### CITY OF UNALASKA UNALASKA, ALASKA

#### RESOLUTION 2023-45

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING A 67-YEAR LEASE PERIOD FOR AN AMENDED LEASE AGREEMENT BETWEEN THE CITY OF UNALASKA AND ILIULIUK FAMILY AND HEALTH SERVICES, INC., FOR TRACT A OF ILIULIUK HEALTH CAMPUS

WHEREAS, the City of Unalaska is the owner of Tract A of Iliuliuk Health Campus, containing 3.83 acres, more or less, according to the preliminary Survey Plat attached to the draft lease as Exhibit A; and

WHEREAS, Iliuliuk Family and Health Services, Inc. holds a 99-year lease from the City of Unalaska for Block 1, Reservoir Hill Subdivision, containing 2.38 acres, more or less, according to the Survey Plat recorded as Plat 92-12, Aleutian Islands Recording District; and

WHEREAS, Iliuliuk Family and Health Services, Inc. desires to locate a mobile CT machine, which will not fit within the current lease lot; and

WHEREAS, the City Council approved Resolution 2023-34, vacating Lavelle Court and combining of Block 1, Reservoir Hill Subdivision, Plat 92-12 and Block 2-A, Unalaska Pedestrian Pathway, Plat 97-14; and

WHEREAS, Unalaska Code of Ordinances § 7.12.020 UCO requires City Council approval of any lease of City property having a term greater than 5 years; and

WHEREAS, the City Council has determined that an amended 67-year lease is of benefit to the City as it promotes long-term, substantial, durable, and desirable investment in the City of Unalaska and allows for an existing healthcare provider to expand its services in our community.

NOW THEREFORE BE IT RESOLVED THAT THE UNALASKA CITY COUNCIL approves the 67-year lease period for a lease between the City of Unalaska and Iliuliuk Family and Health Services, Inc. for Tract A of Iliuliuk Health Campus.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on November 14, 2023.

	Vincent M. Tutiakoff, Sr. Mayor	
ATTEST:		
Estkarlen P. Magdaong City Clerk		

# **MEMORANDUM TO COUNCIL**

To: Mayor and City Council Members
From: Cameron Dean, Planning Director
Through: William Homka, City Manager

Date: November 14, 2023

Re: Resolution 2023-45: Approving a 67-year lease period for an amended lease

agreement between the City of Unalaska and Iliuliuk Family and Health Services,

Inc. for Tract A of Iliuliuk Health Campus

**SUMMARY:** An amendment to the lease between the City of Unalaska and Iliuliuk Family and Health Services, Inc. (IFHS) has been drafted and is being processed in accordance with City code and policies. City Council approval is required for the lease because the term is greater than five (5) years. Staff recommends approval of Resolution 2023-45.

**PREVIOUS COUNCIL ACTION:** Council issued a directive to the City Manager on May 9, 2023 to bring to Council a plan for site control for IFHS. On September 12, 2023 Council passed Resolution 2023-34 approving the vacation of Lavelle Court and combination of the two parcels that comprise the expanded IFHS site.

**BACKGROUND**: The Unalaska City Planning Commission approved Resolution 2023-06 in support of the Clinic's desire to place a mobile CT machine on the front of the building with an overhang. The overhang and machine would sit in the setbacks placed by Lavelle Court.

The IFHS Clinic holds a ninety nine (99) year lease from the City on Block 1, Reservoir Hill Subdivision ending in 2090. The existing lease area is not large enough to place the mobile CT machine, reconfigure the parking lot and emergency bay approach, and IFHS is looking to expand its facility now thanks to support from Senator Merkowski.

The former lot on the other side of the vacated right of way, Block 2-A of Unalaska Pedestrian Pathway, consists of the skatepark and a gravel parking lot used by the Clinic. It was previously used for drive-thru COVID-19 testing.

<u>DISCUSSION</u>: The proposed lease would expand IFHS's premises to include the former Lavelle Court right of way and Block 2-A of Unalaska Pedestrian Pathway, the current skatepark location. The City intends to relocate the skatepark to another location off of IFHS's lease.

The lease term will not change; the proposed lease will also be effective through July 31, 2090.

The Planning Commission will consider the updated plat titled Iliuliuk Health Campus, attached as Exhibit A, at its meeting on November 16, 2023.

Staff will ensure that IFHS meets all insurance requirements as identified in the lease agreement.

All other required permits will need to be obtained prior to any new development. Additionally, required building permits will need to be obtained from the Department of Public Works. No

construction will be permitted by the City until documentation is provided to verify that these permits have been issued, as noted in the lease agreement.

**ALTERNATIVES:** If the City Council finds that it is not in the best interest of the City to approve Resolution 2023-45 as is, it may alternatively grant the lease agreement for less than sixty seven (67) years, or reject the application for lease altogether. Any further extension of the lease must come from the applicant.

FINANCIAL IMPLICATIONS: N/A

**LEGAL**: The lease was developed in consultation with the City Attorney.

**STAFF RECOMMENDATION:** Staff recommends adoption of Resolution 2023-45.

**PROPOSED MOTION:** I move to adopt Resolution 2023-45.

**<u>CITY MANAGER COMMENTS</u>**: I concur with staff's recommendation.

# **ATTACHMENTS**:

Proposed Lease with Exhibit A

## CITY OF UNALASKA AMENDED AND RESTATED LAND LEASE AGREEMENT FOR CITY OWNED LANDS IFHS CLINIC

THIS Amended and R	Lestated Lease Agreement ("Amended Lease Agreement") is
entered into on the	, day of 2023, between the CITY OF UNALASKA (hereinafter
called "Lessor"), whose addre	ess is P.O. Box 610, Unalaska, Alaska 99685, and the ILIULIUK
FAMILY AND HEALTH SE	RVICES, INC. (hereinafter called "Lessee"), whose address is P.O
144, Unalaska, Alaska 99685.	

#### **RECITALS**

- 1. Iliuliuk Family Health Services, Inc. operates a health clinic in Unalaska, Alaska. The clinic is on land owned by the City of Unalaska. Iliuliuk Family Health Services, Inc. holds and uses the land pursuant to that certain lease agreement entered into on August 8, 1991 by and between the City of Unalaska, as Lessor, and Iliuliuk Family Health Services, Inc., as Lessee ("Original Lease Agreement"). A Memorandum of Lease of the Original Lease Agreement is recorded as Document No. 1992-000648, records of the Aleutian Islands Recording District, Third Judicial District, State of Alaska.
- 2. Lessee needs additional land to expand its existing Unalaska health facility.
- 3. Lessor has land suitable for Lesse's heath care facility expansion and has made a determination that the public interest will be served by leasing such additional lands to Lessee at less than the fair rental value of the land to facilitate improved health care services in the City of Unalaska.
- 4. Rather than terminate Lessee's leasehold interest granted by the Original Lease Agreement or having two separate lease agreements, the parties have determined that the additional lands shall be added to Lessee's existing leasehold and the Original Lease Agreement be amended and restated as set forth in herein.

### TERMS AND CONDITIONS OF AGREEMENT

1. Effect & Effective Date. This Amended Lease Agreement amends and replaces the Original Lease Agreement. As of the Effective Date of this Amended Lease Agreement, all rights, obligations, and interests of Lessor and Lessee shall be governed by this Amended Lease Agreement. The Effective Date of this Agreement shall be when each party has a counter-signed copy.

2. <u>Premises.</u> Lessor agrees to lease to Lessee the following described real property, hereinafter called the "premises," more specifically described as Tract A of Iliuliuk Health Campus according to the preliminary plat thereof, a copy of which is attached here to as Exhibit A. Upon recording of said plat, premises shall be described as follows, and the parties agree to fill in the plat number for the purpose of recording this Amended Lease Agreement:

Tract A of Iliuliuk Health Campus, according to Plat No. 2023-\_\_\_\_\_, Aleutian Islands Recording District, Third Judicial District, State of Alaska.

- 3. <u>Use of Premises.</u> The premises shall be used solely for construction, operation, and maintenance of a health care facility. Upon written consent from Lessor's city manager, Lessee may additionally use the premises for accessory uses that are reasonably necessary for and beneficial to health care facility use, including employee and staff housing, provided that such use is allowed by and otherwise in accordance with the City of Unalaska zoning code, as may be amended from time to time. Lessor's consent shall not be unreasonably withheld. Lessee is aware of a small memorial on the premises. In any development of the premises, Lessee shall use all commercially reasonable efforts to avoid interfering with or removing the memorial. The memorial shall not be removed or substantially altered without Lessor's written consent.
- **4.** <u>Term</u>. The term of this Amended Lease Agreement, and of the leasehold rights granted hereunder, shall be from the Effective Date though July 31, 2090, unless earlier terminated in accordance with the provisions of this Amended Lease Agreement.
- **5. Rent.** The rent for the premises shall be \$1.00 per year.
- **6.** Construction of Improvements. Any construction on the premises shall be neat, presentable and compatible with its use and surroundings. All construction shall be in accord with applicable construction codes, including those codes set forth in Title 17 of the Unalaska City Code.
- 7. <u>No Waste or Nuisance.</u> Lessee shall keep the premises and all improvements located thereon neat and presentable at Lessee's own expense. Lessee shall not strip, waste or remove any material from the premises without the prior written approval of Lessor.
- **8.** <u>Utilities</u>. At no cost to Lessor, Lessee shall provide for all utilities, services and maintenance as is necessary to facilitate Lessee's use of the premises.
- **9.** <u>Lessee's Improvements upon Termination.</u> (a) Within one hundred eighty (180) days following expiration, termination or cancellation of this Amended Lease Agreement, or any renewal thereof, improvements or other property, real or personal, owned by Lessee on the premises must either:
  - (i) Be removed by Lessee if required by Lessor or desired by Lessee and if, in Lessor's opinion, removal will not cause injury or damage to the premises; or
  - (ii) Be sold to a succeeding Lessee, with Lessor's consent.

- (b) Title to any improvements or other property owned by Lessee, which is not disposed of pursuant to paragraph 9, will vest in Lessor.
- 10. <u>Indemnity.</u> Lessee shall indemnify, defend and hold Lessor harmless from any liability, action, claim, suit, loss, property damage or personal injury, of whatever kind resulting from or arising out of any act of commission or omission by Lessee, its agents, employees or customers or arising from or connected with Lessee's use and occupation of the premises or the exercise of the rights and privileges granted by this Amended Lease Agreement.
- 11. <u>Insurance.</u> Lessee shall procure and maintain for the duration of the lease agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with this lease agreement hereunder by Lessee, its employees, agents or representatives.
  - (a) **Minimum Scope and Limit of Insurance**: coverage shall be at least as broad as:
    - (i) Commercial General Liability shall have limits not less than \$1,000,000 per occurrence and \$2,000,000 Aggregate, including coverage for Bodily Injury and Property Damage, Premises and Operations Liability, Products and Completed Operations Liability, Contractual Liability, Broad Form Property Damage Liability and Personal Injury Liability.
    - (ii) Workers' Compensation insurance in accordance with the statutory coverages required by the State of Alaska and Employers Liability insurance with limits not less than \$1,000,000 per accident for bodily injury and disease, and, where applicable, insurance in compliance with any other statutory obligations, whether State or Federal, pertaining to the compensation of injured employees assigned to the work.

If Lessee maintains broader coverage and/or higher limits than the minimums shown above, the City of Unalaska, its officials, employees, and volunteers (City) require and shall be entitled to the broader coverage and/or the higher limits maintained by the Lessee. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.

### (b) Additional Insurance Provisions

(i) **Acceptability of Insurers:** Coverage shall be placed with insurance companies rated A:VIII by A.M. Best Company, or companies

specifically approved by the City. These policies providing coverage shall contain provisions and endorsements that no cancellation or material changes in the policy relative to this lease agreement shall become effective except upon 30 days prior written notice thereof to the City and 20 days written notice if canceled for non-payment (Alaska State Statute AS 21.36.210).

- (ii) Additional insureds: The City of Unalaska, its officials, employees, and volunteers shall be covered as additional insured status must be endorsed upon all the policies where applicable.
- (iii) **Primary Coverage:** For any claims related to this lease agreement the IFHS' insurance coverage shall be primary coverage as respects the City, its officials, employees and volunteers. Any issuance of self-insurance maintained by the City, its officials, employees or volunteers shall be excess of the IFHS' insurance and shall not contribute with it.
- (iv) Waiver of Subrogation: There shall be no right of subrogation against the City or its officials, employees or volunteers in connection with the lease agreement by any insurer of said IFHS and this waiver of subrogation shall be endorsed upon the policies. This provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.
- (v) **Deductibles and Self-Insured Retentions:** Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of the City, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects to the City, its officials, employees and volunteers.
- (vi) Verification of Coverage: Prior to signing the Amended and Restated Lease Agreement, Lessee shall furnish the City with Certificates of Insurance on standard Accord forms evidencing required insurance coverage, including all required amendatory endorsements. Failure to obtain the required documents prior to signing the Amended and Restated Lease Agreement, shall not waive the Lessee's obligation to provide them. Acceptance of Certificates of Insurance with lower or incorrect coverage does not absolve Lessee from carrying the required coverage.

Separate Certificates of Insurance shall be prepared and sent to:

- a. City of Unalaska: City Manager's Office PO Box 610 Unalaska, AK 99685
- b. City of Unalaska: Risk Management: PO Box 610 Unalaska AK 99685 or email to: risk@ci.unalaska.ak.us

The City reserves the right to require complete, certified copies of full insurance policies, including endorsements required by these specifications, at any time.

- (vii) Special Risks or Circumstances: The City Reserves the right to modify these requirements, including limits based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.
- 12. <u>Renewal.</u> In order to renew this Amended Lease Agreement, Lessee must file a written application with Lessor at least thirty (30) days before the expiration of the Amended Lease Agreement. The application must state the purpose of the renewal and any other information which Lessor may require. The filing of an application which fully conforms to the requirements stated herein will extend the terms of this Amended Lease Agreement on a month-to-month basis until one of the following occurs:
  - (i) A lease renewal document is executed by both parties; or
  - (ii) Lessor sends Lessee written notice that the request for renewal has been rejected, stating the reasons for rejection.
- 13. <u>Hold Over.</u> If Lessee holds over and remains in possession of the premises after the expiration of this Amended Lease Agreement without a written renewal, the holding over will not operate as a renewal or extension of the term of this Amended Lease Agreement but only creates a tenancy from month-to-month. Lessee's obligations for perfom1ance under this Amended Lease Agreement will continue until the month-to-month tenancy is terminated by Lessor. Lessor may terminate the tenancy at any time by giving Lessee at least ten (10) days prior written notice.
- 14. <u>Assignment & Subletting.</u> Lessee may not assign or sublet, either by grant or implication, the whole or any part of the premises, or any improvements thereon, without the written consent of Lessor. Lessor will respond within a reasonable time to any request from Lessee for approval of an assignment or a sublet. Any assignee or sublessee approved by the Lessor shall have the same requirements for insurance coverage as are set forth in paragraph 11 of this Amended Lease Agreement.
- **15.** <u>Termination by Lessor.</u> Lessor may cancel this Amended Lease Agreement and recover possession of the premises by giving Lessee 30 days prior written notice upon the happening of any of the events listed below, unless the breach is cured within said 30 days:

- (i) The use of the premises by Lessee for any purpose not authorized by this Amended Lease Agreement.
- (ii) The failure of Lessee to perform any provision or covenant in this Amended Lease Agreement.
- **16.** Return of Premises. At the expiration, cancellation or termination of this Amended Lease Agreement, Lessee must peaceably and quietly vacate the premises and return possession to Lessor. The premises must be left in a clean, neat and presentable condition to the satisfaction of Lessor.
- 17. <u>Termination by Lessee.</u> Lessee may cancel this Amended Lease Agreement by giving Lessor at least thirty (30) days advance written notice, provided however that if Lessee's interest is encumbered by a mortgage or assignment for security, such cancellation shall not be effective without the written consent of the mortgagee or assignee delivered to Lessor.
- 18. Lessor's Reservation of Rights. Lessor reserves the right to make grants to third parties or reserve to Lessor easements or rights-of-way through, on, or about the premises, provided that no such easement or right-of-way may be granted or reserved which unreasonably interferes with Lessee's use of the premises. Lessor reserves the right of ingress to or egress from the premises and the right to enter any part of the premises, including buildings thereon, for the purpose of inspection at any reasonable time. Except in the case of an emergency, all inspections will be coordinated with Lessee in order to minimize interference with Lessee's activities on the premises.
- 19. Compliance with Laws. At no expense to Lessor, Lessee will conduct all activities or business authorized by this Amended Lease Agreement in compliance with all federal, state, and local laws, now or hereafter in force which apply to the activities or business authorized herein, including but not limited to matters of health, safety, sanitation, and pollution. Lessee must obtain all necessary licenses and permits, pay all taxes and special assessments lawfully imposed upon the premises and pay any other fees and charges assessed under applicable statutes or ordinances.
- **20.** Governing Law and Disputes. In any disputes between the parties, the laws of the State of Alaska will govern and any lawsuit must be brought in the courts of the State of Alaska. If any provision or covenant of this Amended Lease Agreement is declared to be invalid by a court of competent jurisdiction, the remaining covenants and provisions will be in full force.
- **21.** Third-Party Claims. Lessee agrees to notify Lessor of any claim, demand, or lawsuit arising out of Lessee's occupation or use of the premises. Upon Lessor's request, Lessee will cooperate and assist in the investigation and litigation of any claim, demand, or lawsuit affecting the premises.
- **22.** <u>No Warranty</u>. Lessor makes no specific warranties, express or implied, concerning the title or condition of the property, including survey, access, or suitability for any use, including those uses authorized by this Amended Lease Agreement. Lessee takes the

premises subject to any and all of the covenants, terms, and conditions affecting Lessor's title to the premises.

- **23.** <u>Liens.</u> Lessee shall keep the premises free of all liens, pay all costs for labor and materials arising out of any construction or improvements by Lessee on the premises, and hold Lessor harmless from liability for any liens, including costs and attorney fees. By this provision, Lessor does not recognize that it is in any way liable for any liens on the premises.
- **24.** <u>Waiver.</u> The failure of Lessor to insist in any one or more instances upon the strict performance by Lessee of any provision or covenant in this Amended Lease Agreement shall not be considered as a waiver or relinquishment for the future, but the provision or covenant will continue in full force. The waiver by Lessor of any provision or covenant in this Amended Lease Agreement cannot be enforced or relied upon unless the waiver is in a writing signed on behalf of Lessor.
- **25.** <u>Notices.</u> Any notice required by this Amended Lease Agreement must be hand delivered or sent by registered or certified mail to the appropriate party at the address set forth on page one of this Amended Lease Agreement or to any other address which the parties subsequently designate in writing.
- **26.** Merger & Amendment. This Amended Lease Agreement sets forth all the terms, conditions, and agreements of the parties and supersedes any previous understandings or agreements regarding the premises whether oral or written. No modification or amendment of this Lease Agreement is effective unless in writing and signed by both parties.
- **27. Approvals.** Any approvals required of Lessor by this Amended Lease Agreement will not be unreasonably withheld.
- 28. Required Improvements.

  Lessee shall complete new land development and new substantial permanent improvements that do not exist on the premises as of the Effective Date of this Amended Lease Agreement no later than two years after the commencement of development or July 1, 2027, whichever is earlier. Lessor shall provide reasonable extension of the or July 1, 2027 deadline if, in Lessor's reasonable determination, Lessee has commenced construction of the improvements and continues to diligently prosecute the work to completion. Failure by Lessee to comply with the requirements of this special covenant will be sufficient grounds for cancellation of the Amended Lease Agreement by Lessor, or at Lessor's option, amendment to the premises demised under this Amended Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have set their hands and day and year stated in the acknowledgement below.

	LESSEE:
	Noel Rey, CEO Iliuliuk Family Health Services

STATE OF ALASKA )		
) ss: Third Judicial District )		
		nowledged before me on the day of Health Services, an Alaska Non-Profit Corporation, on behalf
		NOTARY PUBLIC in and for the State of Alaska My Commission Expires:
		LESSOR:
		William Homka, City Manager City of Unalaska
STATE OF ALASKA	) ) ss:	
Municipality of Unalaska	)	
	City Manager	knowledged before me this day of r for the City of Unalaska, a First Class Alaska Municipalaska.
		NOTARY PUBLIC in and for the State of Alaska My Commission Expires:

