



KENAI PENINSULA BOROUGH

PLANNING DEPARTMENT

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DAVID R. CAREY
BOROUGH MAYOR

MEMORANDUM

TO: Hal Smalley, Assembly Vice President
Kenai Peninsula Borough Assembly Members

THRU: *DR Carey* David R. Carey, Borough Mayor

FROM: *MB* Max J. Best, Planning Director

DATE: October 13, 2010

SUBJECT: Ordinance 2010-37; An ordinance authorizing the sale of certain parcels of Borough Land in Percy Hope Subdivision and Discovery Park Subdivision by sealed bid procedures

The Planning Commission reviewed the subject Ordinance during their regularly scheduled October 11, 2010 meeting. A motion passed by unanimous consent to recommend approval of the ordinance.

In the Ordinance, please make the following amendment to the last WHEREAS:

WHEREAS, the KPB Planning Commission at its regularly scheduled meeting of October 11, 2010 recommended approval.

Draft, unapproved minutes of the subject portion of the meeting are attached.

AGENDA ITEM F. PUBLIC HEARINGS

2. Ordinance 2010-37; An ordinance authorizing the sale of certain parcels of Borough Land in Percy Hope Subdivision and Discovery Park Subdivision by sealed bid procedures

Memorandum reviewed by Marcus Mueller

PC Meeting: 10/11/10

The Land Management Division has been working closely with the Hope/Sunrise Advisory Planning Commission (APC) for the last several years in developing the Percy Hope and Discovery Park Subdivisions as a community development project. There are currently 22 lots available for disposal which has been independently appraised by two different appraisal firms.

For several years the idea of a land sale in Hope has generated a high level of interest both from potential buyers and from the general populous of Hope. Careful consideration has been put into developing a sale procedure which attempts to balance the simple community development objectives of a small community against an uncertain market demand. The proposed procedure is briefly explained below.

Proposed Procedure:

The proposed sealed bid land sale would offer 22 lots by sealed bid procedure with minimum bids established at 70% of the appraised value for each lot. The proposed sale would have a special requirement that bids be submitted in person at the Hope School on the designated date of January 15, 2011.

Minimum Bid Set at 70% of Appraised Value

Relative to the appraisals, the Hope real estate market is untested, particularly when considering putting a relatively large number of properties on the market at one time. To rely strictly on the appraisals requires some amount of speculation. The proposal to set minimum bids at 70% of appraised value would set a floor of reasonable expectation by the borough and leaves open the opportunity for individual prospective buyers to submit informed and thoughtful bids reflecting what in fact they are individually willing to pay for a chosen property. Given adequate market exposure, a competitive bid process will intrinsically yield fair market value.

Need Be Present Requirement

Similar to an outcry auction, the proposed sealed bid sale would require bids be made in person or by power of attorney. As a community development project, the borough has an interest in promoting sales which are likely to yield property owners eager to have a physical presence in the community and develop private land uses as opposed to generating sales that are speculative investments. The Hope/Sunrise APC has suggested that setting a reasonable bar of active participation in the land sale through the proposed requirement of hand delivered bids on the date of sale will promote community development motives.

Consideration of this ordinance is greatly appreciated.

END OF MEMORANDUM

Chairman Bryson read the rules by which public testimony was taken.

Chairman Bryson opened the meeting for public comment. Seeing and hearing no one wishing to speak, Chairman Bryson closed the public comment period and opened discussion among the Commission.

MOTION: Commissioner Carluccio moved, seconded by Commissioner Gross to recommend approval of Kenai Peninsula Borough Ordinance 2010-37.

Commissioner Foster asked for clarification regarding Hope APC'S comments about a proxy or power of attorney not being allowed compared to staff's allowing a proxy or power of attorney. Mr. Mueller replied that the administration proposes a proxy and power of attorney be allowed to participate in the sale of these parcels which ensures that everyone has reasonable access regardless of their circumstances. The discussion at the community level was around the idea that they want to have engaged buyers. This project was a community development project and they are trying to focus on attracting people who really want to

engage in the community. He stated they did question whether or not they would be able to do that as well as questioning what the legal ramifications would be.

Chairman Bryson asked how often a land auction had been held on site as opposed to being located at the borough building. Mr. Mueller replied he wasn't aware of any sales being hosted off site other than the tax foreclosure auction being held at Soldotna High School.

Chairman Bryson asked for staff's clarification regarding the APC's request that all 22 lots be placed up for sale at the same time. Mr. Mueller replied that was actually what staff proposed.

Commissioner Tauriainen thought a power of attorney could not be stopped from purchasing the lots since it would be legally binding. Mr. Mueller replied that staff included the opportunity that a power of attorney could be present at the sale.

Commissioner Tauriainen asked why the lots were so expensive with a minimum bid being over \$50,000. Mr. Mueller replied that the budget for this project was budgeted based on a lot value of \$45,000. The appraisal for these lots came in just over \$80,000 with the average lot prices being around \$75,000. The lots have built roads and installed utilities which add to the value of the lots. He stated that the market forces that weigh most heavily on the valuation is the influence of the Anchorage market. It is looked at as an area that is an attractive location that is close to Anchorage.

Commissioner Carluccio asked what the procedure would be if an individual was a high bidder on three parcels when the purchase of only one lot was allowed. Mr. Mueller replied that an exact policy would be established through the sale brochure. A person who is high bidder on more than one parcel would need to choose which parcel they wanted.

Mr. Mueller stated the reason why the bid opening would be held the following day would be to allow for auditing of the bids. The standard process with a sealed bid is to provide a ten day period in which a high bidder can respond affirmatively or to relinquish the property.

Chairman Bryson asked if the bids would be opened in public. Mr. Mueller replied that his intent would be to open the bids publicly on Sunday. Chairman Bryson asked if people would have to be there for two days. Mr. Mueller replied that the ordinance was written that an individual would not need to be present for bid opening.

Commissioner Murphy asked what the reason was that an individual could only purchase one lot. Mr. Mueller replied that the reasoning behind that was for community development. It was the interest of bringing in new community members by being able to spread the lots around as much as possible. Commissioner Carluccio asked if it was also so a developer couldn't come in and buy all the property. Mr. Mueller replied that the community was hesitant of having someone come in and sweeping up a large number of properties.

Commissioner Foster asked how it was determined which lots would be put up for sale. Mr. Mueller stated that they would put up all the lots that were available. The five lots that were not put up for sale have easement issues that need to be resolved before selling them.

Commissioner Tauriainen asked if the community was shooting themselves in the foot by not allowing a developer to purchase a large tract and build homes and then sell the lots. Mr. Mueller replied that was a discussion that never came up. It was more of a conversation of being concerned of a developer coming in and taking control of the lots. He stated that most of the lots were zoned mixed residential. There are a number of protections afforded by the local option zoning that is part of the subdivision.

VOTE: The motion passed by unanimous consent.

BRYSON YES	CARLUCCIO YES	COLLINS YES	ECKLUND ABSENT	FOSTER YES	GROSS YES	HOLSTEN ABSENT
ISHAM YES	JOHNSON YES	LOCKWOOD YES	MARTIN YES	MURPHY YES	TAURIAINEN YES	11 YES 2 ABSENT