



MUNICIPALITY OF SKAGWAY

GATEWAY TO THE KLONDIKE
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MUNICIPALITY OF SKAGWAY AND CORNER PROPANE LEASE AMENDMENT

This Lease Amendment, dated June 13 2017, for the purpose of modifying the existing lease dated and entered into the 1st day of June, 2012, by and between the Municipality of Skagway (hereinafter LESSOR) a municipal government and Corner Propane (hereinafter, "LESSEE"), a corporation, doing business in the State of Alaska, for the purpose of leasing a parcel of land Tax Lot 6E, within Alaska Tidelands Survey No. 4. The permitted area contains 15,724 square feet.

Amended Lease Amount:

The amended lease amount effective June 1, 2017 is based on the Appraisal Report of June 2, 2017 performed by Horan & Company, LLC (Attachment A) is as follows:

3. LEASE AMOUNT:

A. The lease amount shall be determined by multiplying:

- The appraised annual value of the land on a per square foot basis, by
- 15,724 square feet, by
- Eight percent (8%) of fifty percent (50%) of the appraised value of \$180,826
- This amount is divided by twelve to give a monthly lease fee.

***The annual value of the land on a per square foot basis is \$11.50.**

The lease amount shall be \$7,233.04 per year paid in twelve (12) monthly payments of \$602.75.

All other terms of the existing Lease Agreement shall remain unchanged. Any further modifications shall be agreed upon by both parties in writing.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Amendment as of the date first written above.

Mark Schaefer, Mayor
For the Municipality of Skagway

Jim Higgins
For Corner Propane

Date _____

Date _____

ATTEST:

Emily Deach, Borough Clerk (SEAL)

ATTACHMENT A
APPRAISAL REPORT
CORNER PROPANE LEASE,
PTN. ATS 4 CONTAINING 15,724 SF
TAX LOT 6E
SKAGWAY, ALASKA



PHOTO TAKEN IN 2013

Prepared For: Michelle Gihl, Administrative Assistant/Deputy Clerk
Municipality of Skagway
P.O. Box 415
Skagway, Alaska, 99840

Prepared By: Bill Ferguson, Appraiser
Horan & Company, LLC
403 Lincoln Street, Ste 210
Sitka, AK 99835

Effective Date: May 26, 2017

Report Date: June 2, 2017

Our File Number: 17-074

ATTACHMENT A

HORAN & COMPANY

REAL ESTATE APPRAISERS/CONSULTANTS

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

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835

PHONE NUMBER: (907)747-6666 FAX NUMBER (907)747-7417 commercial@horanappraisals.com

June 2, 2017

Michelle Gihl
Municipality of Skagway
P.O. Box 415
Skagway, Alaska 99840

Sent via E-mail: m.gihl@skagway.org

Re: Appraisal Report of Corner Propane Leased Lands known as Ptn. ATS 4, Tax Lot 6E in Skagway, Alaska. Our File #: 17-074.

Dear Ms. Gihl,

At your request I have completed the attached appraisal report of the above referenced lease property. The report is provided in a brief summary narrative format with analysis of comparables found within the report. The appraisal report conforms to standards established by the Uniform Standards of Professional Appraisal Practice (USPAP), and the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute. No other supplemental standards are applicable.

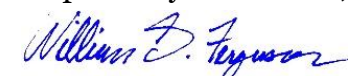
Based on my analysis of sales and leased properties in the area, as well as an understanding of current market conditions, it is my opinion that the subject property has a market value, as of May 26, 2017, in fee simple interest as follows:

Ptn ATS 4, Tax Lot 6E
15,724 SF @ \$11.50/SF = \$180,826

Your attention is invited to the attached report which sets forth the Certification of Appraisal, Extraordinary Assumptions, Limiting Conditions, the most pertinent data considered and the analysis used in arriving at this final opinion of value.

If you have any questions or comments, please don't hesitate to call. Thank you for this opportunity to be of service.

Respectfully Submitted,



William Ferguson
APRG618
Horan & Company, LLC

ATTACHMENT A

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ADDENDA

Comparable Sales Map

Existing Lease Agreement

Appraiser Qualifications

ATTACHMENT A

CERTIFICATION OF APPRAISAL

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- I have not made an inspection of the property for this specific assignment, however, I am familiar with the property and have looked at it for other projects.
- No one provided significant real property appraisal assistance to the person signing this certification.
- Horan & Company are the contract assessors for the Municipality of Skagway and as such assess all properties for tax purposes once they are on the tax roll. This property would be taxed based on possessory interest and I am part of that assessment team.



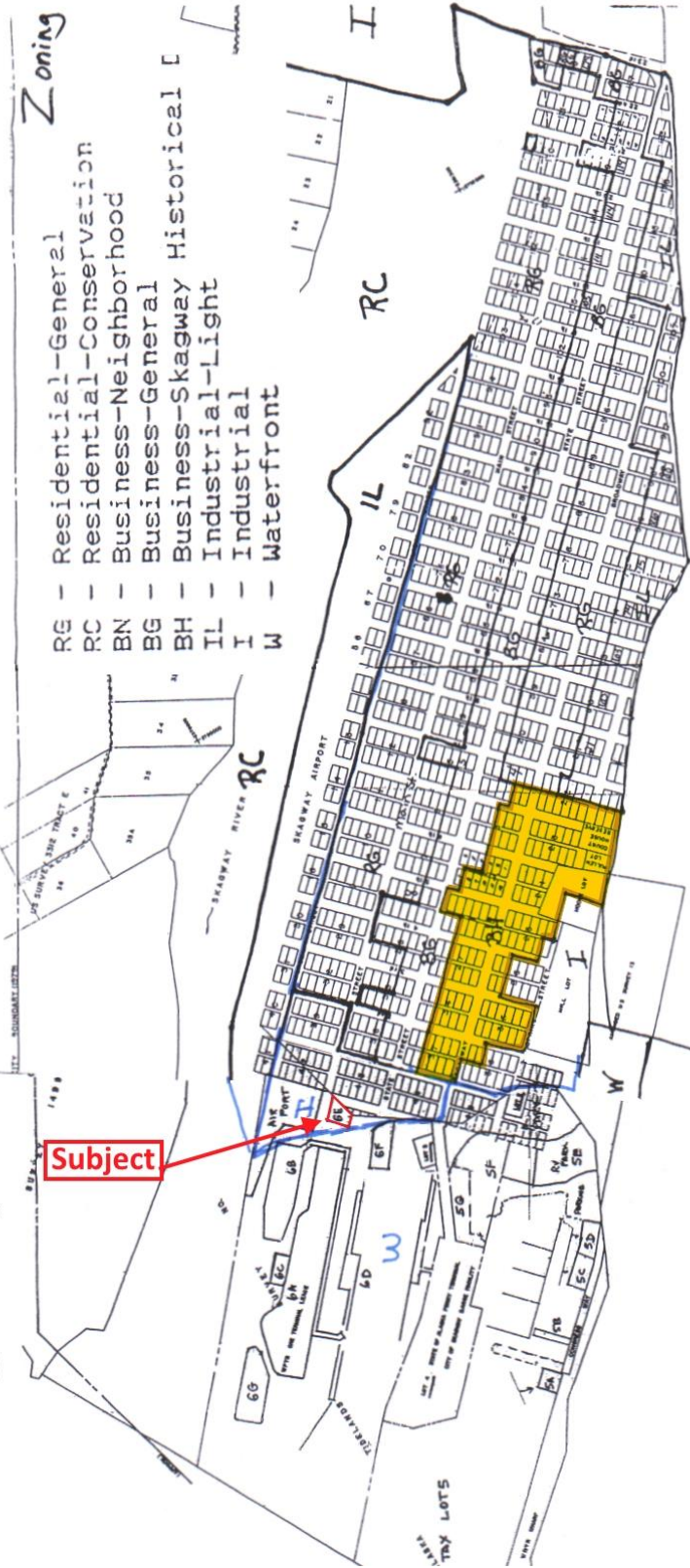
William Ferguson, Real Estate Appraiser
AA618

May 26, 2017
Effective Date

Horan & Company, LLC

June 2, 2017
Report Date

Skagway - Town



**Business -
Historical**

FIGURE 1.1 – SUBJECT LOCATED ON SKAGWAY AREA MAP.

ATTACHMENT A

1 INTRODUCTION

1.1 PROPERTY IDENTIFICATION

The subject property is referred to as the Corner Propane lease site. It is located at the southeast corner of Point Avenue and Main Street in Skagway. The subject property is leased land, owned by the City of Skagway, and is identified as a portion of ATS 4, Tract A, Skagway Recording District. It is identified in the Municipality's assessment records as Tax Parcel 6E.

1.2 PROPERTY RIGHTS

The subject is appraised in fee simple interest. Please see the Assumptions and Limiting Conditions.

1.3 INSPECTION AND EFFECTIVE DATE

At the request of the client, the subject property has not been inspected specifically for this appraisal by the appraiser. The appraiser is familiar with the property from observations made in the course of other work and previous appraisals. The effective date is May 26, 2017.

1.4 INTENDED USE AND USER

The intended use of this appraisal is to estimate the fair market value of the subject property to be used as a basis for annual lease rates. The market value estimated is limited to the Assumptions and Limiting Conditions herein. The intended user is the Municipality of Skagway and the lessee. The client is the Municipality of Skagway.

1.5 THREE YEAR HISTORY AND OSTENSIBLE OWNER

The subject property is owned by the Municipality of Skagway and has been for some time. It has been leased to the current lessee for over three years.

1.6 SYNOPSIS OF LEASE

The major points of the lease as it exists are summarized below. A copy of the lease is included in the addenda of this report.

<i>Leased Premises:</i>	P t n ATS 4, Tax Lot 6E, Skagway Recording District, First Judicial District, State of Alaska.
<i>Lessor/Ostensible Owner:</i>	Municipality of Skagway, Municipal Manager
<i>Lessee:</i>	Corner Propane (James Higgins)
<i>Term of Lease:</i>	15 years
<i>Current Annual Lease Payment:</i>	\$6,289.60 per year for 15,724 SF. Per 16.02.040, the lease amount for such lands (for delivery of utilities) shall be based upon a formula of not less than eight percent (8%) of fifty percent (50%) of the appraised value.
<i>Lease Dates:</i>	June 1, 2012 to May 31, 2027 – current lease
<i>Rental Adjustment Period:</i>	Every 5 years per SMC 16.02.160.
<i>Use:</i>	Propane Sales and Storage.

ATTACHMENT A

Property Rights:

Fee simple interest.

Easements:

None noted.

1.7 SCOPE OF APPRAISAL

This appraisal report is intended to comply with the rules, regulations and procedures as set forth by the Uniform Standards of Professional Appraisal Practice (USPAP).

The scope of this appraisal included an investigation of the real estate market in Skagway. Comparable land sales or leases were analyzed to determine the market value of the subject land.

The Direct Sales Comparison Approach was relied on for development of a market value opinion. In addition to previous inspections, aerial photos, maps, and geographic surveys were used to determine the character of the site's attribute values.

Market information was obtained through interviews with area land owners, realtors, buyers, sellers, and others active in the real estate market. Our office maintains market data information on sales, transfers and on a geographic location basis for those rural properties not connected to a road system and various other real estate transactions. Within each of these areas, the data is further segmented into commercial and residential properties. Within these divisions of separation are divisions for zoning and whether the properties are waterfront or upland parcels. Horan & Company, LLC maintains and continually updates this library of sale transactions throughout the Southeast Alaska region and has done so for over 30 years.

1.8 ASSUMPTIONS AND LIMITING CONDITIONS

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

Extraordinary Assumption: It is an extraordinary assumption of this report that the land is in similar condition as the last time the appraiser went by it in March 2017. As noted, the property has not been inspected specifically for this report.

General Assumptions

1. It is assumed the data; maps and descriptive data furnished by the client or his representative are accurate and correct. Photos, sketches, maps, and drawings in this appraisal report are for visualizing the property only and are not to be relied upon for any other use. They may not be to scale.
2. The valuation is based on information and data from sources believed reliable, correct and accurately reported. No responsibility is assumed for false data provided by others.
3. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.

ATTACHMENT A

4. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of the highest and best use.
5. It is assumed the title to the property is marketable. No investigation to this fact has been made by the appraiser.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions existed that were undiscoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraiser.
8. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
9. The value estimates are made subject to the purpose, date and definition of value.
10. The appraisal is to be considered in its entirety, the use of only a portion thereof will render the appraisal invalid.
11. Any distribution of the valuation in the report between land, improvements, and personal property applies only under the existing program of utilization. The separate valuations for land, building, and chattel must not be used in conjunction with any other appraisal and is invalid if so used.
12. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.

ATTACHMENT A

1.9 TERMINOLOGY

Market Value

The most probable price that 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:

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

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Pages 123

Fee Simple Interest

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 78

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ATTACHMENT A

2 MARKET AREA ANALYSIS

2.1 SKAGWAY AREA ANALYSIS

Real Estate Market Trends

The increased seasonal demand has caused significant appreciation in general real estate housing and commercial land. Statistics kept for assessment adjustments show that values have gone up about 160% since 1995 for real estate land in general and over 200% for land in the central Historic Business District. The suburban Hillside District and Dyea area has not experienced the same level of overall appreciation, with assessment values increasing just 110% in the same time period. There was a 10% decline in 2010 and another 15% decline in 2011 in the assessment values for Skagway's core town land, reflecting the market's reaction to the decline of tourism visitation. Tourism numbers have again been increasing and assessed values proved stable for 2012 and 2013, and gradually increased in varying degrees 2014 – 2017, depending on the area.

2.2 NEIGHBORHOOD ANALYSIS

The subject is located in a transitional zone adjacent to the waterfront areas. Several blocks to the north of the subject are zoned Industrial as part of this transitional area. The airport tarmac (plane parking) is directly across the street from the subject. The neighborhood also has such uses as the public works shop. More industrial uses are found south of the subject toward the waterfront primarily related to storage and shipping as opposed to manufacturing. Generally, the subject neighborhood reflects other areas in the Skagway market, with relatively stable values.

Conclusion

As long as the demand for tourism in Alaska holds up and the cruise ships continue to call on Skagway, the future outlook appears to be moderate to good. The rate of growth is expected to moderate since the rapid expansion for tourist ship stops and capacity into the port of Skagway has neared a saturation point. Another benefit for Skagway is its location serving as a waterfront hub for water-related shipping from inland industries and communities. The outlook is for stability to moderate growth.

ATTACHMENT A

3 PROPERTY DESCRIPTION

3.1 SITE DESCRIPTION

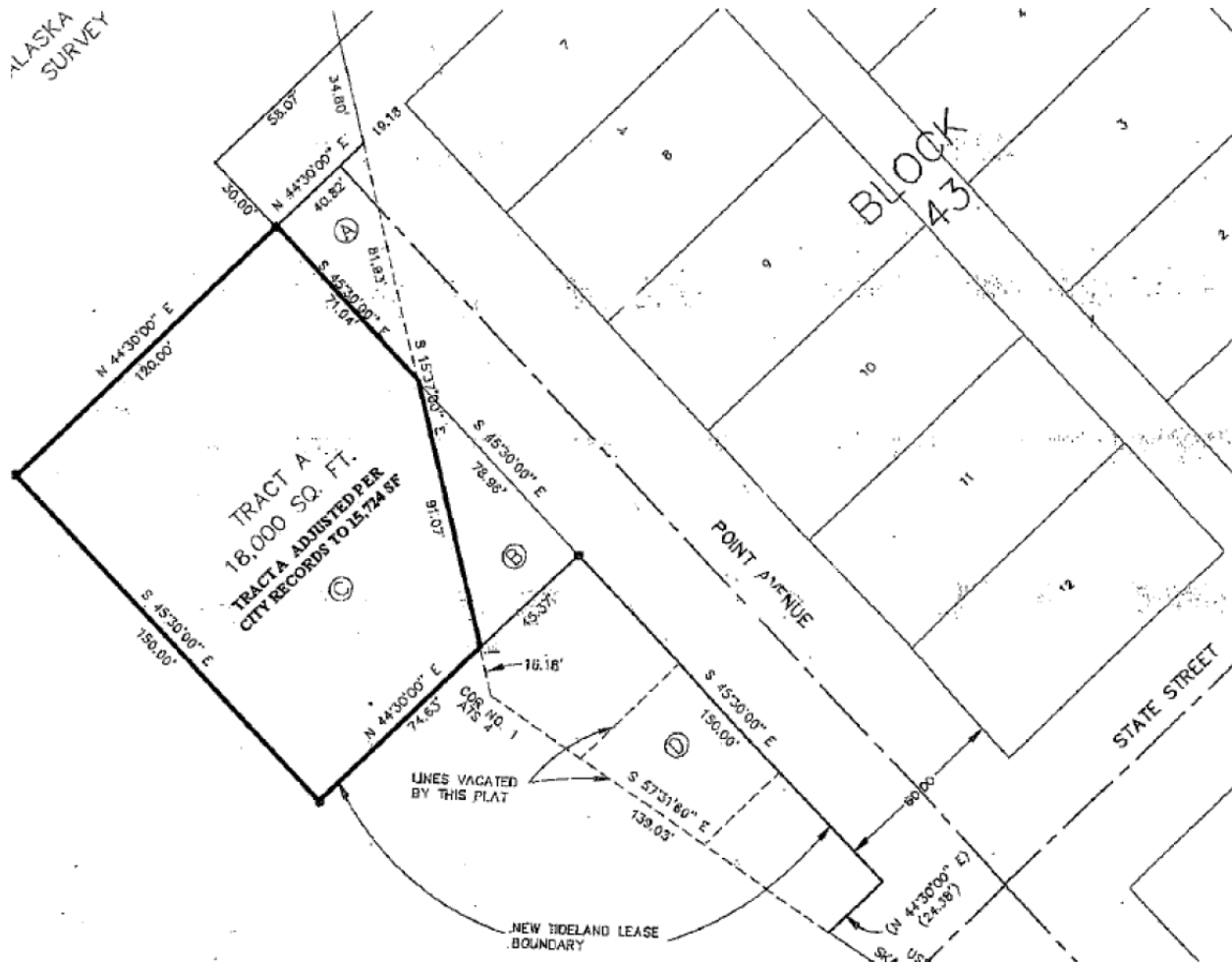


FIGURE 3.1 – SUBJECT LOCATION MAP

The subject site is a 15,724 SF parcel on the fringe between downtown and the more commercial – industrial waterfront related area. It is at the corner of Main Street and Point Avenue. It is in a good location to serve town and waterfront related businesses for support, storage and maintenance. The subject is used for propane storage and sales.

Topography, Utilities & Access

The subject is level and at grade with the surrounding lands. Municipal utilities including water, sewer and refuse collection are available to the site with power, telephone, cable and fuel available through private vendors. The subject parcel is accessed directly off the publicly maintained and paved Main Street.

ATTACHMENT A

3.2 ZONING

The subject site is zoned partially Industrial (I) and largely Waterfront (W) district. The W zoning is designed to protect Skagway's limited waterfront areas for those uses that are directly dependent upon or related to the water and/or a waterfront location. This zoning principally allows for public, private, and commercial moorage, warehousing and storage, marine fuel, water and sanitation facilities, research and educational facilities related to the water, port and harbor facility, seafood processing, boat storage yard, fish and shell fish propagation, parks and open space, and water-related visitor services, as well as sales related to maritime activity that requires/benefits from a shoreline location. The Industrial Zoning district is intended to provide for an area where heavy industrial activities like manufacturing, processing, repairing and assembling can take place. Proximity to railroad and waterfront transportation is important for these activities.

3.3 EASEMENTS AND ENCROACHMENTS

There are no known easements or encroachments on the subject parcel.

3.4 ASSESSED VALUATION AND TAXES

The Assessors Parcel Number (APN) is 2TOWN141010. Although the site is owned by the Municipality, it is taxed based on Possessory Interest. The subject is assessed with a possessory interest of \$107,100 for the land with the improvements assessed at a value of \$45,600. The 2016 Mil Rate in this area is 5.78 which indicates taxes of \$882.61 for 2016.

3.5 FLOOD ZONE

The subject appears to lie within Flood Zone B, which is an area of moderate flooding per the FEMA flood zone map. Most of downtown Skagway is in Flood Zone B.

ATTACHMENT A

4 VALUATION

4.1 HIGHEST AND BEST USE

Highest and best use is defined as "the reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria that the highest and best use must meet are: legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value.

The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 93

The current use as a propane storage and transfer station meets the Highest and Best Use tests. With the current zoning regulations and the subject's proximity to the waterfront shipping as well as the road system lends well to marine related light industrial development.

4.2 LAND VALUATION

The most applicable approach to land valuation is the Direct Sales Comparison Approach. All of the comparables are in Skagway. These sales or capitalized leases were chosen based on comparable attributes such as zoning, size, location, and available utilities.

A qualitative rating is developed to weigh market differences between the subject and the comparables whereby, if a comparable attribute is superior to a subject, a minus rating of -1, -2, or -3 is given, depending on its severity. Conversely, if a comparable attribute is inferior to the subject, a plus rating of +1, +2, or +3 is given, depending on its severity, to weight this with other attributes towards the subject. The gradation of weighting 1 to 3 is used since all qualitative attributes are not, in the appraisers' opinion, equally weighted within the market.

TABLE 4.1 - COMPARABLE SALES AND CAPITALIZED LEASES TABLE						
#	Location	Date	Price	SF	\$/SF	Comments
1	Portion Mill Lot (7922)	04/15	\$312,500*	37,800 SF	\$8.93/SF	I zoning; between downtown and seawalk
2	Lot 10, Blk 21 (9354)	09/15	\$65,000	5,000 SF	\$13.00/SF	IL Zoning, edge of town
3	Lots 11 & 12, Block 70, (8089)	05/15	\$145,000**	10,000 SF	\$14.50/SF	Zoned Light Industrial
4	Lots 11 & 12, Blk 38 (10137)	08/16	\$188,700	10,000 SF	\$18.87/SF	Zoned BG; nearby
5	Ptn Tax Lot 5F (7207)	04/16	\$39,000*	3,000 SF	\$13.00/SF	Zoned W; Much smaller
	Subject	05/17	Solve	15,724 SF	Solve	Zoned W

*Fee simple value considering 8% lease rate; **Land Allocation from improved sale.

ATTACHMENT A



fm 7922)

Comparable 1 is the fee simple value based on a capitalized 2015 lease. This property is zoned I which currently limits its use, although it is in a good location. The property is currently used by the municipality for misc. parking. It is much larger in size and therefore inferior when analyzing the property on a unit basis due to economies of scale. This comparable is ranked **superior**. (photo from



Comparable 2 is the 2015 sale of a 5,000 SF Light Industrial lot on the outskirts of town but on the other side of the town core. It is smaller in size. It is similar in location and access. It is ranked **superior** overall. (photo 030917_0129)



Comparable 3 is the land allocation of a fee simple sale of a parcel zoned for light industrial use and located near the airport. It is surrounded by a combination of residential and commercial uses. It is smaller at 10,000 SF. It occurred in May of 2015. It is ranked **superior** primarily due to size. (photo 090808_1256)



Comparable 4 is the sale of a 10,000 SF parcel of land zoned BG and located along State Street, relatively close to the subject. It is felt to be superior in its smaller size and less restrictive zoning. It ranks **superior** at \$18.87/SF. (photo 030917_0118)



Comparable 5 is the fee simple indication from a capitalized lease of Waterfront zoned land. It is much smaller, but is relatively current and considered largely due to its similar zoning. This is considered **superior** due to its much smaller size but inferior utilities. (photo 021612_0448)

See Table 4.2 on the next page for the Qualitative Adjustment Grid.

ATTACHMENT A

TABLE 4.2 - QUALITATIVE ADJUSTMENT GRID											
Characteristic	Subject	Comp #1 Ptn Mill Lot		Comp #2 Lot 10, Blk 21		Comp #3 Lots 11 & 12, Block 70		Comp #4 Lots 11 & 12, Block 38		Comp #5 Ptn Tax Lot 5F	
Sales or Indicated Price	Solve	\$312,500*		\$65,000		\$145,000		\$188,700		\$39,000*	
Price/SF	Solve	\$8.93/SF		\$13.00/SF		\$14.50/SF		\$18.87/SF		\$13.00/SF	
Market Conditions (Time of Sale)	05/17	4/15	0	09/15	0	05/15	0	08/16	0	04/16	0
Conditions of Sale	N/A	Similar	0	Similar	0	Similar	0	Similar	0	Similar	
SF Size	15,724 SF	37,800 SF	+2	5,000 SF	-1	10,000 SF	-1	10,000 SF	-1	3,000 SF	-2
Location/Access	Average	Superior	-1	Similar	0	Similar	0	Similar	0	Similar	0
Zoning	W	I	0	IL	0	IL	0	BG	-1	W	0
Utilities	All available	Similar	0	Similar	0	Similar	0	Similar	0	Inferior	+1
Overall Net Rating		Inferior	+1	Superior	-1	Superior	-1	Superior	-2	Superior	-1

*Based on capitalized lease, ** Land allocation

ATTACHMENT A

Comparable	Sales Date	Price/SF	Ranking
Comp 4	08/16	\$18.87	Superior-2
Comp 3	05/15	\$14.50	Superior-1
Comp 2	09/15	\$13.00	Superior-1
Comp 5	04/16	\$13.00	Superior-1
Subject	04/16	Solve	Similar
Comp 1	04/15	\$8.93	Inferior+1

All of the comparables indicate a range between \$8.93/SF and \$18.87/SF. After ranking, a tighter range develops between \$8.93/SF and \$13.00/SF. The subject is estimated at \$12.00/SF with emphasis towards the upper end of the range due to the number of higher indicators in the market.

In consideration of the data analyzed above, a unit value of \$12.00/SF is felt to be most substantiated. This valuation, with an effective date of May 26, 2017 can be summarized as follows:

$$15,724 \text{ SF @ } \$11.50/\text{SF} = \$180,826$$

ATTACHMENT A

ADDENDA

ATTACHMENT A

Comp 3

11th Avenue

9th Avenue

7th Avenue

5th Avenue

3rd Avenue

1st Avenue

Comp 2

Comp 1

Comp 4

Comp 5

Subject

Comparable Map



ATTACHMENT A



MUNICIPALITY OF SKAGWAY

GATEWAY TO THE KLONDIKE
P.O. BOX 415, SKAGWAY, ALASKA 99840
(PHONE) (907) 983-2297
(FAX) (907) 983-2151
www.skagway.org

Municipality of Skagway And Corner Propane Lease Agreement

This Lease is entered into on this 1st Day of June 1, 2012, by and between the Municipality of Skagway (hereinafter, MUNICIPALITY) a municipal corporation, and Corner Propane. (hereinafter LESSEE), for the purpose of leasing a parcel of land, Tax Lot 6E, within Alaska Tidelands Survey No. 4, as shown on attachment A. The permitted area contains 15,724 square feet.

WITNESSETH:

WHEREAS the MUNICIPALITY owns the property described above; and

WHEREAS the MUNICIPALITY wishes to extend the lease of a portion of land in conformance with the Skagway Municipal Code requirements;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, it is agreed as follows:

1. DURATION:

This lease shall be in effect for a 15-year period, from June 1, 2012 to May 31, 2027.

2. LAND DESCRIPTION:

Tax Lot 6E, a portion of Alaska Tidelands Survey No. 4, containing 15,724 square feet

3. LEASE AMOUNT:

A. The lease amount shall be determined by multiplying:

- The appraised annual value of the land on a per square foot basis*, by
- 15,724 square feet, by
- Eight percent (8%) of fifty percent (50%) of the appraised value of \$157,240
- This amount is divided by twelve to give a monthly lease fee.

***The annual value of the land on a per square foot basis is \$10.00.**

The lease amount shall be \$6,289.60 per year paid in twelve (12) monthly payments of \$524.13

ATTACHMENT A

LEASE AGREEMENT BETWEEN CORNER PROPANE AND THE MUNICIPALIT OF SKAGWAY

4. OPERATIONS AND MAINTENANCE:

- A. LESSEE shall promptly repair, rebuild or restore premises or facilities damaged or destroyed, except damage caused solely by the MUNICIPALITY.
- B. The MUNICIPALITY may, at all reasonable times and with prior notice, enter upon and inspect the leased premises. If the MUNICIPALITY demonstrates that the LESSEE has failed to perform maintenance or repair work required under this lease, and if LESSEE, after prior notice of the deficiencies, fails to correct the deficiencies or begin corrective action within a reasonable time, the MUNICIPALITY may enter any part of the leased premises and perform the necessary work. LESSEE shall reimburse the MUNICIPALITY for all reasonable expenses incurred by this work within ten days of the MUNICIPALITY providing the LESSEE with an invoice for the work.

5. INDEMNITY AND INSURANCE:

- A. **INDEMNIFICATION OF LESSOR.** LESSEE agrees to indemnify, defend and save LESSOR harmless against and from any and all claims by or on behalf of any person, firm or corporation, arising from the conduct or management of or from any work or thing whatsoever done in or about the leased Premises, which in any way relate to the leased premises, including, without limitation, in connection with Hazardous Materials. LESSEE agrees to indemnify, defend and save LESSOR harmless against and from any and all claims arising during the lease term from any condition of the leased property. LESSEE agrees to indemnify, defend and save harmless LESSOR from any and all claims, including but not limited to physical injury, including death, property damage, special damages, consequential damages, expenses, costs, and attorneys fees, directly or indirectly arising out of, in connection with, or incident to the operation of the leased premises or arising from any breach or default on the part of in the performance of any covenant or agreement on the part of LESSEE to be performed, pursuant to the terms of this lease, or arising from LESSEE's failure to comply with any law, ordinance or regulation of any governmental body, or arising from any negligent act or omission of LESSEE or any of its agents, contractors, servants, employees, licensees, guests and sub LESSEES and any agents, contractors, servants, employees, licenses and guess of its sub LESSEES. LESSEE' obligation to defend, indemnify and save LESSOR harmless shall include LESSEE's payments of reasonable actual legal fees,
- B. **INSURANCE:** LESSEE shall provide to the MUNICIPALITY of Skagway a certificate of insurance showing that the LESSEE has obtained at least one million dollars (\$1,000,000.00) general liability insurance, which covers the LESSEE'S operations on the leased premises. LESSEE shall provide the Certificate of Insurance, naming the MUNICIPALITY as an additional insured, at the time of the effective date of the lease. Failure to maintain such insurance shall constitute a material breach of the terms and conditions of the lease. LESSEE shall notify the MUNICIPALITY twenty (30) days before the policy is canceled or terminated and unless the LESSEE provides a new Certificate of Insurance within 30 days of cancellation or termination, the MUNICIPALITY may terminate this lease without further notice at its sole option.
- C. **HAZARDOUS WASTE RESPONSIBILITY.** The term "Hazardous Waste or Substance" means hazardous or toxic substances, materials or wastes, including but not limited to any

ATTACHMENT A

LEASE AGREEMENT BETWEEN CORNER PROPANE AND THE MUNICIPALIT OF SKAGWAY

substance, material or waste which is (i) petroleum; (ii) asbestos; (iii) polychlorinated biphenyls (PCBs); (iv) toxic or hazardous substances as defined in Alaska Statute 18.60.105 or 46.03.826, and associated regulations; (v) designated as a "Hazardous Substance" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ' 9601, et. seq.; (vi) designated as a "Hazardous Waste" pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. ' 6901, et. seq.; (vii) designated as a "Hazardous Substance" under the Clean Water Act, 33 U.S.C. ' 1321, or listed pursuant to 33 U.S.C. § 11317; (viii) listed by the U.S. Department of Transportation at 49 C.F.R. Part 302; and (ix) any other substance, waste or material which is regulated as hazardous or dangerous by any Federal, State or local agency.

LESSEE agrees to hold LESSOR harmless and to indemnify and defend LESSOR against any and all claims and losses resulting from LESSEE' use, storage, release , treatment, generation, or threatened release of any Hazardous Material as defined in this Lease , including, but not limited to, any loss, damage, liability, cost, or expense, including reasonable actual attorneys' and consultants' fees and expert fees, and including without limitation (i) any claims of third parties for personal injury, including death, property damage, or any other harm, and (ii) any response costs, costs of remedial, restoration or clean-up actions, fines suffered or incurred by LESSOR or for which the LESSOR may be obligated by any governmental agency or court arising out of or related to the presence of Hazardous Materials in, on, or under the property, or out of any such use of the property, or due to the incorporation of such materials. This obligation to indemnify, defend and hold LESSOR harmless shall survive the term of this lease and include any claim, cause of action or administrative regulatory enforcement action in which LESSEE or LESSOR are determined or alleged to be a potentially responsible party.

6. DEFAULT:

When the MUNICIPALITY determines that the provisions of this Lease are not being met and attempts to resolve the matter are unsuccessful, written notice shall be given to the LESSEE stating the nature of the deficiency and necessary corrective action. LESSEE shall either take immediate corrective action or respond to the MUNICIPALITY in writing within ten calendar days stating the reason for noncompliance and a schedule for compliance. If the MUNICIPALITY determines this response unacceptable, in its sole discretion, the MUNICIPALITY shall give LESSEE written notice of default. In the event of default, LESSEE shall have ten calendar days from receipt of notice to remove personal property and vacate the premises. If such property is not removed within this time period, the MUNICIPALITY may take possession of the property and dispose of the property without any liability to the LESSEE.

7. TERMINATION

The MUNICIPALITY or LESSEE may terminate this Agreement at any time by giving no less than 90 days written notice to the other party of such termination and specifying the effective date of such termination.

8. TERM AND CONDITIONS:

A. This Agreement specifically supersedes any prior written or oral agreements between parties relating to the Lease of the property as described in this agreement.

ATTACHMENT A

LEASE AGREEMENT BETWEEN CORNER PROPANE AND THE MUNICIPALIT OF SKAGWAY

B. Unless otherwise provided for in this Lease, the provisions of Skagway Municipal Code Title 16.02.160, Terms and conditions of Lease, shall govern this lease and are attached to and incorporated into the terms and conditions of this lease.

9. NOTICE:

All notices and requests in connection with this lease shall be in writing and shall be addressed as follows:

MUNICIPALITY: Municipality of Skagway
Municipal Manager
P.O. Box 415
Skagway, AK 99840

LESSEE: Corner Propane
James Higgins
P.O. Box 291
Skagway, AK 99840
253-973-9185

10. MISCELLANEOUS

- A. This Agreement has been negotiated and executed in the State of Alaska, and the laws of Alaska shall govern its construction and validity. The Superior Court for the First Judicial District at Juneau, Alaska shall be the exclusive jurisdiction and venue for any action of any kind or any nature. Venue for trial in any such action shall be in Skagway, Alaska. . The CONTRACTOR specifically waives any right or opportunity to request a change of venue or trial pursuant to A.S. 22.10.040.
- B. This Agreement is binding upon the heirs, successors and assign of the parties.
- C. This Agreement represents the entire Agreement of the parties and no other Agreement whether oral or written which is not specifically set forth in this Agreement or an addendum to this Agreement will have any force or effect upon the other party. LESSEE specifically understands and agrees that no Municipal employee, Assembly member, or the Mayor has any authority to verbally modify this lease and any modifications must be in writing approved by the Assembly.
- D. The MUNICIPALITY'S waiver of any term or condition in this Agreement shall not constitute a waiver of any term or condition in this Agreement.
- E. If any term of this Agreement is held to be invalid, void or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall be valid and binding upon the parties.
- F. Titles and headings to sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.


ATTACHMENT A


LEASE AGREEMENT BETWEEN CORNER PROPANE AND THE MUNICIPALIT OF SKAGWAY

G. LESSEE is not relying on any representations by a Municipal employee, officer, assembly member, consultant or attorneys. LESSEE has had a full opportunity to consult with their own attorney before entering this Lease.

This Lease shall not be assigned by the LESSEE without the prior written consent of the MUNICIPALITY.


IN WITNESS WHEREOF, the parties hereto have executed this lease as of the date first written above.


Oscar S. Selmer, Mayor
For the Municipality of Skagway


James Higgins
For Corner Propane, Lessee

Date JUNE 1, 2012

Date 6-1-12

ATTEST:

Emily Deach, Municipal Clerk

(SEAL)



ATTACHMENT A

Proposed by:	Administration
First Reading:	04/19/2012
Second Reading:	05/03/2012
Vote:	5 Aye 0 Nay 1 Absent

MUNICIPALITY OF SKAGWAY, ALASKA ORDINANCE NO. 12-10

AN ORDINANCE OF THE MUNICIPALITY OF SKAGWAY, ALASKA AUTHORIZING THE MUNICIPALITY OF SKAGWAY TO LEASE WATERFRONT PROPERTY TO JAMES HIGGINS, DBA CORNER PROPANE.

WHEREAS, the Municipality received a request from James Higgins, DBA Corner Propane, to lease 15,724 square-feet of waterfront property; and

WHEREAS, the lease of said property is in the interest of the Municipality of Skagway because it enhances the safe delivery of propane products to Skagway residents; and

WHEREAS, Corner Propane is considered a utility per SMC 16.02.010;

NOW, THEREFORE BE IT ORDAINED BY THE ASSEMBLY OF THE MUNICIPALITY OF SKAGWAY, ALASKA that the Municipality of Skagway shall lease to James Higgins, dba Corner Propane, 15,724 square-feet of waterfront property described as Tax Lot 6E, a portion of ATS 4, in the appraisal report dated March 30, 2012, by Horan & Company LLC (Exhibit A), for the period of May 21, 2012, through May 20, 2027; and

BE IT FURTHER ORDAINED that the lease is subject to the terms and conditions set forth in SMC 16.02.160; and


BE IT FURTHER ORDAINED that Corner Propane shall be charged an annual rent of eight percent (8%) of fifty percent (50%) of the appraised value of \$157,240 according to Exhibit A, or \$6,289.60 annually plus applicable sales tax, paid monthly in advance; and

BE IT FURTHER ORDAINED that the Borough Manager is authorized to execute said lease with terms as defined above.

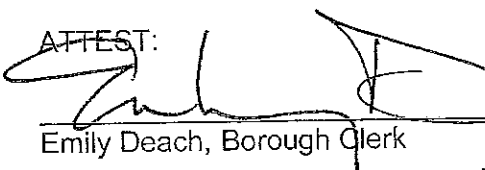
Section 1. Classification. This is a non-code ordinance.

Section 2. Effective Date. This ordinance shall become effective immediately upon adoption.

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly of the Municipality of Skagway this 3rd day of May, 2012.


Stan Selmer, Mayor

ATTEST:


Emily Deach, Borough Clerk

(SEAL)



ATTACHMENT A

QUALIFICATIONS OF WILLIAM G. FERGUSON

Education:

Graduated from Pennsylvania State University, B.S./B.L.A. in Landscape Architecture, 1977

Employment:

Appraiser, Horan & Company, LLC, 08/04-Present

Appraiser, Horan, Corak & Company, formerly Pomtier, Duvernay & Horan, 03/87-07/04

Appraiser, Pomtier, Duvernay & Horan, 1986-1987

Associate Planner, City and Borough of Sitka, Alaska 1985-1986

Landscape Architect, U.S. Forest Service, Sitka, Alaska, 1983-1985

Landscape Architect, GWSM Inc., Pittsburgh, PA, 1977-1983

Certification:

State of Alaska, General Real Estate Appraiser, APRG618

Appraisal Education:

AIREA Residential Valuation, May 1989, Portland, Oregon

AIREA Residential Case Studies and Report Writing, May 1989, Portland, Oregon

AIREA Standards of Professional Practice, October 1987, Anchorage, Alaska

FNMA Appraisal Guidelines Seminar, July, 1987

FNMA Appraisal Guidelines Seminar, July, 1988

Veterans Administration Guidelines Seminar, February, 1988

AIREA Real Estate Appraisal Principals, October 1988 Traverse City, Michigan

Residential Demo - Appraisal Report Writing, Northern California Chapter, August 1992

Feasibility Analysis - Highest and Best Use, Alaska Chapter, November 92

Appraising the Tough Ones, Alaska Chapter, November 1992

Standards of Professional Practice - Part A, Alaska Chapter, January 1993

Standards of Professional Practice - Part B, Alaska Chapter, January 1993

New URAR Seminar, Anchorage, Alaska, December 1993

Valuation of Leasehold Interests, Anchorage, Alaska, December 1993

Understanding Limited Appraisals, Anchorage, Alaska, July 1994

Appraisal Institute, Appraisal Procedures, Pittsburgh, Pennsylvania, February, 1995

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

HighTech Appraisal Office, May 1996, Seattle, Washington

Dynamics of Office Bldg. Valuation, October 1996, Anchorage, Alaska

Appraisal of Retail Properties, October 1996, Anchorage, Alaska

Standards of Professional Practice - Part B, April 1997, Seattle, Washington

Basic Income Capitalization, March 1998, Chapel Hill, North Carolina

Standards of Professional Practice - Part C, 1998, Edmonds, Washington

FHA Training Seminar, October 1999, Seattle, Washington

FHA Seminar, August 2000, Anchorage, Alaska

FHA Appraisal Inspection From the Ground Up, June 2000, Anchorage, Alaska

Undivided Partial Interest Valuation/Divided Partial Interest Valuation, May 2001, Anchorage

Technical Inspection of Real Estate, April 2003, Anchorage, Alaska

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Code of Professional Ethics/Scope of Work, April 2003, Anchorage, Alaska
Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Jan 2004, Philadelphia, PA
Rates and Ratios: Making Sense of GIMs, OARs and DCF, Feb 2005, Anchorage, AK
USPAP Update; Uniform Standards of Professional Appraisal Practice, Feb 2005, Anchorage, AK
USPAP 15 Hr; Uniform Standards of Professional Appraisal Practice, April 2006, Sacramento, CA
Basic Income Capitalization 310, July 2006, San Diego, CA
General Applications 320, July 2006, San Diego, CA
Subdivision Valuation, February 2008, Anchorage, AK
Appraisal of Local Retail Properties, February 2008, Anchorage, AK
USPAP 7 hr Update; Uniform Standards of Professional Appraisal Practice, June 2009, Juneau, AK
Home Valuation Code of Conduct & 1004 Market Conditions Form Seminar, June 2009, Juneau, AK
Business Practices and Ethics, November 2009, Online
Real Estate Appraisal Operations, February 2010, Online
USPAP 7 hr Update; Uniform Standards of Professional Appraisal Practice, February 2010, Kent, WA
Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Dec 2010, Sacramento, CA
Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets, April 2012, Portland, OR
Appraising the Appraisal - Appraisal Review - General, September 2012, Reno, NV
USPAP 7 hr Update; Uniform Standards of Professional Appraisal Practice, February 2013, Pittsburgh, PA
USPAP 7 hr Update; Uniform Standards of Professional Appraisal Practice, April 2014, Juneau, AK
Real Estate Finance Statistics and Valuation Modeling; February 2015, Las Vegas, NV
Supervisory Appraiser/Trainee Appraiser Course; April, 2015 Anchorage, AK
USPAP 7 hr Update; Uniform Standards of Professional Appraisal Practice, January 2017, Online
Analyzing Operating Expenses, February 2017, Online
Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), May 2017, Seattle, WA

Types of Property Appraised:

Residential - Single family residences, duplexes, tri-plexes, four-plexes, mobile homes, and vacant land
Commercial - Warehouses, vacant tracts, islands, office buildings, remote sites, hangars, tidelands, retail buildings, apartments, industrial complexes, market data and research

Types of Property Assessed for Taxation:

Appraiser, City of Petersburg real property assessment roll; Assistant Assessor, Cities of Pelican and Skagway; Appraiser, City of Craig real property assessment roll; Expert Witness, Board of Equalization, Petersburg, Pelican, Craig and Skagway; Single family, multi-family, vacant lands, mobile homes, commercial properties, remote homesites, islands and subdivisions

Planning Experience:

Site planning, construction documentation, construction supervisor
Local government planning duties including public presentations, narratives, zoning rewrites, mapping
University and recreation master planning