



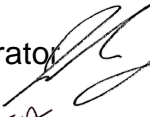

# City and Borough of Sitka

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*A Coast Guard City*

## MEMORANDUM

**To:** Mayor Eisenbeisz and Assembly Members  
**Thru:** John Leach, Municipal Administrator   
**From:** Amy Ainslie, Planning Director   
**Date:** October 4, 2021  
**Subject:** Williamson Tidelands Lease

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### **Background**

Tom Williamson, on behalf of his daughters Sharon and Lisa Williamson, would like to lease city tidelands adjacent to their property at 1406 Sawmill Creek Road. The Williamsons have decided to sell the property; in their efforts to market it, they (as well as the Planning Department) have received feedback from potential buyers that use of the adjacent municipal tidelands is desirable. Having a lease in place that can transfer with the property appears to be the best way to facilitate financing for a new owner and future development. Therefore, it is the intent of the Williamsons to lease these tidelands, and shortly thereafter, assign the lease to the new owner of the upland property.

Approximately 62% of the tidelands in question are filled, with the remaining 38% being intertidal/submerged. With a large amount of filled tidelands, the opportunities for development of structures, storage, or other uses are broad. A dock, boat lift, or other marine equipment/development could be possible on the submerged tidelands. However, the surrounding area is quite shallow and intertidal. Navigability in this area is limited to smaller vessels. Per SGC 22.12.050, all tidelands not shown as included within any zoning district are subject to all the regulations of the upland district immediately adjacent to the tidelands. In this case, that would be Waterfront zoning which offers a wide-range of residential, recreational, commercial, and industrial uses. Current plans are to maintain use of the property primarily for boat storage.

The State of Alaska transferred ownership of these tidelands to the City and Borough of Sitka (CBS) in 2010. A restriction in the patent for the property states that the grantee (CBS) may lease the land, but not sell it. Staff believes that competitive bidding is not required because the applicants are the upland property owners, and therefore is only

truly useful to this party.

The Planning Commission reviewed this request on September 15<sup>th</sup>, 2021, and property owners in the surrounding area were notified of the hearing. The Commission was asked to consider the following:

1. Land management: Is leasing the property in accordance with the request the best use of this municipal property?
2. The Assembly must decide whether there is a clear upland property owner preference right in order to directly lease the property to the applicant – does the Planning Commission also believe that there is a clear upland property owner preference right in this case?
3. Are there neighborhood concerns/impacts that should be considered?

The Commission voted unanimously to recommend approval of the request for the lease.

### **Analysis**

In order to move forward with lease development, staff requires guidance from the Assembly on directly leasing the tidelands, and the terms for a lease.

SGC 18.12.010(E) states: *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.* Upland property owner preference for direct leasing has long been recognized as a reason to forego competitive bidding for tidelands, as utilization of tidelands without upland property access may result in trespass/undue impact for the upland property owner, and may also lessen the value of said tidelands.

The Assessor has valued the tidelands at \$102,501. Lease rates for tidelands historically have varied between 4.5% - 9% of total value as the annual payment. While there is not a strictly applied policy to this effect, generally speaking for tidelands, the 4.5% rate is more commonly applied for residential use (personal docks, garden space, decks, etc.), and higher rates applied for heavier commercial/industrial use. Though the zoning of the upland property would allow for fairly intensive commercial/industrial use, the limitations of navigability in this area curtail said uses. Therefore, the applicant and staff have a preliminary rate of 6% negotiated (subject to approval and direction from the Assembly). The proposed lease term is the standard 30 year lease, with a one time, 5 year renewal.

**Fiscal Note**

The range of annual lease payments based on varying lease rates is presented below:

Property Value	Lease Rates	Annual Payments
\$102, 501	4.5%	\$4,613
	5.0%	\$5,125
	5.5%	\$5,638
	6.0%	\$6,150
	6.5%	\$6,663
	7.0%	\$7,175
	7.5%	\$7,688
	8.0%	\$8,200
	8.5%	\$8,713
	9.0%	\$9,225

The applicant has already commissioned a survey of the tidelands, so no other expenses on the part of CBS outside of staff time are expected at this time.

**Recommendation**

Leasing the property to the upland owner appears to be the highest and best use of this municipal asset which currently does not produce revenue for CBS. Staff needs direction on whether the Assembly agrees that competitive bidding is inappropriate in this case (and therefore can proceed with a direct lease to the upland property owner), and the desired terms for the lease.

Enclosure: Lease Supporting Documents (including aerial view, the surveyed lease area, a navigation chart, photos, the patent for the tidelands, and other materials from the Applicant)