

Proposed by:	Administration
Attorney Review:	11/06/2023
First Reading:	11/16/2023
Second Reading:	12/07/2023
Vote:	<input type="checkbox"/> Aye <input type="checkbox"/> Nay <input type="checkbox"/> Absent

**MUNICIPALITY OF SKAGWAY, ALASKA
ORDINANCE NO. 23-25**

AN ORDINANCE OF THE MUNICIPALITY OF SKAGWAY, ALASKA AUTHORIZING THE MUNICIPALITY OF SKAGWAY TO LEASE PROPERTY TO ELECTRONIC DESIGN & DEVELOPMENT, INC., DBA SKAGWAY NETWORK CABLE TV.

WHEREAS, the Municipality of Skagway received a request from Patty Campbell, authorized representative of Electronic Design & Development, Inc. dba Skagway Network Cable TV (ED&D) to lease 4,533 square feet of municipal property; and

WHEREAS, ED&D currently holds a lease to this property that expires on December 31, 2023; and

WHEREAS, the 4,533-square-foot leased area is further described as:

- 2,371 square feet of the Third Avenue right-of-way west of Alaska Street; and
- 2,162 square feet of the north portion of Block 31, Lot 1;

WHEREAS, the following improvements are situated on the property: 1) five cable antennae; and 2) a 16' x 12' equipment building; and

WHEREAS, pursuant to SMC 16.02.010(C), the borough assembly has determined that there is benefit to the residents and businesses of the community in keeping the cost of utilities offered to the public at minimum. The borough assembly may, at its sole discretion, offer adjusted lease rates for municipally owned lands used for the delivery of utilities to local subscribers of utilities as defined in Section 16.01.030(I). The lease amount for such lands shall be fifty percent (50%) of market rent; and

WHEREAS, according to an appraisal report dated November 3, 2023 by Horan & Company LLC, market rent is initially \$7,343, and 50-percent of the market rent is \$3,671.50;

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

Section 2. Purpose. To enter into a lease of approximately 4,533 square feet of municipal property to ED&D, for the purpose of providing cable television services.

Section 3. General Terms and Conditions of New Lease with ED&D.

A new Lease with Electronic Design & Development, Inc. will contain the following general terms and conditions:

- a) The leased premises is approximately 4,533-square-feet further described as:

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- 2,371 square feet of the Third Avenue right-of-way west of Alaska Street; and
 - 2,162 square feet of the north portion of Block 31, Lot 1;
- b) The following improvements are situated on the property: 1) five cable antennae; and 2) a 16' x 12' equipment building;
- c) The initial lease term would be for five (5) years beginning on January 1, 2024 and expiring on December 31, 2028, with the option of two additional 5-year renewal terms;
- d) If ED&D shall holdover after the expiration of the lease term, such tenancy shall be from month-to-month;
- e) Annual rent for the initial 5-year term shall be 50% of market rent, or \$3,671.50, determined in accordance with SMC 16.02.010 plus applicable sales tax, prorated and paid in advance, **and will be adjusted prior to each renewal term** in accordance with Skagway Municipal Code 16.03.160(B);
- f) Any and all buildings, fixtures, and improvements constructed or installed on the Property by ED&D during the lease term shall remain the property of Electronic Design & Development, Inc. except as otherwise provided in the Lease;
- g) Electronic Design & Development, Inc. is responsible for keeping the leased property and all buildings and improvement thereon in good condition and repair during the lease term, ordinary wear and tear excepted;
- h) Prior to the expiration of the Lease term Electronic Design & Development, Inc. may remove machinery, building, improvements, fixtures, and equipment constructed or installed by Electronic Design & Development, Inc. during the Lease term on the leased property;
- i) Any buildings, improvements, fixtures, machinery, equipment, or other items of real or personal property constructed or installed by Electronic Design & Development, Inc. on the leased property during the Lease Term, which are not removed prior to expiration of the Lease, shall become the property of the Municipality, unless the Municipality requires Electronic Design & Development, Inc. to remove the same.

The Lease shall include other provisions of a general nature typical in ground leases as related to default, default remedies, defend and indemnification, insurance, hazardous waste, payment of taxes, payment of utilities, notices, and similar general provisions.

Section 4. Effective Date. This ordinance shall become effective immediately upon adoption.

NOW, THEREFORE BE IT ORDAINED BY THE ASSEMBLY OF THE MUNICIPALITY OF SKAGWAY, ALASKA that the Municipality of Skagway shall lease to **Electronic Design & Development, Inc dba Skagway Network Cable TV**, 4,533 square feet of municipal property according an appraisal report dated November 3, 2023 by Horan & Company LLC (Exhibit A), for a term of five (5) years with options for two 5-year renewal terms, beginning on January 1, 2024; and

BE IT FURTHER ORDAINED that for the initial 5-year term of the lease, ED&D shall be charged 50% of market rent, or \$3,671.50, determined in accordance with SMC 16.02.010 plus applicable sales

MUNICIPALITY OF SKAGWAY, ALASKA

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tax and will be adjusted prior to each renewal term in accordance with Skagway Municipal Code 16.03.160(B); and

BE IT FURTHER ORDAINED that the Borough Manager is authorized to negotiate lease terms in accordance with SMC 16.03.130 that are reasonably consistent with the foregoing and to execute the lease with terms as defined above.

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly of the Municipality of Skagway this ___ day of _____, 2023.

Sam Bass, Mayor

ATTEST:

Steve Burnham Jr., Borough Clerk

(SEAL)

EXHIBIT A

**MARKET RENT APPRAISAL
OF THE LAND LEASED TO
SKAGWAY NETWORK CABLE TV,
PTN. OF ROW & LOT 1, BLOCK 31, SKAGWAY TOWNSITE,
SKAGWAY, ALASKA**



PREPARED FOR: Brad Ryan, Borough Manager
Municipality of Skagway
P O Box 415
Skagway, Alaska 99840

PREPARED BY: Slater M. Ferguson
Horan & Company, LLC
403 Lincoln Street, Suite 210
Sitka, Alaska 99835

EFFECTIVE DATE: October 25, 2023

REPORT DATE: November 3, 2023

OUR FILE NO.: 23-074

HORAN & COMPANY

REAL ESTATE APPRAISERS/CONSULTANTS

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November 3, 2023

Brad Ryan, Borough Manager

Municipality of Skagway

P O Box 415

Skagway, Alaska 99840

Re: Market Rent Appraisal Ptn of ROW & Lot 1, Block 31, Skagway TS; Leased to Skagway Network Cable TV, Alaska St. Skagway, Alaska; Our File 23-074

Dear Mr. Ryan:

I have completed the attached appraisal report of the above-referenced property per your request. The report is provided in a brief narrative format with analysis of five comparables found within the report. The market rent as of October 25, 2023, for this leased parcel is estimated at:

\$7,343 or \$1.62/SF

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

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

Respectfully submitted,



Slater M. Ferguson, 133619
HORAN & COMPANY, LLC

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Addenda

 Rent Percentage Rate Discussion

 2019-2023 Lease Agreement

 Qualifications of Slater M. Ferguson

CERTIFICATION OF APPRAISAL

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to the review by its duly authorized representatives.
- Slater Ferguson did not inspect the subject property for the purpose of this report. He did visit Skagway in August of 2023 for other projects. He is familiar with the subject site and Skagway's general real estate market.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I have not performed any appraisal services with regard to the subject property in the previous three years.



Slater M. Ferguson, 133619

November 3, 2023

Report Date

October 25, 2023

Effective Date

1 INTRODUCTION



Figure 1.1 – Subject Site located at the NW end of 3rd Ave.

1.1 LOCATION

The subject site is referred to as the Skagway Network TV Lease site. It is located along the Skagway Airport at the end of the 3rd Avenue Right-of-Way (ROW). It encompasses a portion of the ROW and a portion of Lot 1, Block 31, Skagway Townsite. Alaska Street is on its east side.

1.2 PURPOSE OF APPRAISAL; INTENDED USE AND USER

The purpose and intended use of this appraisal is to estimate market rent for the use of the rights granted in the land, to provide telecommunication transmission services. The market rent estimated is limited by the Assumptions and Limiting Conditions herein. The site is leased to Skagway Network TV for continued use of transmission equipment. The intended user and client is the Municipality of Skagway.

1.3 INSPECTION AND EFFECTIVE DATE

The subject property was not inspected for the purpose of this report. The appraiser is familiar with the site and the general real estate market in Skagway. The appraiser visited Skagway in August of 2023 for other projects. The effective date of this report is October 25, 2023.

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1.4 THREE YEAR PROPERTY HISTORY AND OSTENSIBLE OWNER

The subject property is owned by the Municipality of Skagway and has been for some time. It has not sold in the last three years. It is proposed to be in a continued use and leased to a private business, in this case, Skagway Network TV. It has been leased by this business since 1996. The current lease is discussed below.

1.5 SYNOPSIS OF CURRENT LEASE

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

<i>Leased Premises:</i>	Ptn.Lot 1, Block 31, and adjacent ROW - see lease for more detailed legal description, Skagway Recording District, First Judicial District, State of Alaska.
<i>Lessor/Ostensible Owner:</i>	Municipality of Skagway
<i>Lessee:</i>	ED&D Inc. / Skagway Cable TV
<i>Term of Lease:</i>	5 years evaluated annually. (January 1, 2019 to December 31, 2023)
<i>Current Annual Lease Payment:</i>	\$2,756.00 per year. This lease amount is based upon 50% of the appraised fair market rent 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>	Original lease was executed in 1996. The most recent lease was executed in 2018.
<i>Use:</i>	Television Transmission

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 rent of the subject land. The property is being considered as a level, mostly cleared, and vacant site.

The Rent Comparison Approach was relied on for development of a market rent. Please see the addenda for land lease percentage rate analysis.

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

Extraordinary Assumption 1: It is an extraordinary assumption of this report that the current condition of the subject land is reflected accurately in this report.

Extraordinary Assumption 2: It is an extraordinary assumption of this report that the lease/contract terms are as outlined in this report.

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 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 Edition, 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.)

The Dictionary of Real Estate Appraisal, 6th ed., Appraisal Institute, Page 83

2 AREA ANALYSIS

2.1 SKAGWAY AREA ANALYSIS

It is assumed the readers and reviewers of this report are familiar with the social and economic conditions and trends of the Skagway market. Skagway is situated at the northern most point of the inside passage in Southeast Alaska. It has historically been a transportation point connecting these protected waterways to the interior of Alaska and the Yukon Territory. Skagway is about 90 miles northwest of the state capital of Juneau.

Real Estate Market Trends

Increased seasonal demand has caused significant appreciation in general real estate housing and commercial land over the last 30 years. Statistics kept for assessment adjustments show that values have gone up over 200% since 1995 for real estate land in general, and over 300% for land in the central Historic Business District. The suburban Hillside District and Dyea area have not experienced the same level of overall appreciation, with assessment values increasing just 110% over 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. This decline, established based on town core land sales and extractions from improved sales, is viewed as the market's reaction to the decline of tourism visitation and the economic conditions that resulted from the nationwide recession. Assessed values increased through 2019. The appraiser was unable to obtain updated assessment information for the last 3 years, however, real estate values have increased significantly nationwide over this time period due to high demand and limited supply, as well as previously low interest rates. Changes in real estate value in general are assumed to be positive within the last 3 years despite the uncertainty that came with the Covid-19 pandemic.

Overall, optimism is noted for the near future, with cruise ship passenger numbers and sales expected to exceed pre-Covid totals. Renters are again willing to sign longer term leases and rents are stabilizing in comparison to recent years.

2.2 NEIGHBORHOOD ANALYSIS

The subject neighborhood is defined as the industrial zoned strip along the western side of the Skagway town site, to the east of the Skagway River. This strip of land stretches from the airport terminal in the south, to the local school in the north. The area includes a large portion of the Skagway Airport and runway. It is within three blocks of the downtown core known as the Historic Business District. There are a variety of additional uses, many of which are related to the runway. Uses include plane/helicopter parking, private hangars, tourism bus parking/maintenance, employee bunkhouses, single-family & multi-family residential, a national park service maintenance facility, a telecommunications company, and a distillery. Several of the noted commercial uses are associated with Skagway's seasonal tourism industry and are left underutilized during the winter months.

EXHIBIT A

This defined neighborhood is almost completely built-up with minimal vacant land left for development, the growth of the tourism market in Skagway has continued to play a key role to the development of Skagway as a whole, including this neighborhood. The subject neighborhood would compete with other commercial and industrial properties located throughout Skagway. The Historic Business District would be the only exception as it benefits from significantly higher cruise ship passenger traffic. The following map defines the zoning districts in downtown Skagway and highlights the comparable sales in relation to the subject.

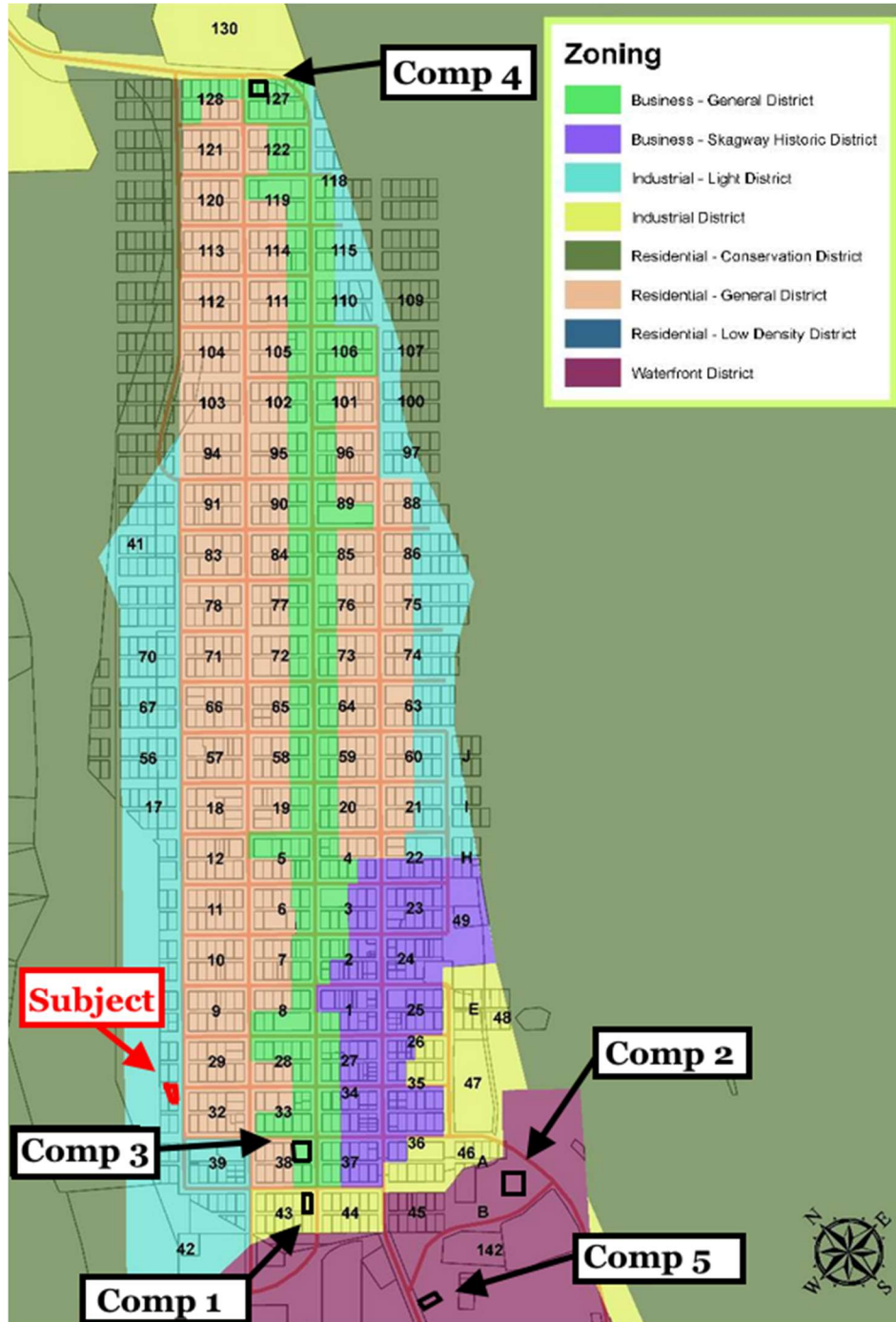


Figure 2.1 – Subject Location & Comparable Sales Map

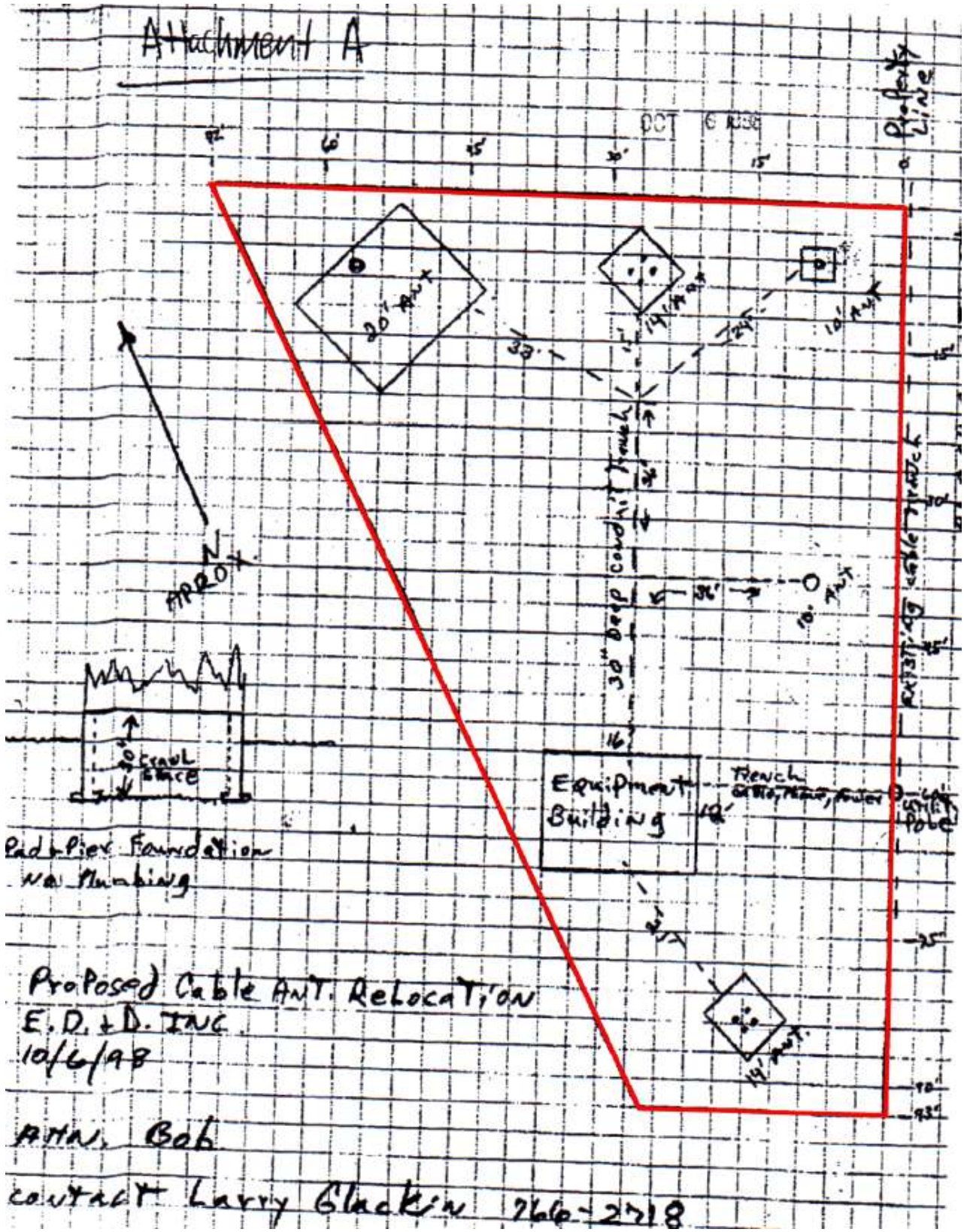


Figure 3.2 – Drawing of Subject Site with Subject outlined in Red

3 PROPERTY DESCRIPTION

3.1 SITE DESCRIPTION

The subject site is an approximate triangular-shaped parcel with the southern apex cut off. Please see Figure 2.2 on the previous page. The airport runway is directly behind and to the west of the site. The site is level and borders Alaska Street on the east. It is composed of 2,371 SF of the 3rd Avenue right-of-way and 2,162 SF of the north portion of Block 31, Lot 1, for a total area of 4,533 SF. It has 93' of frontage along Alaska Street and is approximately 72' at its deepest portion on the north end.

Access, Topography & Utilities

The subject site is level and is near the same grade as Alaska Street and the airport runway. All utilities are available to the site. Access to the subject site is via Alaska Street. As noted, the subject property is at the intersection of Alaska Street and 3rd Avenue on the airport (west) side of Alaska Street.

3.2 ZONING

The subject site is zoned Light Industrial (IL). This district is generally for urban and suburban light manufacturing, processing, storage, wholesaling and distribution, and railroad and airport related industries and businesses. This district is intended to promote efficient use of the land while at the same time, allowing for a variety of compatible uses. While industrial uses are encouraged, there are also various commercial and residential uses that may be conditionally permitted.

3.3 EASEMENTS AND ENCROACHMENTS

There are no known easements or encroachments on the subject parcel. It is a combination of a road ROW and small portion of the land owned by the city. The entire property is in contiguous ownership and the subject road ROW is generally not deemed as necessary in the current configuration of the airport and road system.

3.4 ASSESSED VALUATION AND TAXES

The subject site is owned by the Municipality of Skagway. It is subject to taxation based on possessory interest. The 2023 assessed value for the possessory interest of the land was not confirmed.

4 VALUATION

4.1 HIGHEST AND BEST USE

- H&B Use is defined as: 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.

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

The Light Industrial Zoning allows for a large variety of uses with preference towards light industrial demands. It is felt that the subject property could easily compete with properties in the BG zone. Any light industrial or commercial use which would fit well in this location would fit the highest and best use scenario. The current use by Skagway Network Television meets all four tests of highest and best use.

4.2 RENT COMPARISON APPROACH

The most direct way to value the subjects' lease rent is on a rent per square foot comparison basis. All the comparables are in Skagway. These leases or adjusted sales were chosen based on comparable attributes such as zoning, size, location, access, and utility of the property. The comparable sales have been converted to an indication of rent based on an estimated market percentage of the given sale price. In this case, the market rate is estimated at 8%. Please see the addenda for a detailed summary of the current market rent capitalization rate which has been relatively stable at 8%. The following is a summary of the comparable rents and/or adjusted sales used in developing a market value estimate for the subject property.

TABLE 4.1 -QUANTITATIVE ADJUSTED COMPARABLE RENTS

FM#	#	Location	Date	Sale Price	Indicated Rent @ 8%	SF Size	Zone	Indicated SF Rent
12334	1	Lot 1, Blk 43, ST	03/22	\$145,000	\$11,600	5,000	I	\$2.32/SF
11300	2	Lot 2, TL Addn to ST, Plat 64-8 (S. of RR Station)	02/19	\$400,000	\$32,000	20,038	W	\$1.60/SF
12333	3	Replat of lots 1 & 2, Blk 38, ST	10/21	\$400,000	\$32,000	10,000	BG	\$3.20/SF
12354	4	Lots 5 & 6, Blk 127, ST	10/19	\$155,150*	\$12,412	7,607	BG	\$1.63/SF
10361	5	Ptn of Lot 5F, ATS 4	04/22	N/A	\$6,048	3,600	W	\$1.68/SF
Subject			10/23	Solve	Solve	4,533	IL	Solve

**Based on Allocation of Land Value*

The only quantitative adjustments utilized are applied to the comparable sales to indicate market rent. No other quantitative adjustments are justified given the small size and disparate nature of the local market. A qualitative rating system 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

EXHIBIT A

gradation of weighting 1 to 3 is used since all qualitative attributes are not, in the appraisers' opinion, equally weighted within the market. The following discussion describes the individual comparables and their qualitative comparisons to the subject.

The market conditions have been relatively stable over the last several years in this sector of the commercial market. All the comparable rents are rated similar in this regard.

Despite having different zoning classifications, the comparable rents are considered similar in zoning as they would compete for either commercial or industrial functions. Both waterfront zoned lots are upland sites with industrial uses. Comp #4 is currently zoned for commercial use but is improved with a single family home which is common in Skagway and in the subject neighborhood.



Comp 1 – Corner of 1st & State Street

Comparable 1 is the indicated rent of an industrial zoned lot located at the corner of 1st Ave and State Street. It's closer to the historic district / tourism traffic and is considered superior (-1) in this regard. This site is being used for tourism related bus storage. It is entirely cleared and useable. Overall, Comp #1 is rated **superior (-1)** to the subject.



Comp 2 – S of Railroad Station

Comparable 2 is the indicated rent of a parcel of commercial land between the historic district and the existing cruise ship docks. This is considered to be a superior location (-2) due to good cruise ship passenger exposure, however, its benefit is somewhat negated because of inferior access (+1) across the railroad tracks controlled by the purchaser. It is also nearly a half acre in size and is considered inferior (+1) to the subject due to the economies of scale. This

indicates that the comparable would be overall **similar** to the subject.



Comp 3 – 2nd & State

Comparable 3 is the 2021 indicated rent of a lot located 1 block West of the historic business district and is currently used for a rental car business. This property sold as part of a transaction which included substantial business assets and a small building. It is rated superior (-2) in conditions of sale. Its location is considered to be superior (-1) to the subject. This comparable is more than twice the size of the subject and is rated inferior

(+1) in this regard due to the economies of scale. Primarily due to the conditions of sale and superior location, this property is ranked **superior (-2)** to the subject on a price per square foot basis.

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Comp 4 – Main & 23rd Ave (photo from MLS)

Comparable 4 is the allocated land rent of a commercially zoned lot located at the north end of downtown Skagway. This property sold in 2019 and was improved with a single-family residence at the time. The allocated land value is based on the 2019 land to building assessment ratio. It is **similar** to the subject in all regards including its exposure to local traffic and minimal exposure to cruise ship passengers.



Comp 5 – Harbor Storage

Comparable 5 is the lease of a 2,400 SF parcel within the boat harbor storage area that gives exclusive use to the tenant. This site benefits from off-site parking and traffic circulation which makes it 100% usable for construction/storage. A size premium was estimated at 50% (2,400 SF x 1.5) by the property appraiser which is reflected in this report as 3,600 SF. It has inferior public access (+1) but is in a superior (-2) location which takes advantage of its proximity to the waterfront. Overall, Comp 5 is rated slightly **superior (-1)** to the subject.

Table 4.2 - Qualitative Rent per SF Ranking Grid

Characteristic	Subject	Comp #1 (#12334) Lot 1, Blk 43 ST		Comp #2 (#11300) South of RR Station		Comp #3 (#12333) 2 nd & State Ave.		Comp #4 (#12354) 2022 Main Street		Comp #5 (#10361) Ptn of Lot 5F, ATS 4	
Indicated Rent	Solve	\$11,600		\$32,000		\$32,000		\$12,412		\$6,048	
Indicated Rent/SF	Solve	\$2.32		\$1.60		\$3.20		\$1.63		\$1.68	
Market Conditions (Time of Sale)	08/23	03/22	0	2/19	0	10/21	0	10/19	0	04/22	0
Conditions of Sale	Typical	Similar	0	Similar	0	Superior	-2	Similar	0	Similar	0
SF Size	4,533 SF	5,000 SF	0	20,038 SF	+1	10,000 SF	+1	7,607 SF	0	3,600 SF	0
Location	Average	Superior	-1	Superior	-2	Superior	-1	Similar	0	Superior	-2
Access	Good	Similar	0	Inferior	+1	Similar	0	Similar	0	Inferior	+1
Zoning	IL	I	0	W	0	BG	0	BG	0	W	0
Site Utility	Average	Similar	0	Similar	0	Similar	0	Similar	0	Similar	0
Overall Net Rating		Superior	-1	Similar	0	Superior	-2	Similar	0	Superior	-1
Indicated SF Land Value of the Subject is		Less than \$2.32/SF		Similar to \$1.60/SF		Less than \$3.20/SF		Similar to \$1.63/SF		Less than \$1.68/SF	

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.

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TABLE 4.2 - COMPARABLE SALES RANKING GRID				
Comp	Date	Location	Price/SF	Rating
3	10/21	2nd Ave & State St, ST	\$3.20/SF	Superior (-2)
1	03/22	Lot 1, Blk 43, Skagway TS	\$2.32/SF	Superior (-1)
5	04/22	Harbor Storage Lease	\$1.68/SF	Superior (-1)
4	10/19	2022 Main Street	\$1.63/SF	Similar
Subject	08/23	Subject	Solve	Similar
2	02/19	Lot South of RR Station	\$1.60/SF	Similar

After considering the ranking grid above, the indicated rent can be considered similar to \$1.60/SF and \$1.63/SF. The estimated rent of \$1.62/SF is justified between these two comparables (#2 & 4). The subject site represents the lower end of the value range for general commercial/industrial property in downtown Skagway as it does not benefit from significant exposure to cruise ship passenger traffic. The value can be summarized as follows:

$$\mathbf{4,533\ SF\ @\ \$1.62/SF = \$7,343}$$

ADDENDA

Land Lease Capitalization (Rent Percentage) Rates

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 estimated value. Conversely when valuing land sometimes directly comparable sales are limited and rent comps are available to use as indicators of value. The value can be estimated by capitalizing (dividing) the rent by a capitalization rate.

Land leases are most often granted by public or private institutions. Sometimes leases state the rents will be set based on a specified rate. Sometimes the rents are calculated based on the going (market) but the rate is not specified in the lease agreement which just shows the rent. Land lease rates range from about 4% to 12% of the market value of the land on an annual basis. Over a long period of time, these rates may fluctuate with the land owners' anticipation of return on investment; however, they are more stable than short-term changes in interest or bond rates. We have kept track of these land lease percentage rates over a long period of time. They have been very stable for the last 10 years or so. The following summarizes our most recent discussions with various institutions that lease land.

The Alaska Railroad currently does land leases based on 8% of market value. A September 2022 interview indicated that there are some leases over 10 years old in Valdez and Seward in the 9% to 10% range. Historically leases are typically 35 years adjusted every five years based on appraisals. The rents are capped at a 35% increase and a floor of minus 35%. Short-term year-to-year rates are higher. Long-term leases over five years have lower rates. Generally, these types of leases are adjusted every three to five years based on reappraisal or the Consumer Price Index.

Rental adjustments in the last several years for commercial waterfront space in Juneau has been set at 8% percent of the estimated market value. University of Alaska, and the Alaska Mental Health Trust all leased land at various rates depending on location. Urban lands have targeted rates of 10- 12% per year, but are leasing at lower rates of 7-8% depending on negotiations.

Municipalities throughout the State lease tidelands based on a lease percentage rate. Over the last 20 years, we have seen these lease rates range from as low as 4% to as high as 12%. In the last 10 years or so these rates have settled between the 7% to 9% range. The predominate rate is 8% with 5-year market value adjustment clauses. Several municipalities, such as Craig and Skagway, have a legislated 8% per year rate. The City and Borough of Sitka have been leasing land at the Gary Paxton Industrial Park for 9%. Several municipalities, such as Ketchikan and Petersburg, have adopted lower rates for certain lands as an economic incentive for business development. In 2014 Ketchikan dropped its rate to 4% and Petersburg's rates are as low as 6%. The Municipality of Skagway recently had a yard of storage in 2022 calculated on land value with annual rent at 8% of that value. This is based on the prevailing land lease capitalization rates in the region.

For most private commercial leases these rates have not changed in the past several years and are best described as stable. A market rate of 8% is well supported.



MUNICIPALITY OF SKAGWAY

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

**Municipality of Skagway
And
ED&D Inc. /Skagway Cable TV
Lease Agreement**

This Lease is entered into on this 1st day of January, 2019, by and between the Municipality of Skagway (hereinafter, Municipality) a municipal corporation, and ED&D Inc. /Skagway Network Cable TV (hereinafter Lessee), for the purpose of leasing 4,533 square feet of Municipal Property.

WITNESSETH:

WHEREAS the Municipality owns property described above; and

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

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

1. **DURATION:**

This lease shall be in effect for a 5-year period, from January 1, 2019 to December 31, 2023.

2. **FACILITIES:**

A. The leased premises subject to this lease shall be 4,533 square feet consisting of 2,371 square feet of 3rd Avenue Right-of-way east of Alaska Street and 2,162 square feet of the north portion of block 31, Lot 1.

B. The Lessee recognizes that the Municipality may construct improvements to the premises during the term of this lease. Adjustments to the lease amount, if any, due to such improvements shall be negotiated by the Municipality and Lessee, and approved in writing by both parties.

EXHIBIT A

A LEASE AGREEMENT BETWEEN THE MUNICIPALITY OF SKAGWAY AND ED7D INC. /SKAGWAY CABLE TV.

3. LEASE AMOUNT:

Annual lease payment shall be in the amount of \$2,756.00 (Two Thousand, Seven Hundred Fifty-Six Dollars and No/100), plus any applicable municipal sales tax. This amount is payable in four (4) equal quarterly installments of \$689.00 (Six Hundred Eighty-Nine Dollars and No/100) plus applicable tax, due on or before the thirtieth day of, March, June, September, and December. Additionally, Lessee shall be responsible for cost of preparing the lease, including, but not limited to survey and appraisal costs. The cost of current appraisal dated July 16, 2018. Failure to make payments when they are due shall constitute a material breach of the lease.

4. OPERATIONS AND MAINTENANCE:

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

5. INDEMNITY AND INSURANCE:

- A. Lessee shall indemnify, save harmless and defend the Municipality from any and all claims or actions for injuries or damage of any kind and any nature, including but not limited to physical injury and death, property damage, special damages, consequential damages, expenses, costs, and attorney fees, directly or indirectly arising out of, in connection with, related to, or incident to the operation of the leased premises by the Lessee and the lessees employees, agents, guests, representatives, and invitees.
- B. Lessee shall provide to the Municipality of Skagway a certificate of insurance showing that the Lessee has obtained at least two million dollars (\$2,000,000.00) general liability insurance, which covers the Lessee's operations on the leased premises. Lessee shall provide the Certificate of Insurance, naming the Municipality as an additional insured, at the time of the effective date of the lease. Failure to maintain such insurance shall constitute a material breach of the terms and conditions of the lease. Lessee shall notify the municipality twenty (20) days before the policy is canceled or terminated and unless the Lessee provides a new Certificate of Insurance within 30 days of cancellation or termination, the Municipality may terminate this lease without further notice at its sole option.

EXHIBIT A

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C. **HAZARDOUS WASTE RESPONSIBILITY.** Lessee represents and warrants that the leased Premises will never be used for the generation, manufacture, storage, treatment, disposal, release, or threatened release of any hazardous waste or substance. The term "Hazardous Waste or Substance" means hazardous or toxic substances, materials or wastes, including but not limited to any substance, material or waste which is (i) petroleum; (ii) asbestos; (iii) polychlorinated biphenyls (PCBs); (iv) toxic or hazardous substances as defined in Alaska Statute 18.60.105 or 46.03.826, and associated regulations; (v) designated as a "Hazardous Substance" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. ' 9601, et. seq.; (vi) designated as a "Hazardous Waste" pursuant to the Resource Conservation and Recovery Act, 42 U.S.C. ' 6901, et. seq.; (vii) designated as a "Hazardous Substance" under the Clean Water Act, 33 U.S.C. ' 1321, or listed pursuant to 33 U.S.C. § 11317; (viii) listed by the U.S. Department of Transportation at 49 C.F.R. Part 302; and (ix) any other substance, waste or material which is regulated as hazardous or dangerous by any Federal, State or local agency.

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

6. **DEFAULT:**

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

EXHIBIT A

A LEASE AGREEMENT BETWEEN THE MUNICIPALITY OF SKAGWAY AND ED7D INC. /SKAGWAY CABLE TV.

7. TERMINATION

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

8. TERM AND CONDITIONS:

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

B. Unless otherwise provided for in this Lease, the provisions of Skagway Municipal Code Title 16.02.140, 16.02.150, and 16.02.160 shall govern this lease and are attached to and incorporated into the terms and conditions of this lease and the Lessee is obligated to fully comply with Skagway Municipal Code Title 16.02.140, 16.02.150, and 16.02.160.

9. NOTICE:

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

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

LESSEE: ED&D Inc. /Skagway Cable TV
Patty Campbell
P.O. Box 454
Haines, AK 99827

10. MISCELLANEOUS

A. The Superior Court for the State of Alaska, First Judicial District at Juneau, Alaska, shall be the exclusive court for jurisdiction and venue of any and all actions of any kind and any nature arising out of or related to this Lease Agreement. Venue for trial in any action shall be in Skagway, Alaska. Lessee specifically waives any right or opportunity to request a change of venue from Skagway, Alaska for trial pursuant to A.S. 22.10.040. The parties agree that this Agreement shall be governed by the laws of the State of Alaska.

B. This Agreement is binding upon the heirs, successors and assign of the parties.

C. This Agreement represents the entire Agreement of the parties and no other Agreement whether oral or written which is not specifically set forth in this

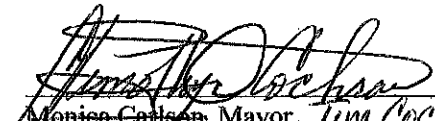
EXHIBIT A


A LEASE AGREEMENT BETWEEN THE MUNICIPALITY OF SKAGWAY AND ED7D INC. /SKAGWAY CABLE TV.

Agreement or an addendum to this Agreement will have any force or effect upon the other party. Lessee specifically understands and agrees that no Municipal employee, Assembly member, or the Mayor has any authority to verbally modify this lease and any modifications must be in writing approved by the Assembly.

- D. The Municipality's waiver of any term or condition in this Agreement shall not constitute a waiver of any term or condition in this Agreement.
- E. If any term of this Agreement is held to be invalid, void or unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall be valid and binding upon the parties.
- F. Titles and headings to sections are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.
- G. Lessee is not relying on any representations by a Municipal employee, officer, assembly member, consultant or attorneys. Lessee has had a full opportunity to consult with their own attorney before entering this Lease.
- H. This Lease shall not be assigned by the Lessee without the prior written consent of the Municipality. The Municipality will not approve an assignment to an LLC unless all the members of the LLC guarantee performance of the Lease.

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


 146 Monica Carlson, Mayor, Tim Cochrane
 for the Municipality of Skagway


Patty Campbell, Authorized Representative
 for, ED&D Inc. /Skagway Cable TV, Lessee

Date 12/31/2018

Date 12-17-18




ATTEST:

 Emily Deach, Borough Clerk
 (SEAL)

EXHIBIT A

QUALIFICATIONS OF SLATER M. FERGUSON

Education:

2008 - Graduated from Sitka High School, Sitka, Alaska

2012 - Graduated with a BS in Geography from Western Oregon University, Monmouth, Oregon

Real Estate Appraisal Experience:

November 2018 to Present – Certified General Real Estate Appraiser – Horan & Company, LLC

June 2014 to November 2018 - Real Estate Appraiser Trainee - Horan & Company, LLC

- In-depth assistance of Commercial/Residential Appraisal Development and Market Data Research
- Leadership role in the 2015 Mass Appraisal/Revaluation for the City of Craig, AK

Oct 2012 to June 2014 – Office Admin/Appraiser Assistant – Horan & Company, LLC

Certification & Approvals:

Certified General Real Estate Appraiser, State of Alaska License #133619

VA approved, January 2020

FHA approved, January 2019

Appraisal Education:

7 Hour Hotel/Motel Valuation Course, June 2023

14 Hour UASFLA Course, May 2023

7 Hour USPAP Update Course, February 2023

Rural Area Appraisals: Freddie Mac Guidelines and Property Eligibility Requirements, May 2021

The Cost Approach: Unnecessary or Vital to a Healthy Practice, April 2021

7 Hour USPAP Update Course, June 2021

Cool Tools: New technology for Real Estate Appraisers, Jan 2021

General Appraiser Market Analysis with Highest and Best Use, Aurora, CO, August 2018

2016-2017 7-Hour Equivalent USPAP Update Course, Online, June 2017

Residential Sales Comparison and Income Approaches, Louisville, KY, October 2017

General Appraiser Report Writing and Case Studies, Woburn, MA, November 2017

General Appraiser Income Approach/Part 1, Houston, TX, September 2016

General Appraiser Income Approach/Part 2, Houston, TX, September 2016

Real Estate Finance Statistics and Valuation Modeling, Las Vegas, NV, February 2015

General Appraiser Site Valuation & Cost Approach, Chicago, IL, October 2015

Appraisal Procedures, Appraisal Institute, Online Course, April 2014

General Appraiser Sales Comparison Approach, Chicago, IL, October 2014

Appraisal Principles; Appraisal Institute, Online Course, October 2013

15-Hour USPAP, Tigard, OR, November 2013

Types of Property Assessed for Taxation:

City of Craig real property assessment roll; single-family, multi-family and mobile homes

City of Skagway real property assessment roll, single-family, multi-family and mobile homes

EXHIBIT A

Types and Location of Properties Appraised:

Residential – Single/multi-family homes, condos, mobile homes, island properties and vacant lands in Sitka, AK

Commercial – Warehouses, office buildings, retail buildings, mini-storage facilities, lodges/apartment buildings and vacant lands in Sitka, AK; Mixed-use commercial buildings, tidelands, and vacant lands in Juneau, AK; A Lodge in Haines, AK; vacant lands in Gustavus, AK; vacant lands in Petersburg, AK; vacant lands on Prince of Wales Island and Admiralty Island.

Slater Ferguson has also aided other appraisers in the appraisal process of numerous properties located throughout Southeast Alaska. These properties include a variety of commercial buildings (office, retail, warehouse/shops, apartments, etc.) and vacant lands.

Rev. 6/2023