



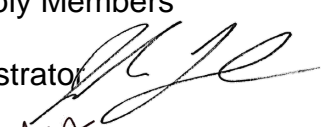
City and Borough of Sitka


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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 21, 2021

Subject: Sitka Sound Science Center Tidelands Lease Amendment

Background

The Sitka Sound Science Center (SSSC) would like to expand their lease of municipal tidelands located adjacent to their property at 834 Lincoln Street. The original lease between the City and Borough of Sitka and Sheldon Jackson College included 31,216 square feet of tidelands used in conjunction with hatchery operations next to the Sage Building. The lease was assigned to SSSC in 2013 under the same terms as the original lease.

SSSC is currently working on a project to improve the operational efficiency of the hatchery operations including work on the raceway and fish ladder, and a new spawning and incubation building. The scale of the hatchery operation remains unchanged. As site planning for these improvements was underway, SSSC discovered, and made CBS aware, that the lease area did not encompass all of the hatchery operation space. SSSC has commissioned a survey of the area and found that an additional 5,265 square feet should be added to the lease.

The Planning Commission reviewed this request on October 20, 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 would be possible unjust results to the lessee, or an adjacent or neighboring property owner if the lands were to be competitively bid – does the Planning Commission also believe that unjust results are possible if competitively bid?

3. Are there neighborhood concerns/impacts that should be considered?

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

Analysis

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.*

In this case, competitive bidding of these tidelands would likely produce unjust results with regard to SSSC which is both the existing lessee and an adjacent property owner.

Staff determined that the most efficient way to manage this request was to amend the existing lease and keep all other terms the same.

Fiscal Note

The formula for valuation of tidelands under this lease is unlike other recently reviewed tidelands leases in that it does not follow an "Assessed Value x Lease Rate" formula. Rather, an original lease value was determined in 1985 and is subsequently adjusted every seven years "by the percentage change in the amount established by dividing the grand total land value on the official municipal real property tax assessment roll for the initial lease year, or prior adjustment year by the number of that year's real property tax accounts, compared with a similar calculation using the figures seven years later." Therefore, in order to calculate price for the additional tidelands added to this lease, the same square footage rate was applied to the additional tidelands such that the increase in square footage is proportional to the increase in lease price.

- Annual rent on additional tidelands: \$1,077.53
- Sales tax on additional rent: \$64.65
- Total revenue: \$1,142.18

Consistent with the original lease agreement, the value of the total lease area shall be re-evaluated every seven years with the next one to take place in 2027. 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

Approve the lease authorizing the Administrator to execute an amendment to the lease for the property consistent with the terms as outlined.

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