



Legislation Text

File #: RES 25-0057, **Version:** 1

ITEM TITLE:

#25-57 - Authorizing an Assignment and Amendment of a Lease of 4380 McKinley Street, Parcel B, ATS 10 from Harris Sand & Gravel to Knik Construction, Co.

SUBMITTED BY: Nicole Chase, Senior Planner

FISCAL NOTES:

Expenditure Required: N/A

Unencumbered Balance: N/A

Funding Source: N/A

RECOMMENDATION:

Approve resolution #25-57 authorizing an assignment and amendment of a lease of 4380 McKinley Street, Parcel B, ATS 10 owned by the City of Valdez, from Harris Sand & Gravel to Knik Construction Co., Inc.

SUMMARY STATEMENT:

Community Development staff received the attached lease application and lease transfer request to transfer the existing lease from Harris Sand & Gravel to Knik Construction, Co., Inc. for use of 4380 McKinley Street, Parcel B ATS 10 (plat 98-35) for a barge loading and unloading facility. Harris Sand & Gravel maintains a dock and stores a barge at this location.

Harris Sand & Gravel has leased this property for over twenty years. The first agreement spanned from June 1, 1998-May 31, 2003 and was in holdover on a month-to-month tenancy until 2016. In 2022, Harris Sand & Gravel secured a new lease, with a number of conditions, including that Harris Sand & Gravel be required to pay port tariffs on the materials moved through the barge location and that the city of Valdez be able to utilize the leased area and improvements during an emergency (see Exhibit B referenced in the lease). This is the lease Knik Construction is requesting to assume.

The Ports and Harbor Director and City Manager were solicited for comments on the lease transfer application, and recommended section 3.09 of the lease be amended to require annual reporting of the quantity of freight moved through the location.

Lease Term

Knik Construction, Co., Inc. has requested to take over Harris's existing lease term, expiring May 31, 2043.

Annual Rental Value

The annual rental value for this lease is set as 10% of appraised value. Appraisals are ordered every five years, and the rent adjusted at that time. The most recent appraisal was done in April, 2022 and valued the property at \$38,000.00 The next appraisal is due in 2027. The property is also subject to possessory interest taxation.

Permitting required

Harris holds required US Army Corps of Engineers (USACE) permit for the development, which expires November 2026. Knik will be required to obtain any permits required by the USACE. Knik will also be required to obtain any required floodplain development permits for work in the special flood hazard area.

Zoning

The property is zoned light industrial, which allows barge freight terminals pursuant to 17.16.040-1.

Comprehensive Plan

The lease location is also within an “area of significant environmental constraint”, as designated by the development suitability map for Plan Valdez (p. 10) Areas with this designation have been assessed by the comprehensive plan process to be subject to increased risks of geophysical hazards including flooding and liquefaction. As a tideland property, this location is subject to tsunami inundation risk. The technical memorandum assessment in Plan Valdez regarding soil stability states, “potentially liquefiable soils have been identified throughout Valdez and are especially prevalent in the vicinity of Old Town Valdez. During the 1964 earthquake, wide-scale liquefaction and lateral spreading occurred in the old townsite, and modern investigations such that the risk is still present (PND 2019.) (p. 60 Plan Valdez.)

Additionally, DOWL Engineers 1983 “Old Town Hazard Assessment” designates this property as seismically-induced hazard “Zone A.” This assessment concluded, “the geology of Port Valdez, the subsurface soil conditions in and about the Old Valdez townsite, and the potential for strong earthquake shaking in the area significantly influence the stability of the old townsite.” Zone A is, “an area very highly susceptible to seismically induced ground failure” and the report concludes “no structures or utilities should be constructed in Zone A. Temporary marine loading facilities and storage areas might be allowed, if the risks to life and property can be justified on an individual project needs basis” (p. 16 Old Town Hazard Assessment.)

When this lease was established in 2022, it conditioned that Harris Sand & Gravel staff and contractors should only be on the site during active construction and site reclamation of the facility, during active docking of vessels, and loading and unloading of trucks and vessels, and that Harris should sign a written acknowledgment of the hazard area. Upon assuming this lease, Knik Construction Co., Inc. would also need to sign a written acknowledgement of the hazard area and agree that staff and contractors should only be on the site during active construction and site reclamation of the facility, during active docking of vessels, and loading and unloading of trucks and vessels.

The Ports and Harbors Commission voted to approve a recommendation to City Council on October 20, 2025, and the Planning and Zoning Commission voted to approve a recommendation to City Council to approve this lease assignment and amendment on November 12, 2025.

All other terms and conditions of the existing lease and exhibits shall remain in full force and effect.

If Council approves this lease, staff will work with the City Attorney, Knik Construction, and Harris Sand & Gravel to execute a lease assignment and amendment.