

Submitted by: Chair of the Assembly at the  
Request of the Mayor  
Prepared by: Port of Anchorage  
For reading: July 21, 2009

CLERK'S OFFICE  
APPROVED

Date: 8-11-09 ANCHORAGE, ALASKA  
AO NO. 2009-91

1 **AN ORDINANCE AUTHORIZING THE FOURTH AND FINAL RENEWAL OPTION**  
2 **OF THE LEASE OF LOT 7-B, PORT OF ANCHORAGE SUBDIVISION, TOTALING**  
3 **380,559 SQUARE FEET, TO TESORO ALASKA COMPANY.**

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4  
5 **WHEREAS**, the lease contract between the Municipality of Anchorage, Port of  
6 Anchorage and Tesoro Alaska Company for Lot 7-B, Port of Anchorage Subdivision,  
7 provides for an initial 30 year term ending June 30, 1994 and 4 five-year renewal  
8 options; and

9  
10 **WHEREAS**, three five-year options were previously exercised, and Tesoro Alaska  
11 notified the Municipality of its intent to exercise the option to renew for the fourth and  
12 final five-year period; and

13  
14 **WHEREAS**, Anchorage Municipal Code section 25.30.020 requires disposal of  
15 municipal land shall be by ordinance only; now therefore,

16  
17 **THE ANCHORAGE ASSEMBLY ORDAINS:**

18  
19 **Section 1.** The Municipality of Anchorage, Port of Anchorage is authorized to  
20 lease Lot 7-B, Port of Anchorage Subdivision, located in the Anchorage Recording  
21 District, Third Judicial District, State of Alaska, to Tesoro Alaska Company upon the  
22 terms and conditions summarized in Assembly Memorandum submitted concurrently  
23 herewith.

24  
25 **Section 2.** This ordinance shall take effect immediately upon passage and  
26 approval.

27  
28 PASSED AND APPROVED by the Anchorage Assembly this 11<sup>th</sup> day of  
29 August, 2009.

30  
31 Debbie Cassander  
32 Chair

33  
34 ATTEST:

35  
36 Andrea S. Goulet  
37 Municipal Clerk  
38

**MUNICIPALITY OF ANCHORAGE**  
**Summary of Economic Effects -- Utilities**

AO Number: 2009-91

Title: **AN ORDINANCE AUTHORIZING THE FOURTH AND FINAL RENEWAL OPTION OF THE LEASE OF LOT 7-B, PORT OF ANCHORAGE SUBDIVISION, TOTALING 380,559 SQUARE FEET, TO TESORO ALASKA COMPANY.**

Sponsor: **MAYOR**  
 Preparing Agency: Port of Anchorage  
 Others Impacted: None

**CHANGES IN REVENUES AND EXPENSES:**

(In Thousands of Dollars)

	FY09	FY10	FY11	FY12	FY13
<b>Operating Revenues:</b>					
9571 Industrial Park Leases	\$ 60.8	\$ 121.7	\$ 121.7	\$ 121.7	\$ 121.7
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 60.8</b>	<b>\$ 121.7</b>	<b>\$ 121.7</b>	<b>\$ 121.7</b>	<b>\$ 121.7</b>
<b>Operating Expenses:</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Non-Operating Revenues:</b>					
<b>TOTAL NON-OPERATING REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Non-Operating Expenses:</b>					
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET INCOME (REGULATED)</b>	<b>\$ 60.8</b>	<b>\$ 121.7</b>	<b>\$ 121.7</b>	<b>\$ 121.7</b>	<b>\$ 121.7</b>
<b>POSITIONS: FT/PT and Temp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**PUBLIC SECTOR ECONOMIC EFFECTS:**

This is the fourth and final of four five-year renewal options for Lot 7-B available to Tesoro Alaska Company. The per square foot charge is increased from \$0.92 to \$1.24 per square foot for the term commencing July 1, 2009 and ending June 30, 2014. The increase in the lease rate results in an increase of annual rent from \$350,114 to \$471,888, yielding \$121,773 in new revenue for this 5-year renewal option.

**SUMMARY OF ECONOMIC EFFECTS**

**PRIVATE SECTOR ECONOMIC EFFECTS:**

Tesoro Alaska Company is the only private sector entity to be impacted by the Lot 7-B renewal option.

Prepared by: Edward Leon, Director of Finance & Admin.  
 Validated by OMB: \_\_\_\_\_  
 Approved by: William J. Sheffield, Port Director

Telephone: 343-6204  
 Date: \_\_\_\_\_  
 Date: \_\_\_\_\_

**MUNICIPALITY OF ANCHORAGE**  
**ASSEMBLY MEMORANDUM**

No. AM 412-2009

Meeting Date: July 21, 2009

1  
2  
3 **From: MAYOR**

4  
5 **Subject: AN ORDINANCE AUTHORIZING THE FOURTH AND FINAL**  
6 **RENEWAL OPTION OF THE LEASE OF LOT 7-B, PORT OF**  
7 **ANCHORAGE SUBDIVISION, TOTALING 380,559 SQUARE FEET,**  
8 **TO TESORO ALASKA COMPANY.**  
9

10  
11 Texaco Refining and Marketing, Inc. (Texaco) and the City of Anchorage entered  
12 into an agreement for Texaco to lease Lot 7-B, Port of Anchorage Subdivision for an  
13 initial 30 year term commencing July 17, 1964 and ending June 30, 1994. The  
14 lease terms also included four (4) additional five-year renewal options. Texaco  
15 elected to exercise the first of those five-year renewal options commencing July 1,  
16 1994 and ending June 30, 1999.

17  
18 On October 8, 1998, the Municipality consented to an assignment and assumption  
19 of Lot 7-B lease from Texaco to Equilon Enterprises, LLC (Equilon). Equilon  
20 exercised the second five-year renewal option commencing July 1, 1999 and ending  
21 June 30, 2004.

22  
23 On August 6, 1999, the Municipality consented to an assignment and assumption of  
24 Lot 7-B Lease from Equilon to Tesoro Alaska Company (Tesoro).

25  
26 On May 3, 2005, the Municipality consented to the third five-year renewal option  
27 commencing July 1, 2004 and ending June 30, 2009.

28  
29 As required by the Lease terms, Tesoro notified the Municipality of its intent to  
30 exercise the fourth and final five-year renewal option.

31  
32 Tesoro and the Municipality desire to continue the lease arrangement, and execute  
33 the fourth and final five-year renewal option with the effective date of July 1, 2009  
34 and ending June 30, 2014. The use of the premises is restricted to the operation of  
35 a bulk petroleum distributing plant. This use is consistent with an adjacent land  
36 lease at the Port of Anchorage.

37  
38 As required by the Lease terms and Municipal Property Disposal regulations, a  
39 competitively solicited appraiser determined the Fair Market Rental Value to be  
40 \$1.24 per square foot increasing the annual lease amount from \$350,114 to  
41 \$471,888. The following provisions are pertinent to the lease and/or the fourth and  
42 final five-year renewal option:

1  
2       **Lessee:**               Tesoro Alaska Company.  
3       **Area:**                Lot 7-B containing approximately 380,559 square feet.  
4       **Ground Rent:**       \$471,888.00 per year (\$39,324.00 per month).  
5       **Rent Adjustment:** None  
6       **Lessee**  
7       **Responsibilities:** Utilities and maintenance of premises.  
8

9       **THE ADMINISTRATION REQUESTS APPROVAL OF AN ORDINANCE**  
10      **AUTHORIZING THE FOURTH AND FINAL RENEWAL OPTION OF THE LEASE**  
11      **OF LOT 7-B, PORT OF ANCHORAGE SUBDIVISION, TOTALING 380,559**  
12      **SQUARE FEET, TO TESORO ALASKA COMPANY.**  
13

14  
15      **Prepared by:**           Port of Anchorage  
16      **Approved by:**         William J. Sheffield, Port Director  
17      **Concur:**                 Mary Jane Michael, Executive Director  
18                                 Office of Economic & Community Development  
19      **Concur:**                 Rhonda Fehlen Westover, Acting Municipal Attorney  
20      **Concur:**                 Larry Crawford, Acting Municipal Manager  
21      **Respectfully submitted:** Daniel A. Sullivan, Mayor  
22

**Content ID:** 007931  
**Type:** Ordinance - AO  
**Title:** AN ORDINANCE AUTHORIZING THE FOURTH AND FINAL RENEWAL OPTION OF THE LEASE OF LOT 7-B, PORT OF ANCHORAGE SUBDIVISION, TOTALING 380,559 SQUARE FEET, TO TESORO ALASKA COMPANY  
**Author:** maglaquijp  
**Initiating Dept:** Port  
**Description:** Authorizing the fourth and final renewal option of the lease of Lot 7-B, Port of Anchorage Subdivision, to Tesoro Alaska Company  
**Keywords:** Lot 7-B lease renewal  
**Date Prepared:** 7/10/09 8:47 AM  
**Director Name:** William J. Sheffield  
**Assembly Meeting Date:** 7/21/09  
**Public Hearing Date:** 8/11/09

<b>Workflow Name</b>	<b>Action Date</b>	<b>Action</b>	<b>User</b>	<b>Security Group</b>	<b>Content ID</b>
Clerk_Admin_SubWorkflow	7/10/09 1:41 PM	Exit	Joy Maglaqui	Public	007931
MuniMgrCoord_SubWorkflow	7/10/09 1:41 PM	Approve	Joy Maglaqui	Public	007931
MuniManager_SubWorkflow	7/10/09 1:41 PM	Approve	Joy Maglaqui	Public	007931
MuniManager_SubWorkflow	7/10/09 1:40 PM	Checkin	Joy Maglaqui	Public	007931
Legal_SubWorkflow	7/10/09 1:30 PM	Approve	Rhonda Westover	Public	007931
Finance_SubWorkflow	7/10/09 10:54 AM	Approve	Teresa Peterson	Public	007931
OMB_SubWorkflow	7/10/09 10:17 AM	Approve	Cheryl Frasca	Public	007931
ECD_SubWorkflow	7/10/09 9:06 AM	Approve	Tawny Klebesadel	Public	007931
Port_SubWorkflow	7/10/09 8:57 AM	Approve	William Sheffield	Public	007931
AllOrdinanceWorkflow	7/10/09 8:53 AM	Checkin	Diane Bickford	Public	007931