CBJ DOCKS & HARBORS BOARD
FINANCE MEETING AGENDA
For Tuesday, October 23rd, 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 corrected Finance meeting minutes and September 25th, 2012 Finance meeting minutes**.

VI. **Items for Action.**

1. Gitkov Lease
   Presentation by the Port Director

   Committee Questions

   Public Comment

   Committee Discussion/Action

   MOTION: TO BE DEVELOPED AT THE MEETING

VII. **Items for Information/Discussion**.

1. CBJ Finance Budgetary Briefing

VIII. **Staff & Member Reports**.

IX. **Committee Administrative Matters**.

1. Next Finance Committee Meeting November 27th, 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 Uchytil-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. Uchytil 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 Golbelt valuation and techniques untilized 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.

VI. Items for Action (Continued).

Mr. Uchytil 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. Uchytil 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. Uchytil 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.

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. Uchytil 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.

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. Uchytil 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. Uchytil 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. Uchytil 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. Uchytil 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. Uchytil said they can use it for Statter Harbor.

VI. Items for Action (Continued).

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

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

2013 Harbors budget

Mr. Uchytil 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.

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

RECEIVED
JAN 04 2012
BY:

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

Date 12/31/11 ADL# 101598

Applicant's Name: Jane H Hawkins John D Gitkov

Group, Association, or Corporation Name

Mailing Address: 22745 Glacier Highway

City/State/Zip Juneau, Alaska 99801

Message Phone 789 4210 Work Phone 723-4210

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

yes

Is applicant 19 years or older?

yes

What type of lease are you applying for?

continue tideland

(uplands lease, tidelands lease, easement)

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

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

Jane H Hawkins J H Wilson 12/31/11

Signature **Date**

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

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

RECEIVED JAN 04 2012 BY:

RECEIVED JAN 04 2012 BY:

Application Received________ $10.00 Filing Fee Received________

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 Uchytil
Port Director
City and Borough Docks and Harbors
155 South Seward Street
Juneau, Alaska 99801

RE: Tideland Lease ATS 1170 Renewal, ADL 101598

Mr. Uchytil:

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 then 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 Uchytil
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. Uchytil,

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 the 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,

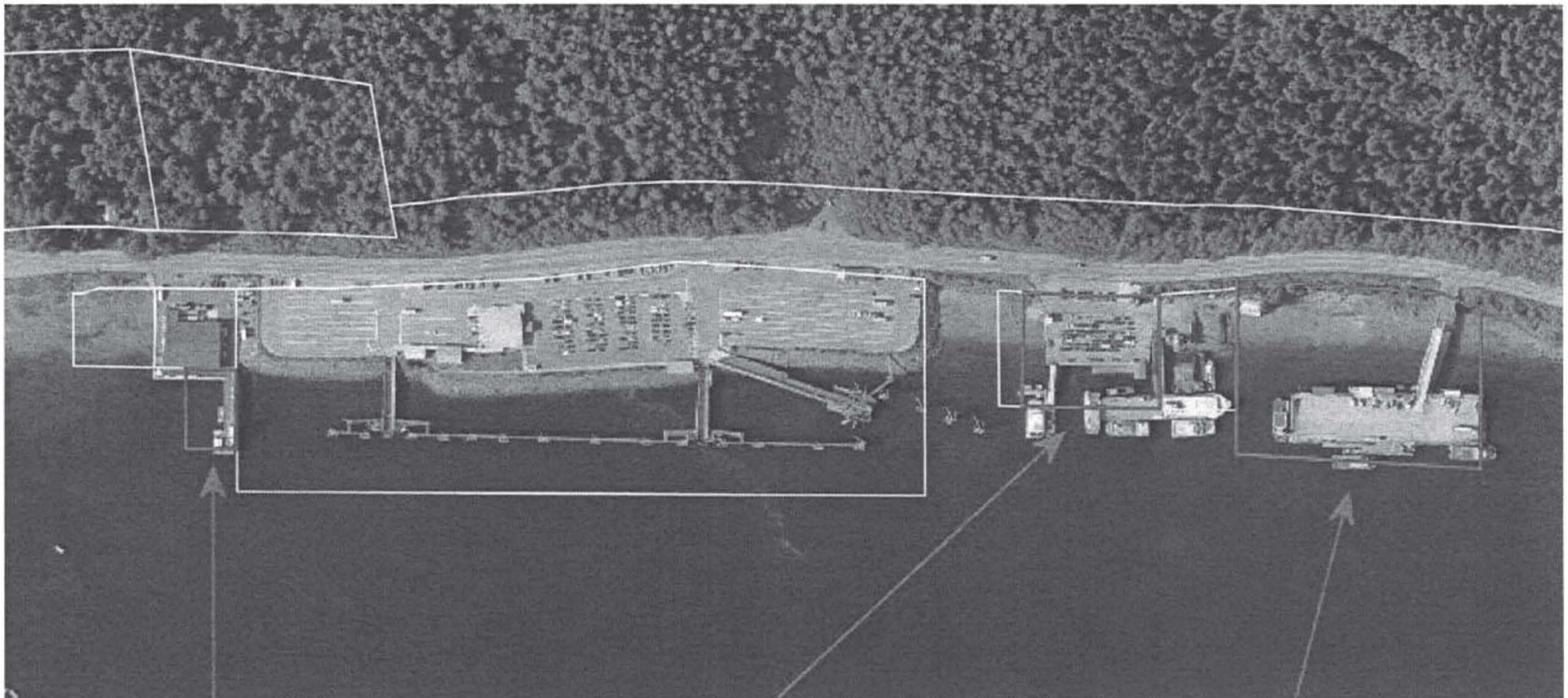
Charles Horan

Charles E. Horan, MAI
Horan & Company, LLC

CEH/sa

Attached: Auke Bay Rent Comparable Graphic

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. Uchytil, 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. Uchytil, 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. Uchytil,

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

ATS 1170, 73,529 SF
$11,030/year

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

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

Respectively submitted,

Timothy W. Riley, AA 685
HORAN & COMPANY

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CERTIFICATION OF APPRAISAL

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

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

TWR

Timothy W. Riley, Real Estate Appraiser
AA 685

April 6, 2012
Effective Date

October 17, 2012
Report Date

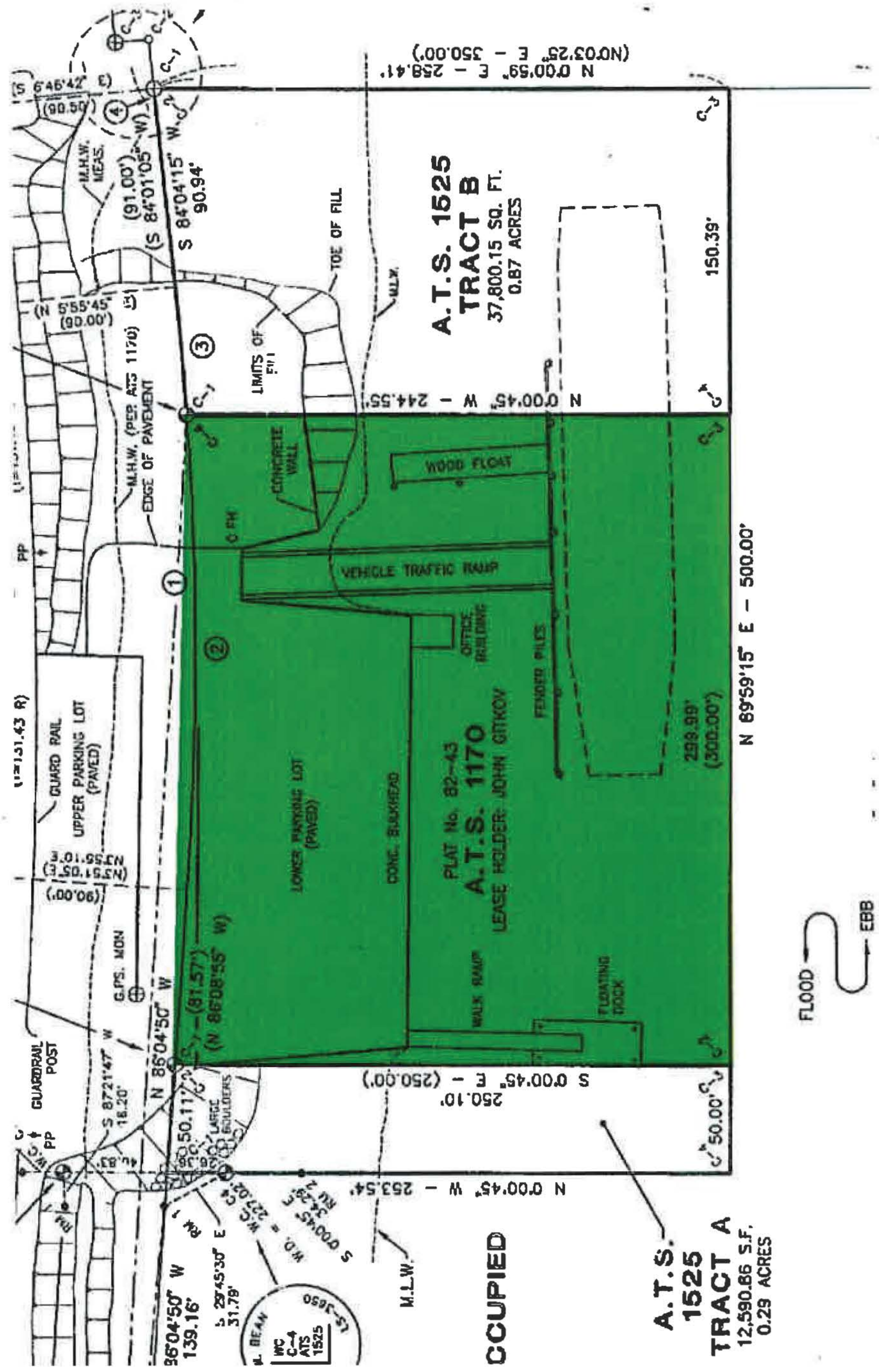

FIGURE 1 – BLOWN UP PORTION OF PLAT99-59, HIGHLIGHTING THE SUBJECT

1 INTRODUCTION

1.1 SCOPE OF APPRAISAL

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

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

Appraisal Methodology

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

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

1.2 IDENTIFICATION OF PROPERTY

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

1.3 PURPOSE OF APPRAISAL, INTENDED USE AND USERS

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

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

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 rights[1] 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)

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 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.

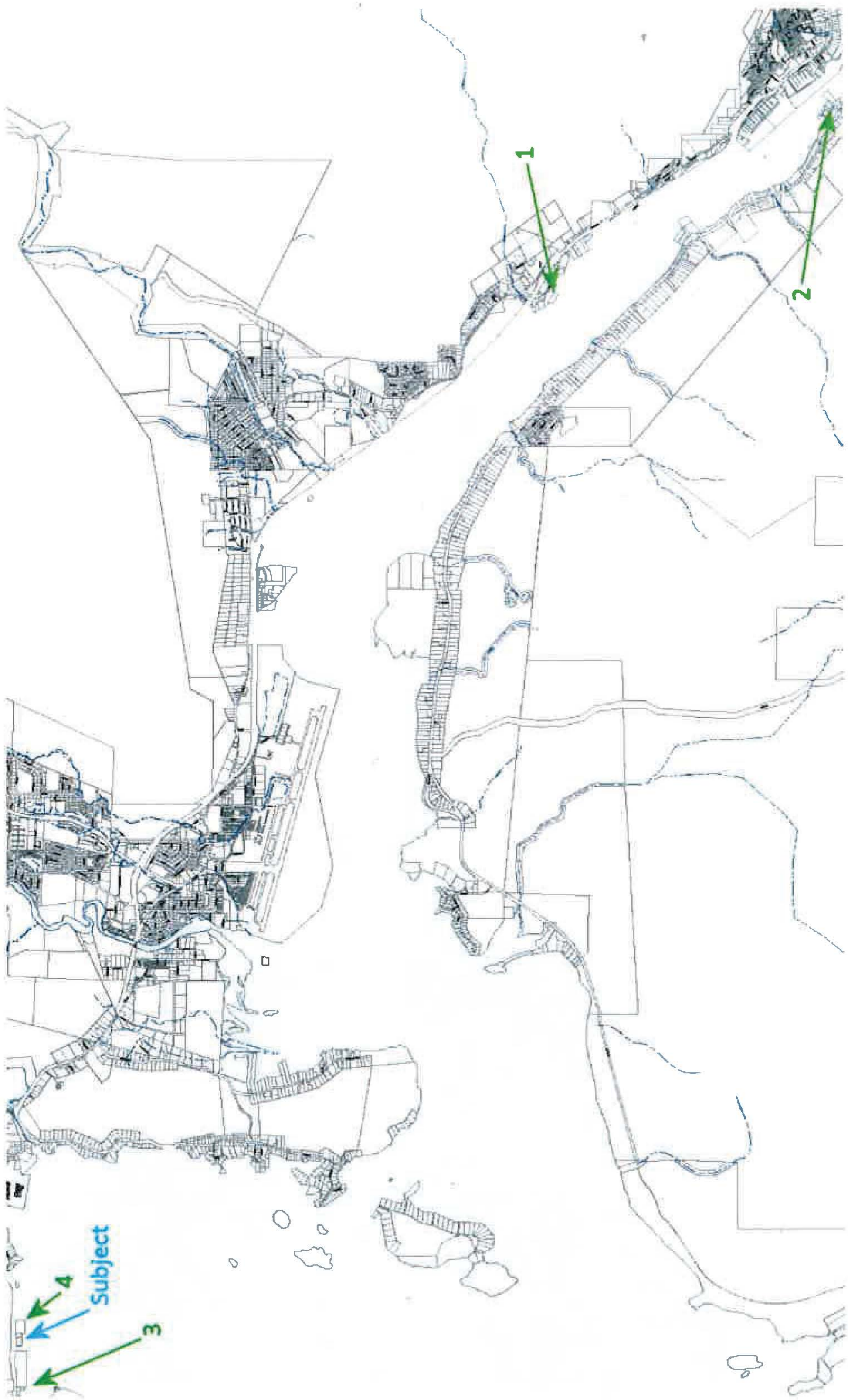

FIGURE 2 – JUNEAU ROAD MAP WITH SUBJECT AND COMPS

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.

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.

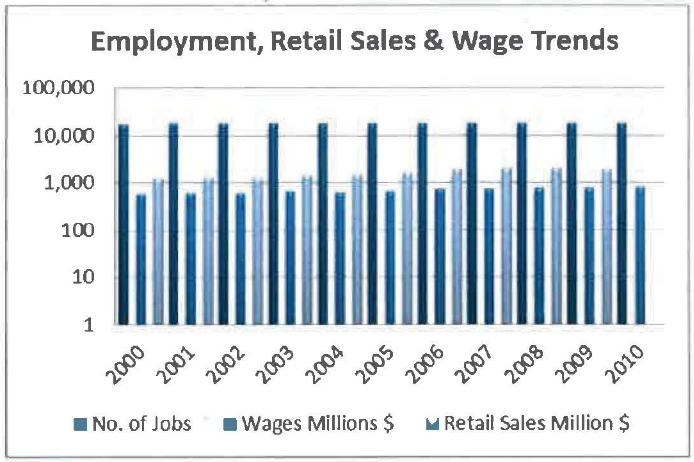

FIGURE 3 – JUNEAU ECONOMIC INDICATORS BY THE JUNEAU ECONOMIC DEVELOPMENT COUNCIL (JEDC AND OTHER SOURCES COMPILED BY HORAN & COMPANY

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.

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.

Easements and Other Restrictions

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

Topography

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

3.2 FUNCTIONAL UTILITY OF SITE

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

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

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

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

3.3 SYNOPSIS OF LEASE

As noted, the subject is currently a state tideland lease from 1982. Reportedly, management was transferred to the borough in 2001. The last adjustment to the lease occurred in 2008 according to borough documents. The subject was appraised at that time for a lease adjustment, however the lessee appealed the adjustment and the lease rate on the subject was adjusted. The existing terms are as follows:

Legal Description/Leased Premises:	ATS 1170, Juneau Recording District, First Judicial District, State of Alaska
Lessor:	Dock and Harbor Board of City and Borough of Juneau as land manager
Lessee:	John Gitkov and Jane Hawkins dba Gitkov Dock, et al
Proposed Use:	Commercial-Industrial
Term of Lease:	30 years
Other Terms of Lease:	Typical full net lease indemnifying lessee.
Original Lease Date:	September 24, 1982 (with State of Alaska)
Rental Adjustment Period:	Every ten years thereafter, or as may be amended, based on estimated market value per AS 38.05
Original Use:	Proposed Fish Processing Plant
Amended Use:	Marine Services Dock
Expiry:	September 23, 2012 (with CBJ)
Initial Lease Period:	25 Years
Property Rights Included:	Normal rights conveyed by lease.
Property Rights Excluded:	No mineral or timber rights are conveyed by lease.
Lease Area:	1.69 Acres "more or less"; 73,529 SF
Original Lease Rate:	$4,400; $0.0598/SF
Existing Lease Rate:	$8,097.98; $0.1101/SF
Reversion of Improvements:	Not specified but typically able to be retained by lessee or its successor if all obligations of lease have been fulfilled.
Building/Site Improvements Included:	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:

Proposed Effective Date:	September 24, 2012
Proposed term:	35 Years
Rental Adjustment Period:	Every five years, based on estimated market value
Proposed Option to Renew:	Typical; additional 35 years
Easements:	None Noted.
Insurance:	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 ±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 SF @ $0.15/SF = $11,029.35/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