


City and Borough of Sitka


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Coast Guard City, USA

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Amy Ainslie, Planning Director 

Date: May 19, 2021

Subject: 4951 HPR RFP Responses

Background

The No Name Mountain/Granite Creek (NNM) Master Plan included analysis and recommendations for use of the 17 acre waterfront parcel located at 4951 Halibut Point Road. For purposes of easier referencing, the Master Plan referred to this area as "Harbor Point" (though this is not intended to replace or usurp any other more formal naming process that may be initiated in the future). Suggestions in the plan included either development for high-end residential development or recreational tourism. The plan was finished in June 2020.

Prior to the initiation of the NNM Master Plan, interest in this parcel arose in late 2019 as it was the subject of a proposed land swap in relation to construction of a boat haul-out that did not take place. Staff provided a Special Report in February 2020.

An RFI was open for respondents from July 22 through August 21st in order to gauge market interest in the parcel and desired uses of the land. The Assembly reviewed these responses in Executive Session on September 8th. The Assembly directed staff to develop an RFP to either sell or lease the property with open development options for respondents at their November 10th meeting.

The RFP was open from December 2nd through February 2nd. It was advertised locally as well as in Juneau, Anchorage, and Seattle. By the closing date, we received one response from Shee Atika Inc. (SAI), in partnership with Adventure Sitka.

A review team comprised of the Administrator, a representative from STA, Planning, Public Works, Assessing, and the Electric Department reviewed the response, but felt that more information/clarification was needed from the proposers before being able to score the response. A letter was sent to the proposer (dated March 5th) requesting more information. On April 2nd, a response was received by CBS. Further clarification was

requested by CBS on April 13th and was then provided by SAI on April 15th. The last update to financial figures was sent to CBS on April 21st – those numbers are reflected in the Fiscal Note section.

The review team reconvened on April 19th to review the modifications from the proposer and to provide scoring on the response.

Analysis

Below is a summary of the SAI proposal:

- Proposal is to create a recreational and cultural tourism park, offering cultural experiences and educational programs on subsistence living, a salmon bake, canoeing, and an aerial adventure park.
- Proposers anticipate that 7.3% of total cruise passengers would visit the site to engage in the cultural experiences, and 2.1% of cruise passengers would visit the aerial adventure park.
- Zoning of either C-2 (general commercial and mobile home district) or Recreation requested.
- A revenue share of \$4.00 per customer to be paid to CBS at the end of each cruise ship season was proposed.
- Proposed lease amount is \$50k/year.
- Proposed term of the lease is an initial 20 year lease with two 10 year renewal options.

The RFP has five evaluation criteria (a total of 100 points possible):

1. Development dollars invested by the proposer (0 to 15 points): 8.4

There was difficulty in verifying that stated investment dollars were not capturing investments made for other business ventures. Site improvements in terms of durable infrastructure were limited.

2. Employment impacts (0 to 15 points): 7.3

Employment for the development is primarily seasonal positions with an estimated 60% non-resident employment.

3. Long-term, recreational benefits to the community (0 to 15 points): 5.9

While the proposal states that “some aspects” of the development will be available year round, the proposal was unclear as to which elements would or would not be available for public use. The proposal did not specify how public access to the tidelands (as is required per the deed restriction on the property) would be enhanced, or how it would be managed with respect to security for the remainder of the site.

4. CBS tax, utility, and special revenues (0 to 20 points): 15.5

Some assumptions provided in this section were difficult to verify/replicate. Revenue sharing component was a fixed dollar amount per visitor as opposed to a percentage (which disadvantages CBS from an inflationary standpoint). Total revenue sharing dollars and sales tax proceeds are highly vulnerable to fluctuations in the visitor industry.

5. CBS sale/lease revenue (0 to 35 points): 35

Scoring in this category is formula driven, with lease options scored by taking the proposers lease price, divided by the highest proposer lease price, and then multiplied by the maximum points. As there was only one response, maximum points were awarded for this section.

A copy of the scoring assigned to the response is included in your packet; the overall score was 72.1 out of a total 100 points.

Fiscal Note

Below are the total projections for CBS Revenues as provided by SAI. Staff cannot attest to the accuracy of the assumptions used for these projections.

| Long Term Recurring Revenue to CBS | Basis Value | Percentage | <i>Average Annual Total</i> | 10 Year Total | 20 Year Total |
|---|--------------------|-------------------|--|----------------------|----------------------|
| Sales Tax From Tour Sales | \$ 2,990,274 | 6.0% | \$ 179,416 | \$ 1,794,165 | \$ 3,588,329 |
| Property Tax on Structures | \$ 1,015,000 | 0.6% | \$ 6,090 | \$ 60,900 | \$ 121,800 |
| Revenue Sharing | | | \$ 202,881 | \$ 1,728,534 | \$ 4,057,615 |
| Total | | | \$ 388,387 | \$ 3,583,599 | \$ 7,767,745 |
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| | | | | | |
| | | | | | |
| Annual Lease Fee | | | \$ 50,000 | \$ 500,000 | \$ 1,000,000 |
| Total Potential CBS Revenue from all Sources | | | \$ 438,387 | \$ 4,083,599 | \$ 8,767,745 |

A survey of the public access easements will need to be completed and approved by the State prior to beginning construction of the site. This survey will also be used to define the lease area. As was stated in Section A of the RFP, the selected proposer will be responsible for all surveying and platting expenses.

Recommendation

Staff would like direction from the Assembly on how they would like to proceed; staff sees three paths forward:

1. Proceed with preparing a lease based on the terms as presented in the RFP.
2. Direct staff to negotiate different terms for the lease, and then proceed with preparing a lease (executive session may be needed).
3. Do not move forward with leasing the site (executive session may be needed).

Attachments

- RFP & Attachments
- SAI RFP Response
- CBS & SAI Correspondence & Clarifications
- Scoring Sheet