



Agenda Statement

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Title: #22-28 - Authorizing a Lease with Alaska Guide Company, LLC for 2581 Richardson Highway, a Portion of USS 439 Owned by the City of Valdez

Sponsors:

Indexes:

Code sections:

Attachments: 1. #22-28 - Authorizing Lease, 2. AK Guide Co Lease Application, 3. Light Industrial Zoning Code and Definitions

Date	Ver.	Action By	Action	Result
5/4/2022	1	City Council	approved	Pass

ITEM TITLE:

#22-28 - Authorizing a Lease with Alaska Guide Company, LLC for 2581 Richardson Highway, a Portion of USS 439 Owned by the City of Valdez

SUBMITTED BY: Nicole LeRoy, Planner

FISCAL NOTES:

Expenditure Required: N/A
Unencumbered Balance: N/A
Funding Source: N/A

RECOMMENDATION:

Approve Resolution #22-28 authorizing a lease with Alaska Guide Company, LLC for 2581 Richardson Highway, a portion of USS 439 owned by the City of Valdez, with conditions.

SUMMARY STATEMENT:

Planning Department staff received the attached lease application from Alaska Guide Company for use of 2581 Richardson Highway for development and operation of a tourism/recreation guiding business. Uses requested in the application narrative include a Onewheel and mountain biking course, shop for working on gear/equipment repairs, ropes course, zipline course, rock climbing and ice climbing wall, climbing and obstacle features, swings, store front and main office, gear storage, and employee housing. The applicant Mr. Zach Sheldon, owner and operator of Alaska Guide Company, has indicated this development would occur in phases throughout the lease term, and that he may pursue employee housing as an employee campground or employee dry cabins initially. He also stated in his application narrative that Alaska Guide Company would be interested in operating a helicopter landing pad at the location in the future. Alaska Guide Company originally approached staff to request to purchase the property. However, USS 439 Old Town is identified in the 2005

Property Management Policies and Procedures as lands to be leased only (p iv.)

Lease Term

Alaska Guide Company has requested a lease term of ten years. The 2005 Property Management Policies and Procedures reads, "leases of City land should not be for greater than five years, unless it is in the public interest for the City to enter into a longer-term lease." VMC 4.08.130 states the term of lease should, "depend on the desirability of the proposed use, the amount of investment in the improvements proposed and made, and the nature of the improvement proposed with respect to the time required to amortize the proposed investment." Staff believes the proposal presented by Mr. Sheldon is a significant investment that necessitates a lease term greater than five years for viability of the development. Additionally, the city has received no competing proposals for the requested area that would suggest it is not in the city's best interest to lease to Alaska Guide Company for a term longer than five years.

Staff Comment

Public Works Director Rob Comstock, Economic Development Director Martha Barberio, and Capital Facilities Director Nate Duval were solicited for comments on the proposal. Mr. Duval expressed no objection to the location. Mr. Comstock expressed concern over potential drainage issues on the property.

A floodplain review determined that the parcel is located within Flood Zone AE with portions of the property within shaded Flood Zone X, and unshaded Flood Zone X. Any development within Flood Zone AE requires a floodplain development permit. The applicant will need to address drainage issues during the floodplain development permit process.

Additionally, staff recommends Alaska Guide Company monitor public information available related to glacier outburst events in case of impact to the property, due to proximity to Glacier Stream.

Development Costs and Requirements

Because Valdez municipal code requires development costs associated with leased property to be paid for by the lessee, Alaska Guide Company will be responsible for the cost of a replat, phase I environmental assessment, and appraisal, unless the responsibility to pay these development costs is expressly waived by City Council.

VMC 16.04.020 states that for leases of land for ten years or more, a subdivision is required. 2581 Richardson Highway does not have an identified lot number. The boundaries of the area were inadvertently established via the platting actions of USS 439 Valdez Townsite, 92-5, and 80-11. None of the three plats explicitly define the boundaries of 2581 Richardson Highway or established a legal description. Staff recommends a plat be completed to define the location and assign it an appropriate legal description, prior to entering into a lease agreement.

A Phase 1 Environmental Assessment is required to be completed prior to lease of industrial lands at the cost of the lessee, unless costs are waived by City Council. The cost of a phase I ESA ranges \$4,500-\$8,000. The purpose of a phase I is to establish a baseline condition for the property prior to development, determine development history, and assess the potential for any pre-existing environmental contamination. A determination of the baseline condition of the property is of value to the city, and to Mr. Sheldon, should any alleged or actual contamination occur on the property during the course of the lease term. However, consideration should be given to the cost and relative benefit of the assessment in light of the fact that Alaska Guide Company's requested use is not industrially intensive.

Fair rental value for lease agreements is defined as no less than 10% of appraised value annually. If this lease agreement is approved, staff will order an appraisal to determine fair rental value of the property. The property

will be appraised every five years, and the rent adjusted accordingly. The property is also subject to possessory interest taxation, which Alaska Guide Company will be responsible for paying.

2581 Richardson Highway is not serviced by City of Valdez sewer and water, and occupied structures will need to be connected to a private well and a commercial wastewater disposal system, developed at the cost of the lessee. Electrical service connection will also need to be established at the lease site at the cost of lessee.

Zoning

2581 Richardson Highway is zoned light industrial. The LI district allows for some of the uses Alaska Guide Company has requested, but not all. When working with Mr. Sheldon to determine a location that would meet his company's needs, the limitations of the LI district for his proposed development were discussed.

Alaska Guide Company has requested a Onewheel and mountain bike course, a ropes course, a zipline course, a rock climbing and ice climbing wall, climbing and obstacle features, swings, a store front and main office, gear storage and shop for gear repairs, and employee housing on the property.

1. Business office is permitted as a professional office.
2. Retail/gear rental is permitted as accessory to the professional office.
3. Employee housing is a permitted use as a bunkhouse, owner/operator dwelling, or watchman's facility. Alternatively, a campground used for temporary employee housing requires a conditional use permit and lease amendment.
4. A Onewheel and mountain biking course is permitted on the property as open space for recreation.

The other recreational uses requested by Alaska Guide Company fall outside of the scope of open space for recreation. Swings, a ropes course, a zipline course, rock climbing and ice climbing walls, and climbing and obstacle features are not permitted in the LI district and will not be included in the lease, if approved.

Additionally, if Alaska Guide Company chooses to pursue a helicopter landing pad in the future, a conditional use permit and lease amendment will be required. That use is not included in the current lease request.

Alignment of Proposed Development with the 2021 Adopted Comprehensive Plan

The Plan Valdez future land use map shows the lease site within the Industrial Business and Production place type. This place type is designed to accommodate commercial uses but is incompatible with all residential and non-motorized recreational development. This poses a potential challenge because any future land use actions, including conditional use permits, leases, or code revisions need to be compatible with the comprehensive plan. Mr. Sheldon's business is both commercial and recreational in nature. However, much of the land use described to be desired by Mr. Sheldon is non-motorized recreation (zipline, ropes course, etc.), in addition to not being permitted in the LI district as it's presently written. Additionally, upcoming changes to the Title 17 zoning code could pose issues for future development at the site, as the projects will be reviewed based on the zoning code at the time of application.

Staff has discussed the upcoming Title 17 revisions with Alaska Guide Company, and the potential implications for their operations, given the place type designation in the Comprehensive Plan.

Staff does find Alaska Guide Company's proposal to be compatible with the Comprehensive Plan goals 3.1. build upon Valdez's core economy, 3.2 pursue a diverse and self-reliant economy, and 3.3 promote Valdez as

a destination. Collaborating with a non-City of Valdez lead to support partners in their development of recreation opportunities, and increasing and developing new local attractions (independent and organized tourism) are identified as high priorities in Plan Valdez.

The Planning and Zoning Commission voted to approve a recommendation to approve this lease on April 27, 2022. Commissioner Blehm said he felt it didn't make sense for the lessee to pay for the cost of the Phase I ESA, since we could not guarantee the condition of the property to the applicant and expressed interest in the City waiving costs. Commissioner Goudreau agreed, and mentioned the potential that junkyard materials had extended from the neighboring property into the requested lease area. Commissioner Watson expressed some concerned about pedestrian and bike traffic safety on Glacier Haul Road, which is frequently used by heavy equipment and trucks. Staff recommends that Alaska Guide Company alert its customers to the potential traffic on Glacier Haul Road by either posting a sign at the exit of the lease area, or discussing it during the bike/Onewheel rental process.

Staff recommends approval of a lease with Alaska Guide Company with the following conditions:

1. All local, state, and federal permitting must be obtained, and the conditions of such approvals must be complied with throughout the duration of the lease term, including required floodplain development permits.
2. Per 16.04.020, leases for periods of ten years or greater are required to be subdivided. A subdivision is required as a condition of this lease at the cost of lessee.
3. A phase I environmental site assessment is required to be completed prior to execution of the lease agreement per the 2005 Property Management Policies and Procedures at the cost of lessee.
4. This lease excludes the approval of a ropes course, a zipline course, a rock and ice climbing wall, climbing and obstacle features, and swings from being authorized uses on the property as they do not conform to the allowable uses in the light industrial zoning district.

Pending Council approval, staff will work with the City Attorney and Alaska Guide Company to execute a lease agreement. City Council may request any conditions or amendments to staff's proposed requirements. The plat, appraisal, and phase I environmental assessment will need to be completed prior to the lease being executed. The resolution approving the lease will also be posted publicly for 30 days, after which the lease may be executed (VMC 4.08.160.)