

**MARKET VALUE APPRAISAL
PROPOSED RENNINGER SUBDIVISION
RENNINGER STREET**

JUNEAU, ALASKA

JDC FILE NO. 15-26

**Date of Appraisal – As of November 25, 2015
Prospective Date of Appraisal – April 16, 2016**

PREPARED FOR:

**Greg Chaney
Lands and Resource Manager
City and Borough of Juneau
155 S. Seward Street
Juneau, AK. 99801**

BY:

**JULIE DINNEEN COMPANY
Julie C. Dinneen, MAI
302 W. Chester Street
Lafayette, CO 80026**

JULIE DINNEEN COMPANY

REAL ESTATE APPRAISALS

January 2, 2016

Mr. Greg Chaney
Lands and Resources Manager
City and Borough of Juneau
155 S. Seward Street
Juneau, AK. 99801

RE: Proposed Renninger Subdivision, Renninger Street, Juneau. JDC File #15-26.

Dear Mr. Chaney:

At your request, I have completed the attached appraisal to determine the market value of the proposed lots within this subdivision. The completion date for the subdivision is projected to be April 15, 2016. This report has been completed in conformance with the appraisal reporting standards formulated by the Uniform Standards of Professional Practice (USPAP) as formulated by the Appraisal Foundation.

Based upon my research and analysis, market value for the lots, as of April 15, 2016 when the subdivision is completed, is as follows:

Lot	Size	Price/SF	Total Value Rounded
Lot 2	54,381 SF	\$3.75	\$204,000
Lot 3	50,683 SF	\$3.75	\$190,000
Lot 4	164,858 SF	\$2.50	\$412,000
Lot 5	190,873 SF	\$2.00	\$382,000
Lot 6	47,851 SF	\$3.00	\$144,000
Lot 7	40,734 SF	\$3.00	\$122,000
Total		\$2.65 avg.	\$1,454,000

Respectfully Submitted,



Julie C. Dinneen, MAI

302 W. CHESTER STREET, LAFAYETTE, CO. 80026
(303) 579-3589

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ADDENDA

Economic Reports and Articles
Cost Analysis – Land Sale Comparisons Maps & Photos
Individual Lot Sale Comparisons – Maps & Photos
Assumptions and Limiting Conditions
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CERTIFICATE OF APPRAISAL

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. The appraisal was not based on a requested minimum valuation, a specific valuation, or approval of a loan.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice, and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute
9. Julie Dinneen, MAI, has made a personal inspection of this property.
10. No person provided research assistance to the undersigned.
11. I am not aware of any hazardous materials in the soils and assume that the subject does not include any materials that are hazardous to human health.
12. I have not completed an assignment on this real estate in the past 3 years.



Julie C. Dinneen, MAI

APPRAISAL REPORT

Purpose of the Appraisal

The purpose of this appraisal is for use in determining market pricing for the D-15 zoned lots in the proposed subdivision.

Intended User of the Appraisal

City and Borough of Juneau

Date of the Appraisal

The date of the appraisal is November 25, 2015 which is the date of the inspection of the property.

Prospective Date of the Appraisal

The proposed minor subdivision is anticipated to be completed by April 15, 2016. The completion date is the prospective date of the appraisal.

Identification of Subject Property

The name of the proposed subdivision is Renninger Subdivision.

The subject is legally described as a proposed subdivision lying within Lot A-2, being a subdivision of Tract A1-A, U.S.S. 5504 and Tract B, Golden Heights Subdivision, Juneau Recording District.

Property Rights Appraised

This valuation reflects the market value of the fee interest in the subject property.

Definition of Market Value

The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue duress.

Scope of the Appraisal

The extent to which the property has been inspected:

The subject property was inspected by Julie C. Dinneen, MAI on November 25, 2015.

The type and extent of data researched

Sales and listings of multifamily zoned land have been researched and analyzed. Subdivision development costs have been studied and developers have been interviewed to gain perspective regarding costs of new construction, developer profit expectations and land values.

The status of the local and state economy, and its impact on land sales and new construction activity has been addressed.

The type of analysis applied

The data that has been gathered, per above, has been used to determine appropriate market pricing for the proposed D-15 zoned lots that are the subject of this appraisal.

Ownership

Ownership of the subject property is vested in the City and Borough of Juneau. There has not been a transfer of ownership within the past five years.

Assessment Data

On the assessor's records, the subject is a part of a 694 acre tract identified as 5-B14-0100-013-0. As ownership is public, the parcel is not assessed for real estate taxation purposes.

SOUTHEAST REGION ECONOMIC PROFILE

The Alaska Economic Trends January 2015 publication includes an article entitled "***Southeast Faces Small Employment Loss in 2015***". Important excerpts are included below.

Southeast Alaska lost about 250 jobs in 2014 or .7% of total employment. The decline was due to moderate government losses accompanied by a flat private sector. That trend is expected to continue.

Government Employment

Federal government has generally been on the decline for the past decade. While many of the prior losses were in the U.S. forest Service, that agency's employment has leveled off. Losses in 2015 will be due to attrition in most other federal programs. The picture for local government is similar, as diminishing federal funding will squeeze tribal governments and budget cuts will lead to minor losses in local government administration.

Manufacturing Employment

2015 is anticipated to be a strong year for manufacturing. Seafood processing will benefit from a forecasted strong 2015 pink salmon harvest. In Ketchikan, the State of Alaska has hired Vigor Alaska to build two Alaska Class ferries requiring 80 additional employees in jobs that tend to be high-wage.

Health Care Employment

Private health care is expected to stabilize in 2015 after two tough years. Social assistance will continue to decline due to decreased federal funding.

Construction Employment

Southeast construction has been strong for the last few years and its high employment is expected to continue as most projects are in intermediary stages.

Tourism and Trade Employment

As the U.S. economy continues to recover, tourism is expected to grow. Although the tourism industry spans multiple sectors in the economy, most of the job growth will be in leisure and hospitality. Trade, transportation and utilities are expected to remain flat. Though tourism will boost some retail trade and transportation businesses, the region's lack of population growth will put a damper on the retail trade sector overall.

Mining Employment

Mining jobs are expected to hold steady. The industry has grown over the past several years due to the opening of Kensington Mine near Juneau. Exploration will continue at levels similar to 2014.

Summary

The fall in oil prices that began in mid-2014 will require significant changes in the operation of the State government, which is heavily dependent upon oil revenues. The upcoming Legislative session faces a budget deficit of \$427 million next year. Governor Walter has presented many ways to close this gap, which will be the focus of the upcoming legislative session.

Recent articles in the Addenda discuss the current economic climate. The most recent "Juneau by the Numbers" published by the JEDC are included on the following exhibits.

For the period of 2012 to the present, I have reviewed changes in gross business sales as well as recent articles pertaining to the Alaska economy. A review of gross business sales in Juneau indicated a 27% increase between 2009 and 2012. There was no notable change in 2013, and 2014 and 2015 numbers are not posted.

In late summer of 2014, oil prices began a precipitous fall. Peaking in 2011-2012, oil prices held at \$110 through mid-2013 and began a free fall in late summer of 2014 to below \$40 barrel. A September article in the Juneau Empire titled "Searching for a Light" reports that Alaska, a state heavily dependent upon oil prices, has entered a recession.

STATUS OF JUNEAU HOUSING MARKET

The recently published *Juneau Economic Plan* notes that three of Juneau's top Competitive Disadvantages/Challenges are as follows: 1) high cost of living, 2) affordable housing shortage, and 3) limited developable land base due to topography/geography. Further, the report states that lack of "starter" or affordable housing is a critical economic barrier, holding back progress on other initiatives.

To address this situation, the CBJ has identified parcels of land that have development potential in the near term. The subject tract of land in Lemon Creek has been identified as appropriate for immediate multi-family development.

The issue of housing and especially affordable housing has been at the forefront for many years in Juneau. In the recent Juneau Economic Plan Economic Baseline Report" Page 14 includes the following statement:

"A significant segment of Juneau's population resides in housing situations that could be characterized as unaffordable. According to ACS data, 35.4% of Juneau home owners with mortgages spend more than 30% of their household income on housing (not including utilities or maintenance) including 1.6% who pay more than 35%. Among renters, 42.5% pay more than 30 % of their household income for rent, including 32.4% who pay more than 35%. Mortgage lenders typically impose a limit of 28% of household income allowable for housing payments, including principal, interest, tax and insurance or 36% total debt-to-income. For renters, according to the U.S. Department of Housing and Urban Development, "Families who pay more than 30% of their income for housing are considered cost burdened and may have difficult affording necessities such as food, clothing, transportation and health care".

Multi-family Construction Activity in Juneau

Within the past few years, several profit and non-profit oriented developments have been constructed in Juneau. The posture of developers interviewed for this appraisal carries far more caution given the drop in oil prices and its impact on the State's economy.

Island Hills in West Juneau has been completed by Wayne Coogan with 60, 2b1b units. The Terraces, Phase 1 has been completed with 40 units in three buildings on Vista Drive, also in West Juneau. This is a non-profit, Volunteers of America project. Phase II has been permitted for 35 additional units but is not under construction.

R&S Construction has built 50 residential condominiums (24 are residence/shop combinations on LC or GC zoned sites), over the past five years. 14 of these were completed in 2015 and only a few units remain to be sold.

North Star Condominiums was permitted for 36 units in six buildings on Bresee Street. 24 units have been completed and are sold and occupied. The remaining 12 units are being completed and are already sold. Travis Arndt indicated that the 36 units were sold in 9 months with the aid of excellent marketing. The 1,000 SF 2b2b units were marketed and sold at \$199,900. Arndt's intention is to develop similar, for sale condominiums in Juneau. Arndt indicated that wetland and soil related issues were worse than anticipated on this tract of land and that

A high end, 14 unit condominium development, Cannery Cove, which overlooks Auke Bay was completed and sold out in 2015 by Bill Heumann and Jan Van Dort. The same developers built the final phase at River Park in Lemon Creek, a 23 unit (1b1b units) apartment development within the recent past.

Rich Harris of RH Development is designing a subdivision on a 19 acre D-18 tract of land that is under contract (at an undisclosed price) at 7400 Glacier Highway. The asking price for the tract was \$1.10 SF and the contract price is reportedly less than the asking price.

North of the Juneau Douglas Bridge, there has been land sales activity in the recent past as the zoning density was increased to D-18 due to water and sewer extensions in this area. While there have been several minor subdivisions and PUD's proposed, none has been completed to date for various reasons associated with costs, final permitting and financing.

A review of the classifieds, property manager web sites and Craigslist indicates that, within these new developments, there are no listings for sale or for rent. Summit Realty, a very active property manager in Juneau, has 13 rental properties available; the Juneau Empire had 14 rentals available in homes or multifamily developments. There were 11 new postings on January 2 on Craigslist but this does not necessarily reflect the number of older listings that are still available.

Summary

The need for developable, affordable residential land and affordable housing options in Juneau are undisputed. The issue at hand is the status of the economy and the feasibility of development given current construction costs. Of the developers interviewed, several were quite cautious given economic conditions and others were of the opinion that opportunities exist for the right product.

NEIGHBORHOOD

The subject is located in the western portion of Lemon Creek. Lemon Creek is an area within Juneau that is central, as it lies between downtown and the airport commercial district. The eastern portion of Lemon Creek is more commercial in nature while the western portion is more residential in nature.

Lemon Creek's commercial district is accessed by exiting the Egan Expressway at Lemon Creek onto Glacier Highway which bisects Lemon Creek. This established commercial and industrial area lying proximate to the Anka/Glacier Highway intersection is well established and diverse, including shopping, services, numerous self-storage facilities, the landfill, AEL&P, the Alaska Brewery plant, Costco and Home Depot. The Alaska Brewery finished an expansion within the past year that included the acquisition of a neighboring warehouse and the vacation of Borrow Street. A 25,000 SF addition was constructed to connect the two buildings. The Brewery owns nearly 220,000 SF of land in the neighborhood which supports their plant and administrative offices.

The subject lies in the portion of Lemon Creek that is more residential in nature. The immediate neighborhood includes the Walmart Supercenter at the intersection of Glacier Highway and the Egan Drive on-ramp. Significant land uses in the neighborhood include Walmart, the CBJ Police Station, several mobile home parks, including Switzer Creek Mobile Home Park with 300 spaces, Gruening Park apartments, Eaglewood Apartments, Northwood Apartments, and Dzantik'i Heeni Middle School, located due west of the subject property across Renninger Street.

The subject neighborhood is well established and is proximate to bus lines, schools, churches, employment and shopping centers and to Glacier Highway and the Egan Expressway. The neighborhood also includes preservation land that provides natural open spaces flanking Switzer Creek.

Between Walmart and Fred Meyer at Mile 8 of the Glacier Highway is the Renninger Street and Fred Meyer is the CBJ Public Works Facility, a 19 acre parcel that recently went under contract, the Vista del Sol residential subdivision, Glacier Gardens, veterinarians, church facilities and single family residences. The 19 acre parcel that is under contract was rezoned to D-18 recently and lies next the new Vista del Sol single family subdivision.

There are two D-18 zoned vacant lots at Mile 7 of the Glacier Highway. They have been available for a few years now and are reported to have significant peat overburden. They are both slightly over 10,000 SF in size and are listed for \$150,000. There are no apartments or other D-15 or D-18 land parcels for sale in the neighborhood.



Map data ©2016 Google 500 ft 

DESCRIPTION OF SUBJECT PROPERTY

Site

The proposed subdivision is shown on exhibits in this section. The rectangular site is bordered by Renninger Street on its west side. The Gruening Park multi-building apartment development is located below the subject, Switzer Creek Natural Park Area lies to the east and above the subject is the Eaglewood Apartments and undeveloped city owned land.

The plat included in this section includes six D-15 lots that will be developable. Lot 1 is the area that the provides for the future extension of Jackie Street:

Lot	Area	Comments
N/A	24,000 SF	Approximate area within Jackie Street right of way that ends in a cul de sac.
1	42,000 SF	Approximate area within the right of way dedicated for the future extension of Jackie Street. Approximately 60 feet by 700 feet
2	54,381 SF	Has frontage on Renninger Street
3	50,683 SF	
4	164,858 SF	Above street dedicated for extension of Jackie Street
5	190,873 SF	47,916 SF or 25% of lot lies in a preservation easement. 11% of lot lies within storm drainage/public trail easement.
6	47,851 SF	Approximately 38% of area within storm drainage/public trail easement
7	40,734 SF	Approximately 44% of area within storm drainage/public trail easement
Total	615,380 SF	14.13 acres plus or minus

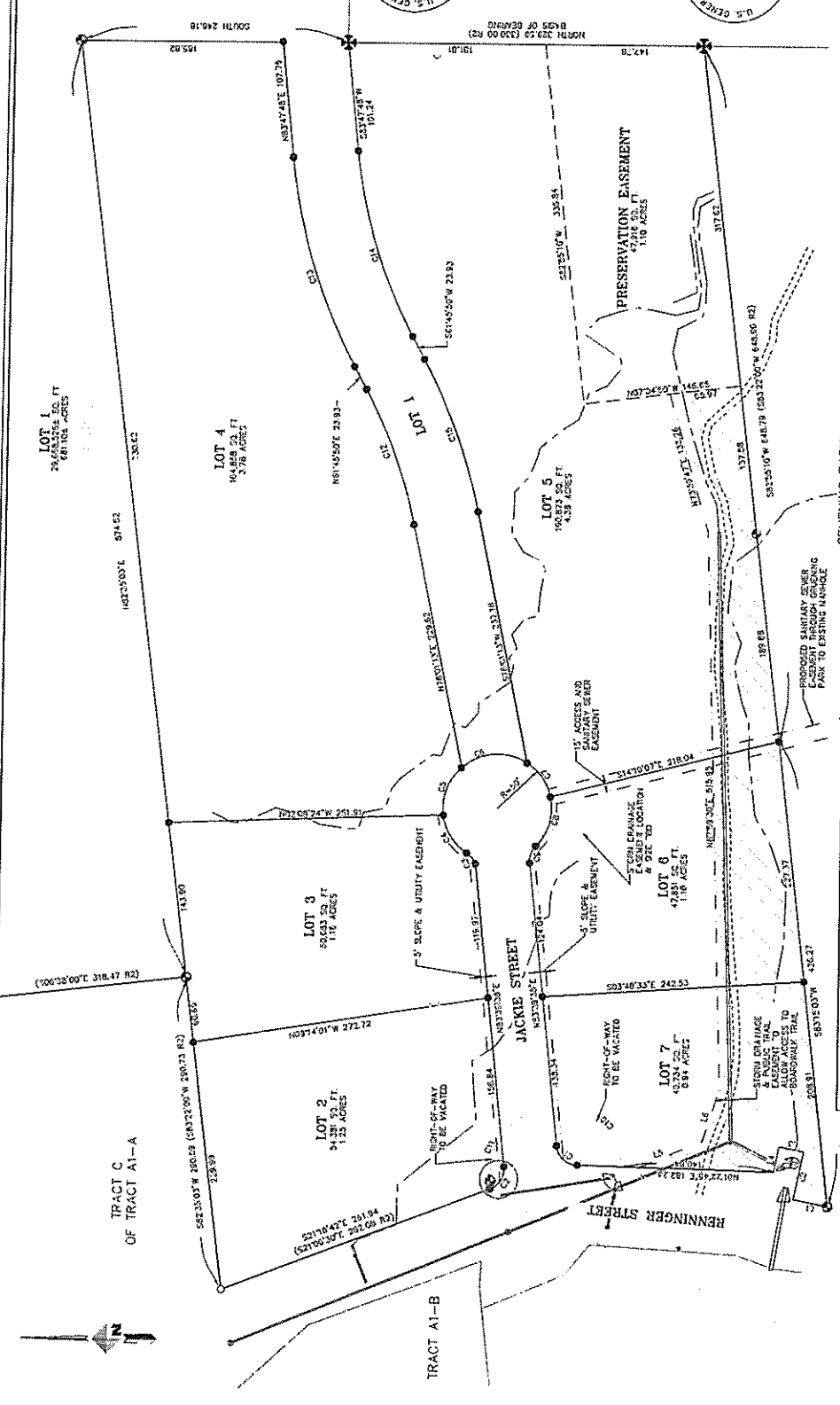
Access

Renninger Street is a paved, two way neighborhood street that intersects with the Glacier Highway about 700 feet south of the subject, and dead-ends approximately 300 feet to the north of the subject. The 62 foot wide right of way is publicly owned and maintained.

The proposed Jackie Street will intersect with Renninger Street and will be a 50 foot wide paved street ending in a cul de sac. Lot 1 provides for the future extension of Jackie Street, needed because of the potentially large size of this subdivision (maximum density would allow for 189 dwelling units). The dedicated area is 60 feet wide and approximately 700 feet long.

There are sections of Renninger Street that do not have sidewalks. Should the development of this subdivision, CBJ officials have stated that sidewalks will be

- LEGEND**
- CLIP-BLIP MARKING FOUND THIS SURVEY.
 - 5/8" BEAR WITH YELLOW PLASTIC SURVEYCAP (77125) SET THIS SURVEY.
 - 5/8" BEAR WITH YELLOW PLASTIC SURVEYCAP (14109) FOUND THIS SURVEY.
 - PRIMARY MONUMENT FOUND THIS SURVEY.
 - SECONDARY MONUMENT FOUND THIS SURVEY.
 - NE/LAND BOUNDARY
 - EASEMENT BOUNDARY
 - PRESERVATION EASEMENT AREA
 - STORM DRAINAGE AND TRAIL EASEMENT



PRELIMINARY PLAN
RENNINGER SUBDIVISION
 A SUBDIVISION WITHIN LOT 1-2, BEING A RESUBDIVISION OF TRACT A1-A, U.S.S. 5504 AND TRACT B, GOLDEN HEIGHTS SUBDIVISION CITY AND BOROUGH OF JUNEAU, ALASKA, JUNEAU RECORDING DISTRICT

DOWL
 CIVIL ENGINEERING-LAND SURVEYING-CONSTRUCTION MANAGEMENT
 JUNEAU ALASKA 99801 907-730-3833

OWNER
 CITY AND BOROUGH OF JUNEAU
 184 SOUTH STATE STREET
 JUNEAU, ALASKA 99801

SCALE: 1" = 50'
 DATE: JUNE 2015
 PROJECT NO: 18733
 SHEET NO: 2 OF 2



SURVEYOR'S CERTIFICATE
 I HEREBY CERTIFY THAT I AM A PROFESSIONAL LAND SURVEYOR LICENSED IN THE STATE OF ALASKA AND THAT THIS PLAN REPRESENTS MY BEST KNOWLEDGE AND BELIEF OF THE FACTS AND CONDITIONS THAT THE ACCURACY OF THE SURVEY IS WITHIN THE LIMITS OF THE USUAL PRACTICE OF THE PROFESSION AND THAT ALL BOUNDARIES AND RELATIVE BEARINGS ARE CORRECT AND AS PRESENTED ARE SET IN PLACE AND NOTED UPON THIS PLAN AS PRESENTED.

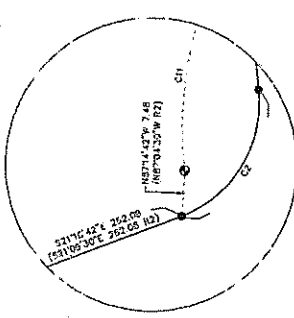
DATED: APRIL 2015

LINE TABLE

LINE No.	BEARING & DISTANCE
L1	N173°30'E 31.00
L2	S73°30'E 45.00
L3	N173°30'E 31.00
L4	S73°30'E 45.00
L5	S73°30'E 45.00
L6	S73°30'E 45.00

CURVE TABLE

CURVE	LENGTH	AREA	PERIMETER	CIRCUMFERENCE
C1	28.72	276.53	20.00	547.917174 20.32
C2	17.43	438.40	20.00	550.482274 24.37
C3	42.33	458.81	40.00	553.947716 16.83
C4	48.74	553.18	40.00	557.352746 41.03
C5	64.84	742.33	50.00	560.752746 46.84
C6	79.33	852.38	50.00	564.148746 60.41
C7	92.33	952.38	50.00	567.538746 73.74
C8	104.83	1042.38	50.00	570.928746 86.84
C9	116.83	1122.38	50.00	574.318746 99.74
C10	128.33	1192.38	50.00	577.708746 112.44
C11	139.33	1252.38	50.00	581.098746 124.94
C12	149.83	1302.38	50.00	584.488746 137.24
C13	159.83	1342.38	50.00	587.878746 149.34
C14	169.33	1372.38	50.00	591.268746 161.24
C15	178.33	1402.38	50.00	594.658746 172.94



filled in where there are gaps, as the street is heavily used for students going to the Dzantik'i Heeni Middle School located across the street from the subject property.

Soils and Vegetation

The natural vegetation in this area mature forest bisected by creeks and forming wetland and drainage areas in some areas. The portion of the property lying above Jackie Street does not have any drainage easements or preservation easements. The lower part of the tract is bisected by a public trail that leads from Renninger Street to the Switzer Creek Natural Park Area. Sections of the trail were well drained at the inspection, boardwalks over swampy areas increased traveling to the east.

The 2013 FEMA Flood Overlay is included in this section and the Zone A wetland area abutting Switzer Creek is shown; this area predominantly lies east and south of the subject tract and does impact the southeast corner of it.

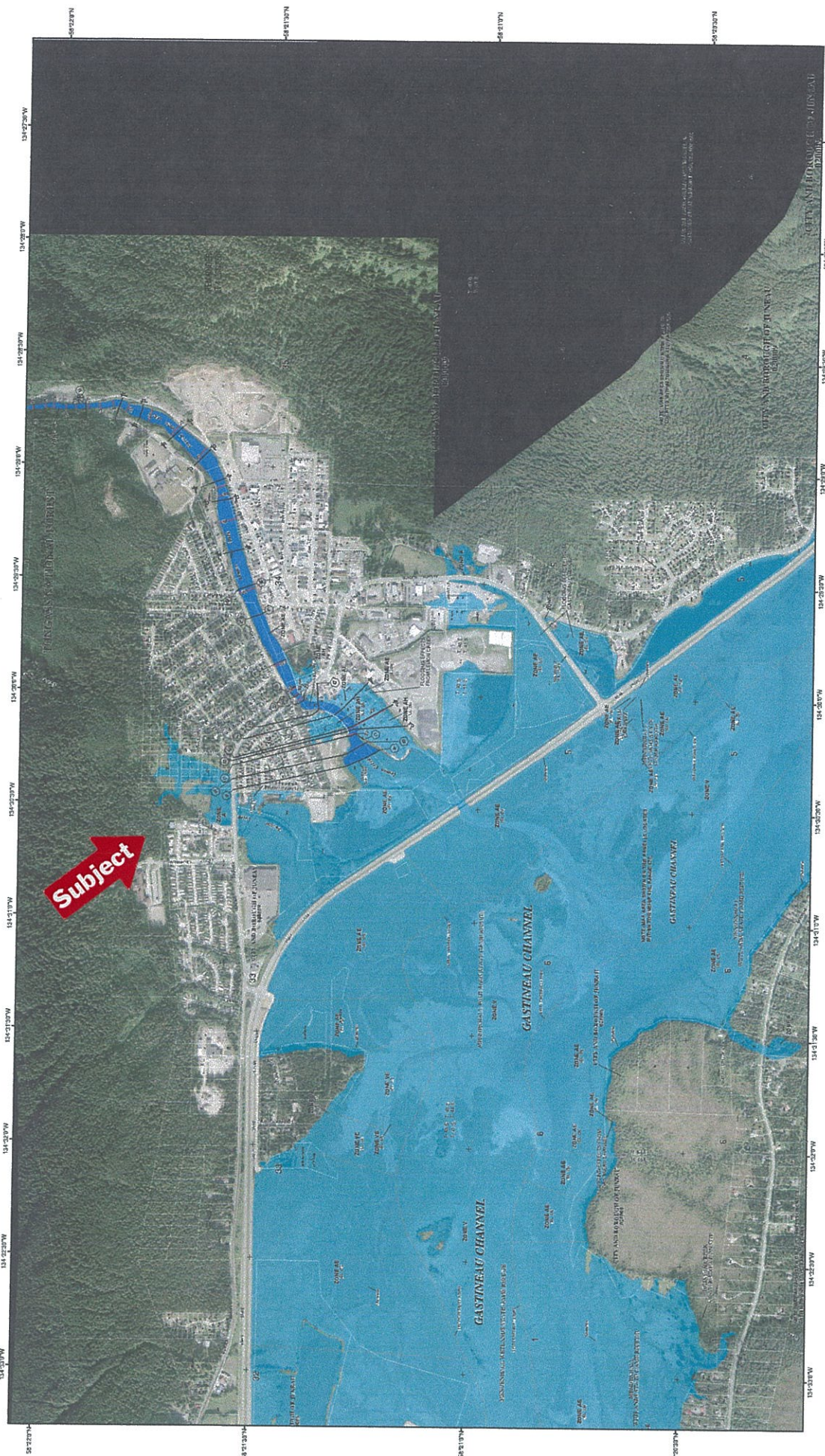
In June the U.S. Army Corps of Engineers issued the wetland permit for the Renninger Subdivision located in the vicinity of Switzer Creek. The wetland fill permit was issued without requirements for further mitigation. The Corps determined that sufficient allowances were made to avoid and minimize wetland fill so that no further migration is required. As a result, the "Preservation Easement" shown on the Plat allows the owner of the lot to utilize the density (number of dwelling units) allowed under zoning in the environmentally sensitive portion of the property, to be built in another location on the lot. As a result, the theoretical maximum density for this subdivision will be 189 dwelling units.

As shown on the Plat, the lower portion of the platted lots 5-7 show the easement for storm drainage and the public trail, which impact the areas on these lots where buildings can be situated. The allowed density for each of these lots, however, will not be negatively impacted.

As a general rule, this appraisal assumes that the lots will require an above average to well above average amount of soils related work (excavation and fill) in order to support new construction of buildings on them.

Zoning

The subject property is zoned D-15. This is a medium density residential zoning that allows 15 units per acre. Various CBJ correspondence regarding the subject property has stated that a density of 189 dwelling units will be allowed in the subdivision, as platted.



Subject

2013 FEMA Flood Overlay Map

Disclaimer: This is not an official adopted FEMA flood insurance rate map (FIRM).
 This map was prepared using a 2008 aerial photograph.
 C&I assumes no responsibility for errors or omissions that exist on this map.
 Aerial Photo taken June 2006



Map 05, Alaska State Phase 1

Utilities

All utilities and services available in the Juneau area will be extended to serve this subdivision. This includes underground water and sewer, underground power and phone lines and storm drainage.

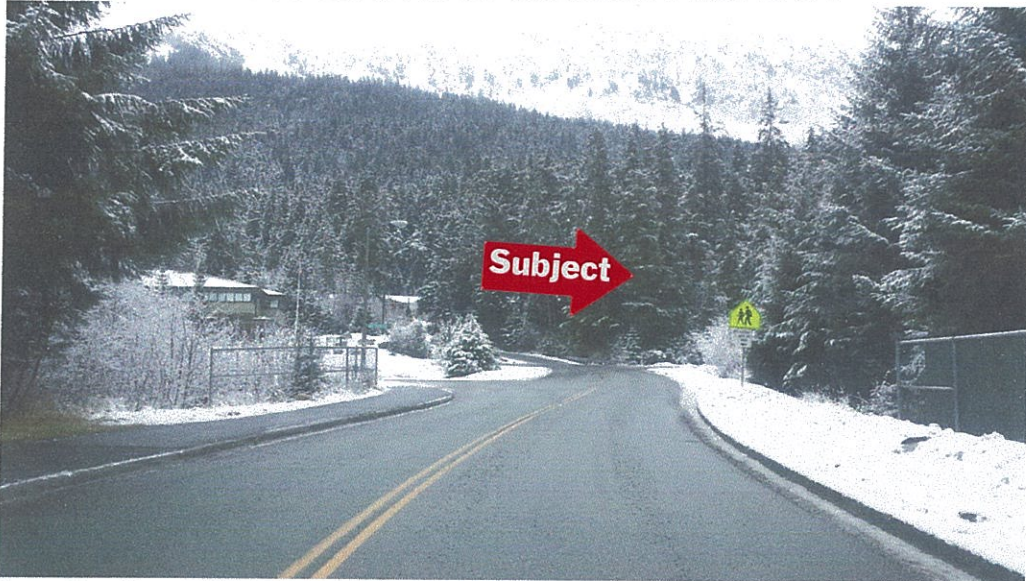
Easements

The easements impacting this subdivision were discussed above and are shown on the plat map. The easements are for the areas where storm drainage and the public trail are positioned. There is a Preservation Easement on Lot 5 that requires that the area within it remain in its current state.

Hazardous Waste Issues

None noted and none assumed.

PHOTOGRAPHS OF SUBJECT PROPERTY



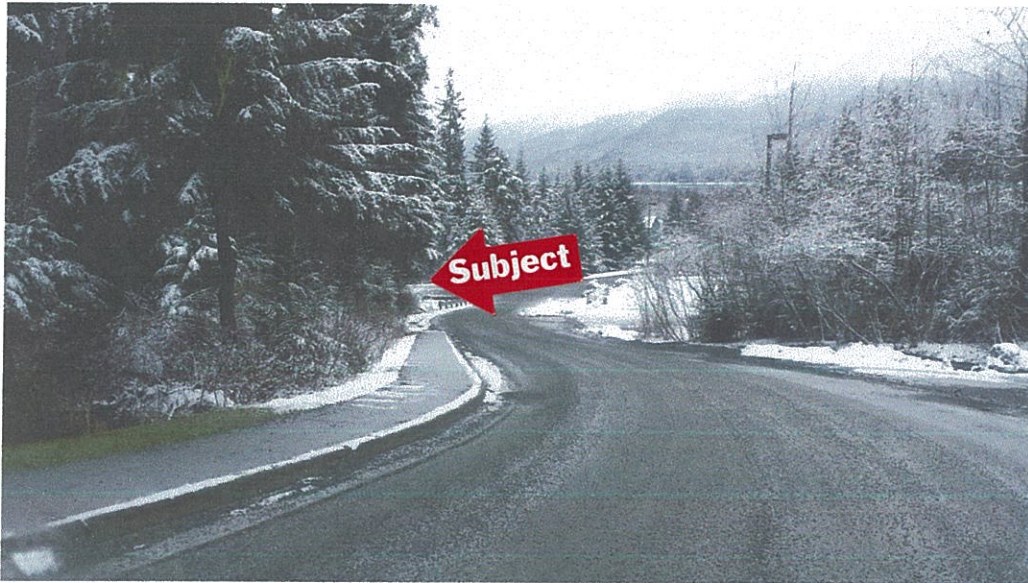
View North on Renninger Street, Dzantik'i Heeni ("DZ") Middle School is at left.



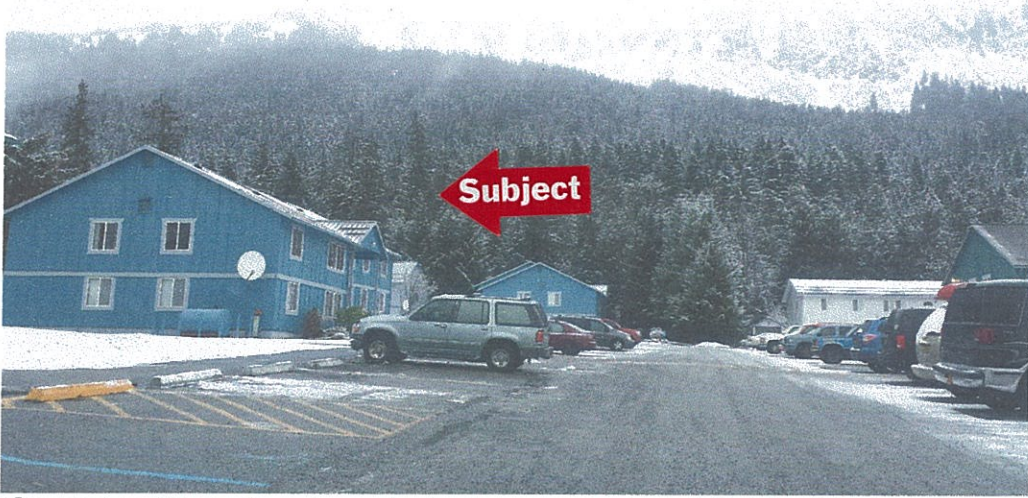
"DZ" Middle School is directly west of subject property



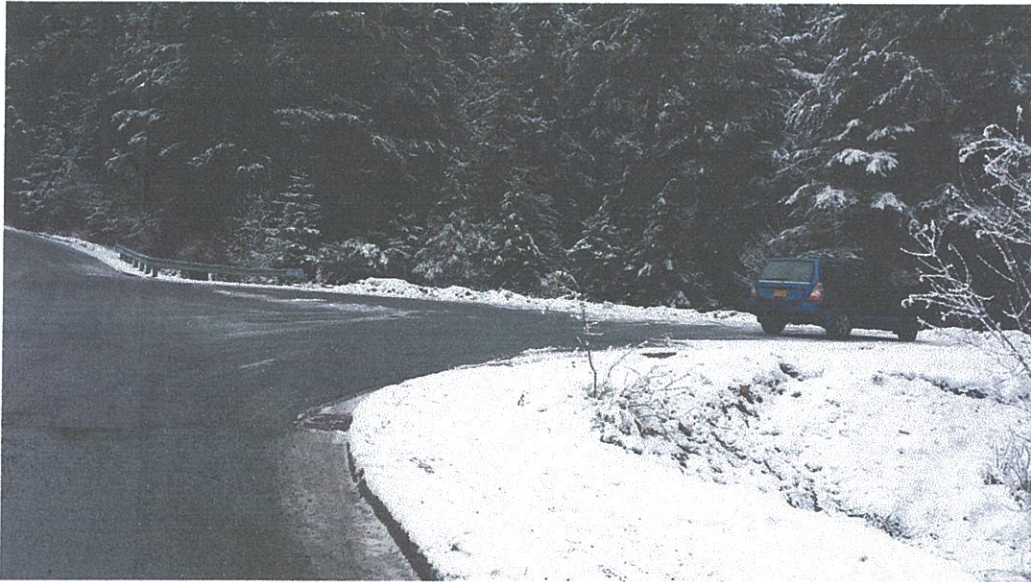
Edgewood Apartments are located above subject property's northwest corner



Looking downhill or south along Renninger Street – Subject at left



Gruening Park Apartments in foreground and Subject behind them



Vehicle is where Jackie Street will be extended to serve Subdivision



Public Trail Easement along south border of subject





Trail at left, small creek at center, looking west across Subject



Interior Views of Subject Tract Looking North from Public Trail Easement



Interior Views of Subject Tract Looking North from Public Trail Easement



View toward Subject looking west from Switzer Creek Natural Park Area

HIGHEST AND BEST USE

The definition of highest and best use is as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

The subject neighborhood includes low to moderately priced housing found in mobile home parks and multi-family buildings. This is the predominant use in the neighborhood. Proximate to the subject site is the "DZ" middle school. The neighborhood enjoys good bus service and is close to schools, shopping, employment centers, the airport and arterials.

The subject is a vacant tract of forested hillside land in this neighborhood. The proposed subdivision would create six lots each allowing for a density of 15 dwelling units per acre. Considering the well-known need for affordable housing options in Juneau, the subject lots would provide an opportunity to alleviate this shortage.

The proposed subdivision does reflect a highest and best use of this vacant tract of land. If the lots are marketed at a price wherein a reasonable developer incentive can be achieved, given current construction costs and achievable sale prices for a finished product (apartment or condominium), then demand for them should be good given the need for more housing units in Juneau.

COST ANALYSIS OF PROPOSED SUBDIVISION

This analysis will be used to estimate the value of the proposed subdivision as completed. A developer acquires a tract of land and then completes the permitting and platting process. The roads and utilities are extended along proposed Jackie Street.

I have completed a cost approach which considers the cost of constructing Jackie Street, and indirect costs such as platting, permitting, financing and contingencies. Raw land sales of tracts generally similar to the size of the subject are included in this analysis.

Direct Costs

The marketplace supports a cost for street construction, which includes paved streets with lights, sidewalks, underground utilities and storm drains, of \$1,200 to \$2,000 per lineal foot. CBJ Engineers have estimated costs for a proposed 760 foot access street from Glacier Highway to a tract of land on Pederson Hill that will cost \$1,218 per lineal foot. Richard Harris of RH Development has indicated that costs building in Juneau are as high as they have ever been and his range for subdivision road construction is \$1,600 to as high as \$2,000 per lineal foot.

For the purpose of this analysis, I have projected that Jackie Street, which ends in a cul de sac, can be constructed for \$1,400 per lineal foot.

Indirect Costs

I have reviewed file data in order to project indirect costs for this small subdivision. A range of 7.4% to 19.9% results with an average of 12.56% before any financing or contingency costs. As shown, the projection for the subject is 15% of direct costs.

Market Value of Raw Land

The raw land is 615,380 SF and is zoned for a density of D-15 or 15 dwelling units per acre. There are three comparisons that aid in valuing the raw land for the purpose of this analysis.

Land Sale No. 1 took place in July of 2013 and is a 10.39 acre parcel located on the hillside above the Crow Hill Condominiums. Lawson Creek Road terminates at this tract of land. It was listed for \$300,000 and then dropped in price to \$239,000 or **\$.57 SF** before selling. This is forested hillside land in West Juneau that sold to a local developer. The tract offers city channel and mountain views and the availability of utilities to the border. Lawson Creek is located along the northwestern border of this tract. This parcel is moderate and undulating in topography.

(WD 2013-005081, 7/22/2013, JLC Properties Inc. to Roscoe G. Bicknell IV; Lot 2 of Plat 2006-77, JRD. Cash sale confirmed by seller Dave Hanna)

Land Sale No. 2 is under contract and the purchase price at this writing is confidential. The 19 acre parcel is located next to Vista del Sol at Mile 8 of the Glacier Highway. This hillside tract is forested and is on a fairly moderate bench of land. The neighboring Vista del Sol subdivision had some issues with wet areas at the bottom and from a stream at the upper east corner; accordingly, the same issues may be present on this site as development commences.

The property was listed for \$912,000 or **\$1.10 SF**; the contract price is less than the asking price but not significantly. The contract was based on the contingency that the parcel could be rezoned to D-18 and that a permit for development could be obtained.

(Under contract November 2015, Tract B1 USS 1568, seller Honsinger & Smith, buyer Richard Harris, listing price \$912,000, contract price confidential; Confirmed by John Williams JRE and Rich Harris buyer)

Land Sale No. 3 is located in the 7100 block of the Glacier Highway in the subject's broad neighborhood. This D-18 zoned tract of land has 145 feet of frontage on Glacier Highway and the bulk of the land area is situated higher on the hillside, affording good views of the water and mountains. Abutting this property is the newer CBJ Public Works Department facility. The tract was bank owned and was well marketed before selling.

The 4.03 acre (175,620 S) tract sold to a local developer for \$295,000 or **\$1.68 SF**. The broker involved with the sale, Chuck Ramage with ReMax, stated that the tract has a fairly deep amount of overburden.

(WD 2013-002822, 4/16/2013, True North Federal Credit Union to Duran Construction Company LLC, Lot 4 Plat 2006-62; Confirmation Chuck Ramage of ReMax and Brenda Heimbuch of TNFCU)

Conclusion of Site Value for Subject

The raw land value of the subject property should fall within the \$.57 SF and \$1.68 SF range indicated by the three sales. The \$1.68 SF indicator has relatively poor sales and is much smaller in size, at 4.03 acres. It has frontage on Glacier Highway and is the broad neighborhood of the subject. The 19 acre parcel that is under contract indicates a price moderately less than the asking price of \$1.10 SF. Finally, a 10.39 acre parcel at the end of Lawson Creek Road, on the hillside above the Crow Hill condominiums, sold for \$.57 SF.

The high and low indicators are not given the most weight; one is much smaller and the other is at a much higher elevation that may be more expensive to develop. Placing most weight on the 19 acre comparison, site value is estimated at \$1.00 SF.

Developer's Profit

A developer's profit is what provides the impetus for new development. Absent an expectation of a profit margin to reward the developer for his/her time and capital investment in a subdivision such as this, new development would not take place. Given prevailing economic indicators, it is reasonable to assume that a developer would anticipate earning no less than 8-10% on their investment in the land and subdivision improvements. A 10% developer's incentive (profit) is applied in this analysis and equates to 10% of the money invested in acquiring the land, platting the subdivision and constructing the streets/utility lines.

Conclusion

As shown on the following exhibit, from a cost standpoint, the subdivision could be completed for \$1,390,000. Dividing this number by the area within the six lots, or 544,380 SF, indicates an average per square foot value for each lot of \$2.51 SF.

SUMMARY OF COST APPROACH			
DIRECT COSTS			
Construct Jackie Street	405 LF	\$ 1,400 LF =	\$ 567,000
Total Direct Costs			\$ 567,000
INDIRECT COSTS			
Surveying, Engineer, Permitting		8% of direct costs	\$ 45,360
Construction Financing		5% of direct costs	\$ 28,350
Contingencies		2% of direct costs	\$ 11,340
Total Indirect Costs		15%	\$ 85,050
Completed Subdivision			\$ 652,050
Acquisition of Tract	615,380 SF @	\$ 1.00 SF	\$ 615,380
Total Cost Outlay to Developer			\$ 1,267,430
Developer Incentive		10%	\$ 126,743
Indicated Value of Completed Subdivision			\$ 1,394,173
Rounded			\$ 1,390,000

HYPOTHETICAL DEVELOPMENT ANALYSIS TO BACK INTO LOT VALUE

I have interviewed several developers and the consensus is that new construction of a project similar to the North Star Condominiums on Bresee Street would cost no less than \$150 SF (direct costs) to build new today. This project included three story buildings each with six units of 1,000 SF each. Each unit is a 2b2b flat. The units have been selling for \$199,900 or \$200 SF.

I have prepared a simplified analysis which hypothetically assumes development of a subject lot at maximum density of 15 units per acre. For example, Lot 5 with 4.38 acres could be developed with 66 units. I have prepared two exhibits, one using Direct Costs of \$145 SF and the other using \$150 SF for Direct Costs. Indirect costs are estimated at 12%.

A developer's profit incentive of 10% applied to replacement cost new. This incentive is viewed as the lowest a developer would accept given the risk associated with development and the current economic climate.

This analysis then assumes that the units could be sold at \$200 SF. Gross revenues from sales are \$200 SF and a deduction of 5% for sales and administrative cost is made to arrive at an approximation of the net amount the developer will receive for his efforts.

The difference between the Cost Indicator and the Adjusted Gross Revenues is the amount of money that can be allocated to the acquisition of the site. As shown on the following page, if direct costs are \$145 SF, \$3.93 SF could be paid to acquire the site. If direct costs are \$150 SF, \$1.80 SF could be paid to acquire the site. This same exercise applied to all 6 of the subject lots leads to the same result.

SUMMARY OF COST APPROACH			
DIRECT COSTS			
66 unit development	66,000 sf @	\$ 145 sf =	\$ 9,570,000
Total Direct Costs			\$ 9,570,000
INDIRECT COSTS			
Architect, Engineer & Prof.Fees		5% of direct costs	\$ 478,500
Construction Financing		5% of direct costs	\$ 478,500
Contingencies		2% of direct costs	\$ 191,400
Total Indirect Costs			\$ 1,148,400
REPLACEMENT COST NEW			\$ 10,718,400
Developer Profit Incentive	10%		\$ 1,071,840
TOTAL COST INDICATOR			\$ 11,790,240
REVENUES FROM SALES OF CONDOS PRICED AT \$200 SF			\$ 13,200,000
5% DEDUCTION FOR SALES RELATED COSTS			\$ 12,540,000
DIFFERENCE BETWEEN COST AND ADJUSTED REVENUES			\$ 749,760
DIFFERENCE = SITE VALUE	190,793 SF		\$ 3.93

SUMMARY OF COST APPROACH			
DIRECT COSTS			
66 unit development	66,000 sf @	\$ 150 sf =	\$ 9,900,000
Total Direct Costs			\$ 9,900,000
INDIRECT COSTS			
Architect, Engineer & Prof.Fees		5% of direct costs	\$ 495,000
Construction Financing		5% of direct costs	\$ 495,000
Contingencies		2% of direct costs	\$ 198,000
Total Indirect Costs			\$ 1,188,000
REPLACEMENT COST NEW			\$ 11,088,000
Developer Profit Incentive	10%		\$ 1,108,800
TOTAL COST INDICATOR			\$ 12,196,800
REVENUES FROM SALES OF CONDOS PRICED AT \$200 SF			\$ 13,200,000
5% DEDUCTION FOR SALES RELATED COSTS			\$ 12,540,000
DIFFERENCE BETWEEN COST AND ADJUSTED REVENUES			\$ 343,200
DIFFERENCE = SITE VALUE	190,793 SF		\$ 1.80

COMPARISONS USED TO INDICATE INDIVIDUAL LOT VALUES

The subject lots will be 1 to 4 acres in size .94 to 4.38 acres in size. There are no subdivisions with D-15 or D-18 zoned lots of this size that have offered lots for sale at any time in recent years. The following sales are useful in showing prices paid for lots that were zoned multifamily and that were acquired with the intention of developing multifamily units on them.

Comparison No. 1 is in an area of Douglas Island that has received zoning upgrades in the recent past due to the extension of water and sewer utilities north of the bridge. As a result, several land sales have occurred for developable parcels of land that are now zoned D-18.

This small tract of land is located above the highway on hillside that has a bench of land. The buyer owned the adjacent house and proposed to extend their driveway into this tract of land and develop lots for six dwelling units on a bench of land with views. The 32,801 SF parcel sold in March of 2013 for **\$2.71 SF**. Six dwelling units were proposed by the buyer. The parcel was 205 feet away from the end of an existing driveway and needed utility extensions to the tract. The street and utility services available to this site are inferior; however, the location, privacy and views at this parcel are superior.

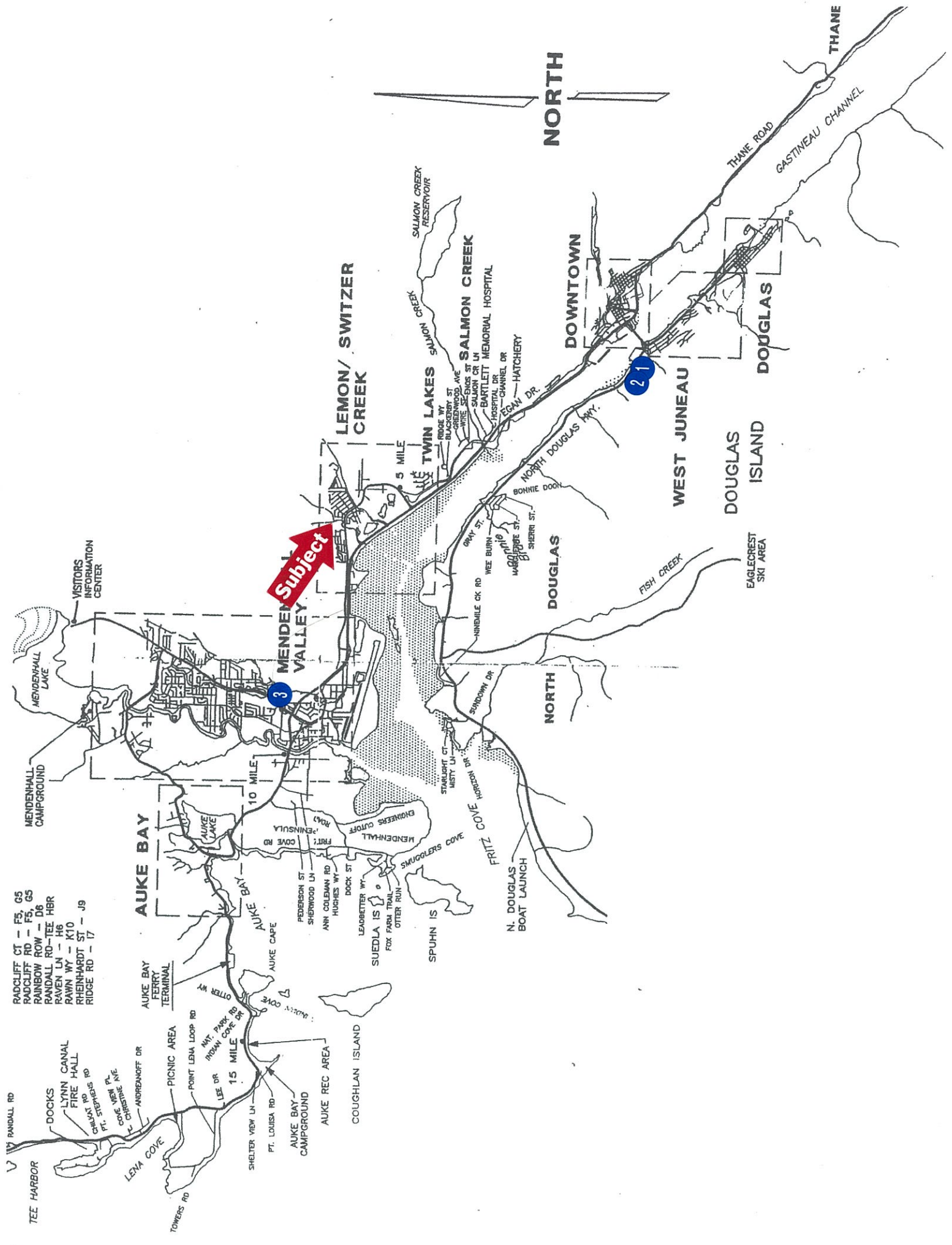
(SWD 2013-00662, 3/1/2013, Dianne L. Rocereto, Personal Representative of the Estate of Betty Lou Nordling, to Haifa F. Sadighi, MB USMS 569; confirmation Haifa Sadighi)

Comparison No. 2 is located in the immediate neighborhood of Sales No. 1 and No. 2 and is 43,560 SF. It was listed at \$85,000 and sold at full price in less than two months. The slope is fairly gentle and does not have improved access from North Douglas Highway. Per the seller, it will require 130-140 feet of driveway to access the site, creating a panhandle. This tract of D-18 zoned land sold for **\$1.95 SF**. As noted, the street and utility services are inferior to the proposed subject lots. However, the location and view amenities and privacy of this site are superior.

(SWD 2013-003484, 5/14/2013, Robert J. Young and Orinda Kittredge and Duane L. and Lorelei Bonk to Bradley and Winnie Parker Living Trust, MB USMS 569; confirmation Robert Young)

Comparison No. 3 is located at the corner of Atlin Drive and Mendenhall Loop Road and is a D-10 zoned parcel. It is forested and gentle in topography. The buyer bought the site at an auction and speculated that he could develop multi-family or perhaps get the zoning changed to Light Commercial.

The price paid for this 116,741 SF (2.68 acre) parcel was **\$3.21 SF** in December of 2010. The parcel lies next to a small lake off of Duck Creek and the buyer recognized that there could be some wetland issues. The zoning at this site at the sale date, of D-10, is an inferior zoning compared to the subject's D-15.



- RADCLIFF CT - F5, G5
- RADCLIFF RD - F5, G5
- RAINBOW ROW - D6
- RANDALL RD-TEE HBR
- RAVEN LN - H6
- RAVIN WY - K10
- RHEINHARDT ST - J9
- RIDGE RD - I7

Subject

21

3

NORTH

NORTH

LEMON/ SWITZER
CREEK

TWIN LAKES
SALMON CREEK

SALMON CREEK
RESERVOIR

DOWNTOWN

WEST JUNEAU

DOUGLAS
ISLAND

EAGLECREST
SKI AREA

AUKE BAY

AUKE BAY
FERRY
TERMINAL

PICNIC AREA

POINT LENA LOOP RD

LEE DR

SHelter VIEW LN

PT. LOUISA RD

AUKE BAY
CAMPGROUND

AUKE REC AREA

COUGHLAN ISLAND

15 MILE

10 MILE

5 MILE

MENDENHALL VALLEY

5 MILE

STARLIGHT CT

MUSTY LN

SHADOWY DR

SPUHN IS

SMUGGLER DR

FRITZ COVE

LEADBETTER WY

SUEDLA IS

FOX FARM TRAIL

LEADBETTER WY

DOCK ST

MENDENHALL

ENGINEERS CUTOFF

FRITZ COVE

10 MILE

ANN COLEMAN RD

HUGHES WY

DOCK ST

SHERWOOD LN

PEDERSON ST

10 MILE

WEE BURN

WABOYNE ST

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Conclusion

The three comparisons indicate a range paid for land purchased for multifamily developments of \$1.95 to \$3.21 SF. The low indicators needed roads and utilities extended, but offer better views and more secluded settings. All of these factors will be taken into consideration when projecting individual lot values for the subject.

RECONCILIATION AND FINAL VALUE ESTIMATES

Ideally, the Juneau marketplace would provide a wealth of lot sales of D-15 or D-18 zoned properties that could be used in this appraisal. Unfortunately, such market data does not exist at present, especially for lots in the size range that the subject will offer.

Three analyses have been used to solve this appraisal problem. A cost analysis for the proposed subdivision supports an average lot value of \$2.51 SF.

A development approach that considers construction costs for a hypothetical multifamily development on any one of the subject lots has been utilized to "back" in to lot value, given known construction costs and condominium sale prices. This analysis indicates that a developer/buyer of a subject lot would pay \$1.80 to \$3.93 SF.

Finally, small parcels of multifamily land that has sold in the recent past in Juneau were considered. While these are not subdivision lots, they are generally similar in size to the proposed subject lots and indicate a range of value of \$1.95 SF to \$3.21 SF.

Based upon the foregoing and taking into account the size and soil characteristics, easements for each subject lot, and interviews with active participants in the market, the lot value projections are as follows:

Lot	Size	Price/SF	Total Value Rounded
Lot 2	54,381 SF	\$3.75	\$204,000
Lot 3	50,683 SF	\$3.75	\$190,000
Lot 4	164,858 SF	\$2.50	\$412,000
Lot 5	190,873 SF	\$2.00	\$382,000
Lot 6	47,851 SF	\$3.00	\$144,000
Lot 7	40,734 SF	\$3.00	\$122,000
Total		\$2.65 avg.	\$1,454,000