



Legislation Text

File #: RES 17-0010, **Version:** 1

ITEM TITLE:

#17-10 - Authorizing the Subordination and Consent with Crowley Petroleum Distribution Inc. for the Lease of a 7,430 Square Foot Portion of USS 495 (*Postponed from Regular Meeting of March 21, 2017*)

SUBMITTED BY: Lisa Von Bargen, CED Director

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

Approve Resolution #17-10 Authorizing the Subordination and Consent with Crowley Petroleum Distribution Inc. for the Lease of a 7,430 Square Foot Portion of USS 495.

SUMMARY STATEMENT:

Council postponed action on this agreement during their regular meeting of March 21, 2017, pending revisions to Paragraph 12D. That section of the agreement listed two different jurisdictions (Alaska and New York) for addressing some claims. The City attorney, Tony Guerriero, provided amendments to Paragraph 12D. The Crowley attorney reviewed and accepted those changes. The revised document is before Council for review and approval. The remaining portion of this agenda statement remains unchanged from the March 21st meeting.

The City of Valdez leases a 7,430 square foot portion of USS 495 to Crowley for the north fuel dock in the Valdez Small Boat Harbor. The original term of the lease is for 21 years beginning in 2001 and ending in 2022. The lease also has six, five-year renewal options.

Crowley has recently undergone a financial transaction related to the infrastructure on the lease property. The lending institution requires the City take what is called a subordinate position with regard to the improvements on the leased area. Essentially this means the improvements are collateral on a loan Crowley holds. If Crowley defaults on the loan the bank has first right to the improvements to cure the default. The City takes a subordinate position to the bank for the improvements in case Crowley is delinquent on lease rental payments in addition to defaulting on the loan.

The City attorney reviewed the Subordination and Consent document. Changes were made and Crowley's legal department accepted the changes. Subordination agreements such as this are a fairly regular occurrence. This is really a housekeeping matter as any change to a lease requires Council approval.

All other existing terms and conditions of the lease remain in full force and effect. A copy of the Subordination

and Consent document is attached for Council reference. The resolution authorizing the subordination is also attached to this agenda statement.