

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING AGENDA
For Tuesday, November 27th, 2012

- I. Call to Order** (5:00 p.m. to 7:00 p.m.) in the Room 224, City Hall.
- II. Roll Call** (John Bush, Tom Donek, Kevin Jardell, 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 August 28th, 2012 and September 25th, 2012 Finance Committee Meeting Minutes, and September 18th, 2012 Sub-Committee Work Minutes.**
- VI. Items for Action.**

- 1. Gitkov Lease Rent
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. Budget update – presentation by CBJ Finance Director
- 2. Douglas Harbor Update – presentation by Port Director
- 3. Aurora Harbor Update – presentation by Port Director
- 4. Goldbelt/Mt Roberts Tram Update – presentation by Port Director

- VIII. Staff & Member Reports.**

- IX. Committee Administrative Matters.**

- 1. Next Finance Committee Meeting December 18th, 2012

- X. Adjournment.**

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, August 28, 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, Michael Williams, John Bush and Eric Kueffner.

The following member was absent: Kevin Jardell.

Also in attendance was: Carl Uchytel-Port Director.

III. Approval of Agenda.

MOTION BY MR. WILLIAMS: TO APPROVE THE AGENDA AS PRESENTED.

The motion passed with no objections.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Approval of July 24th, 2012 Finance Committee Meeting Minutes.

Hearing no objection, the minutes of the July 24th Finance Committee Meeting were approved as presented.

VI. Items for Action.

1. Mount Roberts Tideland Lease.

Mr. Uchytel said in summary, Docks & Harbors' process to reappraise the leased land results in a proposed annual increase from \$104K to approximately \$300K. GOLDBELT HAS HAD THEIR OWN APPRAISAL DONE BY RELIANT ADVISORY SERVICES WHO HAS DETERMINED THE PARCEL OF LAND TO BE OF NO ECONOMIC VALUE AND IS SUGGESTING THE NEW ANNUAL LEASE RENT TO BE \$0. IT IS THE PROFESSIONAL OPINION OF THE DOCKS & HARBORS' APPRAISER THAT THE GOLDBELT VALUATION AND TECHNIQUES UTILIZED WAS DONE SO ERRONEOUSLY. UPON RECEIVING THE GOLDBELT APPRAISAL, HORAN & COMPANY WAS CONTRACTED TO REVIEW THE CONTENT OF THE RELIANT REPORT. ALSO INCLUDED IN THE APPRAISAL IS A LEGAL OPINION DRAFTED BY ATTORNEY ROBERT SPITZFADEN ADVOCATING THE LAND BE VALUED SUBJECT TO THE TERMS OF THE LEASE AND CONDITIONAL USE PERMIT.

CBJ DOCKS & HARBORS BOARD
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VI. Items for Action (Continued).

Mr. Uchytel asked Mr. Charles Horan to attend the meeting via teleconference to help clarify the two different appraisal valuation techniques. The Horan & Co review suggests, in this case, the land residual technique used by Reliant is not reliable, was applied incorrectly and Reliant failed to use more appropriate techniques for which data was readily available.

Due to technical difficulty with recording equipment, there is no recording available for this meeting.

Mr. Uchytel asked the Committee for direction in negotiating a new Lease rent for the Mount Roberts Tram.

Mr. Kueffner stated he has previously worked with Goldbelt in Legal matters, but is no longer representing them currently. He did not want a conflict of interest issue and asked the committee members if anyone had a concern about his previous representation of Goldbelt.

Mr. Spickler asked if Goldbelt had been paying \$104K per year since 2009.

Mr. Uchytel said Goldbelt has been paying \$104K per year.

Mr. Kueffner asked Mr. Horan if he had used this method to appraise property.

Mr. Horan said he had used it in the past but that it was the least precise and least preferred method of appraising property.

Mr. Horan gave a recap of the method he used for his Appraisal of the Property. He said they took 4 or 5 sales of buildings in the area; separated out what part was the building and what part was the land. This is a commonly used technique. The real critical difference in the two appraisals is legal opinion and footage. What does the lease really say or mean as far as proper lease rent. The Appraiser should not determine the lease rent only value the property. The appraiser is never asked to estimate rent.

Public comment:

Derek Duncan, Vice President of Operations for Goldbelt

Mr. Duncan said The Mount Roberts Tram is important to the community as well as Goldbelt shareholders. When he was first presented with Horan's appraisal and the large increase in value and estimated lease rent, his first thought was that the increase could be the difference between operating in the red instead of the black. The Best possible use of this property is a tram. There are no other comps in Southeast. He asked if they could call Reliant and have them explain the appraisal method they used at the next meeting. We do not concur with the Horan appraisal and would like to negotiate in good faith a fair lease rent.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, August 28th, 2012

VI. Items for Action (Continued).

Mr. Kueffner suggested appointing a committee to negotiate the tideland lease. He volunteered to be on the lease committee with Kevin Jardell and Tom Donek.

Mr. Uchytel asked if we need to resolve the legal issue before we proceed with negotiations.

Public comment:

Mr. Robert Spitzfaden, Attorney for Goldbelt.

Mr. Spitzfaden said the base of the lease will be fair market value of the land at it's best and highest use. You have to take into account the lease restrictions. Under appraisal standards you have to take in restrictions of the lease as well as zoning restrictions. This allows you to look at what the lease says. If you don't want it done that way then you have to say that in the lease and this lease does not include this language.

Mr. Kueffner said you are undermining what the lease provisions say. The lease is saying don't do those things. This becomes an endless loop.

Mr. Spitzfaden said the lease says you can only use the property for an aerial tramway, so it must be appraised as so.

Mr. Kueffner said this is not the way we have ever done leases.

Mr. Spitzfaden said this lease has never actually been appraised before.

Mr. Bush asked if it was Goldbelt's intent to pay zero rent.

Mr. Duncan said it was not Goldbelt's intent to pay zero rent. That was a misinterpretation of our appraisal which determined the fair market value of the unimproved land at it's highest and best use. The lease states that the base rent shall be 10% of appraised value or \$30 per square ft. of the land premises, whichever is greater.

Public comment:

Mr. Robert Loiselle, President & CEO for Goldbelt

Mr. Loiselle said clearly if the tram was not in the parcel, the parcel would have value. With Horan's appraisal our rent is going to go up 3 fold. There may be a better way to do this. The logical thing to do here is decide what a logical lease rent for this property is. We think the answer is somewhere in between.

Mr. Kueffner said we do not have the latitude to just decide what the best lease rent is, we have to follow the terms of the lease.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, August 28th, 2012

VI. Items for Action (Continued).

Mr. Spickler said it seems like it would make sense to negotiate a fair value and reconstruct the lease in a way that should work for both parties.

Mr. Loiselle said the lease does require the board to come to an agreement on the lease and work in good faith.

Mr. Uchytel asked why the lease at the top of the tram is twice as much as the bottom.

Mr. Loiselle said we are not relating the two leases. We are not using the lease at the top of the Tram as a comp for the bottom.

Mr. Williams asked to be on the negotiation committee.

Mr. Bush asked if there was an assessed value for the land.

Mr. Uchytel said we have all new players in this negotiation on both sides and nobody recalls the negotiations back in 2009 over lease rent.

Public Comment:

Paul Swanson said he has been involved in a lot of ski areas on Forrest Service land and they always had to pay royalties from tickets and sales.

Mr. Kueffner created a lease committee made up of: Eric Kueffner, Tom Donek and Kevin Jardell to negotiate a fair market lease rent.

Mr. Uchytel asked if the meetings would be public or under executive session.

Mr. Kueffner said he would talk with the CBJ Attorney.

2. Aurora Harbor Project Matching Grant Money

Mr. Uchytel said Mr. Jardell requested I bring this item to the board. We had hoped to use the tug assist vessel that was in Aurora Harbor to apply for a matching grant, but it is not coming back so we have lost the \$500,000 in matching funds. He has asked the CBJ attorney if it can be used in Auke Bay. By next spring we will need to come up with another \$500,000 to replace the funds.

Mr. Donek suggested the Alaska Fish and Game matching grant. This grant program is targeted at transient vessel moorage.

Mr. Uchytel said they can use it for Statter Harbor.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, August 28th, 2012

VI. Items for Action (Continued).

Ms. Becker asked if we had to have all the money before we start the project.

Mr. Uchytel said we would like to start by replacing A & B floats in Aurora.
\$7 million would get us past the boat houses.

MOTION by Mr. Kueffner: TO LOOK INTO APPLYING FOR THE ALASKA FISH AND GAME MATCHING GRANT AND ASK UNANIMOUS CONSENT.

The motion passed without objection.

VII. Items for Information/Discussion.

1. Review of Lawson Report.

Mr. Uchytel provided a revenue report from the CBJ Lawson system as well as the FSM Harbor system.

2013 Harbors budget

Mr. Uchytel said he has invited Angelica from the CBJ accounting department to come before the committee to explain the Lawson system reports and how they work. He has spoke to the new finance director and asked for reports better than the Lawson Reports.

VIII. Staff & Member Reports.

There were none.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting is September 25th, 2012.

X. Adjournment.

MOTION by Mr. Donek: TO ADJOURN THE DOCKS & HARBORS FINANCE COMMITTEE MEETING AND ASK UNANIMOUS CONSENT.

The Finance Committee Meeting adjourned at 6:49 p.m.

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.

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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.

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VI. Items for Action. (Continued)

We also have Mr. Horan from Horan and Company on the line for comment.

Ms. Mead said she agreed that an adequate appraisal has not been done by Goldbelt. She went back to the enabling ordinance and the original lease and tried to figure out what the original intent of the lease was. The only conclusion she could come to was that Goldbelt is not operating with that intent in mind. The lease did not require that Goldbelt build the tram. The way the lease rent was set up was the base rent would be appraised at an unimproved state. The royalties portion was done later because nobody knew if the Tram would happen and when it would happen or if it would be successful. For Goldbelt now to come in and say the way we are going to read the lease provision now, even though we have acknowledged that the property has significant value and the value has increased, now they are going to take the position that the property is worth nothing is not a good faith position to take for negotiation. There is nothing in the lease that requires the Tram be built. Other CBJ leases are subject to cancellation if the intended project is not built. The applicant drives what the use is as long as it fits within the code. She felt the Horan appraisal was done in the appropriate manner intended in the lease.

Mr. Jardell asked Ms. Mead to clarify the history of the agreed upon valuation of the property originally.

Ms. Mead said it is not a good faith position for to take by presuming the land has no value. The value of the property was originally recognized in 1995 before the Tram was built as a valuable piece of property. In 2006 Port Director, John Stone, suggested since the rent royalties had not been collected, that they use the assessed value of 1.3 million as a base for lease rent. There was recognition that the property had value and that the value of the property had increased.

Mr. Kueffner asked if she felt it was proper for the committee to proceed with negotiations at this point.

Ms. Mead did not advise that they move to step 3 and get a third party appraisal. In this case one party is not negotiating in good faith.

Mr. Kueffner asked if it would be appropriate to negotiate between the two appraisals and using the zero value.

Ms. Mead said the committee could decide to negotiate between the two current appraisals.

Mr. Bush asked if the committee could go back to the original lease and include the royalties in the new lease rent.

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For Tuesday, September 25th, 2012

VI. Items for Action. (Continued)

Ms. Mead did not know how the royalties portion got eliminated from the current negotiated lease rent. If the royalties were meant to be eliminated, the lease should have been amended. She recommended the committee follow the written document and include the royalties.

Mr. Horan said he read the materials that Goldbelt provided to Carl's office and he agreed the property should be used at it's highest and best use.

Derek Duncan, Goldbelt Vice President of operations: He recommended a path forward that the Port Director and negotiation team meet at Goldbelt headquarters and bring legal opinion.

Mr. Kueffner said we have a subcommittee to give direction. He felt Mr. Uchytel could negotiate just fine on the committee's behalf. Goldbelt has just heard the legal opinion of the CBJ in this meeting. He asked Ms. Mead when she gives legal opinions to departments, are they available to display to others.

Ms. Mead said most often the answer is yes. She has not written her legal opinion in this matter and did not intend to. Her legal opinion is most often public record.

John Bush asked if Goldbelt's intention was to pay zero rent.

Mr. Duncan said Goldbelt did not intend to pay zero rent, that was a misinterpretation of the intent of the appraisal which is to determine the fair market value of the unimproved land at it's highest and best use. Using our land residual technique that value was determined to be zero. As written in the lease, the base rent is determined at 10% of the appraised value or \$30 per square foot so it was never Goldbelt's intent to pay zero lease rent.

Mr. Kueffner asked Mr. Duncan what his opinion was on the royalties.

Mr. Spitzfaden, Attorney representing Goldbelt, said he did not think it was fair to ask a lay person legal opinion at this time.

Mr. Jardell said if Goldbelt is not willing to go down the path the City suggested, we are willing to hear a path to go down that Goldbelt suggests to help us come to terms.

Mr. Kueffner said I guess we have a path forward so we could meet with Goldbelt on their terms.

Mr. Uchytel said the log jam is accepting the highest and best use appraisal method and if they do not agree with that, he did not see them making much progress.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
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VI. Items for Action. (Continued)

Mr. Donek said he did not like the idea of even accepting the Goldbelt lease with the different methodology that is not in the lease because it just opens the door for other lease negotiations to come up with different methodology for their appraisal. He felt the Committee needed legal opinion to give them approval to use the Goldbelt appraisal as a basis for negotiation.

Mr. Jardell said he feels discussions are worthwhile to get a better understanding of where the parties are and how they can come together. He felt the meeting on Goldbelt's terms could be worth while.

Mr. Donek said he has no problem with talking; he has an objection to the Appraisal Goldbelt has provided and did not want to use it for negotiation.

Mr. Kueffner said merely looking at the lease from Goldbelt does not mean we accept the appraisal. He did not feel troubled by that.

Mr. Jardell said he thinks there is concern in proceeding to step 3 and take the chance a 3rd party appraiser will accept the zero appraisal.

Ms. Mead said she did not think there was anything in the lease that precludes the negotiation with the zero appraisal in place. If the parties agree they are deadlocked, Carl, the Port Director can make the Lease Rent determination. Carl can come to the Board and they could proceed to the CBJ about how the language is interpreted.

Mr. Jardell said we are a public body so we are expected to be fair. If Goldbelt is in agreement with the comparables, just for the purposes of negotiation, let's consider a lower value. Invite them to criticize our appraisal and offer a fair lease value.

Ms. Mead said the language is rather narrow about step 3. She did think it allowed for negotiation.

Mr. Spickler said it sounds like the lease has changed maybe they need to revamp the lease and have an honest discussion.

Ms. Mead said that would be an ordinance change if you wished to change a lease and that would need to go before the assembly.

Mr. Kueffner asked Mr. Uchtyl what else he needed from the board and if he felt he could negotiate with Goldbelt.

Mr. Uchtyl said he wanted the leases to be inline and transparent and each one not negotiated in a different way. Based on the lease the royalties need to be in the equation. He would be glad to meet with Goldbelt next week and report back to the Board.

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

VI. Items for Action. (Continued)

Mr. Bush asked if Goldbelt was willing to discuss the royalty portion of the lease.

Mr. Spitzfaden said this was not the time nor the place for Goldbelt representatives to render legal opinion about the royalty portion of the lease and what happened in 2006.

Mr. Donek said it might be appropriate to send the Chairman of the full board with Mr. Uchytel to help in negotiations.

Mr. Jardell said we will not send Mr. Uchytel by himself.

Amy Mead said the parties do need to agree on an appraisal methodology in order to come up with a reasonable lease rent. She was hearing that Mr. Spitzfaden is disagreeing with a lot of what she was saying and she was sure he will have some things to say at the meeting.

Mr. Kueffner said in 2006 there was a deal made and it didn't involve appraisal value so it simply wasn't done in accordance with the provisions of the lease and that does not amend the lease.

VII. Items for Information/Discussion.

1. Mega Yacht Harbor at ATS 556A

Mr. Lockwood, Manager for Juneau Port Development, LLC said he is here tonight simply with an informative update. He wanted to present how the project was put together and how it will benefit Juneau. The Lease document that governs the little rock dump was put together by principles of the original committee and they have all retired and we have a new group. He wanted to bring everybody up to speed on the history of this project and the benefits. He will be giving a power point presentation to the full Harbor Board on September 27, 2012.

PND estimated that the whole project would be a \$112 million project for mega yachts from 80ft to 120ft. in length. Mr. Lockwood applied for permits to various organizations. The DEC, EPA, Corps of Engineers and Coastal Zone Control all had several issues with the separation of dredge material.

The Thing that he wanted to go over now is that this is a viable project for the benefit of the City of Juneau. An apposing project has been suggested to dump snow on this piece of land. This Snow dumping would take up 1/3 of the property he needs for his harbor project.

Mr. Jardell said the permits were to be in place within two years. He asked Mr. Lockwood to Provide a solution to the City so that maybe they can use the land for snow dumping until the project is ready to move forward.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
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VII. Items for Information/Discussion. (Continued)

Mr. Lockwood said losing the 35 slips would be a loss in revenues to the City and Docks & Harbors.

Mr. Uchytel said when he reads the lease, Docks & Harbors will get kickbacks from the unimproved tideland lease.

Mr. Lockwood said the Harbor Board needed to read the super yacht report. There is good information in there. Mega Yachts do not have a place to moor right now. He has the mining claim on the property so he has the right to be on the property even without the lease.

VII. Staff & Member Reports.

Mr. Uchytel said he had a monthly FSM report and several Lawson reports to provide to the Committee for review. The CBJ Accounting Department is still in the process of closing the books for Fiscal year 2012.

Mr. Donek asked if the fee for vessel disposal was in a separate fund.

Mr. Uchytel said it was just combined with the other Harbor Revenues and the estimated revenues from the fees were between \$6,000 and \$9,000.0

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting October 23rd, 2012

X. Adjournment.

**MOTION by Mr. Jardell: TO ADJOURN THE DOCKS AND HARBORS
FINANCE COMMITTEE MEETING AND ASK UNANIMOUS CONSENT.**

The Finance Committee Meeting Adjourned at 6:41 p.m.

CBJ DOCKS & HARBORS BOARD
SUB-COMMITTEE WORK MINUTES
For Tuesday, September 18, 2012

I. Call to Order.

Eric Kueffner called the Finance Sub-Committee Meeting to order at 12:02 p.m. in room 224 of the Assembly building.

II. Roll Call.

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

Also in attendance was: Carl Uchytel-Port Director.

III. Approval of Agenda.

MOTION BY MR. Jardell: TO APPROVE THE AGENDA AS PRESENTED.

The motion passed with no objections.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Work Session Item. (Audio is not available for this meeting)

1. Discuss the Mt. Roberts Tram Review.

Mr. Kueffner gave a recap of the current lease conditions as they read. The base rent is to be 10% of the appraised value of unimproved land or \$30,000, whichever is greater. Royalty rate is \$60,000 or 1% of gross revenues up to \$3 million and 3% of gross revenues from \$3 million to \$5 million from sales on leased premises, whichever is greater. The lease rent adjustment period is every three years. The basis of appraisal shall be the fair market value of the unimproved land at its highest and best use.

A lease review has been included in the packet which includes lease history and it appears the lease has not been adjusted every 3 years. The issue at the forefront is the way the Goldbelt appraisal was done. As far as I can tell we have never done an appraisal before now on this lease property. Mr. Stone based the lease rent previously on the assessed value at last review and that is the rent that has been paid ever since. We are engaged in a rent adjustment process. We asked Horan & Company to do an appraisal and they did so in March of 2012. This is just a basis for lease rent; we now need to come up with an acceptable lease rent. Goldbelt has disagreed with the appraisal and has gotten their own appraisal done by Reliant.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, September 18th, 2012

V. Work Session Item. (continued)

We need to agree on some kind of lease rent in between the two appraisals because we do not agree with the new appraisal. There is an extraordinary assumption in the tenant's appraisal that is based on legal opinion. The thought here is to talk about the general direction with the Port Director. We need to open discussions on either appraisal or approach a lease rent basis.

Mr. Jardell said he is not a realty expert, but is open minded about coming to an agreement with Goldbelt. We have the authority to negotiate terms with substance. He also did not want to split it down the middle either. We need to decide if we are going to accept the Reliant methodology or not. He asked if we needed to bring in a third appraiser who would use another methodology to appraise.

Mr. Kueffner said the issue is not the methodology, it's what are they appraising. Goldbelt's Appraisal is based on an assumption.

Mr. Donek said he did not want to stray too far from the way the lease was written. He can not find any good information about how the current lease rent came about. There are no meeting minutes available.

Mr. Kueffner said the assessor does not think the Reliant appraisal works with the lease intent. He is reluctant to proceed and assume the methodology is correct because he does not agree with it. He felt according to the lease, we have not gotten what is required from the lessee, their appraisal does not conform to the lease.

Mr. Donek agreed the Reliant lease is not acceptable and we can not proceed with negotiations. He suggested sending the lease to the CBJ Attorney.

Mr. Kueffner said it does not seem like a good idea to even negotiate considering the Reliant lease.

Mr. Jardell said the Appraisals are so extremely different that it would be hard to come to an agreement in good faith.

Mr. Kueffner said maybe we can agree that nobody wants to go to a third appraiser.

Board Members agreed they did not want to get a third appraisal.

Mr. Kueffner asked if the board could request Reliant do an appraisal using the different methodology than their first appraisal. He was looking for a section on dispute resolution in the lease.

Mr. Jardell said the dispute resolution would be to pick a third appraiser that will choose which appraisal is used and negotiate based on their choice.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, September 18th, 2012

V. Work Session Item. (continued)

Mr. Donek said the lessee's concern is that they are not making a profit. Unfortunately that is not our problem. We can not be responsible for the profitability of a lessee. That could be a basis for other tideland lessee's to ask for a reduction in lease rent.

Mr. Kueffner said \$30,000 would be the minimum lease rent where they have valued the lease rent property at zero.

Mr. Uchtyl said the planning commission has noted that the land value is set at \$30/per square foot. Goldbelt was given 18 months relief from those fees while the Tram was being constructed and was accruing fees but they were not payable until under operation.

Mr. Jardell would like to encourage Golbelt to come up with an appraisal that does not use the current method the Reliant appraisal did.

Mr. Uchtyl said one question before the committee is whether or not the tram is an appropriate use of the land.

Mr. Kueffner said there could be many other options for this property. Cruise ship dependant retail is the most common use for this type of property.

Mr. Donek asked why the lease was so specific and if it needed to be that way.

Mr. Kueffner said it looks like we have a proposal for Mr. Uchtyl to go to Goldbelt and ask if they can come up with another appraisal. He also had concerns about even the Horan appraisal where he is supposed to be valuing vacant land.

Mr. Jardell asked if they used the archipelago property as a comparison.

Mr. Kueffner said most of comparables were across the street and not tideland property. He said Mr. Uchtyl can bring the outcome back to this subcommittee.

Mr. Kueffner said he doesn't know why the royalties were ever taken out and they can still be negotiated and should be.

Mr. Donek said he did not want that to cloud the current problem. He did agree it needs to be renegotiated or the lease needs an amendment that ends the royalty's entitlement as part of the lease.

Mr. Uchtyl said he will write a letter to the tenant outlining what we are doing and seeking legal advice.

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING MINUTES
For Tuesday, September 18th, 2012

V. Work Session Item. (continued)

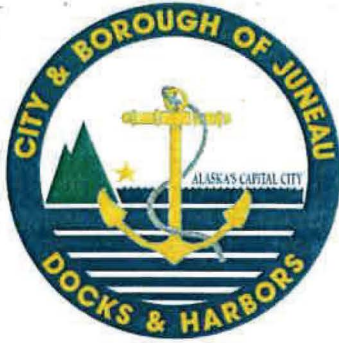
Mr. Kueffner suggested cancelling the Thursday meeting to allow for more time to work with Goldbelt.

Mr. Uchytel suggested taking this up in the Finance committee next Tuesday.

VI. Adjournment.

**MOTION by Mr. Kueffner: TO ADJOURN THE FINANCE MEETING
AND ASK UNANIMOUS CONSENT.**

The meeting adjourned at 12:53pm.



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
FINANCE MEETING MINUTES
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. Uchtyl 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. Uchtyl 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
REGULAR MEETING MINUTES

March 27, 2008

Page 3

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
REGULAR MEETING MINUTES

May 1, 2008

Page 3

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.

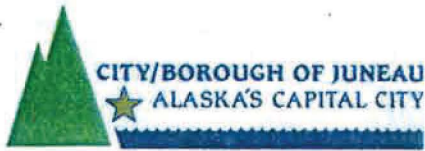
Staff recommended a new rent amount of \$11,043, or \$0.15 per square foot, based on a review of adjacent tideland leases, one sale and two 2004 appraisals. The Finance Committee concurred at its March meeting and forwarded the matter to the Docks and Harbors Board. The Docks and Harbors Board, after 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 7894210 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.

Janet Hawthorn Phillips
Signature

Signature

Date _____

12/31/11

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

Title

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

below. Docks and Harbor u

JAN 04 2012

RECEIVED
JAN 04 2012

JAN 04 2012

Application Received \$10.00 Filing Fee Received

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

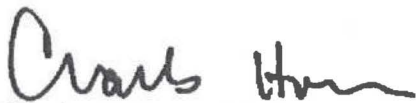
4. I am aware that there are no uplands in the appraised tidelands. This also goes to the letter's comments in the closing second to last paragraph which confirms we were aware of the physical elements of the tidelands as they were proposed to be rented in their predevelopment state. The lands were thus 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.

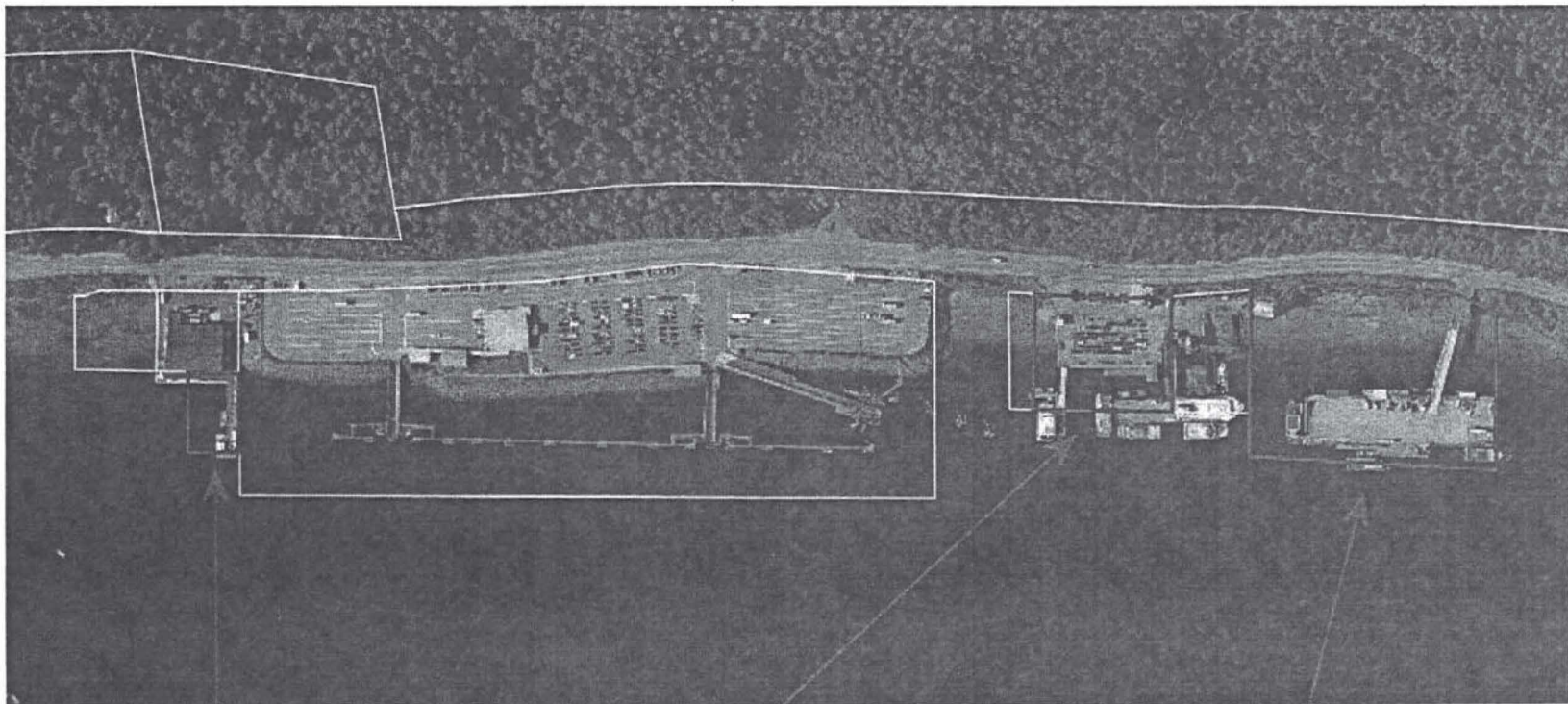
Respectfully submitted,



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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Addenda

Subject Photographs

Qualifications of Timothy Riley

CERTIFICATION OF APPRAISAL

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

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



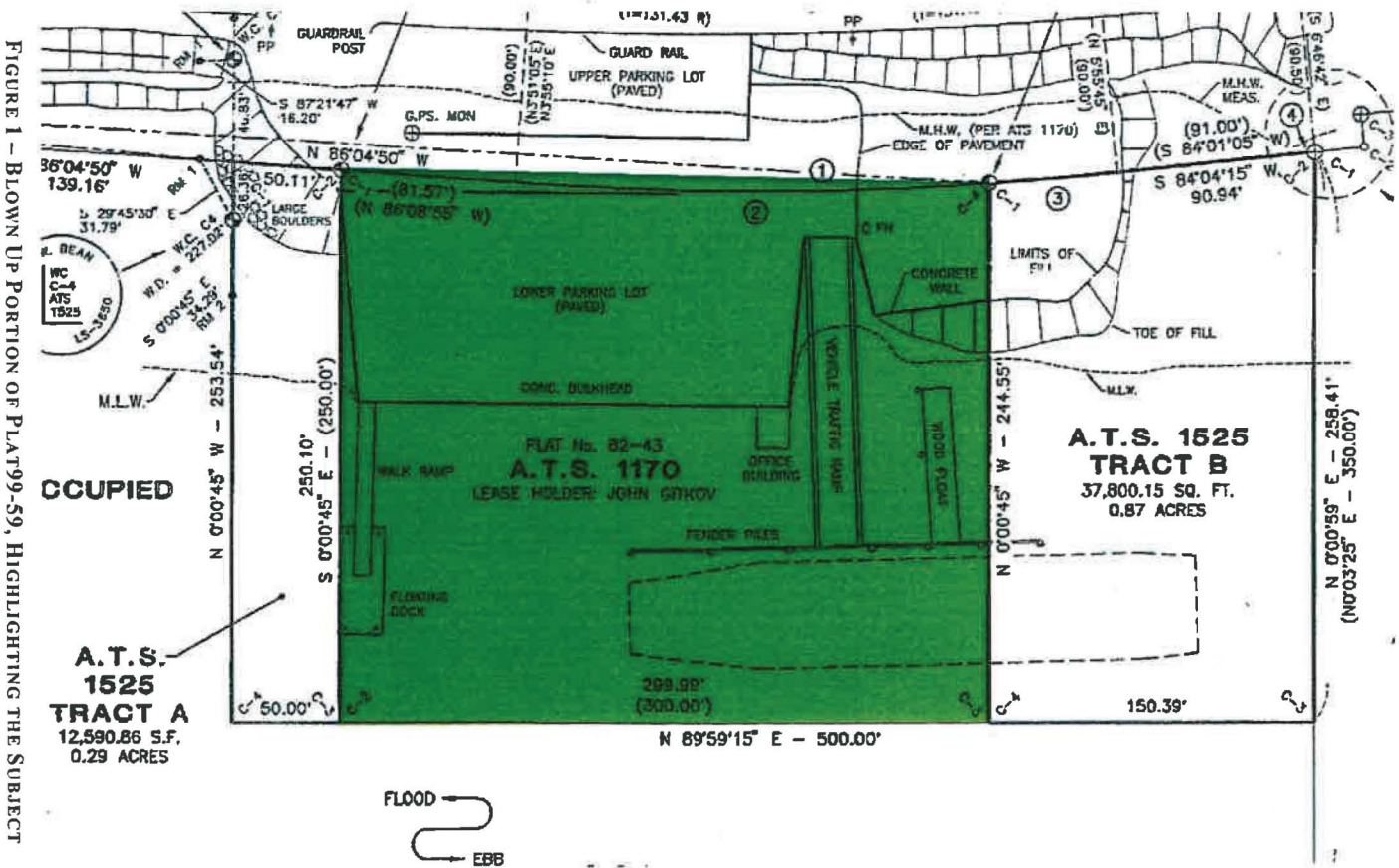
Timothy W. Riley, Real Estate Appraiser
AA 685

April 6, 2012

Effective Date

October 17, 2012

Report Date



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.

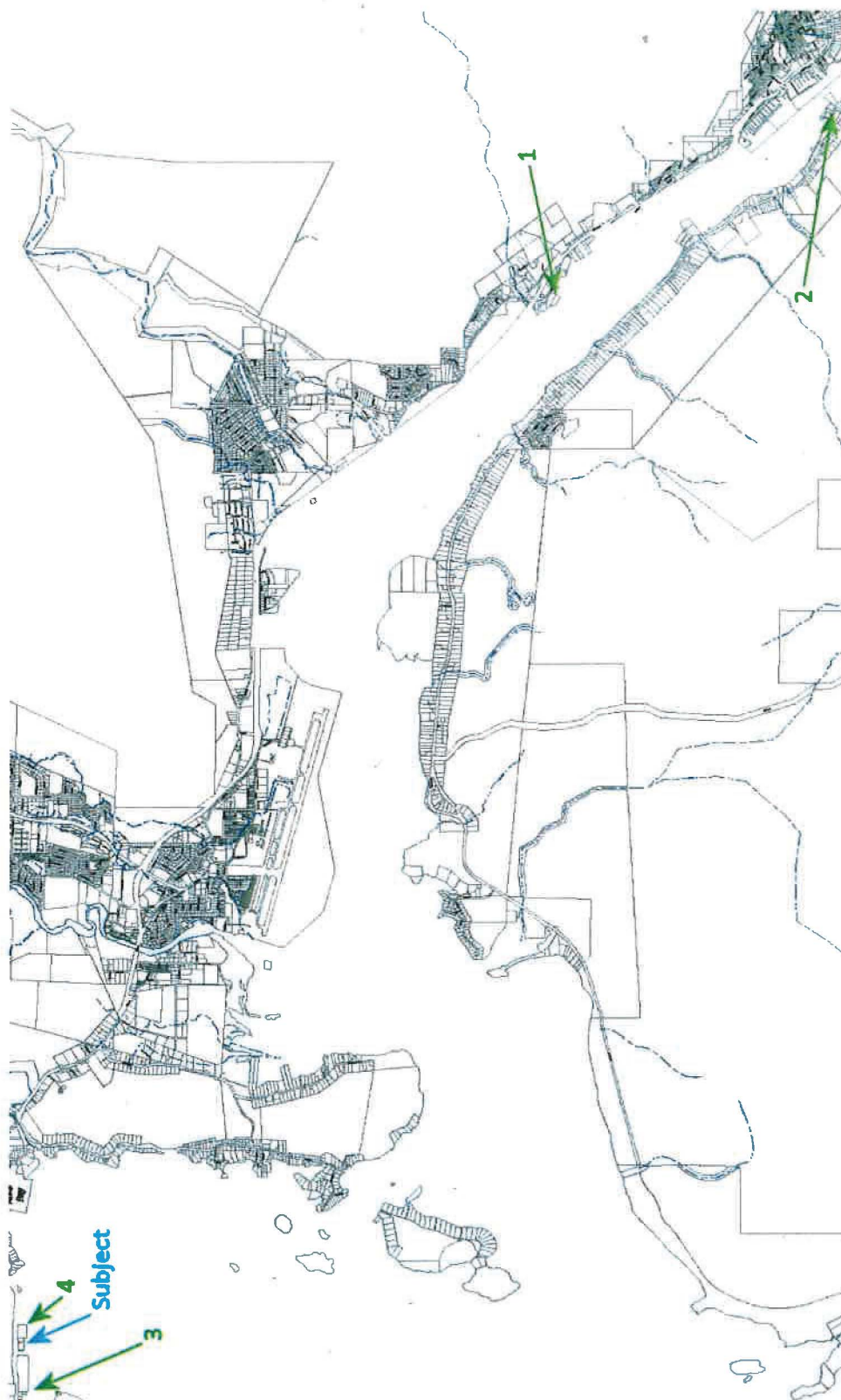


FIGURE 2 – JUNEAU ROAD MAP WITH SUBJECT AND COMPS

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.

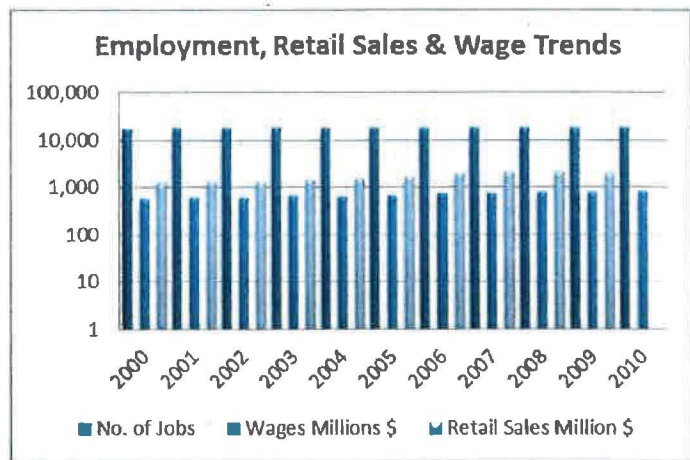


FIGURE 3 – JUNEAU ECONOMIC INDICATORS BY THE JUNEAU ECONOMIC DEVELOPMENT COUNCIL (JEDC AND OTHER SOURCES COMPILED BY HORAN & COMPANY

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 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

CITY AND BOROUGH OF JUNEAU

Enterprise Funds

BOAT HARBORS

Schedule of Operations - Budget and Actual

For the fiscal year ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - positive (negative)
	Original	Final	Actual	
OPERATING REVENUES				
Charges for services	\$ 2,226,300	2,226,300	2,559,694	333,394
Fines and forfeitures	16,000	16,000	7,922	(8,078)
Rentals	620,200	620,200	587,269	(32,931)
Total operating revenues	<u>2,862,500</u>	<u>2,862,500</u>	<u>3,154,885</u>	<u>292,385</u>
EXPENSES				
Salaries and fringe benefits	1,380,600	1,491,388	1,427,557	63,831
Commodities and services	1,041,600	1,076,938	1,032,451	44,487
Capital outlay	10,000	10,000	3,413	6,587
Debt principal	260,000	260,000	260,000	-
Total operating expenses	<u>2,692,200</u>	<u>2,838,326</u>	<u>2,723,421</u>	<u>114,905</u>
Operating income	<u>170,300</u>	<u>24,174</u>	<u>431,464</u>	<u>407,290</u>
NONOPERATING INCOME (EXPENSES)				
Investment and interest income	139,000	139,000	114,412	(24,588)
State shared revenue	350,000	460,788	533,018	72,230
Amortization of bond issuance costs	-	-	(10,686)	(10,686)
Interest expense	<u>(491,400)</u>	<u>(491,400)</u>	<u>(461,841)</u>	<u>29,559</u>
Net nonoperating income (expenses)	<u>(2,400)</u>	<u>108,388</u>	<u>174,903</u>	<u>66,515</u>
Net income (loss) before other uses	167,900	132,562	606,367	473,805
OTHER USES				
Transfer to Capital Projects Funds	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Change in net assets (Non-GAAP)	<u>\$ 167,900</u>	<u>(467,438)</u>	<u>6,367</u>	<u>473,805</u>

Unaudited Available Fund Balance 6/30/12 \$3,964,000

CITY AND BOROUGH OF JUNEAU

Enterprise Funds

DOCK

Schedule of Operations - Budget and Actual

For the fiscal year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - positive (negative)
	Original	Final		
OPERATING REVENUES				
Taxes				
Charges for services	\$ 1,074,000	1,074,000	1,098,090	24,090
Licenses, permits and fees	441,000	441,000	513,068	72,068
Total operating revenues	<u>1,515,000</u>	<u>1,515,000</u>	<u>1,611,158</u>	<u>96,158</u>
OPERATING EXPENSES				
Salaries and fringe benefits	833,700	922,398	819,601	102,797
Commodities and services	555,800	562,789	529,798	32,991
Capital outlay	10,000	10,000	3,413	6,587
Total operating expenses	<u>1,399,500</u>	<u>1,495,187</u>	<u>1,352,812</u>	<u>142,375</u>
Operating income	<u>115,500</u>	<u>19,813</u>	<u>258,346</u>	<u>238,533</u>
NONOPERATING INCOME				
Investment and interest income	101,600	101,600	99,438	(2,162)
State shared revenue	-	88,698	88,698	-
Net nonoperating income	<u>101,600</u>	<u>190,298</u>	<u>188,136</u>	<u>(2,162)</u>
Net income before other sources (uses)	<u>217,100</u>	<u>210,111</u>	<u>446,482</u>	<u>236,371</u>
OTHER SOURCES				
Transfer from Marine Passenger Fee Fund	154,000	154,000	154,000	-
Transfer out to Capital Project Funds	-	(4,000,000)	(4,000,000)	-
Total other sources	<u>154,000</u>	<u>(3,846,000)</u>	<u>(3,846,000)</u>	<u>-</u>
Change in net assets (Non-GAAP)	\$ <u>371,100</u>	<u>(3,635,889)</u>	<u>(3,399,518)</u>	<u>236,371</u>

Unaudited Available Fund Balance 6/30/12 \$2,142,000

CITY AND BOROUGH OF JUNEAU

Special Revenue Funds

PORT DEVELOPMENT

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - positive (negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State sources	\$ 4,265,000	4,265,000	4,096,730	(168,270)
Charges for services	<u>2,579,700</u>	<u>2,579,700</u>	<u>2,634,080</u>	<u>54,380</u>
Total revenues	<u>6,844,700</u>	<u>6,844,700</u>	<u>6,730,810</u>	<u>(113,890)</u>
EXPENDITURES - Other	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>-</u>
Excess of revenues over expenditures	<u>6,839,200</u>	<u>6,839,200</u>	<u>6,725,310</u>	<u>(113,890)</u>
OTHER FINANCING USES				
Transfers to Enterprise Funds Capital Projects	<u>(6,840,000)</u>	<u>(11,575,000)</u>	<u>(11,575,000)</u>	<u>-</u>
Total other financing uses	<u>(6,840,000)</u>	<u>(11,575,000)</u>	<u>(11,575,000)</u>	<u>-</u>
Net change in fund balance	\$ <u><u>(800)</u></u>	<u><u>(4,735,800)</u></u>	<u>(4,849,690)</u>	<u><u>(113,890)</u></u>
Fund balance at beginning of year			<u>4,743,047</u>	
Fund balance at end of year			\$ <u><u>(106,643)</u></u>	

CITY AND BOROUGH OF JUNEAU

Enterprise Funds

BOAT HARBORS

Schedule of Operations - Budget and Actual

November 21, 2012

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget - positive (negative)
OPERATING REVENUES			
Charges for services	\$ 2,290,000	764,856	(1,525,144)
Fines and forfeitures	-	7,560	7,560
Rentals	753,000	372,071	(380,929)
Total operating revenues	<u>3,043,000</u>	<u>1,144,487</u>	<u>(1,898,513)</u>
EXPENSES			
Salaries and fringe benefits	1,386,900	524,715	862,185
Commodities and services	1,057,800	429,550	628,250
Capital outlay	10,000	-	10,000
Debt principal	750,100	750,100	-
Total operating expenses	<u>3,204,800</u>	<u>1,704,365</u>	<u>1,500,435</u>
Operating income	<u>(161,800)</u>	<u>(559,878)</u>	<u>(398,078)</u>
NONOPERATING INCOME (EXPENSES)			
Investment and interest income	117,500	3,989	(113,511)
State shared revenue	350,000	-	(350,000)
Net nonoperating income (expenses)	<u>467,500</u>	<u>3,989</u>	<u>(463,511)</u>
Change in net assets - Net income (loss)	<u>\$ 305,700</u>	<u>(555,889)</u>	<u>(861,589)</u>

CITY AND BOROUGH OF JUNEAU

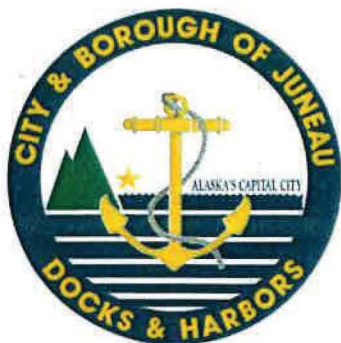
Enterprise Funds

DOCK

Schedule of Operations - Budget and Actual

November 21, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - positive (negative)</u>
OPERATING REVENUES			
Taxes			
Charges for services	\$ 1,085,000	747,262	(337,738)
Licenses, permits and fees	400,000	840	(399,160)
Total operating revenues	<u>1,485,000</u>	<u>748,102</u>	<u>(736,898)</u>
OPERATING EXPENSES			
Salaries and fringe benefits	738,400	266,754	471,646
Commodities and services	552,500	257,745	294,755
Capital outlay	10,000	-	10,000
Total operating expenses	<u>1,300,900</u>	<u>524,499</u>	<u>776,401</u>
Operating income	<u>184,100</u>	<u>223,603</u>	<u>39,503</u>
NONOPERATING INCOME			
Investment and interest income	105,300	-	(105,300)
State shared revenue	-	-	-
Net nonoperating income	<u>105,300</u>	<u>-</u>	<u>(105,300)</u>
Net income before other sources (uses)	<u>289,400</u>	<u>223,603</u>	<u>(65,797)</u>
OTHER SOURCES			
Transfer from Marine Passenger Fee Fund	287,500	119,792	(167,708)
Transfer out to Capital Project Funds	-	-	-
Total other sources	<u>287,500</u>	<u>119,792</u>	<u>(167,708)</u>
Change in net assets - Net income (loss)	<u>\$ 576,900</u>	<u>343,395</u>	<u>(233,505)</u>



Port of Juneau

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MEMORANDUM

To: Docks and Harbors CIP/Planning Committee
From: Gary Gillette, Port Engineer
Date: November 5, 2012
Re: Update on Douglas Harbor Rebuild

The Douglas Harbor Rebuild project remains in the permitting stage. We are receiving assistance from the Civil Works and Environmental branches of the Alaska Army Corps of Engineers in Anchorage. The Civil Works branch is working with HDR Alaska with PND Engineers to provide dredging and capping design documents which will be used for bidding the project. The Environmental branch is developing the required documents for the 404b Corps of Engineers permit and the 401 clean water certification required by Alaska Department of Environmental Conservation. It is anticipated that the permits would be issued by the end of the year and that bidding would occur such that construction would begin in the fall of 2013.

PND Engineers has prepared an updated cost estimate for the project which includes the concept of disposing the dredge spoils in Gastineau Channel and covering with a sand cap. The harbor floor of the dredged area would also be capped with sand. This estimate assumes the Corps permit will allow channel disposal with a 6" cap and that the sand cap material would be essentially the cost whether it came from the airport or the Northland site. The cost estimate and funding is contained in the following table.

	Cost Estimate	Funding	Source	Timing
Base Bid	\$8.5M	\$3.6M	Deferred Maint.	In-hand
Alternate #1	\$0.3M	\$2.0M	DOT Harbor Grant	At Construction
Total	\$8.8M	\$5.6M		

Attached: PNDs Cost Estimate