

**CBJ DOCKS & HARBORS BOARD**  
**FINANCE MEETING AGENDA**  
**For Tuesday, October 25, 2011**

- I. Call to Order** (5:00 p.m. to 7:00 p.m.) in the Room 224, City Hall.
- II. Roll Call** (John Bush, Tom Donek, Kevin Jardell, Michael Williams, Wayne Wilson, and Eric Kueffner).
- III. Approval of Agenda.**  
  
**MOTION: TO APPROVE THE AGENDA AS PRESENTED OR AMENDED.**
- IV. Public Participation on Non-Agenda Items** (not to exceed five minutes per person, or twenty minutes total).
- V. Approval of August 23rd, 2011 Finance Committee Meeting Minutes.**
- VI. Items for Action.**

1. Boom Truck Fee Schedule

Committee Questions

Public Comment

Committee Discussion/Action

**MOTION: TO BE DEVELOPED AT THE MEETING**

2. Tideland Lease Rent Adjustment (Mt Roberts Tram)

Committee Questions

Public Comment

Committee Discussion/Action

**MOTION: TO BE DEVELOPED AT THE MEETING**

3. Tideland Lease Rent Adjustment (Tim Smith et al)

Committee Questions

Public Comment

Committee Discussion/Action

**MOTION: TO BE DEVELOPED AT THE MEETING**

**CBJ DOCKS & HARBORS BOARD**  
**FINANCE MEETING AGENDA**  
**For Tuesday, October 25<sup>th</sup>, 2011**

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

**VIII. Staff & Member Reports.**

**IX. Committee Administrative Matters.**

1. Next Finance Committee Meeting November 29<sup>th</sup>, 2011 at 5:00 p.m. at CBJ Room 224.

**X. Adjournment.**

CBJ DOCKS & HARBORS  
**FINANCE COMMITTEE MEETING MINUTES**  
For Tuesday, August 23, 2011

I. Call to Order.

Eric Kueffner called the Finance Committee Meeting to order at 5:01 p.m. in room 224 of the Assembly Building.

II. Roll Call.

The following members were present: Tom Donek, Kevin Jardell, Wayne Wilson, John Bush and Eric Kueffner.

The following members were absent: Michael Williams.

Also in attendance were the following: Carl Uchytel-Port Director, Ruth Danner-Assembly Liaison and Heather Marlow-CBJ Lands and Resources Manager.

III. Approval of Agenda.

**MOTION by Mr. Donek: TO APPROVE THE AGENDA AS PRESENTED.**

IV. Public Participation on Non-Agenda Items.

George Danner III – The north end of the power transformer at Aurora is not up to date. He has seen no pro-active maintenance to take care of this. He has worked on ships for 35 years and on the Marine Highway system. In this case he was not sure who was keeping an eye on the power situation. There are other problems. The fish tables are gone and floats are missing. He wanted to bring it to the Board's attention.

Mr. Kueffner-suggested Mr. Danner talk to the Harbormaster. He would be in charge of maintenance and he will bring it to the attention of staff.

Mr. Danner said Ruth brought these issues up with the Harbormaster about a year ago.

V. Approval of previous meeting minutes.

**Hearing no objection, the minutes of the June 28, 2011 Finance Committee Meeting were approved as presented.**

VI. Items for Action.

1. Tideland Lease Memo on ATS 123, Lot 2.

CBJ DOCKS & HARBORS

FINANCE COMMITTEE MEETING MINUTES

August 23, 2011

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VI. Items for Action. (Continued)

Mr. Uchytel said Mr. Trucano would like to lease tideland parcel ATS 123, Lot 2. If approved, he has agreed to the \$.05 X 45,433 square foot suggested in the 2004 Horan & Company appraisal.

Ms. Danner expressed concern that the appraisal was 7 years old and the lease rate seems low compared to other rates she has seen.

Mr. Kueffner said this appraisal amount is to be used as a starting point in the bid.

Mr. Jardell said sometimes it is not cost effective to get a whole new appraisal on such a small tideland lease. He asked the Port Director if staff is asking for the board to move forward on this tideland lease.

Mr. Uchytel said staff is looking for approval from the Board to move forward with lease negotiations at this point. Horan did not recommend a change in the lease rate even after 7 years because the land has been unused and unimproved the whole time.

Ms. Danner asked if leases go to the law department before they are approved. She did not feel like the committee was comfortable with the item being presented.

Mr. Kueffner said at this time we are considering the request to lease tideland property and we have not yet agreed on lease term or rate. We are not at that point in the approval process yet.

Mr. Jardell said he was comfortable with the lease and stated that in its current condition the property was not terribly useful and it would be good to lease it out.

**MOTION by Mr. Jardell: TO RECOMMEND THE PORT DIRECTOR MOVE AHEAD AND PUT TOGETHER A LEASE PROPOSAL FOR ATS 123, LOT 3 AND BRING IT BACK TO THE FULL BOARD FOR CONSIDERATION.**

VII. Items for information/Discussion.

I. Archipelago Property Update:

Heather Marlow gave an overview of the events and valuation of the Archipelago Property acquisition. The CBJ currently has a floating easement down the middle of the property. Archipelago Properties is looking to sell the property.

CBJ DOCKS & HARBORS  
FINANCE COMMITTEE MEETING MINUTES

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VII. Items for information/Discussion. (Continued)

The property starts at the south side of the parking garage and it runs down to the white building just prior to Warner's Wharf. The property is bisected by an existing pier that ties out to CBJ dock. The pier extends out to a crosswalk and is an existing CBJ easement. This is a floating easement which means it can be relocated with in the property.

We would like to purchase a small portion of this property. Docks and Harbors has worked with Corbus Design to come up with a potential design scheme for the property. We would like to create another public waterfront feature possibly a space for the U.S.S. Juneau Memorial.

Several different appraisers have looked at this property as well as the CBJ Assessor and they have all come up with different methods of valuations and different values for the land. Ms. Marlow outlined those methods and values in the Archipelago Acquisition Summary of Events and Valuation Activity. She said we will continue to work on finding an acceptable valuation of the property.

Mr. Jardell said Horan seems to have said that the 25ft easement is worth \$45 per Square foot. The value of the property was much less because there is an existing easement. floating easement rate. It is not clear if he was considering the side walk as well.

Ms. Marlow said I think that is a summery of the values and what he is suggesting is on page 5. He has the easements split out between the uplands (42%) and tidelands (58%)

Mr. Jardell said the latest comparable for any cell is going to be the \$300 per square ft. we just offered for the sidewalk that has an easement on it. My rough numbers say we offered \$500,000 for 17,000 square feet and we just paid \$426,000 for 1,500 square feet.

Ms. Marlow said that is the standard logic that people want to apply to this valuation and this is in my opinion where the seller has gotten tricked up as well. What is not represented in the Wold valuation and the appraiser's valuation are the special benefits that come along with our project. The adjoining property will get \$330 per square foot Benefit from waterfront feature on the CBJ portion.

Mr. Jardell said it is hard for him to appreciate that concept because a value is a value. If he had a parcel next to them that had nothing to do with the purchase and they were doing something next to me that makes my property more valuable, they could not come to me and demand more money because they made my property more valuable. I may pay more taxes for the increased value.

CBJ DOCKS & HARBORS  
FINANCE COMMITTEE MEETING MINUTES

August 23, 2011

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VII. Items for information/Discussion. (Continued)

Ms. Marlow said in her opinion, no one else other than the CBJ is going to come along and acquire a piece of property and make it right of way that will allow for utilities and delivery access that will benefit the adjoining properties.

Mr. Jardell said he did not feel this valuation was reasonable.

Ms. Marlow said we will always have that floating easement to have good connection on the waterfront.

Mr. Bush asked if we have considered purchasing the whole property.

Ms. Marlow said we have not really considered that because the total price is 10 Million.

Mr. Wilson asked what the tax base for this parcel of property would be and if CBJ Docks and Harbors would get enough return on the purchase.

Ms. Marlow said you could not guess what the tax value would be unless you know what will be built there.

Ms. Marlow said the City Manager has been authorized by the Assembly to negotiate with the owner. The owner has not yet acknowledged the methodology we are looking to agree upon. The city manager did want the additional sidewalk. We have been enjoying a free easement since 2006 and we are trying to consider that.

Murray Walsh said he was part of the Archipelago team in Juneau. Mr. Bud Simpson is in charge of Archipelago but must be recused from this item because he is also on the Harbor Board. He said the special benefits proposal did not seem reasonable.

Mr. Kueffner asked what Archipelago's plan for the property was.

Mr. Walsh said they would like to see a waterfront feature and the utility and delivery access. It is the largest piece of undeveloped waterfront property in downtown Juneau. The property is currently for sale. He said he would report to the team what was discussed at the Finance Meeting.

Ms. Danner asked about how many standard size jewelry stores would fit in this property.

Ms. Marlow said the property would fit 10 jewelry stores on each side.

CBJ DOCKS & HARBORS

FINANCE COMMITTEE MEETING MINUTES

August 23, 2011

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VII. Items for information/Discussion. (Continued)

2. Update on funding Sources.

Mr. Kueffner said the whole Idea behind this item was to talk about where some of our money comes from. The Harbors side is fairly straight forward. We sell moorage, electricity, launch permits and other misc. fees.....On the port side we have Marine passenger fees, tonnage fees, head taxes and vendor fees. We do not have complete access to all the port funds. We have a lot of expenses and we have to make these balance. We do not have control over marine passenger fees. We do get grants from time to time as well. We also have tideland lease income which goes toward the Harbors side.

Mr. Wilson asked where the property purchase would come from.

Mr. Kueffner said this would be purchased through the lands committee with marine passenger fees for the purchase of tidelands.

Mr. Bush said for open space acquisitions it would be better to acquire the whole thing if it is coming from marine passenger fees.

Ms. Marlow said we have three acquisitions we are working on right now out of those funds. We are pursuing acquisition of the spit property over by the under-bridge park and the sea walk piece coming off of Marine Park.

VIII. Staff and Member Reports.

Mr. Kueffner welcomed Mr. Uchytel to his first Finance Committee Meeting. He Asked him to take the testimony from George Danner to Phil Benner, Harbormaster.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting – September 27, 2011.

X. Adjournment.

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

**The meeting adjourned at 6:13p.m.**



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)

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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)



## Port of Juneau

**To:** Docks and Harbors Finance Committee  
**CC:**  
**From:** Carl Uchytel, Port Director  
**Date:** October 25<sup>th</sup>, 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 1<sup>st</sup>, 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 1<sup>st</sup> 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

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

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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](mailto: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:

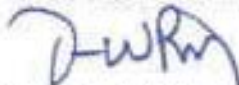
**Tram Lease - 10,000 SF**  
**\$300,000/year**

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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### 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 1, 2011

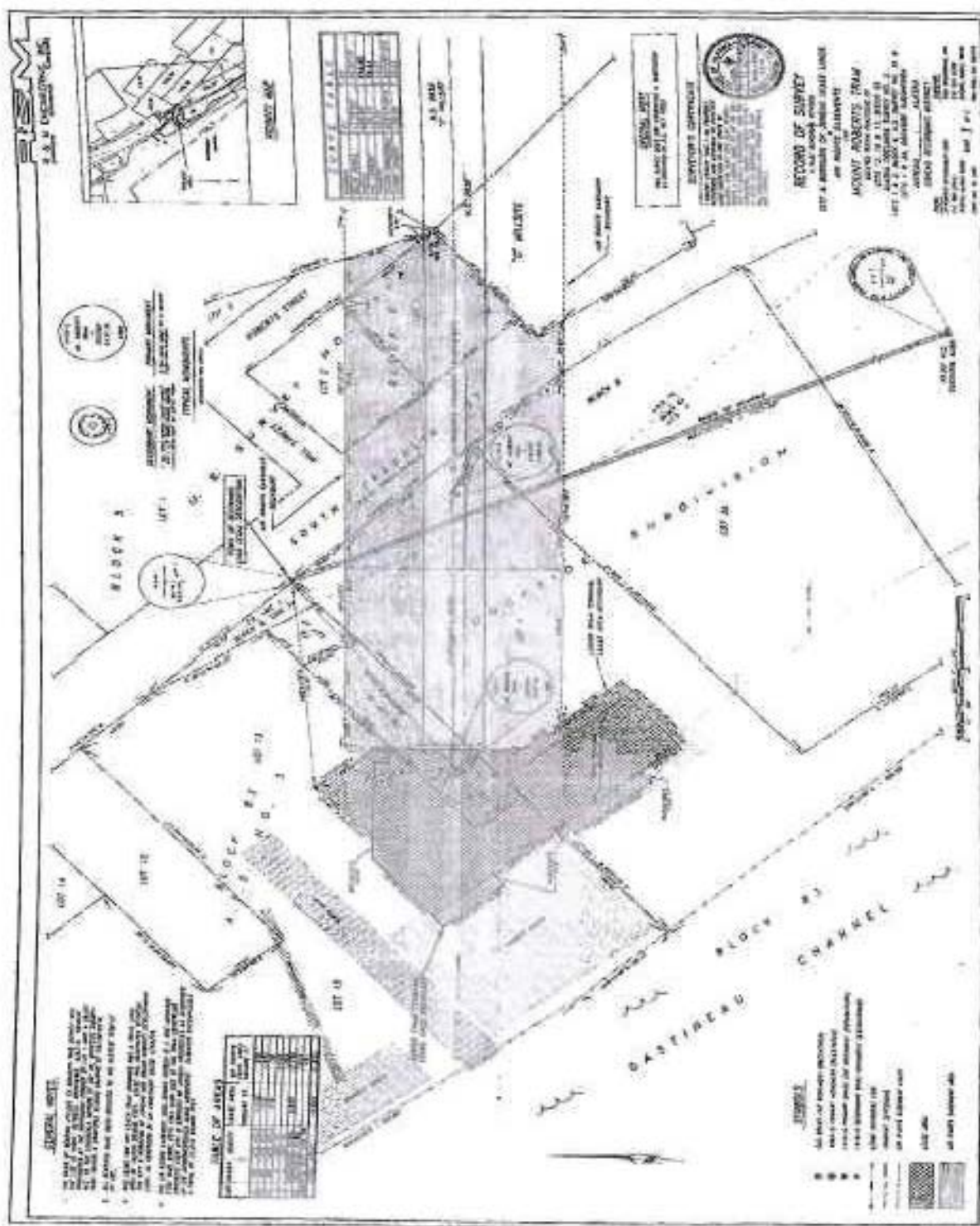
Effective Date

July 30, 2011

Inspection 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 rights<sup>1</sup> 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

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<sup>1</sup> 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.se.edu/pathfinder/coastal\\_development/reference/definitions.shtml](http://law.se.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.

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.<sup>2</sup> 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

<sup>2</sup> \$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.

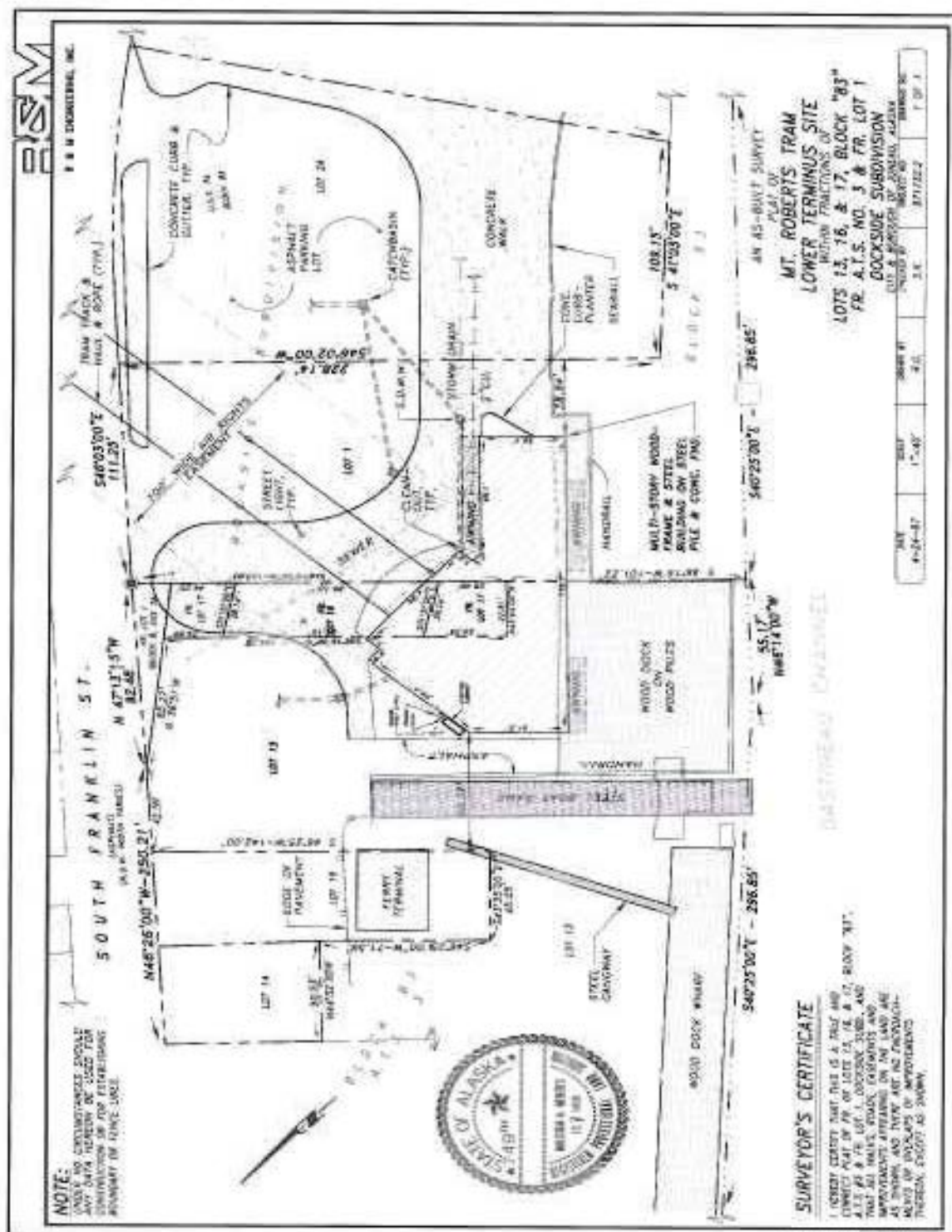
#### **State Lease Rates and Other Government Agencies**

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.



### **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 (54.5%) | with demo    | 11/08        | 94,654    | \$2,293,578                  | \$ 24.23 | \$183,486             | \$ 1.94         |
|                      |      |                                          | without demo |              |           | \$3,293,578                  | \$ 34.79 | \$263,486             | \$ 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 1 080806\_2471

**Comparable 1** is the sale of a large masonry structure on a 4,500 SF site nearly 2 blocks north of the subject, redeveloped into a gift shop with second floor storage. The building was given no value by the buyer due to condition and layout. This sale occurred in 2006 and, based on rental activity, is deemed superior in time by -1. The location, further from the retail center, is inferior by +1. Nearly half the site is steep and unused, with the building footprint of 2,500 SF adjacent South Franklin on the uphill side and is ranked inferior to the subject's 100% usable site characteristics by +2. Overall, this transaction indicates a inferior ranking of +1.



Comp 2 040804\_0714

**Comparable 2** is the allocated sale of a very large gift shop location under the tram's cables across the street. This sale occurred at the end of 2007 and, based on rental activity would be deemed similar to the subject in time. Similar in location across the street from the subject, its larger site size is inferior to the subject by +1. Over 40% of the site is steep and unused, with the building footprint of 9,175 SF adjacent South Franklin on the uphill side and is ranked inferior to the subject's 100% usable site characteristics by +2. Overall this parcel is inferior to the subject by +3. 040804\_0714



Comp 3

**Comparable 3** is the allocated value of the current asking price of a nearby building. As an asking price, it is superior in conditions of sale by -2, with the likely sales price to be less than the asking price, considering the extended exposure time. This observation was from 2009, with the building still for sale. 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 -3.



Comp 4 080806\_2528

**Comparable 4** is the allocated value of a nearby building site. This sale occurred in 2006 and, based on rental activity at the time, is deemed superior by -1. 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 -2.



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 -<br>490 S.<br>Franklin | Comp # 1 -<br>307 S.<br>Franklin |    | Comp # 2 -<br>489 S.<br>Franklin |    | Comp # 3 -<br>428 S.<br>Franklin |    | Comp # 4 -<br>439 S.<br>Franklin |    | Comp # 5 -<br>455 S.<br>Franklin |    |
| Rent/SF                                                        | Solve                           | \$26.67                          |    | \$17.38                          |    | \$66.33                          |    | \$34.48                          |    | \$30.38                          |    |
| Market<br>Conditions<br>(Time of Sale)                         | Appraisal<br>Date:<br>07/2011   | 01/06                            | -1 | 12/07                            | 0  | 06/09                            | 0  | 01/06                            | -1 | 01/04                            | 0  |
| Conditions                                                     | Market<br>Lease                 | Sale/<br>Similar                 | 0  | Sale/<br>Similar                 | 0  | Asking                           | -2 | Sale/<br>Similar                 | 0  | Sale/<br>Similar                 | 0  |
| Titled Interest                                                | Fee<br>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<br>Characteristics                                        | 100%<br>usable                  | 55%<br>usable                    | +2 | 60%<br>usable                    | +2 | Similar                          | 0  | Similar                          | 0  | Similar                          | 0  |
| Overall Net<br>Rating                                          | Subject =<br>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.

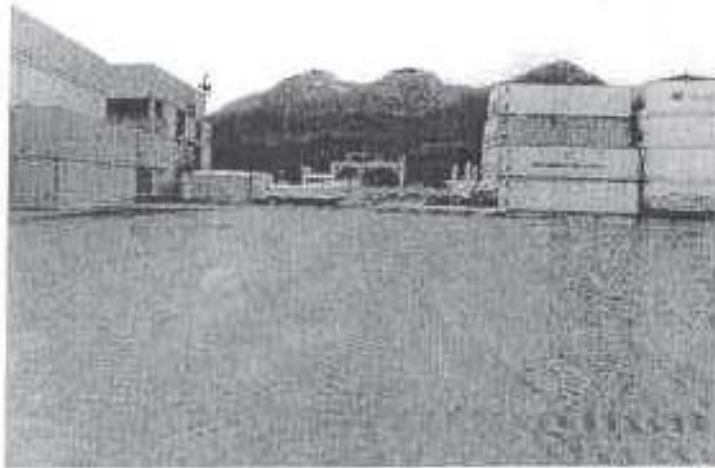
062311\_1828



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

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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\\_scoville@ci.juneau.ak.us](mailto:teena_scoville@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:

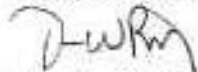
**ATS 1277, 1.83 Acres; 79,715 SF**  
**\$11,957.25/year**

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

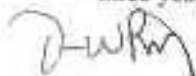
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### CERTIFICATION OF APPRAISAL

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



## **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 value<sup>1</sup>, 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.

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<sup>1</sup> 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 rights<sup>2</sup> 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.html](http://law.sc.edu/pathfinder/coastal_development/reference/definitions.html)

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<sup>2</sup> 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

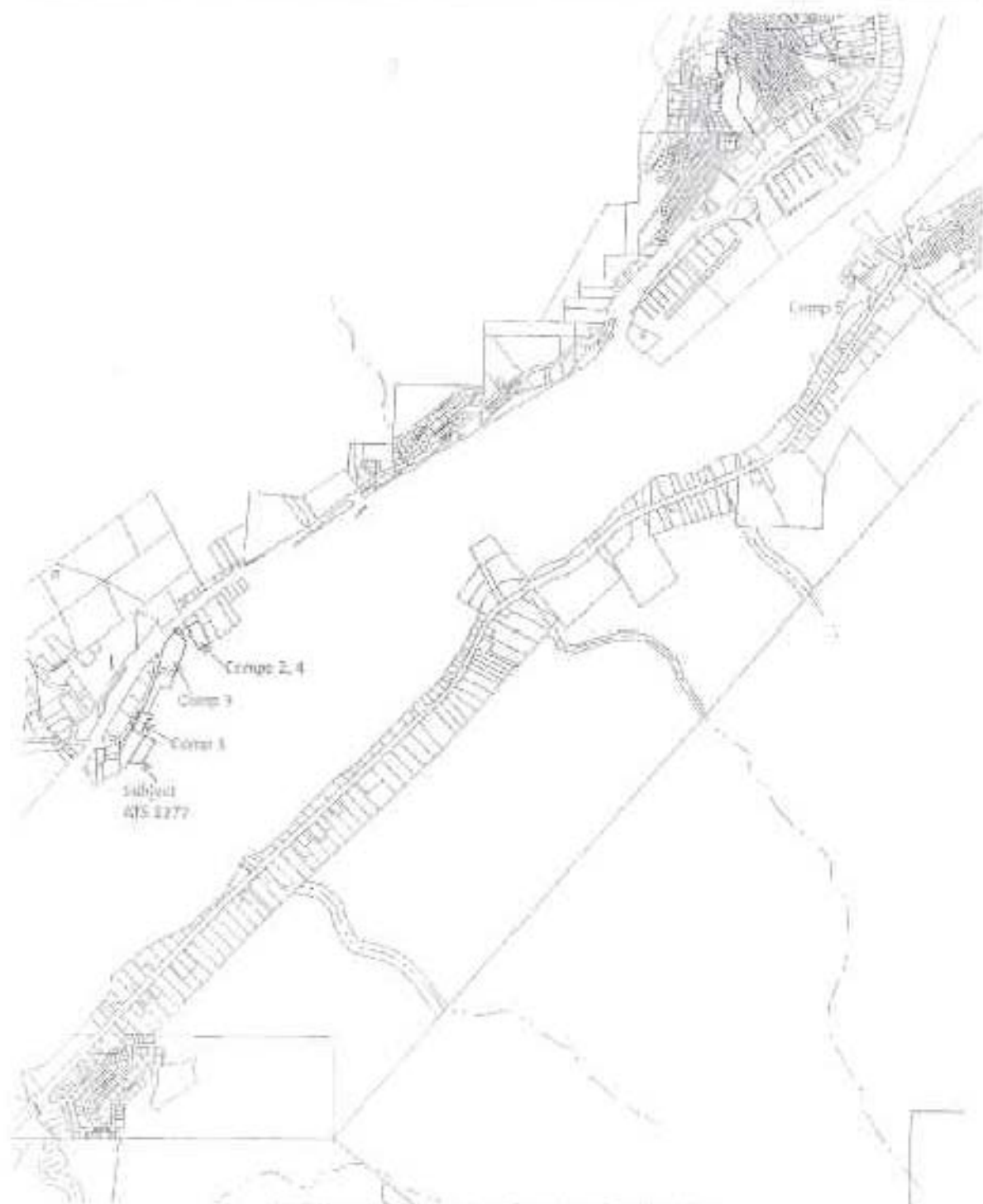
The subject property was owned by the State of Alaska for many years. A lease was issued April 27, 1984 with an expiry of April 26, 2014, and the administration of the lease was transferred to the City of Juneau on February 8, 2001, under the condition only to lease and not to sell or transfer this type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

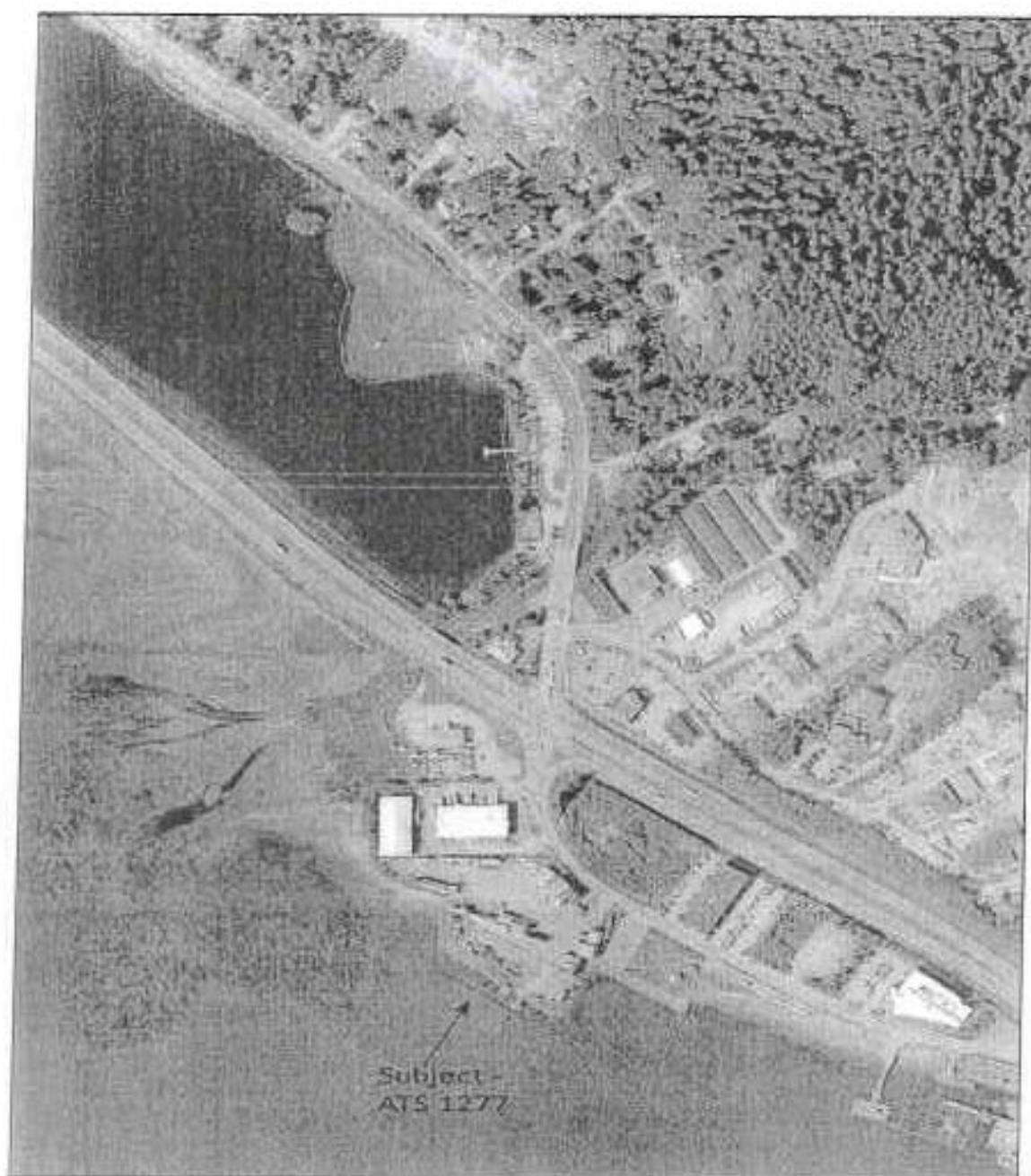
There is significant growth occurring in the mining industry with the successful permitting, development and recent opening of the Kensington Mine, north of Juneau, which is supplementing the employment at the existing Greens Creek Mine on Admiralty Island. Both of these mines use Juneau as a base of 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 Tidelands, 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<br>ATS 1412 + upland - extracted tidelands             | 04/00 | 10,000    | \$23,000                | \$ 1,840.00           | \$0.18         |
| 2 #1745                             | 2691 Channel Drive/Janeau Redi Mix Allocation<br>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<br>Lot 2, ATS 7; ADL 2193                                                  | 08/06 | 70,001    | Lease                   | \$10,500.15           | \$0.15         |
| 4 #4187                             | 2697 Channel Drive - DIPAC<br>Tr A & B, ATS 1356                                              | 08/10 | 212,573   | Lease                   | \$31,885.92           | \$0.15         |
| 5 #1744                             | 3560 North Douglas Highway<br>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:

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