

CBJ DOCKS AND HARBORS BOARD
REGULAR MEETING AGENDA REVISED
For Thursday, October 27, 2011

- I. Call to Order** (7:00 p.m. at the CBJ Assembly Chambers.)
- II. Roll** (Greg Busch, John Bush, Tom Donek, Don Etheridge, Eric Kueffner, Budd Simpson, Michael Williams, Wayne Wilson and Kevin Jardell).
- III. Approval of Agenda**

MOTION: TO APPROVE THE AGENDA AS PRESENTED.
- IV. Approval of September 29th, 2011 Regular Board Meeting Minutes.**
- V. Public Participation on Non-Agenda Items** (not to exceed 5 minutes per person, or twenty minutes total time).
- VI. Items for Action.**
 1. Echo Cove Commercial Use Permit

Presentation by Port Director

Board Questions

Public Comment

Board Discussion/Action

MOTION: TO AUTHORIZE THE PORT DIRECTOR TO ISSUE A COMMERCIAL USE PERMIT TO COEUR ALASKA FOR THE USE OF THE ECHO COVE LAUNCH RAMP FACILITY FOR THE PURPOSE OF OPERATING A PASSENGER SHUTTLE FROM ECHO COVE TO THE KENSINGTON MINE FROM NOVEMBER 14, 2011 UNTIL APRIL 30, 2012.
- VII. Items for Information/Discussion.**
 1. Boom Truck Fee Schedule
 2. Tideland Lease Rent Adjustment (Mt Roberts Tram)
 3. Tideland Lease Rent Adjustment (Tim Smith et al)

CBJ DOCKS AND HARBORS BOARD
REGULAR MEETING AGENDA (CONTINUED)
For Thursday, October 27, 2011

VIII. Committee and Board Member Reports

1. Operations Committee Meeting – October 19, 2011
2. CIP/Planning Committee Meeting – October 20, 2011
3. Finance Committee Meeting – October 25, 2011
4. Member Reports

IX. PRAC Representative Report

X. Port Engineer's Report

XI. Harbormaster's Report

XII. Port Director's Report

XIII. Assembly Liaison Report

XIV. Committee Administrative Matters

- a. Operations Committee Meeting – November 15, 2011
5:00 p.m. at the Aurora Harbor Office
- b. CIP/Planning Committee Meeting – November 17, 2011
5:00 p.m. at the CBJ Assembly Chambers
- c. Finance Committee Meeting– November 29, 2011
5:00 p.m. at CBJ Room 224
- d. Board Meeting – December 1, 2011
7:00 p.m. at CBJ Assembly Chambers

XV. Adjournment

CBJ DOCKS & HARBORS BOARD
REGULAR BOARD MEETING MINUTES
For Thursday, September 29th, 2011

I. Call to Order.

Mr. Jardell called the Regular Board Meeting to order at 7:00 p.m. in the Port/Customs Conference Room.

II. Roll Call.

The following members were present: Greg Busch, John Bush, Don Etheridge, Eric Kueffner, Budd Simpson, Michael Williams, and Kevin Jardell.

Absent: Tom Donek and Wayne Wilson

Also present were the following: Carl Uchtyl – Port Director, Dwight Tajon –Harbormaster, Gary Gillette- Port Engineer, and Ruth Danner – City & Borough Assembly Liaison

III. Approval of Agenda.

Mr. Uchtyl said no changes to the agenda.

MOTION by MR. WILLIAMS: TO APPROVE THE AGENDA AS PRESENTED AND ASK UNANIMOUS CONSENT.

The motion passed without objection.

IV. Approval of Previous Meeting Minutes.

Hearing no objection, the minutes of the August 16, 2011, Special Board Meeting Minutes and August 25th, 2011 Regular Board Meeting were approved as presented.

V. Public Participation on Non-Agenda Items.

None

VI. Items for Action

1. Contract Amendment for Statter Harbor Launch Ramp.

Mr. Gillette said this is a proposal from PND Engineers to continue work on Docks and Harbor Statter Harbor launch ramp project. We have gotten through the environmental assessment phase which will take us to the next phase, permitting with the Corps of Engineers. A major part of that permitting element is the 404 Clean Water Act Permit, Clean Water Certification, and mitigation for impacts to sensitive wetlands and tidelands. It is unknown how long this will take. The proposal is based on PND's best estimate for time and materials with the knowledge Docks and Harbors has at this point. There was an extensive environmental assessment and the Corps of Engineers participated in this process. The proposal to move forward on this project is \$172,000. This is a contract amendment and if approved by the Board, it will then go to the Assembly for approval.

CBJ DOCKS & HARBORS BOARD
REGULAR BOARD MEETING MINUTES

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Board Question

Mr. Jardell asked what caused the increase?

Mr. Gillette said this contract has been done in phases. It was unknown how long each phase was going to take and how far along each phase would get to.

Mr. Busch wanted to know if there is appropriate mitigation measures prepared for the Corps of Engineers mitigation plan? Were they identified in preparation of the environmental assessment or is that something you participate on going through the permitting process?

Mr. Gillette said it is just something you participate on. Basically Docks and Harbors must propose a mitigation plan that will meet what the regulatory agencies have determined are the impacts. There is 4.1 acres of tideland/mud flats being filled that are classified as wetlands. Now that the study has been completed, a mitigation plan needs to be proposed as part of the Corps of Engineers permit requirements.

Ms. Danner asked what consideration goes into a time and materials bid?

Mr. Gillette said typically they prefer to have a lump sum because it is easier to track and monitor. Permitting is such an unknown. Docks and Harbors goes into a meeting thinking everything is prepared for the issue of the permit, and the Corps comes up with new questions and requesting more studies. The time and materials contract is really the best way to approach permitting.

Ms. Danner asked if there were clear rules when a time and materials contract could be used.

Mr. Gillette said he did not know of any rules, it is a specific call on each situation.

Mr. Uchytel said the problem with the mitigation strategy is it is unknown what it is going to be. To get to the 404 permitting, no one is saying what is going to be acceptable mitigation, and it is unknown how much mitigation is needed.

Mr. Williams said the agencies are not held accountable for what they put an entity through. He said he understands the process that is required, and the permits and regulations that need to be followed to do this right, but the agencies that are going to be looking at this are not held to any standards. Time and materials is the best way to approach the permitting process because of the unknown. This is a process that will have to be dealt with again, and again.

Mr. Bush asked if the proposed \$172,000 could change either direction?

Mr. Gillette said yes.

Public Comments

None

Board Discussion/Action

None

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REGULAR BOARD MEETING MINUTES

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MOTION by MR. KUEFFNER: TO RECOMMEND THAT THE ASSEMBLY APPROVE A TIME AND MATERIALS CONTRACT AMENDMENT FOR PND ENGINEERING, INC. UP TO THE AMOUNT OF \$172,000 TO PROVIDE PROFESSIONAL SERVICES FOR PERMITTING OF THE STATTER HARBOR LAUNCH PROJECT AND ASK UNANIMOUS CONSENT.

Motion passed without objection

2. Approval of the 2012 Committee and Board Meeting Calendar Draft.

Mr. Jardell said the City Clerk asks for Committee and Board meeting calendar for the entire year. This is in accordance with what past practice has been.

Board Questions

Mr. Busch said to move the CIP meeting to October 17th 2012.

Public Comments

None

Board Discussion/Action

None

MOTION BY MR. ETHERIDGE: TO ADOPT THE 2012 CALENDAR AS AMENDED AND ASK UNANIMOUS CONSENT.

Motion passed without objection.

VII. Items for Information/Discussion.

None

No Audio from here forward.

VIII. Committee and Board Member Reports.

1. Operations Committee Meeting- September 20, 2011

Mr. Etheridge reported the committee discussed Harbor maintenance and power issues. The action item was deferred to another committee.

2. CIP/Planning Committee Meeting – September 22, 2011

Mr. Williams reported the committee had one action item, the contract amendment for Statter Launch Ramp.

He said Mr. Uchytel sent a memo to the law department on 1% of Art, what really applies, and asked for clarification.

The damaged piles in Aurora A float invoice was sent to risk management, and they will pay for the two piles. Docks and Harbors is still waiting on permitting to move forward with the work.

3. Finance Committee Meeting – September 27, 2011

No meeting because they did not have a quorum.

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REGULAR BOARD MEETING MINUTES

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IX. PRAC Representative Report
None

X. Port Engineer's Report.

Mr. Gillette's report was included in the packet.

He gave an update on the Douglas breakwater. The project has stopped due to the Corps of Engineers design failure. The Corps is relooking at this and will have to come back with a different approach. Trucano is on hold at this time.

Mr. Kueffner asked if the breakwater would still get installed this fall.

Mr. Gillette didn't know with weather and equipment issues.

There was more discussion on the Douglas breakwater.

Ms. Danner said at the Committee of the Whole, Mr. Sanford would like an update.

Mr. Gillette said the Cruise Ship upland staging area final design is going forward. He handed out a proposed development plan and discussed the future vendor booth locations. In 2013, the plan shows two locations, and in 2014, just one location. There was more discussion on the vendor booth size and locations.

XI. Harbormaster's Report.

Mr. Tajon said he has contacted the State Ferry system to propose having the M/V Susitna dock at the Intermediate Vessel Float. He has not heard back yet.

He is working with the bank on a lien release for a fishing vessel to be able to impound the vessel.

XII. Port Director's Report.

Mr. Uchytel reported Phil Benner's last day is Friday.

End of season party for the seasonal employees is on Friday at the Buoy Deck.

Greg Craig was hired to take Dwight Tajon's Operations & Maintenance Supervisor position at Statter Harbor. Docks and Harbors will keep Greg's position open until spring to save on expenses.

The dedication ceremony at the Auke Bay Loading Facility was well attended.

Risk Management will pay for the two damaged pilings due to weather. The third piling will cost Docks and Harbors about \$8,000.00.

Demolition has started at the Visitor Center and North Pacific Erectors was awarded the bid. The project should be completed by the end of April. Mr. Uchytel said he will be looking into an appropriate lease for that facility.

Electric pedestals for Douglas and Statter Harbors are estimated to be \$120,000.

XIII. Assembly Liaison Report

1. Ms. Danner wanted information on the electrical pedestal that got damaged.

Mr. Tajon said a boat operator forgot to unplug his boat before pulling away from the dock and pulled the pedestal in the water. The lag bolts were in good wood and were bent over from the boat owner not unplugging. Mr. Tajon said he called and told the boat owner he was liable for the damage.

2. Ms. Danner said she had a member of the public call that operates a whale watching business focusing on elderly tourists with wheelchairs and oxygen tanks. Their concern is if the A & B parking areas in the plan would still be accessible for elderly drop offs and pick ups.

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XIII. Assembly Liaison Report(continued)

Mr. Jardell encouraged the individual to bring the complaint to the Harbor staff.

3. Ms. Danner said there was not enough response to CBJ's request for comment on what impact having agenda items placed in the Newspaper would have. There is no action yet.

4. Ms. Danner said there are about 30 inebriates in Juneau. This situation has been getting more aggressive and not getting better. The Juneau Homeless Coalition had a meeting to discuss this situation. The agency heads are going to go to Anchorage to gather information and be looking at what can be done here in Juneau. They are looking for ideas, and will report back.

XIV. Committee Administrative Matters.

1. Operations Committee Meeting – October 19, 2011
5:00 p.m. in the Port/Customs Conference Room.
2. CIP/Planning Committee Meeting – October 20, 2011
5:00 p.m. in the CBJ Assembly Chambers
3. Finance Committee Meeting – October 25, 2011
5:00 p.m. CBJ Room 224
4. Regular Board Meeting – October 27, 2011
7.00 p.m. in the CBJ Assembly Chambers

XV. Adjournment.

The Regular Board Meeting adjourned at 8:00 p.m.

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October 18, 2011

Carl Uehytil
Port Director
Port of Juneau
City and Borough of Juneau
155 S. Seward St.
Juneau, AK 99801

Re: Kensington Alternate Transportation Runs out of Echo Cove

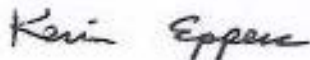
Dear Carl:

Coeur Alaska plans to conduct boat transportation runs out of Echo Cove to Slate Creek Cove as a backup to the primary dock at Yankee Cove during the winter months when weather conditions create unsafe conditions in Lynn Canal. The transportation runs are planned Saturday and Sunday evenings along with Monday through Friday morning and evening for a total of 12 runs per week. The runs out of Echo Cove are planned to begin on November 14, 2011 and continue through April 30, 2012. The boat will be moored at Slate Creek Cove and transport personnel across Berners Bay on an early morning and evening schedule.

Buses will be utilized to transport personnel from the parking area on Engineers Cutoff to Echo Cove. The parking area at Echo Cove will be utilized to park the bus while passengers are loaded and unloaded from the bus and boat. The boat planned for this alternate run will beach load and offload passengers on the north side of the boat ramp at Echo Cove. No facilities are planned to be placed at Echo Cove.

If you have any questions regarding the alternate transportation runs, please contact me at (907) 523-3328 or by email keppers@coeur.com.

Sincerely,



Kevin Eppers
Environmental Superintendent

XC: Tom Crafford, ADNR
Luke Russell, CDA

Marti Marshall, U.S. Forest Service
John Kinyon, Coeur AK



Application for Commercial Use of Lands or Facilities Managed by the CBJ Docks & Harbors Department 2011

Applicants must complete this application and provide all required attachments. Incomplete applications will not be considered. Submit applications by mail to the Docks & Harbors Department, 155 South Seward St., Juneau, AK 99801, or in person at the Port Director's Office, 76 Egan Drive, Juneau Alaska. Applications for the 2010 season are due by 430 PM on April 16, 2011. A separate application must be submitted for each site.

I. Applicant Information

Legal Business Name: Coeur Alaska, Inc.

Form of Business Organization: Corporation
(Sole proprietorship/partnership/corporation)

Business Address: 3031 Clinton Dr., Suite 202, Juneau, AK 99801

Name(s) of Owner(s), Partners, Registered Agents: Please See Attachment 1

Address and Contact Numbers for Above: Please See Attachment 1

Local Mailing Address: 3031 Clinton Dr., Suite 202, Juneau, AK 99801

Local Contact/Title: Kevin Eppers, Environmental Superintendent

Local Phone Number: 907-523-3328 Fax Number: 907-523-3330

II. Attachments

Provide the following attachments with this application. If there is any information that you wish to keep confidential, such as proposed fee schedules, please attach that information under separate cover.

1. Description and map of the location of each use.
2. Description of the services proposed to be provided at the site.
3. Description of parking available for your proposed use at the site and a statement of how customers will be dropped off or picked up. All vehicles under the ownership or control of the permittee must be legally parked while the permit holder is engaged in permit activities.
4. Physical description and license numbers of each vehicle that will be used as part of the operation.
5. Description of the method of customer transportation to the site and mode of transportation.

CBJ Docks and Harbors Commercial Use Application (Continued)

6. Description of the number, scheduling and size of participant groups at the site.
7. Estimate of total number of participants expected to use a given area per season.
8. Time of desired usage (hours/weeks/months).
9. Description of restroom accommodations provided/required.
10. Plans for emergency evacuation.
11. Plans for litter and vandal control.
12. Description of safety briefing presented to clientele.
13. Training requirements/standards of personnel conducting transport and tour activities.
14. **Submit \$100.00 non-refundable application fee.**

III. Insurance

Upon acceptance of a permit, all permittees shall execute an instrument under the terms of which the permittee shall agree to indemnify, defend and hold harmless the City & Borough of Juneau from any and all claims of injury or damage to persons or property suffered in connection with the permittee's activities unless such injury or damage is caused by the gross negligence of the City & Borough of Juneau. The Permittee will be required to submit a Certificate of insurance showing the Permittee has obtained public liability insurance in the amount determined by the CBJ Risk Manager as reasonable for the proposed use. The City and Borough of Juneau must be named as additional insured in the policy.

IV. Land Use Permits

If initial staff review indicates that the area of proposed use is subject to Planning Commission review under Title 49 of the City Land Use Code, the operator may be required to obtain a Recreational Use Permit before permission to use the area will be granted.

V. Certification

I certify that I am current on CBJ Sales tax and CBJ Property tax and hereby give the Port Director permission to check on the status of such:

John King
Owner Signature/Date

VP & BM Coeur

I certify that I have no outstanding judgments to the CBJ and hereby give the Port Director permission to check on the status of such:

John King
Owner Signature/Date

VP & BM Coeur

Port Staff Use Only

CBJ Sales Tax Status _____

Rec'd by Carol Uchitil 10/30/11

CBJ Property Tax Status _____

Approved _____

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**Application for Commercial Use of Lands or Facilities
Managed by the CBJ Docks & Harbors Department 2011
Attachments**

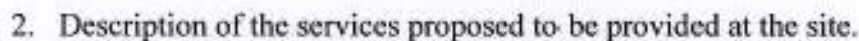
1. Description and map of the location of each use.

Coeur Alaska plans to conduct boat transportation runs out of Echo Cove to Slate Creek Cove as a backup to the primary dock at Yankee Cove during the winter months when weather creates unsafe conditions in Lynn Canal. The boats will be moored at Slate Creek Cove and transport personnel across Berners Bay. Figure 1 shows the location of Echo Cove and Figure 2 shows the areas at Echo Cove where existing facilities and access will be utilized for the planned activity.

**Figure 1
Location Map**



Figure 2
Site Plan



3. Description of parking available for your proposed use at the site and a statement of how customers will be dropped off or picked up. All vehicles under the ownership or control

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of the permittee must be legally parked while the permit holder is engaged in permit activities.

Employee parking is provided in two parking areas located on Engineers Cutoff. Personnel will be transported from Engineers Cutoff to Echo Cove via bus. The buses will utilize the existing parking area to turn around and park for approximately 10 minutes while personnel are transferred from boat to bus and bus to boat.

4. Physical description and license numbers of each vehicle that will be used as part of the operation.

Buses planned for transporting personnel are described in the table below:

Description	Make	Year	License #	Vin Number
Raven Bus	Blue Bird	2000	DTV 254	1BAGNBXA5YF096558
Eagle Bus	Blue Bird	2000	DTV 251	1BAGNBXA7YF096559
Bear Bus	Blue Bird	2000	DTV 253	1BAGNBXA5YF096561

5. Description of the method of customer transportation to the site and mode of transportation.

Personnel will be transported to Echo Cove utilizing buses provided by Goldbelt.

6. Description of the number, scheduling and size of participant groups at the site.

The number of personnel being transported typically ranges from 1 to 80. Personnel transportation is planned for Sunday evening, Monday through Friday morning and evening, and Saturday evening. Morning transportation transfer of personnel at Echo Cove will typically occur about 6:00 AM and the evening transfer will occur at about 6:00 PM. Twelve round trips per week are planned.

7. Estimate of total number of participants expected to use a given area per season.

Coeur Alaska estimates each trip will average 20 employees. For the planned period this would amount to transporting 11,560 person trips or 5,780 personnel making a round trip to the Slate Creek Cove.

8. Time of desired usage (hours/weeks/months).

Personnel transfers at Echo Cove will occur at approximately 6:00 AM Monday through Friday and 6:00 PM daily. The boat transportation out of Echo Cove is planned to commence on November 14th and end on April 30th.

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9. Description of restroom accommodations provided/required.

Restroom accommodations are provided on the boat. No restroom facilities are needed at Echo Cove.

10. Plans for emergency evacuation.

Emergency evacuation will either be by helicopter or ambulance in accordance with the Kensington Emergency Response Plan.

11. Plans for litter and vandal control.

The boat will have trash receptacles. Due to the limited time at Echo Cove no trash receptacles or vandal controls are needed/planned.

12. Description of safety briefing presented to clientele.

Employees and contractor employees are being transported. No clientele are anticipated. The boat safety briefing will include instructions on the location of life vests, fire extinguishers, life rafts, and emergency procedures. Boat transportation will be completed in accordance with the approved Kensington Transportation Plan.

13. Training requirements/standards of personnel conducting transport and tour activities.

No tour activities will be undertaken as part of this application. The Boat Captain and crew will be trained and certified as required by the U.S. Coast Guard.

14. Submit \$100.00 non-refundable application fee.

Attached.

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ATTACHMENT 1

Coeur Alaska Officers

Mitchell J. Krebs

President and Chief Executive Officer

Kelli Kast

Senior Vice President, General Counsel and Chief Administrative Officer

K. Leon Hardy

Senior Vice President, Chief Operating Officer

Donald J. Birak

Senior Vice President, Exploration

Tom T. Angelos

Senior Vice President & Chief Compliance Officer

Humberto Rada

President, Coeur South America

Luther J. Russell

Senior Vice President, Environmental Services

Larry A. Nelson

Vice President, Human Resources

Kenneth L. Koski

Controller

Elizabeth M. Druffel

Treasurer & Chief Accounting Officer

Alfredo Cruzat

Senior Vice President, Exploration, Coeur South America

Guy C. Jeske

Vice President, U.S. Operations

Mike Harrison

Vice President, Corporate Development

Wendy Yang

Vice President of Investor Relations

Don Moss

Vice President, Information Technology

Coeur Alaska, Inc.
Board of Directors

Robert E. Mellor
Chairman of the Board

Mitchell J. Krebs
President and Chief Executive Officer, Coeur d'Alene Mines Corporation

James J. Curran
Former Chairman and Chief Executive Officer, First Interstate Bank,
Northwest Region

John H. Robinson
Chairman of Hamilton Ventures LLC

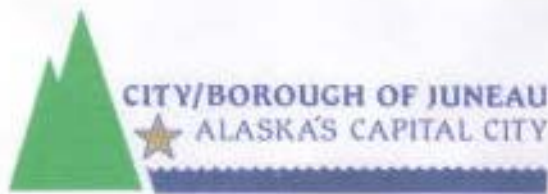
Timothy R. Winterer
Former President and Chief Operating Officer, Western Oil Sands, Inc

J. Kenneth Thompson
President and Chief Executive Officer, Pacific Star Energy, LLC

Andrew Lundquist
Managing Partner of BlueWater Strategies LLC

Sebastian Edwards
Henry Ford II Professor of International Business Economics at the Anderson
Graduate School of Management at the University of California, Los Angeles
(UCLA)

L. Michael Bogert
Attorney at Law, Crowell & Moring, Washington, D.C



City & Borough of Juneau • Docks & Harbors
155 S. Seward Street • Juneau, AK 99801
(907) 586-0292 Phone • (907) 586-0295 Fax

Port of Juneau

To: Finance Committee
From: Dwight Tajon- Harbormaster
Cc: Carl Uchytel- Port Director
Date: September 28, 2011
Re: Boom Truck Operational/ Proposal Fee (DRAFT)

The department purchased a Ford F-750XL equipped with a Series 300c Telescoping Crane through the TIGER Grant for use at the ABCLF or the downtown harbors areas only. The boom truck will be operated by certified harbor staff. The proposed use will be for moving gear belonging to the Harbor customers such as nets, gillnet drums, crab pots or other related gear from the cranes to the nearest storage yard only. We will not be making home pick-ups for delivery to the crane sites.

The only time that the truck may be utilized off site would be for the departments needs such as training, materials pick up for department use or moving materials to work sites where it is needed.

FEES:

When calling around for estimates, most came in with a mandatory operator and charges quoted at \$125.00 to \$150.00 per hour or \$400.00 per day requiring that you be the operator with a Class B CDL. These costs are for pick up and delivery anywhere in the borough but on the contractor's schedule except for the \$400.00 per day price.

(Currently our hoist charges are at .25¢ per minute or \$15.00 per hour.)

Recommendation:

We use the training period after the boom truck arrives near the end of October to provide a free service in order to see what the demand would be before implementing a structured service fee. This will give the staff time to get familiarized with use, CDL qualifications, finding out what more equipment we may need for safe tie-downs and safe work practices.

Fee Proposal:

Since our staff time (Labor Rate) that we charge for boat moving, vessel pump-outs and dock repairs due to damage is at \$60.00 per hour per person, this should be the base rate for the boom truck fee. Our biggest expense will be diesel fuel. The cost is roughly \$4.00 per gallon and the truck has a 50 gallon tank, to fill the tank would cost the department about \$200.00. It should not take more than one quarter tank of fuel to move items from a short distance away to the nearby storage area locations of the downtown area or ABCLF costing \$50.00 per quarter gallon of fuel.

Staff is recommending the total hourly boom truck rate of \$110.00 per hour, minimum of 1 hour. This is due to the limited amount of transporting that will be done ONLY in the nearby crane areas to the immediate storage areas of the same. Anytime after the first hour will be prorated to the nearest half hour. The OPS Committee recommends a higher rate of \$120.00 per hour of use to help recoup the maintenance costs of the truck and prorate to the half hour after the first hour.

This suggested fee proposal would be best set up as a new regulation in 05.CBJAC 15 with an effective date to be April 1, 2012.

Insurance:

The City & Borough is self insured. An approved waiver from Risk Management will be implemented to help protect the department. (See attached)



To: Docks and Harbors Finance Committee
CC:
From: Carl Uchytel, Port Director
Date: October 25th, 2011
Re: Tideland Lease Rent Adjustments

The annual rent for two tideland leases is due for adjustment pursuant to the lease contracts. The Leases are Tim Smith et al (ADL 102934), and the Goldbelt Tram. The rents for these two leases were recently reviewed by Charles Horan, an appraiser, and the appraisals are attached.

Tim Smith et al lease rent rate was set in 1984 at \$9,600.00 annually. Following the expiration of the initial 25 year period of this lease, the rent was subject to adjustment, and at each 10 year period thereafter. The appraiser recommends adjusting this lease rent to \$11,957.25 annually.

The Goldbelt Tram lease rent rate was set on July 1st, 2006 at \$104,000 annually. The terms of this lease state that the rent is subject to adjustments every 3 years. The appraiser recommends adjusting this lease rent to \$300,000 annually.

I recommend the Committee authorize me to contact the lessees that it is considering adjusting the annual rent to the above rates. The Board would take final action at its December 1st meeting after an opportunity for input from the lessees.

Please call me at 586-0294 if you have questions.

Attachments

**ESTIMATED MARKET RENTS OF THE
MOUNT ROBERTS TRAMWAY LAND LEASE,
JUNEAU, ALASKA**



PREPARED FOR: Carl Uchytel, 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, Alaska 99835

EFFECTIVE DATE: July 1, 2011

REPORT DATE: September 30, 2011

OUR FILE NO.: 11-078

HORAN & COMPANY, LLC

403 LINCOLN STREET, SUITE 210 SITKA, ALASKA 99835

TELEPHONE (907) 747-6666 FAX (907) 747-7417

EMAIL commercial@horanappraisals.com

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

REAL ESTATE APPRAISERS / CONSULTANTS

September 30, 2011

Carl Uchytel, 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 the Mount Roberts Tramway Land Lease, Juneau, Alaska, Our
File 11-078

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 July 1, 2011, is as follows:

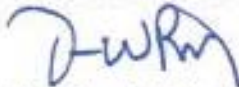
Tram Lease - 10,000 SF
\$300,000/year

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 Bylaws of the Appraisal Institute.

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

Sincerely,

HORAN & COMPANY, LLC



Timothy W. Riley
AA685

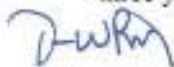
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PORT OF JUNEAU AMENDING LETTER, 4/4/2006	
QUALIFICATIONS OF TIMOTHY RILEY	

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 July 30, 2011.
- No one provided significant real property appraisal assistance to the persons 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.

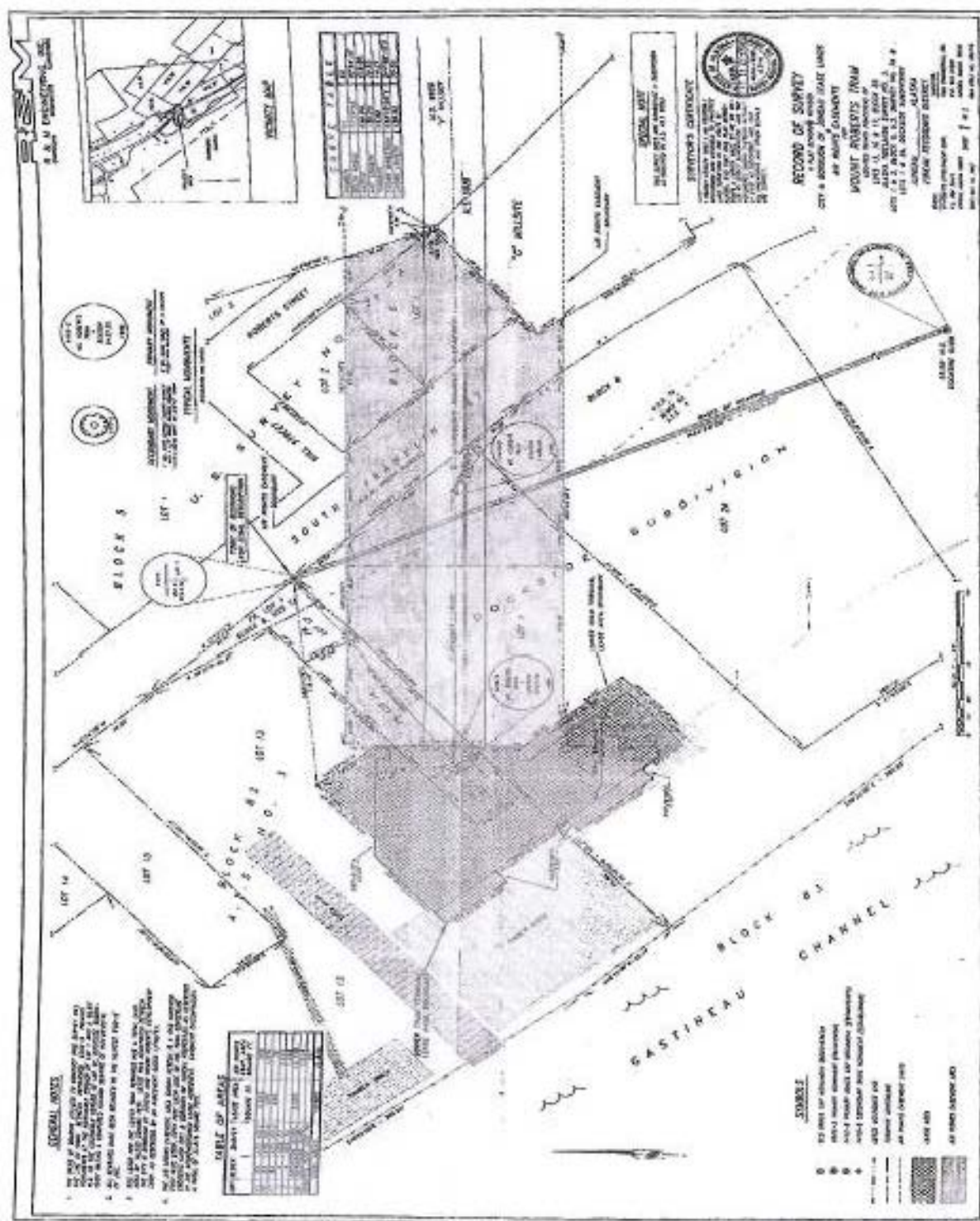


Timothy W. Riley, Real Estate Appraiser, AA 685

July 30, 2011
Inspection Date

July 1, 2011
Effective Date

September 30, 2011
Date of Report



GOLD BELT TRAM PLAT MAP

1 SCOPE OF APPRAISAL

This appraisal is intended as an update of the rent for the Mount Roberts Tram land lease. The subject lease was apparently last updated in March 2006. At that time, the lease was amended to become a pure land lease with no royalty payments to the city. Based on the terms of the original lease, the update schedule is on a three year cycle; however, no update was performed in 2009 according to the Docks and Harbors office. The subject's current lease rate will be examined based on market trends and the rent updated, with a new three year cycle initiated, effective July 1, 2011. Based on the May 10, 1997 record of survey for the Mount Roberts Tram facing as stated under note #3, the subject site is 10,000 SF.

Based on the March 30, 2006 Docks and Harbors Board decision, this appraisal will adjust the rent pursuant to Paragraph 5 of the original lease. Paragraph 5, **Base Rent** (3) reads as follows: "The basis of appraisal shall be the fair market value of the unimproved land of the Leased Premises including the Air Rights Easements, at its highest and best use. The appraisal shall not consider any buildings or structural improvements above or below ground, landscaping or paving. The appraisal shall consider the Leased Premises as unimproved land."

The appraiser has noted various restrictions in the lease. These include the requirement to provide public bathrooms as well as limits in use. These conditions of lease are not considered in this appraisal, only the fair market value of the site at its highest and best use, per the lease instructions for valuation.

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.

1.1 IDENTIFICATION OF PROPERTY

The subject of this report is located at 490 South Franklin Street. The legal description for the leased site is made up of portions of Lots 13B, 16 and 17 of Plat 355, Lot 1, Plat 89-9 and Lot 2A, Plat 91-71, Juneau Recording District, First Judicial District, State of Alaska per the original lease and is defined as a site not to exceed 10,000 SF.

The Air Rights Easement is described as being made up of a 100' wide air corridor for various activities related to the construction and operation of an aerial tramway over portions of Lots 13B, 16 and 17 of Plat 355, Lot 1, Plat 89-9, Lot 2A, Plat 91-71 and Lots 1 and 2, Block 6, U.S. Survey 7A Amended Addition to Juneau as well as Roberts Street, Juneau Recording District, First Judicial District, State of Alaska per the original lease.

In addition, the city's lease offers its air rights, if any, over South Franklin Street, Millsites G (excluding Alaska Tram Corporation portion), F, B, P, H and X, USMS 928B; Bear No. 7 and "It" Mining Claim within USMS 1027A; and additional parcels along the tramway line as shown currently held by the State of Alaska, Department of Natural Resources, Juneau Recording District, First Judicial District, State of Alaska.

This area is the location of the Mount Roberts Tram Terminal site and air rights leading up Mount Roberts to the tram terminal on the upper shoulder of the mountain. Access to the terminal is off South Franklin Street adjacent to Gastineau Channel in Juneau, Alaska.

1.2 PURPOSE OF APPRAISAL, INTENDED USERS AND INTENDED USE

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

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

Intended users are the City and Borough of Juneau and Mount Roberts Development Corporation, et al, Lessee.

1.3 PROPERTY RIGHTS APPRAISED

The market rent estimate is for the property in fee simple interest less mineral rights¹ in its pre-development condition with an air rights easement. The appraiser has noted an amendment to the original lease based on a Docks and Harbors Board decision in March 2006. The amended stipulations allowed the alteration of the initial lease to reflect a land lease for the tram terminal site only to its highest and best use.

1.4 TERMINOLOGY

Market Value

Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows:

A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011

¹ Reserved by the state under AS 38.05.125(a)

ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 122

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

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.)

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 73

1.5 PARTIES TO THE TRANSACTION

Client and Ostensible Owner

City and Borough of Juneau.

Lease Applicant

Mount Roberts Development Corporation, 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 July 30, 2011.

11-078 / Mt. Roberts Tram Land Lease, Juneau

The effective date of this appraisal is July 1, 2011. This has been confirmed by the office of the Port Director for the Juneau city and Borough.

1.7 PROPERTY HISTORY

The subject is comprised of a variety of parcels. A lease was signed January 31, 1995 with a "permit date" of January 1, 1996 and an expiry of 35 years from the effective date of the lease, with a 35 year renewal allowed. The tram was constructed during the 1996 and 1997 seasons. There have been a variety of alterations to the lease, with the most pertinent revision made in March 2006, revising the lease rate and terminating the royalty provision.

1.8 ASSUMPTIONS AND LIMITING CONDITIONS

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

1. It is assumed that 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 valuation is 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 appraiser's estimate of the highest and best use.
5. It is assumed that the title to the property is marketable. No investigation to this fact has been made by the appraiser.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions exist that are not discoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraiser.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is 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 estimate is 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.



SUBJECT AND COMPARABLE SALES LOCATION AERIAL MAP

2 AREA ANALYSIS

2.1 INTRODUCTION

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 seems to be a constant tendency to move the state government, or significant portions, closer to the population center in Anchorage. This results in consolidation of offices in the Juneau area. The office market has also expanded out of downtown Juneau into the Mendenhall Valley where less expensive space is available. Many state agencies that relate to the Governor's Office and Legislature on a regular basis prefer the downtown location.

The tourism sector of the market has begun to stabilize after a remarkable period of growth in the 1990s and early 2000s. Much of this growth was aided by the city's and private industry's intensive capital improvements for dock space in downtown Juneau. As the regional hub, Juneau takes the lion's share of the tourism market and promotes visitation within Juneau, as well as acting as a starting point for Glacier Bay and other nearby scenic wilderness attractions. The private market in Juneau's downtown waterfront area was developed, taking advantage of the rapid increase of tourists, especially by cruise ships, 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 1,000,000 in 2008. This market has seen some softening due to economic factors, with around 875,600 in 2010 and 860,000 projected for 2011. It can be argued that a fifty dollar 2006 State Commercial Passenger Vessel Excise Tax initiative caused some resistance in the market. This tax has recently been modified, however, Juneau collects marine passenger fees and port development fees. The overall softening of the tourism market 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 recent 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 growth of State government has not been reflected in the increases in Juneau, which would normally be associated with a state capitol, due to state jobs being continually siphoned to population centers to the north. The housing market has softened, in the nation and state overall, but 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 this chart:



2.2 NEIGHBORHOOD ANALYSIS

The subject property is located along the waterfront of downtown Juneau in the center of the most heavily used tourist area of South Franklin Street. In the current market, the heaviest tourist traffic and therefore the highest market rents are in the 300 and 400 block of South Franklin with concentrations near the subject and the larger cruise ship docks. South Franklin Street is the main thoroughfare serving the downtown Central Business District (CBD) extending southeast to the Alaska Juneau Rock Dump. This stretch of South Franklin Street is approximately one mile in length and has developed into a heavily-traveled street in the summer months by tourists visiting Southeast Alaska. With the ongoing development of the seawalk and the reconfiguration and expansion of cruise ship docking along the waterfront, additional tourism is being generated in the subject neighborhood.

Over 875,000 visitors used this corridor from May through September 2010 as a result of cruise ship visitation. Three cruise ship docks are parallel to South Franklin Street, with an additional dock nearby at the Rock Dump. There is a strip of privately-owned property between the docks and street, and the upland side is also developed with commercial businesses catering to tourist traffic generated from the cruise ship passengers. There is currently a seawalk linking the Franklin Street Dock, south of the retail core at about the 900 block of South Franklin Street, to Marine Park at the northern end of the retail core in about the equivalent of Franklin Street's 100 block. The subject parcel is located in the center of the most active and valuable area of Juneau's waterfront and is arguably one of the premier tourist attractions of southeast Alaska.

The rapid growth and pressure in the community to accept cruise ships and passengers is seen in the following graph.



Studies have shown that tourists bring in a significant amount of buying power, in the magnitude of \$50 million/year into this area.² This trend is likely to continue. Visitation to the subject's improvements on the tram has ranged between 190,000 and 210,000 visitors over the past six years and revenues appear relatively stable.

Currently, the highest market rents are in the 300 to 400 blocks of S. Franklin with ground floor retail around \$6/SF to \$8/SF or higher. Rents diminish as you move away from the retail core near the tram. The outlook is positive for the immediate neighborhood of the subject with expected increased tourism from the seawalk development and reconfiguration of the existing cruise ship docks into larger facilities. Increased traffic brings increased sales, and as a result, increased rents.

2.3 MARKETING TIME AND EXPOSURE TIME

The subject is located in a desirable location in the center of the tourist retail core adjacent to the current cruise ship facilities. Therefore, the marketing time for the subject property is estimated to be up to 18 months. The exposure time for the subject property is likewise estimated at up to 18 months. The exposure time precedes an appraisal, and is the time required to expose the subject property to the market. The subject property would be professionally marketed at the appraised value for the term of the marketing time. The consideration of supply and demand of these types of properties are considered in the estimate of marketing time and exposure time. Also considered are the depth of demand, funds available for purchasing, availability of substitution, overall supply and demand, and physical and economic characteristics for the Juneau real estate market.

2.4 LAND LEASE PERCENTAGE RATES

Land lease rents are often developed based on a percentage of the land value. We analyzed lease

² \$52,533,000 total sales Jewelry Stores, Art Galleries, Curios & Gift Shops, 2009; per Misc. Business Statistics, Statistical Section, CBJ Finance Department CAFR Report, Page 214 divided by 1,019,507 2009 pax count, CBJ = \$51.53/passenger in retail core. (Cruise Lines Agency visitation numbers)

rates in the market to determine what rate is applicable in the subject instance.

Private Sector Lease Rates

We considered a variety of private sector leases. Over the last few years in Skagway, the White Pass Railroad has let long-term land leases on their waterfront to AML and Temsco Helicopter. The value of these lands equate to about 8% of the lease rate charged. Recently in Juneau, Tlingit and Haida Central Council negotiated a parking lot lease on Willoughby Avenue for a trustee at 8% of the estimated market value of the land. Over the last ten years or so, private sector lease rates have generally ranged from 7% to 12%, but more recently settling around 8% more or less.

The Real Estate Division of the Alaska Railroad has a current standard land lease rate of 8% of the estimated market value. Waterfront and commercial lands are leased for 9%. A discussion with Mari Montgomery, University of Alaska, indicated that a minimum commercial lease rate is 10% for urban land; however, they do not frequently lease land.

Municipal Lease Rates

The City of Petersburg leases tidelands and uplands at 10% of the appraised value. The City and Borough of Sitka leases tidelands and other lands at 10% of the estimated market value. If the lease is for a project that would stimulate the economy, an 8% rate is used. A recent lease of a moorage facility for bulk water sales was made at 8% of the fee value. The City of Craig leases land at 8% of the appraised fee value. The City of Haines leases land at its port based on 8% of the appraised market value. Both Craig and Haines adjust their lease rates every five years with the change in surrounding assessed values for tax purposes or new appraisals. The City of Klawock leases land at 8% of the estimated market value.

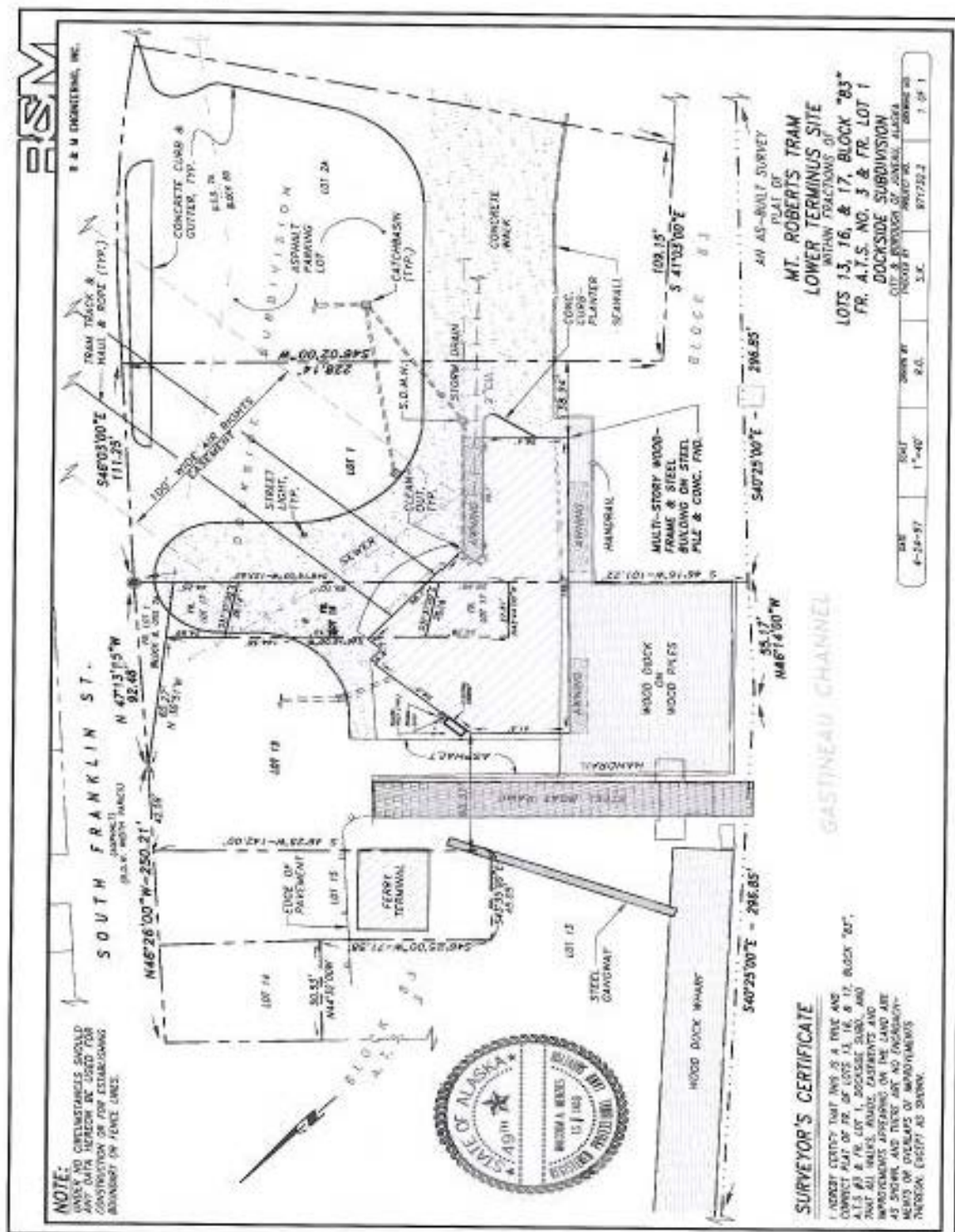
State Lease Rates and Other Government Agencies

As the primary manager of state lands, the Department of Natural Resources (DNR) is directed to lease at "market rent." Typically, land is valued and a market percentage is applied. These rates fluctuated significantly during the 1980s with the movement of interest rates. They have generally leveled out during the 1990s. Over the last ten years or so, they have hovered right around 8%.

Federal land managers include the Bureau of Land Management (BLM), Forest Service, and Bureau of Indian Affairs (BIA). Boyce Bush, from BLM in Fairbanks, indicated that they were using a rate 8% of market value for its land leases over the last several years. Jeness Burnes, acting regional appraiser for the Department of Justice, who reviews numerous appraisal for BIA, as well as other appraisal duties stated that generally rates range between 8% and 12% with the majority being between 8% and 10% throughout the state.

Conclusion

It is obvious that most land managers confirm the private sector market indicators at acceptable land lease percentage rates. For the purpose of my analysis, I will conclude an annual rate at 8% of the market value of land under consideration where direct annual rental comparables are not available.



AS-BUILT SURVEY

3 PROPERTY DESCRIPTION

3.1 OVERALL DESCRIPTION

The appraiser lacks a current as built plat of the subject site. As noted under Section 1, the subject parcel is comprised of a variety of lots and portions of lots, with recorded documents varying slightly from the specifications of the original lease. At the request of the client, utilizing a size reported in a record of survey from a 1997 plat, the subject will be defined as a 10,000 SF, highly irregular site adjacent to Gastineau Channel.

Topography

The parcel is a combination of uplands, filled tidelands and unfilled tidelands with deck on pilings, typical of construction in the immediate area. The appraiser was not provided with a breakout of the various components of the site and prior uses of the area make the determination of the actual breakout of the various site components difficult to ascertain. A minor amount of the site appears to be on a wooden dock in the 1997 plat provided as well as noted in the on-site inspection. Discussions with the Tram's General Manager noted a small void under the building's concrete deck; however, no estimates of the size of this area were provided. Adjacent uses typically rely on a variety of concrete bulwarks and piling for support in addition to the AJ mine's waste rock base. The original shoreline has long since been obscured. Based on the appraiser's familiarity with the general area as well as the indications of the dock under a portion of the subject, the appraiser will make an extraordinary assumption that the market would not regard the site as any different from competing properties. As the filled tidelands have similar characteristics and utility as the uplands, they will be treated the same. The site is fully usable as developed. It is regarded as typical in the market and would not be allocated on a upland/tidelands basis, but as a fully usable site. As appraised, there are no improvements.

Access

The site, as presently developed, has vehicular access by adjacent municipal off site parking lots leading onto the subject from South Franklin Street. As appraised, the subject would be undeveloped with access through the adjacent publically owned lots.

Utilities

City sewer, water and private utilities including power, trash collection, phone, cable, internet and fuel are available.

3.2 ZONING

The subject is zoned Waterfront Commercial (WC). The waterfront commercial district, is intended to provide both land and water space for 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.

3.3 ASSESSED VALUATION AND TAXES

The subject property is assessed by the City and Borough of Juneau. The subject is identified by the assessor's office as 490 South Franklin Street. Its assessor parcel number is 1C100K830011, and the current assessed possessory interest for the land is \$2,509,500. The estimated total value of the site by the assessor is \$3,000,000, with the entire site estimated as filled, and valued at \$300/SF fee simple value. Improvements are noted by the assessor and valued at \$1,533,000. The typical mil rate in Juneau has been between 10.17 and 12 mils over the past few years and is currently 10.55 mils for fiscal year 2012.

3.4 EASEMENTS AND OTHER RESTRICTIONS

The subject benefits from an extensive series of airspace easements that involve the operation of the tram. These are unique to the subject and the impact of their benefit is included in the valuation of the subject site.

There are two historic easements detailed in the lease that apparently impact the subject property. One easement, from 1989, details an easement for access, ingress and egress associated with a prior owner of the site. The other easement, from 1963, is a use agreement regarding the former ferry terminal. Both easements are not felt to impact the highest and best use of the property.

There are a variety of stipulations and conditions in the original use regarding allowed uses and the required provision of public bathrooms. These items are lease conditions and fall outside of the valuation as required under the terms of the lease, Paragraph 5, Base Rent (3).

The appraiser is unaware of any other easements or restrictions.

3.5 FUNCTIONAL UTILITY OF SITE

The lease is utilized in support of the tram facility function. This high traffic, centrally located public site has a significant appeal to commercial users. This site functions well for the intended use.

The subject exhibits high functional utility to the user due to the existing, developed nature of this parcel and its easements. Recognition of the difficulty or even likelihood of development of comparable sites must be recognized in the analysis of the available data.

3.6 SYNOPSIS OF LEASE

Please refer to the lease and the 2006 lease modification notification contained in the addenda.

4 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

The primary cruise ship docks are located adjacent to the subject property where the great majority of the 850,000+ visitors as well as crew disembark from the vessels. The preponderance of these visitors pass by the subject building. South Franklin Street is a narrow, two-lane, two-way street that caters to these visitations, having been expanded through the years with wider sidewalks and adding characteristic light fixtures, etc. of the era being projected.

If the subject site were vacant, obviously its highest and best use would be to develop the site with a gift shop on the first floor with second floor uses such as warehousing, offices or employee housing. This would be suitable for completion of the highest and best use.

The existing use is the highest and best of the subject property. Based on market evidence, the most likely purchaser and user would be a gift shop owner. This analysis is based on the development in the immediate neighborhood as well as the lack of substitutable competing property. Of the four sales cited in this report, all were purchased by parties related to the intended user of some or all of the space for its retail business.

4.2 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. Where necessary, I have converted the sales indications to rental values or vice versa. The following table contains the most helpful data that shows what the area might both sell for and lease for on a per square foot basis. The comparables considered in the final analysis are in white, with the balance of the considered indicators in light grey.

RENT/SALE INDICATORS									
#/Comp		Transaction Description		Date	Size (SF)	Indicated value of land sold	\$/SF	Indicated Annual Rent	Annual Rent/ SF
1	4761	307 S. Franklin St., Juneau		01/06	4,500	\$1,500,000	\$333.33	\$120,000	\$26.67
2	4161	489 S. Franklin St., Juneau		12/07	15,420	\$3,350,000	\$217.25	\$268,000	\$17.38
3	6573	428 S. Franklin St., Juneau		asking 06/09	2,804	\$2,325,000	\$829.00	\$186,000	\$66.33
4	4814	439 S. Franklin St., Juneau		01/06	3,625	\$1,562,375	\$431.00	\$124,990	\$34.48
5	2587	455 S. Franklin St., Juneau		01/04	2,633	\$1,000,000	\$380.00	\$ 80,000	\$30.38
	2782	431 S. Franklin St., Juneau		02/04	1,610	\$ 700,000	\$435.00	\$ 56,000	\$34.78
	3347	Merchants Wharf TL lease, Juneau		10/10	43,200	\$1,200,000	\$ 27.78	\$ 96,000	\$ 2.22
	6995	Merchant Wharf Combined Interest (\$4.5%)	with demo without demo	11/08	94,654	\$2,293,578 \$3,293,578	\$ 24.23 \$ 34.79	\$183,486 \$263,486	\$ 1.94 \$ 2.78
	5012	Tidelands @ 422 S. Franklin St., Juneau		05/06	1,955	\$ 244,375	\$125.00	\$ 19,547	\$10.00
	6361	560 S. Franklin St., Juneau		03/08	54,296	\$3,000,000	\$ 55.25	\$240,000	\$ 4.42
	6996	550-560 S. Franklin St., Juneau		08/09	8,353	\$480,000	\$ 57.46	\$ 38,400	\$ 4.60
	2793	373 S. Franklin St., Juneau		02/05	3,000	\$ 725,000	\$242.00	\$ 58,000	\$19.33
	6911	319 Mill Street, Ketchikan		04/08	2,578	\$1,150,000	\$446.00	\$ 92,000	\$35.69
Subject - Tram Lease				07/11	10,000	Solve		Solve	Solve



Comp 5 080806_2524

Comparable 5 is the allocated value of a building site across the street. This sale occurred at the beginning of 2004 and, based on rental activity would be deemed similar to the subject in time. The small size of this observation is superior by -1 to the subject. This observation is similar in all other respects, with an overall superior ranking of -1.

Please refer to the following Qualitative Grid for a comparative display of the rankings discussed above.

QUALITATIVE ADJUSTMENT GRID OF BEST REPRESENTATIVE COMPARABLES											
Characteristic	Subject - 490 S. Franklin	Comp # 1 - 307 S. Franklin		Comp # 2 - 489 S. Franklin		Comp # 3 - 428 S. Franklin		Comp # 4 - 439 S. Franklin		Comp # 5 - 455 S. Franklin	
Rent/SF	Solve	\$26.67		\$17.38		\$66.33		\$34.48		\$30.38	
Market Conditions (Time of Sale)	Appraisal Date: 07/2011	01/06	-1	12/07	0	06/09	0	01/06	-1	01/04	0
Conditions	Market Lease	Sale/ Similar	0	Sale/ Similar	0	Asking	-2	Sale/ Similar	0	Sale/ Similar	0
Titled Interest	Fee Simple	Similar	0	Similar	0	Similar	0	Similar	0	Similar	0
Location	Tram	Inferior	+1	Similar	0	Similar	0	Similar	0	Similar	0
Access	Public	Similar	0	Similar	0	Similar	0	Similar	0	Similar	0
Size (SF)	10,000 SF	4,500	-1	15,420	+1	3,625	-1	3,625	-1	2,633	-1
Site Characteristics	100% usable	55% usable	+2	60% usable	+2	Similar	0	Similar	0	Similar	0
Overall Net Rating	Subject = 0	Inferior	+1	Inferior	+3	Superior	-3	Superior	-2	Superior	-1

If comparable is **Superior**, minus rating of -1, -2, or -3 depending on severity.

If comparable is **Inferior**, plus rating of +1, +2, or +3 depending on severity.

The relative weighing of each of the comparables as adjusted to the subject is shown in the following grid on the next page.

RANKING GRID			
Comparable	Rating	Rent	Rank
Comparable 3	Superior	\$66.33	-3
Comparable 4	Superior	\$34.48	-2
Comparable 5	Superior	\$30.38	-1
Subject	Similar	Solve	0
Comparable 1	Inferior	\$26.67	+1
Comparable 2	Inferior	\$17.38	+3

Conclusion - Fee Simple Value

As noted above, the subject square foot rent would appear to fall somewhere between \$26.67/SF and \$30.38/SF. Considering the subject's location in the center of the tourist development in the downtown area and based on the air rights inherent in the lease, it is estimated towards the upper end of the two most similar indicators at \$30/SF. The rental value can be summarized as follows:

$$10,000 \text{ SF} \times \$30/\text{SF}/\text{year} = \$300,000/\text{year}$$

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

$$\begin{aligned} \$300,000 \div 8\% &= \$3,750,000 \\ (\$3,750,000 \div 10,000 \text{ SF}) &= \$375/\text{SF} \end{aligned}$$

HORAN & COMPANY, LLC

ADDENDA

11-078 / Tram Land Lease

Subject Photographs



Tram from South Franklin Street

062311_1816



Surrounding parking lots and Plaza.

062311_1818



Typical shoreline nearby

062311_1826

Subject Photographs



Dock under rear of Tram building.

062311_1820



Rear of building facing the channel.

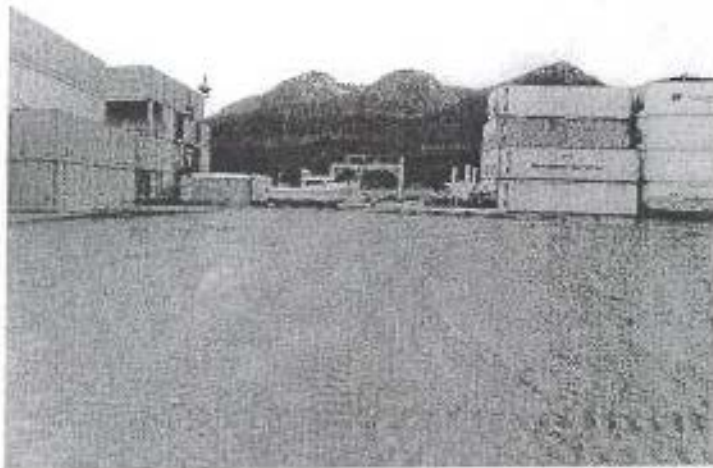
062311_1828



View of tram plaza, city parking and start of retail core area, S Franklin St looking N from tram, descending

062311_1826

**ESTIMATED MARKET RENTS OF
ATS 1277, PLAT 83-210, 1.83 ACRES
LOCATED IN GASTINEAU CHANNEL,
JUNEAU, ALASKA, ADL 102934**



062311_1838

PREPARED FOR: Phil Benner, Interim 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, Alaska 99835

EFFECTIVE DATE: July 30, 2011

REPORT DATE: August 31, 2011

OUR FILE NO.: 11-079

HORAN & COMPANY, LLC

403 LINCOLN STREET, SUITE 210 SITKA, ALASKA 99835

TELEPHONE (907) 747-6666 FAX (907) 747-7417

EMAIL commercial@horanappraisals.com

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

REAL ESTATE APPRAISERS / CONSULTANTS

August 31, 2011

Phil Benner, Interim 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 1277, Plat 83-210, 1.83 Acres Located in Gastineau Channel, Juneau, Alaska, ADL 102934; Our File 11-079

Dear Mr. Benner:

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 June 23, 2011, is as follows:

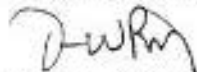
ATS 1277, 1.83 Acres; 79,715 SF
\$11,957.25/year

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 Bylaws of the Appraisal Institute.

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

Sincerely,

HORAN & COMPANY, LLC



Timothy W. Riley
AA685

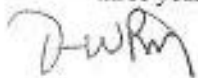
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ADL DETAIL - LAST PAGE	
QUALIFICATIONS OF TIMOTHY RILEY	

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 July 30, 2011.
- No one provided significant real property appraisal assistance to the persons 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.



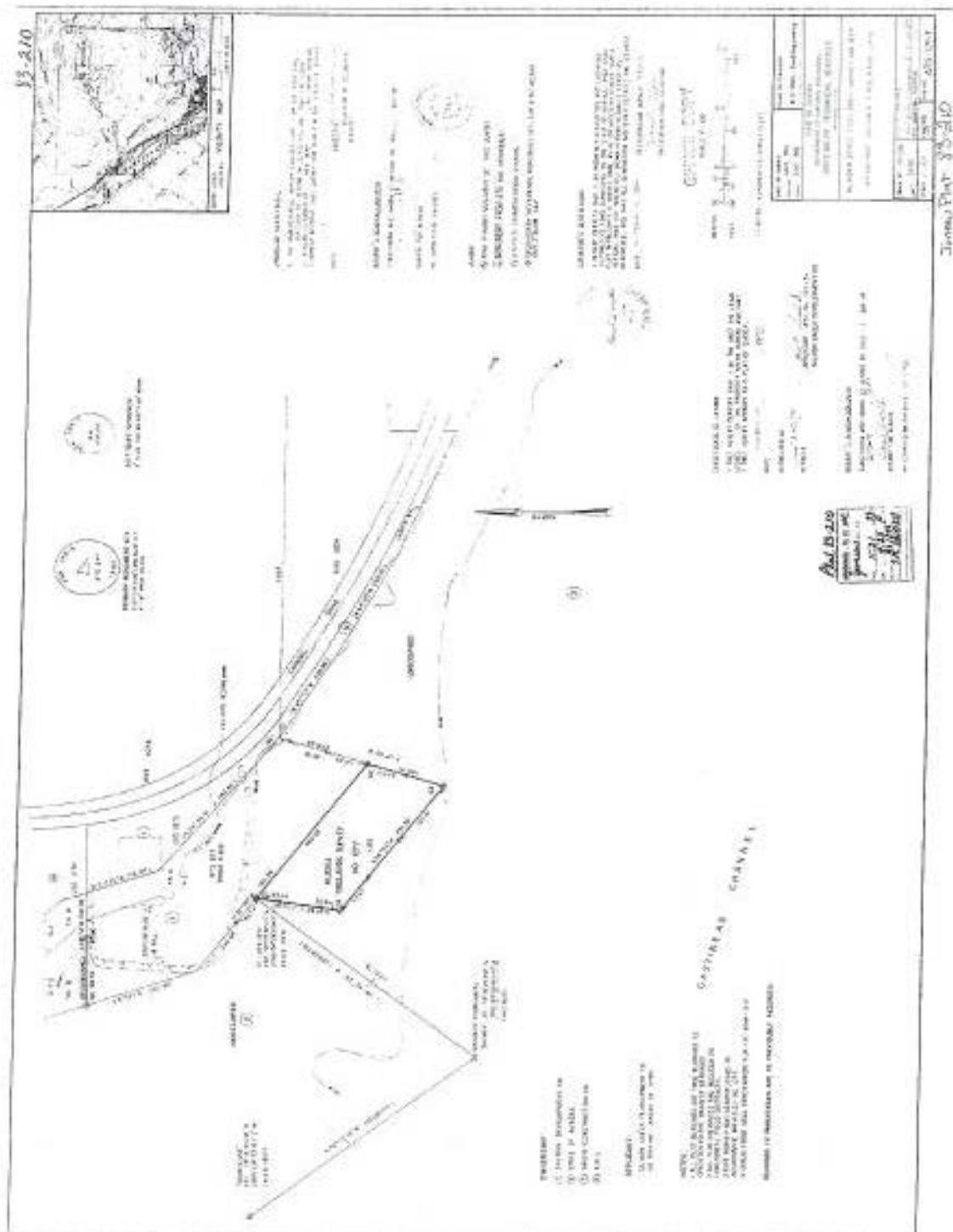
Timothy W. Riley, Real Estate Appraiser, AA 685

July 30, 2011

Inspection and Effective Date

August 31, 2011

Date of Report



PLAT 83-210

1 SCOPE OF APPRAISAL

This appraisal is intended as an update of the rent for a tidelands lease. The subject's lease rate schedule will be amended to a more typical City and Borough of Juneau five year update schedule, and a change made to compensation language in the lease reflecting market value¹, which is intended to maximize income to the city based on the appraised market value rental of their lands.

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.

1.1 IDENTIFICATION OF PROPERTY

The subject of this report is ATS 1277, Plat 83-210, Juneau Recording District, First Judicial District, State of Alaska. This survey is a portion of the Northland Barge landing site on Channel Drive adjacent to Gastineau Channel in Juneau, Alaska.

The property is located on tidelands adjacent to the Mendenhall Wetlands State Game Refuge (MWSGR) in Gastineau Channel, off the mainland adjacent to Salmon Creek.

1.2 PURPOSE OF APPRAISAL, INTENDED USERS AND INTENDED USE

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 Tim Smith, et al, Lessee.

¹ As noted in CBJ's Chapter 50 Lease Administration; 05CBJAC 50.040

1.3 PROPERTY RIGHTS APPRAISED

The market rent estimate is for the property in fee simple interest less mineral rights² in its pre-development condition. The appraiser has noted special stipulations as amended associated with the original lease. The amended stipulations allowed the alteration of use, proposed layout and an expansion of the proposed basin. These stipulations define use and development and will be considered in the lease analysis.

1.4 TERMINOLOGY

Market Value

Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows:

A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2010-2011 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 122

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

² Reserved by the state under AS 38.05.125(a)

1.5 PARTIES TO THE TRANSACTION

Client and Ostensible Owner

City and Borough of Juneau.

Lease Applicant

Tim Smith et al.

1.6 INSPECTION AND EFFECTIVE DATE

Timothy Riley made a personal inspection of the property that is the subject of this report on July 30, 2011.

The **effective date** of this appraisal is the inspection date. This has been confirmed by Phil Benner, Interim Port Director for the Port of Juneau.

1.7 PROPERTY HISTORY

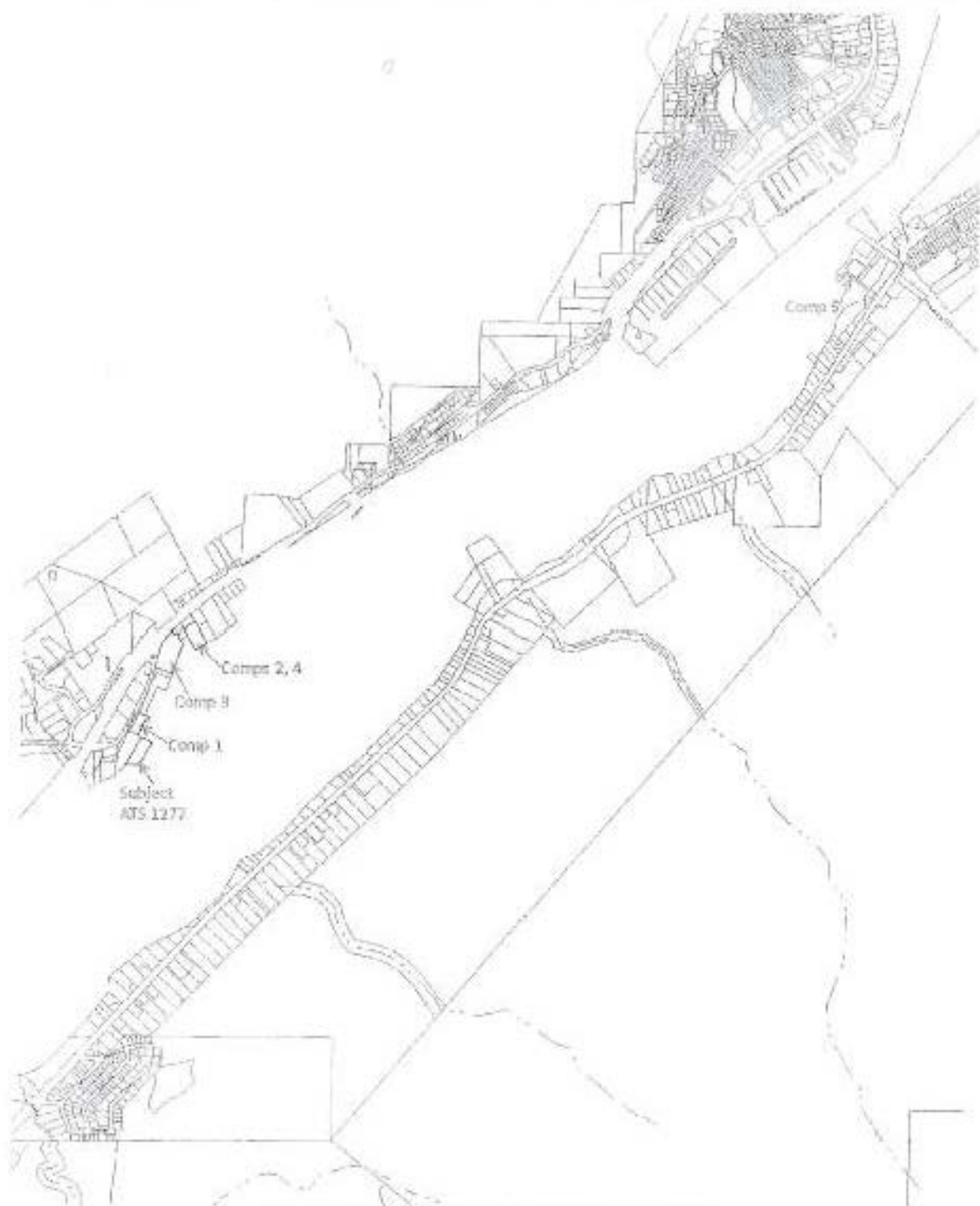
The subject property was owned by the State of Alaska for many years. A lease was issued April 27, 1984 with an expiry of April 26, 2014, and the administration of the lease was transferred to the City of Juneau on February 8, 2001, under the condition only to lease and not to sell or transfer this type of property. The land was recorded as patented on July 10, 2002.

1.8 ASSUMPTIONS AND LIMITING CONDITIONS

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

1. It is assumed that 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 valuation is 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 appraiser's estimate of the highest and best use.
5. It is assumed that the title to the property is marketable. No investigation to this fact has been made by the appraiser.

6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions exist that are not discoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraiser.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is 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 estimate is 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.



SUBJECT AND COMPARABLE SALES LOCATION MAP

2 AREA ANALYSIS

2.1 INTRODUCTION

The subject property is near the north end of improvements along Channel Drive adjacent to Egan Drive, a four-lane, divided highway. Access to the area is via the controlled traffic exchange at Salmon Creek nearby. As noted, the subject is a barge landing, taking advantage of the good location with direct access to the expressway linking both town and the valley. The adjacent waterfront character is primarily industrial or commercial uses.

This area has importance to Juneau due to its easy access to the highway as well as the tourism attraction of the Douglas Island Pink and Chum Ladd Macauley Hatchery facility. Large office buildings for the Department of Transportation as well as the Juneau Empire's building and the Bartlett Hospital medical campus and adjacent development across the highway are other examples of the area's importance and desirable location.

The existing tidelands lease allows the use of areas deep enough to moor shallow draft vessels. As part of the original permit as amended, a large 4.98 AC, 75,000 cubic yard dredged basin was created to allow barge traffic moorage along the shoreline. The tidelands start to shallow up in this area due to the combined impacts of glacial rebounding and siltation, with reduced water depths the norm. Due to the subject being adjacent to the Mendenhall Wetlands, with a nearby active tourist attraction at the hatchery, it is unlikely there will be any further intense industrial development in the area. The waterfront to the south and west is zoned Waterfront Industrial (WI), with an upland portion zoned General Commercial (GC).

2.2 JUNEAU AREA DYNAMICS

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 has 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 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 2011 season of 885,000 passengers or 15% less than the 2008 peak. The softening of the tourism market has led to a consolidation of providers and facilities in the industry as a whole.

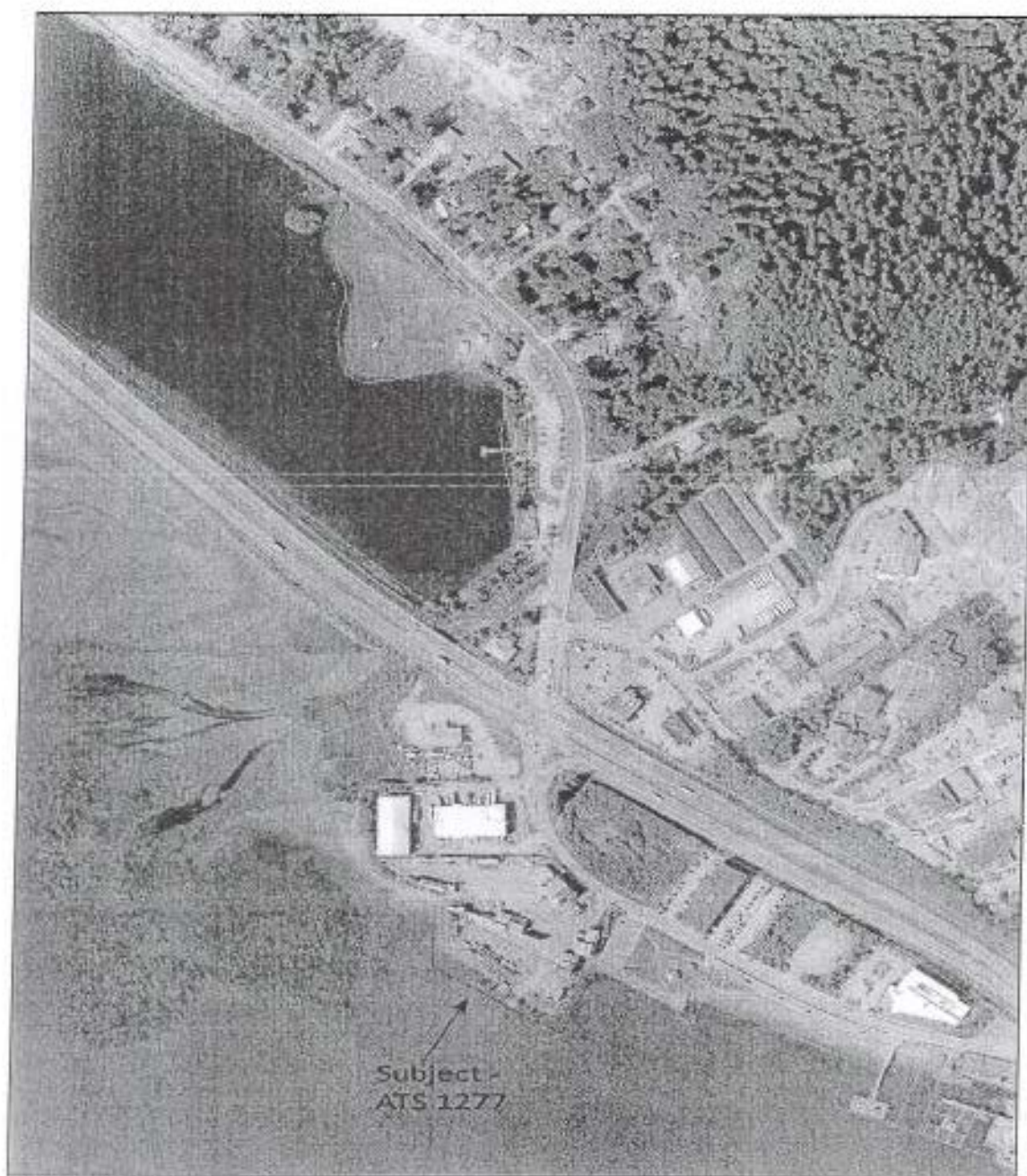
There is significant growth occurring in the mining industry with the successful permitting, development and recent opening of the Kensington Mine, north of Juneau, which is supplementing the employment at the existing Greens Creek Mine on Admiralty Island. Both of these mines use Juneau as a base of 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 here:



2.3 LAND LEASE PERCENTAGE RATE & TIDELANDS TO UPLANDS RATIO

In pursuit of my analysis, I have determined the normal way to set tideland rents as a percentage of the land value if direct comparables are not available. I have included a study of this in the Addenda of this report which concludes an 8% rate. I have also considered that the market often allocates the values for tidelands on a unit price as a percentage of the unit value for nearby or adjacent uplands. I have made a study of this phenomenon and included it in the Addenda under "Tidelands to Upland Ratios." For the purpose of this report, several tideland allocations have been used and are generally allocated at about 30% of the unit value of the uplands.



Aerial photo taken June 2006

NORTHLAND BARGE Vicinity

0 125 250 500 750 1,000
Feet

- NOT A SURVEY -
lot lines are approximate

AERIAL OVERVIEW OF SUBJECT PROPERTY AND NEIGHBORHOOD

11-079/ Smith Tidlands, ATS 1277

3 PROPERTY DESCRIPTION

3.1 OVERALL DESCRIPTION

The proposed subject tideland lease is adjacent to the applicant's property, ATS 877, as shown by the plat on Page 1 of this report. The size of the site is 1.83 AC or approximately 79,715 SF. The site is an irregular trapezoid, 421.83' wide on the channel and 456' adjacent to ATS 877 on the shore and ranges between 188.41' on the southeast edge and 200' to the north. The parcel is filled and adjacent to the excavated basin serving the landing and enhances the use of the adjacent uplands. As appraised, there are no improvements. The prospective lessee anticipates continuing his present use as a barge landing area. A 50' pedestrian access easement is noted along the shoreline.

The appraiser was not provided with an as-built survey of the subject site. The site was shallow tidal lands, and primarily awash at high tides. The site is between the median high and median water marks. The inter-tidal lands near the shore are at present nearly completely filled, with the permitted basin offsite, below median low water. There are significant improvements on the adjacent upland parcel, also owned by the lessee.

Access

The site, as presently developed, has vehicular access by a driveway off site leading onto the subject tidelands from Channel Drive. As appraised, the subject would be undeveloped with access through the adjacent lot.

Utilities

City sewer, water and private utilities including power, trash collection, phone, cable and fuel are available.

3.2 ZONING

The properties are 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.

3.3 ASSESSED VALUATION AND TAXES

The subject property is assessed by the City and Borough of Juneau. The subject is identified by the assessor's office as 3155 Channel Drive; ATS 1277. The assessment number is 7B0901030101 and the current assessed possessory interest for the land is \$201,600. The estimated total value of the site by the assessor is \$531,860; with approximately 45% estimated as filled and valued at \$10/SF and 55% estimated as unfilled and estimated at \$4/SF. No improvements are noted by the assessor.

The typical mil rate in Juneau has been between 10.17 and 12 mils over the past few years and is currently 10.55 mils for fiscal year 2012.

3.4 EASEMENTS AND OTHER RESTRICTIONS

There is a 50' pedestrian easement on the subject lot. The subject lot is restricted in use as specified by the lease agreements and amendments. The original 1982 plan for a commercial dry marina and marine service facility with boat storage, launching ramp and mooring float was amended in 1989 to allow marine related storage area and a commercial barge facility with an expanded dredged basin and a reconfigured uplands layout. Please refer to the addenda for details of these agreements on the allowed uses of the subject lot. As noted, a permit for an dredged basin benefits the lot; however, this basin is primarily in state waters and is not considered in this appraisal. The appraiser is unaware of any other easements or restrictions.

3.5 FUNCTIONAL UTILITY OF SITE

The tidelands are located in support of the adjacent barge facility function. Their isolated location and the adjacent dredged basin limits their demand to the specific upland user. These tidelands function well for the intended use, but due to the access limitations, physical location and characteristics of the site, they would have limited utility for any other commercial user.

The subject also exhibits high functional utility to the user due to the existing, developed nature of these tidelands. The development of these tidelands in the present day would be unlikely, or much more costly, due to the adjacent Mendenhall Wetlands State Game Refuge as well as the oversight of various regulatory agencies and the split ownerships of the affected area, with a private entity, the city and the state all having interests in the general area. The site exhibits high utility due to the grandfathered nature of the barge landing. Recognition of the difficulty or even likelihood of development of comparable sites must be recognized in the analysis of the available data.

No lease documents have been finalized. Based on interviews with harbor master personnel, it is expected that the lease would closely follow a typical net lease similar to state and city tidelands leases in the area. These leases are essentially total net leases. The assumed terms are as follows:

3.6 SYNOPSIS OF TYPICAL LEASE

<i>Legal Description/Leased Premises:</i>	ATS 1277, Plat 83-210, 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>	Tim Smith et al.
<i>Term of Lease:</i>	Formerly 30 years; new term unknown.
<i>Original Lease Date:</i>	April 27, 1984 (with State of Alaska)
<i>Effective Date:</i>	June 23, 2011
<i>Reappraisal anniversary:</i>	April 26, 2014

<i>Rental Adjustment Period:</i>	Every five years, based on estimated market value
<i>Use:</i>	Barge Landing
<i>Property Rights Included:</i>	Normal rights conveyed by lease. In addition, Lessee is allowed to develop and maintain a dredged basin of 4.98 acres in state owned waters.
<i>Property Rights Excluded:</i>	No mineral or timber rights are conveyed by lease.
<i>Easements:</i>	50' Pedestrian Easement on meander line.
<i>Other Terms of Lease:</i>	Typical full net lease indemnifying lessee.
<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.



4 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

The highest and best use of the site is for its continued use as a barge landing. The site has functioned well this way for the past 20 years or more and appears likely to continue to handle wharfage to the needs of the existing user. The site does not extend into deep water but is sufficient for the needs of the lessee due to the permitted dredged basin. Due to isostatic rebounding and siltation from nearby glaciers, additional dredging may be required to continue to access deep water. Marine-related industrial uses are the defining use for the subject parcel and are the highest and best use.

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.

If the comparable was tidelands extracted from a sale, the annual rent was estimated at 8% of the tidelands value only. The allocated tideland portion value of the transaction is summarized in the table below with indicated annual rent at 8%.

TIDELAND RENT INDICATORS - ATS 1277						
#/Comp	Transaction Description	Date	Size (SF)	Tidelands Value of Sale	Indicated Annual Rent	Annual Rent/ SF
1 #1634	3150 Channel Drive - Fosken Allocation ATS 1412 + upland - extracted tidelands	04/00	10,000	\$23,000	\$ 1,840.00	\$0.18
2 #1745	2691 Channel Drive/Juneau Redi Mix Allocation Lot 1, ATS 7, Leasehold Lot 2 ATS7, ATS 1067	06/03	51,401	\$81,300	\$ 6,504.00	\$0.13
3 #4177	2691 Channel Drive Lot 2, ATS 7; ADL 2193	08/06	70,001	Lease	\$10,500.15	\$0.15
4 #4187	2697 Channel Drive - DIPAC Tr A & B, ATS 1356	08/10	212,573	Lease	\$31,885.92	\$0.15
5 #1744	3560 North Douglas Highway Tracts A&B, ATS 842, ADL 51488	05/10	43,865	Lease	\$ 8,773.00	\$0.20
Subject - ATS 1277		06/11	79,715	Solve	Solve	Solve



Comp 1 9207-122.6

Comparable 1 is the allocation of a dated sale of an adjacent parcel. When adjusted for its tidelands as a rent comparable at 8% of the allocated value, it indicates \$0.18/SF, high for the area, but within the range and likely due to the small size of the unfilled portion of the site. This indicator is given less weight due to time, its allocated components and size.



Comp 2 041304_0819

Comparable 2 is another allocation of a dated sale nearby. This sale's area is very similar to the subject, however lacks the mild appreciation that occurred over the intervening period of time. While the sale closed in 2003, it was negotiated off an appraisal effective at the beginning of 2002. Limited consideration is given this transaction due to time and its allocated components.



Comp 2 041304_0819

Comparable 3 is a recent rent of the site of the above allocated purchase. This current site has been expanded at the request of the lessee with the rental rate remaining the same. As a current nearby indicator with similar attributes, it is given significant weight in the analysis.



Comp 4 041304_0810+0811

Comparable 4 is another nearby lease. This current site has been expanded at the request of the lessee with the rental rate remaining the same. This transaction, when examined with the adjacent tidelands expansion as the most current indicators in the neighborhood, is given significant weight.



Comp 5 041304_0784

Comparable 5 was part of an assemblage of a barge landing site with superior water frontage overall. This site, closer to town and adjacent deeper waters, is regarded as superior to the subject's more shallow site and is given less weight.

Comparables 3 and 4 are adjacent to the subject, the most current lease data available and considered most similar of all the comparables. Comparables 1, 2 and 5 help to support the indications of these closest comparables. When considered as a group, all the sales and rental indicators examined suggest a value in the middle of the range at \$0.15/SF.

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

$$79,715 \text{ SF @ } \$0.15/\text{SF} = \$11,957.25/\text{year}$$