

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING AGENDA
For Tuesday, December 18th, 2012

- I. Call to Order** (5:00 p.m. to 7:00 p.m.) in the **Assembly Chambers**
- II. Roll Call** (John Bush, Tom Donek, Kevin Jardell, Scott Spickler, Michael Williams, and Eric Kueffner).
- III. Approval of Agenda.**

MOTION: TO APPROVE THE AGENDA AS PRESENTED OR AMENDED.

- IV. Public Participation on Non-Agenda Items** (not to exceed five minutes per person, or twenty minutes total).
- V. Approval of November 27th, 2012 Finance Committee Meeting Minutes.**

VI. Items for Action.

- 1. Gitkov Lease
Presentation by the Port Director

Committee Questions

Public Comment

Committee Discussion/Action

MOTION: TO BE DEVELOPED AT MEETING

- 2. Marine Passenger Fees FY14
Presentation by the Port Director

Committee Questions

Public Comment

Committee Discussion/Action

MOTION: TO BE DEVELOPED AT THE MEETING

VII. Items for Information/Discussion.

- 1. Mt. Roberts Tram – Update from the Port Director

VIII. Staff & Member Reports.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING AGENDA
For Tuesday, December 18th, 2012

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting January 29th, 2013

X. Adjournment.



Port of Juneau

155 S. Seward Street • Juneau, AK 99801
(907) 586-0292 Phone • (907) 586-0295 Fax

From: Carl Uchytel, Port Director
To: Docks & Harbors Finance Committee
Date: November 21, 2012
Re: GITKOV TIDELANDS LEASE ATS 1170

1. At the September 25th, 2012 Finance Committee Meeting, Gitkov lease renewal for ATS 1170 was presented for action. An April 2012 appraisal for a new lease was prepared by Horan & Company resulting in a recommended lease rent of \$0.15/sq foot. From 1982 to 2008 the lease rent was set at \$0.06/sq foot; from 2008 to 2012 the lease rent has been set at \$0.11/sq foot.
2. At the above mentioned meeting, Lessees, John Gitkov and Jane Hawkins, petitioned the Committee for consideration of the recommended lease rent based, in part, by suggesting incomplete information/assumptions by the appraiser. The Lessees also pointed out errors in the appraisal report and followed up with a letter dated September 26th, 2012. Horan & Company responded to the September 26th letter by correcting errors in the report and in a letter of October 17th stating "clarification of these issues do not warrant a change in the estimated annual market rent."
3. In 2008 the lease was adjusted for the first time since 1982. Enclosures 4 through 7 discuss the deliberative process Docks & Harbors followed determining a new lease rent. It appears Docks & Harbors Staff recommended a lease rent of \$0.15/sq foot based on available comparable before the Board agreed to \$0.11/sq foot, citing "potential direct competition of Auke Bay Loading Facility, extreme westerly winds and lessee improvements." Correspondence in enclosure 6 reads "The lease expires in 2012, and the rent may be reevaluated at that time", perhaps suggesting a formal appraisal should be completed to determine a fair and reasonable lease rent.
4. I recommend the Committee approve the recommended appraised lease rent of \$0.15/sq foot and that it be forwarded to the full Board for their action.

#

Encl: (1) Exert from September 25th, 2012 Finance Committee Meeting
(2) Gitkov/Hawkins letter of September 26th, 2012
(3) Horan & Company letter of October 17th, 2012
(4) Exert from Regular Board Meeting dated March 27th, 2008
(5) Exert from Finance Committee Meeting dated April 17th, 2008
(6) Docks & Harbors memo of April 21st, 2008
(7) Docks & Harbors memo of March 21st, 2008

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, September 25th, 2012

I. Call to Order.

Eric Kueffner called the Finance Committee Meeting to order at 5:00 p.m. in room 224 of the Assembly building.

II. Roll Call.

The following members were present: Tom Donek, Scott Spickler, Kevin Jardell and Eric Kueffner.

III. Approval of Agenda.

MOTION BY Mr. Donek: TO APPROVE THE AGENDA AS PRESENTED.

The motion passed without objection.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Approval of August 28th, 2012 Finance Committee Meeting Minutes.

Minutes to the August 28th, 2012 Finance Meeting will be approved at the October 23rd, 2012 Finance Meeting with corrections.

VI. Items for Action.

1. Gitkov Lease Renewal for ATS 1170.

Mr. Uchytel said this was originally a 25 year State Tideland Lease expiring today. The Lessee would like to renew the lease. We have had the property appraised by Horan and Company and the recommended lease rent is 15 cent per square foot which is an increase from 11 cents per square foot that they have been paying since 2008. Based on the appraisal, the estimated annual market rent value would be \$11,030.00. The property is located next to the Auke Bay ferry terminal and includes tidelands as well as uplands parking area.

Public comment

John Gitkov, Lessee: Mr. Gitkov wanted to point out a couple things that were not brought up in the Horan report. The parking was tidelands that we filled to become uplands and we paid for that work to be done. We have a State lease for the highway right of way. The Commercial Loading Facility is mentioned as one of the improvements to the area. He mentioned that facility has impacted his operations adversely.

CBJ DOCKS & HARBORS BOARD
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For Tuesday, September 25th, 2012

VI. Items for Action. (Continued)

Off loading of fish is way down. The Fuel loading is almost zero. The crane work and fish loading does very much effect the revenue coming in at his facility. He laid off one employee due to the loss in business.

Mr. Kueffner asked if Horan did not account for the uplands improvements that Mr. Gitkov added the fill to.

Mr. Gitkov just wanted to point out the lease is for non-improved tidelands. He also pointed out that there is no sewer out there which is a big deal for a commercial facility.

Jane Hawkins, Lessee: She said it is her understanding that they pay for the appraisal to continue the lease with the city. She was a bit disappointed that the appraisal had her husband's name spelled incorrectly and the wrong address. She has found a lot of other mistakes in the appraisal and it made her question it's accuracy. Allen Marine and Glacier Seafoods have a 55 year lease and we have never been able to have one. To her there would be more value in a 55 year lease and she didn't understand why they don't do them any more. Originally their lease was for 30 years.

Mr. Uchytel asked Ms. Hawkins to let Teena know about the errors in the appraisal. He said the City has an ordinance now that set's lease terms at a maximum of 35 years.

Mr. Kueffner said as far as he knows we inherited some leases from the State and they could have been 55 year leases.

Mr. Jardell said he still does not understand how the fill affects the lease. He did not think the sewer makes a big difference. He suggests the Lessees put something in writing stating their concerns that we can take to Mr. Horan and make sure we have things correct.

The Committee asked to have the Port director get in touch with Mr. Riley, who prepared the appraisal, with the two items in questions about the sewer and fill and also fix address and name misspellings.

2. Mt. Roberts Tram Lease Rent Update.

Mr. Uchytel said we had a special lease sub-committee meeting last Tuesday, September 18, 2012, which included Mr. Kueffner, Mr. Jardell, Mr. Donek and myself. He gave a recap of what happened in that meeting. Goldbelt has followed up that meeting with a letter indicating that they are not willing to negotiate using the Horan methodology and asking the city to instead proceed to negotiate a rent compromise. We have asked Amy Mead from the CBJ Law Department to join us today to help us form a strategy to come to a fair and equitable agreement.

CBJ DOCKS & HARBORS BOARD
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VI. Items for Action (cont'd).

MOTION by Mr. Preston: ASK UNANIMOUS CONSENT TO AWARD A TERM CONTRACT TO TYLER RENTAL IN THE AMOUNT OF \$32,950.80 FOR THE PORTABLE SANITATION UNITS AND RELATED SERVICE.

The motion passed without objection with a date correction on the paperwork.

4. Gitkov Tidelands ATS #1170 Tideland Lease Rent Adjustment.

Mr. Preston gave a short presentation on this topic.

Public Comment:

1. John Gitkov – 22745 Glacier Highway, Juneau, Alaska 99801

Mr. Gitkov said that he was upset that his lease amount would increase so much especially with the falling economy in our area.

He said that there has been many unexpected things that have happened that will decrease his income at this time so he is asking for consideration on this increased amount.

Discussion followed with Mr. Simpson and Mr. Kueffner.

Chair Mr. Etheridge recommended sending this item back to the next Finance Committee Meeting that will be held on April 17, 2008 for further discussion.

5. Klein ADL #2798 Tideland Lease Rent Adjustment.

Mr. Preston gave a short presentation on this topic.

MOTION by Mr. Preston: MOVE TO ADJUST THE RENT FOR THE KLEIN ADL #2798 TIDELAND LEASE PARCEL TO 4 CENTS PER SQUARE FOOT PER YEAR.

Mr. Fisk seconded the motion.

Discussion followed with Ms. Jebe, Mr. Simpson, Mr. Mehrkens, Mr. Preston, Mr. Stone, Mr. Fisk, and Mr. Williams.

The motion passed with 5 yes votes and 3 no votes. Ms. Jebe, Mr. Mehrkens, and Mr. Williams voted no.

6. Contract Award for Engineering Services During Construction of the Auke Bay Loading Facility.

Mr. Fisk gave a short presentation on this topic.

VI. Items for Action (continued).

MOTION by Mr. Fisk: ASK UNANIMOUS CONSENT TO RECOMMEND TO THE ASSEMBLY TO TRANSFER FUNDS AS PRESENTED IN T-875. The motion passed without objection.

2. Gitkov Tidelands ATS #1170 Lease Rent Adjustment.

Ms. Johansen said this is a 25-year lease with a 10-year renewal period. The lease was reviewed by the Finance Committee and sent to the Board. The Board asked for additional information. We looked at comparable rents in the area and recommended a rate of \$0.15 per square foot. The lease expires in 2012 so we will look at the lease again in three years.

Mr. Gitkov said, unlike Glacier Seafoods, they rent. It was a big expense to put in the fill for parking. Having deep water is not good if you have to pay to fill it in. He pays property tax on the improvements. They conduct the same type of business that will be done at the new loading facility. He does not agree with the evaluation. His solution would be to hold off five years and not increase the rate. The City gets revenue from his operation. They paid \$30,000 for the lease.

Ms. Hawkins said that Glacier Seafoods and Allen Marine are exempt from property tax and have sales tax reductions.

Mr. Gitkov said they are affected by the westerly. They have to watch the boats or move them. They get 4 to 5 foot waves.

The Committee members discussed Mr. Gitkov's concerns regarding his lease and the competition from the new commercial loading facility.

MOTION by Mr. Fisk: TO RECOMMEND TO THE FULL BOARD THAT THE LEASE RATE FOR THIS PARCEL FOR THE REMAINDER OF THE LEASE PERIOD (TO 2012) BE SET AT \$0.11 PER SQUARE FOOT. Mr. Etheridge seconded the motion.

The motion passed 5 to 1 with Mr. Kueffner voting against the motion.

3. Electricity Emergency.

Mr. Stone said the City Manager is declaring a local disaster emergency. Our power access charge was designed when it was \$0.09 per kilowatt. He recommended the Board meet within a week to address the electricity situation. An emergency regulation can be in effect for 120 days. We will need to send out a letter to the patrons.

CBJ DOCKS & HARBORS BOARD
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May 1, 2008

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VI. Items for Action (cont'd).

MOTION by Mr. Williams: ASK UNANIMOUS CONSENT TO PROPOSE AMENDMENTS TO THE SPEED LIMIT REGULATIONS AS PRESENTED BY THE PORT DIRECTOR, TO HOLD PUBLIC HEARINGS AT THE MAY 14, 2008 OPERATIONS COMMITTEE MEETING AND THE MAY 29, 2008 REGULAR BOARD MEETING AND TO TAKE FINAL ACTION ON THE REGULATIONS AT THE MAY 29, 2008 REGULAR BOARD MEETING.

MR. KNAPP added a friendly amendment to the motion—"TO ENFORCE THE REGULATION TO THE NEW ZONE LINE IMMEDIATELY".

The friendly amendment was accepted by Mr. Williams and the rest of the Board Members.

The amended motion passed without objection.

3. Gitkov Tidelands ATS #1170 Lease Rent Adjustment.

Mr. Preston gave a short presentation on this topic.

Public Comment:

1. John Gitkov – 22745 Glacier Highway, Juneau, Alaska 99801

Mr. Gitkov said he understood that the amount should be \$.11 cents per square foot.

After further checking of his meeting notes Mr. Preston said that Mr. Gitkov was correct and that the amount should be \$.11 cents per square foot.

MOTION by Mr. Preston: ASK UNANIMOUS CONSENT TO ADJUST THE ANNUAL RENT FOR ADL #101598, ATS #1170, LESSEES, JOHN GITKOV AND JANE HAWKINS, FROM \$4,400.00 TO \$8,097.98 (\$.11 CENTS PER SQUARE FOOT) PER YEAR BEGINNING WITH SEPTEMBER 24, 2008 AND CONTINUING YEARLY THEREAFTER.

The motion passed without objection.

4. Port Condition Assessment Update.

Mr. Stone gave a short presentation on this topic.

Discussion followed with Ms. Jebe, Mr. Stone, Mr. Fisk, Mr. Etheridge, Mr. Williams, Mr. Preston, and Mr. Simpson.

No action was taken at this time. This topic was referred to the next CIP/Planning Committee Meeting to be held on May 27, 2008 for further discussion.



Port of Juneau

Date April 21, 2008
To Docks & Harbors Board
From Pam Johansen, Administrative Officer II
Cc John Stone, Port Director
Lou McCall, Harbor Master
Re Rent Adjustment – ADL 101598, ATS 1170 – John Gitkov

The Docks and Harbors Finance Committee reviewed the above noted pending tidewater lease adjustment at its April 17th meeting.

The original lease, issued by the state on 1982, was written to adjust after 25 years, and every 10 years thereafter. The original and current lease amount is \$4,400 or \$0.06 per square foot.

Staff recommended a new rent amount of \$11,043, or \$0.15 per square foot, based on a review of adjacent tideland leases, one sale and two 2004 appraisals. The Finance Committee concurred at its March meeting and forwarded the matter to the Docks and Harbors Board. The Docks and Harbors Board, after hearing testimony from the lessee, requested additional information from staff.

Staff provided the following information:

1. Copies of the original lease documents
2. 2004 Horan and Company Rent Appraisal
3. 2004 Alaska Glacier Seafoods Facility Appraisal (including a speculative land sale at \$0.24/sf)
4. The original DNR appraisal of the subject tidelands

At its April 17th meeting, the Committee moved to recommend to the board a lease amount of \$8,800, or .12 cents per square foot. The reasoning was the potential direct competition of Auke Bay Loading Facility, extreme westerly winds and lessee improvements. The lease expires in 2012, and the rent amount may be reevaluated at that time.

Additional information is available. Contact Pam Johansen at 586-0397.



Port of Juneau

March 21, 2008

John Gitkov
22745 Glacier Highway
Juneau, AK 99801

Dear Mr. Gitkov:

Per our previous correspondence dated February 21, 2008, your rent of ADL 101598, ATS 1170 is subject to adjustment after the expiration of the initial 25-year period, and at each 10-year period thereafter.

Your rent amount is due for adjustment. Your current rent on ATS 1170 is \$4,400, or \$0.06 per square foot and has not been adjusted since the lease was initiated in 1982.

Regarding your new lease amount, typically, rents are determined by using 8% of the appraised value of the land. Alternative methods include using 8% of the assessed value or comparable rents and appraisals.

According to the CBJ Assessors Office, the assessed value of the tidelands is \$611,423 (\$20/sf for 22,975 filled tidelands and \$3/sf for 50,641 unfilled tidelands). Using the 8% of assessed value, your rent would be \$48,914.

Following are some comparable rents:

Transaction Description	Date	Rent	Size (SF)	Annual Rent/SF
Gitkov - ATS 1525, Tracks A & B	Feb 2000	\$7,200	50,094	\$0.14
Allen Marine	Aug 2004	\$28,100	187,352	\$0.15
Alaska Glacier Seafoods	Aug 2004	\$2,530	16,888	\$0.15

Both Allen Marine and Alaska Glacier Seafoods rents were determined using a certified appraiser in 2004.

Last night I recommended to the Docks and Harbors Finance committee that your rent be adjusted to the same level as Allen Marine and Alaska Glacier Seafoods, which is \$0.15 per square foot, \$11,043 per year. The Committee concurred and passed the item along to the Docks & Harbors Board of Directors.

This item will go before the Docks & Harbors Board of Directors on Thursday, March 27th, 2008, 7pm in Assembly Chambers. Please let me know how you would like to proceed. My number is 586-0397.

Sincerely,

Pam Johansen
Docks & Harbors Administrative Officer

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

RECEIVED
JAN 04 2012

BY:

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

Date 12/31/11 ADL# 101598

Applicant's Name: Jane H Hawkins John D Gitkov

Group, Association, or Corporation Name _____

Mailing Address: 22745 Glacier Highway

City/State/Zip Juneau, Alaska 99801

Message Phone 789-4210 Work Phone 723-4210

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

yes

Is applicant 19 years or older?

yes

What type of lease are you applying for?

continue tideland

(uplands lease, tidelands lease, easement)

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

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

Jane Hawthorn Ph.D. Esq.
Signature

12/31/11
Date

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

Title

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

Application Received

JAN 04 2012

\$10.00 Filing Fee Received

JAN 04 2012

BY: _____

BY: _____

Date approved by Operations Committee

1/17/12

Date approved by Finance Committee _____

Approved by Regular Board _____

Law Department Ordinance _____

Assembly Action _____

Lands _____

Public Notice _____

Ad Option _____

Final Lease Signed Date _____

John D Gitkov Jane H Hawkins
22745 Glacier Highway, Juneau, AK 99801
907.789.4210 office/ms
907.723.4210 mobile
907.789.7325 FAX

September 26, 2012

Mr. Carl Uchytel
Port Director
City and Borough Docks and Harbors
155 South Seward Street
Juneau, Alaska 99801

RE: Tideland Lease ATS 1170 Renewal, ADL 101598

Mr. Uchytel:

Thank you for the opportunity to express our concerns with the April, 2012 appraisal of our tideland, ATS 1170. These are small concerns, but tend to wear away at the credibility of the report.

Starting from the top; the misspelling of John's name is corrected later in the appraisal.

We have always been under the impression that the address for the ATS 1170 is 13401 Glacier Highway. When the City Assessor split the adjacent leases from the original lease and named them as separate parcels, new addresses were generated. We thought that ATS 1525 Tract A was 13395 Glacier Highway.

Mr. Riley states that Allen Marine is 13395 Glacier Highway in his table of comparables.

There is no public sewer in the area of 13395 Glacier Highway.

There are no uplands in the CBJ tideland area of this leasehold.

ATS 1525 has an annual rental fee of \$0.14/sf. It is adjacent ATS 1170.

We have an Encroachment Permit with the State of Alaska, Department of Transportation, for use of the Right of Way from Glacier Highway adjacent our tideland lease area. There is an annual fee.

There is no asbestos in our building. There is no urea based formaldehyde insulation in the building.

We appreciate the effort put forth by Mr. Riley, Horan and Associates, on our tideland appraisal. His use of the wording from the 1982 appraisal is noteworthy: "The subject property lies below the line of mean high water, while approximately 1/3 of the tideland lies above the line of mean low water. The exposed area of the tideland indicate a rock and mud bottom with a moderate run out." That is a correct description of the area of ATS 1170.

If you have any questions, please don't hesitate to call. We look forward to working with you toward the completion of our lease renewal.

Thank you for your time and effort on our behalf.

Best Regards,

John D. Gitkov

Jane H. Hawkins

HORAN & COMPANY

REAL ESTATE APPRAISERS/CONSULTANTS

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

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835

Phone: (907)747-6666

Fax: (907)747-7417

commercial@horanappraisals.com

October 17, 2012

Carl Uchtyl
Port Director
City and Borough of Juneau
155 South Seward Street
Juneau, AK 99801

RE: Response to Comments by John Gitkov Relative to Tidelands Market Rental Appraisal ATS 1170;
Our File #12-011

Dear Mr. Uchtyl,

This letter responds to questions raised by John Gitkov and Jane Hawkins in their September 26, 2012 letter to you with follow-up questions, after their review of our appraisal completed by Timothy Riley, report date June 29, 2012, effective date April 6, 2012. This letter is a supplement to that appraisal and addresses the following corrections and comments raised in the letter.

1. Gitkov was spelled incorrect on the title page and has been corrected.
2. The addresses of the properties in the area have changed over time. Mr. Riley noted that in his report, some of the addresses carried by the assessor's office were inconsistent. The 2005 Street Atlas indicates the following addresses relative to the material explained in the report:

Subject Property – 13395 Glacier Hwy.

Comparable 3 AK Glacier Seafoods – 13555 Glacier Hwy.

Comparable 4 Allen Marine – 13391 Glacier Hwy.

We have checked with the community development department to confirm that these addresses are correct under the current regime. We have corrected the sales table on page 12 of the report.

3. I have noted there is no public sewer in the area and have corrected this descriptive element in the report on page 9. This has no bearing on the market rental analysis as the main comparables are similarly situated

HORAN & COMPANY, LLC

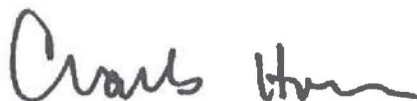
4. I am aware that there are no uplands in the appraised tidelands. This also goes to the letter's comments in the closing second to last paragraph which confirms we were aware of the physical elements of the tidelands as they were proposed to be rented in their predevelopment state. The lands were thus appropriately appraised.
5. I am aware that the adjacent properties leased by Gitkov are renting for just over \$0.14 per square foot. This is an older lease grant and likely has a similar \$0.15 per square foot market value in the current market.
6. I appreciate the property enjoys an Encroachment Permit from the State of Alaska DOT. This was not considered as an amenity to the site and therefore not reflected in the rent. DOT fee structure is dependent on circumstances that we have not analyzed for the purpose of this review.
7. As to the comment about asbestos and formaldehyde: the author of the letter was referring to the limiting contingent conditions where the appraiser indicates we have no expertise in this matter and if there is any hazardous material affecting the value of the property, it has not been considered.

After reviewing these items relative to Mr. Riley's appraisal, I see no basis for changing the indicated rent. For clarification I have included an exhibit which shows in a greater detail the subject property and Comparable tidelands rentals 3 and 4 in the immediate area. Essentially, at \$0.15 per square foot it puts the Gitkov site on even footing with the most recent tidelands leases in the area.

Mr. Riley concurs that the clarifications of these issues do not warrant a change in the estimated the annual market rent. The report has been corrected and a corrected appraisal will be sent to you with a report date of October 17, 2012.

I hope this addresses all the relevant issues. If you have any additional questions or comments please don't hesitate to let me know.

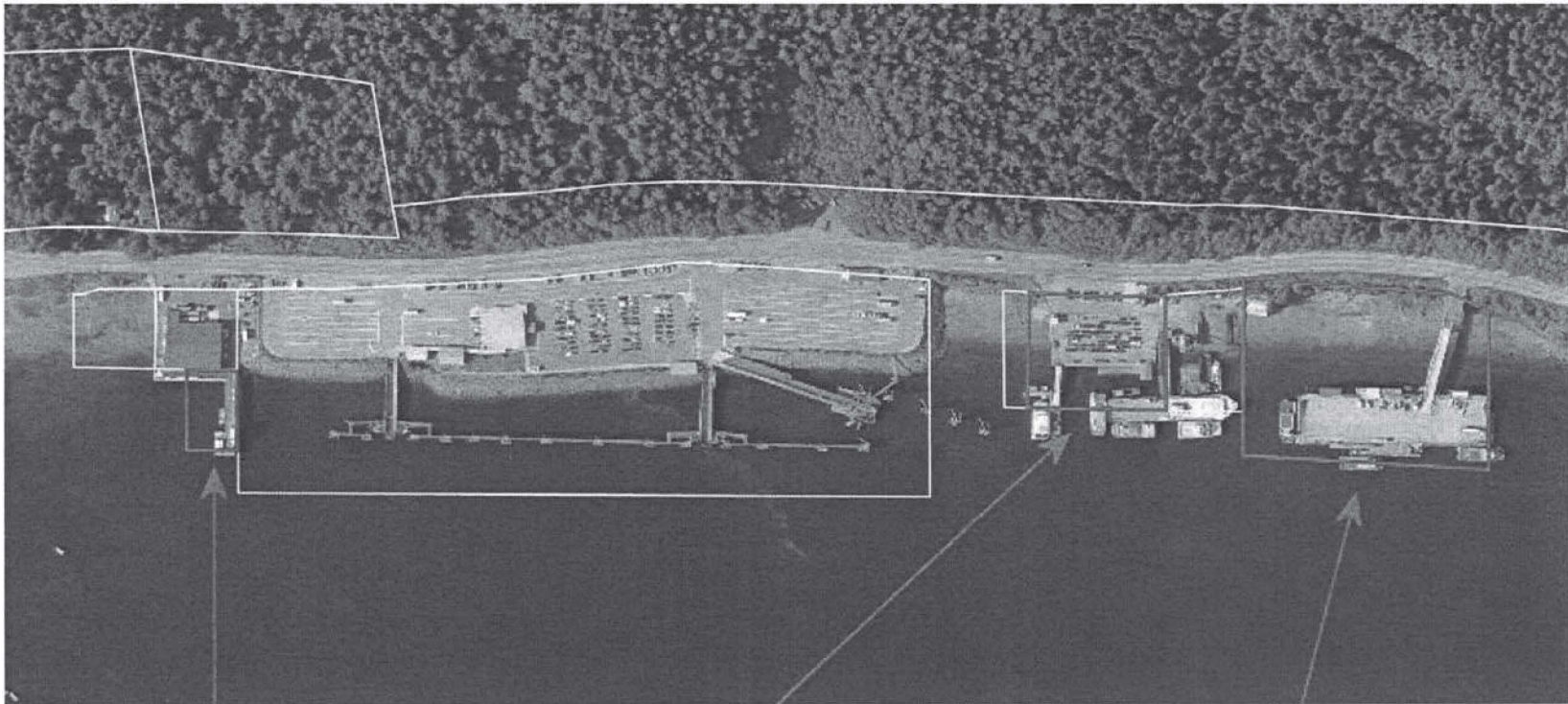
Respectfully submitted,



Charles E. Horan, MAI
Horan & Company, LLC

CEH/sa

Attached: Auke Bay Rent Comparable Graphic



Comp 3
13555 Glacier Hwy
Market Rent: \$0.15/SF

Subject
13395 Glacier Hwy
Estimated Rent \$0.15/SF

Comp 4
13391 Glacier Hwy
Market Rent: \$0.15/SF

APPRAISAL REPORT

ANNUAL MARKET RENTS
GITKOV TIDELANDS LEASE ATS 1170
13395 GLACIER HWY, JUNEAU, ALASKA



Prepared For: Carl J. Uchytel, PE, Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801

Prepared By: Timothy W. Riley, Real Estate Appraiser
Horan & Company, LLC
403 Lincoln Street, Suite 210
Sitka, AK 99835

Effective Date: April 6, 2012

Report Date: October 17, 2012

Our File Number: 12-011A

HORAN & COMPANY

REAL ESTATE APPRAISERS/CONSULTANTS

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

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835

PHONE NUMBER: (907)747-6666

FAX NUMBER (907)747-7417

commercial@horanappraisals.com

October 17, 2012

Carl J. Uchytel, PE, Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801
VIA Email: teena_scovill@ci.juneau.ak.us

Re: Estimated Market Rents of ATS 1170, Plat 82-43; 13395 Glacier Highway, Juneau, Alaska, ADL 101598; Our File 12-011A

Dear Mr. Uchytel,

I have analyzed the applicable real estate market for sales information as well as any applicable tidelands and waterfront leases. Based on this analysis, the estimated annual market rent value, as of the valuation date of April 6, 2012, is as follows:

ATS 1170, 73,529 SF

\$11,030/year

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

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

Respectively submitted,



Timothy W. Riley, AA 685
HORAN & COMPANY

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CERTIFICATION OF APPRAISAL

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- Timothy W. Riley made a personal inspection of the property that is the subject of this report on April 6, 2012.
- No one provided significant real property appraisal assistance to the person signing this certification.
- Our office previously evaluated the subject lease to determine the need for adjustment based on current market trends. No other appraisal services were performed on the subject lease in the past three years.



Timothy W. Riley, Real Estate Appraiser
AA 685

April 6, 2012

Effective Date

October 17, 2012

Report Date

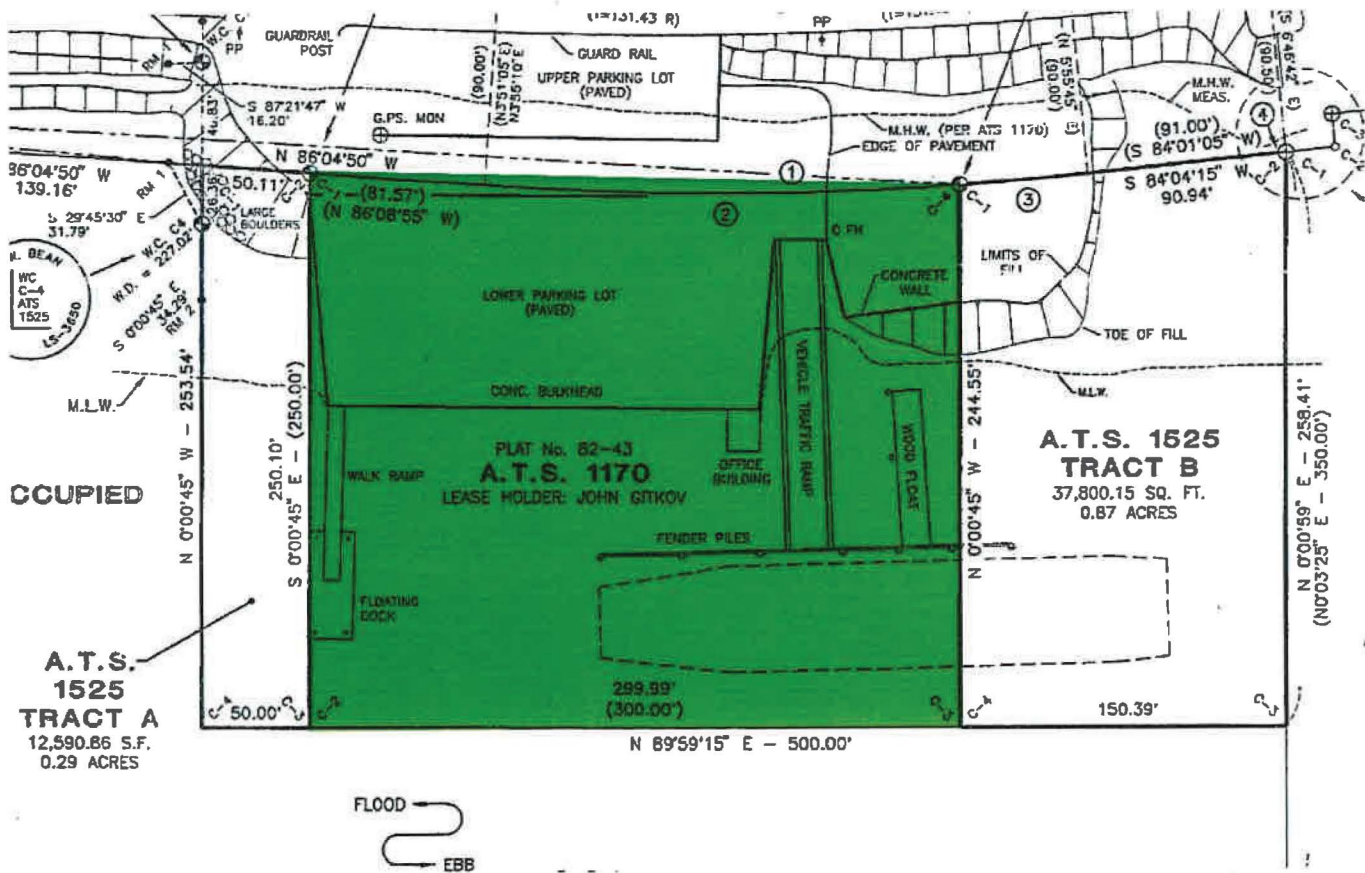


FIGURE 1 - BLOWN UP PORTION OF PLAT 99-59, HIGHLIGHTING THE SUBJECT

1 INTRODUCTION

1.1 SCOPE OF APPRAISAL

This appraisal is intended as an update of the rent for a tidelands lease associated with a portion of the site of the Gitkov Dock facility in Auke Bay. The subject is a tidelands lease originally let in 1982 and due to expire in September, 2012. The lessor intends to enter into a new tidelands lease with the City and Borough of Juneau for an additional typical 35 year term.

The entire site is made up of two ATS surveys. ATS 1170 is 73,529 SF and the adjacent, bracketing Tracts A & B, ATS 1525 is 50,391 SF, which together comprise 123,920 SF, or nearly 2.5 acres. While the leases are separate in terms of legal descriptions and have varying term lengths, they function as a complete economic unit and are not easily separated. The subject of this appraisal is the original, center ATS 1170.

Appraisal Methodology

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

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

1.2 IDENTIFICATION OF PROPERTY

The subject of this report is ATS 1170, Plat 82-43, Juneau Recording District, First Judicial District, State of Alaska. This survey details the center portion of the site of the Gitkov Dock facility adjacent to Auke Bay in Juneau, Alaska.

1.3 PURPOSE OF APPRAISAL, INTENDED USE AND USERS

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

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

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Intended users are the City and Borough of Juneau and John Gitkov and Jane Hawkins dba Gitkov Dock, et al, Lessee.

1.4 PROPERTY RIGHTS APPRAISED

The market rent estimate is for the property in fee simple interest less mineral rights¹ in its pre-development condition.

1.5 PARTIES TO THE TRANSACTION

Client and Ostensible Owner

City and Borough of Juneau

Lease Applicant

John Gitkov and Jane Hawkins dba Gitkov Dock, et al, Lessee

1.6 INSPECTION AND EFFECTIVE DATE

Timothy Riley made a personal inspection of the property that is the subject of this report on April 6, 2012.

The effective date of this appraisal is the inspection date. This has been confirmed by the office of the Director for the Port of Juneau.

1.7 PROPERTY HISTORY

The subject property was owned by the State of Alaska for many years. On September 24, 1982, the original applicant was issued a 30 year tidelands lease for a proposed fish processing plant. The lease was transferred to the present lessees in July of 1986 and the lease amended in June of 1987 for a proposed use of a commercial vessel staging, launching and loading area. The subject was extensively filled and developed for its intended use soon thereafter. The site was expanded in the 1995-99 time period with an additional tidelands lease composed of two tracts, one to each side of the subject, issued for the expansion area. The administration of the lease was transferred to the City of Juneau on February 8, 2001, under the condition only to lease and not to sell or transfer this type of property. The land was recorded as patented on July 10, 2002.

1.8 EXPOSURE TIME

The exposure time is estimated at 12 months on the subject property. This is based on observations of commercial sales throughout the region for a variety of commercial uses. The exposure time precedes an appraisal and is the exposure of the subject property to the general market, whereas marketing time is defined as the amount of time required to sell the subject property at the appraised value utilizing professional marketers and Realtors and is after the appraisal date. Other considerations in estimating this time includes the depth of supply, the availability of funds for purchase, depth of demand, and functional utility of the site and buildings. These are all essential in estimating these exposure and marketing times.

¹ Reserved by the State under AS 38.05.125(a)

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1.9 ASSUMPTIONS AND LIMITING CONDITIONS

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

1. It is assumed 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 valuations are 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 appraisers' estimate of the highest and best use.
5. It is assumed the title to the property is marketable. No investigation to this fact has been made by the appraisers.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions existed that were undiscoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraisers.
8. The existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers are 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 estimates are 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.

1.10 TERMINOLOGY

Market Value-

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

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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 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

Excess Land-

The land not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may have the potential to be sold separately and is valued separately. See also surplus land.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 71

Surplus Land-

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. See also excess land.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 191.

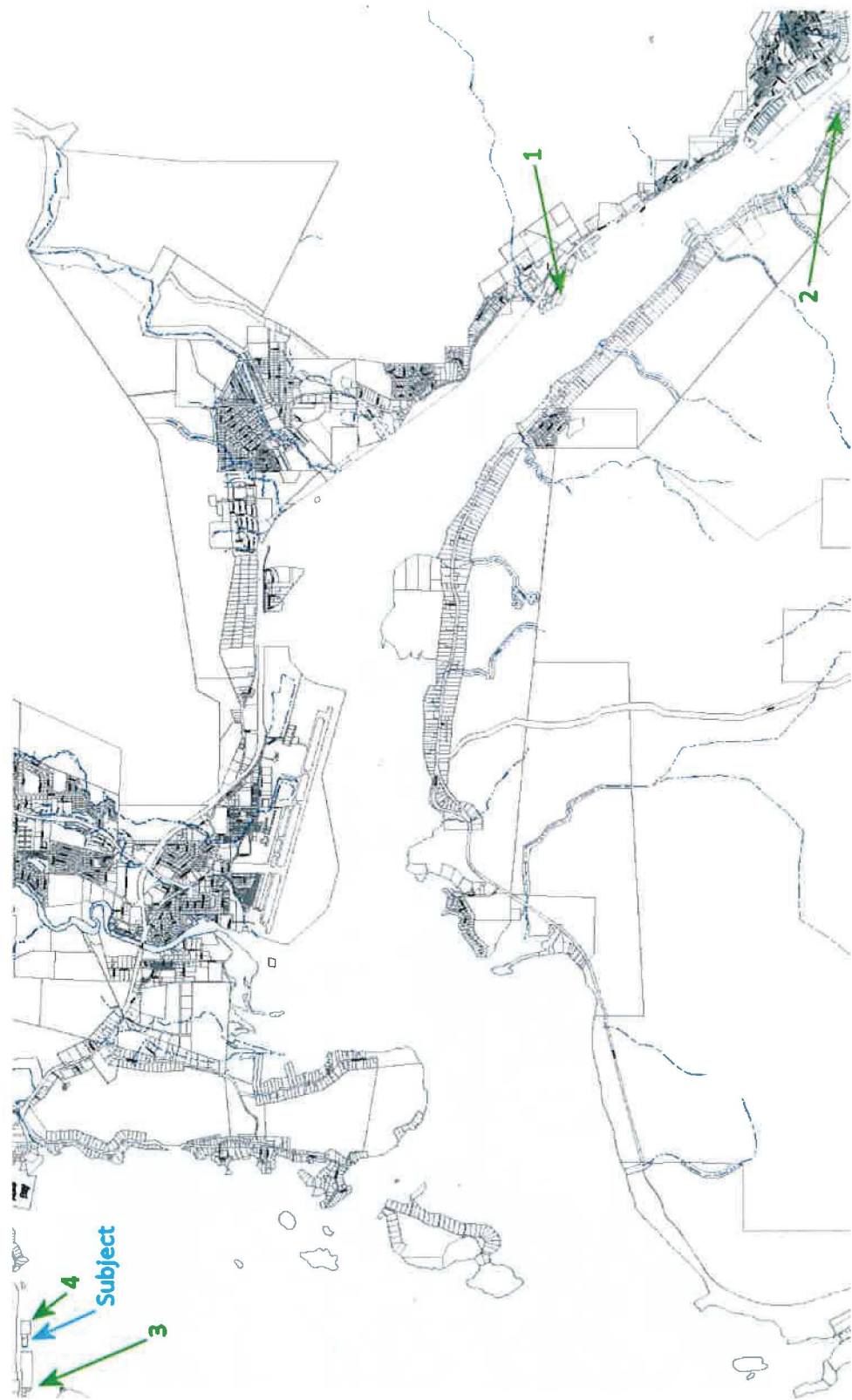


FIGURE 2 – JUNEAU ROAD MAP WITH SUBJECT AND COMPS

2 AREA ANALYSIS

2.1 INTRODUCTION

The subject property is at the east end of the waterfront industrial improvements along Glacier Highway, a two-lane highway along the northern shore of Auke Bay. As noted, the subject is a commercial dock, taking advantage of the good location with direct access to the highway link to downtown and the valley. The adjacent waterfront character is primarily industrial or commercial uses, with the Alaska Marine Highway facility, Allen Marine Dock and Alaska Glacier Seafoods all in the immediate neighborhood on the waterfront. Upland development consists primarily of the Stabler's Point municipal rock quarry.

This area has importance to Juneau due to its easy access to the marine attractions of Stephens Passage, Lynn Canal, Chatham and Icy Straits as well as the developed transportation infrastructure with the subject and the nearby ferry terminal. Other examples of the area's importance and desirable location are the subject commuter dock for the Greens Creek mine shuttle as well as a SEAL oil response barge, various on-site marine services, Allen Marine's tour dock, the Glacier Seafoods plant and the new CBJ fisherman's float as well as the ongoing development of the CBJ Statter Harbor in the east corner of the bay.

The existing tidelands lease allows the use of areas deep enough to moor medium draft vessels. Due to the limited land available for development, it is unlikely there will be any further intense industrial development in the area. The waterfront in this area is zoned Waterfront Industrial or Waterfront Commercial, with the upland portion zoned either residential or rural reserve.

2.2 JUNEAU AREA ANALYSIS

Demand for real estate is generally driven by population, and population is sustained by employment. The Juneau economy is driven by the major basic industry, state government. There had been a tendency to move state government, or significant portions, closer to Anchorage. This results in downsizing in the Juneau area. The office market has also expanded out of downtown Juneau into the Mendenhall Valley where less expensive space is available.

The tourism sector of the market has begun to stabilize after growth in the 1990-2008 time period. Much of this growth was aided by Juneau's intensive capital improvements for dock space downtown. As a regional hub, Juneau takes the lion's share of the tourism market acting as a starting point for Glacier Bay and other nearby scenic wilderness stops. Juneau's downtown waterfront area was developed, taking advantage of the tourists, which discharge into or near the downtown area. Annual visitation for cruise ship passengers was less than 400,000 in 1995 but increased steadily to over a million in 2008. This market has seen some softening due to economic factors, with estimates for the 2012 season of 925,000 passengers or 8% less than the 2008 peak. The softening of the tourism market in 2010 and 2011 and a change in passenger spending has led to a consolidation of providers and facilities in the industry as a whole.

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

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

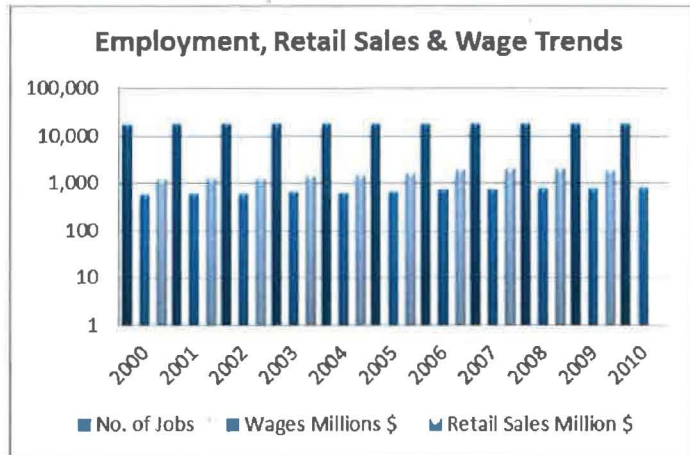


FIGURE 3 – JUNEAU ECONOMIC INDICATORS BY THE JUNEAU ECONOMIC DEVELOPMENT COUNCIL (JEDC AND OTHER SOURCES COMPILED BY HORAN & COMPANY

3 PROPERTY DESCRIPTION

3.1 OVERALL DESCRIPTION

As noted, the subject tideland lease is comprised of an older ATS bracketed by a newer ATS composed of a pair of tracts. ATS 1170 is reported as 1.69 acres “more or less”. An examination of the original appraisal notes a 73,529 SF parcel, or 1.6880 acres. The more exact square foot figure will be utilized for the purposes of this report. This slightly irregular tract is 300’ across the face on Auke Bay and extends south between approximately 244’ and 250’ from the shoreline. The mean low water tide line area occupies approximately 75’ to 80’ of the site, with the remainder of the area submerged tidelands, extending into deep water. Note was made of a State of Alaska DOT encroachment permit for the extensive parking adjacent the highway. The lessee anticipates continuing their present use as a marine services and boat commuter related facility.

The appraiser was not provided with a current as-built survey of the subject site. There are significant improvements on the site, with concrete bulwarks and extensive parking as well as transfer bridges, temporary buildings and storage containers. The appraiser has referred to old appraisal reports as well as adjacent undeveloped shoreline to determine the characteristics of the original undeveloped site that the lease is based on.

Access

The site, as presently developed, has vehicular access by a driveway off site leading onto the subject tidelands from Glacier Highway as well as good marine access from the waters of Auke Bay.

Utilities

Public water and private power, trash collection, phone, cable and fuel, are available.

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.

Assessed Valuation and Taxes

ATS 1170 is assessed by the City and Borough of Juneau and identified as 13395 Glacier Highway or assessment number is 4B3001020040. The current assessed possessory interest for the land is \$136,200. The estimated total value of the site by the assessor is \$359,300; with approximately 32% estimated as filled and valued at \$12/SF and 68% estimated as submerged and valued at \$1.50/SF. Significant improvements for the entire site were noted on this parcel. The typical mil rate in Juneau has been between 10.17 and 12 mils over the past few years and is 10.55 mils for fiscal year 2012.

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Easements and Other Restrictions

There is no 50' pedestrian access easement, as is typical of tidelands leases seaward of the mean high water line. The adjacent ATS 1170 does not have one either. The pedestrian access was routed through the DOT right-of-way north of the subject tidelands due to safety and hazard concerns. This is viewed as a positive attribute of the subject leases. As noted, there is an encroachment permit allowing the parking, storage containers and concrete retaining walls in the in the highway ROW. The appraiser is unaware of any other easements or restrictions.

Topography

The following site details are from the 1982 appraisal. As noted, the site has since been improved and the original site characteristics have long since been covered. "The subject property lies below the line of mean high water, while approximately 1/3 of the tideland lies above the line of mean low water. The exposed area of the tideland(s) indicate(s) a rock and mud bottom with a moderate run out."

3.2 FUNCTIONAL UTILITY OF SITE

The tidelands are located in an ideal location for the support of the marine services function. The location close to the major marine access routes for points north, south and west highlights their appeal to the user. These tidelands function well for the intended use.

During lease rate negotiations over the subject ATS 1170 with the Docks and Harbors board in 2008, one of the characteristics of the site noted as a detriment was the westerly winds component. Discussions with the lessees and mariners who utilize the area note that this is a factor to all operations in the area. Part of the rationale for obtaining the lease for the adjacent ATS 1525 tracts was to provide maneuvering room, additional moorage space and protect the approaches to the existing dock on ATS 1170. While the weather component cannot be discounted, extensive adjacent development including a seafood plant, the marine highway terminal and the Allen Marine tourist dock as well as the new construction of the fisherman's float indicate the overall market appears to recognize the excellent location and moorage offset the detriments of the wind and weather exposure.

The subject also exhibits high functional utility to the user due to the lack of any other suitable protected moorages with deep water access in Juneau, especially on the northwest edge of town. The development of this parcel in any other area would be unlikely, or much more costly, due to zoning, the lack of suitable deep water access or competition from alternative waterfront uses such as residential or public recreation. Recognition of the difficulty of development or even availability of comparable sites must be recognized in the analysis of the available data.

All the lease documents have been provided. The lease closely follows a typical net lease similar to other state and city tidelands leases in the area. These leases are essentially total net leases.

3.3 SYNOPSIS OF LEASE

As noted, the subject is currently a state tideland lease from 1982. Reportedly, management was transferred to the borough in 2001. The last adjustment to the lease occurred in 2008 according to borough documents. The subject was appraised at that time for a lease adjustment, however the lessee

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appealed the adjustment and the lease rate on the subject was adjusted. The existing terms are as follows:

<i>Legal Description/Leased Premises:</i>	ATS 1170, Juneau Recording District, First Judicial District, State of Alaska
<i>Lessor:</i>	Dock and Harbor Board of City and Borough of Juneau as land manager
<i>Lessee:</i>	John Gitkov and Jane Hawkins dba Gitkov Dock, et al
<i>Proposed Use:</i>	Commercial-Industrial
<i>Term of Lease:</i>	30 years
<i>Other Terms of Lease:</i>	Typical full net lease indemnifying lessee.
<i>Original Lease Date:</i>	September 24, 1982 (with State of Alaska)
<i>Rental Adjustment Period:</i>	Every ten years thereafter, or as may be amended, based on estimated market value per AS 38.05
<i>Original Use:</i>	Proposed Fish Processing Plant
<i>Amended Use:</i>	Marine Services Dock
<i>Expiry:</i>	September 23, 2012 (with CBJ)
<i>Initial Lease Period:</i>	25 Years
<i>Property Rights Included:</i>	Normal rights conveyed by lease.
<i>Property Rights Excluded:</i>	No mineral or timber rights are conveyed by lease.
<i>Lease Area:</i>	1.69 Acres "more or less"; 73,529 SF
<i>Original Lease Rate:</i>	\$4,400; \$0.0598/SF
<i>Existing Lease Rate:</i>	\$8,097.98; \$0.1101/SF
<i>Reversion of Improvements:</i>	Not specified but typically able to be retained by lessee or its successor if all obligations of lease have been fulfilled.
<i>Building/Site Improvements Included:</i>	None. All improvements to be provided by lessee.

No current CBJ lease documents have been finalized. Based on interviews with Docks and Harbors personnel, it is expected that any new lease would closely follow similar tidelands leases in the area. These leases are essentially total net leases. The significant changes to the existing terms are presumed as follows:

<i>Proposed Effective Date:</i>	September 24, 2012
<i>Proposed term:</i>	35 Years
<i>Rental Adjustment Period:</i>	Every five years, based on estimated market value
<i>Proposed Option to Renew:</i>	Typical; additional 35 years
<i>Easements:</i>	None Noted.
<i>Insurance:</i>	Commercial General Liability and Property Insurance sufficient to meet the standard requirements of the Municipality.

4 FEE SIMPLE 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

Marine-related industrial and commercial uses are the defining use for the subject tracts based on its zoning. The original site has been utilized as a marine servicing, commuter and tourist dock for the past 20 years or more and this facility is likely to continue to handle freight, passengers and generate revenues sufficient to service the existing lease payments. The subject site was enhanced through the addition of ATS 1525, and have expanded and somewhat modified their development plan to fully utilize the site since then. The site extends into deep water and appears sufficient for the needs of the lessee. The highest and best use of the site is for its continued use as a marine service center and commuter dock facility.

4.2 TIDELANDS RENTAL VALUE

I have inventoried dozens of sales and leases, and considered the most comparable on an overall annual rental basis to the subject proposed leased premises. The following table contains the most helpful data that shows what the area might lease for on a per square foot basis. The subject is one of the largest tidelands leases in the municipality, and while quite large, is not out of line with the other large operating sites, many of which are composed of fee owned uplands or tidelands in addition to the properties leased.

#/Comp	Transaction Description	Date	Size (SF)	Indicated Annual Rent	Annual Rent/SF
1	#4177 #7049 2691 Channel Drive (Channel Construction) Lot 2, ATS 7; ADL 2193 & ATS 1682 Tr B	05/10	83,069	\$12,460.35	\$0.15
2	#1744 3560 North Douglas Highway (Trucano) Tr A & B, ATS 842	05/10	43,865	\$8,773.00	\$0.20
3	#7309 13555 Glacier Highway (Ak. Glacier Seafoods Dock) ATS 1644	07/04	16,988	\$2,530.00	\$0.15
4	#1637 13391 Glacier Highway (Allen Dock) ATS 1533	08/09	187,352	\$28,100.00	\$0.15
Subject – ATS 1170		06/11	73,529	Solve	Solve



COMP 1

040712_0959

Comparable 1 is a recent rent of a portion of a larger economic unit close to town at 3 mile on Gastineau Channel. This large site is composed of fee owned lands as well as four leases, two of which are relatively current and examined here. The deeded filled tidelands adjacent to the leased sites are 21,401 SF and when viewed together the entire leased area is an additional $\pm 132,000$ SF. While access is shallow and inferior to the subject's good deep marine location, this site is well located close to town and is a well-protected anchorage. This

observation would be ranked similar overall to the subject site, with the relatively shallow tidelands offset by the superior location. The level of utilization of this site is similar to the subject, with the entire site well developed and fully exploited as an industrial waterfront barge landing and construction yard.



COMP 2

041304_0784

Comparable 2 is a lease in Gastineau Channel adjacent to the Juneau Douglas Bridge. This current lease was originally let as filled uplands and the value of the lease reflects this superior attribute as compared to the subject. This ATS is part of an assemblage of a barge landing site and fuel tank farm with a superior waterfront location adjacent deep water in the center of town. This site, well protected and close to the town core next to the Bridge, is regarded as superior to the subject's more removed and exposed site and is given less weight. While the

lease examined here is smaller than the subject site, when considered together with the site's adjoining leases as well as the fee owned portion, the overall area of the site exceeds 190,000 SF. There are a variety of commercial uses and subleases on this site, with a fuel depot, floating fuel dock, marina, construction yard and barge landing all intermixed. As can be seen from the higher rent of this portion of the site, the fill and superior town location could appear to play a part, however discussions with the lessee also attributes the higher rent to the complexity of the site's various property components and varying levels of improvements at the time of lease. Despite its intensive industrial use, similar to the subject, the nature of the leased property as filled makes this lease less comparable.



COMP 3

052709_6087

Comparable 3 is a relatively current dock lease for a nearby seafood processing plant. This lease is inferior in size and lack of access to the highway except through the adjacent upland owner, but similar in its extension into deeper water. It is superior in that it is all one parcel, rather than the discontinuous tracts of the subject. This recent observation helps to clearly show the level of rents and values in the neighborhood and is given weight in the analysis.



COMP 4

050108_3280

Comparable 4 is the rent of a large lease adjacent the subject's Tract B. This waterfront site is fully utilized for its tour business, with the access dock from the road permitted for encroachment, similar to the subject's permitted areas. This large site's lease rate shows the value of its location in Auke Bay, with the business model unlikely to succeed in any other location. Due to size and adjacent location, significant weight is given this indicator in the analysis.

Comparable 4 is adjacent to the subject. While larger, it has many similar characteristics and is given most weight.

Comparable 3 is nearly adjacent on the other side of the ferry terminal and is also given significant weight. Comparable 1 and 2 comprise some of the most current lease data available and are also considered. Comparable 1, albeit in a less similar, superior location with inferior waterfront characteristics is given more weight than Comparable 2, leased as filled and a significantly higher indicator. When considered as a group, all the rental indicators examined suggest a fair value at \$0.15/SF.

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

$$73,529 \text{ SF @ } \$0.15/\text{SF} = \$11,029.35/\text{year}$$

\$11,030, rounded

ADDENDA

SUBJECT PHOTOGRAPHS



SUBJECT LOOKING SEAWARD. ALASKA MARINE
HIGHWAY MARINE SERVICE USE UNDERWAY.
040612 0905



LOOKING ALONG DEVELOPED WATERFRONT ON TOP
OF CONCRETE BULKHEAD 040612_0913



SUBJECT LEASE WITH DOCUMENTED VESSEL USED AS
MARINE SERVICE BASE. 040612_0936



ON SITE PARKING BELOW HIGHWAY 040612_0896



DRIVEWAY SERVING LOWER PORTION OF FILLED
ATS AREA 040612_0897



ENCROACHING PARKING AND GLACIER HIGHWAY
FRONTAGE 040612_0891

SUBJECT PHOTOGRAPHS



NOTE ATS 1170 BULWARK DEVELOPMENT
040612_0916



TRANSFER BRIDGE TRANSITIONING FROM FILLED
AREAS TO MARINE SERVICE AREAS. 040612_0920

Docks and Harbors Board
Marine Passenger Fee FY2014 Request
Area Wide Port Operations

Descriptions: CBJ's cruise ship docks and associated infrastructure are run as an enterprise fund established by local ordinance. All expenses and revenues associated with operating and maintaining CBJ's cruise ship docks and associated infrastructure are accounted within this fund. The CBJ Assembly has placed these assets under the responsibility of the Docks and Harbors Board. CBJ Ordinance Title 85 requires the Board to be self-supporting, generating revenues sufficient to meet the operating costs of the docks enterprise.

The Board has established a number of fees to generate revenues from users of the assets. The Board has calibrated these fees to assure the overall revenue generated by the enterprise equals the overall cost of running the enterprise.

Many of the uplands assets are used by entities which it is not possible, feasible, or acceptable to charge fees. As a result, users paying fees are subsidizing users that do not pay fees. The services provided to these users are area wide in nature benefiting the general public and cruise ship passengers of private docks.

For the past several years, the Board has offset this subsidy with revenues from leases of property along the downtown Juneau waterfront. Faced with crumbling infrastructure in the small boat harbors and the inability to raise harbor fees without profound impacts to its users and the community, the Board has elected to redirect lease revenues of parcels along the waterfront from the Docks Fund to the Harbor Fund. In effect, revenues from these leases had been subsidizing area wide users of the docks enterprise facilities. As part of this initiative, the Board Identified services that are area wide in nature and not specific to users of the CBJ Docks.

Board identified the following services:

1. Year round maintenance and monitoring of Marine Park.
2. Maintenance and operation of year-round public parking at the Columbia Lot and seasonal public parking at the Steamship Wharf Plaza and the Visitor's Center Lot.
3. Maintenance and operation of year-round unrestricted pedestrian access along the waterfront at the public docks.
4. Maintenance of tour operators Vendor Booths
5. Maintenance and operation of shuttle drop-offs and pick-ups in the CBJ loading zone that are used by all cruise ship terminals in Juneau.
6. Providing area wide port security.
7. Billing and collecting CBJ area wide fees for all docks.

The Board reviewed its FY13 budget and apportioned expenses associated with these services. Based on its review, it estimates that about 9% of the annual docks budget is attributable to area wide services.

Marine Passenger Fee Funds Requested (FY14): \$154,100

Benefits: This approach is supported by the cruise ship industry since it is more equitable than raising dockage fees. It also avoids the need to raise fees during the economic recession.

This approach meets the intent of the marine passenger fee since the services benefit all cruise ship passengers, not just the passengers at the public docks.

This approach allows the Docks and Harbors Board to direct part of the dock lease revenues to the much needed rebuild effort of the small boat harbors reducing the need for fee increases at the harbors.

Maintenance and Operation Responsibility: CBJ is responsible for all ongoing maintenance and operating expenses and will use local Docks enterprise funds for these expenses.

Project Contact: Gary Gillette, CBJ Port Engineer or Carl Uchytel, CBJ Port Director 586-0292.

Docks and Harbors Board
FY 2014 Passenger Fees Request
Port-Customs and Visitor Center Buildings Maintenance Support

Project Descriptions: These two buildings are located on the downtown Juneau waterfront, an area that serves nearly one million cruise ship passengers each year. Docks and Harbors, an enterprise fund, is responsible for costs associated with operating the Port-Customs and Visitor Center Buildings. Expenses include all utilities (water, sewage, electrical, alarm monitoring) and facility support (parking lot, plaza, snow removal, janitorial and general maintenance).

Marine Passenger Fee Funds Requested (FY14): \$133,500

Approximately 4450 sq feet (building area) @ \$2.50/sq feet/month = \$133,500

Project Review: The Port-Customs Building was completed in May 2011 with the Visitor Center completion in June 2012. The project which included the buildings, infill dock construction, covered shelters, landscaping and plaza cost approximately \$9M and was funded with Marine Passenger Fees. The Port-Customs Building is occupied by the US Customs and Border Protection (CBP) year-round and Docks and Harbors staff from April to October. CBP claims to be exempt from any costs associated with their operations within a port. The Visitor Center Building is occupied from April to October by the Juneau Convention and Visitor Bureau, a non-profit organization for the purpose of supporting cruise passenger inquiries. The JCVB budget does not support maintenance of the building. This leaves the Docks enterprise funds fully exposed to the costs of maintaining and servicing these buildings.

Benefits: By establishing a Port-Customs and Visitor Center Buildings maintenance fund Docks & Harbors can better manage and maintain the properties entrusted under their responsibilities. Passenger fees were granted for this purpose in FY2013.

Maintenance and Operation Responsibility: CBJ Docks and Harbors is responsible for all ongoing maintenance and operating expenses of these two buildings and associated upland support facilities.

Project Contact: Gary Gillette, CBJ Port Engineer or Carl Uchytel, CBJ Port Director 586-0292.

Docks and Harbors Board
FY 2014 Passenger Fees Request
Real Time Monitoring and Communications System

Project Descriptions: This project would cover all downtown Juneau waterfront cruise docks (private and public). The intent is to establish wind and current monitoring sensors at the various dock locations to offer real time information for navigation purposes. The system would be broadcast over radio, internet, or other public media to be available to all cruise ships navigating in the immediate area.

Marine Passenger Fee Funds Requested (FY14): \$75,000

Project Review: The proposed 16B Cruise Dock project has generated discussions regarding maritime navigation in the area of the proposed new floating berths of the publically owned cruise facility and the neighboring privately owned docks. Both privately owned facilities have indicated a need for real time current and wind information. Docks and Harbors proposes a comprehensive approach to the issue that will result in a system that would cover the private and public docks thus resulting in cost savings and not duplicate systems.

Project Time-Line: Scheduling of this project is dependent on funding. Once funded it is anticipated the project could be completed within a year.

Maintenance and Operation Responsibility: Maintenance for operational costs (electricity, equipment calibration, etc.) would be the responsibility of Docks and Harbors.

Project Contact: Gary Gillette, CBJ Port Engineer or Carl Uchytel, CBJ Port Director 586-0292.

Docks and Harbors Board
FY 2014 Passenger Fees Request
Power Capstans at Cruise Dock

Project Descriptions: This project is located on the mooring dolphins along the downtown Juneau waterfront, an area that serves nearly one million cruise ship passengers each year. The project entails designing and constructing three power driven capstans on three existing mooring dolphins that serve cruise ships at the Cruise Ship Terminal.

Marine Passenger Fee Funds Requested (FY14): \$60,000

Project Review: The power capstans would address safety issues of hauling heavy mooring lines to the mooring dolphins. These three particular capstans are located such that there is no access to allow use of forklifts to assist hauling the lines. Therefore stevedore personnel must haul the lines by hand and it is a severe physical strain causing safety concerns. The capstans would be installed as soon as possible in the existing location. They would be specified to match the proposed capstans that will be installed on the upcoming new cruise dock construction. Thus they would be salvaged and reinstalled on the new project. This scheme would be cost effective as it would solve a problem that currently occurs yet be useable for the new dock construction.

Project Time-Line: Once funding is approved the project would be designed and constructed immediately.

Maintenance and Operation Responsibility: Maintenance of this project is the responsibility of Docks and Harbors.

Project Contact: Gary Gillette, CBJ Port Engineer or Carl Uchytel, CBJ Port Director 586-0292.

Docks and Harbors Board
FY 2014 Passenger Fees Request
Downtown Pay Phones

Project Descriptions: To meet telephonic communications demands from cruise ship passengers and cruise ship crew, CBJ has established a requirement to maintain pay telephones in the downtown corridor.

Cost Estimate: \$7700

Marine Passenger Fee Funds Requested (FY14): \$7700

Project Review: This requirement has been developed at the request of CBJ Leadership to meet a lack of available telephones. In FY12, Docks & Harbors spent \$7755 from Docks operating funds to support this need.

Project Time-Line: This requirement is current and expected to persist indefinitely.

Maintenance and Operation Responsibility: CBJ is responsible for all ongoing maintenance and operating expenses and will seek future passenger fee funds for these expenses.

Project Contact: Teena Scovill, Administrative Assistant or Carl Uchytel, CBJ Port Director 586-0292.

Docks and Harbors Board
FY 2014 Passenger Fee Request
Statter Harbor Passenger For Hire Facility

Project Descriptions: The Statter Harbor Master plan identifies four significant components that would be phased over time as funding is available. These components are as follows: Phase I - repairs to existing moorage, removal of DeHart's floats and fuel dock, and replacement of moorage and fuel dock; Phase II - construction of a new 2-lane launch ramp and upland parking facility; Phase III - replace existing launch ramp with new boat haul-out and kayak launch ramp; Phase IV - construction of a new passenger for hire float and uplands bus staging area to serve cruise ship related whale watching and fish chartering operators. Phase I is currently under construction and will be completed in May 2013; and Phase II is in the final permitting process and is anticipated to be complete in spring of 2015. Phase III would begin once Phase II is completed. Phases I, II, and III are fully funded based on current cost estimates. Phase IV has no funding in place thus the construction schedule is dependent upon funding availability. The Passenger for Hire facility includes installation of a boarding float, gangway, dredging, and uplands passenger loading zone to service cruise ship passengers embarking on marine based tourism activities. Staging for these activities currently are conducted at Statter Harbor where the facilities are incapable of providing safe and efficient service. The current situation causes extreme congestion and greatly detracts from the local resident's ability to fully utilize Don Statter/Auke Bay moorage facility. The funds requested would allow for design and permitting activities to move forward.

Marine Passenger Fee Funds Requested (FY14): \$800,000

Cost Estimate: \$5.4M

Funds Previously Secured: None

Funds Needed but Not yet requested: \$5.4M

Project Review: The project is part of the Docks and Harbor Board's approved Statter Harbor Master Plan which has been supported by the voters in three special sales tax ballots (2005, 2007, 2012).

Project Time-Line: The proposed Passenger for Hire Facility is dependent upon funding.

Maintenance and Operation Responsibility: CBJ is responsible for all ongoing maintenance and operating expenses and will use Harbor operations funds for these expenses.

Project Contact: Gary Gillette, CBJ Port Engineer or Carl Uchtyl, CBJ Port Director 586-0292.

Docks and Harbors Board
FY 2014 Passenger Fees Request
Downtown Restrooms

Project Descriptions: The project is located in downtown Juneau waterfront, an area that services approximately one million cruise ship passengers each year. The project consists of constructing new restroom facilities near the Visitor's Center.

Cost Estimate: \$500,000

Marine Passenger Fee Funds Requested (FY14): \$500,000

Project Review: This project has been developed at the request of the Assembly to meet a perceived lack of adequate restroom facilities.

Project Time-Line: This project has not been fully developed.

Maintenance and Operation Responsibility: CBJ is responsible for all ongoing maintenance and operating expenses and will seek future passenger fee funds for these expenses.

Project Contact: Gary Gillette, CBJ Port Engineer or Carl Uchytel, CBJ Port Director 586-0292.

Docks and Harbors Board

FY 2014 Passenger Fees Request

Future Cruise Terminal Staging

Project Descriptions: This project would be located in the downtown area near the cruise dock, an area that serves approximately one million cruise ship passengers each year. The project entails identifying and procurement of available Downtown lands necessary to accommodate additional staging areas required to accommodate the larger post panamax sized cruise ships and greater passenger counts.

Marine Passenger Fee Funds Requested (FY14): \$1,000,000

Project Review: The proposed 16B Terminal Staging Area project greatly improves the efficiency and safety of the parking and embarkation in support of the cruise industry. However, due to geographic limitations and finite available land, new property must be pursued to ensure facilities are available to support increased passenger loads in the coming decade. A strategic approach to the management of future cruise ship requirement will require securing adjacent lands to the cruise ship berth.

Project Time-Line: This project has not been fully developed.

Maintenance and Operation Responsibility: This project is to identify and procure land available for future Docks enterprise initiatives.

Project Contact: Gary Gillette, CBJ Port Engineer or Carl Uchytel, CBJ Port Director 586-0292.

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