

CBJ DOCKS & HARBORS BOARD
FINANCE MEETING REVISED AGENDA
For Tuesday, August 23, 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 June 28, 2011 Finance Committee Meeting Minutes.**

VI. Items for Action.

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

Committee Questions

Public Comments

Committee Discussion/Action

MOTION: TO BE DEVELOPED AT THE MEETING

VII. Items for Information/Discussion.

- 1. Archipeligo Property Update
Presentation by Heather Marlow.
- 2. Update on Funding Sources.

VIII. Staff & Member Reports.

IX. Committee Administrative Matters.

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

X. Adjournment.

CBJ DOCKS & HARBORS
FINANCE COMMITTEE MEETING MINUTES
For Tuesday, June 28, 2011

I. Call to Order.

Eric Kueffner called the Finance Committee Meeting to order at 5:04 p.m. in room 224 of the Assembly Building.

II. Roll Call.

The following members were present: Greg Busch, Tom Donek, Kevin Jardell, Wayne Wilson, Jim Preston and Eric Kueffner.

The following members were absent: Don Etheridge and Cheryl Jebe.

Also in attendance were the following: Phil Benner-Harbormaster and Ruth Danner-Assembly Liaison.

III. Approval of Agenda.

MOTION by Mr. Busch: TO ASK UNANIMOUS CONSENT TO APPROVE THE AGENDA AS PRESENTED.

The motion passed without objection.

IV. Public Participation on Non-Agenda Items.

There was none.

V. Approval of previous meeting minutes.

Hearing no objection, the minutes of the May 24, 2011 Finance Committee Meeting were approved as presented.

VI. Items for Action.

1. Statter Harbor Preferential Moorage Plan.

Mr. Benner gave a recap of a memo dated 5/26/2011 from John Stone. The memo sets out a plan for a lottery to assign moorage to current Deharts slip holders including a grace period for seasonal slip holders. The funding has not yet been approved so this project looks like it may be two years out.

Mr. Donek asked about hot berthing which is not mentioned in the memo.

Mr. Benner said we will be using the new moorage for hot berthing.

FINANCE COMMITTEE MEETING MINUTES

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VI. Items for Action. (Continued)

Mr. Preston asked if the Board needed a regulatory change to change the existing policies for Deharts to the current harbor regulations.

Mr. Benner said he would check with John Hartle, City Attorney.

Mr. Donek said we may need to remove the Deharts portion from the regulations.

Mr. Benner said the two slips on the main float will be kept out of the lottery initially. The previous objection to using the old loading zone portion for assigning small slips was more about confusion that it is a loading zone.

Mr. Wilson said there was a suggestion to use the current skiff area in Statter for the undersized vessels.

Mr. Preston said the loading area will be reduced by half when the new floats are put in. There should be a way to create some usable loading zone with extra floats available.

Mr. Donek asked about the fuel float. Could some of the old Deharts floats be used for commercial loading.

Mr. Benner said we are already in negotiations with Petro Marine for a new fuel float and that will probably be ready before the new floats.

Mr. Benner suggested closing Deharts this winter and opening it back up next summer and next fall sending out letters about the lottery with two months to respond so the patrons will have their new spaces before the new floats are finished.

Mr. Busch asked if we needed a new policy to change the seasonal slip holders to annual.

Public Testimony

Chris White-Deharts Patron

Mr. White was concerned about the handicap loading zone. How will we address the fee payment if the facility will be closed for the winter.

Mr. Donek said he assumed the new floats will be similar to what we have in Harris Harbor with breaks in the railing.

Mr. Benner said we will have some kind of handicap access.

VI. Items for Action. (Continued)

Mr. Kueffner said we certainly have room in Statter for Patrons keeping vessels in the water year round when we close Deharts.

Mr. Benner said unfortunately there are no meters in Statter Harbor and power can only be provided on a monthly basis.

Mr. Donek asked if this item needed action tonight.

Mr. Kueffner said he did not feel it needed action.

Mr. Benner said originally we thought we would be starting the new floats this fall, now it is two years out so we have more time.

Mr. Wilson said he understood there would be 7 extra slips after all the Deharts patrons are assigned. Can a commercial vessel that has a slip there load right at their slip?

Mr. Jardell asked how we would get this information out to the patrons.

Mr. Preston said we could send out the memo in a mailing and we could remove the unassigned stalls portions.

Mr. Donek said he would like the memo to include the fact that the regular harbor regulations will apply after the new slips have been assigned and also something addressing hot berthing. We should also include the fact that there will no longer be locked gates.

Mr. Kueffner suggested not publishing the current version of the memo and incorporating the suggested items into a new version of the memo.

2. Small Harbor Transient Moorage Reservation.

Mr. Benner said he would like to expand on the ability to take reservations for vessels in the regular harbors. Right now we can only take reservations at the IVF float and the Statter Breakwater. We charge more for the reserved moorage and the availability of reserved moorage could help entice boaters to come to Juneau.

Mr. Busch asked if we would be dedicating more moorage area in Statter Harbor for reserved moorage.

Mr. Benner said he was considering this specifically for the Down Town Harbors where the cruisers want to be.

Ms. Danner asked what would happen if we overbooked.

FINANCE COMMITTEE MEETING MINUTES

June 28, 2011

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VI. Items for Action. (Continued)

Mr. Benner said we rarely have to turn people away aside from exceptionally large vessels. He said this would be an expansion of our rate change. We would need to adopt a regulation and a rate. We could have this ready for the 2012 Season.

Mr. Kueffner asked Mr. Benner to prepare a regulation.

MOTION by Mr. Preston: TO APPROVE THE PROPOSED SMALL BOAT HARBOR TRANSIENT MOORAG RESERVATION PLAN AND FORWARD IT TO THE BOARD WITH A RECOMMENDATION FOR APPROVAL.

The Motion passed with no objection.

VII. Items for Information/Discussion.

1. FEMA flood Insurance Rate Maps.

Mr. Benner said maps are available on the CDD website. They show the new zones that FEMA has designated flood zones. Docks and Harbors have significant property that could be affected by increased insurance rates. Even though we are self insured, we would be looking at upwards of \$50,000 increase per year for our facilities insurance. Home owners could be looking at increased insurance rates as well. There appear to be some discrepancies on the maps. The CBJ has adopted these new maps.

Ms. Danner said the Assembly did not adopt these maps.

Mr. Benner said he recommended having PND take a look at the maps.

Mr. Busch said he is concerned that we are now commenting after the fact. It sounds like the period for input has come and gone.

Mr. Benner suggested having a hydrologist take a look at the maps and indicate some discrepancies. He thought we could have him do this for less then \$5,000.

Mr. Donek said FEMA does not want anecdotal information they want surveys and proof.

Mr. Preston moved that the board authorize PND to come up with a dispute.

Mr. Donek did second the motion. There were no objections.

Ms. Danner said she was shocked if this Item had been before the CBJ Assembly because she had not seen it and she attends every meeting. She said she would do a survey of the CDD records to see what has transpired.

FINANCE COMMITTEE MEETING MINUTES

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VIII. Staff & Member Reports.

Mr. Benner said he has been asked to speak at AML for the Alaska Harbormasters and Port Administrators. The State has asked him to attend a conference in Sitka from September 13 through September 15 at the States expense.

Mr. Kueffner said he will not be able to attend the Regular Board Meeting on June 30, 2011.

Mr. Preston said it had been a pleasure serving on the Finance Committee and this would be his last Finance Meeting.

IX. Committee Administrative Matters.

1. Next Finance Committee Meeting – July 26, 2011 in CBJ room: 224.

X. Adjournment.

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

The meeting adjourned at 6:02 p.m.

Port of Juneau

To: Finance Committee
CC: Doug Trucano
From: Carl Uchytel, Port Director
Date: August 19, 2011
Re: Tideland Parcel ADL1799, ATS 123, Lot 2

Mr. Trucano would like to lease tideland parcel ATS 123, Lot 2. This would generate more revenues for the harbors fund and to create more economic activity in the community.

If approved, he has agreed to the \$.05 x 45,433 square foot that Horan & Company suggested in their 2004 appraisal (appraisal attached). The parcel is immediately north of the Douglas Bridge on the Douglas side of the Channel (map attached).

Any lease would require Committee, Board, and Assembly approval, along with numerous state, federal, and other local approvals.

Call me at 586-0294 if you have questions.

Attachments

3 PROPERTY DESCRIPTION AND VALUATION- PART III**3.1 PARCEL 1**

<i>Common Name:</i>	Open storage south of Cowee Creek
<i>Address:</i>	3502 North Douglas Highway, Juneau, Alaska
Lease Summary	
<i>ADL No.:</i>	ADL 1799
<i>Legal Description:</i>	ATS 123, Lot 2
<i>Lessor:</i>	City and Borough of Juneau as successor to the State of Alaska
<i>Lessee:</i>	Nowell Avenue Development
<i>Original Lease Date:</i>	1963
<i>Ending Lease Date:</i>	Unknown
<i>Last Rent Adj. Date:</i>	January 16, 1979
<i>Last Rent Adj. Amount:</i>	\$350.76
<i>Reappraisal Anniversary:</i>	January 1, 2004
<i>Use:</i>	Truck Storage
<i>Property Rights Excluded:</i>	No mineral rights are conveyed by the lease
<i>Easements:</i>	There is a 20' power line easement crossing the property running east and west, and a wider extension of this easement in the southwest corner.
<i>Other Terms of Lease:</i>	Typical fully net lease indemnifying lessee
<i>Reversion of Improvements:</i>	Not specified but typically able to be retained by lessee or its successor if obligations of the lease are fulfilled.
<i>Building/Site Improvements</i>	
<i>Included:</i>	Any improvements to the site by lessee not valued in market rent estimate.

Property Description

A description of the property in its pre-lease state has not been found. The 1973 appraisal (Appraisal Number 1022) describes property under highest and best use stating "there are no uplands between the subject and the road, and that considerable fill will be needed to furnish physical access." Based on its value at that time and its relative value to other properties appraised together, it appears it would be unfilled tidal flat lands. Inspection of the property and survey map shows that the edge of the site is nearly 500' from actual mean low tide precluding effective use of the deep water access. Further, the site is encumbered by several easements limiting the utility of the site.

<i>Size and Shape:</i>	1.043 acres or 45,433 SF. Irregular in shape forming somewhat of a triangle with adjacent Lot 1 carving away highway frontage on the curve leaving the subject as an "L" shaped remnant. It extends about 335' from North Douglas Highway seaward, and over 200' seaward from the bridge approach at its northeast boundary.
<i>Topography:</i>	Level tidal lands.
<i>Access:</i>	Public paved roads.

Utilities: All those available within the City and Borough of Juneau
Functional Utility: Open storage, limited due to easements.
Zoning: WI - Waterfront Industrial

 Assessed Valuation - 2003:
 CBJ Assessor's ID No.: 1D060L010020
 Land Value: \$12,300
 Improvements: \$ 0
 Total: \$12,300
Three Year Sales History: The site sold with a small adjacent fee owned site for \$47,500 in 1993.

Valuation

Highest and Best Use: The site has limited utility. To develop it would require filling or dredging. It is difficult to obtain fill permits without a sound utilization of the site and protection of aquatic resources. Further, the site's utility is limited by its encumbrance with power line easements. Its elevation is significantly below road grade. The highest and best use is for open storage and future speculation consistent with its zoning.

Summary of Comparables:

TIDELAND RENT INDICATORS - PARCEL 1				
#	Transaction Description	Size (SF)	Land Use Description	Annual Rent/SF
S10	3150 Channel Dr ATS 1412	62,703	Poor deep water access	\$0.18
S11	Channel Dr Lot 1, ATS 7	51,401	Poor deep water access	\$0.13
S12	Douglas Hwy & Bridge	47,394	Some filled; mostly low utility	\$0.19
S13	North Side Cowee Creek Tract B, ATS 556	17,621	Sold as unfilled barge site	\$0.18
S14	5010 Nourth Douglas Hwy Waterside Park	127,195	Tide flats - low utility; with creek	\$0.04

These comparable rents bracket the subject in terms of utility, location, and developability of the site. All are superior to the subject's utility except for Comparable S14. This comparable was located further out North Douglas Highway having similarly limited utility. The next most comparable comparable is Comparable S11 on Channel Drive which has marginal deep-water access used as a barge landing site. These indicators suggest an annual rental rate of \$0.05/SF/year which indicates the following:

$$\begin{aligned}
 45,433 \text{ SF @ } \$0.05/\text{SF} &= \$2,271.65/\text{year} \\
 &= \$2,270/\text{year}
 \end{aligned}$$



R&M ENGINEERING, INC.

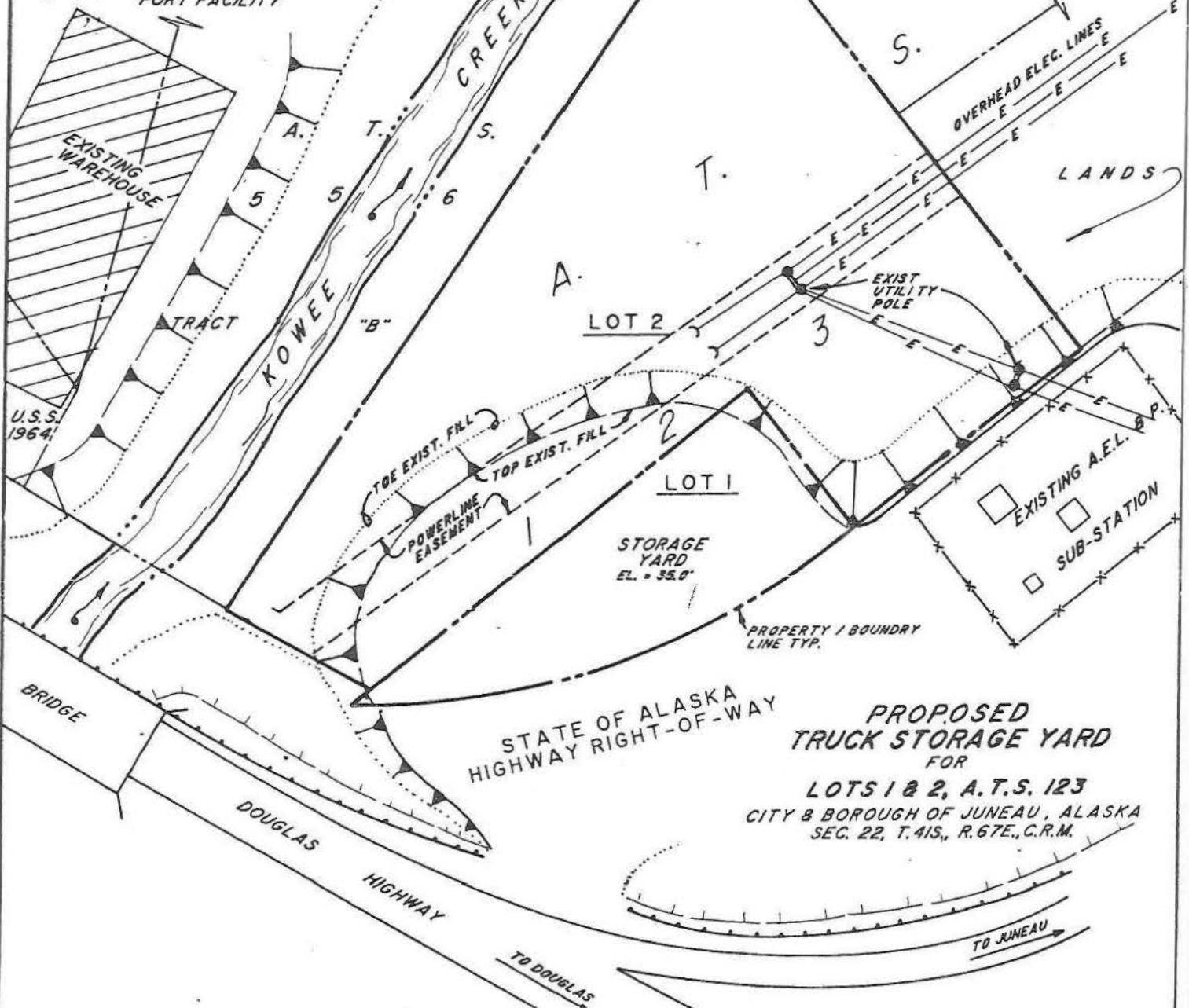
AMENDMENT TO LEASE ADL 01799
ATTACHMENT "A", Page 1 of 1



VICINITY MAP

SOURCE: USC & GS QUAD. JUNEAU, (B-2) AK.
SCALE: 1" = 1 MILE

A. T. S.
3 6 1 EXISTING BARGE
PORT FACILITY



PROPOSED
TRUCK STORAGE YARD
FOR

LOTS 1 & 2, A.T.S. 123
CITY & BOROUGH OF JUNEAU, ALASKA
SEC. 22, T.41S., R.67E., G.R.M.

DATE	SCALE	DRAWN BY	CHECKED BY	PROJECT NO.	DRAWING NO.
OCT., 1988	1" = 60'	M.L.P.	A.S.	881342	1 OF 1

Archipelago Acquisition Summary of Events and Valuation Activity

1. **5/7/08** -- Archipelago Property 2008 Tax Assessment Appeal

Summary: Referencing Wold's analysis of the property, the \$9,370,000 assessed value in 2007 "best reflects the current taxable value of the property." **The assessed value is \$127/sf.**

2. **9/17/10** – Letter from Archipelago along with Wold appraisal; request to CBJ for diagram of purchase area.

Comment: Wold appraised value is \$150/sf for fee simple and \$45/sf for the existing 25' pedestrian access easement, or \$1,312,200 for a 10,848 sf purchase area. The appraisal was performed using the State of Alaska, Department of Transportation Right-of-Way Manual, Chapter 4: Appraisal Procedures and Guidelines, dated March 1, 2004, as follows:

A. The purpose of the appraisal is to estimate the market value of the property owner's rights acquired as defined by the Uniform Standards of Professional Appraisal Practice, as follows: "The most probable price which a property should bring in a competitive open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and passing of title from seller to buyer under conditions whereby: (1) the buyer and seller are typically motivated; (2) both parties are well informed and well advised and acting in what they consider to be their best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in US Dollars or in terms or financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

B. The purpose of the appraisal is to estimate the market value of the property owner's rights acquired as defined by the Alaska Supreme Court, as follows: "The price in (terms of) money that the property could be sold for on an open market under fair conditions between an owner willing to sell and a purchaser willing to buy, with a reasonable time allowed to find a purchaser. State v. 7.026 Acres (1970). The opinion further reads, in part: 'The highest and most profitable use for which the property is adaptable is to be considered, to the extent that the prospect of demand for such use affects the market value while the property is privately held.' Fair market value is normally based on a parcel's fee simple value."

C. The function of the report is to provide a market value estimate for compensating the property owner for the acquisition of the property rights acquired according to the Alaska Constitution, Article 1, Section 18, Eminent Domain, that reads in part: "Private property shall not be taken or damaged for public use without just compensation."

3. **10/7/10** – As a standard business practice, CBJ performed an internal review of the Wold appraisal with the Assessor's office and determined a value of **\$1,799,275 for a 17,591.5 sf purchase area.**

Comment: The Assessor valued the purchase area using distinct values for upland, intertidal, and submerged portions of the purchase area. The value from the Wold appraisal was used for the easement area. The Assessor commented that the acquisition and subsequent construction project proposed by CBJ would increase property values for the remaining Archipelago Property. For taxation purposes, the increase in value to the adjacent properties would not be determined until the development project was complete.

4. **10/10** – As a standard business practice, CBJ contacted State of Alaska, DOT, for a review of the Wold appraisal, as the appraisal method comes from a DOT manual and is not commonly employed for CBJ acquisitions.

Comment: Bruce Bowler, MAI, ADOT provided that this was not an eminent domain taking/acquisition so there was no need to apply this appraisal method; he had concerns about the significant range of adjustment made to the comparables in the appraisal (good range = 35% to 40%; bad range = 300% to 550%); the quality of the analysis of the comparables; no reference or inclusion of the down cycle in the tourism industry and land values in general; and agreed that the CBJ development project would increase the value of the remaining Archipelago Property and that we should negotiate accordingly.

5. **10/14/10** – Letter to Archipelago with diagram of purchase area and initial points for the transaction

Comment: CBJ submitted a diagram for a 17,591.5 sf purchase area. Applying the Wold values above generates **a value of \$1,794,975 for the fee simple area and \$253,125 for the 25' public access easement area, totaling \$2,048,100 for a 17,591.5 sf purchase area.** The difference between the Assessor's value and the Wold value is 13%. The Assessor assumed the Wold value for the public access easement area in the valuation and did not attempt to revalue it.

CBJ states at the top of page 2 of the letter "The appraisal states an 'extraordinary assumption' that "public acquisition of portions of the property will be developed within one year of the property acquisition". At this time, CBJ does not have imminent plans to develop these areas. We do anticipate future improvements to these areas, but are not able to commit to a timeframe or ultimate design."

6. **12/15/10** – Discussion points covered during CBJ and Archipelago meeting, including timing and use of the property by CBJ.
7. **1/13/11** – Letter to Archipelago outlining intended handling of the Wold Appraisal and CBJ's offer to perform due diligence.
8. **2/7/11** – Horan Appraisal received; employs the Value of Acquisition of Remainder as Part of the Whole method

Page 2: “The attached report summarizes my consultation, which includes a brief review of the Assessor's information and the Wold report, and further describes the scope of my consultation and review, as well as a brief discussion of the analysis made to arrive at these observations. The summary of salient points, which may be helpful to illuminate the negotiations are as follows:

- It is apparently acknowledged that the Wold report may be the upper limit of value (price) to be paid for the acquisition, which indicates about \$2,048,000 as part of the larger parcel.
- Possible discount for allocating separate uplands and tidelands attributes, -13% (-\$266,240)
- Possible discount value of existing access easement valuation, -6% to 12% (-\$122,880 to -\$245,760; average of range -\$184,320))
- Possible discount acknowledging special benefits to the remainder, -62% or more (-\$1,269,760 or more).
- $\$2,048,000 - \$266,240 - \$184,320 - \$1,269,760 = \$327,680$ or less

The special benefits to the remainder are based on the hypothetical condition that the project is built as it is currently understood that it is done in a timely manor, say a year or so.”

9. **2/22/11** – Letter of Intent executed between the parties
10. **6/11** – CBJ determines funding source for near term construction of the improvements in the proposed purchase area, as well as other surrounding waterfront projects
11. **6/21/11** – Letter to Archipelago with a CBJ progress report on items from 2/22/11 Letter of Intent and purchase offer based on Horan Appraisal and identification of CBJ funding for near term construction improvements in the proposed purchase area.

Comment: Page 2 of the letter highlights Horan findings as well as an expansion of the special benefits analysis for the remaining Archipelago Property.

12. 7/11/11 – Letter from Archipelago refusing CBJ’s offer
13. 7/14/11 – Letter to Archipelago reducing purchase area to sidewalk area (approx 1421 sf) and offering to revisit the remaining area proposed for purchase at a later date.
14. 7/25/11 – Letter from Archipelago stating terms for sidewalk area purchase
15. 8/2/11 – Letter from Archipelago with additional support for the terms of the sidewalk purchase
16. 8/15/11 – Assembly Lands Committee passed a motion of support to the Assembly to acquire approx 1,421 sf along the South Franklin Street sidewalk at a price of \$300/sf (\$426,300) from the Marine Passenger Fee Open Space and Waterfront Acquisition Fund.
17. 8/18/11 – Draft Purchase Agreement for 1421 sf sidewalk acquisition sent to Archipelago Properties and CBJ Law Dept
18. 9/19/11 – Ordinance to authorize sidewalk acquisition scheduled for introduction to Assembly
19. 10/17/11 – Ordinance to authorize sidewalk acquisition scheduled for Assembly public hearing

Alaska Appraisal Associates, Inc.

4817 Lake Washington Blvd NE
Unit 6
Kirkland, WA 98033

www.alaska-appraisal.com

Phone (425) 242-0789
Fax (866) 416-1789
Email Kim@alaska-appraisal.com

May 7, 2008

Ken Miller
City/Borough of Juneau Assessor's Office
115 S Seward Street
Juneau, Alaska 99801

Re: Assessment appeal of Archipelago Properties, LLC
Assessor Parcel No. 1C070K830031

Dear Mr. Miller:

An assessment appeal was filed for the 2007 tax year on the property owned by Archipelago Properties, LLC and identified as Parcel No. 1C070K830031. The property is legally described as:

Lots 7A and 9A, Block 83, Juneau Tidelands Addition, Juneau Recording District, First Judicial District, State of Alaska.

The 2007 assessed valuation was originally set at \$16,512,000 and was subsequently reduced by Assessor Jim Canary to \$9,370,000. The 2008 assessed value was increased to \$22,096,200. I believe that the adjusted 2007 assessed valuation best reflects the current taxable value of the property.

The adjusted assessed valuation for 2007 occurred after Assessor Canary was presented with evidence of errors and misunderstandings with regard to the property. The first error was that the property is encumbered with a right of way measuring 25 feet by 223.22 feet, which reduced the usable site area to 68,073 square feet. The area of the uplands is 30,633 square feet, while the tidelands have an area of 37,440 square feet. The assessor estimated a gross market value of \$26,548,500 using a land value factor of \$390 per square foot.

May 7, 2008

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The entire site will require piling and the tideland area will require construction of a deck over the tidelands to serve as a foundation platform for future improvements. Mr. Canary consulted R & M Engineering, PND, the City engineer, and Trucano Construction to obtain estimates of piling and deck costs. The estimates Mr. Canary received ranged from \$165 to \$200 per square foot, with the most realistic estimate being \$200 per square foot. Please note that Mr. Canary only made an adjustment of \$175 per square foot, contrary to his own evidence.

The filled area of the site has a number of voids and large concrete foundation structures in place that require removal. A deduction of \$10,000 was made for removing the concrete and filling voids in the subsurface.

Due to the overall large size of the property, Mr. Canary was convinced in that in order to achieve his base value of \$390 per square foot, it would be necessary to subdivide the property. A subdivision analysis evolved in which Mr. Canary deducted 25 percent for profit and risk, 5 percent for planning and permits, and an additional 10 percent for marketing time and absorption. After making all of the necessary adjustments, the assessed value of the property was indicated to be \$9,367,087, which was rounded to \$9,370,000.

As you are aware, I closely follow real estate and business trends in the tourism districts in Southeast Alaska and Juneau, in particular. The market appears to be softening for retail rentals. Landlords are starting to fight for fewer tenants. Recently, I noted a landlord cut their rent by over 30 percent from the previous contract rent for a very desirable storefront with a 100 percent value location. Also noted is that the storefront at 207 S Franklin is vacant for the 2008 season. Several tenants subleased parts of their stores for the 2008 season to reduce occupancy costs. This is not an environment that a developer would see as favorable to develop the largest privately owned land parcel in the Juneau tourist district.

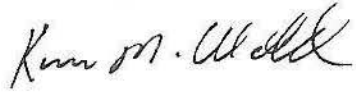
Attached are the assessment calculations that Mr. Canary used for the 2007 tax appeal. I would encourage you to accept the agreed assessed valuation of 2007 for the 2008 assessment. The fact that an appeal of the 2008 value has been necessary is an undue financial burden on the property owner.

May 7, 2008

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Should you have any questions, please feel free to contact me.

Respectfully submitted,
ALASKA APPRAISAL ASSOCIATES, INC.

A handwritten signature in black ink, appearing to read "Kim M. Wold". The signature is fluid and cursive, with the first name "Kim" and last name "Wold" being clearly legible, and the middle initial "M." in the middle.

Kim M. Wold
Licensed General Appraiser

jw

ARCHIPELAGO PROPERTIES LLC.

Parcel #

1C070K830031

Current 2007 Assessment

Land:

Lot Size

73,653.57

\$16,612,000

Parcel #

Location

Waterfront

Corners Retail

Lot Size

Remove ROW (25' x 223.22)

Usable Lot Area

Approx. Uplands

Approx. Tidelands

Overall Market Value (\$390/SF)

Estimated Cost to Deck Over Tideland area (\$175/SF)

Estimated Cost to remove and fill concrete areas

Entrepreneurial Profit & Risk (25%)

Planning & Permits (5%)

Marketing Time & Absorption (10%)

Current Full Market Value

1C070K830031

356 South Franklin Street

Yes

8 Corners

73,653.57

(6,580.50)

68,073.07

30,633.00

37,440.07

\$ 26,548,500.00

\$ (6,552,012.25)

\$ (10,000.00)

\$ (6,637,125.00)

\$ (1,327,425.00)

\$ (2,654,850.00)

\$ 9,367,087.75

Lot Size \$

100% 68073.07

60% 40843.94

40% 27229.23

100% 68073.07

Deck Over Cost was confirmed with

R&M Engineering - Told me to talk to Rorie Watt CDD- He's the expert in that area

Called PND, left message with Dick Summerville

Spoke with Rorie Watt - City Engineer

Spoke with Doug Trucano - Deck over number seems fine - Then called me back

Depends on how fancy you want the finished product

Estimated Cost for the Deck over is between \$165 to \$200/SF - Most realistic is \$200/SF

Jim Canary - 5/30/07

ARCHIPELAGO PROPERTY LLC
ONE SEALASKA PLAZA, SUITE 300
JUNEAU, AK 99801

TELEPHONE: 907-586-1400

FAX: 907-586-3065

September 17, 2010

Heather Marlow, Lands Manager
City & Borough of Juneau
Division of Lands & Resources
155 South Franklin Street
Juneau, AK 99801

Re: Archipelago Properties/Sidewalk and Right-of-Way Expansion

Dear Ms. Marlow:

The purpose of this letter is to confirm on behalf of Archipelago Properties LLC, that we have received the partial-taking appraisal from Alaska Appraisal Associates, Inc., dated September 3, 2010. Archipelago is prepared to proceed with negotiations with the CBJ using the appraisal results as a starting point.

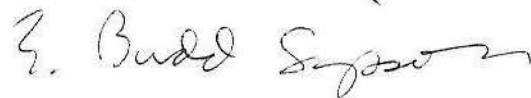
In order to facilitate the transaction between CBJ and Archipelago, we request that CBJ provide a specific statement of the amount of property it would propose to acquire for sidewalk and right-of-way expansion, plus a drawing of the proposed location of such acquisitions and listing of any other conditions or concerns on the part of the City.

From Archipelago's perspective, we will develop a listing of any other conditions or covenants we would propose as part of the transaction, such as continuing access for utilities or other similar easements or interests in favor of the remaining property that might be affected by CBJ's acquisition. I will provide a similar request to the Docks and Harbors Department in the context of their interest in acquiring additional property for their proposed dock project.

Heather Marlow
September 17, 2010
Page 2

I look forward to working with the CBJ to complete this transaction as quickly as possible.

Sincerely,
ARCHIPELAGO PROPERTIES LLC.

A handwritten signature in black ink, appearing to read "E. Budd Simpson". The signature is fluid and cursive, with a long horizontal stroke at the end.

E. Budd Simpson, Manager



CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

LANDS AND RESOURCES

Telephone: (907) 586-5252; Fax: (907) 586-5385

Heather.Marlow@ci.juneau.ak.us

October 14, 2010

E. Budd Simpson, Manager
Archipelago Property LLC
One Sealaska Plaza, Suite 300
Juneau, AK 99801

RE: Archipelago Property Acquisition

Dear Mr. Simpson,

Thank you for your September 17, 2010, letter initializing negotiations with the City and Borough of Juneau for acquisition of portions of the subject property. After discussing this opportunity with the City Manager and the Docks and Harbors Department, it is our intent to consolidate our statements of interest for acquisition as presented below.

- | | |
|--------------------------------|----------------|
| • 5' sidewalk expansion | 1421.5 sf |
| • Plaza areas | 4920 sf |
| • 25' promenade expansion | 5625 sf |
| • 25' existing access easement | <u>5625 sf</u> |

Approx. Total	17,591.5 sf
---------------	-------------

As requested, an initial drawing of the proposed acquisition areas is attached. We are receptive to discussing alternate locations and dimensions to achieve our purposes.

After reviewing the appraisal and discussing the proposed subdivision with other CBJ departments, we note the following conditions and comments:

- Due to the hazard area designation on the property, the proposed subdivision (defined as development in Title 49) will require Planning Commission approval. The property owner will perform the required hazard analysis and obtain Planning Commission approval prior to closing.

- The appraisal states an 'extraordinary assumption' that "public acquisition of portions of the property will be developed within one year of the property acquisition". At this time, CBJ does not have imminent plans to develop these areas. We do anticipate future improvements to these areas, but are not able to commit to a timeframe or ultimate design.
- Our intent for the plaza area is to install a significant public attraction to enhance the Seawalk experience. The attraction will likely be an interpretive experience, a piece of art, or a similar accessible public feature. As future private development is likely to face or front the plaza area, we request a covenant, or other similar control, to restrict openings, signage and lighting that would adjoin/face this portion of the property. We also request a neutral color palette for paint and siding.
- CBJ will participate in the cost of the subdivision activity.
- We are required to obtain an appropriation of funds from the Assembly for the acquisition, through the ordinance process.

Again, thank you for the opportunity to work with Archipelago Property LLC on this transaction. We look forward to achieving the potential that these acquisitions present to the community and the visiting public.

Sincerely,



Heather Marlow
Lands and Resources Manager

Attachment

cc: John Stone, Port Director

Archipelago Acquisition - Discussion Points (12/15/10)

Development Plan for Archipelago Property

- Goals
- Timeframe
- Design at full build out
- Parking

Waterfront Development

- CBJ Goals – Seawalk, diversity of features, year round activity, help S. Franklin
- Timing
- Can we achieve more with alternate design?

Use of CBJ Purchase Area

- Fee Simple = ability to sell on open market; right to pursue further subdivision; pursue structural development similar to other S. Franklin properties; ability to restrict/prohibit access
- ROW = installation of utilities; access for pedestrians and service providers; Archipelago property has the right to pursue further subdivision; extinguishes fee simple rights identified above
- CBJ will incur improvement costs that benefit the market appeal and development opportunities of the Archipelago project

Hazard Analysis

- Purpose and intent: development in landslide areas shall minimize the risk of loss of life or property
- CBJ cooperation and assistance

Environmental Analysis

Phase 1 with contingency for Phase 2. Phase 1 completed no later than mid-~~February~~ ^{March}.

Steps in the Process

CBJ due diligence (environmental, title report, inspection, etc.)

Development covenants

Hazard analysis

Planning Commission – Conditional Use Permit

Subdivision Plat – Planning Commission will likely want to see preliminary layout

Harbor Board/Assembly approval and appropriation for purchase

Closing

Earnest Money/Closing Date

Several of the steps in the process are outside of CBJ control. Identifying a closing date tied to earnest money seems premature. Consider threshold dates that will demonstrate significant progress for both parties.

CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

LANDS AND RESOURCES

Telephone: (907) 586-5252; Fax: (907) 586-5385
Heather_Marlow@ci.juneau.ak.us

January 13, 2011

E. Budd Simpson, Manager
Archipelago Property LLC
One Sealaska Plaza, Suite 300
Juneau, AK 99801

RE: Archipelago Property Acquisition

Dear Mr. Simpson,

The discussion below responds to your November 23, 2010 letter and follows up on our December 15, 2010 meeting.

CBJ continues to be interested in acquiring approximately 17,591.5 square feet of Lot 7A and Lot 9A, Block 83, Tidelands Addition to the City of Juneau for right of way and seawalk improvements. The final square footage to be acquired, and the exact location of the purchase area, is to be identified by a future plat that is agreeable to both parties.

After our meeting, I contacted Bruce Bowler, ADOT Right-of-Way Agent, to ask if there is a standard discount rate to apply to a ROW designation, when referencing a fee simple value. Unfortunately, applying a standard discount rate is not common practice, and such rates have not been developed. Each acquisition is considered to be a unique set of circumstances.

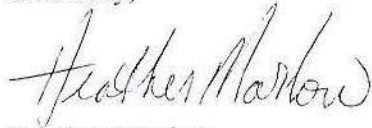
To assist purchase price negotiations, CBJ has contracted with Horan & Co, LLC to review the Wold appraisal and the CBJ Assessor appraisal. This will better inform our evaluation of the purchase area. I anticipate receiving this evaluation within a month. The review will also provide comment on the appropriate appraisal method for the circumstances particular to this land sale.

In the meantime, CBJ offers to perform standard due diligence for the purchase area, including a phase 1 environmental review. A phase 2 environmental review will be performed only if the results of the phase 1 review support additional review and investigation. During this period, we are interested in reviewing a preliminary title report and working with you to draft covenants pertaining to future development of the adjacent parcels. I understood from our meeting that

Archipelago Properties, LLC will seek conditional use permit hazard approval from the Planning Commission for the proposed subdivision and will be of assistance, if needed.

Based on previous experience, I expect that the activities above will take 3-5 months to complete. I understand Archipelago Properties, LLC interest in signing a letter of intent for our acquisition. I am comfortable with simply stating our commitment to complete the due diligence and appraisal activities above by a date certain, such as March 31, 2011. If a letter of intent is preferable to you, we are agreeable to signing off on the conditions as outlined above.

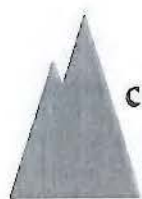
Sincerely,

A handwritten signature in cursive script, appearing to read "Heather Marlow".

Heather Marlow

Lands and Resources Manager

cc: John Stone, Port Director
Rod Swope, City Manager
Jane Sebens, Assistant City Attorney



CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

RECEIVED

FEB 24 2011

**Simpson, Blum
& Sorenson**

February 22, 2011

Budd Simpson
General Manager
Archipelago Properties, LLC
One Sealaska Plaza
Juneau, AK 99801

Re: Archipelago Properties Acquisition Letter of Intent

Dear Mr. Simpson:

This letter will constitute a "Letter of Intent" to confirm the mutual intentions of the City and Borough of Juneau (CBJ) as buyer, and Archipelago Properties, LLC as seller (Seller) with respect to the purchase and sale of certain waterfront real property as further described below. This Letter of Intent sets forth the current understanding of the fundamentals of the proposed transaction but remains contingent upon completion of due diligence and execution of a definitive agreement between the parties.

1. **Description of Property.** Portions of lots 7A and 9A, Block 83, Tidelands Addition to the City of Juneau consisting of approximately 17,591.5 square feet, generally as shown on the sketch plat 87-10, attached hereto as Exhibit A. The exact location and configuration of the acquired property shall be subject to final negotiation and will be set forth in the definitive agreement. The purchased properties will include the following:

- | | |
|---|-----------|
| • 5' Franklin Street sidewalk expansion | 1421.5 sf |
| • Plaza areas | 4920.0 sf |
| • 25' promenade expansion | 5625.0 sf |
| • 25' existing access easement | 5625.0 sf |

Approximate Total Area: 17,591.5 sf

2. **Due Diligence.** As soon as practicable after execution of this Letter of Intent, CBJ, its agents, advisors and employees shall be permitted to make a full and complete due diligence review of the subject property. Seller shall cooperate fully with such review including providing access to the premises and making available all of its documents necessary for due diligence review.

3. **Other Conditions to Closing.** CBJ's obligation to close the purchase is contingent on the following occurring on or before June 30, 2011 (the closing date):

- A. Satisfactory completion of due diligence of the type and extent required in the transaction of this sort, including without limitation (i) a comprehensive inspection and review of the physical condition of the property; (ii) such environmental analysis as CBJ deems necessary; (iii) a review of the state of legal title to the property and CBJ's determination that following closing it will have satisfactory title; (iv) a review of all plans, drawings, specifications and surveys pertaining to the property.
- B. Negotiation and execution of a definitive agreement satisfactory to CBJ and to Seller that includes, without limitation, customary representations, warranties, procedures and indemnities, and that otherwise reflects the provisions of this Letter of Intent.
- C. Approvals and consents as required by law or by contract in order for either party to effect the transaction.
- D. CBJ Planning Commission approval as required and subject to performance of the required hazard analysis, said analysis and approval to be secured by Seller with the cooperation of CBJ.
- E. An appropriation of funds from the CBJ assembly for the acquisition, through the Ordinance process.
- F. Negotiation of mutually acceptable covenants regarding design restrictions relating to signage, openings, lighting and color schemes in future "Plaza" area; and relating to timing of CBJ development plans so as to coordinate reasonably with other future development of the site.

4. **Closing Date.** Closing shall occur by June 30, 2011; provided, however, that due to the time required to complete the contingencies list above, if substantial progress has been made by the parties toward completion of said contingencies then the time for closing shall be extended as necessary for the completion of such contingencies, which shall be pursued with diligence by the parties.

5. **Closing Costs.** The parties agree that the closing costs in this transaction shall be divided as follows: CBJ shall be responsible for all costs of inspection and any further review/recommendations regarding environmental assessments. Seller shall pay for an initial title report, but CBJ shall pay for title insurance if it requires same. All other closing costs will be split evenly between CBJ and Seller. Any real estate commission earned or claimed as a result of this transaction shall be borne by the Seller, which shall hold CBJ harmless there from. Each party shall be responsible for its own legal, accounting and other fees and expenses relating to the proposed transaction. Each party shall indemnify and hold harmless the other party from any claim for such expenses, except as expressly allocated herein.

6. **Termination of Letter of Intent.** In the event the parties fail to enter into a definitive agreement with respect to the proposed transaction contemplated by this Letter of Intent on or before the closing date stated in Section 3, above; or if any of the contingencies listed in Section 3 above are not completed or waived, the understandings contained in this Letter

Budd Simpson
February 22, 2011
Page 3

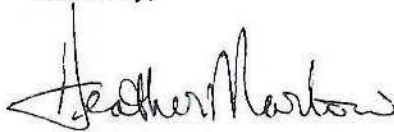
of Intent shall terminate and be of no further force or effect unless extended by mutual, written agreement of the parties.

4. **Governing Law.** This Letter of Intent shall be governed by and construed in accordance with the laws of the State of Alaska, subject to the relevant Codes and Ordinances of the City and Borough of Juneau, Alaska.

5. **Binding Effect.** Subject to the requirement that the parties hereto proceed in good faith, it is understood that this Letter of Intent does not constitute a final and legally binding commitment unless and until the conditions and contingencies herein have been satisfactorily completed.

Please indicate acceptance and approval of the foregoing statement of our mutual intentions by execution on behalf of Archipelago Properties, LCC by an authorized officer thereof. This Letter of Intent and the offer contained herein shall be null and void if not accepted by delivery of an executed copy hereof to Seller no later than 5:00 p.m. on _____ 2011.

Sincerely,



Heather Marlow
Lands and Resources Manager

Accepted and approved as of February 28, 2011.

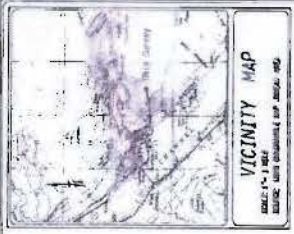
Archipelago Properties, LLC

By: B. Budd Simpson

Its: General Manager

cc: John Stone, Port Director
Rod Swope, City Manager

Enclosure: Exhibit A



STATEMENT OF APPROVAL OF SHORT PLAT

I hereby certify that this subdivision plat was prepared in accordance with the provisions of the Short Plat Act, Chapter 17, Title 59, Alaska Statutes, and that the same has been approved by the City and Borough of Anchorage, Alaska, and that the same has been approved by the office of the District Recording Office, Anchorage, Alaska.

Date: 4/15/87

Kenneth B. Borchers
Director
City and Borough of Anchorage
Department of Community Development

STATE:

Paul G. Kelly
City and Borough of Anchorage



- (LEGEND)
- 1. Final 10' easement as noted
 - 2. Final 10' as noted
 - 3. 10' easement as noted
 - 4. 10' easement as noted
 - 5. 10' easement as noted
 - 6. 10' easement as noted
 - 7. 10' easement as noted
 - 8. 10' easement as noted
 - 9. 10' easement as noted
 - 10. 10' easement as noted

- NOTES:
1. Subject to all easements and restrictions of record.
 2. All dimensions are measured in U.S. Feet.
 3. All dimensions are measured in U.S. Feet.
 4. The boundaries for the corners in Block 83 are corners of record from original subdivision of Alaska Highway Survey No. 2, by the Alaska Highway Survey, dated 1964, and are shown on the map.
 5. The boundaries for the corners in Block 83 are corners of record from original subdivision of Alaska Highway Survey No. 2, by the Alaska Highway Survey, dated 1964, and are shown on the map.

NOTES OF RECORD

The basis of bearing for this plat is the bearing of S 42° 30' E, 100.00 feet, from the corner of Block 83 to the corner of Block 83, as shown on the map.

NOTES OF RECORDING AND REGISTRATION

This plat is being recorded in the name of the City and Borough of Anchorage, Alaska, and is subject to all easements and restrictions of record. The plat is being recorded in the name of the City and Borough of Anchorage, Alaska, and is subject to all easements and restrictions of record.

Lot 9A, Lot 9B, and Lot 7A, Block 83
a subdivision of Lot 7 and Lot 9, Block 83
Tender-Nordling & Associates, Inc.
Owner: Tender-Nordling & Associates, Inc., Anchorage, Alaska



NOTES OF RECORDING AND REGISTRATION
I hereby certify that this plat was prepared in accordance with the provisions of the Short Plat Act, Chapter 17, Title 59, Alaska Statutes, and that the same has been approved by the City and Borough of Anchorage, Alaska, and that the same has been approved by the office of the District Recording Office, Anchorage, Alaska.

Tender-Nordling & Associates, Inc.
1000 North 1st Street, Suite 100
Anchorage, Alaska 99501
Phone: 261-1100
Fax: 261-1101

LANDS AND RESOURCES

Telephone: (907) 586-5252; Fax: (907) 586-5385

Heather_Marlow@ci.juneau.ak.us

June 21, 2011

Mr. E. Budd Simpson, Manager
Archipelago Property LLC
One Sealaska Plaza, Suite 300
Juneau, AK 99801

Dear Mr. Simpson,

The points below address the outstanding items from our February 2011 Letter of Intent.

Title - We have reviewed the preliminary title report and find it to be satisfactory. I expect that several items will be removed prior to issuance of the policy, including reference to the access easements. I have understood that Archipelago may be interested in locating the CBJ purchase area so as to equally divide the property. If so, there may be some delay in the removal of the pier structure from the current location. This circumstance can be discussed further, but we expect that it would be removed during our proposed construction project in 2012/2013.

Hazard Analysis - I contacted the CBJ Community Development Department and they have yet to receive the hazard analysis. I suspect that the proposed development (subdivision) will be approved by the Planning Commission when they receive the document. I am agreeable to incorporating their approval as a condition of sale in a purchase agreement.

Covenant - After reviewing the proposed covenant and discussing it with Docks and Harbors staff, we are agreeable to proceeding without a covenant. The plaza area will be purchased as fee simple property. CBJ will retain the right to construct improvements on this parcel that may function as separation or screening from the adjoining fee simple properties and better define the plaza area.

Purchase Price - With the issues above better addressed we are open to determining a purchase price and finalizing a purchase agreement. To expedite our negotiations, I am available to meet during the next 2-3 weeks.

After receiving the Wold appraisal I asked for feedback from an ADOT Right-of-Way Agent, the CBJ Assessor and Charles Horan. Attached is the Horan analysis of the Wold appraisal to support the following points. In brief, the feedback unanimously supported the following:

- the comparables used in the Wold appraisal are inadequate for the purpose
- the market does not support the same value for upland, intertidal and submerged land in this area
- the easement is overvalued
- CBJ will incur development costs that benefit the market appeal and development opportunities of the Archipelago properties, or 'special benefits', that are not incorporated in the Wold appraisal.

After reviewing the Horan analysis of the 'special benefits' to Archipelago I developed a more specific list of benefits provided by our offer to dedicate, develop and maintain a right-of-way (ROW) and public plaza in the purchase area.

- Currently Archipelago owns 309' of ROW frontage. After the land sale Archipelago will own 585' of ROW frontage, an 89% increase.
- The new ROW will allow for further subdivision of the Archipelago property as well as improved parcel design (more parcels, smaller parcels), and the creation of more corners.
- The new ROW will benefit Archipelago property by providing a dedicated and publicly maintained location for service deliveries, utility lines, superior sidewalk/pedestrian circulation, and a plaza, or point of interest on the Seawalk.
- The new ROW will benefit the construction of future buildings on Archipelago property as it will reduce or eliminate property line setback requirements for openings and exterior access points, as well as the fire rating standard for exterior walls.

I realize that the Horan analysis, and resulting valuation for the purchase area, may come as a surprise. The property is obviously unique and desirable to CBJ. We are also very appreciative to be working with a willing seller that is pursuing the level of investment and improvement that has been discussed. We anticipate that CBJ would complete our ROW/Seawalk connection project in 2012, or early 2013, and compliment the adjacent Archipelago development.

With this in mind we offer \$500,000 for the purchase area, which intends to simultaneously acknowledge the public value of this opportunity, CBJ construction costs (approximately \$3 million), and enhanced marketability and development opportunities for the adjacent Archipelago parcels.

Sincerely,

Heather Marlow
Lands and Resources Manager

Archipelago Properties, LLC

One Sealaska Plaza, Suite 300
Juneau, AK 99801

July 11, 2011

Heather Marlow
City and Borough of Juneau
Lands and Resources Manager
155 South Seward
Juneau, AK 99801-1397

Re: Archipelago Property

Dear Ms. Marlow:

This acknowledges receipt of your letter and offer dated June 21, 2011, and its enclosure of an Appraisal Consultation and Review prepared by Charles E. Horan, MAI. As previously indicated to you in my email memorandum of June 22, the owners have rejected the CBJ's offer of \$500,000 for the purchase of property appraised at \$2,048,100.

While we understand that the City's offer is a negotiating tactic, the figure represents such a departure from the appraised value (and even the CBJ assessed value of \$9,575,000 for the whole parcel) as to cause concern about whether CBJ is really interested in the acquisition. As you know, the Archipelago owners initially approached CBJ to offer the opportunity to acquire a portion of the last remaining undeveloped property in the area for public purposes. We have negotiated with CBJ in good faith for nearly two years now with this in mind. Had it been apparent earlier that CBJ was going to lowball the offer, we could have saved a lot of time and expenses, and been further along with our marketing efforts to third parties. The large time gap between your receipt of the Horan report and sharing it with us, along with your offer, has created both real and costly loss of time for Archipelago. You had previously suggested that the Horan report's conclusions on value related more to "timing" issues than a radical departure from the values found in the Wold report.

In spite of these concerns, we remain willing to negotiate a reasonable purchase price with CBJ, provided that mutual agreement is reached within thirty (30) days of the date of this letter. Our sale price for the property remains at \$2,048,100. We are not persuaded by any of the issues suggested in the Horan consultation report, such points being either irrelevant to the consideration of value, or previously considered in the mutually-agreed Wold appraisal. Specifically, we note the following:

1. The Horan report suggests a value equivalent to \$28.43 per square foot. This is a fraction of the 2011 assessed value of the Archipelago land (\$130 per SF) and the adjacent Pacific Pier (\$330) land parcels. No other property in the Juneau Central Business District is

assessed this low; property in the area typically goes for at least 10 times that value; and no other comparable sales were provided to support a different value, as suggested in the Horan report. We have never seen a Horan appraisal in this area for that low value.

2. The Horan report suggests the Archipelago property will enjoy an 89% increase in frontage because of the CBJ right-of-way acquisition. This is patently wrong, since there is an existing public easement through the property which the CBJ acquisition would widen, but not lengthen. The same frontage is available on the right-of-way, but on South Franklin Street and along the dock and seawalk, the actual frontage is reduced by a total of 50' after a CBJ acquisition.
3. The CBJ Assessor has previously indicated that the Wold appraisal was low, and could adversely affect property assessments in the area for tax purposes. The timing of the offer was after tax appeal period had lapsed. Other property owners could have used the Marlow offer to appeal their assessments in addition to Archipelago.
4. All of the Horan review comments are directed toward achieving a lower purchase price (the reason we assume he was engaged), and appear to be less than objective. The Wold appraisal was prepared by a mutually agreed appraiser who was tasked with providing an objective analysis. The price suggested by Wold for the CBJ offer is less than that for which we intend to sell to third parties.
5. The Horan review suggests that uplands and tidelands have different values, but fails to acknowledge that there are exceptions in the prime tourist districts in Juneau and Ketchikan, and that the cost of foundation development of the uplands and tidelands is similar. Any difference is mere speculation, and not supported by any objective figures. Additionally, this is the only property in the area where the tidelands are owned in fee simple, not by the City.
6. The Wold appraisal already attributes a much lower value to the residual interest in the existing easement. Under present conditions, the owners retain fee title to the property underlying the easement, including without limitation the right to move it to any other location on the property. The Wold appraisal takes those facts into account.
7. Reference in the Horan report to future development of the Taku Smokeries or Merchants' Wharf properties is misleading. Both are far inferior locations lacking the development potential of the Archipelago property. No participant in the market would have the opinion that some future speculative development of either of those properties would have a present-day effect on the value of the Archipelago property.
8. Horan's special benefits opinion is at best speculative and unquantifiable from a valuation perspective.

Heather Marlow
July 11, 2011
Page 3

In short, we find that the criticisms contained in the Horan report are not supported by objective factual information and are therefore not convincing with respect to our efforts to realistically evaluate the subject property. At \$28 per square foot, as your offer suggests, I believe you will find other property owners in the area are interested in having their tax assessments reviewed; and that you will find no owner willing to sell for less than about ten times that amount. We will not sell the property at that price; we remain willing to offer the CBJ the approximately 17,585 square feet that has been discussed from the outset for the amount of \$2,048,100, its fair market appraised value. Given how long the process has taken, and the fact that Archipelago is near losing another sale season for marketing the property, we need to have confidence that the purchase will be presented to the Assembly with staff support and that a transaction can be consummated soon.

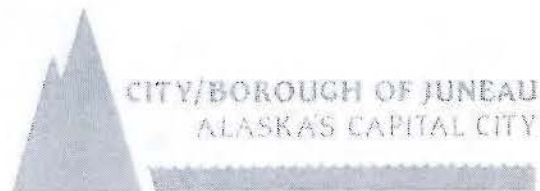
This will be the final opportunity for the City to acquire an interest in this parcel prior to the owners proceeding with their intended marketing to third parties, without regard to the City's interest in any portion of the property with the exception of the existing easement.

Sincerely,
ARCHIPELAGO PROPERTIES, LLC



E. Budd Simpson
General Manager

Cc: Mayor Botelho
City Manager Swope



LANDS AND RESOURCES

Telephone: (907) 586-5252; Fax: (907) 586-5382

Heather_Marlow@ci.juneau.ak.us

July 14, 2011

E. Budd Simpson, Manager
Archipelago Property LLC
One Seaiaska Plaza, Suite 300
Juneau, AK 99801

RE: Archipelago Property Acquisition

Dear Mr. Simpson,

I received your July 11, 2011 letter regarding the Archipelago property acquisition by CBJ. We are disappointed that the benefits of the proposed right-of-way acquisition and subsequent CBJ project development were not recognized by Archipelago. CBJ has secured \$3 million in project funding for near term development of the right-of-way and plaza concept. Adding \$2 million for acquisition costs makes the project too expensive given the size and purpose. It appears that we are too far apart to reach an agreement on acquiring 17,585 square feet.

To date, the focus of our acquisition efforts has considered what would be desirable for CBJ and waterfront development, but otherwise not critical to our operations. We are interested in pursuing acquisition of the current South Franklin sidewalk easement (approximately 1,421 sf) within the 30 day timeframe stated in your letter. We continue to be interested in acquiring additional square footage to fulfill the right-of-way and waterfront development concept that we have shared with Archipelago and hope that the mutual benefit of this concept might be revisited at a later date.

I encourage Archipelago to discuss subdivision and development requirements for the property with the Community Development Department. I anticipate that you will find that subdivision of the current parcel will be allowed along the South Franklin frontage but not the public easement. Also, the public easement would not fulfill ingress and egress requirements for adjacent buildings.

Thank you in advance for considering our revised offer. I am available to meet if there is interest in doing so.

Sincerely,

Heather Marlow
Lands and Resources Manager

Archipelago Properties, LLC

One Sealaska Plaza, Suite 300
Juneau, AK 99801

July 25, 2011

Heather Marlow
City and Borough of Juneau
Lands and Resources Manager
155 South Seward
Juneau, AK 99801-1397

Re: Archipelago Property Acquisition

Dear Ms. Marlow:

This acknowledges receipt of your letter of July 14, 2011, in which you indicated that the City cannot afford to acquire the 17,585 sq. ft. of the Archipelago parcel that had been previously identified, based on the appraised market value of the parcel. You also affirm the City's continued interest in pursuing acquisition of the current South Franklin sidewalk easement consisting of approximately 1,421 sq. ft.

We remain willing to pursue sale of the sidewalk easement, as a separate matter from the other property. The appraised value of approximately \$150 per sq. ft. assumed that CBJ would be acquiring 17,585 sq. ft. for additional right-of-way and public space. The acquisition of only 1,421 sq. ft., of the most prime South Franklin frontage, suggests a different valuation. Rather than seek another formal appraisal, we note that the adjacent property is assessed for tax purposes by CBJ at \$330 per sq. ft. We are willing to sell the right-of-way at a discount from that figure, at \$300 per sq. ft., or \$426,300 (assuming that 1,421 sq. ft. is the correct area). This would be subject to survey and confirmation of the exact square footage, assuming a 5-foot extension of the sidewalk right-of-way for the length of the Archipelago parcel.

While Archipelago will remain willing to discuss further acquisitions with CBJ as previously contemplated, based on your July 14th letter and the fact that it appears we are unable to reach agreement on price, we hereby rescind our previous offer to sell those parcels exclusively to CBJ, and advise that the properties in question will be marketed concurrently to third parties. If the City remains interested in acquiring any space for public purposes, it should act promptly and in good faith.

Heather Marlow

July 25, 2011

Page 2

Because the entire parcel is for sale, I also hereby provide notice that the revocable easement dated April 4, 2006, shall be terminated effective September 30, 2011. The termination date provides for the continuation of the easement through the remainder of this year's tourist season and provides sufficient time for CBJ to finalize and close the acquisition of the right-of-way discussed above.

Sincerely,

ARCHIPELAGO PROPERTIES, LLC

A handwritten signature in dark ink, appearing to read "E. Budd Simpson", written in a cursive style.

E. Budd Simpson

General Manager

Cc: Mayor Botelho
Rod Swope
Rorie Watt
Gary Gillette

Archipelago Properties, LLC

One Sealaska Plaza, Suite 300
Juneau, AK 99801

August 2, 2011

Heather Marlow
City and Borough of Juneau
Lands and Resources Manager
155 South Seward
Juneau, AK 99801-1397

Re: Archipelago Property Sidewalk Acquisition

Dear Ms. Marlow:

This is in response to your email memo of July 25, 2011, by which you requested further discussion in support of Archipelago's stated price of \$300 per square foot for acquisition of the additional sidewalk frontage right-of-way. Our rationale is as follows:

1. The CBJ assessed value of the adjacent property is \$330 per square foot. Our intention was to provide a discount to the CBJ from its own valuation of comparable property.
2. The Wold appraisal for CBJ acquisition of 17,885 square feet, which included both frontage and tidelands property, was \$150 per square foot. Acquisition of less than ten percent of the total square footage originally appraised results in a significant premium on the per square foot value over the appraised value for the larger parcel.
3. You indicate that the Horan value was \$265 per square foot for uplands. While this figure was never shared with us until now, I do not believe Horan's figure contemplates a small purchase of only 1,421 square feet. It does imply that the land adjacent to South Franklin Street includes the most valuable frontage. Acquisition of even a small strip by CBJ removes that number of square feet from the possibility of sale to a third party at that higher value. After the acquisition, the percentage of uplands to the remainder is decreased.
4. If the CBJ were to initiate a condemnation proceeding to acquire the sidewalk right-of-way, it would incur legal and other costs. If it failed to offer an adequate price, the CBJ would also be liable for Archipelago's fees and costs. Given the small square footage involved, it is likely that a valuation at least comparable to the adjacent assessed values would be found. Further, the CBJ should be concerned about a sale price below the value set by the Assessor for South Franklin land.

5. If CBJ determines not to acquire the sidewalk expansion at the stated value, the existing temporary easement will terminate at the end of September 2011, and the CBJ will be requested to remove the sidewalk improvements in order to prevent continuing utilization by the public of Archipelago's private property. CBJ should contemplate this additional cost if it determines not to make the purchase.
6. CBJ needs to initiate and pay all subdivision costs for the sidewalk area. This is required for public acquisitions in Alaska. If a hazard survey is required for the subdivision, the CBJ should engage and pay for it. Archipelago performed an initial inquiry on this subject as part of its due diligence under the Memorandum of Agreement with CBJ, which concluded that further subdivision would not be precluded. However, the standards for a simple sidewalk expansion as opposed to other subdivision or construction would be different, and presumably less rigorous.
7. Archipelago has spent thousands of dollars on the failed sale with the CBJ, which so far has concluded with CBJ's offer to pay around one-tenth of the going price for the property. In good faith, the CBJ should not object to compensating Archipelago for the fair market value of the small strip of land in which it remains interested.
8. No, it is not possible to further extend the September 30, 2011 purchase deadline. The CBJ should be able to commit to the acquisition, or not, prior to that date. If no such commitment is made by that date, CBJ should immediately commence removal of the sidewalk improvements that extend beyond the existing legal right-of-way.

Sincerely,
ARCHIPELAGO PROPERTIES, LLC


E. Budd Simpson
General Manager

Cc: Mayor Botelho
Rod Swope
Rorie Watt
Gary Gillette

REAL PROPERTY PURCHASE AGREEMENT

DRAFT

This Real Property Purchase Agreement ("Agreement") is made in duplicate and entered into by and between **Archipelago Properties, LLC**, a _____, having a mailing address of One Sealaska Plaza, Suite 300, Juneau, Alaska 99801 ("Seller") and, the **City and Borough of Juneau**, a municipal corporation in the State of Alaska, having its offices at 155 South Seward Street, Juneau, Alaska 99801, ("CBJ" or "Purchaser").

1. General Purchase and Authority: Subject to the terms and conditions set forth in this Agreement, Seller agrees to transfer title to approximately 1,421 square feet of property, located at 356 S. Franklin Street, Juneau, Alaska, to Purchaser, with the funding for the sale and transfer to be provided to Seller by Purchaser. The purchase area is generally described as a strip of land measuring 5 feet in width along the entire northeasterly boundary (adjacent to South Franklin Street) of the Property as described in paragraph 2 of this Agreement.

Purchaser is authorized to enter into this Agreement, which provides for the sale and transfer of the Property to Purchaser, with funding of approximately \$426,300 for the transaction to be provided by Purchaser, pursuant to City and Borough Ordinance No. 2011-____ scheduled for consideration by the Assembly on October 17, 2011.

2. Description of Property: The real property that is the subject of this Agreement is legally described as:

Lot 7A, Block 83, Replat of the Tidelands Addition to Juneau, according to Plat Number 87-10, Juneau Recording District, First Judicial District, State of Alaska

(hereinafter the "Property")

3. Purchase Area: The purchase area that is the subject of this Agreement is generally described as an approximately 1,421 square foot strip of land measuring 5 feet in width along the entire northeasterly boundary of the Property described in paragraph 2 of this Agreement.

4. Purchase Price: The total purchase price for the Property is \$300 per square foot. Seller and Purchaser agree that the square footage of the Property and the boundary lines thereof shall be conclusively determined by a survey, performed by a Registered Land Surveyor, which shall determine the final purchase price that Purchaser shall pay to Seller.

5. Evidence of Title: Seller represents that fee simple title to the Property is vested in Seller.

6. Title Insurance: Within 10 calendar days of the execution of this Agreement, Seller shall provide Purchaser with an updated preliminary commitment to issue title insurance. Purchaser shall have 10 calendar days after receipt of the updated preliminary title report

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to notify Seller of any objections by Purchaser to title conditions stated in the report. After notification of any title objections by Purchaser, if it appears that Seller will be unable to convey title to the Property free and clear of encumbrances, liens, or exceptions to title, other than those deemed acceptable by Purchaser, the Seller shall have a further period of 30 days within which to perfect title. If, at the end of such period, the Seller is still unable to convey title to the Property free and clear of all encumbrances, liens or exceptions to title except as aforesaid, the Purchaser may elect to accept such title as the Seller can convey, upon the payment of the purchase price stated in Paragraph 2 herein, as may be adjusted by mutual agreement of the parties on account of the encumbrance, or Purchaser may, without penalty, terminate this Agreement and have no further obligations hereunder.

7. Conveyance: Seller shall convey title to the Property to Purchaser by statutory warranty deed, free of any mortgages, liens, encumbrances or other defects in title, other than those deemed acceptable by Purchaser.

8. Encumbrances: Seller agrees not to sell, convey, or further encumber the Property prior to closing without concurrence of the Purchaser.

9. No Violations: The Seller represents that at this time and at the time of the closing of title, there shall exist no violations of government (including environmental, zoning and planning) rules, regulations or limitations, unless the same have become legally nonconforming, and no violations of any restrictive covenant, agreement or condition subject to which the title is to be conveyed in accord with the terms hereof.

10. Taxes: All local taxes applicable to the Property shall be paid by Seller.

11. Closing: Closing on the sale of the Property shall occur no later than November 30, 2011 unless the closing date is extended by written agreement of the parties. Such agreement shall not be unreasonably withheld.

12. Costs: The Purchaser shall pay for subdivision of the Property and title insurance. All other closing costs shall be paid for by Purchaser at time of closing.

13. Conditions Precedent: The parties acknowledge that closing is subject to the following conditions:

- a. Purchaser's receipt of a preliminary commitment to issue title documenting Seller's clear title to the Property, acceptable to Purchaser.
- b. Approval of the terms and conditions of this Agreement, and Ordinance 2011-_____ by the Assembly.
- c. _____ shall serve as closing and escrow agent for the parties hereunder.

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- d. Purchaser and its representatives, consultants and contractors shall have the privilege, opportunity and right of entering upon the Property, in order to inspect and examine same and perform (i) a comprehensive inspection and review of the physical condition of the property; (ii) such environmental analysis as CBJ deems necessary; (iii) a review of all plans, drawings, specifications and surveys pertaining to the property boundary, as well as other tests and inspections of same (including, without limitation, environmental tests, studies and examinations, soil tests, borings, percolation tests and other tests needed to determine surface, subsurface and topographic conditions); (iv) a land survey to create the purchase area.
- e. If any of these conditions are not satisfied within the timeframe provided, and the deadline has not been waived, then either party may elect to terminate this Agreement upon written notice.

14. General Agreement Terms:

- a. Possession. Seller shall continue in possession of the Property until closing. Possession shall be transferred to Purchaser at closing.
- b. Assignment. This Agreement is binding on the heirs, successors, and assigns of the parties, but shall not be assigned by either party without prior written consent of the other party.
- c. Modifications. Any changes to this Agreement must be mutually agreed upon in writing before they will be regarded as part of this Agreement.
- d. Notices. Any notice to be delivered pursuant to the terms hereof shall be in writing and shall be sent by first class mail, hand delivered or by facsimile to the parties at the addresses set forth above, unless written notice of a different address shall be given to the other party.
- e. Construction. This Agreement should not be construed in favor of or against any party, as all parties participated in drafting it. This Agreement contains the entire agreement between the parties and supersedes all previous communications, representations or agreements, either oral or written, between the parties.
- f. Choice of Law; Jurisdiction. This Agreement shall be governed by the law of the State of Alaska. Jurisdiction shall be in the State of Alaska, First Judicial District at Juneau. In the event that one party is required to take court action to enforce any portion of this Agreement, the parties agree the non-prevailing party will pay reasonable attorney fees.
- g. Compliance with Applicable Laws. Seller shall, at Seller's sole cost and expense, comply with all applicable requirements of federal, state, and local

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laws, ordinances and regulations now in force, or which may be in force, during the performance of this Agreement.

- h. Taxes and Other Obligations. The Seller shall pay all federal, state and local taxes incurred by the Seller, and shall require their payment by any subcontractor or any other persons in the performance of this Agreement.
- i. Conflict of Interest. Seller warrants that no employee or officer of the CBJ has violated the conflict of interest provisions of the CBJ code regarding this Agreement. Seller also warrants that Seller has not solicited or received any prohibited action, favor or benefit from any employee or officer of CBJ, and that it will not do so as a condition of this Agreement. If the Seller learns of any such conflict of interest, the Seller shall without delay inform the City Attorney or CBJ representative for this Agreement.
- j. Agreement Execution. This Agreement is not binding or effective until fully executed by all parties.

DRAFT

SELLER: ARCHIPELAGO PROPERTIES, LLC

Date: _____

Archipelago Properties, LLC

ACKNOWLEDGEMENT

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the _____ day of _____, 20____, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared _____, who on oath stated that he/she executed the foregoing instrument freely and voluntarily and for the purposes therein stated.

WITNESS my hand and official seal the day, month and first year in the certificate first above written.

Notary in and for the State of Alaska

My Commission Expires: _____

(Seal)

PURCHASER: CITY AND BOROUGH OF JUNEAU

Date: _____

Rod Swope, City Manager

Approved as to form: CBJ Law Department

Approved as to content: _____ Lands and Resources Manager

CBJ ACKNOWLEDGEMENT

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the _____ day of _____, 20____, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared _____, to me known to be the CITY MANAGER of the CITY AND BOROUGH OF JUNEAU, ALASKA, a municipal corporation which executed the above and foregoing instrument; who on oath stated that he was duly authorized to execute said instrument on behalf of said corporation; who acknowledged to me that he signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day, month and first year in the certificate first above written.

Notary in and for the State of Alaska

My Commission Expires: _____

(Seal)

**APPRAISAL CONSULTATION AND REVIEW
TO ASSIST IN ACQUISITION NEGOTIATIONS OF
A 17,585 SF PORTION OF THE ARCHIPELAGO
PROPERTY LOCATED AT
356 S FRANKLIN STREET, JUNEAU, AK**

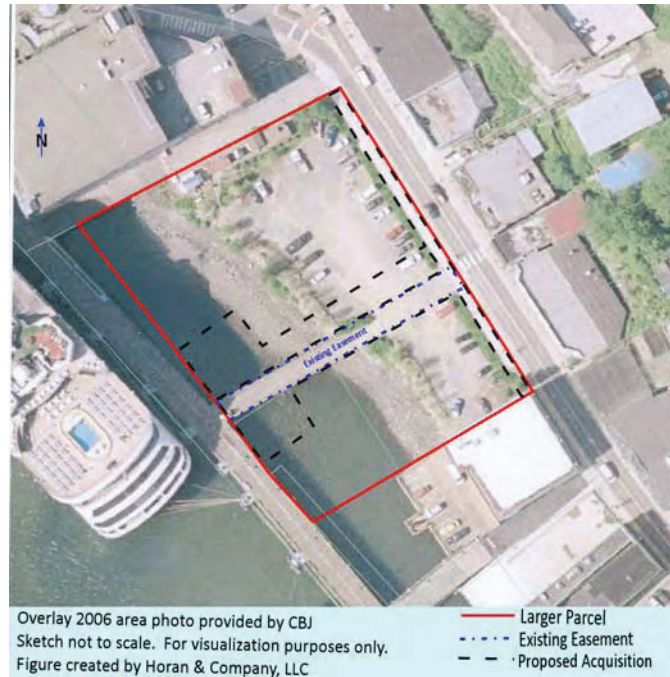


Figure 1

PREPARED FOR: Heather Marlow
Lands and Resources Manager
City and Borough of Juneau
115 South Seward Street
Juneau, Alaska 99801

PREPARED BY: Charles E. Horan, MAI
403 Lincoln Street, Suite 210
Sitka, Alaska 99835

EFFECTIVE DATE: August 3, 2010

REPORT DATE: February 1, 2011

OUR FILE NO.: 11-006

Horan & Company, LLC

403 Lincoln Street, Suite 210 Sitka, Alaska 99835

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

Email commercial@horanappraisals.com

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

REAL ESTATE APPRAISERS / CONSULTANTS

February 1, 2011

Heather Marlow
Lands and Resources Manager
City and Borough of Juneau
115 South Seward Street
Juneau, Alaska 99801

VIA EMAIL: Heather_Marlow@ci.juneau.ak.us

Ref: Appraisal Consultation and Review to Assist in Acquisition Negotiations of a 17,585 SF
Portion of the Archipelago Property Located at 356 South Franklin Street, Juneau, Alaska;
Our File No. 11-006

Dear Heather,

In your negotiations to acquire 17,585 SF of commercial waterfront property at 356 South Franklin Street, you have participated in an appraisal from Kim Wold of Alaska Appraisal Associates, which has been analyzed internally by the CBJ Assessor to determine an appraised value. Reflecting the current area proposed for exchange, the Wold appraisal, which had an effective date of August 3, 2010, and the Assessor's review study dated October 17, 2010, indicates the following per your correspondence:

Appraisal Part Acquired as Part of the Whole	\$2,048,070
CBJ Assessor Factors Indicate	\$1,799,275

These numbers basically reflect the value of the larger parcel prorated over the area to be acquired. In your discussion with the sellers and others, there is an acknowledgment that the appraised values did not reflect the benefits of the resulting parcels from this acquisition and the proposed project. The project would widen the sidewalk on Franklin Street, develop a 50' wide pedestrian and service vehicle promenade from that street to the rebuilt dock plus develop an additional plaza areas encompassing the USS Juneau Memorial. This development would leave a south parcel of about 21,000 SF and a north parcel of about 35,000 SF with excellent frontage and traffic visibility.

You have asked us then to review the Wold appraisal and Assessor's analysis to point out strength and weaknesses. Furthermore, we consider how the before and after valuation analysis could shed light on the benefit to the property owner to assist in your negotiations.

The attached report summarizes my consultation, which includes a brief review of the Assessor's information and the Wold report, and further describes the scope of my consultation and review, as well as a brief discussion of the analysis made to arrive at these observations. The summary of salient points, which may be helpful to illuminate the negotiations are as follows:

- It is apparently acknowledged that the Wold report may be the upper limit of value (price) to be paid for the acquisition, which indicates about \$2,048,000 as part of the larger parcel.
- Possible discount for allocating separate uplands and tidelands attributes, - 13%.
- Possible discount value of existing access easement valuation, - 6% to 12%.
- Possible discount acknowledging special benefits to the remainder, - 62% or more.

The special benefits to the remainder are based on the hypothetical condition that the project is built as it is currently understood that it is done in a timely manor, say a year or so.

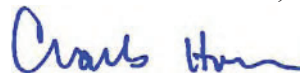
The Assessor's material developed a breakdown for the basis of the subject property similar to what I suggest in my analysis. The Assessor shows there is a greater amount of property with filled 51% versus Wold's 42%. I would need more information on the assessed valuation computations to discern the impact of the remainder and how the values would change due to size and location. The Assessor could provide more information.

Your attention is invited to the attached, which more specifically spells out the scope of this consultation, review, and analysis of the most pertinent data that lead to my suggestions. It is assumed the readers and reviewers of this information have possession of the Wold report, which has an effective date of August 3, 2010, and the CBJ Assessor's Downtown MC Study dated October 7, 2010. Hopefully this material gives you guidance to pursue negotiations to conclusion. If additional study is desired, please do not hesitate to call.

Thank you for this opportunity to be of service.

Respectfully Submitted,

HORAN & COMPANY, LLC



Charles E. Horan, MAI
AA41

CEH/jrw

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ADDENDA

CERTIFICATION OF APPRAISAL
ASSUMPTIONS AND LIMITING CONDITIONS
EXHIBIT A
QUALIFICATIONS OF CHARLES E. HORAN, MAI

1 INTRODUCTION

The City and Borough of Juneau (CBJ) is currently negotiating to acquire a Right-of-way through portions of Lots 7A and 9A, Block 83, Tidelands Addition to the City of Juneau. The proposed purchase would be 17,585 SF of the 73,654 SF property that would be developed as an expanded sidewalk area long South Franklin Street, a 50' wide pedestrian and service vehicle promenade from that street to the dock seaward, and additional lands along the dock area for the USS Juneau Memorial. These lands include existing 5,625 SF of lands for which the CBJ already has an easement. See report cover, Fig 1 and adjacent Fig 2 - Acquisition Site Map. The components of the new acquisition area are summarized as follows:

TABLE A - SUMMARY ACQUIRED AREAS		
Sidewalk	1,415 SF	Uplands
City Promenade	5,625 SF	Tidelands and Uplands
Memorial Site	<u>4,920 SF</u>	Tidelands
Subtotal Fee Lands	11,960 SF	
Existing Easement	5,625 SF	Uplands and Tidelands
Acquisition as Part of the Whole	17,585 SF	

The CBJ participated in procuring an appraisal of the acquisition prepared by Kim Wold dated August 3, 2010, which concluded values of \$150/SF for the fee simple owned land and \$45/SF for easement encumbered land. The CBJ Assessor also did an internal analysis of the proposed purchase area, which broke the land down as filled uplands (\$300/SF) inter-tidal lands (\$70/SF) and submerged lands (\$35/SF). Using these unit values, the Wold appraisal suggests \$2,047,125 for the right-of-way acquisition and the CBJ Assessor's analysis indicates \$1,799,275.

Apparently, there is some question as to the completeness of the methodology and a common acknowledgment among the people involved in the negotiations, including the seller, that the appraised values may not reflect the benefits to the parcels that will result from the right-of-way acquisition and development.

1.1 APPRAISAL PROBLEM

The client, CBJ, has asked me to review the appraisal by Wold and the analysis by the Assessor to consider their strengths and weaknesses, and outline points that may be appropriate in negotiations toward a price that also reflects the benefits of the project to the remaining property owner. This is the purpose of my analysis and concluding comments. The intended user of this analysis is the CBJ and its negotiating team. It may be possible that this material is also shared with the property owner, Archipelago Properties, represented by E. Bud Simpson and Carlton Smith, as secondary intended users. This study is limited to this specific purpose for these intended users and this intended use only.

1.2 SCOPE OF WORK

The scope of work is limited to reading the Wold appraisal and reviewing the material provided by the assessor, further identified in this report. I have considered my experience and background in appraising in this waterfront-tourist market throughout the region. I then developed comments on the value opinions that would suggest different approaches, strengths, and weaknesses, which could be considered to discount the Wold value which is, apparently, acknowledged as being high. Further, I have considered a range of discounts that might be applied to the value of the property acquired, in acknowledgment of the benefit the project has on the remainder property. I have not estimated an opinion of value for the property, nor have I completed a sale search to verify the sales used, although I am very familiar with most of them.

1.3 PROPERTY DESCRIPTION

My comments and analysis accept the description of the property in terms of its title and character of the land, etc., as presented in the Wold report. Market value and other terms are also defined in that report. I have independently reviewed the 25' wide pedestrian easement that exists through the property. The extraordinary assumptions, hypothetical conditions and other limitations recited in the Wold report govern my comments here except as otherwise discussed further, especially with regard to the uplands, soils, and utilities as compared to the tidelands. Moreover, it is presumed the users of this report have thoroughly read and understand the Wold report and the assessor's material, which will not be reiterated here.

2 CBJ ASSESSOR REPORT

The CBJ Assessor's analysis summarized in the October 2010 report takes into account the breakdown method that I perceive in the market where buyers and sellers tend to pay more for land, which has a higher utility and there is a persistent market trend that uplands have a higher unit value than uplands. The resulting value \$1,799,275, as compared to Wold's \$2,047,125¹, indicates a discount similar to the relocation of the acquisition using the uplands-tidelands breakdown method.

The Assessor's description suggests that there is a greater amount of property with filled lands of 51% versus Wold's 42%. I would need more information on the assessed valuation computations to discern the impact of the remainder and how the values would change due to size and location. The Assessor could provide additional breakdown as needed.

¹ The CBJ Lands and Resources Department calculated these numbers based on the revised acquisition area.

3 COMMENTS ON WOLD APPRAISAL REPORT

The work under review was completed by Kim Wold, Appraiser with Alaska Appraisal Associates of the subject property with an appraisal report date of September 3, 2010 and an effective date of August 3, 2010.

The report appears to be compliant to the Uniform Standards of Professional Appraisal Practice (USPAP). The description of its methodology relative to valuing a partial take appear to be correct in that the value of the larger parcel was estimated before the acquisition. The remainder as part of the larger parcel was outlined correctly. Wold developed an overall unit value of \$150/SF of fee-owned lands and \$45/SF for the land encumbered by the existing pedestrian easement, which bisects this parcel. He, therefore, concludes the value of the parcel before acquisition at \$10,457,220². At the time the Wold report was written, it was anticipated the acquisition would include only 3,000 SF of the easement lands and 7,884 SF of the fee simple lands. Since that time, the acquisition area has been adjusted to 17,585 SF and includes the entire existing pedestrian easement area. The value of the acquisition area as part of the whole property and the remainder values can be summarized in the following table.

TABLE B - VALUE OF ACQUISITION OF REMAINDER AS PART OF THE WHOLE PER WOLD

Value Before Taking (See footnote 1 below)	73,653 SF	\$10,457,220
Easement Area Acquisition	5,625 SF @ \$ 45/SF	\$ 253,125
Acquisition of Fee Tidelands and Uplands	11,960 SF @ \$150/SF	\$ 1,794,400
Acquisition as Part of the Whole	17,585 SF	\$ 2,047,125
Remainder Value as Part of Whole	56,069 SF @ \$150/SF	\$ 8,410,350

It would be reasonable to negotiate on the site description and unit value allocation, the value placed on the easement and the value of the remainder.

3.1 DESCRIPTION OF SITE AND UNIT VALUE

The site was described delineating the size, shape, and legal interests appraised, etc. The report states³ that the land was about 42% uplands and the remaining 58% of the parcel were sloping uplands, tidelands and submerged lands. No area allocations for uplands and tidelands other than this were made. This allocation has not been verified. Accepting these ratios, I have calculated the filled and unfilled areas as follows:

² Fee simple lands, 68,027 SF at \$150/SF equals \$10,204,050, plus the easement encumbered land of 5,626 SF at \$45/SF equals \$253,170 for a total of the square footage is 74,653, and total value of \$10,457,220, minor difference due to rounding.

³ Page 35 under Site size and shape

Fee Uplands	68,027 SF @ 42%	28,571 SF Uplands
Fee Tidelands	68,027 SF @ 58%	39,456 SF Tidelands
Upland easement area	5,625 SF @ 42%	2,363 SF Uplands
Tidelands easement	5,625 SF @ 58%	<u>3,263 SF Tidelands</u>
Total Area		73,653 SF

Wold proceeds with the report, developing two unit values – the per square foot value of fee simple land, a mixture of the uplands and tidelands, at \$150/SF, and a unit value of the easement lands, uplands and tidelands, at a value of \$45/SF overall.

Based on my experience in this market, the buyers and sellers acknowledge that uplands are more easily developed than tidelands. This is especially true for larger sites. The permitting risks and construction costs associated with the tidelands development tends to make these lands less valuable than uplands. There appears to be a sustained market trend that if parcels have a greater percentage of land (area) that are easier to develop such as uplands, they have higher values. For this reason, the market tends to give them separate value components. The easier to develop uplands the more costly and riskier to develop tidelands. The exception to this trend would be for smaller sites when the parcels in a market are very homogenous and the value contribution is similar across the sales and the subject property. In other words, the uplands and tidelands ratios would generally be similar across the sales and the subject property if one unit value is used overall, or is not otherwise adjusted for the difference in economic utility of these two components of the property, soils or topography. The Wold appraisal dismissed this issue apparently since the uplands had “poor load bearing capabilities requiring pilings or extraordinary foundation engineering,” and that “piling construction will be required to develop the tidelands area⁴.”

The difference between the sales and the subject topography, which generally gives the uplands and tidelands different economic utility contributions, was adjusted for in soils where Mr. Wold states, “the soils of the subject property are considered to be substandard and will likely require either a piling foundation or extraordinary excavation and footing. Contractor’s in the general area have quoted a cost of piling foundation at \$125/SF of site coverage.”⁵ The discussion proceeds where then each of the comparables, which were felt to have superior soil bearing capabilities, were adjusted downward at \$100/SF, Comparables 1 through 3. These sales had significant site variations and included components of tidelands, which could well be rated similar to the subject. On the other hand, it is difficult to see how Comparables 6 and 7 were similar to the subject with inferior soils without further discussion⁶. This significant component of the site’s value is analyzed on a price per square foot basis and should be considered for more thorough treatment in a discriminating value per square foot of the filled uplands versus tidelands area.

⁴ Page 35, Wold report under Site topography

⁵ Page 72, Wold report

⁶ Page 72 & 73, Wold report

I have seen separate leases of tidelands as compared to uplands and have seen sales of parcels with differing uplands and tidelands ratios whereby the tidelands have been allocated at a percentage of the uplands unit value ranging from 10% to 50%. This has an implication for the subject negotiations in that the acquired land is more heavily proportion to tidelands than uplands. The implications of this are seen in this two step process whereby I have allocated Wold's value based on the assumption that tidelands would have a unit value of 25% of the uplands, that the uplands are 42% of the site and the tidelands are 58% of the site over both the fee owned and easement areas. The easement area will be valued as 30% of the fee as indicated in Wold's report. The following table then calculates the implied breakdown unit value based on the Wold valuation using these assumptions.

TABLE C - IMPLIED UNIT VALUE BREAKDOWN USING WOLD VALUE. ASSUMPTIONS: FEE UPLAND =100% UNIT VALUE, FEE TIDELANDS = 25%, EASEMENT = 30% FEE VALUE							
	SF Area	% of Site	% SF Value	Weighted Portion	% Value	Value Allocation	Value/SF
Fee Upland (42%)	28,571	39%	100%	38.8%	72.5%	\$ 7,585,267	\$ 265.49
Fee Tideland (58%)	39,456	54%	25%	13.4%	25.0%	\$ 2,618,777	\$ 66.37
Easement Upland (42%)	2,363	3%	30%	1.0%	1.8%	\$ 188,205	\$ 79.65
Easement Tideland (58%)	3,263	4%	8%	0.3%	0.6%	\$ 64,972	\$ 19.91
Totals	73,653	100%		53.5%	100.0%	\$ 10,457,220	

These calculations reflect how the market would view the unit values expressed in the last column. Its noted that the percentage of the square foot value (% SF value) for the easement and tidelands, rounded to 8% in the table above, is 30% of 25%.

If these values are redistributed over the land to be acquired, distributed as filled lands and uplands in the Table D on the next page, this indicates a discount of about \$270,000 or 13% may be appropriate due to this issue.

TABLE D - VALUE ACQUIRED USING BREAKDOWN UNIT VALUES

	Total Area	Fee Upland	Fee TL	Esmt UL	Esmt TL	
Sidewalk	1,415	1,415				
Fee Promenade	5,625	2,363	3,262			
Existing Easement	5,625			2,363	3,262	
Memorial Site	4,920		4,920			
Total each type	17,585	3,778	8,182	2,363	3,262	
Times Unit Value		\$ 265.49	\$ 66.37	\$ 79.65	\$ 19.91	
Indicated Value		\$1,002,882	\$543,090	\$188,165	\$ 64,962	\$ 1,799,098
Compare Wold Value of without allocation						\$ 2,047,125
Value discount using breakdown values						\$ 248,027 -13%

3.2 EXISTING PEDESTRIAN EASEMENT

Wold concluded that the existing 25' pedestrian easement held by the CBJ included significant rights retained by the grantor that were not found in the reading of the easement. They include the right of reversion should the easement be abandoned, the right to locate a temporary structure such as kiosks and it may be over-reaching to infer the air rights remain intact to the grantor⁷.

Wold presented a discussion to select 30% of the fee as the implied retained value to the easement when the owner could park and temporarily occupy the land. However, considering the subject's program of highest and best use that generates a very high fee value, it is difficult to discern what kind of uses remain to the grantor that would justify a value of \$250,000 for this encumbered land (5,625 SF @ \$45/SF). Other properties in the area have easement encumbrances, which have been allocated for lesser percentages in development of estimated values and resulting prices. It could be argued that little or no rights are retained. A point of negotiation may be to suggest an allocation, no value, or at most 15% of the implied fee value for this easement area, indicating a value reduction of \$250,000 to \$125,000, or an additional 6% to 12%.

3.3 COMPARABLE AND SALES ADJUSTMENTS

Wold had a reasonable discussions about location and size differences and how they would impact the unit value applicable to the subject. He outlined broad ranges of possible adjustments in the market and used significant judgement to conclude these various adjustments. They were somewhat consistently applied with the exception of minor discrepancy in comparable 3.⁸ This reviewer has not made an attempt to re-analyzed these various adjustments; however, consideration to additional methods may be appropriate due to the limitations of market data, which required a significant judgement for these adjustments. These additional methods could include qualitative analysis, subdivision analysis and land residual technique.

3.4 COMPARABLE SELECTION

Wold presented a fairly broad field of sales, developing seven comparables within the report. There are additional sales and capitalized leases that could have been used to augment this data or make more current direct comparisons. The subject is unique in its tidelands/uplands component, and its large size and its 100% location as described by Wold. Comparable sales are limited.

A few issues that could have been elaborated on include the definition and description of useable and non-useable land, how the various comparables addressed the parking issue, and how the subject parking issue would be addressed.

⁷ See Exhibit A in the Addenda outlining Wold's report from pages 73 and 74, comparing his discussion with the actual wording of the grant.

⁸ Size adjustment +\$6.74/SF. Apparently it should have been a minus adjustment. Also the math concluding the adjusted square foot price did not compute.

Another issue that may impact the subject's size and locational characteristics would be the supply of comparable larger parcels. There is no doubt the subject property is a very well situated larger, under-developed tract, but some comment on the Mental Health Land Trust development potential at Gold Creek, the possible redevelopment of the Merchant's Wharf property, and the excess land available south of Taku Smokeries might be considered in the mix.

3.5 SPECIAL BENEFITS

The appraisal did not estimate the value of the remainder after the acquisition. The appraiser acknowledges there may be some special benefits such as⁹:

- 1) The widening of the sidewalk along South Franklin Street.
- 2) The "widening of the access right-of-way to the dock...[creating] an attractive and convenient pedestrian route" between the cruise ship dock and South Franklin Street, which increases the remaining parcel's exposure to retail tourism traffic.
- 3) Development of the USS Juneau Memorial will be a significant tourist attraction.

Special benefits are be calculated as the difference between the value of the remainder land after the project and the value of the remainder as part of the whole. This was apparently omitted by Wold since "the rule in the State of Alaska is that special benefits can be used to offset any damages, but can not be used to reduce the value of the part taken in the determination of compensation."¹⁰ It is not clear if this was an instruction to the appraiser or if the appraiser assumed the state standard for determining just compensation was to be used. If Wold had estimated the value of the remainder under the hypothetical condition that the project went forward, would have likely valued it greater than the remainder as part of the whole before the project. Making this estimate and developing the special benefit value increment would be a helpful guide for the purpose of these negotiations. This would determine the positive impact of the project to the remaining land for the property owners.

As I understand it, these negotiations are not being conducted under the threat of condemnation but were initiated by the property owners to determine if there was a mutual beneficial development, which could occur whereby the city's acquisition of the property and development of the certain improvements would augment the property owner's own development objective. In this case, calculating the positive impact on the remainder would be very helpful to negotiations.

It appears the Wold appraisal would give guidance as to how he might address this issue. The remainder property would be severed into two parcels, a southern parcel probably being about 21,000 SF, more or less. This would have about 110' of frontage on South Franklin Street and over 200' of frontage along the USS Juneau Memorial and the newly developed 50' wide pedestrian promenade in addition to the frontage on the dock promenade. This would give it corner-like influence and be

⁹ Page 77 Wold report under Special Benefits

¹⁰ Page 77 Wold report under Special Benefits

a smaller, more marketable property. Similarly, the northern remainder would be a smaller parcel, probably 35,000 SF, more or less, with nearly 150' of frontage on South Franklin Street, over 200' of frontage on the wide, newly constructed promenade and USS Juneau Memorial site, plus frontage on the dock. This northern site also has frontage on a small roadway to the north adjacent to the library, which gives additional pedestrian and vehicular access. This parcel would have access on all four sides.

Turning to the Wold appraisal, he indicated that Comparable 4 adjacent to the subject had superior access by 10% due to its corner influence. Assuming the subject remainders would have corner-like influence, an adjustment up to 10% for the remainder may be applicable using this reasoning. Further, the size of the remainder parcel is about 56,000 SF, which is close to the size of Comparable 3 at 49,200 SF, which had been rated at 10% superior and now would be more similar size-wise. This would suggest up to an additional 10% value adjustment for the remainder parcels. These two adjustments alone suggest up to 20% increase in value for the remainder parcels above the \$150/SF value using the reasoning in the Wold appraisal. For purposes of negotiation, a conservative 15% increase in the value of the remainder parcels would suggest the following:

Wold Estimate Remainder as Part of the Whole	56,062 SF @ \$150/SF	\$8,410,200
Benefit to Remainder	15% x \$8,410,200	\$1,261,530

This suggests a premium value increase to the remainder, which could for the negotiation purposes, be applied against the value of the part taken at \$1,260,000 rounded, or more if a 20% premium is used. This represents about 62% or more of the Wold value of the part taken.

Applying 15% value increase to the remainder lands as part of the whole based on the unit value breakdown method would suggest a slightly larger number since a disproportionate amount of the remaining land is upland as compared to the higher portion of tidelands that are being acquired.

3.6 SUMMARY SUGGESTED NEGOTIATION POINTS

Using the Wold report, recalculate the part taken value that reflects the latest proposed taking and considering the previous discussion, suggests the following discounts might be discussed in the negotiations.

Estimated Value of Acquisition as Part of the Whole	\$2,047,125 base value
Discount for Allocating Uplands and Tidelands	- \$ 250,000 12%
Discount for Excessive Easement Valuation	\$ 250,000 to 125,000 6% to 12%
Discount due to Positive Impact on Value of the Remainder	\$1,260,000 62% or more

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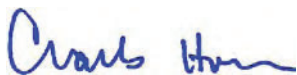
ADDENDA

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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.
- I have not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I have not performed any services regarding the subject property within the prior three years, as an appraiser or in any other capacity.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.



Charles E. Horan, MAI, AA41

February 1, 2011
Report Date

August 3, 2010
Effective Date

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ASSUMPTIONS AND LIMITING CONDITIONS

The appraiser has not made an analysis of the physical and legal characteristics of the subject site and relies on descriptions in the Wold report, effective date August 3, 2010, including the extraordinary assumptions, hypothetical conditions and limitations as cited in that report.

Extraordinary Assumption

Additionally, significant to this report, it is an extraordinary assumption that negotiations for the subject acquisition are based on the understanding of the mutual benefit to the property owners and the acquiring agency, CBJ, and that there is no threat of condemnation or contemplation of such.

Hypothetical Condition

The recommendations relative to the enhancement of value or special benefits in the after condition assume that the sidewalk widening, promenade development and USS Juneau Memorial would be developed in a manner that would encourage and be adequate for the type of development envisioned in the USS Juneau Memorial Conceptual Master Plan dated May 20, 2010.

This appraisal report and valuation contained herein are 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 that no conditions existed that were undiscoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraiser.

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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. Any distribution of the valuation in the report between land, improvements, and personal property applies only under the existing program of utilization. The separate valuations for land, building, and chattel must not be used in conjunction with any other appraisal and is invalid if so used.
12. The signatory of this appraisal report is a member of the Appraisal Institute. The bylaws and regulations of the Institute require each member and candidate to control the use and distribution of each appraisal report signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of this appraisal report in its entirety to such third parties as selected by the party for whom this appraisal report was prepared; however, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatory of this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of signatory of this appraisal report.
13. 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.

DEFINITION OF MARKET VALUE

Market Value as: *The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.*

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Implicit in this definition is consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and each acting in what he considers his own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts 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, Page 97

Exhibit A

Existing Easement (5,625SF) may be more limited than reflected in the appraisal

Wold appraisal description of easement rights

Wold appraisal page 73

This portion of the acquisition is subject to a dominant access and utility easement in favor of the City/Borough of Juneau. The owner retains a subservient interest with the **right of reversion should the easement be abandoned** or relinquished. The owner also retains an interest to utilize the easement, which is construed to include the **right to locate temporary structures, such as kiosks**, install utilities, and otherwise utilize the easement area to the extent that it does not unreasonably impair or interfere with the access through, upon, over, and across the easement.

Wold appraisal page 74

Relative to the subject property, even the siting of a **movable kiosk** during the tourist season could generate \$5,000 per month in rental income. Even though the owner holds a subservient interest, they also retain the right of *ingress and egress*, and *placement of utilities*. **It would appear that the air rights remain intact**. The subservient estate retains significant property rights.

Rights granted

referred to as Grantee, its successors and assigns, an easement upon, through, under, over, and across the hereinafter described real property for the laying out, surveying, design, construction, installation, inspection, maintenance, repair, replacement, relocation, and reconstruction of a public access walkway and facilities, and any and all structures, fixtures, and appurtenances incidental thereto, at such locations and elevations as Grantee may now or hereafter deem necessary or convenient from time to time, together with the right to remove structures and any other obstruction interfering with the use of said easement by the Grantee and existing as of the date of this easement, and together with the right of ingress thereto and egress therefrom, to and along said easement, and together with the right to use said easement for public access to Grantee's property, rights-of-way, and easements situated in adjacent lands.

Grantor's right to relocate

If deemed necessary by Grantor to develop its property upon which this easement is granted or its property adjacent thereto, Grantor and Grantee will jointly agree to relocate the easement granted herein. All relocation costs shall be paid by Grantor or its successors in interest.

Grantor not to interfere with public access walkway and facilities

Grantor agrees that it shall take no action which would have the effect of unreasonably impairing or interfering with the access of Grantee, its agents, employees, invitees, licensees, or the public at large, through, upon, over, and across the easement granted herein. It is the understanding and agreement of the parties that the easement granted herein is for the purpose of a public access walkway and facilities.

Grantee has right to transfer and excludes all other easements unless consented to in writing.

Grantor further agrees that Grantee shall have the right to transfer and assign this easement in whole or in part, and that no other easement or easements, shall be granted on, under, over, or across the property made subject to the easement granted herein without the prior written consent of Grantee.

The granted rights may be more limiting to the subservient (fee) estate than considered in the appraisal.

1. There is no indication of; ***right of reversion should the easement be abandoned***
2. There is no indication of; the ***right to locate temporary structures, such as kiosks***
3. It may be an overreach to infer; ***that the air rights remain intact.***

Looking more critically at the easement document the remaining utility to the subservient estate may be high when considering the value of land for its fee simple Highest and best use. In other words if the remaining easement rights (30%) to the land owner are worth \$253,125 (5,625SF @ \$45/SF) what kinds of uses remain that would justify that high of a value?

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QUALIFICATIONS OF CHARLES E. HORAN, MAI

Professional Designation and Certification

MAI, Member Appraisal Institute, No. 6534
State of Alaska General Appraiser Certification, No. AA41

Education

University of San Francisco, B.S., 1973, Major Business Administration

Appraisal Institute Courses and Seminars

Oct 2010	Uniform Appraisal Standards for Federal Land Acquisitions, Rockville, MD
Apr 2010	Business Practices and Ethics, Seattle, WA
May 2009	7-hour National USPAP Update Course, Seattle, WA
Nov 2008	Fall Real Estate Conference, Seattle, WA
Sep 2008	Attacking and Defending an Appraisal in Litigation, Kent, WA
Feb 2008	Sustainable Mixed-Use N.I.M., Seattle, WA
Sep 2007	Appraising 2-4 Unit Properties, Bellevue, WA
Jun 2007	Business Practices and Ethics, Seattle, WA
Jun 2007	7-hour National USPAP Update Course, Seattle, WA
Apr 2007	Residential Market Analysis and Highest and Best Use, Seattle, WA
Feb 2007	Basic Appraisal Procedures, Seattle, WA
Feb 2005	USPAP Update Course, Anchorage, AK
Feb 2005	Rates & Ratios: Making Sense of GIMs, OARs, and DCF, Anchorage, AK
Apr 2005	Best Practices for Residential Appraisal Report Writing, Juneau, AK
May 2003	Scope of Work - Expanding Your Range of Services, Anchorage, AK
Oct 2002	Litigation Appraising - Specialized Topics and Applications, Dublin, CA
May 2002	Uniform Appraisal Standards for Federal Land Acquisitions: Practical Applications for Fee Appraisers, Jim Eaton, Washington D.C.
June 2001	Uniform Standards of Profession Appraisal Practice, Part A, Burr Ridge, Illinois
May 2001	Partial Interest Valuation - Undivided, Anchorage, Alaska
May 2001	Partial Interest Valuation - Divided, Anchorage, Alaska
Mar 1999	Highest and Best Use and Market Analysis, Baltimore, MA
Apr 1997	Uniform Standards of Professional Appraisal Practice, Seattle, WA
May 1995	The Appraiser as Expert Witness, Anchorage, Alaska
May 1995	Appraisal Practices for Litigation, Anchorage, Alaska
Apr 1995	Forestry Appraisal Practices, Atterbury Consultants, Beaverton, Oregon
Jun 1993	Advanced Sales Comparison & Cost Approaches, Univ. of Colorado, Boulder
July 1991	Computer Assisted Investment Analysis, University of Maryland
Apr 1991	Uniform Standards of Professional Appraisal Practice, Anchorage, AK
Oct 1987	Standards of Professional Practice, Anchorage, AK
Jun 1986	Market Analysis, Boulder, Colorado
Aug 1984	Litigation Valuation, Chapel Hill, North Carolina
Jan 1982	Standards of Professional Practices, Bloomington, Indiana
Aug 1980	Course 2B, Valuation Analysis & Report Writing, Stanford, CA
Aug 1980	Course 6, Introduction to Real Estate Investment Analysis;
Aug 1976	Course 1B, Capitalization Techniques, San Francisco, CA
Aug 1976	Course 2A, Case Studies in Real Estate Valuation
Aug 1974	Course 1A, Real Estate Principles and Valuation, San Francisco, CA

Appraisal Seminars

Fall Real Estate Conference, December 2009, Seattle, Washington
Easement Valuation, December 1997, San Diego, California
State Certification Review Seminar, April 1991, Anchorage, Alaska, Dean Potter

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General State Certification Review Seminar, April 1991, Anchorage, Alaska

Financial Institution Reform, Recovery & Enforcement Act of 1989, July 1990, Juneau, Alaska

Doreen Fair Westfall, Appraisal Analyst, OTS

Real Estate Appraisal Reform, July 1990, Juneau, Alaska, Gregory Hoefer, MAI, OTS

Federal Home Loan Bank Board Memorandum R41C Seminar, March 17, 1987, Juneau, Alaska

Catherine Gearhearth, MAI, FHLBB District Appraiser

Federal Home Loan Bank Board Regulation 41b, Instructor Bob Foreman, MAI, September 1985, Seattle, Washington

Employment History

August 2004 Owner, HORAN & COMPANY, LLC

03/87-07/04 Partner, HORAN, CORAK AND COMPANY

1980-02/87 Partner, The PD Appraisal Group, managing partner since November 1984
(formerly POMTIER, DUVERNAY & HORAN)

1976-80 Partner/Appraiser, POMTIER, DUVERNAY & COMPANY, INC., Juneau and Sitka, Alaska

1975-76 Real Estate Appraiser, H. Pomtier & Associates, Ketchikan, AK

1973-75 Jr. Appraiser, Ketchikan Gateway Borough, Ketchikan, AK

Lectures and Educational Presentations

1998, "Easement Valuation Seminar," Alaska Chapter Appraisal Institute, Anchorage, AK

1998, "Easement Valuation Seminar," Seal Trust, Juneau, Alaska

1997, "Sitka Housing Market," Sitka Chamber of Commerce

1997, developed and taught commercial real estate investment seminar for Shee Atika, Inc.

1994, developed and taught seminar "Introduction to Real Estate Appraising," University of Alaska/S.E., Sitka Campus

1985, Speaker at Sitka Chamber of Commerce, "What is an Appraisal? How to Read the Appraisal"

Nat'l Park Service Seminar, cited Horan's work on impact of Historic Properties on Capitalization Rates at Harpers Ferry, WV

1984, Southeast Alaska Realtor's Mini Convention, Juneau, Alaska

Day 1: Introduction of Appraising, Cost and Market Data Approaches

Day 2: Income Approach, Types of Appraisals, AIREA Accredited Course

1983, "The State of Southeast Alaska's Real Estate Market"

1982, "What is an Appraisal?"

Types of Property Appraised

Commercial

Retail shops, enclosed mall, shopping centers, medical buildings, restaurants, service stations, office buildings, auto body shops, schools, remote retail stores, liquor stores, supermarkets, funeral home, mobile home parks, camper courts

Industrial

Warehouse, mini-warehouse, hangars, docks barge loading facilities, industrial acreage, industrial sites, bulk plant sites, and fish processing facility

Special Land

Remote acreage, tidelands with estimates of annual market rent. Large acreage land exchanges for federal, state, municipal governments and Alaska Native Corporations; retail lot valuations and absorption studies of large subdivisions; gravel and rock royalty value estimates; easements, partial interests, conservation easements; title limitations, permit fee evaluations

Other

Appraised various businesses with real estate for value as a going concern with or without fixtures such as hotels, motels, bowling alleys, marinas, restaurants, lounges. Appraised various properties under lease to determine leasehold and leased fee interests. Value easements and other complicated partial interests. Appraised tank farms, bulk terminal sites, and a variety of waterfront port sites.

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Special Projects

Special consultation for Federal land exchanges. Developed Land Evaluation Module (LEM) to describe and evaluate 290,000 acres of remote lands. Renovation feasibilities, residential lot absorption studies, commercial and office building absorption studies. Contract review appraiser for private individuals, municipalities and lenders. Restaurant feasibility studies, Housing demand studies and overall market projections. Estimated impact of nuisances on property values. Historic appreciation / market change studies. Historic barren material royalty valuations, subsurface mineral and timber valuation in conjunction with resource experts.

Expert Witness Experience and Testimony

2009 Expert at mediation - Talbot's Inc vs State of Alaska, et al. IKE-07-168CI

2008 Albright vs Albright, IKE-07-265CI, settled

2006 State of Alaska vs Homestead Alaska, et al, 1JU-06-572, settled

2006 State of Alaska vs Heaton, et al, 1JU-06-570CI, settled

2006 State of Alaska vs Jean Gain Estate, 1JU-06-571, settled

2004 Assessment Appeal, Board of Equalization, Franklin Dock vs City and Borough of Juneau

2000 Alaska Pulp Corporation vs National Surety - Deposition

U.S. Senate, Natural Resources Committee

U.S. House of Representatives, Resource Committee

Superior Court, State of Alaska, Trial Court and Bankruptcy Courts

Board of Equalization Hearings testified on behalf of these municipalities: Ketchikan Gateway Borough, City of Skagway, City of Pelican, City and Borough of Haines, Alaska

Witness at binding arbitration hearings, appointed Master for property partitionment by superior state court, selected expert as final appraiser in multi parties suit with settlements of real estate land value issues

Partial List of Clients

US Dept. of Interior, Bureau of Indian Affairs, Bureau of Land Mgmt, National Park Service, Dept. of Transportation, US Coast Guard, Veterans Administration, US Dept. of Agriculture, Forest Service; State of Alaska, Dept. of Natural Resources, Div. of Lands, Dept. of Fish and Game, Dept. of Transportation and Public Facilities, University of Alaska, Alaska State Building Authority (formerly ASHA), Attorney General, State of Alaska; City and Borough of Juneau, City and Borough of Haines, City of Skagway, City and Borough of Sitka, City of Pelican, City of Petersburg, City of Craig, City of Thorne Bay, City of Coffman Cove; Shee Atika Inc., Goldbelt, Sealaska, Catholic Church, Juneau, AK, Presbyterian Church, Juneau, AK, Church of Jesus Christ of Latter Day Saints, Klukwan Inc., Cape Fox Inc., Haida Corp., Yak-Tat Kwan, The Tatitlek Corporation, Eyak Corporation, Moose Lodge, Elks Lodge, Federal Deposit Insurance Corporation (FDIC); Lloyd Hames/Hames Corp., Gordon Harang/Arrowhead Transfer, Michael Snowden/Service Transfer, Donald Madsen/ Madsen Construction, Inc., Gulf Oil of Canada, Standard Oil of California, Union Oil, National Bank of Alaska, First National Bank of Anchorage, First Bank, First Mortgage Company of Spokane, First National Bank of Ketchikan, Alaska Federal Savings Bank, SeaFirst Bank, Rainier National Bank, Alaska Lumber & Pulp Co., Kennecott Greens Creek, Delta Western, US Fish and Wildlife Service.

Rev 11/10