



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Gary Paxton and Assembly Members

From: Hugh Bevan, Interim Municipal Administrator *AB*

Date: January 4, 2020

Subject: Marine Services Center

Background

The Marine Services cold storage was constructed in 1991. Funding included a Federal EDA grant in the amount of \$1M and a State grant in the amount of \$1.5M. Neither funding agency has a lien against the property, both mandatory lien periods have expired.

The gross area of the building is 21,000 square feet. About 16,500 square feet are leased to two fish processors. The remaining area consists of mechanical and refrigeration equipment rooms, a small office and a restroom.

Approximate 10% of the cold storage area is reserved for public use. The public area presently has about 22 active accounts that are managed by Seafood Producers Cooperative, one of the MSC two prime tenants.

The property is named Tract A Port Development, a portion of ATS 15. The land area is about 72,774 square feet. Of this area about 33,200 square feet is a level, gravel lot located on the NW side of the cold storage. The property is zoned Waterfront District.

The seaward side of the property is supported by a steel sheet pile retaining wall that was built in 1976. It is approximately 356 feet long. The wall has significant deferred maintenance needs.

In December 2016 the Assessor valued the property at \$3,975,000 which was broken down as follows:

- \$3,225,000 for the building and
- \$750,000 for the land (includes a 30% devaluation for the condition of the seawall)

Revenue from the SPC lease is about \$110,880 per year. Their lease expires June 20, 2023.

The North Pacific Seafoods lease is month to month at a rate of \$10,627 per month.

Each tenant pays its share of the utilities.

The seawall generates about \$30,000 per year in moorage revenue that includes freighters, various work boats and small cruise vessels.

The seawall has a small electric/hydraulic hoist that generates about \$4,000 in revenue per year.

The average annual operating cost of the facility is \$106,000. This amount varies significantly from year to year depending upon the amount of maintenance work that is required. The facility is maintenance intensive.

The Marine Services Center is owned and operated by the City of Sitka under an Enterprise Fund financial model. At the present time the Fund has about \$1.9 million in Working Capital.

Analysis

In July 2019 the Assembly approved an Action Plan "To determine the highest/best use of the Cold Storage" This Action Plan includes the development of an RFP to put the property in private ownership.

The Action Plan also called for the City to hold two meetings with interested individuals to discuss options. To my knowledge these meetings have not been held to date.

Perhaps the Assembly will allow public input at this work session to gain insight into the potential for selling the facility.

Marine Services Center
Assembly Work Session Discussion Items
January 14, 2020

1. Keep or sell the facility?
2. If the decision is to sell:
Is the gravel parking lot included in the sale?
Is the sea wall included in the sale?

A fresh survey of the property is advised to confirm property corners.
A fresh appraisal is advised to establish a sale price baseline

3. Should an amount of City owned tidelands be included in the sale or should the tidelands be leased instead? (Tidelands in front of the seawall)
4. If the decision is to sell the facility, an RFP will be brought to the Assembly agenda in the future for formal action.

A proposed budget for survey and appraisal work will also be presented to the Assembly for approval.