

**ASSEMBLY STANDING COMMITTEE MINUTES
LANDS AND RESOURCES COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
MINUTES**

August 25, 2014, 5:00 PM.
Assembly Chambers

I. ROLL CALL

Carlton Smith called the meeting to order at 5:00pm.

Members Present: Mary Becker; Jesse Kiehl; Carlton Smith; Loren Jones

Liaisons Present: Jeff Wilson, Parks & Recreation Advisory Committee; Mike Peterson, Docks & Harbors Board

Liaisons Absent: Karen Lawfer, Planning Commission

Staff Present: Greg Chaney, Lands Manager; Dan Bleidorn, Deputy Lands Manager; Jessica Beck, Lands Specialist

Public Present: Geoff Kirsch, Juneau Montessori School

II. APPROVAL OF AGENDA

There were no agenda changes.

III. APPROVAL OF MINUTES

A. June 16, 2014

The minutes of the June 16, 2014 were approved with a minor spelling correction.

IV. PUBLIC PARTICIPATION

There was no public participation on non-agenda items.

V. AGENDA TOPICS

A. Juneau Montessori School Lease Renewal

Mr. Chaney said the minimal acceptable rental rate is established in title 53 and it says that no land shall be leased for less than the approved appraised annual rental except in the case of a non profit performing a public or quasi public health function. The Lands Division hired an appraiser to conduct an appraisal for the building. The last time this was done was in 1993. It looks like the Assessor determined the \$2,000 per month rate. In 2014 we had Horan and Company complete an appraisal and they came up with the current fair market value to lease the Mayflower Building of \$3,255 per month. Right now, the maintenance costs average a little over \$16,000 per year. If we keep the lease rate the same, at \$2,000 per month, the maintenance costs would soon surpass the lease rate. The Montessori School Board wrote a letter which is included in the packet. They would like to lease the Mayflower Building for the value of maintenance costs. The increase from \$2,000 to \$3,255 per month is a sudden increase, so our compromise would be to feather it in over time so that at the end of the 5 years, they would be at fair market value, \$3,255. That would be \$37,632 in savings over the 5 years instead of just going straight to fair market value.

Mr. Kiehl: There hasn't been a change in the lease rate in 20 years. When was the last appraisal?

Mr. Chaney: That was in 1993 when it went to \$2000, which I believe was set by the Assessor.

Mr. Kiehl: Can you tell me what is included in maintenance? Lights, etc?

Mr. Chaney: It's basically things that go wrong in the building and are attached to the building. It's not a janitorial lease, does not include snow plowing and no utilities.

Mr. Jones: I thought I understood that there's a city ordinance, at least with Docks & Harbors, that determines the market price for the rental. It's the fair market value of the land and then the rental is a percentage of that.

Mr. Chaney: Horan looked at comparable rentals for the area and adjusted for the different areas that were not in Douglas.

Mr. Jones: City code says there has to be a fair market appraisal of the property and the lease rate is based on 11 or 12% of that.

Mr. Chaney: That is not the case for the Lands Office. I showed you code that applies to this.

Mr. Jones: So leases at Docks & Harbors does is under a totally different ordinance?

Mr. Chaney: Its an enterprize board and they may have different rules.

Mr. Jones: I guess I'll have to ask the Attorney's Office. I don't understand how one part of city government can do one thing and another part do something different. I was looking for the market value of the property.

Mr. Smith: The appraiser does not address that methodology here. As a Master of Appraisal Institute certified appraiser, they have specific rules in order to come up with this number and we can get that if you like.

Mr. Chaney: It's a large document , so the entire appraisal wasn't include it in the packet. I just included their conclusion. Or, if you want to check with the Attorney about applying the correct part of the code, we can do that too and bring it back to the next meeting.

Mr. Smith: These are not huge numbers but they're material numbers. Is there any precedent for the Assembly to exercise discretion outside of this definition?

Mr.Chaney: As the Montessori School brought up, the Juneau Arts and Humanities Council is leasing the JACC building for less than fair market value. The Assembly has the discretion to do that, that's just not what was given to me in the code.

Mr. Kiehl: In the code for the application for renewal, it talked about the applicant laying out any improvements/changes to the structure during their lease. Have their been any improvements made?

Mr. Chaney: I'm relatively new and I'm not sure what upgrades Montessori has planned in the long term.

Geoff Kirsch: As far as huge improvements, we've made some small ones. We have a plan to do more. It's difficult to start on those with not knowing what our line items are going to be for rental and the rent is one of the largest and also payroll. When those increase, it becomes difficult to offer what we offer. We are the only authentic International Montessori Association accredited preschool in the state. We serve approximately 60 children. As far as diversity and special needs, we're at close to 20% of all the children. We also distribute ourselves \$70,000 annually to families for financial aid. If we have to raise tuition a lot higher, most families wouldn't be able to pay. We've made small upgrades to the building and would do more if we had more play in our budget.

Mr. Kiehl: The memo refers to the proposed escalating rent compromise. Was that a compromise proposed by staff or a compromised reached?

Mr. Chaney: It was a compromise proposed by Lands staff.

Mr. Wilson: Does the Montessori School pay for all the utilities?

Mr. Kirsch: Yes, and snow plowing.

Mr. Wilson: What does that cost?

Mr. Kirsch: I wish I knew. Of the maintenance costs, we thought the snow plowing was included but it's not. I feel bad for not knowing but I can get you that information.

Mr. Wilson: The rental agreement with JAHC is subsidized by the City. How much are we subsidizing?

Mr. Chaney: We're leasing it for the cost of maintenance, so it's a different kind of arrangement and it's based on maintenance costs.

Mr. Bleidorn: Does that money go to the Lands Fund or is the JAHC go to the general fund?

Mr. Chaney: The JAHC is not part of the Lands umbrella. That is done through Building Maintenance and Parks & Recreation.

Ms. Becker: If they were allowed to pay the actual maintenance cost, would that happen the year after and if so, I think that would be very difficult to budget for that?

Mr. Chaney: One way is to base it on the average maintenance cost of the previous year, adjusting it each year and I would propose that we do it slightly above that so that we take inflation into account and hopefully have some cushion for unexpected items.

Mr. Wilson: I'm assuming Parks & Recreation, Building Maintenance does the maintenance. They bill the Lands Fund for reimbursement?

Mr. Chaney: That's correct.

Mr. Peterson: Has the tuition been raised in the last 5 years and if so, how many times?

Mr. Kirsch: We tell parents to expect a 1-3% increase every year, but have not had to increase it every year. Effective September 1st for 14-15 year, they will be paying a 2% increase but they

originally agreed on 1% but had to increase it again after revisiting the budget. We have not had to increase it every year but in 2012 we had to increase it 5% and moved to a 12 month program to collect funds every month. We've tried to keep it under 1.5% each year.

Motion: Mr. Jones: I move the Lands Committee request of the administration to prepare a resolution that would set the lease payment at \$2000 for the length of the lease.

Mr. Jones: I think that since it's for a non-profit organization, with the JAHG being the only other non-profit that the city leases any land to at all, and it's performing a public purpose. I think not having an appraisal since 1993 and given its public purpose within the education system and in Juneau, I can hope the committee would support that motion.

Hearing no objection, motion passes unanimously.

Mr. Smith: Just for the record, your council on this is Mr. Corak. What we see in Juneau on a newly configured lease, is not an adjustment in the rent, but a rent abatement to remove rent for a period of time. The new amount but for 10 years with a rent abatement over a period of time, like 12 months. Horan and Corak could advise you on some other options, such as an abatement for future negotiations.

VI. STAFF REPORTS

A. Summer 2014 Lena Land Sale - Verbal Update

Mr. Chaney said we just completed opening the bids for the last Lena Land Sale. We put three on the market and two of them got offers. The one that did not sell also did not sell in the previous land sale. We will be going back to the appraiser with that lot because it appears to be over valued. Of the two lots that we are selling, one had a minimum bid of \$95,000 and received a winning bid of \$99,001.00. The other lot had a minimum bid of \$100,000 and received a winning bid of \$161,000.00. We will begin working on another land sale for the remaining 9 lots in the future.

B. Media Productions in Juneau this Summer - Verbal Update

Mr. Chaney said there have been several groups in Juneau this summer filming for various productions. This summer we've had Grutas e Cavernas from Brazil, the Brew Dogs, the Today Show, BBC and Beyond Productions from Australia all filming in Juneau. They didn't all require CBJ permits but the town is becoming well known.

C. RFP for Switzer 2A Subdivision - Verbal Update

Mr. Chaney said the comment period for the Army Corps of Engineers permit has closed. We're hoping to get the fill permit soon. There is an RFP out for preliminary design services which closes on September 9th.

D. DOWL HKM Working on Pederson Hill Subdivision - Verbal Update

Mr. Chaney said the access is the key to the subdivision at Pederson Hill. DOWL has been hired to do some alignments and cross sections. Once we have those, we will take them to the church and see what they would prefer to move forward.

VII. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

Mr. Wilson: At the last PRAC meeting we looked at Special Use Permits for the Parks & Recreation Department and are looking at raising the fees for large events. We talked about the P&R Comprehensive Plan Update. We're working on community surveys for recreational facilities, youth and adult sports, etc. to get user feedback for the facilities.

Mr. Peterson: No report.

VIII. ADJOURNMENT

Meeting adjourned at 5:28pm.