

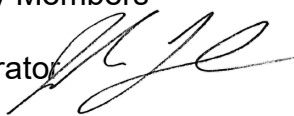



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Amy Ainslie, Planning & Community Development Director 

Date: June 5, 2024

Subject: Evergreen Properties, LLC - Tidelands Lease

Background

The applicant, Evergreen Properties, LLC, has applied for a Class III tideland lease. The requested lease area is identified as Alaska Tidelands Survey (ATS) 580 as recorded on Plat 2007-19 with an area of 1.463 acres. This leasehold area is approximately 75% filled tidelands and 25% submerged tidelands. The applicant owns the upland property at 2309 HPR which is a mobile/manufactured home park referred to as Schafer's Trailer Court. The filled tidelands portion has historically been, and continues to be, used as part of the mobile home park. A portion of the filled tidelands has CBS sewer infrastructure, as recorded in the Sewer Utility Easement dated January 1, 1983.

These tidelands were initially leased by the State of Alaska (SOA) to Albert E. Schafer (Lessor) for a lease term of 55 years from May 4, 1965, to May 4, 2020. The SOA transferred ownership of these tidelands to CBS by Patent No. 439 which was recorded in 2009 from a final findings and decision dated August 11, 1997. A restriction in the patent for the property states that grantee (CBS) may lease the land, but not sell it. The tidelands lease to Mr. Schafer was also transferred to CBS in 1997.

With the expiration of the initial lease, the Lessor has continued to make timely lease payments to CBS. In 2021 Mr. Schafer passed away and his wife, Willian Shafer became the administrator of his estate. Mr. and Mrs. Schafer had common ownership the uplands property. After Mr. Schafer's passing, Mrs. Schafer as the Managing Member formed Evergreen Properties, LLC on March 10, 2022, in conjunction with the Estate of Albert E. Schafer. The applicant intends to continue using the uplands and tidelands property as a mobile/manufactured home park.

The Planning Commission reviewed this request on August 2, 2023, and made the recommendation to the Assembly that the lease be approved subject to its use as a mobile home park. The Assembly reviewed this request on September 12, 2023, and directed staff to prepare a draft lease agreement with the following terms:

- The term of the lease be for 30 years
- Competitive bidding of the lease was inappropriate because the location of the parcel renders it of true usefulness to only one party, the upland property owner
- The annual rent for the lease would be 5% of the assessed value of the tidelands
- The lease would be conditioned on its use as a mobile home park

Analysis

Title 18 of the Sitka General code outlines the following provisions relative to this request:

- Tidelands must be leased by ordinance.
- Leases shall be competitively bid unless the Assembly finds that competitive bidding is inappropriate due to the size, shape, or location of the parcel, rendering it of true usefulness to only one party, or in the case that the nature of the parcel or circumstances of its disposal could result in unjust results with regard to an existing lessee, or adjacent or neighboring property owners.
- Upland property owners have a recognized preference right to lease tidelands seaward of their property.
- The standard lease rate is 4.5% of the assessed value of the tidelands per year, and for a maximum term of 30 years. The Assembly may require other such terms and conditions as desired.

The leasing requirements of Title 18 will be met with the passage of this ordinance. Additional terms and conditions as directed by the Assembly in September have been incorporated in the ordinance and the draft lease.

Fiscal Note

The Assessor calculated the value of these tidelands to be \$127,828.00. While in holdover status, the applicant has been paying the last valued payment for the lease which was \$6,156.00 per year (plus sales tax and property tax). With annual rent payments based on 5% of the assessed value, the payment will be \$6,391.00 adjusted annually for CPI. At our property tax rate of 6 mils, annual property tax revenue is estimated to be \$767.00 at the current assessment.

Recommendation

Approve the ordinance to authorize the lease of the property.

Encl: Aerial Photo

Draft Lease Agreement

Assembly & Planning Commission Meeting Minutes