

Debra Thompson

From: Jody Tow
Sent: Friday, April 26, 2019 11:25 AM
To: Assembly
Cc: Stephen Giesbrecht; Glorianne Wollen; Karl Hagerman; Liz Cabrera
Subject: Harbor Warehouse - Petro
Attachments: Harbor Warehouse - 3 options.xlsx

Attached is a 10 year financial comparison of three harbor warehouse/storage options that I laid out to compare options being talked about by the harbor and assembly. Most of my numbers were taken directly from the write up that the harbormaster developed earlier this spring. Initially I was doing it for my benefit to see the costs for each option side by side, but I thought that it might be helpful for you as well so I am sharing it. Please note that I did not take into consideration any modifications to these options during the analysis.

As you know, there are many variables to this process, especially when choosing a site location for a new building and for additional storage. Option 1 and 2 on the attachment are costed out assuming we would use sites that would normally be leased out to harbor customers. Therefore, the loss of lease income is included in the cost comparison which added a considerable cost to option 1 and option 2. If the Harbor used Borough land not being leased out to customers it would save \$190,320 for option 1 and \$127,920 for option 2.

Please let me know if you have any questions.

Thanks,

Jody Tow
Finance Director
P.O. Box 329
Petersburg, Alaska
Phone 907.772.5401



Cost over 10 years for Harbor Maintenance Shop and Storage Area (3 options)

	(1) Build New on Borough Property (40 ft x 50 ft insulated steel, 15ft ceiling)	(2) Use Existing Borough-owned Dock Street Warehouse	(3) Petro land and warehouse swap	Notes
Lost General Fund Property taxes over 10 years	\$ -	\$ 15,272	\$ 40,604	(2) \$1,527 annually to remove warehouse on the tax roll (3) \$4,061 annually if land swap were to occur Assumes property values and mill rate remain constant
Lost Lease Revenue over 10 years (Currently going to the Harbor)	\$ -	\$ 182,370	\$ 285,000	(2) Appraised Value - Warehouse \$80,213, half of land \$102,159. total appraisal \$182,372 * 10% = \$18,237/year. (3) Warehouse and land = \$285,000 * 10% = \$28,500/year
Cost of Trade	\$ -	\$ -	\$ 80,000	Difference of appraisals.
Cost of Cancelling Lease Early	\$ -	\$ -	\$ -	By mutual agreement there would be no cost. There is a provision in agreement where borough would need to pay to cancel the lease early. This has not been calculated due to some unknowns, minimal.
New Maintenance Shop	\$ 340,000	\$ -	\$ -	
Site Prep, extension of utilities	\$ 19,000	\$ 6,000	\$ -	
ADEC Reports, Consultant Fees, Testing	\$ -	\$ 30,000	\$ -	Based off Mitkof Motors remediation historical costs
Excavation & Disposal	\$ -	\$ 15,600	\$ -	If remediation is necessary. Not sure if this cost is born by leasee
Design, Engineering & Admin	\$ 50,000			
Building & Area Upgrades	\$ -	\$ 25,000	\$ 32,500	
50 x 200 ft fencing	\$ 50,000	\$ 50,000		Reid Quote (\$50,000-\$70,000)
Building Location Land (Dependent on Location)	\$ 62,400			Potential loss of lease revenue (if the location is land the harbor normally leases to customers) 2000 sf x .26 cents = \$520 a month;
Additional Open Storage Area - 4,100 sf (Dependent on Location)	\$ 127,920	\$ 127,920	\$ -	Potential loss of lease revenue for option 1 and 2 to store equipment and materials at the Port Dock or another area normally leased to customers. (4,100sf x .26=\$1,066 a month)
Additional Covered Storage	\$ 7,500	\$ 7,500	\$ 7,500	
Shop fixtures	\$ 20,000	\$ 20,000	\$ 20,000	
Total	\$ 676,820	\$ 479,662	\$ 465,604	

* The new building costs (option #1) are dependent on what location is chosen (the \$19,000 for extension of utilities is for Drive Down Approach site).
 * The Petro Land and warehouse option (Option #3) has rental income potential.