



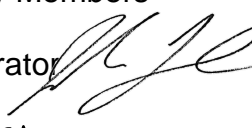
City and Borough of Sitka


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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: November 3, 2020

Subject: **Sitka Community Hospital (SCH) Building Sale**

Background

On October 21, 2020, representatives from SEARHC approached city staff with an interest to purchase the SCH building that they currently occupy under lease terms. Properties to be purchased include land, building, and all other improvements at 209 Moller Drive, 202 and 204 Brady Street, and 302 Gavan Street. The request and an aerial image of the parcels in question is included in your packet for reference.

Analysis/Fiscal Note

1. Competitive Bid

Section 18.12.010(E) of SGC requires competitive bid for disposal of CBS property “unless the assembly finds that competitive bidding is inappropriate”.

According to this section, a finding by the Assembly that “competitive bidding is inappropriate” can be based on the “size, shape, or location of the parcel, rendering it of true usefulness to only one party[.]” Arguably, the parcel has only “true usefulness” to SEARHC. The parcel contains a building, and other infrastructure, that was (for many decades as SCH) and is currently (under a five year lease to SEARHC) used for health care services. The configuration of the building, and other infrastructure, is best suited for health care services. Since SEARHC is owner of most of the adjacent real property, the location of the parcel is only truly useful to SEARHC, who intends to continue to use the building, and other infrastructure, for health care services. These circumstances may support a finding that competitive bidding is inappropriate.

Also, according to this section, a finding by the Assembly that “competitive bidding is inappropriate” can be based on the “nature of the property or the circumstances surrounding its disposal to include possible unjust results with regard to the existing lessee[.]” Again, the nature of the property is that the building, and other infrastructure,

was and is currently used for health care services. The building, and other infrastructure are best suited for health care services. The community could be best served by continuity of use. Significantly, SEARHC currently leases the property, with nearly four years remaining on the lease (lease expires 8-1-2024). If the sale was by competitive bid, the purchaser would have to purchase subject to the lease. Under these circumstances, SEARHC may be subject to unjust results with a new lessor. These circumstances may support a finding that competitive bidding is inappropriate.

2. Advisory Vote

Section 18.12.010 B of SGC states, "Upon sale or disposal of real property valued over five million dollars, or upon lease of real property, including tidelands, of a value of more than seven million five hundred thousand dollars, the ordinance authorizing the sale, lease, or disposition may provide that the ordinance receive an advisory vote at a general or special election. The assembly shall stay its decision on any such sale, lease, or disposition pending the outcome of the election." Early valuation efforts done for insurance purposes in 2016 indicate that the value of the building and the land is well over the five million dollar threshold. Therefore, the Assembly may choose (but is not required to) put the decision out for an advisory vote by either adding it to the October ballot or scheduling a special election, and stay their decision until the election is over. The vote would be advisory only, not binding.

A decision tree has been included in your packet to help guide the order of operations for the sale process. The ultimate decisions regarding timing, price, and terms of sale will be decided as a part of the sales agreement and ordinance. Staff would like direction on responding to the request and initiating associated sale proceedings.

Recommendation

Staff needs direction from the Assembly on three main points:

- Does the Assembly want to dispose of the property through a sale?
- Does the assembly desire a waiver of competitive bidding for a sale?
- If a sale is desired, whether through competitive bid or direct negotiation, would the assembly desire that the ordinance authorizing the sale receive an advisory vote at a general or special election?

Suggested motions (in order):

1. Keep or sell

"I move to direct staff to initiate sale proceedings for the former Sitka Community Hospital site".

2. Competitive/Non-Competitive Sale

"I move to find that competitive bidding for this property is appropriate pursuant to SGC

18.12.010(E), and direct staff to prepare an RFP for the sale of the former Sitka Community Hospital site.”

OR

“I move to find that competitive bidding for this property would be inappropriate due to possible unjust results with regard to the existing lessee and adjacent property owner pursuant to SGC 18.12.010(E), and for staff to work with the lessee, SEARHC, on a direct negotiation for the sale of the former Sitka Community Hospital site.”

3. Advisory Vote

“I move that the sale of the former Sitka Community Hospital site should receive an advisory vote at the 2021 general election, and that the Assembly will stay its decision on the sale pending the outcome of the election.”

OR

“I move that the sale of the former Sitka Community Hospital site should receive an advisory vote at a special election, and that the Assembly will stay its decision on the sale pending the outcome of the election.”

Attachments:

- SEARHC Request
- Former SCH Site Aerial
- Code Excerpt
- Decision Tree