



City of Valdez

212 Chenega Ave.
Valdez, AK 99686

Meeting Agenda Ports and Harbor Commission

Monday, December 2, 2019

7:00 PM

Council Chambers

Regular Meeting

REGULAR AGENDA - 7:00 PM

I. CALL TO ORDER

II. ROLL CALL

III. 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](#)

Attachments:

[DRAFT RESOLUTION #19-XX - Valdez Pioneer Field Sublease Rates](#)

[Airport Rate Worksheet 2019](#)

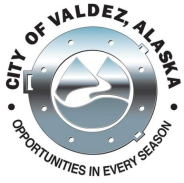
[Airport Rate Increase to Tenants Worksheet 2019](#)

[Commercial Rental Rates 2019](#)

[Resolution 10-60 Airport Rates](#)

V. COMMISSION BUSINESS FROM THE FLOOR

VI. ADJOURNMENT



Legislation Text

File #: 19-0505, **Version:** 1

ITEM TITLE:

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

SUBMITTED BY: Jenessa Ables, Port Operations Manager

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

Approve the recommendation to adopt sublease rates at the Valdez Pioneer Field Airport Terminal Building.

SUMMARY STATEMENT:

The Ports & Harbor Commission conducts an annual review of sublease rates at the Valdez Pioneer Field Airport terminal building. In 2017 the Commission unanimously approved a recommendation to increase sublease rates from \$1.81 per square foot per month to \$1.90 per square foot per month. This rate increase was **not** approved by the City Council and the rate remained at \$1.81 per square foot per month.

During the meeting of November 18, 2019, the Ports & Harbor Commission requested the discussion item be brought back as new business to allow them to officially recommend an increase of sublease rates. The majority felt the current rate of \$1.81 per square foot per month is too far below market price even considering the “out of town” location of the airport and emphasized the City’s responsibility to remain non-compete with privately leased commercial and office space. [It should also be noted that some Valdez Pioneer Field Airport terminal building tenants are private business owners].

Sublease rates have not increased since 2013 and the following major maintenance and capital improvements have been completed at the Valdez Pioneer Field Airport over the course of the last 6 years:

- Airport Roof Replacement
- Airport Exterior Door Replacement
- Airport ADA Restroom and Waterline Upgrades

- Addition of free public wireless internet throughout terminal building
- Addition of standard television service in waiting areas
- Upgraded public announcement system for aviation use tenants

Other considerations include increased State of Alaska base rent charged to the City of Valdez:

- 2016 \$33,931.76 annually
- 2017 \$36,236.96 annually
- 2018 \$40,828.46 annually
- 2019 \$44,138.88 annually
- Total increase since 2016 rate: \$10,207.12 annually

In 2017 the State of Alaska also began to impose Concession Fees on tenants selling merchandise or food in excess of \$50,000 annually. This affects some tenants, while it has not affected others.

Attachments:

Draft Resolution Adopting Sublease Rates

Airport Rate Worksheet 2019

Airport Rate Increase to Tenants Worksheet 2019

Commercial Rental Rates 2019 (solicited, unofficial "study")

Resolution #10-60

Below, we have included the original agenda statement for this item as it went before the Ports & Harbor Commission for discussion only at the meeting of November 18, 2019.

In 2010 City Council approved Resolution No. 10-60, increasing the Airport rental rate 5% per year for the 3-year period of 2011, 2012, and 2013. There has not been a rate increase since 2013. The Ports & Harbor Commission has continued to review the Airport rental rate each year and elected to hold rates due to ongoing construction projects, and most recently, City wide space use analysis and long-term planning efforts.

In 2017, the Ports & Harbor Commission unanimously approved a recommendation to City Council to increase the Airport rental rate to \$1.90 per square foot with determining factors as follows:

- Proposed incremental increase remains within or above local per square foot rental range, non

-compete.

- Increased State of Alaska rental rate, effective September 1, 2017 (nominal annual increases continued in 2018 - 2019 by \$.01 per square foot).
- Substantial upgrades completed at the Airport since last rate increase: Airport Roof Replacement, Airport Door Replacement, Airport ADA Restroom and Waterline Upgrade, addition of free public wireless internet throughout terminal building, addition of standard television service in waiting areas, installation of upgraded public announcement system for aviation use tenants.

This recommendation to approve an increase to Airport rental rates *failed to gain approval* by City Council on September 5, 2017. The Ports & Harbor Commission again reviewed the rental rates in October of 2018 and both staff and Commission opted to hold rates.

Based on Port Staff understanding of current City Council goals and priorities, **we have again opted to recommend that the Airport rental rate be held at \$1.81 per square foot until up for review in 2020.** This is in large part due to the amount of real estate that City Departments are currently occupying in the Airport terminal building which translates to cost-savings for the City, as well as Port Staff has received no further updates from City Council in regard to long-term planning and prioritization of Airport revenues.

Attachments:

Resolution 10-60 (most current rate resolution)

2019 Airport Rate Revenues Worksheet (includes "value snapshot" of City space)

CITY OF VALDEZ, ALASKA

RESOLUTION # 19-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, NAMING SUBLEASE RATES AT THE VALDEZ PIONEER FIELD AIRPORT TERMINAL BUILDING AND REPEALING RESOLUTION NO. 10-60 FORMERLY NAMING SUBLEASE RATES

WHEREAS, the City of Valdez does own and operate the airport terminal; and

WHEREAS, Resolution 10-60 adopted a lease rates for 2011 of \$1.64 per square foot per month, 2012 of \$1.72 per square foot per month and 2013 of \$1.81 per square foot per month; and,

WHEREAS, Resolution 10-60 adopted a daily rental rate of \$130.00 per day for subleases less than 30 days; and,

WHEREAS, Resolution No. 00-16 renamed the Valdez Airport to Valdez Pioneer Field; and

WHEREAS, the monthly sublease rate has not been adjusted since 2013.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that:

Section 1. The sublease rate at the Valdez Pioneer Field airport terminal building shall be increased in 2020 in an amount not to exceed 5% [can insert three year tiered structure if recommended]

Section 2. The sublease rate for 2020 shall be \$____ per square foot per month.

Section 3. The daily rental rate for an office shall remain \$130.00 per day for subleases less than 30 days.

Section 4. This resolution shall become effective upon approval.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 17th day of December, 2019.

CITY OF VALDEZ, ALASKA

Jeremy O'Neil, Mayor

ATTEST:

Sheri L. Pierce, MMC, City Clerk

2019 Airport Rates Worksheet						Rate Increase Projections					
LESSEE	SQUARE FOOTAGE	2019 MONTHLY RENTAL CHARGE	2019 ANTICIPATED RENTAL REVENUE @ \$1.81/sq. ft.	2019 CITY USE OFFICE NOT BILLED @ \$1.81/sq. ft.	TOTAL 2019 VALUE INCLUDING CITY OFFICES	REVENUE AT \$1.90/sq. ft. 5% increase (0.09/sq. ft. increase)	TOTAL VALUE INCLUDING CITY OFFICES @ \$1.90	REVENUE AT \$1.99/sq. ft. 10% increase (0.18/sq. ft. increase)	TOTAL VALUE INCLUDING CITY OFFICES @ \$1.99	REVENUE AT \$2.08/sq. ft. 15% increase (0.27/sq. ft. increase)	TOTAL VALUE INCLUDING CITY OFFICES @ \$2.08
City of Valdez Econ. Development Dept.	1751.00	\$3,169.31		\$38,031.72	\$38,031.72	\$0.00	\$39,922.80	\$0.00	\$41,813.88	\$0.00	\$43,704.96
City of Valdez Finance Dept.	1778.00	\$3,218.18		\$38,618.16	\$38,618.16	\$0.00	\$40,538.40	\$0.00	\$42,458.64	\$0.00	\$44,378.88
City of Valdez Fire Dept.	2048.00	\$3,706.88		\$44,482.56	\$44,482.56	\$0.00	\$46,694.40	\$0.00	\$48,906.24	\$0.00	\$51,118.08
City of Valdez Engineering Dept.	2326.00	\$4,210.06		\$50,520.72	\$50,520.72	\$0.00	\$53,032.80	\$0.00	\$55,544.88	\$0.00	\$58,056.96
City of Valdez Port Dept.	768.00	\$1,390.08		\$16,680.96	\$16,680.96	\$0.00	\$17,510.40	\$0.00	\$18,339.84	\$0.00	\$19,169.28
Civil Air Patrol	1029.60		\$1.00		\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Dean Cummings' H2O Guides (Jan-March)	0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Vertical Solutions LLC (April-December)	615.00	\$1,113.15	\$10,018.00		\$10,018.00	\$14,022.00	\$14,022.00	\$14,686.20	\$14,686.20	\$15,350.40	\$15,350.40
ERA Aviation, Inc.	2912.00	\$5,270.72	\$63,248.64		\$63,248.64	\$66,393.60	\$66,393.60	\$69,538.56	\$69,538.56	\$72,683.52	\$72,683.52
Federal Aviation Administration	21.20	\$38.33	\$459.96		\$459.96	\$483.36	\$483.36	\$506.26	\$506.26	\$529.15	\$529.15
Federal Aviation Administration	271.00	\$490.51	\$5,886.12		\$5,886.12	\$6,178.80	\$6,178.80	\$6,471.48	\$6,471.48	\$6,764.16	\$6,764.16
Jeff Johnson & Linda Brandenburg	184.00	\$333.04	\$3,996.48		\$3,996.48	\$4,195.20	\$4,195.20	\$4,393.92	\$4,393.92	\$4,592.64	\$4,592.64
The Landing Lights (Decreased Space 2018)	478.00	\$865.18	\$10,382.16		\$10,382.16	\$10,898.40	\$10,898.40	\$11,414.64	\$11,414.64	\$11,930.88	\$11,930.88
Valdez Expediting, Inc.	176.00	\$318.56	\$3,822.72		\$3,822.72	\$4,012.80	\$4,012.80	\$4,202.88	\$4,202.88	\$4,392.96	\$4,392.96
Valdez U-Drive	184.00	\$333.04	\$3,996.48		\$3,996.48	\$4,195.20	\$4,195.20	\$4,393.92	\$4,393.92	\$4,592.64	\$4,592.64
Vertical Solutions LLC	265.00	\$479.65	\$5,755.80		\$5,755.80	\$6,042.00	\$6,042.00	\$6,328.20	\$6,328.20	\$6,614.40	\$6,614.40
Vertical Solutions LLC	456.00	\$825.36	\$9,904.32		\$9,904.32	\$10,396.80	\$10,396.80	\$10,889.28	\$10,889.28	\$11,381.76	\$11,381.76
Wrangell Mountian Technical Services	10.00	\$18.10	\$162.90		\$162.90	\$228.00	\$228.00	\$238.80	\$238.80	\$249.60	\$249.60
TOTAL PROPERTY SUBLEASE REVENUE	15,272.80		\$117,634.58	\$188,334.12	\$305,968.70	\$127,047.16	\$324,745.96	\$133,065.14	\$340,128.62	\$139,083.11	\$355,511.27
				Uncollected							
Seed Media	30.00	\$54.30	\$651.60			\$684.00	\$684.00	\$716.40	\$716.40	\$748.80	\$748.80
TOTAL VENDING SUBLEASE REVENUE			\$651.60			\$684.00	\$684.00	\$716.40	\$716.40	\$748.80	\$748.80
Interest Income			\$12,000.00			\$12,000.00		\$12,000.00		\$12,000.00	
Interest Charges on A/R and City			\$2,500.00			\$2,500.00		\$2,500.00		\$2,500.00	
TOTAL INTEREST INCOME			\$14,500.00			\$14,500.00	VALUE SNAPSHOT	\$14,500.00	VALUE SNAPSHOT	\$14,500.00	VALUE SNAPSHOT
TOTAL PROJECTED REVENUES			\$132,786.18		\$305,968.70	\$142,231.16	\$339,929.96	\$148,281.54	\$355,345.02	\$154,331.91	\$370,760.07
MINUS 2019 PROJECTED EXPENSES			-\$327,787.00		-\$327,787.00	-\$327,787.00	-\$327,787.00	-\$327,787.00	-\$327,787.00	-\$327,787.00	-\$327,787.00
OPERATING DEFICIT/SURPLUS			-\$195,000.82		-\$21,818.30	-\$185,555.84	\$12,142.96	-\$179,505.46	\$27,558.02	-\$173,455.09	\$42,973.07

*PROJECTED 2019 Y.E. TRANSFER FROM GENERAL FUND:	\$264,798.00
Current deficit/surplus estimation:	-\$195,000.82
Transfer Less Than Anticipated	\$69,797.18

LESSEE	SQUARE FOOTAGE	MONTHLY RENTAL COST TO TENANT @ \$1.81/sq. ft.	ANNUAL COST TO TENANT @ \$1.81/sq. ft.	ANNUAL COST TO TENANT \$1.90/sq. ft. 5% increase (0.09/sq. ft. increase)	ANNUAL \$ INCREASE TO TENANT @ \$1.90	ANNUAL COST TO TENANT \$1.99/sq. ft. 10% increase (0.18/sq. ft. increase)	ANNUAL \$ INCREASE TO TENANT @ \$1.99	ANNUAL COST TO TENANT \$2.08/sq. ft. 15% increase (0.27/sq. ft. increase)	ANNUAL \$ INCREASE TO TENANT @ \$2.08
City of Valdez Econ. Development Dept.	1751.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Valdez Finance Dept.	1778.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Valdez Fire Dept.	2048.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Valdez Engineering Dept.	2326.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City of Valdez Port Dept.	768.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Civil Air Patrol	1029.60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vertical Solutions LLC	615.00	\$1,113.15	\$13,357.80	\$14,022.00	\$664.20	\$14,686.20	\$1,328.40	\$15,350.40	\$1,992.60
ERA Aviation, Inc.	2912.00	\$5,270.72	\$63,248.64	\$66,393.60	\$3,144.96	\$69,538.56	\$6,289.92	\$72,683.52	\$9,434.88
Federal Aviation Administration	21.20	\$38.37	\$460.46	\$483.36	\$22.90	\$506.26	\$45.79	\$529.15	\$68.69
Federal Aviation Administration	271.00	\$490.51	\$5,886.12	\$6,178.80	\$292.68	\$6,471.48	\$585.36	\$6,764.16	\$878.04
Jeff Johnson & Linda Brandenburg	184.00	\$333.04	\$3,996.48	\$4,195.20	\$198.72	\$4,393.92	\$397.44	\$4,592.64	\$596.16
The Landing Lights (Decreased Space 2018)	478.00	\$865.18	\$10,382.16	\$10,898.40	\$516.24	\$11,414.64	\$1,032.48	\$11,930.88	\$1,548.72
Valdez Expediting, Inc.	176.00	\$318.56	\$3,822.72	\$4,012.80	\$190.08	\$4,202.88	\$380.16	\$4,392.96	\$570.24
Valdez U-Drive	184.00	\$333.04	\$3,996.48	\$4,195.20	\$198.72	\$4,393.92	\$397.44	\$4,592.64	\$596.16
Vertical Solutions LLC	265.00	\$479.65	\$5,755.80	\$6,042.00	\$286.20	\$6,328.20	\$572.40	\$6,614.40	\$858.60
Vertical Solutions LLC	456.00	\$825.36	\$9,904.32	\$10,396.80	\$492.48	\$10,889.28	\$984.96	\$11,381.76	\$1,477.44
Wrangell Mountian Technical Services	10.00	\$18.10	\$217.20	\$228.00	\$10.80	\$238.80	\$21.60	\$249.60	\$32.40

Commercial Rental Rates - Valdez (In Town)				
	Location	Per Sq. Ft. Rate	Averaged	Notes
Building 1	Downtown Core	\$1.95 - \$2.25	\$2.10	Utilities and Snow Removal Included
Building 2	Downtown Core	\$1.15 - \$1.30	\$1.22	Utilities and Snow Removal Included
Building 3	Downtown Core	\$2.00	\$2.00	Utilities and Snow Removal Included
Building 4	Downtown Core	\$2.00 - \$2.50	\$2.25	
Building 5	Downtown	-	-	No Response
Building 6	Waterfront Business Loop	-	-	No Response
Building 7	Downtown Core	-	-	No Response
Building 8	Waterfront Business Loop	-	-	No Response
Average Per Sq. Ft. Rate:			\$1.89	
*Average Per Sq. Ft. Rate Excluding Building 2 (out of range)			\$2.11	

CITY OF VALDEZ, ALASKA

RESOLUTION NO. 10-60

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, NAMING SUBLEASE RATES AT THE VALDEZ PIONEER FIELD AIRPORT TERMINAL BUILDING AND REPEALING RESOLUTIONS NO. 97-33 AND 98-10 FORMERLY NAMING SUBLEASE RATES

WHEREAS, the City of Valdez does own and operate the airport terminal; and,

WHEREAS, Resolution No. 97-33 adopted a lease rate of \$1.56 per square foot per month at the airport terminal; and,

WHEREAS, Resolution No. 98-10 amended Resolution No. 97-33 adding a daily rental rate of \$110.00 per day for subleases less than 30 days; and,

WHEREAS, Resolution No. 00-18 renamed the Valdez Airport to Valdez Pioneer Field; and,

WHEREAS, the monthly sublease rate has not been adjusted since 1997.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that:

Section 1: The sublease rate at the Valdez Pioneer Field airport terminal building shall be increased for the three year period of 2011, 2012, and 2013 in an amount not to exceed five percent (5%) per year.

Section 2: The sublease rate for 2011 shall be \$1.64 per square foot per month. The sublease rate for 2012 shall be \$1.72 per square foot per month. The sublease rate for 2013 shall be \$1.81 per square foot per month.

Section 3: A daily rental rate for an office shall be \$130.00 per day for subleases less than 30 days.

Section 4: This resolution shall become effective upon approval.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 22nd day of November, 2010.

CITY OF VALDEZ, ALASKA


Dorothy M. Moore, Mayor Pro Tem

ATTEST:


Sheri L. Pierce, CMC/AEE, City Clerk

