

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Wednesday, October 21st, 2015

I. Call to Order The Finance Committee Meeting was called to order at 5:10 p.m. in CBJ Conference Room 224.

II. Roll Call The following members were present: Tom Donek, Tom Zaruba, David Lowell, and Mike Peterson.

Also Present: Bob Janes-Board Member, Carl Uchytel-Port Director, Dave Borg-Harbormaster, Chris Orman-CBJ Attorney, and Howard Lockwood - Manager, Juneau Port Development.

III. Approval of Agenda

Mr. Uchytel added special order item to the committee administrative matters.

MOTION: BY MR. MIKE PETERSON TO APPROVE THE AGENDA AS AMENDED

Motion passed with no objection

IV. Public Participation on Non-Agenda Items - NONE

V. Approval of August 20th, 2015 Finance Committee Meeting Minutes

MOTION: BY MR. TOM DONEK TO APPROVE THE AUGUST 20, 2015 FINANCE MEETING MINUTES AS PRESENTED AND ASKED UNANIMOUS CONSENT.

Motion passed with no objection

VI. Consent Agenda - NONE

VII. Unfinished Business- NONE

VIII. New Business

1. Auke Bay Boatyard Lease Amendment

Presentation by Port Director

Mr. Uchytel stated at the last full Board meeting it was agreed to pursue the lease amendment which will relocate the Auke Bay Boatyard operated under the ownership of Harri's Heating & Plumbing doing business Harri's Commercial Marine. It will move from the location at old DeHarts area to the Auke Bay Loading Facility(ABLF). We will accept the lease rent amount of \$27,000 per year that was based on the appraisal by Horan & Co. The original lease was from 2008 and this remains in effect with the new amendment just changing the location & lease rent amount.

Committee Questions

Mr. Zaruba asked where exhibit B is. He recalls it from the last meeting regarding building structures and equipment information.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Wednesday, October 21st, 2015

Mr. Orman answered he drafted the lease amendment and did not provide exhibit B from the original lease.

Mr. Zaruba asked about Docks & Harbors adding \$250,000 worth of new structures and why is it not included in the lease amendment. He asked if this information is on exhibit B from the lease.

Mr. Uchytel answered exhibit B is from the old lease so it does not address the building of new structures at the new location. The new structures will be owned by Docks & Harbors.

Mr. Zaruba stated the appraisal from Horan & Co is not the correct value if we have not included the market value of the property, the new structures, and the equipment.

Mr. Janes stated it is in the lease to provide structures so we can encourage an operator to move to an alternate location. The old structures have no value and should be scrapped. We never intended to charge for new structures it was intended to provide motivation to move the operator from the Statter Harbor to the ABLF for our overall Statter Harbor master plan.

Mr. Orman stated the original lease from 2007/2008 was created to have an option for Docks & Harbors to do a lease amendment so we could relocate the boatyard if a new site became available. If something in the appraisal was missed we can ask Horan for an explanation. There was also a concern mentioned in previous board meeting to make sure there was no conflict of interest from a legal standpoint since Mr. Duvernay's father and Mr. Horan had worked together in the past. It will always exist that people know each other since Southeast Alaska is so small but there is no issue.

Mr. Zaruba stated this is not correct with the full picture if we do not have the correct appraisal for the lease rent with structural improvements and equipment included. The Assembly will not approve it. We have nothing in the minutes where the board approved to spend the \$250,000 on building new structures.

Mr. Donek stated that is a future board action to plan, approve, and build the structures. We are waiting on Mr. Gillette, the Port Engineer, to provide the amount of money and plans that will be needed to provide the structures. It will not affect the lease rent amount.

Mr. Zaruba stated we are out of compliance with the law if we do not provide financial justification of the lease rent amount from appraisals which include everything. We have to have the value of the land and the improvements to present to the Assembly.

Mr. Peterson asked Mr. Zaruba what do you want added to the lease amendment.

Mr. Zaruba answered that he wants all the equipment listed and the values, the value of the structures, and the market value property appraisal. The lease amendment should reflect all these items so the lease rent includes everything. The lease has to be based on property value.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Wednesday, October 21st, 2015

Mr. Peterson stated the Port Director has the authority to enter in to a land lease and to include terms that are appropriate to the lease.

Mr. Zaruba stated ask the Attorney because the City requires the lease to be 8-10% of the property value per an ordinance with a cap rate. We should have an appraisal of the fair market value of the property. This lease amendment needs more work.

Mr. Peterson asked Mr. Zaruba that he do his homework so he can provide accurate information when he is asking for changes or making a point.

Mr. Zaruba stated Mr. Uchytel said there was going to be \$250,000 spent and we need to add it to the lease.

Mr. Peterson asked Mr. Uchytel to add equipment and new structure values added.

Mr. Uchytel asked for clarification on how much needs to be added. Do we want the whole history of what has been spent on the land to create a value.

Mr. Zaruba answered the appraisal for the lease rent with improvements and equipment included and must be based on current value of the property.

Mr. Uchytel stated we are not creating a lease basing the appraisal on best and highest use of the land therefore it would not be accurate.

Mr. Orman stated he does not believe that it is correct that the lease has to be based on 8-10% of the property value per an ordinance with a cap rate. The regulations give a lot of latitude to the Port Director and the Board to manage these properties. The lease rent has varied from 5-10% of the appraisal amount. Mr. Horan has followed the regulations and appraisal requirements. That is why we hire an appraisal firm to handle these appraisals since they know the legal requirements. Per the regulations the only requirement to meet is to have an appraisal done and then base the lease rent off of that appraisal. It is not a legal requirement to have lease rent based on actual property value for every lease. We can request any type of appraisal, such as being based on a business value. There are several properties that this applies to such as a kiosk. There is no land value for a kiosk. Some require lease rent to be based on a business value only such as the Tram lease with Goldbelt. The only course for the board to follow would be if you thought Mr. Horan did the appraisal wrong for the Boatyard amendment.

Mr. Zaruba asked Mr. Orman if the City requires the lease to be 8-10% of the property value per an ordinance with a cap rate. If I am wrong about this then I'll apologize but I thought this was a city requirement for all property leases. This appraisal was based on business value only.

Mr. Orman said it is mostly practiced to be based on property value but he has to research if it's actually required. He believes it is not a requirement. Therefore we hire an appraiser to do what we request when in a situation like this, we need it to be based on business value and not property value. If the board believes the appraisal is improper then the Board can go back to Mr.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Wednesday, October 21st, 2015

Horan and ask for changes or explanations. As long as the board has a legitimate appraisal and bases the lease rent amount off of that, then the Board has met the legal requirements.

Mr. Zaruba said I'm not arguing that the appraisal is wrong. All I'm asking is if the appraisal is wrong under the guidelines Mr. Uchtyl gave Mr. Horan. The city requires all appraisals are done on property value not based on business value.

Mr. Orman answered you cannot do all property leases based on property value. There are exceptions such as the kiosk.

Mr. Peterson stated this discussion is being killed when there is point being made and there is no back up on the point. Mr. Peterson asked Mr. Zaruba if he thinks the appraisal was done incorrectly then please state so.

Mr. Zaruba said the type of appraisal should be based on value of the property so we can determine a cap rate.

Mr. Donek asked Mr. Zaruba to please do your research on city ordinances with Mr. Orman to have your information prior to our meetings. Please make sure you have to have a property value leases prior to making the point. Mr. Donek said this lease is not based on land value that it is based on business value like we have done before. We are not going to spend \$10,000-\$15,000 on another appraisal for property value when it would be totally useless. Please do not insist on it being property value only when you have not provided information from a code.

Mr. Zaruba answered I've been in business a long time and I've seen bad deals and if we do not have enough financial information and incomplete data this could be a bad deal.

Public Comment

Mr. Dennis Watson – Juneau, AK

Mr. Watson said he has been coming to Harbor Meetings for years. There have been several deals and different leases throughout the years and you have to be able to explain how and why. It is best to move the boatyard to the ABLF but if you base the lease rent of Harri's business what happens if the boatyard lease switches companies.

Committee Discussion/Action

Mr. Orman stated we have a failsafe for the lease rents to reviewed and re-appraised every 5 years.

Mr. Peterson asked when does the lease expire and when will it be reviewed.

Mr. Uchtyl answered it will expire in April 2018 and they should have the opportunity to renew.

Mr. Zaruba stated he still wants exhibit B to have structures and equipment included.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Wednesday, October 21st, 2015

Mr. Janes stated we need an operator out there now and we can have it re-appraised in 3 years once the structures are in place. If we delay this we may lose the operator.

Mr. Peterson asked if Mr. Uchytel can provide a list of inventory.

Mr. Zaruba asked if we can have what is being built and its value added in also.

Mr. Uchytel answered we do not have any structure information or amounts yet.

Mr. Peterson said we need to table this until we can provide it per Mr. Zaruba's request.

Mr. Donek said we can update the inventory then we can move forward. At a later date we can add another amendment with the structures once they are built.

Mr. Zaruba said we need to know now what is being built, what it costs, and what the lease rent will be based on the additional information.

MOTION: BY MR. ZARUBA TO TABLE THE BOATYARD AMENDMENT UNTIL WE RECEIVE ADDITIONAL INFORMATION FROM STAFF ON WHAT IMPROVEMENTS WILL BE MADE AND AT WHAT COST.

Objection was made by Mr. Donek.

Motion put to vote.

Mr. Donek – No
Mr. Zaruba – Yes
Mr. Lowell – Yes
Mr. Peterson - Yes

Motion passed to table amendment until next meeting.

IX. Items for Information/Discussion

1. Juneau Port Development

Presentation by Howard Lockwood – Manager, Juneau Port Development

Mr. Lockwood stated he wants to go over the value of the lease for the City and answer any questions. He has been in the process for the last 12 years to build another harbor at no cost to the City and Borough of Juneau. It will be all outside capital put in to this project. The Public Works department has been trying to take over the property. The original project is for 112-slip harbor as was approved by the city. Mr. Lockwood went over a presentation about mining process and the changes to the harbor plan since Public Works has taken over portions of the property in the last 3 years. Mr. Lockwood also went over other financial information for the plans which was similar to timeshares.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Wednesday, October 21st, 2015

Mr. Zaruba asked if Mr. Lockwood has all the necessary permits in hand to proceed.

Mr. Lockwood answered no.

Mr. Janes asked how long can the land be mined.

Mr. Lockwood answered there is no time limit.

Mr. Janes asked if the city can lease it to someone else if there is a mining claim.

Mr. Lockwood answered no you cannot lease to anyone else because of the mining claim.

2. FY2016 Financial Report

Presentation by Port Director

Mr. Uchytel presented the FY15 Financial Summaries by Department for both Docks & Harbors. The Docks department had a total of \$581,932 of revenue. The Harbors side had a total of \$104,040 of revenue after removing amounts dedicated to a CIP project. (See detailed attachment on the agenda)

Mr. Peterson asked if we are losing revenue according to the Budget vs. actuals for Docks.

Mr. Uchytel answered we over estimated water sales and vendor booth sales but we are still profitable.

Mr. Zaruba asked if the accountants will take out another amount of equipment depreciation this year.

Mr. Uchytel answered he does not know.

3. Downtown Food Vendors

Presentation by Port Director

Mr. Uchytel stated we have had requests the last few summers from food vendor carts that would like to operate on our facilities in the downtown area. The city has them but we have excluded them from our limited narrow areas on our docks. We could discuss areas and pricing if the board wants to pursue this.

Mr. Zaruba asked if we have any.

Mr. Uchytel answered the city does but we do not.

Mr. Donek asked how the city controls the ones on the streets.

Mr. Uchytel answered there is a \$50.00 application fee and there are rules & requirements that do not seem to be followed or enforced such as size.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Wednesday, October 21st, 2015

Mr. Zaruba asked what we would get out of it.

Mr. Uchytel said we could state our price and do an outcry auction like the vendor booth sales.

Mr. Donek said he has a problem with a cart going in front of restaurants and taking away business.

Mr. Peterson stated as long as Docks & Harbors does not put any money in to it.

Mr. Zaruba stated we would have to police them.

Mr. Uchytel asked Mr. Orman if they can set up shop wherever they want in the city.

Mr. Orman answered he believes there are only certain allowed areas.

Mr. Donek stated he is not in favor. The best option would be when the new cruise ship area is done but only two would fit and it may cost us more than we make.

X. Staff & Member Reports - NONE

XI. Committee Administrative Matters

1. Next Finance Committee Meeting- **Thursday, November 12th, 2015.**

2. Special Order Item

Mr. Uchytel presented Mr. Mike Peterson with a cap & jacket as a parting gift to thank him for all his work with Harbor Board since he is leaving Alaska next month.

XII. Adjournment

The Finance Committee meeting adjourned at 6:44pm.