

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.

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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.

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

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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.