

## **POSSIBLE MOTION**

**I MOVE TO** accept the insurance settlement of approximately \$248,000 for the Administration Building at the Gary Paxton Industrial Park.



Tuesday, May 2, 2017

MEMORANDUM

To: Mark Gorman – CBS Administrator  
From: Garry White, Director  
Subject: GPIIP Administration Building Insurance Settlement

**Introduction**

The Gary Paxton Industrial Park (GPIIP) Board of Directors met on April 20, 2017 and approved the following motion:

**MOTION:** M/S **Finkenbinder/Bevan** moved to put ~\$248,000 of the insurance settlement from Administration Building damage into the GPIIP enterprise fund.

**ACTION:** Yeas: **Horan, Bevan, Wagner, Finkenbinder**  
Nays: **None**  
**Motion passed 4/0 on a roll call vote**

The GPIIP Board had the following discussion with CBS staff regarding the building and insurance settlement.

Mr. Harmon gave a report of the damage on the Administration Building during the August 2015 landslide. The CBS's insurance company is offering the CBS a settlement rather than spending funds to repair the building. A local contracting firm estimated the cost of repairs to the building. The building was valued at \$0 by a professional appraisal firm in 2014. The land was valued at \$233,000.

- Mr. Horan mentioned the reason the building is not financially viable for the GPIIP is that the annual rent generally did not make up the cost to operate the building. Leasing the building has resulted in negative cash flow to the CBS. Perhaps an owner with a single purpose would be a better fit.
- Mr. Gorman stated CBS policy is that the building cannot be occupied until landslide hazard mitigation has taken place.
- Mr. White asked if the board was interested in getting the cash or keeping the building.
- Mr. White stated the building has many issues, but there are people in the community that have expressed interest in purchasing it.

- The Board discussed different projects, including using the funds to improve the marine services industries at the GPIIP.

**Action**

Assembly approval to accept the insurance settlement for the Administration Building located at the Gary Paxton Industrial Park.

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**MEMORANDUM**

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**To:** Garry White, GPIIP Director and GPIIP Board

**From:** CBS Public Works, Engineering Department

**Reviewed:** CBS Finance and Administration Departments

**Date:** April 17, 2017

**Subject:** GPIIP Administration Building Repairs/Insurance Settlement Status

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**Background:**

The Gary Paxton Industrial Park (GPIIP) Administration Building was damaged August 18, 2015 by a landslide. The landslide crossed Sawmill Creek Road and impacted the south half of the west side of the building (front) and flowed into the building through a downstairs ventilation louver, inundating at least a third of the ground floor level. The upper level exterior metal stair near the southwest corner was destroyed. Mud and debris broke windows, doors, and damaged siding on the southwest end. Interior ceiling tiles and power poles on the upper floor were damaged. Mud and debris was removed from the building and grounds during the initial clean up effort. The building also has Asbestos Containing Materials (ACM) in the floor tile, mastic, and the sheet rock mud, some of which were compromised by the slide debris and subsequent clean-up activities.

Should a building repair project be undertaken, State of Alaska, Department of Military and Veterans Affairs, Division of Homeland Security and Emergency Management funding would cover the \$100,000 deductible and insurance would cover the remainder of the repairs required to restore the building and grounds to pre-landslide condition.

Staff prepared bid documents to complete repairs to the Administration Building and worked with the insurance adjuster to determine the estimated cost of the repairs. Given the cost of construction in Sitka, Staff negotiated with the insurance adjuster to allow for a cost estimate to be prepared by a local contractor using the bid documents. As anticipated, the local cost estimate for the project was higher than the one prepared by the insurance adjuster. The two estimates have been reconciled with one another to reach a final cost estimate.

**Analysis:**

The Gary Paxton Industrial Park Debris Flow Analysis report, dated November 18, 2016, prepared by Shannon & Wilson, Inc, indicates the GPIIP Administration Building is still located in a moderate landslide risk area. A repair project would restore the GPIIP Administration Building to its pre-landslide condition at no cost to CBS. However, since the GPIIP Administration Building is old and has many needs in addition to repairing the landslide damage (including ACM) and since it is located in an unmitigated landslide hazard area, consideration as to the benefit to CBS of repairing the building must be given.

The GPIP Administration Building was recently valued at \$0 and costs approximately \$40,000 annually to operate with little to no revenue potential due to the landslide risk. Given that the building was valued at \$0 before the landslide, it stands to reason that the value of the building will not increase above that level after a repair project is completed. The building also has additional capital needs beyond restoration to pre-landslide condition. For example, a recent leak in the sprinkler system will require additional costly repairs.

In lieu of completing the repair project, the insurance will pay a cash settlement of approximately \$248,000 (net) for the estimated cost of repairs after deducting depreciation for materials, \$100,000 deductible, and crediting some loss in lease revenue. In this scenario, the building would not be repaired to its pre-landslide condition and CBS would forfeit any possible State assistance funds on the project. Should a cash settlement offer be accepted, the funds could be used for any need that may arise; landslide mitigation, shoreline stabilization or further development of a marine haul out ramp for example.

It appears that the building will be offered for purchase via a Request for Proposals process. Private entities will be able to complete building repairs and any desired renovations/remodels or required landslide mitigation significantly cheaper than the CBS when you consider Davis Bacon wage requirements for public contracts.

Staff seeks GPIP Board concurrence with acceptance of a cash settlement of approximately \$248,000 (net) in lieu of completing repairs and direction on where the funds should be deposited. This matter will be presented to the Assembly in May.

**Fiscal Note:**

Staff recommends accepting the insurance settlement in lieu of completing building repairs. Should the GPIP Board agree with this recommendation, Staff seeks GPIP Board direction on where the funds should be allocated for Assembly consideration.

**Recommendation:**

**Approve accepting the insurance settlement of approximately \$248,000.**