

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING AGENDA
For Tuesday, January 24th, 2012

- I. Call to Order** (5:00 p.m. to 7:00 p.m.) in the **Room 224, City Hall.**
- II. Roll Call** (John Bush, Tom Donek, Kevin Jardell, Michael Williams, Wayne Wilson, and Eric Kueffner).
- III. Approval of Agenda.**

MOTION: TO APPROVE THE AGENDA AS PRESENTED OR AMENDED.

- IV. Public Participation on Non-Agenda Items** (not to exceed five minutes per person, or twenty minutes total).
- V. Approval of December 13, 2011 Finance Committee Meeting Minutes.**
- VI. Items for Action.**

- 1. Juneau Alaska Communications Lease Rent
Presentation by the Port Director

Committee Questions

Public Comment

Committee Discussion/Action

MOTION: TO BE DEVELOPED AT THE MEETING

- 2. Doug Trucano/Nowell Ave. ATS 123 Lot 2 Lease Rent
Presentation by the Port Director

Committee Questions

Public Comment

Committee Discussion/Action

MOTION: TO BE DEVELOPED AT MEETING

- 3. Fee Special – Seattle Boat Show.
Presentation by the Port Director

Committee Questions

Public Comment

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING AGENDA
For Tuesday, January 24th, 2012

VII. Items for Action(continued)

Committee Discussion/Action

MOTION: TO BE DEVELOPED AT THE MEETING

VII. Items for Information/Discussion.

VIII. Staff & Member Reports.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting February 21st, 2012

X. Adjournment.

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES

For Tuesday, December 13, 2011

I. Call to Order.

Eric Kueffner called the Finance Committee Meeting to order at 5:00 p.m. at the Port/Customs conference room.

II. Roll Call.

The following members were present: Tom Donek, Kevin Jardell, Michael Williams and Eric Kueffner.

The following members were absent: John Bush and Wayne Wilson.

Also in attendance was the following: Carl Uchytel-Port Director, Johanna Young-Auke Bay office.

III. Approval of Agenda.

MOTION by Mr. Williams: TO APPROVE THE AGENDA AS PRESENTED.

The motion passed without objection.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Approval of previous meeting minutes.

Hearing no objection, the minutes of the November 29, 2011 Finance Committee Meeting was approved.

VI. Items for Action.

1. Tim Smith et al Lease Rent Adjustment
Presentation by the Port Director

Mr. Uchytel – The reason I put this down as an action item is to give Mr. Smith the opportunity to object to the back rent adjustment. Mr. Smith was reached today and said he was fine with the letter. Mr. Uchytel wanted to give the leasee the options if there were any issues.

VII. Items for information/Discussion.

1. Juneau Convention & Visitor's Bureau Overview.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 2

Presentation by Ms. Lorene Palmer – CEO/President JCVB (Juneau Convention & Visitors Bureau)

Ms. Palmer – Mr. Uchytel asked me here to explain what JCVB is and how it relates to the new visitor center. In February our board had a retreat to look at the financial sustainability over the long term. Our business model is based on hotel/bed & breakfast bed taxes at seven percent and five percent sales tax on every room. JVCB gets four percent of the seven percent for tourist promotions. Juneau has a finite source of revenue because of a finite number of hotel rooms. After looking over the revenue starting back in 2006, JCVB is averaging about \$589,000.00 just over the last few years. This is the revenue available to the JCVB. As you know the cost of doing business is growing but the range of revenue is finite. This led to a very heart felt discussion about the bureau long range. That led JCVB to make some pretty significant decisions. One of those decisions was to close the Centennial Hall Visitor Centers and move the administration office out of the Sealaska building because there was a cheaper rate elsewhere. JCVB inherited the Visitor Information Services. The Chamber originally had it and it migrated over to the JCVB. It was operated for years out of the Davis Log Cabin. The CBJ paid for the Bureau to operate the Davis Log Cabin on behalf of the CBJ to provide visitor services. Ten years ago the Davis Log Cabin was torn down, at that time the board and CEO decided to enter into a lease agreement with the CBJ to move to Centennial Hall. That lease was \$50,000.00 a year to provide visitors with a service. JVCB needed to figure out what the core services were. The mission is to be out in the market place promoting Juneau as a visitor destination to influence people to come here and to seek out conventions and meeting business. Those are the main two goals of the JVCB. The JVCB will be operating in the newly renovated airport, non manned ferry terminal, the kiosks at Marine Park and the new Cruise Ship Terminal. After visiting with Gary Gillette he provided me with what he thought would be the operating expense for the new Visitors Center both on a seasonal and year round base. I took that to the JVCB board and at that point the board determined that it made sense to seek that money from the passenger fee to pay the operating expenses if in fact that Bureau was going to be responsible for covering the cost of operating it. Considering that the Visitor Center was built with passenger money JVCB felt that it was a justifiable request. The question is whether or not that would be something that JVCB would roll into our existing request from the CBJ or if in fact Docks & Harbors (DH) would take it on under your own facility requirements?

Committee Questions

Mr. Kueffner – What is JCVB, are you a separate entity from the City? Does the City appoint people to JCVB board? How many members are there?

Ms. Palmer – Yes JCVB is separate and was established as a private non-profit organization. It is a membership organization, in order for people to take part in JCVB programs to promote their business. The board of directors is voted on by the members,

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 3

the CBJ appoints a liaison and there is a seat for the CBJ. There are a total of 270 members.

Mr. Kueffner – DH is planning on doing just what you just said, request passenger proceeds to try and cover the operating cost because they are there. It also makes sense that it comes from JCVB because they are the one using the facilities.

Ms. Palmer – That seems to be the crux of the situation, to determine who should be asking and relatively soon because the request needs to be into the CBJ Manager before the end of the year. The way I left it with Mr. Uchytel is, I was waiting the committee's decision on who would be doing the requesting under what situation and the amount to request.

Mr. Uchytel – DH needs to figure out how the enterprise wants to move forward with charging the lease rent. There is an ordinance "Minima Acceptable Lease Rent". It goes into having an appraised value and an assessed value of the property. That should set the minimum lease rent. There is a caveat in the ordinance that says the Assembly can basically set a rate that they see fair and reasonable. The question from a business point is how does DH move forward? Who is paying what? What services are going to be rendered? The board needs to decide how DH is going to proceed, what DH is going to ask the Bureau to ask for, with regards to passengers' fee funds. Is it going to be just for the utilities, fare market value and allow the assembly to say adjust that. Those are the things that need to be considered.

Mr. Williams – What was your lease rate at Centennial Hall? DH needs to start from somewhere, maybe get an appraisal. With that said, DH needs something to come back to the assembly with. Could the assembly pay for a little of this or agree to this?

Ms. Palmer – Roughly \$50,000.00 a year.

Mr. Donek – What is the base line?

Ms. Palmer – \$8,000.00 or \$9,000.00 for a season.

Mr. Uchytel – Fair market rent, what is that? What Mr. Gillett put together is just a rate for assumed utilities, snow removal those types of numbers.

Mr. Kueffner – That is operation cost.

Mr. Uchytel – I can say what DH pays for the Seadrome building, Ms. Palmer knows what JCVB paid at Sealaska building.

Ms. Palmer – JCVB pays two eighty five a square foot at Sealaska.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 4

Mr. Kueffner – It strikes me the first step would be to have a formal request from JCVB stating that they are interested in renting the space and paying the operating cost. That would give DH something to take to the assembly and say look this is the offer made.

Mr. Jardell – Mr. Uchytel and I have talked about this and he can explain what I thought DH should do.

Mr. Uchytel – What I have put on the table is for the board to move forward with a formal lease agreement. Go through the process outlined in ordinance and allow the JCVB to move forward with a request for passenger fees money to recoup their cost.

Mr. Donek – If DH doesn't rent it to JCVB what will DH do with it? If an appraisal is done it is going to compare it to space that anyone can rent and DH doesn't have that type of space to rent. The building is built for a visitor center. Going through the expense of an appraisal is that going to do any good? If Ms. Palmer could give DH a letter saying JCVB likes the building and this is what JCVB can afford to pay and start there.

Ms. Palmer – The JCVB isn't doing visitors services to profit themselves. JCVB does it to help Juneau, and it is a service on behalf of the community. JCVB is ready and willing to provide this service in a facility that was built dedicated to being a visitor center on the water front in one of the largest ports in Alaska, which makes sense to me. What I would like from DH is the number to request if in fact DH wants the JCVB to request the passenger fee money to cover the cost that are reasonable to make that facility not a burden on DH. If DH wants to make it into a revenue generating retail space that is an entirely different conversation to have with someone else. JCVB will not be interested in doing that.

Mr. Kueffner – I am ready to suggest that JCVB ask for the operating expenses and keep the revenue neutral for DH so it doesn't cost DH money. As long as there is a handle on the cost that is what should be used.

Mr. Jardell – That area is going to serve a lot of cruise passengers getting passenger cruise taxes to pay for it is fair. If DH figures out the square foot rate that the City is paying JCVB in Centennial Hall and applied that to this place on the same square footage that would cover the cost and give some maintenance money for up keep. DH could go to the City manager saying DH supports JCVB getting these funds to cover this rate; the same as what the City has been charging them. DH can use that as it's bases and if the assessor ever assesses the building DH can deal with that then. However DH thinks this is a fair rate and DH thinks it should be paid for by the passenger fee tax.

Mr. Kueffner – DH doesn't want to get stuck with a rate that is less then the operating costs. Does DH have a handle on what the rate is going to be? There in \$9,000.00 for a season, \$21,000.00 for the year and \$50,000.00 for Centennial Hall.

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 5

Mr. Jardell – What if it doesn't cover all of the costs?

Mr. Uchytel – When managing a building one should ask for two and half percent return to maintain the building for future upkeep.

Mr. Kueffner – There is no disagreement that there should be a request to get passenger fee funding for this expense. The question is how much? DH would like JCVB to do the asking. What is the amount?

Mr. Jardell – Isn't the building half the square footage as Centennial Hall?

Ms. Palmer – Yes at least half.

Mr. Kueffner – So rent should be between \$21,000.00 and \$25,000.00.

Mr. Uchytel – JCVB hasn't decided if they are going to be there fulltime or seasonal. Does that play into the rental rate?

Mr. Donek – There is nothing DH can do with this building during the off season. This rent needs to cover year round.

Ms. Palmer – JCVB is here completely prepared to go forward and ask for the funds. The fact that the building was built with passenger fees, lays the ground work for justifying the request for the money to operate it. JCVB is ready to make that request providing that there is full support. And to make sure the operating costs are covered. There are mixed feelings on whether to make it year round or seasonal because of the ability to staff it year round. I like the idea of having lights on in a building on South Franklin Street. To make it feel more alive. There are some merits for keeping it open year round, but the costs go down if the doors are closed in October and re-open in April. I just need a number to put into the letter before the end of the year.

Mr. Uchytel – If I had to pick a number I would look at what is being paid at the Seadrome building, DH pays two dollars and fifty cents per square foot. If JCVB could go forward with \$30,000.00 for a number, if that would be acceptable to the City Manager.

Mr. Williams – There needs to be something to back up the request with where the amount came from and the operating cost along with future maintenance.

Ms. Palmer – A Visitor Center is an anomaly. It will pay a different rate then the retail stores across the street.

Mr. Donek – It would be good to have the number for a full year. Also include winter checks and things like that. What it cost DH to have it there, which is the absolute base

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 6

line, and then compare it to \$2.50 a foot or something. That would be the upper limit. Then look at a number in between those.

Mr. Kueffner – I feel that information is right here in front of the committee.

Mr. Uchtyl – Time is of the essence if DH wants to compete for the money by the end of December.

Mr. Kueffner – At \$2.50 a square foot I come up with \$28,500.

Mr. Palmer – After a year there will be a better understanding of the cost. JCVB is the only customer for this place so why not keep it at a one year lease. JCVB is not going anywhere and then it can be revisited. I will just wait for Mr. Uchtyl to give me a number to put into the letter.

2. Coast Guard Liberty Letter
Presentation by the Port Direction

Mr. Uchtyl – I said I would memorialize my concept of approaching the Liberty with a new lease agreement and I got direction from this committee to set the moorage rate at the existing rate of six sixty a foot. The proposal is that they would have to pay for both sides of the pier which is 254 feet long. I was just reporting back as to what I have done and there is a copy of the letter I sent.

3. Harbor User Comments

Mr. Kueffner – There are two comments that came in about fees. This is not an action item but just general discussion on how DH charges what they charge. Let's take one at a time. First one is fees at Statter for transients and for patrons that have slips downtown but want to use Statter. I put this in the category of people say things were better let's go back to it. Because this is not based on DH economics; it is based on what some user thinks would be more advantageous to them and cheaper for users. I am not quite sure what the economic justification for this would be. Right now it is set up if a patron has a slip downtown and wants to use a slip else where, they pay for both of them. I am not sure if DH can generate more or fairer revenue by doing something different.

Mr. Williams – If DH allowed this everyone would be out at Auke Bay. Maybe if the dock system was bigger and it could accommodate them better, maybe in the future there could be a rate discount. Auke Bay, "Statter Harbor" is fully used; it is a highly desired spot because it is that, nicer place = higher rate. I feel for them and understand.

Mr. Kueffner – If a downtown slip holder is at Statter Harbor is their stall available for hot berthing?

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 7

Mr. Uchytel – Yes.

Mr. Donek – They say this was like this in the past. When was that?

Dennis Watson – No, pay in both places. There is a program for commercial fisherman.

Mr. Kueffner – That program is still in place for the commercial fisherman.

Ms. Young – Yes there is a program like that. As long as Patrons accounts are in good standing, each stall holder gets 20 days per year at Statter. They need to bring in a fish ticket for every month and when they use all 20 then they start to pay.

Mr. Kueffner – DH did that to try and demonstrate the loyalty to the fisherman.

Mr. Donek – My take on it is, if DH did something like this and everyone decided to go to Auke Bay from Downtown it would be chaos. Because Auke Bay has enough boats in it right now. DH doesn't need to encourage people to go out there.

Mr. Kueffner – There is not a long enough history with this matter. DH needs to look at the long view and see whether the rates are discouraging people.

Mr. Donek – I think people trailer their boats because of crowding at Statter Harbor.

4. Commercial Launch Ramp Question

Mr. Kueffner – The other comment was about the launch ramp. It struck me as more of an operations then a finance comment. This is about some questions about the commercial launch ramp. What the patron described is correct. You do need a commercial launch ramp permit in order to use any of the ramps in Juneau for commercial purposes and if you use the ABLF you need to pay 1.50 a minute.

Ms. Young – These rules are on line; the first 30 minutes you pay \$30.00 dollars, each additional minute after that you pay \$1.50 per minute. All of the commercial drivers that I have talked to, Willies are aware of these fees and plan on using it in the summer. They do understand the fees involved. This gentleman was under the impression that commercial fisherman were able to use the dock why not the launch ramp.

Mr. Kueffner – He has some legitimate questions. Why should I pay extra fee associated with the new facility to avoid getting stuck behind Willies at Statter Harbor? The answer is that is what the extra fees are for. If you want to have a place dedicated to doing this, then yes use the other place. It sounds like Willies is doing the same thing. So there is a premium to using the ABLF (Auke Bay Loading Facility). Just so I am clear the commercial loader can use Statter Harbor, but when they do they have to get in line with everyone else.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 8

5. FY13 Passenger Fee Proceeds

Presentation by the Port Director

Mr. Uchytel – DH was notified that the City Manager was looking for Passenger Fee Request for fiscal year 2013. This is a list of projects that have been compiled that need to be focused on. By the end of tonight it would be nice to have some direction from the Finance Committee on which ones have priority. The first project is 16-B project. I found a memo from Mr. Craig Duncan to Mr. Rod Swope dated April 20, 2011. In the memo the funding option for the 16-B project that Mr. Duncan has suggested the way forward to avoid using local passenger fees to fund the project. In spite of what they discussed, I think this option is still on the table for DH to request.

Mr. Kueffner – Looking at this memo, it looks as if this is something DH can do, it is possible to do without funding from Passenger Fees, here is how it can be done. This to me is not a statement that this is the only way DH should do this. It looks to me as a way to accomplish it.

Mr. Uchytel – On the second page there is a borrowing consideration second bullet: “We would like to avoid using the marine passenger fee revenue as a future funding source.” I read that to suggest that they are not in favor of marine passenger fees, the local ones, for the 16-B project in the future.

Mr. Kueffner – I look at that, as these are the assumptions. I am not taking this as a directive. I think DH should assert their independence and say this is appropriate and make the request. All they can do is say no.

Mr. Uchytel – I didn’t put a dollar amount to request. I think there is about five million dollars available in the Passenger Fee. I don’t know what is reasonable.

Mr. Kueffner – I think that each one of these made sense and even the order.

Mr. Uchytel – Area wide port operations the last three are \$154,100.00. The question is should DH increase that.

Mr. Kueffner – That number is already obtained.

Mr. Uchytel – In fiscal year 2009 DH received about 40,000. In the last three years (2010, 2011, 2012) DH has gotten 154,000. So DH needs to request this, but it is based on the percentage of the dock operating cost. I could make the argument that DH has the custom building and over head that should be rolled into. I am hesitant to make that request for DH because DH should try and push that to DHS (Department of Homeland Security) to support the over head of the building.

FINANCE COMMITTEE MEETING MINUTES

December 13, 2011

Page 9

Mr. Kueffner – As I recall this nine percent being the result of a lot of gyrations by the port director in trying to find ways that he could come up with an appropriate measure of the percent that was attributable to area wide services. Given the short time line and the

difficulty of coming up with it last time I don't see any reason to try and come up with something else. If it has been working for three fiscal years lets try it again.

Mr. Uchytel – This was not put together as a priority list.

VIII. Staff and Member Reports.

Mr. Uchytel – I will be going to the boat show in Seattle and in the past there have been some incentives for people to come to Juneau the summer. I will be bringing this up at a board meeting and then back to the finance as an action item.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting – January 24, 2012 at 5:00 pm in the Port/Customs Conference Room.

X. Adjournment.

MOTION by Mr. Williams: TO ADJOURN THE FINANCE COMMITTEE MEETING AND ASK UNANIMOUS CONSENT.

The meeting adjourned at 6:17p.m.

Port of Juneau

To: Docks and Harbors Finance Committee
CC:
From: Carl Uchytel, Port Director
Date: January 19, 2012
Re: Juneau Alaska Communications

This application has been approved by the Operations Committee, and forwarded to the Finance Committee to establish a lease rent. This is an active lease at this time, but it expired in February of 2011. This lease was transferred from the State to the City, so a new lease with the City will need to be written. An appraisal has been received from Horan and Company LLC.

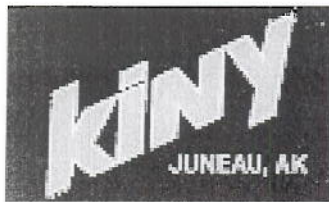
The cost for the new appraisal completed by Horan and Company LLC was \$2,433.33 , and this cost would be at the expense of the applicant.

The original and current lease rent is \$1,250.00 established in 1986. The lease rent recommended by Horan and Company is \$2,170.95.

I recommend the Committee use Horan and Company LLC lease rent recommendation.

Please call me at 586-0294 if you have questions.

Attachments



Juneau Alaska Communications LLC
3161 Channel Drive, Suite 2, Juneau Alaska 99801
Phone 907 586 3630 Fax 907 463 3685

December 14, 2011

City and Borough of Juneau Property
Docks and Harbors
155 South Seward Str.
Juneau, AK 99801

RECEIVED
DEC 14 2011
BY: _____

Mr. Carl Uchytel, P.E. Port Director

We would like to re-lease the Tidelands No. ADL 103832 pursuant to the preference privilege to re-lease the lands previously leased by us from the State of Alaska, that then was transferred to the City and Borough of Juneau. That under the preference privilege we would like to re-lease the property for the same period of time that the prior lease was or to the maximum amount allowed by the new constraints of the city.

The property will be used for the same purpose it was used under the preceding lease. (Radio Tower).

This letter and application that is attached along with the 10.00 filing fee is notice we have complied with the City and Borough of Juneau 30 day window for preference privilege.

If you have any question or need more information than what is contained in the letter or on the application please contact us at the numbers above or by email to mike@abcstations.com.

Sincerely

Richard Burns
CEO

Receipt of Letter:

CBJ

**City and Borough of Juneau Property
Docks and Harbors
Application for Lease**

Application processing - The Port Director will review each application for completeness within 30 days of receipt unless the Director notifies the applicant that more time is required to complete the review. If the port director determines that the application is not complete, the Director will provide the applicant with a general description of the information needed to make the application complete. Once the application is complete, the Port Director will estimate the cost for the docks and harbors department to process the application and will notify the applicant in writing of the estimated cost. The applicant is required to pay all costs associated with processing of the application, including any costs to survey and appraise the area proposed to be leased. The applicant must agree in writing to pay the processing costs prior to the Docks and Harbors Board taking action on the application. Failure of the applicant to agree to pay, or pay, any processing cost will result in the application being denied. The applicant may assist the Port Director by arranging for specified components of the work, such as survey and appraisal, provided any such work to be performed by applicant is approved in writing in advance by the Port Director.

Date 12/12/2011

ADL# 103832

Applicant's Name: _____

Group, Association, or Corporation Name Juneau Alaska Communications, LLC

Mailing Address: 3161 Channel Drive #2

City/State/Zip Juneau, AK 99801

Message Phone 907-586-3630 Work Phone 5AM

Is applicant authorized to conduct business under the laws of the State of Alaska?

Yes

Is applicant 19 years or older?

NA

What type of lease are you applying for?

Tide Land Lease
(uplands lease, tidelands lease, easement)

Legal Description:

Lot(s) _____ Block/Tract# _____ Survey/Subdivision _____

Other: ATS 893, Plat 83-222

Acres 14,461.92 SF

What is the proposed use and activity on the leased land?

Radio Tower

Proposed term of lease 10 ?

Are you planning to Sublease this land? Yes ☒ No

Are there any improvements or construction planned?

NO

If yes, submit a development plan that includes.

- a. The nature and purpose of the proposed lease.
- b. A site plan
- c. The use, value, and nature of improvements to be constructed.
- d. The dates construction is estimated to commence and be completed.
- e. A detailed description of the proposed operation.
- f. Whether the intended use complies with the CBJ Land Use Code, CBJ Title 49, and the comprehensive plan of the City and Borough of Juneau.
- g. Additional information that would assist the Port Director, the Docks and Harbors Board, and the Assembly in acting on the application.

CBJ zoning title and plans are available from the Community Development Department.

The Board recommends that applicants carefully review current site conditions before making an application.

The Board intends to award leases to the development that provides the most marine-related benefit to the community of Juneau and the development that provides the most economic benefit to the City and Borough of Juneau in general and the Docks and Harbors Department in particular.

The lease must meet all applicable requirements listed in CBJ ordinance 53.20.



Signature

12/13/11

Date

If applying on behalf of an agency, municipality, or organization, state which one.

Title

Please do not write below. Docks and Harbor use only.

Application Received DEC 14 2011 \$10.00 Filing Fee Received DEC 14 2011

BY: _____

BY: _____

Date approved by Operations Committee 1/17/12

Date approved by Finance Committee _____

Approved by Regular Board _____

Law Department Ordinance _____

Assembly Action _____

Lands _____

Public Notice _____

Ad Option _____

Final Lease Signed Date _____

**RETROSPECTIVE ANNUAL MARKET RENT APPRAISAL
OF ATS 893, JUNEAU ALASKA COMMUNICATIONS, LLC
3890 NORTH DOUGLAS HIGHWAY,
JUNEAU, ALASKA; ADL 103832**



062311_1806

PREPARED FOR: Phil Benner, Interim Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801

PREPARED BY: Timothy W. Riley
HORAN & COMPANY, LLC
403 Lincoln Street, Suite 210
Sitka, Alaska 99835

EFFECTIVE DATE: February 27, 2011

REPORT DATE: August 26, 2011

OUR FILE NO.: 11-077

HORAN & COMPANY

403 LINCOLN STREET, SUITE 210 SITKA, ALASKA 99835

TELEPHONE (907) 747-6666 FAX (907) 747-7417 EMAIL commercial@horanappraisals.com

CHARLES E. HORAN, MAI / WILLIAM G. FERGUSON, TIMOTHY W. RILEY, JOSHUA C. HORAN,
JAMES A. CORAK AND JACQUE WALTON

| |
|--------------------------------------|
| REAL ESTATE APPRAISERS / CONSULTANTS |
|--------------------------------------|

August 26, 2011

Phil Benner, Interim Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801

VIA Email: Phil_Benner@ci.juneau.ak.us

Re: Retrospective Annual Market Rent Appraisal of ATS 893, Juneau Alaska Communications, LLC, 3890 North Douglas Highway, Juneau, Alaska; ADL 103832, Our File No. 11-077

Dear Mr. Benner,

This appraisal retrospectively estimates the annual market rent value for ADL 103832. I have analyzed the applicable real estate market for sales information as well as any applicable tidelands and waterfront leases. Based on this analysis, the estimated annual market rent value, as of the valuation date of February 27, 2011, is as follows:

\$2,170.95/year

Your attention is invited to the remainder of this report which sets forth the Assumptions and Limiting Conditions, Certification of Appraisal, and the most pertinent data considered in estimating the market value of the subject property. This summary appraisal report is intended to comply with the rules and regulations as set forth by the Uniform Standards of Professional Appraisal Practice (USPAP), the City and Borough of Juneau's Appraisal instructions and the Standards and Bylaws of the Appraisal Institute.

If you have any questions or comments, please feel free to contact me at your convenience.

Sincerely,

HORAN & COMPANY, LLC



Timothy W. Riley
AA685

TABLE OF CONTENTS

CERTIFICATION OF APPRAISAL

iii

| | | |
|-----|---|----|
| 1 | SCOPE OF APPRAISAL | 1 |
| 1.1 | PROPERTY IDENTIFICATION | 1 |
| 1.2 | PURPOSE OF APPRAISAL, INTENDED USERS AND INTENDED USE | 1 |
| 1.3 | PROPERTY RIGHTS APPRAISED | 2 |
| 1.4 | TERMINOLOGY | 2 |
| 1.5 | PARTIES TO THE TRANSACTION | 3 |
| 1.6 | INSPECTION AND EFFECTIVE DATE | 3 |
| 1.7 | PROPERTY HISTORY | 3 |
| 1.8 | ASSUMPTIONS AND LIMITING CONDITIONS | 3 |
| 2 | AREA ANALYSIS | 6 |
| 2.1 | JUNEAU AREA DYNAMICS | 6 |
| 2.2 | RESIDENTIAL MARKET | 6 |
| 2.3 | NORTH DOUGLAS MARKET | 8 |
| 3 | SITE DESCRIPTION | 10 |
| 3.1 | SITE DESCRIPTION | 10 |
| 3.2 | ZONING | 10 |
| 3.3 | ASSESSED VALUATION AND TAXES | 10 |
| 3.4 | EASEMENTS AND OTHER RESTRICTIONS | 11 |
| 3.5 | FUNCTIONAL UTILITY OF SITE | 11 |
| 3.6 | SYNOPSIS OF TYPICAL LEASE | 11 |
| 4 | VALUATION | 14 |
| 4.1 | HIGHEST AND BEST USE | 14 |
| 4.2 | LAND LEASE RATES (LAND CAPITALIZATION RATE) | 14 |
| 4.3 | TIDELANDS TO UPLANDS RATIOS | 15 |
| 4.4 | DIRECT SALES COMPARISON | 16 |

ADDENDA

SUBJECT PHOTOS

ROW PERMIT

QUALIFICATIONS OF TIMOTHY W. RILEY

CERTIFICATION OF APPRAISAL

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- Timothy W. Riley made a personal inspection of the property that is the subject of this report on July 30, 2011.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- Our office previously assisted the client in a review of the subject lease to determine the necessity of an updated appraisal. No other appraisal services were performed on the subject lease in the past three years.

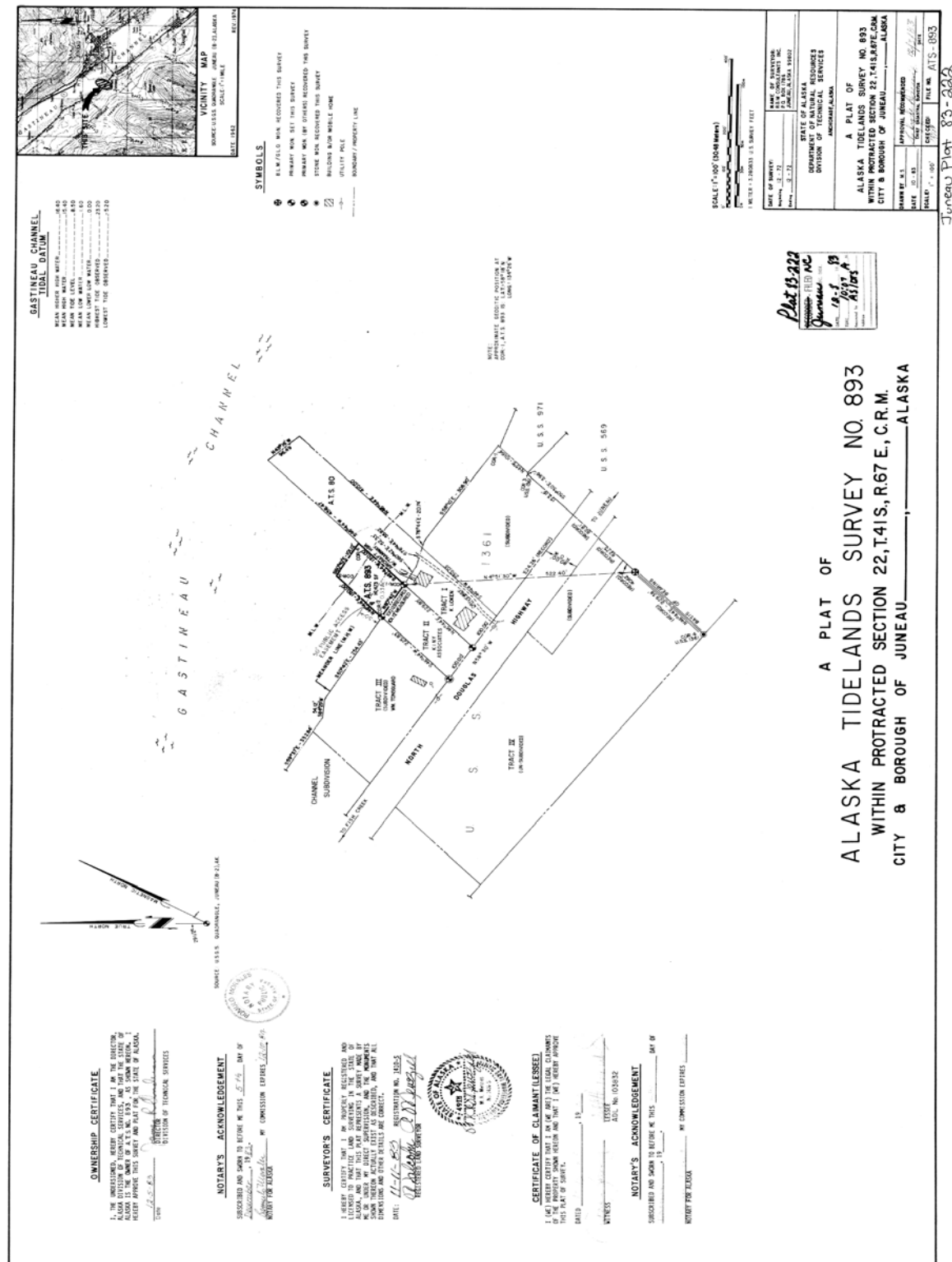


Timothy W. Riley
Real Estate Appraiser, AA 685

February 27, 2011
Effective Date

July 30, 2011
Inspection Date

August 31, 2011
Date of Report



1 SCOPE OF APPRAISAL

This appraisal is intended as an update of the rent for an expired tidelands lease. The subject's lease rate schedule will be amended to a more typical City and Borough of Juneau five year update schedule, and a change made to compensation language in the lease reflecting market value¹, which is intended to maximize income to the city based on the appraised market value rental of their lands.

Appraisal Methodology

The most direct way to estimate market rent is by the Rent Comparison Approach. In this approach, the annual rent of similar properties is considered on a price per square foot basis. We identify comparable information through interviews with knowledgeable participants in the real estate markets such as local appraisers, other lessors and lessees, discussions with municipal property assessment personnel and others who are familiar with the real estate market in Southeast Alaska. A search was performed of similarly used properties in the communities throughout Southeast Alaska. Information was collected from reliable sources as available.

Our office maintains market data information on sales, transfers and on a geographic location basis for those rural properties not connected to a road system. Within each of these areas, the data is further segmented into commercial and residential properties. Within these divisions of separation are divisions for zoning and whether the properties are waterfront or upland parcels. Horan & Company, LLC maintains and continually updates this library of sale transactions throughout the Sitka and Southeast Alaska region and has done so for over 25 years.

1.1 PROPERTY IDENTIFICATION

The property is composed of Alaska Tidelands Survey 893 as shown by Plat 83-222 within the Juneau Recording District, First Judicial District, State of Alaska. It is presently the site of Juneau Alaska Communications LLC transmission tower, also known as the KINY tower. Please see the map of the original survey on the facing page.

The property is located on tidelands two miles south of the Mendenhall Wetlands State Game Refuge (MWSGR) in Gastineau Channel off Douglas Island across from Aurora Basin in Juneau, Alaska.

1.2 PURPOSE OF APPRAISAL, INTENDED USERS AND INTENDED USE

The purpose of this summary appraisal is to determine the annual market rent based on the market rental rate for the land.

Intended use. This valuation is to be used to set market rent for a lease with five year rental adjustments based on a tidelands lease with the City and Borough of Juneau.

Intended users are the City and Borough of Juneau and Juneau Alaska Communications LLC, Lessee.

¹ As noted in CBJ's Chapter 50 Lease Administration; 05CBJAC 50.040

1.3 PROPERTY RIGHTS APPRAISED

The market rent estimate is for the property in fee simple interest less mineral rights². The appraiser has noted a permit associated with the lessee's use which is outside of those rights considered here. Discussions with Phil Benner, Interim Port Director for the Port of Juneau, indicated that the permit issues are separate from the new, revised land lease and will be dealt with separately. The subject to be appraised is ATS 893 for its fee simple value less minerals in its pre-development condition.

1.4 TERMINOLOGY

Market Value

Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows:

A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 122

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 121 & 122

Tidelands

All areas which are at or below mean high tide and coastal wetlands, mudflats, and similar areas that are contiguous or adjacent to coastal waters and are an integral part of the estuarine systems involved. Coastal wetlands include marshes, mudflats, and shallows and means those areas periodically inundated by saline waters...

http://law.sc.edu/pathfinder/coastal_development/reference/definitions.shtml

² Reserved by the state under AS 38.05.125(a)

1.5 PARTIES TO THE TRANSACTION**Client and Ostensible Owner**

City and Borough of Juneau.

Lease Applicant

Juneau Alaska Communications LLC

1.6 INSPECTION AND EFFECTIVE DATE

Timothy Riley made a personal inspection of the property that is the subject of this report on July 30, 2011.

The **effective date** of this retrospective appraisal is the date of the renewal of the lease. This has been confirmed by Phil Benner, Interim Port Director for the Port of Juneau. The effective date is February 27, 2011.

1.7 PROPERTY HISTORY

The subject property was owned by the State of Alaska for many years. A lease was issued February 28, 1986 with an expiry of February 27, 2011, and the administration of the lease was transferred to the city on February 8, 2001, under the condition only to lease and not to sell or transfer this type of property. The land was recorded as patented on July 10, 2002.

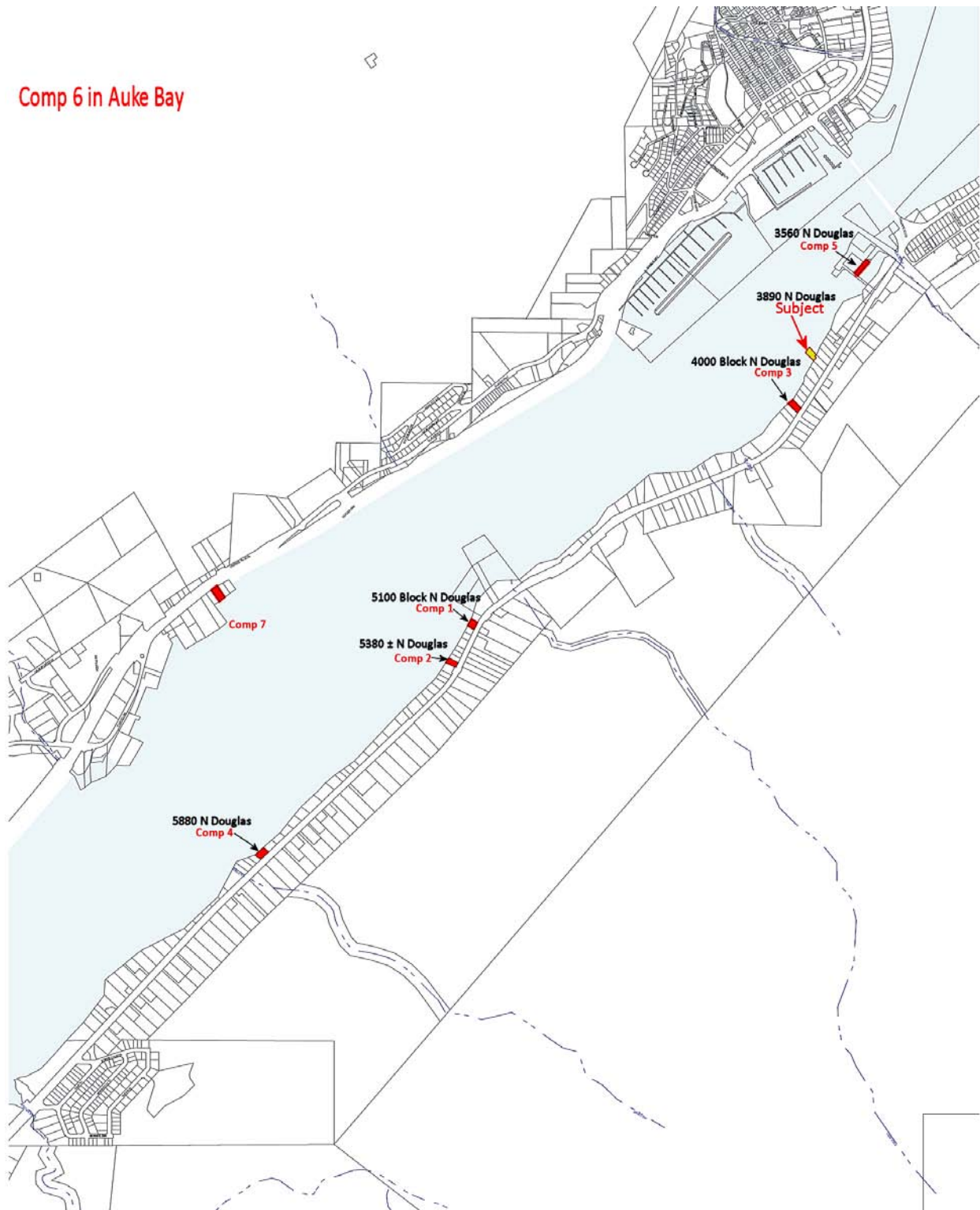
1.8 ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report and valuation contained herein are further expressly subject to the following assumptions and/or conditions:

1. It is assumed that the data, maps and descriptive data furnished by the client or his representative are accurate and correct. Photos, sketches, maps, and drawings in this appraisal report are for visualizing the property only and are not to be relied upon for any other use. They may not be to scale.
2. The valuation is based on information and data from sources believed reliable, correct and accurately reported. No responsibility is assumed for false data provided by others.
3. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.
4. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of the highest and best use.
5. It is assumed that the title to the property is marketable. No investigation to this fact has been made by the appraiser.

6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions exist that are not discoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraiser.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
9. The value estimate is made subject to the purpose, date and definition of value.
10. The appraisal is to be considered in its entirety, the use of only a portion thereof will render the appraisal invalid.
11. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.
12. The market rent is estimated for the tract with no value for improvements to the land or improvements on the land which are owned or leased by the lessee.

Comp 6 in Auke Bay



SUBJECT AND COMPARABLE SALES LOCATION MAP

2 AREA ANALYSIS

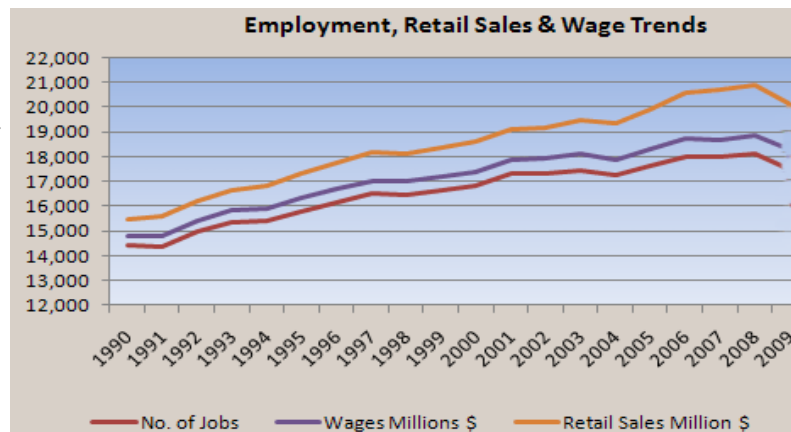
2.1 JUNEAU AREA DYNAMICS

Demand for real estate is generally driven by population, and population is sustained by employment. The Juneau economy is driven by the major basic industry, state government.

There has been a tendency to move state government, or significant portions, closer to Anchorage. This results in downsizing in the Juneau area. The office market has also expanded out of downtown Juneau into the Mendenhall Valley where less expensive space is available.

The tourism sector of the market has begun to stabilize after growth in the 1990-2008 period. Much of this growth was aided by Juneau's intensive capital improvements for dock space downtown. As a regional hub, Juneau takes the lion's share of the tourism market acting as a starting point for Glacier Bay and other nearby scenic wilderness stops. Juneau's downtown waterfront area was developed, taking advantage of the tourists, which discharge into or near the downtown area. Annual visitation for cruise ship passengers was less than 400,000 in 1995 but increased steadily to over a million in 2008. This market has seen some softening due to economic factors, with estimates for the 2011 season of 885,000 passengers or 15% less than the 2008 peak. The softening of the tourism market has led to a consolidation of providers and facilities in the industry as a whole.

There is significant growth occurring in the mining industry with the successful permitting, development and recent opening of the Kensington Mine, north of Juneau, which is supplementing the employment at the existing Greens Creek Mine on Admiralty Island. Both of these mines use Juneau as a base of housing for their remote operations, which are extensive.



Juneau's economy has been growing steadily since a mild downturn in the late 1980s. The housing market appears to be stable. The outlook for future development depends upon the economic sectors that the general real estate developments would serve. The forecast would be for stability overall as shown by the chart here.

2.2 RESIDENTIAL MARKET

The Juneau market has been relatively strong, especially in its residential component, through the earliest part of this decade. Despite the gradual loss of state government jobs to Anchorage, health care, mining and tourism have helped replace the jobs lost to "Capital creep" over the last several years. Recently, it was reported that about 200 state jobs were lost in 2008; however, the Supreme

Court decision on the Kensington Mine's permit added perhaps double those jobs. While the market is relatively strong serving as a regional hub, its economic underpinnings still do rely heavily on state government employment. The housing market, after some softening due to national financial conditions in 2008, appears back on track, at least in the short run. Relative to vacant lot sales of all types, the MLS revealed the following:

| TABLE 1 - LOT SALE TRENDS | | | | |
|----------------------------------|-----------------------|---------------------|--------------------------------------|--|
| YEAR | # OF LOTS SOLD | MEDIAN PRICE | 1ST QUARTER # SOLD | 1ST QUARTER MEDIAN PRICE |
| 2006 | 22 | \$ 97,500 | 4 | \$ 92,250 |
| 2007 | 19 | \$ 94,000 | 1 | \$ 45,000 |
| 2008 | 2 | \$100,000 | 1 | \$110,000 |
| 2009 | 8 | \$111,000 | 0 | NA |
| 2010 | 18 | \$ 90,000 | 5 | \$110,000 |
| 2011 | 16* | \$ 90,500 | 5 | \$ 90,000 |

*year to date as of 8/18/11

As can be seen, the lot sales market in 2009 was less than half what was reported in the MLS for 2006 or 2007. The market coming nearly to a stop in 2008 and early 2009 caused some backlog that has started to pick up. Lot sales for 2011 year-to-date, a good indicator of future activity, are at levels not seen since 2006 and 2007. There were likely other lots that sold outside of the MLS, but this trend confirms the demand for residential housing, and foreshadows new construction. The MLS numbers do not reflect that the City and Borough of Juneau sold 31 lots in the Lena Point area in 2007, which likely under reports the supply and demand for 2007 and 2008. Demand for land in the subject area appears to be back to more typical norms at this time; presumably for undeveloped tracts as well. It is noted that in the MLS, the average marketing time is 469 days for 2011. This figure can be skewed by an abnormal market exposure. A more typical 261 days was noted for all sales in 2010, or approximately eight and one half months for land that is priced reflective of the current market.

In conclusion, the Juneau housing market witnessed a significant decline in the 2008 and into the early 2009 period, similar to national trends. However, the ongoing malaise in some overbuilt markets does not appear to be reflected in the Juneau market. All trends appear to point toward a stabilization after a retrenchment that, while not quite matching the heights of the market in 2007, are near those levels. Later in the report, we will examine an indicator from 2007 as well as 2010 and 2011, and based on the above analysis, will not adjust for market conditions.

2.3 NORTH DOUGLAS MARKET

The subject is located seaward of 3890 North Douglas Highway on Gastineau Channel approximately ½ mile north of the Juneau Douglas Bridge. The waterfront in this area is a relatively well developed area, primarily comprised of SFR development on large lots taking advantage of the view. The city has recently installed sanitary sewer services for the developments here, enhancing the market appeal of this neighborhood. As noted, the subject is a communications antenna, taking advantage of the location covering most if not all of downtown Juneau for its business.

The subject neighborhood is defined as the North Douglas Highway from the bridge to approximately 4.5 Mile N. Douglas Highway. This area of Juneau is characterized by limited, rural, residential development on the uplands coupled with nearly full development of the waterfront, characterized by primarily large lots served by water and electric utilities with on-site septic for the most part. The neighborhood has a large \pm 80 acre upland site intended for high density development with transitional D18 zoning planned, but the lack of sanitary sewer in the past has restricted development. The recent extension of this service in the area will likely encourage development; however, most of the neighborhood is currently characterized by lesser density residential improvements. The neighborhood is also adjacent to a WI (Waterfront Industrial) zone next to the bridge. The subject is a commercial use in a residential neighborhood and is grandfathered into compliance.

Realtors were interviewed about the desirability of this area, demand, and potential vacancies. It is noted this area has good access and location due to its proximity to the bridge connecting Douglas Island to downtown Juneau. Waterfront properties tend to command a significant premium in the market, with development patterns reflecting this appeal. While there are large tracts near the subject on the upland side of the highway that are nearly completely undeveloped, the tendency along the waterfront is for full residential development. The subject, if undeveloped, would likely have good market appeal and sell quickly for utilization in association with residential development.

Development trends in Juneau mimic the general trends for all of Southeast Alaska. There is a high demand for land close to or on the waterfront, with a significant premium paid for this location. Good water views are typically at least double the value of a typical territorial view lot, with all other variables appearing equal. As is noted in the sales analysis, the adjoining property is owned by the lessor. The subject's access, zoning and relatively shallow waterfront limits the applicability of the normal commercial tidelands lease market indications and positions the subject's highest and best use as undeveloped as a residential use. Based on the grandfathered development, however, the appraiser will consider both commercial and residential indicators in the determination of value.

VICINITY MAP



Aerial photo taken June 2006

KINY Tower Vicinity

0 125 250 Feet

- NOT A SURVEY -
lot lines are approximate



3 SITE DESCRIPTION

3.1 SITE DESCRIPTION

The subject is a rectangular parcel that parallels the mean high water line of the adjacent uplands meandering a distance of 101.12' southeast. The site then extends seaward, northeast of the shoreline 150'. The subject's surveyed area is 14,473 SF or 0.3323 AC. A 50' pedestrian access easement is noted along the shoreline.

The appraiser was not provided with an as-built survey of the subject site to help determine the impact of the tower on the subject site, but its footprint is minimal. The site is mostly shallow tidal lands, with the antenna just below the mean high water line, and primarily awash at high tides. Approximately 25% of the site falls below the median low water mark. The inter-tidal lands near the shore support the transmission tower, which is located on concrete pilings. There are significant improvements on the adjacent upland parcel owned by the lessee, with cables connecting the antenna and shed to the upland improvements. The majority of the lease site is undeveloped, save for the aforementioned right-of-way permit for the underground antenna.

Access

The site, as presently developed, has vehicle access by a driveway off site leading down to the subject tidelands from the state highway. As appraised, the subject would be undeveloped with access through the adjacent lot.

Utilities

City water and private utilities including power, trash collection, phone, cable and fuel are available. As noted, city sewer has recently been installed.

3.2 ZONING

The subject lot is currently zoned D-3 (Single-family and duplex - 12,000 SF minimum lot size) by the City and Borough of Juneau. The following narrative is from the CBJ's code:

The D-3, residential district, is intended to accommodate primarily single-family and duplex residential development at a density of three dwelling units per acre. D-3 zoned lands are primarily located outside the urban service boundary where public utilities are not provided. The density reflects the existing pattern of development of properties in the district. There is a limited amount of D-3 zoned lands located within the urban service boundary. These are lands for which a lower density is deemed appropriate or, in the case of transition zones, where the zoning will be changed to a higher density when sewer and water are provided.

3.3 ASSESSED VALUATION AND TAXES

The subject property is assessed by the City and Borough of Juneau. The subject is identified by the

assessor's office as ATS 893. The assessment number is 6D0601060090 and the current assessed value is \$72,300 for the land and \$140,500 for the buildings for a total of \$212,800. The 2011 adjusted value possessory interest for the land is \$6,600. The assessor notes the size of the subject at 14,461.92 SF and values this land at \$5/SF. The typical mil rate in Juneau has been between 10.17 and 12 mils over the past few years and is currently 10.55 mils for fiscal year 2012.

3.4 EASEMENTS AND OTHER RESTRICTIONS

There is a 50' pedestrian easement on the subject lot. As noted, a permit for an antenna right-of-way also exists on the subject property. The appraiser are unaware of any other easements or restrictions.

3.5 FUNCTIONAL UTILITY OF SITE

The tidelands are located in support of the adjacent communication facility function. Their isolated location limits their demand to the specific upland user. The tidelands appear to function well for the intended use of an antenna, but would have good utility for alternate uses, such as a dock or fill for a residential development. These tidelands function well for the intended use, but due to the access limitations, physical location and characteristics of the site, they would have limited utility for any other commercial or residential user.

The subject also exhibits high functional utility to the user due to the existing, developed nature of these tidelands. The development of these tidelands in the present day would be unlikely, or much more costly, due to the residential zoning as well as the oversight of various regulatory agencies and the split ownerships of the affected area, with a private entity, the city and the state all having interests in the site. The site exhibits high utility due to the grandfathered nature of the antenna. Recognition of the difficulty or even likelihood of development of comparable sites must be recognized in the analysis of the available data.

3.6 SYNOPSIS OF TYPICAL LEASE

No lease documents have been finalized. Based on interviews with harbor master personnel, it is expected that the lease would closely follow a typical net lease similar to state and city tidelands leases in the area. These leases are essentially total net leases. The assumed terms are as follows:

| | | |
|---|--|---|
| <i>Legal Description/Leased Premises:</i> | | ATS 893, Plat 83-222, Juneau Recording District, First Judicial District, State of Alaska |
| <i>Lessor:</i> | | Dock and Harbor Board of City and Borough of Juneau as land manager |
| <i>Lessee:</i> | | Juneau Alaska Communications LLC |
| <i>Term of Lease:</i> | | Formerly 25 years; new term unknown |
| <i>Original Lease Date:</i> | | February 28, 1986 (with State of Alaska) |
| <i>Commencement Date:</i> | | February 28, 2011 |
| <i>Rental Adjustment Period:</i> | | Every five years, based on estimated market value |
| <i>Use:</i> | | Communications Tower |
| <i>Property Rights Included:</i> | | Normal rights conveyed by lease |

*Property Rights Excluded:**Easements:*

No mineral or timber rights are conveyed by the lease 50' Pedestrian Easement on meander line. In addition, the subject has a right-of-way permit, ADL 60047, issued by the state in 1974 for an underground antenna. This permit apparently encumbers portions of the subject ATS in addition to state lands and is due to expire 25 years from July 8, 1994. At the request of the client, this permit is not considered as a part of this appraisal.

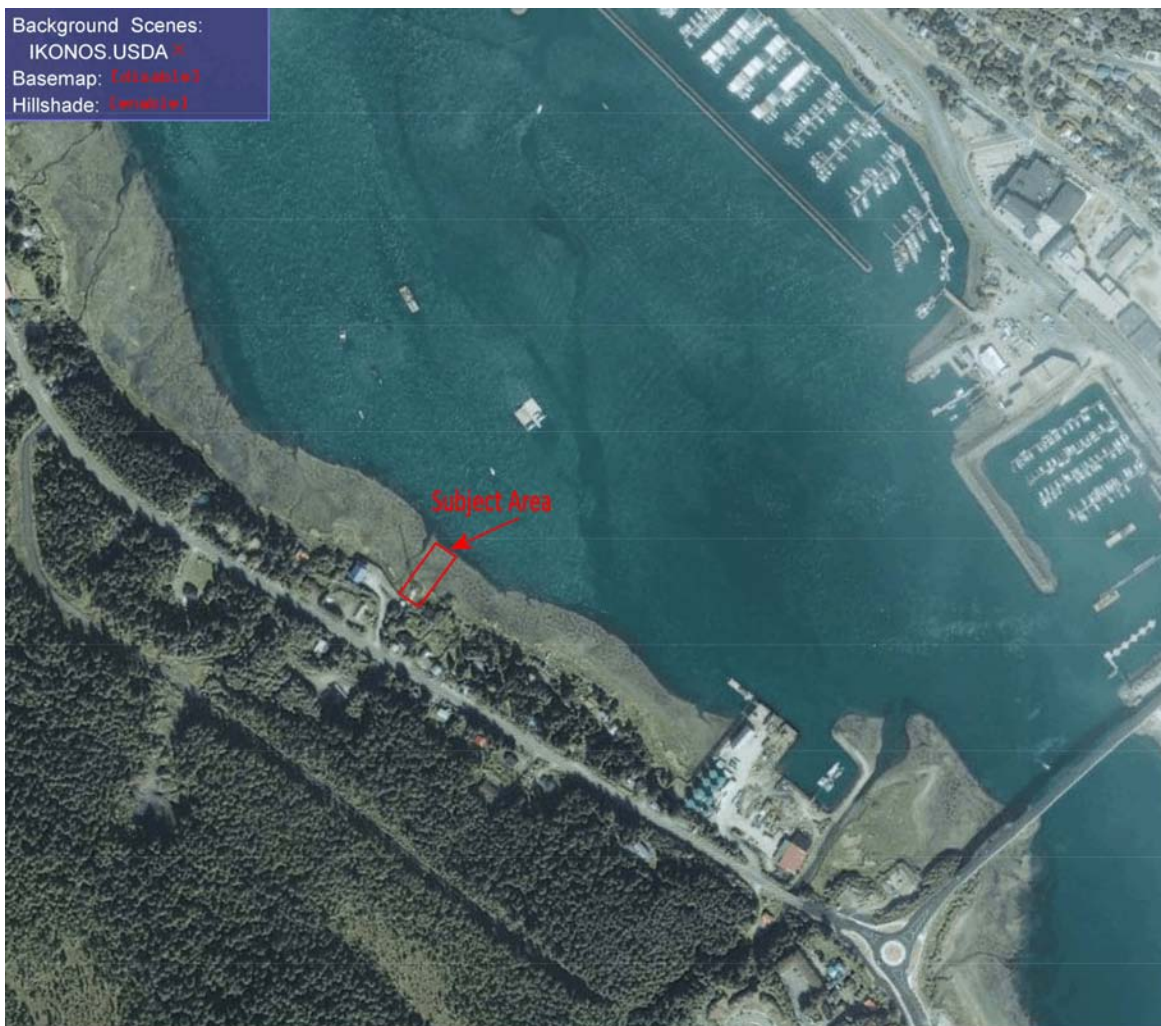
*Other Terms of Lease:**Reversion of Improvements:*

Typical full net lease indemnifying lessee.

Not specified but typically able to be retained by lessee or its successor if all obligations of lease have been fulfilled.

*Building/Site Improvements**Included:*

None. All improvements to be provided by lessee.



AERIAL PHOTO OF SITE AREA

4 VALUATION

4.1 HIGHEST AND BEST USE

Highest and best use is defined as "the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, page 93

The subject is legally restricted to residential development; however, its commercial use is grandfathered into compliance. The physically possible uses for the subject are limited by its tidal effects. Access to the road limits the demand for these facilities to the upland owners only. If vacant, the site would be most suited for a residentially-oriented use. The existing use supporting the communications business in place on the uplands appears to be the maximally profitable, financially feasible use.

4.2 LAND LEASE RATES (LAND CAPITALIZATION RATE)

The purpose of the appraisal is to estimate the annual rent. Due to the lack of direct comparable rents, I have converted market sale indicators into indicators of annual rent based on the common market practice to charge a percentage of the land value as annual rent. The following discussion develops the land lease percentage rate or land capitalization rate, which I will use for the purpose of my analysis to convert the land sales into market rent indicators.

Private Sector Lease Rates

I considered a variety of private sector leases. In 1999 in Skagway, the White Pass Railroad has let long-term land leases on their waterfront to AML and Tempsco Helicopter. The value of these lands equate to about 8% of the lease rate charged. In early 2000, recently in Juneau, Tlingit and Haida Central Council negotiated a parking lot lease on Willoughby Avenue for a trustee at 8% of the estimated market value of the land.

The Real Estate Division of the Alaska Railroad has a current standard land lease rate of 8% of the estimated market value. Waterfront and commercial lands are leased for 9%. A discussion with Mari Montgomery, University of Alaska, indicated that a minimum commercial lease rate is 10% for urban land for the University; however, they do not frequently lease land. In 2004, Sealaska was negotiating an easement rent at 7.5% of the estimated land value.

Over the last 10 years or so, private-sector lease rates have generally ranged from 7% to 12%, but more recently settling around 8%, more or less.

Municipal Lease Rates

The City of Petersburg leases tidelands at 10% of the appraised value or 6% for waterfront industrial lands to stimulate economic development. The City and Borough of Sitka leases tidelands and other lands at 10% of the estimated market value also; however, if the lease is for a project that would stimulate Sitka's economy, an 8% rate is used. The most recent leases negotiated between 1999 and 2006 have been at 9% at the Sawmill Cove Industrial Park at Sitka. A recent lease of a moorage facility for bulk water sales was made at 8% of the fee value. The City of Craig leases land at 8% of the fee value. The City of Haines leases land at its port based on 8% of the appraised market value. Both Craig and Haines adjusts their lease rates every five years utilizing either the changes in surrounding assessed values for tax purposes or new appraisals. The City of Klawock leases land at 10% of the estimated market value. In January 2007, the City and Borough of Juneau (CBJ) voluntarily adjusted a 1995 tidelands lease, which had been set at 10% of market value, down to 8%.

State Lease Rates and Other Government Agencies

As the primary manager of state lands, The Department of Natural Resources (DNR) is directed to lease at "market rent". Typically, land is valued and a market percentage is applied. These rates fluctuated significantly during the 1980s with the movement of interest rates. They generally leveled out during the 1990s. Over the last 10 years or so they have hovered right around 8%.

Federal land managers include the Bureau of Land Management (BLM), U.S. Forest Service and Bureau of Indian Affairs (BIA). Boyce Bush from BLM in Fairbanks indicated that they were using a rate of 8% of market value for its land leases to pay over the last several years. Jeness Burns, Acting Regional Appraiser for the Department of Justice, who reviews numerous appraisals for BIA as well as other appraisal duties, has stated that, generally, rates range between 8% and 12% with the majority being between 8% and 10% throughout the state.

Conclusion

It is obvious that most land managers confirm the private sector market indicators at acceptable land lease percentage rates. For the purpose of our analysis, I will conclude an annual rate at 8% of the market value of land under consideration where direct annual rent comparables are not available.

4.3 TIDELANDS TO UPLANDS RATIOS

In many instances, there are no tideland sales that reflect the character and location amenity of a particular waterfront area. In these instances, it is common to develop a typical value per square-foot or per acre based on adjacent waterfront land sales and make an adjustment for the tidelands character of the property under appraisal. I considered various ratios of upland land values and tideland values where they could be discerned to determine what a typical unit of value for tidelands is worth as a percent of their related uplands. These ratios have generally shown the tidelands sell for between 10% to 50% of the related upland values, depending on the character and utility of the tidelands. Tidelands that stretch far from shore or have less fill potential tend to have a lower percentage unit value as compared to the upland unit value. Tidelands that have a greater utility to be filled or to exploit deepwater marine access tend to have a higher ratio.

Commercial tideland sales in downtown Juneau and other places provide examples. In 1996 tidelands adjacent to the Seadrome Building (108 Egan Drive), based on their land comparable values, were selling for \$55/SF as compared to the tidelands unit values of about \$16/SF, indicating the tidelands unit value was nearly 30% of the upland unit value. Three adjacent waterfront properties in downtown Ketchikan sold in the years 2002 and 2003 in the Spruce Mill Development Area. The upland parcels sold for \$46.58/SF. Two adjacent submerged land parcels sold for marina uses at \$13.60/SF and \$17.72/SF. These submerged lands indicated square-foot values at 29% to 38% of the adjacent upland values.

In Auke Bay, the unfilled tidelands purchased by Alaska Glacier Seafoods (Lot 2, ATS 357) in March 2000 sold for \$3.04/SF. Two recent sales in the Auke Bay area indicate about \$8/SF to \$22/SF for uplands, indicating the unit value of tidelands ranges from 14% to nearly 38%.

Within the individual comparable sales analysis, where upland values are used, an allocation for nearby tidelands unit values will be concluded in the broad range of 10% to 50%.

In the subject instance, the grandfathered, commercially-oriented tidelands would, in my opinion, have a ratio of between 25% and 40% of the unit value or acre price of the adjacent uplands. Considering the subject's good location, a ratio at the middle of the range, 33% of the nominal upland acre value, will be used as a corresponding tidelands value.

4.4 DIRECT SALES COMPARISON

After researching the available transactions, I have come up with two types of comparisons. These include the sales of upland sites nearby which I have reduced at the 33% tidelands to uplands ratio to develop a nominal acre value for corresponding tidelands. I have then taken 8% of this value to indicate the proxy rent value per SF. The second type of direct comparables are land lease rents, which I have also analyzed on an annual rent per SF basis.

Comparable Upland Sales as Indicated Rents

The appraiser examined market activity on the North Douglas waterfront over the prior four years in a search for comparable data. The following three sales and one pending sale were used from the dozens that were considered, which would typify a competitive substitute to the subject tidelands. These sales have been adjusted for their indicated tidelands value at 33% of the sales price. They have then been factored at 8% to reflect an indicated annual tidelands lease rent. The rent is then divided by the square foot size to indicate a rent per square foot.

| TABLE 2 - UPLAND SALES ADJUSTMENT TABLE | | | | | | | | | | | |
|---|---------|------------|-------|-----------|---------|------|--------|----------------------------|----------------------|----------------------|-----------------------------|
| Waterfront N. Douglas | | | Date | Price | SF Size | WFF | \$/SF | Tidelands Adjustment (33%) | Annual Rental Factor | Total Indicated rent | Indicated Tidelands Rent/SF |
| # | Comp | Location | | | | | | | | | |
| 1 | #6387 | 5100 Block | 07/07 | \$ 88,000 | 10,890 | 112' | \$8.08 | \$2.67 | 8% | \$2,326.10 | \$0.21 |
| 2 | #7039 | 5300 Block | 07/11 | \$ 89,900 | 19,166 | 99' | \$4.69 | \$1.55 | 8% | \$2,376.58 | \$0.12 |
| 3 | #7040 | 4000 Block | 08/10 | \$ 90,000 | 21,911 | 88' | \$4.11 | \$1.36 | 8% | \$2,389.92 | \$0.11 |
| 4 | #7041 | 5880 Block | Pend | \$122,000 | 20,908 | 166' | \$5.84 | \$1.93 | 8% | \$3,220.80 | \$0.15 |
| | Subject | | 06/11 | Solve | 14,473 | 101' | Solve | Solve | 8% | Solve | Solve |



Comp 1

110305_2655

Comparable 1 is an undeveloped lot in the 5100 block to the north. This lot was reportedly exposed for 177 days at \$92,500 prior to its cash sale in 2007. This sale, at 75% the size of the subject, is inferior in size, but considering economies of scale, would be superior in value. This sale is also superior in waterfront footage. As noted in Section 2.3, Residential Market, adjustments for market conditions or time are not warranted; however, as the oldest sale considered this comparable is given somewhat less weight. Overall, this sale is superior due to its lesser size.



Comp 2

Google street maps

Comparable 2 is a very recent sale in the 5300 block to the north. This lot was extensively exposed for over two years at \$120,000 prior to a cash sale. While 33% larger in size, this parcel has a similar amount of waterfront. Considering economies of scale, this sale is somewhat inferior due to size.



Comp 3

Google street maps

Comparable 3 is the sale of a nearby large parcel to two adjoining owners, who then split the lot to add to their sites. This large lot, with an inferior amount of waterfront was exposed on the market for 65 days at \$94,500 prior to its owner financed sale. Of note in the sale was a driveway easement benefitting one of the buyers. This sale would also be ranked inferior due to the size and conditions.



Comp 4 Google street maps

Comparable 4 is the pending sale of a nearby large parcel with superior waterfrontage. This transaction was extensively exposed and is well tested. The allocation of value is based on assessment ratios. This sale is superior in size and waterfrontage. This sale is considered as bracketing the upper end of waterfrontage while its SF rental indications overall fall well within the range established by the undeveloped comparables. On balance, with the larger size offset by the greater waterfrontage, this current indicator is felt to be similar

to the subject.

In the analysis of the indications of the converted sales analysis, the response of the market to access to the waterfront become clearer. The smaller sites, with relatively superior waterfront exposure as shown by the ratio of waterfront foot to total lot square footage, indicates higher rental values. Comparable 1, the smallest lot, indicates the highest rent, which would be expected considering economies of scale. Comparable 4, with a large amount of waterfront offset by a larger lot, shows a ranking in the middle, while Comparables 2 and 3, with larger lots than the subject but similar amounts of waterfrontage, show a lesser rental value. These observations help to show that the imputed value of the rent is directly correlated to the amount of waterfront per square feet of the lot. A ranking of the comparables by the waterfront foot per square foot and its ratings shows this dynamic clearly:

| TABLE 3 - RENT PER SF RANKING SUMMARY GRID - SALES | | | | |
|---|--------------------------------|---------------|---------------|----------------|
| | Comparable | WFF/SF | Rating | Rent/SF |
| 1 | 5100 Block, N. Douglas Highway | 97' | Superior | \$0.21 |
| 4 | 5880 N. Douglas | 126' | Similar | \$0.15 |
| | Subject - ATS 893 | 143' | Similar | Solve |
| 2 | 5300 Block, N. Douglas | 194' | Inferior | \$0.12 |
| 3 | 4000 Block, N. Douglas | 249' | Inferior | \$0.11 |

Based on the analysis of the limited data available, after adjusting for tidelands to uplands ratios and determining an indicated rent, the appraiser will conclude an indicated rent at \$0.15/SF based on the sales analysis.

Direct Lease Rent Comparisons

In addition to the sales data considered above, there are several transactions of land leases that were helpful to bracket the subject on a rent per square foot basis. Of the dozens considered, the following three were found to be most helpful in this case.

| TABLE 4 - COMPARABLE LAND LEASES | | | | | | |
|----------------------------------|--------|-------------------------------------|------------------|-------------|--------|---------|
| # | Comp # | Comparable | Transaction Date | Annual Rent | SF | Rent/SF |
| 5 | #1747 | 3500 Bl. N. Douglas Hwy.; ADL 36091 | 05/05 | \$ 3,693.80 | 18,469 | \$0.20 |
| 6 | #2783 | 13555 Glacier Hwy.; ADL 107160 | 04/10 | \$ 2,530.00 | 16,888 | \$0.15 |
| 7 | #4175 | 2500 Bl Channel Dr.; ADL 1891 | 06/07 | \$ 3,012.15 | 20,865 | \$0.14 |
| Subject - 3890 N. Douglas Hwy. | | | 06/11 | Solve | 14,473 | Solve |



Comp 5 041304_0787

Comparable 5 is near the subject, adjacent to the Juneau Douglas Bridge. One of three leases, it comprises a barge landing and fuel tank farm. As part of a larger economic unit, this lease is superior in utility. The size is somewhat larger, while the location adjacent to Gastineau Channel and isolated from the shore, and would be similar. The shape is superior, being parallel to the shore taking advantage of the increased waterfront. Overall, this lease is somewhat superior.



Comp 6 110904_2308

Comparable 6 in Auke Bay is a tidelands parcel utilized for shallow draft fishing vessels. This lease is current and is similar to the subject in its shallow topography and access only by water. Relatively similar in size, with the location near the fishing grounds offset by the distance from population centers in town and the valley, this lease would be regarded as also similar in location and utility. Overall, this lease is regarded as similar.



Comp 7 041304_0828

Comparable 7 is a nearby leased tidelands off Channel Drive on the mainland. This lease is superior in size and utility, similar in its shallow topography; however, is inferior in its location further up the channel, closer to the various drainages silting the waterway, with dredging required to continue to fully utilize the site. This lease is similar to slightly inferior.

| TABLE 5 - RENT PER SF RANKING SUMMARY GRID - LEASES | | | |
|--|-------------------------------|---------------|----------------|
| Comparable | | Rating | Rent/SF |
| 5 | 3500 Block N. Douglas Highway | Superior | \$0.20 |
| 6 | 13555 Glacier Hwy.; Auke Bay | Similar | \$0.15 |
| Subject - ATS 893 | | Similar | Solve |
| 7 | 2500 Block Channel Drive | Inferior | \$0.14 |

As can be seen by the comparable lease indications, a close range between \$0.14/SF and \$0.20/SF is indicated for the subject site. Taking into account the qualitative ranking of the leases and relying on the size and utility of the subject site, the subject is ranked as most similar to Comparable Lease #6, similar in topography, access and ownership characteristics, with the upland access controlled by the lessee.

The annual rent for the subject is estimated at \$0.15/SF. This corresponds with the indications by both the Sales Comparison Approach and the Rental Comparison Approach.

The annual rent can be computed as follows:

$$14,473 \text{ SF} @ \$0.15/\text{SF} = \$2,170.95$$

ADDENDA

SUBJECT PHOTOGRAPHS



Upland improvements looking south.

062311_1768



Upland improvements looking north. Typical beachfront residential development.

062311_1777

SUBJECT PHOTOGRAPHS



Tower on subject land.

062311_1772



Sewer noted at meander line.

062311_1776

SUBJECT PHOTOGRAPHS



Tower from lease area.

062311_1783

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LANDS

ADL No. 60047

RIGHT-OF-WAY PERMIT

THIS AGREEMENT made and entered into this 5th day of February, 1974, by and between the STATE OF ALASKA, acting by and through the Department of Natural Resources, Division of Lands, hereinafter referred to as the grantor and Midnight Sun Broadcasters, Inc. hereinafter referred to as the permittee.

WITNESSETH, that in accordance with the provisions of Sec. 38.05.330, A.S. and the rules and regulations promulgated thereunder, the permittee having filed an application for a right-of-way, for: underground antenna, to be #10 wire, buried 12 inches to 18 inches and radiating 270 feet for every three degrees from tower with the Division of Lands together with a map showing the definite location thereon of the line of right-of-way which the permittee has adopted and agrees to be the specific and definite location of the aforesaid right-of-way, and

WHEREAS, it is understood and agreed by the permittee herein that, as a condition to the granting of the right-of-way applied for, the land covered by said right-of-way shall be used for no purpose other than the location, construction, operation and maintenance of the said right-of-way over and across the following described State lands, to wit:

within Sec. 22, T41S., R67E., C.R.M. on the tidelands associated with A.T.S. 895, and 270 feet in radius from a point which is 70 feet from Corner No. 1 of A.T.S. 895 and also 40 feet from Corner No. 2 of A.T.S. 895.

running _____ feet in length and/or containing 1.5 acres, more or less and shall extend a width of 540 feet.

TO HAVE AND TO HOLD the same until the above described land shall no longer be used for the above-mentioned purpose and subject to conditions and reservations elsewhere set forth herein.

The sketch map revealing the right-of-way granted herein shall be attached hereto and made a part hereof.

In the event that the right-of-way herein granted shall in any manner conflict with or overlap a previously granted right-of-way the permittee herein shall use this right-of-way in such a manner as not to interfere with the peaceful use and enjoyment of the previously issued right-of-way and no improvements shall be constructed by the permittee herein upon the overlapping area unless the consent therefor has first been obtained from the permittee under the pre-existing right-of-way.

The permittee in the exercise of the rights and privileges granted by this



indenture shall comply with all regulations now in effect or as hereafter established by the Division of Lands and all other Federal, State or municipal laws, regulations or ordinances applicable to the area herein granted.

Upon abandonment, termination, revocation or cancellation of this indenture, the permittee shall within 90 days remove all structures and improvements from the area herein granted, except those owned by the grantor, and shall restore the area to the same or similar condition as the same was upon the issuance of this permit. Should the permittee fail or refuse to remove said structures or improvements, within the time allotted, they shall revert to and become the property of the grantor. However, the permittee shall not be relieved of the cost of the removal of the structures, improvements and/or the cost of restoring the area. Provided further, however, that the grantor, in his discretion, may alter or modify the requirements contained in this provision if it is to the best interest of Alaska to do so.

The permittee shall utilize the lands herein granted consistent with the purposes of the proposed use, as revealed by the application therefor, and shall maintain the premises in a neat and orderly manner and shall adopt and apply such safety measures as shall be necessary, proper and prudent with respect to the use to which the land is subjected.

The permittee shall take all reasonable precaution to prevent and suppress brush and forest fires. No material shall be disposed of by burning in open fire during the closed season unless a permit therefor has first been obtained from the agency empowered by law to issue such permits.

Prior to any construction or development that will use, divert, obstruct, pollute or utilize any of the waters of the State, the permittee shall first obtain approval therefor from the Commissioner of the Department of Fish and Game and file an image copy thereof with the grantor.

Any lands included in this permit which are sold under a contract to purchase shall be subject to this permit. Upon issuance of title to the purchaser, this permit shall remain in effect until its date of expiration.

In case the necessity for the right-of-way shall no longer exist, or the permittee should abandon or fail to use the same, then this permit shall terminate.

The State of Alaska shall be forever wholly absolved from any liability for damages which might result to the permittee herein on account of this permit having been cancelled, forfeited, or terminated prior to the expiration of the full time for which it was issued.

NOW THEREFOR, in accordance with the provisions of Sec. 38.05.330, A.S. and the rules and regulations promulgated thereunder and in accordance with the conditions heretofore set forth or attached hereto and made a part hereof, the permittee herein is hereby authorized to locate, construct, operate and maintain said right-of-way over and across the lands herein described.

IN WITNESS WHEREOF, the said grantor has caused these presents to be signed in duplicate and the permittee herein has hereunto affixed his signature on the



day and year first above written.

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

By:

Dean J. Nation

Chief, ~~Lands Section~~ Water Resources Section
Division of Lands

Alvin C. Brandstedt, Pres. x
Permittee

UNITED STATES OF AMERICA)
State of Alaska) ss.

This is to certify that on the 19th day of March, 19 74, before me, the undersigned Notary Public, personally appeared Dean J. Nation known to me and known by me to be the Chief, Water Resources Section of the Division of Lands of the Department of Natural Resources, and acknowledged to me that he executed the foregoing instrument for and on behalf of said State, freely and voluntarily for the use and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

Mildred S. Wall
Notary Public in and for the State
of Alaska
My commission expires May 25, 1975

UNITED STATES OF AMERICA)
State of Alaska) ss.

This is to certify that on this 26 day of February, 19 74, before me, the undersigned Notary Public, personally appeared Alvin C. Brandstedt to me personally known to be one of the persons described in and who executed the within instrument and the said Alvin C. Brandstedt acknowledged to me that he signed and executed the same freely and voluntarily for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

Sandra L. Thore x
Notary Public in and for the State
of Alaska
My commission expires 6/30/75 x



8 of 9

2008-010651-0



HORAN & COMPANY, LLC

QUALIFICATIONS OF TIMOTHY W. RILEY

Education: Graduated from Roosevelt High School, Des Moines, Iowa
Attended University of Iowa, Iowa City, Iowa
Attended Fairhaven College, Western Washington State College, Bellingham
Attended University of Alaska Southeast, Juneau, Alaska
Attended Sheldon Jackson College, Sitka, Alaska

Employment: August 2004 to Present
Real Estate Appraiser - Horan & Company LLC
November 2001 to August 2004
Real Estate Appraiser - Horan, Corak and Company
1990 to Present
Experience in residential and income property management, rehabilitation, and new construction.
July 1994 to November 2001
Foreman, Packing Room - Sitka Sound Seafoods, Sitka, Alaska
January 1987 to July 1994
Laborer, Packing Room - Sitka Sound Seafoods, Sitka, Alaska
June 1986 to November 1986
Docent - Isabel Miller Museum, Sitka, Alaska
1976 to 1986
Various occupations including clerk, mailman, gardener, laborer, etc. in Juneau, Alaska

Certification & Approvals: Residential Real Estate Appraiser Certification, State of Alaska, January, 2004; #422
FHA Approved, September 2004
Approved Appraisers List: USA Federal Credit Union; RELS Valuation Services; First Bank; Alaska Pacific Bank; Chase Manhattan; Eagle Home Mortgage; Residential Mortgage; First National Bank, Alaska, ALPS Federal Credit Union
VA Approved, July 2007 #0065
General Real Estate Appraiser Certification, State of Alaska, October 2007; #685

Appraisal Education: Appraisal Principles, Course 110, Appraisal Institute, Chicago, IL, January, 2002
Appraisal Procedures, Course 120, Appraisal Institute, Las Vegas, NV, March 2002
Residential Case Study, Course 210, Appraisal Institute, Chicago, IL, May 2002
Standards of Professional Practice, Part A, (USPAP), Course 410, Appraisal Institute, Chicago, IL, May 2002
Basic Income Capitalization, Course 310, Appraisal Institute, Chicago, IL, October 2003
Online FHA and The Appraisal Process, Appraisal Institute, Chicago, IL, July 2004
Uniform Standards of Professional Appraisal Practice - 2005 Update, Juneau, AK, April 2005
Fannie Mae Residential Forms Update 2005, Juneau, AK, August 2005
General Applications, Course 320, Appraisal Institute, Plano TX, October 2006
Online Uniform Standards of Professional Appraisal Practice - 2007 Update, Chicago, IL, May 2007
General Appraiser Report Writing & Case Studies, Course 405G, Appraisal Institute, Plano TX, November 2008
Uniform Standards of Professional Appraisal Practice - 2009 Update, Juneau, AK, June 2009

HORAN & COMPANY, LLC

Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Appraisal Institute, Sacramento, CA, Dec 2010

Uniform Standards of Professional Appraisal Practice - 2011 Update, Juneau, AK; June 2011
Current Issues & Regulatory Updates Affecting Appraisers #10066; William King & Associates, Inc.; Juneau, AK; June 2011

Loss Prevention Program for Real Estate Appraisers; LIA Administrators & Insurance Services; Juneau, AK; June 2011

Types of Property Assessed for Taxation:

City of Craig real property assessment roll; commercial, single-family, multi-family and mobile homes.

City of Skagway real property assessment roll; commercial, single-family, multi-family and mobile homes.

Ketchikan Gateway Borough Annexation, Inspection of sites, creation of real property assessment roll, commercial, single family, recreational cabins and lands , large mining and forestry tracts, mining claims, lodges, recreational and commercial forest use permits.

Types of Property Appraised:

Residential - Single-family, multi-family, vacant land, relocations, mobile homes, condominiums, attached homes, as-proposed residential development, islands, and remote residential.

Commercial - Office buildings, bank buildings, retail buildings, apartments, warehouses, docks, real estate for value as a going concern with fixtures such as hotels, B & B's & liquor stores, as-proposed commercial development, rent consultation, subdivision analysis, industrial property, remote lands, remote lodges, lease valuations and vacant lands.

Expert Witness Testimony:

Board of Equalization Hearing testified on behalf of Ketchikan Gateway Borough

Rev. 06/11

TRUCANO CONSTRUCTION COMPANY

3560 N. Douglas Hwy
Juneau, AK 99801

Phone 907/586-2444
Fax 907/463-3810
trucano@alaska.com

December 15, 2011

Carl J. Uchtyl, PE
Port Director
City/Borough of Juneau
Docks & Harbors
155 S. Seward St.
Juneau, AK 99801

Re: Tidelands Lease ATS 123, Lot #2

Dear Carl:

In response to your letter of November 16, 2011 it is acceptable to me to have the City conduct the appraisal with SE Alaska Appraisal Company and Trucano Construction will pay the expenses when billed by CBJ.

Thank you and please contact me should you have any questions.

Sincerely,

Douglas J. Trucano

**City and Borough of Juneau Property
Docks and Harbors
Application for Lease**

RECEIVED
NOV 08 2011
BY: _____

Application processing - The Port Director will review each application for completeness within 30 days of receipt unless the Director notifies the applicant that more time is required to complete the review. If the port director determines that the application is not complete, the Director will provide the applicant with a general description of the information needed to make the application complete. Once the application is complete, the Port Director will estimate the cost for the docks and harbors department to process the application and will notify the applicant in writing of the estimated cost. The applicant is required to pay all costs associated with processing of the application, including any costs to survey and appraise the area proposed to be leased. The applicant must agree in writing to pay the processing costs prior to the Docks and Harbors Board taking action on the application. Failure of the applicant to agree to pay, or pay, any processing cost will result in the application being denied. The applicant may assist the Port Director by arranging for specified components of the work, such as survey and appraisal, provided any such work to be performed by applicant is approved in writing in advance by the Port Director.

Date 11/8/11 ATS ADL 1799
 ADL# ATS 123 Lot 2
Applicant's Name: Doug Trucano
Group, Association, or Corporation Name Nowell Ave Development
Mailing Address: P.O. Box 020870
City/State/Zip Juneau, Alaska 99802
Message Phone _____ Work Phone 586-2444

Is applicant authorized to conduct business under the laws of the State of Alaska?

Yes

Is applicant 19 years or older?

Yes

What type of lease are you applying for?

Tidelands

(uplands lease, tidelands lease, easement)

Legal Description:

Lot(s) 2 Block/Tract# Section 22 Survey/Subdivision ATS 123 township 41 South.

Other: Range 67 East, Copper River Meridian,

Acres 1.043 acres.

What is the proposed use and activity on the leased land?

Unknown at This time

Proposed term of lease 35?

Are you planning to Sublease this land? Yes No

Are there any improvements or construction planned?

No

If yes, submit a development plan that includes.

- a. The nature and purpose of the proposed lease.
- b. A site plan
- c. The use, value, and nature of improvements to be constructed.
- d. The dates construction is estimated to commence and be completed.
- e. A detailed description of the proposed operation.
- f. Whether the intended use complies with the CBJ Land Use Code, CBJ Title 49, and the comprehensive plan of the City and Borough of Juneau.
- g. Additional information that would assist the Port Director, the Docks and Harbors Board, and the Assembly in acting on the application.

CBJ zoning title and plans are available from the Community Development Department.

The Board recommends that applicants carefully review current site conditions before making an application.

The lease must meet all applicable requirements listed in CBJ ordinance 53.20.

| If applying on behalf of an agency, municipality, or organization, state which one. | Title |
|---|-------|
|---|-------|

Application Received _____ \$10.00 Filing Fee Received _____

Date approved by Operations Committee _____

Date approved by Finance Committee _____

Approved by Regular Board _____

Law Department Ordinance

Assembly Action

Lands

Public Notice

Ad Option

Final Lease Signed Date _____

**ESTIMATED MARKET RENTS OF
LOT 2, ATS 123, PLAT 2001-9, 1.043 ACRES
LOCATED IN GASTINEAU CHANNEL,
JUNEAU, ALASKA, ADL 1799**



122811_5618+5619

PREPARED FOR: Carl Uchytel, Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801

PREPARED BY: Timothy W. Riley, Real Estate Appraiser
HORAN & COMPANY, LLC
403 Lincoln Street, Suite 210
Sitka, Alaska 99835

EFFECTIVE DATE: December 28, 2011

REPORT DATE: January 10, 2012

OUR FILE NO.: 11-126

HORAN & COMPANY, LLC

403 LINCOLN STREET, SUITE 210 SITKA, ALASKA 99835

TELEPHONE (907) 747-6666 FAX (907) 747-7417

EMAIL commercial@horanappraisals.com

CHARLES E. HORAN, MAI / WILLIAM G. FERGUSON, TIMOTHY W. RILEY, JOSHUA C. HORAN,
JAMES A. CORAK AND JACQUE WALTON

| |
|--------------------------------------|
| REAL ESTATE APPRAISERS / CONSULTANTS |
|--------------------------------------|

January 10, 2012

Carl Uchtyl, Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801

VIA Email teena_scovill@ci.juneau.ak.us

Re: Estimated Market Rent of Lot 2, ATS 123, Plat 2001-9, 1.043 Acres Located in Gastineau Channel, Juneau, Alaska, ADL 1799; Our File 11-126

Dear Mr. Uchtyl:

I have analyzed the applicable real estate market for sales information as well as any applicable tidelands and waterfront leases. Finding limited sales data for tidelands, I relied primarily on rents developed from state and municipal leases. Based on this analysis, the estimated annual market rent value, as of the valuation date of December 28, 2011, is as follows:

Lot 2, ATS 123, 1.043 Acres; 45,433 SF
\$2,271.65/year

This appraisal was performed under the extraordinary assumptions that the electrical easements and encroachments are as noted on the 1989 R & M "Attachment A" and the 2001 plat and that the ROW is contained within the electrical easement area adjacent the highway. Your attention is invited to the remainder of this report which sets forth the Assumptions and Limiting Conditions, Certification of Appraisal, and the most pertinent data considered in estimating the market value of the subject property. This summary appraisal report is intended to comply with the rules and regulations as set forth by the Uniform Standards of Professional Appraisal Practice (USPAP), the City and Borough of Juneau's Appraisal instructions and the Standards and Bylaws of the Appraisal Institute.

If you have any questions or comments, please feel free to contact me at your convenience.

Sincerely,

HORAN & COMPANY, LLC



Timothy W. Riley
AA685

TABLE OF CONTENTS

| | |
|---|----|
| CERTIFICATION OF APPRAISAL | IV |
| 1 SCOPE OF APPRAISAL | 2 |
| 1.1 IDENTIFICATION OF PROPERTY | 2 |
| 1.2 PURPOSE OF APPRAISAL, INTENDED USERS AND INTENDED USE | 2 |
| 1.3 PROPERTY RIGHTS APPRAISED | 3 |
| 1.4 TERMINOLOGY | 3 |
| 1.5 PARTIES TO THE TRANSACTION | 4 |
| 1.6 INSPECTION AND EFFECTIVE DATE | 4 |
| 1.7 PROPERTY HISTORY | 4 |
| 1.8 ASSUMPTIONS AND LIMITING CONDITIONS | 4 |
| 2 AREA ANALYSIS | 7 |
| 2.1 INTRODUCTION | 7 |
| 2.2 JUNEAU AREA DYNAMICS | 7 |
| 2.3 LAND LEASE PERCENTAGE RATE & TIDELANDS TO UPLANDS RATIO | 8 |
| 3 PROPERTY DESCRIPTION | 10 |
| 3.1 OVERALL DESCRIPTION | 10 |
| 3.2 ZONING | 10 |
| 3.3 ASSESSED VALUATION AND TAXES | 10 |
| 3.4 EASEMENTS AND OTHER RESTRICTIONS | 11 |
| 3.5 FUNCTIONAL UTILITY OF SITE | 11 |
| 3.6 SYNOPSIS OF TYPICAL LEASE | 11 |
| 4 VALUATION | 14 |
| 4.1 HIGHEST AND BEST USE | 14 |
| 4.2 TIDELANDS RENTAL VALUE | 14 |
| ADDENDA | |
| SUBJECT PHOTOGRAPHS | |
| ATS 123 DEED (TITLE: DOT TO AELP DEED WITH ROW ACCESS TO SUBJECT TRACT) | |
| CITY VISUALIZATION MAP | |
| QUALIFICATIONS OF TIMOTHY RILEY | |

CERTIFICATION OF APPRAISAL

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- Timothy W. Riley made a personal inspection of the property that is the subject of this report on December 28, 2011.
- No one provided significant real property appraisal assistance to the persons signing this certification.
- No appraisal services were performed on the subject lease in the past three years.



Timothy W. Riley, Real Estate Appraiser, AA 685

December 28, 2011

Inspection and Effective Date

January 10, 2012

Date of Report

1 SCOPE OF APPRAISAL

This appraisal is intended to establish the market rent for the proposed tidelands lease. The rent established will reflect the city's emphasis on market value¹, which is intended to maximize income to the city based on the appraised market value rental of their lands. The subject's lease rate will then be adjusted based on the City and Borough of Juneau's standard five year update schedule.

Appraisal Methodology

The most direct way to estimate market rent is by the Rent Comparison Approach. In this approach, the annual rent of similar properties is considered on a price per square foot basis. We identify comparable information through interviews with knowledgeable participants in the real estate markets such as local appraisers, other lessors and lessees, discussions with municipal property assessment personnel and others who are familiar with the real estate market in Southeast Alaska. A search was performed of similarly used properties in the communities throughout Southeast Alaska. Information was collected from reliable sources as available.

Our office maintains market data information on sales, transfers and on a geographic location basis for those rural properties not connected to a road system. Within each of these areas, the data is further segmented into commercial and residential properties. Within these divisions of separation are divisions for zoning and whether the properties are waterfront or upland parcels. Horan & Company, LLC maintains and continually updates this library of sale transactions throughout the Sitka and Southeast Alaska region and has done so for over 25 years.

1.1 IDENTIFICATION OF PROPERTY

The subject of this report is Lot 2, ATS 123, Plat 2001-9, Juneau Recording District, First Judicial District, State of Alaska. The subject fronts on the North Douglas Highway just after exiting the Douglas Bridge roundabout. It is located on tidelands adjacent to Gastineau Channel and the southeast side of Kowee Creek on Douglas Island.

1.2 PURPOSE OF APPRAISAL, INTENDED USERS AND INTENDED USE

The purpose of this summary appraisal is to determine the annual market rent for the land.

Intended use. This valuation is to be used to set market rent for the proposed lease with five year rental adjustments based on typical terms of a tidelands lease with the City and Borough of Juneau.

Intended users are the City and Borough of Juneau and the proposed lessee, Nowell Avenue Development.

¹ As noted in CBJ's Chapter 50 Lease Administration; 05CBJAC 50.040

1.3 PROPERTY RIGHTS APPRAISED

The market rent estimate is for the property in fee simple interest less mineral rights² in its present condition.

1.4 TERMINOLOGY

Market Value

Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows:

A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 122

Tidelands

All areas which are at or below mean high tide and coastal wetlands, mudflats, and similar areas that are contiguous or adjacent to coastal waters and are an integral part of the estuarine systems involved. Coastal wetlands include marshes, mudflats, and shallows and means those areas periodically inundated by saline waters...

http://law.sc.edu/pathfinder/coastal_development/reference/definitions.shtml

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.)

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 73

² Reserved by the state under AS 38.05.125(a)

Encumbrance

Any claim or liability that affects or limits the title to property. An encumbrance can affect the title such as a mortgage or other lien, or it can affect the physical condition of the property such as an easement. An encumbrance cannot prevent the transfer of possession, but it does remain after the transfer.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 67

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 121 & 122

1.5 PARTIES TO THE TRANSACTION

Client and Ostensible Owner - City and Borough of Juneau.

Lease Applicant - Nowell Avenue Development.

1.6 INSPECTION AND EFFECTIVE DATE

Timothy Riley made a personal inspection of the property that is the subject of this report on December 28, 2011. Doug Trucano, a representative of the proposed lessee and an adjacent landowner, was interviewed about various characteristics of the subject property. The effective date of this appraisal is the inspection date.

1.7 PROPERTY HISTORY

The subject property had been owned by the State of Alaska since statehood. A 55 year lease was issued July 16, 1963 with an expiry of July 16, 2018, with the administration of the lease transferred to the City and Borough of Juneau on February 8, 2001, under the condition only to lease and not to sell or transfer this type of property. The land was recorded as patented by the Borough on July 10, 2002. Reportedly, the lease was terminated in 2004 after a market value appraisal. The property has been offered for lease by the municipality for approximately the past year.

1.8 ASSUMPTIONS AND LIMITING CONDITIONS**Extraordinary Assumptions**

That the electrical easements and encroachments are as noted on the 1989 R & M "Attachment A" and the 2001-9 plat.

That the ROW described in ADL 100496 is contained within the electrical easement area adjacent to the highway.

General Assumptions

This appraisal report and valuation contained herein are further expressly subject to the following assumptions and/or conditions:

1. It is assumed that the data, maps and descriptive data furnished by the client or his representative are accurate and correct. Photos, sketches, maps, and drawings in this appraisal report are for visualizing the property only and are not to be relied upon for any other use. They may not be to scale.
2. The valuation is based on information and data from sources believed reliable, correct and accurately reported. No responsibility is assumed for false data provided by others.
3. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.
4. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of the highest and best use.
5. It is assumed that the title to the property is marketable. No investigation to this fact has been made by the appraiser.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions exist that are not discoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraiser.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
9. The value estimate is made subject to the purpose, date and definition of value.
10. The appraisal is to be considered in its entirety, the use of only a portion thereof will render the appraisal invalid.
11. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.
12. The appraiser has not appraised the subject in the past three years.

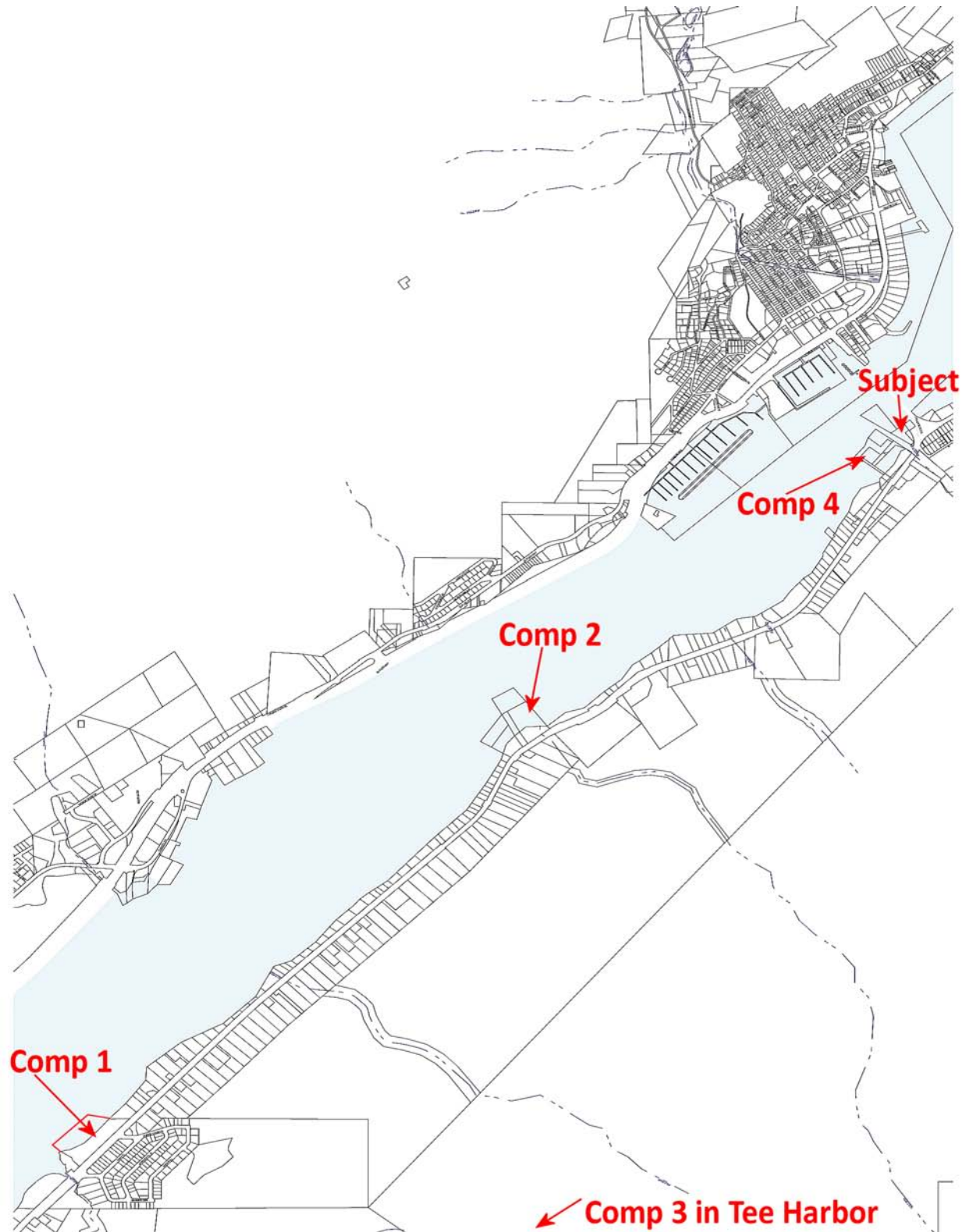


FIGURE 2 - SUBJECT AND COMPARABLE SALES LOCATION MAP

2 AREA ANALYSIS

2.1 INTRODUCTION

The subject tidelands are located at the northwest end of the Juneau Douglas Bridge, very near the roundabout, which controls access to both the North Douglas and Douglas Highways. Access to the area is off the North Douglas Highway via a small, unnamed ROW serving the adjacent property owners and a municipal sewer lift station. Direct access to the subject is extremely limited, with only a small corridor apparent between the proposed Lessee's property and the electrical substation. Additional access off of the North Douglas Highway is unlikely due to ROW easements as well as the steep topography, controlled access off the highway due to congestion and existing highway guard rails leading to the Kowee Creek bridge. While the immediate area of the subject is small and relatively undeveloped, the adjacent waterfront to the north of the creek is fully utilized with heavy industrial or commercial uses.

This area is significant to Juneau due to its central location, large undeveloped size, waterfront industrial zoning and easy access to the transportation options provided by the highway, the roundabout and the bridge.

2.2 JUNEAU AREA MARKET

Demand for real estate is generally driven by population, and population is sustained by employment. The Juneau economy is driven by the major basic industry, state government.

There has been a tendency to move state government, or significant portions, closer to Anchorage. This results in downsizing in the Juneau area. The office market has also expanded out of downtown Juneau into the Mendenhall Valley where less expensive space is available.

The tourism sector of the market has begun to stabilize after growth in the 1990-2008 period. Much of this growth was aided by Juneau's intensive capital improvements for dock space downtown. As a regional hub, Juneau takes the lion's share of the tourism market acting as a starting point for Glacier Bay and other nearby scenic wilderness stops. Juneau's downtown waterfront area was developed, taking advantage of the tourists, which discharge into or near the downtown area. Annual visitation for cruise ship passengers was less than 400,000 in 1995 but increased steadily to just over a million in 2008. This market has seen some softening due to economic factors, with estimates for the 2012 season of just over 900,000 passengers or approximately 12% less than the 2008 peak. The softening of the tourism market has led to a consolidation of providers and facilities in the industry as a whole.

There is significant growth occurring in the mining industry with the successful permitting, development and recent opening of the Kensington Mine, north of Juneau, which is supplementing the employment at the existing Greens Creek Mine on Admiralty Island. Both of these mines use Juneau as a base of housing for their remote operations, which are extensive.

Juneau's economy has been growing steadily since a mild downturn in the late 1980s. The housing market appears to be stable. The outlook for future development depends upon the economic sectors that the general real estate developments would serve. The forecast would be for stability overall as shown by the chart here:

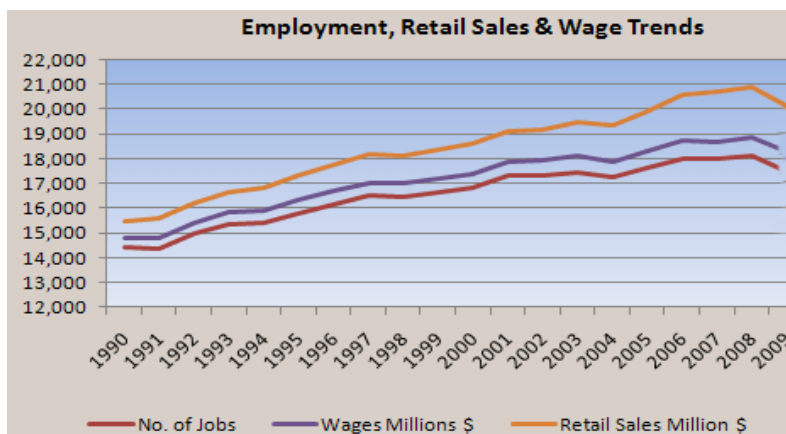


FIGURE 3 - JUNEAU MARKET DETAILS

2.3 NORTH DOUGLAS MARKET

The subject neighborhood is defined as the Douglas Highway bridge roundabout area. The neighborhood is zoned WI (Waterfront Industrial). The subject is the last tract of notable size in the area available for development.

The subject is located seaward of 3500 North Douglas Highway on Gastineau Channel adjacent to the Juneau Douglas Bridge. A municipal sewer lift station is nearly adjacent to the subject lot, with a utility substation and a small undeveloped parcel, owned by the proposed lessee, directly abutting. The waterfront in this neighborhood is relatively well developed, primarily comprised of a fuel tank farm, small harbor, contractor's yard and barge landing taking advantage of the good central location adjacent to Gastineau Channel and the Douglas Highway near the bridge. Kowee Creek separates the developed industrial waterfront from the subject tidelands, which are quite shallow.

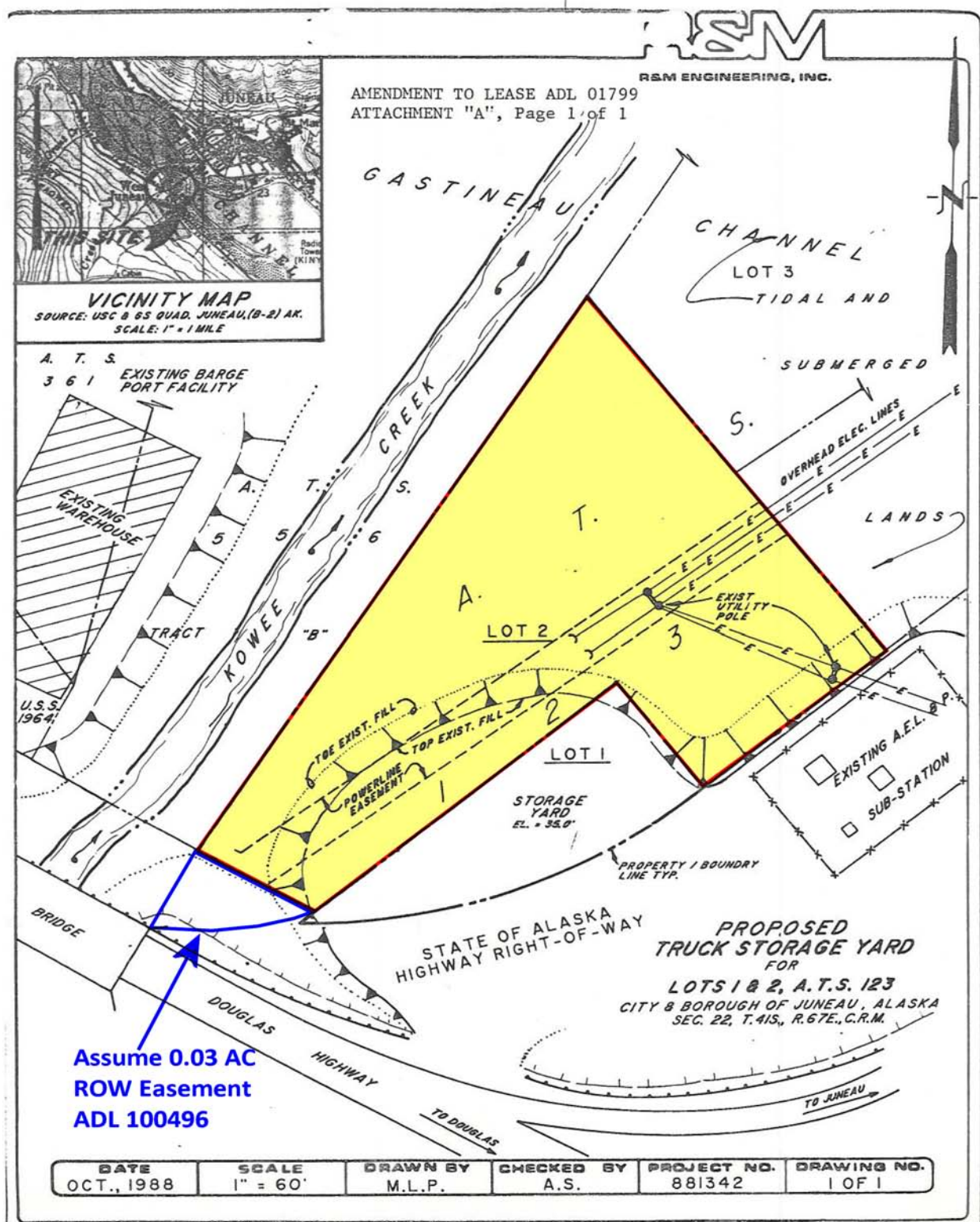


FIGURE 4 - R&M AMENDMENT TO LEASE ADL 01799, ATTACHMENT A, OCT 1988

3 PROPERTY DESCRIPTION

3.1 OVERALL DESCRIPTION

The proposed subject tideland lease is adjacent to the applicant's property, Lot 1 of ATS 123, as shown by the plat on Page 1 of this report. The size of the subject site is 1.043 AC or approximately 45,433 SF. The site is highly irregular, 78.09' wide on the channel (and 136.38' adjacent to Lot 3, ATS 123; seaward of the subject) with 201.88' on the shoreline slope of Lot 1 and approximately 70' on the North Douglas Highway. The subject has 335' frontage on Kowee Creek extending from the highway out to Lot 3, ATS 123. The parcel is primarily unfilled with the only fill noted the minor spillover slope for the adjacent Lot 1. There are no improvements save the noted electrical power poles and support guy wires.

The appraiser was not provided with a current as-built survey of the subject site. Surveys from 1985 and 1989 were referenced in addition to the original plat of record to determine the location of surrounding properties and access to the subject. The site is shallow tidal lands, and primarily awash at high tides. The site appears to fall between the median high and median low water marks. The adjacent upland parcel appears completely filled with the subject property stakes indicating some spillover onto the subject site. The property line appears to roughly follow the top of the adjacent lots and their slopes.

The prospective lessee had noted plans in the past to expand truck storage onto the site; however, he maintains he presently has no plans for development.

Access

The site, as presently developed, has access leading onto the subject tidelands from the unnamed ROW adjacent to the bridge., or through the adjacent lot. As appraised, the subject would be undeveloped with access provided through the aforementioned ROW.

Utilities

City sewer, water and private utilities are available including power, trash collection, phone, cable and fuel.

3.2 ZONING

The property is zoned Waterfront Industrial (WI). The WI district is intended for industrial and port uses, which need or substantially benefit from a shoreline location. In addition, many of the uses that are allowed in the WC, waterfront commercial district, are also allowed in the WI district. The WC district allows for both land and water space for commercial uses, which are directly related to or dependent upon a marine environment. Such activities include private boating, commercial freight and passenger traffic, commercial fishing, floatplane operations, and retail services directly linked to a maritime clientele. Other uses may be permitted if water-dependent or water-oriented.

3.3 ASSESSED VALUATION AND TAXES

The subject property is presently un-assessed by the City and Borough of Juneau. The subject is identified by the assessor's office as "0 Douglas Highway" with a legal description of Lot 2 ATS 123. The assessment number is 1D060L010020. No improvements are noted by the assessor. The typical mil rate in Juneau has been between 10.17 and 12 mils over the past few years and is currently 10.55 mils for fiscal year 2012.

3.4 EASEMENTS, ENCROACHMENTS AND OTHER RESTRICTIONS

There is a 20.03' wide electrical easement that runs the length of the lot (approximately 315') before terminating in a triangular-shaped electrical easement adjacent to the roadway. According to the plat, the easement encumbers 0.181 acres, or approximately 7,884 SF of the subject lot. Rough calculations indicate that approximately 22,500 SF of the site is isolated adjacent to the creek as a result of this easement. As can be seen by the photographs and plat detail, the power lines, as developed, impact the utility and potential uses of the site. Any attempt to fill the site past the easement would likely require significant costs associated with raising or relocating the utility poles, adding to the burden of the easement's impact. In addition, there is a recorded ROW of 0.03 acres, ADL 100496, that was formalized in March of 1979. It is an extraordinary assumption of this appraisal that this ROW easement is believed to fall within the electrical easement adjacent to the highway. See Figure 4 at the beginning of this section.

Site inspection noted an apparent encroachment from a power pole and power lines extending from the recorded easement to the adjacent substation as shown on Figure 4. These power lines appear to cross a portion of the subject lot in an area where there is not a recorded easement that the appraiser has been made aware of. This encroachment has been in place at least since 1988 as shown on the R & M "Attachment A" proposed truck storage yard as-built plat, Figure 4, that faces the beginning of this section.

The original state lease of the property was specified for truck parking; however, that lease was vacated after ownership had changed. The appraiser is unaware of any limits on the use of the subject property other than those imposed by zoning, wetlands and other regulations and the aforementioned easements and encroachments.

3.5 FUNCTIONAL UTILITY OF SITE

Inspection of the property and survey map shows that the edge of the site is nearly 400' from actual mean low tide precluding effective use of the site for waterfront related deep water access. Kowee Creek is an anadromous stream; however, the run is reportedly not wild but artificial and a remnant of a prior hatchery-induced run. As a shallow tideland, the effort to secure permitting to fully develop would likely be extensive and difficult. The site is encumbered by several significant electrical easements and has limited road right-of-way access limiting the overall utility of the site.

In the opinion of the appraiser, the tidelands are likely best utilized in conjunction with the adjacent vacant lot. The tideland's relatively isolated location, the existing electrical easement, and the minor encroachments by the adjacent site's fill all point to a highest and best use in conjunction with this

adjacent lot. The tidelands would function well for use in combination with the adjacent site, facilitating its potential expansion or development. Rough calculations indicate that the subject could add up to 13,500 SF to the adjacent lot without entering into, or crossing the easement area. Development that is currently limited by the shape and size of the adjacent lot might become economically feasible and the bulk of the leased site could be preserved in its natural state, facilitating permitting and development. Recent US Army Corps of Engineers data indicates area offsets ranging from 1:1 to 1:4 for various types of wetlands to compensate for development in areas under their oversight.

3.6 SYNOPSIS OF TYPICAL LEASE

No lease documents have been finalized. Based on interviews with harbor personnel, it is expected that the lease would closely follow a typical net lease similar to state and city tidelands leases in the area. These leases are essentially total net leases. The assumed terms are as follows:

| | |
|---|--|
| <i>Legal Description/Leased Premises:</i> | Lot 2, ATS 123, Plat 2001-9, Juneau Recording District, First Judicial District, State of Alaska |
| <i>Lessor:</i> | Dock and Harbor Board of City and Borough of Juneau as land manager |
| <i>Proposed Lessee:</i> | Nowell Avenue Development |
| <i>Term of Lease:</i> | Formerly 55 years; new term unknown. |
| <i>Beginning Date:</i> | December 28, 2011 |
| <i>Rental Adjustment Period:</i> | Every five years, based on estimated market value. |
| <i>Use:</i> | Unspecified; assume per Waterfront Industrial (WI) Zoning. |
| <i>Property Rights Included:</i> | Normal rights conveyed by lease. |
| <i>Property Rights Excluded:</i> | No mineral or timber rights are conveyed by lease. |
| <i>Easements:</i> | 0.181 AC (approximately 7,884 SF) power line easement of which ADL's 100496 0.03 AC (approximately 1,307 SF) ROW is assumed to be within. |
| <i>Other Terms of Lease:</i> | Typical full net lease indemnifying lessee. |
| <i>Reversion of Improvements:</i> | Not specified but typically able to be retained by lessee or its successor if all obligations of lease have been fulfilled. |
| <i>Building/Site Improvements Included:</i> | None. All improvements to be provided by lessee. |



Figure 5 - AERIAL DETAIL FROM PROPOSED LESSEE

11-126 / Bridge Tidelands, Lot 2, ATS 123

4 VALUATION

4.1 HIGHEST AND BEST USE

Highest and best use is defined as "the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, page 93

The highest and best use of the site is for its use in conjunction with the adjacent lot. The site was originally leased by the owner of the adjacent lot for this purpose in 1963, and reverted to lessor in the early 2000s after a transfer of ownership. The site does not extend to deep water but is sufficient for the needs of the lessee due to the small size of the adjacent fee-owned lot and the desirability of that lot's potential expansion. Marine-related industrial uses are the defining use for the subject area and the parcel, and are the highest and best use.

4.2 TIDELANDS RENTAL VALUE

I have inventoried dozens of sales and leases, and considered the most comparable on an overall annual rental basis to the subject proposed leased premises. The following table contains the most helpful data that shows what the area might lease for on a per square foot basis.

| TIDELAND RENT INDICATORS - LOT 2, ATS 123 | | | | | | |
|---|-------|--|-------|-----------|--------------|----------------|
| #/Comp | | Transaction Description | Date | Size (SF) | Annual Rent | Annual Rent/SF |
| 1 | #6019 | 6700 Block N. Douglas Highway, ERA Helicopters tidelands; ATS 602 | 03/08 | 285,057 | \$ 14,252.83 | \$0.05 |
| 2 | #5955 | 5010 N. Douglas Highway; Waterside Mobile Home Park; Lot 1, ATS 43 | 03/08 | 150,935 | \$ 6,040.00 | \$0.04 |
| 3 | #6013 | NHN Chilkat Road; Tee Harbor Marina, ATS 615A ADL 29281 | 08/04 | 138,628 | \$ 6,930.00 | \$0.05 |
| 4 | #1744 | 3560 North Douglas Highway Tracts A&B, ATS 842, ADL 51488 | 05/10 | 43,865 | \$ 8,773.00 | \$0.20 |
| Subject - Lot 2, ATS 123 | | | 12/11 | 45,433 | Solve | Solve |



Comp 1

021808_4523

Comparable 1 is the market rent of a larger industrial parcel with similar zoning further out the highway. The characteristics of the site are very similar, with extensive tidelands above median low water with limited utility to a marine user. The site has been partially improved with a heliport and is a long term 55 year lease that started in 1967. Its location within the Mendenhall State Game Refuge is a characteristic that is essentially similar to the encumbrance of the subject's electrical easements. While partially improved, it is unlikely that the improved area of the site would ever be allowed to expand. This lease is given significant weight due to similarities in topography, restrictions and its waterfront characteristics.



Comp 2

041304_0808

Comparable 2 is the market rent of a larger commercial lot with residential zoning further out the highway. This lease is presently approximately half filled and utilized for a mobile home park. The topography of this lease is very similar to the subject, with an active stream that bisects the site, rather than bordering it as in the case of the subject. However, the stream prevents the utilization of half the site, and is similar in effect to the dynamics of the subject's electrical easement. Again, similar to Comparable 1, while partially improved,

it is unlikely that the improved area of the site would ever be allowed to expand. This lease is considered due to similarities in topography, restrictions and its waterfront characteristics.



Comp 3

050108_3288

Comparable 3 is a market rent from 2004 that was rolled over in 2009 at the same rate. This commercial lease is out the road at about 18 Mile on the mainland in Tee Harbor, and is the site of a marina. The site is relatively shallow but always awash and is utilized by shallow draft recreational vessels. The distinguishing characteristic of this lease is the isolation from the uplands. This lack of access by land impacts the utility and market value of the tract and reduces its lease rate. In this regard it could be ranked similar to the subject's electrical easement, which limits the utility of the site that falls on the Kowee

Creek side of the subject lease. As an indicator with similar attributes, it is given some weight in the analysis.



Comp 4

041304_0784

Comparable 4 is adjacent to the subject on the other side of Kowee Creek. It is part of an assemblage of a fuel tank farm, barge landing site, marina and contractor's equipment yard. Some elements of the site are owned in fee but most is leased under a variety of leases. This lease was approximately 1/3 filled at the time of the original lease and has since been completely filled with sheet pile retaining walls, fully utilizing the site. This site, close to town with good transportation options, pre-existing filled areas adjacent to deeper waters, lacks any

easements, has superior utility, is 100% usable and is regarded as superior to the subject's shallow site with easements and is given least weight.

Comparables 1, 2 and 3 are most similar at \$0.04 to \$0.05/SF to the subject in topography and the limits imposed on the site by outside factors, such as the subject's electrical easements. While larger than the subject, these comparables mimic the character of the tidelands most closely. Comparable 4, at \$0.20/SF was considered to help bracket size and location. Due to its superior nature as a deep water port, it is given least weight. When considered as a group, all rental indicators examined suggest a value near the most comparable leases at \$0.05/SF.

Based on the foregoing, the Market Rental Value Conclusion is as follows:

$$45,433 \text{ SF @ } \$0.05/\text{SF} = \$2,271.65/\text{year}$$

ADDENDA

SUBJECT PHOTOGRAPHS



Access to subject site from State ROW.

122811_5631



Majority of lease with electrical easement
photo left.

122811_5617



Electrical substation with assumed encroaching
power lines and pole.

122811_5618

SUBJECT PHOTOGRAPHS



Lot 2, ATS 123 from near Kowee Creek bridge 122811_5625
looking toward town.



Access is between Lot 1 and the substation 122811_5629
from Lot 2 looking toward the bridge.



View of entire site from proposed lessee's 122811_5630
living room.

COMMISSIONER'S WARRANTY DEED

THE GRANTOR: State of Alaska, Department of Transportation and Public Facilities in consideration of Ten dollars (\$10.00) and other valuable considerations conveys and warrants to; Alaska Electric Light & Power Company, an Alaska Corp. whose address is: 134 Franklin Street, Juneau, Alaska 99801
The following described real estate located in the State of Alaska, to wit:

That portion of Gastineau Channel Bridge Right of Way at the southwest end of the bridge, adjacent to Lot 2 in Alaska Tidelands Survey 123, situated on Douglas Island, Juneau Recording District, First Judicial District, State of Alaska, more particularly bounded and described as follows:

Commencing at Corner 3, the easternmost corner of Lot 2 in ATS 123, which sets 200.55 feet right of centerline station "S" 11+21.79 Alaska State Highway Project No. RS-0959(10); thence S.62°34'04"E. for 17.67 feet to a fence corner 184.10 feet right of centerline station "S" 11+15.58, said fence corner being the TRUE POINT AND PLACE OF BEGINNING; thence S.50°56'24"W. for 107.79 feet to a fence corner 174.01 feet right of centerline station "S" 13+02.10; thence S.39°43'01"E. for 68.24 feet to a fence corner 109.60 feet right of centerline station "S" 12+62.61; thence N.50°23'47"E. for 107.18 feet to a fence corner 116.88 feet right of centerline station "S" 11+18.87; thence N.39°11'50"W. for 67.22 feet to the point and place of beginning.

The hereinabove described parcel of land contains 7279 square feet, more or less, and is meant to convey a rectangular fenced area approximately 68 feet by 107 feet.

Dated this Second day of October, 1985.

State of Alaska, Department of
Transportation and Public Facilities

BY: Jonathan W. Scribner
Deputy Commissioner of Transportation
and Public Facilities

ACKNOWLEDGEMENT OF DEPUTY COMMISSIONER

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

BE IT REMEMBERED THAT on this 2nd day of OCTOBER, 1985, before me, the undersigned, a notary public of the State of Alaska, personally appeared JONATHAN W. SCRIBNER, Deputy Commissioner of Transportation and Public Facilities, known to me to be the identical person who executed the foregoing instrument and he acknowledged to me that he executed the same for and on the behalf of the State of Alaska, Department of Transportation and Public Facilities, with full authority so to do, and for the uses and purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.

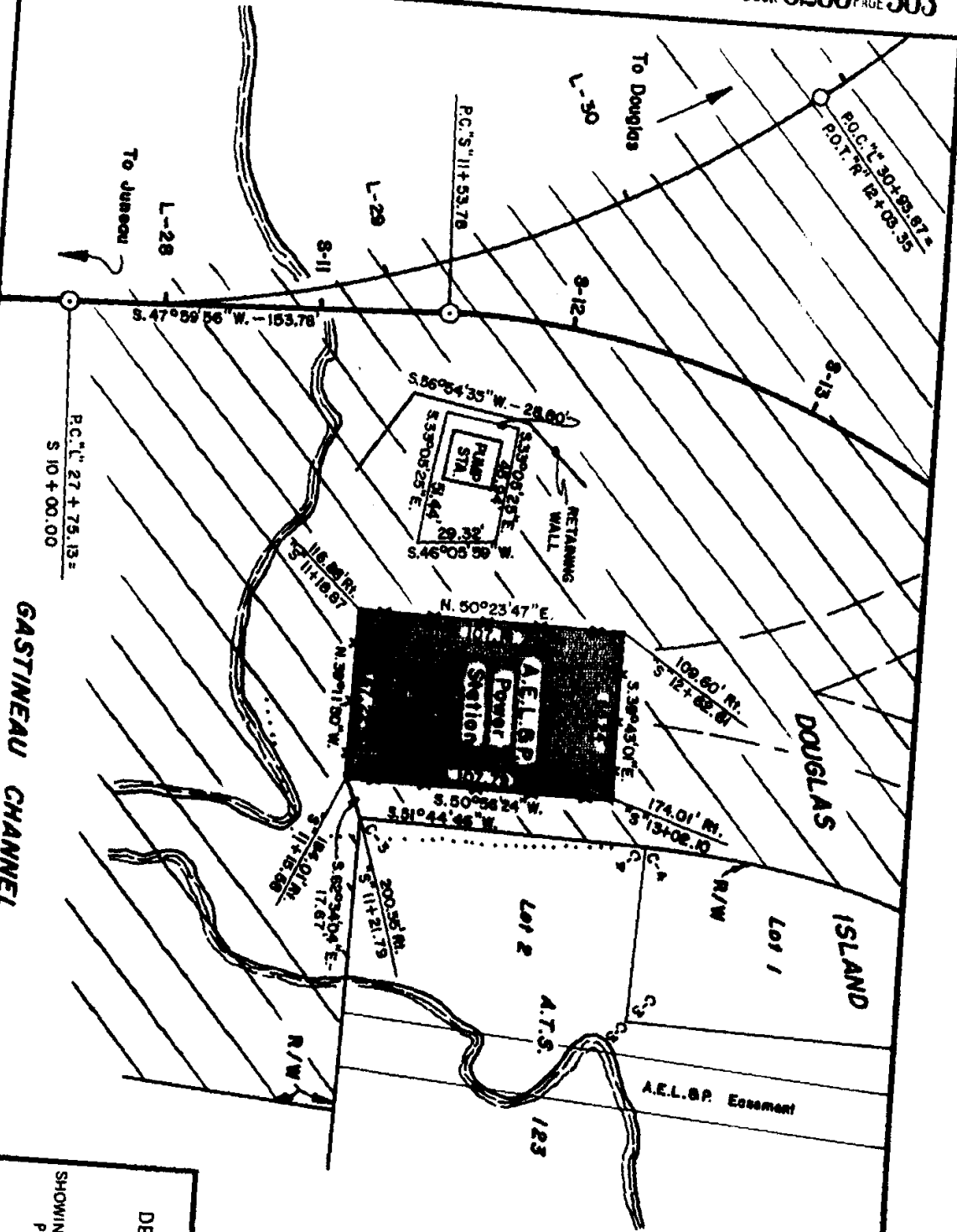
Peggy L. Jackson
Notary Public

My Commission Expires:

November 14, 1988

K&E 87008

GASTINEAU CHANNEL



STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
&
PUBLIC FACILITIES
PLAT

SHOWING L.D.#
PROJECT NO. RS-0959(10)

AREA: 7.278 Sq. Ft.
SOUTHEAST REGION

Scale: 1" = 90' Date: 9/85 Drawn By: RTB

86-000153

13.00

RECORDED-FILED
JUNEAU REG.
DISTRICT

JAN 8 9 37 AM '86

REQUESTED BY Barbara Johnston
ADDRESS 3167 Tongass Blvd.
Juneau AK 99801

Return to: AEL&PC
134 Franklin St.
Juneau AK 99801



-THIS IS NOT A SURVEY-
Property lines are approximate
Aerial photo taken June 2006



0 250 500 Feet

CITY VISUALIZATION MAP - SEE DISCLAIMER

11-126 / Bridge Tidelands, Lot 2, ATS 123

QUALIFICATIONS OF TIMOTHY W. RILEY

Education: Graduated from Roosevelt High School, Des Moines, Iowa
Attended University of Iowa, Iowa City, Iowa
Attended Fairhaven College, Western Washington State College, Bellingham
Attended University of Alaska Southeast, Juneau, Alaska
Attended Sheldon Jackson College, Sitka, Alaska

Employment: August 2004 to Present
Real Estate Appraiser - Horan & Company LLC
November 2001 to August 2004
Real Estate Appraiser - Horan, Corak and Company
1990 to Present
Experience in residential and income property management, rehabilitation, and new construction.
July 1994 to November 2001
Foreman, Packing Room - Sitka Sound Seafoods, Sitka, Alaska
January 1987 to July 1994
Laborer, Packing Room - Sitka Sound Seafoods, Sitka, Alaska
June 1986 to November 1986
Docent - Isabel Miller Museum, Sitka, Alaska
1976 to 1986
Various occupations including clerk, mailman, gardener, laborer, etc. in Juneau, Alaska

Certification & Approvals: Residential Real Estate Appraiser Certification, State of Alaska, January, 2004; #422
FHA Approved, September 2004
Approved Appraisers List: USA Federal Credit Union; RELS Valuation Services; First Bank; Alaska Pacific Bank; Chase Manhattan; Eagle Home Mortgage; Residential Mortgage; First National Bank, Alaska, ALPS Federal Credit Union
VA Approved, July 2007 #0065
General Real Estate Appraiser Certification, State of Alaska, October 2007; #685

Appraisal Education: Appraisal Principles, Course 110, Appraisal Institute, Chicago, IL, January, 2002
Appraisal Procedures, Course 120, Appraisal Institute, Las Vegas, NV, March 2002
Residential Case Study, Course 210, Appraisal Institute, Chicago, IL, May 2002
Standards of Professional Practice, Part A, (USPAP), Course 410, Appraisal Institute, Chicago, IL, May 2002
Basic Income Capitalization, Course 310, Appraisal Institute, Chicago, IL, October 2003
Online FHA and The Appraisal Process, Appraisal Institute, Chicago, IL, July 2004
Uniform Standards of Professional Appraisal Practice - 2005 Update, Juneau, AK, April 2005
Fannie Mae Residential Forms Update 2005, Juneau, AK, August 2005
General Applications, Course 320, Appraisal Institute, Plano TX, October 2006
Online Uniform Standards of Professional Appraisal Practice - 2007 Update, Chicago, IL, May 2007
General Appraiser Report Writing & Case Studies, Course 405G, Appraisal Institute, Plano TX, November 2008

Uniform Standards of Professional Appraisal Practice - 2009 Update, Juneau, AK, June 2009

Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Appraisal Institute, Sacramento, CA, Dec 2010

Uniform Standards of Professional Appraisal Practice - 2011 Update, Juneau, AK; June 2011

Current Issues & Regulatory Updates Affecting Appraisers #10066; William King & Associates, Inc.; Juneau, AK; June 2011

Loss Prevention Program for Real Estate Appraisers; LIA Administrators & Insurance Services; Juneau, AK; June 2011

Predictive Modeling With Microsoft Excel, Course 3A; The Office of the State Assessor, Alaska; Ketchikan, AK; December 2011

Types of Property Assessed for Taxation:

City of Craig real property assessment roll; commercial, single-family, multi-family and mobile homes.

City of Skagway real property assessment roll; commercial, single-family, multi-family and mobile homes.

Ketchikan Gateway Borough Annexation, Inspection of sites, creation of real property assessment roll, commercial, single family, recreational cabins and lands , large mining and forestry tracts, mining claims, lodges, recreational and commercial forest use permits.

Types of Property Appraised:

Residential - Single-family, multi-family, vacant land, relocations, mobile homes, condominiums, attached homes, as-proposed residential development, islands, and remote residential.

Commercial - Office buildings, bank buildings, retail buildings, apartments, warehouses, docks, real estate for value as a going concern with fixtures such as hotels, B & B's & liquor stores, as-proposed commercial development, rent consultation, subdivision analysis, industrial property, remote lands, remote lodges, lease valuations and vacant lands.

Expert Witness Testimony:

Board of Equalization Hearing testified on behalf of Ketchikan Gateway Borough

Rev. 12/11

Refundability, prorating, crediting, and fee conversion. Unless specifically provided in CBJ Administrative Code Title 05, Chapter 20, the Docks and Harbors Department will not refund, prorate, credit, or convert fees and charges.

- (i) *Billing records.* Records of billings are available for inspection at the Aurora Harbor Office, 1600 Harbor Way, Juneau, Alaska 99801. Persons may request copies of records for their billings free-of-charge. Other persons may request copies in accordance with applicable state and local public records laws.
- (j) *Billing disputes.* A person may dispute their billing to the Port Director. In order to file a dispute, the person must submit written notice with thirty (30) days of receiving the bill under dispute. The written notice must include a copy of the bill, a concise and complete description of the dispute, and the requested relief. The Port Director will respond within thirty (30) days of receiving the dispute. The person may dispute the Port Director's decision to the CBJ Docks and Harbors Board and thereafter to the City and Borough of Juneau Assembly in accordance with applicable CBJ ordinance.
- (k) *Basis for computing moorage charges.* The Docks and Harbors Department will assess moorage charges based on the silhouette length of the vessel or the designated stall length, whichever is greater. Silhouette length is defined as the linear distance, in feet, from the forward most part at the stern to the aftermost part of the stern of the vessel, measured parallel to the waterline of the vessel, including all appurtenances that are the property of the vessel owner. Stall length is defined as the length of the finger pier assigned to the vessel or, in the case of side-tie moorage, the vessel's silhouette length as calculated above. The Docks and Harbors Department reserves the right to measure a vessel and adjust moorage charges to the point in time when the owner first moored the vessel in the CBJ harbor system.
- (l) *Charges when a vessel shifts to a different berth.* When a vessel is shifted directly from one position to another berth or slip, the total time at such berths or slips will be considered together when computing moorage fees.
- (m) *Charges for designated loading zones.* There are no moorage fees and charges for use of a designated loading zone when used in accordance with regulations and rules established for the loading zone.
- (n) *Other fees and charges.* This fee schedule does not restrict fees and charges that may be established through other Docks and Harbor Department ordinances and regulations.
- (o) *Relationship to other harbor regulations and rules.* This fee schedule applies in addition to other CBJ harbor regulations and rules. These regulations take precedence in cases where these regulations differ from other CBJ harbor regulations and rules adopted prior to the effective date of these regulations.
- (p) *Assigned moorage fees.* Except as noted in 05 CBJAC 20.020, the owner of a vessel may pay the daily or monthly moorage fee in accordance with this chapter for moorage that is assigned by the harbor master as set out in 05 CBJAC 25, 35, and 40. If the owner fails to pay by the due date shown on an invoice for the moorage assignment, the harbor master shall forfeit the moorage assignment, notify the owner, and require the owner to move the vessel from the assigned moorage space within 72 hours of notice. If the owner does not move the vessel from the assigned space, the harbor master is authorized to move the vessel from the assigned space in accordance with CBJ Ordinance Title 85.
- (q) *Fee specials.* The Docks and Harbors Board may after public hearing establish special and promotional rates of a temporary nature in order to encourage use of facilities, to respond to unusual economic circumstances, or to promote revenue development.

(Amended 4-11-2005, eff. 4-19-2005; Amended 12-11-2006, eff. 7-1-2007; Amended 5-18-2009, eff. 5-27-2009)

05 CBJAC 20.020 - Special annual moorage fee for skiffs.

An owner with an open-hulled vessel 21 feet or less in length, excluding engines, may apply to the harbor master for moorage in the limited access areas of the small boat harbors. The harbor master will assign moorage in these areas on a first-come, first-serve basis. If assigned moorage by the harbor master, all requirements pertaining to annual moorage apply, except the annual moorage fee that the owner shall pay, which shall be as follows:

- (1) \$500.00 from July 1, 2007 through June 30, 2008; and
- (2) Each moorage year after June 30, 2008, a fee equal to the previous year's fee adjusted by the Anchorage Consumer Price Index (CPI) as reported by the Alaska Department of Labor for the calendar year preceding the start of the moorage year, rounded to the nearest \$5.00, unless the docks and harbors board takes action to keep the fee the same as the previous year.

(Amended 4-11-2005, eff. 4-19-2005; amended 10-24-2005, eff. 11-1-2005; Amended 12-11-2006, eff. 7-1-2007)

05 CBJAC 20.025 - Assigned moorage credit.