



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members

**Thru:** John Leach, Municipal Administrator 

**From:** Amy Ainslie, Planning Director 

**Date:** June 17, 2020

**Subject:** Kramer Avenue Land Sale Discussion

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### Background

CBS has received a request to purchase a portion of Tract A11 of Whitcomb Heights Subdivision encompassing approximately 41,000 square feet near the corner of Cushing Street and Kramer Avenue. This tract remains unsubdivided and has vehicular access from the Kramer Avenue right-of-way.

This tract of land is part of an R-1 Planned Unit Development (PUD) zone. The underlying uses of the R-1 zoning district would be applied to this lot, thus its sale and subsequent development would result in residential lots. Previously plans for the benchlands had this area flagged for a manufactured home park and/or single family homes.

SGC 18.12.010(E), Real Property Disposal states “*Sale or lease of municipal real property, including tidelands, shall be by competitive 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 is waived by subsection C of this section. The assembly may also find that competitive bidding is inappropriate due to the nature of the property or the circumstances surrounding its disposal to include possible unjust results with regard to the existing lessee, or adjacent or neighboring property owners.*” Staff finds no particular characteristics of the lot that would render competitive sale of this property inappropriate. Therefore, if a sale is to proceed, the Assembly must choose a competitive sale method – either a bid or a managed proposal process (RFP - Request for Proposal, or RFI - Request for Information).

Per the Shannon and Wilson, Inc. South Kramer Landslide Runout Analysis and Debris Flow Report dated 2/2/2016, this property is shown to be in a “Low Risk Area” for landslides, and is not considered to be a “Restricted Landslide Area” per our Landslide

Area Management code, SGC 20.01.020(A).

Utility infrastructure is available in the area – some has been developed by the city and some has been privately developed. The developer of this lot would need to work with both the city and potentially other private developers to access utilities.

The Planning Commission reviewed this request at their regular meeting on May 20, 2020. Prior to the meeting, notice of the request and its upcoming review was mailed to almost 60 nearby property owners; no public comment was received before, during, or after the hearing. Commissioners voted unanimously to recommend approval of the sale for a portion of Tract A11 Whitcomb Heights Subdivision through a bidding process.

### **Analysis**

This proposal is supported by the Comprehensive Plan – the Land Use section states that a key opportunity for the future is in “Developing vacant and underutilized property. Affordable housing and development costs are challenges that need a variety of approaches to reduce costs and provide creative solutions.” Moving land into interested private hands makes use of vacant, undeveloped property. The zoning of the tract ensures that it will be developed for residential purposes.

An auction/sealed bid process would likely set a minimum price through the valuation process, then have a sealed bidding process in which bidders could submit their one-time, best offer bid. The benefit of this method is that it is most likely to return the highest monetary value back to the municipality for the land and choosing the “winner” of the bid is straightforward. The drawbacks are that smaller, local developers could be crowded-out of the opportunity, and the municipality has little say on the end result of the development.

Alternatively, an RFP/RFI can be used to find a development idea that meets desirable criteria outside of, or in addition to, the monetary amount offered for the land. These criteria could include things such as number of lots to be created, creation of affordable housing, neighborhood amenities offered in a proposed development, local employment, etc. The challenges with an RFP become seeking consensus on the desired criteria, finding objective ways to measure those (sometimes subjective) criteria, as well as the administrative time on the front-end to create and manage the RFP process and on the back-end performance managing a multi-year development.

The request is for an approximately 41,000 square foot portion of Tract A11, presumably selected for its relative ease/suitability for development. This could be the “high graded” portion of the tract that would reduce the marketability for the remainder of the tract.

## **Fiscal Note**

Funds from the sale of the land will be deposited in the permanent fund. Appraisal of the land to establish the fair market value of the land (which would set the minimum bid price) would be needed – this can be established with assistance from the Assessor or a third party appraisal. If the Assembly would like to accommodate the request to market/sell only a portion of the tract, a subdivision will be needed, and survey work commissioned. Fund 705, the Benchlands Capital Project Fund, has an available balance of \$333,054.43. This fund was established 2008 to pay for the cost of developing the benchlands after its acquisition from the Alaska Mental health Trust. What remains in the Fund is the left-over funds that were never used in the Benchlands development project. It is Staff's understanding that expenses arising from a third party appraisal or surveying services of this tract could be paid out of this fund.

## **Recommendation**

Direction from the Assembly is needed on the following:

- Keep/sell the land
- Market the requested portion or entire tract
- Market specifically for a manufactured home park (versus leaving development options open per the zoning)
- Preferred disposal method (bid vs. managed proposal process)