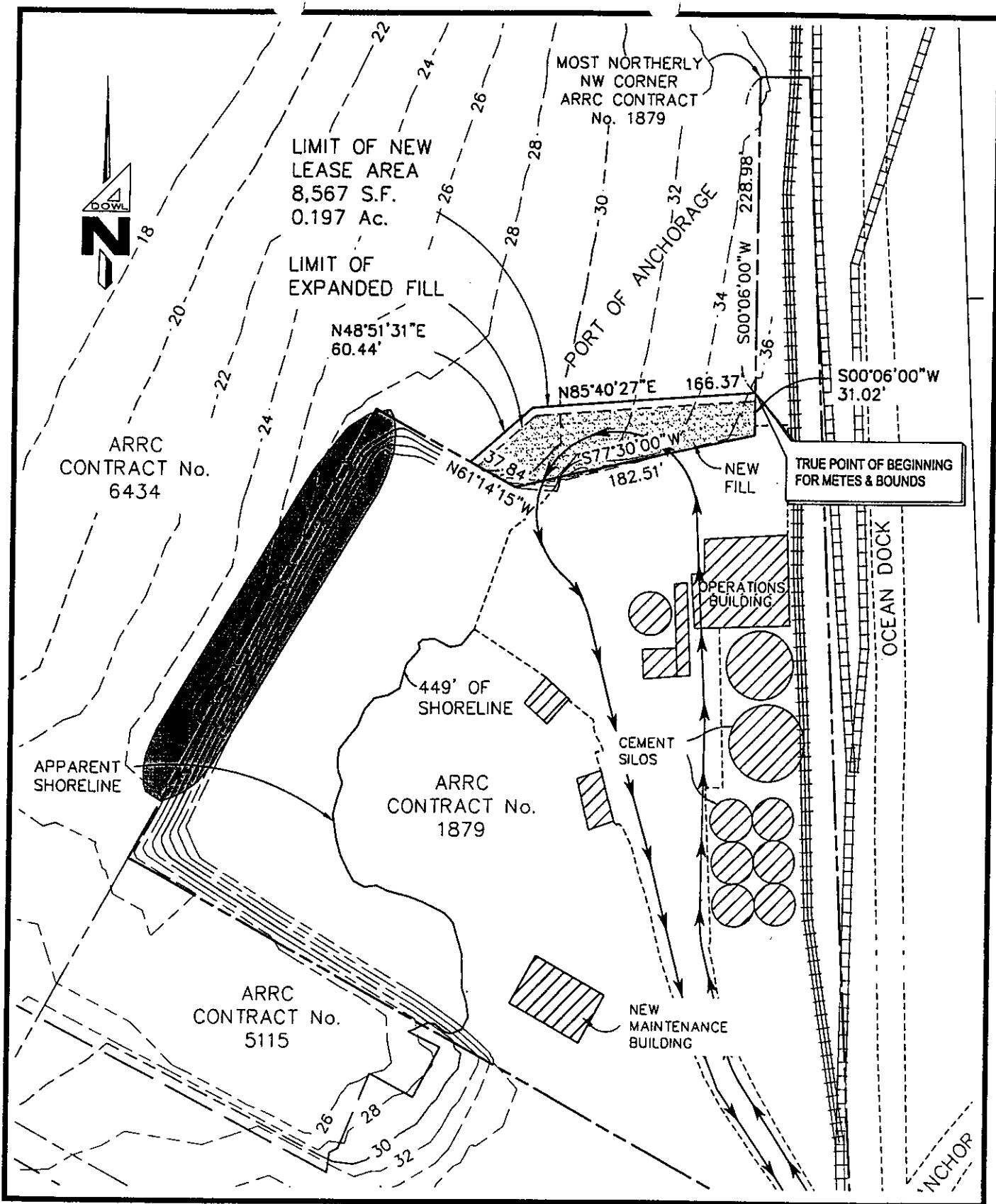
Date: *9/16/02*

Concurred by: \_\_\_\_\_  
Director, Impacted Agency

Date: \_\_\_\_\_

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_



056856

**DOWL**  
ENGINEERS

**FIGURE 1**  
**ALASKA BASIC INDUSTRIES**  
**PORT OF ANCHORAGE, LEASE AREA**  
**8,567 S.F. (0.197 Ac.)**

# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 884-2002

**Meeting Date:** October 15, 2002

FROM: Mayor

SUBJECT: AO 2002-154. A Sublease of a portion of South Tidelands, located in the Port of Anchorage, leased by the Alaska Railroad to the Municipality under Lease Contract No. 6434, to Alaska Basic Industries, Inc.

On October 16, 2000, Alaska Basic Industries, Inc. (ABI) presented a written request to the Port of Anchorage to sublease an 8,567 square foot portion of the area commonly referred to as the South Tidelands. The Municipality (Port of Anchorage) leases the South Tidelands from the Alaska Railroad Corporation (ARRC) under ARRC Lease Contract No. 6434 at no fee, based upon other agreements with the ARRC. The initial term of ARRC Lease Contract No. 6434 terminates on August 31, 2027; the Municipality has the option of renewing the lease for two additional 35-year terms, or until August 31, 2097.

The Preliminary Items of Agreement between the parties contained a provision for rent credits. However, after further consideration and agreement by the parties, the Municipality now proposes to sublease a portion of the South Tidelands property at fair market value for undeveloped tidelands. The sublease provides ABI with an initial five (5) year term (to 2007) and four (4) additional five-year renewal options (until 2027, if all options are exercised).

A sublease to ABI by the Municipality of a portion of the South Tidelands property is subject to:

- a. Written consent of the Alaska Railroad Corporation.
- b. Recommendation by the Anchorage Port Commission.
- c. Approval by the Anchorage Municipal Assembly.
- d. All terms and conditions of ARRC Lease Contract No. 6434
- e. The Anchorage Municipal Code, and any other terms and conditions deemed necessary by the Municipal Attorney's Office.

The following provisions have been negotiated between the Municipality and ABI, and are pertinent to the sublease:

Sub-Lessee: Alaska Basic Industries, Inc. (ABI)

Location: A portion of the South Tidelands, located in the Port of Anchorage, ARRC Lease Contract No. 6434, consisting of approximately 8,567 square feet. (Drawing attached)

Rent: \$1,275.00 per year (\$1.65 value per square foot x 9% = \$0.149 per square foot).

Rental Adjustment: Each five-year interval in conjunction with ABI exercising its renewal option. The premises shall be valued as undeveloped tidelands.

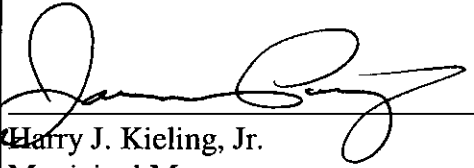
Term: Initial term of five (5) years, with four (4) additional five-year renewal options, subject to Assembly approval.


ABI responsibilities: All utility connections and services; maintenance of premises; and compliance with all statutes, regulations, and requirements of federal, state and municipal law for all improvements and operations.

The Administration requests authority to negotiate remaining details consistent with the terms and conditions outlined above, prepare and execute a sublease with ABI under Assembly Ordinance No. 2002- 154.

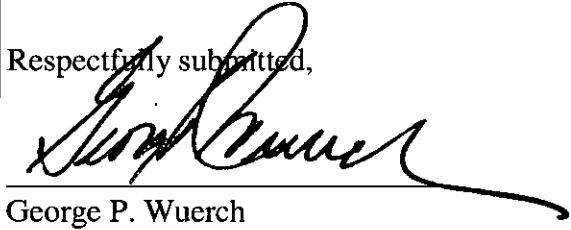
Concur:

Prepared by:

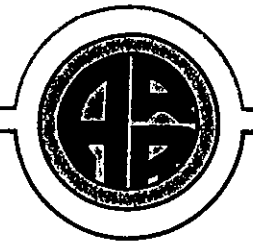
  
Harry J. Kielling, Jr.  
Municipal Manager

  
William J. Sheffield  
Port Director

Respectfully submitted,

  
George P. Wuerch  
Mayor

# ALASKA RAILROAD CORPORATION



Corporate Address: P.O. Box 107500, Anchorage, Alaska 99510  
327 West Ship Creek Avenue, Anchorage, Alaska 99501  
[www.alaskarailroad.com](http://www.alaskarailroad.com)

August 17, 2002

*Real Estate Department*  
*Telephone: (907) 265-2617*  
*Fax Number: (907) 265-2450*  
*E-mail: [morrisseyk@akrr.com](mailto:morrisseyk@akrr.com)*

Mr. Harry P. Finch  
Port Manager of Finance & Administration  
Port of Anchorage  
2000 Anchorage Port Road  
Anchorage, Alaska 99501

Dear Mr. Finch:

This responds to your letter dated June 28, 2002, regarding the Port's proposed sublease of 8,587 square feet of ARRC's tidelands, covered under ARRC Contract No. 6434, to Alaska Basic Industries.

The Railroad has no objection to the proposed sublease based on the information provided and will execute a final consent upon receipt of the final sublease agreement.

Your paragraph No. 5, Rental Rate Adjustments, in the preliminary agreement, states that the land will be revalued every five years. The land will be valued as undeveloped tidelands. Once the \$55,000 is recovered by ABI and they've basically been reimbursed for the cost of their fill, the land should be valued as uplands rather than undeveloped tidelands. That may be your intent but I thought I would offer the above as information.

When the final sublease is prepared, please forward a copy for our review. At that time, we will execute a Consent to sublease. If you have any questions, please give me a call.

Sincerely,

Karen J. Morrissey  
Director, Real Estate

Cc: James Kubitz, Vice President, Real Estate, ARRC



# PORT COMMISSION MEMORANDUM

NO : R02-01  
.....

**DATE:** June 26, 2002  
**FROM:** Port Commission  
**SUBJECT:** Sublease of a 8,567 Square Foot Portion of the South Tidelands Lease to Alaska Basic Industries, Inc.

A RESOLUTION OF THE ANCHORAGE PORT COMMISSION RESOLVING THAT THE PORT COMMISSION RECOMMENDS THE SUBLEASE OF A 8,567 SQUARE FOOT PORTION OF ARRC LEASE CONTRACT NO. 6434 TO ALASKA BASIC INDUSTRIES, INC.

---

WHEREAS, the Municipality of Anchorage (Port of Anchorage) leases an area of tidelands from the Alaska Railroad Corporation (ARRC) under ARRC Lease Contract No. 6434 (So. Tidelands Lease); and,

WHEREAS, the Port of Anchorage is the Municipal agency designated with management authority over the So. Tidelands Lease; and,

WHEREAS, Alaska Basic Industries (ABI), in its correspondence of October 16, 2000, requested to sublease an 8,567 square foot portion of the South Tidelands (drawing attached); and,

WHEREAS, subsequent to ABI completing the area fill permitting process through the U.S. Army Corps of Engineers, ABI requested a meeting with the Port in mid-May, 2002 to discuss terms of the proposed sublease; and,

WHEREAS, representatives of ABI and the Port developed a Preliminary Items of Agreement For: ABI Sublease of a Portion of the South Tidelands (copy attached) which is subject to review by the Municipal Attorney to insure that the items conform to the Anchorage Municipal Charter and Anchorage Municipal Code; and,

WHEREAS, Anchorage Municipal Code 25.50.322 provides that the Municipal Assembly must receive a recommendation from the Anchorage Port Commission prior to approving a lease of tidelands which are under the control of the Municipality; and,

WHEREAS, the Anchorage Port Commission has reviewed the terms of the Preliminary Items of Agreement For: ABI Sublease of a Portion of the South Tidelands and finds the terms acceptable; and,



Anchorage Port Commission Resolution R02-01

WHEREAS, development and fill of the sublease area will contribute to the development at the Port of Anchorage and improve ABI operations in the Port area.

NOW THEREFORE, the Anchorage Port Commission resolves:

Section 1. That the Anchorage Port Commission concurs with the proposed sublease to Alaska Basic Industries, Inc. of an 8,567 square foot portion of ARRC Lease Contract No. 6434, as depicted on the attached drawing, and subject to the terms and conditions of the Preliminary Items of Agreement For: ABI Sublease of a Portion of the South Tidelands submitted to the Anchorage Port Commission in conjunction with this resolution and attached hereto.

Section 2. That the Anchorage Port Commission hereby apprises the Municipal Administration and Municipal Assembly that the Port Commission recommends the proposed sublease of the 8,567 square foot portion of ARRC Lease Contract No. 6434 to Alaska Basic Industries, Inc.

PASSED AND APPROVED by the Anchorage Port Commission, this 26<sup>th</sup> day of June, 2002.

  
\_\_\_\_\_  
Chair

**PRELIMINARY ITEMS OF AGREEMENT FOR:  
ABI SUBLEASE OF A PORTION OF THE SOUTH TIDELANDS**

Alaska Basic Industries, Inc. (ABI), in its correspondence of October 16, 2000, requested to sublease an 8,567 square foot portion of the area, commonly referred to as the So. Tidelands, which the Municipality of Anchorage (Port of Anchorage) leases from the Alaska Railroad Corporation (ARRC) under Lease Contract No. 6434. The Port, in its correspondence of October 16, 2000, outlined possible sublease arrangements initial engineering impressions and thoughts to proceed for area fill permitting. Subsequent to ABI completing the area fill permitting process through the U.S. Army Corps of Engineers, ABI requested a meeting with the Port in mid-May, 2002 to discuss terms of the proposed sublease.

**Requirements:**

Any Lease Contract No. 6434 tidelands property which is subleased by the Port to a third party appears to be subject to the following requirements:

1. Written consent of the Alaska Railroad Corporation.
2. Recommended by the Anchorage Port Commission.
3. Approval by the Anchorage Municipal Assembly
4. The sublease is subject to all the terms of ARRC Lease Contract No. 6434.
5. Any additional requirements of Anchorage Municipal Code or other requirements, as determined by the Municipal Attorney's Office.

**Items of Agreement:**

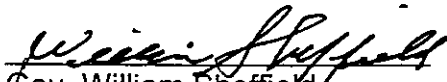
Representatives of the Port and ABI met on May 15, 2002 and arrived at the following Items of Agreement for the proposed sublease of the subject portion of Lease Contract No. 6434 to ABI.

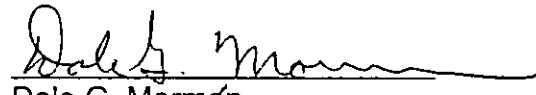
1. Area: Approximately 8,587 square feet (Legal Description and engineer's drawing attached)
2. Term: Five years
3. Renewal Option Periods: Four (4) five-year renewal options not to exceed August 31, 2027.
4. Rental Rate: \$1,275 per year ( $\$1.65 \text{ value per square foot} \times 9\% = \$0.149 \text{ per square foot}$ )
5. Rental Rate Adjustments: Each five years in conjunction with lessee exercising its renewal option. Premises to be valued as undeveloped tidelands.

6. Rent Credits: The lessee intends to permanently improve the premises with fill and other improvements at an estimated cost of \$55,000+. In recognition of these improvements, lessee will receive an annual rent credit equal to the annual rental amount up to a total credit amount over the life of the lease of \$55,000.
7. Items of agreement contained herein are subject to review by the Municipal Attorney to insure that the items conform to the Anchorage Municipal Charter and Anchorage Municipal Code.

Port of Anchorage:

Alaska Basic Industries, Inc.

  
Gov. William Sheffield  
Port Director  
Date: 5/22/02

  
Dale G. Mormon  
President  
Date: May 21, 2002

ABI So. Tlands Items 1

Municipality of Anchorage  
MUNICIPAL CLERK'S OFFICE  
Agenda Document Control Sheet

*AO 2002-154*

(TURN OVER THE OTHER SIDE FOR FURTHER INFORMATION)

SUBJECT OF AGENDA DOCUMENT		DATE PREPARED	
Release of a Portion of AKRR Lease Contract #8434, South Tidelands, to Alaska Basic Industries, Inc.		September 16, 2002	
DEPARTMENT NAME		Indicate Documents Attached	
City of Anchorage		<input checked="" type="checkbox"/> AO <input type="checkbox"/> AR <input checked="" type="checkbox"/> AM <input type="checkbox"/> AIM	
PERSON ON THE DOCUMENT WAS ACTUALLY PREPARED BY		DIRECTOR'S NAME	
John P. Finch		William J. Sheffield	
		FISHER PHONE NUMBER	
		343-6204	
COORDINATED WITH AND REVIEWED BY	INITIALS	DATE	
Mayor			
Heritage Land Bank			
Mendenhall Airport			
Municipal Light & Power			
Port of Anchorage	<i>WJK</i>	<i>9/16/02</i>	
Public Works Services			
Water & Wastewater Utility			
Municipal Manager	<i>J. G. Fehlen</i>	<i>10.3.02</i>	
Culture & Recreational Services			
Employee Relations			
Finance, Chief Fiscal Officer			
Police			
Health & Human Services			
Office of Management and Budget	<i>JO</i>	<i>10/2/02</i>	
Management Information Services	<i>CF</i>		
Public Works			
Planning, Development & Public Works			
Development Services			
Facility Management			
Planning			
Project Management & Engineering			
Street Maintenance			
Traffic			
Public Transportation Department			
Purchasing			
Municipal Attorney - Attn: Rhonda Fehlen	<i>1384</i>	<i>10/22-02</i>	
Municipal Clerk			
Special Instructions/Comments			
<i>date checked</i>			
ASSEMBLY HEARING DATE REQUESTED	7	PUBLIC HEARING DATE REQUESTED	
October 15, 2002		<i>02 SEP 16 PM 03:20</i> <i>10/29/02</i>	

M.C.A.  
 2002 OCT - 14 AM 8:18  
 CLERKS OFFICE

RECEIVED  
 MUNICIPAL ATTORNEY