

City of Valdez

212 Chenega Ave.
Valdez, AK 99686



Meeting Minutes - Draft

Monday, December 2, 2019

7:00 PM

Regular Meeting

Council Chambers

Ports and Harbor Commission

REGULAR AGENDA - 7:00 PM**I. CALL TO ORDER**

Chair Pro Tempore Stephens called the meeting to order at 7:00 p.m. in Valdez City Council Chambers.

II. ROLL CALL

Present 5: Chair Pro Tempore Colleen Stephens,
Commission Member Ryan Sontag,
Commission Member Steve Cotter,
Commission Member Tim Bouchard
Commission Member Alan Steed

Excused 2: Chair Mark Swanson
Commission Member Stu Hirsch

Also Present 3: Port Operations Manager Jenessa Ables
Harbormaster Sarah Von Bargaen
Port and Harbor Office Manager Karisa Friend

III. PUBLIC BUSINESS FROM THE FLOOR

There was no public business from the floor.

IV. NEW BUSINESS**1. Adopting Sublease Rates at the Valdez Pioneer Field Airport Terminal Building and Repealing Resolution No. 10-60 Formerly Naming Sublease Rates**

MOTION: Commission Member Sontag moved, seconded by Commission Member Cotter, to approve the recommendation to adopt sublease rates At the Valdez Pioneer Field Airport Terminal Building. The motion carried by The following vote, after the following discussion occurred. The Motion failed by the following vote after the following discussion occurred.

Commission Member Stephens asked if any Commissioners had questions or comments.

Mr. Mike Williams, Owner of Vertical Solutions and tenant in the Airport Terminal asked what the rational was behind increasing the lease rate.

Commission Member Stephens stated it was brought to the Commission at the last meeting to not have a rate increase but it was discussed to look into fair market value for private business and to match in a competitive way. Commissioners asked Staff to find out this information and bring to this current meeting.

Mr. Williams agreed with looking at a fair market value, but other markets around Valdez are not limited to Airport activity and its endeavors and that is one of the reasons rates should be lower since it is not in the core business district so he did not understand how the comparison is a fair rent. Mr. Williams said the fair rental amount in the Airport area is more severely depressed than the rates are in town. Mr. Williams stated there is an issue with water quality and the traffic in the Airport. When trying to cultivate a retail business there is not enough flights or traffic. Passenger counts are miniscule, it's not a retail hub and trying to get retail hub money isn't comparable. Mr. Williams doesn't think that is taken into account. Mr. Williams believes 15% cumulative for the next 3 years is a lot.

Ms. Ables clarified a couple of things Mr. Williams refers to a clause that used to be in the base lease with State of Alaska. Aviation endeavors only or took priority was removed in the 2016. And now it is open and Aviation priority no longer required. Also, as far as the rate increase incrementally during the meeting Commissioners do not have to go with a tiered structure or a 5 year annual. Commissioners have the say, the materials included were just to give an idea and options.

Commission Member Cotter asked what was brought up at the last meeting. He thought there was a dollar amount mentioned. Ms. Ables stated she was absent at the last meeting and didn't recall any specific rates named and confirmed the current rate is \$1.81 per square foot.

Commission Member Stephens thought the previous suggested amount for a rate increase was \$1.90 per square foot and not to exceed 5% or the suggested amount, about 1% increase over 3 years.

Commission Member Bouchard stated he did not disagree with Mr. Williams that there are buildings in town open and not being rented at the amount being requested. He doesn't believe it's absolutely necessary to say its fair market value if comparing to town.

Commission Member Stephens confirmed a decision needs to be made on whether to send this to City Council or not.

Commission Member Bouchard stated he would not move forward to send to Council because of the difference between town and the Airport and also what Mr. Williams mentioned. And the amount is not far off, it's not a huge increase.

Ms. Ables stated Chair Swanson and Commission Member Hirsch were 2 of the Commissioners interested in making the increase and now that they are not here it changes the action.

Commission Member Bouchard was in agreement in bringing the numbers and being informed of rates in town.

Ms. Ables stated Port Staff understands it's a challenging duality because there are private business owners in town and at the Airport to protect. So pending Council direction, which Port has not been directed to run the airport at a profit.

Commission Member Steed asked if this was brought back up because the last time was in 2013. Ms. Ables said the Port brings the rates to the Commission annually and often recommend a hold which has been the case for that last 6 years. And they will be brought back up again next year to do the process again.

Commission Member Cotter asked if there was a direction to vote on. Commission Member Stephens explained the process on how the vote would occur to then pass the resolution to City Council.

Commission Member Steed asked if the motion could be made to just not take to Council. Commission Member Stephens clarified that if Commission does not want the recommendation to go to Council then the motion needs to be voted down. Commission Member Cotter said at this point if a vote is yes to take to Council then Council decides at that point if any rate is increased.

Ms. Ables confirmed yes and stated in 2017 Commission unanimously approved an increase, but Council voted it down.

Mr. Williams stated he was at the meeting in 2017 and he said Council had the same rational, they didn't see the property at the Airport being worth more or as much as property in town. Council believed it was more of a detriment in attracting business to the Airport. Mr. Williams stated he never would have opened the store if he had thought there would be a 5% rate increase over the next 5 years. So he decided to move forward with opening the store. He stated he would like to see the rate stay the same over the next 3 to 5 years.

Nate Duvall, Capital Facilities Director, stated what would be helpful for the discussion would be if the Commission took a higher level approach and asked what the end game is, be profitable or fill with other businesses they each would have competing rental rate objectives. Raising the rates benefits the City more than the other tenants.

Ms. Ables stated the concern was not running the airport at a profit but more concerned with keeping it at a fair market rental value. Commissioners agreed.

Commission Member Cotter stated he wasn't seeing anyone asking that it be raised. Commission Member Stephens said that Council was not asking for it to be raised either.

There being no further discussion Commission Member Stephens invited a vote on the motion.

VOTE ON THE MOTION:

Yays – 1: Commission Member Cotter

Nays – 4: Commission Member Stephens, Commission Member Steed, Commission Member Bouchard, Commission Member Sontag

Mr. Williams thanked the Port staff for the notice of this meeting and allowing his participation.

V. COMMISSION BUSINESS FROM THE FLOOR

Commission Member Stephens opened the floor for business from Commissioners.

Commissioners stated no business.

VI. ADJOURNMENT

There being no further business, Chair Pro Tempore Stephens adjourned the meeting at 7:18 p.m.

DRAFT