



BOARD OF DIRECTOR'S MEETING AGENDA

THURSDAY, DECEMBER 18TH, 2025 - 3:00 PM

Harrigan Centennial Hall Room 6, 330 Harbor Drive

Regular Meeting

- | | |
|------------------------|-------------------|
| A. Call to Order | Acknowledge |
| B. Roll Call | Acknowledge |
| C. Approval of Minutes | Motion to Approve |

November 20th, 2025

- | | |
|--|---------------------------|
| D. Correspondence & Other Information | Acknowledge/Questions |
| E. Changes/Additions/Deletions to Agenda | Change/Add/Delete |
| F. Reports | |
| G. Persons To Be Heard <i>(For items OFF the agenda - not to exceed 3 minutes)</i> | |
| H. Unfinished Business | |
| 1. GPIP Zoning Discussion - Pulled | Discussion/Recommendation |
| 2. Pacific Jewel Marine - Lot 9b Lease Amendment | Discussion/Recommendation |
| I. New Business | |
| 1. GPIP Shipyard Future Capital Improvements | Discussion/Recommendation |
| J. Persons To Be Heard <i>(For items ON or OFF the agenda - not to exceed 3 minutes)</i> | |
| K. Adjournment | |

The Mission

It is the mission of the Gary Paxton Industrial Park Board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs in conformance with established community plans and policies.

**Gary Paxton Industrial Park – Board of Directors Meeting
November 20, 2025 3:00 pm
Harrigan Centennial Hall Room 6**

A. CALL TO ORDER: The Chair, Scott Wagner, called the meeting to order at 3:00 pm

B. ROLL CALL

Members Present: Scott Wagner, Mike Johnson, Chad Goeden, Lauren Howard (zoom)

Members Absent: Casey Campbell

Staff Present: Garry White

City Representatives: John Leach, Thor Christianson, Rachel Jones

Others Present: Members of the Public

C. Review of Minutes – October 23, 2025

Motion: M/S Johnson/Goeden to approve the minutes of October 23, 2025 as amended to include clarification of Mrs. Howards comments on New Business (1) Pacific Jewel Marine Vessel Movement Transportation Discussion.

Action: Motion Passed (4/0) on a voice vote

D. Correspondence & Other Information - None

E. Changes/Additions/ Deletions to Agenda – None

F. Reports – None

G. Persons to Be Heard- None.

H. Unfinished Business –

1. GPIIP Haul Out Development Discussion

Mr. White shared the RFP has not yet been sent forward to the Assembly. He wants to have the information zoning completed to bring together as a package, they are hopeful that will be available at the next meeting as it was pulled from today's agenda. He also stated he is working on insurance options for otherwise uninsured boats to be able to be hauled. Mrs. Howard shared she had been working with a

fishermen to try and get him temporary insurance through USI for the vessel value and pollution for the temporary term of the haul.

~~2. GPIP Zoning Discussion – PULLED~~

I. New Business-

1. Commercial Vessel Movement Operation Regulations

Mr. White shared the GPIP Board met in October to discuss commercial vessel movement operations. Pacific Jewel Marine (PJM) requested to transport vessels with a travel lift and/or hydraulic trailer from the CBS Shipyard to its property at 4500 Sawmill creek. The Board directed the GPIP Director to draft an agreement outlining the requirements and regulations to move vessel withing the GPIP. He shared a draft Commercial Vessel Movement Operation Regulations for the board discussion and review. The board discussed that park infrastructure is built to normal road operating standards, but if there is a unique use being proposed a condition assessment would be appropriate.

The board also discussed if the high pollution insurance is necessary or cost prohibitive for this specific proposal because there is little pollution risk when moving a boat, versus working on a boat. Mr. White will work with the city and the risk accessor to re-evaluate that number.

The board also discussed state road use special use permitting vs park permitting.

Motion: M/S Johnson/Goeden move to recommend Assembly approval of the Draft Commercial Vessel Movement Operation Permit for the GPIP with the caveat that the CBS investigate the pollution insurance dollar amounts as well as set a standard for implementation of this permit.

Action: Passed (4/0) on a voice vote.

2. Pacific Jewel Marine Lot 9b Lease Amendment

Pacific Jewel Marine (PJM) requested a non-competitive long-term lease of Lot 9b at the Gary Paxton Industrial Park (GPIP) to provide unobstructed access to a future boat house for marine services associated with its current tenants working in its building at 4500 Sawmill Creek Rd. Please see the original attached letter of request. The GPIP Board met on June 19, 2025, to discuss the request. The GPIP Director informed the Board that all non-competitive long-term lease requests would need to follow Sitka General Code 2.100.080. The GPIP Board approved to proceed without competitive process after careful review and moved to proceed with leasing Lot 9b to provide non-obstructed access to future boathouses for marine services provided by the tenant on Lot 5 by way of a 10-year lease to Pacific Jewel Marine with 4 – 10-year extensions available agreed upon by both parties for \$453.50/month with an annual CPI adjustment. The CBS Assembly approved this lease at their September 23rd meeting.

Pacific Jewel Marine is requesting that the terms of the lease be adjusted to allow for additional uses other than just unobstructed access. Additionally, Pacific Jewel is requesting to modify the lease terms of the lease.

Both Mr. Leach and Mrs. Jones shared CBS will need clarification from the GPIIP Board on what accessory uses don't defeat the non-competitive bid. The original criteria measured whether a competitive bid needed to happen. The board needs to re-evaluate based on the new potential tenants intended use.

The board discussed concerns and suggestions to fine tune suggested lease verbiage. They will work with Mr. White to redraft their use and criteria findings to ensure the non-competitive bid process is still most appropriate, along with specific suggestions for fitting primary and secondary use. They will bring a new motion to the Dec 18th meeting.

Motion: M/S Goeden/Johnson move to postpone amending the findings and lease process until the December 18th meeting.

Action: Passed (4/0) on a voice vote.

J. Adjournment

Motion: M/S Wagner/Johnson move to adjourn the meeting at 4:33 pm.

Action: Passed (4/0) on a voice vote.

Monday, December 15, 2025

MEMORANDUM

TO: GPIP Board of Directors

FROM: Garry White, Director

SUBJECT: Gary Paxton Industrial Park (GPIP) Management Report

1. GPIP Dock

The GPIP Dock was open for business in 2018. GPIP Dock revenues have increased each fiscal year.

The 2025 GPIP dock successfully hosted 18 cruise ship ports of calls in 2025. The dock was additionally used by tour companies to onload and offload passengers. Commercial fishing vessels also have been using the dock to conduct in-water boat work and gear transfer. **(11/17/25)**

2. Marine Services Industries at the GPIP.

On October 4, 2022, the citizens of Sitka voted to appropriate ~\$8.18 million dollars from the Sitka Permanent Fund for the development of a haul out and shipyard at the Gary Paxton Industrial Park (GPIP).

CBS and GPIP staff developed a GPIP Vessel Haul Out Development Project Charter (attached) that outlines the project goals, project scope, and timeline for moving the development forward. The GPIP Board at its November 2022 meeting approved the Charter.

One of the first benchmarks in the key milestones of the project is the hiring of a project management team. The CBS has selected PND Engineering as the project management team to help the community formulate a basis of design of the project. Additionally, the team will designing, engineering the project, and working closely with a construction firm to build the project. **(02/07/2023)**

Both the GPIP Board and Assembly have approved a conceptual design for the haul out. The environmental permit process has started. The goal is to have a contractor hired by the end of January 2024, construction started in August 2024, with the haul out being operational by the end of 2024. **(09/01/2023)**

A 150 ton Marine Travelift has been ordered from Kendrick Equipment for \$1,377,800 after a competitive bid process.

Final design for Phase 1 has been completed. A firm fixed bid with Western Marine has been agreed to with a fixed lumped sum of \$6,248,364. (Note: Construction costs came in roughly \$1,055,000 above estimated costs).

A request for qualifications for GPIIP Haul Out operations is being developed to determine what if any third party entity will run the haul out. **(8/21/2024)**

The CBS was not successful in obtaining a Denali Commission grant to fund electrical infrastructure for the haul out development.

Disaster Relief Payment from ADF&G as part of the 2020/21 Statewide Salmon disaster.

The RFQ was released to the public and the CBS chose an entity to start negotiating a scope of services for the haul out operations. **(10/30/24)**

A draft scope of service will be presented to the GPIIP Board at its 12/17 meeting.

The CBS received its environmental permits to start the in-water construction on 11/20/24. The marine contractor starting driving pilings for the haul out piers on 11/21/24. **(12/12/24)**

The GPIIP Board and CBS Assembly approved additional funding of \$850k toward the haul out project, bringing total project cost to ~\$10.1 million. The GPIIP Board will be reviewing and making recommendations on a scope of work package to operate the haul out including, a draft operator agreement and an invitation to bid on proposed services at its 1/16 meeting. **(01/08/25)**

The GPIIP Board met on January 16th, 2025, and recommended approval of the draft Operating Agreement for the Marine Vessel Haul Out and Shipyard Operations at the Gary Paxton Industrial Park, and the Invitation to Bid. The CBS Assembly approved the GPIIP Board recommendations at its January 28th, 2025.

A bid proposal from Highmark Marine Fabrication LLC (Highmark) was received on February 13th. The GPIIP Board met on February 20th to discuss the Highmark proposal and requested a work session to further discuss the proposal.

The GPIIP Board held a work session and regular meeting on March 13th to discuss the Highmark proposal. The Board recommended accepting Highmark's bid, without including a portion of the bid related to leasing warehouse space.

The CBS Assembly met on March 25th and approved to accept the Highmark proposal as presented, including the warehouse space. Staff was directed to return to the Assembly with a finalized Operating Agreement between the CBS and Highmark for Assembly approval in the near future.

The 150-ton Travelift machine is delayed in shipping to Sitka. The estimated timeframe for delivery is early May. **(04/07/2025)**

Haul out Phase 1 construction is nearly complete. The heated concrete pad construction is moving forward. The CBS and Highmark officials met and are working towards a final Operating Agreement for the Assembly review and approval. **(05/06/25)**

The CBS approved an additional \$715,250 toward the haul out development at their July 8, 2025 meeting. The additional funding will provide yard improvements, equipment, initial yard support materials, and annual operating expenses. The GPIIP Board is developing requests for proposals to allow for vendor spaces at the GPIIP. The GPIIP current zoning code is being reviewed for potential adjustments and modifications to allow for more defined use of the GPIIP properties. **(07/11/2025)**

The CBS Assembly at its August 12th meeting approved an operating agreement between the CBS and Highmark Marine Fabricators for the operations of the GPIIP Haul out and Shipyard. CBS Administration made the decision not to include heat in the permanent concrete washdown pad due to material delays which would have delayed the construction of the wash down pad and operations of the haul out. **(08/18/2025)**

The Haul Out is now operational. The CBS held a ribbon cutting ceremony on September 18th and the first vessel was hauled on September 23rd.

The GPIIP Board approved a Request for Proposals (RFPS) for long-term leases of adjacent properties to marine vendors and other uses.

The GPIIP Zoning Code is being reviewed to make changes to allow for more efficient operations at the GPIIP. **(11/17/2025)**

3. Bulk Water

The Director continues to work with entities interested in the export of Sitka's water. **(05/06/2019)**

The CBS Assembly met on April 30th to discuss needed repairs to the Raw Water delivery infrastructure. No funding or repair plan was determined. The CBS's ability to delivery water will need to be fixed before the bulk water export venture can move forward. The Assembly directed the GPIIP Director to continue to work with potential investors and exports to find a funding solution to repair the system. The CBS does not believe that the infrastructure can be repaired until the penstock is shut down and dewatered. Estimate timeframe for penstock shut down is estimated to be the fall of 2021. **(06/03/2019)**

The CBS and Arctic Blue Waters Alaska entered into a water purchase agreement in the spring of 2021. Arctic has 5 years to export water. **(06/01/21)**

The Director continues to receive inquiries from entities wishes to export Sitka's water. **(02/07/2023)**

The GPIIP Board has recommended approval of another water purchase agreement with Global Hydration LLC, A Florida Corporation. **(8/21/24)**

The GPIIP Board has received an updated conceptual drawing from Arctic Alaska Blue Waters for its water loading infrastructure. **(12/12/24)**

The Assembly met on January 14th to discuss a water purchase agreement between the CBS and Global Hydration LLC and chose to postpone deciding until March 11th due to

Arctic Alaska Blue Waters officially executing its first right of refusal to acquire additional water allocations as per its water purchase agreement. The additional water allocations will make it not possible to sign the agreement with Global Hydration. Arctic will need to provide a letter from a qualified purchaser of water and pay the CBS and an additional \$100,000. **(01/08/25)**

Arctic Blue Water Alaska failed to make its \$100,000 payment within the required timeframe to receive additional water rights per its water purchase agreement. The Assembly chose not to enter into another water purchase agreement with Global Hydration at its March 11th meeting. Arctic Blue Waters met with CBS officials and is still working towards its loading plan to export water. **(04/07/2025)**

The GPIIP Board recommended approval of a contract extension for Arctic Blue Waters to have more time to develop its water loading facility. The CBS Assembly approved the extension at its July meeting. **(07/11/2025)**

The GPIIP Director has been in contact with Arctic Blue Waters on its plans to construct a water loading facility at the GPIIP to facilitate the export of water. The Director continues to receive calls from other groups interested in exporting Sitka's water. **(10/21/2025)**

4. Bottled Water

The Director continues to receive inquiries about bottled water. **(01/08/2025)**

5. Blue Lake Dam Expansion Project

The Assembly has approved a MOA between the GPIIP and Electric Department to allow the GPIIP to charge for use of Lots 16b and 20. Rock has been stored on these lots since the Blue Lake Dam Expansion project. **(06/03/2019)**

The GPIIP Director has met with the CBS Electric Director regarding leveling out the above lots for future leases or sales at the GPIIP. **(03/22/2021)**

The GPIIP Director has met with the new CBS Electric Director regarding a plan to deal with the remaining rock left on site from the Blue Lake Expansion project. **(01/08/25)**

The GPIIP Board did a walking tour of the GPIIP properties during its June 2025 meeting and reaffirmed its wishes to have the rock removed from Lot 16b, bringing the surface of the lot back to its original elevation consistent with the properties inside the park boundaries. The Board wishes to leave the elevation of Lots 19 and 20 at the elevations of Sawmill Creek to be leased in the future. **(07/11/2025)**

6. GPIIP Dock Fuel Sales

Delta Western has received its build permit to establish a fueling operation on the GPIIP Dock. The fuel tanks will be relocated from the dock itself to the uplands above the dock. **(07/03/2019)**

Delta Western has completed its fuel delivery infrastructure on the GPIIP dock. **(11/12/2019)**

Delta Western is in the process of installing a second fuel tank at the GPIIP for fuel delivery off the GPIIP Dock. **(03/22/2021)**

The GPIIP has seen increases in dock fuel sales each year since the dock has become operational. **(12/12/24)**

The GPIIP Director and the CBS have been working with Delta Western on a proposal to expand its fuel tanks at the GPIIP for fuel delivery. The proposed expansion will not change the footprint of Delta's existing lease area. **(10/21/2025)**

7. The GPIIP Board recommended an update to the GPIIP Port Tariff at its June 2025 meeting. The CBS Assembly approved the tariff update at its July 2025 meeting. **(07/11/2025)**
8. The GPIIP Board recommended a non-competitive bid for a long-term lease of Lot 9b to Pacific Jewel Marine at its June 2025 meeting. The CBS Assembly approved the lease at its September 23rd meeting. **(11/17/2025)**



329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

Tuesday, December 9, 2025

MEMORANDUM

To: Gary Paxton Industrial Park (GPIP) Board of Directors
From: Garry White, Director
Subject: Pacific Jewel Marine - Lot 9b Long Term Lease Amendment

Introduction

Pacific Jewel Marine (PJM) requested a non-competitive long-term lease of Lot 9b at the Gary Paxton Industrial Park (GPIP) to provide unobstructed access to a future boat house for marine services associated with its current tenants working in its building at 4500 Sawmill Creek Rd. Please see the original attached letter of request.

The GPIP Board met on June 19, 2025, to discuss the request. The GPIP Director informed the Board that all non-competitive long-term lease requests would need to follow Sitka General Code 2.100.080.

Sitka General Code 2.100.080

Section 7.b.ii – “Leases shall be granted to the highest responsible bidder unless the assembly determines that because of the nature of the trust to be leased, the nature of the business being sought for the lease or seeking a lease, or the number of jobs to be produced, that competitive bidding is inappropriate and the terms of the proposed lease, including price, should be negotiated. Applications for non-bid dispositions shall be referred to the board for recommendations.”

The GPIP Board approved the following motion:

Motion: M/S Goeden/Howard move to proceed without a competitive process of Lot 9b.
Action: Passed (4/0) on a voice vote.

The GPIP Board provided the following rationale for leasing the property without a competitive bid process:

- The subject property has limited use.
- Allows an established business to continue to grow.
- If property was leased to another lessee, it would limit access and economic opportunity to the existing marine service tenants of Lot 5.
- Allowing access to the marine service tenants of Lot 5 has the potential to create more jobs.

The GPIP Board then approved the following motion:

Motion: M/S Howard/Goeden move to proceed with leasing Lot 9b to provide non-obstructed access to future boathouses for marine services provided by the tenant on Lot 5 by way of a 10-year lease to Pacific Jewel Marine with 4 – 10-year extensions available agreed upon by both parties for \$453.50/month with an annual CPI adjustment.

Action: Passed (4/0) on a roll call vote.

The CBS Assembly approved the GPIP Board's recommendation at its September 23rd meeting.

Pacific Jewel Marine requested that the terms of the lease be adjusted to allow for additional uses other than just unobstructed access. Additionally, Pacific Jewel requested to modify the lease terms of the lease.

The GPIP Board at its November 20th meeting discussed the requested lease amendments. The Board requested the Pacific Jewel Marine to resubmit its intended use of the property and to have the item discussed at its December meeting.

Pacific Jewel Marine has provided the attached updated proposal to request a non-competitive long-term lease of Lot 9b with its updated intended uses of the property.

Background

The GPIP Board has held multiple meetings to discuss the yard space requirements for the haul-out and shipyard facility, including working yard space, long-term vessel storage, gear storage, and vendor operations. The Board's discussions have emphasized prioritizing the remaining property near the facility for lease to qualified organizations engaged in the repair, maintenance, modification, or construction of marine vessels and related services.

The GPIP Director was directed by the GPIP Board in the past to not solicit or accept any long-term lease proposals at the GPIP until the GPIP Haul Out development was planned and completed. Conceptual plans for Phase 1 and Phase 2 have been developed and reviewed by the GPIP Board and Assembly, and development is underway.

Property

Lot 9b is 7,583 SF parcel of property located adjacent to Lot 5, otherwise known as 4500 Sawmill Creek Rd and across the access easement from the GPIP Dock.

Lease Terms

Pacific Jewel Marine originally proposed to lease the 7,583 SF parcel for 10 years with 4 – 10-year extension agreed upon by both parties.

Lot 9b has a 2025 assessed value of \$60,465.

\$60,465 @ 9% = \$5,442 per year or \$453.5/month

All other standard lease requirements will be included in the lease.

Action

- GPIP Board recommendations on amendments to the terms for a long-term lease of Lot 9b to Pacific Jewel Marine.

Hi Gary and Scott,

The previous terms of the lease as specified in section 1.1 were too restrictive in nature to allow for any future investment or development into our boat repair operations. The terms state, " This lease is for the sole purpose of providing non-obstructed access to future boathouses for marine services provided by the tenant on Lot 5. Any other use of the leased property shall be deemed a material breach of this lease, unless mutually agreed to in writing by both parties in an amendment to this agreement or superseding lease." page 1, Draft lease agreement Between City and Borough of Sitka and Pacific Jewel Marine, LLC.

We intend to use lot 9b for our boat building and repair business, and we hope to have lease terms that would provide the security to invest in these endeavors. Lot 9b will be used to support our operations by providing access to our surrounding property and parking and storing our own equipment and materials.

Since we are offering to pay the going rate for the leased city property we ask that the payment of the leased property shall commence upon the signing of a vessel movement plan between the city and PJM or some other assurance that the city will not limit the affordability of investing in this type of operation due to undue regulations that are inconsistent with existing industrial parks and boatyards.

We believe our proposal still falls under the same criteria for a non-competitive lease for the following reasons;

The property boundaries of lot 9b, the nature of the lot and its uses, and impediments to current businesses and promotion of Sitka base jobs. Lot 9b is a very small lot that borders our property on two sides and the city streets on the other two corners. Any other renter of the property would need to leave a buffer between our property and there's thus further limiting the usefulness of the space. Alternatively, PJM can fully utilize the space due to our adjacent location. Potential renters of lot 9b , other than ourselves, have the potential to create property boundary infringements that may become a burden for both the city and us. These are but two possible reasons for the noncompetitive lease arrangement.

Thank you for working with us to ensure that we have a mutually beneficial lease agreement. If some of this language does not work for the board or the city please let us know and we will do our best to address your concerns.

Sincerely,

Jeremy Serka Owner

**Sitka Custom Marine
Pacific Jewel Marine LLC
4500 Sawmill Creek Rd.
Sitka AK 99835
jserka@outlook.com**

907-738-0651 Cell
907-747-0565 Office Line

Pacific Jewel Marine request for long term lease of lot 9b at the Gary Paxton Industrial Park.

For us to make further investments in infrastructure, personnel and equipment in support of Sitka's marine trades we need to secure access from the haul-out to our facility for vessels at an affordable price (Attachment A)

Supporting documents.

. Letter to GPIIP board requesting a long-term lease of lot 9B (see attachment B)

. Gpip mission Statement and strategic plan (see attachment C)

- Prioritizing the marine trades and job creation in the leasing of lots
- Designation of lot 9b as an area of operations for managing park in 2017, which is now mute since the city purchased the old Northline building for this purpose.

. city code for GPIIP (See attachment D)

- Waiving the city's obligation for a competitive bid on lease lots given property boundaries, nature of lot and its uses, impediments to current businesses and promotion of Sitka base jobs.
- Lot 9b is a very small lot that borders the street on two sides and Starwest property on the other two sides. The lot is an impediment to the future operations of the Starwest marine trades facility and is also best suited for the uses of this facility in creating and maintaining jobs that provide support for the marine related industries in Sitka. Pacific Jewel Marine, manager and partner of the Starwest property, should be allowed the right to have a long-term lease or right to purchase lot 9b under the current lease rates of GPIIP properties.

. other low-cost leases in the Park

- Silver Bay has held a lease for lot 9 C for the previous decade.
- NSRAA has a long-term lease on lot 2 with 1.5 full time employees at ½ of the going rate for short term leases.
- The Fortress of the Bear has a low cost / long term lease
- Dec. 17, 2024 GPIIP meeting, lease request by Sitka sound science center for lot 9b. They rescinded their request. But the going rate is : 9% of the 2018

appraised value of \$43,500. Or \$3,915 / yr. (**see attachment E**) GPIIP meetings Dec. 17, 2024)

- The assembly just gave Highmark Marine Fabrication a noncompetitive bid on the Northline building for space that will be used for work other than what they were hired to do; The space will be used for fabrication and boat repair work, the same work that the businesses under Pacific Jewel Marine are currently invested in.

Pacific Jewel Marine: manages the building at 4500 Sawmill crk. Rd.

. We invested more than 1.5 million dollars in the rehabilitation of the building and property at 4500 sawmill creek road to become a marine trades center.

We employ 9 full-time people and are looking to hire more. We also employ seasonal workers who have other jobs in the summer, we provide good paying jobs in the winter when jobs are scarce, thus supporting the seasonal businesses by keeping local workers in Sitka for the busy summer season.

.We are currently the only company in town who is making capital investments in equipment and infrastructure that will support the work that can be done on vessels in the boatyard. The businesses in our facilities will attract boat owners to use Sitka's haul out due to our investment in the workforce and equipment. The potential revenues generated from the work done by our businesses will help fund the expansion of the yard and the services that can be provided in Sitka, thus increasing our attractiveness to boat owners as a place to haul out and do business.

. Currently we have the following shops and tenants:

Sitka Custom Marine: Designs, builds and repairs boats, sand blast and painting, and retail sales including metal, paint and other vessel repair products.

. **Stem to Stern Ship Repair;** Shipwright – wood boat repair

. **Sitka Machine Shop:** Only machine shop in town . builds and repairs equipment for both commercial and domestic.

. **Appleton Ventures LLC,** Diesel & small engine repair, full-stack software and DevOps engineering

. **Southeast Sparks,** Electronics lab and marine electrical installation.

. **Frank Schlias,** Diesel mechanic

- . Heavy equipment operators, forklifts and man lifts
- . short- and long-term shop space available for commercial and industrial work.

Storage, shop and staging space for many different companies including:

- . Pioneer Studios
- . CBC construction
- . Marble Construction
- . Island Marine
- . SKS Davis Construction
- . KMK Services LLC
- . Alcan Electric
- . Juan's Cuban Cuisine
- . Robert Reid's outhouse rental and septic pumping
- . F/V Pacific Dawn
- . F/V Shemya and F/V Pacific Star
- . F/V Tsiu
- . F/V Patriot
- . F/V Adylin L
- . F/V Stormbringer
- . F/V Diamond Lil
- . F/V Alaska
- . F/V Henliegh Faith
- . T/V Otter
- . F/V Madre Delorosa
- . F/V Mirage
- . F/V Shackleton
- . F/V Magia

- . F/V Garnett
- .F/V Leah
- . F/v Lorelli Bell
- . Alaska Premier Charters
- . Bad Sport Charters
- . Outbound Alaska Charters
- . Dove Island Lodge and Charters
- . Cast Alaska Charters

.

Attachment A : Location of Starwest property and lot 9b (4510)



6-6000-000
4500 Sawmill Creek Rd
Starwest Alaska, LLC

4500

4510

**Attachment B: letter to Gpip
board requesting lease of
lot 9B**



Jeremy Serka

Pacific Jewel Marine
4500 Sawmill Crk
Sitka, Ak 99835



**Gary White
Sitka Economic Development
Association**

Dear Mr. White,

Pacific Jewel Marine manages the warehouse at 4500 Sawmill Creek Road within the Gary Paxton Industrial Park, we are looking for a long-term lease of lot 9b. Our building houses many contractors and vessel owners that are anticipating the opportunity to work on large vessels next to the building. Currently we are in the process of designing and funding a covered boat house that will be built along the waterside of the building. This new boat house will need access from the main yard for a travel lift or trailer to transport the boats. Unobstructed access through lot 9b is critical for maneuvering a large trailer with boat and towing vehicle. The towing vehicle and trailer could easily reach lengths of 80 feet or more and therefore requires a broad turning area, which only lot 9b can provide.

Beyond the boat house there are several other reasons we would like to lease lot 9b. The lot borders the warehouse's property on two sides, and the street makes up the other two sides of the lot. The proximity to our property and its isolation from the rest of the park make lot 9b difficult to

distinguish from the rest of the park and hence we get a lot of pedestrian traffic thinking the lot belongs to us or vice versa; parking on our property while thinking that it is an extension of lot 9a.

I understand that the GPIIP board and the assembly may both need to approve this lease. I believe that our boat repair operation and plans for lot 9b are a perfect fit for the mission of the Gary Paxton Industrial Park. We are creating year-round living wage jobs that support other viable businesses here in Sitka. I ask that the board weigh in our current investment in the community while considering this lease.

Sincerely

Jeremy Serka
Pacific Jewel Marine

Attachment C: GPIIP Mission Statement

Mission Statement

It is the mission of the Gary Paxton Industrial Park board and management, by direction of the Sitka Assembly, to strategically develop the park in a fiscally responsible manner that maximizes its economic benefit to the community through creation of meaningful jobs that conform with established community plans and policies.

Guiding Principles of GPIIP

1. Preserve public access and marshaling areas to the waterfront, as it is the most commercially viable waterfront left in Sitka.
2. Make lease, buy/sell or other land use decisions based on the mission of the Park – to create family wage jobs for Sitkans in a financially responsible manner.
3. Consistent with principles 1 & 2, identify and minimize negative cash flows to the City from the operation of the Park.



Attachment D” City General Code for Non -competitive bid

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18.15.010 Real property disposal.



confirmed and ratified and voter ratification required under the former ordinance is waived. (Enactment date September 27, 1983.)

D. The lease of any municipal property on a temporary basis may be made by the administrator upon motion of the assembly without ordinance. Temporary shall be defined as any lease terminable at the will of the municipality where no more than 30 days’ prior notice of intent to terminate is required.

E. Sale or lease of municipal real property, including tidelands, shall be by competitive bid, unless the assembly finds that competitive bidding is inappropriate, due to the size, shape, or location of the parcel, rendering it of true usefulness to only one party, or is waived by subsection C of this section. The assembly may also find that competitive bidding is inappropriate due to the nature of the property or the circumstances surrounding its disposal to include possible unjust results with regard to the existing lessee, or adjacent or neighboring property owners.

F. When it is deemed advantageous to the municipality, it may trade uplands or tidelands for other land of approximately equal size or value. Should the municipal property in question be of such value as to permit an advisory vote, an advisory vote may be authorized by the assembly, and the requirements and procedures concerning such election shall apply.

G. The administrator is authorized to sign all municipal lease and conveyance documents. (Ord. 18-29 § 4, 2018; Ord. 99-1545 § 4, 1999; Ord. 93-1141 § 4, 1993; Ord. 92-1110 § 4, 1992; Ord. 92-1026 § 4, 1992; Ord. 83-556 § 4, 1983; S.G.C. § 18.12.010.)

Attachment E: Lease of Lot 9B to Sitka Science Center 12/12/ 24



329 Harbor Drive, Suite 212
Sitka, AK 99835
Phone: 907-747-2660

Thursday, December 12, 2024

MEMORANDUM

To: Gary Paxton industrial Park Board of Directors (GPIP Board)

From: Garry White, Director

Subject: Sitka Sound Science Center Lot 9b Lease Request

Introduction

Sitka Sound Science Center (SSSC), a Sitka non-profit, requests a short-term lease of lot 9b to store and sort marine debris. Please see the attached lease proposal. The proposed lease will be on a month-to-month term.

Property

Lot 9 is a 7,583 SF parcel of property located adjacent to lot 5 (former bottling plant), across the road easement to the GPIP Dock.

Lot 9b was valued in 2018 at \$43,500 or \$5.74/SF. Traditionally, raw property in the GPIP has been leased at a 9% return of asset value.

Rent

\$43,500 @ 9% = \$3,915 annually or \$326.25/month

Action

- Board discussion and approval of Sitka Sound Science Center lease proposal.

**LEASE AGREEMENT
BETWEEN
CITY AND BOROUGH OF SITKA
AND
PACIFIC JEWEL MARINE, LLC**

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Exhibits

Exhibit A – Description of the area leased

**LEASE AGREEMENT
BETWEEN
CITY AND BOROUGH OF SITKA
AND
PACIFIC JEWEL MARINE, LLC**

PREAMBLE

This Lease Agreement (“Lease”) between City and Borough of Sitka, Alaska and PACIFIC JEWEL MARINE, LLC is effective upon the first day of the month immediately following execution of the Lease by both Parties, City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 (“Sitka” or “Lessor”) and PACIFIC JEWEL MARINE, LLC, 4500 Sawmill Creek Road, Sitka, Alaska 99835 (“Lessee”). This Lease consists of the Special Provisions, the General Provisions, and the attached Exhibit A.

Exhibit A – Pictorial representation of the area leased known as Block 4, Lot 9B of the Gary Paxton Industrial Park (“GPIP”)

SPECIAL PROVISIONS

ARTICLE I LEASE, TERM OF LEASE, AND TERMINATION OF LEASE

Section 1.1 Conveyance of Estate in Lease.

Lessor, for and in consideration of the Rents received and of the covenants and agreements made by Lessee, does lease to Lessee, and Lessee leases from Lessor, the “Subject Property” as shown on Exhibit A. Exhibit A shows an approximately 7,583 square foot lot described as Block 4, Lot 9b.

This lease is for the sole purpose of providing non-obstructed access to future boathouses for marine services provided by the tenant on Lot 5. Any other use of the leased property shall be deemed a material breach of this lease, unless mutually agreed to in writing by both parties in an amendment to this agreement or superseding lease.

Section 1.2 Lease Term.

The Lease term is for ten (10) years and commences on October 1, 2025, and ends on September 30, 2035, unless sooner terminated or extended as provided in this Lease. The Lease term may be extended, based on the Option to Renew in Section 1.3.

Section 1.3 Option to Renew.

Provided there does not then exist a continuing material default by Lessee under this Lease at the time of exercise of this right or at commencement of any extended term, Lessee shall have the right to exercise the option for four successive term of ten (10) years upon the same terms and conditions as this Lease (except Section 1.2), with the Lease payments during the extension terms as described in Article II. This option is effective only if (a) Lessee makes a written request to exercise such an option not more than one year or less than six months from the end of the

immediately preceding term; (b) Lessee is in compliance with all applicable laws; and (c) Lessee is not in default under this Lease. The option to renew must be approved by Lessor Assembly.

Section 1.4 Disposition of Improvements and Lessee's Personal Property Following Term of Lease.

With the exception of such improvements described in the next sentence, Lessee shall remove from the Subject Property any personal property or improvements constructed, installed, or deposited on the Subject Property at the termination of this Lease or any extension unless Lessee makes a separate written agreement with Lessor to do otherwise. Subject to the provisions of the next sentence, Lessee shall leave behind at no cost to Lessor improvements including: bollards, ladders, drains and drain lines; toilets; bathroom sinks; building systems and their components such as plumbing, piping, and fixtures; building structural components; non-structural improvements such as walls and ceilings; devices not used for processing or manufacturing such as but not limited to electrical service entrance equipment, electrical distribution panels, electrical cables, feeders, branch circuit wiring, and appurtenances such as light fixtures, switches, and other devices; portable fire extinguishers, smoke detectors, and fire and life safety equipment attached or fastened in ways integral to the building in which Subject Property is located. Any improvements or personal property not removed after thirty (30) days have passed after termination of this Lease shall be deemed abandoned, and at Lessor's option, shall become the property of Lessor. Lessee shall repay to Lessor any costs of removing such improvements or personal property from the Subject Property if Lessor does not exercise such option. Subject to Lessor's obligations under Subsection 3.1 below, Lessee agrees to leave Subject Property in a neat, clean, and weather-tight condition at the end of the Term of the Lease.

Section 1.5 Covenants to Perform.

This Lease is made upon the above and the following terms and conditions, each of which the Party bound by such covenants and conditions agrees to perform, irrespective of whether the particular provision is in the form of a covenant, an agreement, a condition, a direction, or otherwise, and each Party agrees to provide the other Party with documents or further assurances as may be required to carry out the expressed intentions.

ARTICLE II RENT

Section 2.1 Calculation & Method of Payment of Rent During the Initial Five-Year Term of the Lease.

The first year of the Lease begins on the commencement date of this Lease set out in Article I. Each successive year of the Lease begins on the corresponding anniversary commencement date of the Lease. Notwithstanding any other provision of this Lease, on the term start date set out in Article I, Lessee shall pay Rent each month in advance on the first day of each and every month at a rate of \$453.50, calculated at a rate of \$0.0614/SF/month (assessed value of \$60,465 @ 9% = \$5,442/annual rate). The rent will be adjusted annually on June 30 of each year based on the change in the previous year's annual percent change for Anchorage, Alaska (also referred to as Urban Alaska) for All Urban Consumers (CPI-U) as published by the U.S. Department of Labor, Bureau of Labor Statistics.

Sales tax is to be paid in addition to the stated Rent.

Section 2.2 Cost of Living Adjustment to Lease Rate Upon Exercise of Lease Renewal.

If the option to renew is exercised and approved by Lessor Assembly, monthly Rent as set in Section 2.1 shall be adjusted during the second (2nd) and all subsequent years of the lease or extension period, based on the Consumer Price Index, at a time when any adjustment would be made effective July 1st of the year applied. The adjustment shall be based on the previous year's annual percent change for Anchorage, Alaska (also referred to as Urban Alaska) for All Urban Consumers (CPI-U) as published by the U.S. Department of Labor, Bureau of Labor Statistics. The first adjustment date shall be July 1, 2026.

Section 2.3 Calculation and Method of Payment of Rent During Successive Optional Ten-Year Renewal of the Lease.

If Lessee decides to exercise the option to renew a successive ten-year term under Section 1.3, Lessee must notify Lessor of this intent no less than six (6) months before the end of the current Term of the Lease. Lessor may commission a professional market appraisal of the Subject Property in its "as is" condition. The appraisal will not take into consideration improvements made to the property by Lessee, but may take into consideration improvements made by Lessor. Subject to the provision of the next sentence, Rent for each month of the successive ten-year term (also known as the Tenth through Twentieth Years) shall be equal to one-twelfth of ten percent (10%) of the appraised value as determined by the appraisal described in this Section. Notwithstanding any other provision of this Lease, Rent for Lessee during the Sixth and through Tenth Years shall not increase by more than ten percent (10%) per year over what Rent was during the Fifth Year, if the appraisal described in this Section shows that Rent for the Sixth through Tenth Years should increase over Rent for the Fifth Year.

Section 2.4 Property Tax Responsibility.

Beginning with the Term of this Lease and each calendar year after, Lessee will be responsible to pay Lessor property taxes for its possessory interest in the building, land, and equipment to the extent taxable as determined by the Municipal Assessor.

ARTICLE III RESTRICTIONS UPON USE OF SUBJECT PROPERTY**Section 3.1 Lessee's Obligations as to Construction, Maintenance, Repair and Safety**

(a) Except as otherwise provided in this Lease, Lessee acknowledges the leasehold is in an "as is" condition. At the sole cost and expense of Lessee and in compliance with all legal requirements, Lessee may purchase, construct, develop, repair, transfer to the Subject Property, and/or maintain any improvements, personal property, fixtures, and other items on the Subject Property in a first-class manner using materials of good quality.

Lessor shall maintain the Subject Property and any Lessor provided equipment. Lessor reserves the right to expand or modify the Subject Property. In that event, Lessor and Lessee will work together to complete such expansion or modification in a manner that minimizes disruption to Lessee's use of the Subject Property. Some anticipated disruptions could be interruption in utilities (e.g. power, water), and operational disturbances from noise, dust and other construction activities.

(b) Lessee acknowledges that Lessor has made no representation or warranty with respect to Lessee's ability to obtain any permit, license, or approval.

(c) Lessee shall also use the Subject Property and any improvements placed on the Subject Property only for lawful uses and as specified in the Lease and only for permitted and approved conditional uses subject to the Sitka General Code, Title 22.

(d) Lessee shall confine its equipment, storage and operation to the Subject Property.

(e) Lessee shall not permit the accumulation of waste or refuse matter on the Subject Property, and Lessee shall not obstruct or permit the obstruction of the streets, sidewalks, access ways, or alleys adjoining the Subject Property, except as may be permitted by Lessor or other municipal authorities having jurisdiction. Lessee shall do all things necessary during the term of this Lease to remove any dangerous condition from time to time existing on the Subject Property as the result of the use by Lessee.

(f) Lessee may erect outdoor signage at its expense with the written permission of Lessor Building Official and the Public Works Director. The style, size and physical placement location of the sign will be approved on a case-by-case basis.

Section 3.2 Lessor's Approval of Certain Alterations or Improvements.

Lessee shall not make or permit to be made any alteration of, addition to, or change in, structures and improvements, nor demolish all or any part of the structures or improvements without the prior written consent of Lessor, which consent shall not be unreasonably withheld. The phrase "structures and improvements" in the previous sentence includes water and wastewater systems and electrical systems. In requesting consent, Lessee shall comply with all applicable laws and ordinances, and shall submit to the Lessors Public Works Director, or his or her written designee, detailed plans and specifications of proposed work, an explanation of the needs and reasons for the work, and a plan of full payment of the costs of the work. Lessor shall notify Lessee of its approval or objections no later than thirty (30) days after receiving the information described in the previous sentence. In approving or objecting, Lessor shall be acting in its proprietary function and not its regulatory function, any such approval in this proprietary function does not relieve Lessee of any obligation to obey the law. Nothing in this Section shall be interpreted to prevent Lessee from removing at the termination of this Lease any improvements or personal property as described in Section 1.4.

Section 3.3 Rights of Access to Property

(a) Lessor reserves for itself and any public utility company the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of opening, inspecting, repairing, replacing, reconstructing, maintaining, or servicing the public utilities, if any, located on the Subject Property, as well as for the purposes of constructing or installing new public utilities. Lessor also reserves for itself and the Alaska Department of Environmental Conservation the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of regulation and enforcement of this Lease. Lessor also reserves for itself the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of (1) inspection of all work being performed in connection with the construction of improvements; (2) showing Subject Property or exhibiting Subject Property in connection with renting or leasing Subject Property in a matter that will not unreasonably interfere with Lessee's business; and (3)

placing "For Sale" or "For Rent" signs on Subject Property. Lessee shall not charge for any of the access allowed in the situations described in this subsection.

(b) Lessee shall not construct any permanent improvements over or within the boundary lines of any easement for public utilities without receiving the written prior consent of Lessor and any applicable utility company.

(c) Lessee acknowledges that the Subject Property is or shall be subject to agreements for ingress and egress, utilities, parking, and maintenance. Lessee agrees that it shall comply with the terms of such cooperative agreements, in accordance with the terms of such agreements, those portions of such maintenance expenses that are attributable to the Subject Property, as more fully set forth therein.

Section 3.4 Additional Conditions of Lease.

Lessee recognizes and shall cause all beneficiaries of Lessee and all permitted successors in interest in or to any part of the Subject Property to recognize that:

(a) Lessee will cooperate with Lessor equipment and building maintenance contractor and will notify Lessor of any maintenance deficiencies or of any equipment failures that require maintenance or repair. Lessee will be provided a 24-hour telephone number to notify Lessor of any event that requires immediate response by Lessor.

(b) Lease payments will be made in monthly installments in advance in cash or by check, bank draft or money order made available to the City and Borough of Sitka, Alaska. Installments to be delivered or mailed to 100 Lincoln Street, Sitka, Alaska 99835, by or on the first day of each calendar month.

(c) Lease payments shall become delinquent if not paid within ten (10) days after the due date. Delinquent payments are subject to a late charge of \$25 and interest accrued from the due date at 12% per annum.

(d) The charges and fees paid by Lessee to Lessor must be separated according to Lessor's accounting standards.

(e) Lessor will only invoice if Lease payments are delinquent. Lessor will only invoice if failure to make Lease payment within thirty (30) days of due date. Lessor, at its option, can terminate the Lease for Lessee's failure to make payment, and in accordance with this Lease.

(f) Lessee covenants and agrees that as it relates to use of the Subject Property, it will not, on the grounds of race, color or national origin, discriminate or permit discrimination against any person or group of person in any manner prohibited by Federal, State or local laws or regulations promulgated under such laws, and Lessee further grants Lessor the right to take such action to enforce such covenant as it deems necessary or as it is directed pursuant to any Federal, State or local laws or regulations.

(g) Lessor may, upon at least ten (10) days prior written notice to Lessee, temporarily suspend the supply of water, wastewater service, the supply of electric power, the use of pipelines, or the use of the Improvements in order to perform routine maintenance and, in all events, subject to unavoidable delays. Such interruptions shall be of as short duration as necessary to perform such maintenance, and Lessor shall not be responsible for any such costs or expenses as a result of suspending such utilities.

(h) Lessee shall timely pay the Lessor Fire Marshal or Building Inspector fees and other building permit fees, and shall also timely file and pay all applicable property taxes and assessments. These include any Local Improvement District costs that may be assessed.

(i) Lessee shall be responsible for taking any measures that Lessee deems necessary to provide security for their property. Lessor is not responsible for theft or vandalism.

(j) Lessor sales tax applies to Rent. Sales tax rates, limits, exemptions, and exclusions are subject to change by Lessor Assembly.

(k) Lessee shall timely pay all other Lessor billings (i.e., electricity, business taxes, etc.).

(l) Failure of Lessee to file and pay such Lessor taxes, and pay utilities, assessment payments, and all other Lessor billings, may subject this Lease to be terminated.

(m) [OWNER NAME] and [BUSINESS NAME] shall individually and severally be liable under this Lease to comply with all of its provisions.

Section 3.5 Control of Rodents and Other Creatures on Subject Property.

Lessee shall take reasonable affirmative measures to ensure that its operations do not attract to Subject Property any of the following creatures: rodents, vermin, insects, eagles, crows, ravens, seagulls, mink, otters, or bears.

SECTION 3.6 CONTROL OF EMISSION OF ODORS FROM SUBJECT PROPERTY.

(a) Lessee shall take all reasonable measures to control odors on the Subject Property, including keeping the Subject Property clean at all times, maintaining any odor control equipment in working condition and operating properly, and utilizing the best technology reasonably available for such control.

(b) In the event of persistent odor complaints, the City and Borough of Sitka Assembly may require Lessee to take one or all of the following remedial actions at Lessee's expense:

- (i) Assure that the Subject Property is clean;
- (ii) Provide operation and maintenance records to the Board;
- (iii) Install odor control equipment; and
- (iv) Cease use of fish waste.

ARTICLE IV UTILITY SERVICES AND RATES

Section 4.1 Provision of Utility Services.

Lessee will pay for utilities, if available.

Section 4.2 Rates for Utility Services Provided by Lessor.

Utility rates charged by Lessor for utility services shall be those set forth in Sitka's Customer Service Policies and/or Sitka General Code. Lessee acknowledges the requirements of Section 9.4 as to utility lines. The Sitka Assembly may change utility rates from time to time by amending the Customer Service Policies and/or Sitka General Code.

Section 4.3 Lessee to Pay for Utility Services.

Lessee will pay, or cause to be paid, all proper charges for any of the following, if available: electricity and solid waste; sewer and water; and for all other public or private utility services, which shall be used by or supplied to the Subject Property at any time during the Term of this Lease. In the event that any charge, cost, or expense for any of the above-mentioned utility services or for any of the other above-mentioned services shall not be paid when due and payable, Lessor shall have the right, but shall not be obligated, to pay it, with the understanding that amounts paid by Lessor shall constitute additional Rent due and payable under this Lease, and shall be repaid to Lessor by Lessee immediately on rendition of a bill by Lessor. Interest at the highest rate allowable by law shall be added as a charge for unpaid utility bills paid by Lessor on behalf of Lessee. Lessor reserves the right to suspend utility services if Lessee does not pay for utility services. Failure to timely pay utility services may also result in Lessor terminating this Lease.

Section 4.4 Lessor Not Liable for Failure of Utilities or Building.

Except to the extent that any such failure, injury, or other casualty is due to Lessor's negligence or breach of any obligation under this Lease, Lessor shall not be liable for any failure of building roof, water supply, sewer, or electric current, or for any injury or damages to person or property caused by or resulting from any natural disaster, natural condition, gasoline, oil, steam, gas, electricity, or hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain, or snows which may leak or flow from the street, sewer, or from any part of the building or the Subject Property, or leakage of gasoline or gas from pipes, appliances, sewer, or plumbing works or from any other place. Lessor shall not be held responsible or liable for any claim or action due to or arising from any suspension of operation, breakage, unavoidable accident or injury of any kind occurring to, or caused by the sewer mains by an act of God or Nature, beyond Lessor's control, or caused by the elements, strikes, riots, or a terrorist or terrorists.

Section 4.5. Requirement Regarding Potable Water Services.

All potable water services will be metered and protected by approved backflow prevention in accordance with Customer Service Policies and/or Sitka General Code.

ARTICLE V LIABILITY

Section 5.1 Limits on Lessor Liability Limitation.

Lessee agrees to indemnify, defend, and hold harmless Lessor against and from any and all claims by or on behalf of any person, firm, or entity arising, other than due to acts or omissions of Lessor,

from the conduct or management of or from any work or thing whatsoever done in or about the Subject Property and structures and improvements, including liability arising from products produced on the property. Lessee also agrees to indemnify, defend, and save Lessor harmless against and from any and all claims and damages arising, other than due to acts or omissions of Lessor, during the term of this Lease from: (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of Lessee regarding any act or duty to be performed by Lessee pursuant to the terms of this Lease; and (c) any act or negligence of Lessee or any of its agents, contractors, servants, employees or licensees. Lessee agrees to indemnify, defend, and hold harmless Lessor from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Lessor, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Lease to indemnify or compensate Lessor. The agreements of indemnity by Lessee do not apply to any claims of damage arising out of the failure of Lessor to perform acts or render services in its municipal capacity.

Section 5.2 Limits on Lessee Liability.

Except to the extent of liabilities arising from Lessee's acts or omissions, Lessor indemnifies, defends, and holds Lessee harmless for liabilities to the extent that they were incurred by reason of conditions existing on the site as of the date of execution of this Lease or by reasons of Lessor's acts or omissions. Lessor also agrees to indemnify, defend, and save Lessee harmless against and from any and all claims and damages arising, other than due to acts or omissions of Lessee, during the term of this Lease from (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of Lessor regarding any act or duty to be performed by Lessor pursuant to the terms of the Lease; and (c) any act or negligence of Lessor or any of its agents, contractors, servants, employees, or licensees. Lessor agrees to indemnify, defend, and save harmless Lessee from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Lessee, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements are in addition to and not by way of limitation of any other covenants in this Lease to indemnify or compensate Lessee.

Section 5.3 Reimbursement of Costs of Obtaining Possession.

Each Party agrees to pay and to indemnify the other Party prevailing in any dispute under this Lease against, all costs and charges, including but not limited to, full reasonable counsel and legal fees lawfully and reasonably incurred in enforcing any provision of this Lease including obtaining possession of the Subject Property and establishing Lessor's title free and clear of this Lease upon expiration or earlier termination of this Lease.

GENERAL PROVISIONS

ARTICLE VI DEFINITIONS

Section 6.1 Defined Terms.

For the purposes of this Lease, the following words shall have the meanings attributed to them in this Section:

- (a) “Event of Default” means the occurrence of any action specified in Section 14.1.
- (b) “Imposition” means all of the taxes, assessments, fees, utility rates or charges, levies and other governmental charges, levied or assessed against the Subject Property; any part of the Subject Property, or any right or interest or any rent, taxes and income received, including sales taxes on rent.
- (c) “Improvements” means all buildings, structures and improvements of any nature now or in the future located upon the Subject Property, as well as all apparatus and equipment necessary for the complete and comfortable use, occupancy, enjoyment and operation of the Subject Property, including fittings, appliances, machinery, garage equipment, heating equipment, lighting equipment, cooling equipment, air conditioning and ventilating equipment, wiring, controls, communications equipment, plumbing, switchboards, antennae, floor coverings, refrigerating equipment, hot water heating and all other appliances and equipment; excepting only in each case articles of personal property appurtenances and fixtures (including trade fixtures) owned by Lessee, sublessees, or others, which can be removed without defacing or materially injuring the improvements remaining on the Subject Property, with the portion of the Subject Property from which such items are removed being returned to a condition at least as good as that existing on the date of this Lease.
- (d) “Personal Property” means tangible personal property owned or leased and used by Lessee or any sublessee of Lessee, in connection with and located upon the Subject Property.
- (e) “Premises” means the “Subject Property.”
- (f) “Rent” means the lease rate, which is the amount Lessee periodically owes and is obligated to pay Lessor as lease payments under this Lease for the use of the Subject Property.
- (g) “Subject Property” is the area leased as shown on Exhibit A.
- (h) “Sublessee” means any sublessee, concessionaire, licensee, or occupant of space in or on the Subject Property holding by or through Lessee; the term “lease” shall mean any lease, license, concession or other agreement for the use and occupancy of any part of the Subject Property made by any Person holding by or through Lessee, which has been approved by Lessor Assembly.
- (i) “Term” means the period of time Lessee rents or leases the Subject Property from Lessor.

ARTICLE VII INSURANCE

Section 7.1 Insurance

Lessee shall have and maintain property damage and comprehensive general liability insurance in the amount of One Million Dollars (\$1,000,000), including leasehold improvements. Lessor shall be named as an additional insured. Additionally, Lessee shall have the statutory amount of any Worker's Compensation.

Section 7.2 Notification of Claim, Loss, or Adjustment

Lessee shall advise Lessor of any claim, loss, adjustment, or negotiations and settlements involving any loss on the Subject Property under all policies of the character described in Section 7.1.

Section 7.3 Waiver of Subrogation

The Party insured (or so required) releases the other Party from any liability the other Party may have on account of loss, cost, damage or expense to the extent of any amount recoverable by reason of insurance and waives any right of subrogation which might otherwise exist in or accrue to any person on account of the following circumstances: (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the Parties to this Lease, or anyone claiming under it in connection with the Subject Property or improvements; and (ii) the Party is then covered in whole or in part by insurance with respect to loss, cost, damage or expense or is required under this Lease to be insured. The release of liability and waiver of the right of subrogation shall not be operative in any case where the effect is to invalidate the insurance coverage or increase its cost. In the case of increased cost, the other Party shall have the right, within thirty (30) days following written notice, to pay the increased cost keeping the release and waiver in full force and effect.

ARTICLE VIII RESTRICTIONS REGARDING ASSIGNMENT, LEASES, AND TRANSFERS OF SUBJECT PROPERTY

Section 8.1 Lessee Without Power to Assign, Lease, or Encumber Subject Property.

Lessee has no power without Lessor Assembly approval under this Lease to assign the Lease. Lessee has no power under this Lease to transfer the Subject Property. Lessee has no power to encumber Subject Property or pledge its interest in Subject Property as collateral for a loan or mortgage, or allow any liens to be filed against the Subject Property. Any such actions under this section may cause termination of the Lease.

Section 8.2 Limitations on Subleases.

Lessee shall not sublease the Subject Property or any portion of it without the prior written approval of Lessor Assembly. All subleases entered into demising all or any part of the Improvements or the Subject Property shall be expressly subject and subordinate to this Lease. Lessor's consent to a sublease of the Subject Property shall not release Lessee from its obligations under the Lease. Lessor's consent to a sublease shall not be deemed to give any consent to any subsequent subletting.

ARTICLE IX USE AND PROTECTION OF THE SUBJECT PROPERTY

Section 9.1 Property As Is - Repairs.

Lessee acknowledges that it has examined the Subject Property and the present improvements including any public improvements presently located there, and knows the condition of them, and accepts them in their present condition without any representations or warranties of any kind or nature whatsoever by Lessor as to their condition or as to the use or occupancy which may be made of them. Lessee assumes the sole responsibility for the condition of the improvements located on the Subject Property. The foregoing shall not be deemed to relieve Lessor of its general municipal obligations, or of its obligations under Section 3.1 above.

Section 9.2 Compliance with Laws.

Lessee shall throughout any term of this Lease, at Lessee's sole expense, promptly comply with all the laws and ordinances and the orders, rules, regulations, and requirements of all federal, state, and municipal governments and appropriate departments, commissions, boards, and officers and all other legal requirements that may be applicable to the Subject Property and its use. Nothing in the foregoing sentence shall be deemed to relieve Lessee of its general obligations to Lessor in its municipal capacity.

Section 9.3 Notification of Lessor's Public Works Director of Discovery of Contamination.

Lessee shall promptly notify Lessor's Public Works Director within 24 hours if any contaminated soils or other contaminated materials that require special handling are encountered during construction or other activities.

Section 9.4 Use of Utility Lines.

No utility services are currently provided. If Lessee desires utilities, Lessee shall connect or otherwise discharge to such utility lines as approved by the Lessor's Public Works Director and/or Electric Department, and shall obtain any permits and comply with any conditions specified by the Lessor's Public Works Director and/or Electric Department for such connections.

Section 9.5 Permits and Approvals for Activities.

Lessee shall be responsible for obtaining all necessary permits and approvals, including food processing, for its activities unless otherwise specifically allowed by Lessor. Not less than ten (10) days in advance of applying for permits to any public entity other than Lessor, Lessee shall provide copies of all permit applications and associated plans and specifications to Lessor's Public Works Director to facilitate review by departments of Lessor. Lessor is not obligated to comment on the permit applications and plans, and the result of any review by Lessor does not affect Lessee's obligation to comply with any applicable laws.

ARTICLE X LESSOR'S RIGHT TO PERFORM LESSEE'S COVENANTS; REIMBURSEMENT OF LESSOR FOR AMOUNTS SO EXPENDED

Section 10.1 Performance of Lessee's Covenants To Pay Money.

Lessee covenants that if it shall at any time default resulting in the Lease being in a condition of default as described in Article XIV or shall fail to timely make any other payment (other than Rent), and the failure shall continue for ten (10) days after written notice to Lessee, then Lessor

may, but shall not be obligated so to do, and without further notice to or demand upon Lessee and without releasing Lessee from any obligations of Lessee under this Lease, make any other payment in a manner and extent that Lessor may deem desirable.

Section 10.2 Lessor's Right To Cure Lessee's Default.

If there is a default involving the failure of Lessee to keep the Subject Property in good condition and repair in accordance with the provisions of this Lease, to make any necessary renewals or replacements or to remove any dangerous condition in accordance with the requirements of this Lease or to take any other action required by the terms of this Lease, then Lessor shall have the right, but shall not be required, to make good any default of Lessee. Lessor shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of or to Lessee by reason of bringing materials, supplies and equipment into or through the building during the course of the work required to be done to make good such default. The obligations of Lessee under this Lease shall remain unaffected by such work, provided that Lessor uses reasonable care under the circumstances prevailing to avoid unnecessary inconvenience, annoyance, disturbance, loss of business, or other damage to Lessee.

Section 10.3 Reimbursement of Lessor and Lessee.

All sums advanced by Lessor pursuant to this Article and all necessary and incidental costs, expenses and attorney's fees in connection with the performance of any acts, together with interest at the highest rate of interest allowed by law from the date of the making of advancements, shall be promptly payable to Lessor by Lessee in the respective amounts so advanced. This reimbursement shall be made on demand, or at the option of Lessor, may be added to any Rent then due or becoming due under this Lease. Lessee covenants to pay the sum or sums with interest. Lessor shall have, in addition to any other right or remedies, the same rights and remedies in the event of the nonpayment by Lessee as in the case of default by Lessee in the payment of any installment of Rent.

Conversely, Lessee shall be entitled to receive from Lessor prompt payment or reimbursement on any sums due and owing from Lessor to Lessee, together with interest at the highest rate allowed by law. However, nothing contained in this Lease shall entitle Lessee to withhold any Rent due to Lessor or to offset or credit any sums against rent, except with respect to unpaid Rent due from Lessor to Lessee under any sublease of Subject Property.

ARTICLE XI DAMAGE OR DESTRUCTION

Section 11.1 Repair and Replacement of Structures and Improvements Following Damage.

(a) If the Premises shall be destroyed or so injured by any cause as to be unfit, in whole or in part, for occupancy and such destruction or injury could reasonably be repaired within ninety (90) days from the date of such damage or destruction, then Lessee shall not be entitled to surrender possession of the Premises, nor shall Lessee's liability to pay Rent under this Lease cease, without the mutual consent of the Parties. In case of any such destruction or injury, Lessor shall repair with all reasonable speed and shall complete such repairs within ninety (90) days from the date of such damage or destruction. If during such period Lessee shall be unable to use all or any portion of the Premises, a proportionate allowance shall be made to Lessee from Rent corresponding to

the time during which and to the portion of the Premises of which Lessee shall be so deprived of the use.

(b) If such destruction or injury cannot reasonably be repaired within ninety (90) days from the date of such damage or destruction, Lessor shall notify Lessee within fifteen (15) days after the determination that restoration cannot be made in ninety (90) days. If Lessor elects not to repair or rebuild, this Lease shall be terminated. If Lessor elects to repair or rebuild, Lessor shall specify the time within which such repairs or reconstruction will be complete, and Lessee shall have the option, to be exercised within thirty (30) days after the receipt of such notice, to elect either to terminate this Lease and further liability, or to extend the Term of this Lease by a period of time equivalent to the time from the happening of such destruction or injury until the Premises are restored to their former condition. In the event Lessee elects to extend the Term of this Lease, Lessor shall restore the Premises to their former condition within the time specified in the notice, and Lessee shall not be liable to pay Rent for the period from the time of such destruction or injury until the Premises are so restored to its former condition.

(c) In addition to all rights to cancel or terminate this Lease set forth in Subsections 11.1(a) and 11.1(b), if the Subject Property is destroyed or damaged during the last two (2) years of the renewal Term of this Lease or any extension or renewal to the extent of fifty per cent (50%) or more of the value of the Subject Property, then Lessor shall have the right to cancel and terminate this Lease as of the date of such damage or destruction by giving Lessee notice within ninety (90) days after the date of such damage or destruction.

ARTICLE XII MECHANIC'S LIENS

Section 12.1 Discharge of Mechanics' Liens.

Lessee shall neither suffer nor permit any mechanics' liens to be filed against the title to the Subject Property, nor against Lessee's interest in the Subject Property, nor against the improvements by reason of work, labor, services or materials supplied or claimed to have been supplied to Lessee or anyone having a right to possession of the Subject Property or Improvements as a result of an agreement with or the assent of Lessee. If any mechanics' lien shall be filed against the Subject Property, including the Improvements, Lessee shall cause it to be discharged of record within 30 days after the date that Lessee has knowledge of its filing. Failure to comply may subject the Lease to be terminated.

ARTICLE XIII LIEN FOR RENT AND OTHER CHARGES

Section 13.1 Lien for Rent.

The whole amount of the Rent and each and every installment, and the amount of all taxes, assessments, utility payments, insurance premiums and other charges, fees and impositions paid by Lessor under the provisions of this Lease, and all costs, attorney's fees and other expenses which may be incurred by Lessor in enforcing the provisions of this Lease or on account of any delinquency of Lessee in carrying out any of the provisions of this Lease, shall be and they are declared to constitute a valid and prior lien against property of Lessee, except the Subject Property, and may be enforced by law and equitable remedies, including the appointment of a receiver.

ARTICLE XIV DEFAULT PROVISIONS

Section 14.1 Events of Default.

Each of the following events is defined as an “Event of Default”:

- (a) Failure of Lessee to pay any installment of Rent, or any other payments or deposits of money, or furnish receipts for deposits as required, when due and the continuance of the failure for a period of ten (10) days after notice in writing from Lessor to Lessee.
- (b) Failure of Lessee to perform any of the other covenants, conditions and agreements under this Lease, including filing tax forms and/or payment of taxes, fees, utilities, and the continuance of failure for a period of thirty (30) days after Lessor’s notice in writing. The notice shall specify the respects in which Lessor contends that Lessee has failed to perform any of the covenants, conditions and agreements. With respect to any default which cannot be cured within thirty (30) days, Lessee, or any person holding by, through or under Lessee, in good faith, promptly after receipt of written notice, shall have commenced and shall continue diligently and reasonably to prosecute all action necessary to cure the default within an additional sixty (60) days.
- (c) The filing of an application by Lessee (the term, for this purpose, to include any approved transferee other than a sublessee of Lessee's interest in this Lease): (i) for a consent to the appointment of a receiver, trustee or liquidator of itself or all its assets; (ii) of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing of its inability to pay its debts as they come due; (iii) of a general assignment for the benefit of creditors; or (iv) of an answer admitting the material allegations of, or its consenting to, or defaulting in answering, a petition filed against it in any bankruptcy proceeding.
- (d) The entry of an order, judgment or decree by any court of competent jurisdiction, adjudicating Lessee a bankrupt, or appointing a receiver, trustee or liquidator of it or of its assets, and this order, judgment or decree continuing unstayed and in effect for any period of sixty (60) consecutive days, or if this Lease is taken under a writ of execution.

Section 14.2 Assumption or Assignment of Lease to Bankruptcy Trustee.

In the event that this Lease is assumed by or assigned to a trustee pursuant to the provisions of the Bankruptcy Reform Act of 1978 (referred to as “Bankruptcy Code”) (11 U.S.C. § 101 et seq.), and the trustee shall cure any default under this Lease and shall provide adequate assurances of future performance of this Lease as are required by the Bankruptcy Code (including but not limited to, the requirement of Code § 365(b)(1)) (referred to as “Adequate Assurances”), and if the trustee does not cure such defaults and provide such adequate assurances under the Bankruptcy Code within the applicable time periods provided by the Bankruptcy Code, then this Lease shall be deemed rejected automatically and Lessor shall have the right immediately to possession of the Subject Property immediately and shall be entitled to all remedies provided by the Bankruptcy Code for damages for breach or termination of this Lease.

Section 14.3 Remedies in Event of Default.

Lessor may treat any one or more of the Events of Default as a breach of this Lease. At its option, by serving written notice on Lessee and each Secured Party and Leasehold Mortgagee of whom

Lessor has notice (such notice not to be effective unless served on each such person) of the Event of Default, Lessor shall have, in addition to other remedies provided by law, one or more of the following remedies:

(a) Lessor may terminate this Lease. In such an event, Lessor may repossess the entire Subject Property and Improvements, and be entitled also to recover as damages a sum of money equal to the value as of the date of termination of this Lease, of the Rent due from Lessee for the balance of the stated term of this Lease, and any other sum of money and damages due under the terms of this Lease to Lessor. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(b) Lessor may terminate Lessee's right of possession and may repossess the entire Subject Property and Improvements by forcible entry and detainer suit or otherwise, without demand or notice of any kind to Lessee (except as above expressly provided for) and without terminating this Lease. In such event, Lessor may, but shall be under no obligation to do so, relet all or any part of the Subject Property for rent and upon terms as shall be satisfactory in the judgment reasonably exercised by Lessor (including the right to relet the Subject Property for a term greater or lesser than that remaining under the stated term of this Lease). For the purpose of reletting, Lessor may make any repairs, changes, alterations or additions in or to the Subject Property and Improvements that may be reasonably necessary or convenient in Lessor's judgment reasonably exercised. If Lessor shall be unable, after a reasonable effort to do so, to relet the Subject Property, or if the Subject Property and building are relet and a sufficient sum shall not be realized from reletting after paying all of the costs and expenses of repairs, change, alterations and additions and the expense of reletting and the collection of the Rent accruing from it, to satisfy the Rent above provided to be paid, then Lessee shall pay to Lessor as damages a sum equal to the amount of the Rent reserved in this Lease for the period or periods as and when payable pursuant to this Lease. If the Subject Property or any part of it has been relet, Lessee shall satisfy and pay any deficiency upon demand from time to time. Lessee acknowledges that Lessor may file suit to recover any sums falling due under the terms of this section from time to time, and that any suit or recovery of any portion due Lessee shall be no defense to any subsequent action brought for any amount not reduced to judgment in favor of Lessor. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(c) In the event of any breach or threatened breach by Lessee of any of the terms, covenants, agreements, provisions or conditions in this Lease, Lessor shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as through reentry, summary proceedings, and other remedies not specifically provided for in this Lease.

(d) Upon the termination of this Lease, or upon the termination of Lessee's right of possession, whether by lapse of time or at the option of Lessor, Lessee will at once surrender possession of the Subject Property and dispose of personal property and Improvements as described in Section 1.3. If possession is not immediately surrendered, Lessor may reenter the Subject Property and Improvements and repossess itself of it as of its former estate and remove all persons and their personal property, without being deemed guilty of any manner of trespass or forcible entry or detainer. Lessor may at its option seek expedited consideration to obtain possession if Lessor

determines that the Lease has terminated as described in the first sentence of this paragraph, and Lessee agrees not to oppose such expedited consideration.

(e) In the event that Lessee shall fail to make any payment required to be made provided for in this Lease or defaults in the performance of any other covenant or agreement which Lessee is required to perform under this Lease during the period when work provided for in this Lease shall be in process or shall be required by the terms of this Lease to commence, Lessor may treat the default as a breach of this Lease and, in addition to the rights and remedies provided in this Article, but subject to the requirements of service of notice pursuant to this Lease, Lessor shall have the right to carry out or complete the work on behalf of Lessee without terminating this Lease.

Section 14.4 Waivers and Surrenders To Be In Writing.

No covenant or condition of this Lease shall be deemed to have been waived by Lessor unless the waiver be in writing, signed by Lessor, or Lessor's agent duly authorized in writing and shall apply only with respect to the particular act or matter to which the consent is given. It shall not relieve Lessee from the obligation, wherever required under this Lease, to obtain the consent of Lessor to any other act or matter.

ARTICLE XV LESSOR'S TITLE AND LIEN

Section 15.1 Lessor's Title and Lien Paramount.

Lessor will hold title to the Subject Property.

Section 15.2 Lessee Not To Encumber Lessor's Interest.

Lessee shall have no right or power to and shall not in any way encumber the title of Lessor regarding the Subject Property. The fee-simple estate of Lessor in the Subject Property shall not be in any way subject to any claim by way of lien or otherwise, whether claimed by operation of law or by virtue of any express or implied lease or contract or other instrument made by Lessee. Lessee's interest in the Improvements shall in all respects be subject to the paramount rights of Lessor in the Subject Property.

ARTICLE XVI REMEDIES CUMULATIVE

Section 16.1 Remedies Cumulative.

No remedy conferred upon or reserved to Lessor shall be considered exclusive of any other remedy, but shall be cumulative and shall be in addition to every other remedy given under this Lease or existing at law or in equity or by statute. Every power and remedy given by this Lease to Lessor may be exercised from time to time and as often as occasion may arise or as may be deemed expedient by Lessor. No delay or omission of Lessor to exercise any right or power arising from any default shall impair any right or power, nor shall it be construed to be a waiver of any default or any acquiescence in it.

Section 16.2 Waiver of Remedies Not To Be Inferred.

No waiver of any breach of any of the covenants or conditions of this Lease shall be construed to be a waiver of any other breach or to be a waiver of, acquiescence in, or consent to any further or succeeding breach of it or similar covenant or condition.

Section 16.3 Right to Terminate Not Waived.

Neither the rights given to receive, sue for or distrain from any Rent, moneys or other payments, or to enforce any of the terms of this Lease, or to prevent the breach or nonobservance of it, nor the exercise of any right or of any other right or remedy shall in any way impair or toll the right or power of Lessor to declare ended the term granted and to terminate this Lease because of any event of default.

ARTICLE XVII SURRENDER AND HOLDING OVER**Section 17.1 Surrender at End of Term.**

On the last day of the last Lease year of the original Term, or on the earlier termination of the Term, Lessee shall peaceably and quietly leave, surrender and deliver the entire Subject Property to Lessor, subject to the provisions of Section 1.4, in good repair, order, and condition, reasonable use, wear and tear excepted, free and clear of any and all mortgages, liens, encumbrances, and claims. At the time of the surrender, Lessee shall also surrender any and all security deposits and rent advances of Sublessees to the extent of any amounts owing from Lessee to Lessor. If the Subject Property is not so surrendered, Lessee shall repay Lessor for all expenses which Lessor shall incur by reason of it, and in addition, Lessee shall indemnify, defend and hold harmless Lessor from and against all claims made by any succeeding Lessee against Lessor, founded upon delay occasioned by the failure of Lessee to surrender the Subject Property.

Section 17.2 Rights Upon Holding Over.

At the termination of this Lease, by lapse of time or otherwise, Lessee shall yield up immediately possession of the Subject Property to Lessor and failing to do so agrees at the option of Lessor, to pay to Lessor for the whole time such possession is withheld, a sum per day equal to one hundred and seventy-five percent (175%) times 1/30th of the aggregate of the Rent paid or payable to Lessor during the last month of the term of the Lease. The provisions of this Article shall not be held to be a waiver by Lessor of any right or reentry as set forth in this Lease, nor shall the receipt of a sum, or any other act in apparent affirmance of the tenancy, operate as a waiver of the right to terminate this Lease and the Term granted for the period still unexpired for any breach of Lessee under this Lease.

ARTICLE XVIII MODIFICATION**Section 18.1 Modification.**

None of the covenants, terms or conditions of this Lease to be kept and performed by either Party to this Lease shall in any manner be waived, modified, changed or abandoned except by a written instrument duly signed, acknowledged, and delivered by both Lessor and Lessee.

ARTICLE XIX INVALIDITY OF PARTICULAR PROVISIONS**Section 19.1 Invalidity of Provisions.**

If any provision of this Lease or the application of it to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstance other than those as to which it is invalid or unenforceable, shall not be

affected, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE XX APPLICABLE LAW AND VENUE

Section 20.1 Applicable Law.

This Lease shall be construed and enforced in accordance with the laws of the State of Alaska. The forum and venue for any action seeking to interpret, construe, or enforce this Lease shall be only in the Superior Court for the State of Alaska at Sitka, Alaska.

ARTICLE XXI NOTICES

Section 21.1 Manner of Mailing Notices.

In every case where under any of the provisions of this Lease or otherwise it shall or may become necessary or desirable to make or give any declaration or notice of any kind to Lessor or Lessee, it shall be sufficient if a copy of any declaration or notice is sent by United States Postal Service, postage prepaid, return receipt requested, addressed: If to Lessor at: Municipal Administrator, City and Borough of Sitka, Alaska, of 100 Lincoln Street, Sitka, Alaska 99835, with a copy to: Municipal Clerk at address listed above; and if to Lessee, at: the address set out in the Preamble. Each party from time to time may change its address for purposes of receiving declarations or notices by giving written notice of the changed address, to become effective seven (7) days following the giving of notice.

Section 21.2 Notice to Leasehold Mortgagee and Secured Parties.

Lessor shall provide each Leasehold Mortgagee and Secured Party, who has so requested, copies of all notices from Lessor to Lessee relating to existing or potential default under, or other noncompliance with the terms of this Lease. All notices, demands or requests which may be required to be given by Lessor or Lessee to any Leasehold Mortgagee and Secured Parties shall be sent in writing, by United States Postal Service, registered or certified mail or express mail, postage prepaid, addressed to the Leasehold Mortgagee at a place as the Leasehold Mortgagee may from time to time designate in a written notice to Lessor and Lessee.

Section 21.3 Sufficiency of Service.

Service of any demand or notice as in this Article provided shall be sufficient for all purposes.

Section 21.4 When Notice Deemed Given or Received.

Whenever a notice is required by this Lease to be given by any Party to the other Party or by any Party to a Leasehold Mortgagee, the notice shall be considered as having been given when a registered or certified notice is placed in the United States Post Office mail as provided by this Article. It shall be deemed received on the third business day thereafter. For all purposes under this Lease of starting any time period after notice, the time period shall be conclusively deemed to have commenced three (3) business days after the giving of notice, whether or not it is provided that a time period commences after notice is given or after notice is received.

ARTICLE XXII MISCELLANEOUS PROVISIONS

Section 22.1 Captions.

The captions of this Lease and the index preceding it are for convenience and reference only and in no way define, limit or describe the scope or intent of this Lease, nor in any way affect this Lease.

Section 22.2 Conditions and Covenants.

All the provisions of this Lease shall be deemed and construed to be “conditions” as well as “covenants,” as though the words specifically expressing or importing covenants and conditions were used in each separate provision.

Section 22.3 Entire Agreement.

This Lease contains the entire agreement between the Parties and shall not be modified in any manner except by an instrument in writing executed by the Parties or their respective successors or assigns in interest.

Section 22.4 Time of Essence as to Covenants of Lease.

Time is of the essence as to the covenants in this Lease.

ARTICLE XXIII COVENANTS TO BIND AND BENEFIT RESPECTIVE PARTIES AND TO RUN WITH THE SUBJECT PROPERTY

Section 23.1 Covenants to Run with the Subject Property.

All covenants, agreements, conditions and undertakings in this Lease shall extend and inure to the benefit of and be binding upon the successors and assigns of each of the Parties, the same as if they were in every case named and expressed, and they shall be construed as covenants running with the Subject Property. Wherever in this Lease reference is made to any of the Parties, it shall be held to include and apply to, wherever applicable, also the officers, directors, successors and assigns of each Party, the same as if in each and every case so expressed.

ARTICLE XXIV ADDITIONAL GENERAL PROVISIONS

Section 24.1 Absence of Personal Liability.

No member, official, or employee of Lessor shall be personally liable to Lessee, its successors and assigns, or anyone claiming by, through or under Lessee or any successor in interest to the Subject Property, in the event of any default or breach by Lessor or for any amount which may become due to Lessee, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Lease. No member, official, or employee of Lessee shall be personally liable to Lessor, its successors and assigns, or anyone claiming by, through, or under Lessor or any successor in interest to the Subject Property, in the event of any default or breach by Lessee or for any amount which become due to Lessor, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Lease.

Section 24.2 Lease Only Effective As Against Lessor Upon Assembly Approval.

This Lease is effective as against Lessor only upon the approval of such Lease by the Sitka Assembly.

Section 24.3 Binding Effects and Attorneys Fees.

This Lease shall be binding up and inure to the benefit of the respective successors and assigns of the Parties hereto. In the event of litigation over this Lease, the Parties agree that the prevailing party shall receive full reasonable attorney's fees.

Section 24.4 Duplicate Originals.

This Lease may be executed in any number of copies, each of which shall constitute an original of this Lease. The warranties, representations, agreements and undertakings shall not be deemed to have been made for the benefit of any person or entity, other than the Parties.

Section 24.5 Declaration of Termination.

With respect to Lessor's rights to obtain possession of the Subject Property or to revest title in itself with respect to the leasehold estate of Lessee in the Subject Property, Lessor shall have the right to institute such actions or proceedings as it may deem desirable to effectuate its rights including, without limitation, the right to execute and record or file with the Recorder of the Sitka Recording District, a written declaration of the termination of all rights and title of Lessee in the Subject Property, and the revesting of any title in Lessor as specifically provided in this Lease.

Section 24.6 Authority.

Lessor and Lessee represent to each other that each has, and has exercised, the required power and authority and has complied with all applicable legal requirements necessary to adopt, execute and deliver this Lease and perform its obligations. Both parties also represent that this Lease has been duly executed and delivered by each and constitutes a valid and binding obligation of each enforceable in accordance with its terms, conditions, and provisions.

Section 24.7 Recordation.

The parties agree that the Lease will be not be recorded. At the request of either party, the parties shall execute a memorandum of the Lease for recording purposes in lieu of recording this Lease in such form as many be satisfactory to the parties or their respective attorneys. Each party shall bear their own related expenses, including attorney fees. Lessor shall pay for all recording fees.

[SIGNATURES AND ACKNOWLEDGEMENTS ON NEXT PAGE]

CITY AND BOROUGH OF SITKA

Date

By: John Leach
Its: Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2025, by John Leach, Municipal Administrator of the CITY AND BOROUGH OF SITKA, an Alaska home rule municipality, on behalf of the municipality.

Notary Public in and for the State of Alaska
My commission expires: _____

PACIFIC JEWEL MARINE, LLC

Date
By: Jeremy Serka
Its: Manager

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2025, by Jeremy Serka, Manager for PACIFIC JEWEL MARINE, LLC, an Alaska limited liability company, on behalf of the limited liability company.

Notary Public in and for the State of Alaska
My commission expires: _____



329 Harbor Drive, Suite 202
Sitka, AK 99835
Phone: 907-747-2660

Thursday, December 11th, 2025

MEMORANDUM

To: Gary Paxton Industrial Park (GPIP) Board of Directors

From: Garry White, GPIP Director

Subject: GPIP Haul Out Development Discussion/Direction

Introduction

The City and Borough of Sitka (CBS) recently finished construction of the first phase of the vessel haul out and shipyard at the Gary Paxton Industrial Park. A ribbon cutting ceremony was held on September 18th and the first vessel was hauled out on September 23rd. The haul out operation is ongoing with vessels being placed in the shipyard since its opening.

Developmental Updates

PHASE 1 project Construction

Developments include the following:

- Two marine piers rated for a 150-ton travel lift have been installed, that can be expanded to accommodate a 300-ton machine in the future.
- A 150-ton Travelift machine was purchased, erected, and current is lifting vessels.
- The permanent concrete wash down pad has been installed.
- The shipyard has been leveled and graded to accommodate vessel movement.
- Three power pedestals have been installed in the shipyard.
- A telehandler forklift has been purchased for haul out operations.
- Blocking, cribbing, and boat stands have been purchased for operations.
- Snow removal equipment has been purchased for yard maintenance.
- Other upland shipyard improvements are in the works.
- Funding for further shipyard improvements are being investigated.

More information about the GPIP Vessel Haul Out Development Project can be found at the following link:

<https://www.cityofsitka.com/departments/PublicWorks/GPIPHaulOut>

Future Phase Construction Cost Estimates

The GPIP Haul Out and Shipyard Phase 1 development is now operational. The CBS intends to continue to develop the Haul Out and Shipyard into a fully functional facility. Attached is list of future projects that need prioritization and cost estimates for future construction. Currently the

CBS does not have funds available for the project; grant and other funding opportunities are being investigated.

The attached list of cost estimated are based off Phase 1 estimates provided by PND Engineering, Morris Engineering Group, and others. Future costs have been roughly estimated using AACE Guidelines Relevant to Public Works Projects. Public works projects—roads, harbors, utilities, public buildings, wastewater systems, etc.—typically follow these AACE recommended practices. They are the industry standards for cost engineering, risk management, and project controls. A professional cost estimate is recommended with additional concept development to get a good cost estimate. Estimate cost for a professional cost estimate is 10-15% of total project costs.

GPIP Haul Out Operations

The Assembly met on August 12th and approved the Operating Agreement between the CBS and Highmark Marine Fabricators LLC to operate the haul out and shipyard on behalf of the CBS. Highmark has started the haul out operations with multiple vessels being lifted and work is taking place in the shipyard.

Future Haul Out and Shipyard Development

The GPIP Board has been discussing the yard space needed for the haul out and shipyard facility at the GPIP, specifically the amount of space needed for a working yard, long term vessel storage, gear storage, and space available for vendor operations.

Over the past spring, summer, and fall, the GPIP Board has been focusing on the future development of the GPIP now that haul is operational. The GPIP Board's discussions have emphasized prioritizing the remaining property near the shipyard facility for leases to qualified organizations engaged in the repair, maintenance, modification, or construction of marine vessels and related services. The GPIP Board has been developing a Request for Proposal (RFP) document that can be used to determine the best uses of the remaining properties to support the shipyard and local fleet. The RFP development process has revolved around lease terms, restricted use clauses, development requirements, and other restrictive clauses.

The GPIP Director has received inquiries regarding future leases of property at the GPIP for marine services and other activities.

The GPIP Board at its October meeting recommended a **Draft RFP for Private Sector Development of a Portion of Lot 6 for Marine Vessel and Marine Services** for the Assembly's consideration. This lease template could be used for additional lots in the future. The CBS Assembly will review the document in the near future.

Commercial Operations of Vessel Movement in GPIP

The GPIP Board received a request to move vessels from the CBS shipyard to other locations in GPIP. The GPIP Director has drafted a permit/contract that allows for this type of operation. The commercial operator must submit detailed information on proposed equipment to move vessels and travel paths. The CBS will require insurance and other rules and regulations to protect the CBS in the event of physical or environmental issues. The GPIP Board approved the draft Commercial Operations of Vessel Movement in GPIP at its November 2025 meeting. The document will go to the Assembly in the future for review with suggested changes of the GPIP Board.

Vessel and Vendor Shipyard Insurance

CBS, GPIIP, and Highmark Marine Fabricators recently met to discuss alternative insurance options for vessels that are having issues with getting the required insurance to use the facility. Multiple options are being investigated such as specialty insurance providers, insurance pools, bonding, and internal insurance possibilities.

Background

The CBS has repeatedly included marine haul out infrastructure requests in both its Federal and State Legislative Priorities. The CBS recently applied for a USDOT Grant in 2020, 2021, 2022 and plans to apply for future grant opportunities.

The CBS has released multiple Request for Proposals (RFP) for private sector development of a haul out at the GPIIP since 2009. None of the private sector development proposals moved forward due to multiple reasons, including the cost of construction.

On October 4th, 2022, the citizens of Sitka voted to appropriate ~\$8.18 million dollars from the Sitka Permanent Fund for the development of a haul out and shipyard at the Gary Paxton Industrial Park (GPIIP).

Fiscal Note

Total funding allocated for this project is \$10,846,290 (\$8,181,040 from the proceeds of the sale of the Sitka Community Hospital property, \$100,000 appropriated towards the development in 2021, \$1 million dollar grant from Denali Commission, an additional \$850,000 appropriated by the Assembly in 2024, and another \$715,250 appropriated by the Assembly in June 2025). The Assembly approved an appropriation for Phase I estimated costs of the based bid items in the amount of \$8,187,000 at its July meeting. (Note: The funds budgeted for the heated wash down pad will be removed from the current budget and total budget amount for the project will be updated in the future.)

Action

- GPIIP Board discussion on Future Phase project prioritization.

GPIP HAUL OUT AND SHIPYARD IMPROVEMENTS CAPITAL

PHASE 2 (Next phase)

1 NORTH BOAT YARD ELECTRICAL	<u>March 24' Est</u> \$1,020,503
2 NORTH BOAT YARD SITE GRADING & DRAINAGE	<u>Nov. 2023 Est</u> \$1,517,500
3 NORTH BOAT YARD LIGHTING	NA
4 PHASE 1 BOAT YARD FENCING	NA
5 <u>PILE ANODES</u>	<u>\$132,000</u>
PHASE 2 Total	

PHASE 3

6 WEST BOAT YARD ELECTRICAL	<u>March 24' Est</u> \$1,304,204
7 WEST BOAT YARD SITE GRADING & DRAINAGE	n/a
8 SECOND CONCRETE WASHDOWN PAD	
9 <u>YARD TRANSPORTER</u>	<u>Nov. 2023 Est</u> <u>\$330,000</u>
PHASE 3 Total	

TOTAL PHASE 2 & 3

LATER PHASES

10 QUEUING FLOAT & GANGWAY	\$626,313
11 GRAVEL HAULOUT RAMP	\$405,625
12 300T PIER WIDENING FOR FUTURE 37' WIDTH	\$337,500
13 <u>DECKOVER 32'X60'</u>	<u>\$1,471,250</u>

LATER PHASES Total

Total Estimate Shipyard improvements

AL ESTIMATES(DRAFT)

2028 AACE Class 5 Estimate		Inflation Rate
Low Range	+50% Upper Range	8%
\$1,949,290	\$2,923,935	
\$3,130,506	\$4,695,759	
\$500,000	\$750,000	
\$460,000	\$690,000	
<u>\$252,137</u>	<u>\$378,205</u>	
\$6,291,933	\$9,437,899	
\$2,491,195	\$3,736,792	
\$3,130,506	\$4,695,759	
\$908,637	\$1,362,955	
<u>\$523,669</u>	<u>\$785,503</u>	
\$7,054,006	\$10,581,009	
\$13,345,939	\$20,018,908	
\$1,292,044	\$1,938,066	
\$836,779	\$1,255,168	
\$438,750	\$658,125	
<u>\$3,035,096</u>	<u>\$4,552,643</u>	
\$5,602,668	\$8,404,002	

\$18,948,607	\$28,422,911
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