



# MUNICIPALITY OF SKAGWAY

GATEWAY TO THE KLONDIKE  
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[www.skagway.org](http://www.skagway.org)

This amendment dated \_\_\_\_\_ for the purpose of modifying and extending the existing agreement entered into September 29, 2006 and amended on March 6, 2013 and March 8, 2018, between the Municipality of Skagway, an Alaska Municipal corporation (hereinafter Municipality) and M & M Tour Sales, Inc. (hereinafter CONTRACTOR) hereby extends and modifies the contract as follows:

## **SECTION TWO: CONTRACT PERIOD & COMPENSATION**

- A.** The contract shall be for a 5-year term with the option of a 5-year renewal term, in the sole discretion of the Municipality. The contract will be evaluated on a yearly basis. The contract period shall commence on October 1, 2022 and terminate on September 30, 2027. CONTRACTOR understands and acknowledges there is no right of renewal.
- B.** The lease amount detailed in item C of this section will only be paid by the CONTRACTOR if the structure at 105 Congress Way is deemed by the Municipality to be safe for use by the CONTRACTOR. If the building at 105 Congress Way is not deemed safe for use by the Municipality, the CONTRACTOR shall be responsible for the market rent value detailed under item D of this section.
- C.** CONTRACTOR is responsible for the market rent value of the Municipal land and tour broker building located at 105 Congress Way. The market rent will be based on an appraisal of market rent dated November 18, 2022 (Attachment A).

The lease amount shall be \$13,800.00 (plus applicable taxes) – Thirteen-Thousand, Eight-Hundred Dollars and 00/100 annually. This amount shall be paid on a prorated monthly basis, May through September, with the payment being made by the first day of each month for \$2,760.00 (Two-Thousand Seven-Hundred Sixty Dollars and 00/100) plus tax.

- D.** CONTRACTOR is responsible for the market rent value of the Municipality land upon which the following CONTRACTOR-owned structures will be utilized as temporary tour broker buildings:
- Building #1 located at \_\_\_\_\_ - \_\_\_\_\_ square feet
  - Building #2 located at \_\_\_\_\_ - \_\_\_\_\_ square feet
  - Building #3 located at \_\_\_\_\_ - \_\_\_\_\_ square feet

The market rent shall be based on 8% of the market rate of \$19 per square foot, pursuant to an appraisal of market rent dated November 18, 2022 (Attachment A). The lease amount shall be [\$19 x total square footage x 0.08] (plus applicable taxes) - \_\_\_\_\_ Dollars and 00/100 annually. The amount shall be paid on a prorated monthly basis, May through September,

with the payment being made by the first day of each month for \$\_\_\_\_\_ (detail amount) plus tax.

All other terms of the 2018 Amendment shall remain unchanged. To the extent there are other provisions in the original agreement not amended since that original agreement, those provisions remain unchanged. Any further modification shall be agreed upon by both parties in writing.

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

\_\_\_\_\_  
Andrew Cremata, Mayor  
For the Municipality of Skagway

\_\_\_\_\_  
Mark Jennings  
M & M Tour Sales, Inc.

Date\_\_\_\_\_

Date\_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Steve Burnham Jr., Borough Clerk

(SEAL)

**ATTACHMENT A**  
**MARKET RENT APPRAISAL**  
**M & M TOUR BROKER BUILDING AND ASSOCIATED LAND**  
**LEASE PARCEL,**  
**END OF CONGRESS WAY**  
**SKAGWAY, ALASKA**



**Subject looking in an easterly direction. Photo taken September 20, 2022 by C Horan.**

**PREPARED FOR:** Emily Deach, Deputy Borough Manager  
Municipality of Skagway  
P O Box 415  
Skagway, Alaska 99840

**PREPARED BY:** Charles Horan, MAI  
Horan & Company, LLC  
403 Lincoln Street, Suite 210  
Sitka, Alaska 99835

**EFFECTIVE DATE:** September 20, 2022

**REPORT DATE:** November 18, 2022

**OUR FILE NO.:** 22-056

# HORAN & COMPANY

REAL ESTATE APPRAISERS/CONSULTANTS

CHARLES E. HORAN, MAI / JOSHUA C. HORAN / SLATER FERGUSON

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835

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

November 18, 2022

Emily Deach, Deputy Borough Manager  
Municipality of Skagway  
PO Box 415  
Skagway, Alaska 99840

Re: Market Rent Appraisal Report of M & M Tour Broker Building Leased Property,  
End of Congress Way, in Skagway, Alaska. Our File #: 22-056.

Dear Ms Deach:

The Municipality of Skagway is negotiating a lease extension of the M&M tours of its lease for a tour brokerage location at the Railroad Dock at the end of Congress Way. As you are aware, the rock slide in the area has caused the property to be vacant as a safety precaution. This market rent appraisal estimate is made based on the Hypothetical Condition (HC1) that the property is habitable for the intended use. Also, the lease appears to have expired, therefore it is an Extraordinary Assumption (EA1) that the lease/contract terms are as outlined in this report.

Based on our analysis, it is our opinion that the annual market rental value for the subject as of the date of appraisal September 20, 2022, is as follows:

\$13,800 per year

The attached report sets forth the Assumptions and Limiting Conditions and Certification of Appraisal and the most pertinent data considered in estimating the market rent. This appraisal report is intended to comply with the rules and regulations as set forth by the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute and the appraisal requirements of the Municipality of Skagway.

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

Sincerely,



CHARLES HORAN, MAI  
HORAN & COMPANY, LLC

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**ADDENDA**

- Orinal 2001 Broker Agreement
- March 8, 2018 Amendment
- Subject Photos
- Plans
- Land Lease Rent Rates
- Qualifications

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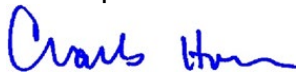
**CERTIFICATE OF APPRAISAL**

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I certify that, to the best of my knowledge and belief: The statements of fact contained in this report are true and correct.

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I have not performed any services regarding the subject property, as an appraiser or in any other capacity, within the three year period immediately preceding acceptance of this assignment.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Charles Horan, MAI  
APRG 41



September 20, 2022,  
Effective Date of Appraisal

November 18, 2022  
Date of Report

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1 INTRODUCTION

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The Municipality of Skagway (Skagway) has had an ongoing lease agreement/contract for the operation of a tour brokerage sales facility at the end of Congress Way since 2001.

We have not reviewed the last amendment dated March 8<sup>th</sup>, 2018 for the purpose of modifying and extending the lease agreement entered into September 29<sup>th</sup>, 2006, and amended March 6<sup>th</sup>, 2013. We have reviewed the compensation calculation from the 2018 amendment which is reproduced below.

terminate on September 30, 2022.

**B.** CONTRACTOR is responsible for a yearly lease value of the Municipal land and building. The lease amount will be based on an appraisal of fair market value dated January 4, 2018 (Attachment A). The lease amount will be determined by multiplying:

- The appraised annual value of the land on a per square foot basis (\$19.00 per S.F.), by
- 2000 square feet, by
- Eight percent (8%)

The lease amount shall be \$3,040.00 (plus applicable taxes) – Three Thousand, Forty Dollars and 00/100 annually. This amount shall be paid on a prorated monthly basis, May through September, with the payment being made by the first day of each month for \$608.00 (Six Hundred Eight Dollars and 00/100) plus tax.

The current contractor (lessee/grantee) is M&M Tour Sales, Inc. The most recent agreement ended September 30<sup>th</sup>, 2022. The Municipality is requesting an appraisal to consider a proposed 5-year extension based on the previous terms.

This appraisal estimates the annual rental value based on the land and improvements at a market capitalization rate of 8%. It is an Extraordinary Assumption (EA1) of this appraisal that the lease terms are as outlined as follows.

**Summary Lease Terms**

The major points of the lease as it exists are summarized below. A copy of the March 8<sup>th</sup>, 2018 amendment modifying and extending the previous agreement is included in the addenda of this report.

**Grantor:** Municipality of Skagway, Municipal Manager

**Grantee (Contractor):** M & M Tour Sales, Inc.

**Premises:** Land area of 2000 SF plus use of building structure known as the M & M Tour Broker Building of 522 SF.



## ATTACHMENT A

**Purpose and Use:** Tour brokerage sales facility, to assist the visitor industry by selling all tour products offered in Skagway including but not limited to bike, helicopter, horse, bus/van, etc. offered by interested companies.

**Term:** Last amendment dated March 8<sup>th</sup>, 2018 extended the contract for a 5-year term commencing October 1<sup>st</sup>, 2017 terminating September 30<sup>th</sup>, 2022. The effective date of this proposed five-year extension would be September 30<sup>th</sup>, 2022.

**Rent:** Previous rent set effective October 1, 2017, based on January 4, 2018 appraisals is \$3,040 per year for 2,000 SF land (2,000 SF @ \$19/SF = \$38,000 @ 8%). No increment for the building was calculated.

This appraisal will estimate annual market rent to include a recapture the use of the building.

**Effective Date of This Amendment;** September 30<sup>th</sup>, 2022

The building at the time of inspection September 20, 2022, was not inhabited for safety reasons due to the potential slide risks. The current rent market valuation estimate is based on the Hypothetical Condition (HC1) that the property is habitable for the intended use.

### 1.1 PROPERTY IDENTIFICATION

The subject property is referred to as the Tour Broker Building and related land, currently leased by M&M Brokerage, Inc. It is located off Congress Way near the breakwater in Skagway. The subject property is leased land, owned by the City of Skagway, and is identified as a portion of ATS 4, Skagway Recording District.



Photo showing subject at end of Congress Way turnaround taken September 20, 2022.

### 1.2 OWNER CONTACT INSPECTION AND EFFECTIVE DATE

In addition to correspondence with Alanna Lawson, Deputy Borough Clerk, the appraiser had an office interview with her and Brad Ryan, Borough Manager, on September 19, 2022.



The appraiser also met with lessee/contractor Mark Jennings, September 20, 2022. The properties were viewed on both days by the appraiser. The effective date of the appraisal is the day the five year term of the lease expires, September 20, 2022.

### **1.3 PURPOSE, INTENDED USE AND USER OF APPRAISAL**

The purpose of the appraisal is to estimate the Market Rent for the use of the rights granted in the land and building, to sell tours.

The client is the Municipality of Skagway who is the intended user. The intended use is to establish the Annual Market Rent Value for the rights granted.

This report should not be relied upon to disclose any conditions present in the subject properties. The appraisal report does not guarantee that the property is free from defects or suitable for the intended use. These comments are intended to be a permanent part of the report. This appraisal may not be used or relied upon by anyone other than the client for any purpose whatsoever without the express written consent of the appraiser.

### **1.4 OSTENSIBLE OWNER**

The subject property is ostensibly owned by 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.

### **1.6 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 commercial real estate market in Skagway. Comparable land sales or leases were analyzed to determine the market value of the subject land. The contributory value of the building is estimated based on a depreciated cost approach. There have been no significant sales or rents of buildings of this type with its design and location characteristics. The property is being considered as a good dockside site with a small, simple building.

The Sales Comparison Approach was relied on for development of a contributory value of land. The unique small building was valued by the cost approach. The rent is estimated base on the total value times a rent rate of 8% found in the market. Please see the addenda for land lease percentage rate analysis. This rate is also applicable to a recapture of the building value.

Market information was obtained through interviews with area landowners, 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. 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.

### **1.7 ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal is made based on the Extraordinary Assumption (EA1) that the lease/contract terms are as outlined in this report. This approval is also made subject to the Hypothetical Condition (HC1) that the property is habitable for the intended use.

The use of an Extraordinary Assumption might have affected the opinions and conclusions reached in this report. In addition, this appraisal is subject to the general assumptions and limiting conditions which follow:

1. It is assumed that the data, maps, and descriptive data furnished by the client or his/her representative are accurate and correct. Photos, sketches, maps, and drawings in this appraisal report are for visualizing the property only and are not to be relied upon for any other use. They may not be to scale.
2. The valuation is based on information and data from sources believed reliable, correct, and accurately reported. No responsibility is assumed for false data provided by others.
3. No responsibility is assumed for building permits, zone changes, engineering, or any other services or duty connected with legally utilizing the subject property.
4. This appraisal was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of the highest and best use.
5. It is assumed that the title to the property is marketable. No investigation to this fact has been made by the appraiser.
6. No responsibility is assumed for matters of law or legal interpretation.
7. It is assumed no conditions 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 has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that

would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

9. The value estimate is made subject to the purpose, date, and definition of value.
10. The appraisal is to be considered in its entirety, the use of only a portion thereof will render the appraisal invalid.
11. Any distribution of the valuation in the report between land, improvements, and personal property applies only under the existing program of utilization. The separate valuations for land, building, and chattel must not be used in conjunction with any other appraisal and is invalid if so used.
12. The 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.

## **1.8 TERMINOLOGY**

### **Market Rent**

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease [easement] agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements. (TIs)

*The Dictionary of Real Estate Appraisal, 6th Edition, Appraisal Institute, Page 140*

### **Fee Simple Estate**

Absolute ownership is 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, 6th ed., Appraisal Institute, Page 90*

### **Extraordinary Assumption**

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.

Comment: Extraordinary Assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

*Dictionary of Real Estate Appraisal, Sixth Edition, Page 83-84.*

**Hypothetical Condition**

1. A condition that is presumed to be true when it is known to be false. (SVP)
2. 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.

*Dictionary of Real Estate Appraisal, Sixth Edition, Page 113.*

The use of extraordinary assumptions or hypothetical conditions may impact the results of our analysis.

## 2 AREA ANALYSIS

### 2.1 SKAGWAY AREA ANALYSIS

Skagway is situated at the northernmost point of the inside passage in Southeast Alaska. Historically, it has been a transportation point connecting these protected waterways to the interior of Alaska and the Yukon Territory. The coastal range rises dramatically to 7,000 feet above sea level and only provides a few low 3,000-foot passages into the interior area. The native Tlingit of the region controlled this access for many years, prospering from the trade of the coastal and interior communities during the pre-European contact years. In the

1880s, the first settlers, notably John Moore, saw the potential of the area as a port of entry into the Alaskan and Canadian interiors. Its sleepy, slow growth exploded with the discovery of gold in the Klondike and the subsequent stampede over the trail of 1898, which began in Skagway. Skagway soon became the first incorporated city in Alaska. It has been an important port of entry into the interior since the earliest days. The

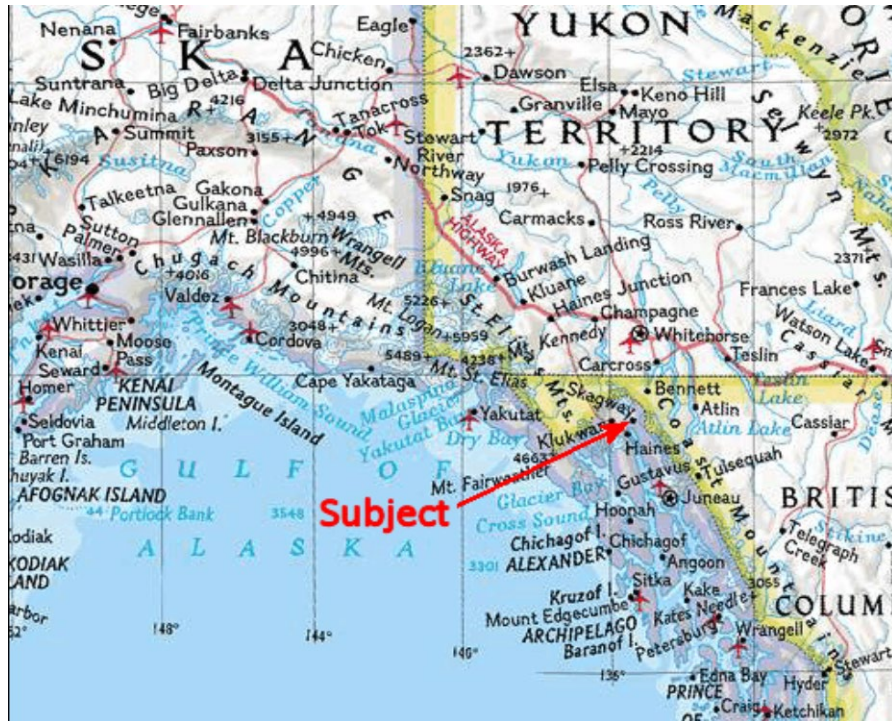


FIGURE 2.1 - Subject Area Location Map

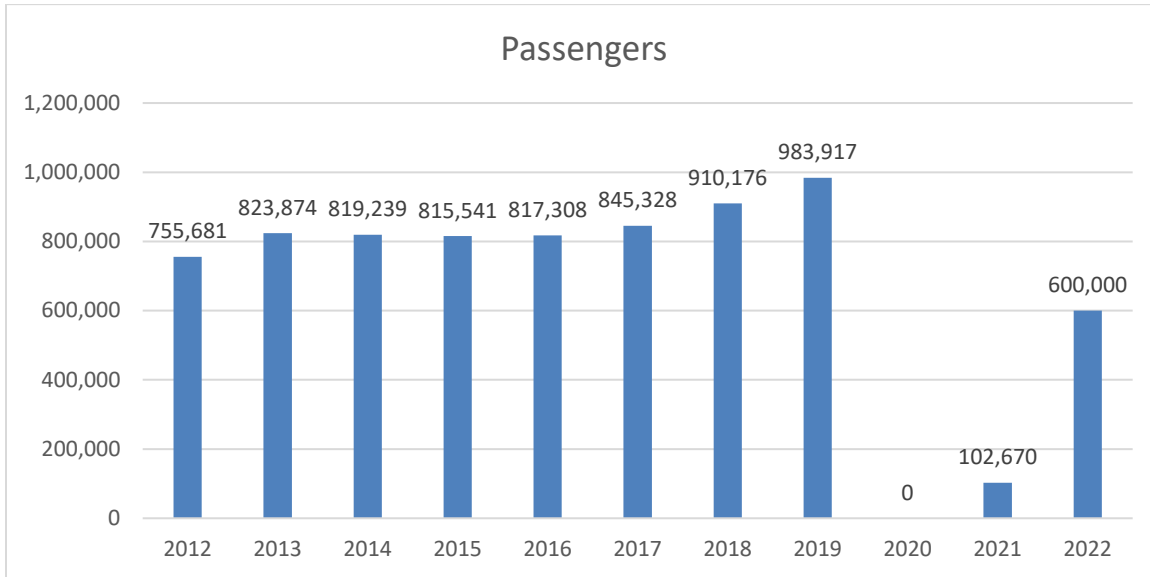
relics and convivial lifestyle reminiscent of this era have been an interest to tourists throughout the years and culminated in the dedication of downtown Skagway as part of the Klondike Gold Rush National Historic Park in 1976 by President Gerald Ford.

Skagway is about 90 miles northwest of the state capital of Juneau. It remains an important transportation hub with highway access into the Yukon Territory and interior of Alaska tied into the deep-water port accessing Lynn Canal and points south. Historically, it has been used for the shipping of mining products or concentrates originating in the Yukon to points south for refining, which traveled by rail prior to the completion of the highway.

#### Tourism Visitation and Waterfront

Skagway is an important part of the Alaska tourism market. The National Park Service presence, preserved historic character, White Pass Railroad, and the historic location of the community all serve to draw a large number of tourists on an annual basis. As the Alaska

visitor market has grown Skagway has grown, garnering much of the cruise ship visitation to the Southeast. That market peaked in 2019 with the cruise ship's seasonal passenger count of 894,000. The anticipation for the 2020 season was for even bigger numbers but the COVID-19 pandemic collapsed the cruise ship industry with no visitation in 2020 and minimal visitation for the following year, 2021. The hope for recovery for the 2022 season was dampened by lower than expected occupancy rate on ships and the landslide that put one of the railroad docks out of commission. The last 10 years of visitation history are presented in figure 2.2 below. The 2022 numbers are the capacity of ships through August of 2022 reported by the Skagway Visitors Bureau.



**Figure 2.2 Cruise ship passenger count. Source: Skagway Visitor’s Bureau 2012-2021. The estimate for 2022 is through August.**

The economic activity generated by this tourism is also reflected in the sales tax receipts. Sales tax is not collected during the off-season so this indicator is very reflective of the economic impact of tourism and by extension the need for this industrial waterfront property that serves it.



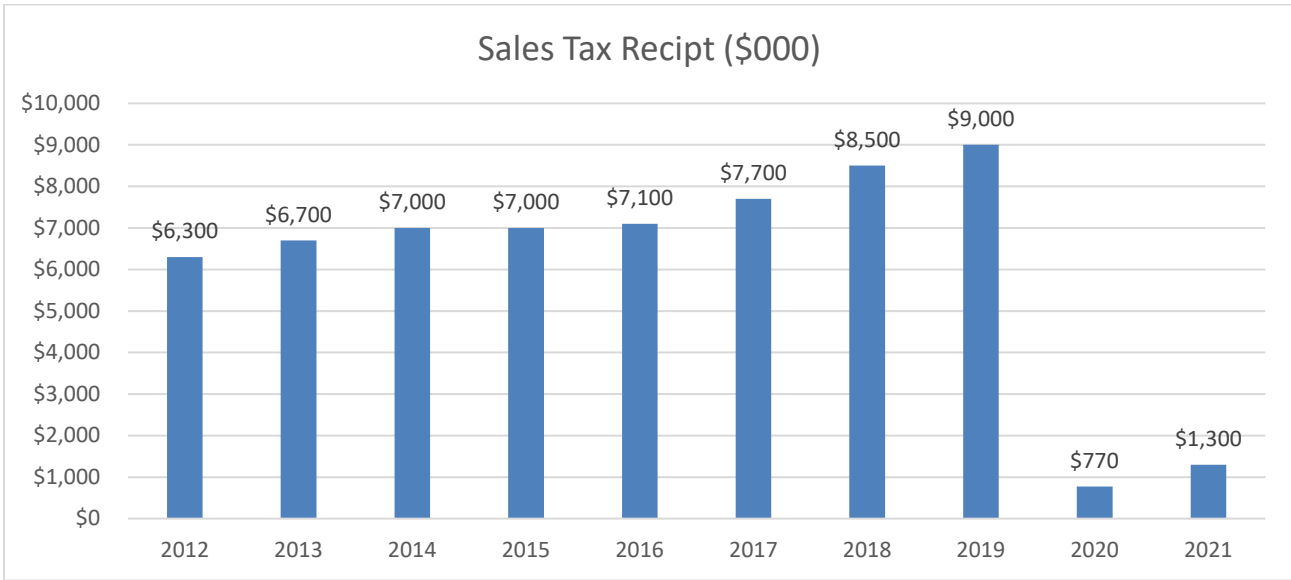


Figure 2.3 sales tax receipt trends of the last 10 years. Source; Municipality of Skagway.

### Subject Waterfront Neighborhood

The Industrial waterfront area provides four large ship berths on the Skagway waterfront. This waterfront is the pivotal point of access for Skagway’s important transportation economy.



Figure 2.4 Skagway Waterfront showing subject upper photo left of slide. Photo 9/20/2022.

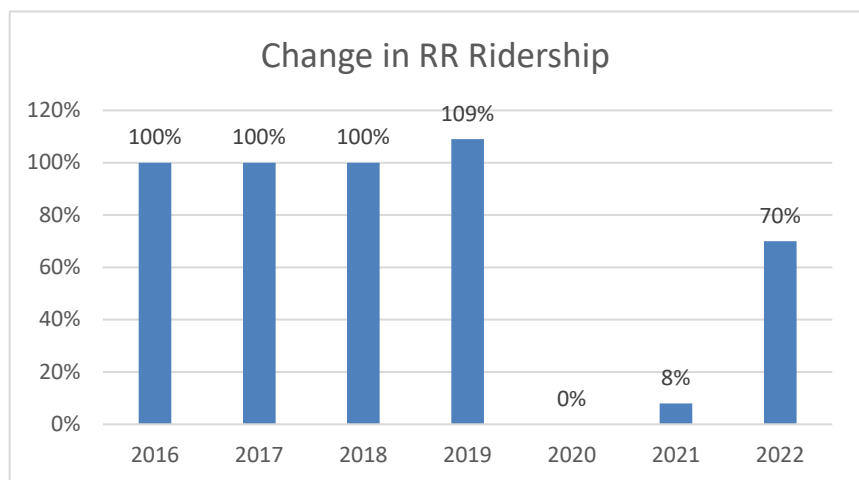
## ATTACHMENT A

The neighborhood is characterized by large industrial uses on the tidelands and waterfront between Taiya Inlet to the southwest and Skagway Townsite to the northeast. The northwest boundary of this area is the Skagway River. The largest land parcel east of the river is the 66 acre lease area due to be turned over to the Municipality of Skagway. The larger area includes the State Ferry Terminal, and the city's small boat harbor and park. East at the foot of steep mountains is White Pass Cruise Dock and Cargo Wharf.

This waterfront industrial neighborhood is the focal point of transportation from land to sea and from sea to land. This is similar to other typical industrial waterfront neighborhoods in small coastal Southeast Alaska communities. The port is one of the mainstays keeping Skagway's economy viable. Skagway has long been the gateway to the interior and a depot for material from the interior being shipped out to various world markets. As the demand for mineral shipment declined, as cruise ship stops and passenger visitation increased dramatically, this waterfront became the focal point of one of the busiest tour ship ports in Alaska.

The demand for properties in this area is reflective of those developments on the waterfront and nearby. These include a tourism helicopter operation, barge lines, fuel tank farm, and boat repair facilities in addition to the four major cruise ship docks.

The subject easement parcels are Industrial and Waterfront zoned but are surrounded with increasing commercial tourist-related activities. The railroad tracks cross these parcels and give access to the Ore Terminal, cruise ship dock, and the Broadway cruise ship dock to the south. Adjacent to these properties are commercial tour brokers, parks and retail opportunities that take advantage of the significant tourist traffic in this area. The railroad, one of Skagway's major tourism attractions, emanates from this area capturing about 50% of the cruise ship passenger market more or less. Railroad ridership numbers are not published, however, the trend indicated by these numbers as provided by White Pass is generally reflective of the other economic activities in area as shown in Figure 2.5.



**Figure 2.5 percentage change in Railroad Ridership since 2016. Source: White Pass Railroad.**

ATTACHMENT A

Skagway will continue to be an attractive visitor destination, especially for the cruise ship industry, which finds itself having increased capacity and demand, growing as time goes forward. This growing industry will be placing more demand on destinations such as Skagway. Skagway's loss of the use of its double berth at the railroad dock due to the landslide needs to be resolved. The White Pass Railroad's long-term lease on 66 acres of waterfront and its control of the four oceangoing docks will end in March of 2023. The Municipality of Skagway's efforts to move forward with the management of this facility has resulted in various studies and planning efforts reflecting strategies to grow and modify the waterfront configuration.

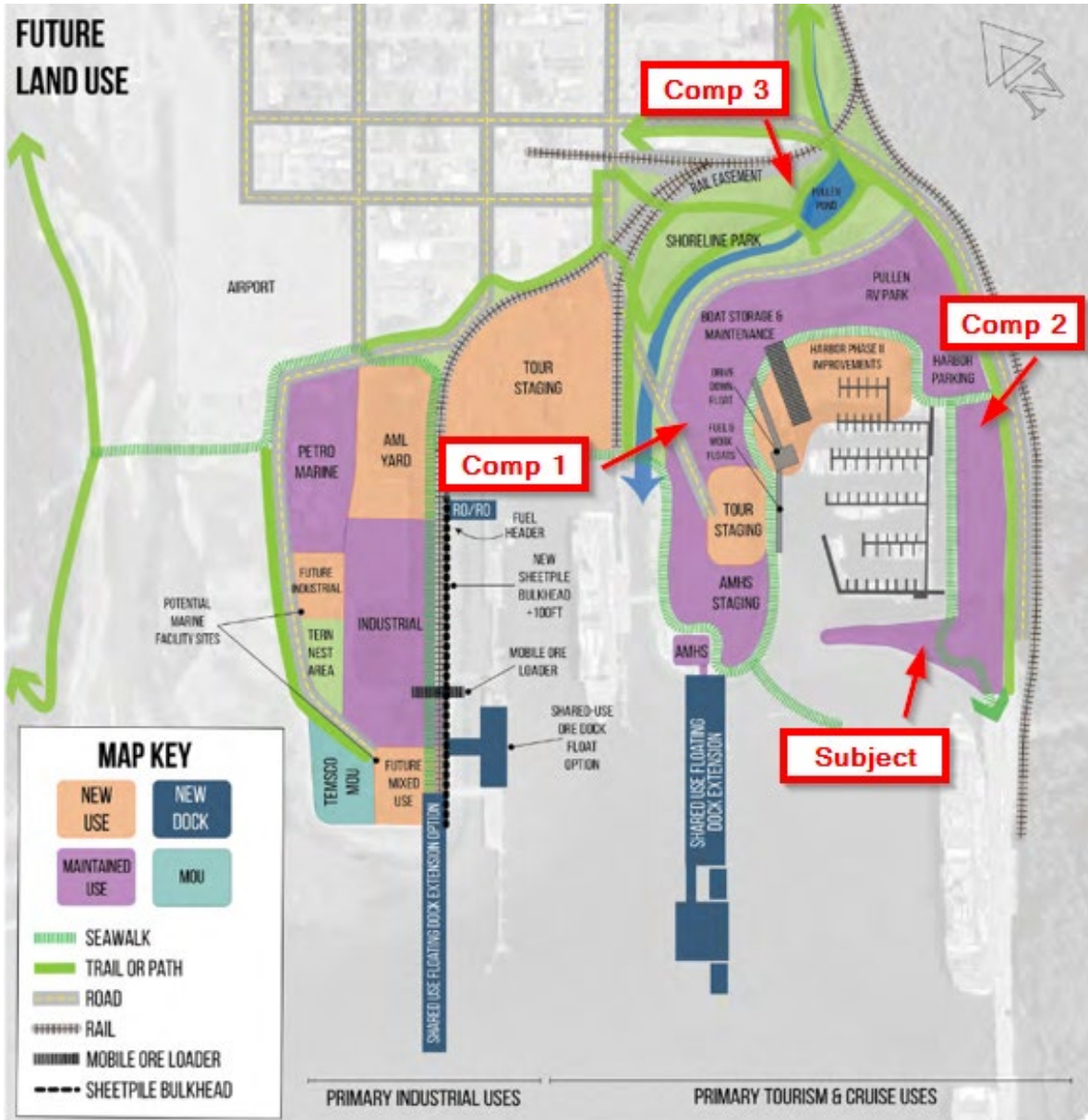


Figure 2.6 Future Land Use from Skagway Port Master Plan June 2021. Showing the subject and land comps.

## ATTACHMENT A

Certain changes in the waterfront are anticipated which will likely require railroad track relocation or realignment over time. It is certain, however, that the railroad presence will continue to be an important attraction and a significant part of the waterfront in the future. As docks are expanded to accommodate the new class of very large cruise ship vessels the passenger capacity will increase significantly.





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 shellfish 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.

**3.3 EASEMENTS AND ENCROACHMENTS**

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

**3.4 ASSESSED VALUATION AND TAXES**

The site is owned by the Municipality and has not historically been taxed.

**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

**3.6 IMPROVEMENT DESCRIPTION**

There is an approximate 18' x 29' (522 SF) simple frame building with double doors at the entrance and a single person door on the side. There are minimal vinyl casement windows. Exterior finishes are wood T&G siding and rolled roofing on a 1:12 pitch. The interior is drywall and insulation is R-21. There is no plumbing or heating in the building. This enclosed structure is under a 1,104 SF (24" x 46') pergola tri-gabled structure. This structure was built in 2008. See addenda for plans. The office was built in 2012. The improvement appears to be in good condition with an estimated effective age of 10 years.



**FIGURE 3.2 – Shelter.**





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## 4 VALUATION

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The subject is a unique special purpose property. The land value is a significant component. The building is somewhat specialized and there are no immediate comparables on a rental price per square foot basis. The estimated value of the land and the building and its replacement cost will be estimated. Typical rent recapture or capitalization rate will be used on this value by substitution to indicate the annual market rent. This will be compared against other more limited rental data for tourism sales and related facilities that are similarly located.

### 4.1 HIGHEST AND BEST USE

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

*The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, page*

The subject meets all four tests of highest and best use as is. With the current zoning regulations and the subject's proximity to the waterfront and harbor as well as being directly off the cruise ship dock would lend to a tourist-related business.

### 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 utility of the property. The comparable land rents have been converted to an indication of value based on capitalizing them at a market rate of 8%. Please see the addenda for a detailed summary of the current market rent capitalization rates which has been relatively stable at 8%. This capitalization rate will be used to convert the total property value into it an indication of rent at the conclusion of this valuation section.

**ATTACHMENT A**

<b>Table 4.1 Summary Value per SF Indicators</b>							
Comp & Rec #	Location	Date	Transaction Type	Price	Indicated Value	SF Size	Value/SF
1-#10361	Harbor Staging	4/22	Land Rent	\$6,048	\$75,600	2,400	\$31.50
2-#10760	199 Congress Way	5/18	Land Rent	\$9,680	\$121,000	5,500	\$22.00
3-#11300	South of Railway Station	2/19	Sale	\$400,000	\$400,000	20,038	\$19.96
Subject		1/18	Land Only	\$3,040	\$38,000	2,000	\$19.00

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.

The market conditions have been stable over the last several years period all the comps are rated similar with regard in this regard.

The comparables were either an arms length sale as is the case with comp #3 or negotiated leases based on market value as the case with comps numeral one and numeral 2. They are all rated similar in this regard.

Square foot size sometimes is adjusted for significant differences. Due to the commercial nature of these properties and their highest and best use no significant rating is given for size that is it as it impacts price/ SF.

Zoning is also rated similar across the properties as they are all close to the waterfront serving commercial functions.



**Comp 1** is the recently leased a small parcel within the boat harbor storage area for the exclusive use of the tenant. It also enjoys the use of travel ways through the facility and use of parking and storage immediately adjacent. Although it has inferior public access (+1) it has superior (- 3) utility taking advantage of the larger area and offsite use. This would suggest that the subject would have a square foot value significantly less than \$31.50/SF.

## ATTACHMENT A



**Comp 2** is also a capitalize lease as is Comp 1. It is within the subject's immediate area off Congress Way. It has street access along the front and pedestrian access behind. It is most similar in all regards. This comp suggests the subject would have an SF value close to \$22/SF.



Comp 3 is the purchase of nearly a half acre of commercial land in the subject neighborhood. It has inferior access (+1) across the railroad tracks controlled by the purchaser. In other regards however, it is very similar. This indicates The subject value would be somewhat more than \$19.96/SF.

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

<b>TABLE 4.2 – QUALITATIVE ADJUSTMENT GRID</b>							
<b>Characteristic</b>	<b>Subject</b>	<b>Comp #1 (#10361) Harbor Storage</b>	<b>Comp #2 (#10760) Congress Way</b>	<b>Comp #3 (#11300) South of RR Station</b>			
Indicated Price	Solve	\$75,600*	\$121,000*	\$400,000			
Price/SF	Solve	\$31.50	\$22.00	\$19.96			
Market Conditions (Time of Sale)	09/22	4/22	0	5/18	0	2/19	0
Conditions of Sale	Typical	Similar	0	Similar	0	Similar	0
SF Size	2,000 SF	2,400 SF	0	5,500 SF	0	20,038 SF	0
Location/Access	Good	Inferior	+1	Similar	0	Inferior	+1
Zoning	W	WF	0	W	0	W	0
Site Utility	All Nearby	Superior	-3	Similar	0	Similar	0
Overall Net Rating		Superior	-2	Similar	0	Inferior	+1
Indicated SF Land Value of the Subject is		Significantly Less Than \$31.30	Similar To \$22.00		More Than \$19.96		

\*Based on capitalized lease.

If a comparison is **Superior**, a Minus rating of -1, -2, or -3 is given depending on severity.

If a comparison is **Inferior**, a Plus rating of +1, +2, or +3 is given depending on severity.

The data suggest the land value is \$22/SF which can be summarized as follows;

**Land Value 2,000 SF @ \$22.00/SF = \$44,000**

**4.3 CONTRIBUTORY VALUE OF IMPROVEMENTS**

Improvements consist of a simple frame structure of approximately 522 SF under a larger (approximately 1104 SF) tri-gabled pergola structure providing shade and protection for tourists awaiting tickets. Based on estimates from national cost sources and confirming my updated construction cost the estimated replacement cost for structures of similar utility are estimated to be \$150/ SF with an enclosed ticket area and \$74.30/SF for the overarching covered area. The structures appear to be in relatively good condition and have an estimated age of about 10 years. Depreciation is estimated at 2% per year or 20%. The contributory value of the building structure is summarized below and added to the land value.

The expected net income from the value of these real estate improvements is estimated at 8% of this value based on recapture of land rent values as summarized in the agenda. This rate is similar to the overall property capitalization rate which will proxy for rent in this case.

**ATTACHMENT A**

Typical retail building rates over the last six years or so are summarized in the table below  
 Details of these data observations are contained in the appraiser's file

<b>Table 4.3 Summary of Overall Cap Rates.</b>				
<b>Rec #</b>	<b>Address</b>	<b>Sales Price</b>	<b>Sales Date</b>	<b>Overall Cap rate</b>
10529	329 Harbor DR Sitka	\$2,500,000	01/2018	5.70
10846	435/439 S. Franklin St, Juneau	\$2,800,000	07/2018	6.86
11788	225 Front Street, Juneau	\$1,850,000	03/2021	7.25
9596	1731 Ralph's Way, Juneau	\$1,060,000	01/2016	8.10
10625	500 Mission St, Ketchikan	\$700,000	01/2017	8.60
11968	334 Lincoln St, Sitka	\$950,000	11/2021	8.81
11132	201 Main, Ketchikan	\$1,550,000	03/2018	9.20
8154	407 Lincoln St, Sitka	\$1,200,000	02/2020	9.54

These rates range from 5.7% to about 9.5% but typically cluster around 8%. This rate will be used to indicate the overall net rent for the subject based on its value

**4.4 CONCLUSION MARKET RENT VALUE**

The market rent is calculated as follows.

<b>Table 4.4 Summary Annual Rent Calculation</b>			
<b>Component</b>	<b>SF Area</b>	<b>Unit Cost</b>	<b>RCN</b>
Building	522	\$150.00	\$78,300
Cover	1104	\$74.30	<u>\$82,027</u>
Sub Total RCN			\$160,327
Less Depreciation		20%	<u>\$32,065</u>
Indicated Imp Value			\$128,262
Add Land	2000	\$22.00	<u>\$44,000</u>
Indicate Real Estate Value			\$172,262
Indicated Annual Rent		8%	\$13,781

The subject is a simple building with limited mechanical features no plumbing etcetera. There are no direct rental comparables for a building of this type for seasonal use at this location. A depreciated replacement cost at a market cap rate is felt to be the best market indicator of what annual income would be expected in terms of net rent.

Based on the foregoing the estimated rental value of the subject building as of September 30<sup>th</sup> 2022 under the Hypothetical Condition (HC1) that the property is habitable for the intended use and the Extraordinary Assumption (EA1) that the lease/contract terms are as outlined in this report is as follows.

**\$13,800 Per Year**



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# ADDENDA

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~~City of Skagway~~  
**Attachment A**  
**Tour Broker Agreement**

**SECTION ONE: GENERAL CONDITIONS**

- A. M&M Brokerage, Inc., hereinafter referred to as Contractor, shall provide assistance to the visitor industry by providing a tour brokerage system for all tour products offered in the City of Skagway. The City will supply the municipal property located near the end of the White Pass Dock, subject to the conditions set out below and only so long as Contractor is not in breach of this Agreement. The Contractor will be required to offer all tour products to visitors, including but not limited to bike, helicopter, horse, bus/van, etc., offered by interested companies. The contract is based on the conditions stated below and the Contractor's proposal that was submitted to and accepted by the City of Skagway. The Contractor must adhere to the following conditions:
- i) Contractor must offer tour products of all interested tour companies to the public, including, but not limited to, bike, helicopter, horse, bus/van, etc.
  - ii) Contractor shall not charge more than a 20% commission rate to all tour vendors, regardless of tour.
  - iii) Contractor shall not show a preference to any particular tour company.
  - iv) Contractor shall not refuse to offer any interested company's tour product unless the following circumstances apply:
    - a) Tour operator lacks insurance.
    - b) The tour company does not provide the tour that has been advertised.
    - c) The tour company does not perform, has a lack of historical knowledge, or misses scheduled tours.
    - d) Vehicle conditions are poor and not up to Federal, State & Municipal standards. Contractor shall provide documentation to the City of Skagway for any tour company that has been denied service for any of the above conditions.
  - v) Interested companies that wish to use the brokerage system must sign a contract with the broker, which must be pre-approved by the City Manager and the Tourism Director. Copies of all signed contracts shall be provided to the City.
  - vi) All forms of outcry are prohibited and shall be considered a violation of the broker's contract.
  - vii) Contractor is responsible for collecting and submitting the appropriate sales tax for all tour products sold through the brokerage system, to the City of Skagway.
  - viii) Contractor shall not operate or have any interest in any tour product sold in the City of Skagway.
  - ix) Signage of buildings must be pre-approved by the City of Skagway and must be submitted through a sign permit as required by the City of Skagway.
  - x) Contractor is solely responsible for any decision Contractor makes to refuse to offer any tour product under sections (iv)(b-d) above, and Contractor shall defend and hold harmless the City of Skagway in any suit, action, or administrative proceeding brought by any company whose tour has been refused by Contractor.

**SECTION TWO: CONTRACT PERIOD & COMPENSATION**

- A. The contract shall be for a 5-year term, but shall be evaluated on a yearly basis. The parties agree that the 12 months of the contract shall be construed as a probationary period. At least ninety (90) days before the end of the probationary period, the City of Skagway shall conduct a review of the Contractor's performance.
- B. Contractor will pay the City of Skagway 1% of gross annual revenue for M&M Brokerage. This shall be submitted to the City of Skagway on the first day of each month, beginning in June and ending in October for each year of the contract. The 1% payment shall be accompanied with a sales report of all gross revenue collected by the Contractor. The 1% payment shall be for the previous month, thus, the June payment shall be for gross revenue collected in May, and the October payment for September. Failure by the Contractor to remit payment to the City of Skagway for two successive months shall constitute a breach of this Agreement and the City of Skagway may terminate the Agreement at its option pursuant to Section Six.

- C. Contractor is responsible for a ~~yearly lease value~~ **ATTACHMENT A** of the Municipal land and building. The lease amount will be based on an appraisal of fair market value (see attached). The lease amount will be determined by multiplying:

The appraised annual value of the land on a per square foot basis (\$17.50 per S.F.), by

- ❖ 2000 square feet, by
- ❖ Eight percent (8%)

The lease amount shall be \$2,800 (plus applicable taxes) – Two Thousand-Eight Hundred Dollars, annually. For the first year of the agreement, the lease amount shall be paid in two installments, the first being July 1, 2001 (\$1,400 plus tax – One Thousand-Four Hundred Dollars) the second September 1, 2001 (\$1,400 plus tax – One Thousand-Four Hundred Dollars). The subsequent 4-years of the agreement shall be paid on a monthly basis, May through September, with the payment being made by the first day of each month for \$560.00 plus tax (Five Hundred-Sixty Dollars).

- D. The annual rental payable pursuant to any lease shall be subject to adjustment on the third anniversary of the date of the original agreement (January 1, 2001), and at each three-year interval thereafter. The adjusted annual rent shall be computed at that percentage of the fair market value of the land as set by the lease, inclusive of any improvements thereon made by the city, but exclusive of any portion of value created by expenditures by Contractor, except that the value of any improvements credited against rentals shall be included in the value. Such fair market value shall be determined by an appraisal made by the city assessor and reviewed and approved by the council, whose decision is final. The new rental amount shall be effective at the beginning of the three-year interval to which it applies.
- E. Contractor shall not assign, sublet, sell, transfer or otherwise dispose of any interest in this Agreement without prior written approval of the City of Skagway. The contract agreement shall be binding upon and inure to the benefit of the contract parties, their successors and permitted assigns, but shall not inure to the benefit of any third party or other person. Neither this contract nor any amounts due or to become due hereunder shall be assigned, in whole or in part, without the prior written consent of the contracting officer.

### **SECTION THREE: CITY'S RESPONSIBILITY**

- A. City shall designate a person to act as the City's representative with respect to the services to be rendered under this agreement. This representative shall have complete authority to transmit instructions, receive information, interpret and define the City's policies and decisions with respect to the Contractor's services.
- B. The City will provide the Contractor with an enclosed structure on the White Pass Dock location. The structure shall be capable of being secured after regular business hours. The building shall have access to utilities (electrical and phone), which shall be paid by the Contractor. The size of the structure may be reevaluated after the first year.

### **SECTION FOUR: CONTRACTOR'S RESPONSIBILITIES**

- A. Contractor shall provide a representative who shall have complete authority to transmit instructions, receive information, interpret and define the Contractor's policies and decisions with respect to this agreement.
- B. Contractor shall provide equal opportunity employment.

### **SECTION FIVE: INSURANCE AND INDEMNIFICATION**

- A. Contractor agrees to defend, indemnify and hold harmless the City against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement, including any action or claims by any company offering any tour product.

- ATTACHMENT A**
- B. Contractor shall provide general liability insurance at a minimum of \$500,000, which protects the Contractor from any in connection with the brokerage. The City shall be listed as an additional insured on this policy claims arising. Proof of such insurance shall be proved to the City as a condition of entering into this Agreement. Failure to maintain such insurance shall constitute a breach of this Agreement.
  - C. Any tour company product offered by Contractor must secure general liability insurance at a minimum of \$500,000, listing the Contractor and the City of Skagway as an additional insured, agreeing to defend, indemnify, and hold harmless the City and the Contractor against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement. Proof of such insurance must be attached Contractors signed agreement, and a copy supplied to the City.

#### **SECTION SIX: TERMINATION AND SUSPENSION**

The City of Skagway may, by written notice of default to the Contractor, terminate the whole or any part of this contract, including but not limited to the following circumstances:

- A. If the Contractor fails to perform the service within the time specified herein or any extension thereof, or
- B. If the Contractor fails to perform any of the other provisions of this contract, or so fails to make progress as to endanger performance of this contract in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of ten (10) days (or such longer period as the City of Skagway may authorize in writing) after receipt of notice from the City of Skagway specifying such failure.
- C. Except with respect to defaults of subcontractors, the contractor shall not be liable for any excess costs if failure to perform the Contract arises out of causes beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not restricted to the following: acts of God or of the public enemy, acts of the City of Skagway, fire, floods, epidemics, quarantine, restrictions, strikes, freight embargoes, and unusually severe weather conditions which render road conditions unsuitable for safe operation, provided, however, in every case the failure to perform is caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for any excess costs for failure to perform, unless the supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the Contractor to meet the required delivery schedule.
- D. If, after notice of termination of this contract under the provisions of this clause, it is determined for any reason that the Contractor was not in default or that the default was excusable under the provisions of this clause, the rights and obligations of the parties shall be those provided in the "Termination of Convenience" clause hereof. Failure to agree to any such adjustment shall be a dispute concerning a question of fact.
- E. The rights and remedies of the City of Skagway provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.
- F. The City of Skagway may, whenever the interest of the City of Skagway so require, terminate this contract in whole or in part, of the convenience of the City of Skagway. The City shall give written notice of the termination to the Contractor no less than ninety (90) days before the effective date of the termination specifying the part of the contract terminated and when termination becomes effective. In the event of such termination, the following provisions shall apply:
- G. The Contractor shall incur no further obligations in connection with the terminated work, and, on the date set in the notice of termination, the Contractor will stop working the extent specified. The Contractor shall also terminate outstanding orders and subcontracts as they relate to the terminated work. The contractor shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated work. The City of Skagway may direct the Contractor to assign the Contractor's right, title, and interest under terminated orders or subcontracts to the City of Skagway. The contractor must still complete the







# 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](http://www.skagway.org)

This amendment dated March 8, 2018 for the purpose of modifying and extending the existing agreement entered into September 29, 2006 and amended on March 6, 2013, between the Municipality of Skagway, an Alaska Municipal corporation (hereinafter Municipality) and M & M Tour Sales, Inc. (hereinafter CONTRACTOR) herby extends and modifies the contract as follows:

## **SECTION TWO: CONTRACT PERIOD & COMPENSATION**

- A. The contract shall be for a 5-year term with the option of a 5-year renewal term, but will be evaluated on a yearly basis. The contract period shall commence on October 1, 2017 and terminate on September 30, 2022.
- B. CONTRACTOR is responsible for a yearly lease value of the Municipal land and building. The lease amount will be based on an appraisal of fair market value dated January 4, 2018 (Attachment A). The lease amount will be determined by multiplying:
  - The appraised annual value of the land on a per square foot basis (\$19.00 per S.F.), by
  - 2000 square feet, by
  - Eight percent (8%)

The lease amount shall be \$3,040.00 (plus applicable taxes) – Three Thousand, Forty Dollars and 00/100 annually. This amount shall be paid on a prorated monthly basis, May through September, with the payment being made by the first day of each month for \$608.00 (Six Hundred Eight Dollars and 00/100) plus tax.

## **SECTION FIVE: INSURANCE AND INDEMNIFICATION**

- A. CONTRACTOR agrees to defend, indemnify and hold harmless the MUNICIPALITY against any and all claims or actions of any kind and any nature, including death, and for all injuries or damages of any kind and any nature, including death, sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement, or arising out of any action or omission by CONTRACTOR, or its agents, representatives, employees and volunteers, including any action or claims by any company offering any tour product, or by any customer or passenger of any company offering any tour product.
- B. No contract for services shall be issued or continued unless there is presented to the MUNICIPALITY of Skagway a certificate of insurance showing that the business owner/operator has obtained at least two million dollars (\$2,000,000.00) general liability insurance. Proof of such insurance shall be provided to the MUNICIPALITY as a condition of entering the contract. Failure to maintain such insurance shall constitute a breach of contract. The certificate of insurance must establish that the MUNICIPALITY is named as an additional insured on such policy, and that the insurer thereof shall notify the MUNICIPALITY twenty (20) days before the policy is canceled, or terminated. Additionally, the certificate of insurance holder



ATTACHMENT A

shall execute an instrument under the terms of which the holder will agree to indemnify, defend and hold harmless the MUNICIPALITY of Skagway from any and all claims for injury or damage to persons or property as a result of the holder's activities.

- C. Any tour company product offered by CONTRACTOR must secure general liability insurance at a minimum of \$2,000,000, listing the CONTRACTOR and the MUNICIPALITY of Skagway as an additional insured, agreeing to defend, indemnify, and hold harmless the MUNICIPALITY and the CONTRACTOR against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement. Proof of such insurance must be attached to CONTRACTORs signed agreement, and a copy supplied to the MUNICIPALITY.

**SECTION EIGHT: MISCELLANEOUS**

- A. This Amendment and the original Agreement shall be governed by the laws of the State of Alaska. The Superior Court for the State of Alaska, First Judicial District at Juneau, Alaska, shall be the exclusive jurisdiction and venue for any action of any kind and any nature arising out of this Agreement or arising out of any action or omission by the CONTRACTOR, its employees, representatives, agents, volunteers and tour companies. CONTRACTOR specifically agrees that venue for trial shall be in Skagway, Alaska and CONTRACTOR specifically waives any right or opportunity to request a change of venue for trial pursuant to A.S. 22.10.040.
- B. CONTRACTOR acknowledges that he has consulted with his attorney before signing this Agreement, or that he has had the opportunity to consult with an attorney of his choice before signing the Agreement. CONTRACTOR expressly acknowledges that he is not relying upon the advice of any Municipal assembly member, the mayor, any Municipal employee, Municipal consultant, or the Municipal attorney in entering into this Agreement.

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

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

*Monica Carlson*

Monica Carlson, Mayor  
For the Municipality of Skagway

Date 3-20-18

*[Signature]*

Mark Jennings  
M & M Tour Sales, Inc.

Date 3/20/18

ATTEST: *[Signature]*

Emily Deach, Borough Clerk  
(SEAL)



# ATTACHMENT A

## APPRAISAL REPORT TOUR BROKER BUILDING AND ASSOCIATED LAND LEASE PARCEL, PTN. ATS 4 SKAGWAY, ALASKA



**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, Suite 210  
Sitka, AK 99835

**Effective Date:** December 28, 2017

**Report Date:** January 4, 2018

**Our File Number:** 17-160

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
---

January 4, 2018

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

Sent via E-mail: [m.gihl@skagway.org](mailto:m.gihl@skagway.org)

Re: Appraisal Report of Tour Broker Building Leased Property, Ptn. ATS 4, in Skagway, Alaska. Our File #: 17-160.

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 land comparables and depreciated building cost found within the report. The appraisal report conforms to standards established by the Uniform Standards of Professional Appraisal Practice (USPAP). No other supplemental standards are applicable.


Based on my local analysis, as well as an understanding of current market conditions, it is my opinion that the subject property (land and small building) has a market value, as of December 28, 2017, in fee simple interest as follows:

**Ptn. ATS 4-Tour Broker Building**  
**\$86,389**

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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# ATTACHMENT A


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## CERTIFICATION OF APPRAISAL

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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.
- The property was not inspected specifically for this assignment. The appraiser is familiar with the property on the outside and has been provided with plans. The effective date of the report is December 29, 2017.
- 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

December 28, 2017  
Effective Date

Horan & Company, LLC

January 4, 2018  
Report Date



1 INTRODUCTION

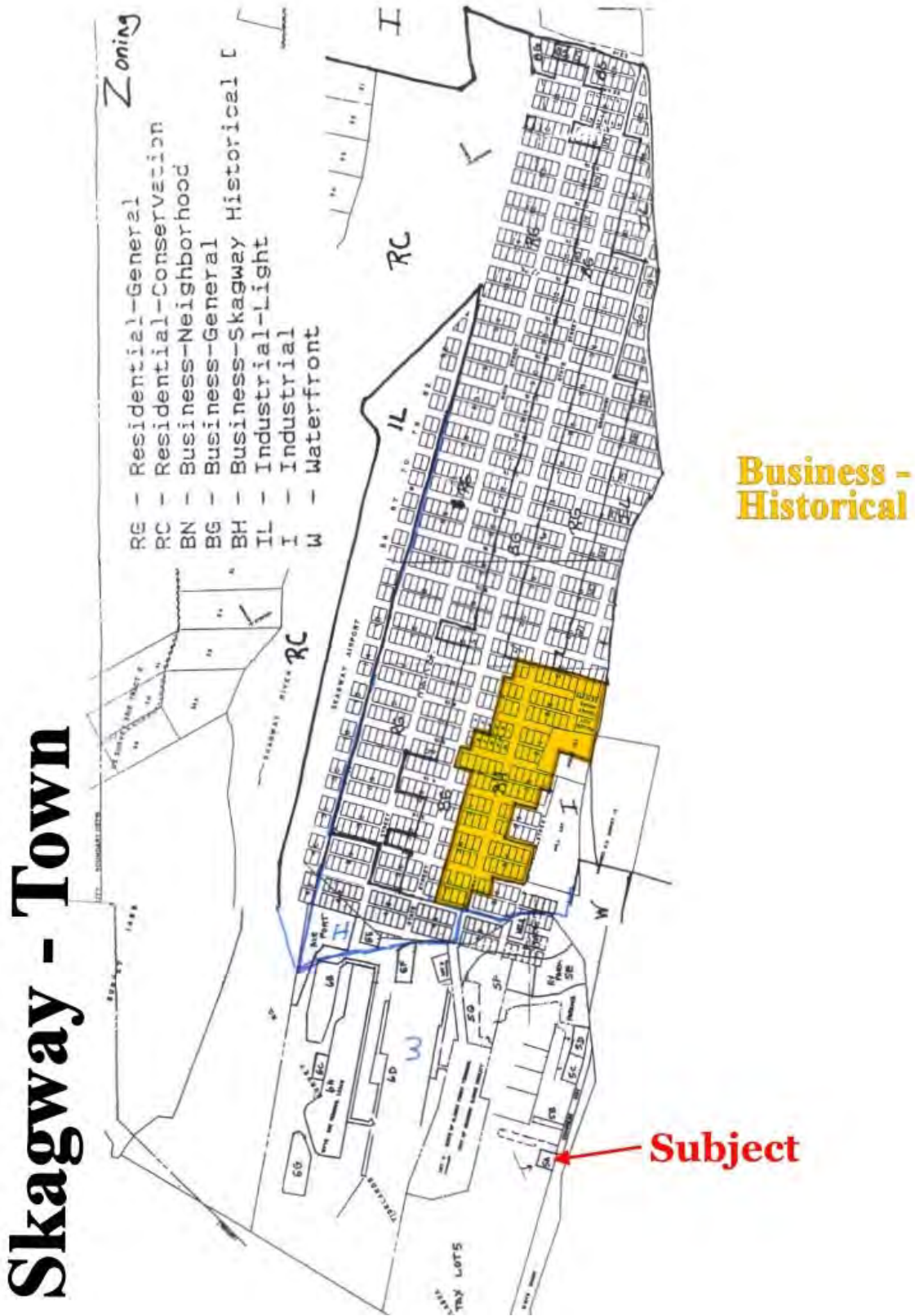


FIGURE 1.1 – SUBJECT LOCATED ON SKAGWAY AREA MAP.

# ATTACHMENT A

## 1.1 PROPERTY IDENTIFICATION

The subject property is referred to as the Tour Broker Building and related land, currently leased by M&M Brokerage, Inc. It is located off Congress Way near the breakwater in Skagway. The subject property is leased land, owned by the City of Skagway, and is identified as a portion of ATS 4, Skagway Recording District.

## 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

The subject property was not inspected specifically for this assignment. The appraiser is familiar with the outside of the building and has been provided plans. The effective date of the report is December 28, 2017.

## 1.4 INTENDED USE AND USER

The intended use of this appraisal is to estimate the fair market value of the subject building and land 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 since 2001.

## 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, located near the north end of the White Pass Dock, Skagway Recording District, First Judicial District, State of Alaska.
<i>Lessor/Ostensible Owner:</i>	Municipality of Skagway, Municipal Manager
<i>Lessee:</i>	M&M Brokerage, Inc.
<i>Term of Lease:</i>	5 years evaluated annually.
<i>Current Annual Lease Payment:</i>	\$2,800 per year for 2,000 SF land plus building. The lease amount is based upon fair market value as provided by an appraisal report. "Terms and Conditions of Lease" per Municipal Code 16.02.160 govern this lease unless otherwise provided for.
<i>Lease Dates:</i>	Current lease originated in 2001.
<i>Rental Adjustment Period:</i>	Every 3 years.
<i>Use:</i>	Tour brokerage system facility.
<i>Property Rights:</i>	Fee simple interest.

# ATTACHMENT A

## 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 commercial real estate market in Skagway. Comparable land sales or leases were analyzed to determine the market value of the subject land. The contributory value of the building is estimated based on a depreciated cost approach. There have been no significant sales of buildings this small and simple. The property is being considered as a prime site with a small, simple building.

The Direct Sales Comparison Approach was relied on for development of a market value opinion of the land.

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 subject was built to the plans presented to the appraiser and is in the condition that was viewed when the appraiser last saw the exterior in the summer of 2017.

### 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.

## 1.9 TERMINOLOGY

### Market Value

A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following:

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after 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 duress.
2. Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. Comment: Forming an opinion of market value is the purpose of many real property appraisal assignments, particularly when the client's intended use includes more than one intended user. The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:
  - a. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
  - b. the terms of sale (e.g., cash, cash equivalent, or other terms); and
  - c. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to a sale).

*The Dictionary of Real Estate Appraisal, 6th Edition, Appraisal Institute, Pages 141-143*

### Fee Simple Estate

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, 6th ed., Appraisal Institute, Page 90*



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## 2 MARKET AREA ANALYSIS

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### 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

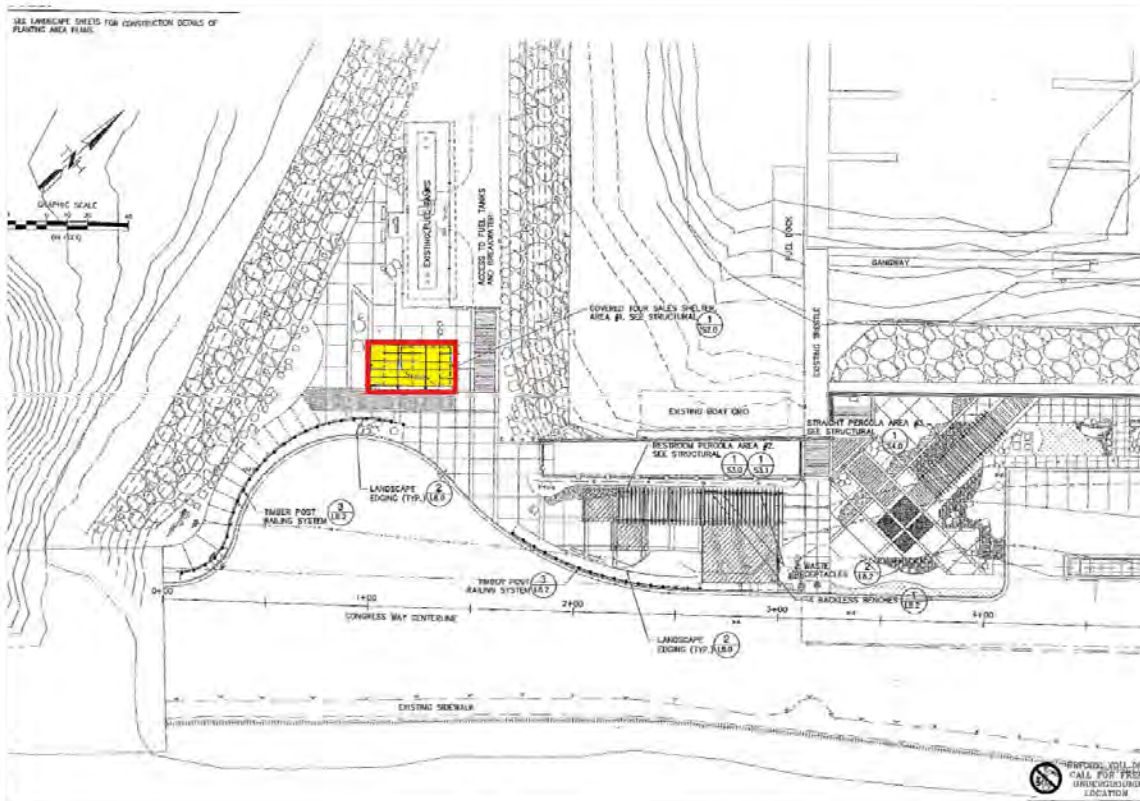
The subject is located in the general area of the White Pass Cruise Ship Dock. It is approximately ¼ mile south of the downtown core. Developments in the area include the public harbor, two restaurants on leased land, the cruise ship dock itself, and a small campground which may be a transitional interim use. There is a substantial parking lot serving the harbor. The public seawalk along the water side of Congress Way provides an attractive pedestrian alternative to access the community from the dock.

#### 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. Updates to the dock system being discussed would allow for accommodation of the larger cruise ships being seen by the industry. 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 stable to moderate growth.

## 3 PROPERTY DESCRIPTION

### 3.1 SITE DESCRIPTION



**FIGURE 3.1 – SUBJECT LOCATION MAP**

The subject site is a 2,000 SF parcel near the waterfront between the White Pass cruise ship dock and downtown. It is off the end of Congress Way and located along the seawalk and near the public boat harbor. As noted, the subject is used for a tour brokerage facility.

#### **Topography, Utilities & Access**

The subject is level and at grade with the surrounding lands. The beginnings of the seawalk connecting the cruise ship dock to downtown facilities are located approximately at the subject. There is a “turn-around” off Congress Way. Congress Way contains most utilities including water, sewer and power. The subject site has only power. The subject parcel can be accessed directly off the publicly maintained Congress Way. On the opposite side of the road, there are railroad tracks utilized by the railroad to pick up tourists for the White Pass rail trip.

### 3.2 ZONING

The subject site is zoned 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

# ATTACHMENT A

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.

### 3.3 EASEMENTS AND ENCROACHMENTS

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

### 3.4 ASSESSED VALUATION AND TAXES

The site is owned by the Municipality and has not historically been taxed.

### 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

### 3.6 IMPROVEMENT DESCRIPTION

There is an approximate 18' x 29' (522 SF) simple frame building with double doors at the entrance and a single man-door on the side. There are minimal vinyl casement windows. Exterior finishes are wood T&G siding and rolled roofing on a 1:12 pitch. The interior is drywall and insulation is R-21. This enclosed structure is under a larger (21' x 40') pergola tri-gabled structure. This structure was built in 2008 and estimated to be 9 years old.

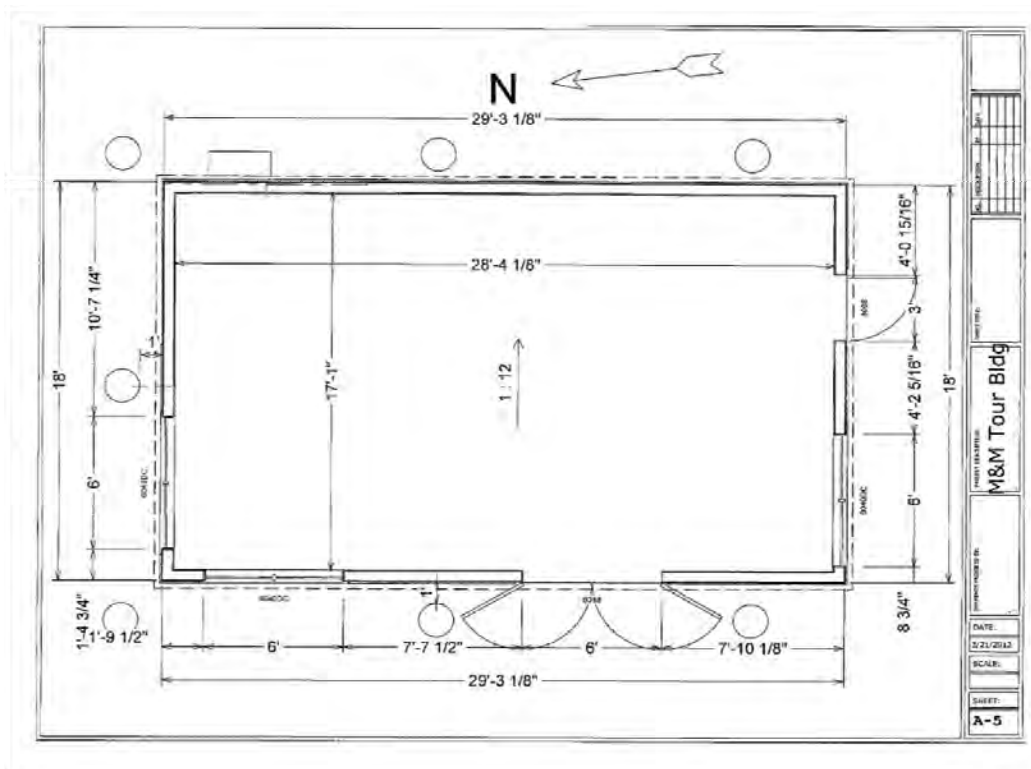


FIGURE 3.2 FLOOR PLAN

## 4 VALUATION

### 4.1 HIGHEST AND BEST USE

1. The reasonably probable use of property 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.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

*The Dictionary of Real Estate Appraisal, 6th ed., Appraisal Institute, Page 109*

The subject meets all four tests of highest and best use as is. With the current zoning regulations and the subject's proximity to the waterfront and harbor as well as being directly off the cruise ship dock would lend to a tourist related business.

### 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.

<b>TABLE 4.1 - COMPARABLE SALES AND CAPITALIZED LEASES TABLE</b>						
#	Location	Date	Price	SF	\$/SF	Comments
1	Tax Lot 5D, Congress Way (7926)	05/13	\$110,000*	5,000 SF	\$20.00/SF	Zoned W; Same street
2	Ptn. Tax Lot 5F (7207)	04/16	\$39,000*	3,000 SF	\$13.00/SF	Zoned W; Larger
3	Ptn. Lot 11, Blk 32 (9216)	04/15	\$15,812.50	1,250 SF	\$12.65/SF	RG Zoning
4	Lot 1, Block 42 (8220)	04/15	\$72,000**	5,000 SF	\$14.40/SF	IL zoning
5	Tax Lot 5A (10434)	01/18	\$25,600*	1,600 SF	\$16.00/SF	Adjacent property
	Subject	12/17	Solve	2,000 SF	Solve	Zoned W

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



# ATTACHMENT A



**Comparable 1** is the fee simple value based on a capitalized 2013 lease. This property is considered due to its similar zoning and location along Congress Way, but it is ranked superior in location with direct access on the seawalk. It is larger in size which would be an inferior adjustment due to the economies of scale. It is ranked **similar** overall. (Photo 021313\_0135)



**Comparable 2** is the fee simple indicator based on the capitalized lease of a small waterfront zoned property. It is larger in size and inferior in utilities potential. It is inferior in its location off of the main streets between the harbor and town. It is ranked **inferior** overall. (Photo 080317\_1292)



**Comparable 3** is the fee simple sale of a small parcel that was sold by the city to the adjacent parcel owner to allow the land to be more aligned with other town lot sizes. It is considered inferior in zoning. It is slightly smaller than the subject in size. The sale occurred in 2015. It is ranked **inferior**. (Photo 021715\_0401)



**Comparable 4** is the land allocation from an improved sale with IL zoning. It is larger at 5,000 SF and would be inferior in size when considering the subject on a price/SF basis. It ranks **inferior** at \$14.40/SF. (Photo 090808\_1734)



**Comparable 5** is based on the capitalization of a recently updated lease. This property is located adjacent to the subject but further out the breakwater and away from the seawalk traffic. It is more industrial in nature and generally inferior in location. (Photo 080317\_1289)

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 Tax Lot 5D, Congress Way	Comp #2 Ptn. Tax Lot 5F	Comp #3 Ptn. Lot 11, Blk 32	Comp #4 49 Main St.	Comp #5 Tax Lot 5A					
Sales or Indicated Price	Solve	\$110,000*	\$39,000*	\$15,812.50	\$72,000**	\$25,600*					
Price/SF	Solve	\$20.00/SF	\$13.00/SF	\$12.65/SF	\$14.40/SF	\$16.00/SF					
Market Conditions (Time of Sale)	07/17	5/13	0	04/16	0	04/15	0	04/15	0	01/18	0
Conditions of Sale	N/A	Similar	0	Similar	0	Similar	0	Similar	0	Similar	0
SF Size	2,000 SF	5,500 SF	+1	3,000 SF	+1	1,250 SF	0	5,000 SF	+1	2,000 SF	0
Location/Access	Good	Superior	-1	Inferior	+1	Inferior	+1	Inferior	+1	Inferior	+1
Zoning	W	W	0	W	0	RG	+2	IL	0	W	0
Utilities	All nearby	Similar	0	Inf.	+1	Similar	0	Similar	0	Similar	0
Overall Net Rating		Similar	0	Inferior	+3	Inferior	+3	Inferior	+2	Inferior	+1

\*Based on capitalized lease, \*\* Land allocation

**TABLE 4.3 - SALES RANKING**

Comparable	Sales Date	Price/SF	Ranking
Comp 1	05/13	\$20.00	Similar -0
<b>Subject</b>	12/17	Solve	Similar
Comp 5	1/18	\$16.00	Inferior +1
Comp 4	04/15	\$14.40	Inferior +2
Comp 2	04/16	\$13.00	Inferior +3
Comp 3	04/15	\$12.65	Inferior+3

All of the comparables indicate a range between \$12.65/SF and \$20.00/SF with transaction dates ranging from 2013 – 2018. Comparable 1 is ranked similar but is the oldest transaction used. Comparable 5 is located immediately adjacent to the subject but inferior in location, being away from the seawalk and further out the breakwater. After ranking, the subject value is felt to fall above \$16/SF and close to \$20/SF. Considering that Comp 5 is the most recent transaction and is immediately adjacent, it is given considerable weight although it is ranked slightly inferior.

# ATTACHMENT A

In consideration of the data analyzed above, a unit value of \$19.00/SF is felt to be most substantiated. The land valuation, with an effective date of December 28, 2017 can be summarized as follows:

**Land Value 2,000 SF @ \$19.00/SF = \$38,000**

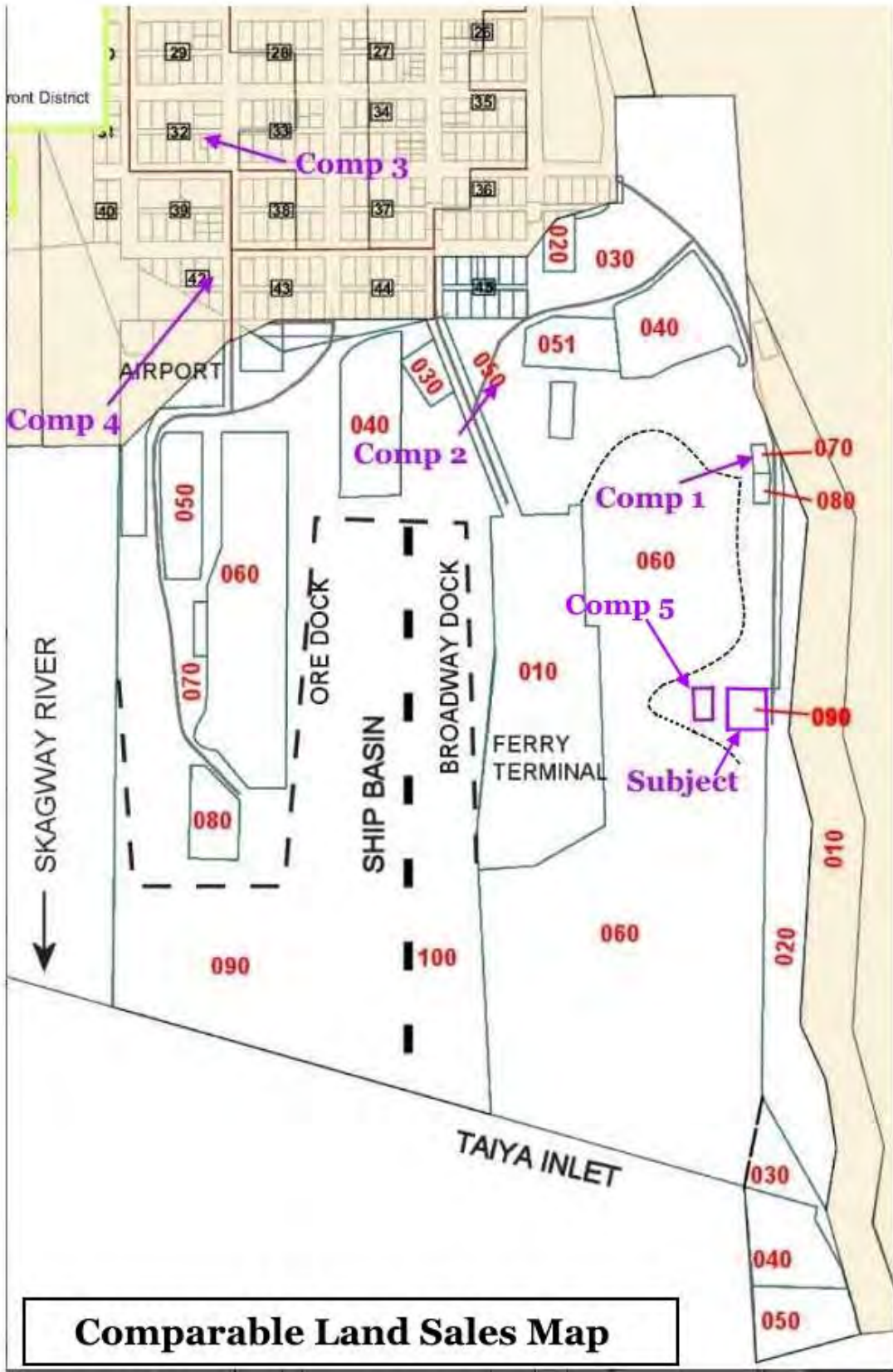
#### **4.3 CONTRIBUTORY VALUE OF IMPROVEMENTS AND SUMMARY**

Improvements consist of a simple frame structure of approximately 522 SF under a larger (approximately 850 SF) tri-gabled pergola structure providing shade and protection for tourists awaiting tickets. Estimated actual costs from the 2012 construction of \$46,300 would indicate \$53,800 in today's funds. That indicates \$103.06/SF. (\$53,800/522) I have considered the Marshall's Valuation manual for low cost visitor centers indicates a SF price of \$109/SF. This is relatively similar to the actual costs estimated. The appraiser will use the actual SF costs of \$103/SF. Depreciation for these types of buildings is extracted from the market at 2% per year or in this case 108% for the five year old facility. The as-is building value based on the Cost Approach can be summarized as follows:

<b>522 SF @ \$103/SF =</b>	<b>\$53,766</b>
<b>Less 10% Dep.</b>	<b><u>\$ 5,377</u></b>
<b>Depreciated Bldg.</b>	<b>\$48,389</b>
<b>Add Land</b>	<b><u>\$38,000</u></b>
<b>Total Value Per Cost</b>	<b>\$86,389</b>

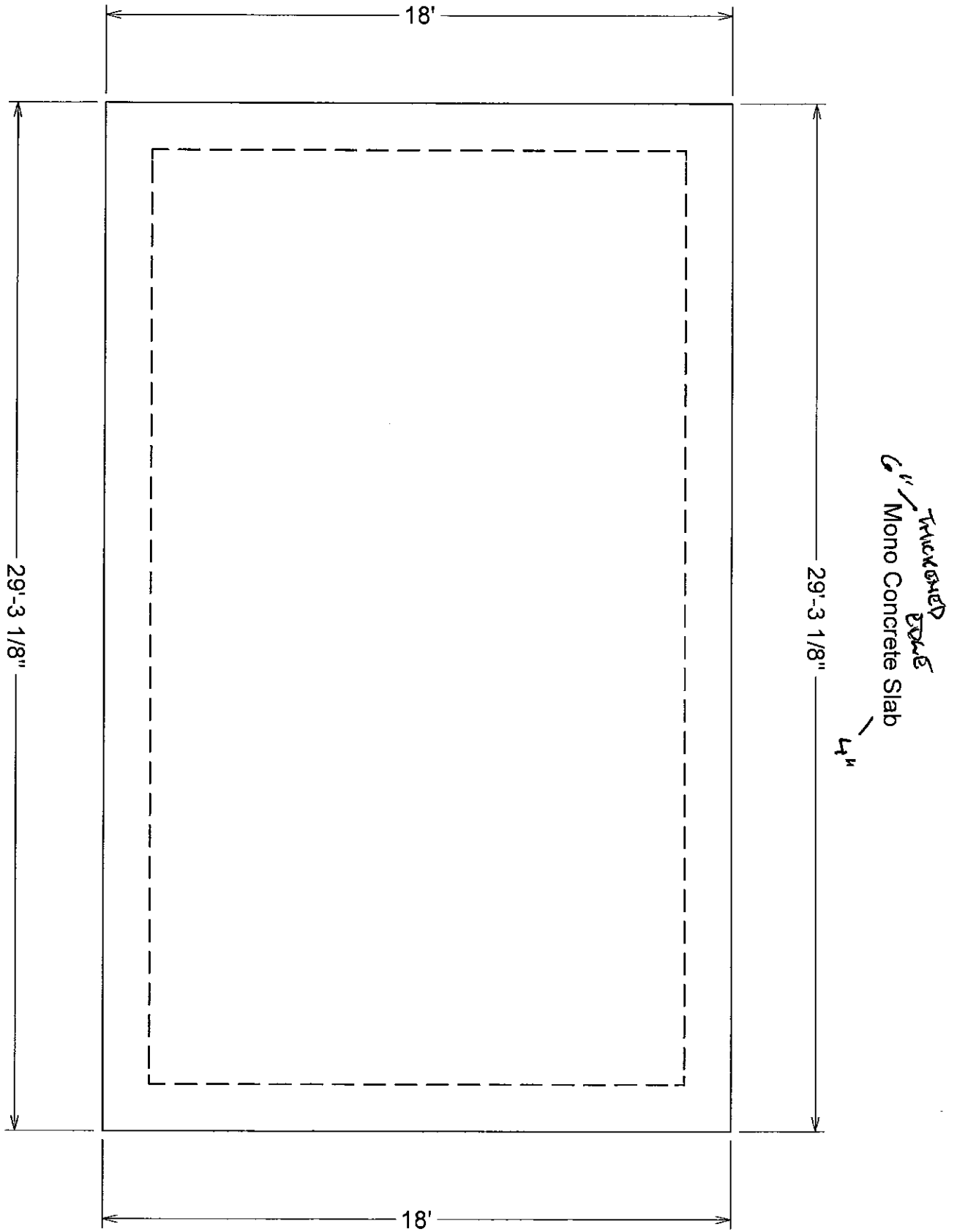
# ADDENDA

# ATTACHMENT A



**Comparable Land Sales Map**

# ATTACHMENT A



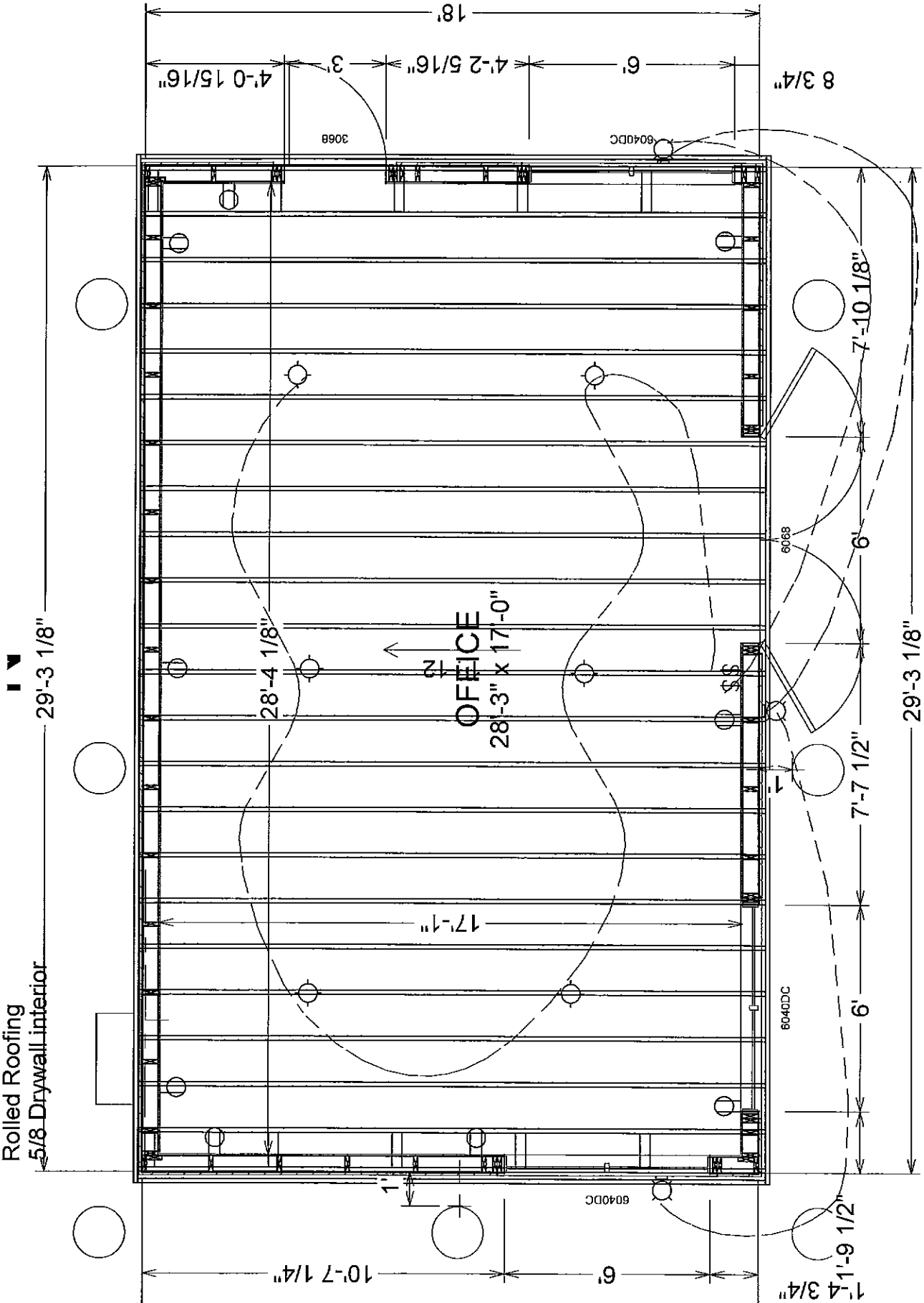


# ATTACHMENT A

NO.	DESCRIPTION	BY	DATE

PROJECT DESCRIPTION: M&M TOURS Bldg	SHEET TITLE: 	DRAWINGS PROVIDED BY: 	DATE: 3/21/2012	SCALE: 	SHEET: A-1
--	------------------	---------------------------	--------------------	------------	---------------

- Mono Slab Foundation
- Walls 2x6 16" OC
- Rafters 2x10 16"OC
- Roof Pitch 1:12
- Rolled Roofing
- 5/8 Drywall interior

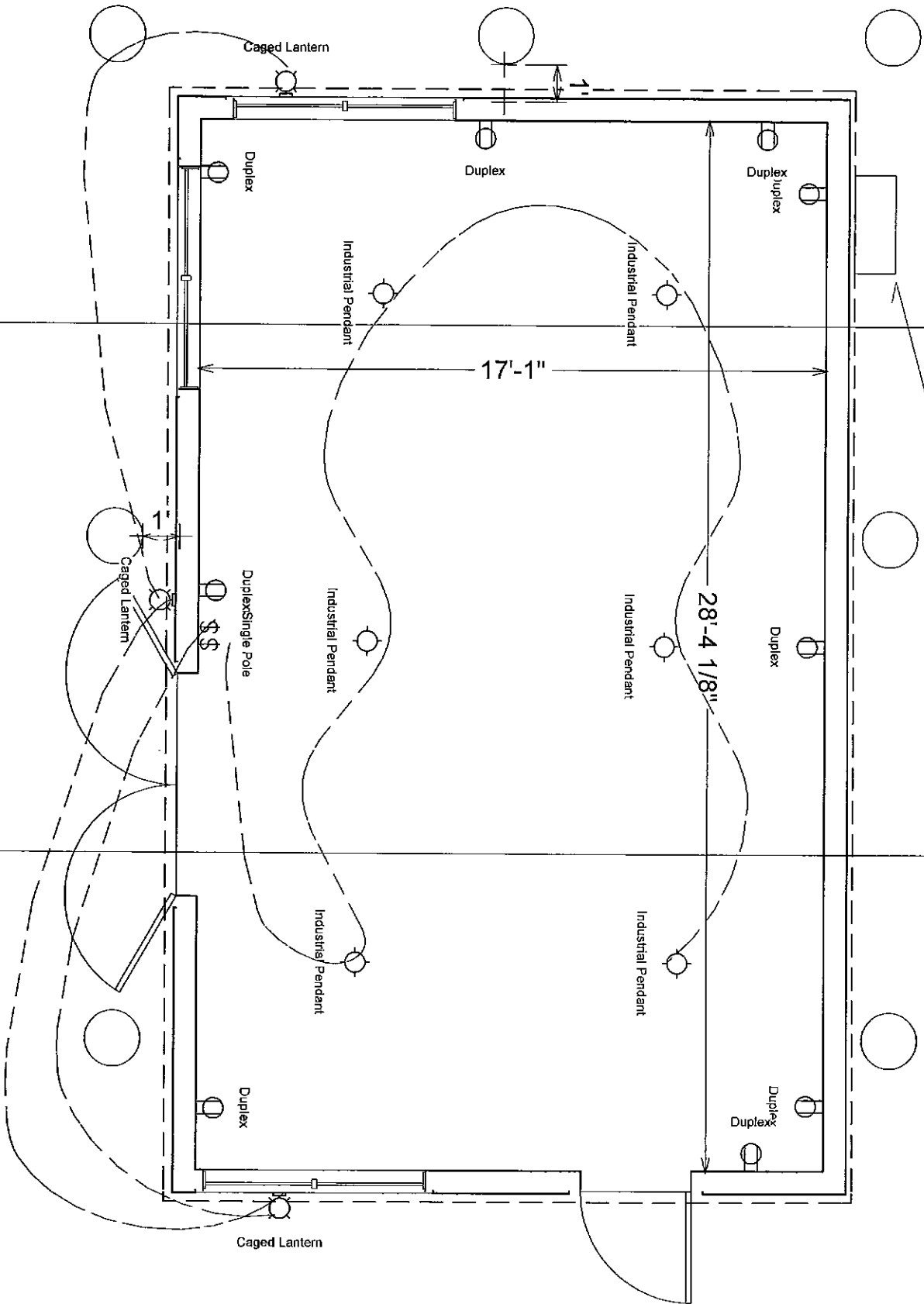


# ATTACHMENT A

100 amp service  
 Convenience Outlets  
 Indoor lights in series (6)  
 Outdoor lights in series (3)

Electric Service from existing underground conduit

1st Floor



SHEET: <b>A-3</b>	DATE: 3/21/2012	DRAWINGS PROVIDED BY:	PROJECT DESCRIPTION: <b>M&amp;M Tour Bldg</b>	SHEET TITLE:	NO.	DESCRIPTION	BY	DATE
	SCALE:	AMENDMENT #2	BETWEEN M & M TOURS INC. AND THE MUNICIPALITY OF SKAGWAY					

# ATTACHMENT A

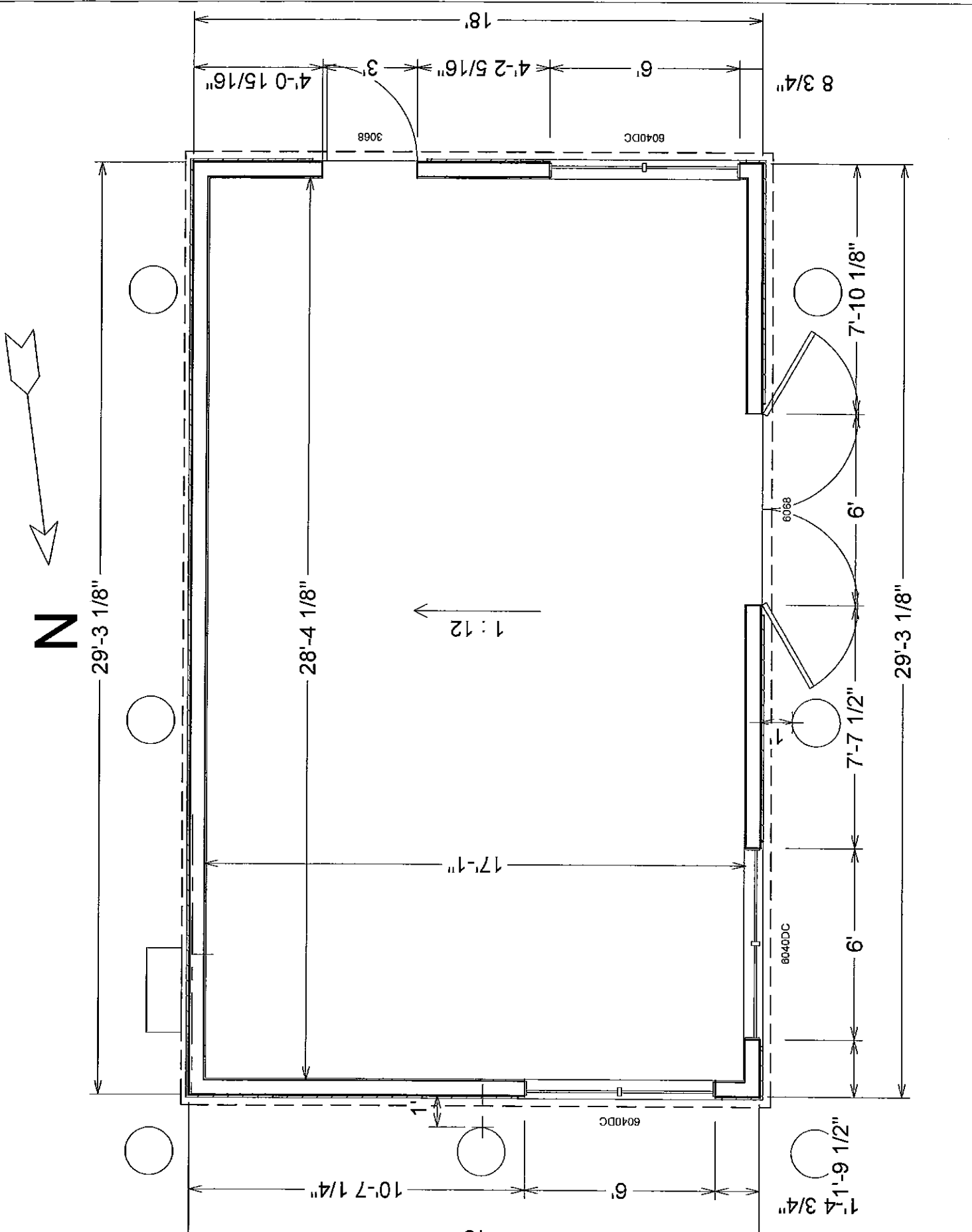
NO.	DESCRIPTION	BY	DATE

SHEET TITLE:  
PROJECT DESCRIPTION:  
DRAWINGS PROVIDED BY:

M&M TOUR BIDDING  
ATTACHMENT A

DATE: 3/21/2012  
SCALE:  
SHEET: A-5

DATE: 3/21/2012  
SCALE:  
SHEET: A-5



# ATTACHMENT A

NO.	DESCRIPTION	BY	DATE

SHEET TITLE: \_\_\_\_\_

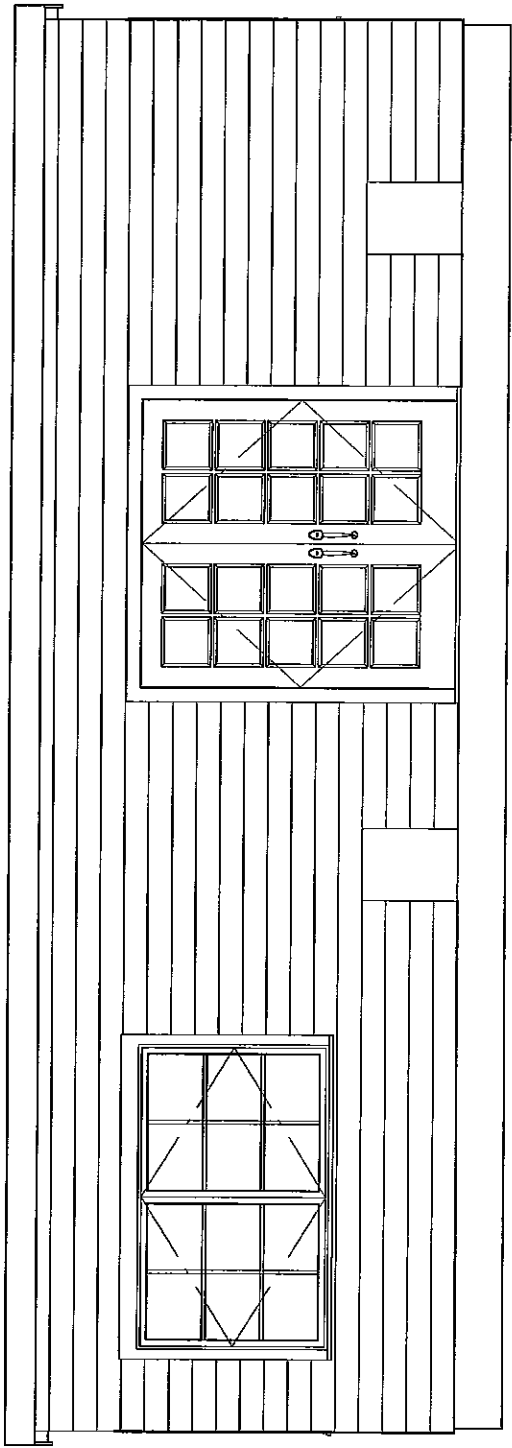
PROJECT DESCRIPTION: \_\_\_\_\_

DRAWINGS PROVIDED BY: \_\_\_\_\_

DATE: 3/21/2012

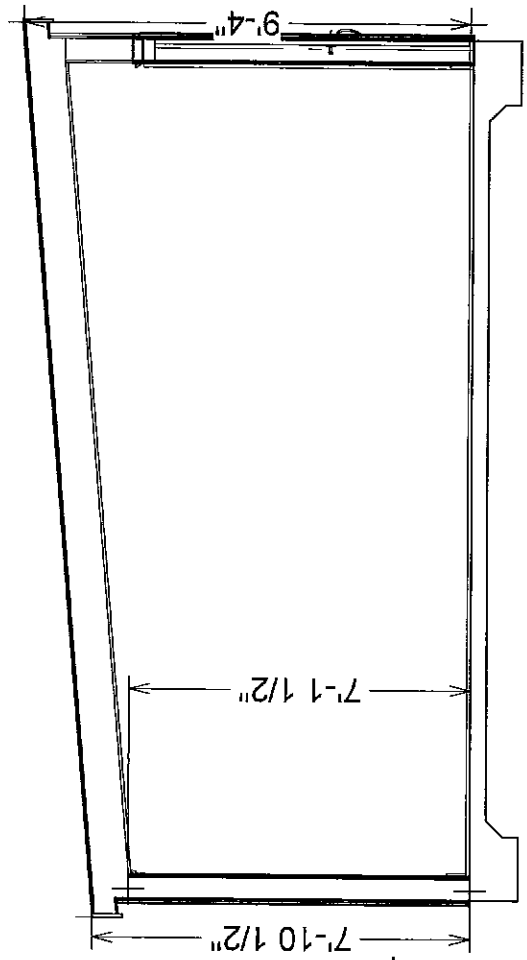
SCALE: \_\_\_\_\_

SHEET: A-2



Cross Section 6

- Wood T&G Siding
- 1/2" Wall Siding
- 5/8" T&G Roof Sheeting
- Rolled Roofing
- R21 Insulation



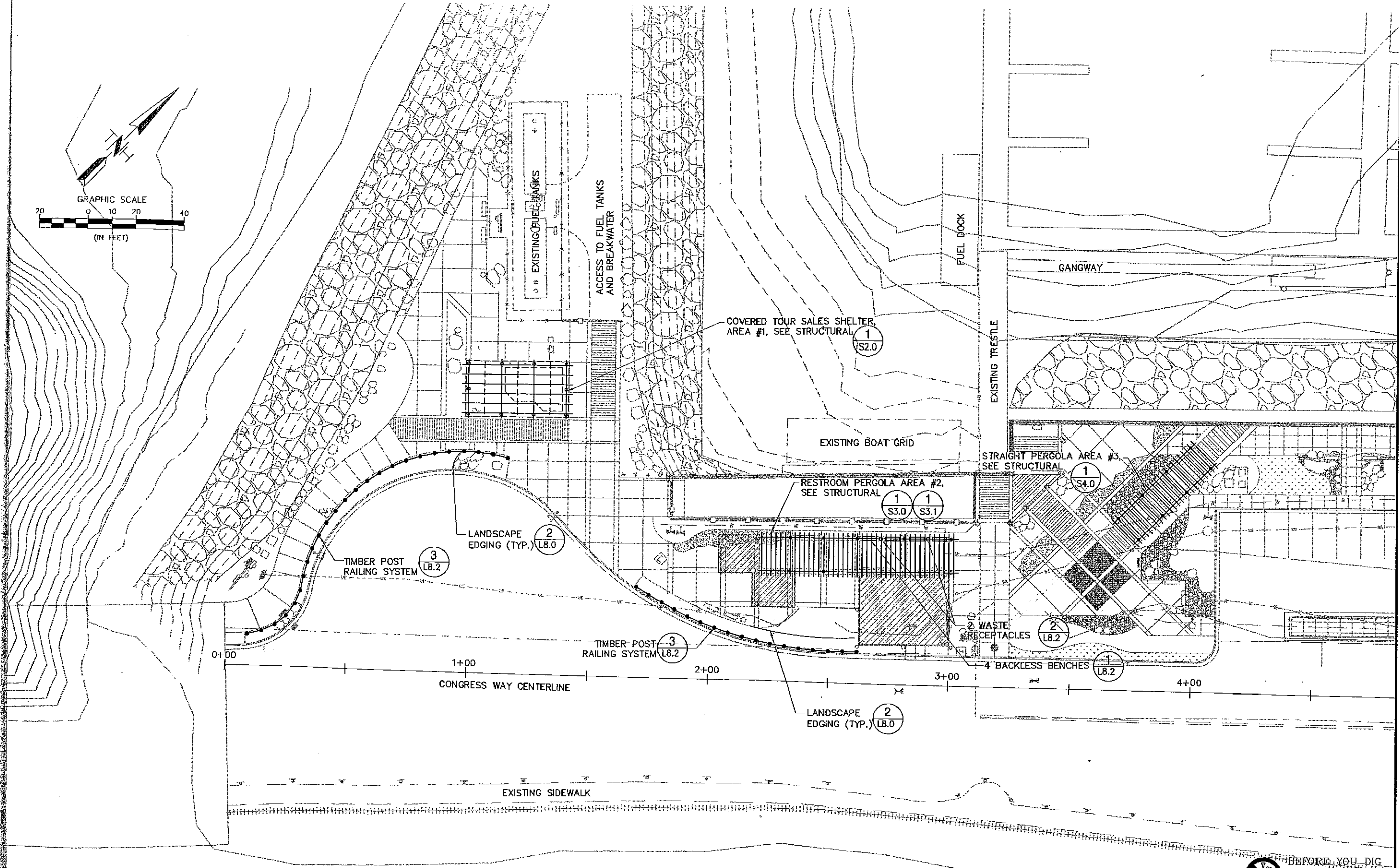
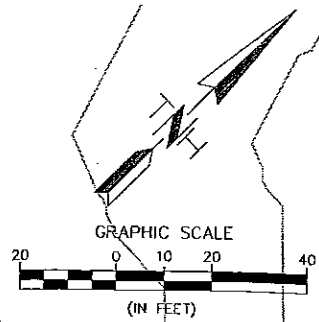
Cross Section 5

- Concrete slab 4" with mesh
- Double Strand 1/2" rebar footer
- 8" x 12"

# ATTACHMENT A

## NOTES:

1. SEE LANDSCAPE SHEETS FOR CONSTRUCTION DETAILS OF PLANTING AREA PLANS.



**TRYCK NYMAN HAYES, INC.**  
 ENGINEERING/SURVEYING  
 & LANDSCAPE ARCHITECTURE  
 917 W. 8TH AVENUE, SUITE 300  
 ANCHORAGE, AK 99501  
 TEL: (907) 278-6643 • FAX: (907) 278-7878

NOTES / REVISIONS

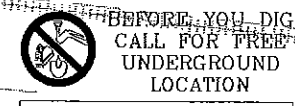
MATCHLINE SEE SHEET C31

MUNICIPALITY OF SKAGWAY

SEAWALK AND UPLANDS PHASE V

SKAGWAY, ALASKA  
 SITE PLAN (1 OF 3)

PROJECT No:	02219.005
DATE:	07/31/08
DESIGNED BY:	
DRAWN BY:	
CHECKED BY:	MW
CAD DWG FILE:	02219.005_C3.0_C3.1_C
SHEET:	



Locote Call Center of Alaska  
 Anchorage Area.....278-3121  
 Sitka Area.....907-478-3121  
 who will notify subsurface utilities only.  
 Other utilities need to be contacted individually.



# ATTACHMENT A

## NOTES:

1. ALL GUTTERS REQUIRE DOWNSPOUTS. ALLOW FOR SITE DRAINAGE
2. ALL METAL ROOFS REQUIRE SNOW GUARDS.



**TRYCK NYMAN HAYES, INC.**  
 ENGINEERING/SURVEYING  
 & LANDSCAPE ARCHITECTURE  
 911 W. 8TH AVENUE, SUITE 300  
 ANCHORAGE, AK 99501  
 TEL: (907) 279-8543 • FAX: (907) 279-7378

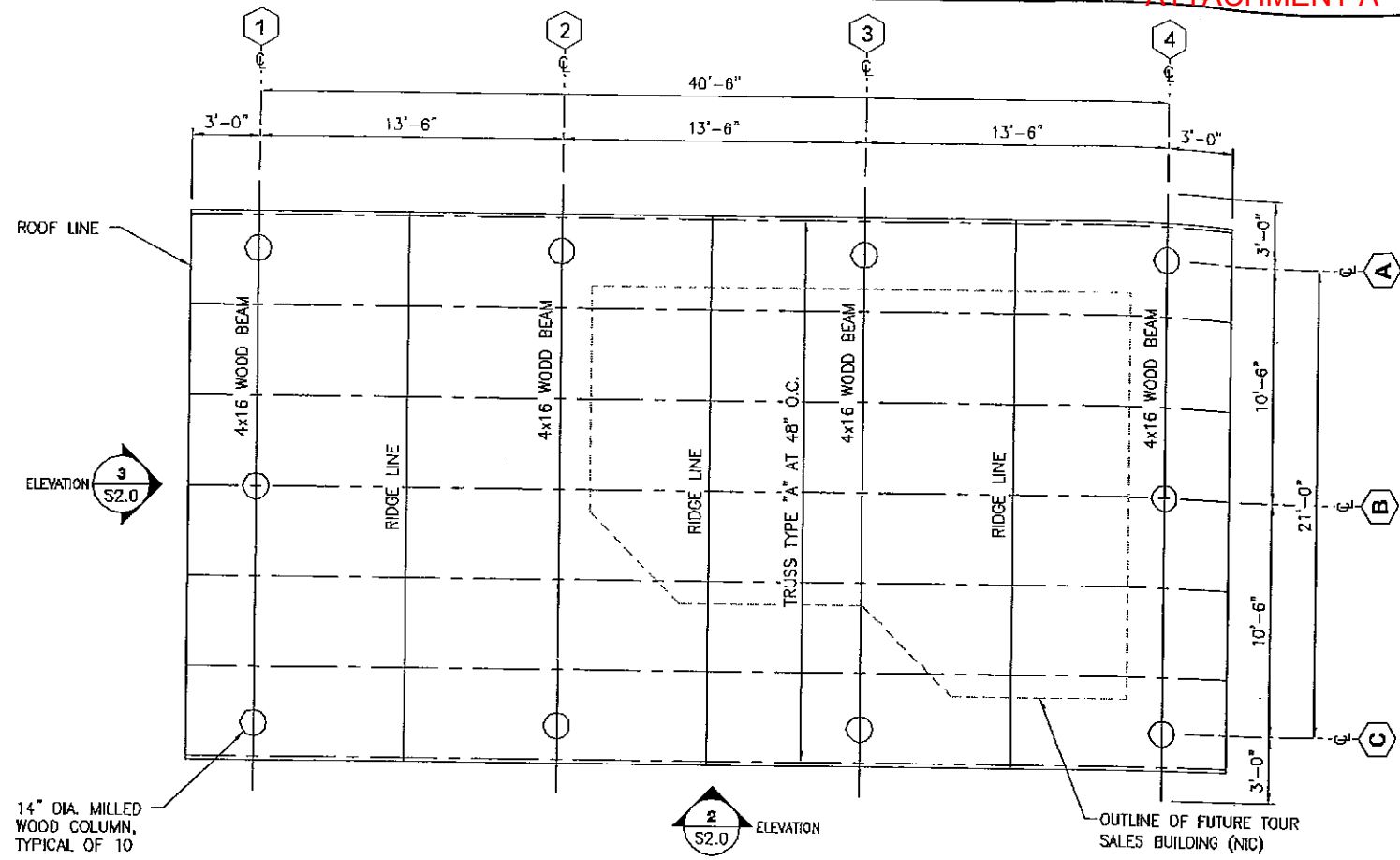
**SIMPSON ASSOCIATES, INC.**  
 ARCHITECTS  
 1000 UNIVERSITY AVENUE, SUITE 100  
 ANCHORAGE, ALASKA 99501  
 TEL: (907) 279-8543 • FAX: (907) 279-7378

NOTES / REVISIONS

MUNICIPALITY OF SKAGWAY  
**SEAWALK AND UPLANDS PHASE V**  
 SKAGWAY, ALASKA  
 TOUR SALES SHELTER ROOF PLANS & ELEVATIONS  
 AREA #1

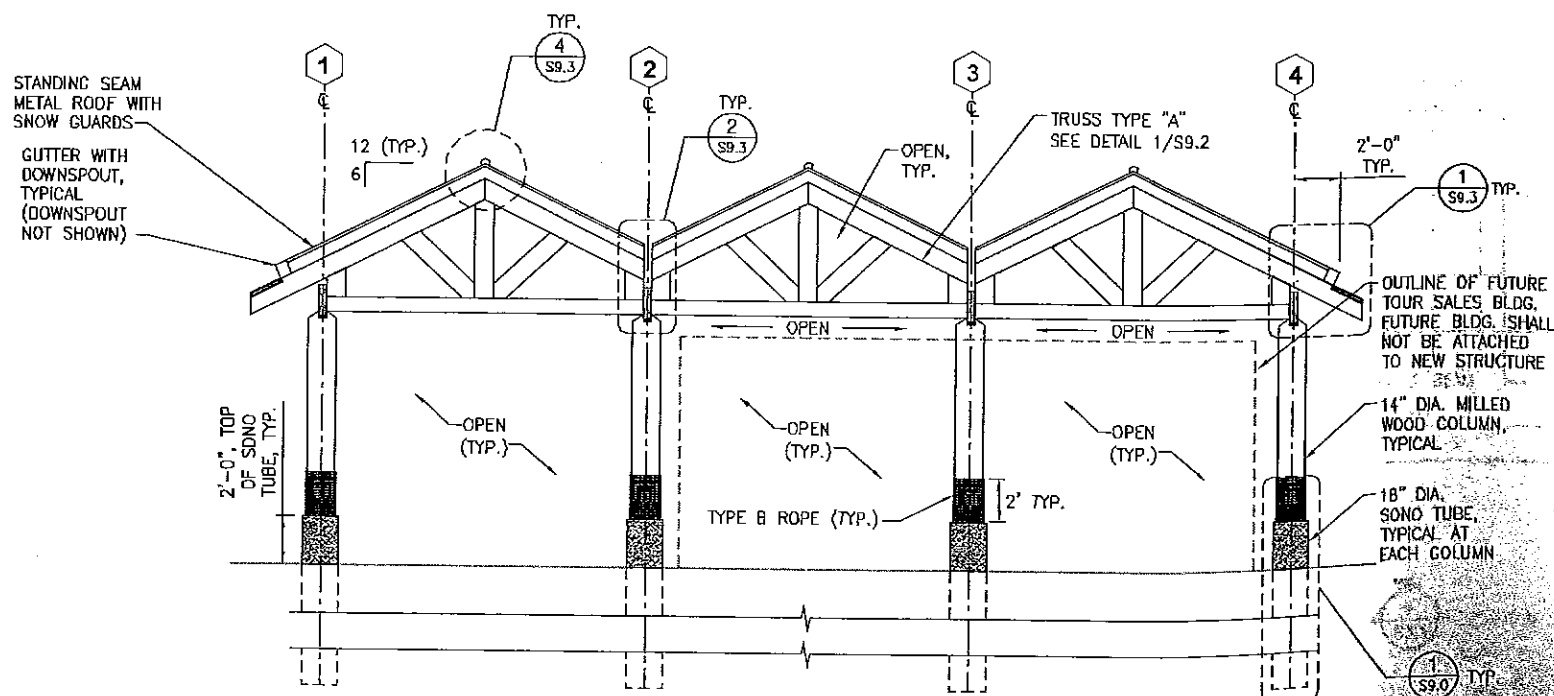
PROJECT No: 02219.005  
 DATE: 07/31/08  
 DESIGNED: MAS  
 DRAWN BY: TNH  
 CHECKED BY: PBW  
 CAD DWG FILE: 02219.005\_S2.0.dwg

Page 27 of 32  
**S2.0**

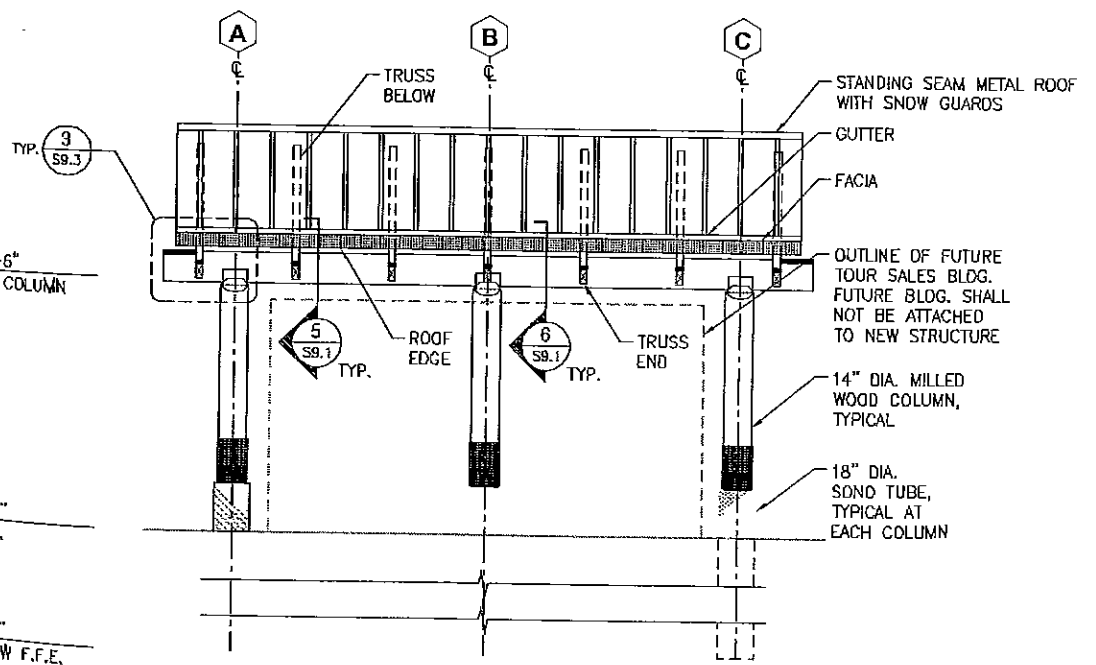


**AREA #1 SHELTER**  
 NOTE:  
 VERIFY WITH SITE FOOTPRINT FOR COLUMN SPACING AND OVERALL DIMENSION.

**1**  
 TOUR SALES SHELTER  
 ROOF PLAN - AREA #1  
 SCALE: 1/4"=1'-0"



**2**  
 TOUR SALES SHELTER  
 FRONT ELEVATION - AREA #1  
 SCALE: 1/4"=1'-0"



**3**  
 TOUR SALES SHELTER  
 SIDE ELEVATION - AREA #1  
 SCALE: 1/4"=1'-0"

AMENDMENT #2 BETWEEN M & M TOURS, INC. AND THE MUNICIPALITY OF SKAGWAY

PLOTTED: 7/30/2008 3:30PM DRAWING PATH: M:\02219.005 Skagway Seawalk Phase III & Uplands Drawings\01 Working Drawings\Structural

# ATTACHMENT A

ATTACHMENT A  
Tour Broker Agreement

## SECTION ONE: GENERAL CONDITIONS

- A. M&M Brokerage, Inc., hereinafter referred to as Contractor, shall provide assistance to the visitor industry by providing a tour brokerage system for all tour products offered in the City of Skagway. The City will supply the municipal property located near the end of the White Pass Dock, subject to the conditions set out below and only so long as Contractor is not in breach of this Agreement. The Contractor will be required to offer all tour products to visitors, including but not limited to bike, helicopter, horse, bus/van, etc., offered by interested companies. The contract is based on the conditions stated below and the Contractor's proposal that was submitted to and accepted by the City of Skagway. The Contractor must adhere to the following conditions:
- i) Contractor must offer tour products of all interested tour companies to the public, including, but not limited to, bike, helicopter, horse, bus/van, etc.
  - ii) Contractor shall not charge more than a 20% commission rate to all tour vendors, regardless of tour.
  - iii) Contractor shall not show a preference to any particular tour company.
  - iv) Contractor shall not refuse to offer any interested company's tour product unless the following circumstances apply:
    - a) Tour operator lacks insurance.
    - b) The tour company does not provide the tour that has been advertised.
    - c) The tour company does not perform, has a lack of historical knowledge, or misses scheduled tours.
    - d) Vehicle conditions are poor and not up to Federal, State & Municipal standards. Contractor shall provide documentation to the City of Skagway for any tour company that has been denied service for any of the above conditions.
  - v) Interested companies that wish to use the brokerage system must sign a contract with the broker, which must be pre-approved by the City Manager and the Tourism Director. Copies of all signed contracts shall be provided to the City.
  - vi) All forms of outcry are prohibited and shall be considered a violation of the broker's contract.
  - vii) Contractor is responsible for collecting and submitting the appropriate sales tax for all tour products sold through the brokerage system, to the City of Skagway.
  - viii) Contractor shall not operate or have any interest in any tour product sold in the City of Skagway.
  - ix) Signage of buildings must be pre-approved by the City of Skagway and must be submitted through a sign permit as required by the City of Skagway.
  - x) Contractor is solely responsible for any decision Contractor makes to refuse to offer any tour product under sections (iv)(b-d) above, and Contractor shall defend and hold harmless the City of Skagway in any suit, action, or administrative proceeding brought by any company whose tour has been refused by Contractor.

## SECTION TWO: CONTRACT PERIOD & COMPENSATION

- A. The contract shall be for a 5-year term, but shall be evaluated on a yearly basis. The parties agree that the 12 months of the contract shall be construed as a probationary period. At least ninety (90) days before the end of the probationary period, the City of Skagway shall conduct a review of the Contractor's performance.
- B. Contractor will pay the City of Skagway 1% of gross annual revenue for M&M Brokerage. This shall be submitted to the City of Skagway on the first day of each month, beginning in June and ending in October for each year of the contract. The 1% payment shall be accompanied with a sales report of all gross revenue collected by the Contractor. The 1% payment shall be for the previous month, thus, the June payment shall be for gross revenue collected in May, and the October payment for September. Failure by the Contractor to remit payment to the City of Skagway for two successive months shall constitute a breach of this Agreement and the City of Skagway may terminate the Agreement at its option pursuant to Section Six.

# ATTACHMENT A

- C. Contractor is responsible for a yearly assessment of the Municipal land and building. The lease amount will be based on an appraisal of fair market value (see attached). The lease amount will be determined by multiplying:  
The appraised annual value of the land on a per square foot basis (\$17.50 per S.F.), by
- ❖ 2000 square feet, by
  - ❖ Eight percent (8%)
- The lease amount shall be \$2,800 (plus applicable taxes) – Two Thousand-Eight Hundred Dollars, annually. For the first year of the agreement, the lease amount shall be paid in two installments, the first being July 1, 2001 (\$1,400 plus tax – One Thousand-Four Hundred Dollars) the second September 1, 2001 (\$1,400 plus tax – One Thousand-Four Hundred Dollars). The subsequent 4-years of the agreement shall be paid on a monthly basis, May through September, with the payment being made by the first day of each month for \$560.00 plus tax (Five Hundred-Sixty Dollars).
- D. The annual rental payable pursuant to any lease shall be subject to adjustment on the third anniversary of the date of the original agreement (January 1, 2001), and at each three-year interval thereafter. The adjusted annual rent shall be computed at that percentage of the fair market value of the land as set by the lease, inclusive of any improvements thereon made by the city, but exclusive of any portion of value created by expenditures by Contractor, except that the value of any improvements credited against rentals shall be included in the value. Such fair market value shall be determined by an appraisal made by the city assessor and reviewed and approved by the council, whose decision is final. The new rental amount shall be effective at the beginning of the three-year interval to which it applies.
- E. Contractor shall not assign, sublet, sell, transfer or otherwise dispose of any interest in this Agreement without prior written approval of the City of Skagway. The contract agreement shall be binding upon and inure to the benefit of the contract parties, their successors and permitted assigns, but shall not inure to the benefit of any third party or other person. Neither this contract nor any amounts due or to become due hereunder shall be assigned, in whole or in part, without the prior written consent of the contracting officer.

## SECTION THREE: CITY'S RESPONSIBILITY

- A. City shall designate a person to act as the City's representative with respect to the services to be rendered under this agreement. This representative shall have complete authority to transmit instructions, receive information, interpret and define the City's policies and decisions with respect to the Contractor's services.
- B. The City will provide the Contractor with an enclosed structure on the White Pass Dock location. The structure shall be capable of being secured after regular business hours. The building shall have access to utilities (electrical and phone), which shall be paid by the Contractor. The size of the structure may be reevaluated after the first year.

## SECTION FOUR: CONTRACTOR'S RESPONSIBILITIES

- A. Contractor shall provide a representative who shall have complete authority to transmit instructions, receive information, interpret and define the Contractor's policies and decisions with respect to this agreement.
- B. Contractor shall provide equal opportunity employment.

## SECTION FIVE: INSURANCE AND INDEMNIFICATION

- A. Contractor agrees to defend, indemnify and hold harmless the City against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement, including any action or claims by any company offering any tour product.

# ATTACHMENT A

- B. Contractor shall provide general liability insurance at a minimum of \$500,000, which protects the Contractor from any in connection with the brokerage. The City shall be listed as an additional insured on this policy claims arising. Proof of such insurance shall be proved to the City as a condition of entering into this Agreement. Failure to maintain such insurance shall constitute a breach of this Agreement.
- C. Any tour company product offered by Contractor must secure general liability insurance at a minimum of \$500,000, listing the Contractor and the City of Skagway as an additional insured, agreeing to defend, indemnify, and hold harmless the City and the Contractor against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement. Proof of such insurance must be attached Contractors signed agreement, and a copy supplied to the City.

## SECTION SIX: TERMINATION AND SUSPENSION

The City of Skagway may, by written notice of default to the Contractor, terminate the whole or any part of this contract, including but not limited to the following circumstances:

- A. If the Contractor fails to perform the service within the time specified herein or any extension thereof, or
- B. If the Contractor fails to perform any of the other provisions of this contract, or so fails to make progress as to endanger performance of this contract in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of ten (10) days (or such longer period as the City of Skagway may authorize in writing) after receipt of notice from the City of Skagway specifying such failure.
- C. Except with respect to defaults of subcontractors, the contractor shall not be liable for any excess costs if failure to perform the Contract arises out of causes beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not restricted to the following: acts of God or of the public enemy, acts of the City of Skagway, fire, floods, epidemics, quarantine, restrictions, strikes, freight embargoes, and unusually severe weather conditions which render road conditions unsuitable for safe operation, provided, however, in every case the failure to perform is caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for any excess costs for failure to perform, unless the supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the Contractor to meet the required delivery schedule.
- D. If, after notice of termination of this contract under the provisions of this clause, it is determined for any reason that the Contractor was not in default or that the default was excusable under the provisions of this clause, the rights and obligations of the parties shall be those provided in the "Termination of Convenience" clause hereof. Failure to agree to any such adjustment shall be a dispute concerning a question of fact.
- E. The rights and remedies of the City of Skagway provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.
- F. The City of Skagway may, whenever the interest of the City of Skagway so require, terminate this contract in whole or in part, of the convenience of the City of Skagway. The City shall give written notice of the termination to the Contractor no less than ninety (90) days before the effective date of the termination specifying the part of the contract terminated and when termination becomes effective. In the event of such termination, the following provisions shall apply:
- G. The Contractor shall incur no further obligations in connection with the terminated work, and, on the date set in the notice of termination, the Contractor will stop working the extent specified. The Contractor shall also terminate outstanding orders and subcontracts as they relate to the terminated work. The contractor shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated work. The City of Skagway may direct the Contractor to assign the Contractor's right, title, and interest under terminated orders or subcontracts to the City of Skagway. The contractor must still complete the

Tour Broker Agreement  
M&M Brokerage, Inc.

iii







# ATTACHMENT A

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## QUALIFICATIONS OF WILLIAM G. FERGUSON

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**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

# ATTACHMENT A

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  
Using Spreadsheet Programs in Real Estate Appraisals – The Basics, December, 2017 Online

## **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

Rev. 12/17

**ATTACHMENT A**  
**SUBJECT PHOTOGRAPHS**



**PHOTO 1 – Subject exterior site showing sales office looking in a southern direction.(091922 (569)).**



**PHOTO 2 – Subject exterior looking in a northerly direction. (091922 (570))**



**ATTACHMENT A**  
**SUBJECT PHOTOGRAPHS**



**PHOTO 3 – Interior subject looking south. (092022 (14)).**



**PHOTO 4 – Interior subject looking north. (092022 (15)).**

**ATTACHMENT A**  
**SUBJECT PHOTOGRAPHS**



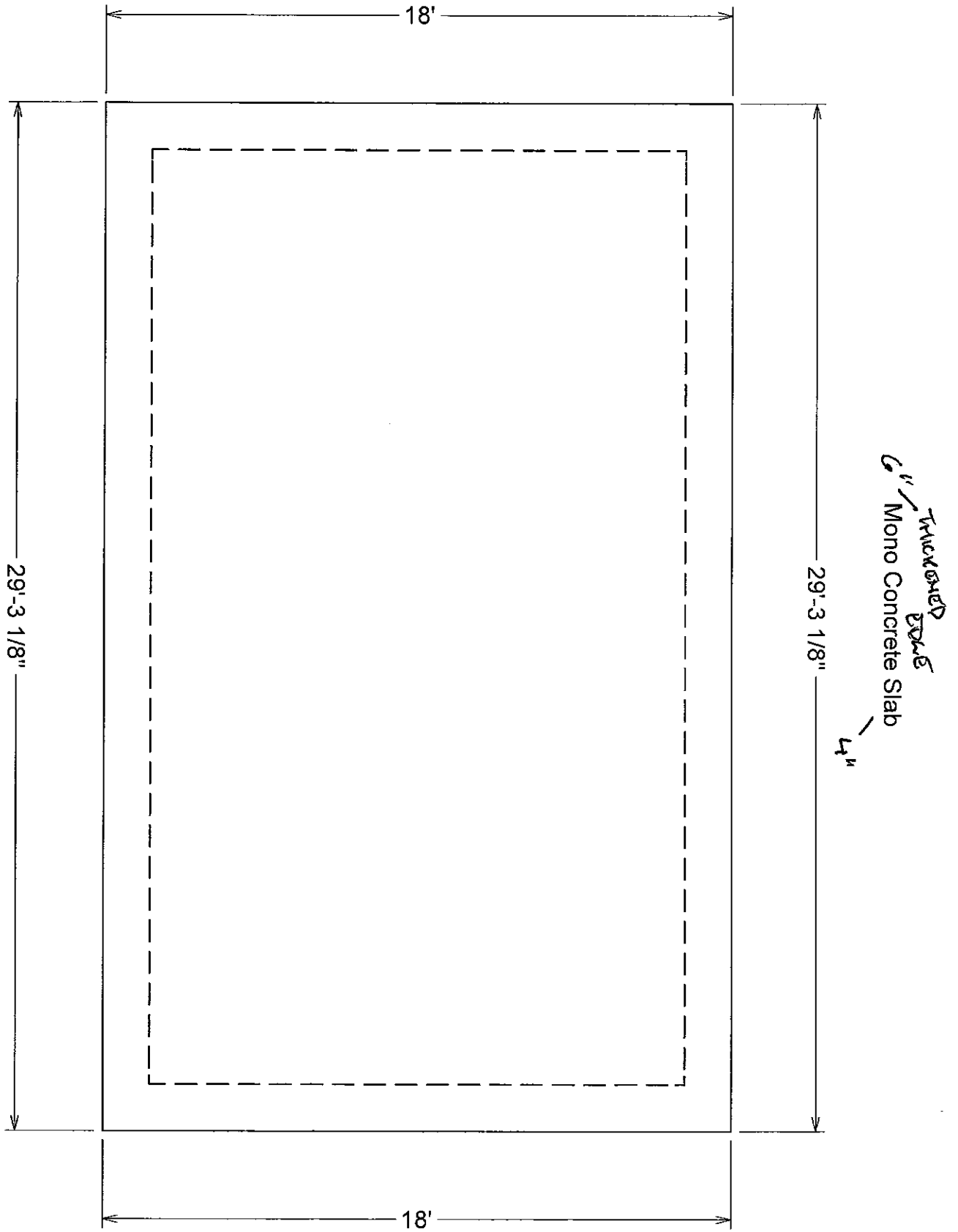
**PHOTO 5 – View looking east from subject across Congress Way at hill. (092022 (17)).**



**PHOTO 6 – Looking in a southeasterly direction down the Railroad Dock, subject photo right. Note hill photo left side of recent slide. (092022 (18)).**



ATTACHMENT A



A-4

SHEET:

SCALE:

DATE: 3/21/2012

DRAWINGS PROVIDED BY:

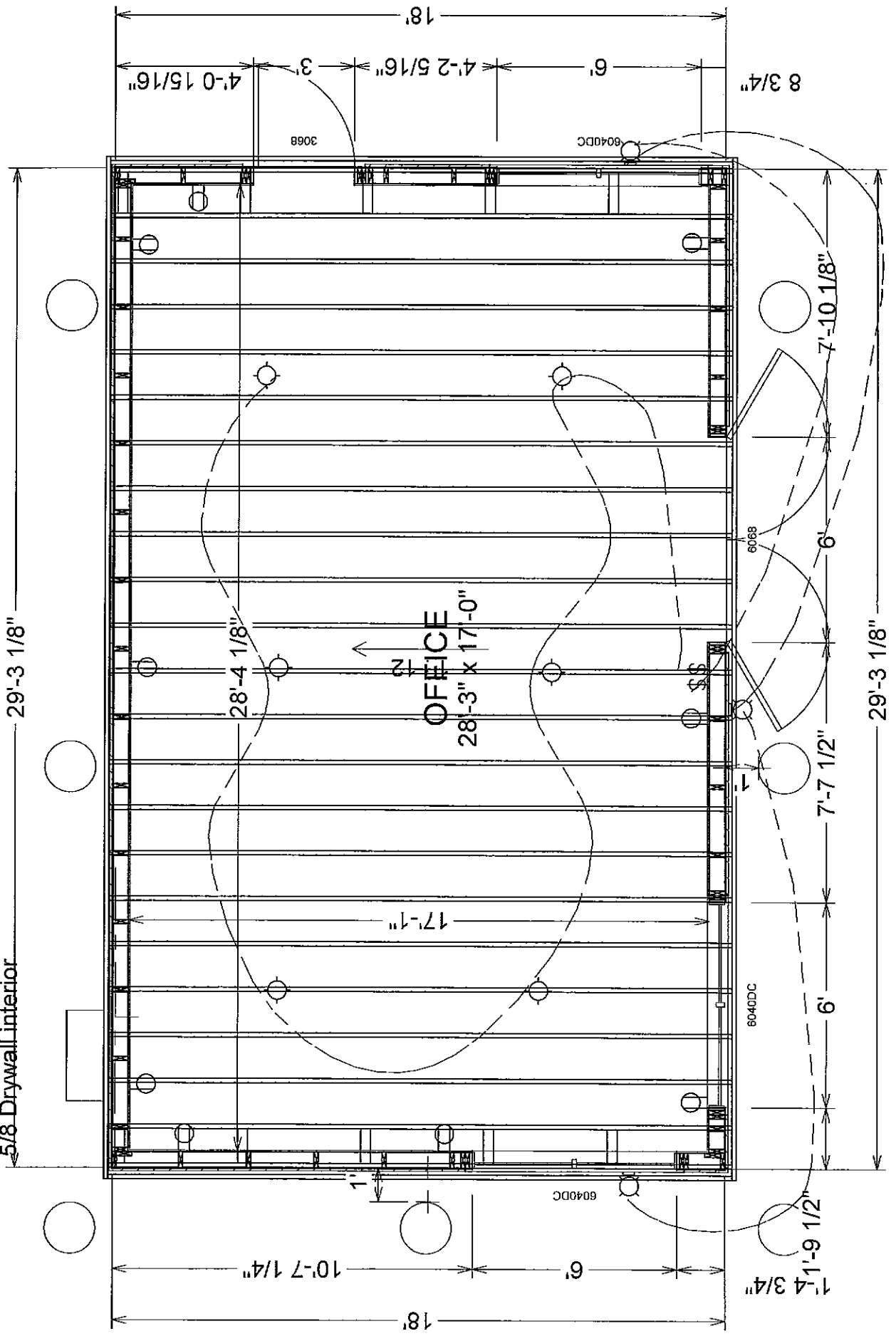
PROJECT DESCRIPTION:

M&M Tour Bldg

SHEET TITLE:

NO.	DESCRIPTION	BY	DATE

Mono Slab Foundation  
Walls 2x6 16" OC  
Rafters 2x10 16"OC  
Roof Pitch 1:12  
Rolled Roofing  
5/8 Drywall interior

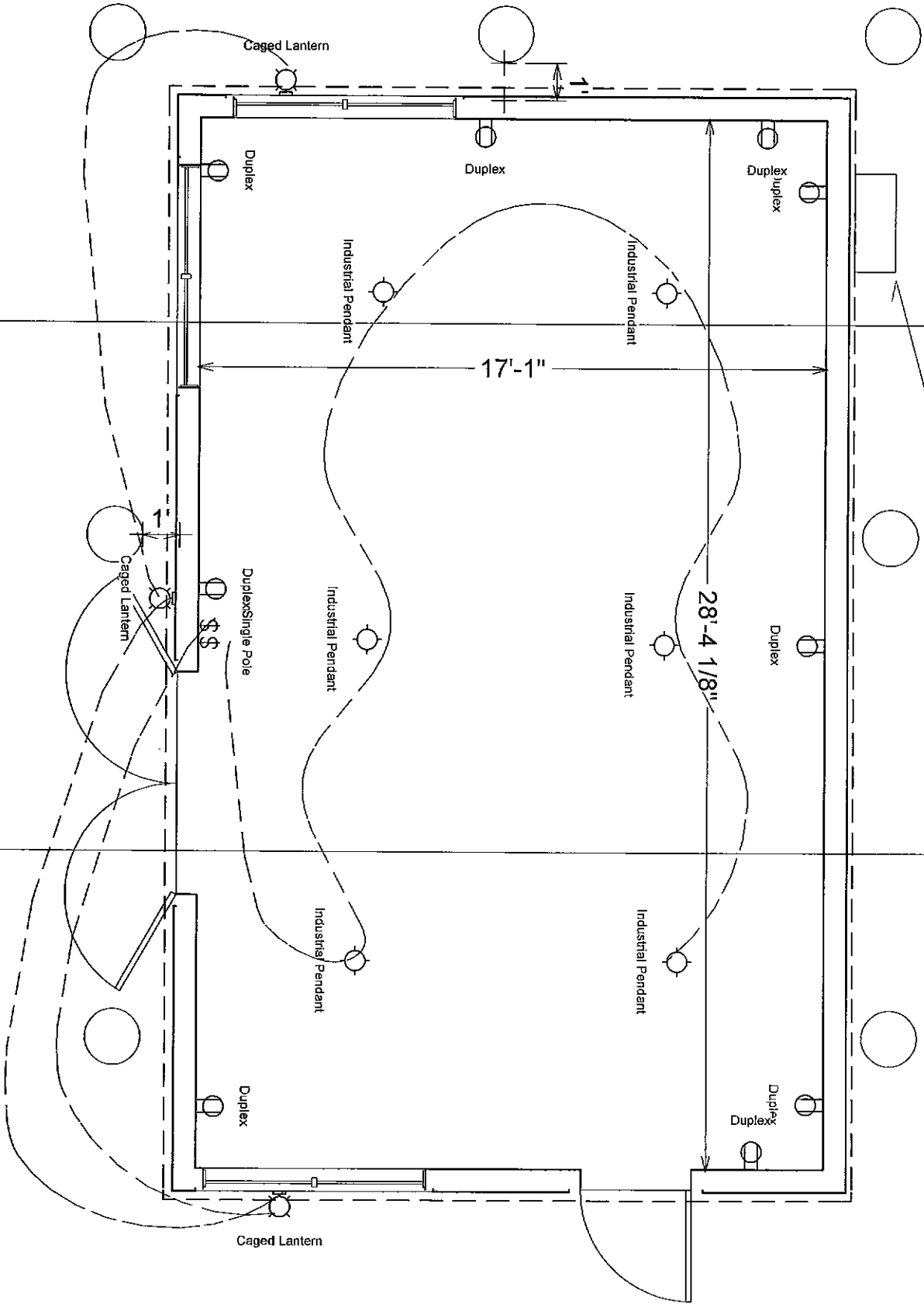


ATTACHMENT A

100 amp service  
 Convenience Outlets  
 Indoor lights in series (6)  
 Outdoor lights in series (3)

Electric Service from existing underground conduit

1st Floor



DRAWINGS PROVIDED BY:	PROJECT DESCRIPTION: <b>M&amp;M Tour Bldg</b>	SHEET TITLE:	NO. DESCRIPTION BY DATE		
DATE: 3/21/2012	SCALE:	SHEET: <b>A-3</b>			

M&M TOUR BIDD

ATTACHMENT A

SHEET TITLE:

PROJECT DESCRIPTION:

DRAWINGS PROVIDED BY:

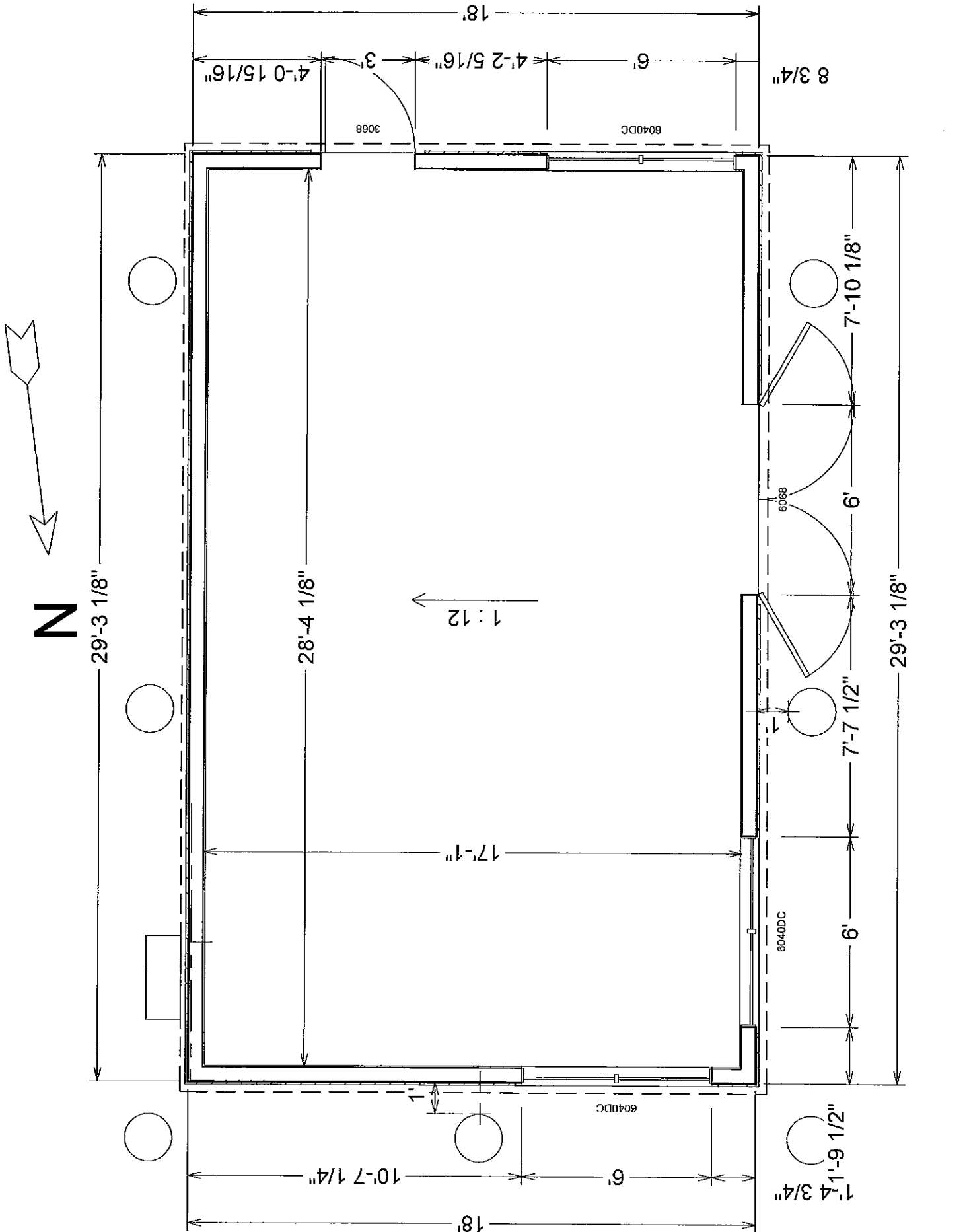
DATE:  
3/21/2012

SCALE:

SHEET:

A-5

NO.	DESCRIPTION	BY	DATE



NO.	DESCRIPTION	BY	DATE

SHEET TITLE:

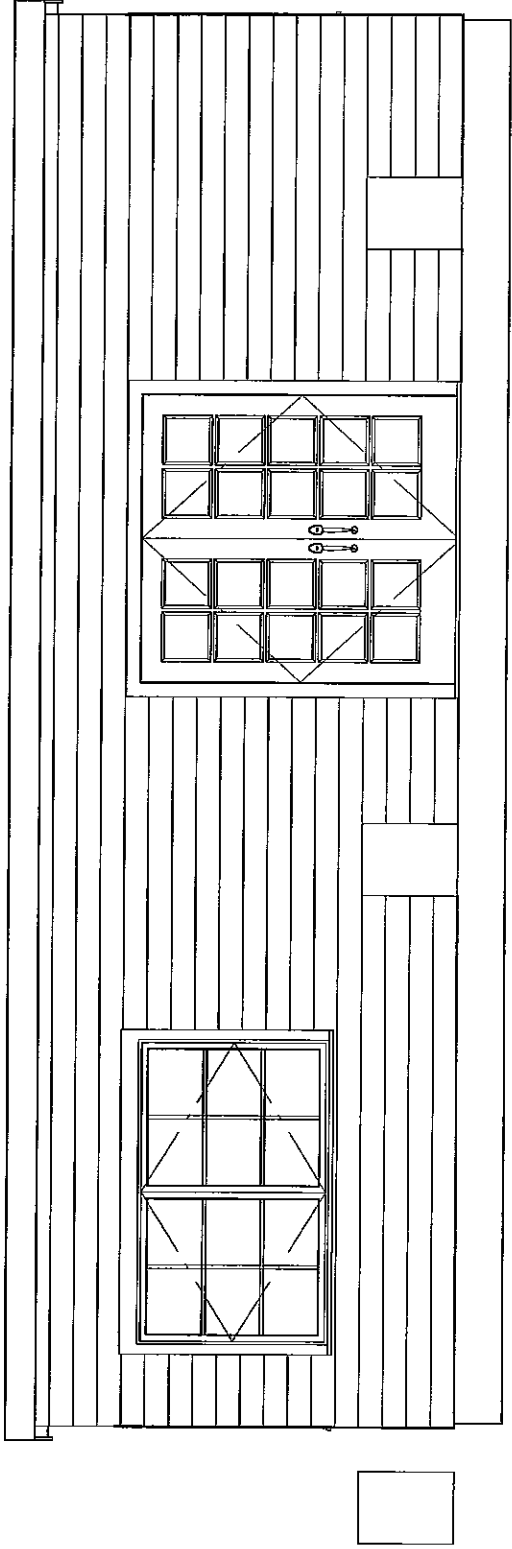
PROJECT DESCRIPTION:  
**M&M Tour Bldg**  
 ATTACHMENT A

DRAWINGS PROVIDED BY:

DATE:  
 3/21/2012

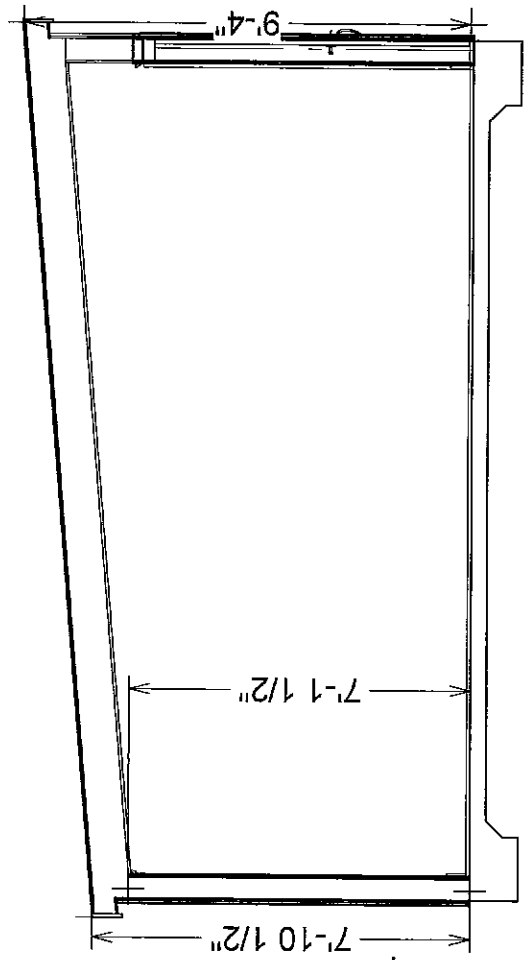
SCALE:

SHEET:  
**A-2**



Wood T&G Siding  
 1/2" Wall Siding  
 5/8" T&G Roof  
 Sheeting  
 Rolled Roofing  
 R21 Insulation

Cross Section 6



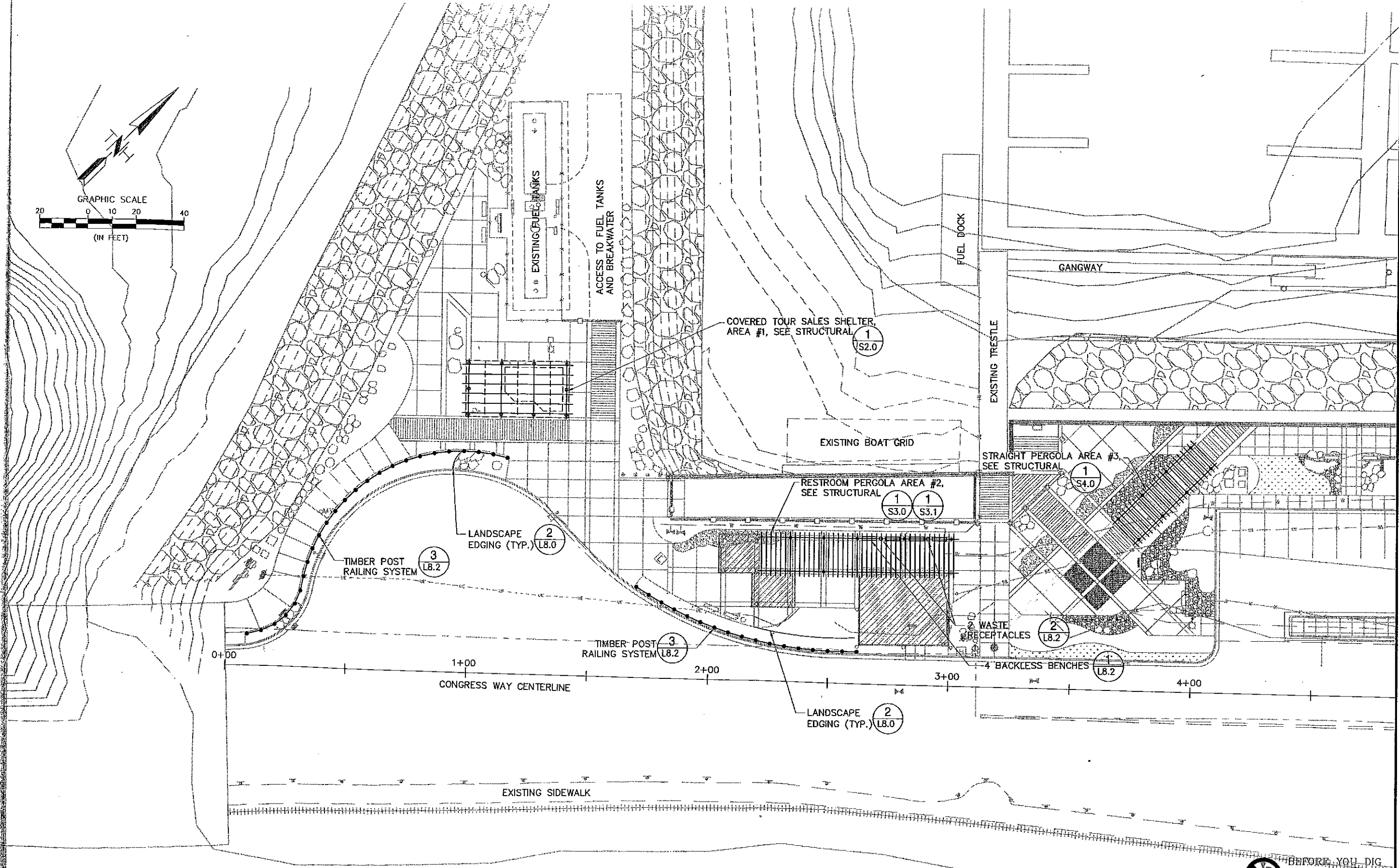
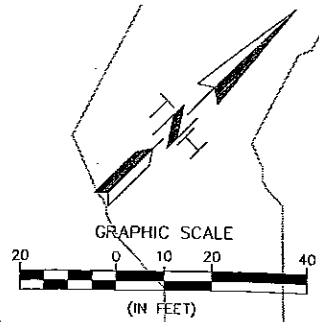
Concrete slab 4" with mesh  
 Double Strand 1/2" rebar footer  
 8"x12"

Cross Section 5



**NOTES:**

1. SEE LANDSCAPE SHEETS FOR CONSTRUCTION DETAILS OF PLANTING AREA PLANS.



**TRYCK NYMAN HAYES, INC.**  
 ENGINEERING/SURVEYING  
 & LANDSCAPE ARCHITECTURE  
 917 W. 8TH AVENUE, SUITE 300  
 ANCHORAGE, AK 99501  
 TEL: (907) 279-6643 • FAX: (907) 278-7878

NOTES / REVISIONS

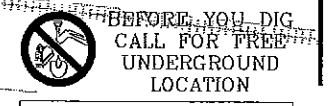
MATCHLINE SEE SHEET C3.1

MUNICIPALITY OF SKAGWAY

**SEAWALK AND UPLANDS PHASE V**

SKAGWAY, ALASKA  
 SITE PLAN (1 OF 3)

PROJECT No:	02219.005
DATE:	07/31/08
DESIGNED BY:	
DRAWN BY:	
CHECKED BY:	MW
CAD DWG FILE:	02219.005_C3.0_C3.1_C
SHEET:	C3.0



Locote Call Center of Alaska  
 Anchorage Area.....278-3121  
 Sitka Area.....326-478-3121  
 who will notify subsurface utilities only.  
 Other utilities need to be contacted individually.

**NOTES:**

1. ALL GUTTERS REQUIRE DOWNSPOUTS. ALLOW FOR SITE DRAINAGE
2. ALL METAL ROOFS REQUIRE SNOW GUARDS.



**TRYCK NYMAN HAYES, INC.**  
 ENGINEERING/SURVEYING  
 & LANDSCAPE ARCHITECTURE  
 911 W. 8TH AVENUE, SUITE 300  
 ANCHORAGE, AK 99501  
 TEL: (907) 279-8543 • FAX: (907) 279-7378

**SIMPSON ASSOCIATES, INC.**  
 ARCHITECTURAL DESIGN  
 1000 UNIVERSITY DRIVE, SUITE 100  
 ANCHORAGE, ALASKA 99501  
 TEL: (907) 279-8543 • FAX: (907) 279-7378

NOTES / REVISIONS

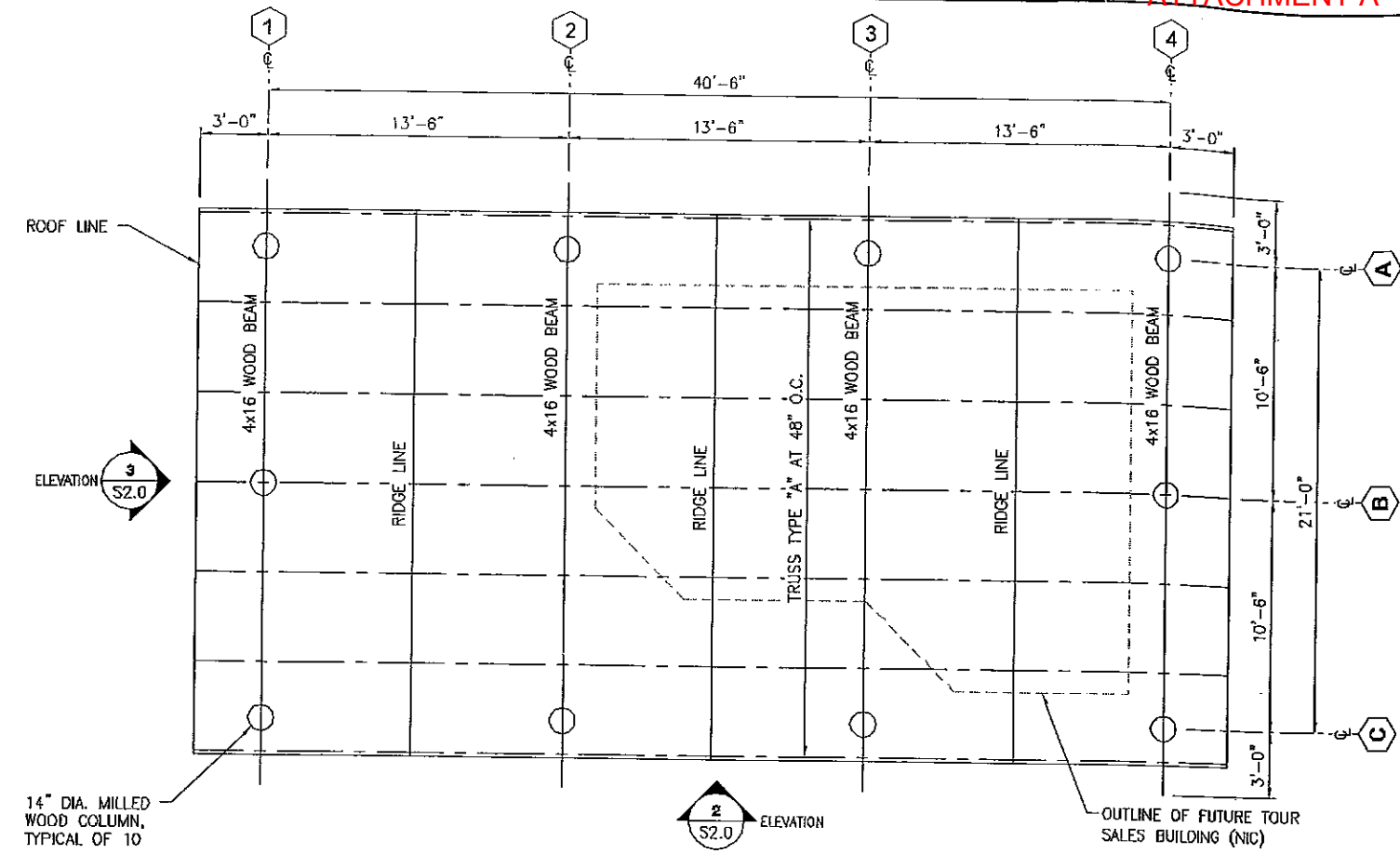
MUNICIPALITY OF SKAGWAY  
**SEAWALK AND UPLANDS PHASE V**  
 SKAGWAY, ALASKA  
 TOUR SALES SHELTER ROOF PLANS & ELEVATIONS  
 AREA #1

PROJECT No: 02219.005  
 DATE: 07/31/08  
 DESIGNED: MAS  
 DRAWN BY: TNH  
 CHECKED BY: PBW  
 CAD DWG FILE: 02219.005\_S2.0.dwg  
 SHEET:

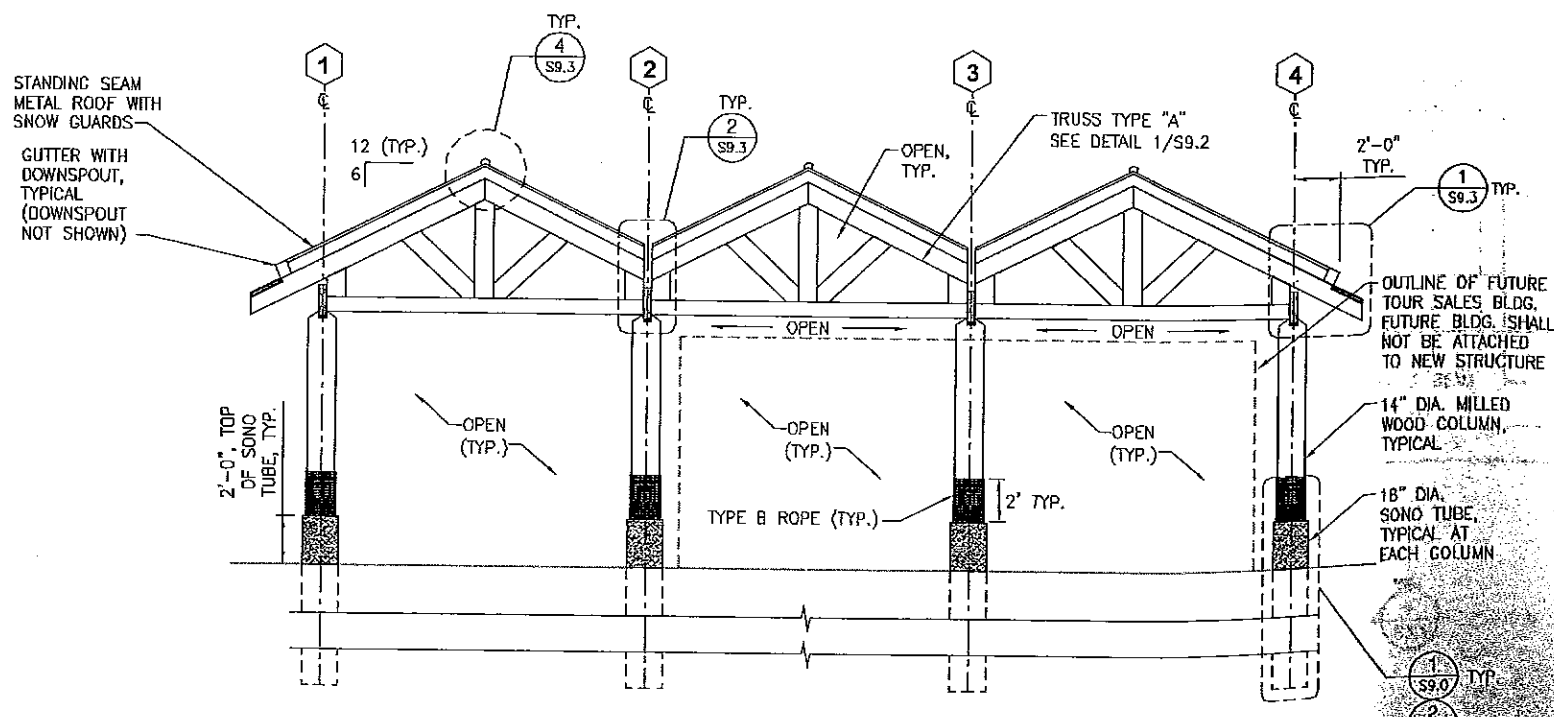
**S2.0**

**AREA #1 SHELTER**

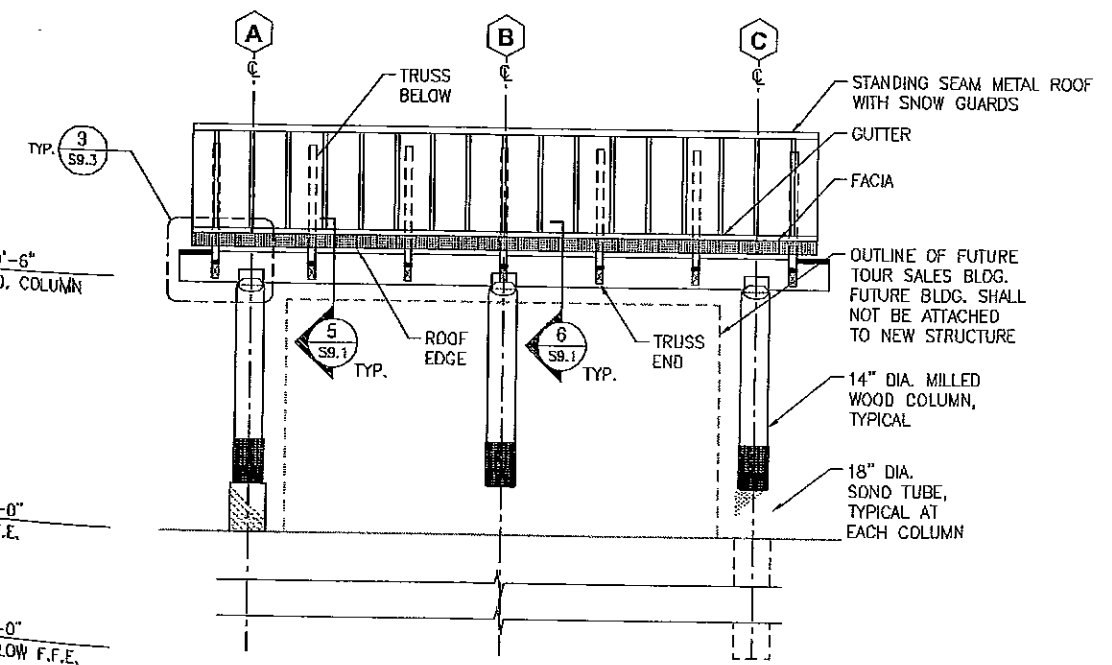
NOTE:  
 VERIFY WITH SITE FOOTPRINT FOR COLUMN  
 SPACING AND OVERALL DIMENSION.



**1**  
 TOUR SALES SHELTER  
 ROOF PLAN - AREA #1  
 SCALE: 1/4"=1'-0"



**2**  
 TOUR SALES SHELTER  
 FRONT ELEVATION - AREA #1  
 SCALE: 1/4"=1'-0"



**3**  
 TOUR SALES SHELTER  
 SIDE ELEVATION - AREA #1  
 SCALE: 1/4"=1'-0"

PLOTTED: 7/30/2008 3:00PM BY: M:\02219.005 Skagway Seawalk Phase III & Uplands Drawings\Structural

## ATTACHMENT A

### **Land Lease Rent Percentage Rate Market**

To estimate annual land rental value land lease percentage rates are often used in the market whereby rents are set as the percentage of the land value. Conversely to estimate land value when directly comparable sales are limited and land rent comps are available the land rent can be capitalized (divided by a market percentage rate) to indicate the land value.

Land leases are most often granted by public or private institutions. Sometimes leases state the rates, other times the rents are informally calculated based on a rate. Land lease rates range from about 2.5% to 12% of the market value of the land on an annual basis. In the current market, the lower end of this range has been set by statute of regulation (not market) to stimulate economic development. Several Municipalities, such as Ketchikan and Petersburg, have adopted lower rates for certain lands as an economic incentive for business development. In 2014 City of Ketchikan dropped its rate to 4%, and the Ketchikan Gateway Borough has leased land as low as 2.5% since then. Petersburg's rates are as low as 6%. The Municipality of Skagway recently eliminated its statutory rate of 8% but recent (pre-2015 to 2022) market transactions have used an 8% rate.

The City and Borough of Sitka have been leasing land at the Gary Paxton Industrial Park for 9%. University of Alaska Land Trust Standard rates are 8% to 10%. The Alaska Mental Health Land Trust leases land at various rates from 6% to 11% depending on location. Historically they urban land lease rates have been at the higher end of this range.

The Alaska Railroad currently does land leases based on 8% of market value. A September 2022 interview indicated that there are some older leases (more than 10 years) in Valdez and Seward in the 9% to 10% range. Rental adjustments in the last several years for commercial waterfront space in Juneau have been set at 8% percent of the estimated market value. The State of Alaska, DNR routinely leases land at 8% of market value acknowledging that is the market lease percentage rate.

The predominate rate is 8% with 5-year market value adjustment clauses. Most market, private and institutional, commercial land lease rent rates have not changed in the past 20 years and are best described as stable. A market rate of 8% is well supported for typical market lease terms.

### **September 2022**



**QUALIFICATIONS OF CHARLES E. HORAN, MAI**

<b>Professional Designation</b>	MAI, Member Appraisal Institute, No. 6534
<b>State Certification</b>	State of Alaska General Appraiser Certification, No. APRG41
<b>Bachelor of Science Degree</b>	University of San Francisco, B.S., Business Administration, 1973

**Employment History:**

1/20 – now	Partner, HORAN & COMPANY, LLC
8/04 – 12/19	Owner, HORAN & COMPANY, LLC
3/87 – 7/04	Partner, HORAN, CORAK AND COMPANY
1980 – 2/87	Partner, The PD Appraisal Group, managing partner since November 1984 (formerly POMTIER, DUVERNAY & HORAN)
1976 – 80	Partner/Appraiser, POMTIER, DUVERNAY & COMPANY, INC., Juneau and Sitka, Alaska
1975 – 76	Real Estate Appraiser, H. Pomtier & Associates, Ketchikan, AK
1973 – 75	Jr. Appraiser, Ketchikan Gateway Borough, Ketchikan, AK

**Lectures and Educational Presentations:**

- 2017 “Municipal Assessment Record System” MARS Presentation on automated data collection and analysis for mass appraisals. Presented to Alaska Association of Assessing Officers, Anchorage.
- 2017 “Keeping it Simple – Local Market Value New Modeling” Presented to AAAO, Anchorage
- 2011, “Real Estate Market in Southeast Alaska” Presentations to Ketchikan, Juneau and Sitka Chambers of Commerce and Municipality of Skagway
- 2011, “Demystifying the Appraisal Process” Presentation to USFWS Market Analysis and UASFLA, Anchorage
- 2007, AConservation Easements@ Presentation - Alaska Association of Assessing Officers, Fairbanks, AK
- 1998, AEasement Valuation Seminar,@ Alaska Chapter Appraisal Institute, Anchorage, AK
- 1998, AEasement Valuation Seminar,@ Seal Trust, Juneau, Alaska
- 1997, ASitka Housing Market,@ Sitka Chamber of Commerce
- 1997, developed and taught commercial real estate investment seminar for Shee Atika, Inc.
- 1994, developed and taught seminar "Introduction to Real Estate Appraising," UAS, Sitka Campus
- 1985, Speaker at Sitka Chamber of Commerce, "What is an Appraisal? How to Read the Appraisal"
- 1984, Southeast Alaska Realtor's Mini Convention, Juneau, Alaska
- Day 1: Introduction of Appraising, Cost and Market Data Approaches
- Day 2: Income Approach, Types of Appraisals, AIREA Accredited Course
- 1983, "The State of Southeast Alaska's Real Estate Market"
- 1982, "What is an Appraisal?"

**Partial List of Types of Property Appraised:**

*Commercial* - Retail shops, enclosed mall, shopping centers, medical buildings, restaurants, service stations, office buildings, auto body shops, schools, remote retail stores, liquor stores, supermarkets, funeral home, mobile home parks, camper courts. Appraised various businesses with real estate for value as a going concern with or without fixtures such as hotels, motels, bowling alleys, marinas, restaurants, lounges.

*Industrial* - Warehouse, mini-warehouse, hangars, cruise ship docks, marinas, barge loading facilities, industrial acreage, industrial sites, bulk fuel plants, fish processing facilities, a variety of waterfront port sites and industrial lands.

*Special Land* - Partial Interest and Leasehold Valuation - Remote acreage, tidelands with estimates of annual market rent. Large acreage land exchanges for federal, state, municipal governments and Alaska Native Corporations; retail lot valuations and absorption studies of large subdivisions; gravel and rock royalty value estimates; conservation easements; title limitations, permit fee evaluations. Appraised various properties under lease to determine leasehold and leased fee interests. Various easements and complex partial interests, subsurface interest, patented mining claims.

*Special Projects* - Special consultation for Federal land exchanges. Developed Land Evaluation Module (LEM) to describe and evaluate 290,000 acres of remote lands. Renovation feasibilities, residential lot absorption studies, commercial, and office building absorption studies. Contract review appraiser for private individuals, municipalities, and lenders. Restaurant feasibility studies, Housing demand studies and overall market projections. Estimated impact of

## ATTACHMENT A

nuisances on property values. Historic appreciation / market change studies. Historic barren material royalty valuations, subsurface mineral and timberland valuation in conjunction with resource experts.

*Mass appraisal valuations:* Municipality of Skagway, City of Craig, Ketchikan Gateway Borough and other Alaska communities. Developed electronic/digital assessment record system for municipalities. Developed extensive state-wide market data record system which identified sales in all geographic areas. Administered over 100 assessment rules, developed possessory interest values. Experience with ANSCA-developed land classification for real property tax exemption. Reviewed depletion asset for assessment of mine valuations. Studies on cruise ship visitation impact on assessed values.

### **Expert Witness Experience and Testimony:**

2016 Expert Witness – D’s Investment Group, LLC vs Erwin Enterprises, et al 1JU-15-971CI, settled

2012 Expert Witness – Dukowitz vs Chamberlain and First American Title Insurance Co. 1JU-12-778CI, settled

2011 Expert Witness – Wise and Wise vs City and Borough of Juneau. 1JU-10-584CI, settled

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

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

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

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

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

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

2000 Alaska Pulp Corporation vs National Surety - Deposition

U.S. Senate, Natural Resources Committee

U.S. House of Representatives, Resource Committee

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

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

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

### **Real Property Assessment Experience**

*Developed Municipal Assessment Records System (MARS),* a computer assisted mass appraisal (CAMA) solution to automate assessment recordkeeping in compliance with state statutes including infield recording device option. Presently in use in Craig, Petersburg, Wrangell, Haines, Sitka, Yakutat, Bristol Bay, Dillingham and Nome.

*Contract assessment experience;* either with present partnership or former partnerships has experience being the contract assessor with Craig, Skagway, Petersburg, Wrangell, Haines, Pelican. Performed the 2012 annex assessment for the Ketchikan Gateway Borough.

*Board of Equalization Experience;* has been involved with over 100 boards of equalization throughout a 40-year career.

*Special Projects and Knowledge;* Familiar with Alaska Native Claims Settlement Act (ANCSA). Has assessed and appraised surface and subsurface ANCSA estates. Familiar with requirements regarding developed and undeveloped classification of ANCSA lands for taxable and exemption status with regard to mining development, logging infrastructure and other forms of development. Expert at possessory interest status and value calculation including complex property such as railroads, mines, utility systems, cruise ship docks, marinas, bulk fuel plants, contaminated properties, etc. Member of Alaska Association of Assessing Officers; has participated as a presenter at annual meetings and keeps informed with current assessment issues and is exposed to evolving complexities of the assessment field experience of other Alaska assessment departments.



## ATTACHMENT A

### Partial List of Clients:

#### Federal Agencies

Bureau of Indian Affairs  
Bureau of Land Mngmnt.  
Coast Guard  
Dept. Of Agriculture  
Dept. Of Interior  
Dept. Of Transportation  
Federal Deposit Ins. Corp  
Federal Highway Admin.  
Fish & Wildlife Service  
Forest Service  
General Service Agency  
National Park Service  
USDA Rural Develop.  
Veterans Administration

#### Lending Institutions

Alaska Growth Capital  
Alaska Pacific Bank  
Alaska Ind. Dev. Auth.  
ALPS FCU  
First Bank  
First National Bank AK  
Key Bank  
Met Life Capital Corp.  
National Bank of AK  
Northrim, AK  
Rainier National Bank  
SeaFirst Bank  
True North Credit Union  
Wells Fargo  
Wells Fargo RETECHS

#### ANCSA Corporations

Cape Fox, Inc.  
Doyon Corporation  
Eyak Corporation  
Goldbelt  
Haida Corporation  
Huna Totem  
Kake Tribal Corporation  
Klawock-Heenya Corp.  
Klukwan, Inc.  
Kootznoowoo, Inc.  
Sealaska Corporation  
Shaan Seet, Inc.  
Shee Atika Corporation  
TDX Corporation  
The Tatitlek Corporation  
Yak-Tat Kwan

#### Companies

Allen Marine  
AK Electric Light & Power  
AK Lumber & Pulp Co.  
AK Power & Telephone  
Allen Marine  
Arrowhead Transfer  
AT&T Alascom  
Coeur Alaska, Kensington Mine  
Delta Western  
Gulf Oil of Canada  
Hames Corporation  
HDR Alaska, Inc.  
Holland America  
Home Depot  
Kennecott Greens Creek  
Kennedy & Associates  
Madsen Construction, Inc.  
Service Transfer  
Standard Oil of CA  
Tongass Trading Co.  
Union Oil  
Ward Cove Packing  
White Pass & Yukon RR  
Yutana Barge Lines

#### Municipalities

City & Borough of Haines  
City & Borough of Juneau  
City & Borough of Sitka  
City of Akutan  
City of Coffman Cove  
City of Craig  
City of Hoonah  
City of Ketchikan  
City of Klawock  
City of Pelican  
City of Petersburg  
City of Thorne Bay  
City of Wrangell  
Ketchikan Gateway Borg.  
Municipality of Skagway

#### Other Organizations

BIHA  
Central Council for Tlingit  
& Haida Indian Tribes  
of Alaska (CCTHITA)  
Diocese of Juneau  
Elks Lodge  
Hoonah Indian Assoc.  
LDS Church  
Moose Lodge  
SE AK Land Trust (SEAL)  
SEARHC  
Sitka Tribe of Alaska  
The Nature Conservancy  
The Conservation Fund  
Wilderness Land Trust  
Great Land Trust

#### State of Alaska Agencies

Alaska State Building  
Authority (formerly  
ASHA)  
Attorney General  
Dept. of Fish & Game  
Dept. of Nat. Resources,  
Div. of Lands  
Dept. of Public Safety  
DOT&PF  
Mental Health Land Trust  
Superior Court  
University of Alaska

## ATTACHMENT A

### Education

<p>Comparative Analysis, May 2021  The Cost Approach: Unnecessary or Vital to a Healthy Practice, April 2021  Eminent Domain and Condemnation, June 2021  Cool Tools: New Technology for Real Estate Appraisers, June 2021  Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets February 14-15, 2019, Boise, ID  Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA), Rockville, MD Sept 2017, Oct 2010, May 2002  Valuation of Conservation Easements, Fairfield, CA, Sept 2016  Business Practices and Ethics, Seattle, WA, April 2022, Jan 2016  7-Hour National USPAP Update Course, Bellingham, WA, Jan 2023, June 2021, Jan 2020, Jan 2019, Jan 2016, Jan 2015, Apr 2013, May 2009, Jun 2007, Feb 2005  Online Small Hotel/Motel Valuation, Chicago, IL June 2015  Advanced Spreadsheet Modeling for Valuation Applications, Rockville, MD April 2015  Appraising the Appraisal: Appraisal Review-General, Rockville, MD, May 2012  Information Security Awareness for Appraisal Professionals Webinar, December, 2012  Appraisal Curriculum Overview (2-day General) Milwaukee, WI, August 2011  Business Practices and Ethics, Seattle, WA, Apr 2010  Fall Real Estate Conference, Seattle, WA, Nov 2012, Oct 2011, Dec 2009, Nov 2008  Attacking and Defending an Appraisal in Litigation, Kent, WA, Sep 2008  Sustainable Mixed-Use N.I.M., Seattle, WA, Feb 2008  Appraising 2-4 Unit Properties, Bellevue, WA, Sep 2007  Business Practices and Ethics, Seattle, WA, Jun 2007  Residential Market Analysis and Highest and Best Use, Seattle, WA, Apr 2007  Basic Appraisal Procedures, Seattle, WA, Feb 2007  Rates &amp; Ratios: Making Sense of GIMs, OARs, and DCF, Anchorage, AK, Feb 2005  Best Practices for Residential Appraisal Report Writing, Juneau, AK, Apr 2005  Scope of Work - Expanding Your Range of Services, Anchorage, AK May 2003  Litigation Appraising - Specialized Topics and Applications, Dublin, CA, Oct 2002  USPAP, Part A, Burr Ridge, IL, Jun 2001  Partial Interest Valuation - Undivided, Anchorage, AK, May 2001</p>	<p>Partial Interest Valuation - Divided, Anchorage, AK, May 2001  Easement Valuation, San Diego, CA, Dec 1997  USPAP, Seattle, WA, Apr 1997  The Appraiser as Expert Witness, Anchorage, AK, Oct 2022, May 1995  Appraisal Practices for Litigation, Anchorage, AK, May 1995  Forestry Appraisal Practices, Atterbury Consultants, Beaverton, OR, Apr 1995  Advanced Sales Comparison &amp; Cost Approaches, Univ. of Colorado, Boulder, CO, Jun 1993  Computer Assisted Investment Analysis, University of Maryland, MD, Jul 1991  USPAP, Anchorage, AK, Apr 1991  General State Certification Review Seminar, Anchorage, AK, Apr 1991  State Certification Review Seminar, Dean Potter, Anchorage, AK, Apr 1991  Highest and Best Use and Market Analysis, Baltimore, MA, Mar 1991  Financial Institution Reform, Recovery &amp; Enforcement Act of 1989, Doreen Fair Westfall, Appraisal Analyst, OTS, Juneau, AK, Jul 1990  Real Estate Appraisal Reform, Gregory Hoefler, MAI, OTS, Juneau, AK, Jul 1990  Standards of Professional Practice, Anchorage, AK, Oct 1987  Federal Home Loan Bank Board Memorandum R41C Seminar, Catherine Gearhearth, MAI, FHLBB District Appraiser, Juneau, AK, Mar 1987  Market Analysis, Boulder, CO, Jun 1986  Federal Home Loan Bank Board Regulation 41b, Inst. Bob Foreman, MAI, Seattle, WA, Sep 1985  Litigation Valuation, Chapel Hill, North CA, Aug 1984  Standards of Professional Practices, Bloomington, IN, Jan 1982  Course 2B, Valuation Analysis &amp; Report Writing, Stanford, CA, Aug 1980  Course 6, Introduction to Real Estate Investment Analysis, Aug 1980  Course 1B, Capitalization Techniques, San Francisco, CA, Aug 1976  Course 2A, Case Studies in Real Estate Valuation, Aug 1976  Course 1A, Real Estate Principles and Valuation, San Francisco, CA, Aug 1974  Getting It Right From The Start: A Workout Plan for Your Scope of Work, Virtual Classroom, Alaska Chapter, March 2022  Appraiser as an Expert Witness: Preparation and Testimony, Rockville, MD Oct 2022</p>
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# 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](http://www.skagway.org)

This amendment dated March 8, 2018 for the purpose of modifying and extending the existing agreement entered into September 29, 2006 and amended on March 6, 2013, between the Municipality of Skagway, an Alaska Municipal corporation (hereinafter Municipality) and M & M Tour Sales, Inc. (hereinafter CONTRACTOR) herby extends and modifies the contract as follows:

## **SECTION TWO: CONTRACT PERIOD & COMPENSATION**

- A. The contract shall be for a 5-year term with the option of a 5-year renewal term, but will be evaluated on a yearly basis. The contract period shall commence on October 1, 2017 and terminate on September 30, 2022.
- B. CONTRACTOR is responsible for a yearly lease value of the Municipal land and building. The lease amount will be based on an appraisal of fair market value dated January 4, 2018 (Attachment A). The lease amount will be determined by multiplying:
- The appraised annual value of the land on a per square foot basis (\$19.00 per S.F.), by
  - 2000 square feet, by
  - Eight percent (8%)

The lease amount shall be \$3,040.00 (plus applicable taxes) – Three Thousand, Forty Dollars and 00/100 annually. This amount shall be paid on a prorated monthly basis, May through September, with the payment being made by the first day of each month for \$608.00 (Six Hundred Eight Dollars and 00/100) plus tax.

## **SECTION FIVE: INSURANCE AND INDEMNIFICATION**

- A. CONTRACTOR agrees to defend, indemnify and hold harmless the MUNICIPALITY against any and all claims or actions of any kind and any nature, including death, and for all injuries or damages of any kind and any nature, including death, sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement, or arising out of any action or omission by CONTRACTOR, or its agents, representatives, employees and volunteers, including any action or claims by any company offering any tour product, or by any customer or passenger of any company offering any tour product.
- B. No contract for services shall be issued or continued unless there is presented to the MUNICIPALITY of Skagway a certificate of insurance showing that the business owner/operator has obtained at least two million dollars (\$2,000,000.00) general liability insurance. Proof of such insurance shall be provided to the MUNICIPALITY as a condition of entering the contract. Failure to maintain such insurance shall constitute a breach of contract. The certificate of insurance must establish that the MUNICIPALITY is named as an additional insured on such policy, and that the insurer thereof shall notify the MUNICIPALITY twenty (20) days before the policy is canceled, or terminated. Additionally, the certificate of insurance holder

shall execute an instrument under the terms of which the holder will agree to indemnify, defend and hold harmless the MUNICIPALITY of Skagway from any and all claims for injury or damage to persons or property as a result of the holder's activities.

- C. Any tour company product offered by CONTRACTOR must secure general liability insurance at a minimum of \$2,000,000, listing the CONTRACTOR and the MUNICIPALITY of Skagway as an additional insured, agreeing to defend, indemnify, and hold harmless the MUNICIPALITY and the CONTRACTOR against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement. Proof of such insurance must be attached to CONTRACTORs signed agreement, and a copy supplied to the MUNICIPALITY.

**SECTION EIGHT: MISCELLANEOUS**

- A. This Amendment and the original Agreement shall be governed by the laws of the State of Alaska. The Superior Court for the State of Alaska, First Judicial District at Juneau, Alaska, shall be the exclusive jurisdiction and venue for any action of any kind and any nature arising out of this Agreement or arising out of any action or omission by the CONTRACTOR, its employees, representatives, agents, volunteers and tour companies. CONTRACTOR specifically agrees that venue for trial shall be in Skagway, Alaska and CONTRACTOR specifically waives any right or opportunity to request a change of venue for trial pursuant to A.S. 22.10.040.
- B. CONTRACTOR acknowledges that he has consulted with his attorney before signing this Agreement, or that he has had the opportunity to consult with an attorney of his choice before signing the Agreement. CONTRACTOR expressly acknowledges that he is not relying upon the advice of any Municipal assembly member, the mayor, any Municipal employee, Municipal consultant, or the Municipal attorney in entering into this Agreement.

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

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



Monica Carlson, Mayor  
For the Municipality of Skagway

Date 3-20-18

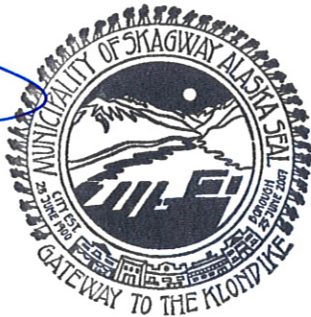


Mark Jennings  
M & M Tour Sales, Inc.

Date 3/20/18

ATTEST:  


Emily Deach, Borough Clerk  
(SEAL)





**AMENDMENT TO THE TOUR BROKER AGREEMENT BETWEEN  
M & M TOUR SALES, INC. AND THE MUNICIPALITY OF SKAGWAY**

ALWAY TO THE


This amendment dated March 6, 2013 for the purpose of modifying and extending the existing agreement entered into September 29, 2006 between the Municipality of Skagway, an Alaska Municipal corporation (hereinafter Municipality) and M & M Tour Sales, Inc. (hereinafter Contractor) hereby extends the contract as follows:


**SECTION TWO: CONTRACT PERIOD & COMPENSATION**

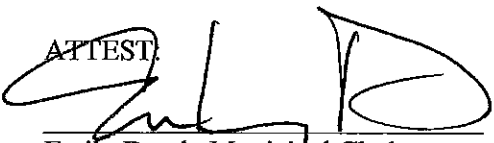
- A. The contract shall be for a 5-year term with the option of a 5-year renewal term, but will be evaluated on a yearly basis. The contract period shall commence on October 1, 2012 and terminate on September 30, 2017.

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

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

  
\_\_\_\_\_  
Stan Selmer, Mayor  
For the Municipality of Skagway  
Date 3/16/13

  
\_\_\_\_\_  
Mark Jennings  
M & M Tour Sales, Inc.  
Date 4.10.13

ATTEST:  
  
\_\_\_\_\_  
Emily Deach, Municipal Clerk  
(SEAL)





# City of Skagway Tour Broker Agreement

## SECTION ONE: GENERAL CONDITIONS

- A. M&M Brokerage, Inc., hereinafter referred to as Contractor, shall provide assistance to the visitor industry by providing a tour brokerage system for all tour products offered in the City of Skagway. The City will supply the municipal property located near the end of the White Pass Dock, subject to the conditions set out below and only so long as Contractor is not in breach of this Agreement. The Contractor will be required to offer all tour products to visitors, including but not limited to bike, helicopter, horse, bus/van, etc., offered by interested companies. The contract is based on the conditions stated below and the Contractor's proposal that was submitted to and accepted by the City of Skagway. The Contractor must adhere to the following conditions:
- i) Contractor must offer tour products of all interested tour companies to the public, including, but not limited to, bike, helicopter, horse, bus/van, etc.
  - ii) Contractor shall not charge more than a 20% commission rate to all tour vendors, regardless of tour.
  - iii) Contractor shall not show a preference to any particular tour company.
  - iv) Contractor shall not refuse to offer any interested company's tour product unless the following circumstances apply:
    - a) Tour operator lacks insurance.
    - b) The tour company does not provide the tour that has been advertised.
    - c) The tour company does not perform, has a lack of historical knowledge, or misses scheduled tours.
    - d) Vehicle conditions are poor and not up to Federal, State & Municipal standards. Contractor shall provide documentation to the City of Skagway for any tour company that has been denied service for any of the above conditions.
  - v) Interested companies that wish to use the brokerage system must sign a contract with the broker, which must be pre-approved by the City Manager and the Tourism Director. Copies of all signed contracts shall be provided to the City.
  - vi) All forms of outcry are prohibited and shall be considered a violation of the broker's contract.
  - vii) Contractor is responsible for collecting and submitting the appropriate sales tax for all tour products sold through the brokerage system, to the City of Skagway.
  - viii) Contractor shall not operate or have any interest in any tour product sold in the City of Skagway.
  - ix) Signage of buildings must be pre-approved by the City of Skagway and must be submitted through a sign permit as required by the City of Skagway.
  - x) Contractor is solely responsible for any decision Contractor makes to refuse to offer any tour product under sections (iv)(b-d) above, and Contractor shall defend and hold harmless the City of Skagway in any suit, action, or administrative proceeding brought by any company whose tour has been refused by Contractor.

## SECTION TWO: CONTRACT PERIOD & COMPENSATION

- A. The contract shall be for a 5-year term, but shall be evaluated on a yearly basis. The parties agree that the 12 months of the contract shall be construed as a probationary period. At least ninety (90) days before the end of the probationary period, the City of Skagway shall conduct a review of the Contractor's performance.
- B. Contractor will pay the City of Skagway 1% of gross annual revenue for M&M Brokerage. This shall be submitted to the City of Skagway on the first day of each month, beginning in June and ending in October for each year of the contract. The 1% payment shall be accompanied with a sales report of all gross revenue collected by the Contractor. The 1% payment shall be for the previous month, thus, the June payment shall be for gross revenue collected in May, and the October payment for September. Failure by the Contractor to remit payment to the City of Skagway for two successive months shall constitute a breach of this Agreement and the City of Skagway may terminate the Agreement at its option pursuant to Section Six.

- C. Contractor is responsible for a yearly lease value of the Municipal land and building. The lease amount will be based on an appraisal of fair market value (see attached). The lease amount will be determined by multiplying:  
The appraised annual value of the land on a per square foot basis (\$17.50 per S.F.), by
- ❖ 2000 square feet, by
  - ❖ Eight percent (8%)
- The lease amount shall be \$2,800 (plus applicable taxes) – Two Thousand-Eight Hundred Dollars, annually. For the first year of the agreement, the lease amount shall be paid in two installments, the first being July 1, 2001 (\$1,400 plus tax – One Thousand-Four Hundred Dollars) the second September 1, 2001 (\$1,400 plus tax – One Thousand-Four Hundred Dollars). The subsequent 4-years of the agreement shall be paid on a monthly basis, May through September, with the payment being made by the first day of each month for \$560.00 plus tax (Five Hundred-Sixty Dollars).
- D. The annual rental payable pursuant to any lease shall be subject to adjustment on the third anniversary of the date of the original agreement (January 1, 2001), and at each three-year interval thereafter. The adjusted annual rent shall be computed at that percentage of the fair market value of the land as set by the lease, inclusive of any improvements thereon made by the city, but exclusive of any portion of value created by expenditures by Contractor, except that the value of any improvements credited against rentals shall be included in the value. Such fair market value shall be determined by an appraisal made by the city assessor and reviewed and approved by the council, whose decision is final. The new rental amount shall be effective at the beginning of the three-year interval to which it applies.
- E. Contractor shall not assign, sublet, sell, transfer or otherwise dispose of any interest in this Agreement without prior written approval of the City of Skagway. The contract agreement shall be binding upon and inure to the benefit of the contract parties, their successors and permitted assigns, but shall not inure to the benefit of any third party or other person. Neither this contract nor any amounts due or to become due hereunder shall be assigned, in whole or in part, without the prior written consent of the contracting officer.

### **SECTION THREE: CITY'S RESPONSIBILITY**

- A. City shall designate a person to act as the City's representative with respect to the services to be rendered under this agreement. This representative shall have complete authority to transmit instructions, receive information, interpret and define the City's policies and decisions with respect to the Contractor's services.
- B. The City will provide the Contractor with an enclosed structure on the White Pass Dock location. The structure shall be capable of being secured after regular business hours. The building shall have access to utilities (electrical and phone), which shall be paid by the Contractor. The size of the structure may be reevaluated after the first year.

### **SECTION FOUR: CONTRACTOR'S RESPONSIBILITIES**

- A. Contractor shall provide a representative who shall have complete authority to transmit instructions, receive information, interpret and define the Contractor's policies and decisions with respect to this agreement.
- B. Contractor shall provide equal opportunity employment.

### **SECTION FIVE: INSURANCE AND INDEMNIFICATION**

- A. Contractor agrees to defend, indemnify and hold harmless the City against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement, including any action or claims by any company offering any tour product.

- B. Contractor shall provide general liability insurance at a minimum of \$500,000, which protects the Contractor from any in connection with the brokerage. The City shall be listed as an additional insured on this policy claims arising. Proof of such insurance shall be provided to the City as a condition of entering into this Agreement. Failure to maintain such insurance shall constitute a breach of this Agreement.
- C. Any tour company product offered by Contractor must secure general liability insurance at a minimum of \$500,000, listing the Contractor and the City of Skagway as an additional insured, agreeing to defend, indemnify, and hold harmless the City and the Contractor against any and all claims or actions for injuries or damages sustained by any person or property arising out of, or in connection with, or incident to the performance of this Agreement. Proof of such insurance must be attached Contractors signed agreement, and a copy supplied to the City.

#### **SECTION SIX: TERMINATION AND SUSPENSION**

The City of Skagway may, by written notice of default to the Contractor, terminate the whole or any part of this contract, including but not limited to the following circumstances:

- A. If the Contractor fails to perform the service within the time specified herein or any extension thereof, or
- B. If the Contractor fails to perform any of the other provisions of this contract, or so fails to make progress as to endanger performance of this contract in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of ten (10) days (or such longer period as the City of Skagway may authorize in writing) after receipt of notice from the City of Skagway specifying such failure.
- C. Except with respect to defaults of subcontractors, the contractor shall not be liable for any excess costs if failure to perform the Contract arises out of causes beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not restricted to the following: acts of God or of the public enemy, acts of the City of Skagway, fire, floods, epidemics, quarantine, restrictions, strikes, freight embargoes, and unusually severe weather conditions which render road conditions unsuitable for safe operation, provided, however, in every case the failure to perform is caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for any excess costs for failure to perform, unless the supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the Contractor to meet the required delivery schedule.
- D. If, after notice of termination of this contract under the provisions of this clause, it is determined for any reason that the Contractor was not in default or that the default was excusable under the provisions of this clause, the rights and obligations of the parties shall be those provided in the "Termination of Convenience" clause hereof. Failure to agree to any such adjustment shall be a dispute concerning a question of fact.
- E. The rights and remedies of the City of Skagway provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.
- F. The City of Skagway may, whenever the interest of the City of Skagway so require, terminate this contract in whole or in part, of the convenience of the City of Skagway. The City shall give written notice of the termination to the Contractor no less than ninety (90) days before the effective date of the termination specifying the part of the contract terminated and when termination becomes effective. In the event of such termination, the following provisions shall apply:
- G. The Contractor shall incur no further obligations in connection with the terminated work, and, on the date set in the notice of termination, the Contractor will stop working the extent specified. The Contractor shall also terminate outstanding orders and subcontracts as they relate to the terminated work. The contractor shall settle the liabilities and claims arising out of the termination of subcontracts and orders connected with the terminated work. The City of Skagway may direct the Contractor to assign the Contractor's right, title, and interest under terminated orders or subcontracts to the City of Skagway. The contractor must still complete the

