

Discussion / Direction / Decision

on the timeline and development of an RFP for the former Sitka Community Hospital site.



City and Borough of Sitka

PROVIDING FOR TODAY...PREPARING FOR TOMORROW

Coast Guard City, USA

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator

Date: January 5, 2021

Subject: Draft Timeline for 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 Assembly discussed the proposal at a Special Assembly meeting on December 1, 2020, and the Administrator was given direction to initiate sale proceedings for the former Sitka Community Hospital site.

On December 14, 2020, the CBS received correspondence from SEARHC expressing their desire to pursue the purchase through a competitive bid process.

Analysis

The following draft timeline is a **best-case scenario** and has been developed for expectation management and tracking:

- **January 12, 2021** – SEARHC letter presented to Assembly requesting sale to be pursued through competitive process
- **January 26, 2021** – Supplemental Appropriation presented to Assembly for costs associated with preparing the RFP for possible sale (RFP consultation, outside assessor, building inspection, business valuation, etc.)
- **March 9, 2021** – Draft RFP presented to Assembly for approval
- **March 15 thru May 15, 2021** – Advertise RFP for agreed upon 60-day period
- **May 15 thru May 25, 2021** – Evaluation team reviews and selects a proposal
- **June 8, 2021** – Selected proposal presented to Assembly for approval to begin sales negotiations
- **July 13, 2021** – Sales terms presented to Assembly for either approval or to

continue to a public advisory vote.

- **October 5, 2021** (if directed by Assembly) – Advisory vote on SHC Building sale
- **October 12, 2021** – Assembly final review of sales contract (and consideration of Advisory vote – if held) to approve the sale.

Given that we will not be able to secure an appraiser, inspector, and/or RFP consultant under contract until the appropriation is approved on January 26, 2021, it is not unreasonable for the overall schedule to shift to the right. The appraisal and inspection are necessary inputs to the RFP, and our ability to secure those services will be the first bottleneck in the RFP development.

There may also be a need to secure outside legal counsel to assist in the sales contract which could further lengthen the timeline and potentially add legal fees to the estimated fiscal analysis of this memo.

The timeline presented above is to outline how quickly the process would need to move forward in order to make the October ballot (if so desired) since July 27, 2021 is the last date to present ballot initiatives for the regular election.

Moving as quickly as possible, I do not foresee this sale being completed prior to November 2021.

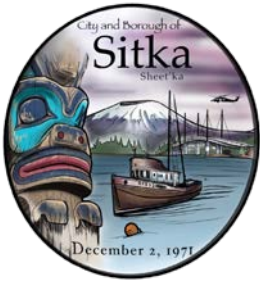
Fiscal Note

A supplemental appropriation will be necessary to obtain the appropriate support to develop a comprehensive RFP for the sale, provide an independent assessment of the building, and obtain an in-depth building inspection. The amount of the appropriation is estimated to be \$25,000, however, formal cost estimates have not yet been pursued through the private sector. Customarily, the selected proposer/buyer shares equally in appraisal costs, paid at time of closing. The expenses incurred to facilitate the sale that are paid by the general fund will be reimbursed by the sale proceeds, as Article XI, Section 11.16 of the Charter requires the municipality to deposit only the net proceeds from the sale of real property.

Recommendation

I recommend that the Assembly make note of the draft timeline and potential costs associated with sales proceedings of the former SCH site.

Encl: Assembly memo of November 3, 2020
SEARHC request of October 21, 2020
Former SCH Aerial Site
Code Excerpt
SEARHC letter of December 14, 2020



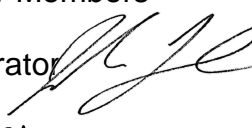
City and Borough of Sitka


PROVIDING FOR TODAY...PREPARING FOR TOMORROW

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

October 21, 2020

Administrator John Leach
City and Borough of Sitka
100 Lincoln Street
Sitka, AK 99835

Dear Mr. Leach,

The SouthEast Alaska Regional Health Consortium (SEARHC) hereby requests to purchase the following property described as the old Sitka Community Hospital (SCH) facility:

1. 209 Moller Drive (A fractional portion of Lot Fourteen (14), Block D, Moore Memorial Addition), containing 110,000 square feet
2. 202 Brady Street (Lot Three (3), Block D, Moore Memorial Addition), containing 8,482 square feet
3. 204 Brady Street (Lot Two (2), Block D, Moore Memorial Addition), containing 9,654 square feet
4. 302 Gavan Street (A portion of Lot 14, Block D, Moore Memorial Addition), containing 6,290 square feet

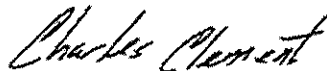
As the current lessee, SEARHC utilizes the Sitka Community Hospital facility for long-term care, rehabilitative services, and primary and urgent care clinic space. As these services grow, the facility needs significant upgrades, requiring investment and future planning, and remediation of contamination and safety hazards. This level of investment will only be feasible with ownership of the facility.

The upcoming Mt. Edgecumbe Medical Center Construction and Expansion Project will further the need to renovate the SCH facility as service lines and staff positions will be required to relocate during the construction process. The SCH facility's ownership would allow positions to remain in Sitka instead of moving to other locations throughout the region.

We look forward to collaborating with the City and Borough of Sitka on a mutually beneficial property sale.

Thank you for your consideration.

Sincerely,



Charles Clement
President and Chief Executive Officer



CITY AND BOROUGH OF SITKA
PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT
LAND MANAGEMENT APPLICATION FORM

1. Review guidelines and procedural information.
2. Fill form out completely. No request will be considered without a completed form.
3. Submit all supporting documents and proof of payment.

APPLICATION FOR:

☐ TIDELAND

☐ LEASE

☐ LAND

☒ PURCHASE

BRIEF DESCRIPTION OF REQUEST:

The SouthEast Alaska Regional Health Consortium requests to purchase the Sitka Community Hospital facility
and underlying parcels.

PROPERTY INFORMATION:

CURRENT ZONING: P- Public ARE YOU THE UPLAND PROPERTY OWNER? Adjacent property owner

CURRENT LAND USE(S): Health Services PROPOSED LAND USES (if changing):

APPLICANT INFORMATION:

PROPERTY OWNER: City and Borough of Sitka

PROPERTY OWNER ADDRESS: 100 Lincoln Street Sitka, AK 99835

STREET ADDRESS OF PROPERTY: 209 Moller Drive, 202 and 204 Brady Street, 302 Gavan Street

APPLICANT'S NAME: SouthEast Alaska Regional Health Consortium (SEARHC)

MAILING ADDRESS: 222 Tongass Drive Sitka, AK 99835

EMAIL ADDRESS: maeganb@searhc.org DAYTIME PHONE: 907.966.8942

PROPERTY LEGAL DESCRIPTION:

TAX ID: LOT: BLOCK: TRACT:

SUBDIVISION: US SURVEY:

OFFICE USE ONLY

COMPLETED APPLICATION		SITE PLAN	
NARRATIVE		CURRENT PLAT	
FEE		OWNERSHIP	

REQUIRED SUPPLEMENTAL INFORMATION:

- ☒ Completed application form
- ☒ Narrative
- ☐ Site Plan showing all existing and proposed structures with dimensions and location of utilities
- ☐ Proof of filing fee payment
- ☐ Proof of ownership (If claiming upland preference)
- ☐ Copy of current plat

CERTIFICATION:

I hereby certify that I desire a planning action in conformance with Sitka General Code and hereby state that all of the above statements are true. I certify that this application meets SCG requirements to the best of my knowledge, belief, and professional ability. I acknowledge that payment of the review fee is non-refundable, is to cover costs associated with the processing of this application, and does not ensure approval of the request. I understand that public notice will be mailed to neighboring property owners and published in the Daily Sitka Sentinel. I further authorize municipal staff to access the property to conduct site visits as necessary.

Melvin BOSCH (on behalf of SEARHC)
Applicant

10/20/20
Date



18.12.010 Real property disposal.

A. Real property, including tidelands, and land acquired from the state, may be sold or leased only when authorized by ordinance. Lease of space within municipal buildings that are of a value of less than one thousand dollars shall be treated as disposals of personal property without ordinance. All other leases of space within a municipal building shall be treated as disposal of real property under this chapter.

Note: The value of a lease shall be determined by multiplying the monthly or annual rent by the term of the lease.

B. 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. This subsection shall not apply to leases at the former Alaska Pulp Corporation mill site, now known as the Gary Paxton Industrial Park, and the property leased under Ordinance 99-1539.

C. No advisory vote or competitive bid is required for exchange of municipal property, both real and personal, including tidelands, or any interest in property, with the United States, the state of Alaska, or a political subdivision.

Such disposals to other governmental units shall be done by ordinance.

All leases of real property and tidelands approved by the assembly and signed by the lessee prior to the date of enactment of the ordinance codified in this title are confirmed and ratified and voter ratification required under the former ordinance is waived. (Enactment date September 27, 1983).

D. The lease of any municipal property on a temporary basis may be made by the administrator upon motion of the assembly without ordinance. Temporary shall be defined as any lease terminable at the will of the municipality where no more than thirty days prior notice of intent to terminate is required.

E. 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.

F. When it is deemed advantageous to the municipality, it may trade uplands or tidelands for other land of approximately equal size or value. Should the municipal property in question be of such value as to permit an advisory vote, an advisory vote may be authorized by the assembly, and the requirements and procedures concerning such election shall apply.

G. The administrator is authorized to sign all municipal lease and conveyance documents.

(Ord. 18-29 § 4 (part), 2018; Ord. 99-1545 § 4 (part), 1999; Ord. 93-1141 § 4, 1993; Ord. 92-1110 § 4, 1992; Ord. 92-1026 § 4, 1992; Ord. 83-556 4 (part), 1983.)

December 14, 2020

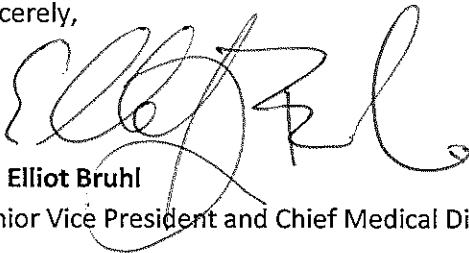
City and Borough of Sitka
John Leach, Municipal Administrator
100 Lincoln Street
Sitka, AK 99835

Dear Mr. Leach,

After considering options put before the SouthEast Alaska Regional Health Consortium (SEARHC) regarding the Moller Drive Campus's potential purchase, we request that the Assembly and city prepare a process for the facility's competitive bid at your earliest convenience.

SEARHC looks forward to participating in a transparent sale process to increase healthcare services and employment options in Sitka.

Sincerely,



Dr. Elliot Bruhl
Senior Vice President and Chief Medical Director



Maegan Bosak
Director of Marketing and Communications