



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator

From: Brooke Volschenk, Finance Director *BV*

Date: April 7, 2026

Subject: NSRAA Lot 2 & 3 Lease Extension and Combination

Financial Considerations

The lease rate recommended by the GPIP Board continues an existing below market arrangement. The proposed lease rate for Lots 2 and 3 is \$800 per month (\$9,600 annually), compared to the current rate of \$670.80 per month (\$8,049.60 annually).

Based on the 2026 assessed value of \$464,000 and the established 9% rate, the estimated market lease rate is \$3,480 per month (\$41,760 annually). The recommended rate results in \$32,160 less annual revenue than would be generated at this rate.

The lease is associated with GPIP, an enterprise fund that has historically experienced financial challenges. Prior discounted lease arrangements have contributed to the fund's current position. As an enterprise fund, GPIP is intended to be self-supporting, and absorbing below market lease rates for economic development purposes places additional strain on its financial sustainability.

As recommended by the GPIP board, the proposed lease terms do not include annual CPI adjustments. Over the life of the lease, this would further widen the gap between the lease rate and fair market value.

If the Assembly wishes to support a reduced lease rate for economic or policy reasons, it would be more appropriate for a subsidy to be provided through a different funding source.

This is not the only lease within GPIP that is currently below market rate, and continued use of discounted leases within the fund compounds the long-term financial impact.