




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 17, 2020

Subject: RFP for Sale of Tract A11 Whitcomb Heights Subdivision - Response

Background

At its August 5th meeting, the Assembly approved a Request for Proposals for the sale of Tract A11 Whitcomb Heights Subdivision, encompassing approximately 4 acres of land accessed from Kramer Avenue.

The RFP included background information on the land, including extensive wetland delineation and landslide risk assessment data, and available utilities in the area. Among various requirements, proposers were to provide the qualifications of the firm to develop the land into buildable residential lots within 3-5 years. A detailed site plan was to be provided along with a narrative on the development plan with the number of lots created, the proposed mixture of housing types, and expected income level of purchasers. A proposed purchase price was also to be provided.

The RFP was open for 30 days (October 2 – November 2). One response was received from Pioneer Land Development, LLC ("Pioneer"). Consistent with their request made to CBS to purchase the property earlier in 2020 (which initiated the RFP for the property) as reviewed by the Planning Commission and the Assembly, Pioneer was primarily interested in the southern 1 acre of property near the corner of Cushing Street and Kramer Avenue. Plans included development of 3-4 lots for residential development (though 3 were depicted in the site plan). One of the properties would be retained and built on, and the other 2-3 lots would be offered for sale. Build out was expected within 2 years. The total purchase price offered was \$17,500 which was based on \$0.40/square foot for the approximately 1 acre in the southern portion.

Analysis

A. RFP Requirements

Internal review of the response was performed by Planning, Public Works, and Electric. All reviewers concurred that the response had failed to meet the following requirements of the RFP:

- Requirement #3: Proposer has no prior track record for the proposed work.
- Requirement #6: Dimensions of parcels, buildings, and any other improvements were not provided.
- Requirement #8:
 - Mixture of housing types was not identified or explained beyond stating that expected development would be “single family residences pursuant to R-1 zoning”. This is despite the fact that R-1 zoning also allows duplexes, and conditionally allows multi-family housing and accessory dwelling units. The RFP also encouraged proposers to utilize the creativity afforded through the Planned Unit Development process to achieve a mixture of housing types and income levels of potential buyers.
 - Narrative was not definitive on the number of lots to actually be developed.
 - Expected income level of purchasers was to be provided – proposal only stated median income of potential buyers (which was essentially Sitka’s current overall median income).

B. Purchase Price

The proposed price of \$17,500 is based on \$0.40/square foot of the approximately 43,750 square feet Pioneer would like to develop. No consideration was offered for the remaining ~2.5-3 acres.

While we do not have an appraisal for the land, reviewers felt that this was a rather low offer. Comparable properties were difficult to find, but per a search of local listings, staff found two lots on the road system where utilities were proximate, but not yet on the site. One was about half an acre and had a listing price of approx. \$4.35/square foot and has recently sold, the other is just over 8,000 square feet, still being advertised for approx. \$12.07/square foot. Staff also looked at island properties in the Large Island districts such as Middle Island and Kasiana, neither of which are served by utilities; listing prices for properties ranged from \$1.31/square foot - \$1.64/square foot. Staff asserts that raw land in town, on the road system, with utilities close by should be at least comparable, if not more valuable, than raw land on large, subdivided islands with no access to utilities.

When lots in Jacob’s Circle were authorized for sale in 2011, utilities were available in the right-of-way but not to the lots themselves, nor were the lots prepped with building pads/sites. The average starting bid amounts were \$6.97/square foot, and 3 out of the 9 lots have since sold into private hands. Of the three that sold, the minimum starting bid was on average \$7.18/square foot. Again, not while a direct comparison, these figures do provide some baseline by which to gauge the appropriateness of the offered \$0.40/square foot.

The concerns surrounding the low offer price were even more pronounced when considering that though the proposer may not want to develop the remaining 2.5 – 3

acres of land, they have the opportunity to either develop it in the future or subdivide it out and sell it to another, more interested party. When the total area is taken into consideration, the price is approx. \$0.11/square foot. Contrary to statements made in Pioneer's response stating that the remaining land in question was "not intended for development", previous land planning efforts (which were included as an attachment to the RFP) had identified that the area could be suitable for single-family lots or perhaps sites for manufactured homes.

In the past, land may have been sold at a reduced rate or gifted in order to facilitate a community benefit such as affordable housing. With only two, perhaps three (though only two are shown in the site plan), lots made available for sale and no information provided as to the housing types or income of purchasers, reviewers found it difficult to identify a definitive or significant benefit towards affordable housing.

Fiscal Note

None at this time.

Recommendation

Staff recommends rejecting the response.

Future use and/or disposal of this land could be addressed through several means, a few of which could be:

- A renewed planning effort for Benchlands properties, including a disposal plan
- An auction for this tract with an established minimum bid price closer to fair market value
- A public/private partnership for an affordable housing project