



# 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:** June 15, 2021

**Subject:** 4951 HPR RFP Response

---

### **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 21<sup>st</sup> 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 8<sup>th</sup>. The Assembly directed staff to develop an RFP to either sell or lease the property with open development options for respondents at their November 10<sup>th</sup> meeting.

The RFP was open from December 2<sup>nd</sup> through February 2<sup>nd</sup>. 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 5<sup>th</sup>) requesting more information. On April 2<sup>nd</sup>, a response was received by CBS. Further clarification was

requested by CBS on April 13<sup>th</sup> and was then provided by SAI on April 15<sup>th</sup>. The last update to financial figures was sent to CBS on April 21<sup>st</sup>.

The Assembly reviewed the response and the scoring on the proposal from the review team on May 25<sup>th</sup>. After discussion in executive session, the Assembly directed the Administrator to negotiate a lease for the property based on terms discussed in executive session. Those negotiated terms are explained in the Analysis section.

## **Analysis**

There were 5 terms that CBS countered on:

1. **Annual lease rate:** The RFP response proposed an annual lease rate of \$50,000. CBS countered with \$70,000, with SAI agreeing to \$60,000.
2. **Annual escalation:** No escalation/inflation adjustments were included in the original RFP response. CBS requested annual CPI adjustments to the annual lease rate as well as the \$4/visitor revenue sharing. SAI countered with CPI adjustments to the base lease rate every three years, which given that ticket prices must be given to cruise lines three years in advance seems reasonable. However, the revenue share was not included in SAI's response in terms of escalation. Given that the revenue sharing is projected to be a larger source of revenue than the base lease rate (\$60,000 base lease rate versus a projected \$150,000 in a season with 400,000 total cruise passengers), CBS could be disadvantaged from an inflationary standpoint in the future. However, a 10% increase to \$4.40 is proposed in SAI's RFP response for the latter 10 years of the initial 20 year term (beginning 2032).
3. **Annual Report:** CBS requested an annual report to be completed by no later than October 31<sup>st</sup> of each year to report customer counts and employment numbers (including local hire numbers). SAI found this agreeable.
4. **Zoning:** The RFP response stated that either Commercial or Recreation zoning would work for the proposal. CBS clarified that Recreation zoning was preferred. SAI agreed to this zoning designation with the following stipulations for zoning text changes for the Recreation zone, changing the following uses from prohibited to conditional:
  - a. "Amusement and entertainment"
  - b. "Eating and drinking"
  - c. "Outdoor amphitheater"
5. **Subleases:** CBS clarified that any subleases on the site would be subject to Assembly approval, and CBS would expect to receive revenue sharing/additional consideration from any sublease (to be negotiated at time of sublease approval). SAI was amenable to this, but also clarified that SAI would be the lease holder with Adventure Sitka operating the site as a sublessee, so sublessee approval and additional consideration would only apply to subleases above and beyond that which involves Adventure Sitka.

**Fiscal Note**

None outside of lease terms as described in the Analysis section.

**Recommendation**

Staff would like direction from the Assembly on how they would like to proceed:

1. Proceed with preparing a lease based on the negotiated terms as listed in the Analysis section.

OR

2. Provide guidance on terms for a final offer for staff to present to SAI and its partners.

**Attachments**

- CBS & SAI Correspondence on Negotiated Lease Terms
- SAI RFP Response
- Copy of RFP