

Proposed by:	Administration
Attorney Review:	08/30/2016
First Reading:	09/01/2016
Second Reading:	09/15/2016
Vote:	5 Aye 0 Nay 1 Absent

MUNICIPALITY OF SKAGWAY, ALASKA ORDINANCE NO. 16-19

AN ORDINANCE OF THE MUNICIPALITY OF SKAGWAY, ALASKA AUTHORIZING THE MUNICIPALITY OF SKAGWAY TO LEASE WATERFRONT PROPERTY TO OCEAN RAFT ALASKA LLC.

WHEREAS, the Municipality received a request from Christian Racich, DBA Ocean Raft Alaska LLC, to lease 2,000 square-feet of waterfront property;

NOW, THEREFORE BE IT ORDAINED BY THE ASSEMBLY OF THE MUNICIPALITY OF SKAGWAY, ALASKA that the Municipality of Skagway shall lease to Christian Racich, dba Ocean Raft Alaska LLC, 2,000 square-feet of waterfront property described as Tax Lot 5F, a portion of ATS 4, in the appraisal report dated August 24, 2016, by Horan & Company LLC (Exhibit A), for the period of September 15, 2016, through September 15, 2021; and

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

BE IT FURTHER ORDAINED that Ocean Raft Alaska shall be charged an annual rent of eight percent (8%) of the appraised value of \$26,000.00 according to Exhibit A, or \$2,080.00 annually plus applicable sales tax, prorated and paid in advance every calendar quarter; and

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

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

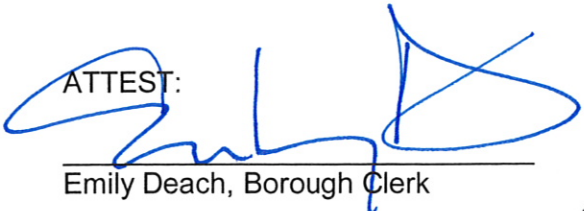
Section 2. Effective Date. This ordinance shall become effective immediately upon adoption.

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly of the Municipality of Skagway this 15th day of September 2016.



Mark Schaefer, Mayor

ATTEST:



Emily Deach, Borough Clerk

(SEAL)



APPRAISAL REPORT
TO UPDATE OCEAN RAFT ALASKA, LLC LEASE,
CONTAINING 2,000 SF,
HYPOTHETICAL PTN.
TAX LOT 5F
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, Ste 210
Sitka, AK 99835

Effective Date: August 22, 2016

Report Date: August 24, 2016

Our File Number: 16-118

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

August 24, 2016

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

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

Re: Appraisal Report to Update Ocean Raft Alaska, LLC Lease, Containing 2,000 SF,
Hypothetical Ptn. Tax Lot 5F, in Skagway, Alaska.
Our File #: 16-118.

Dear Ms. Gihl,

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

Based on my analysis of sales and leased properties in the area, as well as an understanding of current market conditions, it is my opinion that the subject property has a market value, as of August 22, 2016, in fee simple interest as follows:

ATS 4, Portion of Tax Lot 5F
2,000 SF @ \$13.00/SF = \$26,000

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 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

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ADDENDA

Comparable Sales Map
Original Lease Agreement
Appraiser Qualifications

CERTIFICATION OF APPRAISAL

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

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



William Ferguson, Real Estate Appraiser
AA618

August 22, 2016
Effective Date

Horan & Company, LLC

August 24, 2016
Report Date

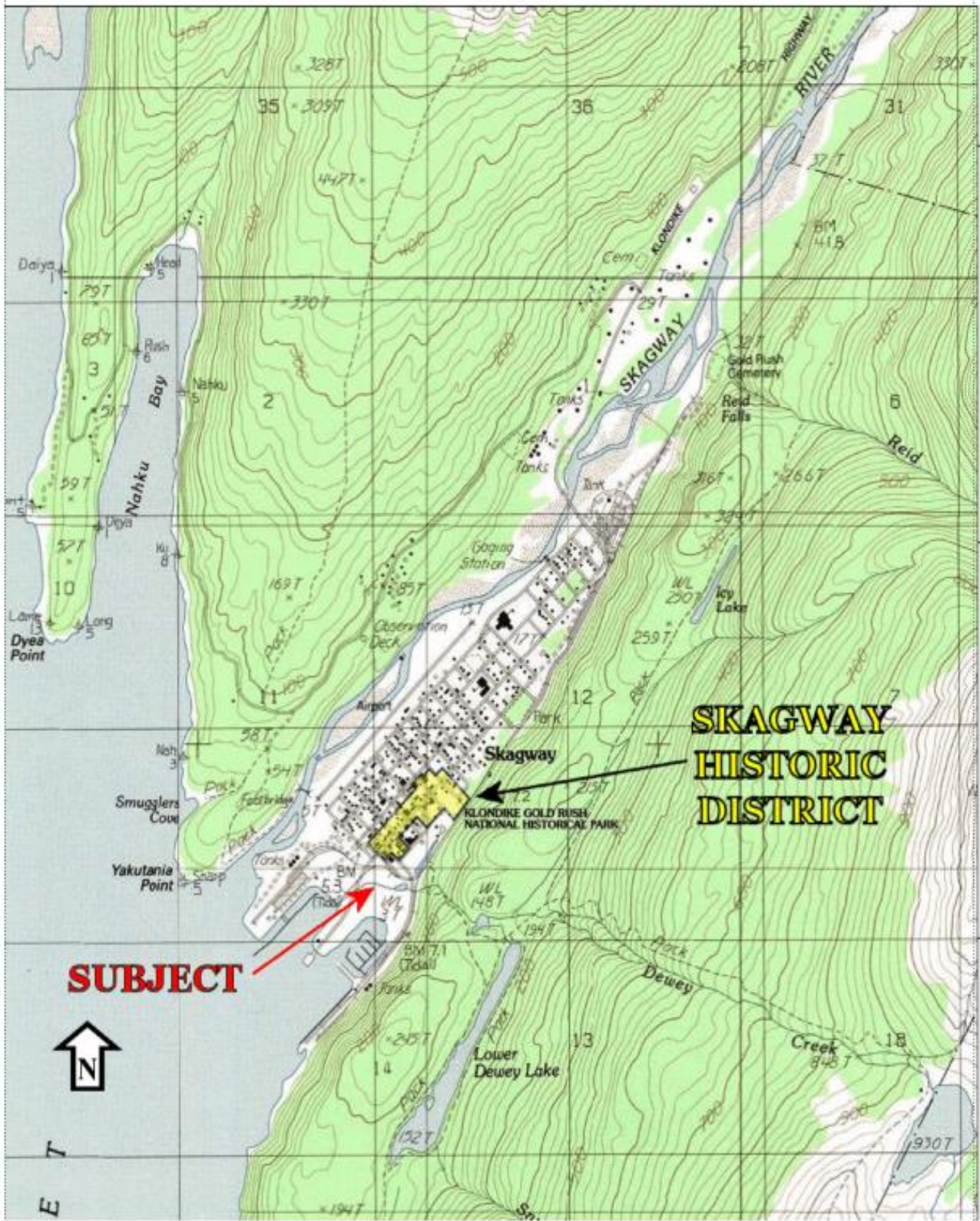


FIGURE 1.1 – SUBJECT LOCATED ON SKAGWAY AREA MAP.

1 INTRODUCTION

1.1 PROPERTY IDENTIFICATION

The subject property is referred to as the Ocean Raft Alaska, LLC lease site in the small boat harbor uplands. It is located between the ferry terminal and the parking area of the harbormaster office. The subject property is leased land, owned by the City of Skagway, and is hypothetically identified as a 2,000 SF portion of ATS 4. It is a portion of Tax Lot 5F.

1.2 PROPERTY RIGHTS

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

1.3 INSPECTION AND EFFECTIVE DATE

At the request of the client, the subject property has not been inspected by the appraiser. The appraiser is familiar with the property from observations made in the course of other work. The effective date is August 22, 2016.

1.4 INTENDED USE AND USER

The intended use of this appraisal is to estimate the fair market value of the subject property to be used as a basis for annual lease rates. The market value estimated is limited to the Assumptions and Limiting Conditions herein. Most of the site is currently leased to Ocean Raft Alaska, LLC for storage, etc. The intent is to add another 800 SF to the current 1,200 SF for a total lease site of 2,000 SF. 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. A portion of it has been leased to the current lessee for over three years.

1.6 SYNOPSIS OF LEASE

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

<i>Leased Premises:</i>	ATS 4, Hypothetical Ptn 5F, Skagway Recording District, First Judicial District, State of Alaska.
<i>Lessor/Ostensible Owner:</i>	Municipality of Skagway, Municipal Manager
<i>Lessee:</i>	Alaska Ocean Raft, LLC.
<i>Term of Lease:</i>	5 years
<i>Current Annual Lease Payment:</i>	\$1,056 per year for 1,200 SF.
<i>Facility:</i>	Grounds or hypothetical portion of tax lot 5F, containing 1,200 SF (will change to 2,000 SF), within ATS 4, Skagway City Storage Area.
<i>Lease Dates:</i>	May 1, 2013 to May 1, 2018 – current lease
<i>Rental Adjustment Period:</i>	Every 5 years.

<i>Use:</i>	Storage and business support.
<i>Property Rights Included:</i>	Fee simple interest.
<i>Easements:</i>	None noted.
<i>Improvements:</i>	The Lessee recognizes that the Municipality may construct improvements to the premises during the term of this lease.

1.7 SCOPE OF APPRAISAL

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

The scope of this appraisal included an investigation of the real estate market in Skagway and Southeast Alaska. Comparable land sales or leases were analyzed to determine the market value of the subject land and depreciated costs of the improvements were added to arrive at a market value of the property.

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

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

1.8 ASSUMPTIONS AND LIMITING CONDITIONS

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

Hypothetical Condition

It is a hypothetical condition of this report that the subject property is a subdivided, legal marketable property in its own right.

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.
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

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

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

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

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

Fee Simple Interest

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

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

Market Rent

The most probable rent that a property should bring in a competitive and open market.

Rental Rate

The percentage of market value that a comparable class of private property would bring in the open market with the same conditions of lease as offered by the state.

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis.

Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

(USPAP, 2010-2011 ed.) The Dictionary of Real Estate Appraisal, 5th Edition, Appraisal Institute, Page 97

A hypothetical condition may be used in an assignment only if:

- I. Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- II. Use of the hypothetical condition results in a credible analysis; and

The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

2.1 SKAGWAY AREA ANALYSIS

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. The coastal range rises dramatically 7,000' from sea level and only provides a few low 3,000' passages into the interior area. The Tlingit natives 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 1880's, 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 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. This has the strong potential for growth with increased mining activity in the Yukon.

Population and Tourism

Skagway has also proven to be an important player in the tourism market of Southeast Alaska. 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. Tour ship visitation in this time period has grown tenfold, with total visitation (road, air, ship, ferry) increasing over four fold. Along with this increase, demands for



FIGURE 2.1 – CRUISE SHIP PASSENGER VISITATION - SKAGWAY

property and rental spaces have increased substantially through the years, especially after 2000. The tourism outlook overall is for gradual to strong growth after its slight decline from 2007 numbers.

Similar numbers are projected for the 2016 Cruise Ship season.

At the height of the gold rush, the boom town population was reportedly over 10,000. The population in modern times, however, has been fairly stable as evidenced by the U.S. Census Bureau statistics. The population in the mid-1970s was higher than 1980 due to road construction of the Klondike Highway to Canada and the impact of tourism with the opening of the Klondike Gold Rush National Historic Park. With the closure of the railroad in October 1982, the year round population declined; however, the population has been stable for some time with year round population in the low to mid 900's since 2010. The number of residents swells in the summer tourist season, nearly doubling the town's size.

Real Estate Market Trends

This 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 but increased for 2014 and 2015.

2.2 NEIGHBORHOOD ANALYSIS

The subject is located in a transitional zone between the waterfront areas including the harbor, industrial waterfront related storage and uses and the ferry terminal as well as cruise ship docks. It is between Congress Way and Broadway which are the main tourist corridors accessing downtown Skagway from the docks and harbor. There is a developed seawalk between the railroad dock and town.

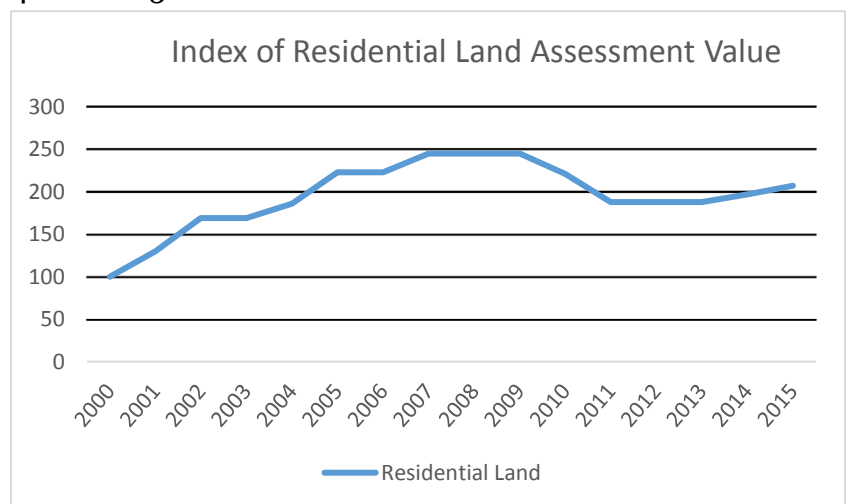


FIGURE 2.2 - VALUE GROWTH INDEX

Generally, the subject neighborhood reflects other areas in the Skagway market, with relatively stable values.

Although nationwide numbers have grown, occupancy rates for RV parks in the Skagway market have declined since 2006 according to local management. This may be due to ferry reliability, fuel costs or somewhat out of the way location.

Conclusion

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

3 PROPERTY DESCRIPTION

3.1 SITE DESCRIPTION

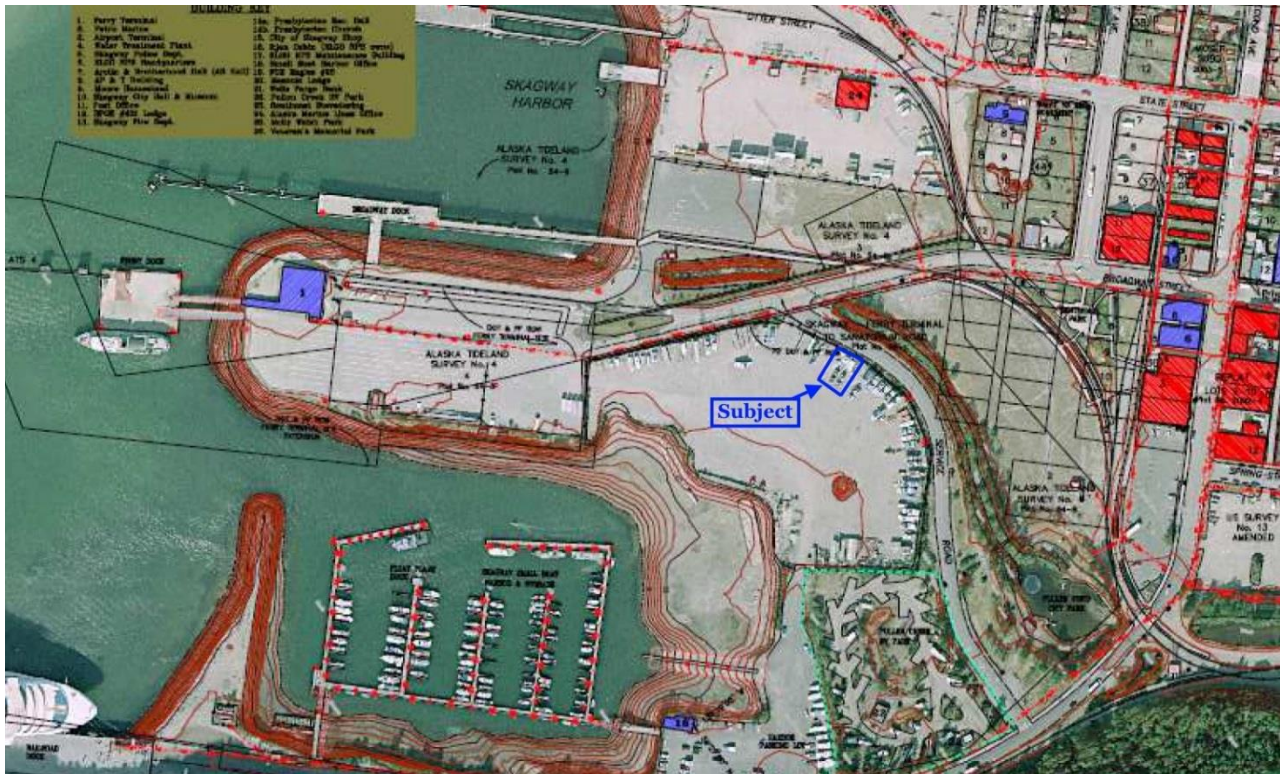


FIGURE 3.1 – SUBJECT LOCATION MAP

The subject site is a hypothetical 2,000 SF site within ATS #4 north and west of the northwest corner of the small boat harbor. It is located at the fence line which borders Service Road and can be accessed through other municipal lands from both Broadway (ferry access road) and Congress Way. It is generally level and relatively similar in elevation to nearby roads. It is in a good location to serve waterfront related businesses for support, storage and maintenance.

The subject is used for miscellaneous support and storage for the Ocean Raft Alaska day to day operation and off-season storage.

Topography, Utilities & Access

The subject is level and at grade with the surrounding lands. Electric and phone utilities are reportedly available along the Service Road ROW. The subject parcel is accessed across city owned and partially leased filled tidelands.

3.2 ZONING

The subject site is zoned Waterfront (W). This zoning is designed to protect Skagway's limited waterfront areas for those uses that are directly dependent upon or related to the water and/or a waterfront location. This zoning principally allows for public, private, and commercial moorage, warehousing and storage, marine fuel, water and sanitation facilities, research and educational facilities related to the water, port, and harbor facility, seafood processing, boat storage yard, fish and shell fish propagation, parks and open space, and water-related visitor services, as well as sales related to maritime activity that requires/benefits from a shoreline location.

3.3 EASEMENTS AND ENCROACHMENTS

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

3.4 ASSESSED VALUATION AND TAXES

There is currently no assessment for the subject parcel. The subject would generally be taxed based on a possessory interest value. This possessory interest is based on a fee simple value.

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.

4 VALUATION

4.1 HIGHEST AND BEST USE

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

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

With the subject surrounded by marine related maintenance, storage and water access, and the requirements of W zoning, a commercial use related to the waterfront is the highest and best use. This would include marine related tourism, boatyards, boat shops or seafood processing.

4.2 LAND VALUATION

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

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

TABLE 4.1 - COMPARABLE SALES AND CAPITALIZED LEASES TABLE						
#	Location	Date	Price	SF	\$/SF	Comments
1	Portion ATS 4, Tax Lot 5A, Petro Lease(7479)	01/12	\$24,000*	1,600 SF	\$15.00/SF	Similar W zoning; near seawalk and harbor
2	Ptn ATS 4, Taiya Marine Lease (7207)	04/16	\$39,000*	3,000 SF	\$13.00/SF	Similar W Zoning, nearby
3	Lot 10, Block 21, Skagway Townsite (9354)	09/15	\$65,000	5,000 SF	\$13.00/SF	Zoned Light Industrial; vacant lot
4	S 331/3 Lots 11 and 12, Blk 39 (7770)	12/13	\$55,000**	3,330 SF	\$16.52/SF	Zoned Light Industrial with older building
5	Lot 12, Block 60(8037)	01/15	\$65,000**	5,168 SF	\$12.58/SF	Zoned Light Industrial with house
	Subject	04/16	Solve	3,000 SF	Solve	Zoned W

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

Comparable 1 is the fee simple value based on a capitalized 2012 lease. It is slightly smaller in size and similar in zoning. It is slightly superior to the subject's location considering tourist traffic flow. It is, however more industrial in use. This comparable is ranked **superior**.

Comparable 2 is the recent update of a very similar sized leased parcel. It is in the same immediate area. It is similar in waterfront zoning and only slightly larger in size. It is very similar in location and access. It also was superior in utilities. It is ranked **similar** overall.

Comparable 3 is the fee simple sale of a parcel of land zoned for light industrial use and surrounded by a combination of residential and commercial uses. It is slightly larger and superior in utilities. It is a very recent transaction, having occurred in late 2015. It is ranked **similar** after considering adjustments.

Comparable 4 is the allocated land value from the sale of a light industrial property with a small fair condition building on it. It is slightly larger in size, but superior in utilities. It ends up a **superior** indicator of unit value at \$16.52/SF.

Comparable 5 is the land allocation of a property zoned light industrial with a small house on it. This comparable was a larger parcel of land with superior utilities and mostly surrounded by residential uses. This is also a recent transaction, having occurred in early 2015. This is considered due to its zoning, but is given less weight with its residential use. It is ranked **similar**.

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

TABLE 4.2 - QUALITATIVE ADJUSTMENT GRID											
Characteristic	Subject	Comp #1 Tax Lot 5A		Comp #2 Ptn Tax Lot 5F		Comp #3 Lot 10, Block 21		Comp #4 S 33 1/3 Lots 11&12, Block 39		Comp #5 Lot 12, Block 60	
Sales or Indicated Price	Solve	\$24,000*		\$39,000*		\$65,000		\$55,000**		\$65,000**	
Price/SF	Solve	\$15.00/SF		\$13.00/SF		\$13.00/SF		\$16.52		\$12.58	
Market Conditions (Time of Sale)	04/16	1/12	0	04/16	0	09/15	0	12/13	0	01/15	0
Conditions of Sale	N/A	Similar	0	Similar	0	Similar	0	Similar	0	Similar	
SF Size	2,000 SF	1,600 SF	0	3,000 SF	0	5,000 SF	+1	3,330 SF	0	5,168 SF	+1
Location/Access	Average	Superior	-1	Similar	0	Similar	0	Similar	0	Similar	0
Zoning	W	W	0	W	0	IL	0	IL	0	IL	0
Utilities	Nearby	Similar	0	Similar	0	Superior	-1	Superior	-1	Superior	-1
Overall Net Rating		Superior	-1	Similar	0	Similar	0	Superior	-1	Similar	0

*Based on capitalized lease, ** Land allocation

TABLE 4.3 - SALES RANKING			
Comparable	Sales Date	Price/SF	Ranking
Comp 4	12/13	\$16.52	Superior -1
Comp 1	01/12	\$15.00	Superior -1
Comp 2	04/16	13.00	Similar
Comp 3	09/15	\$13.00	Similar
Subject	04/16	Solve	Similar
Comp 5	01/15	\$12.58	Similar

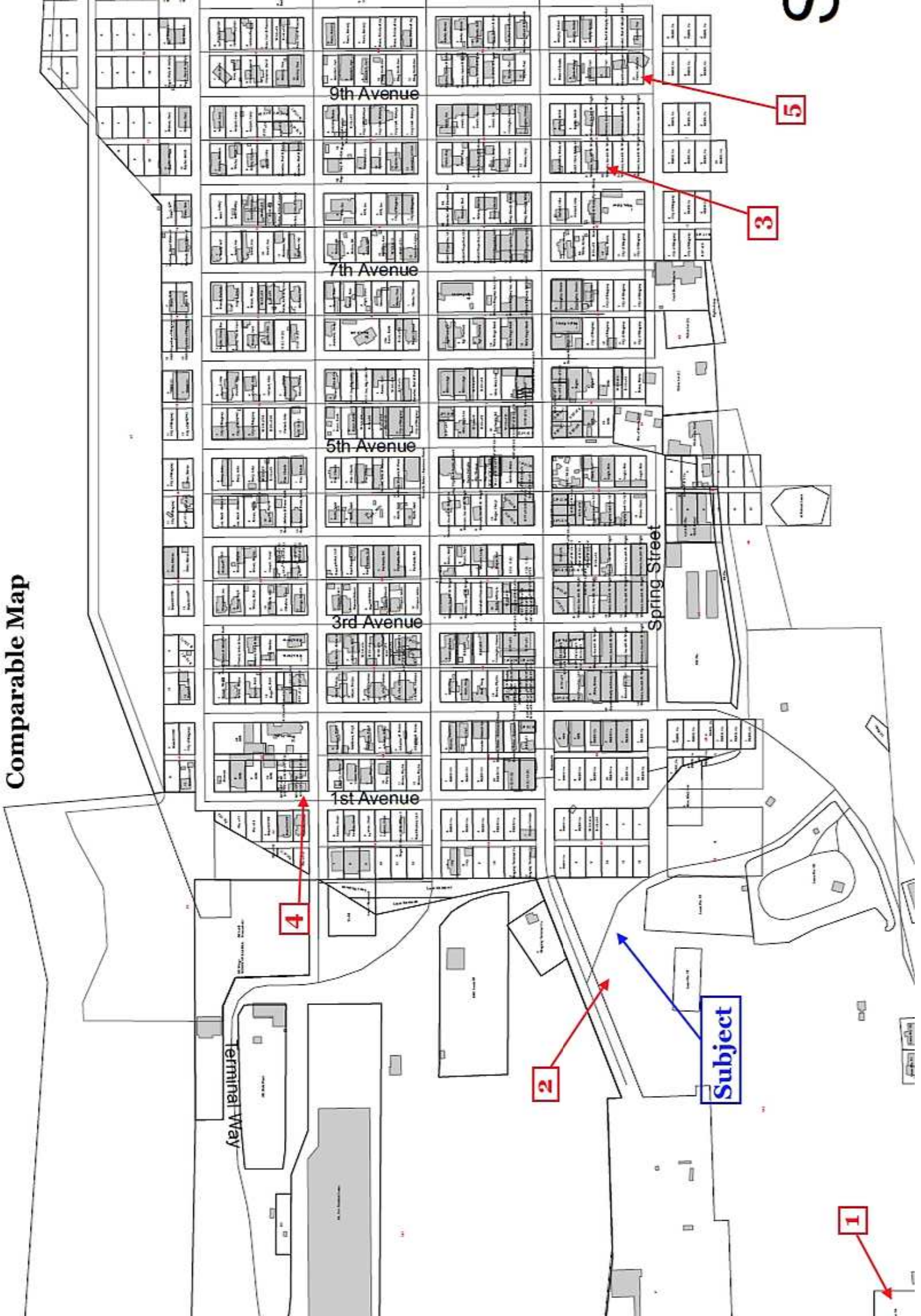
All of the comparables indicate a range between \$12.58/SF and \$16.52/SF. After ranking, a tighter range develops between \$12.58/SF and \$13.00/SF. The subject is estimated at \$13.00/SF with slightly less weight applied to Comp 5 due to its residential use and surroundings.

In consideration of the data analyzed above, a unit value of \$13.00/SF is felt to be most substantiated. This valuation, with an effective date of August 22, 2016 can be summarized as follows:

$$2,000 \text{ SF @ } \$13.00/\text{SF} = \$26,000$$

ADDENDA

Comparable Map





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
Ocean Raft Alaska, LLC.
Lease Agreement
Small Boat Harbor Marine Services**

This Lease is entered into on this 1st Day of May, 2013, by and between the Municipality of Skagway (hereinafter, Municipality) a municipal corporation, and Ocean Raft Alaska, LLC. (hereinafter Lessee), for the purpose of leasing a lot in the small boat harbor uplands.

WITNESSETH:

WHEREAS the Municipality owns the small boat harbor property; 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 May 1, 2013 to May 1, 2018.

2. FACILITIES:

A. The leased premises subject to this lease shall be the grounds or hypothetical portion of tax lot 5F, containing 1,200 SF in fee simple interest, Within ATS 4, Skagway city storage area as described in the Appraisal Report dated December 12, 2012.

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.

3. LEASE AMOUNT:

Annual lease payment shall be in the amount of \$1,056.00 (One Thousand, Fifty Six Dollars and No/100), plus any applicable municipal sales tax. This amount is payable in four (4) equal quarterly installments of \$264.00 (Two Hundred and Sixty Four 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.

4. OPERATIONS AND MAINTENANCE:

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

5. INDEMNITY AND INSURANCE:

- A. **INDEMNIFICATION OF LESSOR.** Lessee agrees to indemnify, defend and save Lessor harmless against and from any and all claims by or on behalf of any person, firm or corporation, arising from the conduct or management of or from any work or thing whatsoever done in or about the leased Premises, beginning May 1, 2013, regardless of when such claims may have occurred, arose or accrued, which in any way relate to the leased premises, including, without limitation, in connection with Hazardous Materials. Lessee also agrees to indemnify, defend and save Lessor harmless against and from any and all claims arising during the lease term from any condition of the leased property. Lessee also agrees to indemnify, defend and save harmless Lessor from any and all claims, including but not limited to physical injury, property damage, special damages, consequential damages, expenses, costs, and attorneys fees, directly or indirectly arising out of, in connection with, or incident to the operation of the leased premises or arising from any breach or default on the part of Lessee in the performance of any covenant or agreement on the part of Lessee to be performed, pursuant to the terms of this lease, or arising from Lessee's failure to comply with any law, ordinance or regulation of any governmental body, or arising from any negligent act or omission of Lessee or any of its agents, contractors, servants, employees, licensees, guests and sub lessees and any agents, contractors, servants, employees, licenses and guess of its sub lessees. Lessee's obligation to defend, indemnify and save Lessor harmless shall include Lessee's payments of reasonable actual legal fees.
- B. **INSURANCE:** Lessee shall provide to the Municipality of Skagway a certificate of insurance showing that the Lessee has obtained at least one million dollars (\$1,000,000.00) general liability insurance, which covers the Lessee's operations on the leased premises. Lessee shall provide the Certificate of Insurance, naming the Municipality as an additional insured, at the time of the effective date of the lease. Failure to maintain such insurance shall constitute a material breach of the terms and conditions of the lease. Lessee shall notify the municipality twenty (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.

C. **HAZARDOUS WASTE RESPONSIBILITY.** Lessee represent and warrant 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.

7. **TERMINATION**

The Municipality or Lessee may terminate this Agreement at any time by giving 60 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 16.02.160, Terms and conditions of Lease, shall govern this lease and are attached to and incorporated into the terms and conditions of this lease.

9. NOTICE:

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

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

LESSEE: Ocean Raft Alaska, LLC.
Christian Racich
P.O. Box 966
Skagway, AK 99840
916-712-8682

10. MISCELLANEOUS

The Superior Court for the First Judicial District at Juneau, Alaska shall be the exclusive jurisdiction and venue for any action of any kind or any nature. Lessee specifically agrees that trial in any action filed shall be in Skagway, Alaska.

- A. This Agreement is binding upon the heirs, successors and assign of the parties.
- B. This Agreement represents the entire Agreement of the parties and no other Agreement whether oral or written which is not specifically set forth in this Agreement or an addendum to this Agreement will have any force or effect upon the other party. Lessee specifically understands and agrees that no Municipal employee, Assembly member, or the Mayor has any authority to verbally modify this lease and any modifications must be in writing approved by the Assembly.
- C. 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.
- D. 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.
- E. 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.
- F. Lessee is not relying on any representations by a Municipal employee, officer, assembly member, consultant or attorneys. Lessee acknowledges he has had a full opportunity to consult with his own attorney before entering this Lease.

This Lease shall not be assigned by the Lessee without the prior written consent of the Municipality.

A LEASE AGREEMENT BETWEEN THE MUNICIPALITY OF SKAGWAY AND OCEAN RAFT ALASKA, LLC.

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

Stan Selmer
Stan Selmer, Mayor
For the Municipality of Skagway

Christian Radich
Christian Radich for, Ocean Raft Alaska,
LLC, Lessee

Date Apr. 4, 2013

Date 4/8/2013

ATTEST:
Emily Deach
Emily Deach, Borough Clerk

(SEAL)



Proposed by:	Administration
First Reading:	02/07/2013
Second Reading:	03/21/2013
Vote:	6 Aye 0 Nay 0 Absent

**MUNICIPALITY OF SKAGWAY, ALASKA
ORDINANCE NO. 13-06**

AN ORDINANCE OF THE MUNICIPALITY OF SKAGWAY, ALASKA AUTHORIZING THE MUNICIPALITY OF SKAGWAY TO LEASE WATERFRONT PROPERTY TO OCEAN RAFT ALASKA LLC.

WHEREAS, the Municipality received a request from Christian Racich, DBA Ocean Raft Alaska LLC, to lease 1,200 square-feet of waterfront property;

NOW, THEREFORE BE IT ORDAINED BY THE ASSEMBLY OF THE MUNICIPALITY OF SKAGWAY, ALASKA that the Municipality of Skagway shall lease to Christian Racich, dba Ocean Raft Alaska LLC, 1,200 square-feet of waterfront property described as Tax Lot 5F, a portion of ATS 4, in the appraisal report dated December 12, 2012, by Horan & Company LLC (Exhibit A), for the period of January 18, 2013, through January 18, 2018; and

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

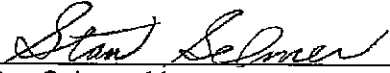
BE IT FURTHER ORDAINED that Ocean Raft Alaska shall be charged an annual rent of eight percent (8%) of the appraised value of \$13,200.00 according to Exhibit A, or \$1,056.00 annually plus applicable sales tax, prorated and paid in advance every calendar quarter; and

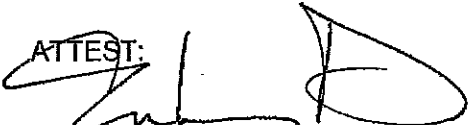
BE IT FURTHER ORDAINED that the Borough Manager is authorized to execute said lease with terms as defined above.

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

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

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly of the Municipality of Skagway this 21st day of March, 2013.


Stan Selmer, Mayor

ATTEST:

Emily Deach, Borough Clerk

(SEAL)



QUALIFICATIONS OF WILLIAM G. FERGUSON

Education:

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

Employment:

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

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

Appraiser, Pomtier, Duvernay & Horan, 1986-1987

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

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

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

Certification:

State of Alaska, General Real Estate Appraiser, 618

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
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

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

Approvals:

Alaska Pacific Bank, ALPS Federal Credit Union, Bureau of Indian Affairs, First Bank of Ketchikan, First National Bank, Alaska, Wells Fargo, Northrim Bank, Norwest Mortgage, PHH Mortgage Services, Lenders Service Inc., Bank of America, Dept. of Housing and Urban Development (FHA/HUD)
Approval No. 2040, Veteran's Administration