



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)