

CBJ DOCKS & HARBORS BOARD
SUB-COMMITTEE MEETING MINUTES
Thursday, February 27th, 2014

I. Call to Order.

Scott Spickler called the meeting to order at 5:00 pm in CBJ Room 224.

II. Roll.

The following members were in attendance: Tom Donek, Mike Peterson, and Scott Spickler.

Also in attendance were: Carl Uchtyl - Port Director, Budd Simpson - Board Member, Kevin Jardell - Board Member, Bob Janes - Board Member, David Logan - Board Member, and Derek Duncan - Goldbelt Representative

III. Approval of Agenda.

MOTION By MR. PETERSON: TO APPROVE THE AGENDA AS PRESENTED AND ASK UNANIMOUS CONSENT.

The motion passed without objection.

IV. Public Participation - None

V. Items for Action.

1. Mt. Roberts Tram process

Mr. Uchtyl said the Sub-Committee was established on November 8th, 2013, with the direction to find a way forward for negotiating the Mt. Roberts Tram lease rent. The purpose of this meeting was to provide an overview of the four meetings and decide if the Sub-Committee is still needed. Mr. Uchtyl asked Mr. Peterson to give an overview of the four meetings.

Mr. Peterson said Mr. Uchtyl and himself have met four times at Goldbelt's office. The first three meetings were attended by Mr. Uchtyl, Mr. Duncan, Mr. Loiselle and himself. The first meeting was December 10th where the group identified and prioritized conditions that were brought to the Committee's attention. There was a letter dated November 8th, 2013 that listed eight conditions that the Committee was tasked with to negotiate terms. The first meeting recognized the Reliant appraisal, ordered by Goldbelt, with the land value of \$2,450,000 but then deducted costs for ready to build of \$1,092,000 to make the unimproved land value \$1,360,000. The Horan appraisal ordered by Docks & Harbors had a land value at \$3,000,000 plus air rights of \$330,000 with a total of \$3,330,000. The Reliant appraisal did not include air rights, but the Horan appraisal did. The Committee was to try to negotiate to get these numbers closer together. Docks & Harbors took the position in John Stone's letter dated October 3rd, 2006 that set the rent at \$104,000 or 8% of a 2005 assessment, is no longer valid. The letter went on to say that rent will remain in effect for three years until adjusted pursuant to paragraph five of the lease. This new rent value will replace the current rent value in paragraph five and six of the lease. At this first meeting Docks & Harbors stated the position because John Stone's letter is not following the language pursuant to the lease, the language in the lease is still valid and the items in the lease are back on the table, 10% of land value, and royalty rents. Docks & Harbors and Goldbelt agreed to disagree. The first three meetings working

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with Goldbelt were basically trying to negotiate a value for the property. The Sub-Committee was unable to come up with an agreement on a land value both parties could agree on. Throughout the meetings, the Reliant appraisal was being revised to include the new Archipelago property sale. The adjusted Reliant appraisal was received on February 11th. As a result of the inclusion of Archipelago property sale, the property value went down from \$245.00 per sq/ft to \$226.00 per sq/ft. That took the value of \$2,450,000 down to \$2,300,000. When you subtract the \$1,092,000 for bringing the property build ready, that brought the property value down to \$1,210,000. Negotiations for land values were moving further apart. At the last meeting on February 25th, Goldbelt expressed the desire to pursue the language of the lease that allows for a third appraiser to choose between the Horan and the Reliant appraisal which best determines the value of the property.

Mr. Jardell asked if Horan was given the same opportunity to adjust his appraisal using the Archipelago property sale information?

Mr. Peterson said that was brought to the table, but it was decided that considering the distance between the two appraisals it wouldn't make much difference. If the Sub-Committee feels that might make a difference, this can be done.

Mr. Jardell said it is really unknown if this will make a difference until an amended appraisal by Horan is completed. Also, if there is going to be a third appraiser choose between the two appraisals, they should both have the same data sets.

Mr. Logan asked if picking a third appraiser to choose between the two appraisals was in the terms of the lease?

Mr. Uchytel said it is and we are following the terms of the lease. Because the two land values were so far apart the Board believed there would be room to negotiate instead of just picking one or the other. The negotiations have been good, but good people are agreeing to disagree on the value of the property.

Mr. Simpson asked Mr. Peterson if during negotiations the distance between the land value amounts was ever narrowed?

Mr. Peterson said at the February 25th meeting, Docks & Harbors suggested splitting the difference between the Reliant land value of \$2,450,000 and the Reliant land value with the new Archipelago property sale information of \$2,300,000. The split would be \$75,000. Adding the split to the \$2,300,000 makes the land value at \$2,375,000. Keeping the rent at 8% of the land value, gives a new rent of \$190,000, plus keep the \$60,000 minimum royalty rent. The air rights were figured at a value of \$2,000, for a total of \$250,000 annual rent. It was also suggested for this to be a temporary period from July 1st, 2012 to July 1st, 2015. Within that temporary time period, negotiation would begin for new lease conditions. The goal would be to have something for the Assembly by July 1st, 2015. Goldbelt did not want to pursue this direction. Mr. Peterson said Goldbelt has concern that within this three year period there will be new Board members and Goldbelt felt the mood of the Board could change. He said Goldbelt also stated that they might be able to negotiate a better lease with the Assembly. This is why Goldbelt wants to follow the original lease with the option to choose a third appraiser to choose between the two appraisals.

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Mr. Simpson said it looks like the Sub-Committee was seeking a compromise using the Reliant high number before they took off the cost of development for build ready. Mr. Simpson said the lease states the rent is to be based on undeveloped property. In a way, the Sub-Committee was adding \$1,000,000 to the starting point. He said if you would have used the Reliant value of \$1,210,000, which is the undeveloped property value, and tried to compromise between the Horan and that number, there might have been a better number like \$1,700,000 million. Mr. Simpson asked Mr. Peterson to explain why the after build ready land value was used?

Mr. Peterson said the Docks & Harbors position at the table was to not acknowledge the before build land value and use the \$2,450,000.

Mr. Simpson said his recollection of the lease was that the lease rent was to be determined from the unimproved land value condition. It is unclear to him why the unimproved land value was not used.

Public Comments -

Derek Duncan, Juneau, AK

He said Goldbelt has a lease that after 15 to 20 years is not working anymore. The area's in the lease that are not working include, lease language, appraisal methodology, royalty rents and how that table is interpreted. Goldbelt is still unsure how that will be interpreted and this is not outlined in the lease how it should be applied. Currently the adjustment process is every three years, but five years make better sense to Goldbelt. Mr. Duncan wants to have the adjustments to the lease be part of this review package that will go before the Assembly. At this time the only disagreement is on the land value. The issue Goldbelt has with Horan's appraisal uses as is ready build and is not the fair market value of the unimproved property at its highest and best use. Reliant uses as is condition and deducts the expense to get the property ready to build on. There was a slight willingness by Docks & Harbors to move down from the build ready value, but that was not adequate for Goldbelt thus leaving the land value still not in agreement. As the lease outlines, this would mean taking this to a third appraiser to choose which appraisal best represents the land value. Mr. Duncan said he does not believe Horan appraisal to be accurate and believes the Reliant to be a more accurate appraisal. He said Mr. Simpson brought up a good point that if the number was to be brought down a bit, this would have helped in the negotiations. At this point it is best to let a third appraiser decide between the two appraisals. He does not want this addressed again in July of next year, but to work on the changes to the lease now. There was a suggestion to take the summer off and work on this again in the fall. He said he is unsure on the Board members with term out. Goldbelt's fear is that they are going to have to start all over again with negotiations. The lease does not work how it is currently written, so he suggests to amend this now. He said negotiations on the new lease is getting close. Mr. Duncan said Goldbelt is willing to drop the taxes imposed on the leesee, lack of legal access, public restroom reimbursement, and agreed on the effective date of adjustment July of 2012. Negotiations are at the point the land value just needs to be agreed upon, and working with Mr. Peterson and Mr. Uchtyl have been good and positive.

Board Discussion

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Mr. Jardell said Docks & Harbors is at a point that the third appraiser is needed to choose the appraisal that best determine the land value. Once there is a status quo lease payment, then we can negotiate the changes to the lease. Then there is a bench mark on going up on the lease rate or down. He wants a status quo before moving forward with renegotiating lease terms. He said Horan should be allowed to amend his appraisal and to use the most recent data. Mr. Jardell recommended to move forward with the process to find a third party and set the status quo then look at the changes to the lease terms.

Mr. Donek suggested to have the Horan appraisal amended to include the Archipelago property sale. This is a new data point that was added to the Reliant appraisal and should also be added to the Horan appraisal. Then move forward with agreeing on a third appraiser to choose between the two appraisals.

Mr. Duncan said he is in agreement with Horan updating his appraisal and then moving forward with the third appraiser.

Mr. Uchytel asked if the Sub-Committee has completed their task to negotiate with Goldbelt?

Mr. Peterson suggested to dissolve the Sub-Committee and just move the updated information to the full Board.

Mr. Duncan said he sees value in keeping the Sub-Committee and meeting with Mr. Peterson and Mr. Uchytel. Trying to negotiate in a public setting is problematic. He suggests to keep the Sub-Committee until this is finalized. This is achieving the goal, but this is just requiring more time.

Mr. Jardell said until the third appraiser chooses an appraisal and it is adopted, there is always a chance to agree on a value. He suggested to leave the Sub-Committee also.

MOTION By MR. PETERSON: TO HAVE HORAN AMEND HIS APPRAISAL TO INCLUDE THE ARCHIPELAGO PROPERTY SALE AND TO KEEP THE SUB-COMMITTEE IN TACT, AND ASK UNANIMOUS CONSENT.

Motion passed without objection.

VI. Adjournment.

The meeting was adjourned at 5:30 p.m.