ASSEMBLY STANDING COMMITTEE
LANDS AND RESOURCES COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA

October 31, 2016, 5:00 PM.
Municipal Building Assembly Chambers

I. ROLL CALL

II. APPROVAL OF AGENDA

III. APPROVAL OF MINUTES

A. October 10, 2016 Minutes

IV. PUBLIC PARTICIPATION

(Not to exceed a total of 10 minutes nor more than 2 minutes for any individual).

V. AGENDA TOPICS

A. RH Development Land Exchange Proposal

B. Docks and Harbors: Angoon Trading Company Inc. Lease

VI. STAFF REPORTS

VII. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

VIII. ADJOURNMENT

ADA accommodations available upon request: Please contact the Clerk's office 72 hours prior to any meeting so arrangements can be made to have a sign language interpreter present or an audiotape containing the Assembly's agenda made available. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.org

ASSEMBLY STANDING COMMITTEE MINUTES
LANDS AND RESOURCES COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
MINUTES
October 10, 2016 5:00 PM
Municipal Building Assembly Chambers

I. ROLL CALL

Debbie White, Acting Chair, called the meeting to order at 5:01 pm.
Members Present: Acting Chair Debbie White; Assembly members: Mary Becker; Jerry Nankervis (telephonic participation)
Liaisons Present: Chris Mertl, PRAC
Liaisons Absent: Carl Greene, Planning Commission; Weston Eiler, Docks and Harbors
Staff Present: Greg Chaney, Lands Manager; Dan Bleidorn, Deputy Lands Manager; Rachel Friedlander, Lands and Resources Specialist; Scott Ciambor, Chief Housing Officer

II. APPROVAL OF AGENDA

Agenda item B was moved to the beginning of the agenda. Item A will be heard second. The agenda was approved as amended.

III. APPROVAL OF MINUTES

A. August 29, 2016

The August 29, 2016 minutes were approved.

IV. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

There was no public participation on non-agenda items.

V. AGENDA TOPICS

A. Negotiated Sale of North Franklin Parking Lot

Ms. Friedlander read the motion that was up for reconsideration from the August 29th, 2016 Lands Committee meeting:

"The motion before the committee is to move ERV's (Eagle Rock Venture's) proposal to the full Assembly to direct for an ordinance of a negotiated sale."

Chair White opened the meeting for public comment.

PUBLIC PARTICIPATION ON AGENDA ITEM A *summarized*

Ms. Mindy Rodencamp: Owns the Franklin Street Barber Shop across from the North Franklin parking lot. Ms. Rodencamp's objected to the proposal. Her biggest concerns are the available parking and the proposed plan for the lot.

Ms. Joanie Waller: Lives at 315 3rd street and owns the Northern Oasis Wellness Spa. Ms. Waller asked the Committee to stop development until it incorporates parking and concept design criteria. Ms. Waller said a neighborhood association has formed and wants to become involved in: the Housing Action Plan, the design of the neighborhood [surrounding the North Franklin lot], and the development of downtown parking. Ms. Waller submitted a petition of 100 names that requests the development of the North Franklin parking lot be stopped.

Mr. Mertl asked Ms. Waller if she is a member of Downtown Business Association (DBA). Ms. Waller confirmed it so, and said DBA never gave her a vote on supporting the North Franklin development.

Mr. Alexander Hoake: Owns two lots near the North Franklin parking lot. Mr. Hoake objected to the proposal and commented that the nearby Bergman Hotel and MacKinnon Apartments demonstrate the neighborhood has been willing to absorb high density and affordable income housing, and that it may be a little much to push so much housing in, so close. Mr. Hoake's main concern is parking, and that there isn't enough now.

Ms. Katherine McCarthy: Lives at 413 3rd street. Ms. McCarthy said parking for residents on 3rd street is like parking in New York City. Ms. McCarthy objected to the proposal however she is not opposed to more high density housing, but she does not know what type of high density housing this lot is going to become. Ms. McCarthy said there are three uninhabited houses, and she wants to know what the City is doing about buildings that do not have residents, and that the CBJ should take some proactive action with these uninhabited homes.

Mr. John Sonin: Lives at 329 5th street. Mr. Sonin objected to the proposal and said this proposal does not take into consideration the people that will be impacted by this development project. The North Franklin Lot is crucial, and is concerned about vital state of the surrounding neighborhood.

Ms. Tracy Ricker: With Tracy Ricker Consulting, is representing ERV, and supports the proposal. Parking and housing needs will economically clash. Parking is not the highest and best use for the North Franklin lot. Housing at the site will generate revenue of $40,000 annually. Ms. Ricker recommended separating the parking and housing issues associated with North Franklin continue moving forward. Housing supports downtown revitalization and brings commerce to the businesses.

Mr. Nankervis was in favor of moving the negotiated sale of the North Franklin Lot to the Assembly and is strongly in support of the project. Mr. Nankervis commented that the last time a project was suggested for this lot with parking, it caused the option for housing at the site to fail. Mr. Nankervis said that parking makes the project upside down [in cost] and that this is an important issue for all 9 assembly members to discuss. Mr. Nankervis said housing is a big issue.

Ms. Becker said that when she made the motion of reconsideration, she asked for information concerning what steps would be taken to provide parking in this area.

Mr. Ciambor responded by going over the contents included in the Lands Committee packet and provided a PowerPoint presentation to the committee.

Chair White said she thought the existing parking garages were already oversold. Mr. Ciambor replied he saw the preliminary data for the use of the garages, that there is opportunity for using existing spaces more efficiently than they are being used now, and that more information on this topic will be presented by the Ad Hoc Parking Committee.

Chair White asked for clarification regarding Table 3-1 of the Willoughby District Parking Master Plan and how it states there are 67 existing spaces at the North Franklin Lot. Mr. Ciambor replied that the Plan assumed the City would be able to control the neighboring State parking spaces.

Ms. Becker read her request for more information in the August 29th, 2016 minutes and said she has not heard about the steps staff is taking to provide parking to this area of town, and that she is looking for walkable-distance parking space replacements. Ms. Becker said the information Mr. Ciambor provided was good, but not what she asked for. Mr. Ciambor replied more time will be needed to find a spot-for-spot trade regarding the 23 parking spots currently provided at the North Franklin lot, and that parking is a part of a grander discussion. Ms. Becker agreed that more time will be needed, however she was expecting staff to state “yes, it was true [staff] found 20 parking spaces downtown.” Mr. Ciambor replied he did look into this request; that there has been work done on a proposal to repaint or find parking elsewhere; that Franklin and Front Street is looking to redesign but has been unable to find new parking spaces in this area; that a number of people have worked on the original proposal from Mayor Fisk; that there is no substantial gain from the 23 spaces in emergency service and loading zone areas and that only very few spots could be gained in that exercise; and that the Ad Hoc Parking Advisory Committee will be coming together with a specific plan for parking in the downtown core.

Mr. Mertl asked if the 35 units mentioned in the proposal came from the developer directly. Mr. Ciambor replied ERV asked the City to use 35 units as a rough estimate. Mr. Mertl asked if the CBJ requires the developer to provide parking for the commercial development on the first floor. Mr. Chaney replied with a commercial space, there would be a requirement for parking but without knowing how big the commercial space will be, it’s hard to say how many spaces will be required. Mr. Mertl asked if that number will be greater than 14, and Mr. Chaney replied potentially. Mr. Mertl said parking frustrates him, that he is a downtown business, that the CBJ is looking at losing 37 stalls (23 existing + 14 newly required), and that if the City is losing 37 parking spaces and that there is no available land for parking, is the City ready to jump into a $1.5 million dollar cost to create parking to replace what is lost. Mr. Mertl said the City needs to look at the trickle down of what this development project is resulting in. Mr. Mertl said parking has not been a high enough priority.
Chair White said the vote tonight is whether Lands lets the whole Assembly examine this issue in detail. Chair White said she would probably shop a lot more downtown if

she had a place to put her big truck. Chair White said she worries what losing this parking means to the downtown businesses, and what impact that could have on sales tax. Chair White asked the committee if they want the whole Assembly to look at this.

Ms. Becker asked if the issue is parking that is causing hesitation on this project, the Lands Committee heard that staff doesn't have an answer on parking and isn't sure what staff would tell the whole Assembly that they are not telling the committee tonight.

Chair White asked the committee if they should call for a vote. Ms. Becker asked what the result would be if the committee asked staff to do more research and if the committee cares enough about parking to let this project go if a compromise is not reached. Ms. Becker said if the City cannot get parking, then the City cannot get this project, if parking is a priority.

Mr. Mertl asked what the timeline is for the project. Mr. Ciambor replied he is not aware of ERV's timeline and how long until they invest elsewhere, and that the City needs to take advantage of this opportunity since access to capital is one of the major limitations to creating new housing.

Chair White said she would provide staff one more meeting to address parking. Mr. Becker asked if staff had looked at the Federal Building parking lot, if it is a viable use, and how far it is away. Mr. Ciambor replied there are parking processes in place; that the Franklin and Front Street redesign is looking actively at parking; that the Willoughby District Parking Plan has suggestions for additional parking spaces in structure form; and that he would not like to limit this discussion to where the next parking space will be. Mr. Ciambor said parking and housing operate simultaneously.

Ms. Becker said the City will lose $500,000 for selling this property and build a parking structure somewhere, and wanted to know if this piece of property is worth it. Mr. Ciambor replied it would be hard to provide an answer on the spot but that as far as community goals go, lack of housing is one of the biggest economic drains on the community. Ms. Becker commented that she saw many empty houses in the downtown core, and has questioned if the City should do another survey about the community and what it needs and if the community really needs the 400 units outlined in the most recent report.

Mr. Nankervis moved to maintain and support the motion. Chair White asked if the proposal should be forwarded to the entire Assembly and Ms. Becker replied she thinks so. Ms. Becker asked if there was a reason why the proposal should go to the full Assembly instead of the Committee of the Whole. Mr. Nankervis responded either one since it is the same body. Mr. Nankervis added he believes there has to be an ordinance to appropriate that and it therefore would be more appropriate at the Assembly than the Committee of the Whole. Chair White asked for clarification that the Lands Committee should support the motion of the proposal or simply forward it to the Committee of the Whole to review the proposal. Mr. Nankervis replied the Lands Committee could say it supports the proposal now and change opinions when it is before the entire Assembly, since this proposal will not get to the full Assembly if the Lands Committee does not support the motion. Mr. Nankervis said he finds it unfathomable to oppose this sale; that he supports the proposal; that he shares concerns with those that testified about parking; that the City has been pushing housing for so long; and to say "no" again to housing would be unfathomable.

Ms. Becker requested an at-ease, and then after Chair White called the meeting back to order, requested to hear the motion again. Ms. Friedlander read the motion:

"The motion before the committee is to move ERV's proposal to the full Assembly to direct for an ordinance of a negotiated sale."

Mr. Nankervis- Yes
Ms. Becker- No
Chair White- No

Motion fails 2 to 1

Ms. Becker moved that the Lands Committee forward ERV's proposal to the Full Assembly with a recommendation of a no vote.

Mr. Nankervis- No
Ms. Becker- Yes
Chair White- Yes

Motion passes 2 to 1.

Chair White issued an apology to Mr. Harris that his item was not heard at tonight's Lands Committee meeting.

B. RH Development Proposal

The Lands Committee ran out of time and was unable to address this agenda item.

VI. STAFF REPORTS

There were no staff reports.

VII. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

There were no committee member/liaison comments.

VIII. ADJOURNMENT

The meeting was adjourned at 6:01 pm.

MEMORANDUM

CITY/BOROUGH OF JUNEAU
Lands and Resources Office
155 S. Seward St., Juneau, Alaska 99801
greg.chaney@juneau.org
Voice (907) 586-0205
Fax (907) 586-5385

TO: The Lands Committee

FROM: Greg Chaney, Lands and Resources Manager

Greg Chaney

SUBJECT: *REVISED:* Evaluation of a Proposal by RH Development for CBJ to Fund Construction of a Private Subdivision in Exchange for Undeveloped Property

DATE: October 6, 2016

A memo was included in the August 15 2016 Lands Committee packet, evaluating a proposal by RH Development for the CBJ to fund construction of a road in exchange for approximately 7 acres of property. Mr. Harris was not able to attend the August 15th meeting after which he sent an E-mail indicating there were inaccuracies in the previous memo (Attachment A), therefore the memo below contains an updated review.

The Lands and Resources Division was instructed to undertake an initial evaluation of a proposal submitted by RH Development in the general vicinity of Sunny Point, on the uphill side of Glacier Highway (Attachments B and C). As proposed, RH Development would provide the City and Borough of Juneau with an undeveloped 7 acre tract of remote property and in exchange, the CBJ would fund construction of a 600 foot extension of Seymour Way to the 7 acre property.

<u>RH Development Proposal</u>

Attached is a *conceptual sketch* of the proposed subdivision provided by RH Development, which has not been evaluated by an engineer to verify feasibility (Attachment D).

In the proposed exchange, the CBJ would receive about 7 acres of undeveloped remote property labeled Lot 16 on the conceptual sketch plat. The CBJ owns LND-0820, which is the 725 acre lot uphill from Lot 16. Although the topography is challenging, Lot 16 could potentially provide access to CBJ property LND-0820 (Attachment E).

In exchange for Lot 16 (a 7 acre tract of undeveloped land), the City would extend Seymour Way 600 feet to Lot 16. The grade of the unbuilt portion of Seymour Way exceeds 10% (shown as a dotted line on the sketch plat). From the base of Lot 16 to the upper portion of the lot, the grade is about 20%. City buses generally do not drive on grades that exceed 8%.

Land in this region becomes steeper the farther it is from Glacier Highway, and CBJ property LND-0820 is extremely steep. Roads could be built that would have lower grades but they could not go directly up slope and would have to be longer; longer roads would add additional expense.

Lands Staff Findings

Precipitous slopes are the reason why this region of LND-0820 was not recommended for residential development in the 2006 CBJ Buildable Lands Study. Additionally, the proposed exchange does not appear to be economically favorable to the City.

For comparison, the University of Alaska property at the end of Wildmeadow Lane is similar to the 7 acres of Lot 16 (steep slopes, no constructed access, south facing) and was recently appraised at $10,000 per acre (Attachment B). To be generous, let's assume that Lot 16 would be superior to the Wildmeadow Lane area and would have a fair market value of $30,000 an acre. That would mean the 7 acre parcel would be worth $210,000.

The proposed extension of Seymour Way would be approximately 600' long. An *optimistic* guess for the road construction costs would be more than five times the value of the 7 acre parcel being offered in exchange. That does not include costs for wetland fill permitting, DOT access requirements, and unexpected costs due to undesirable soils or drainage challenges. These factors combined could significantly increase development costs.

Conclusion

Based on the information available, Lands staff advises it would be inappropriate to invest CBJ funds to further evaluate the proposal submitted by RH Development.

From: RICHARD HARRIS [mailto:RHDevelopment@gci.net]
Sent: Monday, August 29, 2016 11:23 AM
To: Greg Chaney
Cc: Dan Bleidorn; Rachel Friedlander; Borough Assembly
Subject: RE: Land Exchange Proposal

Hi Greg , I know your busy so I will attempt to explain the proposal clearer in this email. It appears that your understanding of the proposal was for the CBJ to construct the section of road that is within our first phase, including Wildview Ct. This is not correct, I explained to Rorie initially I did not wish to slow our current subdivision plans. The proposal is for the CBJ to construct the balance of Seymour Way. R.H. Development is planning on constructing the first section of road, approx 200 feet as shown on construction plans currently being reviewed by CBJ.

The proposed road way to be constructed would give CBJ access to the property that was offered (lot-16). This would increase the value of Lot -16 substantially, it would also allow CBJ to design for best access to Lot-16 and adjoining lands. The sketched roadway and lots-14, 15, 16 locations are not set in stone. The sketch provided was a conceptual idea.

The next step would be to have the street and Lot locations looked at by an engineering firm, designing to the topography for best access to the land, as you suggested. The proposed lot -16 contains the best soils of our 20 acre parcel. This can be seen at the top of the Vista Del Sol Subd. next door to our parcel. Though the parcel has some grade changes this does not render the property unbuildable or inaccessible . With the Multifamily D-18 zoning this property will have many options available.

Regarding the Value of the land, the evaluation given by staff is definitely not in line with quality D-18 Multifamily land, this property is in a great neighborhood, it is south facing, with possible view, and good soils. The proposed Lot-16 would have access provided in exchange for the land, thus the reason for giving the land, it should also be said Lot-16 currently has access provided from Vista Del Sol Dr.

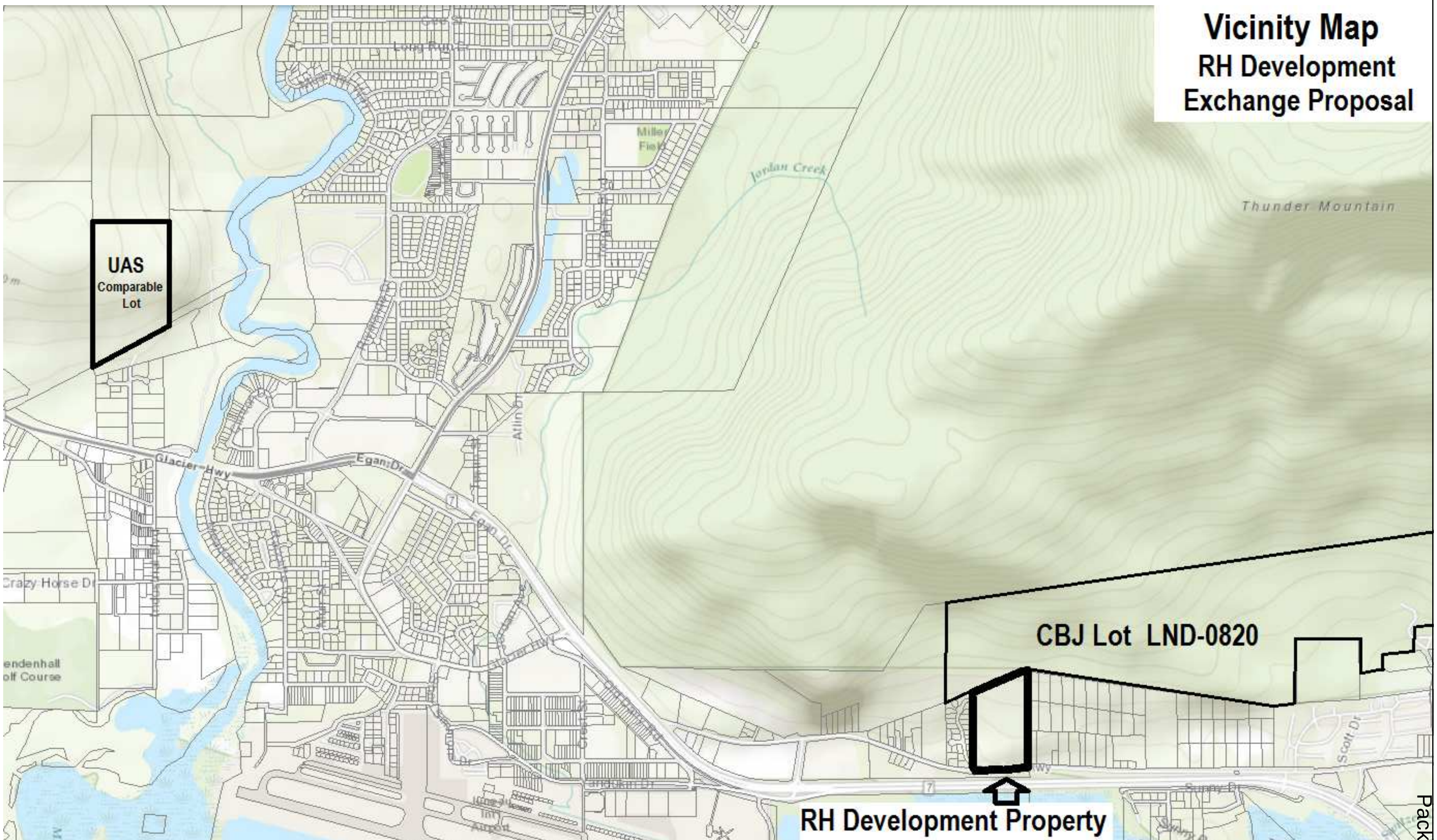
Again sorry I was not at the meeting to clarify the proposal. I hope this helps.

Let me know if CBJ lands committee or yourself wish to talk further regarding the proposal.

Richard Harris

ATTACHMENT A

ATTACHMENT B



RH Development LLC
PO Box 32403
Juneau, AK 99803
Phone 907-790-4146
Fax 907-790-4147

Dear Mayor Ken Koelsch, City Manager Rorie Watt, and Members of the CBJ Assembly

As you know; our company has been actively working on a residential housing development in the east Mendenhall valley located at 7400 Glacier Hwy. I have recently read through the Juneau housing action plan and I have also been involved with discussions related to the Peterson Hill Development. Our Company would like to bring forward an exchange proposal to the City and borough of Juneau. Our proposal is quite simple, and we feel would benefit all parties involved. This plan would provide the CBJ with future access to adjoining lands that are currently owned by the CBJ, it would also provide additional acreage to the city for open space park lands or further CBJ development. Our proposal is that in exchange for excavation and street construction within our development, we will deed approximately 7 acres of land to the CBJ (see attached sketch labeled Lot-16). This proposal will allow our company to focus our finances and attention on much needed construction and housing development. The community would gain valuable land, access to existing public lands, and much needed housing.

In comparison to the proposed Peterson Hill project our proposal would be completed much sooner, our land is quality buildable land that already has adequately sized public utilities to our property. The Peterson Hill Project will require 600-700 feet of street construction before accessing the first building lot; our project would access building lots immediately. Our project would require a substantially lower investment of the CBJ, while providing everything that the Peterson Hill development could provide. Our proposal would coincide with the Juneau Housing action plan, the Juneau economic development plan and the comprehensive plan.

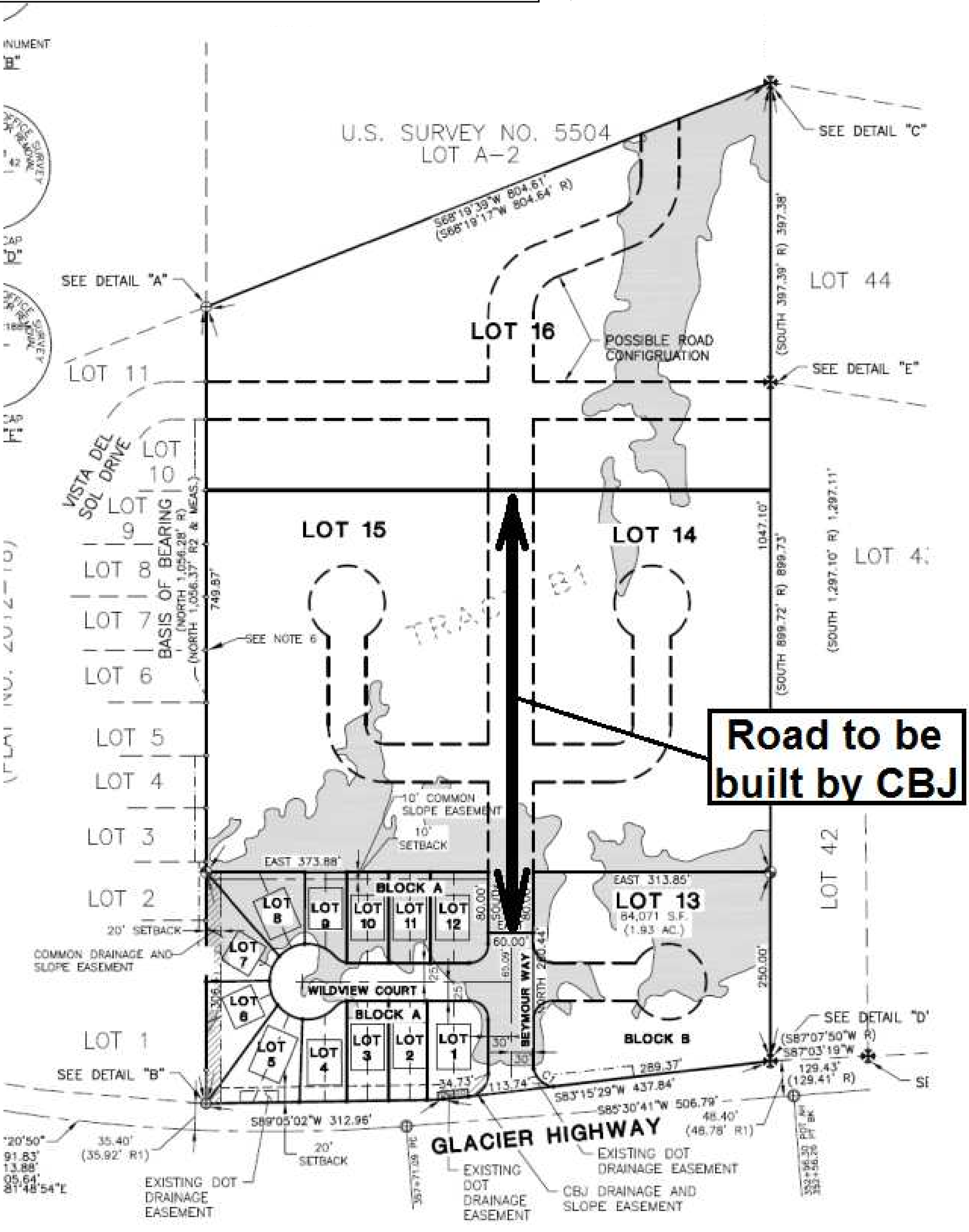
We realize this may not be an answer to all the CBJ housing issues; however we feel that for the city this would be a minimal investment for a maximum gain.

I thank you for your consideration,

Richard Harris

ATTACHMENT C

PLAT OF
CONCEPTUAL SKETCH RIDGEVIEW SUBDIVISION
A SUBDIVISION OF
TRACT B1
U.S. SURVEY NO. 1568



ATTACHMENT D

ATTACHMENT E

Port of Juneau

City & Borough of Juneau • Docks & Harbors
155 S. Seward Street • Juneau, AK 99801
(907) 586-0292 Phone • (907) 586-0295 Fax

From: Carl Uchytil, P.E.
Port Director

To: Assembly Lands Committee

Thru: Docks & Harbors Board

Date: October 27th, 2016

Re: ANGOON TRADING COMPANY – TIDELAND LEASE

---

1. CBJ Docks & Harbors proposes entering into a new 35-year tideland lease with Angoon Trading Company for Alaska Tidelands Survey No. 1670, Tract A, containing 1.46 acres (63,598 sf) along Channel Drive. The existing 55-year lease (ADL 2852/ATS 54) was executed between the State of Alaska and Channel Flying Service/Parker Tug & Barge on November 28th, 1961. On February 8th, 2001, the State of Alaska transferred management of ATS 54 to CBJ Docks & Harbors. The ATS 54 was replatted to ATS 1670, according to plat 2015-1 filed in the Juneau Recording District on January 9th, 2015. Horan & Company appraised ATS 1670, Tract A at $0.10/sf with an effective date of August 13th, 2015. Channel Flying Service assigned its right, title and interest to Angoon Trading Company on August 31st, 2016.

2. The lease assignment to Angoon Trading Company enables the new lease to be offered under 53.20.100 - Preference privilege.

3. The Docks & Harbors Board recommended the Assembly approve a new 35-year lease with Angoon Trading Company for $6359.90 per year at its September 29th, 2016 regular Board meeting. The attached lease language has been reviewed by CBJ Law. It is recommended the lease language be approved by the Docks & Harbors Board and the Assembly Lands Committee. If the lease language is approved a non-code ordinance will be introduced at the November 7th, 2016 Assembly meeting.

#

Encl: (1) Proposed Lease
(2) Horan & Company Appraisal

After Recording Please Return to:
City and Borough of Juneau
Attn: Carl Uchytil, P.E., Port Director
155 S. Seward Street
Juneau, AK 99801

LEASE FOR ATS 1670

PART 1. PARTIES. This lease is between the City and Borough of Juneau, Alaska, a municipal corporation in the State of Alaska, hereafter "CBJ" or "City" and Angoon Trading Company, Inc., a corporation organized under the laws of the State of Alaska (with its principal place of business in Angoon, Alaska), a, hereafter "Lessee."

PART II. LEASE ADMINISTRATION. All communications about this lease shall be directed as follows, and any reliance on a communication with a person other than that listed below is at the party's own risk.

CBJ:
City and Borough of Juneau
Attn: Carl Uchytil, P.E.
155 S. Seward Street
Juneau, AK 99801
Phone: (907) 586-0292
Fax: (907) 586-0295
Email: Carl.Uchytil@juneau.org

Lessee:
Angoon Trading Company, Inc.
Attn: Shayne Thompson
P.O. Box 10
Angoon, AK 99820
Phone: 907-788-3111

PART III. LEASE DESCRIPTION. The following appendices are attached hereto and are considered to be part of this lease agreement as well as anything incorporated by reference or attached to those appendices.

Appendix A: Property Description & Additional Lease Provisions
Appendix B: Lease Provisions Required by CBJ Chapter 53.20
Appendix C: Standard Provisions

If in conflict, the order of precedence shall be: this document, Appendix A, B, and then C.

PART IV. PRIOR LEASE AGREEMENTS SUPERSEDED. This lease agreement supersedes and replaces any lease agreement for Alaska Tidelands Survey No. 54/ADL 2852, entered into between the State of Alaska and a predecessor lessee on November 28, 1961, and any amendments to, or assignments of, that lease agreement.

PART V. LEASE EXECUTION. CBJ and Lessee agree and sign below. This lease is not effective until signed by the CBJ.

Lessee:

Date: ________________________

By: ________________________
Shayne Thompson
President and Director, Angoon Trading Company, Inc.

LESSEE ACKNOWLEDGMENT

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

This is to certify that on the ____ day of ___________________, 201__, before the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Shayne Thompson**, President and Director, of Angoon Trading Company, Inc.,** to me known to be the identical individuals described in and who executed the foregoing instrument for and on behalf of said corporation, as Lessee, which executed the above and foregoing instrument; who on oath stated that s/he was duly authorized to execute said instrument; who acknowledged to me that s/he signed the same freely and voluntarily for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.

____
Notary Public in and for the State of Alaska
My Commission Expires: ______________

CBJ:

Date: ______________________________________

By: ______________________________________
Carl Uchytil
CBJ Port Director

CBJ ACKNOWLEDGMENT

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

This is to certify that on the ____ day of ____________________, 2016, before the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared **Carl Uchytil**, to me known to be the **Port Director of the City and Borough of Juneau**, Alaska, a municipal corporation which executed the above foregoing instrument, who on oath stated that he was duly authorized to executive said instrument on behalf of said corporation; who acknowledged to that that he signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.

____
Notary Public in and for the State of Alaska
My Commission Expires: _______________

Risk Management Review: ____, Risk Manager

Approved as to Form: ____, Law Department

APPENDIX A:
PROPERTY DESCRIPTION & ADDITIONAL LEASE PROVISIONS

1. DESCRIPTION OF PROPERTY

The property subject to this lease is generally referred to as "the Leased Premises" or "the Property." The Leased Premises subject to this lease is also known as Angoon Trading Company Inc. The Leased Premises are described as follows:

> Alaska Tidelands Survey No. 1670, Tract A, according to the plat 2015-1 filed in the Juneau Recording District on January 9th, 2015 containing 1.46 acres, more or less.

The Leased Premises, depicted on Plat 2015-1 are subject to any legally enforceable encumbrances. A copy of Plat 2015-1 is attached as Exhibit A.

There is a 12' x 9' electrical easement in the northwest corner of the property also depicted on Plat 2015-1.

2. AUTHORITY

This lease is entered into pursuant to the authority of CBJ Code Section 85.02.060(a)(5) and CBJ Chapter 53.20; and CBJ Ordinance No. 2016-____, adopted by the City and Borough of Juneau Assembly on ____________, 2016 and effective 30 days thereafter.

3. TERM

The parties agree that it was their intent to enter into this lease arrangement for the 35 year period starting November 27, 2016. Accordingly, the parties agree and intend that this lease shall be interpreted as having the effective date be retroactive to November 27, 2016. The parties agree and consent to being bound by the terms of this agreement as if it had been entered into as of November 27, 2016.

The term of the lease is 35 years and shall remain in effect until November 27, 2051, unless sooner terminated.

4. LEASE PAYMENTS AND ADJUSTMENTS

a) The annual rent for each year for the first five years of the lease, November 27, 2016 – November 26, 2021, shall be **$6,359.80.** Lessee has the option to pay the CBJ a monthly payment of five hundred and twenty-nine dollars and ninety-nine cents ($529.99). Payments shall be made to City and Borough of Juneau, 155 S. Seward Street Juneau, AK 99801 and reference D&H Lease ATS 1670 Tract A**.**

b) Lessee shall pay CBJ without demand, deduction or offset the monthly rental in advance or on the first (1st) day of each month during the Lease. Payments for any partial month at the beginning or end of the Lease term shall be prorated.

c) CBJ's acceptance of less than the full amount of any payment due from Lessee shall not be deemed an accord and satisfaction or compromise of such payment unless CBJ specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which CBJ claims.

d) Beginning with the first year after the initial five-year period of the term, November 27th, 2021, the Port Director will re-evaluate and adjust the annual lease payment for the Leased Premises for the next five-year period of this lease, and then every five years thereafter, pursuant to Appendix B, Section 3(b) of this lease, CBJ 53.20.190(2), CBJ 85.02.060(a)(5), and the Docks and Harbors lease administration regulations, 05 CBJAC Chapter 50. The new annual lease payment amount shall be paid retroactively to the beginning of that lease payment adjustment period. Lessee shall pay all appraisal costs associated with re-evaluating and making adjustments to the annual lease payment.

5. AUTHORIZED USE OF PREMISES

Lessee is authorized to use the Leased Premises for a warehouse, product distribution facility, and barge landing. Should Lessee wish to further development the Leased Premises, Lessee shall be required to obtain approval of its development plans from the CBJ Docks and Harbors Board prior to any further development of the Leased Premises or improvements. Lessee shall be responsible for obtaining all necessary permits and approvals for Lessee's development of the Leased Premises.

6. TAXES

Lessee is hereby on notice that this lease may make all or a portion of the Leased Premises taxable. Lessee shall pay all taxes, assessments, liens and license fees levied, assessed or imposed by any authority having the direct or indirect power to tax or assess any such liens, by reason of Lessee's use of the Leased Premises.

7. UTILITIES AND SERVICES

If the Lessee wants utilities or services provided to the Leased Premises, the Lessee shall furnish and pay, at Lessee's sole expense, the desired utilities and services (including but not limited to power, water, waste water, trash, janitorial, telephone, internet, and cable).

8. INSURANCE

Lessee shall provide a certification of proper insurance coverage to the CBJ. Lessee has secured and agrees to keep and maintain in full force and effect, at its own expense, the insurance approved by CBJ Risk Management as outlined below. All insurance required under this contract shall name the CBJ as an additional insured, except with respect to Workers Compensation policies. At least 30 days prior to the cancellation, non-renewal or reduction in the amount of coverage, Lessee shall provide written notice to the CBJ's Risk Management. The Lessee's insurance shall be primary and any insurance maintained by the CBJ shall be non-contributory. Failure of CBJ to demand such certificate or other evidence of full compliance with these insurance requirements or failure of CBJ to identify a deficiency from evidence that is provided shall not be construed as a waiver of the obligation of the Contractor to maintain the insurance required by this contract.

<u>Commercial General Liability Insurance.</u> Lessee shall maintain in full force and effect, at its own expense, at all times during this lease, commercial general liability insurance in the amounts of $1,000,000 per occurrence and $2,000,000 general aggregate. The insurance policy shall name CBJ as an "Additional Insured" and shall require that the insurance company give prior written notice consistent with the terms of the policy, to the CBJ's Risk Management Officer prior to any cancellation, non-renewal, or reduction in the amount of coverage. If the Lessee maintains higher limits than shown below, the CBJ shall be entitled to coverage for the higher limits maintained by the Lessee.

<u>Comprehensive Automobile Liability Insurance</u>. The coverage shall include all owned, hired, and non-owned vehicles to a one million dollar ($1,000,000.00) combined single limit coverage. **The CBJ shall be named as additional insured on this policy.**

<u>Workers Compensation Insurance</u>. As required by Alaska Statute (AS 23.30), the Lessee must maintain Workers Compensation Insurance to protect the Lessee from any claims or damages for any personal injury or death which may arise from services performed on the Leased Premises. This requirement applies to the Lessee's firm, any subcontractors or assignees, and anyone directly or indirectly employed to perform work by the Lessee on the Leased Premises. The Lessee must notify the CBJ as well as the State Division of Workers Compensation immediately when changes in the Lessee's business operation affect the Lessee's insurance status. Statutory limits apply to Workers Compensation Insurance. The policy must include employer's liability coverage of one hundred thousand dollars ($100,000.00) per injury and illness, and five hundred thousand dollars ($500,000.00) policy limits. Lessee also agrees to provide evidence of Longshore and Harbor Worker's Insurance and Jones Act coverage if applicable to the Lessee's use of the Leased Premises. **The policy shall be endorsed to waive subrogation rights against the CBJ.**

<u>Property Insurance</u>. Lessee acknowledges that CBJ carries no fire or other casualty insurance on the Lease Premises or improvements located thereon belonging to Lessee, and that it is the Lessee's obligation to obtain adequate insurance for protection of Lessee's buildings, fixtures, or other improvements, or personal property located on the Leased Premises, and adequate insurance to cover debris removal.

APPENDIX B: LEASE PROVISIONS REQUIRED BY CBJ CHAPTER 53.20 and CBJ CHAPTER 50

1. RESPONSIBILITY TO PROPERLY LOCATE ON LEASED PREMISES.
As required by CBJ 53.20.160, it shall be the responsibility of Lessee to properly locate Lessee's improvements on the Lease Premises and failure to so locate shall render Lessee's liable as provided by law.

2. APPROVAL OF OTHER AUTHORITIES.
As required by CBJ 53.20.180, the issuance by CBJ of leases, including this lease, under the provisions of CBJ Title 53 does not relieve Lessees of responsibility for obtaining licenses, permits, or approvals as may be required by CBJ or by duly authorized state or federal agencies.

3. TERMS AND CONDITIONS OF LEASES REQUIRED BY CBJ 53.20.190.
As required by CBJ 53.20.190, the following terms and conditions govern all leases and are incorporated into this lease unless modified by the Assembly by ordinance or resolution for this specific lease. Modifications of the provisions of this Appendix B applicable to this specific lease, if any, must specifically modify such provisions and be supported by the relevant ordinance or resolution to be effective.

(a) **Lease Utilization.** The Leased Premises shall be utilized only for purposes within the scope of the application and the terms of the lease, and in conformity with the provisions of CBJ code, and applicable state and federal laws and regulations. Utilization or development of the Leased Premises for other than the allowed uses shall constitute a violation of the lease and subject the lease to cancellation at any time.

(b) **Adjustment of Rental.** Lessee agrees to a review and adjustment of the annual rental payment by the Port Director not less often than every fifth year of the lease term beginning with the rental due after completion of each review period. Any changes or adjustments shall be based primarily upon the values of comparable land in the same or similar areas; such evaluations shall also include all improvements, placed upon or made to the land, to which the CBJ has right or title, excluding landfill placed upon the land by Lessee, except that the value of any improvements credited against rentals shall be included in the value.

(i) **Delays in setting rents.** Delays in setting or adjusting lease rents due to the appraisal process shall not change the effective date of the lease rent change. In the case of renewals, the new rent shall apply retroactively to the date the lease expired. In the case of rent adjustments during a lease, the new rent shall apply retroactively to the date of rent adjustment as set out in the lease.

(ii) **Adjustment Dispute Resolution.** Should the Lessee disagree with the lease rent adjustment proposed by the Port Director, the Lessee shall pay for an appraisal and have the appraisal undertaken in accordance with the requirements set out in 05 CBJAC 50.050. In the event the Docks and Harbors Board disagrees with an appraisal, and the Board cannot reach an agreement with the lessee on the lease rent adjustment, the Board shall pay for an additional appraisal and have the appraisal undertaken in accordance with the requirements set out in 05 CBJAC 50.050. The Board shall establish the lease rent adjustment based on this additional appraisal. In the event the Lessee disagrees with the lease rent adjustment, the lessee may appeal to the Assembly. The decision of the Assembly shall be final.

(c) **Subleasing.** Lessee may sublease Leased Premises or any part thereof leased to Lessee hereunder; provided, that the proposed sub-lessee shall first apply to CBJ for a permit therefore; and further provided, that the improvements on the Leased Premises are the substantial reason for the sublease. Leases not having improvements thereon shall not be sublet. Subleases shall be in writing and be subject to the terms and conditions of the original lease; all terms, conditions, and covenants of the underlying lease that may be made to apply to the sublease are hereby incorporated into the sublease.

(d) **Assignment.** Lessee may assign its rights and obligations under this lease; provided that the proposed assignment shall be approved by CBJ prior to any assignment. The assignee shall be subject to all of the provisions of the lease. All terms, conditions, and covenants of the underlying lease that may be made applicable to the assignment are hereby incorporated into the assignment.

(e) **Modification.** The lease may be modified only by an agreement in writing signed by all parties in interest or their successor in interest.

(f) **Cancellation and Forfeiture.**

(i) The lease, if in good standing, may be cancelled in whole or in part, at any time, upon mutual written agreement by Lessee and CBJ.

(ii) CBJ may cancel the lease if it is used for any unlawful purpose.

(iii) If Lessee shall default in the performance or observance of any of the lease terms, covenants or stipulations thereto, or of the regulations now or hereafter in force, or service of written notice by City without remedy by Lessee of the conditions warranting default, CBJ may subject Lessee to appropriate legal action including, but not limited to, forfeiture of the lease. No improvements may be removed by Lessee or other person during any time Lessee is in default.

(iv) Failure to make substantial use of the land, consistent with the proposed use, within one year shall in the discretion of CBJ with approval of the Assembly constitute grounds for default.

(g) **Notice or Demand.** Any notice or demand, which under terms of a lease or under any statute must be given or made by the parties thereto, shall be in writing, and be given or made by registered or certified mail, addressed to the other party at the address of record.

However, either party may designate in writing such new or other address to which the notice or demand shall thereafter be so given, made or mailed. A notice given hereunder shall be deemed delivered when deposited in a United States general or branch post office enclosed in a registered or certified mail prepaid wrapper or envelope addressed as hereinbefore provided.

(h) **Rights of Mortgage or Lienholder.** In the event of cancellation or forfeiture of a lease for cause, the holder of a properly recorded mortgage, conditional assignment or collateral assignment will have the option to acquire the lease for the unexpired term thereof, subject to the same terms and conditions as in the original lease.

(i) **Entry and Reentry.** In the event that the lease should be terminated as hereinbefore provided, or by summary proceedings or otherwise, or in the event that the demised lands, or any part thereof, should be abandoned by Lessee during the term, CBJ or its agents, servants, or representative, may, immediately or any time thereafter, reenter and resume possession of lands or such thereof, and remove all personals and property there from either by summary proceedings or by a suitable action or proceeding at law without being liable for any damages therefor. No reentry by CBJ shall be deemed an acceptance of a surrender of the lease.

(j) **Lease.** In the event that the lease should be terminated as herein provided, or by summary proceedings, or otherwise, CBJ may offer the lands for lease or other appropriate disposal pursuant to the provisions of CBJ code.

(k) **Forfeiture of Rental.** In the event that the lease should be terminated because of any breach by Lessee, as herein provided, the annual rental payment last made by Lessee shall be forfeited and retained by CBJ as partial or total damages for the breach.

(l) **Written Waiver.** The receipt of rent by CBJ with knowledge of any breach of the lease by Lessee or of any default on the part of Lessee in observance or performance of any of the conditions or covenants of the lease, shall not be deemed a waiver of any provision of the Lease. No failure on the part of the CBJ to enforce any covenant or provision therein contained, nor any waiver of any right thereunder by CBJ unless in writing, shall discharge or invalidate such covenants or provisions or affect the right of CBJ to enforce the same in the event of any subsequent breach or default. The receipt, by CBJ, of any rent or any other sum of money after the termination, in any manner, of the term demised, or after the giving by CBJ of any notice thereunder to effect such termination, shall not reinstate, continue, or extend the resultant term therein demised, or destroy, or in any manner impair the efficacy of any such notice or termination as may have been given thereunder by CBJ to Lessee prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by CBJ.

(m) **Expiration of Lease.** Unless the lease is renewed or sooner terminated as provided herein, Lessee shall peaceably and quietly leave, surrender and yield up to the City all of the leased land on the last day of the term of the lease.

(n) **Renewal Preference.** Any renewal preference granted to Lessee is a privilege, and is neither a right nor bargained for consideration. The lease renewal procedure and renewal preference shall be that provided by ordinance in effect on the date the application for renewal is received by the designated official.

(o) **Removal or Reversion of Improvement upon Termination of Lease.** Improvements owned by Lessee shall within sixty calendar days after the termination of the lease be removed by Lessee; provided, such removal will not cause injury or damage to the lands or improvements demised; and further provided, that CBJ may extend the time for removing such improvements in cases where hardship is proven. Improvements owned by Lessee may, with the consent of CBJ, be sold to the succeeding Lessee. All periods of time granted Lessee to remove improvements is subject to Lessee's paying the CBJ pro rata lease rentals for the period.

(i) If any improvements and/or chattels not owned by CBJ and having an appraised value in excess of five thousand dollars as determined by the assessor are not removed within the time allowed, such improvements and/or chattels on the lands, after deducting for CBJ rents due and owning and expenses incurred in making such sale. Such rights to proceeds of the sale shall expire one year from the date of such sale. If no bids acceptable to the Port Director are received, title to such improvements and/or chattels shall vest in CBJ.

(ii) If any improvements and/or chattels having an appraised value of five thousand dollars or less, as determined by the assessor, are not removed within the time allowed, such improvements and/or chattels shall revert to, and absolute title shall vest in, CBJ.

(p) **Rental for Improvements or Chattels not Removed.** Any improvements and/or chattels belonging to Lessee or placed on the lease during Lessee's tenure with or without his permission and remaining upon the premises after the termination date of the lease shall entitle CBJ to charge Lessee a reasonable rent therefor.

(q) **Compliance with Regulations Code.** Lessee shall comply with all regulations, rules, and the code of the City and Borough of Juneau, and with all state and federal regulations, rules and laws as the code or any such rules, regulations or laws may affect the activity upon or associated with the leased land.

(r) **Condition of Premises.** Lessee shall keep the premises of the lease in neat, clean, sanitary and safe condition and shall take all reasonable precautions to prevent, and take all necessary action to suppress destruction or uncontrolled grass, brush or other fire on the leased lands. Lessee shall not undertake any activity that causes or increases a sloughing off or loss of surface materials of the leased land.

(s) **Inspection.** Lessee shall allow an authorized representative of CBJ to enter the lease land for inspection at any reasonable time.

(t) **Use of Material.** Lessee of the surface rights shall not sell or remove for use elsewhere any timber, stone, gravel, peat moss, topsoils, or any other materials valuable for building or commercial purposes; provided, however, that material required for the development of the leasehold may be used, if its use is first approved by the CBJ.

(u) **Rights-of-Way.** CBJ expressly reserves the right to grant easements or rights-of-way across leased land if it is determined in the best interest of the CBJ to do so. If CBJ grants an easement or right-of-way across the leased land, Lessee shall be entitled to damages for all Lessee-owned improvements or crops destroyed or damaged. Damages shall be limited to improvements and crops only, and loss shall be determined by fair market value. Annual rentals may be adjusted to compensate Lessee for loss of use.

(v) **Warranty.** CBJ does not warrant by its classification or leasing of land that the land is ideally suited for the use authorized under the classification or lease and no guaranty is given or implied that it shall be profitable to employ land to said use.

(w) **Lease Rental Credit.** When authorized in writing by CBJ prior to the commencement of any work, Lessee may be granted credit against current or future rent; provided the work accomplished on or off the leased area results in increased valuation of the leased or other city and borough-owned lands. The authorization may stipulate type of work, standards of construction and the maximum allowable credit for the specific project. Title to improvements or chattels credited against rent under this section shall vest immediately and be in CBJ and shall not be removed by Lessee upon termination of the lease.

APPENDIX C: STANDARD PROVISIONS

(1) **Holding Over.** If Lessee holds over beyond the expiration of the term of this lease and the term has not been extended or renewed in writing, such holding over will be a tenancy from month-to-month only.

(2) **Interest on Late Payments.** Should any installment of rent or other charges provided for under the terms of this lease not be paid when due, the same shall bear interest at the rate established by ordinance for late payments or at the rate of 12 percent per annum, if no rate has been set by ordinance.

(3) **Taxes, Assessments, and Liens.** During the term of this lease, Lessee shall pay, in addition to the rents, all taxes, assessments, rates, charges, and utility bills for the Leased Premises and Lessee shall promptly pay or otherwise cause to be discharged, any claim resulting or likely to result in a lien, against the Leased Premises or the improvements placed thereon.

(4) **Easements.** Lessee shall place no building or structure over any portion of the Leased Premises where the same has been set aside or reserved for easements.

(5) **Encumbrance of Parcel.** Lessee shall not encumber or cloud CBJ’s title to the Leased Premises or enter into any lease, easement, or other obligation of CBJ’s title without the prior written consent of the CBJ; and any such act or omission, without the prior written consent of CBJ, shall be void against CBJ and may be considered a breach of this lease.

(6) **Valid Existing Rights.** This lease is entered into and made subject to all existing rights, including easements, rights-of-way, reservations, or other interests in land in existence, on the date of execution of this lease.

(7) **State Discrimination Laws.** Lessee agrees, in using and operating the Leased Premises, to comply with applicable sections of Alaska law prohibiting discrimination, particularly Title 18 of the Alaska Statutes, Chapter 80, Article 4 (Discriminatory Practices Prohibited). In the event of Lessee’s failure to comply any of the above non-discrimination covenants, CBJ shall have the right to terminate the lease.

(8) **Unsafe Use.** Lessee shall not do anything in or upon the Leased Premises, nor bring or keep anything therein, which will unreasonably increase or tend to increase the risk of fire or cause a safety hazard to persons or obstruct or interfere with the rights of any other tenant(s) or in any way injure or annoy them or which violates or causes violation of any applicable health, fire, environmental or other regulation by any level of government.

(9) **Hold Harmless.** Lessee agrees to defend, indemnify, and save CBJ, its employees, volunteers, consultants, and insurers, with respect to any action, claim, or lawsuit arising out of or related to the use and occupancy of the Leased Premises by Lessee. This agreement to defend, indemnify, and hold harmless is without limitation as to the amount of fees, costs, expense, or

damages resulting from settlement, judgment or verdict, and includes the award of any costs and attorneys fees even if in excess of Alaska Civil Rules 79 or 82. This indemnification agreement applies to the fullest extent permitted by law and is in full force and effect whenever and wherever any action, claim, or lawsuit is initiated, filed, or otherwise brought against CBJ relating to this lease. The obligations of Lessee arise immediately upon actual or constructive notice of any action, claim, or lawsuit. CBJ shall notify Lessee in a timely manner of the need for indemnification, but such notice is not a condition precedent to Lessee's obligations and may be waived where the Lessee has actual notice.

(10) **Successors.** This lease shall be binding on the successors, administrators, executors, heirs, and assigns of Lessee and CBJ.

(11) **Choice of Law; Venue.** This lease shall be governed by the law of the State of Alaska. Venue shall be in the State of Alaska, First Judicial District at Juneau.

Appraisal Report Market Rent of ATS 54 Located in Gastineau Channel, at 2601 Channel Drive Juneau, Alaska

CHANNEL FLYING LEASE, WAREHOUSE AND CHANNEL DRIVE PHOTO RIGHT (081315_12270)

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

PREPARED BY: Charles Horan, MAI
Joshua Horan, Real Estate Appraiser
Horan & Company, LLC
403 Lincoln Street, Suite 210
Sitka, Alaska 99835

EFFECTIVE DATE: August 13, 2015

REPORT DATE: September 18, 2015

OUR FILE NO.: 15-075

HORAN & COMPANY

REAL ESTATE APPRAISERS/CONSULTANTS

CHARLES E. HORAN, MAI / WILLIAM G. FERGUSON,
JOSHUA C. HORAN, SHEILA M. KRAMER

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835
PHONE NUMBER: (907)747-6666 FAX NUMBER (907)747-7417 commercial@horanappraisals.com

September 18, 2015

Carl Uchytil, P.E., Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801 VIA Email: teena_larson@juneau.org

Re: Appraisal Report Market Rent of ATS 54, Tract A, Plat 2015-1 (formerly plat 2001-4) Gastineau Channel, at 2601 Channel Drive, Juneau, Alaska, Our File 15-075

Dear Mr. Uchytil,

We have contacted the lessee, inspected the property and made a market analysis of the tidelands and waterfront real estate market to determine the market rent for the above referenced Tidelands Lease. Based on this analysis, the estimated annual market rent value, as of the valuation date of August 13, 2015 is as follows:

ATS 54
1.46 acres or 63,598 SF @ $0.10/SF = $6,359.80/year

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

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

Sincerely,

Charles E. Horan, MAI
Horan & Company, LLC

Joshua Horan, Real Estate Appraiser

TABLE OF CONTENTS

1 INTRODUCTION

The purpose of this appraisal is to estimate the current market rent of the subject based on the five year rental adjustment provisions of the lease. The subject is located at 2601 Channel Drive, adjacent to Gastineau Channel in Juneau, Alaska (ATS 54). According to city records, the lease was most recently reviewed 11/28/2009 and finalized in March 2010. An amendment to the lease was made in 2000 which documented a 502 SF reduction in size which occurred in 1972. This brought the entire site size to 1.46 acres or 63,598 square feet more or less. The subject was recently replatted in January 2015 along with two adjacent tidelands leases. The State of Alaska assigned and granted to the City and Borough of Juneau the management authority to the subject tidelands, effective 02/08/2001. The lease terminates 11/27/2016. The annual rent is currently set at $6,500.

This appraisal will be used to negotiate the five year annual lease rental adjustment. The lease terms are summarized as follows. Please see the addenda for a complete copy of the lease.

Synopsis of Lease

Legal Description/Leased Premises:	ATS 54, Tract A, Plat 2015-1 (formerly plat 2001-4), Juneau Recording District, First Judicial District, State of Alaska, containing approximately 1.46 acres (63,598 SF) of tidelands.
Lessor:	City and Borough of Juneau, as land manager
Lessee:	Channel Flying, Inc.
Term of Lease:	55 years.
Annual lease payment	$6,500 per year ($0.10/SF) plus sales tax
Lease Dates:	Began November 28, 1961, expires November 27, 2016
Rental Adjustment Period:	Every five years, based on appraisal of estimated market value
Use:	Originally for seaplane operations, now a commercial warehouse.
Property Rights Included:	Normal rights conveyed by lease.
Property Rights Excluded:	No mineral or timber rights are conveyed by lease.
Easements:	54 SF electrical easement per ADL 64617.
Other Terms of Lease:	Typical full net lease indemnifying lessee.

Reversion of Improvements:	Not specified but typically able to be retained by lessee or its successor if all obligations of lease have been fulfilled, and lease extended. Improvements must be removed if lease is terminated.
Improvements Included:	None. All improvements to be provided by lessee. This updated valuation is based on the site being undeveloped and in its **pre-lease condition.**

1.1 PURPOSE OF APPRAISAL, INTENDED USERS AND INTENDED USE

The purpose of this appraisal is to determine the annual market rent of the subject. The market rent estimate is for the property in fee simple interest less mineral rights in its **pre-development condition**.

Intended use: This valuation is to be used to set market rent for a tidelands lease as administered by the City and Borough of Juneau.

Intended users are the City and Borough of Juneau and Channel Flying, Inc.

1.2 PARTIES TO THE TRANSACTION

Client and Ostensible Owner

City and Borough of Juneau; client, and ostensible owner. State of Alaska retains subsurface minerals, reverter clause if CBJ dissolved, and condition of title in that the CBJ cannot sell the tidelands, but may lease them; management administered by the City and Borough of Juneau.

Lessee

Channel Flying Inc. Craig Loken, Director & President; Kenneth Loken, Director, Vice President; Aral Loken Director, Secretary & Treasurer.

1.3 LESSEE CONTACT, INSPECTION & EFFECTIVE DATE

We contacted Aral Loken via the phone on 08/08/2015 to set up the inspection. Charles and Joshua Horan inspected the property with Craig Loken on 08/13/2015 which is the effective date of this report.

1.4 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 Juneau, Alaska. Information was collected from reliable sources as available, primarily from the Port of Juneau for land leases.

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, and those connected. 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 30 years.

1.5 TIDELANDS LEASE RENTS - RATIOS AND PERCENTAGES

Estimating market value or market rents for tidelands has always been a challenge in the State of Alaska. In terms of the overall real estate market, transactions for tidelands alone are very infrequent. Once Alaska became a state in 1959 they acquired ownership of most navigable water-tidelands. There had been a few patented tidelands sites and municipalities had some patented tidelands which they could lease or sell. The Constitution of the State of Alaska prohibits the sale of tidelands parcels. The state and most municipal governments view tidelands as a critical component for public access to the waterways and economic development. As a result they are generally leased to ensure continual productive use and public access.

When tidelands do sell, they are usually associated with waterfront uplands forming a functional property unit between the water and public roadways. This would be the case, for instance, where there is a dock or barge landing facility requiring tidelands for marine improvements and an uplands staging area. Sometimes these facilities sell where the uplands are owned in fee simple interest and the tidelands are leased. In these instances the contributory value of the tidelands can be estimated as the residual of the allocated value of the uplands portion of the sales price. There are frequently more market transactions to indicate the value of the uplands than tidelands. It has then become a common practice over the years to value tidelands as a percentage of the unit value of their adjoining uplands.

Uplands to Tidelands Unit to Value Ratio

Over time we have isolated the value of tidelands which have sold, leased or otherwise been valued based on transactions whereby an allocation is made between uplands and tidelands components. The following Table 1.1 summarizes 11 observations of the ratio (%) of tidelands square foot values to the square foot value of the uplands. This allocation is based on the sales of similar uplands, allocations by the buyers or sellers or appraisal analysis. In some instances, such as observations 9 and 11, there is a range of value based on differing views by the participating parties or a range of comparable sales in that area compared to the value of the known component.

The tidelands to uplands unit value ratios range from 12% to 40% in these observations. In other instances the range can even be wider from 5% to more than 50%. The driving factors in this ratio are how effectively the tidelands are used as compared to the uplands value. For instance, if the tidelands serve as a good, compact dock site and the adjacent uplands are filled, have a contained shore line and efficiently complement the use of the tidelands, the ratio would be lower than if the uplands were unfilled, low value raw land needing to be developed. This latter situation would impact the ratio due to the relatively lower value of the uplands as compared to the utility of the tidelands. Conversely, if the tidelands are oversized and extend an excessive distance from the shore, diminishing their utility due to shallow run out or other site limitations, they may have a lower unit value and subsequently a lower tidelands to uplands ratio. This is due to the parcel being larger than would otherwise be necessary as compared to a more efficient, smaller site which would have a higher ratio of unit value.

If no comparable tidelands sales are available it makes sense to estimate the value of suitably complementary uplands and apply a ratio to the unit value of these uplands from 10% to 40% to indicate the value of the tidelands under appraisal.

Table 1.1 - Range of Tideland Unit Value Ratio (%) of Upland Unit Value

No.	Location	Date	Size in SF Upland Tideland	SF Value Upland Tideland	Ratio Tideland as % of Upland
1	4100 Tongass Ave., Ketchikan	2003	26,915	$16.03	
			14,275	$1.94	12%
2	1000/1010 Stedman, Ketchikan	2005	76,597	$16.00	
			102,133	$4.99	31%
3	1007 Water St., Ketchikan	2001	61,000	$17.25	
			40,594	$4.19	24%
4	Mile 4 Mitkof Hwy, Petersburg	2010	170,772	$2.50	
			346,720	$0.57	23%
5	4513 HPR, Sitka	2005	179,507	$10.72	
	Sitka		42,035	$2.74	26%
6	111 JT Brown St., Craig	2009	62,340	$8.00	
			50,890	$2.00	25%
7	76 Egan Drive, Juneau	2013	8,692	$51.50	
			12,918	$20.55	40%
8	108 Egan Drive, Juneau	1995	NA	$55.00	
			NA	$16.00	29%
9A	Alaska Glacier Seafoods, Juno	2000	NA	$ 22.00	
	Range of Comp unit values		NA	$ 3.04	14%
9B	Alaska Glacier Seafoods, Juno	2000	NA	$ 8.00	
	Range of Comp unit values		NA	$ 3.04	38%
10	Jacobsen Dock, Juneau	2013	100,000	$20.05	
			379,694	$5.00	25%
11A	2691 Cahnnel Dr, Juneau	2003	51,231	$9.00	
	Range of Comp unit values		51,401	$1.08	12%
11B	2691 Cahnnel Dr, Juneau	2003	51,231	$5.31	
	Range of Comp unit values		51,401	$1.58	30%

Land Lease Percentage Rates

If the purpose of the appraisal is to estimate annual market rent the best method is to use directly comparable annual rents on a price per square foot or price per acre basis.

Sometimes there are no directly comparable rents available or it is desirable to have a check against the limited rent data that may be available for estimating rents. The commercial land rent market oftentimes sets rents by calculating a percentage of the estimated market value of the land being rented.

Land leases are most often granted by public or private institutions. Sometimes leases state the rates, other times the rents are informally calculated based on a rate. Land Lease rates range from about 4% to 12% of the market value of the land, on an annual basis. Over a long period of time these rates may fluctuate with the institutional land owners' anticipation of return on investment. However, they are more stable than short term changes in interest or bond rates for instance. We have kept track of these land lease percentage rates over a long period of time. The following summarizes our most recent discussions with various institutions who lease land.

The Alaska railroad, the University of Alaska and the Alaska Mental Health Trust all lease land at various rates depending on location. Urban lands have targeted rates of 10-12% per year, but are leasing at lower rates of 7-8% depending on negotiations. The Alaska Railroad leases urban, commercial, and industrial waterfront land from 7% to 10%, with the higher rates in Seward and Anchorage's Ship Creek areas. Their leases are typically 35 years in length and are adjusted every five years based on appraisals. The rents are capped at a 35% increase and a floor of minus 35%. Short term year to year rates are higher. Long term leases over 5 years would have lower rates. Generally these types of leases are adjusted every 3 to 5 years based on reappraisal or the Consumer Price Index.

Municipalities throughout the state lease tidelands based on a lease percentage rate. Over the last 20 years we have seen these lease rates range from as low as 4% to as high as 12%. In the last 10 years or so these rates have settled between the 7% to 9% range. Several municipalities such as Craig and Skagway have a legislated 8% per year rate. The City and Borough of Sitka has been leasing land at the Gary Paxton Industrial Park for 9%. Several municipalities, such as Ketchikan and Petersburg, have adopted lower rates for certain lands as an economic incentive for business development. In 2014 Ketchikan dropped its rate to 4%. Petersburg rates are as low as 6%.

For most private commercial leases these rates have not changed in the past several years and are best described as stable. A market rate of 8% is well supported.

2 AREA ANALYSIS

2.1 JUNEAU AREA ANALYSIS

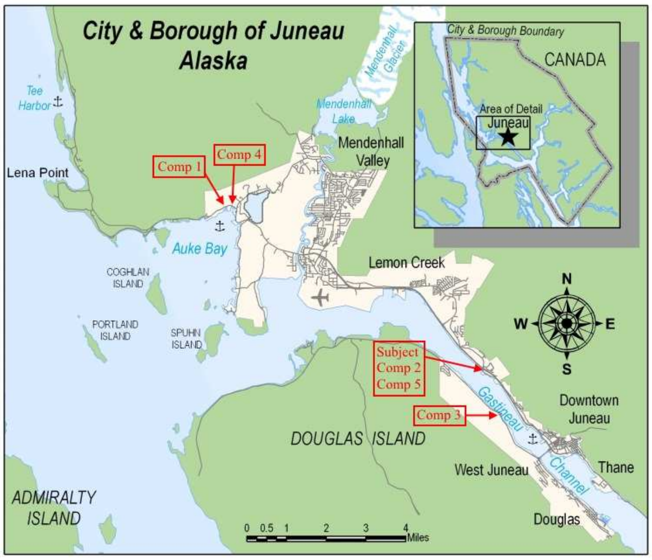


FIGURE 2.1 – JUNEAU AREA MAP

Demand for real estate is generally driven by population, and population is sustained by employment. The Juneau economy is primarily driven by the government. 40% of all jobs and 50% of all wages in Juneau are Federal, State or Tribal Government. Being the state capitol, State of Alaska employment makes up about a quarter of this payroll.

Juneau's population has risen each of the last five years from a low in 2007 of 30,350 to 33,064 in 2013, see Figure 2.2. This compounded annual growth of 0.5% is less than the state growth of 1.3%. The overall region has rebounded a little stronger as well. This confirms what has been observed in the Juneau economy, things are stable with growth in certain market segments.

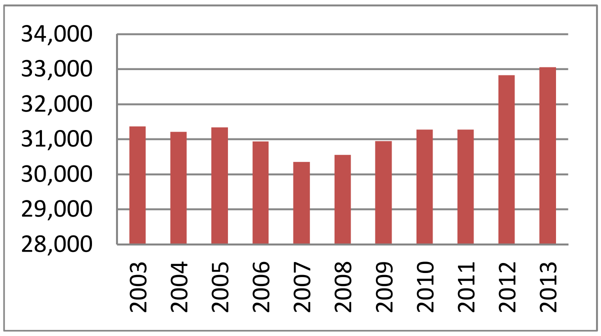


FIGURE 2.2 – JUNEAU, ALASKA POPULATION TRENDS (2003-2013)

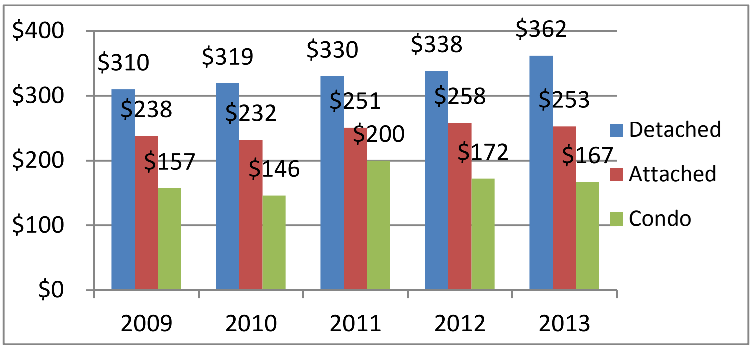


FIGURE 2.3 - MEDIAN PRICE OF SINGLE-FAMILY HOMES IN JUNEAU 2009-2013, JEDC-2013, PG. 30

The October 2013 JEDC Economic Indicators Report confirms that the housing market is stable with some upward movement in the price of single-family detached dwellings. Figure 2.3, Median Price of Single-Family Homes in Juneau 2009 to 2013 shows a 14% increase from a low of 2009 to August of 2013. Attached dwellings and condominiums show a more modest growth over this time. This trend is typical of the region and confirms the Juneau market has continued to remain firm over the last several years after recovering from its lows from the middle of the last decade.

2.2 CHANNEL DRIVE / LEMON CREEK NEIGHBORHOOD

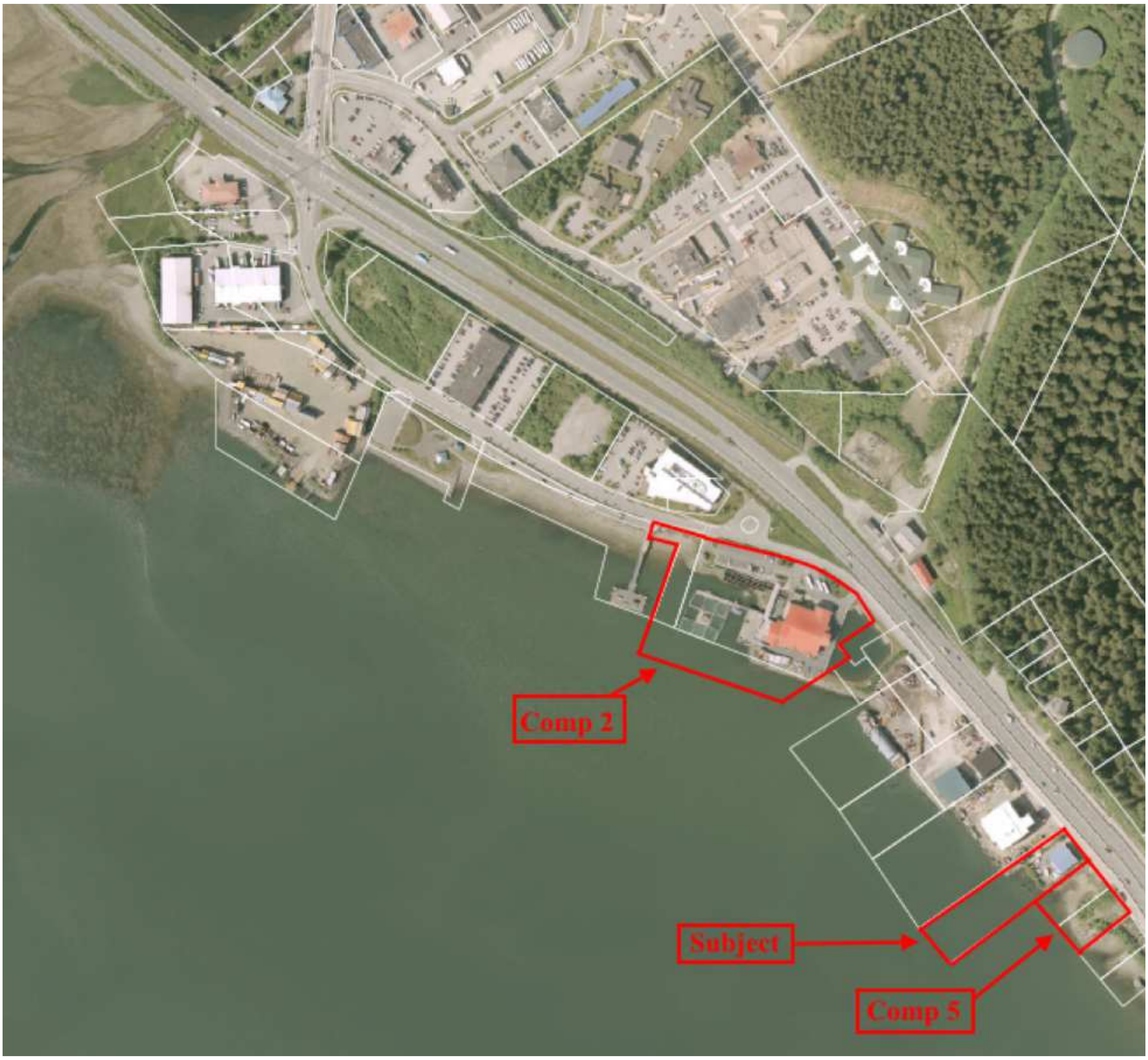


FIGURE 2.4 – SUBJECT NEIGHBORHOOD MAP

The subject property is near the mid portion of Channel Drive adjacent to Egan Drive, a four-lane, divided state highway. Access to the area is via the controlled traffic exchange at Salmon Creek nearby. The subject is currently used as a warehouse. The adjacent waterfront character is primarily industrial or commercial uses.

Other developments in the neighborhood include the Department of Transportation offices as well as the Juneau Empire's offices on the upland side of the road. The waterfront side of Channel Drive has improvements for the DIPAC hatchery, World Wide Movers, a radio station and contractor storage sites, a barge landing site, a park area along with industrial uses. Across the Highway is the Bartlett Hospital medical campus, SEARHC campus and medical clinics, offices and associated uses.

There are no waterfront sales for commercial land in this area over the last 10 years. There are very few sales since the recession of 2009 the following table shows sales of various finished commercial lots and their square foot values over this time period.

TABLE 2.1 – COMMERCIAL LOT SALES					
Record #	**Address**	**Sale Date**	**Sale Price**	**Size SF**	**Price/ SF**
Salmon Creek Area (Subject)					
7898	3408 Glacier Highway	11/24/2004	$200,000	23,855	$8.38
4451	3406 Glacier Highway	6/5/2003	$400,000	42,911	$9.32
4431	1601 Salmon Creek Lane	5/6/2005	$348,000	37,274	$9.34
7901	1501 Salmon Creek Lane	5/14/2003	$250,000	21,852	$11.44
3890	1801 Salmon Creek Lane	9/24/2005	$625,086	54,450	$11.48
7897	1701 Salmon Creek Lane	12/1/2012	$261,360	21,780	$12.00

There was one unfinished lot approximately one acre that was rezoned commercial and sold for $4.00/SF requiring another $4.00/SF for site prep for about $8.00/SF in the up land area of this neighborhood. As can be seen there was significant activity in 2003 to 2005 ranging from $8.00 to $11.50/SF. The one sale in 2012 sold for $12.00/SF, not significantly different than the prior sales. This demonstrates non waterfront commercial land values in this area have been flat.

The existing tidelands allows the use of areas deep enough to moor medium draft vessels. Areas have been dredged in the past, creating a few basins to allow barge traffic and moorage along the shoreline. The tidelands start to shallow up in this area due to the combined impacts of glacial rebounding and siltation, with reduced water depths the norm. The waterfront to the south and west is zoned Waterfront Industrial (WI), with an upland portion zoned General Commercial (GC).

The growth in this area is static. The waterfront parcels are near fully developed. Some of the uses like the subject no longer use their waterfront at all. The isolated location and difficulty of getting to these tidelands dampens the demand for these waterfront uses. The most consistent demand for use of these tidelands have been fishery related and private construction such as the DIPAC and Channel Construction sites. Since Northland Barge Company was acquired by AML last year its business has moved away from the subject neighborhood to the AJ Rock Dump area. This has further diminished the demand for waterfront site uses in the area.

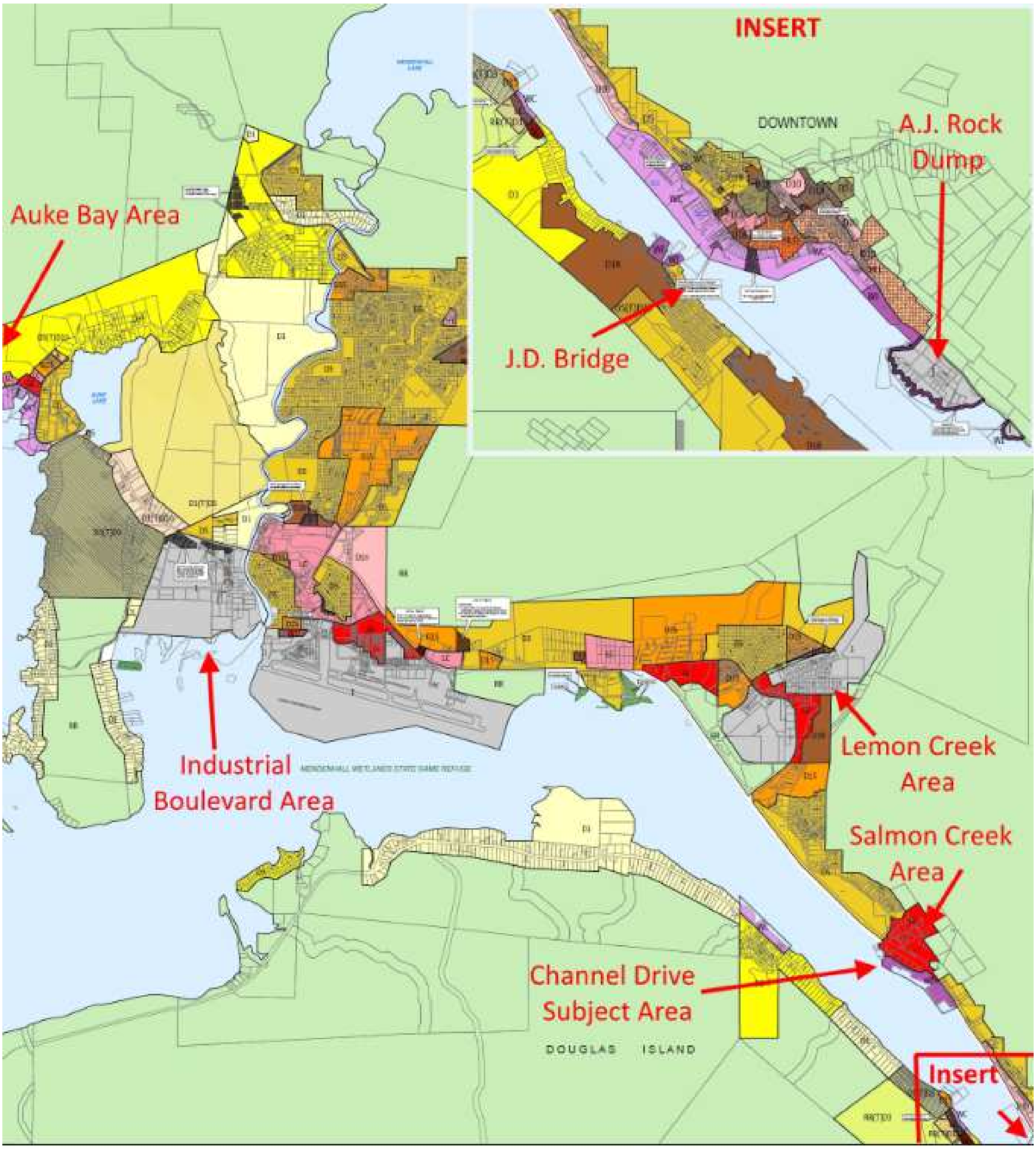


FIGURE 2.5 – COMPETING NEIGHBORHOOD LANDS

2.3 COMPETING NEIGHBORHOODS

The subject is identified as tidelands in its legal description, but can go dry on many low tides. The uses for land in this area would compete with other industrial neighborhoods. The most similar neighborhoods to the Salmon Creek/Channel Drive area include the Industrial Boulevard and Lemon Creek areas. Demand for non-waterfront commercial/industrial land in these areas has been relatively persistent. The most competitive waterfront areas include the AJ Rock Dump area, the Trucano complex across the Juneau Douglas (JD) Bridge and Auke Bay which is split into two areas, one by the Statter Harbor Marina complex and the other by the ferry terminal.

Land along the subject's **Channel Drive** includes uplands and water frontage. It is zoned WI, Waterfront Industrial. The access road is paved and all utilities are present. All but two parcels are developed. Developed uses include a moving company, barge landing site, contractor yards, fish hatchery and a fish processor, and a park. There are less than 12 sites along the waterfront.

The last market sale of land along the waterfront was in June 2003 to William R. Tonsgard of Channel Construction at 2691 Channel Drive for just under $300,000 (record #1745). This site included tidelands and filled uplands that were variously allocated tidelands at $1.08/SF and $9.00/SF, respectively. This indicates the tidelands are about 12% of the uplands unit value. The sales also allocated with a 30% upland to tide land ratio, which would suggest $1.58/SF for the tidelands and $5.31/SF for the filled lands. Using an 8% land capitalization rate the implied square foot rent value of this range would be $0.09/SF ($1.08/SF x 8%) to $0.13/SF ($1.58/SF x 8%).

The water frontage is generally leased tidelands which range from an annual lease amount of $0.10/SF to $0.16/SF implying $1.25/SF to $2.00/SF fee simple at a rate of 8%[1], in their natural condition before fill.

Land values in the **Industrial Boulevard** area do not have water frontage and are zoned Industrial. Most of the neighborhood has been or is being developed with warehouses, mechanic shops, boat repair shops, wholesalers, boat condominiums, open contractor storage, and specialty services requiring that zoning. Most of the land is filled and leveled at street grade. All utilities are present. There are several dozen individual lots with the total neighborhood bounded by the Mendenhall River to the north, Gastineau Channel and Mendenhall Wetlands to the west and south and the Airport boundary to the southeast. On the north boundary is Glacier Highway. Land in this neighborhood ranges from $6/SF to a high of $14/SF.

Lemon Creek commercial and industrial area is located between downtown and the Mendenhall Valley and has been steadily developing with owner-occupied service type

[1] $0.10/SF / 8%= $1.25, $0.16/SF / 8%= $2.00

structures. Mini warehouse units, storage buildings, some modified retail buildings, apartments, and larger tracts with large retail structures, and in the GC zone more retail type buildings, car lot, banks etc. From Anka St on the NW portion of the neighborhood to Commercial Blvd. is zoned Industrial and land sales are in the $10/SF to $12.50/SF range for smaller fully prepared lots. That land is zoned Industrial and includes Concrete Way, location of the Police Station, and several small commercial buildings. Further to the west is the landfill, and associated uses, but also commercial uses. It has similar land values.

The A.J. Rock Dump neighborhood is located about ½ mile east of downtown, along the water frontage. Many lots are inside the subdivision without water frontage. Many of those developed lots are used for commercial and industrial activity. The Litho business relocated here several years ago from downtown. AML barge lines moved here from a site closer to downtown. Now they have a large barge landing site, offices, and yard space. It may take up 1/3 of the area neighborhood. Bulk tank farms and storage structures fill the remaining lots. Most of this area is developed and land values for the upland portion are in the $10 to $16/SF range. Tidelands are developed with a cruise ship dock, moorage for private work boats, and marine improvements since the water depth offshore is sufficient for that use. A waterfront upland parcel leased in 2013 based on a $20/SF value or $1.60/year. The adjacent tidelands for a dock leased based on a value of $5.00/SF or indicating a rent of $0.40/SF per year.

The Auke Bay neighborhood is quite small with four major developed sites, including the Glacier Seafoods dock and processing plant, the Alaska Marine Highway terminal, the Gitkoff dock and the Allen Marine transfer site. These uses require deeper water offshore for deep draft vessels. They share good access and all utilities. The waterfront sites are fully developed. Any expansion now will be seaward on leased tidelands.

The Trucano waterfront complex on the Douglas side of the **J.D. Bridge** is a small, somewhat competitive area. Again there are very few transactions. Tidelands have been leased in this area ranging from $.05/SF to $0.20/SF depending on accessibility, land character and title encumbrance.

The competing neighborhoods are filling in with occupied land in the 75%-90% range. The vacant land is either overpriced at this time, or has challenging soils, but will likely be developed with similar uses.

3 PROPERTY DESCRIPTION

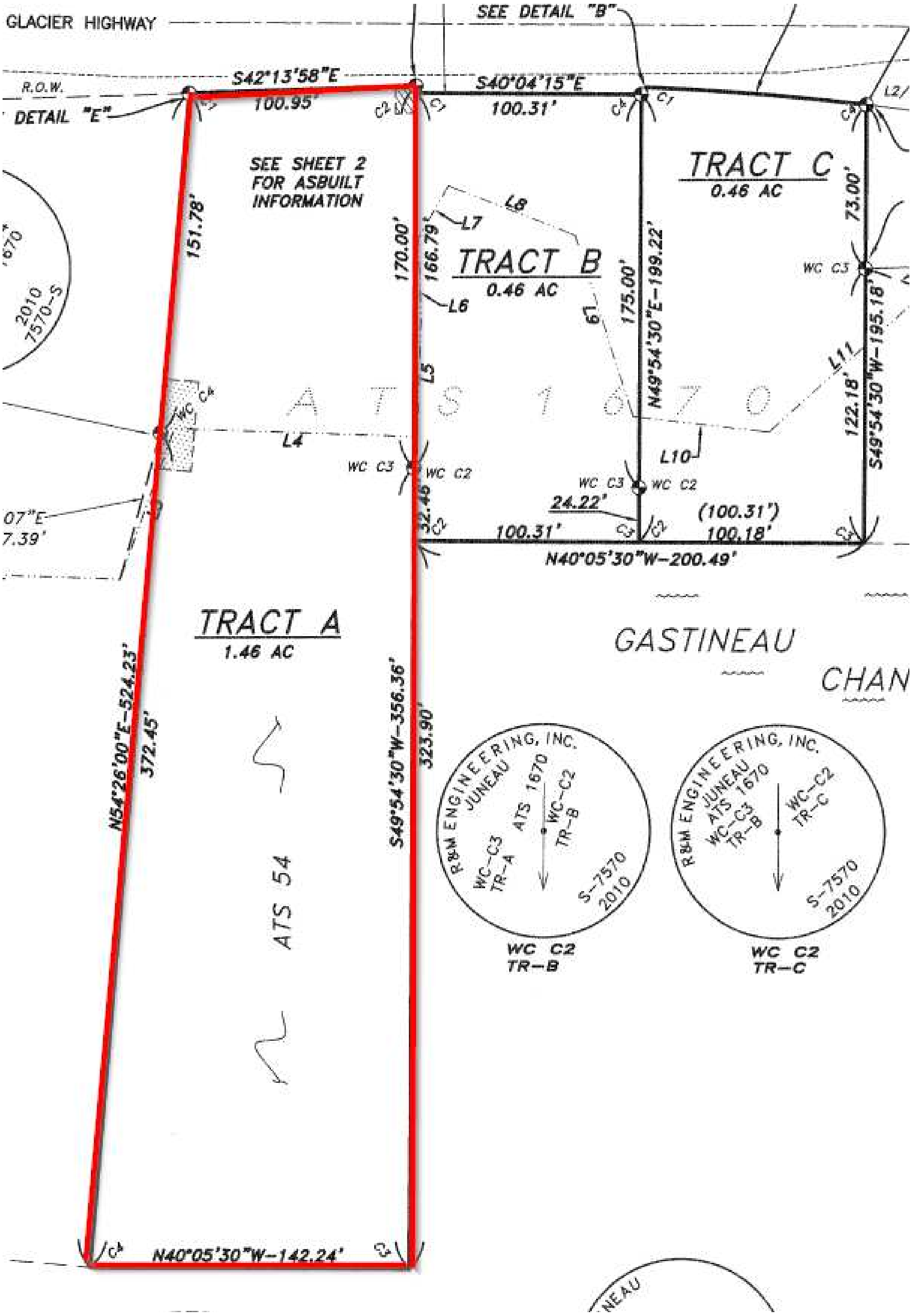


FIGURE 3.1 – SITE MAP FROM PLAT 2015-1

3.1 OVERALL DESCRIPTION

The subject tideland lease encompasses a long, narrow portion of tidelands approximately 100' wide and approximately 500' long. The narrow portion fronts the road at 2601 Channel Drive and the Gastineau Channel. The lease tract was initially 1.48 acres which was reduced in the 1970's to 1.468 acres as the result of a ROW take for Glacier Highway. A replat from earlier this year calculates the subject size at 1.46 acres (approx. 63,598 SF), which is the size used in this appraisal. Approximately 25% of the subject is filled and improved with a commercial warehouse. Remnants from the float plane dock and ramp are still present, but are completely depreciated and not in use.

Functional Utility

The tidelands are shallow and the unfilled portion of the site is awash at high tides. The subject's shallow depth and narrow shape impact its functional utility. As noted, the tidelands are approximately 25% filled and the existing improvements presently utilized as a commercial warehouse. This fill and these improvements are not considered in this rent estimate which is of the site in its predeveloped condition. Privately owned tidelands directly to the north are filled out approximately 75' further than the subject to approximately 200' from the shoreline, while two smaller leases to the south are only partially filled and remain undeveloped. The leases to the south extend out only approximately 200' from shore, while the privately owned ATS 17 to the north is approximately 500' deep, matching the subject.

The original intended use required considerably more area due to the nature of the flying service's seaplane requirements. As the seaplane market changed and the original business relocated to the airport, the undeveloped portion of the lease site became surplus to the needs of the existing improvements. The docks and floats were removed and the pilings deteriorated. Accretion and siltation have also altered the characteristics of the site since the lease was made 50 years ago. As is, the site has inferior functional utility as compared to most tidelands leases in the market.

Access

The site, as presently developed, has vehicular access via Channel Drive. Access via saltwater is the Gastineau Channel, although shallow water depth limits this access.

Utilities

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

3.2 ZONING

The property is zoned Waterfront Industrial (WI). The WI, waterfront industrial 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, waterfront industrial 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, ATS 54, is owned by the City and Borough of Juneau and State of Alaska, and is therefore not subject to real estate taxes in its fee simple interest. The possessory interest in the site and the improvements, however, are taxable. The CBJ assessor has assigned the subject a parcel number, 7B0901010030, and maintains an assessed value. The current (2015) assessed value is $348,400 which reflects the possessory interest of the remaining year of the lease as well as the warehouse improvements. The possessory interest value of the land is $117,900 and is based on a fee simple value for the land of $310,900 or $4.87/SF. The improvements are assessed at $230,500. The current mil rate in Juneau is 10.56 mils for fiscal year 2014/15. The indicated real estate taxes are $3,679.10.

3.4 EASEMENTS AND OTHER RESTRICTIONS

There is no 50' pedestrian easement on the lease area, according to Plat # 2015-1 depicting the subject property. ADL 64617 makes note of a 6’ x 9’ electrical easement in the northwest corner of the property. We are unaware of any other easements or restrictions.

Plat notes are included at right, per client instructions.

GENERAL NOTES

1. THE BASIS OF BEARING FOR THIS SURVEY WAS BETWEEN A RECOVERED IRON PIPE MONUMENT LOCATED AT CORNER C-2, OF USS 1798 AND A RECOVERED GLO BRASS CAP MONUMENT AT CORNER C-3, USS 1798, HAVING A RECORD BEARING OF N35°34'00"W.

2. WHERE RECORD SURVEY COURSES (BEARINGS AND/OR DISTANCES) DIFFER FROM THAT OF ACTUAL FIELD MEASURED AND/OR COMPUTED SURVEY COURSES, THE RECORD BEARING AND/OR DISTANCE IS SHOWN WITHIN PARENTHESIS WHILE THE ACTUAL MEASURED AND/OR COMPUTED SURVEY COURSE IS SHOWN WITHOUT PARENTHESIS.

3. THIS SURVEY IS BASED UPON THE FOLLOWING DOCUMENTS ON FILE IN THE JUNEAU RECORDERS OFFICE: A.T.S. NO. 18 (PLAT NO, 2001-7), A.T.S. 54 (PLAT NO. 2001-4)

4. THIS SURVEY WAS ACCOMPLISHED IN ACCORDANCE WITH A.S. 38.05.825 AND ALASKA TIDELANDS SURVEY SI NO. 1670.

5. ALL BEARINGS SHOWN ARE TRUE BEARINGS AS ORIENTED TO THE BASIS OF BEARINGS AND DISTANCES SHOWN ARE REDUCED TO HORIZONTAL FIELD DISTANCES.

6. THE ERROR OF CLOSURE FOR THIS SURVEY IS NOT GREATER THAN 1:5000.

7. MEAN HIGH TIDE WAS DETERMINED BY TIME COORDINATED TIDAL OBSERVATIONS ON FEB. 16, 2010 AS EXTRAPOLATED FROM THE NOAA PUBLICATION FOR THE PREDICTIONS OF HIGH AND LOW WATERS FOR 2007.

8. THE BASIS OF COORDINATES ON THIS PLAT WAS DETERMINED BY A HIGH PRECISION GPS SURVEY, USING TRIMBLE R8-2 RECEIVERS, DIFFERENTIALLY CORRECTED AND PROCESSED USING TRIMBLE BUSINESS CENTER, VERSION 2.4 SOFTWARE.

9. THE COORDINATES USED WERE CONSTRAINED TO THE NATIONAL SPATIAL REFERENCE SYSTEM (NSRS) USING CORS STATIONS JNU-1, GUS5 AND GUS6.

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

As a standalone site, the subject has a narrow 142' frontage on the channel to the south and a 323' to the east. This extended narrow frontage has limited utility for marine dock use. The 200' plus extending from the roadway has a superior potential for development. This first 0.46 acre (200' + from road) portion of the site lines up with the filled extent of other nearby sites, see Figure 2.4 on page 10.

The highest and best use of the site is for a waterfront related commercial/industrial use. Marine-related commercial/industrial uses are the defining uses for the subject parcel and are the highest and best use as vacant.

4.2 TIDELANDS LEASE VALUATION

The most direct way to value the subject's lease is by the price per square foot basis. There are no directly comparable recent waterfront sales, however, there are several renegotiated rental renewals in the past several years. The subject site is 63,598 SF, or 1.46 acres. Leases of other similar sites on an annual lease amount per square foot are analyzed. The range indicated by this method would consider location, date of lease start, site characteristics and the use of the site.

The following are similar tidelands lease rents that are used to develop the annual rent of the subject.

TABLE 4.1 - COMPARABLE TIDELAND LEASE RENT TABLE						
Comp/ Rec #		Transaction Description and Location	Date	Size (SF)	Indicated Annual Lease Rent	Annual Rent/SF
1	1637	13391 Glacier Highway-Auke Bay ATS 1533, ADL 106233 –Transfer Facility	07/12	187,352	$28,100	$0.15
2	4187	2697 Channel Drive, ATS 1356, Fish Hatchery	10/14	274,236	$41,135	$0.15
3	5955	5010 North Douglas Hwy, Waterside Mobile Home Park	11/14	150,935	$7,546.75	$0.05
4	2444	11957 Glacier Highway, ATS 1324, Fishermen's Bend Marina	01/14	311,454	$34,260	$0.11
5	(4175, 4176)	2591 Channel Drive –ATS 1670, Grant-Wick lease	06/14	40,076	$6,011.40	$0.15
Subject – 2601 Channel Drive, Juneau ATS 54,			08/15	63,598	Solve	Solve

The above most recently adjusted tidelands leases bracket the subject in size and utility. There does not appear to be an adjustment for variation in size in this instance. The dates noted in the date column represent the last lease review date per the city's records. The market conditions have not changed over this time.

Qualitative Ranking

Attributes of the sales that would influence value are not readily quantifiable in the market and discrete adjustments cannot be made. A qualitative rating has been developed to weigh market differences between the subject and the comparables whereby, if a comparable attribute is superior to the subject, a minus rating of -1, -2, or -3 is given, depending on its severity. Conversely, if a comparable attribute is inferior to the subject, a plus rating of +1, +2, or +3 is given, depending on its severity, to weight this with other attributes towards the subject. The gradation of weighting 1 to 3 is used since all qualitative attributes are not, in the appraisers' opinion, equally weighted within the market.

The following Table 4.2 summarizes the salient characteristics of the subject and the five rents and provides for a weighted rating of comparable rents to the subject.

TABLE 4.2 - ACRE PRICE QUALITATIVE RATING GRID FOR UPLAND PORTIONS TRACTS 1 & 2											
Comparable Elements	**Subject- 2601 Channel DR**	**Comp 1** – 13391 Glacier Hwy (1637)		**Comp 2**- 2697 Channel Drive (4187)		**Comp 3** – 5010 North Douglas Hwy (5955)		**Comp 4** - 11957 Glacier Highway (2444)		**Comp 5** – 2591 Channel Drive (4175,4176)	
Annual Rent		$28,100		$41,135		$7,546.75		$34,260		$6,011.40	
Annual Rent/SF		$0.15/SF		$0.15/SF		$0.05/SF		$0.11/SF		$0.15/SF	
Titled Interest	Leasehold	Similar	0	Similar	0	Similar	0	Similar	0	Similar	0
Conditions of Sale	Cash	Similar	0	Similar	0	Similar	0	Similar	0	Similar	0
Market Conditions	08/15	07/12	0	10/14	0	11/14	0	01/14	0	06/14	0
Location	Channel DR	Auke Bay	0	Similar	0	N. Douglas	0	Auke Bay	0	Similar	0
Zone	WI	WI	0	WI	0	D-15 (Multi-family residential)	0	WC	0	WI	0
Size	63,598 SF	187,352 SF	0	274,236 SF	0	150,935 SF	0	311,454 SF	0	40,076 SF	0
Waterfront Access Quality	Shallow draft,	Deep draft, submerged	-1	Similar,	0	Very shallow, Inferior	+1	Deeper draft, Superior	-1	Similar	0
Functional Utility	Inferior due to shape	Superior	-1	Superior	-1	Bisected by creek, inferior	+1	Similar	0	Superior	-1
Street Access & Utilities	Paved, All	Similar	0	Similar	0	Similar	0	Inferior	+1	Similar	0
Pre-lease condition	Unfilled	Similar	0	Similar	0	Approx. 1/3 filled	-1	Similar	0	Similar	0
Overall Rating		Superior	-2	Superior	-1	Inferior	+1	Similar	0		-1

If a comparison is ***Superior***, a Minus rating of -1, -2, or -3 is given depending on severity.
If a comparison is ***Inferior***, a Plus rating of +1, +2, or +3 is given depending on severity.

The **titled interest** is rated similar between the subject and comparables. The uplands have the same utility and access easements, which do not significantly impact the highest and best use as is similar among the comparables.

All comparables were found to be similar in the **conditions of sale**, all being supported by reasonable market evidence, having been rationally negotiated.

The comparables range in transaction time from 2009 to 2014. **Market Conditions** for Juneau's commercial waterfront/tidelands have been fairly static over this time period. No adjustments are warranted in this category as a result.

The remaining categories and how they compare to the subject are discussed below on a comp by comp basis.

Comparable 1 is the tidelands lease for a facility used for transferring passengers to a small cruise ship from busses. It is a relatively large tidelands parcel for the market, but no adjustment is warranted for its larger size. The tidelands are located in Auke Bay about 10 miles north of the subject also in WI zoning. No adjustments are warranted in the location, zone or size categories. This property benefits from superior access via deeper waters than are seaward of the subject. It is considered superior to the subject by -1 as a result. This property is similar to the subject in street access off of Glacier Highway, which like the subject's Channel Drive, is a paved thoroughfare with access to all public utilities. It is superior in functional utility by -1 due to its more conventional shape which captures more street frontage and waterfrontage, allowing for more practical waterfront uses than the subject. This comparables pre-lease condition is similar to the subject's in that both are unfilled. Based off these considerations, this comparable is considered superior to the subject by -2.

Comparable 2 is the DIPAC hatchery lease also located on Channel Drive. It is similar to the subject in its location, zone, waterfront access, street access & utilities, and prelease condition. The lease area is much larger than the subject, but no adjustment is warranted for size. Like the previous comp the shape of this lease is considered superior to the subject's long narrow configuration, making this comp superior in functional utility by -1 and is superior by -1, overall.

Comparable 3 is a tidelands lease used by a waterfront mobile home park. The lease is relatively large, but only a portion of it is filled and utilized as part of the park. This sale is located on North Douglas Highway, a publicly maintained highway with all available utilities which is considered similar to the subject's Channel Drive. It is considered similar in location and in street access utilities. This property has dense residential zoning and a larger size. No adjustment is warranted when comparing to the subject in these categories. This site has inferior waterfront access due to shallower depths as well as inferior functional utility due to being bisected by a creek. It is inferior in both of these categories (access quality and functional utility) by +1 each. As noted above, approximately 1/3 of the site is filled, which was its prelease condition. These fill improvements are superior to the subject's lack of improvements as appraised by -1. Given these considerations, this lease is considered inferior to the subject by +1, overall.

Comparable 4 is a lease which is at the outermost portion of the Fisherman's Bend Marina located in Auke Bay. This lease has street access via adjacent tidelands and Glacier Highway. It is considered inferior in street access given its tertiary location removed from the street and uplands development by +1. Its Waterfront Commercial zoning and location in Auke Bay are considered similar to the subject. This site has a much larger size, but no adjustment is warranted in this category. As noted above, this parcel is at the outside of the marina development, and has access to deeper waters than the subject. It is considered superior by -1 in the waterfront access category. The functional utility and prelease condition of this parcel are considered similar to the subject. Overall, this property is ranked similar to the subject.

Comparable 5 are two parcels just to the south of the subject property. They are leased by the same owner and have the same lease terms and are considered jointly as one comp in this analysis. They are currently not being used. These parcels are considered similar to the subject in nearly every regard save functional utility where they are superior by -1. This is due to their more compact shape which gives them a higher ratio of width to depth and increases their utility in comparison to the subject. Although one of the parcels had fill placed on the lease area, it was originally unfilled and similar to the subject in its pre lease condition. These leases are considered superior to the subject by -1.

Based on the preceding analysis the Comps are ranked in the grid below in relation to the subject:

TABLE 4.3 - QUALITATIVE ADJUSTMENT GRID

COMP #	RATING	RENT/SF/YR	RANKING
#1	Superior	$0.15	Superior (-2)
#2	Superior	$0.15	Superior (-1)
#5	Superior	$0.15	Superior (-1)
Subject	Solve	Solve	Solve
#4	Similar	$0.11	Similar
#3	Inferior	$0.05	Inferior (+1)

Rankings are based on adjustments from 1 to 3, with very superior comparables ranked as -3; and very inferior ranked as +3. Variations are from 1-3 depending on severity of inferior or superiority.

The comps indicate a relatively tight range of value between $0.05/SF and $0.15/SF rounded. The most significant variables are water depth and access as well as functional utility. Comps 1, 2 and 5 are all superior in this category. In addition, Comp 1 is superior in waterfront access.

These three comps represent the upper end of the range, and their adjustments support a square foot rent lower than $0.15/SF for the subject. Comp 4 is superior in waterfront access by -1, inferior in street access by +1, and similar in functional utility due to its tertiary location, removed from the marina's upland development by another tidelands parcel. It has an overall rating of similar to the subject at $0.11/SF. Qualitative adjustments are not an exact science by definition, and this does not mean that the subject's rent must be place at $0.11/SF. Rather, this value is a useful guide in that it shows us that the suggested rent should be placed somewhere near this number. Comp 3 represents the lower end of the range at $0.05/SF due to its shallow waterfront and a creek which bisects the property, impacting its functional utility. These superior attributes weigh against its superior, filled condition making it inferior by +1 overall.

Based on the foregoing direct comparison of existing tidelands leases, and the indicated range on an annual basis of $0.05/SF to $0.15/SF, the subject's annual per square foot rent is placed in the middle at $0.10. The Market Rental Value Conclusion is as follows:

63,598 SF @ $0.10/SF = $6,359.80/year

4.3 CHECK FOR REASONABLENESS

The annual rent suggested above is strongly influenced by the subject's inferior functional utility due to its long narrow shape which includes a large portion of land surplus to the subject's current and likely use as a warehouse. This essentially creates two hypothetical parcels within the subject which can be used to check the above rent for reasonableness. The first area is approximately 0.46 acre (20,500 SF rounded) portion fronting Channel Dr., which is somewhat similar to and aligns with the adjacent Grant-Wick Leases(Comp 5) next door. Please reference Figure 3.1. These leases are set at $0.15/SF as are several other leases on Channel Drive including the DIPAC lease (Comp 2). In our check we will allocate this 20,500 SF at $0.15/SF or $3,075/year.

The remainder area parcel is nearly one acre at approximately 43,098 SF (63,598 SF – 20,500 SF). By subtracting the first parcel's allocated annual rent from our opinion of annual rent noted above, we can calculate the rent allocated the remainder as follows:

Total Site Rent	$6,359.80
Less First 20,500 SF	$3,075.00
Indicate excess	$3,284.80

Taking this rent and dividing it by the 43,098 SF of the remainder yields a $0.08/SF. This lower annual rent per square foot for this portion of the lease is appropriate given its inferior utility and superlative use. This is similar to the Andrew's Marina Lease(Comp 4), superior to the Waterside Mobile Home Park lease(Comp 3), and to other remote or tertiary tidelands.

Given these considerations, the blended annual rent of $0.10/SF for both of these areas is appropriate. This check is summarized in the following table:

TABLE 4.4 – CHECK OF ANNUAL RENT FOR REASONABLENESS

Property	Size	Rent	Rent/SF
Subject	63,598 SF	$6,359.80/year	$0.10/SF per year
Hypothetical Parcel 1	20,500 SF	$3,075/year	$0.15/SF per year
Remainder	43,098 SF	$3,284.80/year	$0.08/SF

ADDENDA

CERTIFICATION OF APPRAISAL

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We 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.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The appraisers personally inspected the subject property on August 13, 2015, which is the effective date.
- We have not performed any services regarding the subject property within the prior three years, as an appraiser or in any other capacity.

As of the date of this report, Charles Horan has completed the continuing education program of the Appraisal Institute.

Charles E. Horan, MAI
Horan & Company, LLC

Joshua Horan, Real Estate Appraiser

August 13, 2015
Effective Date

September 18, 2015
Report Date

ASSUMPTIONS AND LIMITING CONDIDITONS

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

TERMINOLOGY

Market Value

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

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 123

Market Exposure is estimated at 12-24 months.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

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

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

Port of Juneau

City & Borough of Juneau • Docks & Harbors
155 S. Seward Street • Juneau, AK 99801
(907) 586-0292 Phone • (907) 586-0295 Fax

Scope of Work

Project Agreement

Project Name: Appraisal for Channel Flying Lease

Contract Name and Number: Appraisal Professional Services DH14-010

Project Agreement Number: 15-013

Term Contractor: Horan & Company

Date: 06/17/15

Project Manager: Teena Scovill

Term Contractor Representative: Charles Horan

Project Overview

Project Description

Provide an Appraisal for Channel Flying Lease

Scope of Work

Prepare an appraisal as outlined in 05 CBJAC 50.050 and all applicable standards in the current edition of Uniform Standards of Professional Appraisal Practice (USPAP) published by the Appraisal Foundation. The Appraiser must make an onsite inspection of this property and comparables. Reports must contain onsite photographs of all appraised properties and comparables that are inspected.

Comparable land data sheets are required for all reports, and must include a complete legal description, recording information, and a photograph of the comparable that meets the required standard for photographs.

A comparable land location map is required, showing the location of the comparable in relation to the appraised properties and other comparables.

Whenever possible, all transactions should be verified with a knowledgeable party (grantor, grantee, broker, lessor or lessee), either by the appraiser conducting the subject appraisal or by an appraiser who verified the information in another report. Failed efforts to reach knowledgeable parties shall be stated on the comparable

land form.
The appraisal report shall include an annual land rent comparisons chart, stating location, date, rent, size in square feet and rent per square foot. When relating comparable transactions to the subject property, adjustments must be fully discussed and presented in an adjustment table. Such adjustments need to be defined in qualitative or quantitative terms, clearly stating which method is most reliable.

The appraiser should provide one hard copy of the report for review by the port director. The appraiser should then provide to the port director one hard copy and a PDF copy of the final, reviewed report.

Project Issues

Project Schedule

Please have the appraisal completed on or before July 30th.

Project Cost Estimate

The Contractor will be paid based on Time and Materials for this project in accordance with the Contractor's estimate.

APPROVALS

CITY AND BOROUGH OF JUNEAU
DOCKS AND HARBORS

C J Uchytil 6/17/15
Carl Uchytil, P.E. date
Port Director

TERM CONTRACTOR

Charles Horan date
Horan and Company

DL-37
Revised July, 1960

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LANDS
344 Sixth Avenue
Anchorage, Alaska

Lease No. ADL 02852

LEASE AGREEMENT

THIS INDENTURE made and entered into this 28th day of November 19 61, by and between the STATE OF ALASKA, through the Director of the Division of Lands, with the consent and approval of the Commissioner of the Department of Natural Resources, acting for and on its behalf under and pursuant to Chapter 169, SLA 1959, as amended, and the regulations promulgated thereunder, as amended or hereafter amended, hereinafter referred to as the LESSOR; and Channel Flying Service and Parker Tug & Barge Company, Inc. of Box 2127, Juneau, Alaska hereinafter referred to as the LESSEE:

WITNESSETH, that whereas the Lessor has classified the lands herein demised as: Commercial-Industrial lands on November 12 19 60, pursuant to Chapter 169, SLA 1959, as amended; and

WHEREAS, the Lessor has caused the lands herein demised to be appraised and such appraisal was made and approved on or after April 27, 19 61; and

WHEREAS, the Lessor has caused a notice of intent to lease the lands herein demised to be published as required by law or caused notices of intent to lease to be posted as required by law; and

WHEREAS, an auction of the within demised property was held at the time and place designated by notice and said sale was approved by the Director of the Division of Lands, Department of Natural Resources, State of Alaska:

NOW THEREFOR, the Lessor has agreed to let and does hereby let and demise to the Lessee, and the Lessee has agreed to take and does hereby take from the Lessor all that lot, piece, or parcel of land more particularly bounded and described, as follows:
tract of tide and submerged land on the northeast side of Gastineau Channel situated near the
rker Tug and Barge Company Terminal and located about 2.5 miles northwest of the City of Juneau
d more properly described as follows: Beginning at Cor. 1, identical with Cor. 3 of ATS 17, from
ence Cor. 4, M.C. of U.S.S. 1798 bears N.37°07'30"W., 606.37 ft. distant; thence from Cor. 1, by
tes and bounds, S.40°46'E., 100.32 ft. to Cor. 2, identical with Cor. 4 of ATS 18; thence S.49°
'30"W., 531.10 ft. to Cor. 3; thence N.40°05'30"W., 142.23 ft. to Cor. 4; thence N.54°26'E.,
1.68 ft. to Cor. 1, the place of beginning. Containing in all 1.48 acres.

TO HAVE AND TO HOLD the said demised premises for a term of Fifty-five (55) years commencing on the 28th day of November, 19 61 and ending at 12 o'clock midnight on the 27th day of November, 2016, unless sooner terminated as hereinafter provided.

The Lessee shall pay to the Lessor rental as follows: Equal Annual payments, in advance, on or before the 28th day of November of every year during said term at the rate of One Hundred and Ninety and 00/100------------------------------Dollars ($ 190.00-------) per year.

such payments to be subject to adjustment at each five year interval from the effective date hereof, if the lease term hereof exceeds five years, such adjustment to be based primarily upon a reappraised annual rental value of land in a state of improvement similar to that of the land described herein at the time this lease was entered into.

It is hereby mutually covenanted and agreed that this indenture is made upon the foregoing, and upon the following agreements, conditions, covenants, and terms, VIZ:

1. The word "Lessor" as and wherever used in the lease, shall be construed to include, and shall include, bind and inure to the benefit of, the State of Alaska, its successor and assigns, at any time during the term of this lease or any renewal thereof; and the word "Lessee" as and wherever used in this lease shall be construed to include and shall include and bind and inure to the benefit of the Lessee, his successors and assigns.

2. It shall be the responsibility of the Lessee to properly locate himself and his improvements within the confines of the property leased herein.

3. The Lessor, Alaska, hereby expressly saves, excepts and reserves out of the grant hereby made unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, and fossils of every name, kind or description, and which may be in or upon said lands above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said lands, or any part or parts thereof, at any and all times, for the purpose of opening, developing, drilling and working mines or wells on these or other lands and taking out and removing therefrom all such oils, gases, coal, ores, minerals, fissionable materials and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, powerlines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said lands or any part thereof for the foregoing purposes and to occupy as much of said lands as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.

Provided, however, no rights shall be exercised by Alaska, its lessees, successors or assigns, until provision has been made by Alaska, its lessees, successors or assigns, to pay to the owner of the land, upon which the rights herein reserved to Alaska, its lessees, successors, or assigns are sought to be exercised, full payment for all damages sustained by said owner, by reason of entering upon said land; provided, that if said owner for any cause whatever refuses or neglects to settle said damages, Alaska, its lessees, successors or assigns or any applicant for a lease or contract from Alaska for the purpose of prospecting for valuable minerals, or option contract or lease for mining coal or lease for extracting petroleum or natural gas, shall have the right, after posting a surety bond with the Director in a company qualified to do business in Alaska or in a form as determined by the Director, after due notice and opportunity to be heard, to be sufficient in amount and security to secure the said owner full payment for all such damages, to enter upon the land in the exercise of said reserved rights, and shall have the right to institute such legal proceedings in a court of competent jurisdiction wherein the land is situated, as may be necessary to determine the damages which the surface lessee of such lands may suffer.

4. The lands leased herein have been classified as shown on page 1 of this agreement and in accordance with the Classification Regulations, Title 11, Division 1, Chapter 1, Subchapter 1, and any use thereof which shall be in material conflict with said classification shall, if not remedied after due notice thereof has been served on the Lessee, constitute a breach of this lease and the Lessor may thereupon terminate same in accordance with provisions herein contained. The Lessor does not warrant that by such classification the land is ideally suited for the use authorized thereunder and the Lessor gives no guaranty, actual or implied, that the utilization under said classification will be profitable.

5. All coal, oil, gas and other minerals and all deposits of stone or gravel valuable for extraction and utilization and all materials subject to Title 11, Division 1, Chapters Four (4), Five (5) and Six (6), Alaska Administrative Code, as amended or as shall hereafter be amended are excepted from the operation of this lease. Viz: The Lessee shall not sell or remove for use elsewhere any timber, stone, gravel, peatmoss, or any other material valuable for building or commercial purposes; provided, however, that material required in the enjoyment of this lease may be used after a written permit therefor has been obtained from the Lessor.

6. The Lessor expressly reserves the right to grant easements or rights-of-way across the land herein leased if it is determined to be in the best interests of the State to do so; provided, however, that the Lessee shall be entitled to compensation for all improvements or crops which are damaged or destroyed as a direct result of such easement or right-of-way.

7. The Lessee shall not commit waste or injury upon the lands leased herein. Any violation of this agreement shall not only subject the offender to civil liability, but upon conviction thereof he may be fined in any sum not exceeding $1000.00.

8. If the lands leased herein are classified and leased as grazing or agricultural lands the Lessee shall not prevent or deny the lawful pursuit or the hunting of game or the taking of fish; provided, however, the Director, upon request in writing, may allow the lands leased herein, or portions thereof, to be posted to prohibit hunting and fishing when it appears necessary in order to properly protect the Lessee and his property.

9. Should the lands herein leased lie within the jurisdiction of any authorized building or zoning authority they shall be utilized in accordance with the rules and regulations promulgated by said authority.

10. The Lessee shall take all reasonable precaution to prevent, and take all reasonable action to suppress grass, brush and forest fires on the land herein leased.

11. The Lessee shall allow the Lessor, through its duly authorized representative, to enter upon the leased premises, at any reasonable time, for the purpose of an inspection thereof.

12. When the Lessee shall use the lands leased herein to construct any form of hydraulic project or employ any equipment or engage in any activity which will use, divert, obstruct, pollute or change the natural flow or bed or any river, lake or stream or that will utilize any of the waters of the State or materials from any river, lake or stream beds, the Lessee shall, prior to the commencement of any such operations, procure the approval of the Commissioner of the Department of Fish and Game and the original or an image copy thereof shall be filed with the Lessor prior to the commencement of such activity.

13. The Lessee may assign the lands, or portion thereof, herein demised, provided, he first makes application to the Lessor for a permit and the Lessor, in his discretion, may issue such permit if he finds it to be in the best interest of Alaska. Upon an assignment being granted, the assignee thereunder shall become subject to and be governed by the provisions of this lease in the same manner as though he were the original Lessee.

14. This lease may not be modified orally or in any manner other than by an agreement in writing signed by all parties hereto or their respective successors in interest.

15. This lease may be cancelled, in whole or in part, under one or more of the following conditions:

A. While in good standing by the mutual agreement in writing of the respective parties hereto.

B. If issued in error with respect to material facts.

C. If the leased premised are being used for an unlawful purpose.

16. If the Lessee should default in the performance of any of the terms, covenants or stipulations herein contained or of the regulations promulgated pursuant to Chapter 169, SLA 1959, as amended, and said default shall not be remedied within 30 days after written notice of such default has been served upon the Lessee by the Lessor, the Lessee shall be subjected to such legal action as the Lessor shall deem appropriate including but not limited to, the forfeiture of this lease. No improvements may be removed by the Lessee during any period in which this lease is in default. In the event that this lease shall be terminated because of a breach of any of the terms, covenants, or stipulations contained herein the annual rental payment last made by the Lessee shall be retained by the Lessor as liquidated damages.

17. Any notice or demand which must be given or made by the parties hereto shall be in writing, and shall be complete by sending such notice or demand by United States registered or certified mail to the address shown on the lease or to such other address as the parties shall designate in writing from time to time. A copy of any such notice shall be forwarded by the Lessor to any lienholder who has properly recorded his interest in the lease with the Lessor.

18. In the event that this lease is terminated as herein provided, by summary proceedings or otherwise, or in the event that the demised lands, or any part thereof, should be abandoned by the Lessee during the term of this lease, the Lessor may immediately, or at any time thereafter, enter or re-enter and take possession of said lands, or any part thereof, and without liability for any damage therefor, remove all

persons and property therefrom either by summary proceedings or by a suitable action or proceeding at law; provided, however, that the words "entry" and "re-entry" as used herein, are not restricted to their technical legal meaning. Any entry or re-entry, possession, repossession, dispossess, and/or dispossession by the Lessor, whether had or taken by summary proceedings, or otherwise, shall not be deemed to absolve, relieve, release or discharge the Lessee, either in whole or in part, from any liability hereunder.

19. Upon the expiration, termination or cancellation of this lease, unless the same has been renewed, the Lessee shall quietly and peaceably leave, surrender and yield up unto the Lessor all of the leased land on the last day of the term of the lease.

20. The receipt of rent by the Lessor, with or without knowledge of any breach of the lease by the Lessee or of any default on the part of the Lessee in observance or performance of any of the conditions or covenants of this lease, shall not be deemed to be a waiver of any provision of this lease. No failure on the part of the Lessor to enforce any covenant or provision herein contained, nor any waiver of any right hereunder by the Lessor, unless in writing, shall discharge or invalidate such terms or covenants or affect the right of the Lessor to enforce the same in the event of any subsequent breach or default. The receipt by the Lessor of rent or any other sum of money or the termination, in any manner, of the term therein demised, or after giving by the Lessor of any notice hereunder to affect such termination, shall not reinstate, continue, or extend the resultant term herein demised, or destroy or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by the Lessor to the Lessee prior to the receipt of any such sum of money or other consideration, unless expressed in writing and signed by the Lessor.

21. The Lessee, after written request therefor has been filed with the Lessor and prior to the commencement of such work, may receive credit toward current or future rentals, provided the contemplated work, to be accomplished on or off the area leased herein, in the discretion of the Lessor, shall result in increased valuation to other State owned lands. The Lessor's authorization to proceed with the work for rental credit, if granted, shall stipulate the type and extent of improvements, standards of construction to be followed and the maximum allowable rental credit therefor; provided further that no rental credit shall inure to the Lessee until the work has been completed and the Lessor has inspected same to determine compliance with the provisions of said authorization.

22. If, upon the expiration of this lease, the Lessee desires a renewal lease on the lands, properties or interests covered herein, he shall within 30 days before the expiration of this lease, make application to the Lessor on Form DL-74 entitled "Application for Renewal of Lease," in which he must certify under oath as to the character and value of all the improvements existing upon the land, the purpose for which he desires a renewal and such other information as the Director of the Division of Lands may require. Along with the application the applicant shall deposit a sum equal to 50% of the current annual rental, as provided herein, but in no event to exceed the sum of $50.00. The Lessor may thereupon lease said lands in compliance with the provisions herein enumerated, Chapter 169, SLA 1959, as amended, and the rules and regulations promulgated thereunder, allowing a preference right to the Lessee herein.

23. The Lessee hereunder shall, upon the expiration of this lease or the prior termination thereof by mutual agreement, be allowed a preference right to re-lease the lands leased herein if all other pertinent factors are substantially equivalent. If the renewal lease does not require public auction the preference rightholder shall exercise his right within 30 days before the expiration of this lease by written notice directed

to the Lessor and failure to do so shall result in forfeiture and cancellation of such preference right. In the event that the lease is subject to and is offered at public auction the preference rightholder shall, at the close of bidding, indicate his desire to exercise his preference right and meet the highest bid. In the event the preference right holder does not elect to exercise his right and fails to do so at this time his preference right shall be forfeited and forever lost.

24. Improvements owned by a Lessee on Alaska lands shall within 60 days after the termination of the lease be removed by him; provided, such removal will not cause injury or damage to the lands; and further provided, that the Lessor may extend the time for removing such improvements in cases where hardship is proven. The retiring Lessee or permittee may, with the consent of the Lessor, sell his improvements to the succeeding lessee or permittee.

If any improvements and/or chattels having an appraised value in excess of $10,000.00 as determined by the Lessor are not removed within the time allowed, such improvements and/or chattels shall upon due notice to the Lessee, be sold at public sale under the direction of the Lessor. The proceeds of sale shall inure to the Lessee who placed such improvements and/or chattels on the lands after paying to Alaska all rents due and owing and expenses incurred in making such sale. In case there are no other bidders at any such sales, the Lessor is authorized to bid, in the name of Alaska, on such improvements and/or chattels. The bid money shall be taken from the fund to which said lands belong and the said fund shall receive all monies or other value subsequently derived from the sale or leasing of such improvements and/or chattels. Alaska shall acquire all the rights, both legal and equitable, that any other purchaser could acquire by reason of said purchase.

If any improvements and/or chattels having an appraised value of $10,000.00 or less, as determined by the Lessor, are not removed within the time allowed, such improvements and/or chattels shall revert to and absolute title shall vest in Alaska.

25. If any clause, or provision, herein contained, shall be adjudged to be invalid, it shall not affect the validity of any other clause or provision, of this lease or constitute any cause of action in favor of either party as against the other.

It is agreed that the covenants, terms and agreements herein contained shall be binding upon the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the State of Alaska, Lessor, acting through the Director of the Division of Lands of the Department of Natural Resources, lawfully authorized thereunto, has caused these presents to be executed at Anchorage, Alaska, in duplicate and the said Lessee has hereunto set his hand, agreeing to keep, observe and perform the rules and regulations promulgated under Chapter 169, SLA 1959, as amended, the terms, conditions and provisions herein contained, on the Lessee's part to be kept, observed and performed; and executed said instrument, in duplicate on the 28th day of November, 19 61.

APPROVED:

A. Earl Cloud, Acting
Director, Division of Lands

Channel Flying Service
By Michael S. [illegible] Co-Owner

COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES
STATE OF ALASKA

Parker Tug & Barge Co., Inc.
By James A. Parker
LESSEE(S) Vice-President

UNITED STATES OF AMERICA)
State of Alaska) ss.

THIS IS TO CERTIFY that on the 7th day of December, 1961, before me, the undersigned Notary Public, personally appeared A. EARL PLOURDE known to me and known by me to be the Acting Director of the Division of Lands of the Department of Natural Resources, and acknowledged to me that he executed the foregoing lease for and on behalf of said State, freely and voluntarily and 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.

Dale F. Owen
Notary Public in and for the State of Alaska
My commission expires 5-27-65

UNITED STATES OF AMERICA)
State of Alaska) ss.

THIS IS TO CERTIFY that on this 4th day of December, 19____, before me, the undersigned, a Notary Public in and for Alaska duly commissioned and sworn, personally appeared Michael C. Pusich & Jennie M. Parker to me personally known to be one of the persons described in and who executed the within instrument and the said ________________ 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.

Jacquie Rainery
Notary Public in and for the State of Alaska
My commission expires July 19, 1964

Approved as to Form:

Ralph E. Moody
Attorney General

By George N. Hayes

Title Assistant Attorney General

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF MINING, LAND & WATER
400 WILLOUGHBY, SUITE 400
JUNEAU, ALASKA 99801
907-465-3400

AMENDMENT # 2 TO TIDELAND LEASE
ADL 2852 (ATS 54)

Tideland lease ADL 2852 is amended to delete from the original lease the following portion of the lease area which was transferred to the State Department of Highways in 1972 for the construction of Egan Drive:

That portion of Alaska Tideland Survey No. 54, located in Section 9, Township 41 South, Range 67 East, Copper River Meridian within the City and Borough of Juneau, Juneau Recording District, First Judicial District, State of Alaska described as follows:

Beginning at Corner 2 of said A.T.S. 54; thence S.49°54'30"W. along Line 2-3 of said Survey and a distance of 3.92 feet, thence N.41°59'25"W. a distance of 100.85 feet to Line 1-4 of said A.T.S. 54; thence N.54°26'00"E. along said Line 1-4 a distance of 6.10 feet to Corner 1 of said Survey; thence S.40°46'00"E. along Line 1-2 of said Survey a distance of 100.32 feet to Corner 2, the place of beginning, containing 502 square feet, more or less.

The remaining acreage in A.T.S. 54 is adjusted to 1.468 acres more or less.

All other terms and conditions of the lease shall remain unchanged.

LESSEE:

Ken Loken   Oct 11, 00

Ken Loken   Date
Channel Flying, Inc

LESSOR:

Ron Schonenbach   10/17/00

Ron Schonenbach, Regional Manager   Date
Division of Mining, Land and Water
Alaska Department of Natural Resources

STATE OF __________)

) ss.

______Judicial District)

THIS IS TO CERTIFY that on this 11th day of October, 2000, before me personally appeared Ken Loken, known to me to be the person named and who signed the foregoing lease amendment and acknowledged voluntarily signing the same.

Dorothy S. Wilson

Notary Public in and for the State of Alaska
My Commission Expires: DOROTHY S. WILSON
My Commission Expires 4/20/03

STATE OF ALASKA)

1st Judicial District)ss.

)

THIS IS TO CERTIFY that on this 17th day of October, 2000, before me personally appeared Ron Schonenbach, of the Division of Mining, Land and Water of the Department of Natural Resources of the State of Alaska, who executed the foregoing Lease Amendment and acknowledged voluntarily signing the same.

STATE OF ALASKA
OFFICIAL SEAL
Douglas T. Sanvik
NOTARY PUBLIC
My Commission Expires 1/20/02

Douglas T. Sanvik

Notary Public in and for the State of Alaska
My Commission Expires: 1/20/02

Photo 1 – Warehouse (former seaplane hangar) at 2601 Channel Drive or as viewed from street. (081315_12239)

Photo 2 – Channel Drive looking northwest, subject photo left. (081315_12241)

PHOTO 3 – VIEW OF SUBJECT LOOKING NORTHWEST FROM GRANT-WICK PARCELS. (081315_12254)

PHOTO 4 – VIEW OF SUBJECT LOOKING WEST FROM GRANT-WICK PARCELS. NOTE SUBMERGED TIDELANDS AND PILING REMNANTS PHOTO CENTER. (081315_12252)

PHOTO 5 – RAMP, PILING AND SEAWALL REMNANTS ON SUBJECT PARCEL LOOKING SOUTHEAST. (081315_12273)

PHOTO 6 – REAR OF WAREHOUSE. (081315_12278)

Community: 03 CBJ - Auke Bay **Recording District:** Juneau

Address: 13391 13391 Glacier Highway **City:** Juneau **State:** AK **Zip:** 99801

Location: Auke Bay, Allen Marine Barge Dock

Legal: ATS 1533, Plat 97-65, Juneau Recording District, First Judicial District, Alaska; ADL No. 106233 Assessor Parcel #4B3001020050;

Instrument: Lease **Serial:**

Trans.Type: Land Lease

Rights: Leasehold

Terms: Annual Lease

Annual Rent: $28,100

Trans. Date: July 19, 2012

Grantor: City and Borough of Juneau

Grantee: Allen Marine Tours, Inc.

Size (SF): 187,351.56

Frontage: 500'

Zone: WI

Utilities: Water, Telephone, Electric

Access: Road, paved

Improvements: None

Land Class: Waterfront, Commercial, Tidelands

Topography: Submerged, Sloping

Vegetation: None

Soil: Tidelands

Present Use: Independent docking facility as a passenger transfer facility for tours or ferry service.

Intended Use: Floating Dock

Highest and Best Use: Waterfront industrial

Comments

Vacant as leased. This site has since been developed as a commercial dock. Original tidelands lease established December 1, 1997, and transferred to the City and Borough of Juneau in 2001. The lease term is for 30 years with five year rental adjustments at the option of lessor. The plat does NOT note a 50' shoreline public access on this site. The site is mostly submerged land dropping off steeply. See Our File 03-102.

Analysis:

$28,100/year ÷ 4.30 acres = $6,535/AC/year or $.15/sf

Marketing Info: Non-competitive lease based on appraisal. Capitalized lease; the original rent annual payment was $21,075 per December 1, 1997. Adjusted August 26, 2004 to $28,100/year. The lease was due to be reappraised in 2009, however an appraisal was not performed until 2012. That appraisal recommended the lease rate remain at $28,100/year. Typical lease percentage rate at that time was 8%. Reappraisal anniversary date is 07/01/ 2017. The transaction date noted above is the effective date of the Lease Rental Review letter sent to the lessee. from the city.

Confirmed with:	Teena Scovill, CBJ	John Stone, Lessor
Confirmed date:	1/8/2015	1/21/2010
Confirmed by:	J.Horan	T.Riley
Book/Tab:	84	Auke Bay
Revision Date:	1/27/2015	
Record Number:	1637	

041304_0837

Looking at the subject from Glacier Highway in a westerly direction.

Community: 12 CBJ - Salmon Creek **Recording District:** Juneau
Address: 2697 Channel Drive **City:** Juneau **State:** AK **Zip:** 99801
Location: DIPAC Hatchery
Legal: ATS 1356, Tracts A and B; Juneau Recording District, First Judicial District, Alaska ADL 104320; Amendment Lease Addition 61,663 SF
: Parcel Number: 7B0901010070

Instrument: Lease **Serial:**
Trans.Type: Land Lease
Rights: Lease
Terms: Annual Rent

Annual Rent: $41,135.4
Trans. Date: October 17, 2014
Grantor: City and Borough of Juneau
Grantee: DIPAC

Size (SF): 274,236
Frontage: Gastineau Channel
Zone: WI

Utilities: All
Access: Road, paved
Improvements: None in lease
Land Class: Commercial, Tidelands, Waterfront

Topography: Drops from road to muddy tidal flats awash at most tides; no submerged land.
Vegetation: None
Soil: See Comments

Present Use: Gastineau Hatchery
Intended Use: Gastineau Hatchery
Highest and Best Use: Commercial

Comments

Tract B is designated as public access for urban fishing and satisfies the state requirement for pedestrian access across the front of the entire parcel. This site is used as a large hatchery operation with ponds, buildings, aquarium, and parking. This site functions well as a hatchery location. See Our File 03-102. An additional 61,663 SF was added in 2010.

Analysis:

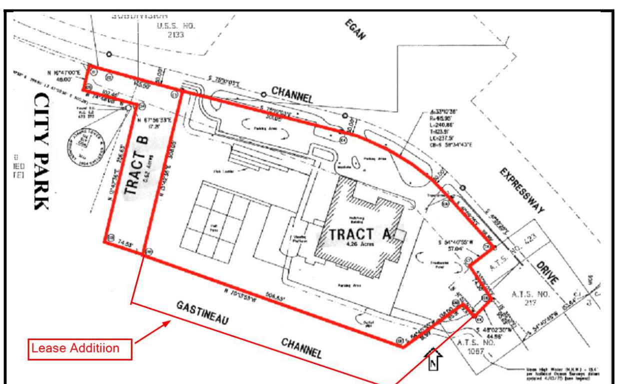
$41,134.45 / 274,236 SF = $0.15/SF

Marketing Info: Original lease negotiated in 1992 assigned Tract B to offset 50' public easement. Expansion requested by DIPAC and Channel Construction in 2008 required CBJ to obtain land from State. Process complete in 2010 with additional lease area ATS 1682 Tract A rented at same rate as adjoining lease parcels. This additional land totaled 61,663 SF was added per amendment dated 11/29/2010 which used as the effective lease adjustment date. Rate set in October 2009 adjustment was also $41,135.40

Confirmed with: City and Borough of
Confirmed date: 04/24/2015
Confirmed by: J.Horan
Book/Tab: 84 Salmon Creek - WI
Revision Date: 4/29/2015
Record Number: 4187

012015_208

Looking SE from Channel DR toward comp.



Community: 20 CBJ - North Douglas
Recording District: Juneau
Address: 5010 North Douglas Highway
City: Juneau
State: AK
Zip: 99801
Location: Waterside Park Mobile Home Court
Legal: Leasehold Interest of Lot 1, ATS 43,ADL 2798
; Parcel Number: 6D070-102-0000

Instrument: Tidelands **Serial:** 2009-007972-0
Trans.Type: Land Lease
Rights: Lease Fee
Terms: renewal 2008; expiry 8/8/2016

Annual Rent: $7,546.75
Trans. Date: November 1, 2014
Grantor: CBJ
Grantee: Myron Klein

Size (SF): 150,935
Frontage: Approx. 835' on Gastineau Channel
Topography: See Comments
Vegetation: None
Soil: Gravel

Utilities: All
Access: Road, paved
Improvements: pad for portion of mobile home court
Land Class: Tidelands, Waterfront, Commercial

Present Use: Mobile home court, 32 spaces
Intended Use: Continue present use
Highest and Best Use: As developed, there appears to be some excess land.

Comments
The subject is comprised of filled tidelands and unfilled tidelands for a total site of about 3.465 AC. According to the assessor's records, about 1.71 AC is filled. Lease is for land in pre-improvement, unfilled state. It has an excellent view and water orientation. There may be some fill encroaching onto this site, but it is largely tidelands sloping away from the high tide line towards Gastineau Channel. The subject is 400' or so from mean low water precluding effective access to these waters without acquiring adjacent property. There is a large stream, Eagle Creek, which bisects the tidelands entering from the west and turning towards the north. The land is riddled with this stream and other drainages. Overall, the land is inner tidal lands with relatively low utility

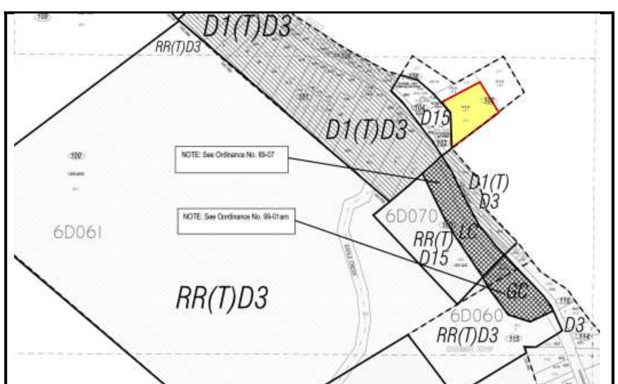
Analysis:

$7,546.75 ÷ 150,935 SF = $0.05/SF
$7,546.75 ÷ 8% = $94,334 ÷ 150,935 SF = $0.63/SF capitalized value

Marketing Info: Most recent lease began 10/23/2009 expiring 11/10/2044 (35 year term). Lease payments are made annually with rental adjustments made every five years based on appraisal of market rent. The initial lease rate for the first five years was set in 2009 at $6,040/year($0.40/SF)
It was most recently adjusted in 2014 as reflected in this record. See our file 14-150.

Confirmed with: CBJ
Confirmed date: 4/24/2015
Confirmed by: J.Horan
Book/Tab: 82/83 North Douglas
Revision Date: 4/29/2015
Record Number: 5955

012015_194



Community: 03 CBJ - Auke Bay
Recording District: Juneau
Address: 11957 Glacier Highway
City: Juneau
State: AK
Zip: 99801
Location: Fisherman's Bend Marina, Auke Bay
Legal: ATS 1324, ADL 103170; Parcel Number: 4B2801020140

Instrument: Lease
Serial: 2008-011152-0
Trans.Type: Land Lease
Rights: Lease, Leasehold less Minerals, Subsurface
Terms: Annual Rent

Annual Rent: $34,260
Trans. Date: January 2, 2014
Grantor: City and Borough of Juneau
Grantee: Andrews Marina Inc.

Size (SF): 311,454
Frontage:
Zone: WC
Topography: Submerged
Vegetation: N/A
Soil: Tidelands

Utilities: Electric
Access: Adjacent tidelands
Improvements: None in lease
Land Class: Waterfront, Tidelands, Commercial

Present Use: Marina
Intended Use: Marina, Retain for possible expansion
Highest and Best Use: Marina

Comments
This leased site is the extension of the upland marina. The site is totally submerged ranging from -30' to -90' below mean low water. The southern portions of the site are relatively deep and completely submerged. Located in the inner core of Auke Bay, the subject is well protected but does experience wind and wave action at times. Given these physical characteristics, it is well suited for its use as a marina, but its distance from the shoreline and depth makes it more expensive to develop. The distance from shore restricts their utility to an extent. It is currently improved with two fingers, a portion of the main float and the fuel dock. There is reportedly a minor encroachment of a private float to the west.

Analysis:

2014
34,260/year ÷ 7.15 acres = $4,791.61/AC/year or
$34,260/year / 311,454 SF = $0.11/SF/year

$24,250/year ÷ 7.15 acres = $3,392/AC/year or
$24,250/year / 311,454 SF = $0.08SF/year

Marketing Info: The subject is part of the Fisherman's Bend Marina located at 11957 Glacier Highway in Auke Bay, Juneau, Alaska (ATS 1324). The tidelands were originally part of a 20 year lease, ADL 103170, which began 01/02/87 at a rate of $13,600/ year($0.04/SF). It expired on January 1, 2007. According to city

Confirmed with:	DNR records	CBJ - Teena Larson
Confirmed date:	1/1/1988	
Confirmed by:	C.Horan	
Book/Tab:	84	Auke Bay
Revision Date:	9/18/2015	
Record Number:	2444	

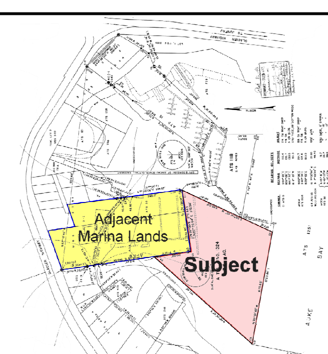


FIGURE 3.1 – SITE MAP OF ATS 1324 INCLUDING ADJACENT MARINA LANDS

Community: 12 CBJ - Salmon Creek **Recording District:** Juneau
Address: 2591 Channel Drive **City:** Juneau **State:** AK **Zip:** 99801
Location: South end of Channel Drive
Legal: Tract B, ATS 1670, Plat 2015-1, Juneau Recording District, First Judicial District, Alaska
Formerly Lot 3, ATS 18, ADL 1891 ; Parcel Number: 7B0901010020

Instrument: Lease **Serial:** 2009-003200-0
Trans.Type: Land Lease
Rights: Lease
Terms: Annual rent

Annual Rent: $3,005.7
Trans. Date: June 1, 2014
Grantor: City and Borough of Juneau
Grantee: DJG Development, LLC, Prop/Wick Grant Liv Trust

Size (SF): 20,038
Frontage: 100'
Zone: WI

Utilities: All
Access: Road, paved
Improvements: None in lease
Land Class: Tidelands

Topography: Gently sloping tidal flats
Vegetation:
Soil:

Present Use: Vacant
Intended Use: Speculation
Highest and Best Use: Commercial

Comments

The site was replatted in January 2015 changing the lot dimensions slightly and reducing the size from 0.461 acres (20,081 SF) to 0.46 acres (20,038 SF) The site's former legal description was Lot 3, Plat 2001-7.
It is leased by the same lessee in conjunction with the adjacent ADL 2090 (our record #4176). The site is composed of unfilled gradually sloping tidelands. The land near the road is suitable for fill, but access to water is limited due to tide changes and mud flats seaward of the subject at lowest tides. The average site depth is 210'. Due to rebounding, additional land may be required for deep water access. The 50' pedestrian easement typical for tidelands leases is not noted on the plat for this property. See Our File 03-102 and our files 14-134.

Analysis:

$3,005.70 / 20,038 SF = $0.15/SF

Marketing Info: The original lease began on April 25, 1961 and was set to expire April 24, 2016. A new lease was signed June 1, 2009 at an annual rate of $3012.15 or $0.15/SF based on appraisal. The lease rate is to be reviewed by the harbor board every five years.
The size was reduced slightly in January 2015 from 0.461 acres to 0.46 acres. The current lease rate is effective 06/01/2014 and is based on this reduced square footage.
Prior to the new lease in 2009, the last adjustment date was 6/1/07. with the lease set at $3,012.15 or $0.15/SF for the 20,081 SF.

Confirmed with: Teena Scovill CBJ Ports
Confirmed date: 04/27/2015
Confirmed by: J.Horan
Book/Tab: 84 Salmon Creek - WI
Revision Date: 4/29/2015
Record Number: 4175

012015_0045

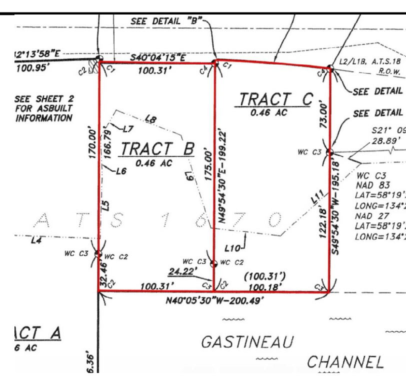


FIGURE 3.1 – SUBJECT PARCEL AS DEPICTED ON THE PLAT

Community: 12 CBJ - Salmon Creek
Recording District: Juneau
Address: 2591 Channel Drive
City: Juneau
State: AK
Zip: 99801
Location: South end of Channel Drive
Legal: Tract C, ATS 1670, Plat 2015-1, Juneau Recording District, First Judicial District, Alaska
Formerly Lot 2, ATS 18, ADL 2090
: Parcel Number: 7B0901010020

Instrument: Lease
Serial: 2009-003201-0
Trans.Type: Sale
Rights: Lease
Terms: Annual rent

Sale Price: $3,005.7
Trans. Date: June 1, 2014
Grantor: City and Borough of Juneau
Grantee: DJG Development, LLC, Prop/Wick Grant Liv Trust

Size (SF): 20,038
Frontage: 100'
Zone: WI

Utilities: All
Access: Road, paved
Improvements: Fill not included in lease
Land Class: Tidelands

Topography: Gently sloping tidal flats
Vegetation:
Soil:

Present Use: Vacant
Intended Use: Speculation
Highest and Best Use: Commercial

Comments

The site was replatted in January 2015 changing the lot dimensions slightly but the size remained unchanged at 0.46 acres (20,038 SF) The site's former legal description was Lot 2, Plat 2001-7.
It is leased by the same lessor in conjunction with the adjacent ADL 1891 (our record #4175). This parcel is currently partially filled, however, it is leased in its unfilled pre-lease condition. In its pre-lease condition the subject is gradually sloping tidelands. Aaccess to water is limited due to tide changes and mud flats seaward of the subject at lowest tides. The average site depth is 210'. Due to rebounding, additional land may be required for deep water access. This site is a "shallow" parcel. TThe 50' pedestrian easement typical for tidelands leases is not noted on the plat for this property. See Our Files 03-102 and our files 14-134.

Analysis:

$3,005.70 / 20,038 SF = $0.15/SF

Marketing Info: The original lease began on April 25, 1961 and was set to expire April 24, 2016. A new lease was signed June 1, 2009 at an annual rate of $3012.15 or $0.15/SF based on appraisal. The lease rate is to be reviewed by the harbor board every five years.
The site was replatted in January 2015 but the size remained at 0.46 acres. The current lease rate is effective 06/01/2014.
Prior to the new lease in 2009, the last adjustment date was 6/1/07. with the lease set at $3,012.15 or $0.15/SF.

Confirmed with: Teena Scovill CBJ Ports
Confirmed date: 04/27/2015
Confirmed by: J.Horan
Book/Tab: 84 Salmon Creek - WI
Revision Date: 8/24/2011
Record Number: 4176

012015_0045

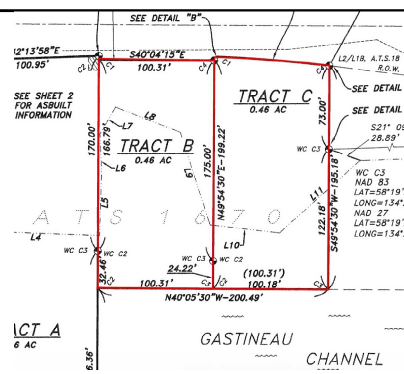


FIGURE 3.1 – SUBJECT PARCEL AS DEPICTED ON THE PLAT

QUALIFICATIONS OF CHARLES E. HORAN, MAI

Professional Designation	MAI, Member Appraisal Institute, No. 6534
State Certification	State of Alaska General Appraiser Certification, No. AA41
Bachelor of Science Degree	University of San Francisco, B.S., Business Administration, 1973

Employment History:

8/04 – now	Owner, HORAN & COMPANY, LLC
3/87 –7/04	Partner, HORAN, CORAK AND COMPANY
1980 –2/87	Partner, The PD Appraisal Group, managing partner since November 1984 (formerly POMTIER, DUVERNAY & HORAN)
1976 – 80	Partner/Appraiser, POMTIER, DUVERNAY & COMPANY, INC., Juneau and Sitka, Alaska
1975 – 76	Real Estate Appraiser, H. Pomtier & Associates, Ketchikan, AK
1973 – 75	Jr. Appraiser, Ketchikan Gateway Borough, Ketchikan, AK

Lectures and Educational Presentations:

2007, "Conservation Easements" Presentation - Alaska Association of Assessing Officers, Fairbanks, AK
1998, "Easement Valuation Seminar," Alaska Chapter Appraisal Institute, Anchorage, AK
1998, "Easement Valuation Seminar," Seal Trust, Juneau, Alaska
1997, "Sitka Housing Market," Sitka Chamber of Commerce
1997, developed and taught commercial real estate investment seminar for Shee Atika, Inc.
1994, developed and taught seminar "Introduction to Real Estate Appraising," UAS, Sitka Campus
1985, Speaker at Sitka Chamber of Commerce, "What is an Appraisal? How to Read the Appraisal"
1984, Southeast Alaska Realtor's Mini Convention, Juneau, Alaska
Day 1: Introduction of Appraising, Cost and Market Data Approaches
Day 2: Income Approach, Types of Appraisals, AIREA Accredited Course
1983, "The State of Southeast Alaska's Real Estate Market"
1982, "What is an Appraisal?"

Types of Property Appraised:

Commercial **-** Retail shops, enclosed mall, shopping centers, medical buildings, restaurants, service stations, office buildings, auto body shops, schools, remote retail stores, liquor stores, supermarkets, funeral home, mobile home parks, camper courts. Appraised various businesses with real estate for value as a going concern with or without fixtures such as hotels, motels, bowling alleys, marinas, restaurants, lounges.

Industrial **-** Warehouse, mini-warehouse, hangars, docks barge loading facilities, industrial acreage, industrial sites, bulk plant sites, and fish processing facility. Appraised tank farms, bulk terminal sites, and a variety of waterfront port sites.

Special Land **-** Partial Interest and Leasehold Valuation **-** Remote acreage, tidelands with estimates of annual market rent. Large acreage land exchanges for federal, state, municipal governments and Alaska Native Corporations; retail lot valuations and absorption studies of large subdivisions; gravel and rock royalty value estimates; easements, partial interests, conservation easements; title limitations, permit fee evaluations. Appraised various properties under lease to determine leasehold and leased fee interests. Value easements and complex partial interests.

Special Projects **-** Special consultation for Federal land exchanges. Developed Land Evaluation Module (LEM) to describe and evaluate 290,000 acres of remote lands. Renovation feasibilities, residential lot absorption studies, commercial, and office building absorption studies. Contract review appraiser for private individuals, municipalities, and lenders. Restaurant feasibility studies, Housing demand studies and overall market projections. Estimated impact of nuisances on property values. Historic appreciation / market change studies. Historic barren material royalty valuations, subsurface mineral and timber valuation in conjunction with resource experts. Mass appraisal valuations for

Municipality of Skagway, City of Craig, Ketchikan Gateway Borough and other Alaska communities. Developed electronic/digial assessment record system for municipalities. Developed extensive state-wide market data record system which identified sales in all geographic areas.

Expert Witness Experience and Testimony:

2009 Expert at mediation - Talbot's Inc vs State of Alaska, et al. IKE-07-168CI
2008 Albright vs Albright, IKE-07-265CI, settled
2006 State of Alaska vs Homestead Alaska, et al, 1JU-06-572, settled
2006 State of Alaska vs Heaton, et al, 1JU-06-570CI, settled
2006 State of Alaska vs Jean Gain Estate, 1JU-06-571, settled
2004 Assessment Appeal, Board of Equalization, Franklin Dock vs City and Borough of Juneau
2000 Alaska Pulp Corporation vs National Surety - Deposition
U.S. Senate, Natural Resources Committee
U.S. House of Representatives, Resource Committee
Superior Court, State of Alaska, Trial Court and Bankruptcy Courts
Board of Equalization Hearings testified on behalf of these municipalities: Ketchikan Gateway Borough, City of Skagway, City of Pelican, City and Borough of Haines, Alaska
Witness at binding arbitration hearings, appointed Master for property partitionment by superior state court, selected expert as final appraiser in multi parties suit with settlements of real estate land value issues

Partial List of Clients:

<u>Federal Agencies</u>
Bureau of Indian Affairs
Bureau of Land Mngmnt
Coast Guard
Dept. Of Agriculture
Dept. Of Interior
Dept. Of Transportation
Federal Deposit Ins Corp
Federal Highway Admin.
Fish & Wildlife Service
Forest Service
General Service Agency
National Park Service
USDA Rural Develop.
Veterans Administration

<u>Municipalities</u>
City & Borough of Haines
City & Borough of Juneau
City & Borough of Sitka
City of Akutan
City of Coffman Cove
City of Craig
City of Hoonah
City of Ketchikan
City of Klawock
City of Pelican
City of Petersburg
City of Thorne Bay
City of Wrangell
Ketchikan Gateway Borg.
Municipality of Skagway

<u>Lending Institutions</u>
Alaska Growth Capital
Alaska Pacific Bank
Alaska Ind. Dev. Auth.
ALPS FCU
First Bank
First National Bank AK
Key Bank
Met Life Capital Corp.
National Bank of AK
Rainier National Bank
SeaFirst Bank
True North Credit Union
Wells Fargo
Wells Fargo RETECHS

<u>Other Organizations</u>
BIHA
Central Council for Tlingit & Haida Indian Tribes of Alaska (CCTHITA)
Diocese of Juneau
Elks Lodge
Hoonah Indian Assoc.
LDS Church
Moose Lodge
SE AK Land Trust (SEAL)
SEARHC
Sitka Tribe of Alaska
The Nature Conservancy

<u>ANCSA Corporations</u>
Cape Fox, Inc.
Doyon Corporation
Eyak Corporation
Goldbelt
Haida Corporation
Huna Totem
Kake Tribal Corporation
Klawock-Heenya Corp.
Klukwan, Inc.
Kootznoowoo, Inc.
Sealaska Corporation
Shaan Seet, Inc.
Shee Atika Corporation
TDX Corporation
The Tatitlek Corporation
Yak-Tat Kwan

<u>State of Alaska Agencies</u>
Alaska State Building Authority (formerly ASHA)
Attorney General
Dept. of Fish & Game
Dept. of Natural Service, Div. of Lands
Dept. of Public Safety
DOT&PF
Mental Health Land Trust
Superior Court
University of Alaska

<u>Companies</u>
AK Electric Light & Power
AK Lumber & Pulp Co.
AK Power & Telephone
Allen Marine
Arrowhead Transfer
AT&T Alscom
Coeur Alaska
Delta Western
Gulf Oil of Canada
Hames Corporation
HDR Alaska, Inc.
Holland America
Home Depot
Kennecott Greens Creek
Kennedy & Associates
Madsen Construction, Inc.
Service Transfer
Standard Oil of CA
The Conservation Fund
Union Oil
Ward Cove Packing
White Pass & Yukon RR
Yutana Barge Lines

Education

7-Hour National USPAP Update Course, Mount Vernon, WA, April 2013
Fall Real Estate Conference 2012, Seattle, Wa November, 2012
Appraising the Appraisal: Appraisal Review-General, Rockville, MD, May 2012
Information Security Awareness for Appraisal Professionals Webinar, December, 2012
Fall Real Estate Conference 2011 Seattle, WA October, 2011
Appraisal Curriculum Overview (2-day General) Milwaukee, WI, August 2011
Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Rockville, MD, Oct 2010
Business Practices and Ethics, Seattle, WA, Apr 2010
Fall Real Estate Conference, Seattle, WA, Dec 2009
7-hour National USPAP Update Course, Seattle, WA, May 2009
Fall Real Estate Conference, Seattle, WA, Nov 2008
Attacking and Defending an Appraisal in Litigation, Kent, WA, Sep 2008
Sustainable Mixed-Use N.I.M., Seattle, WA, Feb 2008
Appraising 2-4 Unit Properties, Bellevue, WA, Sep 2007
Business Practices and Ethics, Seattle, WA, Jun 2007
7-hour National USPAP Update Course, Seattle, WA, Jun 2007
Residential Market Analysis and Highest and Best Use, Seattle, WA, Apr 2007
Basic Appraisal Procedures, Seattle, WA, Feb 2007
USPAP Update Course, Anchorage, AK, Feb 2005
Rates & Ratios: Making Sense of GIMs, OARs, and DCF, Anchorage, AK, Feb 2005
Best Practices for Residential Appraisal Report Writing, Juneau, AK, Apr 2005
Scope of Work - Expanding Your Range of Services, Anchorage, AKMay 2003
Litigation Appraising - Specialized Topics and Applications, Dublin, CA, Oct 2002
UASFLA: Practical Applications for Fee Appraisers, Jim Eaton, Washington, D.C., May 2002
USPAP, Part A, Burr Ridge, IL, Jun 2001
Partial Interest Valuation - Undivided, Anchorage, AK, May 2001
Partial Interest Valuation - Divided, Anchorage, AK, May 2001
Easement Valuation, San Diego, CA, Dec 1997
USPAP, Seattle, WA, Apr 1997
The Appraiser as Expert Witness, Anchorage, AK, May 1995
Appraisal Practices for Litigation, Anchorage, AK, May 1995
Forestry Appraisal Practices, Atterbury Consultants, Beaverton, OR, Apr 1995
Advanced Sales Comparison & Cost Approaches, Univ. of Colorado, Boulder, CO, Jun 1993
Computer Assisted Investment Analysis, University of Maryland, MD, Jul 1991
USPAP, Anchorage, AK, Apr 1991
General State Certification Review Seminar, Anchorage, AK, Apr 1991
State Certification Review Seminar, Dean Potter, Anchorage, AK, Apr 1991
Highest and Best Use and Market Analysis, Baltimore, MA, Mar 1991
Financial Institution Reform, Recovery & Enforcement Act of 1989, Doreen Fair Westfall, Appraisal Analyst, OTS, Juneau, AK, Jul 1990
Real Estate Appraisal Reform, Gregory Hoefer, MAI, OTS, Juneau, AK, Jul 1990
Standards of Professional Practice, Anchorage, AK, Oct 1987
Federal Home Loan Bank Board Memorandum R41C
Seminar, Catherine Gearhearth, MAI, FHLBB District Appraiser, Juneau, AK, Mar 1987
Market Analysis, Boulder, CO , Jun 1986
Federal Home Loan Bank Board Regulation 41b,
Instructor Bob Foreman, MAI, Seattle, WA, Sep 1985
Litigation Valuation, Chapel Hill, North CA, Aug 1984
Standards of Professional Practices, Bloomington, IN, Jan 1982
Course 2B, Valuation Analysis & Report Writing, Stanford, CA, Aug 1980
Course 6, Introduction to Real Estate Investment Analysis, Aug 1980
Course 1B, Capitalization Techniques, San Francisco, CA, Aug 1976
Course 2A, Case Studies in Real Estate Valuation, Aug 1976
Course 1A, Real Estate Principles and Valuation, San Francisco, CA, Aug 1974

QUALIFICATIONS OF JOSHUA C. HORAN

Education:

Graduated from Sitka High School, Sitka, Alaska
Graduated with a BS in Foreign Service from Georgetown University, Washington, DC

Employment:

Nov 2006 to Present - Real Estate Appraiser Trainee - Horan & Company, LLC
Dec 2003 to Jul 2004 - Intern for Shee Atika Incorporated, Sitka, Alaska
Summers, 1997 to 2002 - Park Ranger, National Park Service, Sitka, Alaska

Certification & Approvals:

Residential Real Estate Appraiser, State of Alaska License #617

Appraisal Education:

Appraisal Principles; Appraisal Institute, Long Beach, CA, October 2004
Appraisal Procedures, Appraisal Institute, Long Beach CA, October 2004
Residential Case Study, Tacoma, WA, March 2006
15-Hour USPAP, Anchorage, AK, June 2006
REO Appraisal: Appraisal of Residential Property Foreclosure, 7 Hr, Tigard, OR March 2009
Introduction to FHA Appraising, 7 Hr, Tigard, OR March 2009
Uniform Standards of Professional Appraisal Practice - 2009 Update 7 Hr, Juneau, AK June 2009
Home Valuation Code of Conduct & 1004 Market Conditions Form Seminar, June 2009, Juneau, AK
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
Narrative Residential Report Writing Using Microsoft Word & Excel, 14 Hr., Anchorage, AK, February 2013
7 Hour USPAP, Anchorage, AK February 2013
Mortgage Fraud - Protect Yourself, 7 Hr, Mckissock.com, April 2013
General Appraiser Sales Comparison Approach, 30 Hr, Chicago, Il, October 2014

Types of Property Assessed for Taxation:

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

Types of Property Appraised:

Residential - Single-family, multi-family, vacant lands, mobile homes and island property.
Commercial - Warehouses and vacant lands.

Boards & Committees

Shee Atika Benefits Trust Scholarship Committee Board Member, July 2005 to July 2008

Rev. 11/14