



## SOUTHEAST ISLAND SCHOOL DISTRICT

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### Information and Communication Regarding the Café in Thorne Bay

Included below is information and communication that the District has received regarding the café in Thorne Bay.

The café is currently leased by Coffman Cove Development, LLC and operated as Thorne Bay AK 49. The café is situated on land owned by the City of Thorne Bay. The district has a lease with the city, which has approved the sublease with Coffman Cove Development, LLC.

#### Lease Information

Difference between cost of rent payments of current land lease and rental income from lease of café for current lease period (November 1, 2018 – October 31, 2019): \$2,400

Rent Payment to City for Land Lease: \$2,700  
(\$150/month: 11/1/18 – 4/30/19; \$300/month: 5/1/19 – 10/31/19)

Rental Income from Lease of Café: \$5,100  
(\$350/month: 11/1/18 – 4/30/19; \$500/month: 5/1/19 – 10/31/19)

#### Café Revenue vs. Expenditures for Fiscal Year 2019

Revenue:	\$4,250.00
Expenditures (not including insurance):	\$3,224.36
Net Income:	\$1,025.64

#### Questions regarding the lease or sale of the café:

- Is the school district planning to list and sell the café?
- Is there a buyout cost available to the current lessors of the café?
- Would the school district consider extending the current lease an additional year?
- Would the school district consider a lease-to-own option? If so, would all maintenance, insurance, etc. be the responsibility of the tenant or would it still be shared between tenant and the school district (similar to what is outlined in the current lease).

#### Question regarding the land lease with the City of Thorne Bay:

Would changing from the current lease to a lease-to-own agreement or sale of the café create a compliance issue with the agreement the school district has with the City of Thorne Bay regarding the land the café is on?

The current land lease with the City expires 10/31/19 unless the City of Thorne Bay and SISD agree to a successor lease before that time. The lease stipulates that the building on it be operated only as a restaurant and not for another use. With a "lease-to-own"

option, the District would continue to lease the land from the city and the tenant would be allowed to use the building only as a restaurant as long as it is on the city lot. If the district elected to sell the café, the new owner would be required to either enter into an agreement with the city to lease the land and operate the building as a restaurant or would need to remove the building before the district's lease of the property expired. Both the Thorne Bay City Administrator, Wayne Benner and City Clerk, Teri Feibel, will be available via phone for questions during the board meeting.

### Maintenance/Repair Issues

Current Deficiencies identified by the Fire Marshal

1. Fire extinguishers are due for annual service
2. Kitchen hood suppression system is due for annual service

Other Deficiencies:

1. Hood is set up incorrectly and needs to be replaced.
2. Once the hood is replaced, the ducting/venting in the hood needs to be reworked
3. Table-top fryer needs a heat-based trip.

Recommendations:

1. Complete the service work on the hood suppression system (cost approximately \$3,000)
2. Complete cleaning of hood or request tenant have it completed under Item 7.c. of lease agreement (cost approximately \$1,600).
3. Do not replace the hood at this time. If the board elects to sell the café, the deficiency would be noted on the disclosure statement. If board elects to continue to lease the café, the hood could be replaced at that time.
4. Ask tenant to remove the table-top fryer until and unless they have a heat-based trip installed

### Community/Stakeholder Feedback

Feedback from the community and stakeholders regarding SISD's ownership of the café has been varied. Some have supported retaining the café, citing reasons such as it provides a needed service, brings business to the community, provides a training opportunity, and provides employment. Others have supported selling the café, citing reasons such as the impact on district resources, concerns over funding for other district priorities such as staff, programs, supplies, etc., and the use of public funds for a business venture.