

**AGENDA
BOARD OF EQUALIZATION
THE CITY AND BOROUGH OF JUNEAU, ALASKA**

March 1, 2022 at 5:30 PM

Virtual Meeting Only via Zoom Webinar

<https://juneau.zoom.us/j/99741860260>

or call: 1-253-215-8782 Webinar ID: 997 4186 0260

I. Call to Order

II. Roll Call

III. Selection of Presiding Officer

IV. Approval of Agenda

V. Property Appeals

A. BOE Orientation Documents

B. Appeal No. 2021-0414 K-Plaza LLC

Appellant: K-Plaza LLC

Parcel No: 5B1501100020

Location: 8585 Old Dairy Rd

Type: Commercial-Mixed Use

Appellant's Estimated Value	Original Assessed Value	Recommended Value
Site: \$832,350	Site: \$1,165,350	Site: \$1,165,350
Buildings: \$1,062,250	Buildings: \$1,278,800	Buildings: \$1,278,800
Total: \$1,894,600	Site: \$2,444,150	Site: \$2,444,150

Included in the Packet

- Material from Appellant
 - o Rocovich LLC BOE 5-page Document
- BOE 10-Day Notice
- Petition for Review
- Final Determination Letter
- Assessor's Office BOE Packet

C. Appeal No. 2021-0326 Rocovich LLC

Appellant: Rocovich LLC

Parcel No: 1C070K830040

Location: 406 S. Franklin St.

Type: Commercial -Retail

Appellant's Estimated Value	Original Assessed Value	Recommended Value
Site: \$1,498,200	Site: \$5,044,950	Site: \$3,653,766
Buildings: \$1,280,800	Buildings: \$1,370,700	Buildings: \$1,753,409
Total: \$2,779,000	Site: \$6,415,650	Site: \$5,407,175

Included in the Packet

- Material from Appellant
 - o Rocovich LLC BOE 5-page Document
- BOE 10-Day Notice
- Petition for Review
- Final Determination Letter
- Assessor's Office BOE Packet
- Appraisal Amendment for 1C070K830040 & 1C070K830041 eff. 2019-05-01
- Appraisal Report minus Property & Loss (P&L)

D. Appeal No. 2021-0415 Alaska Seafood Holding, Inc.

Appellant: Alaska Seafood Holding, Inc.

Parcel No: 1C100K830024

Location: 530 S. Franklin St.

Type: Commercial/Fish Processing/Retail/Restaurant

Appellant's Estimated Value	Original Assessed Value	Recommended Value
Site: \$5,189,660	Site: \$7,466,850	Site: \$7,466,850
Buildings: \$3,370,000	Buildings: \$2,568,000	Buildings: \$2,568,000
Total: \$8,559,660	Site: \$10,035,650	Site: \$10,035,650

Included in the Packet

- Material from Appellant
 - o CBJ Appeal Letter
 - o Appraisal 19-2084-SM 550 S. Franklin Final Report
 - o 2019-09-15_Juneau Empire Article
- BOE 10-Day Notice
- Petition for Review
- Final Determination Letter
- Assessor's Office BOE Packet

E. Appeal No. 2021-0416 Alaska Seafood Holding, Inc.

Appellant: Alaska Seafood Holding, Inc.

Parcel No: 1C100K830025

Location: 530 S. Franklin St.

Type: Commercial Land/Parking

Appellant's Estimated Value	Original Assessed Value	Recommended Value
Site: \$3,800,720	Site: \$5,629,350	Site: \$5,629,350
Buildings: \$0	Buildings: \$0	Buildings: \$0
Total: \$3,800,720	Site: \$5,629,350	Site: \$5,629,350

Included in the Packet

- Material from Appellant (see appeal 2021-0415 pgs:)
 - o CBJ Appeal Letter
 - o Appraisal 19-2084-SM 550 S. Franklin Final Report
 - o 2019-09-15_Juneau Empire Article
- BOE 10-Day Notice
- Petition for Review
- Final Determination Letter
- Assessor's Office BOE Packet

F. Supplemental Material - AY2021 Property Assessment Guide (Updated 01-07-2022)

VI. Adjournment

BOARD OF EQUALIZATION ORIENTATION

NOTE: Members are encourage to review, from your training material, the April 19, 2013 Memorandum prepared by former City Attorney John Hartle, for further helpful guidance.

A. Quasi-Judicial Role & Responsibilities - CBJ 15.05.185

1. Be a fair & impartial tribunal - no bias/preconceived ideas; no ex parte contact
 - a. Member may not deliberate or vote on any matter in which member has a personal or financial interest (defined in CBJ 01.45.360); conflict of interest check needed prior to hearing to allow substitution; may call legal advisor
 - b. **Avoid expressing opinions or including commentary in questions to the parties.**
 - c. **Opinions on the evidence/position of parties should await BOE deliberations.**
2. Afford both parties due process - fair notice and opportunity to be heard

Must allow both sides time to review new evidence presented at hearing
3. Decide appeals on *evidence presented* in packet and at hearing.
4. Make record of proceeding that clearly and accurately reflects:
 - a. Taxpayer/Appellant's claim and factual evidence offered to support it
 - b. Assessor's process/position and factual evidence offered to support both
 - c. That each side had adequate opportunity to present relevant evidence/review & rebut other party's evidence
 - d. BOE's thorough deliberations & consideration of the evidence
 - e. BOE's findings of fact & conclusions of law re burden of proof & the evidence relied on as basis of decision
 - f. Rationale & evidentiary basis of BOE's decision, to enable meaningful review by the Superior Court in the event of an appeal

B. Legal Standard for Granting Appeal on Merits for *Error in Valuation*

1. Starting point: under AK law, Assessor's **assessments are presumed to be correct.**
2. **Burden of proof on Appellant to prove error - unequal, excessive, improper, or under valuation based on facts** that are stated in a valid written appeal or proven at the appeal hearing
3. If and only if Appellant meets burden does burden shift to Assessor to rebut Appellant's evidence of error

4. Law does not bind Assessor to follow a particular formulas, rules or methods of valuation, but grants broad discretion in selecting valuation methods-as long as reasonable basis
5. Technical evidentiary rules don't apply
Relevant evidence admissible if sort relied on by responsible persons
May exclude irrelevant, repetitious evidence
6. **Only grounds for adjustment of assessment are proof of unequal, excessive, improper, or under valuation based on facts**

C. Alternative Actions for Appeals Heard on the Merits

- a. **Deny appeal** because Appellant failed to prove error in valuation with factual evidence.
- b. **Grant appeal & adjust assessment *as requested by Appellant***. (only if Appellant's valuation evidence supports proposed assessment value)
- c. **Grant appeal & *adjust (lower or raise) assessment differently***. (if and only if supported by sufficient evidence of value in record.)
- d. **Grant appeal & *remand* to Assessor for reconsideration of value** (remand is mandatory if error found, but insufficient evidence of value in record.)

D. LATE-FILED APPEALS – Legal Standard for Accepting

1. Potential *merit* of appeal is irrelevant.
2. Jurisdictional authority to hear only *timely-filed appeals*
3. Appeal must be filed w/in 30 days from date assessment notice is mailed
4. Only “accepted” late-filed appeals may proceed to a hearing on the merits.
5. If 30 day deadline missed, RIGHT to appeal CEASES and BOE **cannot accept or hear** appeal, **unless BOE finds that taxpayer was unable to comply due to situation beyond taxpayer's control** (See Hartle memo)
6. Burden to prove inability to comply is on Taxpayer.
7. BOE Action Alternatives: **Deny** Late-file or **Accept, so hearing can be scheduled.**

BOE HEARING GUIDELINE

- I. Call to Order
 - II. Roll Call - Chairs asks clerk to call the roll
 - III. Appeals will be heard first, followed by *Timeliness* Hearings on Late-filed Appeals
 - IV. Introduce first Appeal case for hearing:

We're on the record with respect to 'Petition for Review of Assessed Value' filed by _____ with respect to Parcel Id. No. _____
 - IV. Review Hearing Rules/Procedure (For each appeal, unless all in attendance at beginning)
 - A. Time allocated to each side: approx. 15 min, including BOE questions
 - B. State name for record and speak clearly in to mic, use surnames/maintain decorum
 - C. Appellant taxpayer goes 1st
Has **burden to prove an error—an unequal, excessive, improper or under valuation** based on presented factual evidence
 - D. Assessor - presents Assessor's evidence in response
 - E. Appellant rebuttal, if time reserved
 - F. Hearing closes after presentations
 - G. BOE action/deliberation
 - H. Any questions? Parties ready to proceed?
 - V. Hearing - party presentations & all BOE questioning
 - VI. Close Hearing, move to BOE action
 - A. BOE reviews/discusses evidence presented, or goes directly to B.
 - B. Member makes motion, Chair restates motion
 - C. Members speak to the motion/make findings
 - D. BOE votes/takes action on motion
 - E. Chair announces whether motion carries/fails
 - VII. Call next appeal, repeat IV – VI
 - VIII. Late-Filed Appeals, if any (SEE LATE-FILED APPEALS – PROCESS)
 - IX. Adjourn
-

BOE Action Options:

1. **Deny appeal** because Appellant failed to prove error in valuation with factual evidence.
2. **Grant appeal & adjust assessment as requested by Appellant.** (if Appellant's evidence supports proposed assessment value)
3. **Grant appeal & adjust (lower or raise) assessment differently.** (if and only if supported by sufficient evidence of value in record.)
4. **Grant appeal & remand to Assessor for reconsideration of value** (remand is mandatory if error found, but insufficient evidence of value in record.)

SAMPLE MOTIONS

1. To DENY appeal

I MOVE that the Board *GRANT* the appeal and I ASK for a NO VOTE

Because . . .

Appellant didn't prove/provide evidence of error in assessment
and/or

For the evidence/reasons provided by the Assessor . . .

2. To GRANT appeal & ADJUST assessment AS REQUESTED

I MOVE that the Board *GRANT* the appeal and ADJUST the assessment *AS REQUESTED BY APPELLANT* to \$_____, and I ask for a YES VOTE

Because . . .

Appellant proved there was error . . .

[specify . . . **unequal, excessive, improper, or under valuation**]
based on facts

AND

We find requested assessment is supported by sufficient evidence in the record

3. To GRANT appeal & ADJUST assessment OTHERWISE

I MOVE that the Board *GRANT* the appeal and ADJUST the assessment to \$_____, and I ASK FOR A YES VOTE

Because . . .

Appellant proved there was error . . .

[specify . . . **unequal, excessive, improper, or under valuation**]
based on facts

AND

We find sufficient evidence of value in record to support this assessment

4. To GRANT appeal & REMAND for RECONSIDERATION of ASSESSMENT

I MOVE that the Board *GRANT* the appeal and REMAND to the ASSESSOR for RECONSIDERATION of the ASSESSMENT, and I ASK FOR A YES VOTE

Because . . .

Appellant proved there was error . . .

[specify . . . **unequal, excessive, improper, or under valuation**]
based on facts

AND

We find insufficient evidence of value in the record



Office Of The Assessor
155 South Seward Street
Juneau, AK 99801

KPLAZA LLC
8585 OLD DAIRY RD STE 104
JUNEAU AK 99801

Meeting of Board of Equalization (BOE) and
Presentation of Real Property Appeal

Date of BOE	
Location of BOE	Via ZOOM Webinar
Time of BOE	5:30 pm
Mailing Date of Notice	
Parcel Identification	5B1501100020
Property Location	8585 OLD DAIRY RD
Appeal No.	APL20210414
Sent to Email Address:	debbie@isellalaska.com

ATTENTION OWNER

Under Alaska Statutes and CBJ Code, you, as the appellant, bear the burden of proof. The only grounds for adjustment of an assessment are proof of unequal, excessive, improper, or under valuation based on facts that are stated in your written appeal or proven at the appeal hearing.

Any evidence or materials you would like to include in your appeal must be submitted to the City Clerk's Office {preferred method via email to city.clerk@juneau.org Attn.: Assessment Appeal} by **4:00 PM** and will be included in the packets for the Board so the members have an opportunity to review the materials before the hearing.

Your Board of Equalization packet will be ready for you to pick up in the Clerk's office after **2022** or it will be emailed and/or mailed to the above address(es) on this notice.

You or your representative may be present at the hearing {via Zoom Webinar, participation/log in information will be listed on the agenda packet you receive for the hearing your appeal is scheduled for}. If you choose not to be present or be represented, the Board of Equalization will proceed in the absence of the appellant.

It should be noted that, between the date of this letter and the Board hearing date, your appeal may be resolved between you and the Assessor. If your appeal is resolved, you will not need to appear before the Board.

If you have any questions please contact the Assessor's Office.

Attachment: CBJ Law Department Memorandum April 19, 2013.

CONTACT US: CBJ Assessor's Office

Phone	Email	Website	Physical Location
Phone (907) 586-5215 Fax (907) 586-4520	assessor.office@juneau.org	http://www.juneau.org/finance/	155 South Seward St Room 114

PROPERTY TAX BILLS MAILED JULY 1

PROPERTY TAXES DUE SEPTEMBER 30



8585 Old Dairy Road #102, Juneau, AK 99801

City & Borough of Juneau
Assessor's Office
155 So Seward
Juneau, AK 99801

Please find attached, the basics of an appeal of assessed value on 8585 Old Dairy Road, aka Parcel ID 5B1501100020. Unfortunately, we are still gathering information for this appeal, but with the drastic rise in assessed values on commercial property throughout the borough, that process will take more time than we have to submit this appeal. In the meantime, here are some points to consider:

1. This property is bordered on all three sides by STATE roads. CBJ setbacks are superseded by those easements and setbacks dictated by the State of Alaska. This makes a large portion of the property unusable or restricted. For that reason, the per square foot value of this property is not the same as other properties.
2. While the building owners have invested into a new roof, and other improvements, it was past time to do so. In fact, before, and even during the replacement of the old roof, there were active leaks. My own office experienced this more than once. A new roof may add curb appeal and open a property up to a range of buyers, but it does not add value. This is maintenance and upkeep.
3. We have worked hard to retain and attract new tenants to this building. About five years ago, we experienced a loss of a major tenant and only 17% of the square footage of the building was monetized. Even with not raising the per square foot lease rate over the last 10 years there is still an available 1046 SF of empty, leasable space in this building. With everyone working from home these days, even the State of Alaska is abandoning leases at an alarming rate. The odds of us securing a tenant is not certain at this time.
4. There is an incredible amount of open/wasted space in this building. I'm not sure how you calculated the usable square footage of this building but feel that should be reviewed as well. For example, both floors have a large open foyer that is not usable. The entryways between upstairs doors is nearly 500SF of unusable space and that theme flows throughout the building. In fact, the downstairs "hallways" are over 7 feet wide.

The entire lot, and the building, are oddly shaped, and I think it would be worth a walk through with one of the assessors to make sure everyone has an adequate understanding of how unique this property is and why we feel this value was excessive. You can reach me at 907-723-9886 to schedule.

Respectfully,

Debbie White



Office of the Assessor
155 S Seward Street
Juneau AK 99801

Petition for Review / Correction of Assessed Value
Real Property

Assessment Year	2021
Parcel ID Number	5B1501100020

For Office Use:	Review #	Appeal #
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2021 Filing Deadline: MONDAY, MAY 3

Please attach all supporting documentation

ASSESSOR'S FILES ARE PUBLIC INFORMATION – DOCUMENTS FILED WITH AN APPEAL BECOME PUBLIC INFORMATION

Parcel ID Number	5B1501100020		
Owner Name	K Plaza LLC	Name of Applicant	Debbie White
Primary Phone #	907-723-9886	Email Address	debbie@isellalaska.com
Physical Address	8585 Old Dairy Rd Juneau, AK 99801	Mailing Address	8585 Old Dairy Rd Suite 102 Juneau, AK 99801

Why are you appealing your value? Check box and provide a detailed explanation below for your appeal to be valid.

- ☒ My property value is excessive/overvalued
☒ My property value is unequal to similar properties
☒ My property was valued improperly/incorrectly
☐ My property has been undervalued
☐ My exemption(s) was not applied

THE FOLLOWING ARE NOT GROUNDS FOR APPEAL

- Your taxes are too high
- Your value changed too much in one year.
- You can't afford the taxes

Provide specific reasons and provide evidence supporting the item(s) checked above:

Lease rates have been flat for over ten years and we have space that has been vacant for years. See attached

Have you attached additional information or documentation? ☒ Yes ☐ No

Values on Assessment Notice:

Site	\$ 1,165,350	Building	\$ 1,278,800	Total	\$ 2,444,150
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Owner's Estimate of Value:

Site	\$ 832,350	Building	\$ 1,062,250	Total	\$ 1,894,600
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Purchase Price of Property:

Price	\$	Purchase Date	more than 20 years ago
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Has the property been listed for sale? ☐ Yes ☒ No (if yes complete next line)

Listing Price	\$	Days on Market	
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Was the property appraised by a licensed appraiser within the last year? ☐ Yes ☐ No (if yes provide copy of appraisal)

Certification:

I hereby affirm that the foregoing information is true and correct, I understand that I bear the burden of proof and I must provide evidence supporting my appeal, and that I am the owner (or owner's authorized agent) of the property described above.

Signature Debbie White Registered Agent Date 5-3-2021

Contact Us: CBJ Assessors Office

Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801

Step 1 – Administrative Review

Appraiser to fill out			
Appraiser		Date of Review	
Comments:			
Post Review Assessment			
Site	\$	Building	\$
Exemptions		\$	
Total Taxable Value		\$	
APPELLANT RESPONSE TO ACTION BY ASSESSOR			
My acceptance or rejection of the assessment valuation in the amount of \$_____ is indicated below.			
<input type="checkbox"/> Accept New Assessed Value <input type="checkbox"/> Close Review (Assessment Remains Unchanged) <input type="checkbox"/> Reject and Appeal			
If appealed, appellant will be scheduled before the Board of Equalization and will be advised of the date & time to appear.			
Appellant's Signature _____		Date: _____	

Appellant Accept Value	<input type="checkbox"/> Yes <input type="checkbox"/> No <i>(if no skip to Board of Equalization)</i>
Govern Updated	<input type="checkbox"/> Yes <input type="checkbox"/> No
Spreadsheet Updated	<input type="checkbox"/> Yes <input type="checkbox"/> No
Corrected Notice of Assessed Value Sent	<input type="checkbox"/> Yes <input type="checkbox"/> No

Step 2 – Appeal

Appeal # _____

BOARD OF EQUALIZATION			
Scheduled BOE Date	<input type="checkbox"/> Yes <input type="checkbox"/> No		
10-Day Letter Sent	<input type="checkbox"/> Yes <input type="checkbox"/> No		
The Board of Equalization certifies its decision, based on the Findings of Fact and Conclusion of Law contained within the recorded hearing and record on appeal, and concludes that the appellant <input type="checkbox"/> Met <input type="checkbox"/> Did not meet the burden of proof that the assessment was unequal, excessive, improper or under/overvalued.			
Notes:			
Site	\$	Building	\$
Exemptions		\$	
Total Taxable Value		\$	

Contact Us: CBJ Assessors Office			
Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801

2018-004515-0

Recording District 101 Juneau

CC

10/19/2018 01:53 PM

Page 1 of 2



RECORD IN THE JUNEAU RECORDING DISTRICT

After Recording Return to:

KPlaza, LLC
8585 Old Dairy Road, Ste 104
Juneau, AK 99801

QUITCLAIM DEED

Grantor, Chatham Properties, LLC, of 8585 Old Dairy Road, Ste 104, Juneau, Alaska 99801, for good and valuable consideration in hand paid, conveys and quitclaims to KPlaza, LLC, of 8585 Old Dairy Road, Ste 104, Juneau, Alaska 99801, all of Grantor's right, title and interest whatsoever in the following described real property, without warranty:


A tract of land in U.S. Survey 1194, Juneau Recording District, First Judicial District, State of Alaska described as:

BEGIN at the intersection of the southwest line of Egan Express-Way and the east line of said survey, from which intersection at the Northwest corner (Corner 4) of U. S. SURVEY 1195 BEARS N 0 degrees 17' W 588.80 feet; thence N 42 degrees 37' 55" W, on said Southwest line, 218.54 feet; thence on 2,964.79 foot curve to the right 172.28 feet to the intersection of said Southwest line with the Southerly line of Glacier Highway access road; thence S 64 degrees 39' 20" W, on said Southerly line, 219.13 feet; thence S 25 degrees 20' 40" E 10 feet; thence on a 170.0 foot radius curve to the left, continuing on said access road, 155.23 feet; thence S 12 degrees 20' 14" E 4.10 feet to the Northerly line of Glacier Highway; thence, by chords, along said Northerly line S 77 degrees 19' 59" E 14.87 feet, S 75 degrees 57' 31" E 25.78 feet, S 74 degrees, 34' 29" E 25.94 feet, S 73 degrees 11' 00" E 26.12 feet, S 71 degrees 46' 55" E 26.33 feet, S 70 degrees 22' 08" E 26.55 feet, S 68 degrees 56' 35" E 26.80 feet, S 67 degrees 30' 03" E 27.07 feet, S 66 degrees 02' 52" E 27.37 feet, S 64 degrees 34' 23" E 27.70 feet, S 63 degrees 05' 07" E 28.05 feet, S 61 degrees 34' 28" E 28.44 feet, S 60 degrees 02' 33" E 28.87 feet, S 58 degrees 18' 34" E 28.06 feet to said East line of U.S. SURVEY 1194; thence N 0 degrees 17' 00" W 48.66 feet to the point of beginning,

EXCEPT THEREFROM that part conveyed to the State of Alaska, Department of Transportation and Public Facilities by instrument recorded May 11, 1984 in Book 237 at Page 431,

which has a street address of 8585 Old Dairy Road, Juneau, Alaska

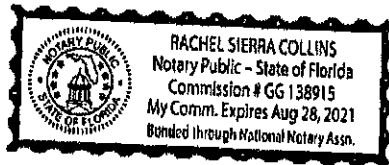
CHATHAM PROPERTIES, LLC

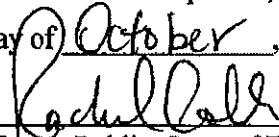
Date: October 1, 2018
Hal Dreyer, President of Kpotznoowoo, Inc.,
Sole Member of Chatham Properties, LLC

STATE OF FLORIDA)
) ss:
COUNTY OF VOLUSIA)

Before me, the undersigned Notary Public, personally appeared Hal Dreyer, known to me to be the person whose name is subscribed to the above instrument, and acknowledged to me that he or she executed it as authorized representative of the Chatham Properties, LLC.

WITNESS my hand and official seal this 1st day of October, 2018.





Notary Public, State of Florida
My commission Expires: 8/28/21





April 26, 2021

Debbie White
8585 Old Dairy Road, Suite 102
Juneau, AK 99801

Dear Ms. White,

I want to thank you for bringing the 2021 appraisal value of KPlaza (8585 Old Dairy Road, Juneau, Alaska) to my attention. The data on file at the Finance Office for KPlaza shows:

Parcel:	5B1501100020
Legal Description:	USS 1194 FR
Address:	8585 OLD DAIRY RD
Owner:	KPLAZA LLC
Value:	\$2,444,150

YEAR:	1983
SQ FT:	22,245
LOT:	55,4990

Gross Livable Area:	21,245 sq. ft.
Building PV:	1,278,800.00
Site PV:	1,165,350.00

We think this valuation is extremely high and would be most grateful if you would be willing to assist us in preparing the back-up documents to support an appeal.

Sincerely,

A handwritten signature in black ink, appearing to read "Deborah J. Atuk".

Deborah J. Atuk
President & CEO

cc: Melissa M. Kookesh – Board Chair, Kootznoowoo, Inc.

KOOTZNOOWOO
INCORPORATED



8585 Old Dairy Rd.
Juneau, AK 99801
907-790-2992
907-790-2995
Kootznoowoo.com

fax

TO: Attn: Mary Hammond

FROM: Susettna King

FAX: 1.907.586.4520

PAGES: 4

PHONE:

DATE: 02/08/2022

RE: **Final Determination**

CC:

☐ Urgent

☐ For Review

☐ Please Comment

☐ Please Reply

☐ Please Recycle

Comments:

Susettna King
Manager of Administrative & Shareholder Services
Kootznoowoo, Inc. & Subsidiaries

CONFIDENTIAL



OFFICE OF THE ASSESSOR

155 S. Seward St. Rm. 114
Juneau, AK 99801
Phone: (907)586-5215
Fax: (907)586-4520
Assessor.Office@juneau.org

2/2/2022

K Plaza LLC
8585 Old Dairy Rd Ste 102
Juneau AK 99801

RECEIVED

FEB 8 2022

KOOTZNOOWOO, INC.

RE: FINAL DETERMINATION -- 2021 Property value Petition for Review -- 5B1501100020
RESPONSE DEADLINE: 2/9/2022

PARCEL: 5B1501100020
PHYSICAL LOCATION: 8585 Old Dairy Rd Juneau AK 99801

K Plaza LLC,

This letter is in response to the 2021 Petition for Review that you filed regarding the above indicated parcel. The basis for appealing as indicated on the Petition for Review form is: **My property value is excessive & My property value is unequal to similar properties & My property was valued improperly**

- Excessive – grossly disproportionate when compared to other assessments
- Unequal – treated differently than other properties in the same property class
- Improper – valuation methodology was improper
- Undervalued – valued less than market or disproportionately lower than other assessments

State statute requires that the burden of proof is upon the appellant to provide evidence that one of the above conditions has been met (AS 29.45.210).

Based upon the evidence that you provided we have made the following determination regarding 2021 assessment valuation of **5B1501100020**:

VALUE DETERMINATION

Recommended Action: **No Change**

2021 Initial valuation:	\$2,444,150
2021 Owner estimate of value:	\$1,894,600
2021 Final determination:	\$2,444,150

We have reviewed your assessed value and did not find that the value is excessive, unequal, or improper.

APPELLANT RESPONSE FOR ASSESSMENT YEAR 2021 PETITION FOR REVIEW

Please indicate if you accept the recommended value or wish to have your Petition for Review heard by the Board of Equalization. (INITIAL ONE)

YES, I accept the recommended value determination provided by the Assessor

✓

NO, I do not accept the recommended valuation provided by the Assessor.
Please schedule my Petition for Review for the Board of Equalization.

I understand that I will be expected to provide specific evidence to the Board which clearly illustrates that my parcel valuation is: excessive, unequal, valued with improper methodology or is less than market value.

Be advised that if you choose to proceed to the Board of Equalization, they may, in accordance with law, apply an increase of the assessed value to full market value.

JONATHAN J WUNROW

JONATHAN J WUNROW (Feb 8, 2022 15:11 EST)

Appellant signature

Feb 8, 2022

Date

If we do not receive a response from you by **2/9/2022**, the Petition for Review will be scheduled for the Board of Equalization where you will be expected to present **specific evidence** as to why your parcel is not valued correctly.

Sincerely,

Mary Hammond

Mary Hammond
Assessor
City & Borough of Juneau






Copier_20220208_091748

Final Audit Report

2022-02-08

Created:	2022-02-08
By:	Susettna King (sking@kootznoowoo.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAxOPmmgDVODxRrnNVtuT39qIF0Phus8m

"Copier_20220208_091748" History

-  Document created by Susettna King (sking@kootznoowoo.com)
2022-02-08 - 6:39:58 PM GMT
-  Document emailed to JONATHAN J WUNROW (jwunrow@kootznoowoo.com) for signature
2022-02-08 - 6:40:54 PM GMT
-  Email viewed by JONATHAN J WUNROW (jwunrow@kootznoowoo.com)
2022-02-08 - 8:11:04 PM GMT
-  Document e-signed by JONATHAN J WUNROW (jwunrow@kootznoowoo.com)
Signature Date: 2022-02-08 - 8:11:21 PM GMT - Time Source: server
-  Agreement completed.
2022-02-08 - 8:11:21 PM GMT

APPEAL #2021-0414

2021 REAL PROPERTY APPEAL PACKET

BOARD OF EQUALIZATION March 1, 2022



ASSESSOR OFFICE

Appellant: K-Plaza LLC

Location: 8585 Old Dairy Rd

Parcel No.: 5B1501100020

Property Type: Commercial – Mixed Use

Appellant's basis for appeal: My property value is excessive/overvalued & my property value is unequal to similar properties & my property was valued improperly/incorrectly

	Appellant's Estimate of Value	Original Assessed Value	Recommended Value
Site:	\$ 832,350	\$ 1,165,350	\$ 1,165,350
Buildings:	\$ 1,062,250	\$ 1,278,800	\$ 1,278,800
Total:	\$ 1,894,600	\$ 2,444,150	\$ 2,444,150

Subject Photo



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OVERVIEW

The subject is a 2-story multi-tenant building with office and restaurant spaces. It is located adjacent to Nugget Mall within the greater airport commercial district. It has high visibility from Egan Drive.

Subject Characteristics:

- Land
 - 55,490 SF lot = 1.274 AC
 - Level, developed lot
 - Located within the airport & mall area commercial district
- Building
 - 21,245 SF GBA Multi-tenant office building
 - 9,722 SF – 1st level
 - 11,523 SF – 2nd level

SUBJECT PHOTOS



Front

Front right



Right Side



Back- facing Egan



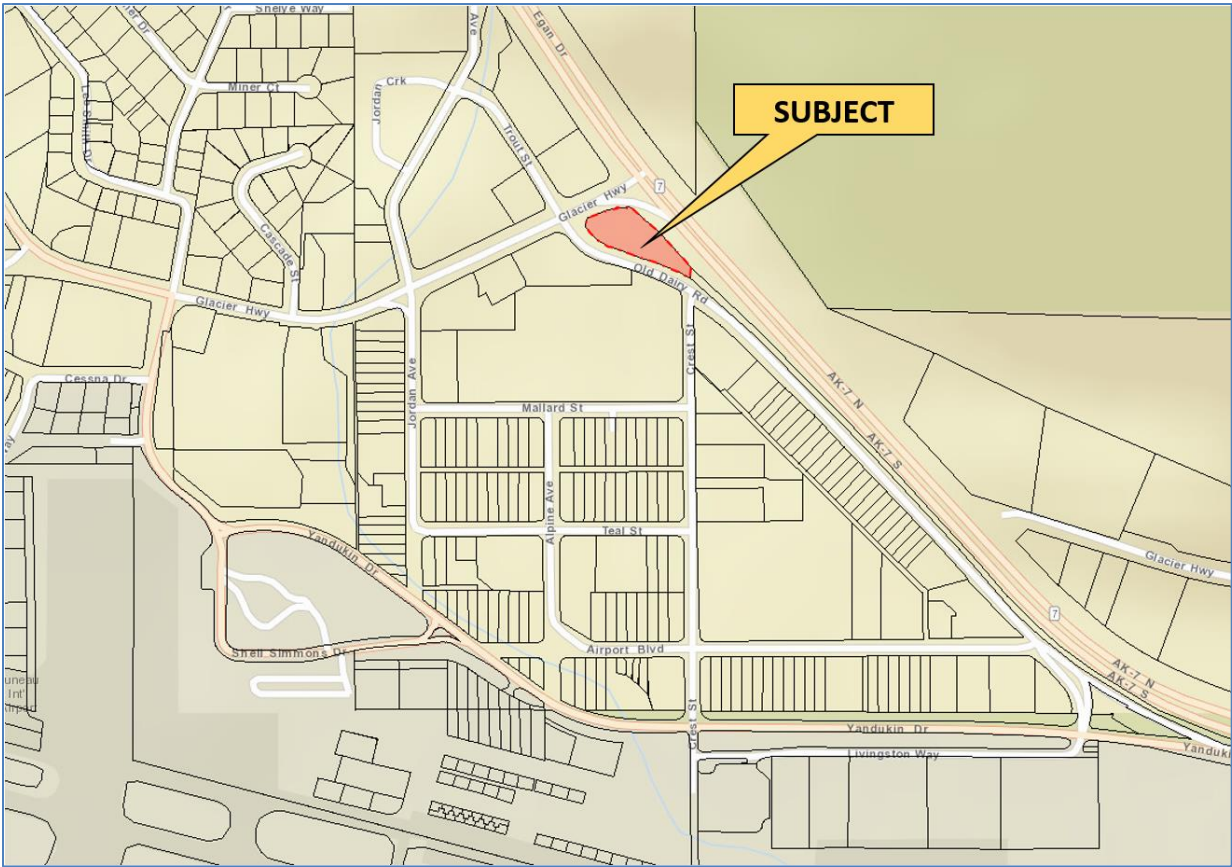
Back





Entry foyer

AREA MAP & AERIAL





ASSESSED VALUES

Remember that the total assessed value is the primary test against market. The distribution of that value between the Land Component and the Building Component is secondary and can vary from one model to another. The total assessed value is tested against market indicators (sales, lease rates, etc.) and is adjusted to market value by application of market area and feature adjustments.

All three approaches to value (Cost, Sales Comparison and Income) are considered for commercial properties

LAND

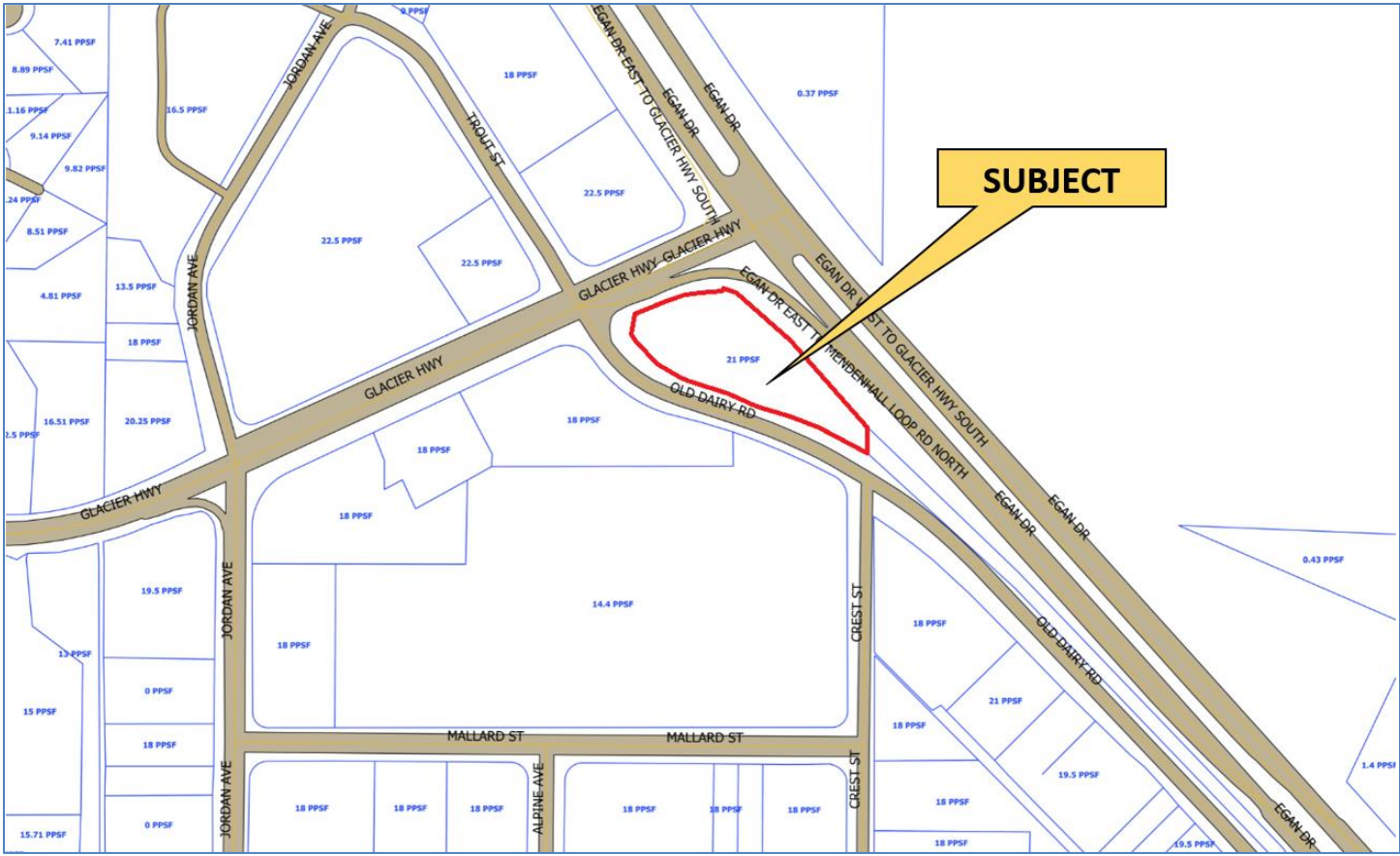
Land values are developed on a market area basis. The land is examined to understand the typical land characteristics in the market area. These characteristics include size, slope, view, water frontage, significant wetlands and others. The characteristics are used to develop a market area land valuation model. This model is tested and refined in consideration of sales of both vacant and developed parcels. The resulting model is then applied to all of the land in the market area to establish assessed site values.

The subject site is level and developed. The subject parcel's land value is equitable and is not excessive.

Land Characteristics:

- 55,490 SF lot = 1.274 AC
- Level, developed lot
- Located within the Airport & mall area commercial district

Land Values



BUILDING(S)

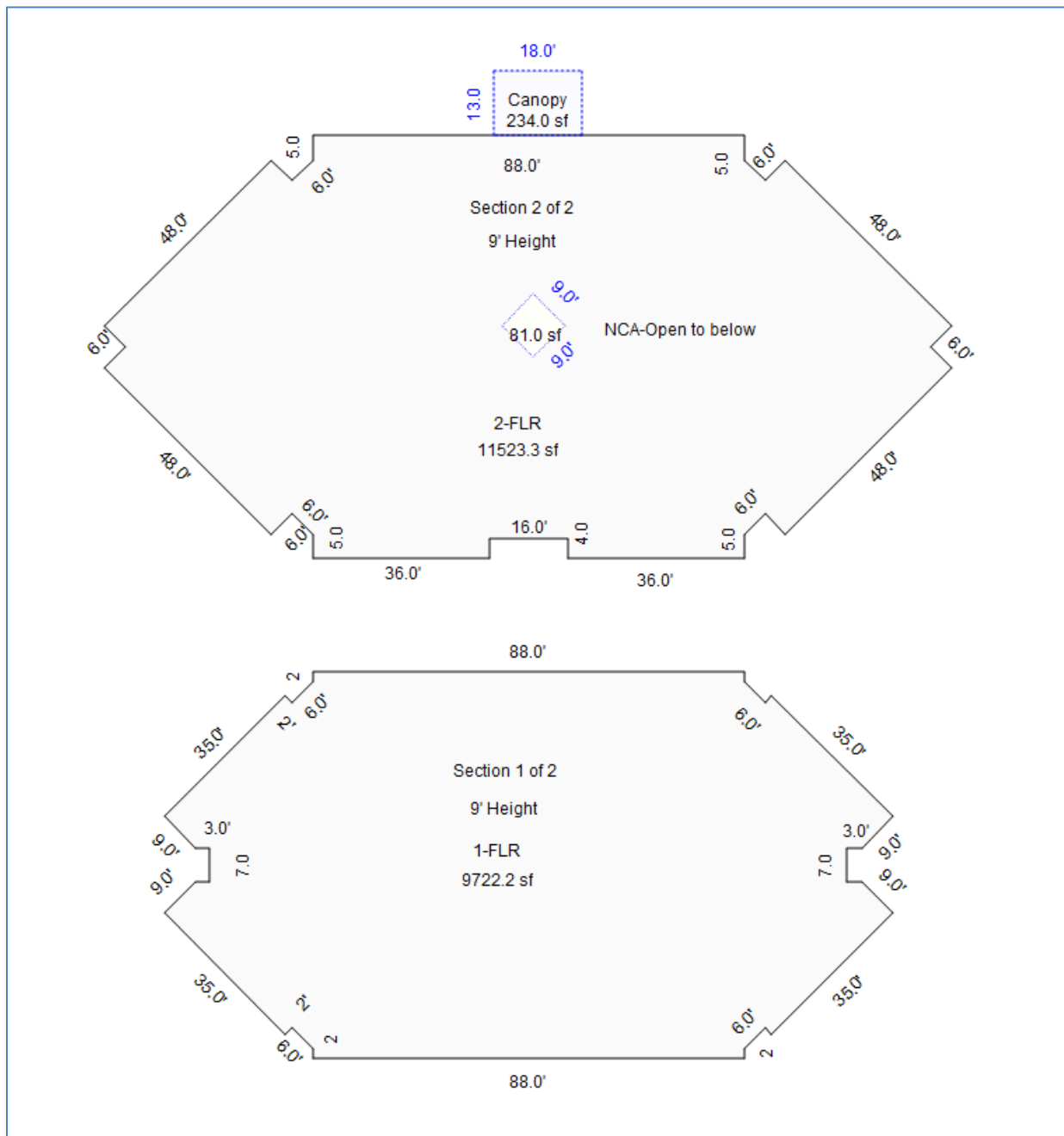
The building component may be based on market adjusted cost tables, residual from sales after extraction of the land value or other appropriate means.

Ratio studies are performed to determine market adjustments.

Building Characteristics:

- 21,245 SF GBA Multi-tenant office building
 - 9,722 SF – 1st level
 - 11,523 SF – 2nd level

Sketch of Improvements:



COST REPORT

The cost report below was utilized in the review process in response to the filing of the Petition for Review by the appellant. We were able to do an inspection of the building as part of the review and to update the cost approach. The cost report indicates that the building component is not overvalued.

8028		Record		1	
Parcel Code Number	5B1501100020	Number of Stories (Building)		02	
Owner Name	KPLAZA LLC	Number of Sections		1	
Parcel Address	8585 OLD DAIRY RD	Perimeter		418	
Effective Year Built	2009	Class		D	
Year Built	1983	Height			
Building Model	C- 15 Offices, Medical, Public Buildings	Rank		Average	
Building Type	Office Building	Total Area		21,245.00	

Section 1	Description	Units	Percent	Cost	+/-	Total
	Base Cost	21245		94.50		2,007,653
	Exterior Wall Stud -Vinyl Siding	21245	80%	19.02		404,080
	Exterior Wall Concrete Block	21245	20%			
	Heating & Cooling Heating & Cooling	21245		603.00		603
	Heating & Cooling Warmed and Cooled Air	21245	100%	19.60		416,402
	Architect Fee	21245		6.80		144,466
	Sprinklers Dry Sprinklers	21479	100%	4.20		90,212
	Sub Total					\$3,063,415.20
	Local Multiplier			1.43	[X]	\$4,380,684.00
	Current Multiplier			1.03	[X]	\$4,512,105.00
	Neighborhood Multiplier				[X]	\$4,512,105.00
	Depreciation - Physical			10.00	[-]	\$451,211.00
	Depreciation - Functional				[-]	\$0.00
	Depreciation - Economic				[-]	\$0.00
	Percent Complete			100.00	[-]	\$4,060,894.00
	Cost to Cure					
	Neighborhood Adjustment					
	Replacement Cost less Depreciation					\$4,060,894
	Total Improvement Value					\$4,060,900

The building segment of the assessed value is \$ 1,278,800.

INCOME APPROACH

The income approach was not the basis for setting the assessed value for 2021. The appellant submitted P&L information. There were some questions on the expenses that we were not able to get answers to. After categorizing the expenses the best we could, it does appear that their expenses are higher than normal. In the last few years they have also had higher than normal vacancy which was taken into account through their revenue amounts. We did two versions of the Income Approach, one with their expenses and one with a standard level of expenses. The one with their expenses supported the assessed value while the one with standard expenses indicated a value well above the assessed value.

COMMERCIAL MARKET & ASSESSMENT ANALYSIS

The 2021 sales analysis for commercial properties included 57 qualified sales from 5 years of sales covering January 1, 2016 through December 31, 2020. The sales volume for the commercial market remained steady through 2020 and there was no indication of declining prices.

- Assessment Year 2021 Summary for Commercial Properties
 - Level of Assessment – 85% overall, 60% for vacant land, and 91% for improved properties
 - Coefficient of Dispersion (COD) – 22% for the combined group, 20% for vacant land, and 17% for improved properties (For these types of property groups the Standard that we work towards would be 20% or less for the subsets of land and improved properties. The combined set would be expected to have a higher COD.)
 - Applied Time Trend for Sales Analysis – 5% per year (0.42% per month)

SUBJECT ASSESSMENT HISTORY

Note that the building value increased as well for 2021 due to a new roof and other repairs and updates.

City and Borough of Juneau Assessment History Report 5B1501100020 KPLAZA LLC 8585 OLD DAIRY RD USS 1194 FR				
<u>YEAR ID</u>	<u>LAND VALUE</u>	<u>MISC VALUE</u>	<u>BLDG VALUE</u>	<u>CAMA VALUE</u>
2021	\$1,165,350.00		\$1,278,800.00	\$2,444,150.00
2020	\$776,900.00		\$718,800.00	\$1,495,700.00
2019	\$776,900.00		\$718,800.00	\$1,495,700.00
2018	\$776,900.00		\$718,800.00	\$1,495,700.00
2017	\$776,900.00		\$718,800.00	\$1,495,700.00
2016	\$776,900.00		\$718,800.00	\$1,495,700.00
2015	\$776,900.00		\$718,800.00	\$1,495,700.00
2014	\$776,900.00		\$718,800.00	\$1,495,700.00
2013	\$832,400.00		\$1,292,100.00	\$2,124,500.00
2012	\$721,400.00	\$0.00	\$800,000.00	\$1,521,400.00
2011	\$721,400.00	\$0.00	\$800,000.00	\$1,521,400.00
2010	\$721,400.00	\$0.00	\$800,000.00	\$1,521,400.00

SUMMARY

State statute requires the Assessor to value property at “full and true value”. According to appraisal standards and practices set by the Alaska Association of Assessing Officers, the State of Alaska Office of the State Assessor, and the International Association of Assessing Officers, correct procedures of assessment were followed for the subject. These standards and practices include consideration of any market value increase or decrease as determined by analysis of sales.

The assessed value was reviewed in response to the Petition for Review. Our findings are as follows.

Additional Details:

- The appellant states that their assessed value is excessive, unequal and improper
 - We find the land and buildings are valued using the same methods and standards as all other properties in the Borough and that their value is not improper.
 - We find that the value is equitable and that, based on analysis of market sales, it is not excessive. This is addressed in the land, building, cost report, income, commercial market and assessment analysis, summary and conclusion sections of our response in your packet. For additional information on the assessment process, assessed values, analysis process, ratio studies and other related areas please see the “Property Assessment Guide” included in the packet.
 - In reviewing locational subgroups, property type subgroups and property characteristic subgroups in the analysis we did not see evidence that any location or other subgroup should be treated differently from the rest with the exception of the boathouses.

CONCLUSION

The 2021 Assessed values were based on a simple methodology, analysis through ratio studies and subsequent trending of values based on the analysis findings. Underlying this standard compliant trending are the locational and feature influenced specific models that have been applied to Juneau commercial properties for many years. The ratio studies indicate that after our adjustments to values the level of assessment for commercial properties was 85% overall, 60% for vacant land, and 91% for improved properties.

We find that no change to the 2021 assessed value of \$2,444,150 is warranted and ask that the BOE uphold the assessed value.

ADDENDUM A - Communications

Mary Hammond

From: Michael Dahle
Sent: Wednesday, February 9, 2022 11:38 AM
To: 'Jon Wurrow'
Cc: Mary Hammond
Subject: K-Plaza Income Approach

Jon,

Attached is an image of one version of the Income Approach for the K-Plaza building. I still have not been able to do a full Income Approach from the P&L information as it appears that numerous of the expenses are not appropriate to include, however, I have been unable to confirm that. It does appear that your expenses may be higher than normal.

The attached Income Approach indicates a value of \$[REDACTED] while the current assessed value for AY2021 is \$2,444,150.

The attached Income Approach includes your actual reported revenue so it is based on your elevated vacancy rate. It also does not add anything for the rental value of the area that Kootznوو occupies.

Normal expense ranges for mixed use buildings that are leased out range from 25% to 35%. For this income approach, in order to be conservative, we have applied a 35% expense rate.

I am still available to answer any questions between now and the BOE hearing.

Sincerely,

Michael Dahle

Deputy Assessor
City & Borough of Juneau
907-586-5215 ext. 4036
907-586-4520 (Fax)
Michael.Dahle@juneau.org

Mary Hammond

From: Jon Wunrow <jwunrow@kootznoowoo.com>
Sent: Monday, January 31, 2022 4:27 PM
To: Michael Dahle
Subject: Re: Follow Up Web Meeting

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Hi Michael, Let me check with our bookkeeper to see if she's been able to pull together the numbers you requested in your email.

Thanks,
Jon

Make it a Great Day!

Jonathan Wunrow, President and CEO
Kootznoowoo, Inc.
907-617-9956

From: Michael Dahle <Michael.Dahle@juneau.org>
Sent: Monday, January 31, 2022 4:32 PM
To: Jon Wunrow <jwunrow@kootznoowoo.com>
Subject: RE: Follow Up Web Meeting

Hi Jon,

Just a quick follow up to let you know that my schedule is still open this afternoon for a call if you want to do a video call. I also have pretty good availability tomorrow as well.

Michael Dahle

Deputy Assessor, City & Borough of Juneau
907-586-5215 ext. 4036
Michael.Dahle@juneau.org

From: Michael Dahle
Sent: Friday, January 28, 2022 8:10 AM
To: 'Jon Wunrow' <jwunrow@kootznoowoo.com>; Stephanie Cameron <scameron@kootznoowoo.com>
Subject: RE: Follow Up Web Meeting

Hi Jon,

Currently, I am available any time after 9:00 on Monday.

Just a heads up. The Finance Director is demanding that Determination Letters for all of the last few remaining appeals go out so it is likely that a "No Change" determination letter will be mailed to you today. We can still review this data, continue our conversation and alter our findings up until the time of the BOE Hearing. You also retain the option of withdrawing the appeal up until the time of the BOE Hearing.

I am not sure if the Income Approach is going to indicate a lower value but it is a possibility so I think it is worth looking at. Once I get the answers to the questions it won't take much to categorize those few remaining items and then analyze the results.

I am happy to answer any other questions you may have as well.

Thank you,
Michael

From: Jon Wunrow <jwunrow@kootznoowoo.com>
Sent: Friday, January 28, 2022 2:39 AM
To: Michael Dahle <Michael.Dahle@juneau.org>; Stephanie Cameron <scameron@kootznoowoo.com>
Subject: Re: Follow Up Web Meeting

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Hi Michael,
Thanks for your email. I will certainly need our bookkeeper, Stephanie Cameron involved in the call as well. To be honest, I'm hoping this is not an exercise in futility on our part.

I am cc'ing Stephanie your questions, so that she can take a look. I am not available on 1/28, but could meet on 1/31. Do you have any morning times available on that day?

Thanks again,
Jon

Make it a Great Day!

Jonathan Wunrow, President and CEO
Kootznoowoo, Inc.
907-617-9956

From: Michael Dahle <Michael.Dahle@juneau.org>
Sent: Thursday, January 27, 2022 8:32 PM
To: Jon Wunrow <jwunrow@kootznoowoo.com>
Subject: Follow Up Web Meeting

Hi Jon,

In reviewing the P&L statements for the K-Plaza in order to do up an Income Approach I had some questions that getting answers to would help make sure that we categorize things appropriately.

I am wondering if we could do a web meeting with just you and I to talk through the P&L statements?

Here is a summary of the questions I would hope to cover:

2

- SF that Kootznoowoo occupies in K-Plaza?
- SF represented in rents?
- SF of vacancies?
- Expenses
 - Loan Interest
 - Misc Exp of ████████ in 2020
 - GM Salary / CEO in 2021 only
 - Gross P/R Earnings of ████████ in 2020
 - Subcontractor of ████████ in 2020 and ████████ in 2021
 - Rapid Deployment of ████████ in 2019 and ████████ in 2020
 - Significant drop in Janitorial line item under Repairs but uptick in Janitorial under payroll
 - What is included in Repairs & Maintenance- Other of ████████ in 2019 and ████████ in 2020?
 - What is included in Taxes and Licenses of ████████ in 2019; ████████ in 2020; and ████████ in 2021?

Tomorrow I would be available at 10:00 am or after noon. Let me know what would work for you.

Thanks,

Michael Dahle

Deputy Assessor
City & Borough of Juneau
907-586-5215 ext. 4036
907-586-4520 (Fax)
Michael.Dahle@juneau.org



Mary Hammond

From: Michael Dahle
Sent: Monday, January 24, 2022 8:23 AM
To: 'Jon Wunrow'
Subject: RE: 3-Year P&L for K-Plaza Building

Thanks Jon.

I will review the P&L and work up an Income Approach as soon as possible.

Michael Dahle

Deputy Assessor, City & Borough of Juneau
907-586-5215 ext. 4036
Michael.Dahle@juneau.org

From: Jon Wunrow <jwunrow@kootznoowoo.com>
Sent: Monday, January 24, 2022 6:46 AM
To: Michael Dahle <Michael.Dahle@juneau.org>
Subject: 3-Year P&L for K-Plaza Building

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Good Morning Mr. Dahle,
Attached is a P&L statement from our bookkeeper for the K-Plaza building owned by Kootznoowoo, Inc. This is being sent per your suggestion, as additional information to evaluate the 2021 property tax assessment for the K-Plaza building located at 8585 Old Dairy Road.

We look forward to your response to this submission.

Thanks,
Jon Wunrow

Make it a Great Day!

Jonathan Wunrow, President and CEO
Kootznoowoo, Inc.
907-617-9956

Mary Hammond

From: Michael Dahle
Sent: Tuesday, August 3, 2021 2:44 PM
To: 'Matthew Bell'; Debbie White
Subject: RE: Petition for Review for 5B1501100020 (K Plaza LLC)

Great. See you on the 18th.

Michael Dahle

Deputy Assessor, City & Borough of Juneau
907-586-5215 ext. 4036
Michael.Dahle@juneau.org

From: Matthew Bell <mbell@kootznoowoo.com>
Sent: Tuesday, August 3, 2021 2:42 PM
To: Debbie White <debbie@isellalaska.com>; Michael Dahle <Michael.Dahle@juneau.org>
Subject: RE: Petition for Review for 5B1501100020 (K Plaza LLC)

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Good afternoon,
The 18th 2:30 will work.
Thanks.

Matthew J. Bell
(907) 518-1043

From: Debbie White <debbie@isellalaska.com>
Sent: Tuesday, August 3, 2021 2:23 PM
To: Michael Dahle <Michael.Dahle@juneau.org>
Cc: Matthew Bell <mbell@kootznoowoo.com>
Subject: Re: Petition for Review for 5B1501100020 (K Plaza LLC)

I put it on my calendar, but will wait for confirmation from Matthew.

Debbie White, Broker/Owner
Southeast Alaska Real Estate
8585 Old Dairy Road #102
Juneau, AK 99801

907-789-5533 Office
907-789-5504 Fax
907-723-9886 Direct/Cell



On Tue, Aug 3, 2021 at 2:19 PM Michael Dahle <Michael.Dahle@juneau.org> wrote:

Debbie,

Thank you for your reply. Would Wednesday, August 18 @ 2:30 work?

Michael Dahle

Deputy Assessor, City & Borough of Juneau

907-586-5215 ext. 4036

From: Debbie White <debbie@isellalaska.com>

Sent: Tuesday, August 3, 2021 1:47 PM

To: Michael Dahle <Michael.Dahle@juneau.org>; Matthew Bell <mbell@kootznoowoo.com>

Subject: Re: Petition for Review for 5B1501100020 (K Plaza LLC)

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Yes, that would be fine. Please "reply all" as Matt knows more about the condition than I do. They are trying really hard to catch up on some deferred maintenance.

Debbie White, Broker/Owner

Southeast Alaska Real Estate

2

8585 Old Dairy Road #102

Juneau, AK 99801

907-789-5533 Office

907-789-5504 Fax

907-723-9886 Direct/Cell



On Mon, Aug 2, 2021 at 3:25 PM Michael Dahle <Michael.Dahle@juneau.org> wrote:

Debbie,

In your letter attached to the Petition for Review you mentioned doing a walk through. I was wondering if we could schedule a walk through of the building sometime the week of 08/16-08/20?

Michael Dahle

Deputy Assessor

City & Borough of Juneau

907-586-5215 ext. 4036

907-586-4520 (Fax)

Michael.Dahle@juneau.org

Rocovich, LLC
 BOE Meeting 3/1/2022
 406 S Franklin Street, Juneau, AK

Comparison of CBJ assessments and 2018 appraisal (5 year)

Year	CBJ Assessment	Purchase/Appraisal		Over / (Under)	% Over / (Under)
		March 2018			
2017	\$ 3,939,100.00	\$ 4,150,000.00	\$ (210,900.00)		-5%
2018	\$ 4,969,500.00	\$ 4,150,000.00	\$ 819,500.00		20%
2019	\$ 4,718,600.00	\$ 4,150,000.00	\$ 568,600.00		14%
2020	\$ 4,734,000.00	\$ 4,150,000.00	\$ 584,000.00		14%
2021 (proposed)	\$ 5,407,175.00	\$ 4,150,000.00	\$ 1,257,175.00		30%

Comparison of CBJ assessment and NOI (3 year)

Year	CBJ Assessment	NOI
2019/2018	\$ 4,718,600.00	\$ 276,682.00
2020 /2019	\$ 4,734,000.00	\$ 274,072.00
2021 / 2020	\$ 5,407,175.00	\$ 115,958.00

Key items impacting valuation:

Expenses: Include Lease?

Cap Rate: 6% or > 6%?

Debt Service / Pro Forma - Appraised Value and Assessor Value

Initial Investment for property purchased for \$5,400,000: \$1,350,000

Monthly Debt Service for property purchased for \$5,400,000: Approximately \$23,090

Annual Debt Service for property purchased for \$5,400,000: Approximately \$277,080

Initial Investment for property purchased for \$4,700,000: \$1,175,000

Monthly Debt Service for property purchased for \$4,700,000: Approximately \$20,097

Annual Debt Service for property purchased for \$4,700,000: Approximately \$241,164

Initial Investment for property purchased for \$4,150,000: \$1,037,500

Monthly Debt Service for property purchased for \$4,150,000: Approximately \$17,745

Annual Debt Service for property purchased for \$4,150,000: Approximately \$212,940

VALUE CONCLUSIONS

Appraisal Premise	Interest Appraised	Date of Value	Value
Market Value As Is	Leased Fee	December 11, 2017	\$4,150,000
Market Value As Stabilized	Leased Fee	December 11, 2017	\$4,320,000

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)**Strengths / Opportunities**

- Excellent location in downtown historic district with water frontage in proximity to the cruise ship docks
- Excellent visibility and exposure to both cruise ship patrons and traffic
- Flexibility in mixed-uses
- Expansion potential and/or outdoor amenities taking advantage of ocean view/frontage

Weaknesses / Threats

- Seasonal patrons
- Weather/ocean exposure
- Limited parking
- Relatively lower rentable space on second level

Visitor Industry

8,350 Annualized Jobs
\$272 Million in Wages in 2019

DOWN 3,795 JOBS IN 2020

2020

The 2020 visitor season was like no other. Few tourists arrived in the region, and those who did found reduced opportunities to leave their money here. However, because the visitor industry includes all hotels, which were highly utilized for quarantining - especially by the mining sector - and restaurants, which quickly pivoted to take-out menus and services, employment levels were perhaps not as hard hit as they could have been. Total jobs in the visitor sector were cut by 45%, for a loss of 3,795 year-round-equivalent jobs. Wages fell by \$119 million, a drop of 44% compared to 2019.

In 2020, just 191,000 air, ferry, and cruise passengers (including residents) arrived in Southeast Alaska from outside the region. Airline passenger traffic from outside the region decreased by 58%, cruise ship traffic was reduced by 100%, and ferry passengers from outside the region fell by 77% due to the continued dramatic decreases in AMHS funding and service (see page 10). Tourists had been expected to spend nearly \$800 million across Southeast Alaska communities in the summer of 2020, and the visitor sector had been set to surpass the state and municipal sectors to become the largest wage provider in the region overall.

Instead, those working in the visitor industry earned \$153 million in 2020—just 7 percent of all regional employment income, compared to 12 percent the year before. The average annualized wage in the visitor sector was \$33,195, the lowest of any industry.

2020 CRUISE SHIP SEASON CANCELLED

In 2020, 43 cruise ships were scheduled to visit the region, carrying 1.41 million passengers on 606 voyages. Two of the region's smallest cruise ships with 48 combined passengers set sail in 2020, while the remainder were cancelled, due to a prohibition of cruise ships passing through Canada.

BUSINESS LEADERS SURVEY

In April of 2021, leaders in the visitor sector reported on how their businesses were fairing:

- Tourism businesses reported that revenue was down by **62%** since the pandemic began.
- **One-third** reported they would have needed to close permanently without the financial assistance made available through federal relief programs.
- **50%** were struggling to pay bills, rent, or mortgage.
- **31%** of tourism leaders said they remain vulnerable to closure.

2021

INCREASING JET PASSENGERS

While arriving air passengers decreased by 56% in 2020, by June 2021 passenger arrivals were up by 50% across the region compared to the first half of 2020, with June-only traffic up 260% above June 2020.

Development of Capitalization Rate

In developing an opinion of the capitalization rate, also known as the Overall Rate (OAR), the following sources and techniques were used to reflect the actions of the most likely buyer in this market.

Comparables Sales (Primary and/or Secondary)
Band of Investment Technique
Debt Coverage Ratio

Comparable Sales

Overall rates in the immediate and extended market for similar properties to the subject ranged from about 6.5% to 9.00%. Based on quality, condition, location, and tenant mix, a market rate below the average would be appropriate for the subject and toward the lower end of the range to reflect its relative lower risk due to the excellent location and exposure to cruise ship patrons.

Band of Investment/Debt Coverage Ratio

The band of investment method derives a capitalization rate from the weighted average of the mortgage and equity demands on net income generated from the property. This method involves an estimate of typical financing terms as well as an estimated rate of return on equity capital sufficient to attract investors. The debt coverage ratio is a technique which develops an indication of the overall rate based on typical mortgage terms including the loan to value ratio, interest rate, term, and typical debt coverage ratio. The rates indicated by these methods range from about 7.5% to 8.5%.

Capitalization Rate Conclusion

Comparables were previously discussed along with other methods of supporting selection of an overall rate, but this is tempered by the opinion of the appraiser's relative risk of the subject compared with alternative investment opportunities. Primary emphasis is placed on the overall rates derived from local and extended market comparables and secondary consideration is given to the other indicators. Based on this information, a capitalization rate of 8.0% is estimated for the subject property.

Tidelands Lease

I was provided a copy of the tidelands lease and amendments, along with maps identifying the encumbered areas, and historical costs for this amenity. This lease ensures open access to ocean views and exposure to foot traffic from the cruise ship foot traffic. As such, it is an important amenity and the cost to maintain it is included as an expense item. This has ranged from about \$0.81/sf to a significant increase in more recent years of \$0.32/sf based on the information provided.

Loan Calculator

Amortized Loan: Paying Back a Fixed Amount Periodically

Use this calculator for basic calculations of common loan types such as [mortgages](#), [auto loans](#), [student loans](#), or [personal loans](#), or click the links for more detail on each.

Loan Amount	<input type="text" value="\$4050000"/>
Loan Term	<input type="text" value="25"/> years <input type="text" value="0"/> months
Interest Rate	<input type="text" value="4.75"/> %
Compound	<input type="text" value="Monthly (APR)"/>
Pay Back	<input type="text" value="Every Month"/>
<input type="button" value="Calculate"/>	

Results:
Payment Every Month **\$23,089.75**
Total of 300 Payments **\$6,926,925.94**
Total Interest **\$2,876,925.94**
[View Amortization Table](#)



Principal
Interest


Loan Calculator

Amortized Loan: Paying Back a Fixed Amount Periodically

Use this calculator for basic calculations of common loan types such as [mortgages](#), [auto loans](#), [student loans](#), or [personal loans](#), or click the links for more detail on each.

Loan Amount	<input type="text" value="\$3525000"/>
Loan Term	<input type="text" value="25"/> years <input type="text" value="0"/> months
Interest Rate	<input type="text" value="4.75"/> %
Compound	<input type="text" value="Monthly (APR)"/>
Pay Back	<input type="text" value="Every Month"/>
<input type="button" value="Calculate"/>	

Results:
Payment Every Month **\$20,096.64**
Total of 300 Payments **\$6,028,991.10**
Total Interest **\$2,503,991.10**
[View Amortization Table](#)



Principal
Interest


Loan Calculator

Amortized Loan: Paying Back a Fixed Amount Periodically

Use this calculator for basic calculations of common loan types such as [mortgages](#), [auto loans](#), [student loans](#), or [personal loans](#), or click the links for more detail on each.

Loan Amount	<input type="text" value="\$3112500"/>
Loan Term	<input type="text" value="25"/> years <input type="text" value="0"/> months
Interest Rate	<input type="text" value="4.75"/> %
Compound	<input type="text" value="Monthly (APR)"/>
Pay Back	<input type="text" value="Every Month"/>
<input type="button" value="Calculate"/>	

Results:
Payment Every Month **\$17,744.90**
Total of 300 Payments **\$5,323,470.86**
Total Interest **\$2,210,970.86**
[View Amortization Table](#)



Principal
Interest



Office Of The Assessor
155 South Seward Street
Juneau, AK 99801

ROCOVICH LLC
2 MARINE WAY UNIT 206
JUNEAU AK 99801

Meeting of Board of Equalization (BOE) and
Presentation of Real Property Appeal

Date of BOE	
Location of BOE	Via ZOOM Webinar
Time of BOE	5:30 pm
Mailing Date of Notice	
Parcel Identification	1C070K830040
Property Location	406 S FRANKLIN ST
Appeal No.	APL20210326
Sent to Email Address:	rocovichllc@gmail.com

ATTENTION OWNER

Under Alaska Statutes and CBJ Code, you, as the appellant, bear the burden of proof. The only grounds for adjustment of an assessment are proof of unequal, excessive, improper, or under valuation based on facts that are stated in your written appeal or proven at the appeal hearing.

Any evidence or materials you would like to include in your appeal must be submitted to the City Clerk's Office {preferred method via email to city.clerk@juneau.org Attn.: Assessment Appeal} by **4:00 PM** and will be included in the packets for the Board so the members have an opportunity to review the materials before the hearing.

Your Board of Equalization packet will be ready for you to pick up in the Clerk's office after **2:00 PM 2022** or it will be emailed and/or mailed to the above address(es) on this notice.

You or your representative may be present at the hearing {via Zoom Webinar, participation/log in information will be listed on the agenda packet you receive for the hearing your appeal is scheduled for}. If you choose not to be present or be represented, the Board of Equalization will proceed in the absence of the appellant.

It should be noted that, between the date of this letter and the Board hearing date, your appeal may be resolved between you and the Assessor. If your appeal is resolved, you will not need to appear before the Board.

If you have any questions please contact the Assessor's Office.

Attachment: CBJ Law Department Memorandum April 19, 2013.

CONTACT US: CBJ Assessor's Office

Phone	Email	Website	Physical Location
Phone (907) 586-5215 Fax (907) 586-4520	assessor.office@juneau.org	http://www.juneau.org/finance/	155 South Seward St Room 114

PROPERTY TAX BILLS MAILED JULY 1

PROPERTY TAXES DUE SEPTEMBER 30



155 S. Seward St. Rm. 114
Juneau, AK 99801
Phone: (907)586-5215
Fax: (907)586-4520
Assessor.Office@juneau.org

01/19/22

Rocovich, LLC
2 Marine Way Suite 206
Juneau AK 99801

RE: FINAL DETERMINATION -- 2021 Property value Petition for Review -- 1C070K830040
RESPONSE DEADLINE: 01/26/22

PARCEL: 1C070K830040
PHYSICAL LOCATION: 406 S Franklin St

Rocovich, LLC,

This letter is in response to the 2021 Petition for Review that you filed regarding the above indicated parcel. The basis for appealing as indicated on the Petition for Review form is: **My property value is excessive**

- Excessive – grossly disproportionate when compared to other assessments
- Unequal – treated differently than other properties in the same property class
- Improper – valuation methodology was improper
- Undervalued – valued less than market or disproportionately lower than other assessments

State statute requires that the burden of proof is upon the appellant to provide evidence that one of the above conditions has been met (AS 29.45.210).

Based upon the evidence that you provided we have made the following determination regarding 2021 assessment valuation of **1C070K830040**:

VALUE DETERMINATION

Recommended Action:	Change
2021 Initial valuation:	\$6,415,650
2021 Owner estimate of value:	\$2,779,000
2021 Final determination:	\$5,819,200

We have reviewed your assessed value and found that a change in the 2021 assessed value is warranted.

Basis for the reduction was a review of our records, the submitted appraisal, and other submitted information.

APPELLANT RESPONSE FOR ASSESSMENT YEAR 2021 PETITION FOR REVIEW

Please indicate if you accept the recommended value or wish to have your Petition for Review heard by the Board of Equalization. (*INITIAL ONE*)

_____ **YES**, I accept the recommended value determination provided by the Assessor

_____ **NO**, I do not accept the recommended valuation provided by the Assessor.
Please schedule my Petition for Review for the Board of Equalization.

I understand that I will be expected to provide specific evidence to the Board which clearly illustrates that my parcel valuation is: excessive, unequal, valued with improper methodology or is less than market value.

Be advised that if you choose to proceed to the Board of Equalization, they may, in accordance with law, apply an increase of the assessed value to full market value.

Appellant signature

Date

If we do not receive a response from you by **01/26/22**, the Petition for Review will be scheduled for the Board of Equalization where you will be expected to present **specific evidence** as to why your parcel is not valued correctly.

Sincerely,



Mary Hammond
Assessor
City & Borough of Juneau

APPEAL #2021-0326

2021 REAL PROPERTY APPEAL PACKET

BOARD OF EQUALIZATION March 1, 2022



ASSESSOR OFFICE

Appellant: Rocovich LLC

Location: 406 S Franklin St

Parcel No.: 1C070K830040

Property Type: Commercial - Retail

Appellant's basis for appeal: My property value is excessive/overvalued

	Appellant's Estimate of Value	Original Assessed Value	Recommended Value
Site:	\$ 1,498,200	\$ 5,044,950	\$ 3,653,766
Buildings:	\$ 1,280,800	\$ 1,370,700	\$1,753,409
Total:	\$ 2,779,000	\$ 6,415,650	\$ 5,407,175

Subject Photo



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OVERVIEW

The subject is a 2-story building with retail on the lower level and apartment, office & commercial kitchen on the upper level. A second building is under construction at this time. The estimated percent of completion as of January 1, 2021 was 30%

Subject Characteristics:

- Land
 - Upland
 - 11,211 SF lot = 0.26 AC
 - Tideland with metal piling and decking
 - Located within the tourism district
- Buildings
 - 12,178 SF GBA Build in 2006
 - 6,098 SF Lower level retail stores
 - 6,098 SF Upper level apartments, office & commercial kitchen
 - 1,650 SF GBA New building under construction

SUBJECT PHOTOS



From S Franklin facing North

From S Franklin facing South



From Seawalk



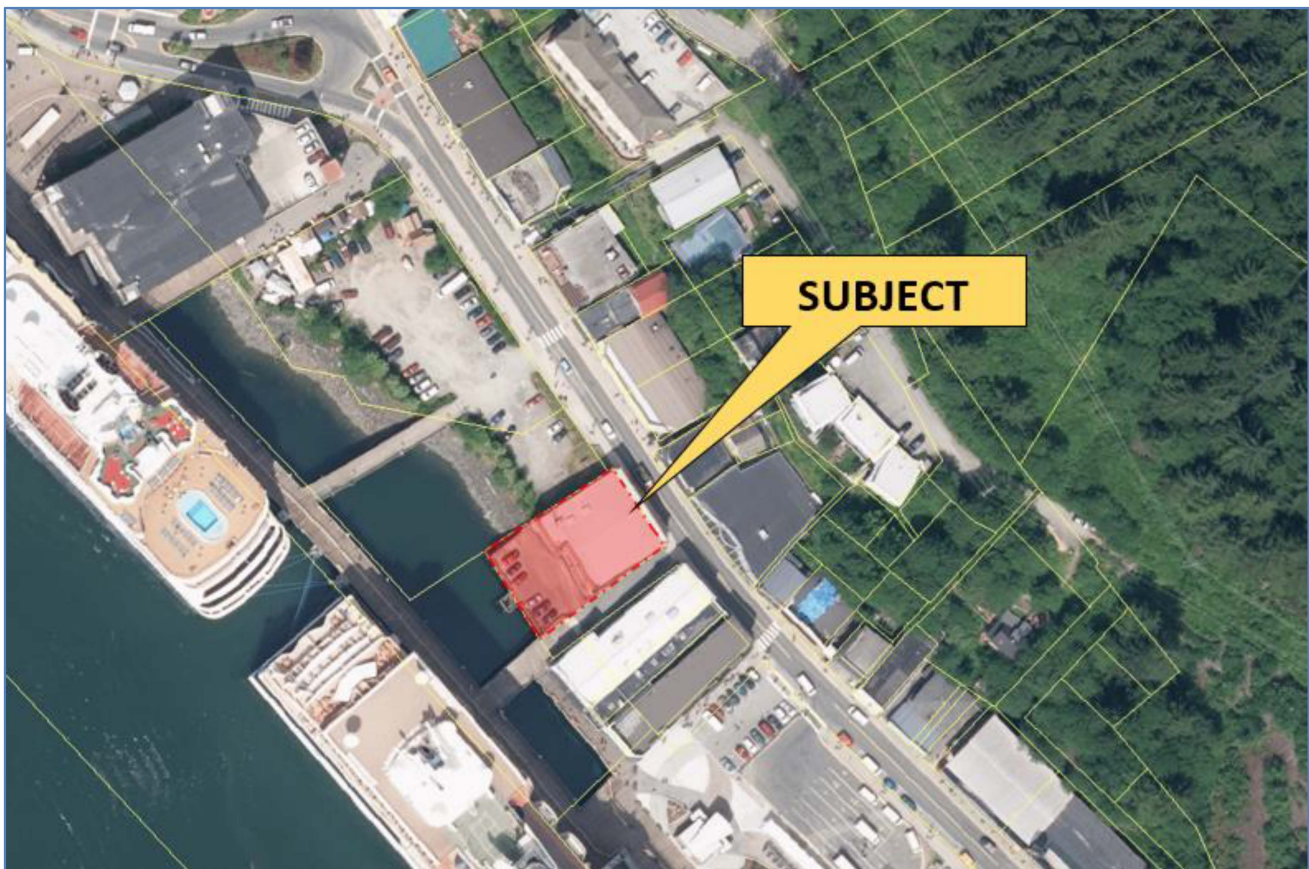
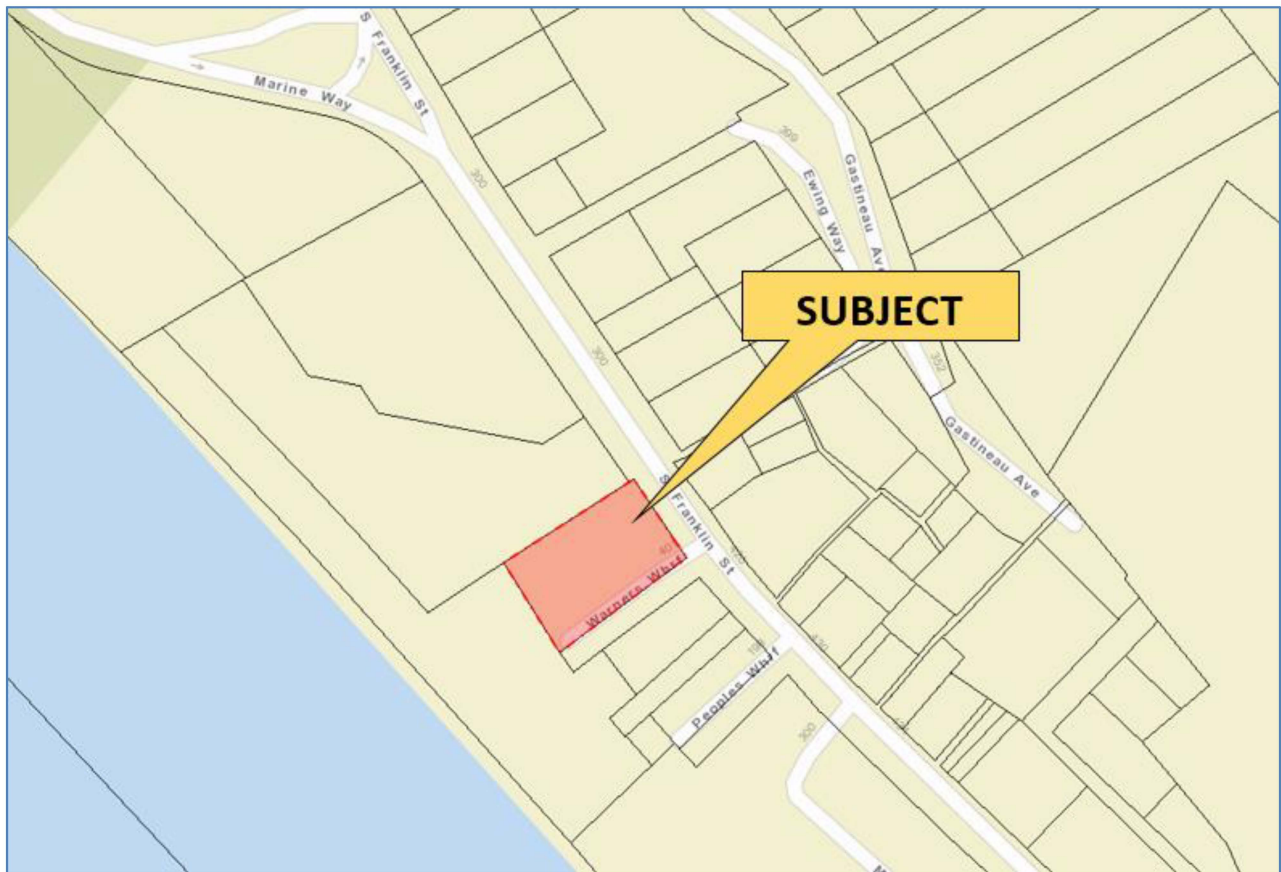
New Building



Alley from Seawalk to S Franklin



AREA MAP & AERIAL



ASSESSED VALUES

Remember that the total assessed value is the primary test against market. The distribution of that value between the Land Component and the Building Component is secondary and can vary from one model to another. The total assessed value is tested against market indicators (sales, lease rates, etc.) and is adjusted to market value by application of market area and feature adjustments.

All three approaches to value (Cost, Sales Comparison and Income) are considered for commercial properties

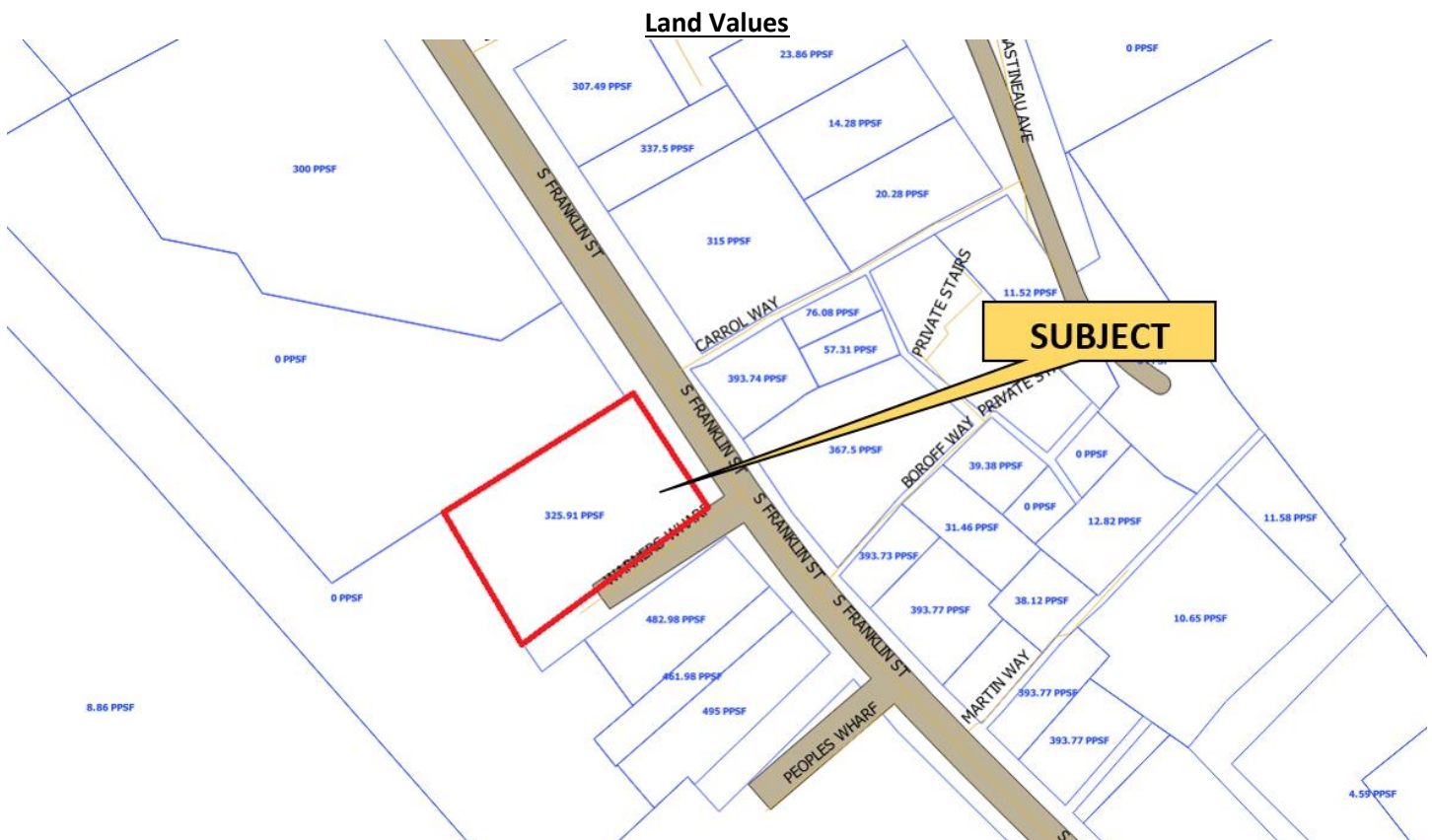
LAND

Land values are developed on a market area basis. The land is examined to understand the typical land characteristics in the market area. These characteristics include size, slope, view, water frontage, significant wetlands and others. The characteristics are used to develop a market area land valuation model. This model is tested and refined in consideration of sales of both vacant and developed parcels. The resulting model is then applied to all of the land in the market area to establish assessed site values.

The subject site is developed tidelands. The subject parcel's land value is equitable and is not excessive.

Land Characteristics:

- Upland
 - 11,211 SF lot = 0.26 AC
 - Tideland with metal piling and decking
 - Located within the tourism district



BUILDING(S)

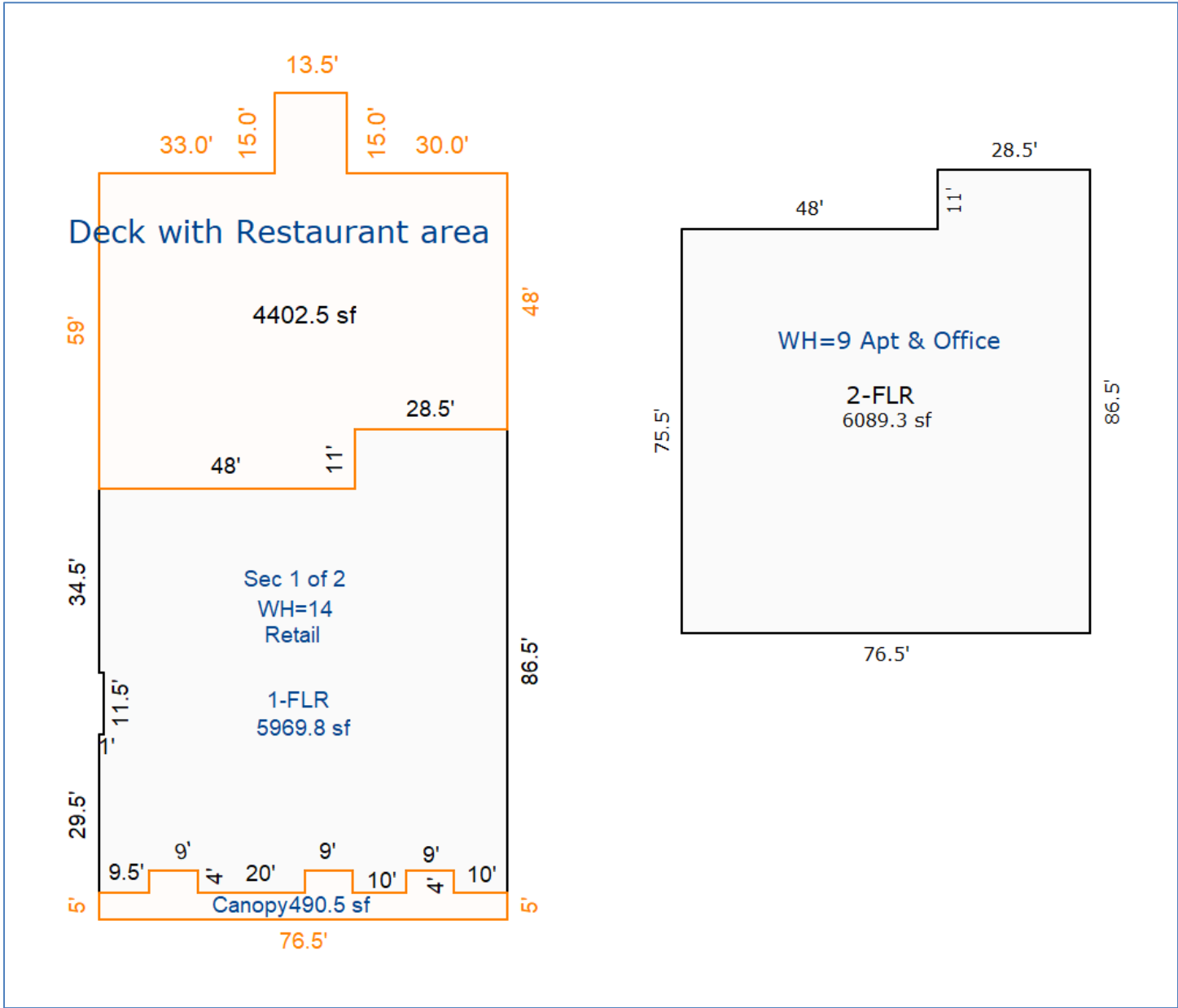
The building component may be based on market adjusted cost tables, residual from sales after extraction of the land value or other appropriate means.

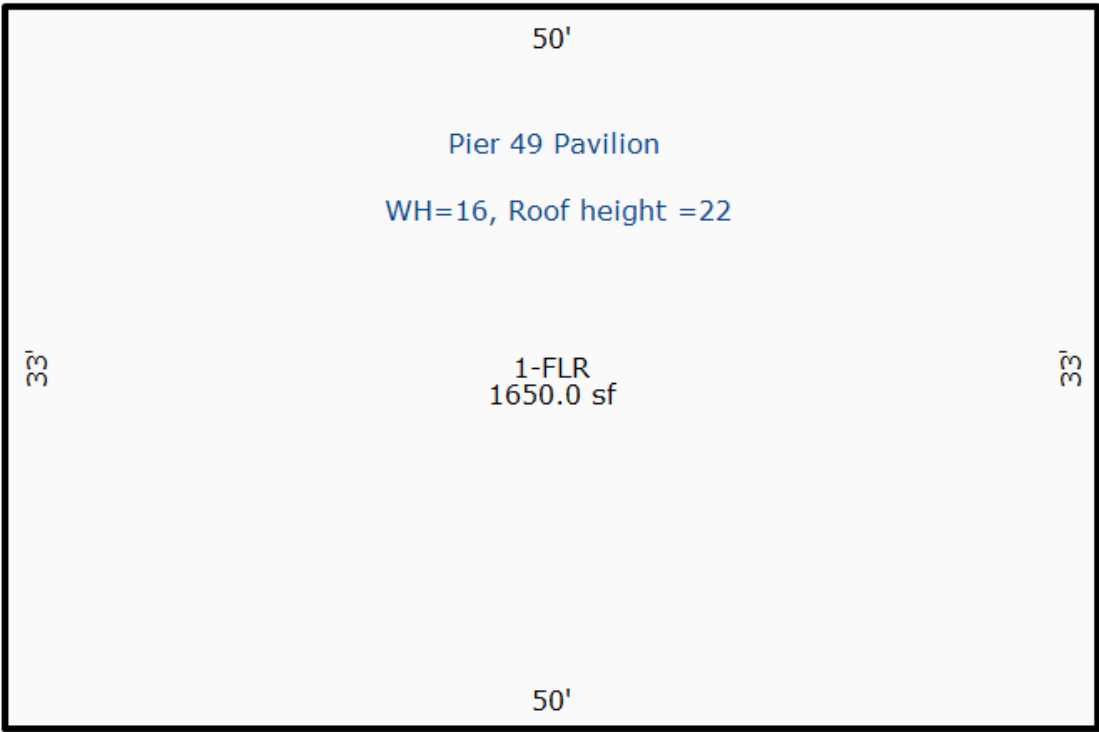
Ratio studies are performed to determine market adjustments.

Building Characteristics:

- 12,178 SF GBA
 - 6,098 SF Lower level retail stores
 - 6,098 SF Upper level apartments/storage
- 1,650 SF GBA
 - New building under construction

Sketch of Improvements:





COST REPORT

The cost report below was utilized in the review process in response to the filing of the Petition for Review by the appellant. The cost report indicates that the building component is not overvalued.

1605		Record		1	
Parcel Code Number	1C070K830040	Number of Stories (Building)		02	
Owner Name	ROCOVICH LLC	Number of Sections		1	
Parcel Address	406 S FRANKLIN ST	Perimeter		0	
Effective Year Built	2013	Class		D	
Year Built	2006	Height			
Building Model	C- 13 Stores, Commercials	Rank		Average	
Building Type	Mixed Retail w/ Resid. Units	Total Area		12,059.00	

Section 1	Description	Units	Percent	Cost	+/-	Total
Base Cost		12059		74.50		898,396
Exterior Wall	Stud -Metal Siding	12059	100%	14.05		169,429
Heating & Cooling	Heating & Cooling	12059		611.00		611
Heating & Cooling	Hot Water	12059	100%	8.28		99,849
Architect Fee		12059		6.60		79,589
Sprinklers	Dry Sprinklers	12059	100%	4.29		51,733
Fire Alarm System		12059		1.46		17,606
Sub Total						\$1,317,212.62
Local Multiplier				1.43	[X]	\$1,883,614.00
Current Multiplier				1.03	[X]	\$1,940,122.00
Neighborhood Multiplier					[X]	\$1,940,122.00
Depreciation - Physical				8.00	[-]	\$155,210.00
Depreciation - Functional					[-]	\$0.00
Depreciation - Economic					[-]	\$0.00
Percent Complete				100.00	[-]	\$1,784,912.00
Cost to Cure						
Neighborhood Adjustment						
Replacement Cost less Depreciation						\$1,784,912

1605		Record		2			
Parcel Code Number	1C070K830040	Number of Stories (Building)		01			
Owner Name	ROCOVICH LLC	Number of Sections		1			
Parcel Address	406 S FRANKLIN ST	Perimeter		0			
Effective Year Built	2021	Class		S			
Year Built	2021	Height		16			
Building Model	C- 14 Garages, Industrials, Lofts, Warehouses	Rank		Good			
Building Type	Industrial Flex Building	Total Area		1,650.00			
Section 2		Description	Units	Percent	Cost	+/-	Total
		Base Cost	1650		57.50		94,875
		Exterior Wall	1650	10%	12.18		20,097
		Heating & Cooling	1650		611.00		611
		Heating & Cooling	1650	100%	2.30		3,795
		Architect Fee	1650		6.20		10,230
		Sub Total					\$129,607.51
		Local Multiplier			1.43	[X]	\$185,339.00
		Current Multiplier			1.03	[X]	\$190,899.00
		Neighborhood Multiplier				[X]	\$190,899.00
		Depreciation - Physical			0.00	[-]	\$0.00
		Depreciation - Functional				[-]	\$0.00
		Depreciation - Economic				[-]	\$0.00
		Percent Complete			30.00	[-]	\$57,270.00
		Cost to Cure					
		Neighborhood Adjustment					
		Replacement Cost less Depreciation					\$57,270
Miscellaneous Improvements							
		Miscellaneous Improvement	CANOPY			[+]	17,600
			1.26.2018 PE				
Total Improvement Value							
							\$1,859,800

INCOME APPROACH

The income approach was not the basis for setting the original assessed value for 2021. The appellant submitted profit and loss information. Income and expense information was also available from an appraisal from 2017. We did income approaches based both on actual income and on the information in the appraisal. Due to transitions with the building we looked at both two year and three year scenarios. For uniformity purposes, our recommended value is based on three years of actual revenue. The building is owned by three partners and most of it is leased to one of the owners. Full market rents would indicate a higher value.

COMMERCIAL MARKET & ASSESSMENT ANALYSIS

The 2021 sales analysis for commercial properties included 57 qualified sales from 5 years of sales covering January 1, 2016 through December 31, 2020. The sales volume for the commercial market remained steady through 2020 and there was no indication of declining prices.

- Assessment Year 2021 Summary for Commercial Properties
 - Level of Assessment – 85% overall, 60% for vacant land, and 91% for improved properties
 - Coefficient of Dispersion (COD) – 22% for the combined group, 20% for vacant land, and 17% for improved properties (For these types of property groups the Standard that we work towards would be 20% or less for the subsets of land and improved properties. The combined set would be expected to have a higher COD.)
 - Applied Time Trend for Sales Analysis – 5% per year (0.42% per month)

SUBJECT ASSESSMENT HISTORY

City and Borough of Juneau Assessment History Report

1C070K830040
ROCOVICH LLC
406 S FRANKLIN ST
TIDELANDS ADDITION BL 83 LT 8

<u>YEAR ID</u>	<u>LAND VALUE</u>	<u>MISC VALUE</u>	<u>BLDG VALUE</u>	<u>CAMA VALUE</u>
2021	\$5,044,950.00	\$17,600.00	\$1,353,100.00	\$6,415,650.00
2020	\$3,363,300.00	\$17,600.00	\$1,353,100.00	\$4,734,000.00
2019	\$3,321,100.00	\$17,600.00	\$1,379,900.00	\$4,718,600.00
2018	\$3,363,300.00	\$20,300.00	\$1,585,900.00	\$4,969,500.00
2017	\$3,363,300.00		\$575,800.00	\$3,939,100.00
2016	\$3,363,300.00		\$575,800.00	\$3,939,100.00
2015	\$3,363,300.00		\$575,800.00	\$3,939,100.00
2014	\$3,363,300.00		\$575,800.00	\$3,939,100.00
2013	\$3,363,300.00		\$575,800.00	\$3,939,100.00
2012	\$3,363,300.00	\$0.00	\$575,800.00	\$3,939,100.00
2011	\$3,699,600.00	\$0.00	\$1,847,300.00	\$5,546,900.00
2010	\$5,045,000.00	\$0.00	\$1,998,600.00	\$7,043,600.00

SUMMARY

State statute requires the Assessor to value property at “full and true value”. According to appraisal standards and practices set by the Alaska Association of Assessing Officers, the State of Alaska Office of the State Assessor, and the International Association of Assessing Officers, correct procedures of assessment were followed for the subject. These standards and practices include consideration of any market value increase or decrease as determined by analysis of sales.

The assessed value was reviewed in response to the Petition for Review. Our findings are as follows.

The land and buildings are valued using the same methods and standards as all other properties in the Borough.

Additional Details:

- The appellant states that their assessed value is excessive/overvalued.
 - We find that the recommended value is equitable and that, based on analysis of market sales, it is not excessive. This is addressed in the land, building, cost report, income, commercial market and assessment analysis, summary and conclusion sections of our response in your packet. There is additional information in the “Property Assessment Guide.”
 - In reviewing locational subgroups, property type subgroups and property characteristic subgroups in the analysis we did not see evidence that any location or other subgroup should be treated differently from the rest with the exception of the boathouses.
- The appellant states that support for the owner estimate of value is three years of actual income and expense data, purchase data and appraisal data to be provided at BOE hearing. We also submit the patently obvious notion that, as of 01/01/21, commercial property values in our cruise ship dependent sub-mark have been diminished by the cancellation of the cruise season(s).
 - Income and expenses were considered, and when analyzed using our model we found that a reduction in value was warranted.

CONCLUSION

The 2021 Assessed values were based on a simple methodology, analysis through ratio studies and subsequent trending of values based on the analysis findings. Underlying this standard compliant trending are the locational and feature influenced specific models that have been applied to Juneau commercial properties for many years. The ratio studies indicate that after our adjustments to values the level of assessment for commercial properties was 85% overall, 60% for vacant land, and 91% for improved properties.

For the subject property:

- The percentage change from 2020 to 2021 was 14%.

We find that the recommended reduction to the 2021 assessed value to \$5,407,175 is warranted and ask that the BOE uphold the revised assessed value.

ADDENDUM A Communications

Mary Hammond

From: Rocovich LLC <rocovichllc@gmail.com>
 Sent: Wednesday, February 16, 2022 2:24 PM
 To: Michael Dahle
 Cc: Mary Hammond; Greg Morris; Reecia Wilson
 Subject: Re: Follow Up

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Hi Michael,

Appreciate you sharing this / think I mostly understand how the formulas are working. We never really discussed the tideland lease, but it seems like it could make a significant difference with that model. What sort of additional info would you need from us to take another look at that? Our bankers actually required this lease assignment as a condition of getting our loan, and I think we can provide some support for it being included as an expense.

Thank you,
 Ian

On Sat, Feb 12, 2022 at 10:16 AM Michael Dahle <Michael.Dahle@juneau.org> wrote:

Ian and Reecia,

I have attached a copy of the Income Approach Workbook. I eliminated some pages that did not apply to your situation to try to avoid confusion. Because yours involved running and considering several different scenarios the report page (first page) is altered from normal. If you need clarification on anything please let me know.

I have also attached a summary report that addresses the changes to commercial property values for AY2021.

Below are a few slides from a presentation including one that summarizes the cap rate research.

Michael Dahle

Deputy Assessor

City & Borough of Juneau

907-586-5215 ext. 4036

907-586-4520 (Fax)

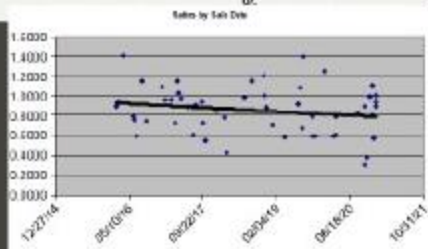
Michael.Dahle@juneau.org



Commercial Ratio Study 2021

Assessed Values as % of Sales Prices

Prior/After	Lowest	Mean	Median	Highest	COD
Prior to 2021 adjustments	19.59%	68.79%	72.86%	119.08 %	23.60%
After 2021 adjustments	29.32%	85.26%	88.53%	140.91 %	21.55%



Values for Assessment Year 2021

- The next chart (below) shows the change in total assessed values by classification over the past 8 years.



Values for Assessment Year 2021

- This chart shows the ratios based on Assessment Year 2020 (Starting Ratio) and the results of our adjustments for the Assessment Year 2021 (Ending Ratio).



Upcoming Appeal Hearings

- Cap rates
 - We are using 6% overall and 7% for hotels/motels
 - A sampling of cap rates from other sources
 - 4.75 – 5.5 Seattle Class A CBD Summer 2020
 - 5.75 – 6.5 Seattle Class A Suburban Office Rates Summer 2020
 - 4.25 – 4.75 Seattle Multifamily Rates Summer 2020
 - 4.75 – 5.25 Seattle Multifamily Suburban Rates Summer 2020
 - 3.75 – 4.25 Seattle Class A Industrial Rates Summer 2020
 - 4.00 – 5.25 2021 US Real Estate Market
 - 5.66 Anchorage, AK 1-3 floor apartments
 - 5.01 Pierce County, WA 1-3 floor apartments
 - 5.27 Ada County, ID 1-3 floor apartments
 - 4.88 – 5.26 Seattle Multifamily Class A & B Mid & High Rise
 - 5.30 – 5.70 Seattle Retail Class A & B
 - 5.67 – 5.87 Seattle Office Class A & B
 - 6.12 – 6.36 Seattle Industrial Class A & B



Mary Hammond

From: Michael Dahle
Sent: Wednesday, February 9, 2022 9:25 AM
To: 'Rocovich LLC'
Cc: Mary Hammond; Greg Morris
Subject: RE: 1C070K830040 Appeal

Hi Ian,

Thursday at 2:00 should work fine.

No, we do not have the 2022 assessments finalized yet. We are still very early in the analysis process so we do not even have a general idea of how things are looking let alone a sense of the locational or neighborhood level market indicators.

I can provide additional details during the call if desired.

Here is the meeting link again.

<https://juneau.zoom.us/j/82948025577?pwd=Zm9pcG1UREVFaENLeTRNSVhrV1dKdz09>

Michael Dahle

Deputy Assessor, City & Borough of Juneau
907-586-5215 ext. 4036
Michael.Dahle@juneau.org

From: Rocovich LLC <rocovichllc@gmail.com>
Sent: Wednesday, February 9, 2022 8:12 AM
To: Michael Dahle <Michael.Dahle@juneau.org>
Cc: Mary Hammond <mary.hammond@juneau.org>; Greg Morris <Greg.Morris@juneau.org>
Subject: Re: 1C070K830040 Appeal

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Hi Michael,

How about Thursday at 2:00? Also, do you guys have the 2022 assessment for our property yet? This would be good info to have / might impact our decision on how to proceed.

Thanks,
Ian

On Tue, Feb 8, 2022 at 10:24 AM Michael Dahle <Michael.Dahle@juneau.org> wrote:

Hi Ian,

We have completed our additional review taking into account our conversation on the last web meeting. Based on the information from that conversation we are recommending an additional reduction to the assessed value. The new recommended assessed value is \$5,407,175.

We would like to do another web meeting where we can share some documents and walk you through our analysis and conclusions and what we would be presenting to the BOE if we proceed to the hearing. Again, if the recommended value is acceptable to you that change can be made without going to a hearing. From mid-morning to mid-afternoon tomorrow or Thursday or Friday afternoon would probably work for us. Is there a time that would work well for you?

Sincerely,

Michael Dahle

Deputy Assessor

City & Borough of Juneau

907-586-5215 ext. 4036

907-586-4520 (Fax)

Michael.Dahle@juneau.org



Mary Hammond

From: Rocovich LLC <rocovichllc@gmail.com>
Sent: Friday, February 4, 2022 11:09 AM
To: Michael Dahle
Subject: Re: Commercial Appeal Determination Letter

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

That sounds good, we will possibly have one more person, Reecia Wilson sit in on the call, she is also building owner.

Also, so we are on the same page regarding the time adjustment, when I apply 5% to the \$4.15M appraised value over three years, I come up with about \$4.8M (compared to \$5.8M assessment), so I don't know if we are using the same inputs to come up with the value?

Thank you / talk to you soon.

Ian
206-799-2157

On Tue, Feb 1, 2022 at 3:50 PM Michael Dahle <Michael.Dahle@juneau.org> wrote:

Ian,

Friday at 2:00 pm should work fine. Mary Hammond, the Assessor, should also be able to join us.

The time trending is based on 5% per year.

I will see if I can get something to you on the income approach prior to the call.

Thanks,

Michael Dahle

Deputy Assessor, City & Borough of Juneau

907-586-5215 ext. 4036

Michael.Dahle@juneau.org

1

From: Rocovich LLC <rocovichllc@gmail.com>
Sent: Tuesday, February 1, 2022 12:14 PM
To: Michael Dahle <Michael.Dahle@juneau.org>
Cc: Greg Morris <Greg.Morris@juneau.org>
Subject: Re: Commercial Appeal Determination Letter

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Hi Michael and Greg,

How about Friday afternoon around 2:00? (That will give me time to put together some specific questions) Do you guys have anything I can look at beforehand showing the formulas for income approach and time adjustment? Thanks again / talk to you soon.

Ian

206-799-2157

On Mon, Jan 31, 2022 at 3:54 PM Michael Dahle <Michael.Dahle@juneau.org> wrote:

Greg and Ian,

For Tuesday and Thursday – late morning or the afternoon.

For Friday – the afternoon.

The best for me is a web meeting. If that works for Ian we can use the following link.

<https://juneau.zoom.us/j/82948025577?pwd=Zm9pcG1UREVFfaENLeTRNSVhrV1dKdz09>

Thanks,

Michael Dahle

Deputy Assessor, City & Borough of Juneau

907-586-5215 ext. 4036

Michael.Dahle@juneau.org

From: Greg Morris <Greg.Morris@juneau.org>
Sent: Monday, January 31, 2022 3:44 PM
To: 'Rocovich LLC' <rocovichllc@gmail.com>
Cc: Michael Dahle <Michael.Dahle@juneau.org>
Subject: RE: Commercial Appeal Determination Letter

Thanks for reaching out, Ian.

I have Cc'd Michael Dahle who is our Deputy Assessor so he can coordinate his availability with you.

Michael, what would be a good time this week besides Wednesday to talk?

Greg Morris

Appraiser II

Assessor's Office

City and Borough of Juneau, AK

(907) 586-5215 X 4039

From: Rocovich LLC <rocovichllc@gmail.com>
Sent: Monday, January 31, 2022 3:12 PM
To: Greg Morris <Greg.Morris@juneau.org>
Subject: Re: Commercial Appeal Determination Letter

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Hi Greg,

Thanks for the response. Yes, let's set up a call, I'm pretty free all week except for Wednesday. Talk to you soon

Ian

206-799.2157

On Thu, Jan 27, 2022 at 12:13 PM Greg Morris <Greg.Morris@juneau.org> wrote:

Good afternoon Mr. Simpson,

My apologies for the late reply. I thought I sent this along to you but failed to.

We would be happy to schedule a call or zoom meeting to go through the valuation with you. Please let me know your availability if you desire such a call.

The \$5.8M value was based on review of our model and consideration of the income approach based on the information that you submitted plus the construction progress on the new building as of 01/01/2021. The amount added for the new construction was \$63,900. Also considered was the 2017 appraisal that was time-adjusted to January 1, 2021.

Regarding the land and building value, although we do breakdown the land and improvements, our final value determination (combined land and improvements) is what we primarily consider. Land or improvement values might vary from market value while the combined value should be very close to market. The overall value was arrived at based on the income approach and then the new construction value was added. From that value we subtracted the land value based on our land valuation model with the remainder being allocated to the building.

The recommended assessed value is allocated as follows:

	Land	Building	Total
Original AV	5,044,950	1,353,100	6,415,650
Recommended AV	4,994,550	824,650	5,819,200

I hope this at least starts to answer some of your questions. We would be happy to explain our analysis in further over the phone or Zoom meeting.

A large part of the appeal process is fact finding on our part through owners sharing information to help us more accurately value properties. If you have any further information that we should consider, please send it to me for review. If new information is presented to the BOE that may affect value, the appeal will most likely be remanded back to us so it is beneficial for us to have time to review any information you would like to submit and make necessary changes before the BOE hearing.

Greg Morris

Appraiser II

Assessor's Office

City & Borough of Juneau, Alaska

On the Traditional Land of the Tlingit People

(907) 586-5215 x4039



Mary Hammond

From: Michael Dahle
Sent: Friday, February 4, 2022 10:54 AM
To: Rocovich LLC
Cc: Greg Morris; Mary Hammond
Subject: RE: Commercial Appeal Determination Letter

Ian,

Here is the income approach that most weight was given to. This approach utilizes the income and expense information from the appraisal. This approach was given more weight as it appeared that the appraisal provided market based income and expense information.

Income Approach (From Inc & Exp in Appraisal)		
Gross Income		
Vacancy / Collection Loss Factor	-	0.00%
Misc Income		
Eff. GI		
Expenses		
NOI		
Cap Rate / Preliminary Value	6.00%	
Adj-Market / Market Area	1.00	0
Adj-Condition / Econ. Life	1.00	0
Indicated Value		

We also looked at the income approach from profit and loss information. The initial indication from this approach is a similar value, however, there were remaining questions that we need to get answers to in order to finalize it.

1. Do profit and loss numbers include rental of all spaces? Does it include any vacancy? Are they renting to themselves? Do they rent some and use some?
2. Is there a connection between renter and owners? If so, how was the rent amount set?
3. Is the rent still a percentage of gross with a minimum?
4. Why did 2019 rents decrease?
5. Why did 2020 rents decrease?
6. Was the purchase price originally set in the lease on 06/28/2016? Did the lease amendment from 12/25/2017 set the purchase price or amend the purchase price? If it amended it, what was the price from the original lease?
7. Have there been upgrades since the purchase – kitchen, windows, interior?

Thanks,

Michael Dahle

Deputy Assessor, City & Borough of Juneau
 907-586-5215 ext. 4036
Michael.Dahle@juneau.org

From: Michael Dahle
Sent: Tuesday, February 1, 2022 3:51 PM
To: 'Rocovich LLC' <rocovichllc@gmail.com>
Cc: Greg Morris <Greg.Morris@juneau.org>; Mary Hammond <mary.hammond@juneau.org>
Subject: RE: Commercial Appeal Determination Letter

Ian,

Friday at 2:00 pm should work fine. Mary Hammond, the Assessor, should also be able to join us.

The time trending is based on 5% per year.

I will see if I can get something to you on the income approach prior to the call.

Thanks,

Michael Dahle

Deputy Assessor, City & Borough of Juneau
907-586-5215 ext. 4036
Michael.Dahle@juneau.org

From: Rocovich LLC <rocovichllc@gmail.com>
Sent: Tuesday, February 1, 2022 12:14 PM
To: Michael Dahle <Michael.Dahle@juneau.org>
Cc: Greg Morris <Greg.Morris@juneau.org>
Subject: Re: Commercial Appeal Determination Letter

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Hi Michael and Greg,

How about Friday afternoon around 2:00? (That will give me time to put together some specific questions) Do you guys have anything I can look at beforehand showing the formulas for income approach and time adjustment? Thanks again / talk to you soon.

Ian
206-799-2157

On Mon, Jan 31, 2022 at 3:54 PM Michael Dahle <Michael.Dahle@juneau.org> wrote:

Greg and Ian,

For Tuesday and Thursday – late morning or the afternoon.

For Friday – the afternoon.

The best for me is a web meeting. If that works for Ian we can use the following link.

<https://juneau.zoom.us/j/82948025577?pwd=Zm9pcG1UREVFaENLeTRNSVhrV1dKdz09>

Thanks,

Michael Dahle

Deputy Assessor, City & Borough of Juneau

907-586-5215 ext. 4036

Michael.Dahle@juneau.org

From: Greg Morris <Greg.Morris@juneau.org>
Sent: Monday, January 31, 2022 3:44 PM
To: 'Rocovich LLC' <rocovichllc@gmail.com>
Cc: Michael Dahle <Michael.Dahle@juneau.org>
Subject: RE: Commercial Appeal Determination Letter

Thanks for reaching out, Ian.

I have Cc'd Michael Dahle who is our Deputy Assessor so he can coordinate his availability with you.

Michael, what would be a good time this week besides Wednesday to talk?

Greg Morris

Appraiser II

Assessor's Office

City and Borough of Juneau, AK

(907) 586-5215 X 4039

From: Rocovich LLC <rocovichllc@gmail.com>
Sent: Monday, January 31, 2022 3:12 PM
To: Greg Morris <Greg.Morris@juneau.org>
Subject: Re: Commercial Appeal Determination Letter

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

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Greg Morris

Appraiser II

Assessor's Office

City & Borough of Juneau, Alaska

On the Traditional Land of the Tlingit People

(907) 586-5215 x4039



Mary Hammond

From: Michael Dahle
Sent: Wednesday, June 23, 2021 9:43 AM
To: 'rocovichllc@gmail.com'
Subject: RE: Info for Rocovich LLC

Ian,

Currently there is no overall due date but the sooner the better. As we work through individual appeals, response deadlines may be established for that particular review.

As to what information, any information that shows that your property is valued improperly. Typically that might include 3 years of income and expense reports (2018-2020), information on unknown building conditions, or independent appraisals.

Michael Dahle

Deputy Assessor, City & Borough of Juneau
907-586-5215 ext. 4036
Michael.Dahle@juneau.org

From: Rocovich LLC <rocovichllc@gmail.com>
Sent: Tuesday, June 22, 2021 3:17 PM
To: Assessor Office <Assessor.Office@juneau.org>
Cc: Reecia Wilson <reecia@gmail.com>; Biggers <kevinbiggers@hotmail.com>
Subject: Info for Rocovich LLC

EXTERNAL E-MAIL: BE CAUTIOUS WHEN OPENING FILES OR FOLLOWING LINKS

Good afternoon,

We received a letter asking for additional information/evidence for our Petition for Review. When do you need this by? Also is there any specific info you are looking for?

Thank you,
Ian Simpson
Rocovich LLC
(206) 799-2157

Mary Hammond

From: Aaron Landvik
Sent: Thursday, June 24, 2021 11:17 AM
To: 'rocovichllc@gmail.com'
Subject: APL 2021-0326 1C070K830040 406 S Franklin St

Good morning,

This is a follow-up to the conversation we had earlier today.

I am assisting the commercial appraiser in requesting more information from appellants.

Please provide any additional evidence that you have which would be beneficial in determining the value as of 01/01/2021. You can e-mail them to assessor.office@juneau.org.

In reviewing the information, the commercial appraiser asks to you please provide:

- 3 years profit and loss statements (2018, 2019, 2020)
- Any documentation regarding the 2019 purchase such as an appraisal

If you have any questions regarding this request please contact me.

Aaron

Aaron Landvik
Appraiser II
Assessor's Office
City and Borough of Juneau, AK

PHONE (907) 586-5215 ext 4037 – FAX (907) 586-4520
aaron.landvik@juneau.org



**AMENDED APPRAISAL UPDATE RETROSPECTIVE
MARKET RENT OF ROCOVICH, LLC TIDELANDS LEASE
AT THE WARNERS WHARF &
406 SOUTH FRANKLIN STREET
JUNEAU, ALASKA**



Received
JUL 02 2021
CBJ-Assessors Office

**Looking southeast over subject tidelands from seawalk.
Photo by Joshua Horan June 3, 2019(060319_2369)**

PREPARED FOR: Carl J. Uchytel, PE, Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801

PREPARED BY: Joshua Horan
Horan & Company, LLC
403 Lincoln Street, Suite 210
Sitka, AK 99835

EFFECTIVE DATE: May 1, 2019

REPORT DATE: July 26, 2019

OUR FILE NUMBER: 19-056

HORAN & COMPANY

CHARLES E. HORAN MAI / WILLIAM G. FERGUSON,
JOSHUA C. HORAN, AND SLATER M. FERGUSON

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835

PHONE NUMBER: (907)747-6666

FAX NUMBER: (907)747-7417

appraisals@horanappraisals.com

July 26, 2019

Carl J. Uchtyl, PE, Port Director
City and Borough of Juneau Docks and Harbors
155 S. Seward Street
Juneau, Alaska 99801

via Email: teena.larson@juneau.org

Re: Amended Appraisal Update Retrospective Market Rent of Rocovich LLC Tidelands Lease
Appraisal Update, Juneau, Alaska; Our File No.: 19-056

Dear Mr. Uchtyl,

This letter amendment and attachments update the effective date of the appraisal James Corak completed for the subject property, the Rocovich LLC tidelands lease area (7,245 SF undeveloped tidelands), dated October 14, 2014 (our file number 14-105). The purpose of that report was to estimate the market rent of the tidelands leased from the CBJ (Lessor) to Alaska Pacific LLC & Timberwolf Ventures, Inc. (Lessee), and effective May 1, 2013. That appraisal was completed per the rental adjustment provisions of the lease. CBJ was the client of that appraisal with intended users including both the CBJ and Alaska Pacific LLC & Timberwolf Ventures. The intended use was to aid in calculating the lease rental adjustment. The annual market rent of the 7,245 SF of undeveloped tidelands was estimated at \$3.60/SF for a total of \$26,082 per year. Since the original appraisal was completed, the associated upland property has sold, and the subject lease transferred from the Alaska Pacific LLC & Timberwolf Ventures, Inc. to Rocovich LLC, the new lessee. They are also an intended user of this appraisal update.

Per the terms of the lease, the next rental adjustment to coincide with the most recent three year anniversary for rental adjustment was May 1, 2019. The purpose of this letter amendment is to indicate what the market value of the lease lands would be as of that rental renewal anniversary date. This appraisal only estimates the annual market rent effective as of that retrospective date.

Appraisal Amendment

This amended report incorporates by reference the prior report mentioned above and assumes the readers, reviewers, and users of this report have access to that prior report. The description of the subject property, the Limiting Conditions, definitions and analysis leading to the prior conclusion of market rent are contained in that report. The description of the property as hypothetically appraised, undeveloped tidelands under the existing improvements, is unchanged.



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

Port of Juneau

July 29th, 2019

Reecia Wilson
Rocovich LLC
2 Marine Way, Suite 206
Juneau, AK 99801

Re: Rocovich LLC Lease review

Dear Ms. Wilson,

Docks and Harbors Term Contract appraiser Horan & Company has completed the amended appraisal for your lease review. Your annual lease rate will be unchanged for the next three years and there will be no extra charge this year for the appraisal. Your next review will be May 1, 2022.

Please call me at (907) 586-0282 if you have any questions.

Sincerely,

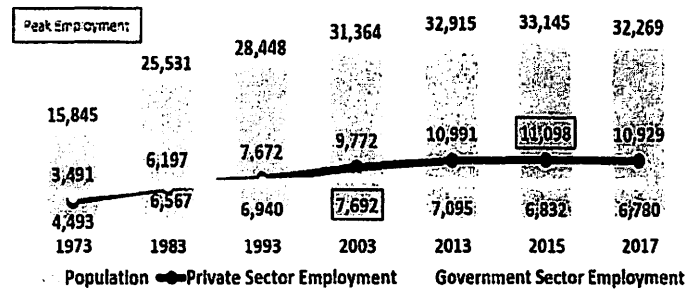
Teena Larson
Administrative Officer

Enclosure 1

The only difference is the effective date of the appraisal. The appraiser has considered the significant neighborhood and market changes between 2013 and 2019 as follows:

1. The overall market background impacting the real estate market in general has been relatively static. Although population has decreased somewhat since that time, state employment has remained fairly stable over that six year period. On balance, the market is felt to be stable based on these economic indicators as shown in Figure 1.
2. Immediately impacting the subject neighborhoods the cruise ship passenger visitation has increased. See Figure 3. At the same time, Juneau's tourism oriented spending has moderated or declined. See Figure 2.
3. Rents in the subject neighborhood have remained relatively stable, indicating the value of the location/land has not changed significantly due to a change in potential to generate income to the site location.
4. There are no recent transactions that would indicate the subject site value has changed.
5. A variety of current land leases and sales in the South Franklin Street area have been examined as part of other, recent appraisal work we have conducted. These indicators show this market has been stable over the time period between the previous lease adjustment date of May 1, 2013 and the effective date of this update, May 1, 2019.

Based on these market observations it is my opinion that the annual market rent of the subject property, as of the effective date May 1, 2019, is similar to the last appraisal at **\$26,082 per year**.



Source: Alaska Department of Labor and Workforce Development, Quarterly Census of Employment and Wages

FIGURE 1 - Population and average monthly employment for Juneau, published by the Juneau Economic Development Council, August 2018

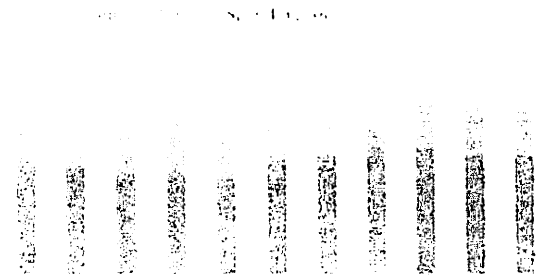


FIGURE 2 –Juneau Tourist Spending 2007-2017. Source: Juneau Sales Tax Office. Compiled by: Horan & Co

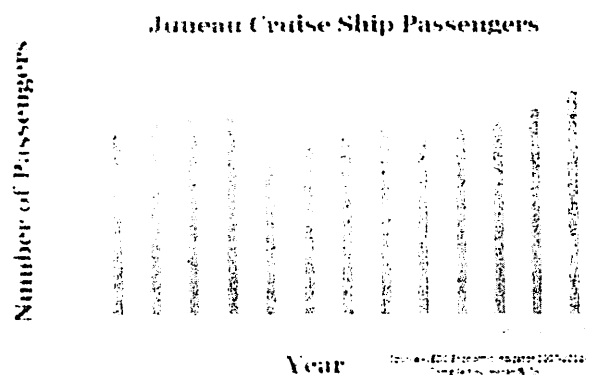
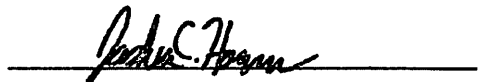


FIGURE 3 – Juneau Cruise Ship Passenger Visitation 2006 through 2018.

Please see the attached Certification of Appraisal. As indicated earlier, this amendment update is subject to all the material contained in the original appraisal and may not be understood without reference to it.

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Joshua Horan", is written over a horizontal line.

Joshua Horan

General Real Estate Appraiser #123317

Attachments

- Certification of Appraisal
- Recent Photographs
- Lease Area Drawing

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, limiting conditions and legal instructions, and are my personal, unbiased professional analysis, 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 appraisal has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute and the Appraisal Standards Board's Uniform Standards of Professional Appraisal Practice (USPAP);
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives;
- I made a personal inspection of the appraised property which is the subject of this report on June 3, 2019;
- I have not performed any services regarding the subject property, as an appraiser or in any other capacity, within the three year period immediately preceding acceptance of this assignment.
- No one provided significant real property appraisal assistance to the person signing this certification.



Joshua Horan,

General Real Estate Appraiser #123317

Effective Date: May 1, 2019,

Report Date July 26, 2019



PHOTO 1 - Looking north over subject tidelands from the seawalk. Photo taken June 3, 2019 J. Horan (060319_2373)



PHOTO 2 – Looking south over the subject tidelands with the seawalk in the background. Photo taken June 3, 2019 by J. Horan (060319_2377)



Received
JUL 02 2021
CBJ-Assessors Office

Appraisal Report

ALASKA PACIFIC PIER BUILDING

406 South Franklin Street
Juneau, Alaska 99801
REVS-RETECHS File No. WF-SLC-103944-0001

PREPARED FOR
Kevin Tillotson - Relationship Manager
Regional Banking - Wells Fargo
123 Seward Street
Juneau, Alaska 99801

Together we'll go far




Real Estate Valuation Services-RETECHS

Salt Lake City Office
Salt Lake City, Utah 84111

January 24, 2018

Kevin Tillotson – Relationship Manager
Regional Banking
123 Seward Street
Juneau, Alaska 99801

RE: **Alaska Pacific Pier Building**
406 South Franklin Street
Juneau, Alaska 99801
REVS-RETECHS File No. WF-SLC-17-103944-0001

Dear Mr. Tillotson:

At your authorization, Wells Fargo Real Estate Valuation Services-RETECHS has prepared an appraisal of the above referenced property. My analysis is presented in the following Appraisal Report.

THIS IS A REVISED REPORT OF AN ORIGINAL APPRAISAL DONE BY MYSELF DATED JANUARY 12, 2018. AN ERROR WAS FOUND IN THE EXPENSES PROJECTED FOR PURPOSES OF DIRECT CAPITALIZATION IN THAT ORIGINAL REPORT. THIS REVISED REPORT SUPERSEDES THE PRIOR ONE, AND ANY COPIES OF THE ORIGINAL APPRAISAL REPORT SHOULD BE DESTROYED.

The purpose of this appraisal is to develop an opinion of the Market Value "As Is" and Prospective Value "As Stabilized" of the subject property's Leased Fee and Leasehold interest. The following table conveys the final opinion(s) of market value and other requested conclusion(s), if any.

VALUE CONCLUSIONS

Appraisal Premise	Interest Appraised	Date of Value	Value
Market Value As Is	Leased Fee	December 11, 2017	\$4,150,000
Market Value As Stabilized	Leased Fee	December 11, 2017	\$4,320,000

Extraordinary Assumptions and Hypothetical Conditions

The above reported conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact.

1. None

The above reported conclusions are subject to the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal that is supposed to be correct for the purpose of analysis.

1. None



January 24, 2018
Page 2

The subject is a retail-commercial mixed-use, multi-tenant, 2-story building with retail on the main floor and office, storage space, and an apartment on the second level. It was built in 2005. It is located at 406 South Franklin Street, Juneau, Alaska 99801. The improvements are situated on an 11,211 square foot (sf) or 0.26 acre site consisting of a single, filled uplands parcel owned in fee simple, plus surplus land resulting from a leased, unfilled tidelands parcel containing 7,245 sf or 0.17 acre. The upland site is a waterfront, tidelands parcel with limited fill and pilings supports for the improvements; while the leased tidelands parcel has soils of sand, rock, and gravel covered by water from the Gastineau Channel. The leased tidelands parcel is situated between the subject uplands site and the cruise ship dock. It provides buffered views of the dock and Gastineau Channel, but would require costly piling foundations to provide developable space, which would also require permits from FEMA and the US Army Corps of Engineers. The property is improved with a multi-tenant building that has space for 13 tenants. The current rent roll shows that the same tenant will often occupy more than one of these units. The improvements consist of a single building that has a gross building area (GBA) of 12,064 sf and a net rentable area (NRA) 9,275 sf.

The appraisal is intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and applicable state appraisal regulations. The appraisal is also prepared in accordance with the appraisal regulations issued in connection with the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

At the request of the client, this appraisal is presented in an Appraisal Report format as defined by USPAP Standards Rule 2-2(a). As USPAP gives the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, this report provides the detail requested by the client as detailed in the Scope of Work section of the report.

The intended use and user of our report are specifically identified in this letter and the attached appraisal report as agreed upon in our contract for services. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Wells Fargo Real Estate Services-RETECHS will not be responsible for unauthorized use of the report, its conclusion or contents use partially or in its entirety.

If you have any questions or comments, or if we can be of additional assistance, please contact the individual(s) listed below.

Respectfully,

Real Estate Valuation Services-RETECHS

A handwritten signature in black ink, appearing to read "Brett A. Smith".

Brett A. Smith
Valuation Consultant
Certified General Real Estate Appraiser
State of Alaska License #684, exp. 6/30/2019
Phone: (435) 414-5913
Email: brett.a.smith2@wellsfargo.com

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Executive Summary**Executive Summary**

Property Name	Alaska Pacific Pier Building	
Address	406 South Franklin Street Juneau, Alaska 99801	
County	Juneau	
Assessor Parcel(s)	1C070K830040, 1C070K830041	
Highest and Best Use		
As Vacant	Mixed Use-Retail-Office Residential	
As Improved	Mixed Use-Retail-Office Residential	
Property Rights Appraised	Leased Fee	
Date of Inspection	December 11, 2017	
Estimated Exposure Time	12	
Estimated Marketing Time	12	
Site	Acres	Square Feet
Useable Land	0.26	11,211
Unusable Land		
Excess Land	0.00	0
Surplus Land	0.17	7,245
Total Land Area	0.42	18,456
Zoning	WC - Waterfront Commercial	
Flood Zone	Zone X (shaded)	
Seismic Zone	Zone 2B	
Improvements		
Property Type / Subtype	Retail-Commercial	/ Mixed Use-Retail-Office Residential
Number of Buildings	1	
Number of Stories	2	
Gross Building Area (GBA)	12,064 SF	
Net Rentable Area (NRA)	9,275 SF	
Year Built	2005	
Condition	Good	
Financial Indicators		
Current Occupancy	73.0%	
Stabilized Occupancy	97.0%	
	Total	Per SF
Effective Gross Income	\$504,400	\$54.38
Operating Expenses	(\$159,082)	(\$13.53)
Expense Ratio	31.54%	
Net Operating Income	\$345,318	\$37.23
Overall Capitalization Rate	8.00%	

Executive Summary**VALUE CONCLUSIONS**

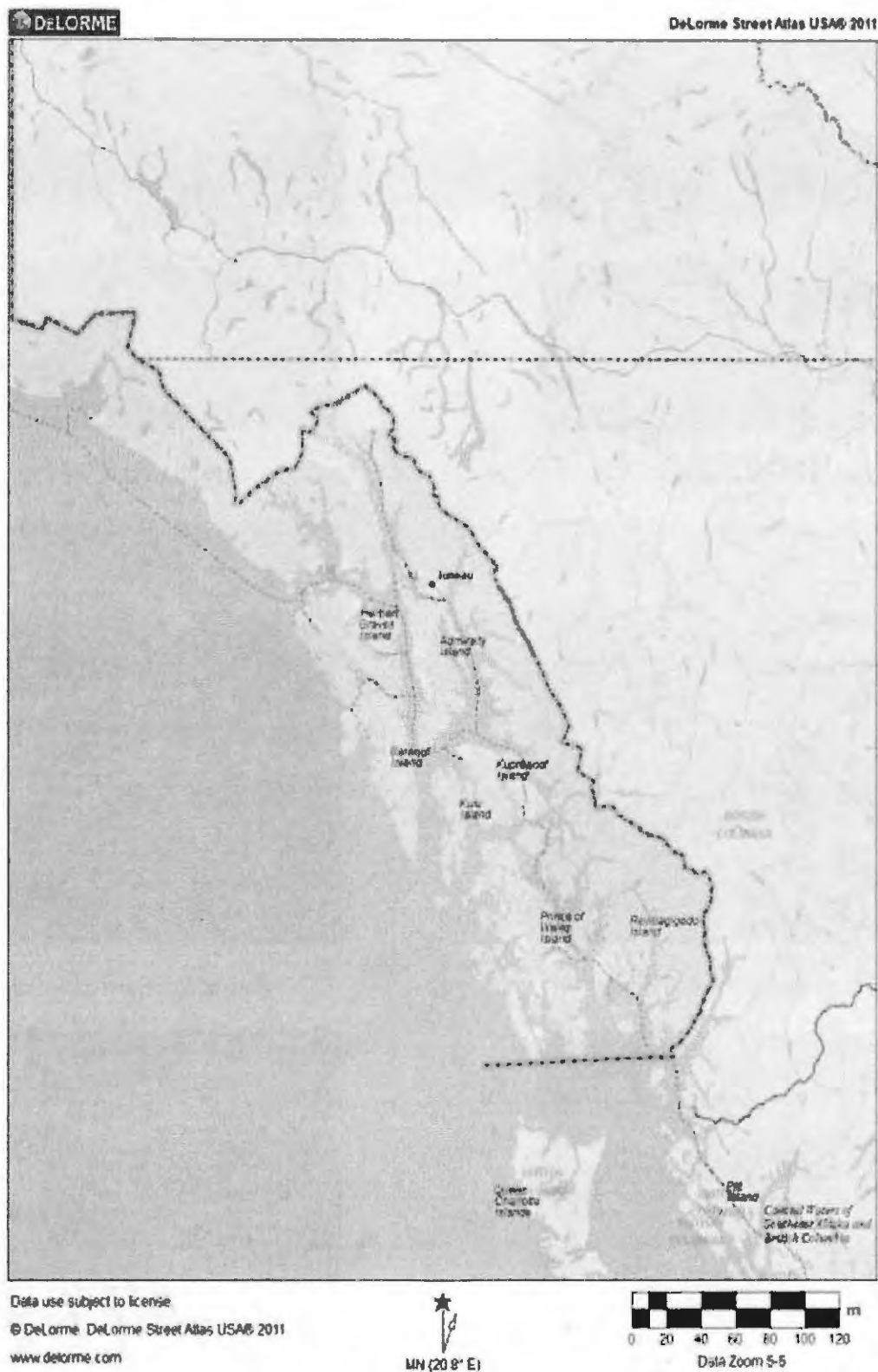
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STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)**Strengths / Opportunities**

- Excellent location in downtown historic district with water frontage in proximity to the cruise ship docks
- Excellent visibility and exposure to both cruise ship patrons and traffic
- Flexibility in mixed-uses
- Expansion potential and/or outdoor amenities taking advantage of ocean view/frontage

Weaknesses / Threats

- Seasonal patrons
- Weather/ocean exposure
- Limited parking
- Relatively lower rentable space on second level





Front view of subject



Pano to side view.



Street view, subject to right.



View of front and other side.



Access to rear of subject and wharf.



Rear of subject with deck.



Pano to left showing new rear covered seating.



Rear deck and outbuilding.



View toward cruise ship docks.



Looking toward subject from cruise ship dock area.



View of promenade from cruise ships.



Promenade view in other direction.



Sample ground floor retail finish.



Retail finish.



Retail finish.



Retail finish.



Retail finish.



Retail finish.



Overhead door access to main floor retail.



Exterior view of same overhead door.



Storage for main floor retail sample.



Main floor retail restroom.



Stairway access to 2nd level.



Common 2nd level hallway.

Introduction



Sample 2nd level office space.



2nd level office space.



2nd level office sample.



Main floor retail restroom.



2nd level restaurant prep/break room



2nd level finish.



Mechanical room.



Mechanical room.

Introduction

PROPERTY IDENTIFICATION

The subject is a retail-commercial, 2-story, mixed-use facility that was built in 2005. It is located at 406 South Franklin Street, Juneau, Alaska 99801. The improvements are situated on a 0.26 acre site consisting of a single parcel. In addition, there is a leased tidelands parcel containing 0.17 acre. The property is a multi-tenant building that can support 13 tenants, but often more than 1 unit is rented by a single tenant. The improvements consist of a single building that has a net rentable area (NRA) 9,275 square feet (sf).

Legal Description

The following legal description for the subject property was obtained from the Juneau Borough Assessor's Office:

TIDELANDS ADDITION BL 83 LT 8 (FEE SIMPLE UPLANDS)
&
TIDELANDS ADDITION BL 83 LT 9B FR [LEASED TIDELANDS]

Uplands: Lot 8, Block 83, Tidelands Addition to the City of Juneau, according to Plat No. 355, Juneau Recording District, First Judicial District, State of Alaska. SUBJECT TO reservations in the US Patent and the rights of the public and government bodies in and to any portion of the above property lying below the mean high water line of Gastineau Channel.

Tidelands: A fraction of Lot 9B, Block 83 of the Tidelands Addition to the City of Juneau, within ATS No. 3, Juneau Recording District, First Judicial District, State of Alaska, as depicted on Plat No. 87-10, more particularly described as follows:

Beginning at the northeasterly corner of said Lot 9B, said corner also being the most easterly corner of Lot 9A; thence S 57 degrees 18'35" W 85.70 feet, along the common line between Lots 9A and 9B; thence S 40 degrees 22'42" E 95.30 feet; thence N 53 degrees 11'30" E 71.91 feet to the most southerly corner of Lot 8 of said Block 83; thence N 31 degrees 54'15" W along the common line between Lots 8 and 9B, 89.27 feet to the place of beginning. Containing 7,245 square feet, more or less.

CLIENT IDENTIFICATION

The client of this assignment is Kevin Tillotson, with the Regional Banking Department of Wells Fargo Bank.

Introduction

INTENDED USE

The intended use of this appraisal report is to assist the client with a potential loan that would be collateralized by this asset.

INTENDED USER(S)

The Regional Bank Department of Wells Fargo Bank is the only intended user of this report; however, Wells Fargo reserves the right to use the report for the purposes of syndication with other financial institutions or securitization.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to estimate the market value as is of the subject property as of the effective date of the appraisal, December 11, 2017.

DEFINITION OF MARKET VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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 seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financial or sales concessions granted by anyone associated with the sale.¹

PROPERTY RIGHTS APPRAISED

The property rights appraised consist of the Leased Fee and Leasehold interest(s), which is/are defined below.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.²

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.³

CURRENT OWNERSHIP AND SALES HISTORY

The owner of record according to the Juneau website is Warner's Wharf LLC & AKA Alaska Pacific LLC. The property is pending purchase from Michael Tripp, Managing Member, Alaska Pacific, LLC to a former tenant, Reecia Wilson, Manger/Member of Juneau's Waterfront Restaurants, LLC, as a result of an option to purchase in their lease for an adjusted sale price of \$4,150,000. I asked Reecia Wilson to comment as to whether the pending purchase price reflects an arm's length transaction at market levels, or if there are any items of deferred maintenance and/or planned buyer expenditures that may have affected the price. She said...

To the best of our knowledge, no other sale or transfer of ownership has occurred within the past three years.

¹ Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C-Appraisal, 34.42(g); Office of Thrift Supervision (OTS), 12 CFR 564.2(g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

² The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

³ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

APPLICABLE REQUIREMENTS

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Appraisal requirements of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), revised June 7, 1994;
- Appraisal guidelines of the client.

REPORT FORMAT

To report the assignment results, we use the Appraisal Report option set forth in Standards Rule 2-2(a) of the 2016-2017 edition of USPAP. This edition of USPAP establishes only minimum standards for the contents of an appraisal report and eliminates standards for a more comprehensive reporting format (i.e., the Self-Contained Appraisal Report) that was available as an option previously. As USPAP gives appraiser the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Wells Fargo Bank internal standards for an Appraisal Report. This type of report has a moderate level of detail. It summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions and conclusions. It meets or exceeds the former Summary Appraisal Report requirements that were contained in the 2012-2013 edition of USPAP.

PRIOR SERVICES

USPAP requires appraisers to disclose to the client any services that have been provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services.

We have not previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.

SCOPE OF WORK

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach and income approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value

Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Used
Sales Comparison Approach	Applicable	Used
Income Approach	Applicable	Used

The **cost approach** is not applicable to the subject considering the following:

- The age of the property makes estimates of accrued depreciation very subjective.
- This approach is not typically used by market participants, for similar properties.

The **sales comparison approach** is not applicable to the subject because:

- This approach reflects the primary analysis undertaken by a typical investor/purchaser.
- Sufficient market data regarding the sales of comparable properties was available for analysis.

The **income approach** is the most reliable valuation method for the subject due to the following:

- The probable buyer of the subject would base a purchase price decision primarily on the income generating potential of the property and an anticipated rate of return.

Introduction

- Sufficient market data regarding income, expenses, and rates of return, is available for analysis.

Source of Information

The process of employed to collect, verify and analyze relevant data is detailed in the individual section of the report. This includes the steps taken to verify comparables. Although we make a concerted effort to confirm the arms-length nature of each comparable with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable. The following sources were contract to obtain relevant information:

Conclusions

Item	Source(s)
Tax Information	Juneau Assessor
Legal Description	Juneau Assessor & prior appraisal
Zoning Information	Juneau City & Borough
Site Size	Juneau Assessor & prior appraisal
Building Size	Appraiser Measurements & public records
No. Buildings	Inspection
Year Built	Prior appraisal
Parking Spaces	Inspection
Flood Map	Interflood
Demographics	File archives and public data
Comparable Information	Market participants, file archives
Income Data	Leases, Rent Roll & Ownership
Expense Data	Historical Operating Statements

Inspection

An interior and exterior inspection of the property was made on the as is date of value, December 11, 2017, while accompanied by an ownership representative, Ian Simpson with Juneau's Waterfront Restaurants, LLC (Buyer) and Daren Booton, with Timberwolf Ventures (Seller). I was allowed to photograph the exterior and interior of the building, along with photos of the rear yard improvements/outbuilding.

Significant Appraisal Assistance

While no one provided significant appraisal assistance to the person signing this certification, I did use a prior appraisal of the subject property prepared by Kim Wold for several exhibits and information used in this appraisal report. This is due to a lack of office facilities/software to create my own exhibits for internal work.

Exposure Time & Marketing Period

Exposure time is the estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is always presumed to precede the effective date of the appraisal. Marketing period is an estimate of the amount of time it might take to sell a property at the estimated market value immediately following the effective date of value.

Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local office market, it is our opinion that the probable exposure time for the property is 12 months.

We foresee no significant changes in market conditions in the near term; therefore, it is our opinion that a reasonable marketing period is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

Regional Description



AREA DESCRIPTION

The subject property is located in the southeast Alaska area in Juneau City limits. Juneau is the capital of Alaska and, as such, enjoys the governmental employment that comes with it. The government sector (federal, state, and local) of the economy is the largest employer and helps stabilize market trends and create demand for offices, housing, services, which benefits many other facets of Juneau's diverse industries. While the legislative segment is not a year-round factor, it is consistent and is enhanced by the tourism sector which benefits significantly from the cruise ship industry. Fishing, seafood processing, and mining elements round out the economic drivers, and the relatively warm climate offers a satisfying environment for many styles and tastes of the local residents.

Oil prices per barrel impact Alaska's economy in the moderate to long term view. The majority of the State's unrestricted government funds have historically come from oil-related property taxes, corporate petroleum income taxes, oil production taxes, and oil-related royalties. With significant losses in that sector, it impacts markets from local to global, some more than others. In particular, low oil prices and stagnant oil production impact real estate market values negatively in Alaska. The drop in oil prices is the result of several factors, resulting in job losses, which will continue to spread to other sectors. 2017 has continued the downward trend in employment in nearly every major industry. While other sources of income to support the State's budget are being considered, it has been difficult for legislators to come to an agreement on how to proceed and they may have to settle for short-term solutions, while putting off long term planning. Crude oil prices are currently around \$63/barrel. Improvements in

Regional Description

the Alaska tourism market, and continued strength in the health care sector, are not sufficient to offset these losses in other industries and a general softness is being experienced State-wide. It is beyond the scope of the appraisal and review to forecast future oil prices, interest, or politics, which remain unclear.

Market values estimated reflect market data and trends as of the effective valuation date. Until confirmable trends can be supported in the market indicators and units of comparison, the local and extended economy are best described as flat or stable, and keeping a close eye on the oil industry.

Alaskan tourism benefits from the decline in oil prices, as well as consumers of the product. The cruise ship industry is significantly impacted by the cost of oil. Cruise ship passenger traffic has regained pre-recession levels. This is augmented by air passenger and cargo traffic, which are also showing stable to increasing trends. Tourists also benefit from lower energy costs resulting in more discretionary spending.

Mining also benefits with higher profits from oil price declines giving them lower energy costs since that is an energy intensive industry. No consistently measurable impact to typical units of comparison is apparent in the local market data.

The local retail and office markets have generally stable fundamentals, but due to the caution resulting from the low oil environment over the last several years, rents and values are flat, but mostly stable. The cruise ship industry has recovered and, although the downtown retail market is seasonal, it gets a boost from legislative staff and members involved in the local governmental elements resulting from Juneau being the State Capital.

The apartment market is considered to be "tight" and generally in equilibrium. There has been some recent softening of late due to loss of jobs, but this is not market-wide and general market conditions are considered to be healthy and stable. New construction is not likely feasible at current rent levels except for instances where a property may benefit from low-income housing tax credits, grants, tax exemptions, or other government funding. Units close to the downtown area enjoy more demand due to proximity to retail, office, and legislative activities.

Figure 5: Average Monthly Employment and Wages Compared by Sector, Juneau 2015



Source: Alaska Department of Labor and Workforce Development, Quarterly Census of Employment and Wages; Note: Local Government includes the Juneau School District employment and enterprises such as the Juneau Airport, Docks and Harbors, and Bartlett Regional Hospital. The Federal Civilian Government does not include the Coast Guard personnel stationed in Juneau.

DeLorme Street Atlas USA® 2011

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W 6th St

W 5th St

W 4th St

W 3rd St

W 2nd St

W 1st St

Front St

Marine Way

Starr Hill

406 S Franklin St

Thane Rd

Eastlight Hwy

Beach Dr

Bradley St

Douglas

Chitina Channel

West Juneau

Den Moler Trail

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FOSTER AVE

FAIRBANKS ST

GOODWIN RD

MERRITT RD

PIONEER AVE

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ROGER ST

DOUGLAS HWY

RAVEN RD

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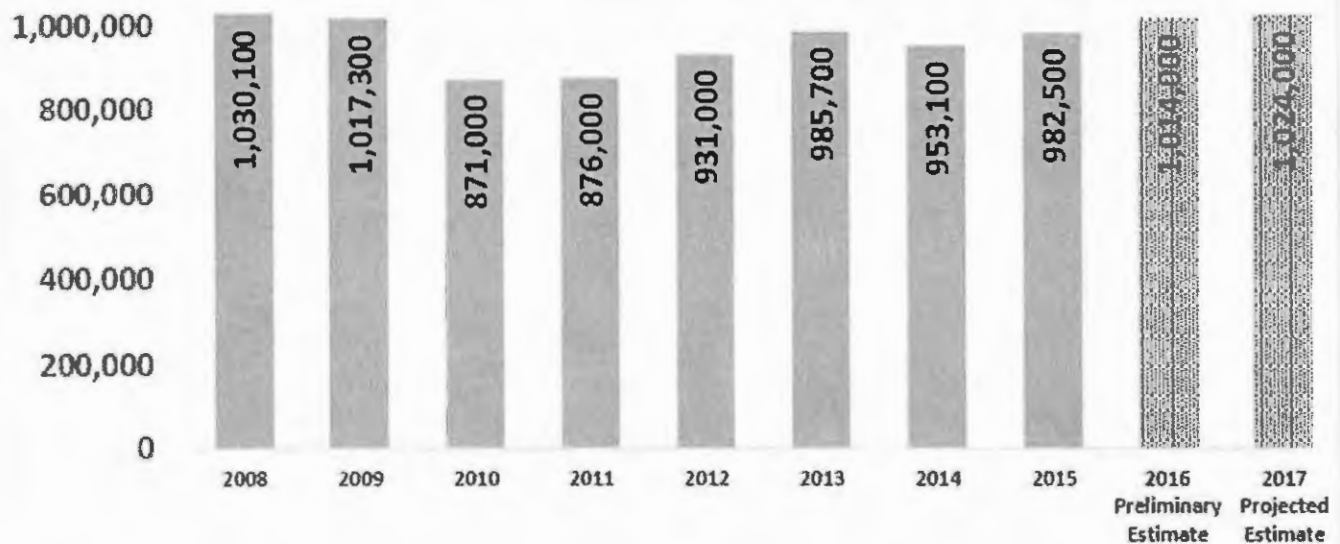
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PIONEER AVE

PETERS LN

ROGER ST

Figure 52: Cruise Passengers Visiting Juneau, 2008 - 2017 (Projected Estimate)



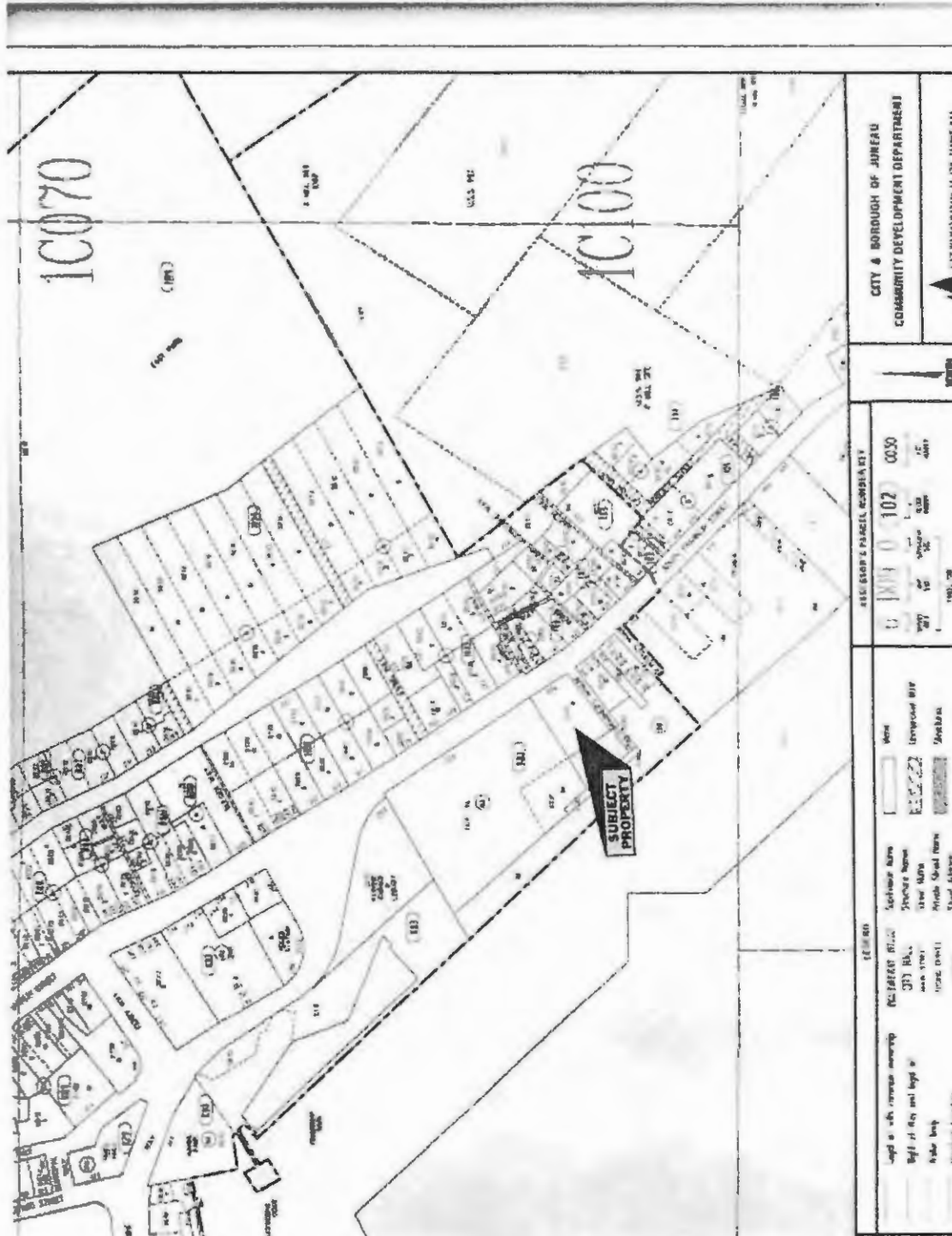
Source: Cruise Line Agencies of Alaska and McDowell Group. Note: 2016 Estimates are state-wide passenger volumes.

As noted, the local Juneau economy is significantly impacted by tourism. The most recent cruise ship passenger levels show the current market reaching record territory, having fully recovered from the recent recession in this sector. It is somewhat unique to be the Capital of Alaska and not be accessible except by air or sea.

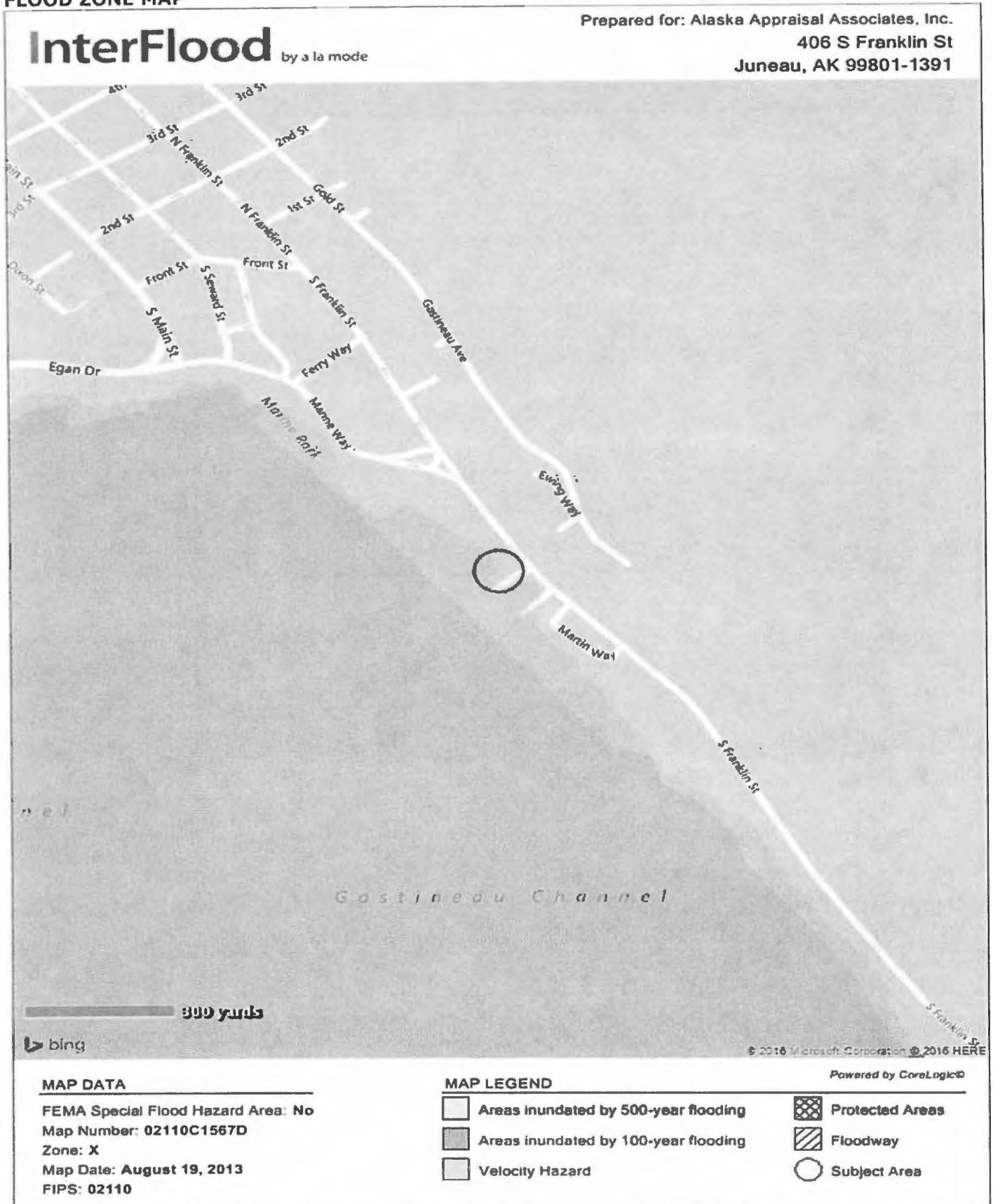
New housing units permitted for the first ½ of 2017 are trailing behind both the first ½ of 2016 and that of 2015. In addition to an increase in housing permits, Juneau saw an increase in housing units built in 2016 over the year before, adding 241 new units to the inventory. Most of this increase was the result of the projects for special needs populations. New single-family units were on par with the prior year. Home sales in Juneau were up by 30% in 2016 over 2015, with 269 units changing hands. Condo sales were up 10% over the same period, while single family attached homes sales were down 11%. The median transaction price for single family homes was down a bit in 2016, although still well above 2014 prices at \$379,050. The rapid turnover for single family homes, of less than 30 days, is an indication of a tight housing market in Juneau.

The Juneau Borough is economically well rounded, which helps to offset softness in any particular sector. As oil prices are trending upward of late, optimism grows in local market participants, which bodes for a continued stable economy into the foreseeable future. Specifics of demographic and the various economic sectors are in my work file archives rather than included in the report itself per the scope of this assignment.

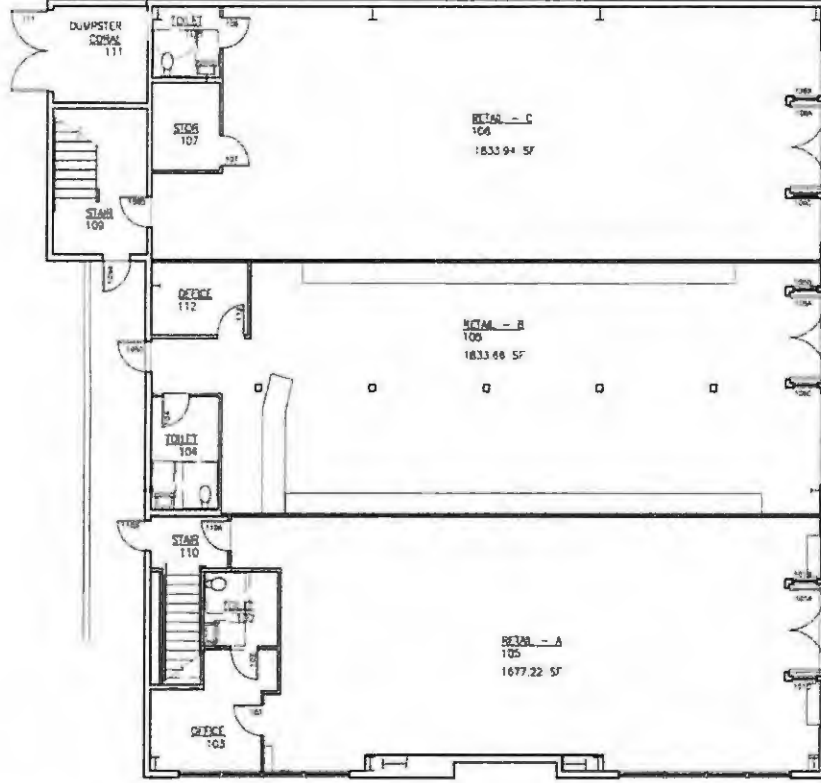
PLAT MAP



FLOOD ZONE MAP



BUILDING/IMPROVEMENT SKETCHES



PACIFIC PIER
LOWER FLOOR
RETAIL SQUARE FOOTAGE AREAS

5/5/06

A201

522 West 10th Street
Juneau, Alaska 99801
phone 907-586-1070
fax 907-586-3999
jensenyorbahlott.com





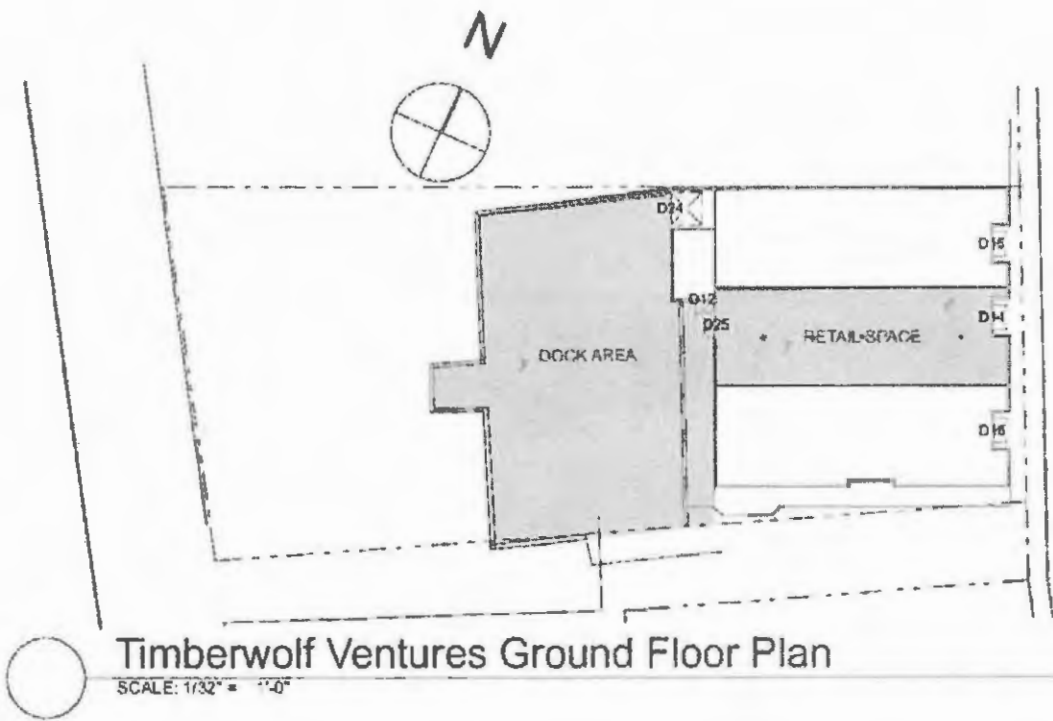
PACIFIC PIER
UPPER FLOOR
RETAIL SQUARE FOOTAGE AREAS

5/5/06

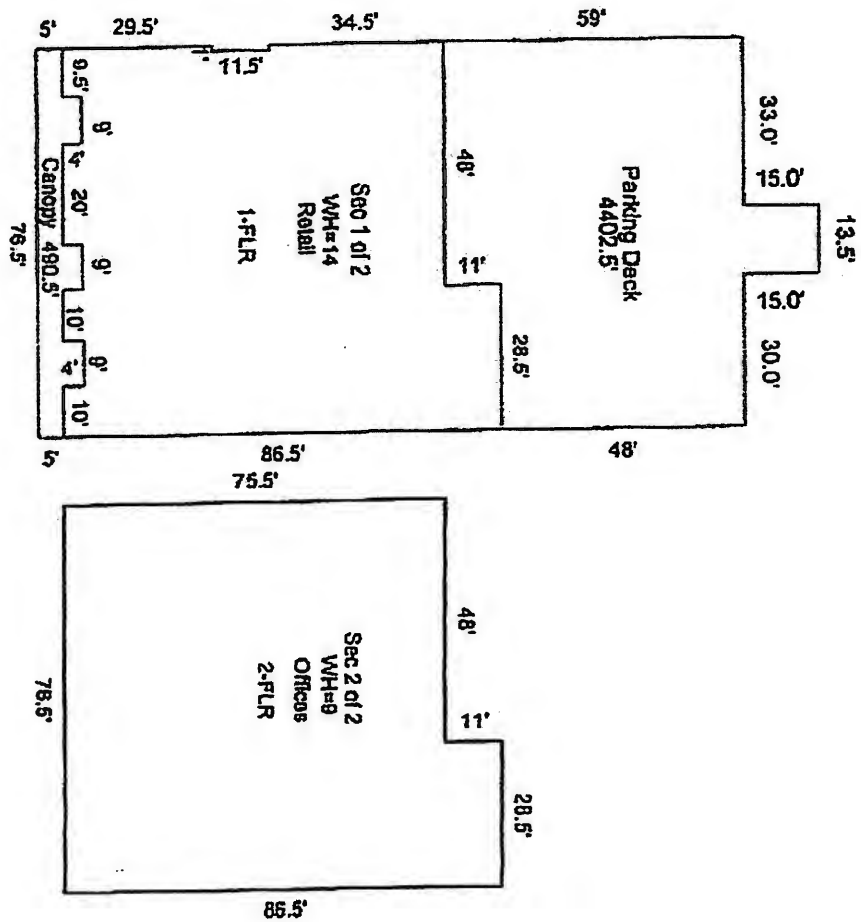
A201

522 West 10th Street
Juneau, Alaska 99801
phone 907-586-1170
fax 907-586-3050
jensenyorbakott.com

**Jensen
Yorba
Lott
Inc.**



Property Exhibits



Site Description

The following information summarizes the subject site and its characteristics.

Address	406 South Franklin Street Juneau, Alaska 99801	
Assessor Parcels	1C070K830040, 1C070K830041	
Land Area	Acres	Square Feet
Usable Land	0.26	11,211
Unusable Land	0.00	0
Excess Land	0.00	0
Surplus Land	0.17	7,245 (Leased)
Total Land Area	0.42	18,456
Primary Road Frontage	Franklin Street - 76.84'	
Secondary Road Frontage	Warner's Wharf - 134.43'	
Shape	Irregular	
Topography	Level, at road grade, piling foundation	
Zoning	WC - Waterfront Commercial	
Flood Zone	Zone X (shaded)	(Comm. Panel No. 0211OC1567C, Dated 08/19/2013)
Seismic Zone	Zone 2B	
Utilities	Provider	Adequacy
Water	City/Borough of Juneau	Yes
Sewer	City/Borough of Juneau	Yes
Natural Gas		Not Available
Electricity		Yes
Telephone		Yes
Comparative Analysis	Rating	
Visibility/Exposure	Excellent	
Functional Utility	Good	
Traffic Volume	Good	
Adequacy of Utilities	Yes	
Landscaping	Average	
Drainage	Assumed Adequate	

Conclusion

The site is well located and afforded good access and excellent visibility from roadway frontage and from the cruise ship docks. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors considered to prevent the site from development to its highest and best use, as if vacant, or adverse to the existing use of the site.

Improvement Description

Improvement Description

The subject is improved with a 2-story, multi-tenant, mixed-use retail/office/storage facility with an apartment. Dimensions are 75.5' x 76.5', plus a 11' x 29' addition, less alcoves. The following information summarizes the subject improvements and their characteristics.

Property Type	Retail-Commercial	
Property Subtype	Mixed Use-Retail-Office Residential	
Occupancy Type / Owner Occupied	Multi-tenant	Yes
Building Class	S	
Number of Units	13	
Tenant Size (Range / Avg.)	112 - 1834	713 Avg. SF/Tenant
Number of Buildings / Stories	1	2.00
Gross Building Area (SF)	12,064	
Net Rentable Area / Useable Area (SF)	9,275	9,275
Bldg. Efficiency Ratio / Load Factor	76.9%	0.0%
Floor Area Ratio (GBA/Land SF)	1.08	
Land-to-Building Ratio	0.93 : 1	
Site Coverage Ratio	53.3%	
Year Built / Renovated	2005	2015
Age/Life Analysis		
Actual / Effective Age (Yrs.)	13	10
Economic / Remaining Econ. Life (Yrs.)	60	
Parking Type	None	
Parking Spaces / Ratio		
Comparative Analysis	Rating	
Building Quality	Average/Good	
Condition	Good	
Functional	Average/Good	
Utility		
Apartment	Could be office.	

Improvement Description		Comparative Rating			
		Good	Average	Fair	Poor
Basic Construction	Steel		X		
Foundation	Galvanized steel pilings		X		
Exterior Walls	Granite panels/Hardie board/steel		X		
Interior Walls	Steel studs, sheetrock, taped, painted		X		
Roof	Enameled steel		X		
Ceiling	Taped sheetrock, acoustic tiles		X		
HVAC System	Roof mounted HVAC units		X		
Lighting	Various, track, custom, fluorescent		X		
Flooring	Commercial grade carpet and tile		X		
Plumbing	Standard plumbing		X		
Fire Protection	Sprinklered and smoke detectors		X		
Security	Cameras		X		

Improvement Description

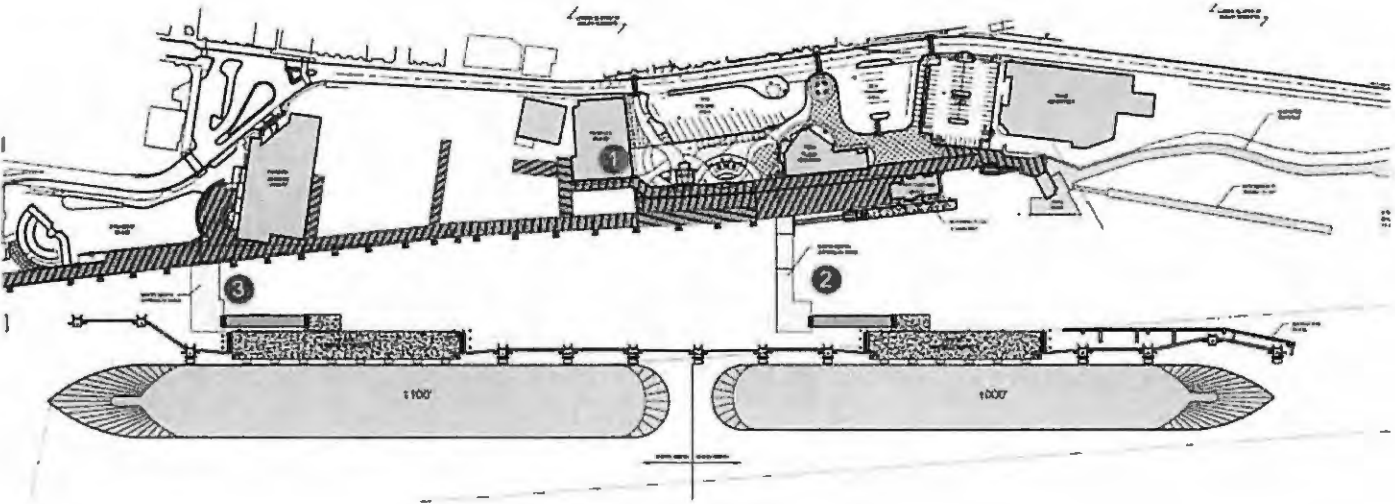
Electrical	AC power provided		X		
Build-out/TIs	Tenant Improvements to taste	X			
Parking	None.				
Landscaping	None.				
Deck/dock	4,402 sf, outdoor seating, rails, covered area, outbuilding	X			

Miscellaneous

There is an overhead door serving the rear dock and outbuilding area, which has covered outdoor seating and views of the cruise ship docks and the Gastineau Channel. Tenant improvements are at the higher end grade for first floor retail.

Conclusion

The improvements are in good overall condition, with some recent work in the rear covered outdoor seating area. Overall, there are no known factors that adversely impact the marketability of the improvements. The subject has a prime downtown historic district location that takes advantage of the foot traffic generated by patrons of the cruise ships docks.



Real Estate Tax Analysis

Assessment of real property is typically established by an assessor that is an appointed or elected official charged with determining the value of each property within their jurisdiction. Their estimated value or assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is then levied on the value of property that the owner is required to pay to the municipality in which it is situated.

The subject's assessed value and property tax for the current year are summarized in the following table:

ASSESSMENT & TAXES					
Tax Year	2016			Tax Rate	0.1066%
Comparison Basis	GBA			Taxes Current	
Misc.				Taxable %	100%
APN/Tax ID	Land	Improvement	Total	Taxable	Base Tax
1C070K830040	\$3,363,300	\$575,800	\$3,939,100	\$3,939,100	\$41,991
1C070K830041	\$272,700	\$0	\$273,700	\$273,700	\$2,918
Totals	\$3,636,000	\$575,800	\$4,212,800	\$4,212,800	\$44,909
Totals/SF	\$301.39	\$47.73	\$349.20	\$349.20	\$3.72
Additional Charges / Direct Assessments					Amount
Subtotal					
TOTALS					\$44,909
TOTALS/SF					\$3.72

Real estate taxes in the state of Alaska are calculated by multiplying the tax rate by the taxable value. The taxable value is calculated at 100% of the market value for commercial properties. The total assessed value is the reported market value of the property, as reported by the assessor. Tax rates are set by procedures established in the Alaska Constitution. The rates vary throughout the state depending on which borough, school district, city, special service districts, and etc. the property is located.

Conclusion

The subject property is assessed within the range of market parameters. Based on the tax comparables and the subject's current and historical taxes, it appears that the subject's real estate assessment is reasonable.

Zoning Analysis

The subject zoning and its characteristics are summarized below:

ZONING SUMMARY

Current Zoning	WC - Waterfront Commercial
Zoning Jurisdiction	Juneau City & Borough
Current Use	Mixed-Use Retail/Office/Storage/Apartment
Permitted Uses	Commercial, office, residential
Prohibited Uses	Noxious to the permitted uses
Is Current Use Permitted	Yes
Applied For Zoning Change	Unknown
Likelihood of Zoning Change	Unlikely
Applied For Zoning Variance	Unknown
Requirements	
Maximum Building Height	35 feet
Minimum Setbacks	
Front Yard	10 feet
Rear Yard	10 feet
Side Yard	10 feet
Maximum Site Coverage	100%
Minimum Landscaping Required	None
Minimum Lot Area	2,000 sf
Parking Requirements	None
Legally Conforming	Yes

The purpose of the subject zoning, according to the City Zoning Code, is to provide a variety of waterfront commercial uses. The subject is surrounded by similar, homogenous uses that take advantage of the downtown historic district's proximity to the cruise ship docks and legislative activities.

Conclusion

The improvements are a legally conforming use and if damaged may be restored without special permit application. Additional information may be obtained from the appropriate government authority.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our study correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence. This appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

Highest and Best Use Analysis

In an appraisal report, the concept of highest and best use represents the premise upon which value is based. Highest and best use is defined as follows:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."⁴

There are four tests of highest and best use implicit within the foregoing definition. These include: (1) legally permissible, (2) physically possible, (3) financially feasible and (4) maximally productive or that use which having met the foregoing tests results in the highest present land value.

Highest and best use is considered first as if the land is vacant and available for development, and second as currently improved.

AS VACANT

This analysis assumes the subject site is vacant and able to be developed to its highest and best use. The four tests are used in this analysis in order to conclude the highest best use of the subject site as vacant.

Legally Permissible

The site is zoned WC, Waterfront Commercial District. This zoning classification allows for various types of retail, office, multi-family and restaurants. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property.

From a neighborhood conformance perspective, surrounding properties are CBD in character. The subject has a location in the heart of the CBD with water front amenities. This site could be developed with a number of permitted uses, including mixed-uses with retail on the main level and office/residential/storage on upper levels.

Physically Possible

The subject site is irregular in shape. Topography is generally level, though the improvements are constructed on a piling foundation at street grade. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

The site of the subject is typical for this location in the CBD. The site can accommodate a large number of uses that would take advantage of the foot traffic generated by the cruise ship patrons. The subject has good exposure to both foot and vehicle traffic, with waterfront amenities on the main commercial corridor through the historic downtown area.

The physical characteristics of the site do not appear to impose any unusual restrictions on development.

Financially Feasible

Economic feasibility relates to supply and demand factors for any given use. Brief consideration has been given regarding potential uses. In this case, a variety of commercial developments could be considered. The area, as mentioned previously, is experiencing cautious stability due to the current economic characteristics and trends. In this case, a mix of uses is considered.

Based on our analysis of the market, there is currently adequate demand for mixed-use facilities in the subject's area combining retail on the main level and other secondary uses, such as office, storage, or apartment space on the upper level. With the subject's excellent location to take advantage of the improving tourism industry, a mix of uses is considered to be financially feasible.

Rates in the market have been generally stable. Occupancy can be seasonal, but this is typical for this market and rents are generated year round. The subject property has been successful in bringing several quality tenants to the building. It is being purchased by a former tenant who has found the location and facility to be amenable to continued business operations. Based on the analysis in the income approach, the project appears to be financial feasible including a reasonable line item for entrepreneurial profit.

⁴ Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago Appraisal Institute, 2010), page 93.

Highest and Best Use Analysis

Maximally Productive - Conclusion

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than the existing mixed-use retail, office, storage, apartment use that takes advantage of this prime location near the cruise line docks with waterfrontage. Accordingly, it is our opinion that the existing use, developed to the normal market parameters permitted by zoning, is the maximally productive use of the property, both as if vacant, and as improved.

The most likely buyer would be an Investor, or a partial owner-investor.

Valuation Methodology

There are three standard approaches to value typically considered when estimating the market value of real property. These are the cost approach, sales comparison approach and income approach. An approach is included or omitted based on its applicability to the property being value and the quality and quantity of information available.

COST APPROACH

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

INCOME APPROACH

The income approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income approach are direct capitalization and the discounted cash flow (DCF) analysis.

METHODOLOGY APPLICABLE TO THE SUBJECT

In valuing the subject, only the sales comparison and income approaches are applicable and have been used. The cost approach is not applicable in the estimation of market value primarily due to the age of the improvements, which makes an accurate estimate of depreciation problematic. Additionally, a potential purchaser of the subject would not likely consider replacement cost in valuing the property. The exclusion of said approach is not considered to compromise the credibility of the results rendered herein.

Income Approach

The Income Approach is based on the premise that properties are purchased for their income producing ability/potential. It considers both the annual return on the invested principal and the return of the invested principal. This approach includes careful consideration of current contract rents, projected market rents, other income sources, stabilized occupancy, and projected expenses associated with the operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The two fundamental methods of this valuation approach include the Direct Capitalization and the Discounted Cash Flow.

The Direct Capitalization method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

The DCF analysis models a property's performance over a buyer's investment horizon from the current as is status of the property, to projected stabilization of operations and through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

Given the appraisal problem and defined scope of work, only the direct capitalization is used in this analysis. It is considered the most reliable method in valuing the subject property because it best reflects the analysis used by buyers and sellers in this market for properties similar to the subject. The DCF analysis is not used as it was determined to not be as applicable as the Direct Capitalization.

DIRECT CAPITALIZATION

The first step in the direct capitalization method is to estimate the subject's durable rental income through reconciliation of the subject's in-place lease terms and market rent analysis. Next, other income items including reimbursements and miscellaneous revenue are considered. Then, stabilized vacancy and operating expenses are estimated based on analysis of the subject and market indicators. Finally, the resulting net operating income is capitalized at an appropriate supported rate.

Subject Lease Analysis

The subject property is leased as a multi-tenant building and the following table summarizes the leases, including lease dates, in-place contract rents and expense structure. This information was obtained through information provided by the owner and the prior appraisal. In addition a forecast of 2018 income was provided by the owner of the property and a copy is included in the Addenda of this report.

RENT ROLL ANALYSIS

Suite	Tenant	Tenant Type	NRA	% NRA	Lease Start	Lease Expiration	Term (Mos.)	Expense Basis	Contract Rent			
									\$/SF/Mo.	\$/Mo.	\$/SF/Yr.	\$/Yr.
101	Aroma Island Perfume	1st - Retail	1,677	18.1%	Jan-17	Dec-21	12	Modified Gross	\$4.97	\$8,333	\$59.63	\$99,996
102	RWR/Tailwind	1st - Retail	1,833		Apr-17	Mar-22	60	Full Service	\$5.46	\$10,000	\$65.47	\$120,000
103	Simply Natural	1st - Retail	1,834		Apr-16	Mar-19	36	Full Service	\$5.00	\$9,170	\$60.00	\$110,040
207	Steinke	2nd - Office	278		Jun-15	Oct-19	51	Full Service	\$2.00	\$556	\$24.01	\$6,673
210	Abdou Seck	2nd - Office	387		Jan-18	Dec-18	12	Full Service	\$1.08	\$417	\$12.92	\$5,000
212	RWR/Tailwind	& 215 - Apt	759		May-17	Apr-18	12	Full Service	\$1.98	\$1,500	\$23.72	\$18,000
Occupied Subtotals			6,768	73.0%					-	\$29,976	-	\$359,709
205	Vacant	1st - Retail	658									
206	Vacant	1st - Retail	610									
208	Vacant	2nd - Office	257									
209	Vacant	2nd - Office	663									
211	Vacant	1st - Retail	189									
213	Vacant	1st - Retail	184									
214	Vacant	1st - Retail	184									
Vacant Subtotals			2,507	27.0%								
TOTALS			9,275	100.0%					\$3.23	\$29,976	\$38.78	\$359,709

Compiled by Wells Fargo RETECHS

There are 3 main floor retail tenants, which bring in the majority of rental income. The 2nd level is demised into several spaces which are typically rented seasonally on a month to month term basis. They can also be used for storage for the retail tenants. There is also an apartment on the 2nd level which is rented by 1 of the tenants.

Income Approach

As indicated in the preceding table the subject property contains 9,275 sf of NRA of which 2,507 sf is currently vacant and 6,768 sf is leased resulting in an occupancy rate of 73%. The subject sub-market is seasonal in nature, which takes advantage of the prime summer and shoulder months when cruise ship patrons provide heavy foot traffic, or during legislative sessions. Sometimes rents will still be based on annual rents, while others agree to only pay months on a seasonal basis. The subject property currently has 13 tenant suites (some tenants have multiple units) with 6 occupied.

The 3 main level retail leases indicate rents that range from about \$5.00 to \$5.50/sf/month or \$60 to \$65/sf/year. It is noted that the rent for Unit 102 includes use of the rear dock with a little over 4,000 sf for outdoor seating, etc. The least states that the minimum rent is to be \$200,000/year; with an adjustment based on 8% of gross sales less minimum rent if applicable, so there is upside potential in this lease. This same tenant rents the apartment. The pending sale of the subject is this same tenant exercising an option to purchase the property.

The terms of the leases range from 1 to 5 years. The leases have mostly full service expense structures, in which the owner pays for all operating expenses. The subject's 2nd floor offers office/storage space for the most part, but also has an apartment which is rented by one of the main floor tenants. Contract rents for this type of space typically ranges from about \$1.00 to \$2.00/sf/month or about \$12 to \$24/sf/year. The apartment, also on the second level, rents near the upper end of that range on a price/sf basis.

The subject property was identified to have three different tenant types. Market rents for each of these tenant types or tenant categories will be estimated.

Market Rent Analysis

Having discussed the subject's current income producing capability through an analysis of the subject rent roll, it is appropriate to examine competitive comparable properties within the market. This allows for a comparison of the subject's contract rents to what is attainable in the current market.

This section examines competitive comparable properties within the marketplace to establish an opinion of market rents for the various types of space at the subject property.

Analysis by Tenant Type

Within the Subject Lease Analysis section, the subject tenant spaces were segregated into tenant types. For each tenant type, a specific analysis is developed. In each analysis, an opinion of market rent and correlating lease terms are concluded.

The following tenant types are included:

- Ground Floor Retail
- 2nd Level Professional Office/Storage
- 2nd Level Apartment

Analysis of Rent Comparables (Retail)

This analysis considers the cost of substitute space. Comparison is made with other similar properties to estimate a reasonable rent for the subject. Contract rents typically establish income for leased space, and market rent is the basis for estimating income for current owner occupied, vacant space and future speculative re-leasing of space due to expired leases.

A thorough search was made for comparables in terms of tenant type, location, physical characteristics and date of lease. In selecting comparables, emphasis was placed on confirming recent comparables that were the most comparable to the subject. Interestingly, due to the unique location of the subject near the cruise ship docks, comparable rents might be found in an extended search for similar properties in other cities with similar characteristics along the Inside Passage where there are ports-of-call along the Southeastern Alaskan coast; rather than perhaps just a few streets away from the property right in Juneau, particularly for main floor retail. These prime ground floor retail spaces constitute a first tier premium which drops fairly quickly to second and third tier rent levels the farther a property is away from cruise ship passenger foot traffic. Second level office, storage, or apartment space is not so sensitive to location as are prime tier 1 retail spaces. Often, the best ground floor retail rent comparables for the subject in Juneau may well be found in cities such as Ketchikan and Skagway, if not in the immediate tier 1 areas of Juneau. The search for comparable rental data for the subject main floor retail space was extended to other popular port-of-call cities for this reason.

Income Approach

The following Rent Comparable Summation Table summarizes the comparable information found in Juneau to compare with the subject's main floor retail space. Following these items, the comparables are adjusted for applicable elements of comparison and the opinion of market rent is concluded.

GROUND LEVEL RETAIL RENT COMPS

Information	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
Name	Alaska Pacific Pier	People's Wharf	People's Wharf	People's Wharf	People's Wharf	-	-
Address	406 South Franklin	432 S Franklin	432 S Franklin	432 S Franklin	432 S Franklin	489 S Franklin	495 S Franklin
City	Juneau	Juneau	Juneau	Juneau	Juneau	Juneau	Juneau
State	Alaska	AK	AK	AK	AK	AK	AK
Zip	99801	99801	99801	99801	99801	99801	99801
Property Information							
Building NRA	9,275	10,408	10,408	10,408	10,408	-	-
Location	Excellent	Good/Excellent	Good/Excellent	Good/Excellent	Good/Excellent	Good/Excellent	Excellent
Building Quality	Good/Excellent	Good	Good	Good	Good	Good/Excellent	Excellent
Year Built	2005	2007	2007	2007	2007	-	-
Condition/Eff. Age	Good	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Parking Ratio	-	-	-	-	-	-	-
Includes tidelands lease	Yes	Yes	Yes	Yes	Yes	No	No
Lease Information							
Tenant Name	-	Tracy's Crab Shack	Del Sol	Daniel's Furs	Shirt Off My Back	AK Shirt Co.	Blue Diamonds
Lease Start Date	-	Mar-17	Oct-16	-	-	-	-
Lease Status	-	Closed	Closed	Closed	Closed	Closed	Closed
Expense Basis	-	Modified Gross	Modified Gross	Modified Gross	Modified Gross	Modified Gross	Modified Gross
Lease SF	-	1,900	3,000	975	1,000	675	745
Rent/SF/Mo.	-	\$5.57	\$6.75	\$6.00	\$6.00	\$7.41	\$8.95
Rent/SF/Yr.	-	\$66.84	\$81.00	\$72.00	\$72.00	\$88.89	\$107.38

The best market comparison for ground floor retail is the building next door to the subject called People's Wharf. Rent Comps 1 through 4 are from that facility and indicate an unadjusted range from \$5.57 to \$6.75/sf/month on a modified gross expense relationship where the tenants only pay utilities expenses in addition to their rent. Rent Comps 5 and 6 are upper end rents in prime locations at \$7.41 and \$8.95/sf/month in the downtown Juneau historic district with good access to foot traffic from the cruise ship docks.

I compared these to similar ground floor retail rents in other port-of-call cities in Southeastern Alaska in the Inside Passage corridor that is served by the same cruise ship patrons. Ketchikan prime retail ground floor rents range from about \$7.00 to \$8.00/sf/month, such as for a Fur Gallery at 312 Mission Street (\$7.00) and a Del Sol space at 328 Mission Street (\$8.00). In Skagway, Broadway Street has the most foot traffic from the cruise ships and there is a drop in rents the farther away the space is. They range widely along Broadway from about \$4.00 to over \$10.00/sf/month for prime ground floor retail with access to cruise ship foot traffic.

The subject contract rents for ground floor retail space range from \$4.97 to \$5.46/sf/month in comparison. As noted, these spaces bring in the majority of rent revenues to the subject facility and contract rents are at market levels in my opinion.

I ran a similar market search for rent comparables to reflect rents to second level office/storage space. Although I will not report it in the same detail, I did consider this type of space not only in Juneau, but also in Ketchikan and Skagway. This information is in my work file. I found that this type of second level space is in fairly high demand and often used by ground floor retail tenants. In Juneau, these second level rents typically range from about \$1.50 to \$2.00/sf/month. For example, the Senate Building at 175 South Franklin rents this type of space for around \$2.10/sf/month. The Triangle Building at 114 South Franklin is in a 3rd Tier location for ground floor rents (at \$2.00/sf/month or less), but as noted, second level space is less sensitive to location and still rents for around \$1.30 to \$1.61/sf/month. Contract rents at the subject for this type of space range from about \$1.00 to \$2.00/sf, depending on size and expense allocations.

The subject apartment space has contract rent that is at the upper end of this range, or \$1.98/sf/month. The monthly contract rent of \$1,500 is typical for this type and size of space, and is at market levels.

Analysis and Adjustment

The comparables were adjusted using quantitative adjustments in this analysis. The adjustments are based on comparison of the comparables to the subject. Market evidence and appraiser judgement determined the degree of adjustment made to each comparable. The adjustments are largely subjective. Each adjustment made reflects consideration and an analysis of various factors. The factors considered in any adjustment include an analysis of paired data, when they are available, and information acquired from the market. It is believed that the adjustments made

Income Approach

correspond closely with the thinking of market participants. The following adjustments or general market trends were considered for the basis of valuation.

Expense Basis

The subject property is mostly leased on a full service lease basis or modified gross expense relationship. Adjustments are considered for differences in expense relationships in concluding market rent for the various types of subject space with significant reliance on historical figures supported by market parameters.

Conditions of Lease

Adjustments for this factor are necessary for a comparable not considered arm's-length, such as an owner-occupied building, large amortized tenant improvements in the lease rate or rental concessions. The market indicates leases which represent a finished product. In other words, both the building shell and tenant improvements.

Market Conditions

Real estate values normally change over time. The rate of change fluctuates due to investors' perceptions of prevailing market conditions. This adjustment category reflects value changes, if any that have occurred between the date of the sale of the comparable and the effective date of the appraisal. The comparables are the most recent I could find and are all closed transactions.

Size (Tenant)

Typically as tenant size increases rent per square foot decreases and vice versa. This is partially due to economies of scale. Adjustments for size differences are taken into account.

Location

Location has an impact on rents, particularly for main floor retail space. This adjustment category considers general market area influences as well as a property's accessibility to cruise ship foot traffic, visibility from a main thoroughfare and the floor location with the building. The impact of location is less significant for second level space, or even type of use on the second level in this submarket.

Building Quality

The subject is a Class "S" building in terms of quality of construction materials. Differences in type and quality of construction components is a factor considered in adjustments to the comparable data.

Condition/Effective Age

This adjustment relates to the overall condition or effective age of the comparable as compared to the subject. Recall, the subject has an effective age of 10 years. Remaining economic lives are increased not only by upgrades to the building, but are extended when the proximity to the cruise ship docks generates motivation to maintain a location in operation. Appropriate adjustments are applied.

Parking Ratio

This adjustment refers to the amount of parking provided. The subject has no on-site parking, but that is typical for this central business district location. The comparable data is adjusted, if necessary, for parking amenities as it is a desired feature in this location.

Market Rent Conclusions

Contract rents for the various types of space are at market levels and will be used for purposes of direct capitalization to project income. Vacant spaces are only found on the second level, although the pending purchaser is currently a tenant and occupies one of the 3 main floor retail spaces, so could be considered an owner-occupant. Even so, market rent would be similar to what they are paying. Vacant space is projected at market levels.

Total Gross Income Conclusion

In this analysis, total gross income is estimated based on the actual scheduled income for leased space, which was determined to be within a reasonable range of market rents, with market rent applied to the vacant spaces as well as to the owner occupied space; along with consideration of reimbursement income.

OPERATING HISTORY

Year	2013		2014		2015		2016		2017		2018		APPRAISAL FORECAST	
Income Items	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF
Contract Rent	\$287,929	\$31.04	\$408,376	\$44.03	\$456,730	\$49.24	\$500,787	\$53.99	\$443,831	\$47.85	\$439,701	\$47.41	\$359,709	\$38.78
Rental Income	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$140,291	\$15.13
Total Rental Income	\$287,929	\$31.04	\$408,376	\$44.03	\$456,730	\$49.24	\$500,787	\$53.99	\$443,831	\$47.85	\$439,701	\$47.41	\$500,000	\$53.91

Historical Income & Expenses

I was provided with an income/expense history for the subject for 2013, 2014, and 2015, along with annualized amounts for 2016 and 2017, along with a forecast of revenues for 2018. For the 2018 expense forecast, I mirrored the appraisal forecast in the table since these weren't provided. While incomplete information was provided, it was helpful projecting income and expenses and I maintain most of that information in my workfile. I had to adjust some of the information provided for expenses that are not considered part of a reconstructed operating statement for purposes of direct capitalization. The following summarizes historical income and expense ratios at the subject property.

Additional/Other Income Analysis

Based on a review of the subject leases and the subject's historical income and expense statements, the owner receives additional/other income for expense reimbursements.

Expense Reimbursements

Income is generated from tenant obligations to pay operating expense increases over base year amounts in accordance with lease terms at the property. Based on historical expense reimbursements, expense reimbursements are estimated at \$20,000 or \$2.16/sf/year.

Vacancy and Credit/Collection Loss

Vacancy and collection losses are provisions for reductions in potential rent attributable to tenant turnover, vacancies, and non-payment of rent. Rent collections are typically less than potential rent, which requires an allowance for the disparity. The vacancy and credit/collection loss estimates should reflect the levels of vacancy and credit/collection loss anticipated through a typical holding period. This is the case even if such estimates are inconsistent with vacancy levels typical of the current market. The allowance is usually estimated as a percentage of the gross income.

In order to estimate vacancy and credit/collection loss, I have analyzed local market sales and lease data, interviewed market participants, and reviewed local, regional, and national secondary research data contained in my workfile pertaining to vacancy and credit loss levels as well as investor criteria. Taking into account the location and physical characteristics of the subject, a long term vacancy and credit/collection loss factor of 3.0% is concluded.

Operating Expense Analysis

The next step in the Income Approach is to estimate stabilized operating expenses for the subject property. Operating expenses include the necessary expenses to maintain the subject property and generate income at the forecasted level. Expenses associated with debt financing, depreciation or other accounting items are disregarded and, in some of the historical information provided, had to be adjusted out. The expense estimates are often based on one or more of the following sources: 1) historical operating of the subject, 2) expense information from comparable property and 3) published industry expense information.

In this analysis the subject's historical expenses and market parameters will be used in order to estimate the operating expenses for the subject property.

Valuation Approach

The following is a brief discussion of the historic and projected operating expenses concluded in the appraisal report.

Expense Items														
Real Estate Taxes	(\$44,957)	(\$4.85)	(\$45,394)	(\$4.95)	(\$51,411)	(\$5.54)	(\$44,957)	(\$4.84)	(\$50,434)	(\$5.44)	(\$50,000)	(\$5.39)	(\$50,400)	(\$5.39)
Property Insurance	(\$9,269)	(\$1.00)	(\$12,202)	(\$1.32)	(\$12,063)	(\$1.30)	(\$12,200)	(\$1.32)	(\$12,395)	(\$1.34)	(\$12,500)	(\$1.35)	(\$12,500)	(\$1.35)
Utilities	(\$32,337)	(\$3.49)	(\$31,612)	(\$3.41)	(\$32,404)	(\$3.49)	(\$33,000)	(\$3.56)	(\$25,905)	(\$2.79)	(\$30,000)	(\$3.23)	(\$30,000)	(\$3.23)
Repairs & Maintenance	(\$3,642)	(\$0.39)	(\$23,865)	(\$2.57)	(\$24,242)	(\$2.61)	(\$5,000)	(\$0.54)	(\$7,399)	(\$0.80)	(\$7,500)	(\$0.81)	(\$7,500)	(\$0.81)
Tidelands Lease	(\$7,539)	(\$0.81)	(\$8,167)	(\$0.88)	(\$26,062)	(\$2.81)	(\$26,082)	(\$2.81)	(\$25,104)	(\$2.71)	(\$26,082)	(\$2.81)	(\$25,000)	(\$2.70)
Management Fee	\$0	-	\$0	-	\$0	-	(\$25,207)	(\$2.72)	\$0	-	(\$25,000)	(\$2.70)	(\$25,000)	(\$2.70)
Miscellaneous	(\$3,019)	(\$0.33)	(\$711)	(\$0.08)	(\$2,871)	(\$0.31)	(\$675)	(\$0.07)	(\$306)	(\$0.03)	(\$3,000)	(\$0.32)	(\$3,000)	(\$0.32)
Reserves for Replacement	\$0	-	\$0	-	\$0	-	(\$5,041)	(\$0.54)	\$0	-	(\$5,000)	(\$0.54)	(\$5,000)	(\$0.54)
Total Expenses	(\$100,803)	(\$10.87)	(\$121,951)	(\$13.15)	(\$149,073)	(\$16.07)	(\$152,114)	(\$16.40)	(\$121,543)	(\$13.10)	(\$159,082)	(\$17.15)	(\$159,082)	(\$17.15)

Real Estate Taxes

Real Estate Taxes for subject have ranged from \$4.84 to \$5.54/sf with a projected 2018 budget of \$5.39/sf/year. The subject's tax burden in 2017 was \$5.44/sf, but the current assessment is lower than market value. A projected real estate taxes expense of \$5.39/sf is concluded as of the date of stabilization.

Property Insurance

This expense includes all premiums and costs incurred for insurance covering structures, public liability, rental value, equipment and bonding of employees. Insurance expenses for the subject have historically ranged from \$1.00 to \$1.34 with a projected 2018 budget of \$1.35/sf, which is projected in the appraisal forecast.

Utilities

Utilities expenses typically include electricity, water, sewer and trash removal. Natural gas is not available in this market. Historical utilities expenses for the subject have ranged from \$2.79 to \$3.56 with a projected 2018 budget of \$3.23 per square foot. Utilities expenses at \$3.23 per square foot are forecast.

Repairs & Maintenance

Repairs and maintenance expenses typically include all payroll and payroll related items for all directly employed maintenance personnel. This expense category also typically includes all outside maintenance service contracts and the cost of maintenance and repairs supplies. Repairs/Maintenance costs have exhibited a historical ranged widely from \$0.39 to \$2.61 with a projected 2018 budget and appraisal forecast of \$0.81 per square foot per year.

Tidelands Lease

I was provided a copy of the tidelands lease and amendments, along with maps identifying the encumbered areas, and historical costs for this amenity. This lease ensures open access to ocean views and exposure to foot traffic from the cruise ship foot traffic. As such, it is an important amenity and the cost to maintain it is included as an expense item. This has ranged from about \$0.81/sf to a significant increase in more recent years of \$0.32/sf based on the information provided.

Management Fee

Management fees for multi-tenant office buildings have been quoted between 3% and 7% of effective gross income by market participants in the area. A management fee of about 5.0% of effective gross income is concluded.

Miscellaneous

This includes all miscellaneous general and administrative expenses such as advertising, licenses, supplies, bank fees and other such items. The conclusion is based on the historical expenses.

Reserves for Replacement

Investors often quote a reserve allowance as a percentage of effective gross income. A factor between 1.0% and 3.0% is typical. I used a factor of about 1% of EGI to project this cost, which is intended to set up a reserve account for the landlord to save enough to repair/replace long-lived items as needed to maintain the structural integrity of the property.

Valuation Approach

Development of Net Operating Income Summary

In summary, the table below shows the Total Gross Income forecast as it compares with historic figures. From this is deducted a vacancy and credit loss factor to arrive at the effective gross income (EGI). Expenses are then deducted to reflect the net operating income (NOI) which is used in the direct capitalization method to indicate a stabilized condition market value from the income approach to value.

OPERATING HISTORY												
Year	2013		2014		2015		2016		2017		2018	
Income Items	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF	Total	\$/SF
Contract Rent	\$287,929	\$31.04	\$408,376	\$44.03	\$456,730	\$49.24	\$500,787	\$53.99	\$443,831	\$47.85	\$439,701	\$47.41
Rental Income	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-
Total Rental Income	\$287,929	\$31.04	\$408,376	\$44.03	\$456,730	\$49.24	\$500,787	\$53.99	\$443,831	\$47.85	\$439,701	\$47.41
Other Income												
Expense Reimbursements	\$0	-	\$0	-	\$0	-	\$18,942	\$2.04	\$0	-	\$0	-
	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-
Total Other Income	\$0	-	\$0	-	\$0	-	\$18,942	\$2.04	\$0	-	\$0	-
Total Gross Income	\$287,929	\$31.04	\$408,376	\$44.03	\$456,730	\$49.24	\$519,729	\$56.04	\$443,831	\$47.85	\$439,701	\$47.41
Vacancy	\$0	-	\$0	-	\$0	-	(\$15,392)	(\$1.68)	\$0	-	\$0	-
Credit/Collection Loss	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-	\$0	-
Effective Gross Income	\$287,929	\$31.04	\$408,376	\$44.03	\$456,730	\$49.24	\$504,137	\$54.35	\$443,831	\$47.85	\$439,701	\$47.41
Expense Items												
Real Estate Taxes	(\$44,997)	(\$4.85)	(\$45,394)	(\$4.89)	(\$51,411)	(\$5.54)	(\$44,909)	(\$4.84)	(\$50,634)	(\$5.44)	(\$50,000)	(\$5.39)
Property Insurance	(\$9,269)	(\$1.00)	(\$12,202)	(\$1.32)	(\$12,663)	(\$1.30)	(\$12,200)	(\$1.32)	(\$12,395)	(\$1.34)	(\$12,500)	(\$1.35)
Utilities	(\$32,337)	(\$3.49)	(\$31,812)	(\$3.41)	(\$32,404)	(\$3.49)	(\$33,000)	(\$3.56)	(\$25,905)	(\$2.79)	(\$30,000)	(\$3.23)
Repairs & Maintenance	(\$3,642)	(\$0.39)	(\$23,865)	(\$2.57)	(\$24,242)	(\$2.61)	(\$5,000)	(\$0.54)	(\$7,399)	(\$0.80)	(\$7,500)	(\$0.81)
Tidelands Lease	(\$7,539)	(\$0.81)	(\$8,167)	(\$0.88)	(\$26,082)	(\$2.81)	(\$26,082)	(\$2.81)	(\$25,104)	(\$2.71)	(\$26,082)	(\$2.81)
Management Fee	\$0	-	\$0	-	\$0	-	(\$25,207)	(\$2.72)	\$0	-	(\$25,000)	(\$2.70)
Miscellaneous	(\$3,019)	(\$0.33)	(\$711)	(\$0.08)	(\$7,871)	(\$0.81)	(\$675)	(\$0.07)	(\$306)	(\$0.03)	(\$3,000)	(\$0.32)
Reserves for Replacement	\$0	-	\$0	-	\$0	-	(\$5,041)	(\$0.54)	\$0	-	(\$5,000)	(\$0.54)
Total Expenses	(\$100,803)	(\$10.87)	(\$121,951)	(\$13.15)	(\$149,073)	(\$16.07)	(\$152,114)	(\$16.40)	(\$121,543)	(\$13.10)	(\$159,082)	(\$17.15)
NET OPERATING INCOME	\$187,126	\$20.18	\$286,425	\$30.88	\$307,657	\$33.17	\$352,023	\$37.95	\$322,288	\$34.75	\$280,619	\$30.26

Development of Capitalization Rate

In developing an opinion of the capitalization rate, also known as the Overall Rate (OAR), the following sources and techniques were used to reflect the actions of the most likely buyer in this market.

Comparables Sales (Primary and/or Secondary)

Band of Investment Technique

Debt Coverage Ratio

Comparable Sales

Overall rates in the immediate and extended market for similar properties to the subject ranged from about 6.5% to 9.00%. Based on quality, condition, location, and tenant mix, a market rate below the average would be appropriate for the subject and toward the lower end of the range to reflect its relative lower risk due to the excellent location and exposure to cruise ship patrons.

Band of Investment/Debt Coverage Ratio

The band of investment method derives a capitalization rate from the weighted average of the mortgage and equity demands on net income generated from the property. This method involves an estimate of typical financing terms as well as an estimated rate of return on equity capital sufficient to attract investors. The debt coverage ratio is a technique which develops an indication of the overall rate based on typical mortgage terms including the loan to value ratio, interest rate, term, and typical debt coverage ratio. The rates indicated by these methods range from about 7.5% to 8.5%.

Capitalization Rate Conclusion

Comparables were previously discussed along with other methods of supporting selection of an overall rate, but this is tempered by the opinion of the appraiser's relative risk of the subject compared with alternative investment opportunities. Primary emphasis is placed on the overall rates derived from local and extended market comparables and secondary consideration is given to the other indicators. Based on this information, a capitalization rate of 8.0% is estimated for the subject property.

Valuation Approach

Direct Capitalization Conclusion

The following chart summarizes the direct capitalization method.

DIRECT CAPITALIZATION ANALYSIS

		\$/SF/Yr.	Total
Rental/Reimbursement Income			
Potential Gross Income		\$56.06	\$520,000
Vacancy	(3.0%)	(\$1.68)	(\$15,600)
Credit/Collection Loss	0.0%	\$0.00	\$0
Net Rental Income		\$54.38	\$504,400
Other Income			
Expense Reimbursements		\$0.00	Included
-		\$0.00	
Total Other Income		\$0.00	Included
Other Income Vacancy	0.0%		Included
Other Income Credit/Collection Loss	0.0%		
Effective Gross Income		\$54.38	\$504,400
Expenses			
Real Estate Taxes		(\$5.39)	(\$50,000)
Property Insurance		(\$1.35)	(\$12,500)
Tidelands Lease			(\$26,082)
Repairs & Maintenance			(\$7,500)
Utilities		(\$3.23)	(\$30,000)
Management Fee	(5.0%)	(\$2.70)	(\$25,000)
Miscellaneous		(\$0.32)	(\$3,000)
Reserves for Replacement		(\$0.54)	(\$5,000)
Total Expenses		(\$17.15)	(\$159,082)
Operating Expense Ratio (% EGI)			31.54%
Net Operating Income			\$345,318
OAR / Capitalization Rate			8.00%
Indicated Value "as stabilized"			\$4,316,475
CONCLUDED VALUE, "AS STABILIZED" (Rounded)			\$4,320,000
Value/SF			\$465.77

Sales Comparison Approach

The Sales Comparison Approach is based on the principle of substitution, which asserts that a buyer would not pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot of gross building area (GBA). This indicator best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility.

COMPARABLE SEARCH

A thorough search was made for comparable sales in terms of property type, location, physical characteristics and date of sale. In selecting comparables, emphasis was placed on confirming recent comparables that were the most comparable to the subject. Juneau has a limited market for this type of property, so the search was extended to Southeastern Alaska, with particular attention paid to port-of-call cities of the Inside Passage often visited by cruise ship patrons. The sales selected represent the best comparables available for this analysis.

Valuation Approach

JUNEAU IMPROVED SALES DATA

Information	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Name	AK Pacific Pier	Triangle Bldg	-	Palace Theater		Red Dog Bldg
Address	406 Franklin	114 S Franklin	254-258 Franklin	228-238 Front	301 Franklin	278 S Franklin
City	Juneau	Juneau	Juneau	Juneau	Juneau	Juneau
State	Alaska	AK	AK	AK	AK	AK
Use	Juneau	Retail/Office/ Storage/Apt	Retail/Office	Retail/Office/ Apts	Retail/Office	Retail/Storage/ Apt
Sale Date	12/11/17	6/9/2017	10-1-16	4/1/2015	5/13/2016	12/26/2007
Sale Status	Pending	Listing	Listing	Recorded	Recorded	Recorded
Rights Sold	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee	Leased Fee
Sale Price	\$4,150,000	\$1,400,000	\$995,000	\$550,000	\$1,450,000	\$4,100,000
Price/SF/GBA	\$344.00	\$118.59	\$282.83	\$44.43	\$217.23	\$403.42
Buyer	Reecia Wilson	NA	NA	Spickett's Palace	Sitka Prof.	Red Dog Saloon
Seller	AK Pacific	Nora Toner	David Salvidar	1st Natl Bank AK	Northrim Bldg, LLC	Miner's Square
Physical Information						
Land (AC)	0.26	0.10	0.10	0.14	0.23	0.14
GBA (SF)	12,064	11,805	3,518	12,380	6,675	10,163
Location	Excellent	Good	Ave/Good	Ave/Good	Average	Good
Bldg Quality	Average	Average	Poor/Ave	Average	Ave/Good	Average
Year Built	2005	1929	1945	1900	1970	1988
Condition/Eff.	Good	Average	Average	Average	Average	Good
Age						
# Bldgs	1	1	1	1	1	1
Stories	2	3	1	3	2	3
Basement	No	Yes	No	Yes	Yes	No

Five properties are noted in the local market that have some relevance in the valuation of the subject. As noted, market data is limited for the subject type property, so 2 listings and 1 very dated sale are presented.

These properties are generally in the downtown historic business district, but are not directly comparable to the subject. None have waterfrontage, nor are as close to the cruise ship docks as is the subject. They range in price widely from about \$45 to over \$400/sf of GBA. They have a variety of mix in uses, but most include a retail component similar to the subject's ground floor. Of significance is the pending sale of the subject at \$4,150,000 or \$344.00/sf. This is being purchased by a tenant who is exercising an option to purchase spelled out in the lease. The original lease agreement had a purchase option for a price of \$4,300,000 or \$356.43/sf, but this was recently amended to \$4,150,000. I confirmed the sale price with Ms. Wilson who indicated that, in her opinion, the pending purchase price is below market. She noted that the 2016 appraisal came in at \$4,700,000 or \$389.59/sf as evidence of this. She also noted there are no items of deferred maintenance and buyer expenditures underway are by choice, not necessity. She added that the seller's willingness to renegotiate the purchase option might show some duress on the part of the seller.

The search for comparable sales data was extended into Ketchikan and Skagway. I have this information in my workfile and will not present it here, but will give some general parameters. Improved sales of similar properties in Skagway ranged from about \$460 to \$540/sf in 2012 and 2013. In Ketchikan, similar sales ranged widely in price from about \$70 to around \$360/sf.

Some market participants pay more attention to a unit of comparison of just the main floor space divided into the sale price. In any case, adjustments to this data would be so significant as to undermine the indication of value so this

Valuation Approach

approach is not fully developed. The obvious best indicator of value from this approach is the pending sale of the subject property at \$4,150,000 or \$344/sf, although it likely requires an upward adjustment for condition of sale.

Reconciliation of Value (As Stabilized)

The Reconciliation of Value is the final step in the appraisal process and involves the weighing of the individual approaches to value in relationship to their substantiation by market data, and the reliability and applicability of each approach to value to the subject property. Although all three approaches to value were considered, only the income approach to value was fully developed. The income approach would best reflect the actions of the mostly likely investor, or partial owner-occupant buyer and provides a reliable indicator of market value. The sales comparison approach was partially developed, with an extensive search for market data, but none was found that was sufficiently similar to the subject to provide a meaningful market value indication due to the large adjustments that would be required to compare the data found to the subject property. That said, the pending sale of the subject property was confirmed and will be compared to the concluded market value for the "as is" condition.

The following table summarizes the opinions of the Market Value "As Stabilized" of the subject property's leased fee interest through the approaches to value that were deemed applicable.

The cost approach was not used in this analysis and it was not considered a reliable indicator of value for the subject property due to the difficulty of estimating an appropriate land value for the subject site with water frontage and estimating accrued depreciation.

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are not directly comparable to the subject and would require adjustments to compare them to the subject. This would undermine the reliability of the approach, so it was not developed fully. That said, the pending sale of the subject was analyzed which is useful in consideration of a lease-up discount to reflect an "As Is" condition market value. Therefore, the sales comparison approach is considered to provide general market parameters and a test of reason, rather than a reliable indicator of market value in the final value reconciliation.

The income approach is applicable to the subject since it is an income producing property leased in the open market. Market participants are primarily analyzing properties like the subject based on their income generating capability. Based on the overall quality of the data and analyses, and considering the decision-making process of the typical buyer profile of the subject asset, primary emphasis was placed on the Income Approach. Since no other approaches to value were fully developed, the concluded market value for the subject in the "as stabilized" market condition ties to the market value indication from the income approach as shown below at \$4,320,000.

However, taking into account the pending sale of the subject property, which is being exercised by an existing tenant via an option in their lease, it is apparent that an adjustment may be warranted to reflect the "as is" condition market value. As noted, the pending purchase price of the subject property is at \$4,150,000. The original lease agreement had a purchase option for a price of \$4,300,000 or \$356.43/sf per Exhibit D, with the duration of that option to be from April 1, 2017 to March 31, 2022. This option price was recently amended to \$4,150,000 and signed. I confirmed the sale price with Ms. Wilson who indicated that, in her opinion, the pending purchase price is below market. She noted that the 2016 appraisal came in at \$4,700,000 or \$389.59/sf as evidence of this. She also noted there are no items of deferred maintenance and buyer expenditures underway are by choice, not necessity. She added that the seller's willingness to renegotiate the purchase option might show some duress on the part of the seller. I initially agreed with her that the pending purchase price may be below market. That said, I think that the stabilized condition market value does need a discount to reflect an "as is" condition market value. An adjustment between 5% to 10% is appropriate, which would indicate a market value to the "as is" condition of \$3,888,000 to \$4,104,000, or an average of \$3,996,000. The pending sale at \$4,150,000 is just above this range, and after reconsideration, is a good indicator of market value for the "as is" condition. I conclude an "as is" condition market value at \$4,150,000 as of the effective valuation date of this appraisal report and believe the pending purchase price is reflective of market value.

VALUE CONCLUSIONS

Appraisal Premise	Interest Appraised	Date of Value	Value
Market Value As Is	Leased Fee	December 11, 2017	\$4,150,000
Market Value As Stabilized	Leased Fee	December 11, 2017	\$4,320,000

Extraordinary Assumptions and Hypothetical Conditions

The above reported conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. 1. None.

The above reported conclusions are subject to the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal that is supposed to be correct for the purpose of analysis. 1. None.

Certification

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

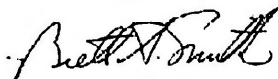
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions in this report are limited only by the reported assumptions and limiting conditions stated in this report, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have performed no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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.
- My analyses, opinions and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and all applicable federal, state and bank regulations in force as of the date of this report.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant appraisal assistance to the person signing this certification. That said, I did have access to a prior 2016 appraisal performed by Kim Wold for a different client that was made available to me. Due to my limited office resources for creating exhibits, etc., I have used several of the exhibits for the subject property and area from that prior report, and consider it to be part of my workfile.

In addition to the above, designated members, candidates and practicing affiliates of the Appraisal Institute are required to certify to the following remaining items:

- The report analysis, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative.

As of the date of this report, I have completed the Standards of Ethics Education Requirements for Candidates of the Appraisal Institute.

- As of the date of this report, I have completed the continuing education program for Practicing Affiliates of the Appraisal Institute.



Date Signed: 1/12/2018
 Brett A. Smith
 Certified General Real Estate Appraiser
 State of Alaska License #684
 Expiration Date: 6/30/2019

Assumptions and Limiting Conditions

Assumptions and Limiting Conditions

This appraisal is subject to the following assumptions and limiting conditions:

- No responsibility is assumed for matters legal in character or nature. No opinion is rendered as to title, which is assumed to be good and marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, having responsible ownership and competent management.
- The appraiser(s) has/have examined the property described herein exclusively for the purposes of identification and description of the real property. The objective of data collection is to develop an opinion of the highest and best use of the subject property and make meaningful comparisons in the valuation of the property. The appraiser's observations and reporting of the subject improvements are for the appraisal process and valuation purposes only and should not be considered as a warranty of any component of the property. This appraisal assumes (unless otherwise specifically stated) that the subject is structurally sound and all components are in working condition.
- The appraiser(s) will not be required to give testimony or appear in court because of having made an appraisal of the property in question, unless specific arrangements to do so have been made in advance, or as otherwise required by law.
- The appraiser(s) has/have noted in this appraisal report any significant adverse conditions (such as needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) discovered during the data collection process in performing the appraisal. Unless otherwise stated in this appraisal report, I/we have no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and have assumed that there are no such conditions and make no guarantees or warranties, express or implied. I/we will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because I/we am/are not an expert(s) in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property. I/we obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable public and/or private sources that I believe to be true and correct.
- I/we will not disclose the contents of this appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice, and/or applicable federal, state or local laws.
- The Client is the party or parties who engage an appraiser (by employment contract) in a specific assignment. A party receiving a copy of this report from the client does not, as a consequence, become a party to the appraiser-client relationship. Any person who receives a copy of this appraisal report as a consequence of disclosure requirements that apply to an appraiser's client, does not become an intended user of this report unless the client specifically identified them at the time of the assignment. The appraiser's written consent and approval must be obtained before this appraisal report can be conveyed by anyone to the public through advertising, public relations, news, sales, or other media.
- If this valuation conclusion is subject to satisfactory completion, repairs, or alterations, it is assumed that the improvements will be completed competently and without significant deviation.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraiser(s) which is/are not specifically disclosed in this report.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.

Assumptions and Limiting Conditions

- The liability of Wells Fargo Real Estate Valuation Services-RETECHS and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraiser(s) assume(s) no responsibility for determining if the subject property complies with the Americans with Disabilities Act (ADA). Wells Fargo Real Estate Valuation Services-RETECHS and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with ADA standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.

Addenda

QUALIFICATIONS OF THE REVIEWER/APPRaiser, BRETT A. SMITH

Profile

Mr. Smith is currently employed as a Valuation Consultant/Job Manager for Wells Fargo & Company since joining them in August 2008. He is also a Certified General real estate appraiser who currently holds commercial appraisal licenses in two States: Utah and Alaska. His experience includes the development or review of valuations for property rights in multi-family residential, commercial, and industrial real estate, as well as special purpose type properties. These have been as diverse as a missile plant, a resort spa, cruise ship docks, a former Naval Base, oceanfront/marine facilities, schools, churches, and seafood processing plants, but also include more typical property types as noted.

Prior to joining Wells Fargo, his valuation experience included eminent domain, condemnation, rights-of-way, and environmental/detrimental conditions (stigma) appraisals as an independent real estate appraiser since 1984. His current role with Wells Fargo is to order and review appraisals and evaluations in the State of Alaska, as well as performing internal valuations. He typically is involved with the development or review of valuations for all types of real estate including specialized properties such as seafood plants, apartment properties, office, commercial, industrial, hotels, marine properties, fishing lodges, institutional properties, and various kinds of Native Alaskan Corporation properties, many of which are in remote locations. Mr. Smith is based out of the Wells Fargo & Co. Salt Lake City, UT office, but resides in Saint George, UT.

He was a contributing author for an article in an internationally distributed appraisal and International Right-of-Way (IR/WA) publication, as well as a guest lecturer at IR/WA national and local meetings. He is a past President of the Utah IR/WA Chapter and served on the Utah Association of Appraisers (UAA) Board. He was on the Board of Directors of the IR/WA. Mr. Smith was an advanced MAI candidate and is currently pursuing a Reviewer's Designation in the Appraisal Institute. He has been qualified as an expert witness for both deposition and court testimony.

Mr. Smith had joined LandAmerica in May 2002 to head the commercial real estate appraisal division in Arizona where both eminent domain and financial institute real estate valuations were developed. He resumed his commercial real estate appraisal role for mostly lending institutions in the LandAmerica Salt Lake City, UT office in June 2003 until joining Wells Fargo, where he is still currently employed.

QUALIFICATIONS OF THE APPRAISER, BRETT A. SMITH (CONTINUED)

Certified General Licenses - Real Estate Appraiser

<u>STATE</u>	<u>LICENSE NUMBER</u>	<u>1st ISSUED</u>	<u>EXPIRATION</u>
UTAH	5451338-CG00	6/10/1991	6-30-19
ALASKA	684	10/5/2007	6-30-19

Appraiser and Vice President - Lang, Smith & Associates, Inc.

Mr. Smith was associated with William R. Lang, MAI, as an independent fee appraiser June 1984 to May 2002, when he joined LandAmerica, also as a real estate appraiser. He then joined Wells Fargo in August 2008 as a Job Manager/Collateral Appraiser and is still there to date, as noted above.

University Education

University of Utah, Salt Lake City, Utah.

Appraisal Institute (AI)

Advanced MAI Candidate Affiliate - Appraisal Institute - March 1, 1987

Candidate # M87-0595

Education requirements for MAI met

3 years Experience requirements for MAI met

Demonstration Appraisal report approved March 2002

Granted 4-year college degree equivalency by the Appraisal Institute

Changed career focus toward Review Designation in 2014

International Right of Way Association (IR/WA)

Member # 3848198

Past President, Salt Lake City Chapter 38, 1994

Chapter Board of Directors, 1992, 1993, 1994, 1995, 1996, 1997

International Director, 1992, 1993, 1994, 1995, 1996, 1997, 2002

International Valuation Committee 1999, 2000

Utah Association of Appraisers (UAA) Board 1998, 1999, 2000, 2001, 2002

Utah Association of Appraisers (UAA) Board Treasurer 1999, 2000, 2001, 2002

Phoenix Chapter 28 Chairman of Public Relations & Marketing Committee 2003

QUALIFICATIONS OF THE APPRAISER, BRETT A. SMITH (CONTINUED)

Courses Taken

Appraisal Institute

Real Estate Appraisal Principles, Exam 1A-1:

Challenged and passed September 14, 1986.

Basic Valuation Procedures, Exam 1A-2:

Challenged and passed September 14, 1986.

Capitalization Theory and Techniques, Part A, Exam 1B-A:

Taken and passed July 14 - October 5, 1986.

Capitalization Theory and Techniques, Part B, Exam 1B-B:

Taken and passed March 2 - May 11, 1987.

Standards of Professional Practice, Course 2-3/8-3: Taken and passed May 17 - May 20, 1987;

SPP & USPAP 410 Part A & 420 Part B: May 15-18, 1995.

SPP & USPAP 430 – Part C: Taken & Passed May 31, 2000.

Case Studies in Real Estate Valuation, Exam 2-1:

Taken and passed January 31 - February 6, 1988.

Report Writing & Valuation Analysis, Course 540

Taken and passed August 15-21, 1999

Highest & Best Use and Market Analysis, Course 520

Taken and passed February 27 – March 6, 2002

Advanced Sales Comparison & Cost Approaches, Course 530

Taken and passed June 25 - July 1, 2007

Comprehensive Exam Review – Income Approach February 16, 2017

Comprehensive Exam Review – Cost Approach, Highest & Best Use, Feasibility – 2-17-17

National USPAP Update Class June 7, 2003

National USPAP Course 410 Taken August 2-3, 2004

Nevada Law taken August 14, 2004

7 Hour USPAP Course taken September 14, 2006

7 Hour USPAP Class 2009, 2011, 2013, 2015, 2016, 2017

QUALIFICATIONS OF THE APPRAISER, BRETT A. SMITH (CONTINUED)

Courses Taken (continued)

Appraisal Institute (continued)

Business Practices and Ethics, Course 11420N

Taken and passed March 1, 2007, May 6, 2011, May 12, 2016

Fundamentals of Separating Real Property, Personal Property: March 1-2, 2012

Appraising the Appraisal – Appraisal Review – General: October 17, 2012

Review Theory – General – November 3-7, 2014

International Right of Way Association

4-88, IR/WA: Effective Written Communication, Course 211

10-88, IR/WA: Easement Valuation, Course 403

3-89, IR/WA: Skills of Expert Testimony, Course 214

9-91, IR/WA: Easement Valuation, Course 403

5-92, IR/WA: The Appraisal of Partial Acquisitions, Course 401

5-92, IR/WA: Ethics, Course 103

9-92, IR/WA: Land Titles, Course 801

9-92, IR/WA: Property Descriptions, Course 902

8-94, IR/WA: Bargaining Negotiations, Course 205 (16 hours)

7-98, IR/WA: Valuation of Contaminated Properties, Course 407

7-03, IR/WA: Skills of Expert Testimony, Course 214

Seminars/Symposiums

St. George Symposiums – Appraisal Institute – Various Topics

2004, 2006, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017

Utah Division of Real Estate – Caravan 2017

3-91, Utah Association of Appraisers: USPAP

10-91, Appraisal Institute: The Appraiser as Expert Witness

9-92, Appraisal Institute: Subdivision Analysis

6-93, IR/WA: Remediation of Environmental Problems

6-93, IR/WA: Archeological Considerations & the Pipeline Project

6-93, IR/WA: Compensable or Not: Changing Trends in Eminent Domain Valuation

6-93, IR/WA: Minimizing Impacts Through Wetlands

QUALIFICATIONS OF THE APPRAISER, BRETT A. SMITH (CONTINUED)

Seminars (continued)

- 6-93, IR/WA: Expropriation - Condemnation - Change in Courts
- 6-94, IR/WA: Metrification
- 6-94, IR/WA: Limited Scope Appraisals & USPAP
- 6-94, IR/WA: Hazardous Waste, Recycling, Clean-up, Molecular Decomposition
- 6-94, IR/WA: EMF - Impacts of Power Lines on Real Estate Values
- 6-94, IR/WA: Acquiring Land for Airport Projects
- 6-94, IR/WA: Comparable Replacement for Relocation, Priority of Factors
- 6-94, IR/WA: Relocation Assistance
- 3-95, Appraisal Institute: Residential Property Construction & Inspection (7 Hours)
- 5-95, Appraisal Institute: Standards of Professional Practice Part A
- 5-95, Appraisal Institute: Standards of Professional Practice Part B
- 9-95, Appraisal Institute: Appraisal Review - Residential Properties
- 12-95, IRWA: Valuation Information Technology, Inc. - Perspectives on Appraisals
- 5-96, Appraisal Institute: Property Title Concerns
- 5-96, Appraisal Institute: Infestation Concerns
- 5-96, Appraisal Institute: HVAC, Heating, Ventilation and A/C Systems
- 6-96, IRWA: Federal Agencies - Contracting, Appraisal format, Review, Condemnation
- 6-96, IRWA: R/W + Telecommunications = \$; IRWA: Railroad Corridors
- 6-96, IRWA: Purchasing Mitigation Lands/Vernal Pools Tour
- 6-96, IRWA: Light Rail Field Study
- 6-96, IRWA: Highway Utility Sharing - Corridor Management on Public Highways for Joint Use
- 6-96, IRWA: Fallout of the Telecommunications Legislation
- 3-97, Appraisal Institute: FHA UPDATE
- 3-97, Appraisal Institute: Building Inspections and the Appraiser
- 3-97, Appraisal Institute: Utah Department of Transportation Projects
- 6-97, IRWA: Utility Corridor Management: Protection, Valuation of Multi-Use
- 6-97, IRWA: Market Reaction to Environmentally Damaged Properties
- 6-97, IRWA: Takings Legislation: The Potential Effects on R/W Activities
- 6-97, IRWA: Legal Descriptions
- 3-98, Appraisal Institute: Anatomy of an Acquisition
- 3-98, Appraisal Institute: Overview and Trends in the Health Care Industry
- 3-98, Appraisal Institute: Appraisal & Real Estate Issues
- 2-99, NAIOP & CCIM: 1999 Commercial Real Estate Symposium
- 3-99, Appraisal Institute: Multiple Regression Analysis
- 3-99, Appraisal Institute: Subdivision Absorption & Market Trend & Data Analysis
- 3-99, Appraisal Institute: National & Regional Data Bases
- 5-99, Tax Aspects of Real Estate

QUALIFICATIONS OF THE APPRAISER, BRETT A. SMITH (CONTINUED)

Seminars (continued)

- 6-99, IRWA: Eminent Domain - US & Canadian Issues
- 6-99, IRWA: Stigma of Contaminated Properties
- 6-99, IRWA: Partial Acquisition Valuation – Larger Parcel Considerations
- 8-99, Appraisal Institute: Report Writing and Valuation Analysis
- 9-99, Appraisal Institute: Special-Purpose Properties - Appraising Limited Markets
- 10-99, UDNR, USB, etc.: Private Property and the Public Good
- 2-00, Appraisal Institute: General Demonstration Report Writing
- 3-00, Appraisal Institute: Water Valuation; Complex Assignments
- 5-00, Appraisal Institute: Standards of Prof. Practice Part C
- 3-01, Appraisal Institute: State of the Valuation Profession (Pres. Of AI)
- 3-01, UDOT, et al: Eminent Domain, Tools & Strategies for Public Projects
- 4-01, UDOT, et al: Eminent Domain, Tools & Strategies for Public Projects
- 3-02, Appraisal Institute: Highest & Best Use & Market Analysis
- 3-02, Appraisal Institute: Financial Planning for Real Estate Appraisers
- 5-02, AI & IAAO: Disclosure & Analysis of Detrimental Conditions
- 7-02, IRWA: Expert Witness
- 9-02, IRWA: Issues in Condemnation
- 9-02, IRWA: Maricopa County Regional Planning
- 9-02, IRWA: Institute of Justice Role in Condemnation
- 9-02, IRWA: A Practical Overview of Relocation
- 9-02, IRWA: Current Trends in the Phoenix Real Estate Market
- 3-03, IRWA: Computers
- 3-04, AI: Eminent Domain & Private Property Rights; Appraisal Regulations & Changes; Legislative Update; Utah Building Codes & the Effect on Real Estate Appraisers
- 8-04, Appraisal Law in Nevada
- 3-05, AI: Utah Tax Law Changes
- 3-05, AI: The Effects of Loan Fraud on Real Estate
- 3-05, AI: Appreciating Easements
- 3-06, Appraisal Institute: Current Education & Regulatory Issues
- 3-06, Appraisal Institute: Salt Lake Branch Meeting
(Data Collection & History Verification)
- 8-06, UAA/CRE: Summer Symposium
- 2-07, Appraisal Institute: Litigation Skills for the Appraiser

Guest Speaker

- 12-94 Market Data Gathering & Appraisal for Small Office Buildings
38th Annual School for Assessors & Appraisers
Utah State Property Tax Division/International Association of Assessing Officers
- 6-00 Valuation of a Gas Pipeline Easement
International Right of Way Annual Educational Seminar, Orlando, Florida

Articles Co-Authored and Published

- “Setting Value on a Gas Pipeline Easement”, Part 1, Sept/Oct 1998, IRWA Right of Way Magazine
- “Setting Value on a Gas Pipeline Easement” Part 2, Jan/Feb 1999, IRWA Right of Way Magazine

Type of Work Done

Wells Fargo

2008-Present

Valuation Consultant/Job Manager currently ordering and reviewing both appraisals and evaluations, or developing them internally, for all types of property. These have been mostly in Alaska, where he was licensed prior to joining Wells Fargo. He has also performed real estate appraisal review work for Wells Fargo in properties located in numerous States, including but not limited to California, Florida, Idaho, Montana, North Carolina, Nevada, Oregon, South Carolina, Utah, Virginia, and Washington.

LandAmerica

2002-2008

Numerous real estate valuation jobs for national portfolios and lending institutions including LaSalle, Wells Fargo, Merrill Lynch, BMC, and others in many states with permanent Certified General licenses formerly in 17 states. Special purpose and eminent domain work including portions of the Grand Canyon, the Legacy Highway project, and the Salt Lake City, Utah Federal Courthouse expansion project. Property types appraised have included commercial, industrial, multi-residential, residential, and special purpose properties.

Type of Work Done (continued)

Lang, Smith, & Associates, Inc.

1984-2002

Numerous jobs performed, mostly for eminent domain, and nearly equally split between condemnor and condemnee for various types of properties ranging from vacant land to a missile plant. Many special purpose type appraisal performed including for rights of way (pipelines and easements), road widening projects, reservoirs, and other public uses. Mr. Smith has provided expert testimony for both deposition and court.

Eminent Domain – Trial Experience

18 Years Associated with William R. Lang, MAI

Qualified as Expert Witness: Trial & Depositions

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease ("Second Amendment") is entered into effective as of the 29 day of December, 2017 ("Effective Date"), by and between Alaska Pacific, LLC ("Seller" or "Landlord") and Juneau's Waterfront Restaurants, LLC ("Buyer" or "Tenant").

WITNESSETH

WHEREAS, Landlord and Tenant agreed to the Lease on June 28, 2016, whereby Landlord leased to Tenant the premises located at 406 S. Franklin Street, tidelands and the adjoining pier of the building known as the Alaska Pacific Pier Building, 406 South Franklin Street, Juneau, Alaska (the "Premises"); and

WHEREAS, Tenant desires to exercise the Option to Purchase Real Estate in accordance with the terms of the Lease, the First Amendment and related agreements; and

WHEREAS, Landlord and Tenant have negotiated and agreed to certain modifications to the terms of the Lease, the First Amendment and related agreements.

NOW, THEREFORE, for and in consideration of the mutual terms and conditions expressed herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree to revise or add the following terms to the Lease:

1. As of the Effective Date the total purchase price for the Premises is \$4,150,000.00. Provided that the Buyer is not in default on the Lease, and closes the conveyance of the Premises pursuant to the Option to Purchase Real Estate (Exhibit D) and subsequent Letter of Intent between the parties.

2. All other terms and conditions of the Lease remain unchanged, and are hereby ratified by the parties and shall remain in full force and effect. The undersigned represent and warrant that they are authorized, in their representative capacities, to execute this Second Amendment to the Lease.

IN WITNESS WHEREOF, the parties have each caused this Second Amendment to be duly executed as of the date and year above written.


LANDLORD:

ALASKA PACIFIC, LLC


Michael Tripp, Managing Member

TENANT:

JUNEAU'S WATERFRONT RESTAURANTS, LLC


Reecia Wilson, Manager/Member

2016-2017 ALASKA PACIFIC
Income Statement
For the Eleven Months Ending November 30, 2017

	Current Month		Year to Date	
Revenues				
Rental Income	\$ 406,497.15	99.91	\$ 406,497.15	99.91
Other Income	348.00	0.09	348.00	0.09
Total Revenues	<u>406,845.15</u>	100.00	<u>406,845.15</u>	100.00
Cost of Sales				
Total Cost of Sales	<u>0.00</u>	0.00	<u>0.00</u>	0.00
Gross Profit	<u>406,845.15</u>	100.00	<u>406,845.15</u>	100.00
Expenses				
Bank Charges	39.00	0.01	39.00	0.01
Business Insurance Expense	8,727.00	2.15	8,727.00	2.15
Flood Insurance Expense	2,373.00	0.58	2,373.00	0.58
Other Insurance Expense	1,295.00	0.32	1,295.00	0.32
Interest Expense	12,225.10	3.00	12,225.10	3.00
First National Loan Interest	121,037.08	29.75	121,037.08	29.75
Interest - CBJ Tidelands	494.95	0.12	494.95	0.12
Legal and Professional Expense	5,732.03	1.41	5,732.03	1.41
Legal and Professional Expense	8,878.50	2.18	8,878.50	2.18
Maintenance Expense	6,782.65	1.67	6,782.65	1.67
CBJ Property Taxes	50,433.84	12.40	50,433.84	12.40
Postage Expense	6.50	0.00	6.50	0.00
CBJ Tidelands Lease	25,103.98	6.17	25,103.98	6.17
Supplies Expense	235.03	0.06	235.03	0.06
Telephone/Internet Expense	212.62	0.05	212.62	0.05
Utilities Expense	23,746.51	5.84	23,746.51	5.84
Total Expenses	<u>267,322.79</u>	65.71	<u>267,322.79</u>	65.71
Net Income	<u>\$ 139,522.36</u>	34.29	<u>\$ 139,522.36</u>	34.29

Parcel #	Street Address	Legal Description 1
1C070K830040	S FRANKLIN ST 406	TIDELANDS ADDITION BL 83 LT 8

Owner's Name and Address

WARNER'S WHARF LLC & AKA ALASKA
PACIFIC LLC
120 MILL ST
JUNEAU AK
99801

Previous Owner	Site Value	Building PV	Total PV
CHRISTOPHER D GARRIS	\$ 3363300.00	\$ 575800.00	\$ 3939100.00

Use Code	Exempt	Zoning	Tax Year
Commercial Retail	No Data	Waterfront - Commercial	2017

Number of Units	Year Built	Gross Living Area
001	N/A	012059 sq.ft.

Garage	Garage Area	Lot Size	Last Trans
No	N/A	11211.00 sq. ft.	0203

City Water Available	City Sewer Available
Yes	Yes

Exempt Land	Exempt Building	Exempt Total	Road/No Road
N/A	N/A	N/A	Roaded

Back

Parcel #	Street Address	Legal Description 1
1C070K830041	S FRANKLIN ST 406	TIDELANDS ADDITION BL 83 LT 9B FR [LEASE]

Owner's Name and Address

CITY AND BOROUGH OF JUNEAU & DOCKS
AND HARBORS
120 MILL ST
JUNEAU AK
99801

Lessee:
ALASKA PACIFIC LLC

Previous Owner	Site Value	Building PV	Total PV
	\$ 273700.00	N/A	\$ 273700.00
Use Code	Exempt	Zoning	Tax Year
Vacant	No Data	Waterfront - Commercial	2017
Number of Units	Year Built		Gross Living Area
N/A	1915		006734 sq.ft.
Garage	Garage Area	Lot Size	Last Trans
No	N/A	7245.00 sq. ft.	1008
City Water Available	City Sewer Available		
Yes	Yes		
Exempt Land	Exempt Building	Exempt Total	Road/No Road
N/A	N/A	N/A	Roaded

Back

Smith, Brett A. (RETECHS)

From: Tillotson, Kevin W.
Sent: Friday, December 15, 2017 5:15 PM
To: Smith, Brett A. (RETECHS)
Subject: FW: Alaska Pacific lease
Attachments: Alaska Pacific Lease & Amendment.pdf; Map2.pdf; Map.pdf

Brett: I was able to get the tideland lease from the CBJ as well as a couple maps. Here you go.

Kevin W. Tillotson
Principal Business Banking Relationship Manager
Wells Fargo Bank ,N.A.
Mac K3407-011
123 Seward Street, Juneau, AK 99801
Office (907) 586-2460 x 3, Cell (907) 723-7539
Fax (907) 463-3997
email: kevin.w.tillotson@wellsfargo.com

From: Teena Larson [mailto:Teena.Larson@juneau.org]
Sent: Friday, December 15, 2017 2:04 PM
To: Tillotson, Kevin W.
Subject: Alaska Pacific lease

- Hi Kevin,

Please see attached lease with amendment and plats. The Preference privilege is shown below. The lease holder could ask for an amendment to the current lease to add wording something like this - (Lessee shall have the right to renew this Lease for an additional thirty-five years commencing at the end of the initial term except the Lessor may deny renewal for good cause). I don't know if it would be granted but they could request it.

- **53.20.100 Preference privilege**

A lessee under an existing lease shall, upon the expiration or the termination by mutual agreement, be allowed a preference privilege to re-lease those lands previously leased by him or her if all other factors are substantially equivalent. If the lease offered the preference privilege holder does not exceed a term of ten years, the manager may permit the preference privilege holder to re-lease the subject lands under the same procedure, conditions and terms as the expired lease, except that the rental rate shall be reviewed and adjusted before re-leasing, and the assembly must approve the re-lease. The preference privilege holder shall exercise that right within 30 calendar days after the lease is offered by the manager. Failure to do so shall result in forfeiture and cancellation of the preference privilege. If the lease is put up for public bidding, the preference privilege holder shall at the close of the bidding indicate if the preference privilege holder wishes to exercise that preference privilege and meet the highest bid. If the preference privilege holder does so choose, all the requirements of this title shall be met. If the preference privilege holder does not choose to exercise that preference privilege at this time, or if the requirements of this title are not fulfilled, the preference privilege is then forfeited and canceled. No preference privilege shall inure to a lessee whose lease has been canceled or terminated for cause.

Thanks,

Teena Larson
Administrative Officer
CBJ Docks & Harbors
907-586-0282

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U

This Cover Sheet has been added to
this document to provide space
for the recording data. This cover
sheet appears as the first page
of the document in the official
public record.

Do not detach.

After Recording Return To:
Stephen J. Pearson
4541 Sawa Circle
Juneau, Alaska 99801

Timberwolf Ventures Tideland Lease

PART I. PARTIES. This lease is between the Docks and Harbor Board of the City and Borough of Juneau, Alaska, a municipal corporation in the State of Alaska, hereafter "City," and Timberwolf Ventures, Inc., hereafter "Lessee."

PART II. LEASE ADMINISTRATION. All communications about this lease shall be directed as follows, any reliance on a communication with a person other than that listed below is at the party's own risk.

City:

Attn: John M. Stone, P.E.
Port Director
Harbor Department
155 S. Seward Street
Juneau, AK 99801
Phone: 586-0494
Fax: 463-2606

Lessee:

Attn: Michael J. Tripp
Chief Executive Officer
Timberwolf Ventures, Inc.
120 Mill Street, Juneau, Alaska 99801
Phone: 586-0292
Fax: 586-0295

PART III. LEASE DESCRIPTION. This lease agreement is identified as: Timberwolf Ventures Tideland Lease. The following appendices are attached and are considered a part of this agreement as well as anything incorporated by reference or attached to those appendices.

- Appendix A: Property Description & Additional Lease Provisions
- Appendix B: Lease Provisions Required by CBJ 53.20
- Appendix C: Standard Provisions


If in conflict, the order of precedence shall be: this document, Appendix A, B, and then C.

PART IV. LEASE EXECUTION. The City and Lessee agree and sign below. This contract is not effective until signed by the City.

City:

Date: 7-3-03


By:


Authorized Representative
John M. Stone
Port Director

Lessee:

Date: 7-11-03

By:


Authorized Representative
Michael J. Tripp,
Chief Executive Officer

Approved as to content, Port Director

Approved as to form, Law Department

Risk Management Approval

By: 

By: 

By: 

Date Signed

7-3-03

7/01/03

7/2/03



CITY ACKNOWLEDGMENT	LESSEE ACKNOWLEDGMENT
<p>STATE OF ALASKA)) ss: FIRST JUDICIAL DISTRICT)</p>	<p>STATE OF ALASKA)) ss: FIRST JUDICIAL DISTRICT)</p>
<p>THIS IS TO CERTIFY that on the <u>3rd</u> day of <u>July</u>, 2003, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared John M. Stone to me known to be the identical individual(s) described in and who executed the foregoing instrument as the Port Director 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.</p>	<p>THIS IS TO CERTIFY that on the <u>July</u> day of <u>July</u>, 2003, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, personally appeared Michael J. Tripp to me known to be the identical individual described in and who executed the foregoing instrument as the Chief Executive Officer of Timberwolf Ventures, Inc., which executed the above and foregoing instrument; who on oath stated that he was duly authorized to execute said instrument on behalf of said Timberwolf Ventures Inc.; and acknowledged to me that he signed and sealed the same freely and voluntarily for the uses and purposes therein mentioned.</p>
<p>WITNESS my hand and official seal the day and year in the certificate first above written.</p> <p><u>Debbie L. Leno</u> Notary Public for the State of Alaska My Commission Expires: <u>6/17/07</u></p>	<p>WITNESS my hand and official seal the day and year in the certificate first above written.</p> <p><u>Michael J. Tripp</u> Notary Public for the State of Alaska My Commission Expires: <u>6-1-2007</u></p>
<p>(seal)</p>	<p>(seal)</p>

APPENDIX A: PROPERTY DESCRIPTION & ADDITIONAL LEASE PROVISIONS

DESCRIPTION OF PROPERTY

The property subject to this lease, described below, shall generally be referred to as "the Property" or "the Leased Premises." The Leased Premises are:

A fraction of Lot 9B, Block 83 of the Tidelands Addition to the City of Juneau, within A.T.S. No. 3, Juneau Recording District, First Judicial District, State of Alaska, as depicted on Plat No. 87-10; more particularly described as follows:

Beginning at the northeasterly corner of said Lot 9B, said corner also being the most easterly corner of Lot 9A. Thence S 57° 18' 35" W, 85.70 feet, along the common line between Lots 9A and 9B; thence, S 40° 22' 42" E, 95.30 feet; thence, N 53° 11' 30" E, 71.91 feet to the most southerly corner of Lot 8 of said Block 83; thence N 31° 54' 15" W, along the common line between Lots 8 and 9B, 89.27 feet to the place of beginning.

Containing 7,245 square feet, more or less.

AUTHORITY

This lease is entered into pursuant to the authority of the City and Borough of Juneau Code, Chapter 85.02.060(a)(5).

TERM

The effective date of this lease is May 1, 2003. The term of the lease is 35 years, and the lease expires on April 30, 2038, unless sooner terminated.

ANNUAL RENTAL

From May 1, 2003 through April 30, 2013, the annual rental shall be \$7180 per year, plus sales tax. Rental payments shall be made monthly in advance. Beginning May 1, 2114, the annual rental shall be adjusted, and every three years thereafter, pursuant to Appendix B.

AUTHORIZED USE OF PROPERTY

Lessee is authorized to construct a 2000 square foot addition to existing building on Lot 8 and construct 5600 square feet of new pile-supported deck for parking and freight loading and unloading.

City reserves a 20' wide easement appurtenant on the new deck area from the existing dock structure landward toward the new building addition, the purpose of which is to allow public access and for docks and harbors operational activities and access, the exact location of which shall be determined by City.

ADDITIONAL LEASE PROVISIONS

The following provisions apply to this lease:

City retains the right to use new deck as needed to implement port security requirements. Lessee agrees to comply with applicable port security requirements.

Lessee will be responsible for all utility, snow removal, maintenance or repair, engineering, design, slope stabilization, or other improvements or services to the leased premises. City will not provide any utility, snow removal, maintenance or repair, engineering, design, slope stabilization, or other improvements or services to the leased premises.

INSURANCE

The Contractor has secured and will maintain insurance, at a minimum, for the risks and in the amounts specified by Risk Management in Attachment A, attached hereto and incorporated by reference herein. The policy shall name City as an additional insured and shall contain a clause that the insurer will not cancel or change the insurance without first giving City 31 days' prior written notice.

Lessee acknowledges that City carries no fire or other casualty insurance on the Leased Premises or improvements located thereon belonging to Lessee, and that it is Lessee's obligation to obtain adequate insurance for protection of Lessee's buildings, fixtures, or other improvements, or personal property located on the Leased Premises.



4 of 10

APPENDIX B: LEASE PROVISIONS REQUIRED BY CBJ 53.20

Responsibility to Properly Locate on Leased Premises.

As required by CBJ 53.20.160, it shall be the responsibility of the Lessee to properly locate Lessee and Lessee's improvements on the Leased Premises and failure to so locate shall render the Lessee liable as provided by law.

Approval of Other Authorities.

As required by CBJ 3.20.180, the issuance by the City of leases under the provisions of this title does not relieve the lessee of responsibility of obtaining licenses or permits as may be required by the City or by duly authorized state or federal agencies.

Terms and Conditions of Leases required by CBJ 53.20.190.

As required by CBJ 53.20.190, the following terms and conditions govern all leases and are incorporated into this lease unless modified by resolution of the assembly for this specific lease. Modifications of the provisions of this appendix applicable to this specific lease, if any, must specifically modify such provisions and be supported by the relevant resolution to be effective.

(1) **Lease Utilization.** The leased lands shall be utilized only for purposes within the scope of the application and the terms of the lease, and in conformity with the provisions of the City and Borough code, and applicable state and federal laws and regulations. Utilization or development for other than the allowed uses shall constitute a violation of the lease and subject the lease to cancellation at any time.

(2) **Adjustment of Rental.** Any changes or adjustments shall be based primarily upon the values of comparable land in the same or similar areas; such evaluations shall also include all improvements, placed upon or made to the land, to which the City and Borough has right or title, excluding landfill placed upon the land by the lessee, except that the value of any improvements credited against rentals shall be included in the value. The lessee may protest the adjustment to the City, and if denied wholly or in part, an appeal may be taken to the assembly. The decision of the assembly shall be final.

(3) **Subleasing.** The lessee may sublease lands or any part thereof; provided that the proposed sublessee first applies to the City for a permit therefor, which permit shall not be unreasonably withheld; and further provided, that the improvements on the leased lands are the substantial reason for the sublease. Leases not having improvements thereon shall not be sublet. Subleases shall be in writing and be subject to the terms and conditions of the original lease; all terms, conditions, and covenants of the underlying lease which may be made to apply to the sublease are hereby incorporated into the sublease.

(4) **Assignments.** Any lessee may assign the leased lands; provided that the proposed assignment shall be first approved by the City, which approval shall not be unreasonably withheld. The assignee shall be subject to all of the provisions of the lease. All terms, conditions, and covenants of the underlying lease which may be made applicable to the assignment are hereby incorporated into the assignment.

(5) **Modification.** The lease may be modified only by an agreement in writing signed by all parties in interest or their successor in interest.

(6) **Cancellation and Forfeiture.**

(A) The lease, if in good standing, may be canceled in whole or in part, at any time, upon mutual written agreement by the lessee and City.

(B) City may cancel the lease if it is used for any unlawful purpose.



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(C) If the lessee shall default in the performance or observance of any of the lease terms, covenants or stipulations thereto, or of the regulations now or hereafter in force, or any of the provisions of this code, and should the default continue for thirty calendar days after service of written notice by the City without remedy by the lessee of the conditions warranting default, the City may subject the lessee to appropriate legal action, including but not limited to forfeiture of the lease. No improvements may be removed by the lessee or other person during any time the lessee is in default.

(D) Failure to make substantial use of the land, consistent with the proposed use, within one year shall in the discretion of the City with the approval of the assembly constitute grounds for cancellation.

(7) **Notice or Demand.** Any notice or demand, which under the terms of a lease or under any statute, must be given or made by the parties thereto, shall be in writing, and be given or made by registered or certified mail, addressed to the other party at the address of record. However, either party may designate in writing such new or other address to which the notice or demand shall thereafter be so given, made or mailed. A notice given hereunder shall be deemed delivered when deposited in a United States general or branch post office enclosed in a registered or certified mail prepaid wrapper or envelope addressed as hereinbefore provided.

(8) **Rights of Mortgagee or Lienholder.** In the event of cancellation or forfeiture of a lease for cause, the holder of a properly recorded mortgage, conditional assignment or collateral assignment will have the option to acquire the lease for the unexpired term thereof, subject to the same terms and conditions as in the original lease.

(9) **Entry and Reentry.** In the event that the lease should be terminated as hereinbefore provided, or by summary proceedings or otherwise, or in the event that the demised lands, or any part thereof, should be abandoned by the lessee during the term, the City or its agents, servants, or representative, may, immediately or any time thereafter, reenter and resume possession of the lands or such thereof, and remove all persons and property therefrom either by summary proceedings or by a suitable action or proceeding at law without being liable for any damages therefor. No reentry by the City shall be deemed an acceptance of a surrender of the lease.

(10) **Release.** In the event that the lease should be terminated as herein provided, or by summary proceedings, or otherwise, City may offer the lands for lease or other appropriate disposal pursuant to the provisions of the City and Borough code.

(11) **Forfeiture of Rental.** In the event that the lease should be terminated because of any breach by the lessee, as herein provided, the annual rental payment last made by the lessee shall be forfeited and retained by the City as partial or total damages for the breach.

(12) **Written Waiver.** The receipt of rent by the City with knowledge of any breach of the lease by the lessee or of any default on the part of the lessee in observance or performance of any of the conditions or covenants of the lease, shall not be deemed to be a waiver of any provision of the lease. No failure on the part of the City to enforce any covenant or provision therein contained, nor any waiver of any right thereunder by the City unless in writing, shall discharge or invalidate such covenants or provisions or affect the right of the City to enforce the same in the event of any subsequent breach or default. The receipt, by the City, of any rent or any other sum of money after the termination, in any manner, of the term demised, or after the giving by the City of any notice thereunder to effect such termination, shall not reinstate, continue, or extend the resultant term therein demised, or destroy, or in any manner impair the efficacy of any such notice or termination as may have been given thereunder by the City to the lessee prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by the City.

(13) Expiration of Lease. Unless the lease is renewed or sooner terminated as provided herein, the lessee shall peaceably and quietly leave, surrender and yield up unto the City all of the leased land on the last day of the term of the lease.

(14) Renewal Preference. Any renewal preference granted the lessee is a privilege, and is neither a right nor bargained for consideration. The lease renewal procedure and renewal preference shall be that provided by ordinance in effect on the date the application for renewal is received by the designated official.

(15) Removal or Reversion of Improvements upon Termination of Lease. Improvements owned by the lessee shall within sixty calendar days after the termination of the lease be removed by lessee; provided such removal will not cause injury or damage to the lands or improvements demised; and further provided that the City may extend the time for removing such improvements in cases where hardship is proven. Improvements owned by the lessee may, with the consent of the City, be sold to the succeeding lessee. All periods of time granted the lessee to remove improvements are subject to the lessee's paying to the City pro rata lease rentals for the period.

(A) If any improvements and/or chattels not owned by the City and having an appraised value in excess of five thousand dollars as determined by the assessor are not removed within the time allowed, such improvements and/or chattels shall, upon due notice to the lessee, be sold at public sale under the direction of the City. The proceeds of the sale shall inure to the lessee preceding if lessee placed such improvements and/or chattels on the lands, after deducting for the City rents due and owing and expenses incurred in making such sale. Such rights to the proceeds of the sale shall expire one year from the date of such sale. If no bids acceptable to the City and Borough manager are received, title to such improvements and/or chattels shall vest in the City.

(B) If any improvements and/or chattels having an appraised value of five thousand dollars or less, as determined by the assessor, are not removed within the time allowed, such improvements and/or chattels shall revert to, and absolute title shall vest in, the City.

(16) Rental for Improvements or Chattels not Removed. Any improvements and/or chattels belonging to the lessee or placed on the lease during the lessee's tenure with or without his permission and remaining upon the premises after the termination date of the lease shall entitle the City to charge the lessee a reasonable rent therefor.

(17) Compliance with Regulations and Code. The lessee shall comply with all regulations, rules, and the code of the City and Borough of Juneau, and with all state and federal regulations, rules and laws, as the code or any such rules, regulations or laws may affect the activity upon or associated with the leased land.

(18) Condition of Premises. The lessee shall keep the premises of the lease in neat, clean, sanitary and safe condition and shall take all reasonable precautions to prevent, and take all necessary action to suppress destruction or uncontrolled grass, brush or other fire on the leased lands. The lessee shall not undertake any activity which causes or increases a sloughing off or loss of surface materials of the leased land.

(19) Inspection. The lessee shall allow an authorized representative of the City and Borough to enter the leased land for inspection at any reasonable time.

(20) Use of Material. The lessee of the surface rights shall not sell or remove for use elsewhere any timber, stone, gravel, peat moss, topsoils, or any other material valuable for building or commercial purposes; provided, however, that material required for the development of the leasehold may be used, if its use is first approved by the City.



(21) **Rights-of-Way.** The City expressly reserves the right to grant easements or rights-of-way across leased land if it is determined in the best interest of the City and Borough to do so. If the City grants an easement or right-of-way across any of the leased land, the lessee shall be entitled to damages for all lessee-owned improvements or crops destroyed or damaged. Damages shall be limited to improvements and crops only, and loss shall be determined by fair market value. Annual rentals may be adjusted to compensate the lessee for loss of use.

(22) **Warranty.** The City does not warrant by its classification or leasing of land that the land is ideally suited for the use authorized under the classification or lease and no guarantee is given or implied that it shall be profitable to employ land to said use.

(23) **Lease Rental Credit.** When authorized in writing by the City prior to the commencement of any work, the lessee may be granted credit against current or future rent; provided the work accomplished, on or off the leased area, results in increased valuation of the leased or other City and Borough-owned lands. The authorization may stipulate type of work, standards of construction and the maximum allowable credit for the specific project. Title to improvements or chattels credited against rent under this section shall vest immediately and be in the City and Borough and shall not be removed by the lessee upon termination of the lease.

APPENDIX C: STANDARD PROVISIONS

(1) **Holding Over.** If Lessee holds over beyond the expiration of the term of this lease and the term has not been extended or renewed in writing, such holding over will be a tenancy from month-to-month only.

(2) **Interest on Late Payments.** Should any installment of rent or other charges provided for under the terms of this lease not be paid when due, the same shall bear interest at the rate established by ordinance for late payments or at the rate of 12 percent per annum, if no rate has been set by ordinance.

(3) **Taxes, Assessments, and Liens.** During the term of this lease, Lessee shall pay, in addition to the rents, all taxes, assessments, rates, charges, and utility bills for the Leased Premises and Lessee shall promptly pay or otherwise cause to be discharged any claim resulting or likely to result in a lien against the Leased Premises or the improvements placed thereon.

(4) **Easements.** Lessee shall place no building or structure over any portion of the Leased Premises where the same has been set aside or reserved for easements.

(5) **Encumbrance of Parcel.** The Lessee shall not encumber or cloud the City's title to the Leased Premises or enter into any lease, easement, or other obligation of the City's title without the prior written consent of the City; and any such act or omission, without the prior written consent of the City, shall be void against the City and may be considered a breach of this lease.

(6) **Valid Existing Rights.** This lease is entered into and made subject to all existing rights, including easements, rights-of-way, reservations, or other interests in land in existence, on the date of execution of this lease.

(7) **State Discrimination Laws.** Lessee agrees, in using and operating the Leased Premises, to comply with applicable sections of Alaska law prohibiting discrimination, particularly Title 18 of the Alaska Statutes, Chapter 80, Article 4 (Discriminatory Practices Prohibited). In the event of Lessee's failure to comply any of the above non-discrimination covenants, the City shall have the right to terminate the lease.

(8) **Unsafe Use.** The Lessee shall not do anything in or upon the Leased Premises, nor bring or keep anything therein, which will unreasonably increase or tend to increase the risk of fire or cause a safety hazard to persons or obstruct or interfere with the rights of any other tenant(s) or in any way injure or annoy them or which violates or causes violation of any applicable health, fire, environmental or other regulation by any level of government.

(9) **Hold Harmless.** Lessee agrees to defend, indemnify, and hold harmless the City, its employees, volunteers, consultants, and insurers, with respect to any action, claim, or lawsuit arising out of the use and occupancy of the Leased Premises by Lessee. This agreement to defend, indemnify, and hold harmless is without limitation as to the amount of fees, and without limitation as to any damages resulting from settlement, judgment, or verdict, and includes the award of any attorneys fees even if in excess of Alaska Civil Rule 82. The obligations of Lessee arise immediately upon notice to the City of any action, claim, or lawsuit. City shall notify Lessee in a timely manner of the need for indemnification, but such notice is not a condition precedent to Lessee's obligations and may be waived where the Lessee has actual notice. This agreement applies, and is in full force and effect whenever and wherever any action, claim, or lawsuit is initiated, filed, or otherwise brought against the City.

(10) **Successors.** This lease shall be binding on the successors, administrators, executors, heirs, and assigns of the Lessee and the City.



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CITY AND BOROUGH OF JUNEAU

INDEMNITY AND INSURANCE REQUIREMENTS

INDEMNIFICATION: Contractor, in operating pursuant to this agreement, is an independent Contractor, and is in no way an agent, servant, or employee of the City. Contractor will be liable for any damages, claim, action, or suit arising from any operation of the Contractor, and the Contractor hereby agrees to indemnify and defend the City and hold it safe and harmless against any suit, action, or claim arising from any operation of the Contractor.

INSURANCE REQUIREMENTS: The Contractor shall provide evidence of coverage in the form of a certificate of insurance with a carrier or carriers satisfactory to the City covering injury to persons and/or property suffered by the City or a third party, as a result of operations under this contract by the Contractor or by any subcontractor. This coverage will also provide protection against injuries to all employees of the Contractor and the employees of any subcontractor engaged in work under this contract. The delivery to the City of a written 30 day notice is required before cancellation of any coverage or reduction in any limits of liability. Insurance carriers providing coverage shall have an A.M. Best rating of at least an A-VII. The Contractor shall maintain in force at all times, during the performance of work under this contract, the following policies of insurance. Proof of this insurance is required before the final bid award.

1. **Commercial General Liability Insurance:** Such insurance shall cover all operations by, or on behalf of, the Contractor providing insurance for bodily injury and property damage liability including coverage for premises and operations, products and completed operations, contractual liability, broad form property damage, and personal injury liability. The minimum limits of liability shall be:

\$1,000,000 each occurrence for General Liability and Products/Completed Operations
\$1,000,000 for Personal Injury/Advertising Liability
\$2,000,000 Aggregate for Products-Completed Operations
\$2,000,000 General Aggregate

The City and Borough of Juneau shall be named as an "Additional Insured" under the liability coverages listed above.

2. **Property Insurance:** Lessee will obtain adequate property for protection of Lessee's buildings, fixtures, and other improvements, or personal property located on the leased premises. Lessee will provide evidence of this insurance to the City.



Recorder return to: City and Borough of Juneau
Attn: John M. Stone, Port Director
155 S. Seward Street
Juneau, AK 99801

AMENDMENT TO TIMBERWOLF VENTURES TIDELAND LEASE

PART I: PARTIES

This Lease Amendment is between the City and Borough of Juneau, Alaska, a municipal corporation in the State of Alaska, hereafter "City," and Timberwolf Ventures, Inc., hereafter "Lessee."

PART II: LEASE BEING AMENDED

This is an Amendment to the Timberwolf Ventures Tideland Lease dated July 11, 2003, which lease is recorded in the Juneau Recording District at 2003-007179-0 (10 pages total). Except for the Lease Amendment set forth below, the original Tideland Lease remains unchanged and in full force and effect.

PART III: LEASE AMENDMENT

The section on Annual Rental in Appendix A of the Timberwolf Ventures Tideland Lease is amended to correct an error in the year for beginning rental rate adjustments by replacing the incorrect year (2114) with the correct year (2013), as follows:


ANNUAL RENTAL: From May 1, 2003 through April 30, 2013, the annual rental shall be \$7,180 per year, plus sales tax. Rental payments shall be made monthly in advance. Beginning May 1, 2013, the annual rental shall be adjusted, and every three years thereafter, pursuant to Appendix B.

PART IV: EXECUTION

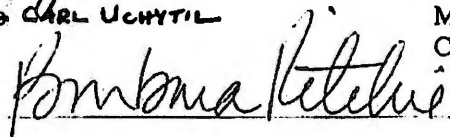
The City and Lessee agree and sign below. This Lease Amendment is effective immediately upon signature by both parties.

CITY:

Date: 4/14/2015

By: 
Authorized Representative
~~John M. Stone~~ **CARL UCHYTIL**
Port Director


Approved as to form:



, Law Department

LESSEE:

Date: 4/8/15

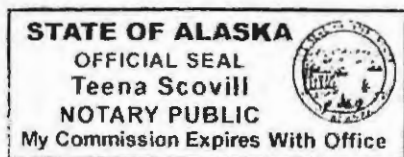
By: 
Authorized Representative
Michael J. Tripp
Chief Executive Officer

CITY ACKNOWLEDGMENT

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

This is to certify that on the 14th day of April, ²⁰¹⁵~~2009~~, before the Carl Uchytel
undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, ~~John M. Stone~~
~~Stone~~ personally appeared to me known to be the Port Director 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 and year in the certificate first above written.



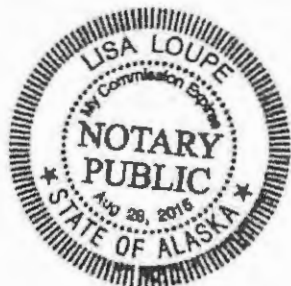
Teena Scovill
Notary Public in and for the State of Alaska
My Commission Expires: with office

LESSEE ACKNOWLEDGMENT

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

This is to certify that on the 9th day of April, ²⁰¹⁵~~2009~~, before me, the
undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn, Michael
J. Tripp personally appeared to me known to be the identical individual described in and who
executed the foregoing instrument for and on behalf of Timberwolf Ventures, Inc., and who on oath
stated that he was duly authorized to execute said instrument; who acknowledged to me that he
signed the same freely and voluntarily for the uses and purposes therein mentioned.

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



Lisa Loupe
Notary Public in and for the State of Alaska
My Commission Expires: 8/28/2015

QUALIFICATIONS OF JAMES A. CORAK

Education:

Central Washington State College 1974, B.A., Business Admin., Finance

Employment History:

Appraiser, HORAN & COMPANY, LLC, 8/10 - Present
City Assessor for the City and Borough of Sitka, 8/04 - 8/10
Partner HORAN, CORAK AND COMPANY, 3/87 - 8/04
Real Estate Appraiser, POMTIER, DUVERNAY & HORAN, including 10 months construction of private residence, 10/83 - 2/87
Acting Assessor, City and Borough of Sitka, 2/81 - 10/83
Appraiser, Ketchikan Gateway Borough, 3/79 - 1/81

Certification:

Current Associate in Appraisal Institute
State of Alaska, General Appraiser, AA No. 35

Appraisal Institute Courses:

FHA Appraisal Process Online - June 2013
USPAP, 7 Hour Update - Tacoma, WA - June, 2013
Uniform Appraisal Standards for Federal Land Acquisitions- Tigard, OR- April, 2011
Uniform Standards of Professional Appraisal Practice - 2011 Update, Juneau, AK, June 2011
Current Issues & Regulatory Updates Affecting Appraisers #10066; William King & Associates, Inc.; Juneau, AK, June 2011
Business Practices and Ethics, Online Course, June 2010
Advanced Sales Comparison and Cost Approaches, Tigard, OR, April 2009
USPAP, Sitka online course, June 2008
USPAP, Juneau, AK, April 2005
Best Practices for Residential Appraisal Report Writing, Juneau, AK, April 2005
USPAP, 15 hours, Juneau, AK, April 2005
Small Hotel/Motel Valuation, Chicago, IL, June 2003
Scope of Work - Expanding Your Range of Services, Spokane, WA, June 2003
Uniform Appraisal Standards for Federal Land Acquisition: Practical Applications for Fee Appraisers, Seattle, WA, April 2002
Sales Comparison Valuation of Small, Mixed-Use Properties, Lake Oswego, Oregon, March 2001
Functional Utility and Residential Design, January 2001
USPAP (Course C), Seattle, Washington, September 1998
Forestry Appraisal Practices, Atterbury Consultants, Beaverton, Oregon, April 1995
Uniform Standards of Professional Appraisal Practice (USPAP), September 1993
Report Writing Course, Tempe, Arizona, February 1990
Case Studies in Real Estate Valuation, Portland, Oregon, May 1989
Capitalization Theory & Techniques Part A, Portland, Oregon, May 1988
Capitalization Theory & Techniques Part B, Portland, Oregon, May 1988

Standards of Professional Practice, Portland, Oregon, May 1987

Residential Valuation, Portland, Oregon, May 1987

Basic Valuation Procedures, Portland, Oregon, May 1985

Real Estate Appraisal Principals, Portland, Oregon, May 1985

Appraisal Seminars:

16 hour unit of Alaska Craftsman seminars- University of Alaska Southeast (Sitka)- November, 2011

The Appraisal of Local Retail Properties, April 1999, Anchorage, AK

Supporting Sales Comparable Grid Adjustment, April 1999, Anchorage, AK

Technical Inspection of Real Estate, The Beckman Group, May 1997, Seattle, WA

Dynamics of Office Building Valuation, October 1996, Anchorage, Alaska

Appraisal of Retail Properties, October 1996, Anchorage, Alaska

The Internet and the Appraiser, May 1996, Seattle, Washington

HighTech Appraisal Office, May 1996, Seattle, Washington

Appraisal Review Seminar, April 1993, Anchorage, Alaska

Appraisal Regulations of the Federal Banking Agencies, April 1993, Anchorage, Alaska

Appraising the Tough Ones, November 1992, Anchorage, Alaska

Feasibility Analysis Seminar, November 1992, Anchorage, Alaska

FHLBB Memorandum R41C Seminar, March, 1987, Juneau, AK, Catherine Garhearth, MAI

"Uniform Residential Appraisal Report", Dan Swango, January 1987, Salem, Oregon

"Creative Financing and Cash Equivalencies," Dan Swango, Winter 1982, Juneau, Alaska

I.A.A.O. Courses:

Successfully completed International Association of Assessing Officers Courses I and II

Fannie Mae Courses:

Fannie Mae Appraisal and Underwriting Seminar, July 31, 1987, and August 25, 1989 at Juneau, Alaska

Types of Property Appraised:

Commercial: Retail shops, medical buildings, restaurants, service stations, office buildings, hotels, mini-storage buildings, super markets, apartments, bars, liquor stores, historic structures and lumber yards.

Industrial: Hangars, docks, warehouses, bulk fuel facilities, industrial sites, barge facilities, fish processing

Residential: Single family, multi-family, vacant lands, mobile homes, remote homesite, islands and subdivisions.

Other: Leaschold interests on lands and buildings, Boards of Equalization, Supervised Assessment Reevaluation, Petersburg and Skagway, Alaska

Special Land: Commercial vacant land, commercial subdivisions, remote acreage, submerged tidelands, large acreage, government and Native corporation exchange lands, timber land, easements

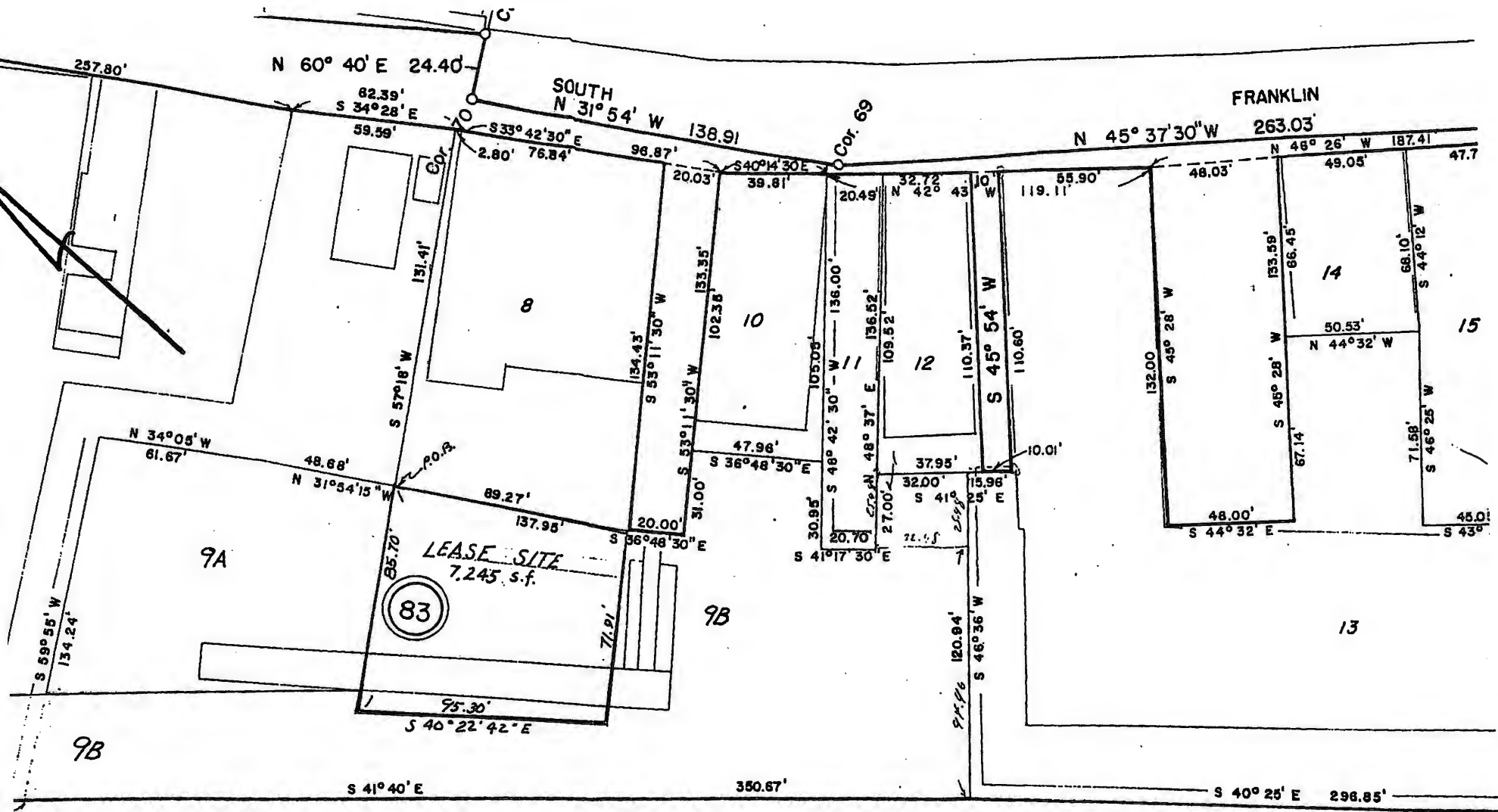
Expert Witness Experience:

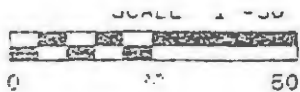
Testified as an expert witness at the Review Level of the Mental Health Trust lands with Southeast Panel (3/89) Superior Court, State of Alaska, Sitka, Appointed Referee, (10/96)

Partial List of Clients:

Federal Deposit Insurance Corporation, First Bank, First National Bank, Alaska, Wells Fargo, Alaska Pacific Bank, ALPS Federal Credit Union, Key Bank, Bureau of Indian Affairs, U.S. Dept. of Housing and Urban Development, Veteran's Administration, Bank of America, State of Alaska, Dept. of Natural Resources

Rev 06/11





GASTINEAU
CHANNEL

LOT 9

LOT 7

LOT 8

BUILDING

LOT 10

LOT 11

LOT 12

LOT 5A
2 STORY BLDG.

LOT 2

SOUTH FRANKLIN
STREET

WOOD DECK
ON PILING

WOOD DECK
ON PILING

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WOOD DECK

FR LOT 9
7,245.76 SQ. FEET

FIRE HYDRANT
TOP BOLT NORTH
ELEV. = 28.16 MLLW

BUILDING
LINE

LOT 13

CATCH
BASIN
CURB
ELEV. 25.47
MANHOLE

SIDEWALK
ELEV. 26.42

ELEC.
HANDHOLE
COVER
ELEV. 25.75
STREET
LIGHT

SEWER
PIPE
CURB
ELEV. 25.42

PEDESTAL

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JUNEAU, ALASKA

February 20, 2022

City and Borough of Juneau, Office of the Assessor
Re: CBJ Property Appeal #APL20210416, Parcel I.D. 1C100K830025
CBJ Property Appeal #APL20210415, Parcel I.D. 1C100K830024

Dear CBJ Assessors Office and Board of Equalization,

I am sending a copy of an appraisal completed on September 26, 2019 by North Pacific Advisors, LLC for Northrim Bank for the two subject parcels for a value of \$11,300,000.

I am also sending a copy of the September 15, 2019 Juneau Empire article stating that the City of Juneau bid \$4,250,000 for the Alaska Mental Health Trust property on the Juneau waterfront.

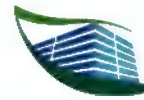
The Alaska Mental Health Trust property purchased by Norwegian Cruise Lines is approximately 3 acres and our property, Lots 1C100K830024 and 1C100K830025 is 2.948 acres so both parcels are basically the same size.

The attached 2019 appraisal has a land value of \$8,890,000. Our tidelands are blocked by the CBJ seawalk and therefore do not have any value. Furthermore a potential buyer would not be able to build a cruise ship dock adjacent to the property as in the case of the parcel purchased by Norwegian Cruise Lines.

Sincerely,


Hank Baumgart, President

550 South Franklin Street
Juneau, AK 99801
(907) 463-4617



North Pacific Advisors, LLC
Commercial Real Estate Appraisers and Consultants

200 West 34th Avenue, Suite 403
Anchorage, Alaska 99503
(907) 561-1225
(907) 258-0292 Fax

APPRAISAL REPORT

Taku Fisheries and Twisted Fish Restaurant

550/560 South Franklin Street
Juneau, Alaska



Effective Date - September 26, 2019

Prepared for:

Northrim Bank
3111 C Street, Suite 400
Anchorage, AK 99524

October 3, 2019

Ms. Susan Peach
Northrim Bank
3111 C Street, Suite 400
Anchorage, AK 99524

RE: Market Value of the Taku Fisheries and Twisted Fish Restaurant located at 550/560 South Franklin Street in Juneau, Alaska. Our number 19-2084-SM.

Dear Ms. Peach:

We have prepared an appraisal of the above-referenced property. The scope of work is sufficient to develop a credible value estimate and it includes the Cost, Sale Comparison and Income Capitalization Approaches. Note, the 2018-2019 Uniform Standards of Professional Appraisal Practice (USPAP) no longer uses self-contained term for the classification of an appraisal report. However, the scope of this report falls into what would be considered a self-contained report under the previous USPAP standards. The purpose of the appraisal is to estimate the market value of the fee simple interest in the subject real estate "as is". Definitions of the terms *market value*, *"as is"*, and *leased fee interest* are contained in the appraisal report.

The appraisal complies with Northrim's appraisal policy; the appraisal engagement letter and instructions are included in the Addenda. The appraisal adheres to the 2018-2019 Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by the Appraisal Foundation, to the Appraisal Standards for Federally Related Transactions adopted by the Office of the Comptroller of Currency (OCC), and to FIRREA requirements.

The site is comprised of two, contiguous, irregular shaped parcels containing 128,431 SF or 2.948 acres. The property is level and at-grade with surrounding streets. The site has 720' of frontage along South Franklin Street and 775' of frontage along Gastineau Channel in downtown Juneau. The subject site consists of an estimated 70% upland and 30% tidelands. The tidelands have limited usability with the sea walk blocking access to the water. There is a city dock located on the northwest corner of Lot 2B. This dock is owned by the City of Juneau and Taku Smokeries (operator) have signed a dock use agreement for the loading/offloading of boats during the fishing season. The improvements consist of an icehouse, crane, fish vacuum system and other equipment and are owned by the operator. The lease started in April 30, 2009 for a 15-year term. The lease rates range from a minimum of \$13,000/year for 2,167 tons or less up to a maximum of \$27,500/year for 4,583 tons or greater. The tenant is responsible for minor maintenance and repairs. City of Juneau is responsible for major improvements as the recent dock extension was paid for by the city. The operators are responsible for the upkeep of the surface, improvements and equipment. This dock is not part of the subject's upland or submerged tidelands area, therefore we exclude the improvements from our analysis.

The improvements consist of an existing, two-story, metal frame, retail/restaurant/office and seafood processing plant building. The building was built in 1966 with additions in 1992, 1996 and 2017. The building is in good condition. The building consists of the Taku Fisheries fish processing plant and retail store as well as the Twisted Fish Restaurant. Ground floor has a gross building area (GBA) of 29,450 SF and the second floor is 23,446 SF, total GBA is 52,896 SF. The building is in good condition. The building is currently 92% owner occupied. The remaining 8% is leased to the restaurant. The lease is for 5,880 SF commencing in January 1, 2017 and expired December 30, 2018, the lease has one (2)-year option with 14 months remaining. The rental rate \$14,985/month or \$2.55/SF with tenant responsible for utilities and interior maintenance. The

lease appears to be at market rates. We project market rent for the owner-occupied space. It should be noted that the seafood plant is profitable.

By virtue of our inspection, investigation and analysis, it is the opinion of the appraisers that the "as is" market value (real estate only) of the leased fee interest in the subject real estate, as of September 26, 2019 is as follows:

Eleven Million Three Hundred Thousand Dollars

\$11,300,000

The market value conclusion is based on a marketing period of up to 12 months assuming diligent efforts. Your attention is directed to the Certification and Assumptions & Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,



Scott Montalbo

State Certified General Real Estate Appraiser AK #774

CERTIFICATION

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

- 1) The statements of fact contained in this report are true and correct.
- 2) 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.
- 3) 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.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) 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.
- 7) My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- 8) Scott Montalbo made a personal inspection of the property that is the subject of this report.
- 9) No one provided significant professional assistance to the person or persons signing this report, unless otherwise stated in the Letter of Transmittal.
- 10) To the best of my knowledge and belief, 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 and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- 11) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 12) As of the date of this report, Scott Montalbo has completed the Standards and Ethics Education requirements for Practicing Affiliates of the Appraisal Institute.
- 13) The appraiser has not performed services, as an appraiser or in any other capacity, regarding the subject property within the three years prior to this appraisal.

Restriction Upon Disclosure & Use

The By-Laws & Regulations of the Appraisal Institute govern disclosure of the contents of this appraisal report. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.



Scott Montalbo

ASSUMPTIONS & LIMITING CONDITIONS

An assumption is that which is taken to be true (USPAP 2018-2019 Edition).

- 1) The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) Responsible ownership and competent management are assumed.
- 4) No responsibility is assumed for the legal description or for matters including legal or title consideration.
- 5) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 6) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made therefor.
- 7) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 8) The appraiser hereby certifies that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan, and that the appraiser was competent and qualified to perform the appraisal assignment.
- 9) The reader is directed to the Definition of Appraisal Problem chapter for a listing of any extraordinary assumptions and hypothetical conditions of this appraisal.

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Lot 2B

Lot 2C

SUMMARY OF FACTS AND CONCLUSIONS

Project Name:	Taku Fisheries and Twisted Fish Restaurant
Purpose of Appraisal:	Estimate the market value “as is”, of the existing building.
Property Rights Appraised:	Leased fee interest
Location:	550/560 South Franklin Street, Juneau, Alaska
Legal Description:	Lots 2B and 2C, subdivision of Lot 2, Dockside Subdivision, according to Plat No. 91-71, records of the Juneau Recording District, First Judicial District, State of Alaska.
Tax ID Nos.:	1C100K830025 and 1C100K830024
Ostensible Owner:	Alaska Seafoods Holdings Inc.
Latitude/Longitude:	58.295625/-134.399145
Sale History:	The subject recent sale was purchased by Alaska Seafood Holdings Inc. (buyer) and on May 2012 for \$10,000,000. It appears that the previous sale was a market transaction.
Site:	The site is comprised of two, contiguous, irregular shaped parcels containing 128,431 SF or 2.948 acres. The property is level and at-grade with surrounding streets. The site has 720’ of frontage along South Franklin Street and 775’ of frontage along Gastineau Channel in downtown Juneau. The subject site consists of an estimated 70% upland and 30% tidelands. The tidelands have limited usability with the sea walk blocking access to the water.
Ground Lease	There is a dock located on the northwest corner of Lot 2B. This dock is owned by the City of Juneau and Taku Smokeries (operator) have signed a dock use agreement for the loading/offloading of boats during the fishing season. The improvements consist of an icehouse, crane, fish vacuum system and other equipment and are owned by the operator. The lease started in April 30, 2009 for a 15-year term. The lease rates range from a minimum of \$13,000/year for 2,167 tons or less up to a maximum of \$27,500/year for 4,583 tons or greater. The tenant is responsible for minor maintenance and repairs. City of Juneau is responsible for major improvements as the recent dock extension was paid for by the city. The operators are responsible for the upkeep of the surface, improvements and equipment. This dock is not part of the subject’s upland or submerged tidelands area and therefore we exclude the improvements from our analysis.
Improvements:	The improvements consist of an existing, two-story, metal frame, retail/restaurant/office and seafood processing plant building. The building was built in 1966 with additions in 1992, 1996 and 2017. The building is in good condition. The building consists of the Taku Fisheries fish processing plant and retail store as well as the Twisted Fish Restaurant. Ground floor has a gross building area

	(GBA) of 29,450 SF and the second floor is 23,446 SF, total GBA is 52,896 SF. The building is in good condition.
Remaining Economic Life:	At least 25 years overall
Zoning:	WI – Waterfront Industrial District
Parking:	Adequate
Tenancy:	The building is currently 92% owner occupied. The remaining 8% is leased to the restaurant. The lease is for 5,880 SF commencing in January 1, 2017 and expired December 30, 2018, the lease has one (2)-year option with 14 months remaining. The rental rate \$14,985/month or \$2.55/SF with tenant responsible for utilities and interior maintenance. The lease appears to be at market rates. We project market rent for the owner-occupied space. It should be noted that the seafood plant is profitable.
Highest and Best Use:	Continue use of building “as is”
Effective Date of Appraisal:	September 26, 2019
Date of Report:	October 3, 2019

Value Summary “As Is”:

Cost Approach	\$12,360,000
Sales Comparison Approach	\$11,110,000 and \$11,640,000
Income Capitalization Approach	\$11,300,000

By virtue of our inspection, investigation and analysis, it is the opinion of the appraisers that the “as is” market value (real estate only) of the leased fee interest in the subject real estate, as of September 26, 2019 is as follows:

Eleven Million Three Hundred Thousand Dollars

\$11,300,000

The market value conclusion is based on a marketing period of up to 12 months assuming diligent efforts. Your attention is directed to the Certification and Assumptions & Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,



Scott Montalbo

State Certified General Real Estate Appraiser AK #774

DEFINITION OF APPRAISAL PROBLEM

IDENTIFICATION

The subject of this appraisal is the Taku Fisheries and Twisted Fish Restaurant building located at 550/560 South Franklin Street in Juneau, Alaska. The building is a two-story, metal frame with a GBA of 52,896 SF on two contiguous lots totaling 128,434 SF or 2.948 acres. 89,902 SF is considered usable. The City of Juneau identifies the subject as tax parcel numbers 1C100K830024 and 1C100K830025.

Legal Description

Lots 2B and 2C, Dockside Subdivision, a subdivision of Lot 2, Dockside Subdivision, according to Plat No. 91-71, records of the Juneau Recording District, First Judicial District, State of Alaska.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the fee simple interests in the property "as is".

INTENDED USE OF THE APPRAISAL

This appraisal was prepared for Northrim Bank, the intended user. Other intended users of the appraisal include the appropriate banking regulatory agencies, other financial institutions and state agencies that may participate with First Bank in funding a loan for which the subject will be security. The intended use is for making a lending decision.

PROPERTY RIGHTS APPRAISED

The underlying site is owned in fee and the existing building is majority owner-occupied. The restaurant is leased to a third party. Therefore, we appraise the leased fee interest for the "as is" value.

APPRAISAL DATES

The subject property was inspected by Scott Montalbo most thoroughly on May 28, 2019. Accordingly, this is the effective date of the "as is" value of this appraisal. The report was prepared on approximately October 1, 2019.

EXPOSURE & MARKETING PERIODS

Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective

date of the appraisal. A reasonable exposure time for the subject would be up to twelve months, assuming diligent efforts. Actual exposure time is zero; the property was not listed for sale.

Marketing Period

Most sale comparisons used in this appraisal sold in less than twelve months exposure time. The market value estimate for the subject property is predicated on a marketing time of up to twelve months.

SCOPE OF WORK

In this assignment, the scope of work encompasses the research and analysis necessary to develop a credible appraisal conclusion in accordance with the intended use.

We focus on the approaches that best reflect market behavior and are supported by the most relevant market evidence. In this case, we developed the following analyses:

- Cost Approach
- Sale Comparison Approach
- Income Capitalization Approach

The appraisal adheres to the 2018-2019 Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by the Appraisal Foundation, to the Appraisal Standards for Federally Related Transactions adopted by the Office of the Comptroller of Currency (OCC), and to FIRREA requirements. The report was also prepared in compliance with Northrim Bank's appraisal instructions.

- The most thorough inspection was conducted on September 26, 2019 and this is the effective date of the appraisal.
- Community Planning and Development records were researched to determine the zoning status of the subject property and surrounding land uses.
- Assessing Department records were reviewed for an indication of past property ownership, determination of any outstanding assessments, and for confirmation of general property information.
- Hank Baumgart, owner, provided general property information and accompanied the appraiser on the inspection.

- Building sale and rental comparables were obtained through searches of public records, interviews with property owners, managers and real estate professionals. A search was made throughout the area for comparable sales. The data was inspected and screened for comparability to the subject.
- Interviews were conducted with managers, brokers, buyers and sellers involved with the selected comparable sales and rental properties.

In the final reconciliation, we considered the available data and relevancy of each of the approaches to determine the most credible market value conclusion.

CURRENT OWNER AND SALES HISTORY

The subject is owned by Alaska Seafoods Holdings Inc., 5720 Concrete Way, Juneau, AK 99801.

The subject was purchased by Alaska Seafood Holdings Inc. (buyer) and on May 2012 for \$10,000,000.

We are not aware of any other sales, options or contracts for the subject in the three years immediately prior to this appraisal.

COMPETENCY STATEMENT

The appraiser, Scott Montalbo, has completed appraisals of similar properties throughout Alaska. A summary of appraisal experience and professional qualification is in the Addenda. The appraiser has the knowledge, education and experience required by competency rule of USPAP to complete this assignment.

DEFINITIONS

Market Value¹

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 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 Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), [Pub. L. No. 101-73, 103 Stat. 183 (1989)], 12 U.S.C. 3310, 3331-3351, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b); Part 225, Subpart G: Appraisals; Paragraph 225.62(f).
Uniform Standards of Professional Appraisal Practice, Page 1-7
Federal Reserve System, 12 CFR Parts 208 and 225, Sec. 225.62
Office of the Comptroller of the Currency, 12 CFR part 34, Sec. 34.42

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised and each acting in what he considers his own best interest;
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 of 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.

Fee Simple Estate²

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of imposed by the governmental powers of taxation, eminent domain, police powers, and escheat.

Real Property³

All interests, benefits, and rights inherent in the ownership of physical real estate; the bundle of rights with which the ownership of real estate is endowed. In some states, real property is defined by statute and is synonymous with real estate.

"As Is" Value

An estimate of the market value of a property in the condition upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of inspection.

EXTRAORDINARY ASSUMPTIONS

Definition: An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions (USPAP, 2018-2019 Edition).

No environmental reports were available for this assignment. *It is an extraordinary assumption of this appraisal*

FDIC, 12 CFR Part 323, Sec. 323.2

Office of Thrift Supervision, 12 CFR Part 564, Sec. 564.2

NCUA, 12 CFR Part 722, Sec. 722.2

² The Dictionary of Real Estate Appraisal, 3rd Edition, Appraisal Institute, Chicago, IL, Page 140

³ IBID, Page 234.

that the subject is not materially affected by environmental contamination. We reserve the right to adjust our value if this assumption is at a later point found to be false.

The appraisal includes no other extraordinary assumptions.

HYPOTHETICAL CONDITIONS

Definition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis (USPAP 2018-2019 Edition).

The appraisal is not predicated on any other hypothetical conditions.

AREA ANALYSIS

Juneau is Alaska's capital city and is in the Southeastern "Panhandle" region of the state. The subject is located in the Waterfront Industrial District in downtown Juneau. This section provides a general overview of economic forces that impact the state of Alaska and the Southeast region.



ENVIRONMENTAL FORCES

Both natural and man-made environmental forces influence real property values.⁴ Alaska has a total land area of 586,048 square miles, and is one-fifth the size of the entire continental United States. Alaska has six distinct regions, each with its own economic profile. Anchorage falls within the Southcentral region of Alaska. The Municipality of Anchorage contains approximately 2,000 square miles, although almost all of the population lives on a 93-square mile peninsula known as the Anchorage Bowl.

The Anchorage Bowl is bordered to the north, south, and west by the tidal waters of Cook Inlet and to the east by the Chugach Mountains. Because of the natural boundaries, development is restricted to the Bowl. There are also two-bedroom communities, Eagle River about 10 miles to the north and Girdwood, 35 miles to the southeast.

Soil conditions throughout the city range from thick beds of gravel to unsuitable clay and pockets of peat, a wet, organic material, which is typically removed from building sites, thereby increasing the costs of construction. As shown on the Anchorage map at the

end of this chapter, the majority of the Anchorage Bowl or 50,050 acres is already developed. A significant portion of this land area is airport or public parks. Only 9% of the land in the Anchorage Bowl is vacant and suitable for development. The majority of developable land is located in South Anchorage and is zoned residential. The limited amount of available commercial land in the Anchorage Bowl should help sustain property values over the long-term.

Climate

Average temperatures in Anchorage during the winter months' range from 6 to 20 degrees and 50 to 70 degrees during the summer months. Annual precipitation is approximately 16.5" of rain and 69" of snow. Portions of the city are often subjected to high winds and seismic activity. Due to the potential for harsh weather, structures tend to be well insulated.

Transportation

Anchorage, unlike most areas in Alaska, has modern transportation infrastructure. The city's road systems are constantly being upgraded because of the damage caused by the extremes in weather conditions. Traffic congestion is not a significant problem.

Due to Alaska's isolated location, air transportation is of major importance to the economy. The Anchorage International Airport is the transportation link for air traffic between Europe, Asia, and the "Lower 48" (Continental United States). There are several other airports including Merrill Field, Lake Hood floatplane base and the U. S. Army and Air Force Facilities.

The northern region of the city is the home for the Port of Anchorage and the Alaska Railroad. The Port of Anchorage is the terminal for the general cargo and the goods shipped to Anchorage and the region. The Alaska Railroad connects Anchorage with other cities including Seward, Whittier, and Fairbanks.

Other Infrastructure

All necessary utilities are available to the majority of the Anchorage Bowl. Chugach Electric Association and Municipal Light and Power supply electricity for the region. *Note, Chugach Electric is planning to buy Municipal Light and Power for one billion dollars.* The deal has been approved by the Municipality and the Anchorage voters. The deal is expected to close in fourth quarter 2019 or

⁴ The Appraisal of Real Estate, Eleventh Edition, p. 49

early 2020. Enstar Natural Gas Company provides natural gas. The Municipality of Anchorage provides water, sewer, and refuse services. Anchorage has numerous parks and recreational areas. Schools and churches are dispersed throughout the city.

Environmental Forces - Conclusions

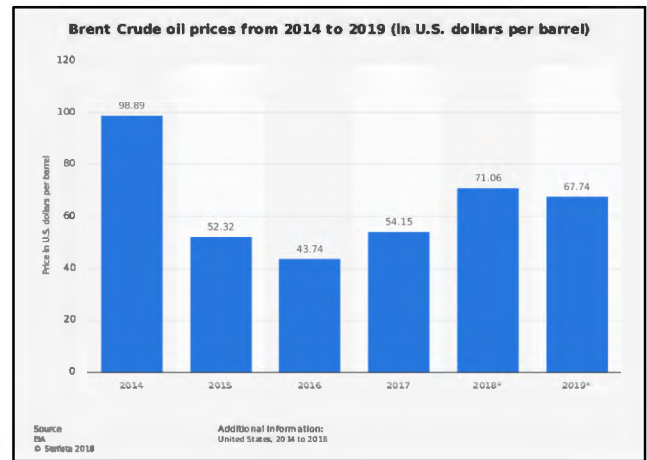
The subject is located in a community with man-made infrastructure that provides adequate linkages and amenities necessary to support commercial properties in the Anchorage Bowl. The natural boundaries in the community will limit future growth and development, which, over the long-term, will produce a positive benefit for the value of existing commercial properties.

ECONOMIC FORCES

Anchorage serves as Alaska's headquarters for oil, other resource-related businesses, and government agencies and services. Anchorage is also a major retail-shopping hub for residents from rural areas of the state. In recent years, changes in the world salmon and forest product markets have had major negative influences on commercial fishermen and timber jobs. However, these sectors have less impact on Anchorage than other regions of Alaska.

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So far, the natural resource with the greatest influence on the Anchorage economy is crude oil, and it was oil that spurred the boom and bust cycles of the 1970's and 1980's. In addition to the private sector jobs and income generated by this industry, state and local governments are still heavily dependent on oil royalty income. The majority of state government funding comes directly from oil royalties. Thus, the economic health in Anchorage is tied directly to the price of crude oil and the level of production at its primary source, Prudhoe Bay.



Because Alaska is so reliant on oil money, its income has fallen in concert with global oil prices that are down considerably from 2014 highs at over \$100 per barrel. State officials hadn't anticipated that decline. Officials had to cut funding for schools, police and roads, cap health-care spending and dip into savings to close a deficit of more than \$3 billion.

In 2016, prices dropped below \$40 a barrel leading to thousands of layoffs on Alaska's North Slope and fiscal problems for the state. The \$50 per barrel price is a benchmark for Alaska oil given it is estimated the cost to pull the oil out of the ground and move it down the pipeline to market before taxes is about \$50/barrel. Oil prices have gone up in 2017 and 2018 which has brought some relief and the forecast for north slope job losses for 2019 is estimated to be lower than 2018. Ultimately, oil prices are just one of three factors impacting the oil industry. In addition to prices, oil companies are looking at a changing federal administration and the potential for a new oil tax structure in the coming year. Most recently in January 2019 oil prices reached are around \$50/barrel.

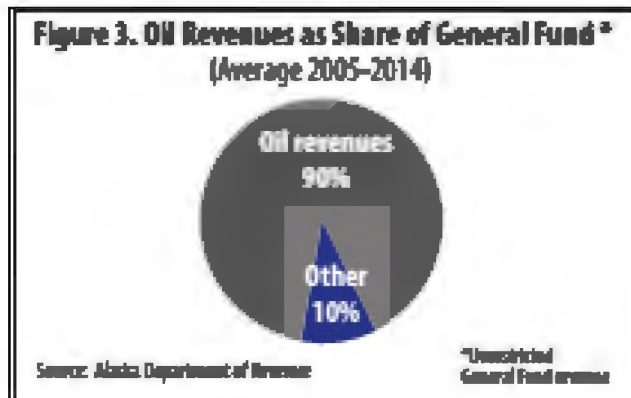
If prices stay where they are at or continue to rise, it could mean the oil industry will feel more comfortable about upcoming projects and give employees some sense of job stability. Additionally, other businesses that have seen negative impacts with low oil prices could see a boost. However, such a modest increase won't impact Alaska's oil profit revenues enough to make a difference.⁵

Oil Industry

For better and worse, Alaska is unique among states for being so dependent on a single source of revenue. Nearly 90% of the state's unrestricted government

⁵ <http://www.ktuu.com/content/news/Alaska-could-see-economic-boost-from-global-oil-production-cut-406088135.html>

funds in 2010 were from oil-related property taxes, corporate petroleum income taxes, oil production taxes, and oil-related royalties. The following pie chart shows the amount of revenue that comes from oil for the State of Alaska.



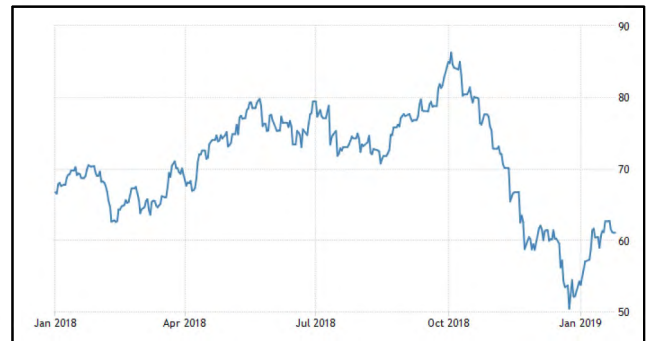
Although oil production has trended downward for the past two decades, oil employment has been on the rise as a result of increased labor needs for harder-to-reach oil as well as the drive to extract more oil under the recent high-price regime. As Alaska's facilities age, additional labor is required for repair and maintenance as well as extraction.

Oil Prices

In late 1998 and early 1999, the price of North Slope oil actually dipped below \$10 per barrel, the lowest in nearly a decade (similar to the price during the 1986 recession). Oil prices surged in 2004 and topped \$50 per barrel for North Slope Crude, a record at that time. Increased production and more stability worldwide brought prices down in late 2004, although they still remained at elevated levels. Prices increased again in fall 2005 to nearly \$70 per barrel in the wake of Hurricane Katrina and approach \$100, as of November 2007. It then climbed to over \$140 per barrel for a short period in 2008.

For the most part, over the past decade, Alaska's dependence on oil revenue has been a benefit. When most states were coping with budget shortfalls stemming from reduced state income and state sales tax collections, Alaska's oil revenue reached an all-time high in 2008 and up until recently has remained well above historical averages. During a bleak economic period for much of the nation and world, Alaska benefitted from large budget surpluses, replenished rainy-day savings accounts, and a stable public-sector workforce.⁶ However, as the price of stays below \$90 per barrel without a sales tax or income tax, we are gradually

depleting our savings. The following graph shows the WTI oil prices by month from January 2018 to January 2019. The graph shows oil prices peaked above \$85 in October 2018 and the dropped all the way down to \$50 by the end of the year. The price of oil has risen somewhat over the past few weeks as a result of OPEC cuts.



Overall, oil prices have risen over the past couple weeks as a result of an OPEC agreement to cut production. These prices are the lowest levels over the past five years. Citigroup analysts say they expect oil prices to rise somewhat in 2019 cuts. Citigroup says that President Trump is a potential wildcard who could also influence oil prices positively or negatively in 2019.

Oil prices have been on an upward trend but are volatile cannot be predicted going forward for 2018. Oil market participants should remain cautiously optimistic. To achieve a balanced budget, oil prices would have to be closer to \$100 per barrel. A deep drop in the price of oil over the last year-and-a-half blew a huge hole in the state's budget. This year, revenues are expected to cover just 40 percent of the States costs. The 2019 State budget is discussed later in this section.

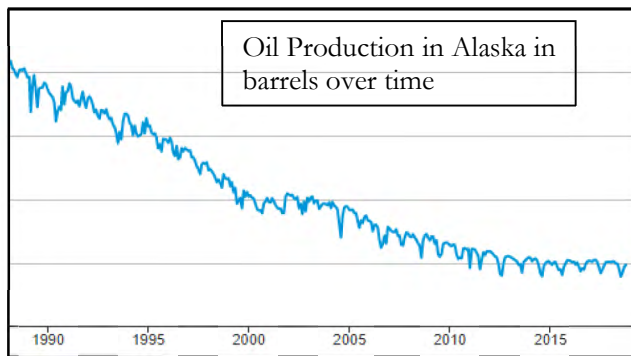
Impact of Oil on the Alaska Economy

While oil prices are expected to remain low for at least the next decade, Alaska got some good news in late 2017, oil production is rising. After years of gloomy reports of falling production, state budget deficits, job losses, and a half-empty trans-Alaska pipeline, Alaska's Department of Oil and Gas revenue and production forecast offered some much-needed good news for Alaska. The production increase is small, about 1.7 percent, production increased from 514,900 barrels per day in fiscal year 2017 to around 529,800 barrels per day in 2018. For the following fiscal year, oil production is

⁶ January 2012, *Alaska Trends Magazine*

expected to increase again, though the fall forecast indicates it won't be as much as first thought.⁷

The precipitous drop devastated the Alaska economy, as state government has relied on oil revenues that comprise as much as 90 percent of the state's unrestricted revenue. In fiscal year 2017, petroleum revenue accounted for 65 percent of the state's unrestricted revenue. In fiscal years 2018 and 2019, petroleum is projected to represent 70 to 72 percent of the state's unrestricted revenue, largely due to oil price and production increases. The Department of Revenue notes that the price of oil would have to average between \$100 and \$110 per barrel to balance the current budget without using savings. (to bridge the gap using the new tax on legal marijuana, every Alaskan over the age of twenty-one would have to buy nine pounds of marijuana.)



Oil prices are expected to average \$76 per barrel in fiscal year 2019, the Department of Revenue says in its preliminary fall 2017 revenue forecast. By fiscal year 2027, oil is expected to average \$75 per barrel, but in real terms oil prices are expected to stabilize at \$60 per barrel. Any additional increases are due to inflation. That creates state budgetary deficits of between \$2.5 billion and \$3 billion per year. Oil prices have reached a point that the state budget receives an extra \$80 million annually for every \$1 increase in the yearly average oil price. That's up from \$30 million when oil prices were at \$60 a barrel because of the way the tax system is designed.

The state has been unable to come up with a long-term financial plan to balance the budget in the face of current deficits, which it has been bridging by using its

savings. This uncertainty is causing investors to hold back and causing harm to the economy.

The production increases can be tied to a number of factors such as improved technology and the payoff from the state's 2013 legislation for production tax credits. Much of the increased production is from existing fields in Prudhoe Bay and Alpine, but several other fields are only months or years away from production.⁸

New Oil Projects

It's important to note that despite the low oil prices, there will be new oil projects, which will hopefully stave off larger losses. Alaska's upstream oil industry is expecting to see a surge in exploration and development in 2019 as companies drill to delineate new North Slope and National Petroleum Reserve-Alaska discoveries. Examples are Hilcorp's Liberty project on the North Slope. The 9.3-acre, manmade Liberty Island will take an estimated two years to construct. The island will have facilities for drilling, production, production support, utilities, camp and relief-well area. The outer perimeter of the island will be heavily reinforced using proven North Slope technology. As of October 2018, the U.S. Department of the Interior has approved Hilcorp Alaska's \$1 billion Liberty Project. When developed, it will be the first oil and gas production facility in federal waters off Alaska. It is projected to produce 80 million to 150 million barrels of recoverable oil – with peak production of 60,000 to 70,000 barrels per day. The field is expected to produce for 15 to 20 years. Construction could start in 2019 and production could begin in 2022.⁹

More immediate is ConocoPhillips' plan to develop its Greater Moose's Tooth. Greater Mooses Tooth is a US-based proposed project to develop and produce petroleum resources within the Greater Mooses Tooth area of the National Petroleum Reserve in Alaska. The project will be developed by ConocoPhillips Alaska as operator with a 78% interest. The project is a \$900 million venture that will begin producing in 2018 and reach 30,000 barrels a day at its peak.¹⁰

In October of 2017, private equity-backed Caelus Energy said that it discovered as much as 6 billion barrels of oil on Alaska's northern coast, of which 1.8-2.4 billion barrels are considered recoverable. The find

⁷ http://www.newsminer.com/opinion/editorials/alaska-s-uncertain-oil-revenue-outlook-latest-numbers-are-a/article_fad7c79e-fab9-11e8-8dd6-9f92c083f2f9.html

⁸ <http://www.akbizmag.com/Alaska-Business-Monthly/January-2018/2018-Oil-and-Gas-Forecast/>

⁹ <http://www.kallanishenergy.com/2018/10/31/interior-approves-hilcorp-alaskas-1b-liberty-project/>

¹⁰ Neil Fried January 2016 Economic Trends Magazine

could lift Alaska's statewide recoverable oil reserve base by around 80 percent. The new field is described as the largest oil find in Alaska over 40 years. The last big discovery was at Kuparuk River in 1969. If the company is able to raise the \$8 billion and \$10 billion in capital the field could start producing oil in late 2022.¹¹

In December 2017, Spain's Repsol announced the largest onshore oil discovery in the U.S. in three decades, a 1.2 billion barrel find on the North Slope.

OTHER INDUSTRIES

Fishing, mining and timber are important aspects of Alaska's economy, and these sectors have been negatively impacted by lower prices. However, these industries have little direct impact on real estate values in Anchorage. Tourism, government, transportation and retail trade have more impact on Anchorage real estate values.

Tourism

Tourism continues to be the second largest industry in Alaska with visitors spending over \$1.6 billion annually. The Anchorage Visitor and Convention Bureau (ACVB) maintains that visitors to Anchorage, from outside Alaska, exceeded 1,000,000. Over the last five years, tourism growth has increased at an annual average rate of about 5%. The industry projects a strong season, and early bookings reflect that optimism. Winter tourism in the state is on the rise, with numbers increasing 33 percent between 2008 and 2017 thanks to aurora viewing, ice fishing and unique tours. Additionally, more than 1 million cruise ship passengers are coming through the state, according to the Alaska chapter of the Cruise Lines International Association. Cruise ship passenger arrivals are expected to rise by seven percent in 2018 and 17 percent in 2019. Border crossings from Canada were up 13 percent and numbers of outbound air traffic passengers between May and August were up 6 percent, both figures climbing for the second year in a row, according to figures from the Juneau-based research firm the McDowell Group.

Hotel Construction and Current Market

The following is taken from a Alaska Journal of Commerce article written by Naomi Klonda in June 2017.

Alaska has some of the highest hotel occupancy rates in the country on average in the short four-month period from May to September, enough to warrant yet four more hotels on the Anchorage landscape for 2018 in addition to three that went up last summer.

The Hyatt House on C Street opened in May and the company is breaking ground for two more hotels on land cleared at nearby 46th Avenue. Last summer saw My Place on Old Seward across from the University Center open. A new Aptel Hotel opened near the Northway Mall. And Home2 Suite opened in 2016 near Motel 6, also on C Street.

"Hotel Row," as C Street is dubbed, isn't finished becoming one long string of hotels in its stretch from International Airport Road to Northern Lights. Senior City Planner Francis McLaughlin said the city didn't plan it that way, but a thematic draw in the area makes sense in its proximity to the airport and its zoning allowance for hotels.

The Alaska visitor industry has sustained hotel growth, said Alicia Maltby, executive director of the Alaska Lodging and Hotel Industry Association.

The 24,000 hotel rooms in the state are soon to be boosted by another couple hundred rooms at least, she estimates, in the new structures. More than half of the statewide number is in Anchorage.

"If the occupancy rate isn't 62 to 67 percent or better, the hotel investors are not going to gamble by building," Maltby said.

Anchorage has a consistent record for hotel occupancy over the past three years, especially since new tourism records were achieved at nearly 2 million visitors in 2016.

But the summer months saw increasing demand for hotel rooms, and some hotels unable to keep up with that demand, she added. Records for the Anchorage Municipality's 12 percent bed tax collected city wide shows more than 8,000 rooms were rented per quarter, or 65 percent occupancy and higher. As of May 22, 2017, \$3.7 million was collected in the first quarter 2017 on 8,178 rooms. In the breakdown, \$1.6 million in taxes came from "upper class" rooms and \$1.7 million came from mid-market rentals. Another \$196,748 came from economy class.

Compare that with peak season in the third and fourth quarter. Anchorage took in \$7 million and \$10 million respectively after rentals of 17,400 rooms collectively.

"Hotel occupancy in Anchorage has been pretty consistent largely due to the good marketing efforts. Anchorage is a convention destination," Maltby said. "The bed tax fund was used to build the Dena'ina Center. Iditarod brings a good crowd. The AFN (Alaska Federation of Natives) comes to Anchorage and Fairbanks, alternating years. We have 'Staycations' now and business travel as well as corporate events. Sales teams do a good job to keep occupancy up."

¹¹ <http://www.ktuu.com/content/news/Caelus-announces-large-scale-oil-discovery-from-Smith-Bay-leases-395842941.html>

Another hotel is going up on a 3.5-acre site near Office Depot and Lowe's off C Street, this one a Hyatt Place Hotel where 148 rooms are planned.

The Ted Stevens Anchorage International Airport also is getting into the hotel business. Currently it is in a 60-day period accepting requests for proposals. The idea is to walk from the airport into the hotel without going outside.

Possible locations have been proposed between the airport's South Terminal and North Terminal or by the train depot at the airport. Hubble expects the estimated \$40 million to \$60 million project to go up for bid later this year, with hope for construction to begin in 2018.

Courtyard by Marriott Midtown Anchorage will open at 4960 A Street near Ted Stevens International Airport. The property will be a four-story, 141-room hotel and is projected to be open Fall 2019.

Government

Government on all levels plays an important role in the Anchorage and economy and is the largest employer. Anchorage has a single joint Army and Air Force Base called Joint Base Elmendorf-Richardson or (JBER). Originally there were two bases but these facilities merged in 2010 and now have a total annual economic impact on the economy is in excess of \$590,000,000.

Transportation

The transportation sector has been very strong in recent years. The geographic location of Anchorage has been touted as strategic for direct air shipment to Europe and Asia.

Transportation has performed remarkably well during the recession. The industry lost a small number of jobs in 2016, bounced back the next year, then grew in 2018. Summer airport passenger traffic increased 4.5 percent in 2018, and cargo rose 6.5 percent. Strong visitor seasons and continued growth in international air cargo has propped up this industry, and for these reasons, 2019's outlook remains positive.¹²

The transportation sector includes air transportation, couriers (e.g., FedEx and UPS), trucking, and other transportation support companies, in addition to positions at local utilities.

As the transportation hub for much of Alaska, reduced construction activity around the state impacts local employment. At the same time, reduced spending on

new cars, TVs, clothes, and other consumer goods impacts marine and truck transportation. Reduced travel by state government, businesses, and households will marginally reduce air transportation activity.

The Port of Anchorage has seen a 13 percent decline in vans, flats, and container freight volume since 2014 (From 1.81 million tons to 1.58 million tons.), including a 5.8 percent decline in 2016. Conversations with shippers indicate reduced consumer spending is driving this decline. Reduced North Slope activity also affects the volume of freight moved through Anchorage. Deplaned freight volume at Ted Stevens Anchorage International Airport increased slightly (0.9 percent) in 2016, from 665 million pounds 671 million pounds.

Air transportation was a bright spot in 2018. A stable visitor season is anticipated for 2019, which will maintain current activity at Ted Stevens Anchorage International Airport. Concurrently, a strong domestic economy will continue to bolster air freight which passes through the airport from Asia to the continental.¹³

Pebble Mine Outlook

The proposed Pebble Mine in the Bristol Bay region of Southwest Alaska is thought to hold more than 80 billion pounds of copper and 107 million ounces of gold over three decades. This amounts to more than \$300 billion in precious metal deposits, which could be a saving grace for the State as oil production dwindles. The problem is that those riches are located right at the headwaters of the rivers flowing into the world's most productive salmon fishery. It's this crossroad between the environment and commerce that has sparked a fierce debate that has caused one of the proposed mine's main investors, Anglo American, to back out of the project.

In January 2014, a long-awaited federal report concluded that the mine poses significant risks to the region's thriving sockeye salmon runs and its people -- an assessment praised by environmental, fishing and Native groups as sound science and sharply criticized by the group trying to develop the proposed Pebble mine as rushed and flawed. Alaska Bristol Bay Mining Ban, Ballot Measure 4 was passed by Alaska voters in the November 2014 election. The measure was designed to give the legislature the power to prohibit mining projects in Bristol Bay if legislators determine the activity to be harmful to wild salmon within the fisheries

¹² Alaska economic trends magazine January 2019

¹³ AEDC 2017 Jobs Forecast DRAFT 2 McDowell Group, Inc. □
Page 8

reserve.¹⁴ The Pebble Mine project is still under litigation.

Real Estate Construction

From 1987 to 1991, there was virtually no new commercial construction. Beginning in 1992, limited new construction began to occur. Adverse economic conditions do not generally support most rent-driven commercial construction. Recent construction has been the result of a lack of substitute properties in the existing inventory. Construction suffered a similar fall between 2015 and 2017, losing 1,100 jobs in Anchorage before the tide turned in 2018. This trend of modest gains is likely to continue in 2019 again, not due to big projects but because activity had fallen to such a low level.

Alaska construction spending expected to increase 10 percent this year

Construction spending in Alaska is projected to increase this year for the second year in a row, another sign of improvement in 2019 for the state's bruised economy.

The value of "on the street" construction spending is expected to be \$7.2 billion, up 10 percent compared to 2018, according to a forecast from the Institute of Social and Economic Research at the University of Alaska Anchorage. That type of spending refers to the level of activity anticipated in 2019, said the report, which was prepared for the Associated General Contractors of Alaska and came out in February. On-the-street spending is different from the measure of new contracts, because those can span more than just one year. The private sector is expected to account for about \$4.4 billion of the total spend for the year, and about \$2.6 billion in the public sector, according to the report.

The petroleum industry and national defense are expected to have a 13 percent increase each in construction spending. Mining will also see an increase expected at 18 percent, to about \$265 million, due to mine expansion projects. Growth in other industries is projected to be more modest. "Spending will be cautious elsewhere as the economy continues to recover from the recession," the report said, and the state's \$1.6 billion budget deficit is another factor that could contribute to that caution. A preliminary estimate included in the report shows construction spending related to repairing damage from the Nov. 30 earthquake is expected to be about \$200 million.

Statewide, the construction industry is expected to see 5.8 percent job growth this year, according to the Alaska Department of Labor and Workforce Development. That's more growth than is projected in any other category.

Recent discoveries on the North Slope are one factor behind the expected rise in petroleum construction spending, the report said. Military base projects near Fairbanks — missile defense work at Clear Air Force Station and Fort Greely, plus plans for the arrival of F-35 jets at Eielson Air Force Base — are driving the increase on national defense construction spending.¹⁵

Retail Construction

New commercial construction will generally be driven by owner-users, as speculative construction for most real estate sectors is not economically feasible. Over the next few years, new rent-driven construction should be relatively minimal.

Retail was the biggest loser in 2018, shedding 900 jobs after losing 700 the year before. We expect the losses will slow in 2019, but the industry will still lose 300 jobs.

Several major retailers closed in 2018, including Sam's Club and Sears in Anchorage and Fairbanks, costing the state hundreds of jobs. While these closures were due to corporate changes nationally rather than the state recession, they exacerbated retail's losses.

Stores open and close all the time, though, and while those changes are attention-grabbing, what really moves retail employment in the long run is a combination of local demand and availability, and the increasing popularity of online shopping will continue to put a damper on traditional retailers nationwide.¹⁶

Anchorage International Airport Construction

The industrial market has expanded moderately in recent years because users were not able to find suitable properties in the existing inventory. The Anchorage International Airport has witnessed significant expansions including Federal Express' hangar, cargo plant and pilot training center. In addition, the airport itself is currently finishing a \$200 million expansion/reconstruction, and a new commuter rail line (\$28 million) was just completed that now provides direct access to Downtown. On March 30, 2018, the State of Alaska Department of Transportation and Public Facilities published an invitation seeking qualified applicants to submit formal Expressions of Interest regarding the construction and operation of a new maintenance, repair and overhaul facility at TSAIA. Alaska Airlines is finishing up a 20 million dollar new hangar.

¹⁴ <http://www.pebblewatch.com/>

¹⁵ <https://www.adn.com/business-economy/2019/03/04/alaska-construction-spending-expected-to-increase-10-percent-this-year/>

¹⁶ Alaska economic trends magazine January 2019

Other Large Projects

Several other significant public construction projects were completed in the last few years. The 200,000 SF Dena'ina Civic and Convention Center was completed in 2008. The museum completed their \$110 million expansion in 2010. Currently, the Port is expanding (\$350 million), with several phases to be completed over the next decade.

The new buildings included a new fire station on Rabbit Creek Road, an addition to the Anchorage Museum in Downtown Anchorage, multiple ASD elementary and middle school remodels, even an F-35 simulator at the Air Force Base.¹⁷

There was considerable growth in the restaurant and health services sectors. Several new major national chain restaurants have opened as well as numerous fast food and convenience store establishments. All major hospitals have expanded in recent years, including the Alaska Native Medical Center (ANMC). A \$45 million expansion at Providence Hospital and a \$25 million office addition at Alaska Regional were completed in 2001. Providence has a cancer treatment center and a new parking garage that were completed in 2007. The ANMC campus has also seen several new buildings for Southcentral Foundation. A new \$40 million maintenance hangar for Alaska Airlines was just completed and a new \$40 million warehouse for Odom Corporation was completed in 2018.

Office Construction

Aside from medical office space, office construction has been mostly limited to user-driven projects. There was only limited office construction during the late 1990's and early 2000's. Projects included the Nafla Michael Building, the Arctic Slope Regional Corporation Building, and 3000 C Street (North Tower). More recently, Centerpoint Financial Center, a Class A office building for Prudential Real Estate, was completed on C Street near 40th Avenue in 2004. Re/Max also completed a building near C Street and 38th Avenue in 2011.

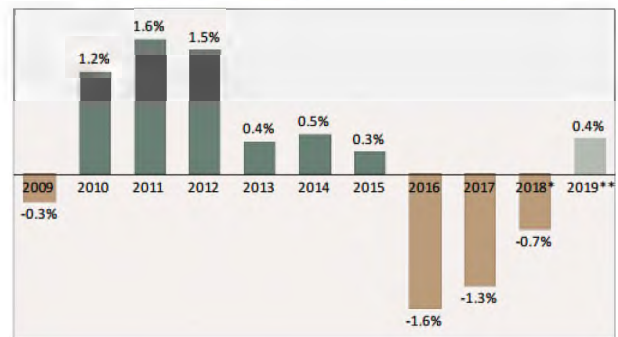
Some older construction includes the Residential Mortgage Class A headquarters on A Street completed in late 2004 and the Alaska USA Federal Credit Union completed Class A service center off 36th Avenue just west of C Street in late 2005. Also, several Alaska Native corporations, including Chugach Alaska, Bristol Bay, Afognak, and Cook Inlet Native Association have

completed Class A headquarters buildings. Finally, Aleutian Pribilof Island Association has a new 40,000 SF Class A building near the intersection of New Seward Highway and International Airport Road.

It should be noted that construction costs in the Anchorage market have been increasing every year. With the highest percentage increase in core materials in 2011 (8 percent), the main items driving up the cost in Anchorage were copper pipe, ABS pipe, and truss.

Regaining Some Ground After Losses

STATEWIDE CHANGE IN JOBS, 2009 TO 2019 FORECAST



*Preliminary **Forecast

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Commercial activity also looks sparse, with rising vacancy rates and uncertainty keeping new investments at bay. There are no known plans for new large office or retail buildings in 2019 according to the most recent Economic Trends Magazine economic report.

A few new hotels will be going online in 2019 including the Hyatt Place near office depot and the new Marriott Courtyard. Highway and airport related construction projects, which are largely federally funded, will also continue.

Alaska Employment

As discussed in the proceeding paragraphs, there have been cutbacks in the oil industry and at the same time there have been expansions in the retail and hotel markets. This has generally caused a shift in per capita earnings in the Anchorage area, from the higher-paying oil-related industries to the lower wages offered in the retail/services industry.

Alaska's, December 2018 employment was down an estimated 0.3 percent, or 900 jobs, from December

¹⁷<http://www.ktuu.com/news/news/economists-present-optimistic-forecast-for-2016-despite-falling-oil-prices/37344600>
Travis Khachatourian / KTUU

2017. Retail, manufacturing and professional and business services each lost 400 jobs while information and financial activities each fell by 200. Health care added the largest number of jobs over the year (400). The transportation, warehousing and utilities sector added 200 jobs, as did leisure and hospitality, construction and mining and logging.

Overall, private sector job numbers were down 0.2 percent (-400 jobs) while government employment fell 0.6 percent (-500).

Alaska's seasonally adjusted December unemployment rate remained at 6.3 percent, and the comparable national rate increased from 3.7 to 3.9 percent.¹⁸

The normal trend for Anchorage is that unemployment tends to be higher than the national average, however; we have weathered the recession far better than the rest of the nation so far.

The following excerpts were taken from the January 2019 Alaska Economic Trends Magazine:

After three years of job losses, Alaska is set to regain a small amount of lost ground in 2019 as some industries show signs of recovery. We forecast 0.4 percent growth in 2019, or about 1,400 new jobs.

Sectors devastated early in the recession are beginning to add jobs again. Oil industry employment stabilized in mid to late 2018, and increased activity on the North Slope signals resumed growth. The construction industry, hit especially hard during the recession's first two years, began to add jobs in 2018 and will pick up the pace in 2019, mainly through projects at Eielson Air Force Base in the Interior. Other sectors have stabilized and some, such as retail and state and local government, will continue to lose jobs in 2019.¹⁹

Three drivers of growth: military, oil, and tourism

Forecasted growth has three major drivers this year. The largest is preparation for the arrival of F-35 fighter jets at Eielson, the first of which will arrive in 2020. The Air Force base will host two full squadrons by 2022. Preparations include a half-billion dollars in new construction to accommodate the jets and additional active duty and civilian support staff. This is big for the Interior, but it will also boost construction and professional and business services around the state, mainly in Anchorage and the Matanuska-Susitna Borough. Oil and gas activity is also expected to pick up despite lackluster oil prices, with a number of projects on the near horizon. The third driver is

tourism, as 2019 is expected to be another record year. The projected number of cruise ship passengers is up 16 percent, to 1,361,400. As long as the U.S. economy remains strong and barring substantial disruptions globally, Alaska will continue to be an attractive tourist destination.

Construction will grow the most

By industry, construction is forecasted to add the largest number of jobs in 2019 — 900, or 5.8 percent mostly related to the growth at Eielson. The 7.0 magnitude earthquake that hit Southcentral Alaska on Nov. 30, 2018 will also boost construction as commercial buildings, homes, and roads need repair or reconstruction. While the earthquake's total cost isn't yet clear, we expect the recovery to generate a modest number of jobs through early 2019 and additional work in the summer when the weather is suitable for exterior and earth work.

Other industries that will add jobs

For natural resources and mining, which includes oil and gas as well as hard rock mining, we forecast 400 new jobs in 2019, or 3.2 percent growth. Oil and gas industry employment plummeted 37 percent after its peak in 2014, a loss of 5,500 jobs, but the losses appeared to bottom out in 2018. The industry is projected to regain 300 jobs this year, with a number of new projects on the horizon. Mining has been strong and steady, and is set to add 100 jobs.

High expectations for tourism will spur growth in the transportation and warehousing, mainly in the water based scenic and sightseeing transportation category (500 jobs). A strong visitor season will also boost leisure and hospitality, which is expected to add about 500 jobs. Many of those will be tied to the three new hotels that will open in Anchorage this year.

Health care has grown steadily for the past two decades, punctuated by the occasional growth spurt. An example is when Medicaid expansion went into effect in late 2015. Coverage for an additional 46,000 Alaskans boosted health care's job numbers noticeably in 2016 and 2017.

Health care will continue to grow, but at a more moderate pace. The industry added about 700 jobs in 2018 and is forecasted to add 500 this year.

¹⁸ <http://labor.alaska.gov/news/2019/news19-03.htm>

¹⁹ Alaska Economic Trends January 2018

More loss on horizon for some industries

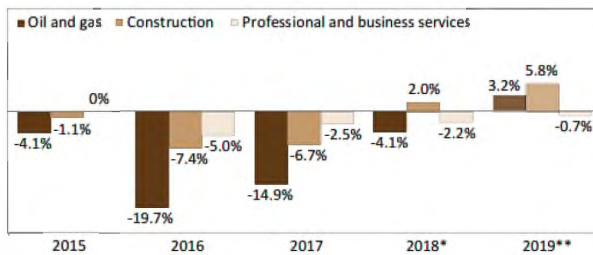
Retail was the biggest loser in 2018, shedding 900 jobs after losing 700 the year before. We expect the losses will slow in 2019, but the industry will still lose 300 jobs.

Several major retailers closed in 2018, including Sam's Club and Sears in Anchorage and Fairbanks, costing the state hundreds of jobs. While these closures were due to corporate changes nationally rather than the state recession, they exacerbated retail's losses.

Stores open and close all the time, though, and while those changes are attention-grabbing, what really moves retail employment in the long run is a combination of local demand and availability, and the increasing popularity of online shopping will continue to put a damper on traditional retailers nationwide.

Hardest-Hit Industries Begin to Recover

EMPLOYMENT CHANGE, 2015 TO 2019 FORECAST



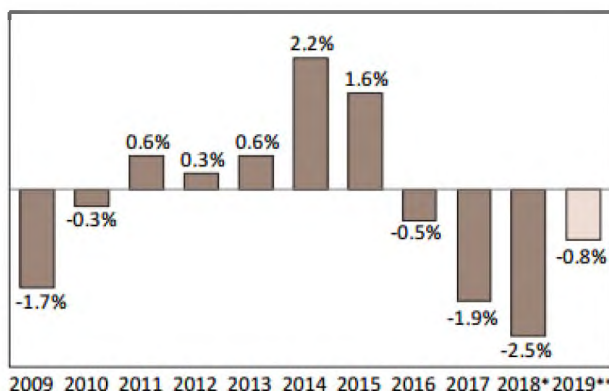
*Preliminary **Forecast

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Information jobs, which include newspapers and telecommunications, have been in decline for years and are forecasted to decrease by another 100 in 2019. The closure or consolidation of state media outlets mirrors the national trend of moving from print to less labor-intensive online delivery.

Retail to Remain Pinched

PERCENT CHANGE, 2009 TO 2019 FORECAST



The financial industry's gradual employment decline is also likely to continue, with a forecasted loss of 200 jobs, similar to 2018.

Professional and business services was hit hard and early by the recession, and while its losses have slowed, we expect they'll continue into 2019.

Professional and business services jobs include legal services, accounting, architecture and engineering, management of companies, and administrative support and waste management. The sector lost 1,500 jobs in the first year of the recession, 700 the second year, and 600 in the third. We forecast 2019's loss to shrink to just 200 jobs, as increased construction and oil and gas activity will generate some new demand.

Manufacturing, which is mostly seafood processing in Alaska, is expected to lose 100 jobs in 2019.

The industry has been shrinking for a while through changes to seafood processing techniques and the growing popularity of overseas processing. Salmon runs are another factor, and they've been erratic the last couple of years. This year's catch is forecasted to be similarly low, as is the halibut catch. Breweries, distilleries, and marijuana product manufacturers will generate some new manufacturing jobs, but they are small compared to seafood processing.

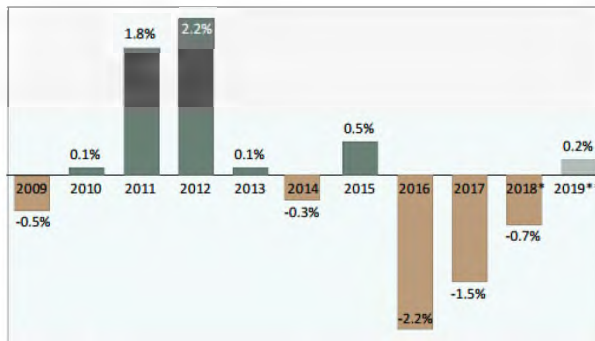
Government faces more loss, but picture is uncertain

The outlook remains dim for government employment this year, with continued losses in state and local government. A small percent increase in federal jobs for the 2020 Census will partially offset the loss. (See Exhibit 7.)

State government has lost 3,000 jobs since its employment peak in 2014 and will decline further as the state continues to adjust and make difficult economic decisions after a long period of depending mostly on oil revenue to fund state government. We estimate a 2019 loss of 200 jobs, but major changes such as a hiring freeze, significant budget cuts, or department restructuring could mean substantial additional losses. Local government weathered the first two years of the recession well, adding jobs in both 2016 (600) and 2017 (300), but losses finally hit last year. We forecast another year of job loss for local government, at about 200 jobs.

Minor Job Gains After 3 Years of Loss

ANCHORAGE CHANGE IN JOBS, 2009 TO 2019 FORECAST



*Preliminary **Forecast

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

ANCHORAGE ECONOMIC FORECAST

Neil Fried, economist with Alaska Department of Labor, reports the following outlook for the Anchorage economy for 2019 (this is an excerpt from January 2019 Alaska Economic Trends):

Modest job growth on Anchorage's horizon

Job loss has been the headline for the last three years in Anchorage, and although the decline became smaller each year, this has been the longest recession in the city's history.

The city will inch back into positive territory in 2019 with 0.2 percent forecasted growth, not through any major project or event but by small gains in a number of industries.

Although some Anchorage industries will continue to lose jobs, improving consumer sentiment and growth in tourism, construction, air freight, health care, and military spending will likely offset any declines.

Forecasts are based on what we know now, however, so a dramatic oil price decline, big state government cuts, a national recession, or another economic shock would change the outlook considerably.

Oil industry turned a corner with projects, higher prices

The oil industry, which is headquartered in Anchorage, lost 6,100 statewide jobs between December 2014 and November 2017.

Its employment has been mostly stable since then, and small gains are on the horizon for 2019. ConocoPhillips plans to drill six to eight new wells in 2019, which would make this one of their busiest seasons in years. They are

also increasing their Alaska budget from \$900 million in 2018 to \$1.2 billion in 2019.

Independents such as Hilcorp, Great Bear Petroleum, and Caelus also have bigger plans for 2019. This means the industry is hiring again after three years of cuts, which bodes well for Anchorage employment.

Construction begins to rebound

Construction suffered a similar fall between 2015 and 2017, losing 1,100 jobs in Anchorage before the tide turned in 2018.

This trend of modest gains is likely to continue in 2019 again, not due to big projects but because activity had fallen to such a low level.

Construction losses didn't begin with the current recession, as the industry has weathered several rough patches over the last decade-plus. By 2018, Anchorage's construction employment had dropped to 2001's level of about 7,400 jobs — a big contrast to 2005, when industry employment stood at 9,800.

Office and industrial projects in Anchorage remain scarce, and vacancy rates are still climbing. This is the case for nearly all vertical construction, both private and government.

Anchorage has some retail construction with the near-rebuilding of the Sears Mall, now called the Midtown Mall. In 2019, it will house three new large tenants: REI, Carrs-Safeway, and Planet Fitness. Two new hotels are nearly complete and a third will open late in the year, adding approximately 450 rooms to Anchorage's accommodations.

Residential housing is on a similar sluggish track, with building permits at a near record low over the first 10 months of 2018. The city permitted 387 new units, down from 432 for the same 10 months in 2017. (See Exhibit 4.) We expect a near-repeat performance this year, although three major multi-family buildings are under construction in downtown Anchorage, something the city hasn't seen in many years.

Highway and airport related construction, which is largely federally funded, looks positive for 2019, mainly because of projects outside the area. Many Anchorage contractors are involved in the half-billion dollars' worth of work at Eielson Air Force Base near Fairbanks, which is preparing for the arrival of two F-35 fighter jet squadrons. Building projects are also under way at two of the Interior's other bases: Clear Air Force Station and Fort Greely.

Retail's woes will continue as online shopping takes a toll

Retail was one of Anchorage's biggest job losers in 2018, exacerbated by a rash of store closures, and the industry is on the same track in 2019.

The largest loss last year was the closure of two Sam's Club warehouses, which employed about 200 people. Other closures included Sears, Toys "R" Us, and Bed Bath and Beyond. Although the recession has certainly taken its toll on stores, all of these closures were due to corporate restructuring nationwide rather than the local economy.

Online shopping is hurting traditional retail employment as well. This is a nationwide trend, even with a booming U.S. economy, as more consumers turn to e-commerce.

Professional service losses will taper

The recession has taken a big bite out of architectural, engineering, environmental, and other consulting services through a multiyear slowdown in construction and oil and mining exploration.

These services are part of the larger professional and business services category, which began to lose jobs in 2014 and continued declining through 2018, shedding 3,300 so far. We forecast a smaller loss this year because the improved outlook for construction and oil will increase demand for related services.

Outlook mostly positive for bars, restaurants, and hotels

The number of cruise ship passengers visiting Alaska broke records in 2017 and 2018 and is likely to reach another high in 2019. This is good news for a number of Anchorage industries, especially leisure and hospitality.

Restaurants and bars represent two-thirds of Anchorage's leisure and hospitality employment, hotels account for another fifth, and the balance is in entertainment. Visitors and locals both drive demand for this industry, with local demand as the larger stimulus. Accommodations employment has grown slightly over the past two years and is forecasted to continue growing in 2019, mainly as the result of strong visitor seasons and more business-related travel. Two hotels opening in early 2019 and a third later in the year will also produce more jobs in accommodations.

The story is different for bars and restaurants, which have about 11,500 jobs in Anchorage. Employment peaked in 2016, then fell 2 percent in 2017 as consumers

spent more conservatively. Employment stabilized in 2018 and will likely stay close to that level in 2019.

Some of Anchorage's venerable eateries closed their doors in 2018, but others such as Dave and Buster's arrived. In 2019, the Bear's Tooth will open a food hall.

Little change in the financial sector

The financial industry is broad, covering real estate and all the businesses connected to it such as mortgage activity, title work, banking and credit unions, insurance, property management, and broker-age houses.

The balance sheets for most of the state's financial intuitions remain solid. Home sales in Anchorage rose slightly through September 2018, at 2,854 compared to 2,839 for that period in 2017. Foreclosures show no sign of increasing. Average house prices rose 2 percent, while condo values dipped. Inventory remained about the same.

Rental vacancies increased, from 5.1 percent in 2017 to 6.2 percent in 2018, and commercial vacancies remain in the double digits. We expect that trend will continue as Anchorage adds a modest number of new homes to its inventory this year without an increase in population. Rising interest rates could dampen the market, which is something to watch as they inch up.

Health care growth will continue, but slower

Health care is Anchorage's largest private sector employer and has generated the largest number of new jobs for a very long time.

The industry added about 500 jobs in 2018, for 2.4 percent growth. This was a slowdown from the 10-year annual average of 3.6 percent, and we forecast slower growth again in 2019.

Transportation remains strong

Transportation has performed remarkably well during the recession. The industry lost a small number of jobs in 2016, bounced back the next year, then grew in 2018. Summer airport passenger traffic increased 4.5 percent in 2018, and cargo rose 6.5 percent.

Strong visitor seasons and continued growth in international air cargo has propped up this industry, and for these reasons, 2019's outlook remains positive.

Decline will continue at all levels of government

Employment shrank at all levels of government in Anchorage in 2018. The losses were small, and the forecast for 2019 is similar.

Federal employment has oscillated between small gains and losses for years with no clear direction or explanation. This year, Anchorage is forecasted to lose a small number of federal jobs.

State government, which includes the University of Alaska Anchorage, lost 400 jobs in 2016, 300 jobs in 2017, and 100 in 2018. A freeze or other hiring restrictions would produce more loss in 2019 through attrition even without layoffs. For comparison, when the state instituted a hiring freeze in 2016, it shed 400 jobs.

Anchorage's municipal government employment dropped somewhat in 2018, all in the Anchorage School District, which represents about 70 percent of local government. The balance is the Municipality of Anchorage.

We expect local government employment to decline further in 2019 as the Anchorage School District will likely cut jobs again.

Retail Marijuana

The state's first marijuana shops opened in late October 2016. During the first full year of sales, cannabis generated \$4,694,645 in state taxes. 2018 brought a total of \$8,656,946.

Many local governments have also put additional cannabis sales taxes in place.

Last year, the Alaska Legislature budgeted half of the cannabis tax to programs aimed at reducing repeat criminal offenders. The other half goes into the general fund.²⁰

Consumer Price Index

The consumer price index (CPI-U) is a survey that measures inflation by comparing the costs of a certain bundle of goods on an annual basis. The following table shows the percentage change in the CPI index over the last dozen years for both Urban Alaska (which represents primary Anchorage) and the U.S. City average.

Percent Change in the Consumer Price Index		
Year	Urban Alaska	U.S. Avg.
1995	2.9%	2.8%
1996	2.7%	3.0%
1997	1.5%	2.3%
1998	1.5%	1.6%
1999	1.0%	2.2%
2000	1.7%	3.4%
2001	2.8%	2.8%
2002	1.9%	1.6%
2003	2.7%	2.3%
2004	2.7%	2.7%
2005	3.1%	3.4%
2006	3.2%	3.2%
2007	2.2%	2.8%
2008	4.6%	3.8%
2009	1.2%	-0.4%
2010	1.8%	1.6%
2011	3.2%	3.2%
2012	2.2%	2.1%
2013	2.7%	1.2%
2014	1.6%	1.6%
2015	0.5%	0.1%
2016	0.4%	1.3%
2017	0.5%	2.1%
2018	3.0%	2.4%

Average inflation over the last five years (2013-2018) was 1.1% per year in Anchorage. As shown on the above table, the 2008 rate jumped to 4.6% on high oil price and then fell to only 1.2% in 2009 as oil prices fell. This trend continued in 2011 through 2013 as oil prices were high the corresponding CPI ranged from 2.7% to 3.2%. Oil prices dropped considerably in late 2014 and even further in 2015. The most recent CPI in 2015 and in 2016 at 0.5% and 0.4% reflects the low energy prices. It is our expectation that, over time, the CPI will continue to grow at traditional levels, staying below the 4.5% to 5% of the late 1980s and early 1990s. Overall, 2018 showed an annual increase of 3.0% for Anchorage and 2.4% for national. For our analysis, we expect CPI closer to 3.0% over the long term.

Economic Forces - Conclusions

The 2019 economic forecast projects that this year is projected to be a turning point for Alaska's economy after three consecutive years of job losses. The state is forecast to see slight job growth in 2019, according to the annual employment outlook released by the Alaska Department of Labor and Workforce Development. Sectors hit hardest by Alaska's recession, including oil and gas and construction, are expected to add jobs.

²⁰ Neal Fried, Department of Labor, Economic Trends Jan 2017

Overall gains likely won't be big, though. The labor department projects 0.4 percent job growth this year or about 1,400 jobs. Analysts are optimistic that the state will pull out of a recession this year. Unfortunately, Alaska is still thousands of jobs in the hole compared to 2014 and it will take a few more years to get back to previous levels seen before the recession.

Furthermore, low oil prices are causing a lot of uncertainty for 2019 and beyond. Although they have been rising as of late and are ranging around \$50 as of January 2019. Alaska's economy is very dependent on the oil and gas industry; approximately a third of all employment in Alaska is connected to the industry or the revenues it generates for the state government.

While Alaska's economy has traditionally been somewhat insulated from the national recession by high oil prices, AEDC has routinely raised the caution flag related to declining oil production. Low prices have brought to the forefront, the need to address the state's challenges with long-term, sustainable funding of government services. As production declines and oil prices stay low, the State needs to find new ways to sustain itself whether that be through new income or sales taxes, more spending cuts or commandeering the permanent divided fund altogether.

Overall, Alaska's economic health is considered by many professionals as unhealthy but market participants are cautiously optimistic. Market participants are keeping a close eye on oil prices, the state budget (income and sales tax concerns) and population trends going forward for 2019.

GOVERNMENT

Governmental, political, and legal activities at all levels can have great impact on property values.²¹ The Municipality of Anchorage is a first-class city with a Mayor/Assembly form of government. The Municipal government adopted a comprehensive land use plan in 1982 that sets forth public policy concerning the physical development of Anchorage and the objectives and actions that the community will pursue to achieve the recommendations in the plan. An overhaul of the plan (Anchorage 2020) has been in the works for several years.

The comprehensive plan created various boards and commissions to address a multitude of community

concerns such as zoning, road design and development in sensitive areas such as the Hillside and Coastal Zones. These boards oversee new plat applications and conformity with zoning regulations for new construction.

Zoning regulations pertinent to the subject are discussed in detail in the Real Estate Taxes & Zoning chapter.

Government Revenues, Spending

Expansive State spending was responsible for most of the expansive growth in jobs, population and income in Alaska in the early 1980s. Reduced State spending in 1986 contributed to the collapse of the real estate market and the recession that lasted until 1991. The majority of state government's revenue comes from oil royalties, as there is no personal income tax. As oil production declines, other revenue sources are required to fund the cost of government.

The two most immediate revenue sources are the State's Permanent Fund and taxes. The Permanent Fund was developed in the 1970's as a way to invest Alaska's new-found oil wealth to fund future state spending when oil production declines. So successful was the Permanent Fund, that qualifying Alaskans have received annual cash dividends of nearly \$2,000 in recent years. The fund is heavily invested in the stock market. The Permanent Fund Dividend payments the state makes to virtually all residents annually lifted about 25,000 Alaskans out of poverty in 2015, reducing poverty in Alaska by about a third. Since 1990, PFDs have reduced poverty rates in Alaska by an estimated 2.5 to 4 percentage points annually. They have been particularly important for children, Alaska Natives, and rural residents, who are much more likely to be poor than Alaskans on average.

The pay out in 2007 was about \$1,654, which lowered to only \$900 in 2013 but then increased to \$1,884 in 2014. Year after year, the dividend windfall has been an extremely important benefit to the state's economy. To help offset the cost of government for 2016, Bill Walker cut the permanent dividend fund in half for every Alaskan to \$1,022. The 2018 PFD was \$1,600 and the recently elected new Governor. Dunleavy has a proposal that would pay money cut from the past three PFD checks over a period of three years. It brings appeal as well as reservations to economists and PFD recipients alike.²²

²¹ The Appraisal of Real Estate, Eleventh Edition, p. 49

²² <https://www.ktuu.com/content/news/PFD-recipients-and-economists-analyze-Gov-Dunleavys-payback-proposal-504472821.html>

Leveraging the State's Wealth: Permanent Fund Protection Act

Governor Walker re-introduced the version of the Permanent Fund Protection Act (PFPA) that passed the Senate earlier this year. The bill creates a formula for a sustainable draw from the Permanent Fund's Earnings Reserve Account (ERA) to provide consistent funding for government services, such as public safety, education and transportation. The PFPA also better ensures a dividend of at least \$1,000 for 2017, and maintains dividends for about the same amount for years to come.²³

Oil Revenues

As mentioned, Alaska runs on oil and its economy is more dependent on it than is any other state. With no sales or personal income tax, the bulk of state revenue is tied to natural resources. While oil prices have dropped more than 50% since 2014, the actual amount of oil being pumped through the pipeline has also declined dramatically. For example, the Prudhoe Bay Oil field, once the largest such field in North America, is starting to reach the end of its life. In 1985, the Prudhoe Bay field was pumping 2 million barrels per day or roughly a quarter of the total U.S. output. Currently, it is pumping 500,000 barrels a day. Prices in January 2019 are ranging around \$50 per barrel.

Roughly 80 percent of Alaska's general fund revenues are tied to oil. Between the oil price collapse and the inexorable decline of oil production over time, Alaska now faces a \$4B budget deficit, all while the state has slid into an oil related recession over the past three years.

Governor Dunleavy's administration submitted the Walker administration's proposed \$11.5 billion budget for 2020 in December 2018. The root of the problem with Walker's budget lies in a single number, and unrealistic projection that oil will sell for \$75 per barrel between July 2019 and 2020. Members of Dunleavy's team used what they call a more realistic oil price forecast of \$64 per barrel, and the deficit balloons to \$1.6 billion.

In the coming weeks, the Dunleavy administration plans to revise the budget to rein in state spending and prioritize core services and programs.

Unfortunately, Alaska's deficit will increase to \$1.6 billion under his budget, mostly because of a drop in oil prices and no significant increase in oil production next year. The state is still losing over \$1.2 billion a year in

per barrel oil tax credits, a program many believe the state should shut down in order to close the budget gap.

The Dunleavy administration stated their budget will be predictable, sustainable and realistic. A fiscal summary included with the governor's 2020 budget documents lists \$1.9 billion set aside for Permanent Fund dividends.²⁴

Legal Marijuana Revenue

In addition to the regular taxes, Alaska has been reaping the benefits from tax revenue from marijuana taxes since Alaska voters approved legalization in the November 2014 election. During the first full year of sales, cannabis generated \$4,694,645 in state taxes. 2018 brought a total of \$8,656,946. Estimates are that total sales in a legal marijuana market would climb from \$56 million in 2016 to \$107 million in 2020. Marijuana legalization will almost undoubtedly be felt in the state's retail markets based on what's happened in other states that allow recreational use of the drug.

Overall, the marijuana industry is going to affect all of retail. Colorado and Washington are good examples of what to watch for as space in retail centers in those states, especially the older retail centers have had rent increases as a direct result of marijuana shops. Demand has just outpaced available space. However, where dispensaries locate will depend greatly on whether lease conditions permit such a business and the attitudes of neighboring tenants.

Another positive aspect of Marijuana on top of tax revenue and jobs is the fact that many industrial properties that were left vacant from oil field support operations have been leased by marijuana cultivation in addition to the many retail stores leasing spaces for sales.

However, for the first time in months, the State of Alaska has seen a drop in the amount of marijuana taxes it's owed. Marijuana cultivators owed the state \$1,439,000 in November 2018, the latest month for which figures are available, compared to \$1,841,000 in October and \$1,481,000 in September 2018.

Revenue officials aren't sure how to account for the drop, although seven cultivators have gone out of business from October to November 2018 and the state saw a similar drop in tax revenue in the fall of 2016 and 2017.

²³ <https://gov.alaska.gov/newsroom/2016/12/walker-mallott-administration-releases-fiscal-year-2018-budget/>

²⁴ <https://www.ktva.com/story/39645997/dunleavy-administration-dealing-with-potential-deficit>

Overall, despite the low sales in the fourth quarter, trends for marijuana sales are trending upward.²⁵

Military projects to fill Fairbanks employment

The Fairbanks North Star Borough's employment declined in every year but one after peaking in 2012, before flattening out in 2018 as the tide began to turn. The borough's growth is forecasted at 1.8 percent for 2019, or about 700 new jobs.

The local economy has picked up steam with preparations to house two new F-35 Lightning II squadrons at Eielson Air Force Base as well as nearly 3,000 personnel and their families when they arrive in 2020. In addition to the military stimulus, Fairbanks' economy will benefit this year from continued tourism growth and better oil prices.

More than half a billion dollars in construction began at Eielson in 2017, and the work will remain in high gear through 2019 as the Air Force prepares for the planes, civilian workers, airmen, and their families. Additional work is under way at Clear Air Force Station and Fort. These military projects will also spur housing construction in Fairbanks, because accommodating the additional residents will require as many as 900 new off-base homes. As a result, construction is forecasted to add about 500 jobs this year, which would be a whopping 15.6 percent.

Construction is a big boost for the professional and business services sector, and unlike statewide, Fairbanks' sector grew over the past three years — likely because Fairbanks was one of the few areas planning a major increase in construction. Because the work is ongoing and will require the services of scientific, architecture, and engineering companies, to name just a few, we forecast continued job growth in 2019 of 3.6 percent, or 100 new jobs.²⁶

Governmental Forces - Conclusions

Anchorage is a community that relies heavily on government services and spending. Due to the drop in oil prices, several large state funded projects have been put on hold. If oil prices continue at low levels the state may implement a sales or income tax on top of deep budget spending cuts. These additional taxes will have a negative impact on commercial real estate values.

SOCIAL FORCES

Population

The social forces studied by appraisers primarily relate to population characteristics.²⁷ Approximately 41% of Alaska's population reside in Anchorage. Expansion and contraction in the Anchorage area population has mirrored the major economic events in the city's history. The bedroom communities including Eagle River, Chugiak, Girdwood and the Joint Elmendorf-Richardson military base fall within the Municipality of Anchorage and are important for retail businesses. During the economic boom of the early 1980's (1980 to 1985), population increased by over 40%. Beginning in 1986, with the drop in oil prices, population declined by over 12% over a three-year period. This is important as it demonstrates the importance of oil to the economy and the fact that the community is very transient.

In recent years, population increases have been small, averaging 1.2% since 2000 and just 0.3% since 2005. This population growth pattern has been consistent with the overall economic growth of the city. The following table shows Anchorage's and statewide population from 1990 to 2016. Anchorage's total population fell by 1,454, to 297,483. The city peaked at 300,880 people in 2013. While Anchorage's 65-and-older population continued to increase, topping 30,000, its 18-to-64-year-old population working ages was down for the fourth year in a row. That age group peaked at 198,666 in 2013, then declined to 192,164 by 2017.

²⁵<https://www.ktva.com/story/39728497/state-muni-see-reduced-marijuana-tax-revenue>

²⁶ Alaska economic trends magazine January 2019

²⁷ *The Appraisal of Real Estate*, Eleventh Edition, p. 48

	Anchorage	% Δ	Alaska	% Δ
1990	226,338	---	553,171	---
1991	235,626	4.1%	569,054	2.9%
1992	244,111	3.6%	586,722	3.1%
1993	249,440	2.2%	596,906	1.7%
1994	253,503	1.6%	600,622	0.6%
1995	252,729	(0.3%)	601,581	0.2%
1996	253,234	0.2%	605,212	0.6%
1997	254,752	0.6%	609,655	0.7%
1998	257,260	1.0%	617,082	1.2%
1999	259,391	0.8%	622,000	0.8%
2000	260,283	0.3%	626,931	0.8%
2001	264,886	1.8%	632,200	0.8%
2002	267,860	1.1%	640,643	1.3%
2003	273,069	1.9%	647,884	1.1%
2004	277,880	1.8%	657,483	1.5%
2005	278,407	0.2%	664,334	1.0%
2006	283,348	1.8%	671,202	1.0%
2007	282,968	(0.1%)	676,056	0.7%
2008	283,912	0.3%	681,977	0.9%
2009	290,588	2.4%	692,314	1.5%
2010	291,826	0.4%	710,231	2.5%
2011	296,197	1.5%	722,190	1.7%
2012	298,842	0.9%	732,298	1.4%
2013	301,134	0.8%	736,399	0.6%
2014	300,549	(0.1%)	734,601	(0.1%)
2015	298,908	(0.6%)	737,625	0.4%
2016	299,037	0.4%	739,828	0.3%
2017	297,483	(0.5%)	737,080	(0.4%)
2018	295,365	(0.7%)	736,239	(0.1%)

Sources: U.S. Census (1990, 2000 & 2010), Alaska Department of Labor (other)

As of July 2010, the two Anchorage military bases: Elmendorf Air Force Base and Fort Richardson Army Post merged into a single base referred to as Joint Base Elmendorf-Richardson or (JBER). The joint base employs roughly 8,500 people, and if dependents are included their personnel represent approximately 8% of Anchorage's current population. This is roughly 25% lower than the peak military population in the middle of the 1990's. Nevertheless, Anchorage has a strategic military location and the joint base will likely remain off Federal closure lists indefinitely. Military population is expected to remain stable over the foreseeable future.

Social Forces - Conclusions

From 2008 to 2012 more people were moving to our state than leaving because of tough economic times in the Lower 48. Now the situation is reversed. Tough economic times have more people to leave Alaska than come in but that may only be temporary. Over the long term, the state's population is projected to increase by 162,200 from 2015 numbers to 899,825 people in 2045, according to a report released from the Alaska Department of Labor and Workforce Development in May 2016. Significant population changes in Alaska in the past came with the construction and completion of

the trans-Alaska oil pipeline, the oil boom and bust, wars and other economic swings. Two other scenarios show that, on the lower end, the state's population could actually dip to 642,697 in 2045 if there is a net migration rate of negative 1 percent per year. On the other hand, it could reach as high as 1,247,887 with an annual net migration rate of 1 percent.

Population Decrease due to "Net Migration"

As shown on the table to the left, Anchorage saw a population decrease of 0.7% in 2018 while Alaska as a whole decreased 0.1%. Alaska's population has declined for a second year in a row, according to a report released Thursday by the Alaska Department of Labor and Workforce Development. Overall the state lost 0.2 percent of its population (1,608 people) between July 2017 and July 2018. Anchorage saw the biggest decrease, with a net loss of just over 1,000 people during that time. In contrast, the Mat-Su Borough gained more than 1,300 residents last year.

Employment growth down south has been strong relative to here in Alaska, even going back several years, so when employment (rises) down south, they see more people are likely to leave the state, and go to new employment opportunities there. When employment opportunities are strong in Alaska the net gain population goes the other direction toward the State.

Net migration — in-migration minus out-migration — accounted for a loss of 7,577 people between 2017 and 2018, while natural increase, or births minus deaths, added 5,969 people.

Only the Gulf Coast and Southwest regions gained population, including 287 and 14 people respectively. All six of Alaska's economic regions showed net migration losses.

Statewide, the number of children and residents of working age declined, while the number of senior citizens increased. Alaska's under 18 and 18-64-year-old populations dipped by 0.9 percent, while the 65 and older age group grew by more than 5 percent.

The aging of Alaska's population has come to be known as a "silver tsunami." For nearly a decade now, the state has had the fastest growing senior population in the nation, according to the Alaska Commission on Aging.

The Commission projects the number of seniors in our state will more than double by the year 2042.²⁸

2018 Anchorage Earthquake

On November 30, 2018, at 8:29 a.m. AKST (17:29 UTC), a magnitude 7.0 earthquake hit South Central Alaska. The earthquake's epicenter was near Joint Base Elmendorf-Richardson, about 10 miles (16 km) north of Anchorage, and occurred at a depth of 29 miles (47 km). It was followed six minutes later by a magnitude 5.7 aftershock centered 2.5 miles (4.0 km) north-northwest of the municipality. The earthquake could be felt as far away as Fairbanks.



Severe damage to several buildings and a highway overpass near Ted Stevens Anchorage International Airport was reported as shown above.²⁹ There were no casualties reported. In January 2019, the governor of Alaska proposed a supplemental budget that would spend around \$130 million on earthquake relief.³⁰ As a result of the earthquake market participants are concerned about structural damage to properties in the Anchorage/Eagle River areas and in some cases are consulting structural engineers.

Alaska, Chinese Firms Extend Negotiations for LNG Export Project

The following is from a January 4, 2019 article from Naturalgasintel.com

Alaska and three Chinese companies have agreed to a six-month extension to negotiate and conclude definitive agreements for a liquefied natural gas (LNG) project in the state, despite an ongoing U.S.-Sino trade war as of January 2019.

The Alaska Gasline Development Corp. (AGDC), China's state-owned Sinopec Group, the Bank of China and CIC Capital, a subsidiary of China Investment Corp., agreed to extend the deadline for an agreement until June 30, 2019.

The four parties signed a joint development agreement (JDA) in November 2017 to develop the Alaska LNG project, which is estimated to cost \$43.4 billion and as designed could export up to 20 million metric tons/year (mmt). A supplemental agreement was signed last September that continued negotiations to the end of 2018. AGDC has pledged to reserve 75% of the project's LNG production capacity (15 mmt) for Sinopec.

"All of the parties realized that they needed a little more time to reach the final agreements," AGDC spokesman Jesse Carlstrom told NGL. "They agreed to extend the deadline."

As designed, Alaska LNG includes a three-train liquefaction plant in Southcentral Alaska at Nikiski, an 807-mile, 1.1 meter diameter gas pipeline, a North Slope gas treatment plant, and interconnecting facilities to connect the Prudhoe Bay gas complex to the gas treatment plant.

Carlstrom characterized the negotiations between the AGDC and the Chinese firms as "positive" and "very good," and that substantial progress was made in 2018 toward a final agreement. He added that since the JDA was signed in 2017, numerous in-person meetings had been held in China and Alaska, which included visits to the North Slope and Nikiski.

"This extension is a good indicator that the parties are engaged and want to conclude a deal with Alaska," Carlstrom said. "The parties in China see Alaska LNG as an opportunity worth pursuing, and that is why we've all agreed to work toward the June deadline. This is typical for a large, multi-billion dollar, multi-decade project. Just the paperwork alone often takes more than a year to conclude. From our end, this is not a step back. In fact, this is more encouraging than anything -- that all parties are still engaged."

Besides China, the AGDC has also been in negotiations with potential LNG buyers in Japan, South Korea and Vietnam.

With crude oil prices falling, economists question the sustainability of Dunleavy's PFD plan.

The following is from a November 14, 2018 article from KTUU written by Derak Minemyer.

West Texas Intermediate and Alaska North Slope crude prices are each down around 22 percent in the last month. The question is this precipitous drop cause for alarm, or just due to the ebb and flow of global economics?

And more importantly, what does this all mean for Alaska?

²⁸ <https://www.ktva.com/story/39767913/alaskas-population-declines-for-second-year-in-a-row>

²⁹ https://en.wikipedia.org/wiki/2018_Anchorage_earthquake

³⁰ <https://www.ktuu.com/content/news/Governor-requests-130-M-for-earthquake-relief-and-20-M-education-cut-505002562.html>

The concern is always focused on how crude oil prices impact government, budgeting and deficits. Local economists say predicting prices in the long-term is not surefire, and having other means in place to fund deficits could very well be the difference in Alaska's future.

Gov.-elect Mike Dunleavy campaigned on the promise of restoring the PFD by following the budget formula used prior to 2016, before Gov. Walker issued a line-item veto on half of the PFD payout to keep state government operational amidst a crushing recession and dwindling oil revenues. The legislature followed suit in 2017, setting a fixed dividend amount at \$1,600.

But where will the money come from?

"If there are new deficits, it's going to come out of the Earnings Reserve Account of the Permanent Fund," said former Department of Revenue petroleum economist Roger Marks, who worked in the Tax Division for 25 years. "And this additional dividend payback is also going to be paid out of that same earnings reserve."

Gov.-elect Dunleavy said there is currently \$19 billion in the ERA that was earmarked for Alaskans before Gov. Walker's 2016 veto. That's where he says the money to pay a full PFD and manage government expenses would come from.

But Marks says the ERA is directly tied to Alaska oil production taxes and royalties. "So when prices go down, we get less production taxes and less oil royalties, which has an effect on state revenues," Marks said.

One possible scenario challenging Dunleavy's plan is the continued decline of crude oil prices as they have steadily over the last month. How could an account set up to run state government keep that government afloat if the very thing fueling it is in steady decline?

That's the scenario that has both Roger Marks and long-time Alaska oil and gas analyst Larry Persily concerned about the Governor-elect's plans for running the state.

"We're dependent on one source of income, and we follow oil prices like it's some tablet from Moses from the mountains," Persily said. "We should think 'What are we going to do long-term to pay for public services we want?'"

Gov.-elect Dunleavy has earmarked public safety, education, transportation and natural resource management as key funding priorities. He says he is confident that through more efficient management of government spending in the form of cuts to services, that decreased spending will be enough to offset the drain on the ERA.

"We're going to manage the state better; we're going to find efficiencies and we're going to make sure that the money that people

have already allocated, and that we've gotten through our revenue for oil is used efficiently," Dunleavy said. "Until we do that, we need to make sure that the people of Alaska can rely on us and trust us to follow our own laws. So the payback of the PFD I think is important."

Mark says his response is firmly rooted in more than 25 years working in economics.

"It will be challenging to fund both future deficits, to also fund future state spending that's also going to come out of the earnings reserve," he said. "It's unclear whether you can fund all those things from the account. It's going to make future cash flow difficult to connect the dots on if you pull what he wants to pull out."

REGIONAL DATA

Southeast Economy

Trends, a publication by the Alaska Department of Labor, provides a forecast each year for various regions of the state. An excerpt from the January 2019 Southeast Alaska forecast by Karinne Wiebold is presented in the Addenda.

SUMMARY

North Pacific Advisors - Summary

Oil and gas are still the dominate forces of the Alaskan economy. There are already concerns of accelerated declines in oil production; however, the recent drop in oil prices is a larger concern at this point as the majority of the state revenue comes from oil royalties. The status of the oil industry can have a direct correlation with real estate values.

In 1986, the collapse of world oil prices, combined with an over-built real estate market, helped pitch Anchorage into a major recession that lasted into the early 90's. During this time, Anchorage lost about 12,000 jobs and 29,000 residents and commercial real estate values dropped considerably. The impact of that recession was still reflected in 2001 property values (economic obsolescence) and since this period, with the exception of 2009, Alaska's economy has demonstrated slow growth.

Today, there is a strong (and growing) transportation sector, a steadily increasing construction infrastructure and a rapidly growing services sector. Overall, Alaska enjoyed a relatively stable economy over the last 15 years and weathered the national recession fairly well.

The region's economy has been resilient in the last few decades, responding fairly well to major economic setbacks. One reason has been the diversity provided

by its four major economic drivers –fishing, tourism, mining and government. Going forward for 2020, the real estate market is best characterized as flat with market participants keeping a close eye on oil prices.

MARKET ANALYSIS

The subject is a large seafood processing plant with cruise ship related retail businesses located in downtown Juneau, Alaska. The plant processes salmon and nearly all species of bottom fish.

The chapter is based on secondary research from several different sources. We reviewed “Alaska Seafood Marketing Institute FY 2018”, Trends in Alaska and World Salmon Markets” by Gunnar Knapp and we include exhibits throughout the chapter. We also reviewed “the run harvest for 2019” published by the Alaska Department of Fish and Game.

Primary research involved an informal “jury of executive opinion” conducted by phone calls to managers and owners of competing processors throughout Alaska.

In addition to the seafood processing plant; the subject consists of a commercial building consisting of retail space in the cruise ship district. In this chapter we discuss various aspects of the tourism markets.

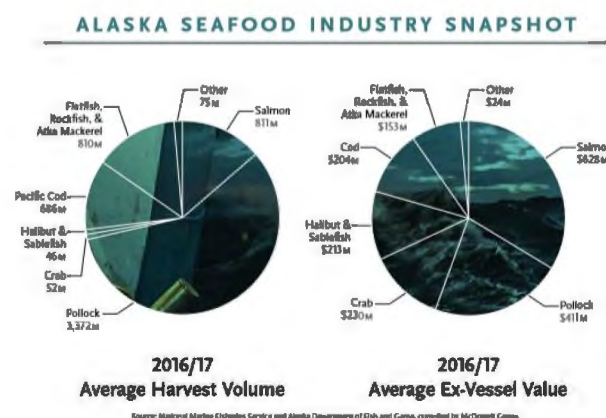
Tourism is on the rebound and continues to be one of Alaska’s major basic industries. In the following paragraphs we discuss new construction as well as vacancy levels and market rents for the seafood, retail and office markets.

Pacific cod, halibut and sablefish. As of print time it is too soon to tell whether 2018 will come in slightly under or over 2017’s total value of approximately \$1.98 billion.

Preliminary data shows that the 2018 Alaska salmon harvest totaled 605 million pounds, valued at \$595 million. While this is among the smallest harvest volumes observed in recent decades, it will likely rank as the fifth or sixth most valuable harvest on record, once the final numbers are recorded. However, nearly all the season’s success was limited to Bristol Bay—which had record-breaking harvests and strong prices. Other areas of the state struggled with slow, late, or closed fisheries. » Increasing prices have buoyed Alaska’s groundfish fisheries, most notably for pollock. Flatfish and rockfish prices were also favorable against 2017, especially for at-sea processed volume. While Pacific cod prices are higher, total harvest value may be down due to lower quotas. Crab harvest volumes in 2018 were at historic lows but with very strong prices, particularly for red king crab.

Alaska halibut and sablefish fisheries experienced a notable reduction in ex-vessel prices in 2018. Halibut prices were about 25 percent lower than the prior year when fishing began in March. The effect of that price decline was compounded by reduced halibut quota and competition with increased imports of fresh Atlantic halibut imported from Canada. Alaska sablefish values have been impacted by existing unsold inventory and experienced slower demand. While quota for sablefish was higher in 2018 compared to 2017, a larger proportion of small sablefish challenged fishermen and processors.

FISHING TRENDS



Compared to the same period in 2017, trade data through September 2018 shows export volume down about 5 percent while the total value is up slightly. Total salmon export value weakened about 10 percent (due in part to a smaller harvest), pollock export value is up more than 15 percent, and Pacific cod export values are about 18 percent lower. Trade disputes between China and the U.S. created uncertainty for harvesters and processors alike. Due to the importance of export markets, the Alaska seafood industry is watching the evolving situation closely.

Alaska Seafood Challenges & Successes

On July 6th, 2018, China implemented a punitive tariff of an additional 25 percent for exported products to China destined for the Chinese domestic market, bringing most tariffs to total 45%. The impact to the Alaska seafood industry will affect companies that target the domestic market in China for products such as sablefish, Pacific cod, flatfish, fishmeal, geoduck, sea cucumber and crab. As of fall 2018, Alaska seafood that is processed in China and re-exported is exempt from the increased tariff.

Alaska Seafood in Global Marketplace

While the 2018 Alaska salmon season was challenging for many, strong ex-vessel prices made it one of the most valuable harvests on record. Alaska groundfish harvests were mixed as well, with generally improving prices, but reduced total harvest values for

While the U.S. faces increasing tariffs or uncertainty in several major global markets, many competing countries have completed or are negotiating free trade agreements. For example, China currently has more free trade agreements than the U.S. This significantly reduces Alaska seafood's competitiveness internationally.

The U.S. Trade Representatives increased tariffs by 10 percent in September 2018, increasing to 25 percent January 1, 2019, for products imported from China to the U.S. This list includes \$2.7 billion in seafood that is processed in China and imported to the U.S., of which Alaska products represent a significant portion.

Success: ASMI participated and presented at Alaska commercial fisherman meetings in Cordova, Sitka, Kodiak, Dutch Harbor, Naknek, Haines, Anchorage and Seattle —providing an opportunity for the fleet to learn about ASMI's programs and how the organization improves the value of Alaska's commercial fisheries.

Success: ASMI hosted a delegation of seafood buyers, traders and media from China to Alaska and Seattle, July 8-13, 2018. The nine participants from Qingdao, Shanghai, Hong Kong, Shenzhen and Guangzhou gained first-hand knowledge of the wild, natural and sustainable attributes of Alaska seafood and met with industry during their tours in Kodiak and Seattle.

Metrics

Matching specific and or custom wild Alaska seafood products to the increasing demand for protein around the world and similarly, matching new wild Alaska seafood products to the USDA recommendations in all government programs that seafood be eaten twice a week. Success ASMI collaborated the Seafood Industry Research Fund to support a study by the University of Connecticut to gather key information regarding dietary fish consumption patterns in breast cancer survivors experiencing symptoms of persistent pain and fatigue. The two-year investigation uses the USDA dietary guidelines as a basis to assess the consumption of more fish consumption for improved dietary intake patterns for breast cancer survivors. Consumption of omega-3 fatty acid in fish, and not in supplements, is encouraged as a component of the Nutrition and Physical Activity Guidelines for cancer survivors.

The strong U.S. dollar continues to makes Alaska products more expensive relative to foreign competitors in overseas markets.

Success ASMI market research identified two "super consumer" groups representing 55 percent of consumer seafood spend and tested their sentiments about the brand: 61 percent are more likely to order/buy seafood when Alaska is called out, 56 percent will return to the restaurant of retailer in the near future, and 53 percent will recommend the restaurant/retailer to friends and family.

Success ASMI Foodservice Distributor promotions initiated activations with 114 Operating Divisions, 468,000 customers, with the cost to promote at \$.034/lb. Success The ASMI Domestic Program partnered with 18,410 foodservice establishments in FY2018, including 27 chains and seven new partners.

Success FY2018 U.S. consumer public relations earned media efforts resulted in 350 placements and over 1.1 billion impressions.

Due to the Russian embargo, which began in mid-2014, farmed Norwegian salmon continues to be redirected to other markets. This has affected the U.S. and European markets, where it competes with Alaska salmon.

Success ASMI executed custom promotions including social media, point of sale materials, demos, and merchandising in over 35,000 U.S. retail stores as well as e-commerce. A Costco promotion with 214 in-store demos resulted in 27.8 percent sales lift.

Alaska salmon harvests have been increasingly unpredictable in recent years, putting more pressure on ASMI and the industry to expand sales of species with larger harvests and retain value for species with lower harvests. Success ASMI's global food aid efforts resulted in \$25.5 million in sales of Alaska seafood during FY2018.

Success ASMI sponsored two Foodable TV episodes and the seafood section of the Foodable annual Protein Sourcing Guide. The cumulative results were 249,000 unique page views, 178,000 overall video views and 3.3 million social media impressions.

Success: ASMI sponsored three Ibotta digital coupon promotions in FY2018. The summer promotion of fresh or frozen salmon and halibut garnered 26 million impressions, 444,000 coupon unlocks and 36,000 rebates redeemed.

Success: Despite lower ex-vessel values resulting from the strong dollar and other factors, the value of Alaska's seafood harvest has trended higher. Adjusted for inflation, the 2017 harvest value was 17 percent higher than 2000.

ALASKA HARVEST 2019

With the addition of about 100,000 fish last week, the 2019 Alaska commercial salmon season is nearly complete. The season total of slightly more than 200 million fish will rank as the 8th largest number of fish harvested on record. Historical data indicate a few hundred thousand additional salmon are usually harvested over the next two weeks.

The 2019 sockeye harvest of more than 55 million fish is the fourth largest on record, measured by number of fish. Bristol Bay accounted for 78 percent of the total; ADF&G describes the 2019 harvest as the most valuable on record and the second-largest production measured by pounds landed.

Pink salmon harvest of about 125 million fish is the eighth largest on record. PWS contributed the most of any region with 38 percent of the total, and Kodiak's harvest accounted for 26 percent.

This year's harvest of slightly more than 17 million keta is the 16th largest on record and nearly equal to the five-year average. Southeast accounted for 42 percent followed by PWS (31 percent), AK Pen. & Aleutian Islands (8 percent) and AYK (7 percent), among other areas.

Although a modest amount of additional coho are expected to be added this season, the current YTD pace is 22 percent behind the five-year average. Chinook harvest of approximately 255,000 fish is slightly larger than 2018, but ranks among the lowest harvests since 1975.

2019 Harvest v. Forecast			
('000 fish)			
	Harvest	Forecast	% Realized
Sockeye	55,278	41,686	133%
Pink	124,904	137,830	91%
Keta	17,186	28,962	59%
Coho	3,410	4,628	74%
Chinook	255	250	102%
Total	201,033	213,356	94%

HISTORIC FISH PRICES

The data presented at the beginning of this section is based on records kept by the Alaska Department of Fish and Game. In terms of pounds landed and ex-vessel value (price paid by fisherman), these charts show the relevance of Sockeye production to all other salmon species, for the state and the Bristol Bay salmon fishery. Pounds landed and ex-vessel value are delivery weight and price paid to the fishermen before processing. For the overall Bristol Bay area, the average Sockeye price in 2017 was \$1.10/lb. The table above shows the historic pricing.

Statewide Average Exvessel Price per Pound (Nominal)					
Year	Chinook	Chum	Coho	Pink	Sockeye
2004	\$1.86	\$0.21	\$0.68	\$0.11	\$0.62
2005	\$2.22	\$0.27	\$0.76	\$0.12	\$0.74
2006	\$2.92	\$0.32	\$1.03	\$0.16	\$0.76
2007	\$3.09	\$0.33	\$0.95	\$0.19	\$0.80
2008	\$4.43	\$0.59	\$1.28	\$0.35	\$0.86
2009	\$2.60	\$0.48	\$0.93	\$0.27	\$0.91
2010	\$3.67	\$0.71	\$1.15	\$0.40	\$1.20
2011	\$3.57	\$0.83	\$1.16	\$0.47	\$1.31
2012	\$3.72	\$0.77	\$1.22	\$0.50	\$1.31
2013	\$4.27	\$0.54	\$1.29	\$0.42	\$1.78
2014	\$4.19	\$0.68	\$1.10	\$0.31	\$1.54
2015	\$3.47	\$0.55	\$0.75	\$0.23	\$0.82
2016	\$4.88	\$0.62	\$1.18	\$0.36	\$1.06

A number of factors can influence the price of fish; such as, cost of fuel, competition, and the number of fish harvested, so the average price of fish does not always indicate a high or low harvest.

As long as they can access the supply at a competitive price, they can continue to operate. Overall, for efficient operators, the outlook is positive.

SALMON FARMING

Growing consumer demand for fresh salmon and high prices provided incentive for competition to the wild salmon industry, which began developing in the early

1980s in the form of salmon farming. Simply put, farmed salmon are private hatcheries where fish eggs are hatched, released into netted pens and raised to a precise market size before harvesting. The process is very controlled and allows for delivery of fresh and frozen fish to international markets year-round. The dominant species for farming are Atlantic salmon and Trout. Pacific Salmon species that have been successfully farmed to date include Chum, Coho, and Chinook. To date, efforts to farm Sockeye Salmon have been unsuccessful. So far, farmed salmon cannot match Sockeye in texture and color, but the features of consistent high-quality and year-round supply allow farmed salmon and trout a competitive edge. Progress in bio-genetic research may one day yield a farm fish with the color/texture attributes of the sockeye. In its infancy, farmed salmon was not considered much of a threat, but over time, salmon farmers have simultaneously increased production and reduced costs.

Until the mid-1990s international wholesale salmon prices were driven by the total supply of Alaska Salmon. Prices paid to fishermen and wholesale prices tended to fall when Alaska runs were abundant and rise when they were lean. Fishermen and Processors could anticipate that low prices might be compensated by large volume and overall profits could be somewhat balanced. This trend is changing with the increasing supply of farmed salmon. Although discerning Japanese Consumers still tend to prefer good-quality wild sockeye to farmed fish, they have become more selective.

The table on the facing page summarizes advantages and disadvantages of wild salmon compared to farmed salmon. These advantages and disadvantages noted here are will shape production and marketing strategies for wild salmon. Balancing production of fresh, frozen and canned sockeye in Bristol Bay, plus targeting markets where individual product types are in greatest demand will enhance overall value of sockeye salmon. In general terms, any salmon promotion whether wild or farmed has a positive effect on all salmon consumption.

DEMAND FOR THE SUBJECT

Seafood plants are not actively traded and are subject to very narrow markets. Plants that operate economically tend to remain in operation. Plants that experience financial difficulty or experience external obsolescence may sell at discounted prices. The subject owner is selling for personal reasons and the plant is very profitable. Data presented in this section indicates that well-positioned processing facilities similar to the subject will remain economically viable in the current

market. In general, the demand for a property like the subject is limited to the sockeye salmon processing industry.

The pool of most likely buyers is probably quite small. Buyers most capable of achieving full value from the subject property must have a combination of know-how, extensive organization, and capital resources. Costs involved in high-volume salmon processing begin well before the first fish enters the plant, with little return before large volumes of product can be sold off at a much later date. In spite of the uncertainties, capital costs, and risks, the salmon processing business is a compelling industry that always manages to attract many willing participants. In our opinion, if this property were available for sale, it would likely attract considerable interest. After thorough examination of all the influences affecting value, we believe that the best indicator of value for the subject (real property) is depreciated replacement cost with consideration of the local fishery and the plant's profit potential.

SUMMARY AND CONCLUSIONS

Commercial harvesting and processing of salmon has a long history studded with peaks and valleys. Rising world demand and high prices in the 1980s and 90s has drawn heavy competition in the form of farmed salmon, which has gained a substantial foothold in world markets. Still, Alaska Sockeye Salmon is a considered a premiere product. The subject operation should be able to be a profitable operation given its close proximity to the fishing grounds.

TOURISM TRENDS

We will first look at tourism growth for the State of Alaska and then discuss southeast Alaska.

Alaska Visitors

The tourism industry witnessed strong growth between 1985 and 1996 (over 5% annually). From FY 1994 to FY 1999 the increase was 13.5% or nearly 3% per year. From FY 1999 to FY 2001 the annual increase was almost 9% annually. Estimated total summer visitors to Alaska in 2014 was 1,659,600. This is a decline of 2% from 2013 and 4.6% increase from 2012. The previous peak years in Alaska summer tourism was 2008. The lower 2010-2012 figures were a direct result of a ballot initiative, which posed excessive taxes and inequitable environmental laws on the cruise industry. As a result, cruise lines began deploying their ships elsewhere, causing a decline in the amount of cruise passengers coming to Alaska.³¹ The intuitive was eventually

repealed and the cruise ship industry responded with more ships to Alaska. Of the 2.25 million visitors in 2017: 49% (1,089,700) came by cruise, 47% (1,058,700) came by air, and 4% (99,900) came by highway or ferry. The State of Alaska shows the estimated summer visitors (between May 1 and September 30) in the following table.

Summer Travelers to Alaska ³²		
Year	Number (rnd)	% Change
2018	2,026,300	5.20%
2017	1,926,000	3.65%
2016	1,858,000	4.38%
2015	1,780,000	7.25%
2014	1,659,600	-2.02%
2013	1,693,800	6.76%
2012	1,586,600	1.91%
2011	1,556,800	1.59%
2010	1,532,400	-4.32%
2009	1,601,700	-6.19%
2008	1,707,400	0.44%
2007	1,700,000	6.25%
2006	1,600,000	4.58%
2005	1,530,000	3.38%
2004	1,480,000	13.85%
2003	1,300,000	1.56%
2002	1,280,000	6.67%
2001	1,200,000	- - -

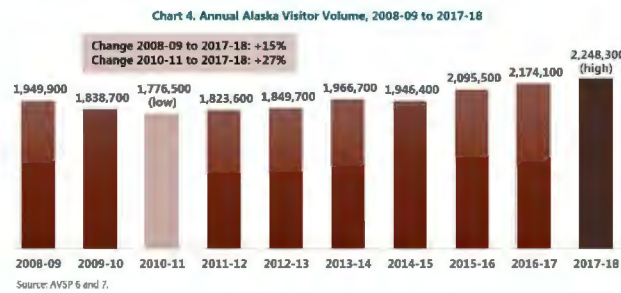
Based on the table, average growth in Summer visitors since 2001 reflects an average of 3.8%.

The McDowell Group performs studies on the Alaska Summer Tourism Industry for most years since 2000 and most of our data is derived from those studies. Tourism remains a seasonal industry (summer May 1 – September 30). Most visitors (about 70%) arrive during the summer and over 75% of the summer travelers are on vacation. The majority of winter visitors are visiting friends or relatives 42% and business travelers account for 39%. It is clear that leisure travelers dominate the summer market and winter travel is more business oriented. The largest demographic segment for summer travelers are retirees with high discretionary incomes. On average, a typical summer visitor stays in Alaska 11.1 nights. The majority of Alaska visitors originate from the Continental United States (87%) and most of these visitors are from Southcentral. Shown on the following tables is the winter visitors are growing in addition to overall growth. For year-round travel, 2017/18 shows

³¹ <http://www.akrdc.org/issues/tourism/overview.html>

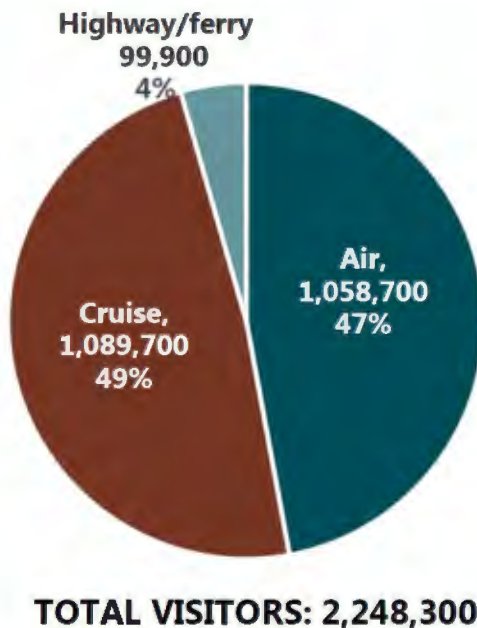
³² Source: Estimate by Northern Economics from several sources

an increase of 1.7% over the prior year and it was the best year on record.



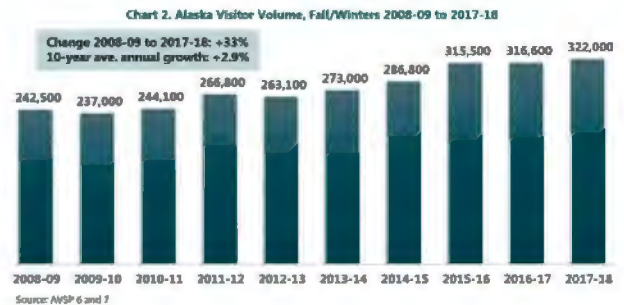
The pie chart below shows the full-year volume by transportation market. The cruise ship volume of 1,089,700 (49%) includes all cruise ship visitors (regardless of entry/exit transportation mode). The air volume of 1,058,700 (47%) and the highway/ferry volume of 99,900 includes all visitors who entered or exited Alaska via highway or ferry.³³

Chart 3. Alaska Visitor Volume, Full Year, 2017-18, By Market



The national economy plays a significant role in the rise or fall of summer visitors to Alaska. The industry took a hit in 2008 and continued to drop in 2009 and 2010 as shown by the (4.32 percent) visitor decline in 2010. The decline in visitors is a direct result of the national economic recession. While a majority of the tourists are domestic, when the value of the dollar is low many international visitors come to Alaska to reap the benefits of a better exchange rate and find it cheaper to travel

then other places in the world. Ultimately, while the national economy recovers, the number of visitors to Alaska also rises. As show below winter travel has demonstrated an increasing trend since the 2012/13 season.



CRUISE SHIP OVERVIEW

The following is an excerpt from an article from CLIA Alaska President Releases 2019 Cruise Visitor Projections By the Cruise Lines International Association Alaska.

John Binkley, president of Cruise Lines International Association Alaska (CLIA Alaska), said the Alaska cruise industry will see unprecedented growth over the next two years.

“Alaska will continue to set records the next two years, with an anticipated cruise visitor growth of 19 percent over 2017. We look forward to welcoming an estimated 1,310,000 cruise visitors in 2019,” Binkley told a group at the Southeast Conference Mid-Session Summit in Juneau.

This first release of 2019 projections indicates cruise visitors to Alaska will increase 12 percent over 2018 projections, which are expected to set another record over 2017.

Binkley attributed the growth to the high demand for Alaska cruises and the extremely high level of guest experience. “Alaska is an exotic destination for many travelers. There aren’t many places where cruise passengers get to experience the mountains, glaciers, wildlife, culture and such hospitable hosts who welcome and eagerly share what they love most about our state. Alaska ranks very high in guest satisfaction.”

Binkley also discussed the projected economic benefits of the anticipated growth. “Over the next two years, we will see an increase of \$137.5 million in annual passenger spending, which will generate significant revenues for local communities.” In Juneau for example, total taxable passenger spending is projected to be \$212 million for the 2019 summer season. This equates to

³³ AVSP Fall Winter 2017-18 Revised

approximately \$1.8 million more every year in sales tax for the community, resulting in nearly 25 percent of all sales taxes collected and the services funded by those taxes coming from the visitor industry.

Another success story is Icy Strait Point (ISP) in the community of Hoonah. ISP is a relatively new port in the Alaska cruise industry. Starting with a total of 32 ship calls in 2004, they are projected to receive 122 calls in 2019, making ISP the fourth most visited cruise ship port in Alaska. Owned by the local village corporation, Huna Totem Corp, they have over 85 percent local hire from the community of Hoonah.

Robert Venables, executive director of the Southeast Conference, said "It is exciting to hear the strong growth projections for the cruise industry in Alaska. That growth will bring positive economic opportunities to our Southeast communities and we look forward to working with the industry to make sure Alaska remains one of the top destinations in the world."

CLIA Alaska member lines sent 33 ships on 497 voyages carrying a total of 1,089,700 passengers to Alaska in 2017. The projections for 2018 are 34 CLIA Alaska ships, 519 voyages and 1,165,500 passengers. Projected 2019 figures are 37 CLIA Alaska ships, 567 voyages and 1,310,000 passengers.

"The growth of the cruise tourism industry in Alaska is remarkable and as we look to the future, we see great potential for continued growth and the chance to share our great state to well over a million people each season," Binkley said.

SOUTHEAST VISITOR OVERVIEW

Southeast Alaska, a publication by the Southeast Conference, provides an overview for the southeast region of the state. The following is an excerpt by the Southeast Conference.

Visitor Industry 7,740 Annual Avg. Jobs UP 160 JOBS IN 2017 +2%

In 2017 the visitor industry continued to be the largest private sector industry, both in jobs and, since 2016, in total workforce earnings (see chart on page 4). The visitor industry accounted for 17% of regional employment (7,740 annual average jobs) and nearly a quarter (24%) of all private sector employment. Since 2010, visitor industry employment has grown by 32%, with 1,900 new jobs. Those working in the visitor industry earned \$231 million in 2017—or 11 percent of all regional employment income. The average annualized wage in the visitor industry is \$29,900

(significantly lower than the average regional wage of \$48,000).



In 2017, 1.5 million air, ferry, and cruise passengers came to Southeast Alaska from outside the region, a 13% increase over 2014. Airline passenger traffic from outside the region grew 15%, and cruise passenger traffic to the region increased by 13%. During this period, ferry arrivals from outside the region fell by 34% due to decreases in funding and service.

CRUISE SHIP TRAFFIC

Most visitors to the region (70%) come by cruise ship, and cruise passenger traffic has seen massive increases in recent years. Between 2010 and 2019, the number of cruise passengers arriving in the region is projected to increase by a staggering 55%, including one-year growth of 17 percent expected from 2018 to 2019. Southeast Alaska is expected to receive 4.3% of all global cruise ship passengers in 2018.

In 2018, 34 cruise ships are scheduled to visit the region, carrying 1.165 million passengers on 519 voyages. Ships are getting larger. To handle this change Juneau recently built two new Panamax docks, giving the capital city capacity to host four 1,000-foot plus vessels at a time. The City of Ketchikan is working on a similar berth expansion.

In 2018 Norwegian Cruises added the Norwegian Bliss to the fleet, the first cruise ship custom designed for Alaska waters. It the largest cruise ship to serve Alaska with a length of 1,094 feet, and a capacity of 4,004 passengers and 1,716 crew. Windstar Cruises restarted service to the region in 2018 after a more than 20-year absence, and Princess added a ship.

In 2019, Viking Cruises, Cunard Cruise Line and the upscale Azamara Cruises will each send ships to Alaska

for the first time, and the Norwegian Joy, sister ship to the Bliss, will reposition from China.

KEY ECONOMIC DRIVER

Southeast Alaska is the most visited part of the state, with two-thirds of all tourists coming to the region. One-third of all Alaska visitor spending occurs in Southeast, where visitors spent an estimated \$657 million in 2016. Average spending by visitor was \$487 per person according to the Alaska Visitors Statistic Program. In Juneau, those arriving by plane spent nearly four times as much as those arriving by cruise ship.

INCREASED JET SERVICE

For the third year in a row, in 2017 Southeast Alaska saw a record-breaking number of airline passengers from outside the region, with 427,300 arrivals. This year is likely to shatter records again; as of July 2018, airline passenger arrivals were up 3% over the first half of 2017.

VISITOR OUTLOOK The visitor industry has the strongest outlook of all Southeast Alaska industries. Alaska's popularity as a visitor destination has continued to grow. In 2018 Glacier Bay was rated the best cruise designation in the world by cruisers. More Americans are traveling due to a strong national economy and international travel destinations are increasingly perceived to have security risks. Cruise passenger arrivals are expected to continue to rise as larger, higher capacity vessels visit the region. Air arrivals are also expected to grow. Along with increased visitors, the number of jobs and associated income in this sector will continue to rise.

NEW RETAIL CONSTRUCTION

Current real estate conditions (i.e. rents and sale prices) do not generally support most rent-driven (or speculative) commercial construction. Recent developments have typically been the result of a lack of substitute properties in the existing inventory.

There has been limited development of new retail in the downtown retail district. The tourist district has seen extensive growth in the past 10 years with the increase in cruise ship traffic.

The valley district has seen slow growth with limited stand-alone retail developments. There has been store front/stand-alone retail developments on the pad site surrounding the big box stores. Recent "Big Box" construction is presented below.

- Fred Meyer expanded store.
- Wal-Mart opened a new super store.
- Home Depot opened a new store.

The expected fall-out of the recent expansions increased vacancies at existing retail properties. For many storefront centers, tenants had already changed from "mom and pop" stores to service businesses, quasi-offices and specialty shops. Storefront retail properties did not suffer the high vacancies from this boom as originally anticipated; however, rents were limited to only minor increases for several years.

RETAIL MARKET RENTS

Market rents for non-cruise ship related (older) storefront retail properties are between \$1.00/SF and \$2.00/SF (with tenants paying electric, gas and interior maintenance). Stand-alone retail buildings generally rent on a N-N-N basis, with rates in the range of \$0.90/SF to \$1.75/SF. Storefront center rents have had minimal increases in recent years. New leases typically have annual steps of \$0.05/SF. Rental rates for anchor tenants at older properties may be lower than this range.

Cruise ship related retail rents have climbed steadily in the last five years and range from \$3.50/SF for space in older buildings that are not exposed to heavy foot traffic to \$10.00/SF for very small spaces that are leased to jewelry stores. Typically, the range is from about \$5.00/SF to \$8.00/SF for well-located downtown properties. "Key money" (a substantial up-front payment to the landlord) is a factor in some leases.

In most instances, market rents are too low for speculative construction; the exceptions are in the "power centers" or on land owned free and clear by the developers. Slow rent growth is anticipated over the next several years.

RETAIL MARKET VACANCIES

During the economic downturn (1986-1990), city-wide retail vacancies exceeded 20%. The retail construction boom began at a time when the city's average vacancy was near 12%. As of the report date, all of the newer "big box" structures are occupied.

As of mid-2000s, some of the large vacant spaces were absorbed, and all of the smaller storefront centers were showing increased occupancy levels. Current vacancies are estimated in the 5% range.

Based on discussions with numerous brokers, owners and managers of commercial property, we do not expect any significant changes in the vacancy rate during the next few years.

STRENGTH AND WEAKNESSES

As discussed throughout this report, the subject is comprised of an existing mixed-use commercial building in an waterfront industrial neighborhood with a combined GBA of 52,896 SF. The existing building is in good condition and quality. Access and linkages to other districts in Juneau are good.

Strengths and weaknesses are as follows:

Strengths

- Good location within the Juneau Industrial District. Access and linkages to other districts in Juneau are good.
- Good road frontage/exposure

Weaknesses

- The existing building is in average condition and quality.
- One weakness of the entire market right now is the recent decrease in oil prices which as stated in the Area Analysis chapter. Currently, the commercial market is flat; however, barring continued decline, the overall outlook for the market is slow growth.
- Low Oil Prices

The office space is typical for average quality industrial property with retail similar to other good quality industrial buildings. Property has good access and exposure.

Vacancies in the neighborhood are low at this time. The subject is currently 92% owner-occupied. All issues taken together; we expect that the property should continue to compete effectively in this segment of the Juneau commercial market. We project a stabilized vacancy and credit loss of 5% (see Income Capitalization Approach).

MARKET ANALYSIS CONCLUSIONS

Rents for all commercial properties have increased steadily since 1991, but are still generally too low to encourage speculative construction. Although concerns regarding the future of the oil industry were temporarily quelled by the talk of a new gas pipeline and high oil prices, future reduced state revenues and spending are still very real issues in the long term, especially considering the unstable nature of the market. The Juneau office market has experienced steadily increasing rents and land prices as scarcity has begun to impact the relatively few properties that are available.

General retail/office rent and occupancy levels in Juneau are currently healthy, although speculative construction is not yet feasible. As such, new development will most likely be limited to owner-user or built-to-suit projects for the next few years. Due to its good location, the subject should perform very well in this market.

Also considering increasing construction costs, the overall outlook is for continued low vacancies (5% or less) and moderate rent increases. The weak national economy is a major concern as is the lack of capital available for commercial real estate loans. The overall outlook for the Juneau market looks positive, but overall the real estate market remains cautious.

REAL ESTATE TAXES & ZONING



Real estate taxes and zoning issues are discussed in the following paragraphs. The following discussion is based on information provided by the City and Borough of Juneau.

REAL ESTATE TAXES

State statutes require that real estate in Alaska be assessed at "full and true value" for real estate tax purposes, and this terminology is usually interpreted as synonymous with market value as defined in this report. In practice, assessed values tend to be lower than market value, although this is not always true.

The appraised property is in the jurisdiction of the City and Borough of Juneau and is identified as Tax Parcel 1C100K830025 and 1C100K830024. Recent tax history is summarized on the table below.

PROPERTY TAX HISTORY					
Lot 2B	Land	Imps	Total	Mill	Tax
2019	\$4,977,900	\$2,568,800	\$7,546,700	10.66	\$80,448
2018	\$4,977,900	\$2,568,800	\$7,546,700	10.66	\$80,448
2017	\$4,971,200	\$2,151,400	\$7,122,600	10.76	\$76,639
Lot 2C	Land	Imps	Total	Mill	Tax
2019	\$3,752,900	\$0	\$3,752,900	10.66	\$40,006
2018	\$3,752,900	\$0	\$3,752,900	10.66	\$40,006
2017	\$3,709,500	\$0	\$3,709,500	10.76	\$39,914
Blended	Land	Imps	Total	Mill	Tax
2019	\$8,730,800	\$2,568,800	\$11,299,600	10.66	\$120,454
2018	\$8,730,800	\$2,568,800	\$11,299,600	10.66	\$120,454
2017	\$8,680,700	\$2,151,400	\$10,832,100	10.76	\$116,553

As shown, the subject's assessed value (AV) has remained flat in the past two years after a 6% increase in 2017. The property "as is" is currently assessed at market based on our analysis.

Over the last three years, the mill rate has been fairly stable, with minor changes. We do not expect a significant change in the mill rate over the near term.

In the Income Capitalization Approach, we project a real estate tax expense for the subject based on 2019 taxes of \$120,454, rounded to \$120,500.

Special Assessments

The City and Borough of Juneau reports there are no special assessments for the subject property.

ZONING

The City and Borough of Juneau lists the subject as WI zoning; Waterfront Industrial District. *The WI, waterfront industrial district, is intended for industrial and port uses which need or substantially benefit from a shoreline location. In addition, many of the uses that are allowed in the WC, waterfront commercial district, are also allowed in the WI, waterfront industrial district. Residential uses are limited to caretaker residences in the waterfront industrial district.*

Permitted principal uses include single-family, home occupations, research laboratory, light/medium manufacturing, seafood processing, open space, boat sales, boat repair and maintenance, storage and handling of goods, Parking of vehicles, temporary equipment storage, public and private moorage, recycling operations, veterinary clinic, aquaculture, weirs, channels and fisheries enhancements, personal use agriculture, transit station, dry cleaner,

minor/intermediate utility facilities, towers less than 50 feet, temporary structures and minor subdivisions.

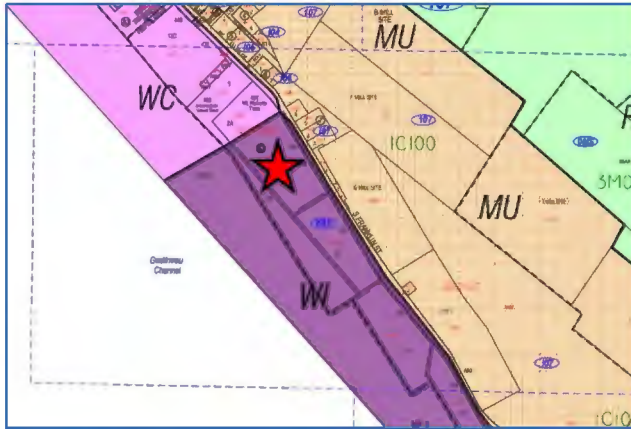
Conditional uses include hotels/motels, caretaker mobile home, sales and rental goods, marijuana retail store, heavy manufacturing, rock crusher, storage of explosives, trade and

vocational schools, colleges, churches, indoor/outdoor activity facilities, restaurants, bars coffee stand, seasonal open air food service, storage, moorage, floating structures, reclamation landfill, veterinary clinic, fire, police, ambulance, mining operations, sand and gravel operations, post office, military reserve, heliports, dry cleaner, major utility, towers above 50', and open markets.

The minimum lot requirements depend on the density of residential development. For common wall dwellings, minimum lot size is 2,000 SF plus. Minimum lot width is 20 feet. Minimum lot depth is 60 feet. Front yards, side yards and rear yard setback is 10 feet. Lot coverage has no restriction. Maximum height of structures is restricted to 45 feet.

Note many uses in the historic gold rush city are grandfathered.

A zoning change is highly unlikely for this area considering the entire neighborhood is zoned Industrial. If there was a zoning change the affect would be expected to be very minimal.

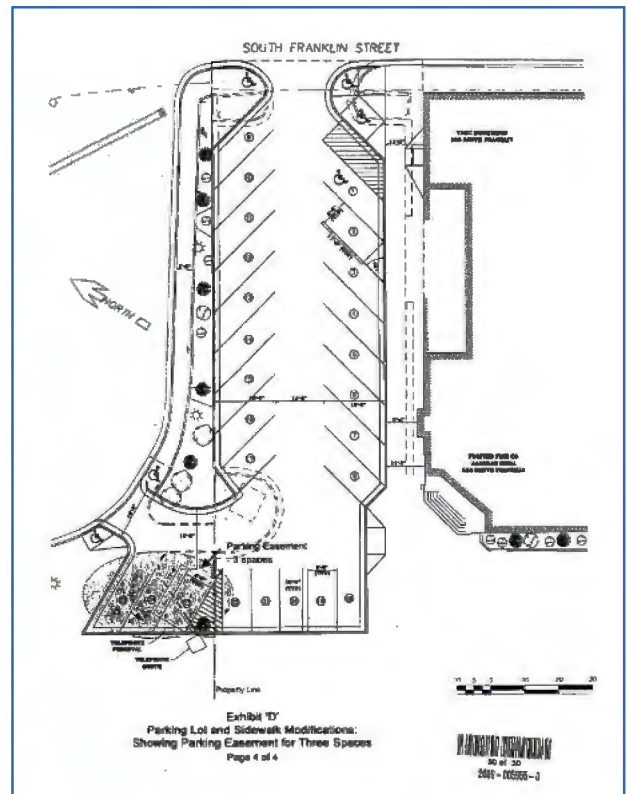


PARKING AND LOADING

The parking requirement varies according to size and use of the improvements. Regulations call for one parking space per 200 SF of restaurant area, one parking space per 300 SF of retail/office area and one parking space per 1,000 SF of manufacturing/industrial space. Based on the subject's size, approximately 87 spaces would be necessary under current municipal requirements.

Parking Requirements

Use Type	GBA	Spaces/SF	Spaces
Restaurant	2,955 SF	1/200	14.78
Retail/Off.	9,254 SF	1/300	30.85
Seafood/Industrial	40,687 SF	1/1,000	40.69
Total (Rounded)	52,896 SF		86.31



The building offers at least 25 parking stalls along the northwest of the building. Lot 2C could be used primarily for parking and would have enough to meet the 62 additional parking stalls required to meet zoning compliance. As such, the property does appear to meet the parking requirement.

ZONING AND PARKING COMPLIANCE

Based on our interpretation of the WI, Waterfront Industrial zoning regulations, the subject property appears to be a legal, conforming use in this district.

GENERAL NOTES

CERTIFICATION OF APPROVAL BY THE ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION

NAME AND TITLE OF
ALASKA DEPT. OF ENVIRONMENTAL
CONSERVATION
APPROVING OFFICIAL

RESTRICTIONS EDN-
11-5-9

7 THE BASIS OF RECORD UTILIZED FOR THIS SURVEY WAS BETWEEN RECOVERED
8 6262-5 PRIMARY MONUMENTS AT THE SOUTHEAST CORNER OF LOT 2 AND THE
9 NORTHEAST CORNER OF LOT 10. NO DISCLOSURE SUBMISSION HAVING A
10 RECORD BEARING OF N 34° 30' 00" W.

11 ALL BEARINGS HAVE BEEN ROUNDED TO THE NEAREST 0° 00' 15" OF ARC.

12 MONUMENTS BY 1/8" IRON S. RECOVERED AND THOSE MONUMENTS OF
13 RECORD AS SHOWN BY THIS PLAT ARE AS DEPICTED BY "PLAT OF DISCLOSURE
14 SUBMISSION FOR PLAT #8-0 IN THE OFFICE OF THE JOURNAL RECORDING
15 DISTRICT.

16 THE MEAN HIGHER WATER MAIN IS SHOWN ON THIS PLAT IS AS DEPICTED BY
17 "PLAT OF DISCLOSURE SUBMISSION" REFERENCED IN NOTE ABOVE.

18 WHERE SECOND SURVEY COURSES (BEARINGS AND/OR DISTANCES) DIFFER
19 FROM THAT OF ACTUAL MEASURED AND/OR COMputed SURVEY COURSES BY
20 AN ACCURACY OF LESS THAN 1 IN 5000, THE RECORD SURVEY COURSE IS
21 SHOWN WITHIN PARENTHESES WHILE THE ACTUAL MEASURED AND/OR
22 COMPUTED SURVEY COURSE IS SHOWN WITHOUT PARENTHESES.

SPECIAL NOTES

THIS PLAT IS IDENTIFIED AS AN AREA OF 100-YEAR COASTAL FLOOD WITH VELOCITY (WAVE ACTION) BASE FLOOD ELEVATION 23 FEET REFERENCED TO MEAN LOWER LOW WATER, ACCORDING TO FLOOD INSURANCE RATE MAP, PANEL NO. 725 OF 1950, DATED FEBRUARY 4, 1981, NATIONAL FLOOD INSURANCE PROGRAM, FEDERAL EMERGENCY MANAGEMENT AGENCY, FEDERAL INSURANCE ADMINISTRATION.

2 PORTIONS OF THIS PLAT HAVE BEEN IDENTIFIED AS SUBJECT TO MODERATE AVALANCHE HAZARD. DEVELOPMENT WITHIN THIS AREA MAY BE RESTRICTED AND MAY REQUIRE ADDITIONAL PERMITS.

3. LOTS 28 AND 20 ARE CREATED FOR PURPOSES OF SALE TO A SINGLE OWNER. THESE LOTS MAY NOT BE RESOLD OR DEVELOPED SEPARATELY WITHOUT FURTHER CDP PLATTING APPROVAL.

SYMBOLS

[illegible]

CERTIFICATE OF OWNERSHIP

KEY CLARIFY THAT I AM THE ART THE OWNERS OF THE
SHOW AND DESCRIBED HEREON AND THAT I WE HEREBY
PEAL OF SUBDIVISION WITH MY OWN FREE CONSENT AND
ALL STREETS ALLEYS WALKS, PARKS AND OTHER OPEN
PUBLIC OR PRIVATE USE AS NOTED

Received 1, 1991
 Producer *Chas E. Long*
 OWNER

OWNER _____
OWNER _____

NOTARY'S ACKNOWLEDGEMENT

ATES OF AMERICA)

CERTIFY THAT ON THIS 1st DAY OF NOV 19 71
 HE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR THE
 STATE OF ILL, DID COMMISSIONED AND SWORN, APPEARED
 TO ME John TO ME KNOWN AND
 ME TO BE THE PERSON DESCRIBED IN AND WHO
 THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO
 ME SIGNED AND SEALED THE SAME FREELY AND
 ONLY FOR THE USES AND PURPOSES THEREIN MENTIONED.
 BY HAND AND OFFICIAL SEAL THE DAY AND DATE
 FIRST ABOVE WRITTEN.

NOTARY'S ACKNOWLEDGEMENT

ATES OF AMERICA)

ALASKA)
I CERTIFY THAT ON THIS _____ DAY OF _____ 19____
HE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR THE
STATE OF ALASKA, DULY COMMISSIONED AND SWORN, APPEARED
_____ TO ME KNOWN AND
TO ME TO BE THE PERSON _____ DESCRIBED IN AND WHO
_____ THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED THAT
HE _____ SIGNED AND SEALED THE SAME FREELY AND
_____ FOR THE USES AND PURPOSES THEREIN MENTIONED.
_____ MY HAND AND OFFICIAL SEAL THE DAY AND YEAR IN
_____ FIRST ABOVE WRITTEN.

NOTARY'S ACKNOWLEDGEMENT

STATES OF AMERICA }

ALASKA

I CERTIFY THAT ON THIS DAY OF 19 IS
THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR THE
STATE OF ALASKA, DULY COMMISSIONED AND SWORN, APPEAR
TO ME KNOWN AND
TO ME TO BE THE PERSON DESCRIBED IN AND WHO
OF THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED
HE SIGNED AND SEALED THE SAME FREELY AND
FOR THE USES AND PURPOSES THEREIN MENTIONED.

MY HAND AND OFFICIAL SEAL: THIS DAY OF FEBRUARY IN
THE FIRST ABOVE WRITTEN.

PUBLIC FOR ALASKA

51268 87

614 S. J. V. L. J.

CH 2 N N t

JUNEAU RECORDING DISTRICT
A SUBDIVISION PLAT OF
LOT 2
INTO

DOCKSIDE SUBDIVISION
A FRACTION OF
LOTS 16 & 17, BLOCK 83, TIDELANDS ADDITION
& BLOCK 8, U.S. SURVEY 7A
CITY & BOROUGH OF JUNEAU ALASKA

ALASKA

SCALE: 1" = 30'

SURVEYOR'S CERTIFICATE

INVESTIGATE THAT I AM A PILOT AND SURVEYOR REGISTERED IN ALASKA AND THAT THIS PLAT WAS THE SURVEY MADE BY ME OR UNDER DIRECT SUPERVISION, THAT THE ADJ. OF THE SURVEY IS WITHIN THE LIMITS REQUIRED BY TITLE 4 COMM. DEVELOPMENT REGULATIONS, TITLE 49 OF THE CODE OF THE CITY AND BOROUGH OF JUNEAU, THAT ALL DIMENSIONAL AND RELATIVE BEARINGS ARE CORRECT AND THAT MONUMENTS ARE SET IN PLACE AND NOTED UPON THIS PLAT AS REPRESENTED.

**JUNEAU RECORD
A SUBDIVISION
LOT
INTO
LOTS 2A,
DOCKSIDE SL
A FRACTI
A 17, BLOCK 83,
A BLOCK 8, U.S.
VON OF JUNEAU**

LETTER
 4-1-85532-18773
 C-3 BOX 2000
 8000-01-01-4587-2 2000000

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DATE IN: 23

Tolson Det 91-71

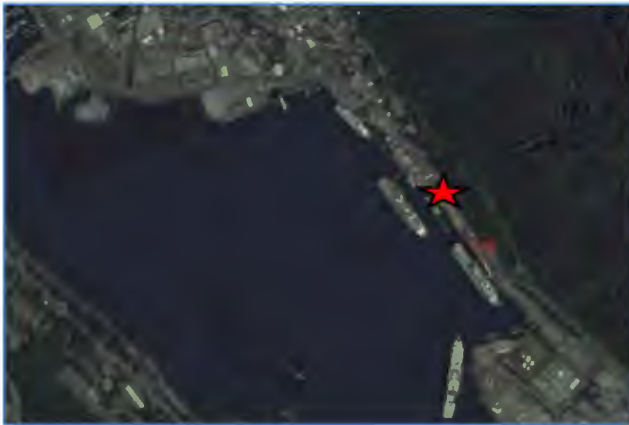
SITE DESCRIPTION AND ANALYSIS

In this chapter, we describe the site, its improvements and the issues that influence market value. This section provides the basis for determining highest and best use and helps in identifying and selecting comparables. The following information is based on our review of the subject's plat, engineering diagrams, flood maps, Borough records and a physical inspection of the property.

The reader's attention is directed to the plat map on the facing page. A description and analysis of the subject site is as follows.

NEIGHBORHOOD DESCRIPTION

This location is within the Waterfront Industrial district in downtown Juneau. The property is located on the east side of the cruise ship sea walk and south of the tram in the heart of the cruise ship district.



As shown, the site offers good access and exposure on the southwest side of South Franklin Street with good waterfront access along Gastineau Channel and pedestrian access via the Cruise Ship Sea Walk. South Franklin Street is a two-way paved neighborhood street that runs from Downtown Juneau south for a mile until it becomes Thane Road. Egan Drive is the major arterial that connects Mendenhall Valley to Downtown Juneau. Egan Drive is a two-way divided highway offering access to all of Juneau area. Overall, access to the neighborhood is good and exposure is good.

SITE DESCRIPTION

Aerial Exhibit



Aerial Exhibit- Lot 2B



Aerial Exhibit – Lot 2C**Size and Shape**

The site is comprised of two, contiguous, irregular shaped parcels containing 128,431 SF or 2.948 acres. The site has 720' of frontage along South Franklin Street and 775' of frontage along Gastineau Channel. The individual lots are presented below.

SITE AREA

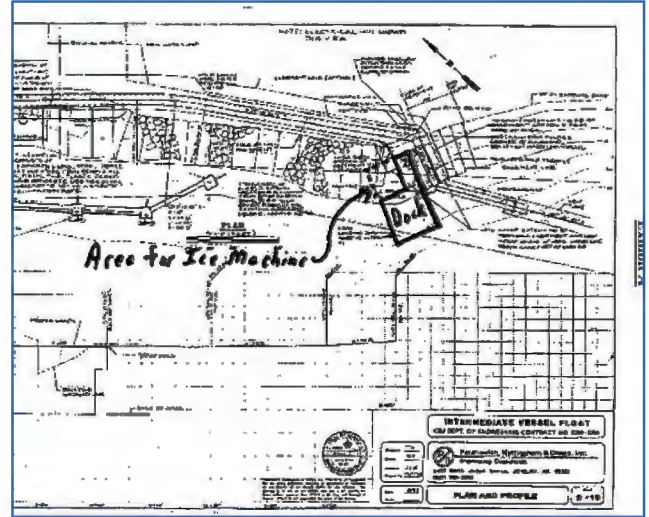
Parcel	SF	ACRES
Lot 2B	74,138	1.70
Lot 2C	54,296	1.25
Total	128,434	2.948

The site is approximately 70% uplands and 30% submerged tidelands. The usable space of the site is all uplands (89,902 SF) with the sea walk and dock in the submerged tidelands (38,529 SF). The tidelands are considered not usable due to the sea walk on the east side and the city dock on the west. This area is used for boat access for the City of Juneau docks.

Dock Use Agreement

There is a dock located on the northwest corner of Lot 2B that includes the icehouse. This dock is owned by the City of Juneau and Taku Smokeries (operator) have signed a dock use agreement for the loading/offloading of boats during the fishing season. The improvements consist of an icehouse, crane, fish vacuum system and other equipment and are owned by the operator. The lease started in April 30, 2009 for a 15-year term. The lease rates range from a minimum of \$13,000/year for 2,167 tons or less up to a maximum of \$27,500/year for 4,583 tons or greater. The tenant is responsible for minor maintenance and repairs. City of Juneau is

responsible for major improvements as the recent dock extension was paid for by the city. The operators are responsible for the upkeep of the surface, improvements and equipment. The owners installed a Refrigerated Seawater RSW tank onsite that pulls the fish out of the boats, under the sea walk, into a holding tank where the fish are weighed and transferred into a holding tank inside the building where the fish are processed. This dock is not part of the subject's upland or submerged tidelands area and therefore we exclude the improvements and site area from our analysis.

**Topography**

The subject site is generally level and at grade with surrounding streets except above grade with Gastineau Channel. Drainage appears to be adequate.

Soil Conditions

A soil report was not available for the appraisal. No obvious abnormal signs of settling were apparent to the appraisers. *It is an express assumption of this appraisal that soil conditions are adequate to support the improvements and any future construction.*

Utilities

All public utilities are in the area and available to the subject including electric, phone, sewer and water.

Easements

A title report was not provided but the following easements are indicated as follow:

- 10' drainage easement along southern borders between Lot 2 B and 2C and along the south side of Lot 2C.
- Dock use agreement along southwest corner of Lot 2B

- Sea walk Easement along south side of Lots 2B and 2C.

Normal easement along property boundaries for streets or utilities are assumed.

soils, utilities, etc.) make the site suitable for a variety of industrial/commercial uses.

Flood Plain



According to Federal Emergency Management Agency map number 02110C1567D revised August 19, 2013, the northwestern portion of the site is rated as Flood Zone X, described as “areas determined to be within the 0.2% annual chance flood hazard. The majority of the site is uplands and not located in a recognized flood zone. The grey area is located in a Zone VE, which is a coastal flood zone with velocity hazard (wave action).

Hazardous Materials

Our inspection of the property yielded no obvious indication of hazardous material contamination. Please note that the professional competency of an appraiser should not be presumed to include the knowledge or experience of a professional engineer, surveyor, architect, or other specialist. It is an express assumption of this appraisal that the appraised property is not affected by hazardous material or contamination of any kind. The value conclusions of this appraisal are not adjusted for the presence of hazardous materials.

Suitability of Site

We identified no significant negative aspects of the property that would impede its development. The physical characteristics of the property (size, location,

LEGEND

- ⊕ B.L.M. 2-1/2" BRASS MONUMENT RECOVERED THIS SURVEY
⊕ PRIMARY MONUMENT RECOVERED THIS SURVEY
○ SECONDARY MONUMENT RECOVERED THIS SURVEY

- SURVEY LINE
— CENTERLINE
— SURVEYED
— NON BOUNDARY LINE
— ORIGINAL ADJUSTED MEANDER LINE
— ORIGINAL MEANDER LINE (VACATED THIS PLAT)
— ORIGINAL ADJUSTED MEANDER LINE
— E — E — POWER LINE
— — WATER MAIN
— — SEWER LINE
— SD — SD — STORM DRAIN
— T — T — TELEPHONE LINE
— C — C — CABLE LINE
⊗ WATER VALVE
○_{co} SEWER CLEANOUT
⊕ CATCH BASIN
— SIGN
— LIGHT
F.F.=40.00 FINISH FLOOR ELEVATION

NOTES

- All plat bearings shown are true bearings as oriented to the basis of bearings.
- All distances shown are reduced to horizontal.
- Recorded bearings and distances are shown enclosed in parenthesis. Measured or calculated bearings and distances are shown without parenthesis.
- There are no visible easements or rights of way of which the undersigned has been advised or observed while surveying the subject property.
- There are no observable, above ground encroachments (a) by any improvements on the subject property upon adjoining properties, streets, or alleys, or (b) by the improvements on adjoining properties, streets, or alleys upon the subject property.
- The location of each easement, right of way, servitude, and other matter affecting the subject property and listed in the title insurance commitment dated April 04, 2004, 6th Amended, issued by: FIRST AMERICAN TITLE, with respect to the subject property, has been shown on the survey, together with appropriate recording references, to the extent that such matters can be located. The property shown on the survey is the property described in that title commitment. The location of all improvements on the subject property is in accord with minimum setback provisions and restrictions of record referenced in such title commitment.
- The subject property has access to and from a duly dedicated and accepted public street or highway and all adjacent alleys, streets, roads or highways and the width of the same are shown on the survey.
- The subject property does serve adjoining property for utilities, or ingress or egress.
- The record description of the subject property forms a mathematically closed figure.
- A portion of the property shown on the survey, as described on the Flood Insurance Rate Map for the community in which the subject property is located in Community Panel #020009-0725-B, Zone V6.
- 550 South Franklin Street within Zone C-1 and minimum setbacks 0.0' on sides, 0.0' on South Franklin Street and rear 0.0'

SURVEYOR'S CERTIFICATE

I hereby certify to the Key Bank, FIRST AMERICAN TITLE, Alaska Seafood Holdings, general partnership, their successors and assigns, that;

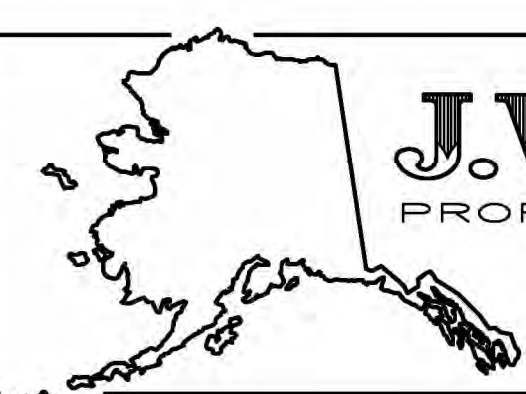
I made an on the ground survey per record description of the land shown heron located in Juneau, Alaska, on Dec. 29, 2011; and that it and this map was made in accordance with the HUD Survey Instruction and Report, form HUD-2457, and the requirements for a Land Title Survey, as defined in the Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys, dated 1999.

To the best of my knowledge, belief and information, except as shown hereon: There are no encroachments either way across property lines: title lines and lines of actual possession are the same: and the premises are free of any 100/ 500 year return frequency flood hazard, and such flood free condition is shown on the Federal Flood Insurance Rate Map, Community Panel No. 020009-0725-B

Dated: 2/28/2011

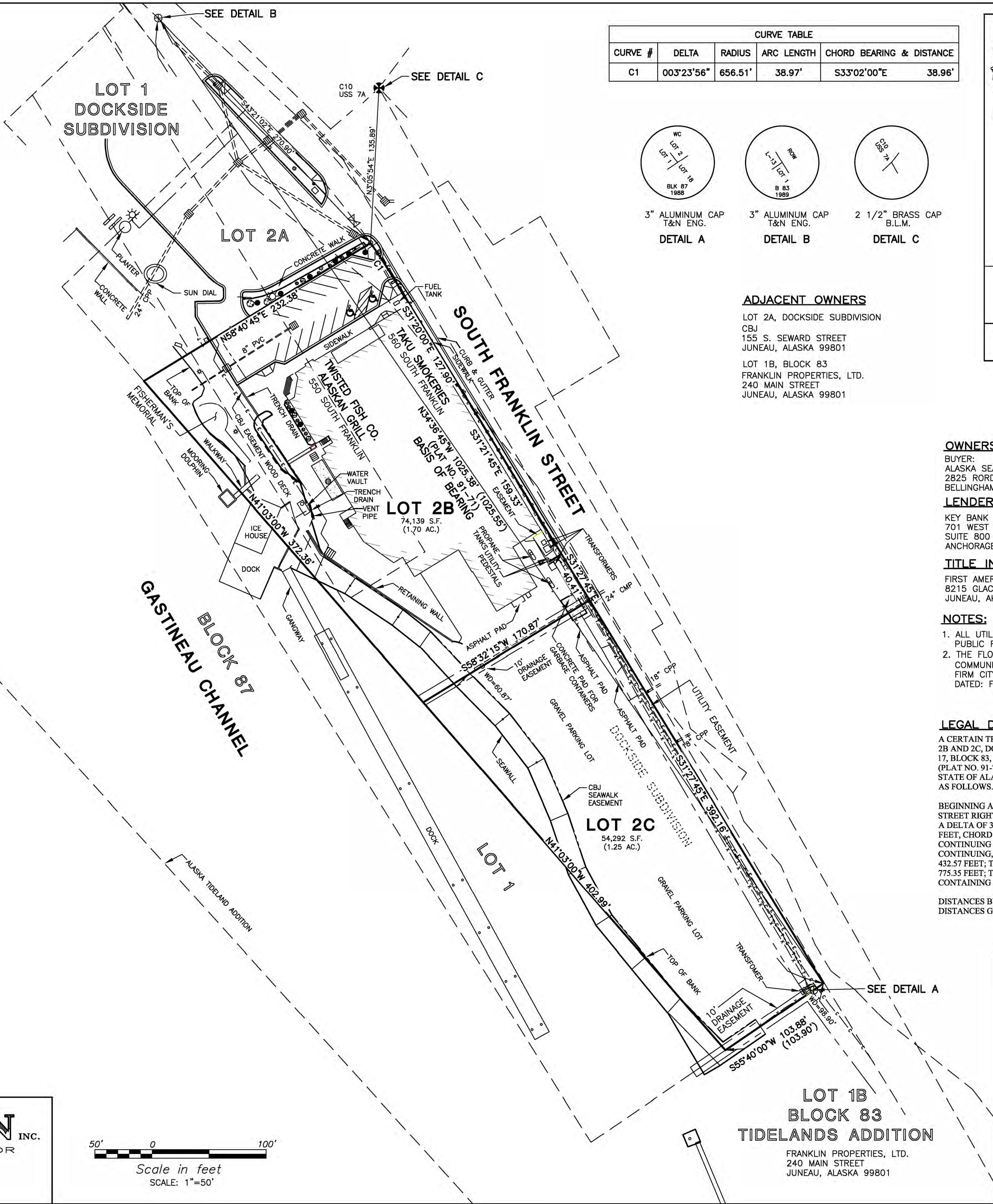
CERTIFICATE OF REGISTERED LAND SURVEYOR

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT PLAT; THAT ALL WALKS, ROADS, EASEMENTS AND IMPROVEMENTS THEREON ARE AS SHOWN AND THAT ALL OVERLAPS AND ENCROACHMENTS ARE AS SHOWN TO THE BEST OF MY KNOWLEDGE.

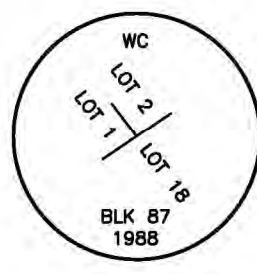


J.W. BEAN INC.
PROFESSIONAL SURVEYOR
1070 ARCTIC CIRCLE
JUNEAU - ALASKA
(907) 789-0590
SURVEYOR - PLANNER

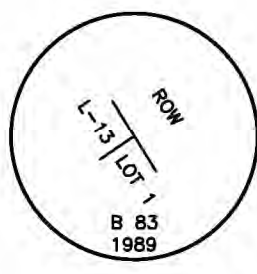
50' 0 100'
Scale in feet
SCALE: 1"=50'



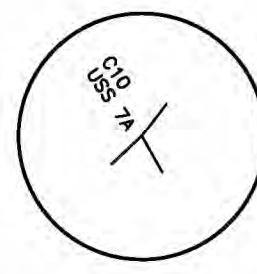
CURVE TABLE					
CURVE #	DELTA	RADIUS	ARC LENGTH	CHORD BEARING & DISTANCE	
C1	003°23'56"	656.51'	38.97'	S33°02'00"E	38.96'



DETAIL A



DETAIL B



DETAIL C

ADJACENT OWNERS

LOT 2A, DOCKSIDE SUBDIVISION
CBJ
155 S. SEWARD STREET
JUNEAU, ALASKA 99801

LOT 1B, BLOCK 83
FRANKLIN PROPERTIES, LTD.
240 MAIN STREET
JUNEAU, ALASKA 99801

OWNERS

BUYER:
ALASKA SEAFOODS HOLDINGS
2825 RORDER AVENUE
BELLINGHAM, WA. 98225

SELLER:
EAST END ASSOCIATES 9360
GLACIER HIGHWAY SUITE 202
JUNEAU, ALASKA 99801
GEORGE M. PAVIA, PRESIDENT

LENDER

KEY BANK
701 WEST EIGHT AVENUE
SUITE 800
ANCHORAGE, ALASKA 99501

TITLE INSURANCE COMPANY

FIRST AMERICAN TITLE
8215 GLACIER HIGHWAY
JUNEAU, AK 99801

NOTES:

- ALL UTILITIES ENTER THE PROPERTY THROUGH A PUBLIC RIGHT-OF-WAY.
- THE FLOOD DESIGNATION IS A ZONE V6, COMMUNITY 020009 - PANEL NO. 0725B, FIRM CITY AND BOROUGH OF JUNEAU, ALASKA. DATED: FEB. 4, 1981 REVISED

LEGAL DESCRIPTION PLAT

A CERTAIN TRACT OR PARCEL OF LAND LYING AND BEING SITUATE LOTS 2B AND 2C, DOCKSIDE SUBDIVISION, WITHIN A FRACTIONS OF LOT 16 AND 17, BLOCK 83, TIDELANDS ADDITION AND BLOCK 8, U.S. SURVEY NO. 7A, (PLAT NO. 91-71). CITY AND BOROUGH OF JUNEAU, FIRST JUDICIAL DISTRICT, STATE OF ALASKA, BEING MORE PARTICULARLY BOUNDED AND DESCRIBED AS FOLLOWS. TO WIT:

BEGINNING AT THE NORTHERLY CORNER OF LOT 2B ON SOUTH FRANKLIN STREET RIGHT-OF-WAY THENCE ALONG A CURVE TO THE RIGHT THROUGH A DELTA OF 3°23'56" WITH A LENGTH OF 38.95 FEET, WITH A RADIUS OF 656.51 FEET, CHORD BEARING S33°02'00"E DISTANCE 38.94 FEET; THENCE CONTINUING ON SAID RIGHT-OF-WAY, S31°20'00"E 127.90 FEET; THENCE CONTINUING, S31°21'45"E 159.33 FEET; THENCE CONTINUING S31°27'45"E 432.57 FEET; THENCE S55°40'00"W (103.90) 103.88 FEET; THENCE N41°03'00"W 775.35 FEET; THENCE N58°40'45"E 232.38 FEET TO THE POINT OF BEGINNING. CONTAINING 2.95 ACRES IN ALL.

DISTANCES BY TITLE COMPANY. TITLE COMPANY BEARINGS AND DISTANCES GOVERN.

**AN ASBUILT OF
LOTS 2B & 2C,
DOCKSIDE SUBDIVISION
A FRACTION OF
LOTS 16 & 17, BLOCK 83,
TIDELANDS ADDITION
WITHIN U.S. SURVEY NO.
AND
BLOCK 8, U.S. SURVEY 7A
CITY & BOROUGH OF JUNEAU, ALASKA
JUNEAU RECORDING DISTRICT**

OWNERS:
ALASKA SEAFOODS HOLDINGS
2825 RORDER AVENUE
BELLINGHAM, WA. 98225

SURVEYOR:
JW BEAN, INC.
PROFESSIONAL SURVEYOR
1070 ARCTIC CIRCLE
JUNEAU, ALASKA 99801

SHEET 1 OF 1

SCALE: 1"=50' DATE: 2-28-2012 PROJ: 13158-AK-SEAFOODS

IMPROVEMENT DESCRIPTION & ANALYSIS

In this chapter, we describe the improvements built upon the site and the issues that influence market value. This section provides the basis for determining the property's highest and best use and helps in selecting sales and rent comparables suitable for analysis.

The description and analysis that follow are based on a review of the floor plan drawings provided to us, information from the owner, City of Juneau Assessor's office, and the appraisers' inspection. Please refer to the as-built on facing page, floor plan sketch on the following page and to the subject photographs at the end of the section for a visual depiction of the subject improvements.

IMPROVEMENTS DESCRIPTION

Improvement Type and Size

The improvements consist of an existing, two-story, metal frame, retail/restaurant/office and seafood processing plant building. The building was built in 1966 with additions in 1992, 1996 and 2017. The building is in good condition. The building consists of the Taku Fisheries fish processing plant and retail store as well as the Twisted Fish Restaurant. Ground floor has a gross building area (GBA) of 29,450 SF and the second floor is 23,446 SF, total GBA is 52,896 SF. The building is in good condition.

The building is 92% owner occupied. The first-floor tenant occupies 8% of the building.

The building has a steel piling foundation with concrete floor on grade. Exterior is painted metal siding. Quality of construction is good.

Building Size

Based on information from the assessor and site map provided by the owner, the following table summarizes the subject's size estimates.

BUILDING AREA	GBA
1st Floor - Retail	3,216
1st Floor - Bar/Restaurant	2,955
1st Floor - Fish Processing	22,787
1st Floor - Shop Addition	492
Total	29,450
2nd Floor - Office	6,038
2nd Floor - Storage/Breakroom	17,408
Total	23,446
Total GBA	52,896

BUILDING LAYOUT

The subject is a two-story structure and the reader is referred to the floor plans on the facing and following pages for an overview of the property.

Interior Finish – First Floor - Retail

Flooring generally consists of good quality commercial-grade materials: low loop carpeting/tile, dropped acoustic tile ceilings, and painted sheetrock finish along corridors and heavy use areas. Ceiling height is 9'.

Lighting throughout the suite is of standard recessed fluorescent type cans and dropped rail lighting. Interior doors are generally solid core wood set in wood or metal casements, while the main exterior doors are glass and metal storefront type.

Interior Finish – First Floor - Restaurant

Flooring generally consists of good quality commercial-grade materials: tile/hardwood flooring with post and beam wood finishes in eating area, sheetrock, wood paneling/tile in kitchen/restrooms. Ceiling height is 8-14'. The grill has typical kitchen equipment that we considered affixed to the real estate. There is a small bar in the north corner of the restaurant.

Lighting throughout the building is of standard recessed fluorescent type. Interior doors are generally solid core wood set in wood or metal casements, while the main exterior doors are glass and wood storefront type.

Interior Finish – First Floor - Seafood Processing

The majority of the first floor is used for seafood processing and freezing. This area provides fish sorting, processing, tunnel and blast freezers, cold storage, ice house and support areas. The building has five at grade overhead dock high doors on the south side of the building. The interior walls in the processing areas, include fiber-reinforced plastic (typical for food prep/processing). Other area interior walls and ceiling are taped and painted sheetrock and some have exposed metal sheeting. Flooring is concrete and there are floor drains throughout. Ceilings heights varying from 16' to 24'. Ceiling are metal decking with exposed mechanical.

The building has multiple built in freezers and coolers that total 4,700 SF.

The owner recently added a covered dock high area for loading/offloading trailers. As well as adding a covered

work area (492 SF in 2017) on the southeast corner of the building.

Lighting is mostly suspended or ceiling mounted fluorescent fixtures. In general, the interior finish of the subject is typical a good quality seafood plant operation.

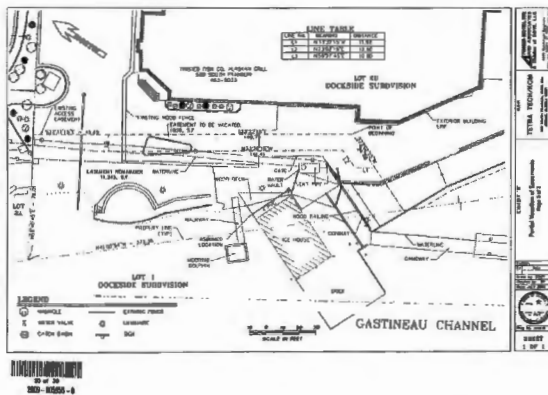
Interior Finish – Second Floor – Office/Storage

The second floor includes the support offices, employee breakroom, and storage. The stairwells provide second floor access for the personnel. In addition, there is an elevator on the northeast side of the building. The interior walls consist of fiber-reinforced plastic, taped and painted sheetrock and exposed metal sheeting. Flooring is wood, carpet and tile. Ceilings heights varying but average about 8'. Ceiling are metal decking with exposed mechanical. Lighting is mostly suspended or ceiling mounted fluorescent fixtures.

Finish quality is good relative to other competing retail/office/seafood processing space of this vintage in Juneau.

Dock and Icehouse

The dock has a concrete surface, wood frame and steel piling support. The dock is in good condition and appears well maintained. The icehouse has a GBA of 2,216 SF and consists of two ice maker systems. The building improvements are owned by the subject. Dock is owned by the city.



Foundations

The majority of the subject's structure offers a piling foundation with concrete floors on grade. The icehouse/dock is built on steel piling dock systems owned by the City of Juneau.

Mechanical & Plumbing

The structure is heated via an oil-fired (boiler) and hot water baseboard system. The restaurant has HVAC

system and the second-floor office has electric baseboard heat.

Lighting is mostly suspended or ceiling mounted fluorescent fixtures. There are also some incandescent fixtures throughout the support areas. In addition, there are exterior halogen lights. The subject offers three-phase power, and has the ability to operate the plant operations at full capacity.

The subject has adequate employee restrooms/locker rooms adequate to accommodate a plant similar to the subject. Also, the subject has adequate water supply to efficiently operate the plant.

It is an express assumption of the appraisal that the subject has adequate mechanical and plumbing necessary to efficiently operate the seafood plant at full capacity.

Fire Safety

Nearly all of the subject structures offer a dry fire sprinkler system. There are standard smoke detectors and fire extinguishers throughout the structures.

Other Improvements/Parking

Beyond the primary structures, other improvements on the property include asphalt pavement in front of the structures and concrete slab on portions of the dock. The yard area is gravel and used for storage of fishing equipment, crab pots and other miscellaneous items.

The subject has 25 designated parking stalls in the front of the building but has parking located across the street. The exact amount of parking is difficult to estimate since the secondary parking areas are not clearly marked. According to plant managers parking is not a significant problem. There appears to be adequate parking for functional utility.

Condition

Similar to most properties of this type and vintage, the subject continually has had upgrades and maintained over the years. The most recent improvement is the covered dock high trailer bays and single work bay on the south side of the building. The owner provided costs of \$177,834 and \$383,724 for a total of \$561,558. Overall, the subject is in good condition for a property of this vintage.

Effective Age and Remaining Economic Life

Based on Borough tax records was built in 1966, 1992, 1996 and 2017. Its actual age is 53 to 2 years. Marshall & Swift Valuation Service, an authoritative source of

construction costs and building data, reports that structures such as these have typical economic lives of 45-50 years. The structures themselves may last indefinitely, as economic life can be extended with periodic upgrades and capital infusions. This is particularly true in rural Alaska, where it is common for structures that are more than 50-75 years old are still viable, working assets. The subject improvements have continually been updated.

For the purposes of this appraisal, and assuming the property receives adequate maintenance, the remaining economic life is at least 25 years.

Americans with Disabilities (ADA) Requirements

A significant piece of legislation took affect in 1992 that requires barrier-free access in building design and construction. The Americans with Disabilities Act (ADA) is a complex law that prohibits discrimination against disabled people in employment, public accommodations, public services and transportation.

To the best of our knowledge, the subject is in compliance with ADA requirements as they affect industrial food processing facilities. The subject was built prior to the ADA legislation. An engineer or other expert would be needed to evaluate compliancy and required upgrades. *It is an express assumption of this report that the subject is not negatively influenced by lack of ADA compliance, if applicable.*

Personal Property

The building has considerable personal property – inventory, store fixtures as well as business value. We have not prepared a personal property appraisal. We exclude the personal property and individual fish processing equipment from this appraisal.

Functional Utility and Suitability

As discussed in the Market Analysis chapter, the subjects existing improvements have a generally functional design and can accommodate an array of commercial uses. The physical elements of the site make it well suited for retail, restaurant, office and offers large processing capabilities that can accommodate nearly all types of fish species. While the subject is an older plant it has been well maintained over the years. Experience of the owners in cost-efficient high-volume processing has influenced the current layout. Combined with the good site attributes, functional utility and suitability of the real property improvements are rated as good (for its vintage). The property should compete well in this market.

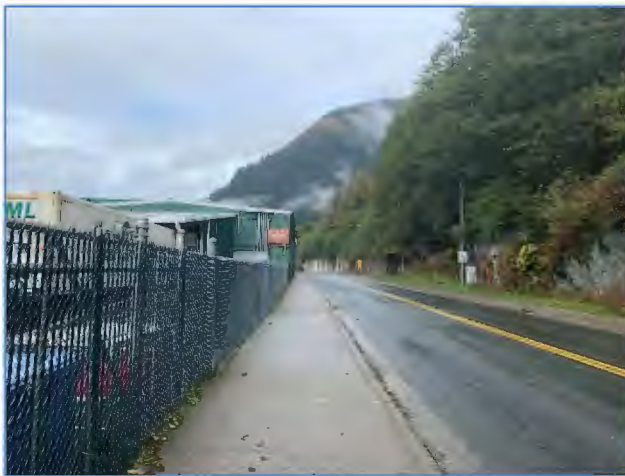
SUBJECT PHOTOS



Facing south along South Franklin Street
Subject at right



Facing north from southwest corner viewing western
property boundary of Lot 2B



Facing north along South Franklin Street
Subject at left



Facing south from northwest corner viewing western
property boundary of Lot 2B



Facing west from South Franklin Street viewing
southern property boundary of Lot 2B



Facing south from northwest corner viewing western
property boundary of Lot 2B



Facing east from northwest corner of lot viewing northern property boundary of Lot 2B



Exterior view of north and west sides of building



Looking west from South Franklin Street viewing the northern property boundary of Lot 2B.



Exterior view of south and west sides of building



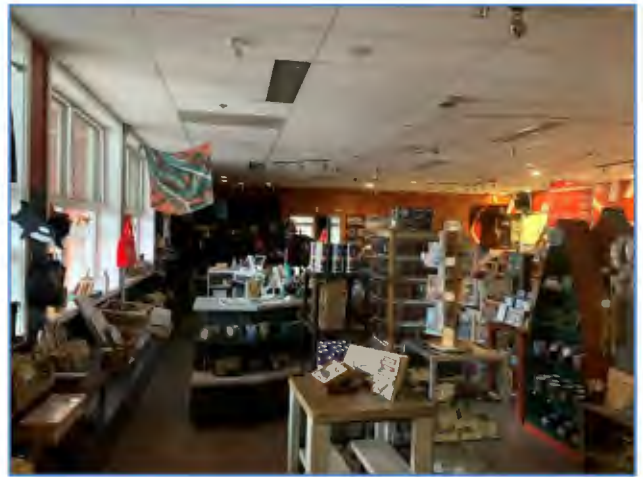
Exterior view of north and east sides of building



Exterior view of south and east sides of building



Exterior View
First Floor – Retail Area



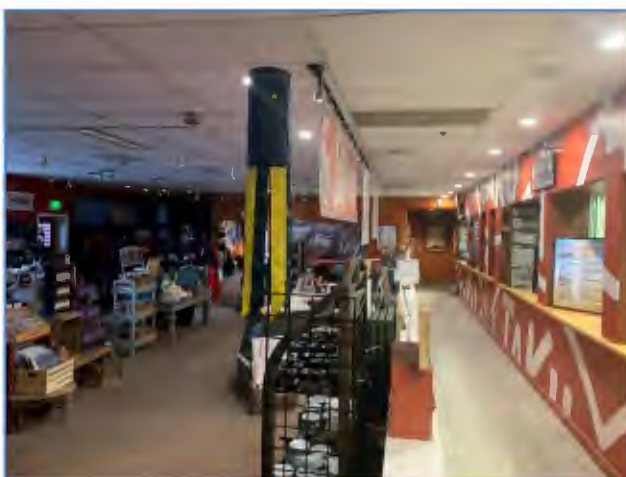
Interior View
First Floor – Retail Area



Exterior View
First Floor – Retail Area



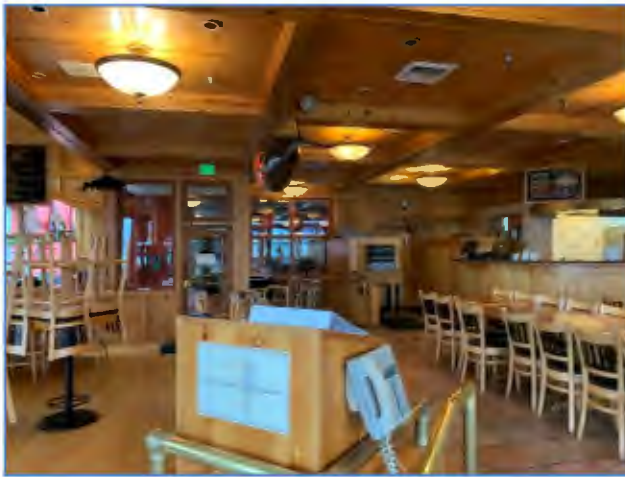
Exterior View
First Floor - Restaurant



Interior View
First Floor – Retail Area



Interior View
First Floor - Restaurant



Interior View
First Floor - Restaurant



Interior View
First Floor - Restaurant



Interior View
First Floor - Restaurant



Interior View
First Floor - Restaurant



Interior View
First Floor - Restaurant



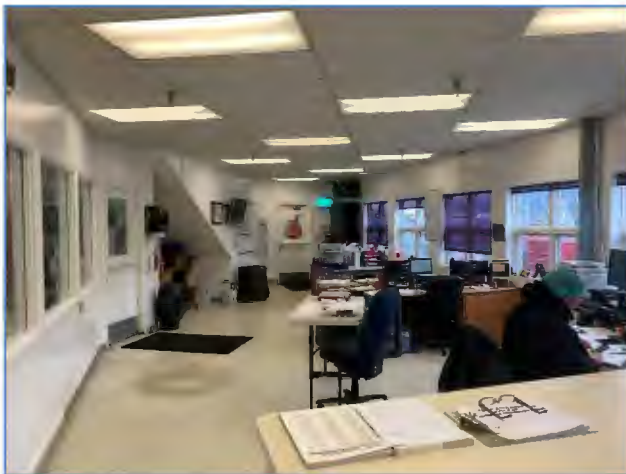
Exterior View
First Floor - Restaurant



Exterior View
First Floor – Seafood Area



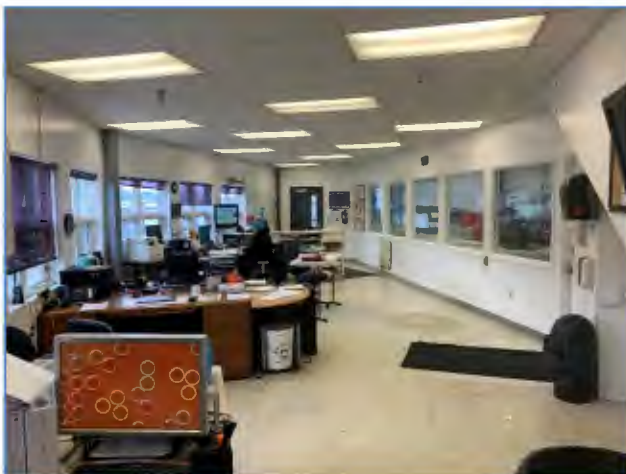
Exterior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



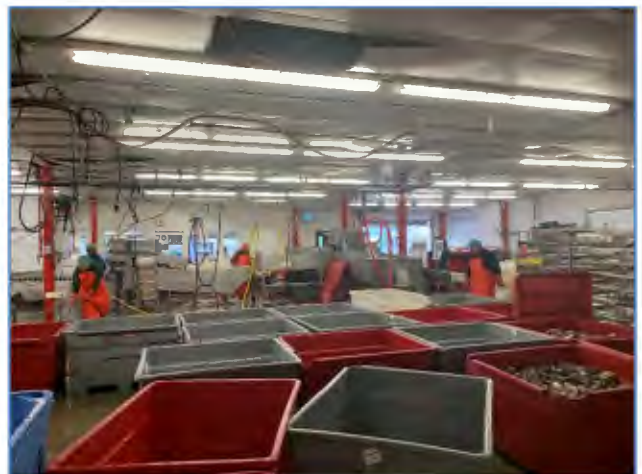
Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



Interior View
First Floor – Seafood Area



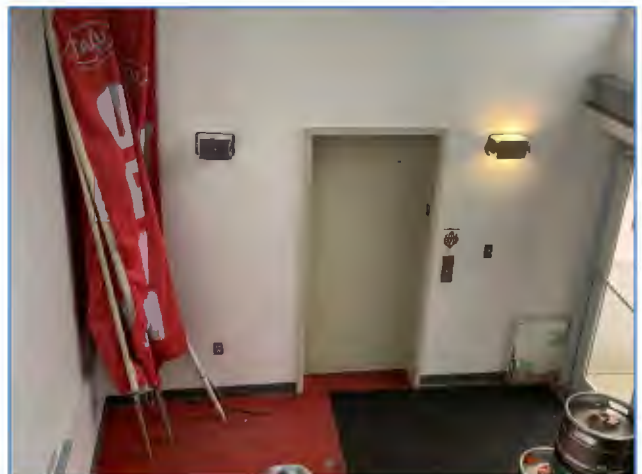
Interior View
First Floor – Seafood Area



Exterior View
Entrance to Second Floor



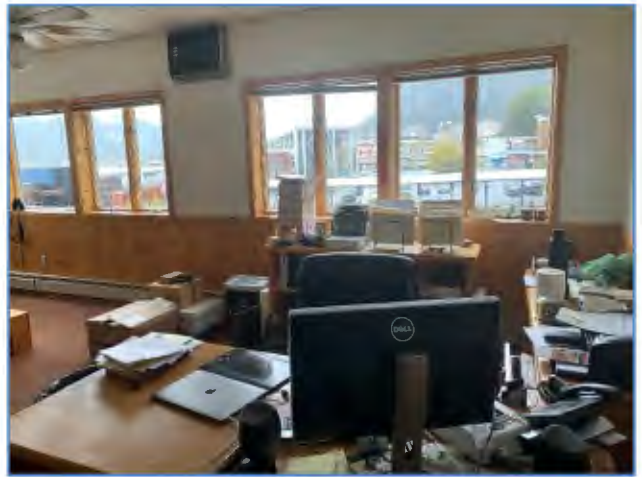
Interior View
First Floor – Seafood Area



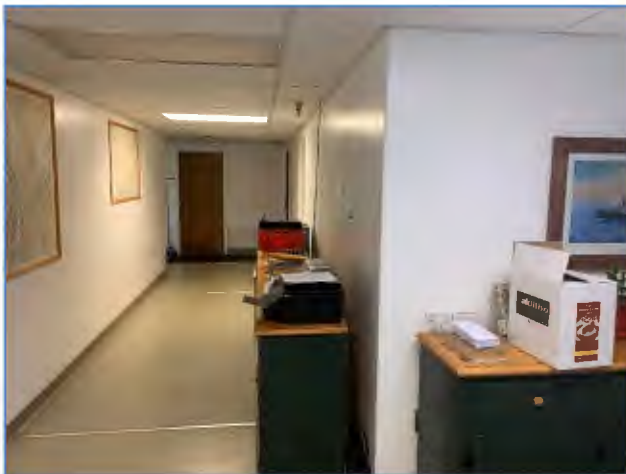
Interior View
Elevator



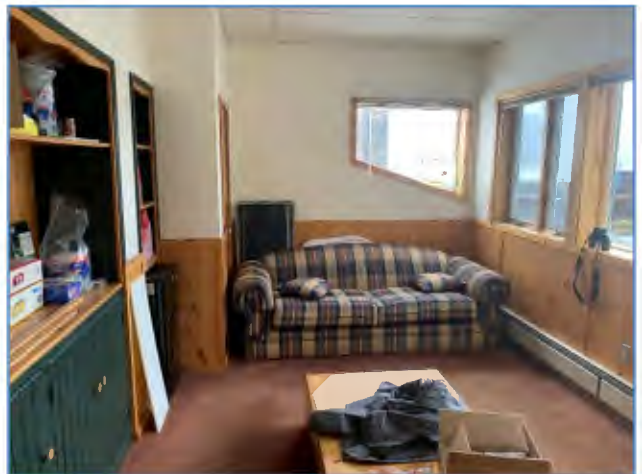
Interior View
Stairway



Interior View
Second Floor - Office Area



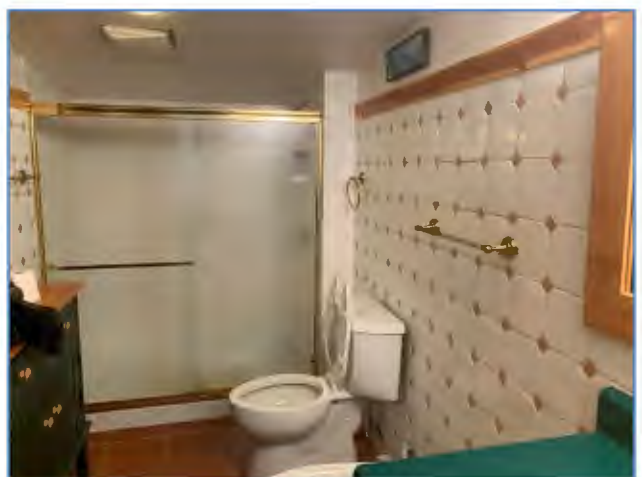
Interior View
Second Floor - Office Area



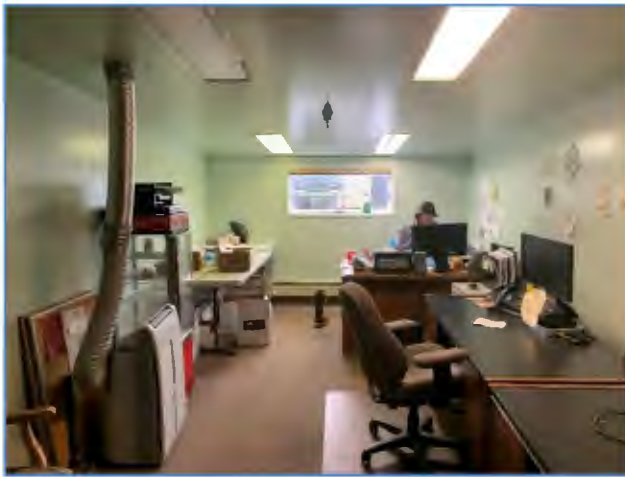
Interior View
Second Floor - Office Area



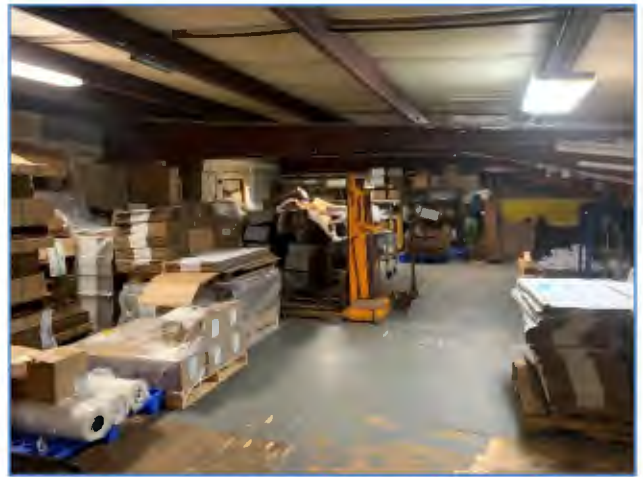
Interior View
Second Floor - Office Area



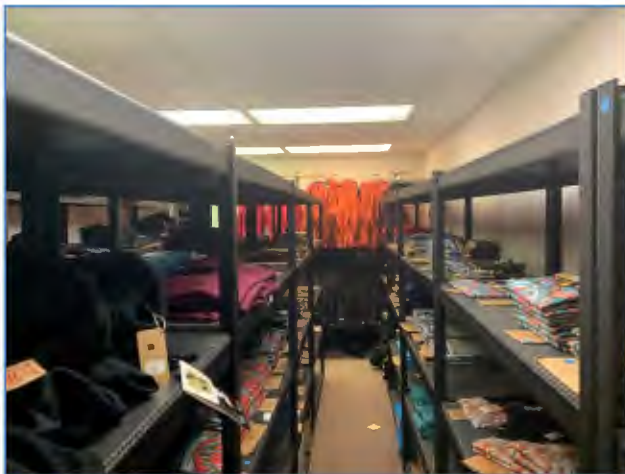
Interior View
Second Floor - Office Area



Interior View
Second Floor - Office Area



Interior View
Second Floor – Storage Area



Interior View
Second Floor – Storage Area



Interior View
Second Floor – Storage Area



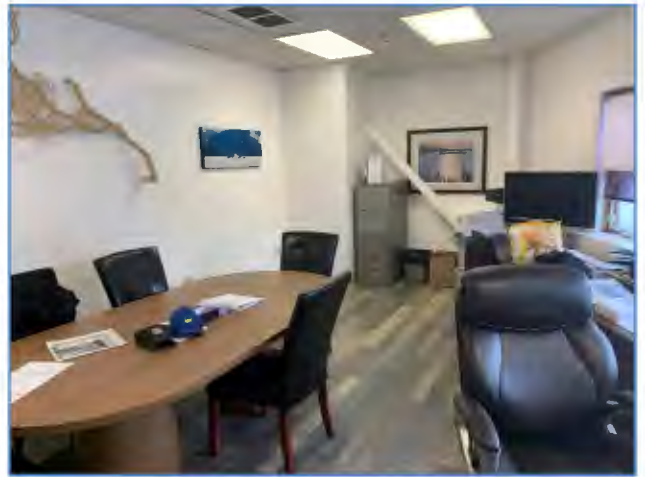
Interior View
Second Floor – Storage Area



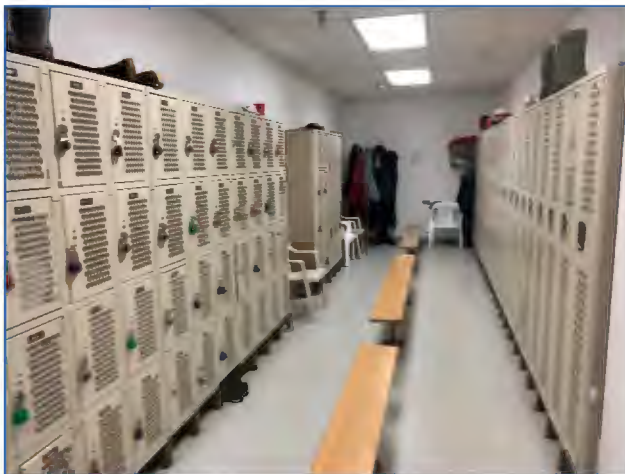
Interior View
Second Floor –Mechanical Area



Interior View
Second Floor –Break Room



Interior View
Second Floor – Office Area



Interior View
Second Floor –Break Room



Exterior View
Fish Transfer System



Interior View
Second Floor – Office Area



Exterior View
Fish Ice House/Fish Transfer System



Exterior View
Fish Ice House/Fish Transfer System



Interior View
Fish Ice House



Interior View
Fish Ice House



Interior View
Fish Ice House



Interior View
Fish Ice House



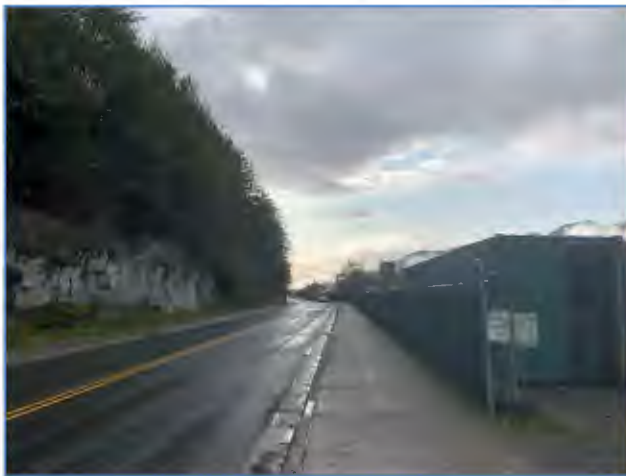
Exterior View
Fish Ice House/Dock



Exterior View
Lot 2C



Exterior View
Lot 2C



Exterior View
Lot 2C



Exterior View
Lot 2C



Exterior View
Lot 2C



Exterior View
Lot 2C

HIGHEST AND BEST USE ANALYSIS



Highest and best use is defined by the Appraisal Institute as the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four questions that the appraiser answers in measuring highest and best use are:

1. What uses are physically possible?
2. What uses are legally permissible?
3. Of these uses, which are financially feasible?
4. Of the financially feasible uses, which has the highest return, or maximum profitability?

HIGHEST AND BEST USE AS IF VACANT

In regard to the physically possible uses, the appraised site is comprised of two irregular shaped lot totaling 128,431 SF or 2.948 acres. The lots have upland that account for approximately 70% or 89,902 SF and submerged tidelands that are estimated at 30% or 38,529 SF. The tidelands are considered not usable with the current seawalk easement that runs along the western part of both lots as well as the City of Juneau dock and float located directly west of the sea walk. The lots are level and at grade with surrounding streets. All utilities are available. Natural gas is not available. The only physical restriction would be the size of the potential development.

The subject offers good street and water access. The majority of the site is at grade with surrounding streets, although portions of the subject's northern site has steep topography. All public utilities are available. The only physical restriction would be the size of the potential development.

Legal restrictions include zoning, city ordinances, deed restrictions, and environmental regulations. Of these restrictions, zoning regulations have the most influence on the subject's development potential. The City and Borough of Juneau lists the subject as WI zoning; Waterfront Industrial District. *The WI, waterfront industrial district, is intended for industrial and port uses which need or substantially benefit from a shoreline location. In addition, many of the uses that are allowed in the WC, waterfront commercial district, are also allowed in the WI, waterfront industrial district. Residential uses are limited to caretaker residences in the waterfront industrial district.* A variety of industrial and commercial uses are allowed. Ultimately,

a wide array of uses are legally permissible on the site, though this is a good site for an mixed-use building.

This site possesses good attributes to accommodate salmon and other seafood processing. It has good water access in a marine industrial area in Juneau. The subject also good vehicular access and has good linkages to the state ferry system and State airport.

These characteristics coupled with proximity to the abundant fishery resources focus financially feasible and maximally productive land uses toward salmon/bottom fish processing. However, recent trends in the seafood industry and uncertainty about the future does not generally support new construction.

Based on the most recent development patterns, potential financially feasible and maximally productive land uses are limited, as economic conditions do not generally support most rent-driven commercial construction. Recent construction has typically been the result of a lack of substitute properties in the existing inventory. We do note, however, that some smaller commercial projects have been developed on vacant land already owned by the developers, and in these cases the developers were either willing to accept a very low return rate or have taken a very long-term view of their investment.

In the subject's district, there have been a few recent retail/office/warehouse, and the subject's location may be a likely candidate for such a development.

The highest and best use of the site, if vacant, would be a user-specific industrial or commercial-oriented development, or else to hold vacant until speculative construction becomes feasible.

HIGHEST AND BEST USE AS IMPROVED

The existing building is a two-story, metal-frame, retail/office/restaurant and fish processing building completed in 1966 to 2017. GBA is 52,896 SF. The subject also offers waterfront dock. The dock has a concrete surface, wood frame and steel piling supports. Site improvements, aside from the dock, includes paving in front of the building and on the parking area across the street from the subject.

One measure of highest and best use of a property as improved is the contributory value of the improvements to the site. The value of the site (as if vacant) is below

the market value of the property as improved. Thus, we find that the existing structure contributes value to the land and should not be demolished at this time or in the foreseeable future.

The subject's general layout and design of the structure appear functional. Overall, the improvement is of average construction quality for a property of its vintage.

In the Market Analysis chapter, we summarize the current conditions in the fishing industry. The overall market is difficult for some large seafood plants in this area. It should be noted that the subject is profitable. Still it is our conclusion that the highest and best use of the property, as improved, is continued use as a mixed use building and seafood processing plant.

MOST PROBABLE BUYER

The most probable buyer for the subject would be an individual or organization with the knowledge and financial resources to manage and operate a high-volume processing plant (owner-user). The most probable buyer for the subject would be a partial owner-user.

APPRAISAL PROCESS



here are three approaches utilized in the valuation of real property: the Cost Approach, the Sales Comparison Approach, and the Income Capitalization Approach.

Cost Approach

The Cost Approach is based on the "principle of substitution" which states that no rational person would pay more for a property than the amount for which he can obtain, by purchase of a site and construction of improvements, without undue delay, a property of equal desirability and utility.

Values of seafood processing facilities are heavily influenced by cost. Development patterns for the oldest and most successful processing plants are typically a blend of older and newer structures. Successful plants tend to stay owner-occupied over a long period of time. Owners of the better sites tend to be more successful and successful owners tend not to sell. Our observations of the market support this cost driven approach.

The Cost Approach is divided into three segments: land valuation, estimate of replacement cost new, and depreciation.

Land value (both uplands and tidelands) are based on applying a sales comparison method. Improvement cost estimates are based on CoreLogic online program SwiftEstimator. We also considered information provided by active market participants. Depreciation is estimated by applying the depreciation tables and the economic age/life method.

Sales Comparison Approach

The Sales Comparison Approach is also based on the "principle of substitution", which indicates that an informed purchaser would pay no more for a property than the cost of acquiring an equally-desirable substitute property with the same or similar utility. This approach is applicable when an active market provides sufficient quantities of reliable data, which can be verified from authoritative sources. In the Sales Comparison Approach, value indications are derived from several recent sales of properties similar to the subject.

For commercial properties in this market, the extracted indicator most often used is sales price per square foot (SP/SF) of building area. This approach generally gives a reliable value range. We analyze the previous sale.

Income Capitalization Approach

In the Income Capitalization Approach, concern is with the present value of any future benefits of property ownership. Future benefits are generally indicated by the amount of net income the property will produce during its remaining useful life. We employed the direct capitalization method in this appraisal.

In this approach, net operating income (NOI) is developed for the subject property based on a review of rental comparisons to determine market rent for owner-occupied spaces and whether contract rent is at market for the restaurant. Expenses are projected based on several market expense comparisons. The overall capitalization rate (R_o) is based primarily on the sales used in the Sale Comparison Approach. The capitalization rate is applied to the projected NOI to arrive at a value indication. Generally, investors place primary reliance upon the Income Capitalization Approach as it is representative of the return requirements demanded from income-producing properties.

Land Comparisons Map



LAND SALE COMPARISONS

NO.	LOCATION/ LEGAL DESCRIPTION/ TAX ID #	DATE Grantor/Grantee BOOK/PAGE	ZONING	SIZE	SOILS/ UTILITIES	SALE PRICE	\$/SF	USE
1	449 Willoughby Avenue Lot 9, Block 66 1C060K660071	8/15/2002 Alaska Land & Pier/State of Alaska 2002-8797-0	Commercial	70,911 SF 1.63 Acres	Good All	\$1,504,000	\$21.21	Vacant lot
2	123 Seward Road Lots 7 & 8, Block 3 1C070A030080	11/10/2004 BC Leasing/Wells Fargo Bank 2007-9841-0	Commercial	9,613 SF 0.22 Acres	Good All	\$263,105	\$27.37	Office Building
3	500 W. Willoughby Avenue Lot 8, Block 70 1C060K700051	7/06/2005 Alaska Land & Pier/Salvation Army 2005-6057-0	Commercial	26,045 SF 0.60 Acres	Good All	\$650,000	\$24.96	Salvation Army
4	560 South Franklin Street Lot 2C, Dockside 1C100K830025	3/26/2008 Franklin Properties LTD, East End Associates 2008-2141-0	WI	54,296 SF 1.25 Acres	Good All	\$3,000,000	\$55.25	Vacant
5	490 South Franklin Street Mt Roberts Tram Lease 1C100K830011	8/14 Lessor - City and Borough of Juneau Lessee - Mount Robert Development Corporation	WC	10,000 SF 0.23 Acres	Good All	\$3,000,000	\$300.00	Land Lease Cap. Annual land rent
6	105 South Seward Street Lot 1A, Block 78, Tidelands Addition 1C070K780011	7/26/2013 Sealaska Corporation/SeaAlaska Heritage 2013-005277-0	MU	9,471 SF 0.22 Acres	Good All	\$800,000	\$84.47	Vacant
<div> <div>SUBJECT PROPERTY</div> <div>550/560 South Franklin Street</div> <div>Lots 2B and 2C, Dockside Subdivision</div> </div>								
			WI	128,431 SF 2.95 Acres	Good All			Mixed-Use

COST APPROACH/LAND VALUATION



he foundation for the Cost Approach is based on the principle of substitution. The principle of substitution states that: *"when several similar or commensurate commodities, goods or services are available, the one with the lowest price will attract the greatest demand and widest distribution."*³⁴

A further explanation of this principle as it applies to the Cost Approach is that *"no prudent buyer would pay more for a property than the cost to acquire a similar site and construct improvements of equal desirability and utility without undue delay."*³⁵

The analysis in the cost approach is divided into three segments: land valuation, improvement cost new, and depreciation. The conclusion of the approach involves a summation of these three analyses.

LAND VALUATION

The subject consists of uplands and tidelands. As discussed in Site Description and Analysis chapter, the subject consists of two parcels with a usable uplands area of 89,902 SF and 38,529 SF of tidelands. We will first analyze the value of the uplands and then analyze the submerged tideland areas (often valued as a percentage of the associated uplands).

The subject is located in Downtown Juneau. Access to the site is by either vehicle or boat. There are not any similar large commercial land sales to our knowledge with waterfront access in the immediate vicinity of the subject. Therefore, commercial/industrial waterfront areas and industrial sales from other parts of downtown Juneau that offer similarities to the subject will be analyzed.

Obviously, there is limited sales activity, but there is adequate information to conclude a credible results for the land value "if vacant".

The most common unit of comparison used in this market is sales price per square foot (SP/SF) of usable site area, and this is the indicator used in this report. The sales are summarized on the facing exhibit. A map showing the location of the comparisons is included on the left overleaf page.

DISCUSSION OF LAND SALES

Discussion of Land Sales

Land Sale No. 1 is located east of Foodland in the downtown core area of Juneau. Access is from West Willoughby Avenue with limited visibility from Egan Drive. The site contains 70,911 SF or 1.63 acres. The site was being tested for potential contamination, the buyer is to assume remediation costs, and deed reservations include right to monitor the site. Marketed infrequently since 1995 with local Realtors, it was informally offered at the 2000 assessed value, the 2002 assessed value had decreased. The buyer and seller split back taxes of \$9,000, added to the agreed price of \$1,500,000, indicating an analysis price of \$1,504,500 or \$21.21/SF.

This lot has an inferior location and market conditions. It requires an upward adjustment. Therefore, we would expect the subject site to sell at a higher SP/SF.

Land Sale No. 2 is a November 2004 improved sale of a property located in the downtown commercial district. Wells Fargo Bank is the buyer and occupant. Soils are good as the site is fully paved and all utilities are available. The land value was extracted from the sales price of \$2,300,000. After subtracting improvement value of \$2,036,895, residual land value is \$263,105 or \$27.37/SF.

This lot is inferior in terms of location. Size is superior. We would expect the subject site to sell at a higher SP/SF.

Land Sale No. 3 is a July 2005 sale of a property located on the south side of Willoughby Avenue south of the subject. The buyer of this parcel was the Salvation Army and the seller was Alaska Land & Pier. Salvation Army bought the parcel at its assessed value. It is comprised of 26,045 SF. The lot is irregular shaped, at-grade and has all utilities on site. The price was \$650,000 or \$24.96/SF.

This lot is inferior to the subject in all aspects except size. With that said we would expect the subject site to sell at a higher SP/SF.

Land Sale No. 4 is a March 2008 sale of a property located on the east side of South Franklin Street south of Downtown Juneau in the cruise ship district. It is

³⁴ *The Appraisal of Real Estate, Eleventh Edition, The Appraisal Institute, Page 43*

³⁵ *IBID, Page 336*

zoned waterfront industrial and is comprised of 54,296 SF. The lot is rectangular, slightly above grade and has all utilities on site. The price was \$3,000,000 or \$55.25/SF.

This lot is the previous sale of the subject located in the cruise ship waterfront area next to major attractions. The lot is similar to the subject in terms of location and functional utility. We would expect the subject to sell at a higher SP/SF.

Land Sale No. 5 is a 2014 land lease with the City of Juneau for the Robert Tram property located on the west side of South Franklin Street in Downtown Juneau in the cruise ship district. It is zoned waterfront commercial and is comprised of 10,000 SF. The lot is rectangular, at-grade and has all utilities on site. The price was estimated from capitalizing annual lease payments to estimate land value of \$3,000,000 or \$300.00/SF.

This lot is located in the cruise ship waterfront area next to major attractions. The lot is superior to the subject in terms of location and functional utility. We would expect the subject to sell at a lower SP/SF.

Land Sale No. 6 is a July 2013 sale of a property located at 105 South Seward Street in Downtown Juneau. It is zoned Mixed-Use and is comprised of 9,471 SF. The lot is rectangular, at-grade and has all utilities on site. The price was reported at \$800,000 or \$84.47/SF.

This lot is inferior to the subject in all aspects except size. With that said we would expect the subject site to sell at a slightly higher SP/SF.

Comparative Analysis and Value Conclusion

All of the land sales were fee simple transactions except sale No. 6, which was a land lease. No adjustments for property rights are indicated. Financing terms for the sales were cash or at-market terms. All of the sales are within the past 15 years. The vacant commercial/residential land market has remained stable with no available land in the core downtown area and limited land available with commercial uses. We recognize this factor in our analysis of the older sales. No nonphysical adjustments are necessary.

All sale properties had all utilities available. Other physical adjustments that need to be considered are for location, exposure, and access. Due to the difficulty of determining appropriate quantitative factors with the limited available sales data, these physical adjustments are applied through a qualitative array analysis.

In developing an estimate of value, we considered the above discussions and ranked the sales in the following table relative to the subject property.

Comparative Analysis		
Comparable	SP/SF	Comparability
No. 5	\$300.00	Superior
Subject	---	---
No. 6	\$84.47	Superior
No. 4	\$55.25	Inferior
No. 2	\$27.37	Inferior
No. 3	\$24.96	Inferior
No. 1	\$21.21	Inferior

As shown, the sale comparisons form a SP/SF range of \$21.21/SF to \$300.00/SF.

The sales indicate that fee simple market value for the subject site is generally above all comparisons except Sale No 5. Overall, we would expect a SP/SF for the subject between Sale No. 5 at \$300.00/SF and 6 at \$84.47/SF.

During our research, we discussed the subject with brokers and investors knowledgeable in this market. The land sales demonstrate the difference in value based on appeal, size and location. The subject site has great demand from waterfront industrial/commercial user in Juneau with good access and exposure to the Downtown core. We have concluded a value of \$100.00/SF, the value is presented in the table below.

Fee Simple Site Value - Upland		
Size	\$/SF	Indicated Values
89,902 SF	\$100.00	\$8,990,170

The land value is rounded slightly to \$8,990,000.

It should be noted that the tidelands have no usability as the cruise ship sea walk and local City of Juneau float make the tidelands unusable. Thus, they have no value and we have allocated \$0 for the tidelands area, but its benefit is inclusive with the upland value.

**Fee Simple Land Value:
\$8,890,000 (Uplands Land)**

REPLACEMENT COSTS NEW

Building costs are analyzed using CoreLogic (Marshall & Swift) online program SwiftEstimator. Note, for analysis purposes, refrigeration and power generator components are classified as real estate. These items are inclusive in the building costs.

Building Costs – CoreLogic (Marshall & Swift)

We use the online version of the Marshall & Swift Commercial Estimator known as SwiftEstimator to calculate replacement cost for the structure. The CoreLogic program is updated periodically for changes in construction costs. The update we use is October 2019. The data is also adjusted, through Zip Code indexing, for cost variations in different regions of the country.

The CoreLogic estimate is for buildings of like utility, quality, and construction type, and is not necessarily a reproduction or an identical copy. The estimate includes most of the project costs, including architect and engineer's fees. These costs, in turn, include plans, plan check and building permits, and a site survey to establish building lines and grades. Also included is normal interest on only the actual building funds during the period of construction. Contractor's overhead and profit are also included in the cost estimate. Developer's margin will be addressed further in this section.

The type of building use or occupancy, construction materials, perimeter and story height are entered into the CoreLogic program. For our analysis, we have completed a separate cost analysis on each of the subject's primary buildings (included at the end of the chapter. We apply a wide range of building occupancies and the CoreLogic definitions applied are as follows:

447 Cold Storage Facility

Cold Storage facilities are designed to keep stored commodities at various temperature levels. Some production or process areas are included in the better qualities.

Sharp freezers, freezer rooms, offices, production or process areas are included in the better qualities. The front elevation will have some ornamental detail and an office/store front type entry. Lower qualities have cooler storage areas, few partitions and small office areas that are very plain with very little or any front entry trim or ornamentation.

We use a cost rank of 3.0 for construction quality for the building.

The Marshall & Swift cost estimate for the building is \$6,628,397 or \$125.31/SF of GBA.

Site improvement costs (asphalt paving, landscaping, etc.) are estimated using the net site area after excluding the building footprint. The net site area is approximately 60,452 SF (upland area 89,902 SF – 29,450 SF). Site improvement costs range from

\$2.00/SF up to \$10.00/SF varying on soil quality. We estimate site costs at \$2.00/SF or \$120,903.

The M&S cost estimate is presented on the facing page. As shown, Marshall & Swift cost estimate is \$6,749,300 or \$127.60/SF of GBA. A summary report of the cost estimates is included on the facing page.

Entrepreneurial profit (Developer's Margin)

Entrepreneurial profit or developer's gross margin is defined as a "market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. In the Cost Approach, expected profit is reflected as entrepreneurial profit."

Based on our interviews with developers active in the local market, targeted entrepreneurial profits for a property similar to the subject are within a range of 10% to 15% of the total gross investment. Depending on the risks, entrepreneurial profit can exceed these figures.

There has been no speculative construction in the Juneau market.

In addition, a probable buyer or developer of the subject improvements would be an owner-user. Thus, there would not be a n entrepreneur that would spur this development in hopes of funding the construction, leasing the property to stabilization and then selling it at a profit. Therefore, we have not projected a developer's margin.

Replacement cost new, excluding land value, is \$6,749,300 or \$127.60/SF.

DEPRECIATION

As discussed throughout this report, most speculative commercial construction is not economically feasible in the current market. Therefore, some degree of external (extraordinary economic) obsolescence still exists in the market place. This additional external obsolescence is difficult to quantify but is certainly a consideration in the reconciliation process.

It would be possible to quantify the external obsolescence affecting the subject by comparing market value as indicated by the Sales and Income Capitalization Approaches to the value indicated thus far through the Cost Approach. However, doing so would effectively compromise the independence of the three approaches. As such, we have chosen not to

Cost Analysis

Item	Building
Costs	\$6,628,397
GBA	<u>52,896</u>
\$/SF	\$125.31
Local Multiplier	1
Adjusted Cost	\$6,628,397
\$/SF	\$125.31
Site Improvements	
Land SF (excludes building footprint)	60,452
Cost per SF	<u>\$2.00</u>
Total Site Costs	\$120,903
Total Development Cost	\$6,749,300
Entrepreneurial Incentive	\$0
Replacement Cost New	\$6,749,300
\$/Sf	\$127.60
Depreciation	
Year Built	1966/1992/1996/2016
Actual Age	53/27/23/3
Effective Age	25
Economic Life	<u>50</u>
Marshall & Swift Depreciation %	50.0%
Depreciation Deduction	\$3,374,650
Depreciated Costs	\$3,374,650
Rounded to:	\$3,370,000
Land Value	\$8,990,000
"As Is" Value	\$12,360,000

adjust for this form of depreciation on a quantitative basis.

In the Improvement Description and Analysis chapter, we indicated the effective age for the subject building at 25 years.

The economic life of the buildings is estimated at 50 years. Using the straight-line method of depreciation indicates a factor of 50.0% (25 years/50 years = 50.0%) In the replacement cost table presented on the previous page, the individual improvement actual and effective ages along with remaining economic life have been indicated. Normal depreciation is estimated at \$3,374,650 or 50.0%. This deduction accounts for physical deterioration and functional obsolescence inherent in properties as they age.

The depreciated cost of the subject improvements is added in separately to the Marshall & Swift replacement cost data to a total value \$3,374,650. We round to \$3,380,000, as calculated in the following table.

Depreciated Cost Calculation	
Replacement Cost New	\$6,749,300
Less: Depreciation	<u>(\$3,374,650)</u>
Depreciated Value Total	\$3,374,650
Total (Rounded)	\$3,370,000
Plus: Land Value	<u>\$8,990,000</u>
"As Is" Total	\$12,360,000

SUMMARY

To the replacement cost estimate for the improvements, we add land value as developed earlier in chapter to estimate the "as is" value.

The reader is reminded that we have not adjusted for external obsolescence, and that we have not included a developer's margin.

Indicated Value by the Cost Approach:

\$12,360,000 ("As Is")

(Not adjusted for external obsolescence)

Fee Simple Land Value:

\$8,990,000

Sales Comparisons Map



SALES COMPARISON SUMMARY

Property Data

No.	Name/Location	Gross Area	Site Size	Rentable Efficiency Ratio	Tenancy/ Occupancy At Sale
1	Heating Company Building 5302 Commercial Boulevard Steel Frame - Built 1997/04	12,047 SF	49,022	95%	Owner Occupied 100% Occupied
2	Vintage Business Park 3030/3032 Vintage Boulevard Wood Frame - Built 1985	29,852 SF	87,364	97%	Multi-Tenant/ 100% Occupied
3	Vintage Business Park 3000 Vintage Boulevard Wood Frame - Built 1984	16,520 SF	35,908	85%	Multi-Tenant/ 97% Occupied
4	Spickett's Palace 100 North Franklin/238 Front street Concrete/Wood Frame- Bult 1900s/2018	15,425 SF	5,943	73%	Multi-Tenant/ Vacant
5	Billy Ray Building 1108 F Street Concrete - Built 1976/1982	22,130 SF	58,161	89%	Single Tenant Vacant
6	Tyler Rental Annex Property 5366 Glacier Highway Wood Frame - Built in 1983/2016	6,000 SF	74,444		Owner Occupied 100% Occupied
SUBJECT PROPERTY					
	Taku Fisheries and Twisted Fish Restaurant Steel Frame - Built 1966/1992/1996/2017	52,896 SF	128,431	90%	Multi-Tenant/ 100% Occupied

Sale Data & Indicators

Sale Date	Sale Price	\$/SF	Average Rents Expense % NOI/SF	Ro
1/07	\$1,910,000	\$158.55		8.0%
12/12	\$3,850,000 \$785,000 \$4,635,000	\$155.27	---	8.5%
5/13	\$2,200,000 \$140,000 \$2,340,000	\$141.65		8.25%
3/16	\$550,000 \$1,510,000 \$2,060,000	\$35.66	---	8.50%
7/18	\$1,741,000	\$78.67	---	9.50%
5/14	\$100,000 Add:Renovation 2016 \$1,150,000 Total \$1,250,000	\$16.67		7.75%
5/12	\$10,000,000 \$561,559 \$10,561,559	\$189.05	---	9.5%

SALES COMPARISON APPROACH

In this approach, the market value of the subject is estimated by making comparisons with similar properties that have recently sold. The principle of substitution, as it applies to the Sales Comparison Approach, states that: “the value of a property tends to be set by the price that would be paid to acquire a substitute property of similar utility and desirability within a reasonable amount of time”.³⁶

SALES COMPARISON ANALYSIS

The site is improved with a large mixed-use building consisting of two retail suites and a salmon processing plant operating as Taku Fisheries. The subject fronts Gastineau Channel and the cruise ship district with good downtown location along South Franklin Street. The gross building area is 52,896 SF. Additionally, the building has a dock use agreement for offloading loading boats which includes the fish ice house. This improvement is not included in the overall GBA.

We have presented local sales as well as several seafood plant sales from around the State. Typically, seafood plants only sell when they are having financial difficulties. The most frequently used unit of comparison in this market is sales price divided by gross building area and we have applied this in our analysis. We have used in this analysis. A location map of the sales is on the left overleaf page. Next is a discussion of the seafood plant sales followed by an analysis of the subject plant.

DESCRIPTION OF SALE COMPARISONS

Heating Company Building



Sale Comparison No. 1 is the sale of 5302 Commercial Boulevard in Lemon Creek Industrial District. This is a

steel frame retail/office/warehouse building built in 1997. The GBA is 12,047 SF. Rentable building area is estimated at 11,445 SF. The building includes main floor retail/shop space and second floor office space. An addition to the shop space was completed in 2004, which added 3,986 SF. This property was listed for \$2,100,000 and closed in January 2007 for \$1,910,000 or \$158.55/SF. According to the seller Rusty Powers, the sale was below market and under distress. The indicated R_O is estimated at 8.0%.

This property is superior in terms of effective age, condition, interior build-out, location and functional utility and similar in terms of size. We would expect a higher SP/SF for the appraised property.

3030/3032 Vintage Business Park



Sale Comparison No. 2 is located at 3030/3032 Vintage Boulevard. The improvements consist of a one-story, Class B, wood frame, office building that was built in 1985. GBA is 29,852 SF. This building is leased to multiple tenants at time of the sale. Lots R-3/R-4 were purchased in December 31, 2012 between Sablefish, LLC (buyer) and William Bauer/BBS Enterprises (seller) for \$3,850,000. The sale was in foreclosure at the time of sale. The owner post sale spent \$785,000 to renovate the building. The adjusted sales price is \$4,635,000 or \$155.27/SF. The R_O calculates to 8.5% based on a review of actual income and expenses.

This property is superior in terms of effective age, condition, interior build-out, location and functional utility and inferior in terms of

³⁶ The Appraisal of Real Estate, Eleventh Edition

size. We would expect a higher SP/SF for the appraised property.

3000 Vintage Business Park



Sale Comparison No. 3 is located at 3000 Vintage Boulevard. The improvements consist of a two-story, Class B, wood frame, office building that was built in 1984. GBA is 16,520 SF. This building is leased to multiple tenants at time of the sale. The building was May 20, 2013 between Sablefish, LLC (buyer) and William Bauer/BBS Enterprises (seller) for \$2,200,000. The sale was in foreclosure at the time of sale. The owner post sale spent \$140,000 to renovate the building. The adjusted sales price is \$2,340,000 or \$141.65/SF. The Ro calculates to 8.25% based on a review of actual income and expenses.

This property is superior in terms of effective age, condition, interior build-out, location and functional utility and inferior in terms of size. We would expect a higher SP/SF for the appraised property.

Spickett's palace Building



Sale Comparison No. 4 is a sale of a mixed-use building located at 100 North Franklin Street in Downtown Juneau. The improvement consists a three-story, retail/apartment building completed in 1900. GBA is 15,425 SF. The building sold on March 30, 2016 between FNBA (seller) and Spickett's Palace, LLC (buyer) for \$550,000 or \$35.66/SF. Since the sale, the owner has gutted the building and spent roughly \$1,510,000 to renovate the building. We add in these construction costs, that do not add a developer's margin to arrive at an adjusted price of \$2,060,000 or \$133.55/SF.

This building is superior in terms of size, age, condition, quality and overall appeal. We would expect a higher SP/SF for the appraised property.

Billy Ray Building



Sale Comparison No. 5 is a 2018 sale listing of a two-story, concrete, office building in the downtown Juneau area. The address is 1108 F Street. The improvement consists a two-story, office building completed in 1976 with an addition in 1986. Gross building area (GBA) is 22,130 SF. Rentable building area is estimated at 19,694 SF. The building closed on July 20, 2018 for \$1,741,000 or \$78.67/SF. The sale appears to be a market transaction. The building was 100% vacant. The sale appears to be a market transaction. Ro calculates to 9.5% based on a review of actual income and expenses.

This building is superior in terms of size, age and inferior in terms of condition, quality and overall appeal. We would expect a higher SP/SF for the appraised property.

ALASKA SEAFOOD PLANT SALES

PROPERTY DATA					SALE DATA		
NO.	PROPERTY LOCATION	YEAR BUILT	GROSS BUILDING AREA	SITE SIZE & COVERAGE	SALE DATE	SALE PRICE	\$/SF (GBA)
7	Former Alaska Fresh Seafood 105 West Marine Avenue Kodiak, Alaska	1970	10,768 SF	34,746 SF Uplands <u>15,188</u> SF Tidelands 49,934 SF Total	3/14	\$3,500,000	<div>\$325.04</div>
8	Copper River Seafoods North side of Naknek River, Naknek Near mouth of Kvichiak Bay	1991 +	22,572 SF	128,291 SF Uplands <u>271,198</u> SF Tidelands 399,489 SF Total	5/15	\$4,153,256 <u>(\$200,000)</u> \$3,953,256	<div>\$175.14</div>

Tyler Rental Annex Building

Sale Comparison No. 6 is located at 5366 Glacier Highway in the Lemon Creek Industrial District. The site is improved with a one-story (6,000 SF), wood frame, retail/warehouse. This building was built in 1983 and was totally renovated in 2016. Site area is 74,444 SF or 1.71 acres. The property was purchased for \$100,000 on May 13, 2013 or \$16.67/SF. The owners have spent \$1,150,000 since purchasing the building for an adjusted sales price of \$1,250,000 or \$208.33/SF. The Ro is estimated at 7.75%.

The building is superior in terms of size, interior build-out, condition and overall appeal and similar in terms of ceiling heights and construction type. We would expect a similar SP/SF for the appraised property.

SEAFOOD SALES COMPARISONS

Former Alaska Fresh (Now Trident Seafoods)

Sale Comparison No. 7 is the March 2014 sale of an improved parcel that included both uplands and tidelands with an address of 105 West Marine Avenue. This is next to the existing Trident Plant. The improvements include a 10,768 SF two-story structure (built in 1970). The site includes 34,746 SF of uplands

and 15,188 SF of tidelands. It includes 14,552 SF of dock area. The buyer was motivated as they owned the adjacent plant. The total size is 10,768 SF. The sales price was \$3,500,000 or \$325.04/SF.

The building is superior in terms of size, interior build-out, condition and overall appeal and similar in terms of ceiling heights and construction type. We would expect a lower SP/SF for the appraised property.

Copper River Seafoods

Sale Comparison No. 8 is the May 2015 sale of the Extreme Seafoods processing plant located north of Naknek River, in Naknek, Alaska. This portion of This location is near the mouth with Kvichik Bay. This area is with 15 miles east of King Salmon which is a larger community that offers an airport with jet service. This sale includes about 209,089 SF of leasehold tideland, 62,110 SF of low lying fee simple land and 128,290 of uplands (399,489 SF total area). Improvements include the salmon plant, warehouse various bunkhouses galley and other support buildings. The combined gross building area is 22,572 SF. The structures reported age verily but the main plant appears to be built in 1991. There is also 8,085 SF dock area. Soon sale the buyer spent significant upgrades on the retaining wall and almost all new processing equipment. The sale price was \$4,153,256, with some owner financing. We estimate about \$200,000 in inventory and equipment as part of the sale. The adjusted purchase price is \$3,953,256 or \$175.14/SF.

The building is superior in terms of size, and similar in terms of interior build-out, condition and overall appeal. We would expect a higher SP/SF for the appraised property.

Subject History

The subject recent sale was purchased by Alaska Seafood Holdings Inc. (buyer) and on May 2012 for \$10,000,000 or \$189.05/SF. The owners have recently added a shop addition and dock high door loading bays

at a cost of \$561,559. We adjust the sales price to \$10,561,559 or \$199.67/SF. It appears that the previous sale was a market transaction.

COMPARABLE SALE ANALYSIS

Financing terms for the sales were cash to sellers or the equivalent. All the sales occurred within approximately the last 12 years. The commercial market had been steadily improving during this period until 2008. Recently the market has seen limited activity and a possible slight decline. We take this factor into account in our analysis of the older sales. Physical adjustments such as building age, size, construction type, quality, condition, overall appeal, and functional utility are recognized using comparative analysis. We array the sales relative to the subject in the following table.

Comparative Analysis		
Comparable	SP/SF	Comparability
7 – Former Alaska Fresh Seafood	\$325.04	Superior
6 – Tyler Rental Annex Proeprty	\$208.33	Similar
Subject	---	---
Subject –Adjusted Sale	\$199.67	---
8 – Copper River Seafoods	\$175.14	Inferior
1 – Heating Company Bld.	\$158.55	Inferior
3 – 3000 Vintage Bus. Park	\$155.07	Inferior
2 – 30330/3032 Vintage BP	\$141.35	Inferior
4 – Spickett's Palace	\$97.49	Inferior
5 – Billy Ray Building	\$78.67	Inferior

Based on the preceding discussion, and as illustrated above, the sale comparables indicate market value above Sale No. 8 at \$175.14/SF, below Sale No. 7 at \$325.04/SF and in-line with Sale No. 6 at \$208.33/SF. The subject's adjusted sales price is \$199.20/SF and is a good indication of the low end of market.

Giving consideration to the most similar of the sales (both physically and economically), we reconcile a value range for the subject between \$210.00/SF and \$220.00/SF. The following table calculates an appropriate value range for the subject based on its gross building area of 52,896 SF.

Sales Price Per Square Foot Analysis		
Size	SP/SF	Indicated Values
52,896 SF	\$210.00	\$11,108,160
52,896 SF	\$220.00	\$11,637,120

As shown, the indicated values set a slightly rounded range between \$11,110,000 and \$11,640,000 for the "as is" market value.

SUMMARY

Through comparative analysis, we determined an appropriate value range of \$11,110,000 and \$11,640,000 for the "as is" value.

The reader's attention is directed to the Income Capitalization Approach for application of the overall rate (Ro).

Indicated Value by the Sales Comparison Approach: "As Is"

\$11,110,000 and \$11,640,000

Rental Comparisons Map



Rental Comparison Summary

No.	Name/Location	Space Type	Leasable Area	Lease Term	1st Year Rate	Adjusted to Utilities	Tenant Expenses
1	1810 Anka Warehouse	Office/Whs.	2,000	3 Years	\$1.25	\$1.61	N-N-N
2	8525 Mallard Street	Shop Retail/Office	3,100 4800	MO-MO Listing	\$1.05 \$1.30	\$1.41 \$1.66	N-N-N N-N-N
3	5723 Concrete way	Shop/Office	2,700	5 Years	\$1.25	\$1.61	N-N-N
4	175 South Franklin Street	Retail 2nd Fl.	800-1000 Varies	Varies Varies	\$3.50 \$2.00	\$4.06 \$2.56	N-N-N N-N-N
5	210 Admiral Way	Retail Retail 2nd Fl.	700 1,650 Varies	2 Years Active Active	\$4.74 \$3.50 \$1.50	\$4.78 \$3.54 \$1.54	all exc. Tax/ Insurance Utilities
6	219 South Franklin Street	Retail 2nd fl. Storage	2,529 1,664 3,928	3 Years	\$6.00 \$2.50 \$1.25	\$6.56 \$3.06 \$1.45	N-N-N N-N-N N-N-N
7	110 North Franklin	Retail	1,787 375 1975	5 Years 3 years 1 year	\$2.25 \$2.53 \$1.32	\$2.25 \$2.53 \$1.32	Utilities Utilities Utilities

INCOME CAPITALIZATION APPROACH

Anticipation of future benefits is the economic premise of the Income Capitalization Approach. Value can be measured by estimating the present worth of all rights to these future benefits (income and reversion). Converting future benefits into a value conclusion requires a capitalization process. In this analysis, we utilize the direct capitalization method to convert "as is" property income into a value estimate.

The analysis begins with an estimate of stabilized income. This involves a review of recent rental comparisons and subject's leases to determine if contract rents are at market. Next, we estimate stabilized vacancy and credit loss as well as expenses. After deducting expenses, a stabilized net operating income is calculated. The income projection is capitalized (using a market capitalization rate – R_o) and a market value conclusion is reconciled.

RENT COMPARISONS

The building has a GBA of 52,896 SF. The owner occupies 92% with the seafood processing plant and one retail area. Other areas include second floor office space and storage area. The restaurant is leased and accounts for 8% of the building.

We present several local industrial/office and retail comparisons. In this market, rent is typically quoted as cost per square foot per month for the rentable area occupied. We have used this basis in our analysis of the rent comparisons as well as our projections for the subject. The potential gross income (PGI) estimate for the appraised property is based on a tenant paying utility expenses similar to current lease expense structure.

The left overleaf page is a location map for the rent comparisons. Following is a discussion of the rental comparisons as they relate to the appraised property.

1810 Anka Street



Rental Comparison No. 1 is a wood frame office/warehouse building located at 1810 Anka Street in the Lemon Creek Industrial District. The condition is reportedly good. A 2,000 SF space signed in late 2009 for three years at \$1.25/SF N-N-N. After adjusting for expenses, the rate is \$1.61/SF.

8525 Mallard Street



Rental Comparison No. 2 is located at 8525 Mallard Street in the Airport Industrial District. One lease is month-to-month for a 3,100 SF shop space at \$1.05/SF based on a N-N-N lease structure. The second is a listing for a 4,800 SF retail/office space at \$1.30/SF N-N-N. After adjusting for expenses, the rate is \$1.41/SF and \$1.66/SF.

5723 Concrete Way

Rental Comparison No. 3 is located at 5723 Concrete Way in the Lemon Creek Industrial District. One unit in the building is for lease at \$1.25/SF N-N-N. The unit consists of a 1,900 SF shop area and a 800 SF office space on the second floor. After adjusting for expenses, the rate is \$1.61/SF.

175 South Franklin Street

Rental Comparison No. 4 is the retail/office/storage building at 175 South Franklin Street. The ground floor retail suites are leased at \$3.50/SF N-N-N. 2nd Floor rents are \$2.00/SF N-N-N. After adjusting for expenses, the rate is \$4.06/SF and \$2.56/SF.

210 Admiral Way

Rental Comparison No. 5 is located at 210 Admiral Way. This building has ground floor retail shops and second floor office/storage space. A lease was signed for a 700 SF retail space for one year with a year option. The lease was for \$4.74/SF with the tenant paying all expenses except for taxes and insurance. There is an active lease for 1,650 SF at \$3.50/SF. The second-floor space has no elevator access and the list price on this space is \$1.50/SF plus utilities. After adjusting for expenses, the rates are \$4.78/SF, \$3.54/SF and \$1.54/SF.

219 South Franklin Street

Rental Comparison No. 6 is a retail building at 219 South Franklin Street. This location is on the north side of the cruise ship traffic. The building has an lease for the entire building based on a N-N-N lease structure with allocated rents for each floor. The 2,529 SF of retail space is rented for \$6.00/SF, the 1,664 SF of second floor retail space is at \$2.50/SF and the 3,928 SF of third floor office/storage area is at \$1.25/SF. After adjusting for expenses, the rates are \$6.56/SF, \$3.06/SF and \$1.45/SF.

RENT ROLL / LEASE SUMMARY

<u>Tenant</u>	<u>Area - SF</u>	<u>Began</u>	<u>Ends</u>	<u>Monthly Contract Rent</u>	<u>Rent/SF</u>	<u>Escalations</u>	<u>Tenant Expenses</u>	<u>Tenant Improvements</u>
Twisted Fish Company	5,880	1/1/2017	12/31/2018	\$14,985	\$2.55	Annual CPI	Utilities/Int. Maint.	None
<hr/>								
Total Rental Area:	5,880	<u>Combined contract rents for subject</u>						
		Monthly Rental:		\$14,985	\$2.55			
		Annual Rental:		\$179,824				

110 North Franklin Street

Rental Comparison No. 7 is located at 110 North Franklin Street. The improvements consist of several retail suites. The leases range in size from 375 SF to 1,787 SF for 1 to 5 years at \$1.32/SF, \$2.29/SF and \$2.53/SF. All the tenants were paying for utility expenses. After adjusting for expenses, the rates are \$1.32/SF, \$2.53/SF and \$2.25/SF.

SUBJECT RENTS

The subject has one tenant that is occupying the building that accounts for 8% of the building. The remaining 92% is owner occupied space. The lease information is presented on the facing page.

The restaurant is leased since 2017 for 2 years. The original lease has expired but the lease has a two-year option. This option will expire in 2020. The rental rate is \$14,985 or \$2.55/SF. The lease appears to be at market for a restaurant.

We project market rent for all owner-occupied space and use contract for the leased space in the Direct Capitalization later in the chapter.

MARKET RENT ESTIMATES

The properties chosen as rental comparisons were selected due to general similarities in quality, design, size, age, condition and overall appeal. Compared to the subject's space, adjusted rents for these properties are as follows.

The office/shop/retail space comparisons range from \$1.32/SF to \$6.56/SF, adjusted for expenses. The table below shows an array of the local rents.

Comparative Analysis – Seafood/Office

Comparison	SP/SF	Comparability
No. 4	\$2.56	Superior
No. 7	\$1.32-\$2.53	Similar
No. 6	\$1.45-\$3.06	Similar
Subject – Seafood	---	---
No. 3	\$1.61	Inferior
No. 1	\$1.61	Inferior
No. 5	\$1.54	Inferior
No. 2	\$1.41-\$1.66	Inferior

After adjustments for tenant expenses, the rental comparisons indicate market rent between \$1.41/SF and \$2.56/SF. The rental rates presented above are blended between office/shop/warehouse space.

Overall, the subject is expected to be below Rental No. 4, above Rental No. Nos. 1 and 3 and similar to rental Nos. 6 and 7. The comparables indicate a range above \$1.61/SF and below \$2.53/SF.

We project market for the owner-occupied seafood space including the yard space on Lot 2C. Given the available information, we find that market rent on a blended basis is appropriately stated at **\$2.00/SF** with the tenant paying utility lease structure.

Comparative Analysis – Retail

Comparison	SP/SF	Comparability
No. 6	\$6.56	Superior
No. 5	\$3.54-\$4.78	Similar
Subject – Retail	---	---
No. 4	\$4.06	Similar
No. 7	\$1.32-\$2.53	Inferior

After adjustments for tenant expenses, the rental comparisons indicate market rent between \$1.32/SF and \$6.56/SF. The rental rates presented above are for retail space.

Market rent for the subject property is below Rental No. 6, above Rental No. 7 and similar to Rental Nos. 4 and 5.

Given the available information, we project market rent for Owners retail suite at **\$4.50/SF**.

The restaurant lease appears to be at market levels and we use contract rent in the Direct Capitalization later in the report.

EXPENSE ANALYSIS AND PROJECTION

Occupancy Type: Approximate GBA - SF	EXPENSE COMPARISONS						APPRAISERS' PROJECTION	
	Comp # 1 Office/Whse 46,000	Comp # 2 Office/Whse 44,000	Comp # 3 Office/Whse 36,000	Comp # 4 Retail/Whse 31,000	Comp # 5 Office/Whse 30,000	Comp # 6 Office/Whses 27,000	Stabilized 52,896 SF GBA	
MANAGEMENT as a % of EGI	\$/SF \$0.10 1.7%	\$/SF \$0.00 N/A	\$/SF \$0.52 4.0%	\$/SF \$0.18 2.2%	\$/SF \$0.05 0.4%	\$/SF \$0.34 4.0%	Total \$66,723	\$/SF \$1.26
UTILITIES								
Energy (Gas & Electric)	\$0.61	\$0.85	- - -	\$0.06	- - -	- - -	\$0	\$0.00
Utilities (Sewer, Water & Refuse)	\$0.08	\$0.06	- - -	\$0.01	- - -	- - -	\$0	\$0.00
TOTAL UTILITIES	\$0.69	\$0.91	\$0.56	\$0.07	\$0.00	\$0.34	\$0	\$0.00
GENERAL OPERATING								
Maintenance & Repairs	\$0.06	\$0.59	\$0.67	\$0.60	\$0.49	\$0.93	\$34,382	\$0.65
Snow Removal	\$0.00	\$0.09	<i>incl. above</i>	\$0.05	\$0.04	<i>incl. above</i>	\$10,579	\$0.20
Miscellaneous	\$0.17	\$0.00	\$0.18	\$0.05	\$0.05	\$0.06	\$5,290	\$0.10
TOTAL GENERAL EXPENSES	\$0.23	\$0.68	\$0.85	\$0.70	\$0.58	\$0.99	\$50,251	\$0.95
FIXED EXPENSES								
Reserves	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$26,689	\$0.50
Dock Usage	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25,000	\$0.95
Insurance	\$0.16	- - -	\$0.25	\$0.28	\$0.10	\$0.22	\$26,448	\$0.50
Real Estate Taxes	\$0.74	\$0.54	\$0.80	\$0.96	\$0.54	\$1.13	\$120,500	\$2.28
TOTAL FIXED EXPENSES	\$0.90	\$0.54	\$1.05	\$1.24	\$0.64	\$1.35	\$198,637	\$4.23
Total Annual Expenses:	\$1.92	\$2.13	\$2.98	\$2.19	\$1.27	\$3.02	\$315,611	\$5.97

POTENTIAL INCOME PROJECTION

As shown on the Stabilized Income Estimate exhibit near the end of this section, applying market for Seafood Plant and yard rent at \$2.00/SF, retail area at 4.50/SF and contract rent for the restaurant at \$2.55/SF, results in annual potential gross income (PGI) of **\$1,404,688**. For reference, this equates to \$117,057/month.

Market and contract rent have been applied in the Direct Capitalization as follows.

GROSS INCOME ESTIMATE

Using the estimated market rents described above, **potential gross income (PGI)** is \$1,404,688. The reader's attention is directed to the Stabilized Income Estimate exhibit at the end of this chapter for details of the income forecast.

Vacancy at the subject is 0% for the building. The Market Analysis section of this report describes current market conditions and expected trends for downtown Juneau. From a study of this market, we estimate a **stabilized vacancy and credit loss allowance** for the building at 5.0%. The vacancy deduction is \$70,234.

After deducting the vacancy allowance, annual **effective gross income (EGI)** is \$1,334,453.

EXPENSE PROJECTIONS

The next step in the analysis is the forecast of expenses. The owner did not provide expenses. We considered expenses experienced at other properties. All variable and fixed expense projections are summarized in the facing table.

The restaurant tenant pays all utilities/minor interior maintenance. We project the owner's space at the sale expense structure.

Management

Professional management expense includes accounting, minor legal costs and a management fee. The professional manager is needed to ensure the building operates efficiently and that tenant concerns are answered promptly. Management fees in Alaska tend to range between 2.5% and 7% of collected rents. We project a management expense of 5% of effective gross income or a slightly rounded \$66,723.

Utilities Expense

Utility expenses include electricity, water, sewer and refuse collection. The tenants will pay for all utilities at the building. Therefore, we do not project this expense.

Repairs and Maintenance

The repairs and maintenance expense figures for the subject include normal maintenance and repair costs and minor cleaning expenses, but exclude capital improvement costs. Similarly, our projections include separate categories for typical maintenance and capital replacement items.

A repair and maintenance budget of \$0.65/SF or \$34,382 per year is deemed reasonable.

Snow Removal and Landscaping

The comparisons are from a low of \$0.04/SF to as high of \$0.09/SF. We have projected a "stabilized" expense \$0.20/SF or \$10,579.

Miscellaneous

Miscellaneous/security expenses at the comparables range from \$0.15/SF to \$0.17/SF. We forecast an expense of \$0.10/SF or \$5,290 to allow for minor costs not included elsewhere in this analysis.

Total General Operating Expenses is \$50,251 or \$0.95/SF.

Reserves

A reserve allowance is designed for continual replacement of short-life items such as appliances, carpet, and roof coverings. Our estimated reserve expense is 2.0% or \$26,689 annually.

Fixed Expenses

Fixed expenses include dock use fees, insurance and real estate taxes.

Dock Use Fee

The owner is leasing the dock from the city and they pay a usage fee based on gross tons of fish. The rent ranges from a low of \$13,000 to \$27,500. We use \$25,000.

Insurance costs for the subject are projected at \$0.50/SF or \$26,448.

Real estate taxes were discussed earlier in this report and are paid by the landlord. Total expense is \$120,500.

DIRECT CAPITALIZATION EXHIBIT

Taku Fisheries and Twisted Fish Restaurant

<u>Area Description</u>	<u>Area - SF</u>	<u>Rent / Mo.</u>	<u>\$/SF</u>	<u>Annual Income</u>
Seafood Plant/yard Space - Market	43,800	\$87,600	\$2.00	\$1,051,200
Retail Suite - Market	3,216	\$14,472	\$4.50	\$173,664
Restaurant - Contract	5,880	\$14,985	\$2.55	\$179,824
Total Area	52,896	\$117,057	\$2.21 /SF	Rental Income: \$1,404,688
Potential Gross Income:				\$1,404,688
Less: Stabilized vacancy and credit loss @ 5.0%				<u>(\$70,234)</u>
Effective Gross Income:				\$1,334,453

Less: Operating Expenses

Management Fees @	5.0%	\$66,723	\$1.26	
Utilities		\$0	\$0.00	
General Operating		\$50,251	\$0.95	
Reserves for Replacement	2.0%	\$26,689	\$0.50	
Dock Usage Fee		\$25,000	\$0.95	
Insurance		\$26,448	\$0.50	
Real Estate Taxes		\$120,500	\$2.28	
Total Expenses	% of EGI:	23.7%	\$6.44 /SF GBA	<u>\$315,611</u>
Net Operating Income				<u><u>\$1,018,842</u></u>

INCOME CAPITALIZATION

\$1,018,842 Net Operating Income

(NOI / rate = value) Selected R_o:

9.00%

"As Is" Market Value:

\$11,320,470

Rounded to:

\$11,300,000

\$/SF

\$214

Total fixed expenses including reserves is estimated at \$198,637 or \$4.23/SF. Total expenses are \$315,611 or \$5.97/SF.

Estimated Net Operating Income

Deducting projected expenses as determined above from effective gross income calculates a stabilized net operating income of \$1,018,842.

Net Operating Income	
Effective Gross Income	\$1,334,453
Less: Expenses (23.7% of EGI)	(\$315,611)
Net Operating Income	\$1,018,842

Income Capitalization Calculation

The final step in the direct capitalization analysis is conversion of income to a value indication using an appropriate capitalization rate.

Recent sale comparisons provide direct market evidence of overall capitalization rates (R_o) for similar types of property. In the Sales Comparison Approach, we utilized several sales comparisons and the R_o for each is summarized below.

CAPITALIZATION RATE RANGE	
1 – Heating Company	8.00%
2 – 3030/3032 Vintage	8.50%
3 – 3000 Vintage	8.25%
4 – Spickettes Palace	8.50%
5 – Billy Ray Building	9.50%
7 – Tyler Rental Annex	7.75%

As shown, the comparisons indicate a fairly broad range between 7.75% and 9.50%.

A review of other retail/office and Class A and B office sales in our files (although the buildings were less similar overall), found a range of overall rates generally between approximately 7.0% and 10.0%. This range is supported by our survey of local investor expectations, as well.

We also reviewed Korpacz Real Estate Investment Survey for the First Quarter 2019 to aid in our projections. The Korpacz survey includes investor expectations for a wide variety of real estate markets and we have concentrated on trends in the National CBD Office, Regional Mall and Warehouse Market. The survey indicates the overall capitalization rates (R_o) for the CBD Office Market are from 3.50% to 7.50%; the average is 5.48%. The survey indicates the overall

capitalization rates (R_o) for the Regional Mall Market are from 4.00% to 9.00%; the average is 6.31%. The survey indicates the overall capitalization rates (R_o) for the National Warehouse Market are from 3.00% to 6.25%; the average is 4.64%.

The subject has good location, access and exposure. It offers a functional design and quality.

With these things in mind, a capitalization rate below the low end of the indicated local sales comparison range is indicated. Moreover, the rate should be toward the middle end of the investors' range for institutional grade properties. Ultimately, we selected a rate of 9.0%.

The direct capitalization calculation for the subject using the indicated rate and the stabilized NOI determined in the preceding paragraphs is shown in the following tables.

Income Capitalization Calculation	
Net Operating Income	\$1,018,842
R_o – Capitalization Rate	÷ 9.0%
Indicated Value "As Is"	\$11,320,470
Rounded to:	\$11,300,000

SUMMARY OF INCOME APPROACH

In this analysis, potential gross income was projected using contract and market rents. The vacancy and credit loss estimate was based on current and expected market conditions. Expenses were based on a review of several expense comparisons. Comparable sales provided an indication of an appropriate capitalization rate. As such, we reconcile the value through this approach as follows:

Indicated Value by the Income Approach:

“As Is”
\$11,300,000

RECONCILIATION

In the foregoing analysis, the value of the subject has been analyzed under the Cost, Sales Comparison and Income Capitalization Approaches. The values indicated through the three approaches are as follows:

"As Is" Value

Cost Approach	\$12,360,000
Sales Comparison	\$11,110,000 to \$11,640,000
Income Capitalization	\$11,300,000

Reconciliation is the analysis of alternative conclusions to arrive at a final value estimate. The approach that best represents market behavior and has employed the most reliable market data is given the most emphasis in reconciling to a final market value estimate.

The **Cost Approach** can be meaningful when it is possible to reliably estimate the costs of new construction as well as depreciation from all sources. We were able to estimate replacement cost new using the Marshall & Swift Corelogic Estimator program.

We considered several recent commercial sales in the **Sales Comparison Approach**. Our research found several sales that were similar to the subject. Analysis of the sales found that they bracketed the appraised property in terms of size, age, quality, condition, and overall appeal. We analyze the previous sale of the subject.

The **Income Capitalization Approach** includes a detailed analysis of contract and market rents, vacancy levels, and expected expenses for this property type. The direct capitalization analysis generated an indication of value that is consistent with typical buyer expectations and return requirements. The selection of the R_o from sales comparison data marries the approach with observed market behavior. The Income Capitalization Approach provides a better indication of market value.

VALUE CONCLUSION

Considering the reliability of each approach, the cost approach did not fully account for economic obsolescence and is given less weight. The Income Capitalization Approach is given the greatest weight in the analysis of the subject's market value. This approach is the most detailed and most closely matches the methodology of local market participants. However,

the Sales Comparison Approach provides a reasonable indication of value. The final value conclusion is based on the analysis through the Income Approach.

By virtue of our inspection, investigation and analysis, it is the opinion of the appraisers that the "as is" market value (real estate only) of the leased fee interest in the subject real estate, as of September 26, 2019 is as follows:

**Eleven Million Three Hundred Thousand Dollars
\$11,300,000**

The value estimate is predicated on a marketing period of up to twelve months and is subject to the assumptions and limiting conditions contained herein.

ADDENDA



September 3, 2019

Scott Montalbo
North Pacific Advisors, LLC
1399 W 34th Ave., Ste 205
Anchorage, AK 99503

RE: COMMERCIAL REAL ESTATE APPRAISAL ENGAGEMENT LETTER

Borrower: Alaska Seafood Holdings, Inc.
Legal Description: Dockside Lot 2B (ID #1C100K830024) and
Dockside Lot 2C (ID #1C100K830025)
Physical Address: 550 and 560 S Franklin Street, Juneau, AK 99801

Please accept this letter as written authorization to proceed with your engagement to complete an appraisal on the real estate as described above and as described in the original Request for Appraisal sent to you for your bid response. **In order to comply with Bank Policy, please sign, date and return this engagement letter to appraisaldesk@nrim.com.** The client for this assignment is Northrim Bank, its officers and directors. Other intended users of the appraisal include the appropriate banking regulatory agencies, other financial institutions, and state agencies such as the Alaska Housing Finance Corporation and the Alaska Industrial Development Export Authority that may participate with Northrim Bank in funding a loan for which the subject property will be security. The original Appraisal Request sent to you for your bid request details the specifics for the type of appraisal required, which are summarized as follows:

Value Required: <input checked="" type="checkbox"/> "As Is"	<input type="checkbox"/> "At Completion"	<input type="checkbox"/> "At Stabilized Occupancy"
Approaches to Value:	Report Requested:	Property Rights:
<input checked="" type="checkbox"/> Income	<input type="checkbox"/> Appraisal Report (Summary)	<input checked="" type="checkbox"/> Fee Simple
<input checked="" type="checkbox"/> Sales Comparison	<input checked="" type="checkbox"/> Appraisal Report (Self-Contained) (As described in 2012-2014 USPAP)	<input type="checkbox"/> Lease Fee
<input type="checkbox"/> Cost	<input type="checkbox"/> Recertification of Value	<input type="checkbox"/> Leasehold Estate
	<input type="checkbox"/> SBA 504	
	<input type="checkbox"/> FHLMC 71B	

The appraisal report is scheduled to be delivered by **October 1, 2019 for a total fee of \$7,500. No hard copies are required.** Please provide a CD/PDF copy of the report. **Unless otherwise agreed, if the report remains outstanding three days beyond the scheduled delivery date, the quoted appraisal fee will be adjusted negatively \$100 each day until received.** The report should estimate the **Fair Market Value** of the property according to FIRREA, and must meet the requirements of Northrim Bank's Appraisal Policy.

The report must meet the current Uniform Standards of Professional Appraisal Practice (USPAP) as formulated by The Appraisal Foundation, and conform to the Interagency Appraisal and Evaluation Guidelines for Federally Related Transactions adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the State of Alaska, and Northrim Bank Appraisal Policy. Please be certain that your certification complies with the new certification standards found in Standards Rule 2-3 of USPAP.

The property must be appraised "**As Is**," "**At Completion**" (if appropriate) and "**At Stabilized Occupancy**" with detailed analysis and estimates of the time and cost necessary to achieve same enumerated within the appraisal, as appropriate. The "As Is" value of the property is based on its **current** physical condition and subject to the zoning in effect as of the date of appraisal. For proposed or partially completed properties, value "**At Completion**" represents the market value at the effective date construction is completed or the certificate of occupancy is issued. This estimate of value reflects the impact of absorption time and the cost necessary to achieve stabilized occupancy. For income producing properties, these costs include leasing commissions, rent loss/concessions, and tenant improvement costs on vacant or non-preleased space. Discount rates, growth rates, sales or absorption rates, revenues, expenses and occupancy levels should be based on current market and economic conditions and not upon estimates or projected levels that cannot be supported by current market conditions.

The "**Stabilized Value**" (at the effective date of stabilization) should be based upon current market and economic conditions supported by revenue, expense, and occupancy levels achieved by comparable properties.

The appraisal must contain an analysis of actual income and expenses experienced by the subject property where it is an existing income-producing property, and explain any anticipated deviations from the established historical trend. Market real estate taxes, costs for insurance, other expenses, and reserves for repair and replacement should be addressed and utilized appropriately. Any relevant market trend that affects the subject property or market, such as increasing vacancy rates, greater use of rent concessions, and declining sale prices, should be reported and analyzed. All property operating data provided to the appraiser is to be kept in strict confidence.

The report should be sufficiently descriptive to enable the reader to ascertain the value estimates, the rationale for each estimate, and should provide detail and depth of analysis that reflects the complexity of the real estate appraised. In addition, the report should not incorporate, by reference, a document not readily available to the reader. Studies prepared by a third party should be verified to the extent the assumptions and/or conclusions are used, and the appraiser's acceptance or rejection of a third party study and its impact on value should be fully explained.

All other values or interests appraised must be clearly labeled and segregated, e.g., business, fractional interest, furniture, fixtures, and equipment values. The appraisal is to have a separate assessment of personal property, fixtures, or intangible items that are attached to or located on real property if the personal property, fixtures, or intangible items affect the value of the real estate.

For further information regarding the subject property, such as legal description, inspection access, cost breakdown, plans and specifications, leases or lease summaries, operating expenses, etc., please contact:

Northrim Contact:	Jaime Kissner	907-790-5178
	Todd Greimann	907-790-5170
Property Contact:	Hank Baumgart	907-738-1607

Appraisal report(s) and billing information should be addressed to Northrim Bank, Attn: Susan Peach, 3111 C Street, P.O. Box 241489, Anchorage, Alaska, 99524-1489. The invoice must accompany the appraisal report. A signed "Received and Acknowledged" copy of these written instructions **must be** included in the addenda and referenced in the letter of transmittal submitted with the appraisal, **or the reports will be returned for correction. All appraisals must conform to the requirements of this letter and Northrim Bank Policy.**

NORTHRIM BANK

Received and Acknowledged on _____

Susan Peach
Real Estate Valuation Management Officer

By: _____

CoreLogic - SwiftEstimator Commercial Estimator - Summary Report

General Information

Estimate ID:	19-2084	Date Created:	10-02-2019
Property Owner:	Alaska Seafoods Holdings	Date Updated:	10-02-2019
Property Address:	550/560 South Franklin Street Juneau, AK 99801	Date Calculated:	10-03-2019
Local Multiplier:		Cost Data As Of:	10-2019
Architects Fee:		Report Date:	using default

Section 1

Area	52896	Overall Depreciation %
Stories in Section	2	Physical Depreciation %
Stories in Building		Functional Depreciation %
Shape	irregular	External Depreciation %
Perimeter	(auto-calc)	
Effective Age	0	

Occupancy Details

Occupancy	%	Class	Height	Quality
447 Cold Storage Facility	100	D	12	3.0
Occupancy Total Percentage	100			

Calculation Information (All Sections)

	Units	Unit Cost	Total Cost New	Less Depreciation	Total Cost Depreciated
Basic Structure					
Base Cost	52,896	\$79.98	\$4,230,622		\$4,230,622
Exterior Walls	52,896	\$20.44	\$1,081,194		\$1,081,194
Heating & Cooling	52,896	\$24.89	\$1,316,581		\$1,316,581
Basic Structure Cost	52,896	\$125.31	\$6,628,397	\$0	\$6,628,397

Cost data by CoreLogic, Inc.

Except for items and costs listed under "Addition Details," this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.



Alaska Seafood Holdings, Inc. and Subsidiaries

Schedule III – Consolidating Statement of Operations

Year Ended December 31, 2018

	Icy Strait Seafood	Alaska Seafood Holding	SAASCO dba Taku Smokeries	Hoonah Cold Storage	Eliminations	Total
Revenues	\$ 27,485,242	\$ -	\$ 10,614,875	\$ 8,142,134	\$ (9,498,333)	\$ 36,743,918
Cost of revenues	23,173,332	96	8,314,886	7,301,971	(9,498,333)	29,291,952
Gross profit	4,311,910	(96)	2,299,989	840,163	-	7,451,966
Operating expenses	2,335,308	1,016,428	2,515,029	456,093	(672,000)	5,650,858
Net operating income (loss)	1,976,602	(1,016,524)	(215,040)	384,070	672,000	1,801,108
Other income (expense)						
Rental income	-	708,570	152,871	-	(672,000)	189,441
Other income	17,710	-	-	-	-	17,710
Management fee	(7,200)	-	-	-	-	(7,200)
Loss from investment in Q Sea Speciality Services, LLC	(50,320)	-	-	-	-	(50,320)
Charitable donations	(27,748)	-	(5,198)	-	-	(32,946)
Interest expense	(541,431)	(565,311)	-	-	-	(1,106,742)
Total other income (expense), net	(608,989)	143,259	147,673	-	(672,000)	(990,057)
Net income (loss)	<u>\$ 1,367,613</u>	<u>\$ (873,265)</u>	<u>\$ (67,367)</u>	<u>\$ 384,070</u>	<u>\$ -</u>	<u>\$ 811,051</u>

Alaska Seafood Holdings, Inc. and Subsidiaries

Schedule III – Consolidating Statement of Operations

Year Ended December 31, 2017

	Icy Strait Seafood	Alaska Seafood Holding	SAASCO dba Taku Smokeries	Hoonah Cold Storage	Eliminations	Total
Revenues	\$ 28,401,229	\$ -	\$ 10,761,681	\$ 7,875,606	\$ (7,847,353)	\$ 39,191,163
Cost of revenues	24,841,125	4,001	8,749,364	6,816,859	(7,847,353)	32,563,996
Gross profit	3,560,104	(4,001)	2,012,317	1,058,747	-	6,627,167
Operating expenses	2,068,421	915,380	2,476,234	385,818	(672,000)	5,173,853
Net operating income (loss)	1,491,683	(919,381)	(463,917)	672,929	672,000	1,453,314
Other income (expense)						
Rental income	-	702,000	187,820	10,067	(672,000)	227,887
Other income	3,874	-	-	-	-	3,874
Management fee	(1,971)	-	-	-	-	(1,971)
Loss from investment in Q Sea Speciality Services, LLC	(6,404)	-	-	-	-	(6,404)
Charitable donations	(17,897)	-	(1,280)	-	-	(19,177)
Interest expense	(500,894)	(611,647)	-	-	-	(1,112,541)
Total other income (expense), net	(523,292)	90,353	186,540	10,067	(672,000)	(908,332)
Net income (loss)	<u>\$ 968,391</u>	<u>\$ (829,028)</u>	<u>\$ (277,377)</u>	<u>\$ 682,996</u>	<u>\$ -</u>	<u>\$ 544,982</u>

Alaska Seafood Holdings, Inc. and Subsidiaries

Schedule III - Consolidating Statement of Operations

Year Ended December 31, 2016

	Icy Strait Seafood	Alaska Seafood Holding	SAASCO dba Taku Smokeries	Hoonah Cold Storage	Eliminations	Total
Revenues	\$ 23,543,512	\$ -	\$ 10,923,307	\$ 10,261,313	\$ (8,572,106)	\$ 36,156,026
Cost of revenues	20,672,886	1,630	9,042,014	9,455,213	(8,572,106)	30,599,637
Gross profit	2,870,626	(1,630)	1,881,293	806,100	-	5,556,389
Operating expenses	1,675,013	1,010,653	2,638,620	425,939	(672,000)	5,078,225
Net operating income (loss)	1,195,613	(1,012,283)	(757,327)	380,161	672,000	478,164
Other income (expense)						
Income from investment in Q Sea	162,812	-	-	-	-	162,812
Rental income, net	-	672,000	160,000	10,651	(672,000)	170,651
Other expense	11,069	-	-	-	-	11,069
Charitable donations	(13,966)	-	(2,560)	-	-	(16,526)
Interest expense	(461,504)	(676,113)	-	-	-	(1,137,617)
Total other income (expense), net	(301,589)	(4,113)	157,440	10,651	(672,000)	(809,611)
Net income (loss)	<u>\$ 894,024</u>	<u>\$ (1,016,396)</u>	<u>\$ (599,887)</u>	<u>\$ 390,812</u>	<u>\$ -</u>	<u>\$ (331,447)</u>

Comparable Building Sale No. 1



Property Name:	Heating Company Building
Location:	Address is 5302 Commercial Boulevard.
Legal Description:	Lots 2a and 3, Williams Subdivision
Tax ID No.	5B1201410094 and 5B1201410095
Sale Price:	\$1,910,000
Sale Date:	January 9, 2007
Grantor:	The Heating Company, Inc.
Grantee:	GGATS, LLC
Serial Number:	2007-000180-0
Terms:	Cash to seller
Property Rights:	Fee Simple
Confirmed With:	Seller, Agent
By/Date:	SM, 2009
Site Size:	49,022 SF
Zoning:	Industrial
Site Functional Utility:	Good
Access:	Good
Building Type:	Office/Warehouse Building
Building Size:	GBA is 12,047 SF, rentable is 11,445 SF
Efficiency Ratio:	95% rentable
Construction Type:	The structure is a two-story, steel frame office/warehouse building. Condition was good at the time of sale.
Year Built:	1997, addition in 2004
Overall Condition:	Good
Imps. Functional Utility:	Good
Marketing Time/Sale and Sale History:	This property was listed for \$2,100,000 and closed in January 2007 for \$1,910,000 or \$166.89/SF. According to the seller Rusty Powers, the sale was below market and under distress.

Income Remarks: Reported by owner.

Income Calculation: Overall Capitalization Rate (Ro) 8.0%

Sales Price: \$1,910,000

Overall price / SF: $\$1,910,000 \div 12,047 \text{ SF} = \$158.55 / \text{SF}$ (including land)

Comparable Building Sale No. 2



Property Name:	Vintage Business Park Building
Location:	Address is 3030/3032 Vintage Boulevard.
Legal Description:	Lots R-3/4, Block A, Vintage II Subdivision
Tax ID No.	5B1601420030
Sale Price	\$4,635,000 including \$785,000 renovation costs.
Sale Date:	December 31, 2012
Grantor:	William Bauer
Grantee:	Sablefish, LLC
Serial No.:	2012-8366-0
Terms:	Cash to seller
Property Rights:	Leased Fee
Confirmed With:	Buyer
By/Date:	SM, 2012
Site Size:	87,364 SF
Zoning:	Commercial
Site Functional Utility:	Good
Access:	Good
Building Type:	Class B Office Building
Building Size:	GBA is 29,852 SF, rentable is 28,993 SF.
Efficiency Ratio:	97%
Construction Type:	The structure is a two-story wood frame office building with a painted plywood exterior. Condition was average at the time of sale.
Year Built:	1985
Overall Condition:	Average
Imps. Functional Utility:	Good
Marketing Time/Sale and Sale History:	None reported

Income Remarks: The information below is based on the appraiser's estimates as well as actual information provided by the seller. Market rents are projected based on a full-service basis excluding janitorial.

Income Calculation:

Revenues:

Estimated Gross Income (\$2.05/SF/Mo avg.)	\$713,228
Less: Vacancy & Credit Loss (5%)	<u>(35,661)</u>
Effective Income	\$677,566

Expenses:

Total Expenses @ \$9.50/SF (42% EGI)	\$284,050
--------------------------------------	-----------

Projected Net Operating Income	\$393,517
--------------------------------	-----------

Overall Capitalization Rate (Ro)

\$ 393,517 (NOI) /4,635,000 \$(Price) =	8.5%
---	------

Sales Price: \$4,635,0000

Overall price / SF: \$4,635,000 ÷ 29,852 SF = \$155.27 / SF

Comparable Building Sale No. 3



Property Name:	Vintage Business Park Building
Location:	Address is 3000 Vintage Boulevard.
Legal Description:	Lots R-1, Block A, Vintage II Subdivision
Tax ID No.	5B1601420010
Sale Price	\$2,340,000 including \$140,000 renovation costs.
Sale Date:	May 20, 2013
Grantor:	William Bauer
Grantee:	Sablefish, LLC
Serial No.:	2013-3548-0
Terms:	Cash to seller
Property Rights:	Leased Fee
Confirmed With:	Buyer
By/Date:	SM, 2012
Site Size:	35,908 SF
Zoning:	Commercial
Site Functional Utility:	Good
Access:	Good
Building Type:	Class B Office Building
Building Size:	GBA is 16,520 SF, rentable is 14,071 SF.
Efficiency Ratio:	85%
Construction Type:	The structure is a two-story wood frame office building with a painted plywood exterior. Condition was average at the time of sale.
Year Built:	1984
Overall Condition:	Average
Imps. Functional Utility:	Good
Marketing Time/Sale and Sale History:	None reported

Income Remarks:

The information below is based on the appraiser's estimates as well as actual information provided by the seller. Market rents are projected based on a full-service basis excluding janitorial.

Income Calculation:

Revenues:

Estimated Gross Income (\$2.05/SF/Mo avg.)	\$346,147
Less: Vacancy & Credit Loss (5%)	<u>(17,307)</u>
Effective Income	\$328,839

Expenses:

Total Expenses @ \$9.50/SF (41% EGI)	\$135,974
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Projected Net Operating Income	\$192,865
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Overall Capitalization Rate (Ro)

\$ 192,865 (NOI) / 2,340,000 \$(Price) =	8.25%
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Sales Price: \$2,340,000

Overall price / SF: \$2,340,000 ÷ 16,520 SF = \$141.65 / SF

Comparable Building Sale No. 4



Property Name:	Spicketts Palace
Location:	100 North Franklin/238 Front Street
Legal Description:	Lot 3, Block G, part of Lot 2, Block G, and Lot 4, Block 3, Juneau Townsite
Tax ID No.	1C070A030040
Sale Price:	\$550,000 Plus \$1,510,000 renovation = \$2,060,000
Sale Date:	March 30, 2016
Grantor:	FNBA
Grantee:	Spickett's Palace, LLC
Instrument/Book/Page:	2016-001398-0
Terms:	Cash
Property Rights:	Fee Simple
Confirmed with:	Buyer
Site Size:	5,943 SF
Zoning:	MU- Mixed Use District
Site Functional Utility:	Good
Access:	Good
Building Type:	Concrete
Building Size (GBA):	15,425 SF
Year Built:	1900/2018
Land-to-Building Ratio:	0.39
Overall Condition:	Good
Imps. Functional Utility:	Utility is good
Marketing Time/Sale and Sale History:	The building sold on March 30, 2016 between FNBA (seller) and Spickett's Palace, LLC (buyer) for \$550,000 or \$35.66/SF. Since the sale, the owner has

guttled the building and spent roughly \$1,510,000 to renovate the building. We add in these construction costs, that do not add a developer's margin to arrive at an adjusted price of \$2,060,000 or \$133.55/SF.

Income Remarks:

The following is based on the appraiser's estimates.

Income Calculation:

<u>Revenues:</u>	
<u>Estimated Gross Income (\$2.18/SF/Month)</u>	<u>\$296,682</u>
<u>Less: Vacancy & Credit Loss (3.8%)</u>	<u>(\$11,294)</u>
<u>Effective Gross Income</u>	<u>\$285,388</u>
<u>Expenses:</u>	
<u>Total Operating Expenses (30% of EGI)</u>	<u>\$84,752</u>
<u>Projected Net Operating Income</u>	<u>\$200,636</u>
<u>Overall Capitalization Rate (Ro)</u>	
<u>\$200,636 (Income) / \$2,060,000 (Sale Price) =</u>	<u>8.5%</u>

Sale Price:	\$2,060,000
Overall price / SF:	\$2,060,000 ÷ 15,425 SF = \$133.55 / SF

Comparable Building Sale No. 5



Property Name:	Billy Ray Building
Location:	1108 F Street
Legal Description:	Lots 2, 3, 6 and 7, Block 5, Harborview No. 1 Urban Renewal R-18 and Lot 3, Block 6A, Harborview No.2 Urban Renewal Project, Alaska R-18
Tax ID No.	1C060U050022, 1C060U050023 1C060U050024, 1C060U050025, 1C060U060020
Pending Sale Price:	\$1,741,000
Sale Date:	July 20, 2018
Grantor:	FNBA
Grantee:	DCI Commercial, LLC
Instrument/Book/Page:	2018-003052-0
Terms:	Cash
Property Rights:	Fee Simple
Confirmed With:	Seller
Site Size:	58,161 SF
Zoning:	LC, Light Commercial District

Site Functional Utility:	Good
Access:	Good
Building Type:	Concrete
Building Size (GBA):	22,130 SF
Year Built:	1976/1982
Land-to-Building Ratio:	2.63
Overall Condition:	good
Imps. Functional Utility:	Utility is good
Marketing Time/Sale and Sale History:	The improvement consists a two-story, office building completed in 1976 with an addition in 1986. Gross building area (GBA) is 22,130 SF. Rentable building area is estimated at 19,694 SF. The building closed on July 20, 2018 for \$1,741,000 or \$87.67/SF. The sale appears to be a market transaction. The building was 100% vacant. The sale appears to be a market transaction. RO calculates to 9.5% based on a review of actual income and expenses.

Income Remarks:

The following is based on the appraiser's estimates.

Income Calculation:

Revenues:

Projected Net Operating Income \$212,499

Overall Capitalization Rate (Ro)

\$212,499 (Income) / \$1,741,000 (Sale Price) = 9.50%

Sale Price:	\$1,741,000
Overall price / SF:	\$1,741,000 ÷ 22,130 SF = \$78.67 / SF

Comparable Building Sale No. 6



Property Name:	Tyler Rental Annex Property
Location:	5366 Glacier Highway
Legal Description:	Lot E-2, Glacier Highway
Tax ID No.	5B1201000080
List Sale Price:	\$100,000, plus renovation costs of \$1,150,000, sales adjustment \$1,250,000
Sale Date:	May, 14 2014
Grantor:	Cole Clifford
Grantee:	Tyler Rental Inc. ---.
Instrument/Book/Page:	2014-001901-0
Terms:	---
Property Rights:	Leased Fee
Confirmed With:	Owner
Site Size:	128,4314,913 SF
Zoning:	Industrial
Site Functional Utility:	Good
Access:	Good
Building Type:	Wood Frame
Building Size (GBA):	6,000 SF
Year Built:	1983/2016
Land-to-Building Ratio:	12.41 to 1
Overall Condition:	Good

Imps. Functional Utility: Utility is good
Marketing Time/Sale and Sale History: The subject property was purchased for \$100,000 on May 13, 2013 or \$16.67/SF. The owners have spent \$1,150,000 since purchasing the building for an adjusted sales price of \$1,250,000 or \$208.33/SF.

Income Remarks:N/A**Income Calculation:**Revenues:

<u>Estimated Gross Income</u>	<u>\$175,723</u>
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<u>Less: Vacancy & Credit Loss (5.0%)</u>	<u>(\$8,786)</u>
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<u>Effective Gross Income</u>	<u>\$166,937</u>
-------------------------------	------------------

Expenses:

<u>Total Operating Expenses (42.1% of EGI)</u>	<u>\$70,236</u>
--	-----------------

<u>Projected Net Operating Income</u>	<u>\$96,701</u>
---------------------------------------	-----------------

<u>Overall Capitalization Rate (Ro)</u>	
---	--

	<u>7.75%</u>
--	--------------

<u>\$96,701 (Income) / \$1,250,000 (Sale Price) =</u>	
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Sale Price:	\$1,250,000
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Overall price / SF:	\$1,250,000 ÷ 6,000 SF = \$208.33 / SF
----------------------------	---



1399 West 34th Avenue, Suite 204
Anchorage, Alaska 99503
Telephone 907/561.1220
Facsimile 907/258-0292

Scott Montalbo Appraiser Qualifications

- ♦ Appraiser, North Pacific Advisors (Nov. 2011 to Present)
- ♦ Appraiser, Howard & Wing (2007 - Nov. 2011)
- ♦ Appraiser, Integrated Realty Resources (2005 - 2007)
- ♦ Graduate of University of Colorado at Boulder 2003 (BBA in Finance)
- ♦ Alaska resident since 1977

Appraisal experience includes appraisal assignments in the Greater Anchorage area. This experience involved numerous property types: office, retail and industrial buildings, complex properties and raw land. Previous clients include banks, mortgage lenders and private property owners.

In 2003, Mr. Montalbo earned a BBA in Finance from the University of Colorado at Boulder. Shortly thereafter Mr. Montalbo joined Integrated Realty Resources Inc. working for two years before transferring to Howard & Wing. Other job experience includes commercial fishing and owning a small construction company.

The following is a summary of appraisals completed:

OFFICE

Fifth Avenue Building
Tudor Office Building
Resolution Tower
4115 Lake Otis Parkway
711 H Street
Stewart Title
Kwon Office Building
1415 Tudor Road
Ahtna Office Building
CITC Headquarters
Juneau Federal Building
UIC Barrow
Nome Federal Building
302 Gold Street Condo's (Juneau)
1111 West 8th Avenue (Juneau)
3000 Business Boulevard (Juneau)
Reed Building
Koniaq Office Building (Kodiak)
3123 Channel Drive
325 F Street
PND Office Building
Unit 203/204 Southgate Condo's
Neish Medical Clinic (Wasilla)
817 First Street (Fairbanks)
36297 Kenai Spur Highway (Soldotna)
Nome Federal Courthouse (Nome)
36892 Mallard Road (Soldotna)

Bivin Plaza
2600 Cordova
4200 Lake Otis Parkway
GSA Federal Building (Rent Studies)
Denali Towers North & South
1410 Rudakof Circle
1815 South Bragaw
Eklutna Office Building
Ahtna Headquarters
7th and E Office Building
Kachemak Title Building (Homer)
Sitka Office
1076 Fireweed Lane
2770 Sherwood Lane (Juneau)
2243 Jordan Avenue
304 Main Street (Dillingham)
104 Main Street (Dillingham)
Sesame Office Buildings
3161 Channel Drive
Southgate Condo
315 E Street
3132 Channel Drive (Juneau)
3543 Meridian Loop (Wasilla)
2975 Mill Bay Road (Kodiak)
351 Carlanna Lake Road (Ketchikan)
Arctic Chiropractic Center (Kotzebue)

4138 Mountain View Drive (Brown's Jug)
 Qupqugiag Inn Motel
 1001 West 29th Avenue
 100 Fireweed Lane
 North Slope Restaurant
 333 West 7th Avenue
 360 International Condo's
 Sea Galley Restaurant
 Northway Mall-Cheap Prices
 Homestead Restaurant (Homer)
 Rainbow Foods (Juneau)
 Westside Center (Wasilla)
 270 2nd Avenue (Skagway)
 Johannes Restaurant (Eagle River)
 Spirits of Alaska
 Ketchikan Retail Condominiums
 North Gate Square (Fairbanks)
 Walgreens (Eagle River)
 Cannava Clinic (Soldotna)
 200 Egan Drive (Valdez)
 432 South Franklin Street (Juneau)
 47710 Bennett (Soldotna)
 110 North Franklin Street (Juneau)
 Walgreens - Lake Otis Parkway
 Soldotna Dental Arts (Soldotna)
 3051 Palmer-Wasilla Highway (Wasilla)
 Jumpin Junction (Kenai)
 Diamond Center (Kenai)
 Grocery Store (Toksok Bay)
 Walgreens (Fairbanks)
 Dover Center
 322 Shelikof Street (Kodiak)
 Cozy Carpet (Eagle River)
 Spirits of Alaska
 218 Shelikof Street (Kodiak)
 O'Reilly's (Kenai)
 Turnagain BBQ pit (Bird)
 1515 Mill Bay Road (Kodiak)

2001 East 88th Avenue
 Cornerstone Mall - Fairbanks
 Evergreen Center - Palmer
 100 Muldoon Road
 Hogg's Brothers Restaurant
 Henry's Great Alaskan Restaurant
 Brewster's
 Firelake Plaza
 Tang Soo Do Academy
 Red Roof Inn
 Jewell Properties (Skagway)
 Scanlong Gallery (Ketchikan)
 Sugar N Spice (Valdez)
 Auto Supply (Soldotna)
 Sew N Vac (Soldotna)
 Spenard Roadhouse
 219 South Franklin (Juneau)
 Sicily's Pizza (Wasilla)
 515 Fireweed Lane
 2509 Fairbanks
 2300 E. 63rd Avenue
 141 East 5th Avenue
 230 Second Street (Juneau)
 9800 Old Seward Highway
 100 Muldoon
 140 Main Street (Kenai)
 Jordan Creek Center (Juneau)
 10 Main Street (Dillingham)
 5430 Northern Lights Boulevard
 Anchorage Six Robblees
 1270 East 64th Avenue
 4119 Mountain view Drive
 3330 Denali Street
 Allen & Peterson (Wasilla)
 1421 Mill Bay Road (Kodiak)
 Klondike Pizza (Seward)
 211 Rezanof Drive (Kodiak)
 100 North Franklin Street (Juneau)

INDUSTRIAL

2609 A Street
 FedEx Ground
 5020 Fairbanks
 310 East 76th Avenue
 801 East 82nd Avenue
 1805 & 1825 Academy Drive
 2200 Spar Avenue
 1301 West 46th Avenue
 5031 Eagle Street
 Silverfox Condo Units
 4000 West 50th Avenue
 380 West 54th Avenue
 Reeve Hangar
 Alaska Steel
 8411 Airport Road (Juneau)
 Palmer Criterion
 Wasilla Moving and Storage
 Valley Equipment Restoration
 Automotive Collision Experts (Homer)
 3900 Sterling Highway (Homer)

Construction Machinery
 301 International
 1305 & 1309 36th Avenue
 Dan's Aircraft Hanger's
 1400 East 1st Avenue
 310 East 76th Avenue
 2799 Rampart Drive
 6161 A Street
 476 Chipperfield
 4970 Fairbanks Street
 240 West 1st Avenue
 1702 Ship Avenue
 Lake Aire Hangar
 2511/2600 Fairbanks Street
 636 Stedman Street
 200 East Centaur Ave. (Wasilla)
 Wings of Alaska Hangar (Juneau)
 2053 Mlakar Circle (Big Lake)
 Wolverine Office/Warehouse (Wasilla)
 3245 East End Road (Homer)

Kotzebue Hangar
 2840 Commercial Drive
 Rozak Excavation (Ninilchik)
 1020 International Airport Road
 AAA Moving (Juneau)
 4000 West 50th Buildings
 L&M Equipment (Naknek)
 6151 A Street
 122 E 54th Avenue
 6511 Brayton Drive
 2723 Rampart Drive
 2511 Eagle Street
 6384 Kenai Spur Highway (Soldotna)
 1820 West Dimond Boulevard
 Taylor Equipment (Soldotna)
 1550 Gambell Street
 158 Alminaq Drive (Kodiak)
 4451 Aircraft Drive
 AAA Moving (Juneau)
 8300 Homer Drive
 1275 Chief Eddie Highway (Bethel)
 1151 North Shenandoah (Wasilla)
 Atigun Properties (Nikiski)
 35039 K-B Drive (Kenai)

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 1149 Per Products (Eklutna)
 720 Evergreen (Palmer)
 AAA Storage (Juneau)
 Affordable Auto Repair (Juneau)
 2424 East 5th Ave. Hangar
 35039 K-B Drive (Soldotna)
 467 Chipperfield
 5451 Laona Drive
 44170 K-B Road (Soldotna)
 Shotcrete Warehouse (Delta Junction)
 2700 Porcupine Drive
 7810 Lake Otis Parkway
 Airport Hangar (King Salmon)
 710 bonanza Avenue
 1111 Dowling Road
 2345 East 4th Avenue
 Wings Hangar (Juneau)
 2820 Commercial Drive
 9401 King Steet
 34529 Kenai Spur (Soldotna)
 5001 Eagle Street
 5366 Glacier Highway (Juneau)
 300 Airport Way (Naknek)
 904 West Egan Drive (Valdez)

MULTI-FAMILY

4321 Thompson Avenue
 Yak Estates (Fairbanks)
 Heritage Apartments
 2500 D Street
 Chilkoot Residential Condos
 Northwood Apartments (Juneau)
 Bayview Apartments (Juneau)
 4705 Piper Street
 221 Meyer Street Apartments
 241 Frontier Street (Naknek)
 Eco Housing Subdivision (Valdez)

Weidner Apartments
 Harmony Hills Condominiums
 Begich Apartments
 Nome Apartments
 Alderwood Apartments (Juneau)
 David Street Apartments (Juneau)
 3410 Eide Street 6-Plex
 740 West 47th Avenue
 811 Auk Street (Kenai)
 8200 West Rezanof Drive (Kodiak)

SPECIAL PURPOSE

Goldbelt Upland/Tideland - Juneau
 Seadrome Office/Land - Juneau
 Peter's Creek Trading Post
 Alaska Sales & Service
 Bristol Alliance Fuels - Dillingham
 Day Care Center - 4250 Shelikof Street
 A & M Motors
 Hutchings Glacier Dealership
 Muldoon Laser Wash
 Chanlyut Center
 Valdez Mini-Storage
 Lake Otis Laser Wash
 Alaska Maxi Storage (Soldotna)
 Tudor Touchless Car Wash
 Gwin's Lodge (Cooper Landing)
 Chevrolet of Fairbanks
 Churchill MHP (Juneau)
 SEARHC Dental Clinic (Juneau)
 Sentry Church
 2911 Huffman Road
 Autowash Express (Soldotna)
 Bearclaw Lodge (Aleknagik Lake)

Covenant House
 Waterfall Resort -POW Island
 Trail Lakes Lodge - Moose Pass
 International Mini Storage
 Tree Top's Lodge - POW Island
 Mercedes Dealership
 Hutchings Chevrolet Dealership
 Old Seward Laser Wash
 Ernie Turner Center
 Burkshore Marina
 82 Wood Road (Ketchikan)
 Chrysler Dealership
 Lake Otis Touchless Car Wash
 SEARHC Medical (Juneau)
 Mercedes Dealership
 Riverside Assisted Living Facility (Soldotna)
 SEARHC Hospital (Juneau)
 Doc Warner's Lodge (Excursion Inlet)
 Hutchings Dealerships (Soldotna)
 Peters Creek Chevron (Peter's Creek)
 1229 Richardson Highway (Delta Junction)
 Mercedes Dealership

Trapper Creek Roadhouse (Trapper Creek) Packet Page 283 of 349 Qupqugiak Inn
 Comfort Inn (Kodiak) King Salmondeaux Lodge (Soldotna)
 Angler's RV Park (Ninilchik) Proposed Aspen Hotel (Haines)
 Courthouse (Dillingham) Bethel Utilities Company (Bethel)
 Grizzly Campground (Denali) Youngs Downtown Inn (Homer)
 Coves MHP (Kodiak) 134 Alminaq Drive (Kodiak)
 Autowash Express Car Wash (Kenai) Mudbuster's Carwash (Wasilla)
 Touchless Carwash's 214 Shugluk Street (Atkasuk)
 Hands Free Carwash (Eagle River) Hames Corporation Properties (Sitka)
 Doc Warner's Lodge/Tidelands (Excursion Inlet) Breakwater Inn (Juneau)
 Mazek Carwash Pybus Bay Lodge (Pybus Bay)
 215 Fourth Street (Seward) Brown Bear Saloon (Bird)
 Wards Cove Grocery Store (Naknek) Wards Cove Hardware (Hoonah)
 Proposed Kodiak Compass Suites (Kodiak) Best Western Inn (Kodiak)
 Dirt Buster's Carwash (Peter's Creek)

VACANT LAND

Diamond Parking Vacant Land	Klatt Homestead
GSA Federal Parking Allocation	26 th & Cordova Street
1701 West Dimond Boulevard	Burlwood Subdivision
Valdez Land	Homer Vacant Land
CITC Land	Sports Authority Pad Site
Naknek	Roseberry Highlands Subdivision
239 North harbor Road (Valdez)	22809 Chiniak Highway (Kodiak)

APPRAISAL CLIENTS:

Alaska Growth Capital	AlaskaUSA Federal Credit Union
Bank of the West	Cook Inlet Tribal Council, Inc.
Cordell Financial Group	Denali Alaskan Federal Credit Union
Diamond Parking	First National Bank Alaska
Foundation Bank	GSA Leasing Department
Key Bank of Alaska	Municipality of Anchorage
Pacific International Bank	Northrim Bank
Residential Mortgage, LLC	U.S. Bank
Wells Fargo Bank	Zion's First National Bank
Bank of America	First Bank

License #: APRG774
Effective: 06/20/2019
Expires: 06/30/2021

STATE OF ALASKA
Department of Commerce, Community, and Economic Development
Division of Corporations, Business, and Professional Licensing
Board of Certified Real Estate Appraisers

Licensee: **SCOTT NOEL MONTALBO**

License Type: **Certified General Real Estate Appraiser**

Status: **Active**

Commissioner: Julie Anderson

Relationships

RelationType	License #	LicenseType	Owners/Entities	Names/DBA
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No relationships found.

Designations

Type	Group
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No designations found.



The Alaska Mental Health Trust Authority has sold its subport land along Egan Drive in downtown Juneau to NCL Bahamas Ltd., which does business as Norwegian Cruise Lines, for \$20 million. Norwegian Cruise Lines has until Sept. 19 to fulfill all the requirements of the bidding process, which includes paying 10 percent of the purchase price. (Michael Penn | Juneau Empire)

‘We were hoping for a local buyer’: Land sold to cruise line, but what they’ll build remains a mystery

What’s up, dock?

By Peter Segall

Sunday, September 15, 2019 7:00am | NEWS LOCAL NEWS

Norwegian Cruise Lines paid \$20 million for a plot of land on Juneau’s downtown waterfront last week, but what they intend to do with it remains unknown.

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The announcement of the sale only happened Monday, with Norwegian spending \$7 million more than the next highest bidder, Royal Caribbean, in the sealed bid process.

Despite spending so much to acquire the land, what the company plans to do with the land is not yet clear, even to Norwegian, according to city officials.

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City Manager Rorie Watt said that he spoke recently with Howard Sherman, Norwegian's executive vice president of onboard revenue and destination services, and discussed the company's intentions with the land.

"They figured they would get the land first and figure out what was possible," Watt told the Empire by phone Friday.

Watt said that Sherman was coming to Juneau at the end of this month to "start working on the issue."

Considering that Norwegian is in the cruise ship business, a likely use of the land would be a cruise ship dock.

Watt said an additional dock had not been previously discussed between the city and Norwegian. But in response to being asked if a new dock was the company's intention, Watt did say, "they are in the cruise ship business."

When asked for comment, Norwegian's head of investor relations, Andrea DeMarco, told the Empire in an email the company, "is thrilled to be the winning bidder. ...We look forward to engaging with the city of Juneau to work together on a plan for the land that will greatly benefit both Juneau and our company."

The Alaska Mental Health Trust, which owns the land and operated the bid process, acquired this land in the 1990s following the settlement of a state Supreme Court case, Weiss v State of Alaska. The finalization of that case

saw over a million acres of land transferred to the organization, in addition to \$200 million.

Packed Page 287 of 349

“We knew this parcel represented an opportunity to monetize an unique and valuable Trust land asset,” Trust Land Office Executive Director Wyn Menefee said in a statement following the sale. “The apparent proceeds of the Subport sale will go a long way in serving Trust beneficiaries.”

The City and Borough of Juneau was also interested in buying the land but was only able to offer a bid of \$4.25 million.

“We were hoping for a local buyer,” Greg Chaney, land and resource manager for the city, said by phone Wednesday. “The Mental Health Trust hadn’t done anything (with it) for a long time.”

The city was interested in developing the land in accordance with the city’s Long Range Waterfront Plan, adopted in 2004. That plan would have extended the existing Seawalk, which begins at the whale statue near Douglas Bridge.

“It would’ve been a nice jumping off point,” Chaney said, adding that because the city purchasing the land was never assured, “this was all very speculative.”

What’s up, dock?

If a new dock is Norwegian’s plan, it won’t be an easy process.

According to Watt, the land would have to be re-zoned and the city’s Waterfront Plan would have to be amended.

“The Assembly would have to agree in several ways,” Watt said. “The best way to look at it, Norwegian wanted to make a statement, they wanted have a seat at the table. I don’t think they’re naive about how much process would go into it.”

The land purchased by Norwegian is currently zoned as “mixed use 2,” which according to the city’s municipal code “is intended to place a greater emphasis on residential development than is the case in the (mixed use) district.”

Packet Page 208 of 349

The code goes on to say that a range of residential types is allowed and that multifamily residences (apartments) are allowed at a density of up to 80 units per acre.

There are, however, a range of uses (see: [table of permissible uses](#)) that could be allowed on the land if Norwegian were to obtain permitting from the city.

Depending on what the company would want to build there, they would have to obtain a conditional use permit from the zoning commission.

Conditional use permits allow for exceptions to be made in zoning regulations to say, build an office in a residential neighborhood. But they're called "conditional" for a reason.

"The (Planning) Commission could put conditions to make sure you're in harmony with the neighborhood," said Jill Maclean, the city's director of the Community Development Department.

Additionally, the water in front of the plot is not currently deep enough to moor a ship of any substantial size, according to Port Director Carl Uchytel.

If Norwegian wanted to dredge in Gastineau Channel to potentially build a cruise ship dock, they would first have to get a tidelands lease from the city and then a permit from the Army Corps of Engineers.

Tidelands leased by the city must be done at a fair market rate, according to Uchytel. That rate would be determined following an appraisal by a [company licensed by the state Department of Natural Resources](#), Uchytel said.

Other permits would be required but those two things would be the biggest hurdles, Uchytel said.

Asked if it were feasible to dock a cruise ship at that location, Uchytel replied, "you can do anything with enough resources."

The decision to sell the land was the result of a [study conducted by the Washington D.C. based Urban Land Institute](#) and [paid for the Trust](#) at a cost of \$50,000.

Norwegian wasn't the only cruise line interested in buying the property, the next highest bidder was Royal Caribbean Cruises who offered up \$13 million. Royal Caribbean could not be reached for comment by the end of the [business day Friday](#).

• Contact reporter Peter Segall at 523-2228 or psegall@juneauempire.com.

Recommended for You



Audubon Society invites you to participate in Great Backyard Bird Count



Update: Climbers presumed deceased after searchers find ropes in crevasse



Everything You Need to Know About Kratom Capsules: A Complete Guide



Sherry Simpson, much-loved writer and educator, dies at 60

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Office Of The Assessor
155 South Seward Street
Juneau, AK 99801

ALASKA SEAFOOD HOLDINGS INC
2825 ROEDER AVE
BELLINGHAM WA 98225

Meeting of Board of Equalization (BOE) and
Presentation of Real Property Appeal

Date of BOE	
Location of BOE	Via ZOOM Webinar
Time of BOE	5:30 pm
Mailing Date of Notice	
Parcel Identification	1C100K830024
Property Location	550 S FRANKLIN ST
Appeal No.	APL20210415
Sent to Email Address:	hank@icystraitseafoods.com

ATTENTION OWNER

Under Alaska Statutes and CBJ Code, you, as the appellant, bear the burden of proof. The only grounds for adjustment of an assessment are proof of unequal, excessive, improper, or under valuation based on facts that are stated in your written appeal or proven at the appeal hearing.

Any evidence or materials you would like to include in your appeal must be submitted to the City Clerk's Office {preferred method via email to city.clerk@juneau.org Attn.: Assessment Appeal} by **4:00 PM** and will be included in the packets for the Board so the members have an opportunity to review the materials before the hearing.

Your Board of Equalization packet will be ready for you to pick up in the Clerk's office after **2:00 PM 2022** or it will be emailed and/or mailed to the above address(es) on this notice.

You or your representative may be present at the hearing {via Zoom Webinar, participation/log in information will be listed on the agenda packet you receive for the hearing your appeal is scheduled for}. If you choose not to be present or be represented, the Board of Equalization will proceed in the absence of the appellant.

It should be noted that, between the date of this letter and the Board hearing date, your appeal may be resolved between you and the Assessor. If your appeal is resolved, you will not need to appear before the Board.

If you have any questions please contact the Assessor's Office.

Attachment: CBJ Law Department Memorandum April 19, 2013.

CONTACT US: CBJ Assessor's Office

Phone	Email	Website	Physical Location
Phone (907) 586-5215 Fax (907) 586-4520	assessor.office@juneau.org	http://www.juneau.org/finance/	155 South Seward St Room 114

PROPERTY TAX BILLS MAILED JULY 1

PROPERTY TAXES DUE SEPTEMBER 30



City and Borough of Juneau
 Finance Department, Assessor's Office
 155 S. Seward St, Juneau, AK 99801
 Phone 907-586-5215, Fax 907-586-4520
 Email Assessor.Office@juneau.org

How to File Petition for Review (Appeal) of Assessed Value

The Assessor's Office is available to answer questions about the assessed value of your real or business personal property. We can be reached by phone or email as listed above.

If you wish to file a Petition for Review you do not need to come into our office. A Petition for Review can be filed through email, fax, mail or the Borough drop boxes. We can answer questions you may have and assist you in filling out the form via phone or email.

The process for review of your assessed value is basically a two-step process. The first step is an Administrative Review where we look at your information and determine whether or not we feel a change is warranted. If so, and it meets with your agreement, we make the adjustment and close the review. If you do not agree with our conclusion, then you have the right to proceed to the second step which is the formal Appeal heard by the Board of Equalization.

We encourage you to contact us via phone or email with questions you may have.

We can provide assistance by:

- answering questions over the phone
- emailing you documentation or explanations
- pointing you to online resources

The Petition for Review form is a two page (one sheet, two sided) form. In filing the form all you need to fill out is the first page. If you have questions we can provide assistance or explain any part of the form via a phone call or email.

The **filing deadline** for a Review/Appeal for assessment year 2021 is **Monday, May 3**.

Thank you for your cooperation in limiting in-person or physical contact during this year's process.

Links:

- Assessor's Database- <https://property.juneau.org/>
- Parcel Map- <http://epv.juneau.org/>
- Assessor Forms- <https://beta.juneau.org/finance/assessor-forms>

Contact Us: CBJ Assessors Office			
Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801



Office of the Assessor
155 S Seward Street
Juneau AK 99801

Petition for Review / Correction of Assessed Value
Real Property

Assessment Year	2021
Parcel ID Number	

For Office Use:	Review #	Appeal #
-----------------	----------	----------

2021 Filing Deadline: MONDAY, MAY 3

Please attach all supporting documentation

ASSESSOR'S FILES ARE PUBLIC INFORMATION – DOCUMENTS FILED WITH AN APPEAL BECOME PUBLIC INFORMATION

Parcel ID Number					
Owner Name			Name of Applicant		
Primary Phone #			Email Address		
Physical Address			Mailing Address		
Why are you appealing your value? Check box and provide a detailed explanation below for your appeal to be valid.					
<input type="checkbox"/> My property value is excessive/overvalued <input type="checkbox"/> My property value is unequal to similar properties <input type="checkbox"/> My property was valued improperly/incorrectly <input type="checkbox"/> My property has been undervalued <input type="checkbox"/> My exemption(s) was not applied			THE FOLLOWING ARE <u>NOT</u> GROUNDS FOR APPEAL <ul style="list-style-type: none">• Your taxes are too high• Your value changed too much in one year.• You can't afford the taxes		
Provide specific reasons and provide evidence supporting the item(s) checked above:					
Have you attached additional information or documentation?			<input type="checkbox"/> Yes <input type="checkbox"/> No		
Values on Assessment Notice:					
Site	\$	Building	\$	Total	\$
Owner's Estimate of Value:					
Site	\$	Building	\$	Total	\$
Purchase Price of Property:					
Price	\$		Purchase Date		
Has the property been listed for sale? <input type="checkbox"/> Yes <input type="checkbox"/> No (if yes complete next line)					
Listing Price	\$		Days on Market		
Was the property appraised by a licensed appraiser within the last year? <input type="checkbox"/> Yes <input type="checkbox"/> No (if yes provide copy of appraisal)					
Certification: I hereby affirm that the foregoing information is true and correct, I understand that I bear the burden of proof and I must provide evidence supporting my appeal, and that I am the owner (or owner's authorized agent) of the property described above.					
Signature			Date		

Contact Us: CBJ Assessors Office

Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801

Step 1 – Administrative Review

Appraiser to fill out					
Appraiser		Date of Review			
Comments:					
Post Review Assessment					
Site	\$	Building	\$	Total	\$
Exemptions	\$				
Total Taxable Value	\$				
APPELLANT RESPONSE TO ACTION BY ASSESSOR					
My acceptance or rejection of the assessment valuation in the amount of \$_____ is indicated below.					
<input type="checkbox"/> Accept New Assessed Value <input type="checkbox"/> Close Review (Assessment Remains Unchanged) <input type="checkbox"/> Reject and Appeal					
If appealed, appellant will be scheduled before the Board of Equalization and will be advised of the date & time to appear.					
Appellant's Signature _____ Date: _____					

Appellant Accept Value	<input type="checkbox"/> Yes <input type="checkbox"/> No <i>(if no skip to Board of Equalization)</i>
Govern Updated	<input type="checkbox"/> Yes <input type="checkbox"/> No
Spreadsheet Updated	<input type="checkbox"/> Yes <input type="checkbox"/> No
Corrected Notice of Assessed Value Sent	<input type="checkbox"/> Yes <input type="checkbox"/> No

Step 2 – Appeal

Appeal # _____

BOARD OF EQUALIZATION					
Scheduled BOE Date	<input type="checkbox"/> Yes <input type="checkbox"/> No				
10-Day Letter Sent	<input type="checkbox"/> Yes <input type="checkbox"/> No				
The Board of Equalization certifies its decision, based on the Findings of Fact and Conclusion of Law contained within the recorded hearing and record on appeal, and concludes that the appellant <input type="checkbox"/> Met <input type="checkbox"/> Did not meet the burden of proof that the assessment was unequal, excessive, improper or under/overvalued. Notes:					
Site	\$	Building	\$	Total	\$
Exemptions	\$				
Total Taxable Value	\$				

Contact Us: CBJ Assessors Office			
Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801



155 S. Seward St. Rm. 114
Juneau, AK 99801
Phone: (907)586-5215
Fax: (907)586-4520
Assessor.Office@juneau.org

01/19/22

Alaska Seafood Holdings, Inc.
550 S Franklin St
Juneau AK 99801

RE: FINAL DETERMINATION -- 2021 Property value Petition for Review -- 1C100K830024
RESPONSE DEADLINE: 01/26/22

PARCEL: 1C100K830024
PHYSICAL LOCATION: 550 S Franklin St

Alaska Seafood Holdings, Inc.,

This letter is in response to the 2021 Petition for Review that you filed regarding the above indicated parcel. The basis for appealing as indicated on the Petition for Review form is: **My property value is excessive**

- Excessive – grossly disproportionate when compared to other assessments
- Unequal – treated differently than other properties in the same property class
- Improper – valuation methodology was improper
- Undervalued – valued less than market or disproportionately lower than other assessments

State statute requires that the burden of proof is upon the appellant to provide evidence that one of the above conditions has been met (AS 29.45.210).

Based upon the evidence that you provided we have made the following determination regarding 2021 assessment valuation of **1C100K830024**:

VALUE DETERMINATION

Recommended Action: **No Change**

2021 Initial valuation:	\$10,035,650
2021 Owner estimate of value:	\$8,559,660
2021 Final determination:	\$10,035,650

We have reviewed your assessed value and did not find that the value is excessive, unequal, or improper.

After the tidelands and icehouse values are added to the 2019 appraisal value, the resulting value is higher than the 2021 assessed value.

APPELLANT RESPONSE FOR ASSESSMENT YEAR 2021 PETITION FOR REVIEW

Please indicate if you accept the recommended value or wish to have your Petition for Review heard by the Board of Equalization. (*INITIAL ONE*)

_____ **YES**, I accept the recommended value determination provided by the Assessor

_____ **NO**, I do not accept the recommended valuation provided by the Assessor.
Please schedule my Petition for Review for the Board of Equalization.

I understand that I will be expected to provide specific evidence to the Board which clearly illustrates that my parcel valuation is: excessive, unequal, valued with improper methodology or is less than market value.

Be advised that if you choose to proceed to the Board of Equalization, they may, in accordance with law, apply an increase of the assessed value to full market value.

Appellant signature

Date

If we do not receive a response from you by **01/26/22**, the Petition for Review will be scheduled for the Board of Equalization where you will be expected to present **specific evidence** as to why your parcel is not valued correctly.

Sincerely,



Mary Hammond
Assessor
City & Borough of Juneau

APPEAL #2021-0415

2021 REAL PROPERTY APPEAL PACKET

BOARD OF EQUALIZATION March 01, 2022



ASSESSOR OFFICE

Appellant: Alaska Seafood Holding, Inc.

Location: 530 South Franklin Street

Parcel No.: 1C100K830024

Property Type: Commercial/ Fish Processing/ Retail/ Restaurant

Appellant's basis for appeal: My property value is excessive/ overvalued

	Appellant's Estimate of Value	Original Assessed Value	Recommended Value
Site:	\$5,189,660	\$7,466,850	\$7,466,850
Buildings:	\$3,370,000	\$2,568,000	\$2,568,000
Total:	\$8,559,660	\$10,035,650	\$10,035,650

Subject Photo



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OVERVIEW

The subject is a waterfront commercial property consisting of fish processing, retail and restaurant spaces as well as a separate icehouse.

Subject Characteristics:

- Land
 - 73,655 sf lot
 - Approximately 70% filled and 30% submerged tidelands
 - Level, developed
- Building
 - 55,946 SF of fish processing, retail and restaurant
 - 1,108 SF of Icehouse

SUBJECT PHOTOS

From S Franklin facing South



From S Franklin facing North



From Seawalk facing South



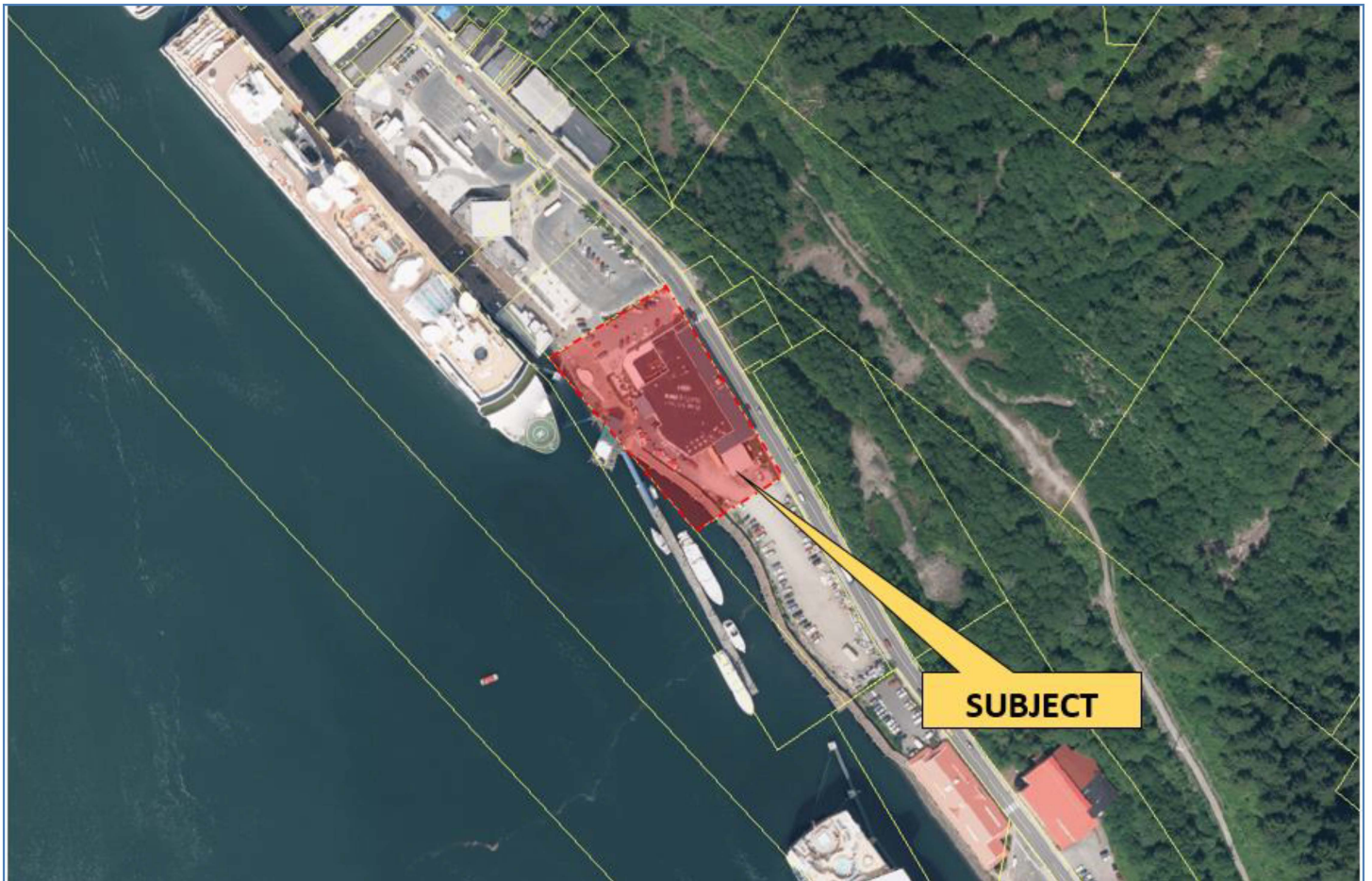
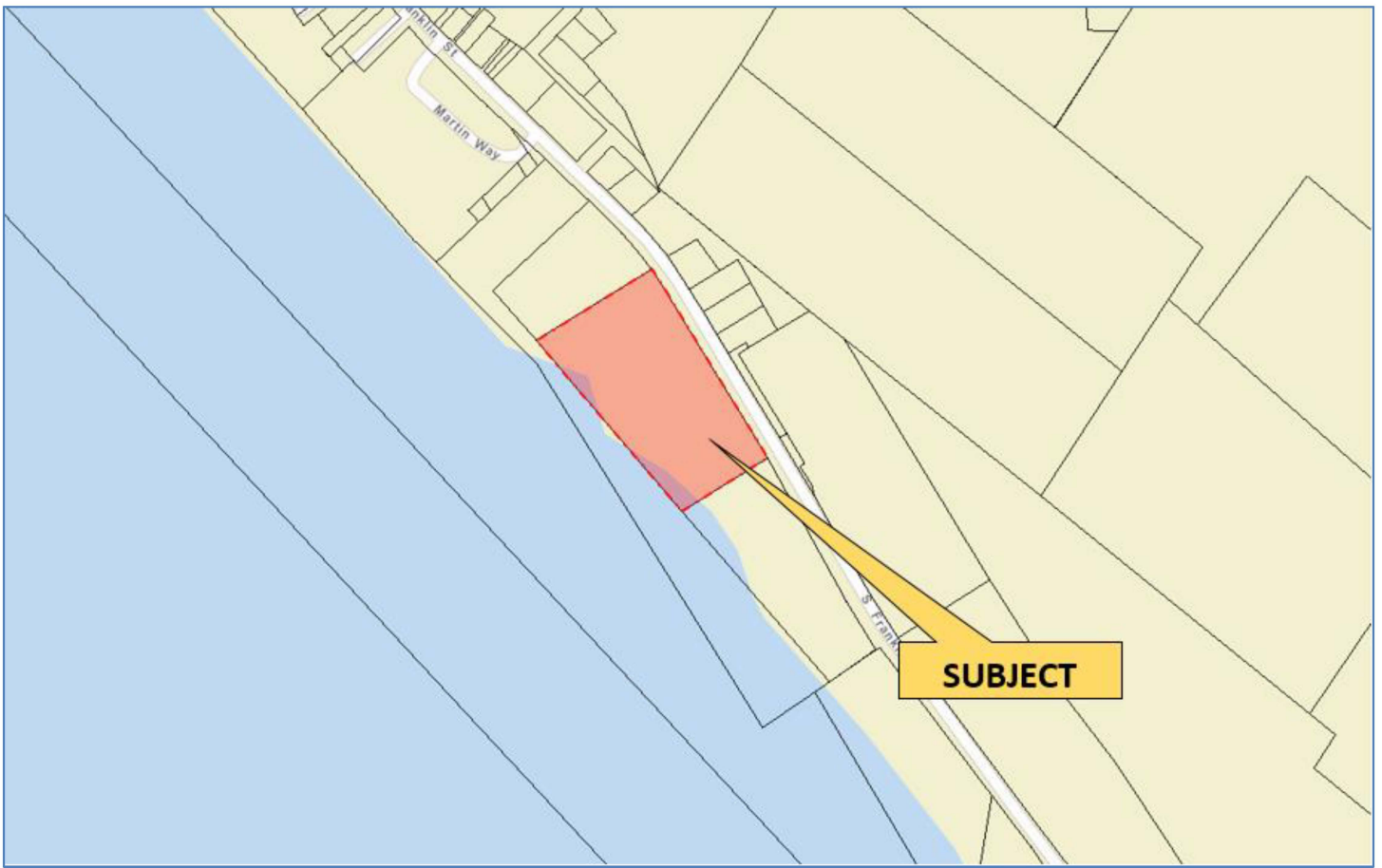
From Seawalk facing North



Ice house



AREA MAP & AERIAL



ASSESSED VALUES

Remember that the total assessed value is the primary test against market. The distribution of that value between the Land Component and the Building Component is secondary and can vary from one model to another. The total assessed value is tested against market indicators (sales, lease rates, etc.) and is adjusted to market value by application of market area and feature adjustments.

All three approaches to value (Cost, Sales Comparison and Income) are considered for commercial properties

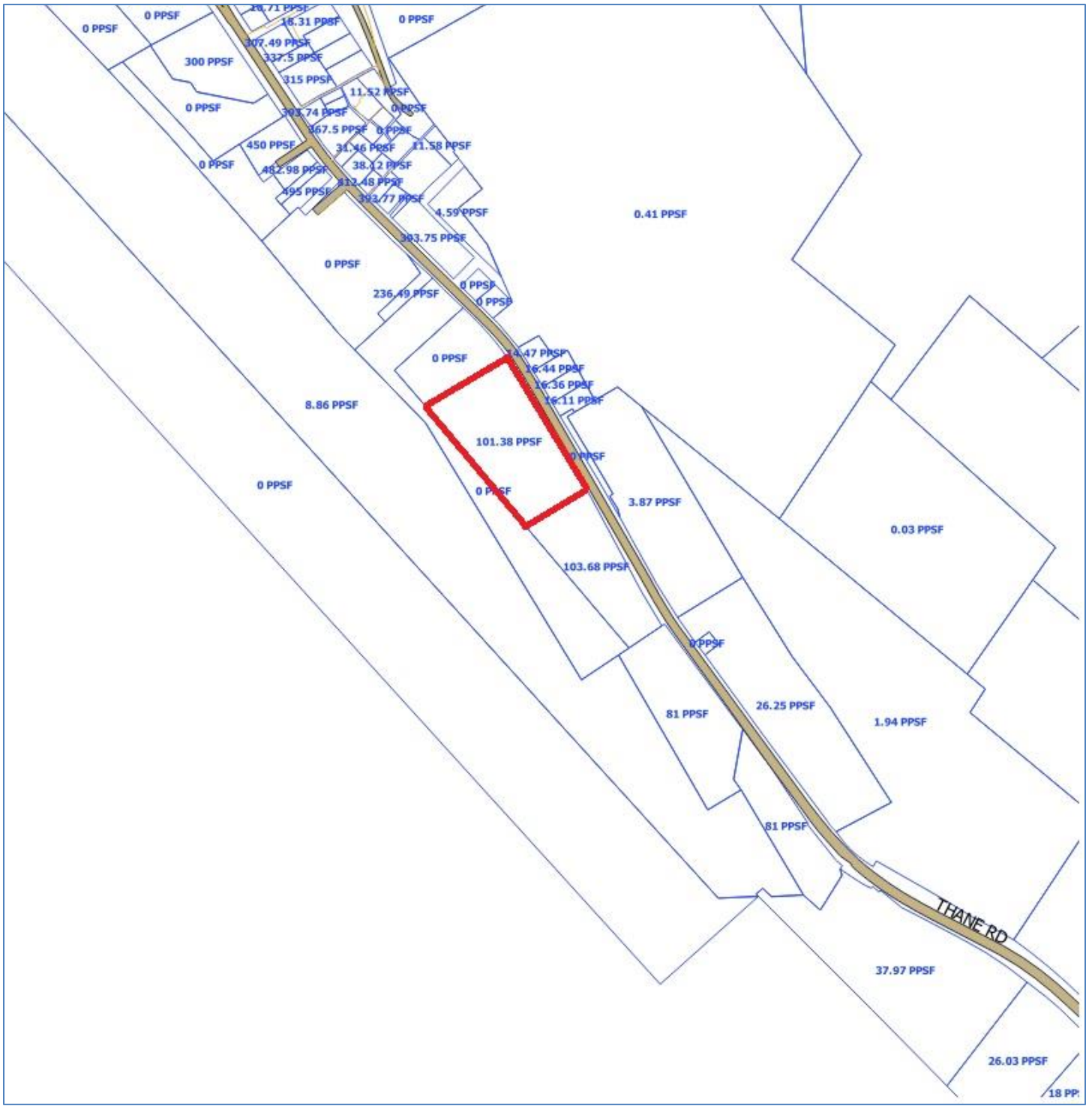
LAND

Land values are developed on a market area basis. The land is examined to understand the typical land characteristics in the market area. These characteristics include size, slope, view, water frontage, significant wetlands and others. The characteristics are used to develop a market area land valuation model. This model is tested and refined in consideration of sales of both vacant and developed parcels. The resulting model is then applied to all of the land in the market area to establish assessed site values.

The subject site consists of filled area and tidelands. The filled portion is level and developed. The subject parcel's land value is equitable and is not excessive.

Land Characteristics:

- 73,655 sf lot
- Approximately 70% filled and 30% submerged tidelands
- Level, developed



COST REPORT

The cost report below was utilized in the review process in response to the filing of the Petition for Review by the appellant. The cost report indicates that the building component is not overvalued.

1637		Record		1	
Parcel Code Number	1C100K830024	Number of Stories (Building)		01	
Owner Name	ALASKA SEAFOOD HOLDINGS INC	Number of Sections		1	
Parcel Address	550 S FRANKLIN ST	Perimeter		1 213	
Effective Year Built	2007	Class		S	
Year Built	1966	Height		16	
Building Model	C- 13 Stores, Commercials	Rank		Average	
Building Type	Warehouse Food Store	Total Area		29,450.00	

Section 1	Description	Units	Percent	Cost	+/-	Total
Base Cost		29450		55.00		1,619,750
Exterior Wall	PE.-Metal Sandwich Panels	29450		17.09		503,264
Heating & Cooling	Heating & Cooling	29450		603.00		603
Architect Fee		29450		6.60		194,370
Mezzanine	Storage	23446		18.00		422,028
Fire Alarm System		29450		1.46		42,997
Sub Total						\$2,783,011.69
Local Multiplier				1.43	[X]	\$3,979,707.00
Current Multiplier				1.04	[X]	\$4,138,895.00
Neighborhood Multiplier					[X]	\$4,138,895.00
Depreciation - Physical				32.00	[-]	\$1,324,446.00
Depreciation - Functional					[-]	\$0.00
Depreciation - Economic					[-]	\$0.00
Percent Complete				100.00	[-]	\$2,814,449.00
Cost to Cure						
Neighborhood Adjustment						
Replacement Cost less Depreciation						\$2,814,449

1637		Record		2	
Parcel Code Number	1C100K830024	Number of Stories (Building)		01	
Owner Name	ALASKA SEAFOOD HOLDINGS INC	Number of Sections		1	
Parcel Address	550 S FRANKLIN ST	Perimeter		0	
Effective Year Built	2004	Class		S	
Year Built	1996	Height		24	
Building Model	C- 14 Garages, Industrials, Lofts, Warehouses	Rank		Average	
Building Type	Cold Storage Facility	Total Area		1,108.00	

Section 2	Description	Units	Percent	Cost	+/-	Total
	Base Cost	1108		50.00		55,400
	Exterior Wall	PE.-Cold Storage Metal Sandwich Panels	1108	18.53		20,527
	Heating & Cooling	Heating & Cooling	1108	617.00		617
	Architect Fee		1108	6.40		7,091
	Sub Total					\$83,635.62
	Local Multiplier			1.43	[X]	\$119,599.00
	Current Multiplier			1.03	[X]	\$123,187.00
	Neighborhood Multiplier				[X]	\$123,187.00
	Depreciation - Physical			24.00	[-]	\$29,565.00
	Depreciation - Functional				[-]	\$0.00
	Depreciation - Economic				[-]	\$0.00
	Percent Complete			100.00	[-]	\$93,622.00
	Cost to Cure					
	Neighborhood Adjustment					
	Replacement Cost less Depreciation					\$93,622
Miscellaneous Improvements						
	Miscellaneous Improvement	LOADING DOCK 03.05.			[+]	202,900
Total Improvement Value						
						\$3,111,000

INCOME APPROACH

The income approach was not the basis for setting the assessed value for 2021. The appellant did not submit P&L information for the Review process.

COMMERCIAL MARKET & ASSESSMENT ANALYSIS

The 2021 sales analysis for commercial properties included 57 qualified sales from 5 years of sales covering January 1, 2016 through December 31, 2020. The sales volume for the commercial market remained steady through 2020 and there was no indication of declining prices.

- Assessment Year 2021 Summary for Commercial Properties
 - Level of Assessment – 85% overall, 60% for vacant land, and 91% for improved properties
 - Coefficient of Dispersion (COD) – 22% for the combined group, 20% for vacant land, and 17% for improved properties (For these types of property groups the Standard that we work towards would be 20% or less for the subsets of land and improved properties. The combined set would be expected to have a higher COD.)
 - Applied Time Trend for Sales Analysis – 5% per year (0.42% per month)

SUBJECT ASSESSMENT HISTORY

**City and Borough of Juneau
Assessment History Report**

1C100K830024
ALASKA SEAFOOD HOLDINGS INC
550 S FRANKLIN ST
DOCKSIDE LT 2B

<u>YEAR ID</u>	<u>LAND VALUE</u>	<u>MISC VALUE</u>	<u>BLDG VALUE</u>	<u>CAMA VALUE</u>
2021	\$7,466,850.00	\$202,900.00	\$2,365,900.00	\$10,035,650.00
2020	\$4,977,900.00	\$202,900.00	\$2,365,900.00	\$7,546,700.00
2019	\$4,977,900.00	\$202,900.00	\$2,365,900.00	\$7,546,700.00
2018	\$4,977,900.00	\$202,900.00	\$2,365,900.00	\$7,546,700.00
2017	\$4,971,200.00		\$2,151,400.00	\$7,122,600.00
2016	\$4,971,200.00		\$2,151,400.00	\$7,122,600.00
2015	\$4,971,200.00		\$2,151,400.00	\$7,122,600.00
2014	\$4,971,200.00		\$2,151,400.00	\$7,122,600.00
2013	\$4,971,200.00		\$2,151,400.00	\$7,122,600.00
2012	\$4,971,200.00	\$0.00	\$2,151,400.00	\$7,122,600.00
2011	\$6,001,700.00	\$0.00	\$2,877,600.00	\$8,879,300.00
2010	\$4,419,000.00	\$0.00	\$3,279,900.00	\$7,698,900.00

SUMMARY

State statute requires the Assessor to value property at “full and true value”. According to appraisal standards and practices set by the Alaska Association of Assessing Officers, the State of Alaska Office of the State Assessor, and the International Association of Assessing Officers, correct procedures of assessment were followed for the subject. These standards and practices include consideration of any market value increase or decrease as determined by analysis of sales.

The assessed value was reviewed in response to the Petition for Review. Our findings are as follows.

The land and buildings are valued using the same methods and standards as all other properties in the Borough.

Additional Details:

- The appellant states that their assessed value is excessive/overvalued.
 - We find that the value is equitable and that, based on analysis of market sales, it is not excessive. This is addressed in the land, building, cost report, income, commercial market and assessment analysis, summary and conclusion sections of our response in your packet. There is additional information in the “Property Assessment Guide.”
 - In reviewing locational subgroups, property type subgroups and property characteristic subgroups in the analysis we did not see evidence that any location or other subgroup should be treated differently from the rest with the exception of the boathouses.
- The appellant states that “The subject property was appraised for Northrim Bank on September 26, 2019 using cost, sales comparison and income capitalization approaches for a total value of \$11,300,000 for both lots 2B and 2C. According to the appraisal there are 89,902 SF of uplands and 38,529 SF of tidelands. The tidelands have a value of \$0 due to easements with CBJ for the seawalk, IVF float and ice/unloading dock.”
 - The appraisal did not value the tidelands or the icehouse.
 - We find that the tidelands and icehouse are taxable property and therefore omitting a value for them is not appropriate for tax assessment purposes. The tidelands have value and the seawalk provides tourist foot traffic along the property.

CONCLUSION

The 2021 Assessed values were based on a simple methodology, analysis through ratio studies and subsequent trending of values based on the analysis findings. Underlying this standard compliant trending are the locational and feature influenced specific models that have been applied to Juneau commercial properties for many years. The ratio studies indicate that after our adjustments to values the level of assessment for commercial properties was 85% overall, 60% for vacant land, and 91% for improved properties.

For the subject property:

- The percentage change from 2020 to 2021 was 24.8%.

We find that no change to the 2021 assessed value of \$10,035,650 is warranted and ask that the BOE uphold the assessed value.



Office Of The Assessor
155 South Seward Street
Juneau, AK 99801

ALASKA SEAFOOD HOLDINGS INC
2825 ROEDER AVE
BELLINGHAM WA 98225

Meeting of Board of Equalization (BOE) and
Presentation of Real Property Appeal

Date of BOE	
Location of BOE	Via ZOOM Webinar
Time of BOE	5:30 pm
Mailing Date of Notice	
Parcel Identification	1C100K830025
Property Location	560 S FRANKLIN ST
Appeal No.	APL20210416
Sent to Email Address:	hank@icystraitseafoods.com

ATTENTION OWNER

Under Alaska Statutes and CBJ Code, you, as the appellant, bear the burden of proof. The only grounds for adjustment of an assessment are proof of unequal, excessive, improper, or under valuation based on facts that are stated in your written appeal or proven at the appeal hearing.

Any evidence or materials you would like to include in your appeal must be submitted to the City Clerk's Office {preferred method via email to city.clerk@juneau.org Attn.: Assessment Appeal} by **4:00 PM** and will be included in the packets for the Board so the members have an opportunity to review the materials before the hearing.

Your Board of Equalization packet will be ready for you to pick up in the Clerk's office after **2:00 PM 2022** or it will be emailed and/or mailed to the above address(es) on this notice.

You or your representative may be present at the hearing {via Zoom Webinar, participation/log in information will be listed on the agenda packet you receive for the hearing your appeal is scheduled for}. If you choose not to be present or be represented, the Board of Equalization will proceed in the absence of the appellant.

It should be noted that, between the date of this letter and the Board hearing date, your appeal may be resolved between you and the Assessor. If your appeal is resolved, you will not need to appear before the Board.

If you have any questions please contact the Assessor's Office.

Attachment: CBJ Law Department Memorandum April 19, 2013.

CONTACT US: CBJ Assessor's Office

Phone	Email	Website	Physical Location
Phone (907) 586-5215 Fax (907) 586-4520	assessor.office@juneau.org	http://www.juneau.org/finance/	155 South Seward St Room 114

PROPERTY TAX BILLS MAILED JULY 1

PROPERTY TAXES DUE SEPTEMBER 30



City and Borough of Juneau
Finance Department, Assessor's Office
155 S. Seward St, Juneau, AK 99801
Phone 907-586-5215, Fax 907-586-4520
Email Assessor.Office@juneau.org

How to File Petition for Review (Appeal) of Assessed Value

The Assessor's Office is available to answer questions about the assessed value of your real or business personal property. We can be reached by phone or email as listed above.

If you wish to file a Petition for Review you do not need to come into our office. A Petition for Review can be filed through email, fax, mail or the Borough drop boxes. We can answer questions you may have and assist you in filling out the form via phone or email.

The process for review of your assessed value is basically a two-step process. The first step is an Administrative Review where we look at your information and determine whether or not we feel a change is warranted. If so, and it meets with your agreement, we make the adjustment and close the review. If you do not agree with our conclusion, then you have the right to proceed to the second step which is the formal Appeal heard by the Board of Equalization.

We encourage you to contact us via phone or email with questions you may have.

We can provide assistance by:

- answering questions over the phone
- emailing you documentation or explanations
- pointing you to online resources

The Petition for Review form is a two page (one sheet, two sided) form. In filing the form all you need to fill out is the first page. If you have questions we can provide assistance or explain any part of the form via a phone call or email.

The **filing deadline** for a Review/Appeal for assessment year 2021 is **Monday, May 3**.

Thank you for your cooperation in limiting in-person or physical contact during this year's process.

Links:

- Assessor's Database- <https://property.juneau.org/>
- Parcel Map- <http://epv.juneau.org/>
- Assessor Forms- <https://beta.juneau.org/finance/assessor-forms>

Contact Us: CBJ Assessors Office			
Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801



Office of the Assessor
155 S Seward Street
Juneau AK 99801

Petition for Review / Correction of Assessed Value Real Property

Assessment Year	2021
Parcel ID Number	

For Office Use:	Review #	Appeal #
-----------------	----------	----------

2021 Filing Deadline: MONDAY, MAY 3

Please attach all supporting documentation

ASSESSOR'S FILES ARE PUBLIC INFORMATION – DOCUMENTS FILED WITH AN APPEAL BECOME PUBLIC INFORMATION

Parcel ID Number					
Owner Name			Name of Applicant		
Primary Phone #			Email Address		
Physical Address			Mailing Address		
Why are you appealing your value? Check box and provide a detailed explanation below for your appeal to be valid.					
<input type="checkbox"/> My property value is excessive/overvalued <input type="checkbox"/> My property value is unequal to similar properties <input type="checkbox"/> My property was valued improperly/incorrectly <input type="checkbox"/> My property has been undervalued <input type="checkbox"/> My exemption(s) was not applied			THE FOLLOWING ARE <u>NOT</u> GROUNDS FOR APPEAL <ul style="list-style-type: none"> • Your taxes are too high • Your value changed too much in one year. • You can't afford the taxes 		
Provide specific reasons and provide evidence supporting the item(s) checked above:					
Have you attached additional information or documentation? <input type="checkbox"/> Yes <input type="checkbox"/> No					
Values on Assessment Notice:					
Site	\$	Building	\$	Total	\$
Owner's Estimate of Value:					
Site	\$	Building	\$	Total	\$
Purchase Price of Property:					
Price	\$	Purchase Date			
Has the property been listed for sale? <input type="checkbox"/> Yes <input type="checkbox"/> No (if yes complete next line)					
Listing Price	\$	Days on Market			
Was the property appraised by a licensed appraiser within the last year? <input type="checkbox"/> Yes <input type="checkbox"/> No (if yes provide copy of appraisal)					
Certification: I hereby affirm that the foregoing information is true and correct, I understand that I bear the burden of proof and I must provide evidence supporting my appeal, and that I am the owner (or owner's authorized agent) of the property described above.					
Signature				Date	

Contact Us: CBJ Assessors Office			
Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801

Step 1 – Administrative Review

Appraiser to fill out					
Appraiser		Date of Review			
Comments:					
Post Review Assessment					
Site	\$	Building	\$	Total	\$
Exemptions	\$				
Total Taxable Value	\$				
APPELLANT RESPONSE TO ACTION BY ASSESSOR					
My acceptance or rejection of the assessment valuation in the amount of \$_____ is indicated below.					
<input type="checkbox"/> Accept New Assessed Value <input type="checkbox"/> Close Review (Assessment Remains Unchanged) <input type="checkbox"/> Reject and Appeal					
If appealed, appellant will be scheduled before the Board of Equalization and will be advised of the date & time to appear.					
Appellant's Signature _____ Date: _____					

Appellant Accept Value	<input type="checkbox"/> Yes <input type="checkbox"/> No <i>(if no skip to Board of Equalization)</i>
Govern Updated	<input type="checkbox"/> Yes <input type="checkbox"/> No
Spreadsheet Updated	<input type="checkbox"/> Yes <input type="checkbox"/> No
Corrected Notice of Assessed Value Sent	<input type="checkbox"/> Yes <input type="checkbox"/> No

Step 2 – Appeal

Appeal # _____

BOARD OF EQUALIZATION					
Scheduled BOE Date	<input type="checkbox"/> Yes <input type="checkbox"/> No				
10-Day Letter Sent	<input type="checkbox"/> Yes <input type="checkbox"/> No				
The Board of Equalization certifies its decision, based on the Findings of Fact and Conclusion of Law contained within the recorded hearing and record on appeal, and concludes that the appellant <input type="checkbox"/> Met <input type="checkbox"/> Did not meet the burden of proof that the assessment was unequal, excessive, improper or under/overvalued. Notes:					
Site	\$	Building	\$	Total	\$
Exemptions	\$				
Total Taxable Value	\$				

Contact Us: CBJ Assessors Office			
Phone/Fax	Email	Website	Mailing Address
Phone: (907)586-5215 Fax: (907)586-4520	Assessor.Office@juneau.org	http://www.juneau.org/finance	155 South Seward St. Juneau AK 99801



155 S. Seward St. Rm. 114
Juneau, AK 99801
Phone: (907)586-5215
Fax: (907)586-4520
Assessor.Office@juneau.org

01/19/22

Alaska Seafood Holdings, Inc.
550 S Franklin St
Juneau AK 99801

RE: FINAL DETERMINATION -- 2021 Property value Petition for Review -- 1C100K830025
RESPONSE DEADLINE: 01/26/22

PARCEL: 1C100K830025
PHYSICAL LOCATION: 560 S Franklin St

Alaska Seafood Holdings, Inc.,

This letter is in response to the 2021 Petition for Review that you filed regarding the above indicated parcel. The basis for appealing as indicated on the Petition for Review form is: **My property value is excessive**

- Excessive – grossly disproportionate when compared to other assessments
- Unequal – treated differently than other properties in the same property class
- Improper – valuation methodology was improper
- Undervalued – valued less than market or disproportionately lower than other assessments

State statute requires that the burden of proof is upon the appellant to provide evidence that one of the above conditions has been met (AS 29.45.210).

Based upon the evidence that you provided we have made the following determination regarding 2021 assessment valuation of **1C100K830025**:

VALUE DETERMINATION

Recommended Action: **No Change**

2021 Initial valuation:	\$5,629,350
2021 Owner estimate of value:	\$3,800,720
2021 Final determination:	\$5,629,350

We have reviewed your assessed value and did not find that the value is excessive, unequal, or improper.

After the tidelands and icehouse values are added to the 2019 appraisal value, the resulting value is higher than the 2021 assessed value.

APPELLANT RESPONSE FOR ASSESSMENT YEAR 2021 PETITION FOR REVIEW

Please indicate if you accept the recommended value or wish to have your Petition for Review heard by the Board of Equalization. (*INITIAL ONE*)

_____ **YES**, I accept the recommended value determination provided by the Assessor

_____ **NO**, I do not accept the recommended valuation provided by the Assessor.
Please schedule my Petition for Review for the Board of Equalization.

I understand that I will be expected to provide specific evidence to the Board which clearly illustrates that my parcel valuation is: excessive, unequal, valued with improper methodology or is less than market value.

Be advised that if you choose to proceed to the Board of Equalization, they may, in accordance with law, apply an increase of the assessed value to full market value.

Appellant signature

Date

If we do not receive a response from you by **01/26/22**, the Petition for Review will be scheduled for the Board of Equalization where you will be expected to present **specific evidence** as to why your parcel is not valued correctly.

Sincerely,



Mary Hammond
Assessor
City & Borough of Juneau

APPEAL #2021-0416

2021 REAL PROPERTY APPEAL PACKET

BOARD OF EQUALIZATION March 01, 2022



ASSESSOR OFFICE

Appellant: Alaska Seafood Holding, Inc.

Location: 530 South Franklin Street

Parcel No.: 1C100K830025

Property Type: Commercial Land / parking

Appellant's basis for appeal: My property value is excessive/ overvalued

	Appellant's Estimate of Value	Original Assessed Value	Recommended Value
Site:	\$3,800,720	\$5,629,350	\$5,629,350
Buildings:	\$0	\$0	\$0
Total:	\$3,800,720	\$5,629,350	\$5,629,350

Subject Photo



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OVERVIEW

The subject is a waterfront commercial property serving as parking for the adjacent parcel with the same owner.

Subject Characteristics:

- Land
 - 54,296 sf lot
 - Approximately 70% filled and 30% submerged tidelands
 - Level, developed
- Building
 - None

SUBJECT PHOTOS

	From Seawalk
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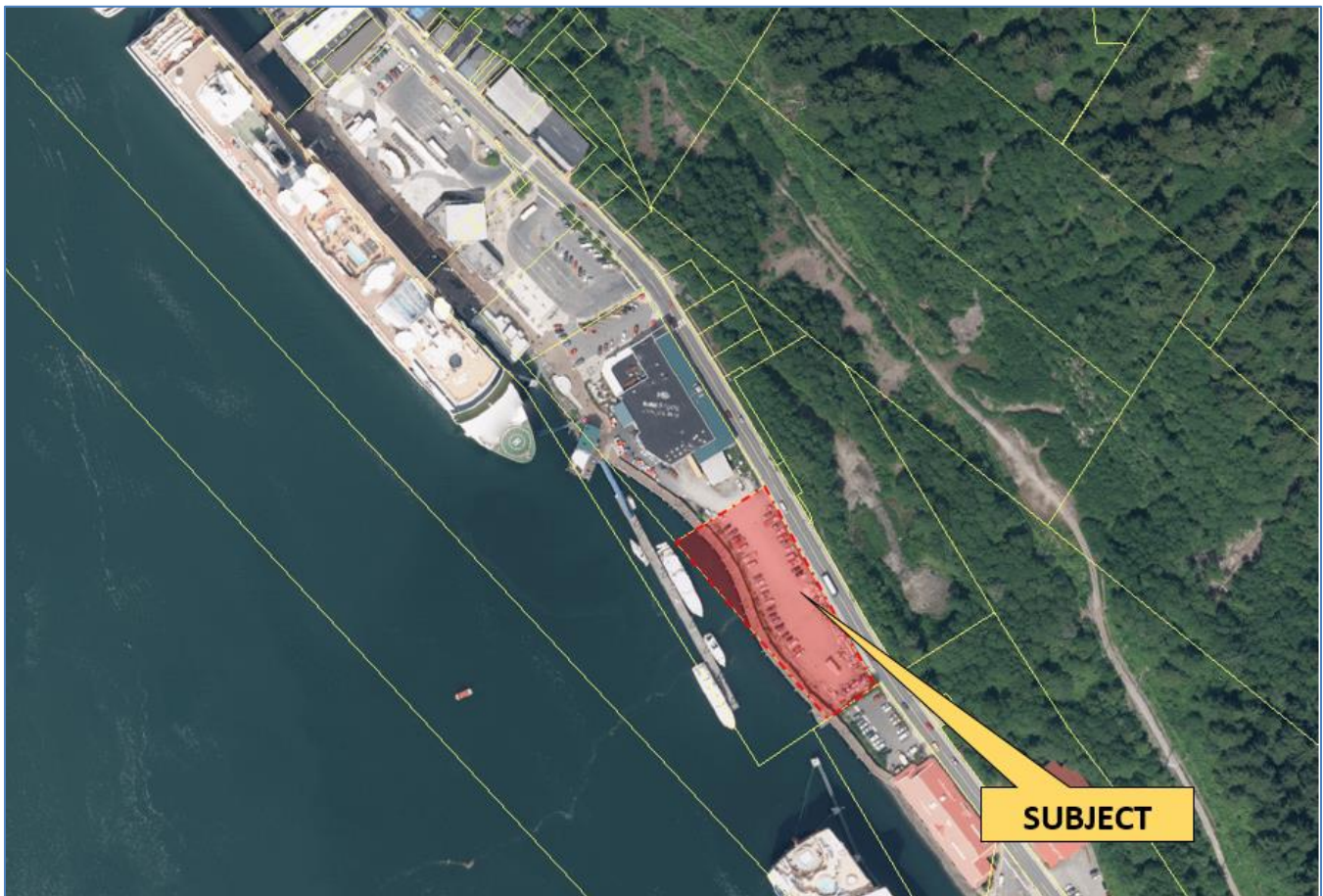
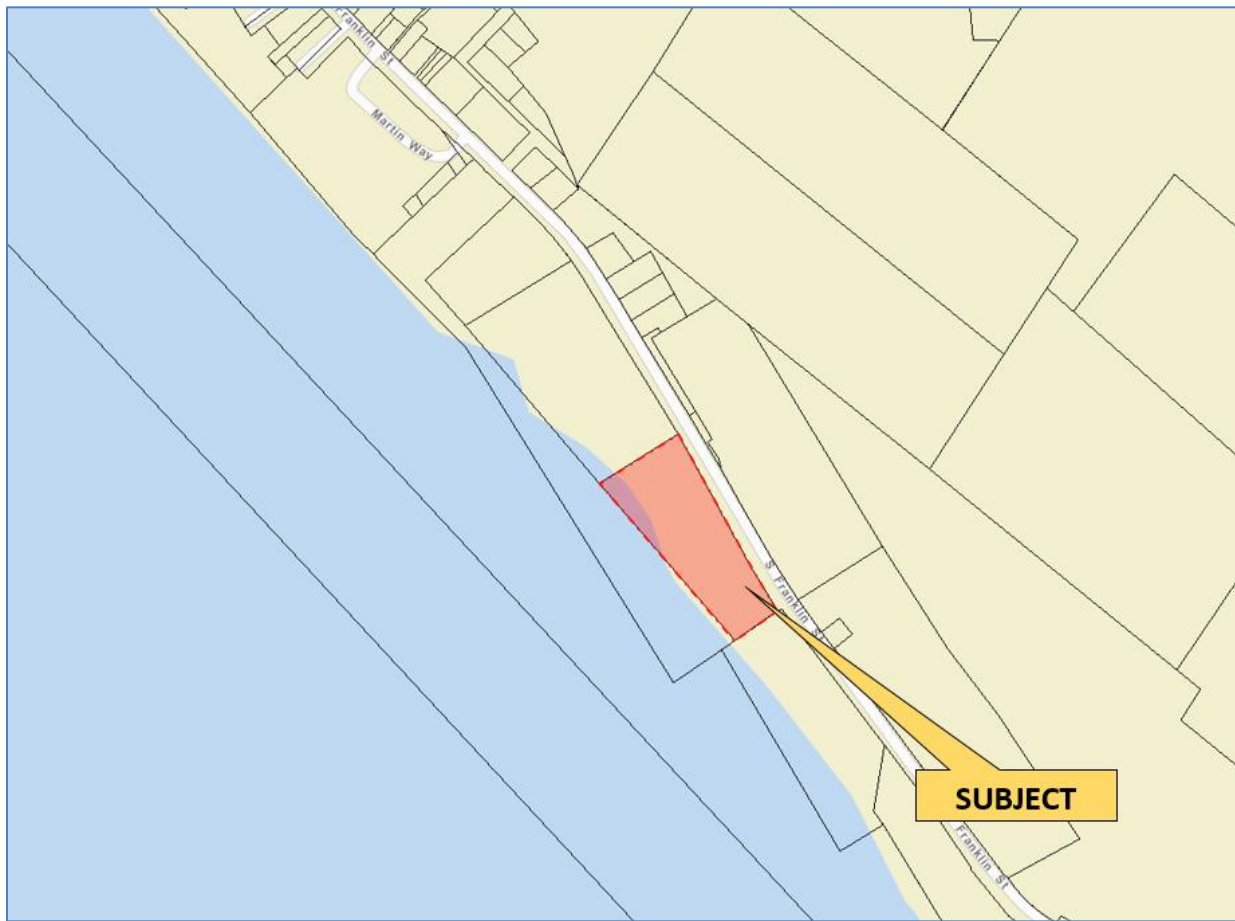
From S Franklin facing South



From S Franklin facing North



AREA & AERIAL MAPS



ASSESSED VALUES

Remember that the total assessed value is the primary test against market. The distribution of that value between the Land Component and the Building Component is secondary and can vary from one model to another. The total assessed value is tested against market indicators (sales, lease rates, etc.) and is adjusted to market value by application of market area and feature adjustments.

All three approaches to value (Cost, Sales Comparison and Income) are considered for commercial properties

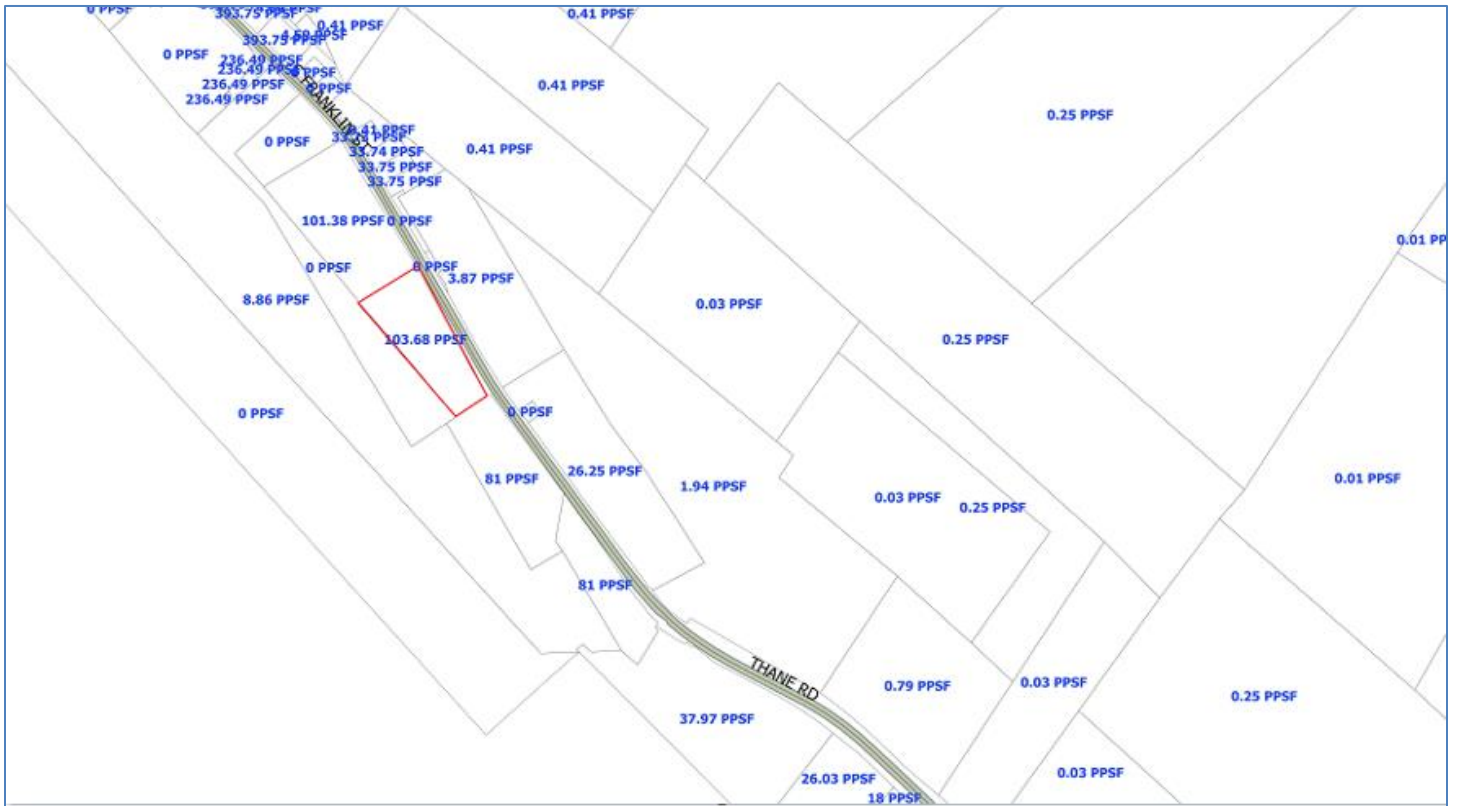
LAND

Land values are developed on a market area basis. The land is examined to understand the typical land characteristics in the market area. These characteristics include size, slope, view, water frontage, significant wetlands and others. The characteristics are used to develop a market area land valuation model. This model is tested and refined in consideration of sales of both vacant and developed parcels. The resulting model is then applied to all of the land in the market area to establish assessed site values.

The subject site consists of filled area and tidelands. The filled portion is level and developable. The subject parcel's land value is equitable and is not excessive.

Land Characteristics:

- 54,296 sf lot
- Approximately 70% filled and 30% submerged tidelands
- Level, developable



BUILDING(S)

The building component may be based on market adjusted cost tables, residual from sales after extraction of the land value or other appropriate means.

Ratio studies are performed to determine market adjustments.

Building Characteristics:

- None

COST REPORT

The cost report was not developed for this review because the parcel is vacant.

INCOME APPROACH

The income approach was not the basis for setting the assessed value for 2021. The appellant did not submit P&L information for the Review process.

COMMERCIAL MARKET & ASSESSMENT ANALYSIS

The 2021 sales analysis for commercial properties included 57 qualified sales from 5 years of sales covering January 1, 2016 through December 31, 2020. The sales volume for the commercial market remained steady through 2020 and there was no indication of declining prices.

- Assessment Year 2021 Summary for Commercial Properties
 - Level of Assessment – 85% overall, 60% for vacant land, and 91% for improved properties
 - Coefficient of Dispersion (COD) – 22% for the combined group, 20% for vacant land, and 17% for improved properties (For these types of property groups the Standard that we work towards would be 20% or less for the subsets of land and improved properties. The combined set would be expected to have a higher COD.)
 - Applied Time Trend for Sales Analysis – 5% per year (0.42% per month)

SUBJECT ASSESSMENT HISTORY

**City and Borough of Juneau
Assessment History Report**

1C100K830025
ALASKA SEAFOOD HOLDINGS INC
560 S FRANKLIN ST
DOCKSIDE LT 2C

<u>YEAR ID</u>	<u>LAND VALUE</u>	<u>MISC VALUE</u>	<u>BLDG VALUE</u>	<u>CAMA VALUE</u>
2021	\$5,629,350.00			\$5,629,350.00
2020	\$3,752,900.00			\$3,752,900.00
2019	\$3,752,900.00			\$3,752,900.00
2018	\$3,752,900.00			\$3,752,900.00
2017	\$3,709,500.00			\$3,709,500.00
2016	\$3,709,500.00			\$3,709,500.00
2015	\$3,709,500.00			\$3,709,500.00
2014	\$3,709,500.00			\$3,709,500.00
2013	\$3,709,500.00			\$3,709,500.00
2012	\$3,709,500.00	\$0.00	\$0.00	\$3,709,500.00
2011	\$3,709,500.00	\$0.00	\$0.00	\$3,709,500.00
2010	\$3,258,000.00	\$0.00	\$0.00	\$3,258,000.00

SUMMARY

State statute requires the Assessor to value property at “full and true value”. According to appraisal standards and practices set by the Alaska Association of Assessing Officers, the State of Alaska Office of the State Assessor, and the International Association of Assessing Officers, correct procedures of assessment were followed for the subject. These standards and practices include consideration of any market value increase or decrease as determined by analysis of sales.

The assessed value was reviewed in response to the Petition for Review. Our findings are as follows.

The land and buildings are valued using the same methods and standards as all other properties in the Borough.

Additional Details:

- The appellant states that their assessed value is excessive/overvalued.
 - We find that the value is equitable and that, based on analysis of market sales, it is not excessive. This is addressed in the land, building, cost report, income, commercial market and assessment analysis, summary and conclusion sections of our response in your packet. There is additional information in the “Property Assessment Guide.”
 - In reviewing locational subgroups, property type subgroups and property characteristic subgroups in the analysis we did not see evidence that any location or other subgroup should be treated differently from the rest with the exception of the boathouses.
- The appellant states that “The subject property was appraised for Northrim Bank on September 26, 2019 using cost, sales comparison and income capitalization approaches for a total value of \$11,300,000 for both lots 2B and 2C. According to the appraisal there are 89,902 SF of uplands and 38,529 SF of tidelands. The tidelands have a value of \$0 due to easements with CBJ for the seawalk, IVF float and ice/unloading dock.”
 - The appraisal did not value the tidelands or the icehouse.
 - We find that the tidelands and icehouse are taxable property and therefore omitting a value for them is not appropriate for tax assessment purposes. The tidelands have value and the seawalk provides tourist foot traffic along the property.

CONCLUSION

The 2021 Assessed values were based on a simple methodology, analysis through ratio studies and subsequent trending of values based on the analysis findings. Underlying this standard compliant trending are the locational and feature influenced specific models that have been applied to Juneau commercial properties for many years. The ratio studies indicate that after our adjustments to values the level of assessment for commercial properties was 85% overall, 60% for vacant land, and 91% for improved properties.

For the subject property:

- The percentage change from 2020 to 2021 was 50%.

We find that no change to the 2021 assessed value of \$5,629,350 is warranted and ask that the BOE uphold the assessed value.



AY2021 Property Assessment Guide

Updated: 2022-01-07

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Assessment Overview

Property Taxes

- Property taxes represent about half of the locally generated CBJ revenue.
- Property taxes fund general government services, police, fire, schools, parks, streets and other services.
- If we did not have property taxes there would have to be some other form of taxes.

Property Assessments

- The Assessor's Office strives to keep the taxes fair and equitable by ensuring that the assessed values are uniform.
- There is no one, absolute, precise market value for any given property. Appraisal Judgement is a necessary part of setting assessed values.
- While the concept of setting assessed values for every parcel in Juneau may sound simple there are many complexities to actually making it happen.

Assessed Values versus Taxes

- Most tax increases are due to a budget increase, passed either by the assembly or by the taxpayers.
- An increase in assessed value does not mean an increase in taxes.
- The budget determines the amount of taxes to be collected. The budget is set by the Borough Assembly. The assessed values determine how that tax burden is distributed.
- The Assessor's Office does not have an active role in budgeting or the taxes. We are focused on the assessed values.

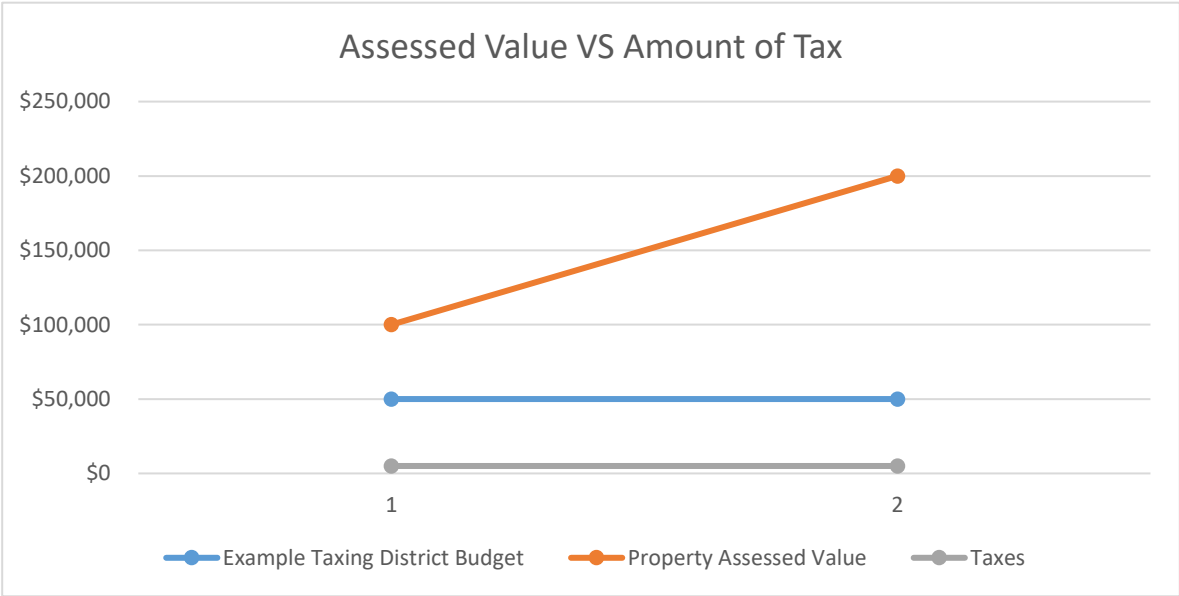
Examples:

- If everyone's assessed values doubled but the budget stayed the same your taxes would not change.
- If everyone's assessed values doubled and the budget increased by 10% your taxes would go up by 10%.
- If the budget stayed the same and one type of property was going up while all the others were not, owners of that type of property would see a higher tax bill and everyone else would see a lower tax bill.
- If your assessed value went up and everyone else's stayed the same, you would see an increase in your taxes even if the budget stayed the same.

In the following example you can see that with the assessed values doubling and the budget staying the same the actual taxes did not change.

Assessed Value -vs- Amount of Tax

\$50,000	\$50,000	Example Taxing District Budget
\$1,000,000	\$2,000,000	Total Assessed Values
0.050	0.025	Rate
\$100,000	\$200,000	Property Assessed Value
\$5,000	\$5,000	Taxes



Sales Validation (Also see the “Market Sales” topic for more specifics on Market Sales)

- Sales validation is critical. Sales data is foundational to everything that we do.
- All sales are considered.
- Only some sales are deemed to be a market sale.
- Of those that are market sales we only have prices on some of them. While a mandatory disclosure ordinance took effect in November 2020, we have, so far, not seen much of an increase in the disclosure rate.
- Generally we get sales prices on about 35 to 40% of the commercial sales.
- The word “considered” is also sometimes used to refer to the sales that were “included” in the ratio studies as a market sale.
- The guidelines for sales validation and the validation processes are critical. Maintaining standards in the sales validation process is critical.
- All of what we do in the area of valuations is dependent on the quality and accuracy of the sales data. Having good, clean, accurate sales data is critical.
- The sales validation and verification processes are continual and ongoing.

Market Sales (this topic is closely tied to the “Sales Validation” topic)

- To be a Market sale, a sale must meet these criteria at a minimum
 - Arms length transaction
 - No Duress
 - Marketed (see below)
 - Reasonable exposure time (see below)
- Invalid Sales- With rare exceptions, the following conditions make a sale an invalid (non-market) sale:
 - Multi-Parcel sales are invalid – an exception would be if they clearly are an economic unit that will always sell together
 - Family sale
 - Related party sale/transfer- one corporation sells to a parent corporation
 - Sale between parties that have pre-existing relationship (is non-arms-length)
 - Estate sale
 - Bankruptcy sale
 - Sheriff sale / tax auction
 - Tax Deed
 - Gifts
 - Transfer of interest
 - Trade / Exchange
 - Partial interests
 - Forced sales- Transfers in lieu of foreclosure, condemnation or liquidation
 - Easement or Right of Way (although these can be used for special studies on easements or Right of Ways)
 - Fulfillment of Contract
 - Plottage/Assemblage/Adjacent (This is referring to situations where a land owner purchases property next door or adjacent to the property he already owns. Or where a number of separate parcels are bought for the purpose of consolidating them into one larger parcel. An alternate use of the word plottage refers to the increase in value due to bringing the properties under the same ownership.)
 - Lease assignment or option
- Sales are not thrown out because of their ratio.
- To be a market sale the property has to have had exposure to a broad market and to have been actively marketed for a reasonable period of time
- In The Appraisal Institutes Dictionary of Real Estate Appraisal part of the definition of the requirements for a sale to be considered a market sale is that there was ***“reasonable exposure in a competitive market, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”*** [Emphasis added] If a property is sold under duress, which needing to sell quickly would fall under, it is to be considered not a market sale. Under the market sale guidelines a sale that occurs in less than usual market time is also suspect. One of the aspects that is to be inspected besides exposure is marketing time. It should be noted that the typical marketing time for commercial properties is substantially longer than for residential properties.

Analysis Process

- The work that we do is not a controlled laboratory environment
- We will likely never have thousands of data points for commercial properties in Juneau.
- We work with the best data that we have available at the time.
- It is normal that subsequent to an analysis being done additional information comes to light that changes the validation or verification conclusions of a few sales. This does not invalidate the analysis and ratio studies. This reality is mitigated by the testing for outliers, the focus in the analysis on central tendencies rather than the fringes, and the review of different data groupings and subsets. The mitigation of any potential effect is one of the advantages of mass appraisal. For an example of the limited effect of removing a few sales please see the “AY 2021 Commercial Property Analysis & Appraisal Summary” section below.
- There are multiple facets to the analysis process. It usually includes the review of many ratio studies, starting from before any changes are made to the results after the final changes, but it also involves much more than that. Here is a partial list:
 - The sales validation and verification process is highly integrated with the analysis.
 - With each ratio study the decision of whether to include standard and/or extreme outliers
 - A study of the outliers
 - The relativeness of the sample
 - The uniformity and/or variance within the total set and all of the various subsets
 - The uniformity and/or variance between the total set and all of the various subsets
 - Market area uniformity and/or variance evaluated at Region, District and Neighborhood levels
 - The confidence level – this is a factor on all the decisions made and all aspects of the analysis and can vary greatly from one part of the analysis to another
 - The adjustments that need to be made and the best mechanism for applying them
- Data Sets- typical analysis structures will have a primary data set and then major type division data sets
 - For assessment work the primary data set is all of the property sales within the Borough.
 - A typical first level or major type division of the data set would be land, residential and commercial properties. All properties are placed into one of those three subsets based on appraisal judgement.
- Subsets- from the primary and the major type sets you typically have many subsets that are analyzed corresponding to things such as location, zoning, property type, and property characteristics
- The analysis should have an established structure. This often encompasses looking at the total primary set first, then doing land value analysis and adjustment, next incorporating the new land values into your analysis of building values, followed by a neighborhood factor analysis off of the new values which then leads to your final values.
- The data quality is critical to the analysis process.
- The analysis process is critical to the uniformity of your values.
- Analysis options / Mass Appraisal Techniques
 - Adaptive Estimation Procedure (AEP or Feedback)- most frequent method used by smaller jurisdictions
 - Multiple Regression Analysis (MRA)- requires a larger set of sales data
 - Nonlinear Regression Analysis- requires a larger set of sales data
 - Spatial Model Analysis (uses GIS)
- **Regardless of the number of sales, we are required to set assessed values each year. In setting assessed values we must do so for all taxable properties in the Borough.**

Model Specification

- Model specification is the process whereby you choose which property characteristics you feel effect value.
- Model Types- Additive, multiplicative, hybrid

Model Calibration

- Model calibration is the process whereby you determine by how much each characteristic effects value.

Approaches and Methodologies

- All three approaches- the sales comparison, cost and income approaches- are considered.
- New calculations versus trending
 - There are advantages to both and which is best to use is situational.
- In trending the assessed values the underlying considerations such as the 3 approaches to value and locational, property type and property characteristic adjustments are all accounted for in the original models and incorporated and carried forward into the new assessed values. That is one of the advantages of making a correction to assessed values through trending.
- Your CAMA (Computer Assisted Mass Appraisal) system will play a role in which options are available for setting and adjusting values.

Review & Appeal Processes

- Valid Reasons for Appeal
 - Value is excessive/overvalued – To show that an assessment is excessive, an appellant must show that the assessment is more than just overvalued. It must be shown that the assessment is grossly disproportionate when compared to other assessments (or, it can be shown that there is an intentional or fraudulent purpose to place an excessive valuation on the property.)
 - Value is unequal – To show that an assessment is unequal, the appellant must show that there are other properties in the same class as the property being appealed and that there is no basis that would justify different valuations of the property.
 - Valued improperly – To show that an assessment is improper, it must be shown that the assessor used an improper method of valuation, which amounts to fraud or a clear adoption of a wrong principle of valuation.
 - Undervalued – To show that an assessment is undervalued, an appellant must show that the assessment is more than just undervalued. It must be shown that the assessment is grossly disproportionate when compared to other assessments (or, it can be shown that there is an intentional or fraudulent purpose to place an undervaluation on the property.)
- Reasons that are NOT Valid
 - Taxes are too high
 - Value changed too much in one year
 - Can't afford the taxes
- In response to a Petition for Review, we review the assessed values for each appeal and if there is an error or an indication of the property's assessed value being excessive, inequitable, and improper we make the appropriate corrections.

- The appellant has the opportunity to submit information to the Assessor and once we have reached a conclusion, to accept our findings or to continue to a BOE hearing.

AY2021 Commercial Property Assessment Particulars

- We strive to treat all properties equitably.
- We have done our work with the highest of ethical standards.
- We have followed the applicable assessment standards.
- The basis for the 2021 commercial property assessed values is a market analysis based upon available actual sales data of commercial property sales. The analysis adhered to assessment standards.
- Trending was the best option for our circumstances.
- There have been questions about the historic valuation model. Actually, more correctly it is models, as in a plural. For instance there is a model specific to S Franklin St properties while there is a separate model specific to Concrete Way, another one for land in the Vintage area and at least one applicable to the core downtown business district. Some of these models we have had opportunity to inspect and, while in some cases our appraisal judgement would suggest a slightly different approach to the adjustments, the models certainly appear reasonable. The basis and time frame for the various models of course differs. As an example, the S Franklin St model was done in 2010 and adjusted slightly in 2011 and appears to be based on a study of sales in the area. The Concrete Way model was updated in 2013. Another test of those models is what happens when we apply trending. The fact that the trending tended to improve the COD and COV would suggest that the models are reasonable and still are representative of the market.
- The correction to commercial properties was applied mainly, but not exclusively, through the land segment does not make this a land study. The land segment adjustment was the mechanism by which increases could be applied within the CAMA system while maintaining uniformity in land values of improved and vacant land and moving all commercial properties closer to market value.
- One of the advantages of mass appraisal and of the analysis work that the Assessor's Office does is that we do not focus on one sale (low or high) but instead look at all of the sales. We then set values based off of the mean and median indicators for all of the sales. That way we are not isolating to the lowest sale or the highest sale in determining what the market value is. Within this process we look at the overall market as well as indicators for sub-groups such as locational factors, property features, types of property, etc. (Please see the AY 2021 Commercial Property Analysis & Appraisal Summary section for additional review of these sales.)
- Others have focused on one sale that was a market sale (the NCL/sub-port sale), claiming it is inappropriately skewing the results. That is not true. It is a market sale. It also does not qualify as an outlier per IAAO standards. (Again, please see the AY 2021 Commercial Property Analysis & Appraisal Summary section for additional review.)
- While the inclusions and exclusions that were made were appropriate, we analyzed whether or not changing the inclusion or exclusion of these sales would have had any impact on the valuations. Making those changes did not significantly change the ratios and would not have resulted in any different action in setting the assessed values. (see the AY 2021 Commercial Property Analysis & Appraisal Summary section.)

- The values for 2021 were set based on market analysis. As a result of the analysis a trending was applied to the assessed values. In trending the assessed values the underlying considerations such as the 3 approaches to value and locational, property type and property characteristic adjustments are all accounted for in the original models and incorporated and carried forward into the new assessed values. That is one of the advantages of making an initial correction to this undervaluation through trending. Most commercial properties have seen no significant change to their assessed values for 10 plus years. Because there was not a wealth of sales data for the subgroups an overall trending was applied. It should be noted that in reviewing locational subgroups, property type subgroups and property characteristic subgroups in the analysis we did not see compelling evidence that any location or other subgroup should be treated differently from the rest with the exception of the boathouses.
- This adjustment does not represent one year of market change but change over many years.
- Each of the appellants were encouraged to submit specific evidence of an incorrect value through initial phone calls early in the process, through a letter dated 06/18/2021 and through follow up phone calls to the letter as a minimum. Each appellant has been given opportunity to discuss our findings with the Assessor's Office.
- Our review of assessed values has consistently indicated that in spite of the corrections applied this year the fact remains that we are still undervalued for commercial properties. This is born out through the sales analysis, the cost approach and the income approach. Normally, at the BOE level we would be proposing increases to value when appropriate, however, in an effort to maintain uniformity, this year we have only been doing so when errors cause a property to be further undervalued.
- Two primary reasons cited for the appeals are that our assessed values are excessive and that our trending was not proper.

○

For perspective on those issues I would like to note some information from a source outside of the Assessor's Office. We have had the opportunity to read two commercial appraisals, both for one particular property on Salmon Creek Ln near the hospital. One has a valuation date of April 05, 2013 and the other a valuation date of August 11, 2021. Both appraisals are done by Mr. Wold who has been presented as an expert witness in many of the hearings.

Mr. Wold indicates that the land value in 2013 was \$330,000. Our land value for that year was just \$229,800.

Mr. Wold indicates that the land value in 2021 is \$570,000. Our land value for this year is just \$392,100 which happens to be less than 69% of his stated value which puts the ratio close to our median ratio.

The land value indicated in the appraisals increases by 73% over an 8 year period. Our increase this year was 50% over an 11 year period. In percentages Mr. Wold's increase of 9.1% per year is double ours which is 4.5% per year.

AY 2021 Commercial Property Analysis & Appraisal Summary

The population or universe of properties to be assessed is all taxable properties in the Borough of Juneau. Those properties are divided into two primary classifications: residential and commercial. The focus here is on the commercial properties. So, our universe of properties for this part of the analysis is all commercial properties within the Borough. Correspondingly, the sales population is all sales that occurred for commercial properties within the Borough. Those sales then go through both validation and verification processes. In the validation process sales are classified by other transactions vs sales, then market sales vs non-market sales, then market sales for which we have a sales price. The market sales with sales price are the sales utilized in the ratio studies and analysis.

The following page includes a summary report for the 2021 Assessed Values based on the sales information at the time of the analysis. Because this is a dataset that includes all commercial types (vacant and improved) other than boathouses a COD of 21.5490 is a good COD that indicates good uniformity in the assessed values across the varied types and locations of the properties. The scatter diagram indicates that a more aggressive trending of sales prices would have been appropriate. If that had been applied it would result in an indication of the assessed value ratios being even lower than stated. These ratios and statistics are based on AY2021 values after the adjustments to values were made.

**AY2021- Comm- Set 2 Updated AVs Live1- 20210316- No 19- All, 5 Yr, 5% Trend
Summary Report**

Statistics

Current Proposed

53	53	Count	(Number of Records with Ratio)
0.2932	0.2932	Minimum Ratio	
1.4091	1.4091	Maximum Ratio	
1.1159	1.1159	Range	

0.8526 0.8526 Mean (This is the average ratio for your sample.)

0.8853 0.8853 Median (This is the mid-point value for your sample. Preferred measure of central tendency.)

0.6981 0.6981 Weighted Mean

3.0313 3.0313 Sum of the Square of Deviations

0.1908 0.1908 AAD

0.2414 0.2414 Standard Deviation

21.5490 21.5490 COD (Good indicator of confidence level.)

28.3180 28.3180 COV

1.2214 1.2214 PRD- Price-Related or Factor Differential
(PRD s/b between 0.98 & 1.03, IAAO)
(PRD over 1=Regressive)

IAAO Standards for COD

SFR	15.0 or less
SFR-newer/homog	10.0 or less
Income Properties	20.0 or less
Income-Urban area	15.0 or less
Vacant Land	20.0 or less

Coefficients (0=Normal Distribution)

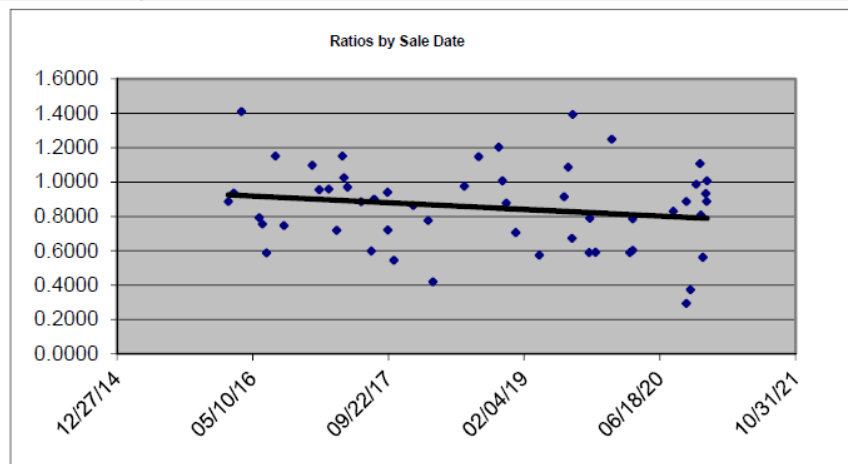
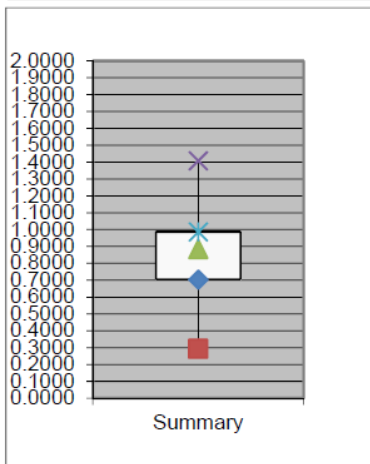
Kurtosis	-0.0245
Skewness	0.0181
Alt.Cyhel'sky's Skew	-0.0943
Alt.Pearson's Skew	-0.4059

Trending Factors

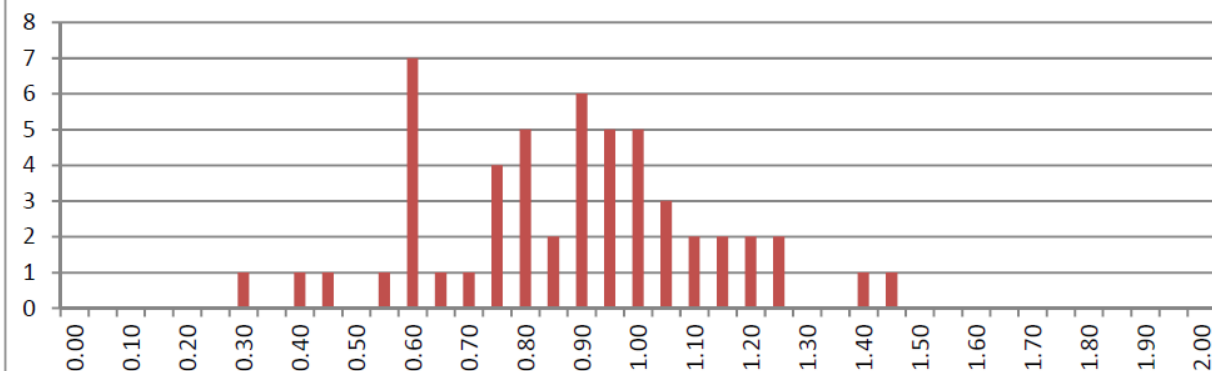
0.85	Target Level
0.9969	Factor on Mean
0.9601	Factor on Median
1.2176	Factor on Weighted Mean

Normal / Skewed Distribution Evaluation

0.0327	Differential Mean to Median
24	Number of data points below the mean.
29	Number of data points above the mean.
*Note- # below/above works on data sets up to 5,000 pts.	



Histogram of Ratio Frequency



Ratio Study Notations

- Note that the scatter diagram indicates that a higher rate of time/market trending of sales prices was in order for the ratio studies. If that higher rate were applied it would show that we are even more undervalued than these statistics indicate.
- Regarding the histogram, it is normal to have ratios above 1.00. In fact, if your level of assessment were set based on the median and right at market (1.00) half of your data points would be below 1.00 and half would be above 1.00.
- If you reviewed many histograms from many different jurisdictions you would typically find a larger percentage of ratios over 1.00 and that the top ratios would be far above 1.50.
- It was noted by an appellant that the ratios for 23% of the adjusted sales prices were above 1.00. That would mean that 77% are below 1.00 indicating that we are still undervalued.
- It is normal that subsequent to an analysis being done additional information comes to light that changes the validation or verification conclusions of a few sales. This does not invalidate the analysis and ratio studies. This reality is mitigated by the testing for outliers, the focus in the analysis on central tendencies rather than the fringes, and the review of different data groupings and subsets. The mitigation of any potential effect is one of the advantages of mass appraisal.
- Regarding the COD and COV: the numbers listed in the box at the top of the ratio study summary report are guidelines. The COD and COV and associated guidelines help guide your analysis of the market, the valuation models, confidence levels in adjusting values, effects of adjustments and other considerations. They are an indicator of central tendency and not an absolute criteria or test that a study has to meet to be valid. The image below is of the actual table from the IAAO Standard on Ratio Studies-2013.

Table 1-3. Ratio Study Uniformity Standards indicating acceptable general quality*

Type of property—General	Type of property—Specific	COD Range**
Single-family residential (including residential condominiums)	Newer or more homogeneous areas	5.0 to 10.0
Single-family residential	Older or more heterogeneous areas	5.0 to 15.0
Other residential	Rural, seasonal, recreational, manufactured housing, 2–4 unit family housing	5.0 to 20.0
Income-producing properties	Larger areas represented by large samples	5.0 to 15.0
Income-producing properties	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant land		5.0 to 25.0
Other real and personal property		Varies with local conditions

- If your ratio study involves a mix of property types it is typical that your CODs and COVs will be higher.

Sales List

This is a list of the market sales that we had available for our analysis data set.

AY2021 Analysis Sales List									
Sale Date	Sale Price	Trended SP	AVTotal	Main Parcel	Count	Number	Street	Condo	Neighborhood
07/25/18	27,500	30,930	27,200	1C020K01G200	1	1435	HARBOR WAY	NO	AURORA BASIN C 19
06/28/19	25,000	26,936	27,200	1C020K01G280	1	1435	HARBOR WAY	NO	AURORA BASIN C 19
02/28/19	25,000	27,356	27,200	1C020K01G290	1	1435	HARBOR WAY	NO	AURORA BASIN C 19
10/09/20	20,000,000	20,235,200	7,524,300	1C060K010031	1	0	EGAN DR	NO	DOWNTOWN C
10/30/20	1,400,000	1,412,348	1,394,150	1C060K660110	1	711	W WILLOUGHBY AV	NO	DOWNTOWN C
12/15/16	1,100,000	1,327,612	1,457,000	1C060U040040	1	800	GLACIER AVE	NO	DOWNTOWN C
03/30/16	550,000	683,826	963,600	1C070A030040	1	100	N FRANKLIN ST	NO	DOWNTOWN C
12/09/20	confidential	confidential	190,200	1C070A050001	1	230	SEWARD ST	5K	SOMMERS ON SEWARD_C_24
11/02/18	510,600	567,144	682,450	1C070B0J0020	1	195	S FRANKLIN ST	NO	DOWNTOWN C
07/01/19	2,200,000	2,369,400	2,164,900	1C070B0N0011	1	259	S FRANKLIN ST	NO	DOWNTOWN C
03/10/20	612,788	638,268	501,300	1C110K120051	1	0	Eastaugh Way	NO	DOWNTOWN C
03/16/17	716,000	855,033	613,650	1C110K120101	1	170	MILL ST	NO	DOWNTOWN C
10/02/19	378,818	403,055	237,150	1C110K120120	1	0	MILL ST	NO	DOWNTOWN C
10/25/19	378,818	401,835	237,150	1C110K120130	1	190	MILL ST	NO	DOWNTOWN C
03/10/20	378,818	394,569	237,150	1C110K120140	1	0	MILL ST	NO	DOWNTOWN C
04/01/19	597,938	651,597	374,400	1C110K120150	1	0	MILL ST	NO	DOWNTOWN C
11/13/20	400,000	402,744	445,400	1D060L030011	2	201	CORDOVA ST	NO	WEST JUNEAU C
10/12/17	65,000	75,711	41,200	3B1501020030	1	1669	CREST ST	NO	SOUTH VALLEY C
11/30/18	168,750	186,776	164,000	3B1501040120	1	1544	CREST ST	NO	SOUTH VALLEY C
09/19/17	750,000	876,000	823,100	4B1601010040	1	2450	INDUSTRIAL BLVD	NO	MENDE PENINSULA C
06/13/17	104,000	122,899	108,800	4B1601050030	1	2274	INDUSTRIAL BLVD	5K	RIVERVIEW YACHT C 24
07/30/19	115,000	123,388	83,000	4B1601050160	1	2276	INDUSTRIAL BLVD	5K	RIVERVIEW YACHT C 24
03/05/18	73,000	83,557	35,000	4B1601080070	1	2278	INDUSTRIAL BLVD	5K	P & J BUSINESS C 24
07/31/17	112,500	132,188	119,000	4B1601120130	1	2270	BRANDY LN	5K	BRANDY LANE YACHT C 24
11/17/20	650,000	654,095	527,700	4B1701020020	1	10011	GLACIER HWY	NO	MENDE PENINSULA C
02/28/20	1,567,000	1,634,569	961,350	4B1701090056	1	10009	CRAZY HORSE DR	NO	MENDE PENINSULA C
12/04/20	confidential	confidential	145,000	4B1701090218	1	10011	CRAZY HORSE DR	5K	SAFE HARBOR C 24
02/14/17	150,000	179,757	172,300	4B1701090223	1	10011	CRAZY HORSE DR	5K	SAFE HARBOR C 24
04/24/17	130,000	154,534	149,800	4B1701090226	1	10011	CRAZY HORSE DR	5K	SAFE HARBOR C 24
01/10/17	150,000	180,492	172,300	4B1701090228	1	10011	CRAZY HORSE DR	5K	SAFE HARBOR C 24
06/30/16	501,624	617,218	361,800	4B1701100146	1	2789	SHERWOOD LN	NO	MENDE PENINSULA C
03/01/16	697,000	869,424	813,000	4B1701100170	1	10221	GLACIER HWY	NO	MENDE PENINSULA C
09/20/17	400,000	467,144	336,200	4B1701103003	1	2769	SHERWOOD LN	5K	BEAR DEN YACHT CONDO C 24
06/29/18	950,000	1,071,961	1,045,750	4B2901020010	1	10200	MENDENHALL LOOP	NO	AUKE MOUNTAIN C
10/04/19	2,205,832	2,346,343	1,849,500	5B1201000060	1	5245	GLACIER HWY	NO	LEMON CREEK C
08/02/19	500,000	536,260	746,600	5B1201020100	1	5452	SHAUNE DR	NO	LEMON CREEK C
04/05/17	4,140,000	4,932,313	5,106,550	5B1201040052	2	1721	ANKA ST	NO	LEMON CREEK C
08/02/16	500,000	612,910	704,850	5B1201060061	2	5631	GLACIER HWY	NO	LEMON CREEK C
09/24/20	2,450,000	2,483,957	1,554,550	5B1201060160	2	5740	CONCRETE WAY	NO	LEMON CREEK C
11/23/20	486,000	488,654	274,300	5B1201060260	1	5719	CONCRETE WAY	APN	SEAGULLS EDGE C 24
09/24/20	300,000	304,158	269,550	5B1201300110	1	1783	Anka St	NO	LEMON CREEK C
12/24/19	205,000	215,734	269,550	5B1201300110	1	1783	Anka St	NO	LEMON CREEK C
07/21/17	900,000	1,058,760	632,250	5B1201330160	3	2005	ANKA ST	NO	LEMON CREEK C
06/03/16	1,060,000	1,308,273	1,036,450	5B1201450110	1	1731	RALPH'S WAY	NO	LEMON CREEK C
06/15/16	637,500	785,744	593,500	5B1501000002	1	8251	GLACIER HWY	APN	SOUTHEAST INSURANCE C 24
08/07/20	700,000	714,406	591,700	5B1501010001	2	1880	CREST ST	APN	BUILDERS PLAZA C 24
09/02/16	1,300,000	1,587,924	1,183,050	5B1501020170	1	8401	AIRPORT BLVD	NO	SOUTH VALLEY C
11/16/18	750,000	831,585	837,600	5B1501040030	1	8825	MALLARD ST	NO	SOUTH VALLEY C
12/07/20	confidential	confidential	234,498	5B15011107E0	1	2221	JORDAN AVE	SEP	JORDAN CREEK C 24
02/10/16	273,000	341,299	234,498	5B15011107E0	1	2221	JORDAN AVE	SEP	JORDAN CREEK C 24
12/22/17	300,000	346,452	230,384	5B15011109B0	1	2231	JORDAN AVE	SEP	JORDAN CREEK C 24
02/15/18	968,750	1,111,292	851,400	5B1601000023	1	9151	GLACIER HWY	NO	SOUTH VALLEY C
07/16/19	145,000	155,861	169,350	5B1601140043	1	9309	GLACIER HWY	APN	PROFESSIONAL PLAZA C 24
08/21/18	240,100	269,142	308,850	5B1601140070	1	9309	GLACIER HWY	APN	PROFESSIONAL PLAZA C 24
01/04/19	672,000	740,490	521,900	5B2401610150	1	4045	DELTA DR	NO	NORTHEAST VALLEY C
04/11/17	1,540,000	1,833,432	1,877,700	7B0901030071	1	3161	CHANNEL DR	NO	TWIN LAKES C
(1) These were the sales available to us for our market analysis for assessment year 2021.									
(2) Some sales prices are confidential, specifically when the only sale source is the buyer.									
(3) Note that this list was updated 08/24/21 to add AV. The original list was 57 sales, however, through the analysis process one sale, 1C060U050022, was eliminated. It was further updated 09/23/21 when a change in directive from the law department allowed us to add some sales prices. Update 9/29/2021 only sales prior to 11/26/2020 confidential.									
(4) AV Adj for condition at time of sale - 1C060U040040, 1C070A030040, 4B1701100170, 1C110K120130, 1C110K120101, 4B1701100146, 5B1201060160, 5B1201000060, 7B0901030071									
(5) 5B1201020100 is included on this list, however, it has since been determined not to be a market sale; seller & buyer related. Removal of this sale would further lower the mean and median ratios.									
(6) Note - multi-parcel sales are normally considered non-market, however, with commercial sales they are sometimes included as an economic unit.									
(7) Note that the sale price used in the original study for 5B1201040052, which included 5B1201040051, was \$3,726,000 which was reported by the buyer, however, subsequent information showed the sale price to be \$4,140,000 with the cash distribution reduced for the value of 12 months of continued occupancy by the seller after the execution of the sale. Also, this sale was discovered to be a non-market sale due to duress of the seller. Removal of this sale would lower the mean and median ratios									
(8) The trending applied to bring the sales to 01/01/2021 was 5% per year. The analysis indicates that a trend of 7.5% would be appropriate but to be conservative we selected 5%.									
(9) Column added to identify condo parcels NO = not condo; APN= apportioned land value; 5K= place holder land value; SEP = land is valued under different parcel.									

In the sales list you will notice that there is a column that indicates whether or not the parcel is a condo. The properties that are labeled condo are not residential condos but commercial condos which could include retail spaces, offices and mini-warehouses. The reason that they are noted on the list is because the mechanism for increasing their values was different from other commercial property types. In the analysis they were treated as a separate subset.

Review of Particular Sales

In response to questions raised by appellants we did additional review regarding four sales and their inclusion in or exclusion from the ratio study. We found that the original inclusion or exclusions were appropriate. We then went one step further and analyzed the hypothetical assumptions regarding the inclusion and exclusion of these sales.

The sales were:

1. The Emporium Mall, 1C070K810090 & 0140 – This sale is a multi-parcel that does not qualify as a market sale.
2. The Assembly Building, 1C070A090060 – We did not and still do not have a verified sale price for this sale.
3. The Pacific Pier, 1C070K830040 – This may be a market sale, however, we did not have the sale price at the time of the analysis.
4. The AMHT/NCL land sale, 1C060K010031 – This is a market sale and was included in the analysis.

In regards to the NCL sale, two items of note. First, it does not meet the criteria to be considered to be an outlier. Second, it's inclusion in the analysis did not cause it to have undue influence on the results.

We have reviewed the assertions and find them to be without merit and find that the sales qualification designations are consistent with standards. The distinctions of what is and is not a market sale are important in keeping your data clean which leads to more accurate findings. In spite of there being no merit to the argument for changing which sales were included and which were excluded, just for review purposes, we looked during the review process at whether inclusion and exclusion of these sales would have made any substantial difference. The finding was that the changes in mean and median ratios was minimal and would not have led to any difference in our decisions in the setting of the assessed values and the bringing of the commercial values closer to market.

Again, I need to stress that the exclusion and inclusion, as done in the analysis, was proper and this was just done for comparative and informational purposes during the review process. The statistics below are for 3 sequential steps applying the hypothetical assumptions. The first step added the 2 sales, the next step then corrected an included sale and the third step then removed the NCL sale from consideration. You will see from the results below that even after applying these hypotheticals that after our changes to the assessed values that commercial properties remain undervalued. After applying the hypothetical assumptions the median changed by one thousandth of a percent and the mean increased by 3.2% but remained lower than the median.

<u>Review of Impact of Including and Excluding Particular Sales</u>				
	Original	2 Sales Added	Sale Correction	Remove NCL
Count	53	55	55	54
Minimum Ratio	0.2932	0.2932	0.3718	0.4189
Maximum Ratio	1.4091	1.4091	1.4091	1.4091
Range	1.1159	1.1159	1.0373	0.9903
Mean	0.8526	0.8692	0.8753	0.8846
Median	0.8853	0.8862	0.8862	0.8863
COD	21.5490	22.4051	21.6607	20.9181
COV	28.3180	29.0248	27.6491	26.4636
PRD- Price-Related or Factor Differential	1.2214	1.1463	1.1359	0.9396

In general, the mean is the preferred measure if your sample is symmetrical and the median is preferred if your sample is skewed or includes outliers. The COD is based on the median and the COV is based on the mean.

Beyond the above sales there were a number of sales that were included in early sales reports and counts of possible qualified market sales that were not included in the analysis set due to legitimate questions not being able to be resolved by the time that the study was done. This would include things such as unresolved questions as to whether a sale was a market sale or not, questions as to the accuracy of the sales price, lack of information as to the value of personal property included in the sale and other questions. It is normal for the sales validation information to be refined during the analysis process. A ratio study done on these excluded sales shows a mean and median ratio virtually identical to the analysis set. A list of sales (provided by appellant Ken Williamson) and their status as to inclusion in the analysis follows.

For Audit/Review Purposes Only

This is a summary of a review of a list of sales provided by appellant Ken Williamson.

This summary reviews whether or not these sales were included as a qualified market sale in the AY2021 Analysis.

In cases where the sale was excluded the reason is indicated.

sale date	parcel number	address	Inclusion/Exclusion	Reason
9/7/2017	1C020K01E220	Aurora Harbor	not included	boat house- Question on price & what sold
9/7/2017	1C020K01E230	Aurora Harbor	not included	boat house- Question on price & what sold
6/23/2020	1C020K01E300	1435 Harbor Way	not included	boat house; excluded as an outlier
7/25/2018	1C020K01G200	1435 HARBOR WAY	Included In Separate Study	boat house
6/28/2019	1C020K01G280	1435 HARBOR WAY	Included In Separate Study	boat house
2/28/2019	1C020K01G290	1435 HARBOR WAY	Included In Separate Study	boat house
1/30/2017	1c030c280080	712 W 12th	not included	questionable data source sp and mtg same
9/23/2016	1C060C000080	3610 Diston	not included	questionable data source reonomy?
10/9/2020	1C060K010031	0 EGAN DR	Included	
10/30/2020	1C060K660110	711 W WILLOUGHBY AVE	Included	
12/15/2016	1C060U040040	800 GLACIER AVE	Included	
7/20/2018	1C060U050022	1108 F ST	not included	multi parcel sale/ not contiguous/ multiple sale price references
3/30/2016	1C070A030040	100 N FRANKLIN ST	Included	
12/9/2020	1C070A050001	230 SEWARD ST	Included	
11/2/2018	1C070B0J0020	195 S FRANKLIN ST	Included	
7/1/2019	1C070B0N0011	259 S FRANKLIN ST	Included	
12/31/2019	1c070k810090	170 S Franklin	not included	multi parcel sale outside of standards for inclusion
1/9/2018	1C100I070050	549 S Franklin	not included	multi parcel sale/ not enough data/ easement questions
3/10/2020	1C110K120051	0 Eastaugh W ay	Included	
3/16/2017	1C110K120101	170 MILL ST	Included	
10/2/2019	1C110K120120	0 MILL ST	Included	
10/25/2019	1C110K120130	190 MILL ST	Included	
3/10/2020	1C110K120140	0 MILL ST	Included	
4/1/2019	1C110K120150	0 MILL ST	Included	
11/13/2020	1D060L030011	201 CORDOVA ST	Included	
10/12/2017	3B1501020030	1669 CREST ST	Included	
11/30/2018	3B1501040120	1544 CREST ST	Included	
9/19/2017	4B1601010040	2450 INDUSTRIAL BLVD	Included	
6/13/2017	4B1601050030	2274 INDUSTRIAL BLVD	Included	
7/30/2019	4B1601050160	2276 INDUSTRIAL BLVD	Included	

3/5/2018	4B1601080070	2278 INDUSTRIAL BLVD	Included	
10/29/2018	4B1601090040	Crazy Horse	not included	multi parcel sale/ condo units and land portions
7/31/2017	4B1601120130	2270 BRANDY LN	Included	
11/17/2020	4B1701020020	10011 GLACIER HWY	Included	
2/23/2020	4B1701080020	10012 Crazy Horse	not included	personal property included in sale price; adjustment not determined
2/28/2020	4B1701090056	10009 CRAZY HORSE DR	Included	
12/4/2020	4B1701090218	10011 CRAZY HORSE DR	Included	
2/14/2017	4B1701090223	10011 CRAZY HORSE DR	Included	
4/24/2017	4B1701090226	10011 CRAZY HORSE DR	Included	
1/10/2017	4B1701090228	10011 CRAZY HORSE DR	Included	
6/30/2016	4B1701100146	2789 SHERWOOD LN	Included	
3/1/2016	4B1701100170	10221 GLACIER HWY	Included	
9/20/2017	4B1701103003	2769 SHERWOOD LN	Included	
12/31/2019	4b1701104000	2771 Sherwood Ln	not included	personal property included in sale price; adjustment not determined
3/26/2019	4b2801050030	3845 Lee Court	not included	vacant land sale in a residential neighborhood, considered to not be commercial land.
6/29/2018	4B2901020010	10200 MENDENHALL RD	Included	
10/4/2019	5B1201000060	5245 GLACIER HWY	Included	
9/3/2019	5b1201010010	1610 Anka	not included	multi parcel sale, not enough info
8/2/2019	5B1201020100	5452 SHAUNE DR	Included	
4/5/2017	5B1201040052	1721 ANKA ST	Included	
8/2/2016	5B1201060061	5631 GLACIER HWY	Included	
1/18/2017	5b1201060140	5720 Concrete Way	not included	Sale price was in question. Further review identified the correct sales price. The sale will be included in the 2022 analysis with the corrected sale price.
9/24/2020	5B1201060160	5740 CONCRETE WAY	Included	
11/23/2020	5B1201060260	5719 CONCRETE WAY	Included	
9/24/2020	5B1201300110	1783 Anka St	Included	
12/24/2019	5B1201300110	1783 Anka St	Included	
7/21/2017	5B1201330160	2005 ANKA ST	Included	
1/29/2018	5B1201450050	5410 Bent Ct	not included	personal property included in sale price; adjustment not determined; questionable data source
6/3/2016	5B1201450110	1731 RALPH'S W AY	Included	
6/15/2016	5B1501000002	8251 GLACIER HWY	Included	
8/7/2020	5B1501010001	1880 CREST ST	Included	

9/2/2016	5B1501020170	8401 AIRPORT BLVD	Included	
11/16/2018	5B1501040030	8825 MALLARD ST	Included	
12/7/2020	5B15011107E0	2221 JORDAN AVE	Included	
2/10/2016	5B15011107EO	2221 Jordan	Included	
12/22/2017	5B15011109B0	2231 JORDAN AVE	Included	
2/15/2018	5B1601000023	9151 GLACIER HWY	Included	
7/16/2019	5B1601140043	9309 GLACIER HWY	Included	
8/21/2018	5B1601140070	9309 GLACIER HWY	Included	
8/10/2016	5b160144000	3039 Clinton	not included	questionable data source/ reonomy/ Low income senior housing
1/4/2019	5B2401610150	4045 DELTA DR	Included	
1/27/2017	6D0701000020	4755 N Douglas Hiway	not included	not enough info
4/11/2017	7B0901030071	3161 CHANNEL DR	Included	
12/30/2016	7B0901040070	1050 Salmon Creek Ln	not included	questionable data source/ "allocated sale price" noted but meaning of the note was unknown/ low income housing

The claim has also been made that our methodology was improper because we did not include sales that we had prices for and should have included, the insinuation being that we were cherry picking sales. See the table below regarding these claims and why they were not included.

Pacific Pier	We received sales data on this sale after the analysis. It will be considered for next year, however, indications are that it was purchased by a tenant which would make it a non-arms-length transaction and likely will not qualify as a market sale.
Emporium (this was already addressed above)	This sale was considered. It was excluded because it was a multi-parcel sale. It is clear that it does not qualify as an economic unit as part of it was sold one year later.
Assembly Building (this was already addressed above)	We did not and still do not have a confirmed sale price for this building. We have heard "street talk" about what it may have been but that does not qualify as a confirmed price.
Miner's Merchantile	This sale is from 09/17/2021 which is well after the 01/01/2021 cut off. It will be considered for next year, however, indications are that it was a non-arms-length transaction and likely will not qualify as a market sale.
Bill Ray Center (this was already addressed above)	We considered this sale. This is a multi-parcel sale with one of the parcels across the street. It does not clearly fit the economic unit definition. There also was questions as to the purchase and sale motivations of the short term property owner.

AY2021 Notes Regarding Spitzfaden, Wold & Geiger Submissions and Testimony

Notes Regarding Spitzfaden Submission and Wold Testimony

Notes Regarding Particular Sales

The Kim Wold letter indicated that some of the sales used in the analysis were not appropriate. We have identified and addressed those sales below.

- 5B1201300110
 - The letter includes a note indicating this sale was a duplicate.
 - Please note that this is not a duplicate.
 - It is a property that sold twice in the 5 year period, often referred to as a paired sale.
- 1C110K150041
 - The letter includes a note indicating this was a related party sale.
 - This is not in our list of sales.
 - The last sale we show in the CAMA system for this parcel is 12/07/2009. This was a related party sale and was not included in our analysis.
 - If he means 1C110K120140 (He has applied sale “numbers” to the list and refers to that number) – to our knowledge JMIS LLC and Bonnell Development LLC are not related but we could research this further. To our knowledge JMIS sold at least 6 parcels in that area to 5 different buyers. That said, removing one sale is not going to change the results of the ratio study and we do the analysis and ratio studies with the best information that we have at the time. It is normal that the sales data continually gets refined. For instance, next year there may be sales from 2020 that we could not use because we did not have sales prices at the time that we got sales prices for subsequent to the AY2021 analysis that will be used in AY2022.
- 5B1201020100
 - The letter includes a note indicating this was a related party sale.
 - The 08/02/2019 sale was included in the market sales. It was subsequently discovered that the seller (Odom Real Estate Partners) and the buyer (Odex Juneau LLC) had similar or overlapping principles. It was marked as a non-market transaction and will not be used for future market analysis.
 - Being that the ratio for this sale was above 1.00 (1.3922, the second highest ratio) removing it will potentially lower the mean and median ratios thus indicating that we are further undervalued.
 - Note that new information or refinements to the sales data does not invalidate a study which was done with the best information available at the time. It is normal that the sales data continually gets refined.
- 1D060L030011
 - The letter includes a note indicating this was a residential sale.
 - This property was marketed as available for commercial purposes.
 - It was purchased for commercial purposes.
 - Being that the ratio for this sale was above 1.00 (1.1059) removing it will potentially lower the mean and median ratios thus indicating that we are further undervalued.

- 1C070B0J0020
 - The letter includes a note indicating this was a related party sale.
 - There were 2 sales for this property.
 - The 09/01/2020 “sale” was recognized as being a transfer to a trust and was not included in the list of market sales.
 - The 11/02/2018 sale was included in the market sales. It was subsequently discovered that the purchaser was a long time tenant of the building. It was removed from the market sales list and will not be used for future market analysis.
 - Being that the ratio for this sale was above 1.00 (1.2033, the fourth highest ratio) removing it will potentially lower the mean and median ratios thus indicating that we are further undervalued.
- 4B1701100146
 - The letter includes a note indicating this was a related party sale. He does not indicate which of the two sales is purportedly a related party sale.
 - There were 2 sales for this property.
 - The sale from 05/25/2016 from Andosh Associates LLC to Cuttingedge Development Inc was not used as we do not have a sales price for this sale.
 - The second sale from 06/30/2016 from Cuttingedge Development Inc to SRA&G LLC was used. We do not have an indication that these parties are related but we can research this further.
 - Again, data refinement is normal and as documented in Addendum B, removing one sale is not usually going to alter the ratios in any significant way.
- 5B2401610150
 - The letter includes a note indicating this property is a residential property
 - It is a 6 Plex, a property type which we generally value with the commercial properties
 - It is an income producing property
- 4B2901020010
 - The letter includes a note indicating that this property is a Residential property
 - It is a RV Park
 - This property is an income producing property
- “3 additional pending sales”- These are only pending and are all after 01/01/2021.
- “Downtown sales closed 03/23/2021”- This sale is after 01/01/2021.

Questions & Answers

- Grandfathered Uses – Do they end with the sale of a property?
 - Not necessarily. The rights to a non-conforming use usually transfer with the sale. If a continued use is not permitted it is often considered a “taking” and the property owner must be compensated.
- Highest & Best Use
 - This is a key principle
 - The four “tests” are physical, legal, financial and maximal
 - While some aspects involve legal definitions or financial comparison the interpretation of all of the factors is often very subjective.
- Is there a set format and cap rate for an income approach?
 - There is no one set format when it comes to income approaches. It is common, when used for property tax assessment purposes, that the following expenses are excluded: property taxes, depreciation, debt service, income taxes, capital improvements, owner business expenses and replacement reserves. Those factors can vary considerably from one investor or property owner to another. Excluding them produces a more consistent model that reflects the market overall. Note that items such as the cap rate need to be developed or calibrated for each specific model structure. Different models may arrive at different NOI amounts, different cap rates, different standard expense percentages, etc. due to what income or expenses are included or excluded.
 - For the income approach our model uses a cap rate of 6% for AY2021. Our research indicated that an appropriate cap rate would have been 5%. Testing that against local sales and market information that we had available, we found that the 5% would bring us to market and that using 6% produced values in line with the 85% to 90% level of valuation that we were achieving with the ratio study and trending.
 - Remember that the cap rate is an inverse number to the value so a higher cap rate results in a lower indicated property value.
- Can a comparable sale be from a different location?
 - Some questions have been asked about Comparables in appraisal and assessed valuation work. First, in utilizing mass appraisal you do not have specifically identified comparables as you would in a classic sales comparison methodology, rather you are looking at all of the sales. That said, there is far more latitude in comparables than is being recognized. Comparable selection is highly subjective and each appraiser will have their own opinion as to which sales are the best comparables. Adjustments are then made to those comparables to “bring them” to the subject’s characteristics. While a residential appraisal for financing, which is the appraisal application that you are probably most familiar with, usually has fairly tight parameters, there actually can be great latitude in the comparable selection. There are many cases where, due to lack of sales, appraisers utilize different types of properties and properties from different neighborhoods, different cities and even different states. The adjustments become even more critical in these cases. Can a property from the valley be utilized in an appraisal for a downtown property? Absolutely, if the appraiser feels that that is the best comparable available. In such a case the locational adjustment would be more critical than if you have a comparable that is only a block away.

An Example

- Consider a scenario- State law and assessment standards indicate that you should assess all classes of property at similar levels. You are setting assessed values for all commercial property types including retail, offices, and warehouses. All non-commercial property types are at market (100%). You have 50+ sales from all commercial types, clustered fairly tightly, showing an overall ratio for all commercial type properties as being 70%. You have 12 sales of retail properties that are not a real tight cluster but showing that you are 70% of market. You have 6 sales of warehouses that are tightly clustered. They also show that you are at 70% of market. You have no office building sales. All of the subgroups that you have sales for have ratios close to the 70%. State law says that you must place a value on all of these properties. What are you going to do with assessed values for retail properties? What are you going to do with warehouse values? What are you going to do with office building values? Are you going to ignore the evidence and leave the values the same or are you going to apply the best correction that you can? Are you going to change some and not others just because there are fewer sales or no sales for that particular type? If so, what is your justification for treating them differently?