

Sponsor: Administrator

Discussion / Direction
on the sale of the Marine Services Center



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

From: Keith Brady, Municipal Administrator

Date: October 15, 2018

Subject: Marine Service Center (MSC) Options Discussion

Summary

The CBS MSC has had the tenants of Sitka Sound Seafood (SSS) and Seafood Producers Co-op (SPC) for since 1991. Last year as both leases were up for renewal, SPC decided to renew while SSS did not. We have had discussions with Craig Shoemaker of SPC regarding renewal of his lease and possible sale (see attached letter). This discussion/direction is in an effort to take land and property off the city rolls and for economic development.

Fiscal Note

FY18 revenue was \$279,878 with two tenants and have been estimated at \$159,632 for FY19 due to only having one tenant plus CPI. Infrastructure Maintenance for FY19 is estimated at \$152,600 with long-range at \$1,070,726 outside of the bulkhead. Expenses for FY19 is \$171,306.00 for insurance, building repair & maintenance, contracted/purchased serves, interdepartmental services, and other expenses as per the budget. We will be operating at a loss this fiscal year unless we find another tenant or sell. Estimated fund balance at the end of FY18 is \$2,021,956. The big looming infrastructure need with the MSC is the bulkhead fix estimated at \$8.4M (see attached 2016 legislative priority documents).

Recommendation

Direction to move forward with an RFP to sell the MSC.

Details

The MSC was built with a \$1 million grant from Economic Development Administration of the US Department of Commerce. There was an agreement for the \$1M that the city could not sell the property for 25 years of the executed date of May 9, 1990. The obligations of the grant has now sunset. Total project cost at the time was \$2.7M. Building is approximately 21,000 sf completed in 1991.

In 2016 it was assessed at \$3,975,000. This valuation takes into consideration current market factors, documented ongoing maintenance of the cold storage facility by the City and Borough of Sitka, and contains a decremental adjustment for the recommended bulkhead repair. Due to the lack of relevant comparable sales data for similar properties, the cost approach was heavily weighted for this valuation (see assessment memo from 2016).