

CLERK'S OFFICE
AMENDED AND APPROVED

Date: 7-27-10

ANCHORAGE, ALASKA
AO NO. 2010-52

Submitted by: ASSEMBLY CHAIR TRAINI at the
Request of the Mayor
Prepared by: Assembly Counsel
For reading: July 13, 2010

1 **AN ORDINANCE TO DETERMINE THE FEE FOR A NON-EXCLUSIVE UTILITY**
2 **EASEMENT FOR FIBER OPTIC CABLE & RELATED FACILITIES, GRANTED TO**
3 **ACS CABLE SYSTEMS ACROSS HLB PARCELS 4-033A, 4-033B AND 4-034,**
4 **SUPPLEMENTING AO 2008-38.**

5
6 **WHEREAS**, in furtherance of AO 2008-38, written agreements and subsequent
7 stipulations between Alaska Communications System Cable Systems, Inc. (ACS) and
8 the Municipality of Anchorage Heritage Land Bank (HLB), ACS and HLB submit the
9 unresolved dispute over the amount of the fee to be paid by ACS to HLB for the non-
10 exclusive utility easement dated April 29, 2008 for the Spandex Cable Project at Point
11 Woronzof, Tax No. 01040127, 01040137, 010140109, to the Anchorage Assembly for
12 final determination under municipal code; now therefore,

13
14 **THE ANCHORAGE ASSEMBLY ORDAINS:**

15
16 **Section 1.** After review of AO 2008-38, municipal code and charter, the written
17 agreements between the parties, appraisals, additional documents and exhibits
18 submitted by the parties, oral presentation and public hearing, the Assembly hereby
19 determines the fee for the non-exclusive utility easement, granted to ACS Cable
20 Systems, Inc. across HLB Parcels 4-033A, 4-033B and 4-034, for the installation of a
21 fiber optic cable and related facilities, to be **\$100,000**.

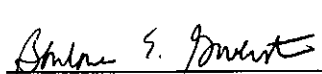
22
23 **Section 2.** Within **ten** business days of the effective date of this ordinance, the
24 parties shall amend or finalize any outstanding documentation related to this easement.
25 If ACS has posted payment with the Municipality in excess of the fee determined by the
26 Assembly in Section 1, the overpayment shall be refunded to ACS within **ten** business
27 days of the effective date of this ordinance.

28
29 **Section 3.** This ordinance shall become effective immediately upon passage and
30 approval by the Assembly.

31
32 **PASSED AND APPROVED** by the Anchorage Assembly this 27th day of
33 July, 2010.

34
35 
36 Chair

37
38 **ATTEST:**

39 
40 Municipal Clerk



MUNICIPALITY OF ANCHORAGE
ASSEMBLY INFORMATION MEMORANDUM
NO. AIM 75-2010

Prepared by: Assembly Counsel
Meeting Date: July 13, 2010

Subject: AO 2010-52-- AN ORDINANCE TO DETERMINE THE FEE FOR A NON-EXCLUSIVE UTILITY EASEMENT FOR FIBER OPTIC CABLE & RELATED FACILITIES, GRANTED TO ACS CABLE SYSTEMS ACROSS HLB PARCELS 4-033A, 4-033B AND 4-034, SUPPLEMENTING AO 2008-38.

1 AO 2010-52 will be heard on July 27, 2010. The ordinance will be the final determination
2 on a matter referred for Assembly action by stipulation of the parties in dispute resolution.
3 The parties are the Municipality's Heritage Land Bank and the Alaska Communications
4 System (ACS) Cable Systems, Inc.

5
6 The attached documents entitled: STIPULATED FACTS, EXHIBITS & TIMELINE are submitted by
7 the parties, through respective legal counsel.

8
9 In consultation with the Chair of the Assembly, the Municipal Clerk, and as stipulated by
10 counsel for the parties, the anticipated schedule and process are:

- 11
12 • Parties to submit written briefs (5-page maximum) by 12:00 noon for publication on
13 the July 27, 2010 Assembly Meeting agenda.
14
15 • Public Hearing on July 27, 2010.
16
17 ○ Oral presentations: 5 minutes for each party; 3 minutes rebuttal for each
18 party, followed by Assembly questions.
19
20 ○ No supplemental exhibits, except as agreed to by the parties.
21
22 • Parties and their representatives shall not engage in *ex parte* contact with Assembly
23 Members on this matter.
24

25 Information respectfully submitted by: Julia Tucker, Assembly Counsel.
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**BEFORE THE
ANCHORAGE MUNICIPAL ASSEMBLY**

ACS Cable Systems, Inc. (ACS),

v.

Municipality of Anchorage,
Heritage Land Bank (MOA),

Appeal from decision of Dept. Head William Mehner
Use fee value of utility easement for ACS Spandex Fiber Optic Cable

M.O.A.
2010 JUL 16 PM 1:05
CLEAN'S OFFICE

MUNICIPALITY'S BRIEF IN OPPOSITION TO ACS APPEAL

This memorandum is in opposition to an appeal by ACS Cable Systems, Inc., a Delaware corporation ("ACS"), from the decision of the Director, Heritage Land Bank, regarding a one-time fee of \$134,200 charged to ACS for a 30-year easement (20-year term plus a 10-year option) to construct, operate, maintain and repair approximately 1.5 miles of fiber optic cable across HLB lands west of the Ted Stevens Anchorage International Airport (the "Easement").

BACKGROUND

ACS approached the Municipality in December 2007 with a request to acquire the Easement. According to Heritage Land Bank Policies then in effect (approved by the Assembly August 12, 2008):

Easements are a disposal of an interest in land, granted non-competitively for a one-time fee based upon appraised fair market or use value, with approval of the Mayor and Assembly.¹

Time was of the essence: ACS wanted to commence construction and installation of the fiber optic cable no later than May 1, 2008. Accordingly, on February 1, 2008, HLB retained the services of Alan G. Olson, MAI, to determine the use value of the Easement,² as depicted on a drawing (January 1, 2008) prepared by SENTEC Surveying and Engineering, Inc.³

¹ Paragraph IV.D of Heritage Land Bank Policies, at page 3.

² Exhibit C

³ Exhibit A

With approval of the Heritage Land Bank Advisory Commission,⁴ HLB introduced AO 2008-38 with the Assembly on February 26, 2008, for approval of the Easement; the material provisions of the Easement were described in accompanying AM 154-2008 (although Mr. Olson's appraisal had not yet been received). On March 18, 2008, the Assembly approved the Easement "for installation of a fiber optic cable and related facilities for at least the appraised fair market use fee value," § 2 of AO 2008-38 (Exhibit F), consistent with the above quoted Heritage Land Bank Policies.

Mr. Olson's appraisal was received April 1, 2008, and then revised April 29, 2008, based upon further information as to the size of the Easement. Mr. Olson determined the one-time use fee at \$134,200 (or \$1.90 per linear foot and 19¢ per square foot) (Exhibits G and H). ACS signed the Utility Easement (Exhibit J) and paid the \$134,200 on or about April 29, 2008. However, ACS thought the use fee was excessive, so the parties entered a Memorandum of Understanding on the same date, as later supplemented (Exhibits I and M), which essentially provided:

1. ACS may obtain another appraisal "using the same instructions as were provided to [Mr. Olson]";
2. HLB would "reconsider the appropriate fee and, in the HLB Director's discretion, may result in a refund to ACS of a negotiated amount"; and
3. If ACS still disagreed with HLB's decision, ACS could "appeal the department decision to the Assembly."

ACS obtained another appraisal of the Easement from Black-Smith, Bethard & Carlson, LLC ("Black-Smith"), dated November 4, 2008.⁵ Notwithstanding the requirement that the second appraisal use "the same instructions as were provided to [Mr. Olson]," Black-Smith was apparently instructed to determine the fair market value in addition to the use value. Black-Smith determined the one-time use value of the Easement at \$31,275 (or \$.55 per linear foot and 5¢ per square foot).⁶

Since November 4, 2008, ACS has met with the Mayor's office and with the Director of HLB in an effort to close the almost \$103,000 gap (\$134,200 minus \$31,275) between appraisals. Suffice to say the parties failed to reach agreement. ACS filed its appeal with the Assembly.

⁴ Exhibit D

⁵ Exhibit N

⁶ See Black-Smith appraisal at pages 37-39. Black-Smith based its determination of use value on inaccurate data as to the size of the Easement; recalculated using accurate dimensions, Black-Smith's determination of use fee would be approximately \$39,125. This amount has not been verified by Black-Smith.

Black-Smith also determined the market value of the Easement at \$22,750, see pages 25-36 of the Black-Smith appraisal. This determination should be ignored, since it is not based on "the same instructions as were provided to [Mr. Olson]," ¶ 1(a) of Memorandum of Understanding, Exhibit I.

DISCUSSION

The Heritage Land Bank Policies require dispositions of easements for a "one-time fee based upon appraised fair market or use value."⁷

The Assembly approved the Easement "for at least the appraised fair market use fee value."⁸

Mr. Alan G. Olson, MAI, determined the one-time "use fee" at \$134,200.⁹

ACS obtained a second determination of the one-time "use fee" at \$31,275.¹⁰

Despite their best efforts, it turned out the \$103,000 gap was just too large for the parties to bridge. The HLB director, "in the HLB Director's discretion,"¹¹ reaffirmed the \$134,200 fee.

HLB Director Acted Reasonably

On June 4, 2008, ACS presented its objections to the one-time Easement fee in a letter addressed to the HLB director. Among other things, ACS misquotes the Heritage Land Bank Policies and then refers to "similar easement grants . . . that result in much lower easement rates." Those "similar" rates are at 35¢/ft²/month (\$4.20/ft²/year), 25¢/ft², one-time, ½¢/ft²/year (more accurately computed at 19¢/ft²/year), and a range of 15¢/ft² to 75¢/ft².¹²

⁷ Paragraph IV.D of the Policies approved by the Assembly, at page 3.

⁸ Section 2 of AO 2008-38 (Exhibit F)

⁹ Exhibits G and H

¹⁰ Black-Smith appraisal, Exhibit N, at page 39

¹¹ Paragraph 1(b) of Memorandum of Understanding, Exhibit I

¹² Those "similar rates" are in the following easements granted by the Municipality:

- A May 2007 easement granted to GCI Communication Corp. for use of a 10-foot by 10-foot area of Municipal land (for construction and operation of a telecommunications facility) at \$7,800 per year for 10 years (with two 5-year renewals), or approximately 35¢ per square foot per month for the first year, escalating 3% each year thereafter, see AO 2007-64;
- A November 2005 easement to Enstar Natural Gas Company at 25¢ per square foot, see AO 2005-155;
- The AFSC 3.48-mile (average 30 feet wide) jet fuel right-of-way across the Cook Inlet mud flats from the Port of Anchorage to the Ted Stevens Anchorage International Airport at \$2,746 per year or .5¢ per square foot per year. ACS disregards the additional \$8,400 per month paid by AFSC for the right-of way, bringing its annual payment to the Municipality to \$103,546 or \$5.64 per linear foot and 19¢/ft²/year. It should also be noted AFSC's payments for the right-of-way are currently being re-negotiated.
- A 2003 Nikiski pipeline easement ranging from 15¢/ft² to 75¢/ft².

The rate for the Easement is 19¢ per square foot per year, well below virtually all the "similar" rates mentioned by ACS. In other words, those "similar rates" are higher, not "much lower," than the one-time fee for the Easement.

It should also be noted that ACS has recently (in 2009) leased two parcels from the Municipality (AWWU), each 100 square feet (10 feet by 10 feet) for 5 years (with three 5-year renewals) at the initial rate of \$9,900 per year, see AO 2009-45 and AO 2009-131. That can also be considered a "similar" rate at \$99 per square foot per year (for the first 5 years).

The HLB Director is not prepared to say these "similar rates" should be determinative of an appropriate use fee for the Easement; each property has its own unique features that must be considered. Indeed, determination of an appropriate use value, based on "comparable" market transactions, should be left to the judgment of professional, qualified appraisers. However, these "similar rates" are an indication that the 19¢/ft² one-time fee for the Easement is entirely reasonable, and the 5¢/ft² determined by Black-Smith is quite low.

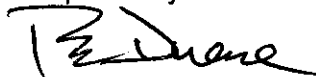
CONCLUSION

HLB has made every effort to accommodate ACS's compressed construction schedule, obtained Assembly approval of the Easement at "fair market use fee value," determined a \$134,200 use fee, accommodated ACS's concerns that the fee was excessive by allowing ACS further opportunity to obtain a second appraisal, reconsidered the fee in light of a much lower determination of use fee, then after negotiations, reaffirmed, "in the HLB's discretion," the initial use fee amount. The HLB Director acted entirely reasonably in exercising his discretion.

The HLB Director respectfully requests that the Assembly affirm the HLB Director's determination of \$134,200 as the one-time use fee for the Easement.

DATED: July 16, 2010

Respectfully submitted,



Ralph E. Duerre,
Assistant Municipal Attorney

Certificate of Service

I hereby certify that on 7/16/10, I faxed
a true and correct copy of the foregoing to:

Leonard A. Steinberg



One could certainly question whether these easements are "similar" or even computed on a "similar" basis, much less "much lower" than the Easement fee.

BEFORE THE ANCHORAGE MUNICIPAL ASSEMBLY

HERITAGE LAND BANK EASEMENT FEE DISPUTE

**ALASKA COMMUNICATIONS SYSTEMS' REQUEST TO SET EASEMENT FEE IN
ACCORDANCE WITH FAIR MARKET USE FEE VALUE**

INTRODUCTION

This dispute centers on the question of what is the proper fee for an easement across municipal land for a buried fiber optic cable. The issues before the Anchorage Municipal Assembly ("Assembly") in this matter are simple. First, what did the Assembly mean by "Fair Market Use Fee Value" ("FMUFV")? Second, was the appraisal prepared for the Municipality of Anchorage Heritage Land Bank ("HLB") consistent with the FMUFV?

In this instance, HLB's appraiser ignored real-world marketplace data showing what fees have actually been paid by users for other easements, and instead based his valuation of the easement on a purely hypothetical assessment of what he believed should be paid. Alaska Communications Systems ("ACS") submits that the Assembly's standard is based on what actually happens in the marketplace. The appraisal prepared for HLB was NOT market-based and therefore not a rational basis for ACS' easement fee.

FACTS

ACS Cable Systems, Inc., an Alaska Communications Systems company, sought and was granted an easement by HLB in April 2008. The ten-foot wide easement is for a buried fiber optic cable connecting Alaska with the Lower-48 states. The cable crosses Turnagain Arm and lands near Point Woronzof, and the easement permits the cable to cross lands on the west end of the Anchorage airport.

On March 18, 2008, the Assembly passed and approved ordinance AO No. 2008-38 (the "Ordinance") authorizing a non-exclusive easement to ACS. Section 2 of the Ordinance established that HLB may grant the easement for at least the "fair market use fee value."

Alan Olson ("Olson") prepared an appraisal for HLB dated April 1, 2008. Olson identified the purpose of his appraisal on page 1 as "to estimate the use fee (value in use)". In further elaboration of that standard, on page 1 of his appraisal Olson defined "use fee" or "value in use" as "the value a specific property has to a specific person or specific firm as opposed to the value to persons or the market in general." In an interview just last month on June 16, 2010, with both ACS and Municipality of Anchorage counsel present, Olson acknowledged that his appraisal was not intended to reflect market values or market transactions. Olson's appraisal for an easement fee of \$158,200 for a 15-foot wide non-exclusive easement was based on his conclusion that the easement fee should be \$2.00 per linear foot (page 9).¹

ACS disputed the easement fee as soon as it was established by HLB, but needed the easement immediately to complete its AKORN fiber optic cable project on schedule. Therefore, ACS and the HLB executed the easement and simultaneously entered into a Memorandum of Understanding ("MOU") to resolve the easement fee issue. The MOU provided that the parties would work toward a mutually acceptable settlement, but in the event the parties were unable to reach agreement, the Anchorage Municipal Assembly would be the final arbiter of the fee.

In an effort to resolve the easement fee issue in accordance with the terms of the MOU, ACS asked for a second appraisal, which was completed on October 21, 2008 by Brian Bethard and Michael Collins of the firm Black-Smith, Bethard & Carlson. Bethard & Collins, on page 11 of their report, recognized that the Ordinance set the minimum fee at the "fair market use fee value," but noted that that term was "not defined in the ordinance or by other authoritative sources." Bethard & Collins explained on page 11 that:

The term "fair market use fee" implies the "most probable" fee based on property characteristics, rather than the highest or lowest fee. The Heritage Land Bank appears to consider this the equivalent of a "user fee". . . .

¹ This amount was subsequently adjusted to \$134,200 for a 10-foot wide easement. This is the amount actually paid by ACS.

Bethard & Collins determined the use fee for the easement at \$31,275 (page 39) based on their conclusion that the use fee should be \$0.55 per linear foot (page 38).²

ARGUMENT

Why did Olson's use fee appraisal differ by more than \$100,000 from the use fee appraisal of Bethard & Collins?³ The answer is found in a phrase used by Bethard & Collins on page 37 of their report – their use fee valuation is based on "what other users have been willing to pay." In contrast, Olson's appraisal was based on what he believed users should be charged, regardless of whether any party had ever paid such a fee. The fundamental question for this Assembly, then, is did the Assembly intend the easement fee to be related to the market for use fees or did it intend to authorize HLB to set any fee it desires?

ACS submits that the Assembly answered this question when it used the "**fair market use fee value**" in the Ordinance. (**Emphasis added**) In providing for a use fee, the Assembly did not want HLB to have a blank check. Rather, it established boundaries by using the term "fair market" – which means within the bounds of what other parties would actually pay in similar transactions.⁴

Olson's approach was not market-based, but instead was based purely on fees he thought ought to be charged. While he referenced the supposed value of other easements in his report, he failed to recognize that the values he cites were never implemented in the marketplace. On page 9 of his appraisal, Olson noted that he gave most emphasis to "the current fee established for the long-distance ACS Internet, Inc. cable within the Alaska Railroad Corporation right of way, allocated at \$2.12 per linear foot per year for urban areas." However,

² Due to "fair market use fee value," being a non-standard term, Bethard & Collins provided easement fees for both the "fair market value" of the easement and the "use fee" of the easement. Bethard & Collins determined the fair market value of the easement to be \$22,750 (page 36).

³ A small portion of the difference is explained by Olson having evaluated an easement of 6,635 linear feet while Bethard & Collins evaluated an easement of 5,297 linear feet. According to the as-built survey, the actual length of the easement is 5,198 linear feet. The primary driver of the difference between the two appraisals, however, is in the price per linear foot.

⁴ Fair Market Value ("FMV") is commonly understood to be an estimate based on what a knowledgeable, willing, and unpressured buyer would probably pay to a knowledgeable, willing, and unpressured seller... (en.wikipedia.org/wiki/Fair_market_value)

as Olson noted in his report on page 8, there is no contract between ACS and the Alaska Railroad Corporation for a fee of \$2.12 per linear foot; rather, the contract that is in place is for \$0.63 per linear foot.

When asked where the \$2.12 per linear foot rate came from during his June 16, 2010 interview, Olson explained that he relied on a use fee schedule he had prepared for the Alaska Railroad Corporation ("ARRC") in 2007 that has never been adopted nor implemented by the ARRC. According to Olson, that fee schedule was based on what other entities wanted for fees, not necessarily what they were actually paid for fees or what the market would bear. While Olson had recommended to the ARRC that they distinguish between urban and rural rates per linear foot, there is absolutely no evidence that ARRC has ever actually negotiated or implemented such a fee.

Olson further relied on a fee schedule he had recommended to the Alaska Mental Health Trust ("AMHT") in 2004. This fee schedule provides for rates of \$10.00 per linear foot for 50-foot wide easements in urban areas and \$2.00 per linear foot for 50-foot wide easements in rural areas. Though that schedule was adopted, it was never implemented. Olson noted during his June interview that these rates were used as starting points for further negotiation by AMHT. In fact, as of the time of his appraisal, no party had actually paid either the urban or rural rates. The only easement issued by AMHT was near Moose Pass where the actual transaction was for \$0.40 per linear foot for a ten-foot wide easement.

By contrast, Bethard & Collins looked at actual use fees paid by real parties. On page 38 of their report, based on data from fees actually paid in the market, they found fees from \$.25/LF to \$.63/LF/yr., further noting that "the fees and prices paid are user driven." In fact, Olson and Bethard & Collins reported nearly the same rates actually being paid.⁵

⁵ The actual rates reported by Olson on Page 8 of his report are very similar to the rates reported by Bethard & Collins on page 38 of their report.

The primary differences in the methodologies used by the different appraisers in this matter are simple:

- (1) While ignoring actual marketplace rates, Olson relied on the recommendations that he himself made to ARRC for rates that he would like to see, but which do not exist, and referred to an AMHT schedule that he created and which no one has ever signed up for;
- (2) Bethard & Collins relied primarily on what other parties actually paid for easements and excluded fee schedules, as the AMHT schedule, that were not supported by any actual transactions.

Olson's analysis reflects an expert's opinion of the world he would like to create while Bethard & Collins' analysis, relying on actual transactions, reflects the world as it exists – in other words, the "fair market use fee value."

CONCLUSION

ACS does not seek special treatment in this proceeding. Rather, ACS only wants to be treated fairly and subjected to the same fees paid by similarly situated parties. For all the reasons set forth above, the Assembly should set ACS' easement fee in accordance with the FMUFV standard at the amount appraised by Bethard & Collins, subject to an adjustment needed for the actual length of the easement as set forth on the as-built survey.⁶

Respectfully submitted this 16th day of July, 2010.

Alaska Communications Systems

By: 

Leonard Steinberg
Attorney for ACS
Alaska Bar No. 8911053

⁶ See Footnote 3

**BEFORE THE
ANCHORAGE MUNICIPAL ASSEMBLY**

ACS Cable Systems, Inc. (ACS),

v.

Municipality of Anchorage,
Heritage Land Bank (MOA),

Appeal from decision of Dept. Head William Mehner
Use fee value of utility easement for ACS Spandex Fiber Optic Cable

M.O.A.
2010 JUL - 2 PM 3:03
CLEMS OFFICE

STIPULATED FACTS, EXHIBITS & TIMELINE

The parties, through counsel, stipulate to the following facts, exhibits and timeline regarding a utility easement granted by the Municipality of Anchorage, Heritage Land Bank, to ACS Cable Systems for its ACS Spandex Fiber Optic Cable across HLB lands located west of the east-west runway at Ted Stevens Anchorage International Airport.

Facts.

On December 14, 2007, ACS and Heritage Land Bank (HLB) first met to discuss an application for an easement for a fiber optic cable in HLB Parcels 4-033A, 4-033B and 4-034, all situated at the west end of the Ted Stevens Anchorage International Airport (TSAIA) east-west runway. This 2007 meeting included an ACS verbal request for entry onto the property on May 1.

In mid-January 2008, ACS formally submitted a proposed easement (SENTEC/January 11, 2008; Ex. A) for a fiber optic cable, reiterating there was a limited window for installation in the 2008 season, in coordination with the rest of the fiber optic cable installation, requiring construction to begin on May 1.

HLB expedited the approval process for disposal of municipal land to ACS, taking the following actions:

- January 11, 2008: HLB initiated state agency review for other permits with agency comments due to coordinator February 7, 2008
- January 22: MOA issues request for availability to appraisers Ex. B)

- January 28: ACS receives draft easement terms and conditions for comment
- February 1: HLB issues notice to proceed with appraisal to Al Olson (Ex. C)
- February 6: HLB issues Land Use Permit to Shannon & Wilson for preliminary site work
- February 14: HLB meets with ACS for power point presentation, identifying December 31, 2008 as "lights on" date

February 14: MOA receives HLB Advisory Commission resolution 2008-02, approving disposal to ACS by easement (Ex. D)

- February 26: HLB introduces AO 2008-38 at Assembly meeting, requesting authority to grant easement to ACS; public hearing set for March 18
- February 29: Geotech report received by HLB (Ex. E)
- March 18: AO 2008-38 approved by the Assembly (Ex. F)

On April 1, 2008, Mr. Olson completes the first appraisal, valuing the easement at \$158K. (Ex. G). This appraisal was subsequently adjusted by Mr. Olson to \$134K (Ex. H), after reduction, at ACS request, of the easement footprint.

ACS requested the opportunity to obtain a second appraisal. However, in order to complete the project during the 2008 construction season and meet ACS internal timelines, there was insufficient time for a second appraisal before commencement of construction on May 1, 2008.

According to ACS, time was of the essence. In order to permit construction, the parties entered into a Memorandum of Understanding (MoU) on April 30, 2008. (Ex. I). While not perfect, the MoU set out a process for determining the value of the easement granted by the Municipality to ACS for its fiber optic cable across municipal lands. The MoU required full payment by ACS, a process for ACS to meet with the MOA appraiser to discuss methodology or, in the alternative, for ACS to obtain a new appraisal using "the same instructions provided to the initial HLB appraiser." If the parties were unable to reach agreement, based upon the 2 appraisals, the parties agreed the next course of action for ACS was an appeal to the Assembly. This stipulation implements the agreed-upon appeal process to the Assembly.

The MoU required the MOA to execute the utility easement (Ex. J) and to receive full payment based upon Mr. Olson's appraisal.

On May 1, 2008, construction began on municipal property, the boring was reported on May 15 as almost completed, and the actual cable laying occurred in July 2008. The easement as-built is attached as Ex. K.

There were discussions and correspondence between ACS and the appraiser (Mr. Olson), and between ACS and HLB in June 2008 regarding valuation methodology and the easement fee. Both parties met with both appraisers in June 2010 to obtain a better understanding of the appraisals; they made diligent efforts to reach an agreement on the easement fee, however those efforts were not successful.

ACS ordered a second appraisal, based upon identical instructions as the first appraisal (Ex. L), in August from Black-Smith, Bethard & Carlson. In addition, the parties executed a Supplemental Memorandum of Understanding (SMoU), extending the time for the appraisal and further discussions between the parties. (Ex. M).

The second appraisal was completed on November 4, 2008, setting a use fee at \$31K. (Ex. N). The ordinance authorizing the easement required fair market use fee. The parties made diligent efforts to resolve the easement fee; however, those efforts were not successful.

Exhibits.

ACS and MOA agree to presentation of the following documents as exhibits:

- A. Sentec proposed fiber optic cable easement
- B. Email request for appraiser proposals
- C. Notice to Proceed to A. Olsen
- D. HLB Advisory Commission Resolution 2008-02
- E. Geotech report
- F. AO 2008-38 and all supporting documentation
- G. 4-1-08 Olsen appraisal
- H. 4-29-08 Olson letter
- I. 4-29-08 MoU
- J. 4-29-08 (recorded) Utility Easement
- K. 2008 Utility Easement As-built
- L. Instructions to Black-Smith, Bethard & Carlson for appraisal
- M. 9-1-08 Supplemental MoU
- N. 11-4-08 Black-Smith, Bethard & Carlson appraisal

Timeline.

To aid in the presentation of this appeal to the Assembly, HLB and ACS agree to the following timeline:

- Submit exhibit list and stipulated facts on or before 7-2-10

- Public hearing on 7-27-10
- Oral presentations: 5 minutes for each representative; 3 minutes rebuttal for each representative, followed by Assembly questions
- No witnesses, no supplemental exhibits, except as agreed by the parties

All communications of the parties for settlement purposes shall not be disclosed to the Assembly without the consent of both parties, UNLESS one or more Assembly members specifically asks for disclosure.

Dated this 27 day of July, 2010.

Municipality of Anchorage
Dept. of Law

By: 
for Rhonda Fehlen Westover
Deputy Municipal Attorney

Dated this ___ day of July, 2010.

ACS Cable Systems, Inc.

By: _____
Leonard A. Steinberg
General Counsel &
Corporate Secretary

Smith, Alison L.

From: alolson@alaska.net
Sent: Friday, February 01, 2008 8:21 AM
To: Smith, Alison L.
Subject: RE: Request for Appraisal Services

Ms. Alison Smith:

Your notice to proceed, as described below, is acknowledged; thanks.

Al

From: Smith, Alison L. [mailto:SmithAL@ci.anchorage.ak.us]
Sent: Friday, February 01, 2008 7:57 AM
To: 'alolson@alaska.net'
Cc: Roderick Van Horn, Lynn K.; 'Sherrie Greenshields'
Subject: Request for Appraisal Services

Mr. Al Olson:

Subject: Request for Appraisal Services

Thank you for your proposal for establishing a use fee for a fiber optic cable easement across Heritage Land Bank managed lands in west Anchorage.
The Property is located near Pt. Woronzof in: S013N004W, Secs 31 and 32, diagram already provided.
ACS Cable Systems has applied to place the cable across HLB lands.

You have stated that you will have the project completion by April 1, 2008, for the sum of \$6000.

Please consider this e-mail to be your notice to proceed and start the project

Please contact me at 343-4317 or smithal@muni.org if you have any questions.

I will be out of the office 2/4 – 2/8, returning on 2/11. Please contact Lynn Roderick Van Horn at 343-4334 if you have any questions in my absence.

Regards,

Alison

Alison L. Smith
Land Management Officer
Heritage Land Bank
343-4317

EXHIBIT C

2/1/2008

Saved in G:\HLB\Projects\ACS Fiber SPANEX Easement\02.01.08.Appraisal E-mail

alolson@alaska.net

From: Smith, Alison L. [SmithAL@ci.anchorage.ak.us]
Sent: Monday, January 28, 2008 1:47 PM
To: 'alolson@alaska.net'; 'resco2@gci.net'; 's.macswain@macswain.com'; 'bsr@ak.net'
Cc: Roderick Van Horn, Lynn K.
Subject: Update: Request for Appraisal Services

HLB is modifying the scope of appraisal services. The appraisal shall be for a use fee for the easement area, not the fair market value as stated in our first request.

Please respond as per the terms of the appraisal term contract.

Let me know if you have any questions.

Alison

From: "Roderick Van Horn, Lynn K." <RoderickVanHornLK@ci.anchorage.ak.us>
Date: Tuesday, January 22, 2008 3:52 pm
Subject: FW: Request for Appraisal Services
To: "'alolson@alaska.net'" <alolson@alaska.net>, 'Frank King' <resco2@gci.net>, 'Steve MacSwain' <s.macswain@macswain.com>, "'Black-Smith, Bethard & Carlson, LLC'" <bsr@ak.net>
Cc: "Smith, Alison L." <SmithAL@ci.anchorage.ak.us>

> Subject: Request for Appraisal Services
>
>
> Services:
> Provide summary appraisal report identifying fair market value of
> fiber optic cable easement across Heritage Land Bank managed lands
> in west Anchorage.
> Property is located near Pt. Woronzof in: S013N004W, Secs 31 and
> 32, diagram attached.
>
> HLB is in need of an appraiser with extensive expertise in easement
> and fiber optic line appraisal.
>
> Timeframe: Project completion by April 1, 2008
> Response to Request: January 30, 2008
>
>
>
> Thanks much, ALS and LKRVH
>
>

3/17/2008

Smith, Alison L.

From: Smith, Alison L.
Sent: Monday, January 28, 2008 2:17 PM
To: 'sgreenshields@nhtiusa.com'
Subject: ACS Easement

Hi Sherrie—I'm starting work on the easement document for the ACS cable across HLB lands.

Here are some of the more important standard terms and conditions of the easement:

- Non-revocable
- Non-exclusive
- No assignment or transfer of use to another party without HLB approval, which might involve additional fees
- Relocatable, at Grantor's or Grantor's assignee's cost
- Provide complete as-built survey within 6 months of project completion

I've initiated a procurement for setting the appropriate use fee and I've requested costs and schedules from appraisers under our term contract. If you have anything from the Airport on their fees, it would be helpful for me to get a copy. ACS will need to pay the cost of appraisal. I don't know for sure, but it might take a couple of months for an appraiser to fit it into his schedule.

I can also decide to set the fee, without appraisal, based on other landowners' recent fee experience. This might take less time, but might also result in a higher fee.

Please let me know if you have anything from the Airport or have questions.

Thanks, Alison

Alison L. Smith
Land Management Officer
MOA, Heritage Land Bank
343-4317

Appendix B

MUNICIPALITY OF ANCHORAGE
HERITAGE LAND BANK ADVISORY COMMISSION

RESOLUTION No. 2008-02

A RESOLUTION OF THE HERITAGE LAND BANK ADVISORY COMMISSION (HLBAC) RECOMMENDING ASSEMBLY APPROVAL FOR DISPOSAL OF AN EASEMENT TO ACS CABLE SYSTEMS INC. OF A PORTION OF HLB PARCELS NO. 4-033A, 4-033B AND 4-034, FOR INSTALLATION OF A FIBER OPTIC CABLE AND RELATED FACILITIES.

WHEREAS, the Heritage Land Bank (HLB) was established to..."Manage uncommitted municipal land and the Heritage Land Bank Fund in a manner designed to benefit the present and future citizens of Anchorage, promote orderly development, and achieve the goals of the Comprehensive Plan" (AMC 25.40.010); and

WHEREAS, AMC 25.40.025.A states, "The Heritage Land Bank Advisory Commission shall hold a public hearing, with public notice as specified in this chapter, prior to making a recommendation to the Mayor and Assembly regarding the disposal of Heritage Land Bank land or an interest in land."; and

WHEREAS, the subject parcels are vacant and legally described as HLB Parcel 4-033A, TID 01040127, HLB Parcel 4-033B, TID 01040137, and HLB Parcel 4-034, TID 01040109; and

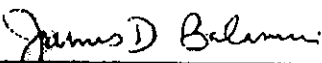
WHEREAS, the disposal of this parcel is in the best interest of the Municipality and improves telecommunications in the Anchorage area; and

WHEREAS, HLB posted the property and conducted public notice and an agency review by all potentially interested Municipal agencies to establish no objections to the easement encumbrance; and

NOW, THEREFORE, THE HERITAGE LAND BANK ADVISORY COMMISSION RECOMMENDS ASSEMBLY APPROVAL FOR DISPOSAL OF AN EASEMENT TO ACS CABLE SYSTEMS INC. OF A PORTION OF HLB PARCELS NO. 4-033A, 4-033B AND 4-034, FOR INSTALLATION OF A FIBER OPTIC CABLE AND RELATED FACILITIES.

PASSED AND APPROVED the 15TH day of February 2008.

Approved:


James Balamaci, Chair
Heritage Land Bank Advisory Commission

Attest:


William M. Mehner, Executive Director
Heritage Land Bank

G:\Hlb\HLBAC\Resolutions\2008\2008-02 ACS easement.doc

EXHIBIT D

Content ID: 006049

Type: Ordinance-InvolvingFunds - AO

Title: Utility Easement Through HLB Parcels in Pt. Woronzof Vicinity

Author: vanhornlr

Initiating Dept: HLB

Description: Telecommunication (cable) utility easement through HLB Parcels #4-033A & B, and 4-034, Located at Pt. Woronzof

Date Prepared: 2/15/08 4:34 PM

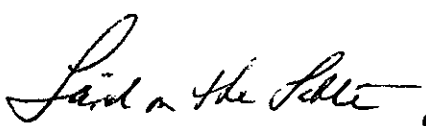
Director Name: Mehner

Assembly Meeting Date: 2/26/08

Public Hearing Date: 3/18/08

2008 FEB 27 AM 10:10
 CLERKS OFFICE
 H.O.A

Workflow Name	Action Date	Action	User	Security Group	Content ID	Revision
Clerk_Admin_SubWorkflow	2/27/08 9:59 AM	Exit	Joy Maglaqui	Public	006049	0
MuniMgrCoord_SubWorkflow	2/27/08 9:59 AM	Approve	Joy Maglaqui	Public	006049	0
MuniManager_SubWorkflow	2/27/08 9:59 AM	Approve	Joy Maglaqui	Public	006049	0
Legal_SubWorkflow	2/25/08 3:27 PM	Approve	Rhonda Westover	Public	006049	0
CFO_SubWorkflow	2/25/08 2:51 PM	Approve	Sharon Weddleton	Public	006049	0
OMB_SubWorkflow	2/21/08 4:15 PM	Approve	Wanda Phillips	Public	006049	0
ECD_SubWorkflow	2/19/08 4:44 PM	Approve	Lisa Villareal	Public	006049	0
HLB_SubWorkflow	2/19/08 4:43 PM	Approve	William Mehner	Public	006049	0
AllFundOrdinanceWorkflow	2/15/08 4:38 PM	Checkin	Lynn Roderick Van Horn	Public	006049	0



February 29, 2008

New Horizons Telecommunications, Inc.
901 Cope Industrial Way
Palmer, Alaska 99645

Attn: Ms. Sherrie Greenshields

Phone: (907) 761-6061
email: drb@nhtiusa.com

**RE: GEOTECHNICAL EXPLORATION ACTIVITIES FOR FIBER OPTIC CABLE
LANDINGS IN ANCHORAGE AND NIKISKI, ALASKA**

Shannon & Wilson is pleased to present this letter report to assist you with evaluation of the subsurface conditions at the proposed new ACS fiber optic cable landings in Anchorage and Nikiski, Alaska. It is our understanding that directional drilling will be used at each location and soil strata information is needed to assist the directional drilling contractor.

At your request, Shannon & Wilson advanced one boring at each of the project areas. This effort was supported by laboratory testing to evaluate in situ moisture content and gradation properties of the encountered material. Written authorization to proceed with this work was received in the form of purchase order #236713 from New Horizons Telecommunications, Inc. dated February 7, 2008. Our work was conducted in general accordance with our revised proposal dated February 6, 2008.

Site Descriptions

The Anchorage site is located on the Point Woronzof Bluff west of the Anchorage International Airport. The site is accessed from a 4x4 trail extending west from the Salvation Army Clitheroe Center to an existing cleared utility easement. At the time of drilling, the Anchorage site was covered with approximately 2 to 3 feet of snow and we contracted with BC Excavating to provide snow removal to allow access with a truck-mounted drill rig. Dense alder trees were the dominant vegetation observed adjacent to the cleared drilling area.

The Nikiski site is located on the Nikiski Bluff on Marathon Refinery Property. Permission to access the site for drilling was not granted in time for our field program, so you procured access rites for us to drill on private property adjacent to the cable landing site. A fence separates the Marathon property from the private property (on which we drilled) along an existing utility easement. At the time of our explorations, the ground surface was covered with approximately 2 feet of snow; however, snow removal was not needed to access the drilling site.

Subsurface Explorations

Field activities were conducted from February 11, 2008 through February 14, 2008 and consisted of drilling a 100-foot deep boring in Anchorage (B-1Anch) and a 150-foot deep boring in Nikiski (B-1Nik). Boring locations were surveyed and marked with survey lath by Sentec prior to our mobilizing to the field. The Anchorage boring was advanced within 5 feet of the marked location and the Nikiski boring was advanced approximately 70 feet southeast of the marked location. Figure 1 shows a vicinity map presenting the general locations of each project site.

Field activities for the Anchorage site were accomplished using a truck mounted CME-85 drill rig provided by Denali Drilling, of Anchorage, Alaska. The boring was advanced with 4¹/₄-inch inner diameter (ID), continuous flight, hollow-stem augers. Sampling of the soil was accomplished at 5-foot intervals using Standard Penetration Test (SPT) methods. In SPT sampling, samples are recovered by driving a 2-inch outside diameter (OD) split spoon sampler into the bottom of the advancing hole with blows of a 140-pound auto-hammer free falling 30 inches onto the drill rod. For each sample, the number of blows required to drive the sampler for the last 12 inches of an 18 inch penetration are shown on the boring logs as penetration resistance. The blow count values give a measure of the relative density (compactness) or consistency (stiffness) of cohesionless or cohesive soils, respectively. Figure 2 shows the approximate location of the boring at the Anchorage site.

Field activities for the Nikiski site were accomplished using a truck mounted CME-55 drill rig provided by Denali Drilling of Anchorage, Alaska. Mud-rotary techniques were employed to drill this boring. With this method, the boring is advanced using a 3-⁷/₈-inch tricone bit and circulating a bentonite based drilling mud. As the mud circulates, it carries the cuttings out of the advancing hole, controls the heaving of cohesionless soil, and helps hold the borehole open when the hole is advanced without casing. For the first 50 feet, 4-inch ID, threaded, flush-coupled casing was driven down the hole as drilling advanced to control caving of the borehole walls. Sampling of the soil was accomplished at 10-foot intervals using SPT (with a cat head and rope) and Modified Penetration Test (MPT) methods. MPT sampling is similar to SPT, except a 300-pound auto-hammer is used to drive a 3-inch OD split spoon sampler. Figure 3 shows the approximate location of the boring at the Nikiski site.

Surface elevations were estimated using the Tyonek A-1 and Kenai C-4 quadrangle USGS topographic maps for the Anchorage and Nikiski sites, respectively. A geologist from our firm was present during drilling to observe drill action, collect samples, log subsurface conditions, and monitor groundwater if appropriate. Soil samples from both borings were visually classified in general accordance with the Unified Soil Classification System which is

presented as Figure 4. Boring logs representing conditions encountered during drilling at both locations are enclosed as Figures 5 and 6.

Laboratory Testing:

The laboratory testing program included moisture content, gradation analysis, and Atterberg limits. Our Anchorage based laboratory conducted testing for this project in general agreement with American Society for Testing and Materials (ASTM) standards. The boring logs present the results of moisture testing, Atterberg limits, and summarize the results of the gradation testing. Figure 7 presents the results of the gradation testing.

Subsurface Conditions:

The Anchorage boring generally encountered layers of sandy silt and silty sand for the depth of the hole with the exception of a clean sand layer from approximately 38 feet below the ground surface (bgs) to 53 feet bgs. Three inches of organic material was encountered at the surface and at the time of drilling, frost penetrated to approximately 2 feet bgs. Density of the granular material (sand) was medium dense to very dense, with blow counts ranging from 27 to 68 blows per foot. Consistency of the sandy silt was stiff to hard with blow counts ranging from 9 to 81 blows per foot. Water was encountered at approximately 25 feet bgs during drilling.

The Nikiski boring generally encountered clean to silty, sand and gravel with the exception of a slightly sandy silt layer encountered from approximately 103 to 117 feet bgs. At the time of drilling, frost penetrated to approximately 3 feet bgs. Cobbly zones were inferred from drilling action between 85 and 102 feet bgs and from 144 to 146 feet bgs. According to SPT and MPT sampling, granular material encountered was dense to very dense with the majority of blow counts greater than 50 blows per foot and occasional refusal. The consistency of the silt layer was hard and water was encountered at approximately 50 feet bgs.

Closure and Limitations:

This report was prepared for the exclusive use of our client and their representatives for evaluating the site as it relates to the geotechnical aspects discussed herein. The conclusions contained in this report are based on information provided from the observed site conditions and other conditions described herein. The analyses, conclusions and recommendations contained in this report are based on site conditions as they presently exist. It is assumed that the exploratory borings are representative of the subsurface conditions throughout the site, i.e., the subsurface conditions everywhere are not significantly different from those disclosed by the explorations.

Unanticipated soil conditions are commonly encountered and cannot fully be determined by merely taking soil samples or advancing borings. Such unexpected conditions frequently

require that additional expenditures be made to attain a properly constructed project. Therefore, some contingency fund is recommended to accommodate such potential extra costs. Shannon & Wilson has prepared the attachment *Important Information About Your Geotechnical/Environmental Report* to assist you and others in understanding the use and limitations of the reports.

Copies of documents that may be relied upon by our client are limited to the printed copies (also known as hard copies) that are signed or sealed by Shannon & Wilson with a wet, blue ink signature. Files provided in electronic media format are furnished solely for the convenience of the client. Any conclusion or information obtained or derived from such electronic files shall be at the user's sole risk. If there is a discrepancy between the electronic files and the hard copies, or you question the authenticity of the report please contact the undersigned.

We appreciate this opportunity to be of service. Please contact the undersigned at (907) 561-2120 with questions or comments concerning the contents of this report.

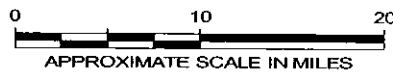
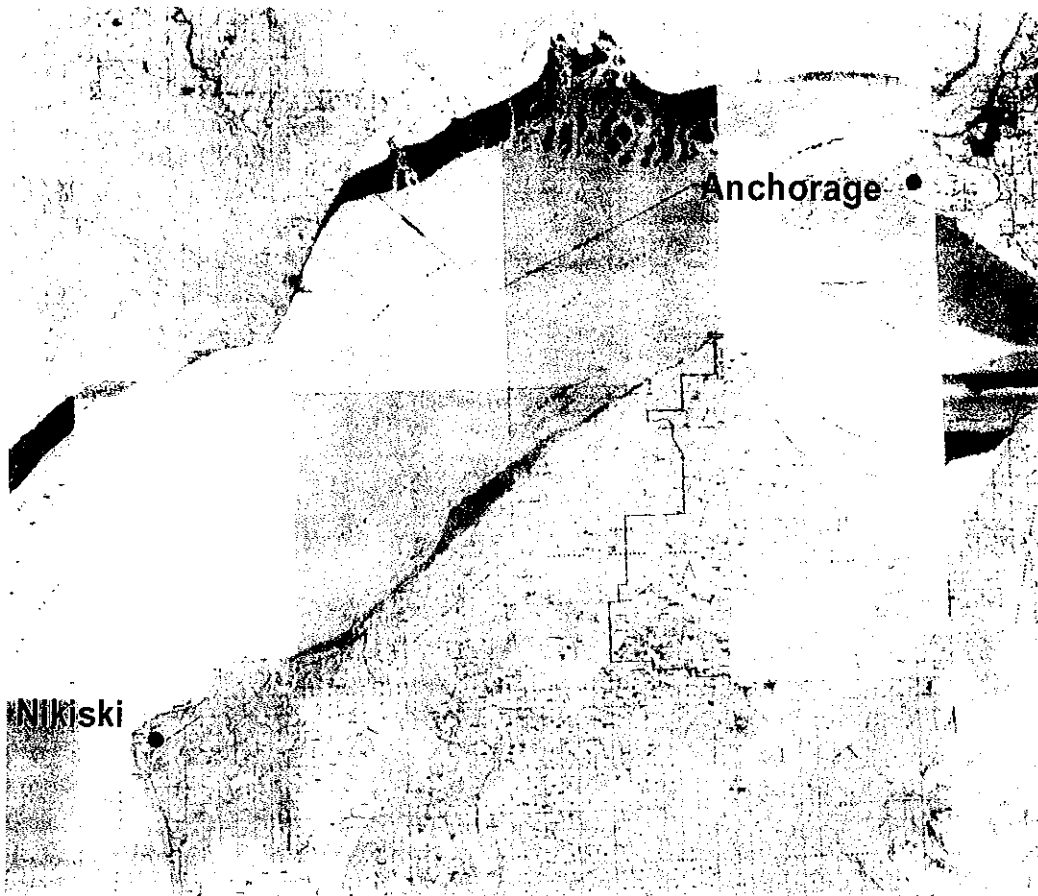
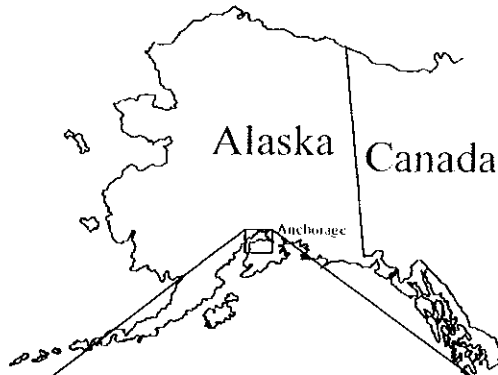
Sincerely,

SHANNON & WILSON, INC.



Kyle Brennan, P.E.
Principal Geotechnical Engineer

Attachments:	Figure 1	Vicinity Map
	Figure 2	Anchorage Site Map
	Figure 3	Nikiski Site Map
	Figure 4	Soil Classification Legend
	Figure 5	Log of Boring B-1Anch
	Figure 6	Log of Boring B-1Nik
	Figure 7	Grain Size Classification
	Important Information About Your Geotechnical/Environmental Report	



Fiber Optic Cable Landings
Anchorage & Nikiski, Alaska

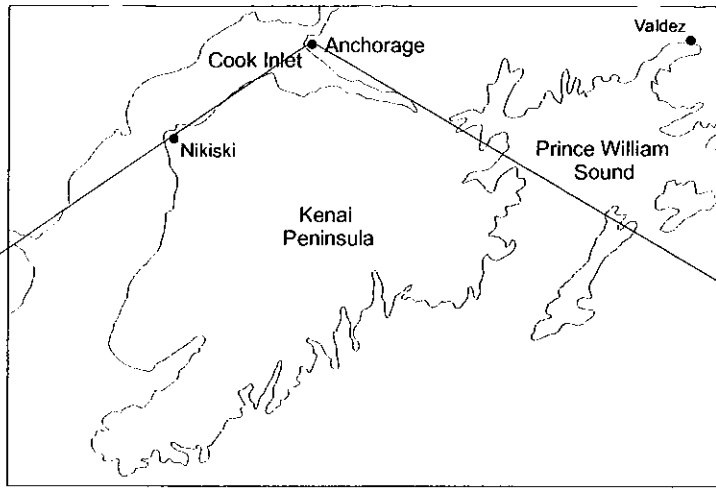
VICINITY MAP

February 2008

32-1-01969

SW SHANNON & WILSON, INC.
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Fig. 1




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Google

Map adapted from aerial imagery provided by Google Earth Pro, reproduced by permission granted by Google Earth Mapping Service.

LEGEND

 B-1Anch Approximate location of Boring B-1Anch, advanced by Shannon & Wilson, February 2008.



APPROXIMATE SCALE IN FEET

Fiber Optic Cable Landings
Anchorage, Alaska

ANCHORAGE SITE MAP

February 2008

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Fig. 2

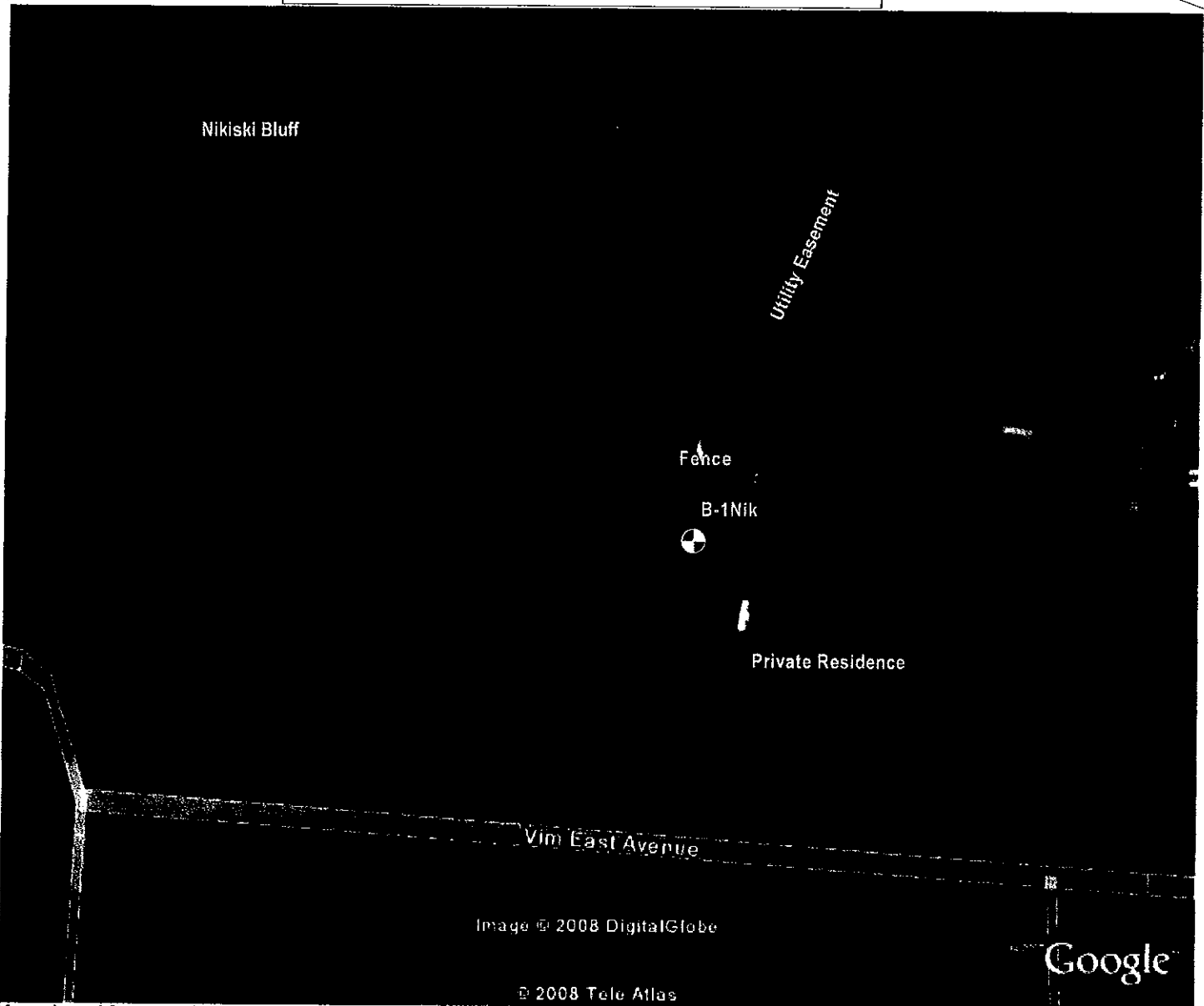
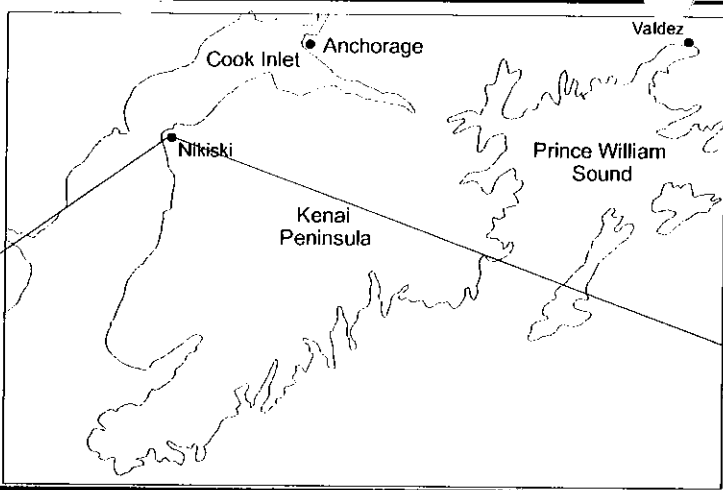



Image © 2008 DigitalGlobe


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










LEGEND

 B-1Nik Approximate location of Boring B-1Nik, advanced by Shannon & Wilson, February 2008.



Fiber Optic Cable Landings Nikiski, Alaska	
NIKISKI SITE MAP	
February 2008	32-1-01969
 SHANNON & WILSON, INC. Geotechnical & Environmental Consultants	Fig. 3

Unified Soil Classification System

GROUP NAME Criteria for Assigning Group Names and Group Symbols			Soil Classification Group Symbol with Generalized Group Descriptions		
COARSE-GRAINED SOILS more than 50% retained on No. 200 sieve	GRAVELS 50% or more of coarse fraction retained on No. 4 sieve	Clean GRAVELS Less than 5% fines		GW	Well-graded Gravels
		GRAVELS with fines More than 12% fines		GP	Poorly-graded Gravels
	SANDS More than 50% of coarse fraction passes No. 4 sieve	Clean SANDS Less than 5% fines		GM	Gravel & Silt Mixtures
				GC	Gravel & Clay Mixtures
		SANDS with fines More than 12% fines		SW	Well-graded Sands
				SP	Poorly-graded Sands
FINE-GRAINED SOILS 50% or more passes the No. 200 sieve	SILTS AND CLAYS Liquid limit 50% or less	INORGANIC		SM	Sand & Silt Mixtures
				SC	Sand & Clay Mixtures
		ORGANIC		ML	Non-plastic & Low-plasticity Silts
				CL	Low-plasticity Clays
	SILTS AND CLAYS Liquid limit greater than 50%	INORGANIC		OL	Non-plastic and Low-plasticity Organic Clays Non-plastic and Low-plasticity Organic Silts
				CH	High-plasticity Clays
		ORGANIC		MH	High-plasticity Silts
				OH	High-plasticity Organic Clays High-plasticity Organic Silts
HIGHLY ORGANIC SOILS	Primarily organic matter, dark in color, and organic odor			PT	Peat

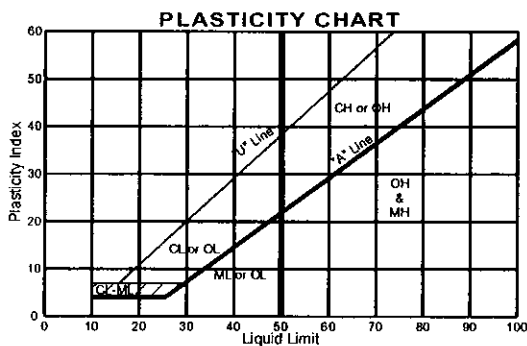
Organic Content

Adjective	Percent by Volume
Occasional	0-1
Scattered	1-10
Numerous	10-30
Organic	30-50, minor constituent
Peat	50-100, MAJOR constituent

Descriptive Terminology Denoting Component Proportions

Description	Range of Proportion
Add the adjective "slightly"	5 - 12%
Add soil adjective ^(a)	12 - 50%
Major proportion in upper case, (e.g., SAND)	>50%

(a) Use gravelly, sandy, or silty as appropriate
 NOTE: The soil descriptions used in the boring logs lists constituents from smallest percentage to largest percentage.



Fiber Optic Cable Landings
Anchorage & Nikiski, Alaska

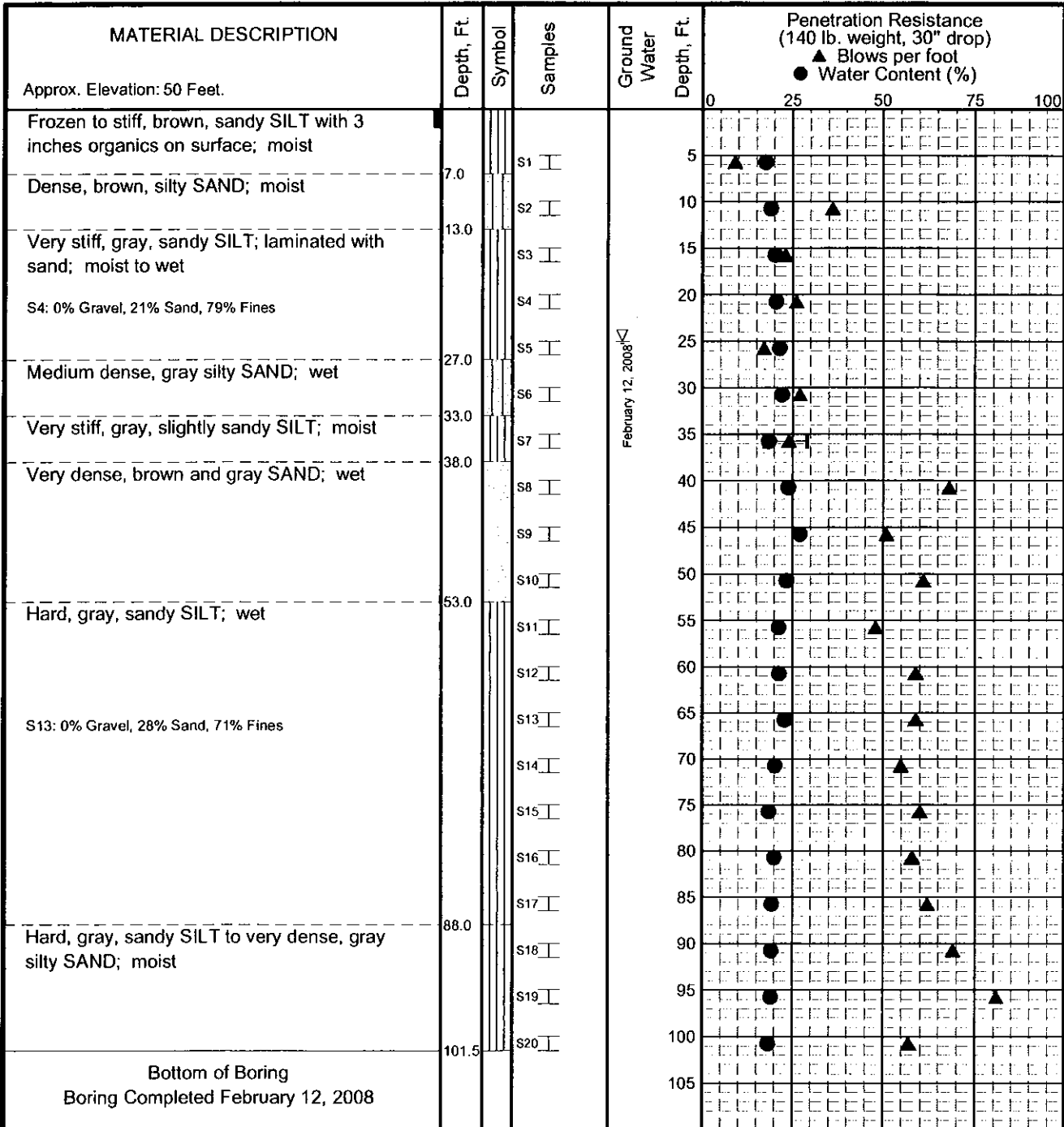
SOIL CLASSIFICATION LEGEND

February 2008

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Fig. 4



LEGEND

- Sample Not Recovered
- ┌ 2" O.D. Split Spoon Sample
- └ 3" O.D. Split Spoon Sample
- Frozen

▽ Ground Water Level At Time Of Drilling

● Water Content (%)
 Plastic Limit —●— Liquid Limit
 Natural Water Content

NOTES

1. The stratification lines represent the approximate boundaries between soil types, and the transition may be gradual.
2. The discussion in the text of this report is necessary for a proper understanding of the nature of subsurface materials.
3. Water level, if indicated above, is for the date specified and may vary.

Fiber Optic Cable Landings
Anchorage, Alaska

LOG OF BORING B-1Anch

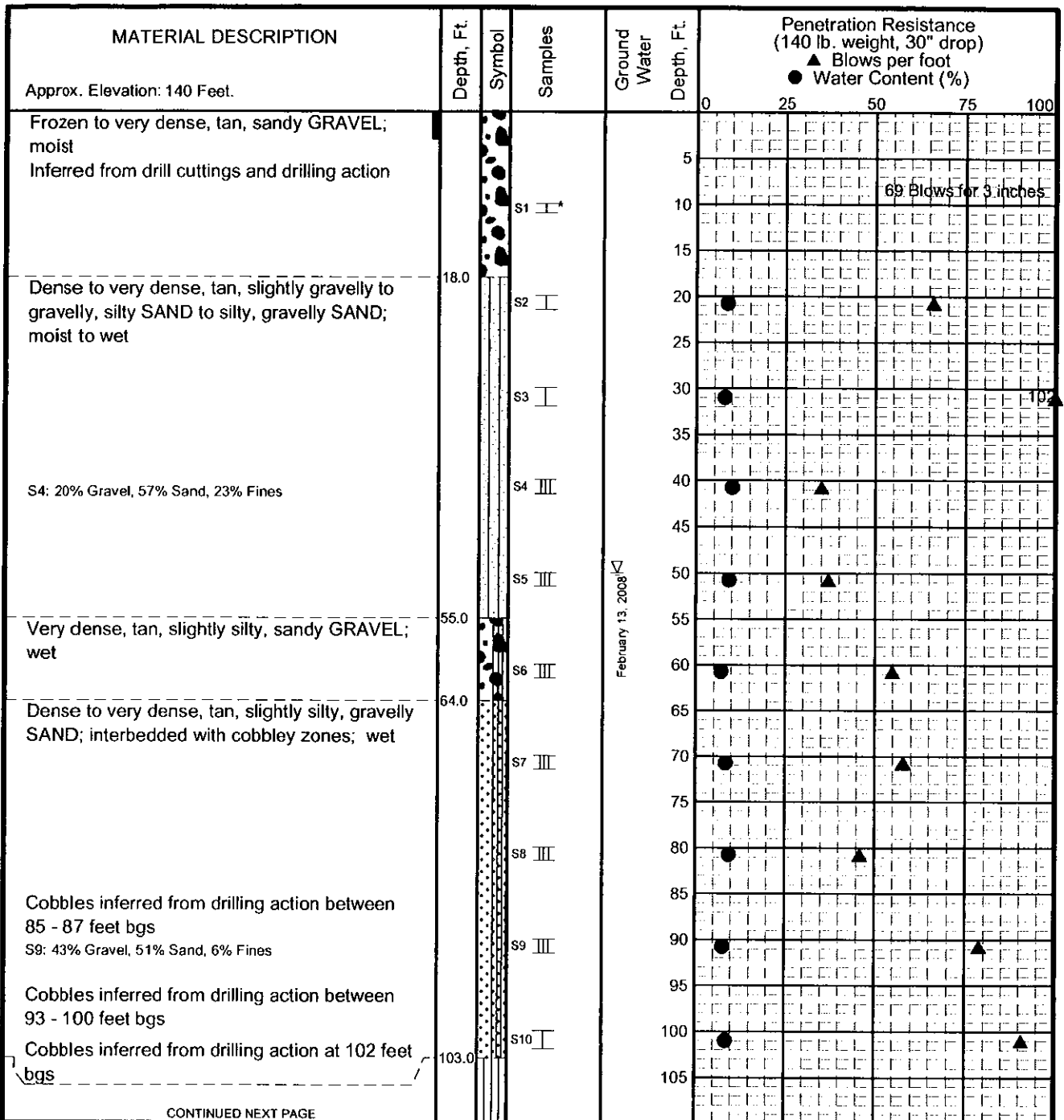
February 2008

32-1-01969

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Fig. 5

GEOTECHNICAL LOG 01969 ANCH GINT.GPJ S&W GEO1.GDT 2/29/08



CONTINUED NEXT PAGE

LEGEND

- * Sample Not Recovered
- I 2" O.D. Split Spoon Sample
- III 3" O.D. Split Spoon Sample

■ Frozen

∇ Ground Water Level At Time Of Drilling

● Water Content (%)
 Plastic Limit —●— Liquid Limit
 Natural Water Content

NOTES

1. The stratification lines represent the approximate boundaries between soil types, and the transition may be gradual.
2. The discussion in the text of this report is necessary for a proper understanding of the nature of subsurface materials.
3. Water level, if indicated above, is for the date specified and may vary.

Fiber Optic Cable Landings
Anchorage, Alaska

LOG OF BORING B-1Nik

February 2008

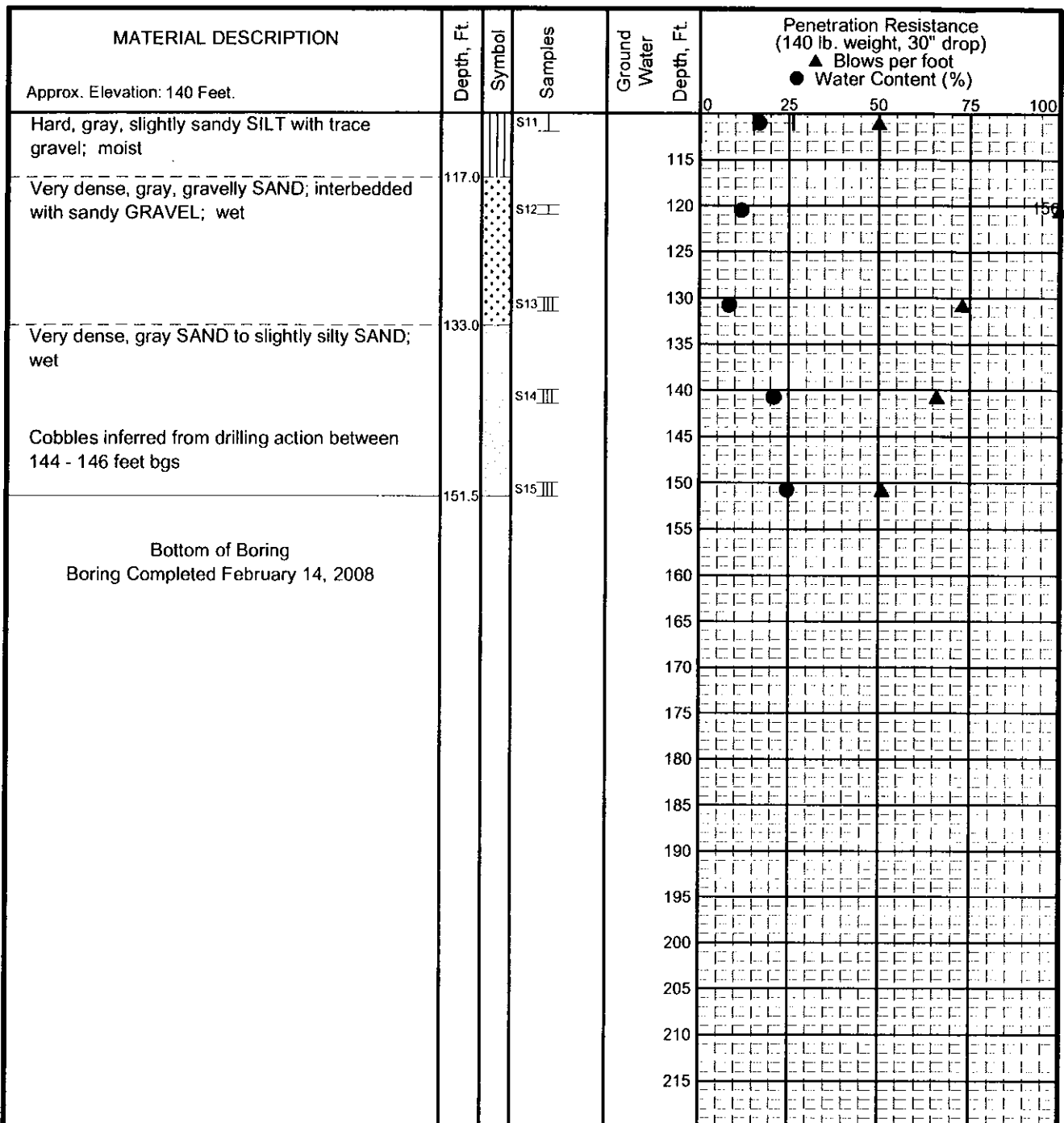
32-1-01969

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Fig. 6
Sheet 1 of 2

GEO TECHNICAL LOG 01-969 ANCH GINT.G.P.J. S&W.GEO1.GDT 2/29/08

GEOTECHNICAL LOG 01969 ANCH.GINT.GPJ S&W_GEO1.GDT 2/29/08



LEGEND

- * Sample Not Recovered
- I 2" O.D. Split Spoon Sample
- III 3" O.D. Split Spoon Sample
- Frozen
- ∇ Ground Water Level At Time Of Drilling
- Water Content (%)
- Plastic Limit —●— Liquid Limit
- Natural Water Content

NOTES

- The stratification lines represent the approximate boundaries between soil types, and the transition may be gradual.
- The discussion in the text of this report is necessary for a proper understanding of the nature of subsurface materials.
- Water level, if indicated above, is for the date specified and may vary.

Fiber Optic Cable Landings
Anchorage, Alaska

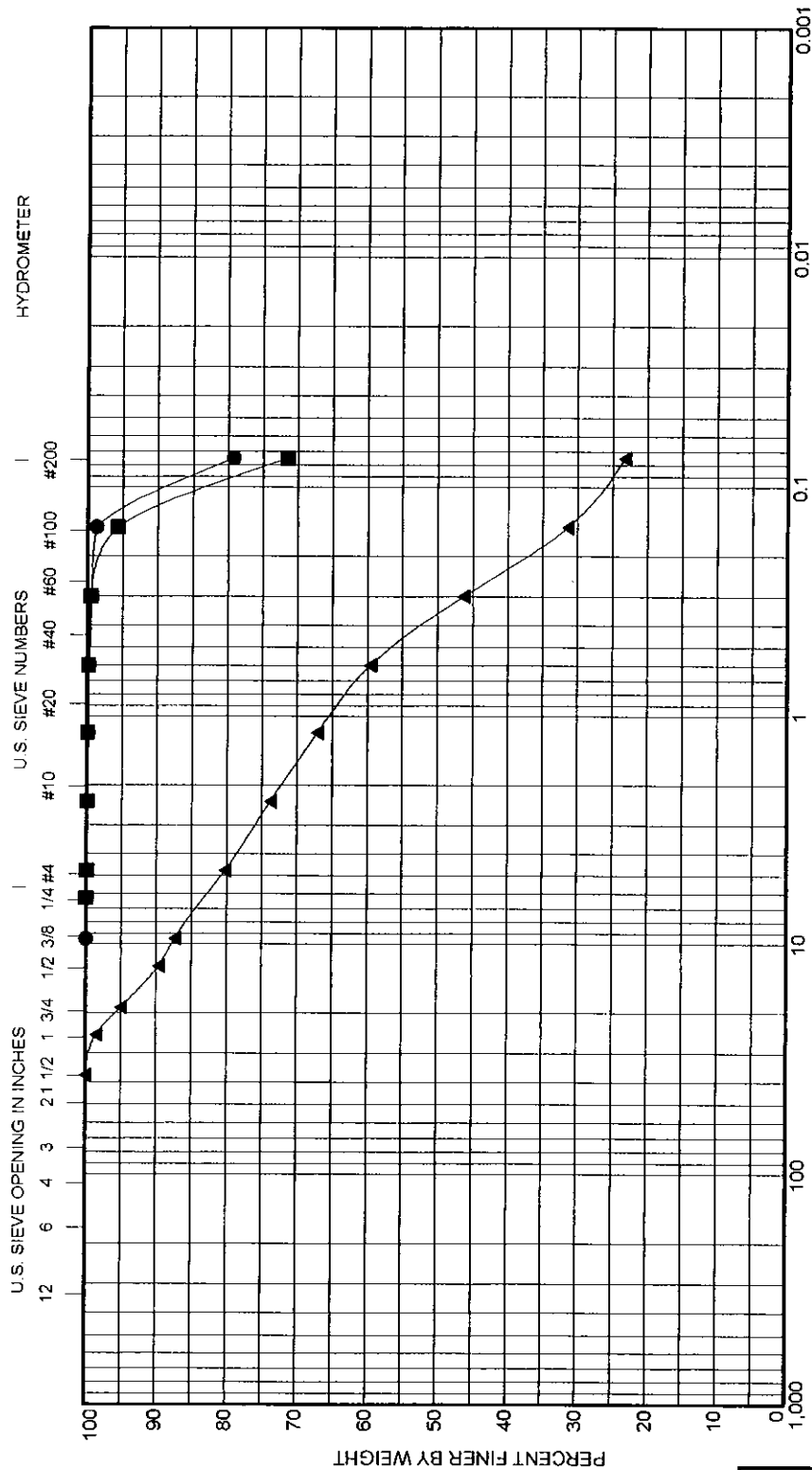
LOG OF BORING B-1Nik

February 2008

32-1-01969

SHANNON & WILSON, INC.
Geotechnical and Environmental Consultants

Fig. 6
Sheet 2 of 2



Sample	Depth, Ft	GRAVEL			SAND			SILT OR CLAY				
		coarse	fine		coarse	medium	fine	LL	PL	PI	Cc	Cu
Classification												
● B-1Anch S4	20.0 - 21.5	Sandy SILT (ML)										
■ B-1Anch S13	65.0 - 66.5	Sandy SILT (ML)										
▲ B-1Nik S4	40.0 - 41.5	Gravelly, silty SAND (SM)										
Sample	Depth, Ft	D100	D60	D30	D10	%Gravel	%Sand	%Silt	%Clay			
● B-1Anch S4	20.0 - 21.5	9.5				0	21	79				
■ B-1Anch S13	65.0 - 66.5	6.3				0	28	71				
▲ B-1Nik S4	40.0 - 41.5	37.5	0.62	0.13		20	57	23				

Fiber Optic Cable Landings
Anchorage, Alaska

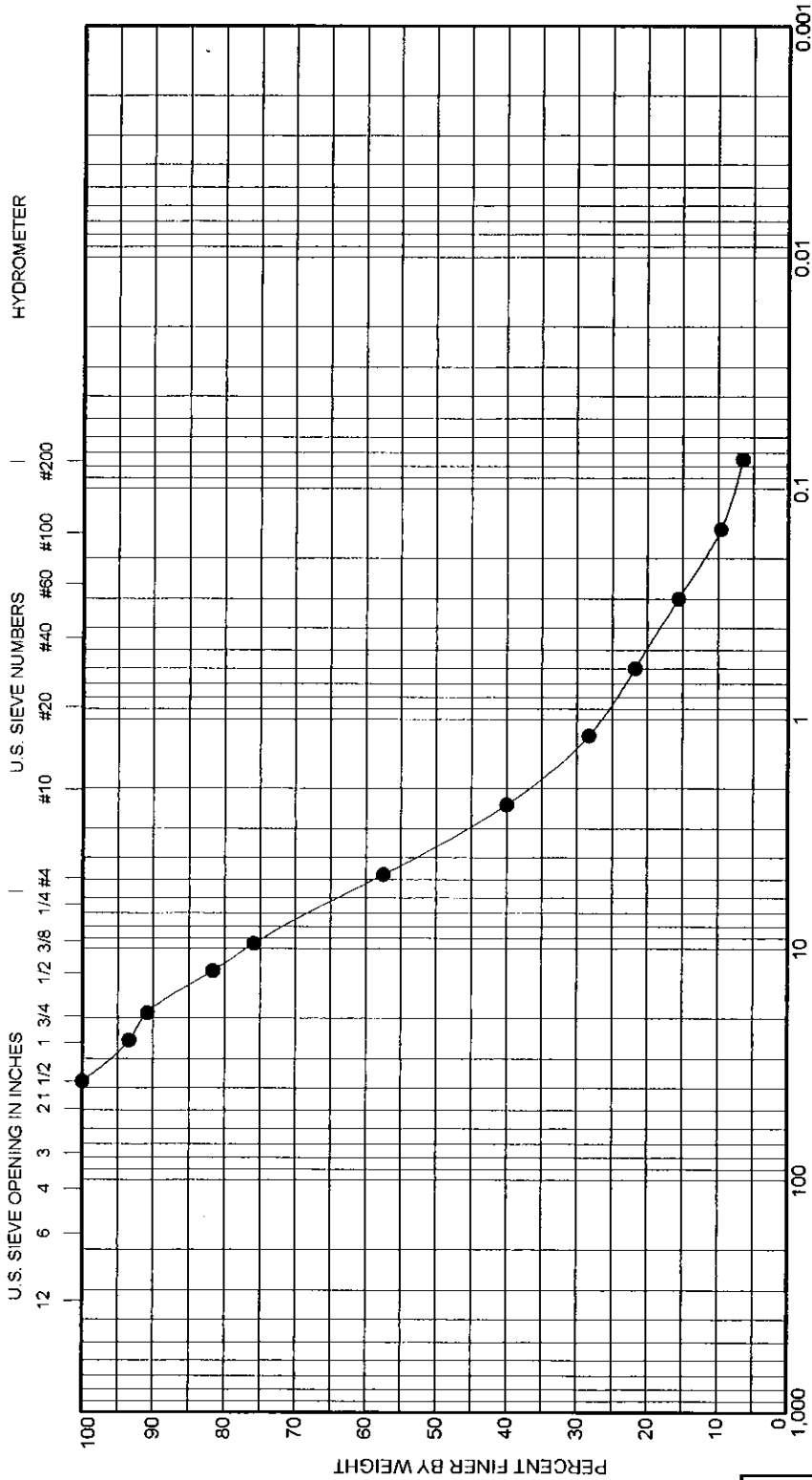
GRAIN SIZE CLASSIFICATION

February 2008

32-1-01969

SHANNON & WILSON, INC.
Geotechnical and Environmental Consultants

Fig. 7
Sheet 1 of 2



COBBLES	GRAVEL		SAND			SILT OR CLAY				
	coarse	fine	coarse	medium	fine	LL	PL	PI	Cc	Cu
Sample	Classification									
● B-1Nik S9	Slightly silty, gravelly SAND (SW-SM)									
Sample	Depth, Ft	D100	D60	D30	D10	%Gravel	%Sand	%Silt	%Clay	
● B-1Nik S9	90.0 - 91.5	37.5	5.23	1.3	0.16	43	51	6		



Date: February 2008
To: New Horizons Telecommunications, Inc.
Re: Fiber Optic Cable Landings, Anchorage and
Nikiski, Alaska

Important Information About Your Geotechnical/Environmental Report

CONSULTING SERVICES ARE PERFORMED FOR SPECIFIC PURPOSES AND FOR SPECIFIC CLIENTS.

Consultants prepare reports to meet the specific needs of specific individuals. A report prepared for a civil engineer may not be adequate for a construction contractor or even another civil engineer. Unless indicated otherwise, your consultant prepared your report expressly for you and expressly for the purposes you indicated. No one other than you should apply this report for its intended purpose without first conferring with the consultant. No party should apply this report for any purpose other than that originally contemplated without first conferring with the consultant.

THE CONSULTANT'S REPORT IS BASED ON PROJECT-SPECIFIC FACTORS.

A geotechnical/environmental report is based on a subsurface exploration plan designed to consider a unique set of project-specific factors. Depending on the project, these may include: the general nature of the structure and property involved; its size and configuration; its historical use and practice; the location of the structure on the site and its orientation; other improvements such as access roads, parking lots, and underground utilities; and the additional risk created by scope-of-service limitations imposed by the client. To help avoid costly problems, ask the consultant to evaluate how any factors that change subsequent to the date of the report may affect the recommendations. Unless your consultant indicates otherwise, your report should not be used: (1) when the nature of the proposed project is changed (for example, if an office building will be erected instead of a parking garage, or if a refrigerated warehouse will be built instead of an unrefrigerated one, or chemicals are discovered on or near the site); (2) when the size, elevation, or configuration of the proposed project is altered; (3) when the location or orientation of the proposed project is modified; (4) when there is a change of ownership; or (5) for application to an adjacent site. Consultants cannot accept responsibility for problems that may occur if they are not consulted after factors, which were considered in the development of the report, have changed.

SUBSURFACE CONDITIONS CAN CHANGE.

Subsurface conditions may be affected as a result of natural processes or human activity. Because a geotechnical/environmental report is based on conditions that existed at the time of subsurface exploration, construction decisions should not be based on a report whose adequacy may have been affected by time. Ask the consultant to advise if additional tests are desirable before construction starts; for example, groundwater conditions commonly vary seasonally.

Construction operations at or adjacent to the site and natural events such as floods, earthquakes, or groundwater fluctuations may also affect subsurface conditions and, thus, the continuing adequacy of a geotechnical/environmental report. The consultant should be kept apprised of any such events, and should be consulted to determine if additional tests are necessary.

MOST RECOMMENDATIONS ARE PROFESSIONAL JUDGMENTS.

Site exploration and testing identifies actual surface and subsurface conditions only at those points where samples are taken. The data were extrapolated by your consultant, who then applied judgment to render an opinion about overall subsurface conditions. The actual interface between materials may be far more gradual or abrupt than your report indicates. Actual conditions in areas not sampled may differ from those predicted in your report. While nothing can be done to prevent such situations, you and your consultant can work together to help reduce their impacts. Retaining your consultant to observe subsurface construction operations can be particularly beneficial in this respect.

A REPORT'S CONCLUSIONS ARE PRELIMINARY.

The conclusions contained in your consultant's report are preliminary because they must be based on the assumption that conditions revealed through selective exploratory sampling are indicative of actual conditions throughout a site. Actual subsurface conditions can be discerned only during earthwork; therefore, you should retain your consultant to observe actual conditions and to provide conclusions. Only the consultant who prepared the report is fully familiar with the background information needed to determine whether or not the report's recommendations based on those conclusions are valid and whether or not the contractor is abiding by applicable recommendations. The consultant who developed your report cannot assume responsibility or liability for the adequacy of the report's recommendations if another party is retained to observe construction.

THE CONSULTANT'S REPORT IS SUBJECT TO MISINTERPRETATION.

Costly problems can occur when other design professionals develop their plans based on misinterpretation of a geotechnical/environmental report. To help avoid these problems, the consultant should be retained to work with other project design professionals to explain relevant geotechnical, geological, hydrogeological, and environmental findings, and to review the adequacy of their plans and specifications relative to these issues.

BORING LOGS AND/OR MONITORING WELL DATA SHOULD NOT BE SEPARATED FROM THE REPORT.

Final boring logs developed by the consultant are based upon interpretation of field logs (assembled by site personnel), field test results, and laboratory and/or office evaluation of field samples and data. Only final boring logs and data are customarily included in geotechnical/environmental reports. These final logs should not, under any circumstances, be redrawn for inclusion in architectural or other design drawings, because drafters may commit errors or omissions in the transfer process.

To reduce the likelihood of boring log or monitoring well misinterpretation, contractors should be given ready access to the complete geotechnical engineering/environmental report prepared or authorized for their use. If access is provided only to the report prepared for you, you should advise contractors of the report's limitations, assuming that a contractor was not one of the specific persons for whom the report was prepared, and that developing construction cost estimates was not one of the specific purposes for which it was prepared. While a contractor may gain important knowledge from a report prepared for another party, the contractor should discuss the report with your consultant and perform the additional or alternative work believed necessary to obtain the data specifically appropriate for construction cost estimating purposes. Some clients hold the mistaken impression that simply disclaiming responsibility for the accuracy of subsurface information always insulates them from attendant liability. Providing the best available information to contractors helps prevent costly construction problems and the adversarial attitudes that aggravate them to a disproportionate scale.

READ RESPONSIBILITY CLAUSES CLOSELY.

Because geotechnical/environmental engineering is based extensively on judgment and opinion, it is far less exact than other design disciplines. This situation has resulted in wholly unwarranted claims being lodged against consultants. To help prevent this problem, consultants have developed a number of clauses for use in their contracts, reports and other documents. These responsibility clauses are not exculpatory clauses designed to transfer the consultant's liabilities to other parties; rather, they are definitive clauses that identify where the consultant's responsibilities begin and end. Their use helps all parties involved recognize their individual responsibilities and take appropriate action. Some of these definitive clauses are likely to appear in your report, and you are encouraged to read them closely. Your consultant will be pleased to give full and frank answers to your questions.

The preceding paragraphs are based on information provided by the
ASFE/Association of Engineering Firms Practicing in the Geosciences, Silver Spring, Maryland

Submitted by: Chair of the Assembly
At the Request of the Mayor
Prepared by: Heritage Land Bank
For Reading: February 26, 2008

CLERK'S OFFICE

APPROVED

Date: 3-18-08

ANCHORAGE, ALASKA
AO No. 2008-38

1 AN ORDINANCE AUTHORIZING A NON-EXCLUSIVE UTILITY EASEMENT
2 TO ACS CABLE SYSTEMS ACROSS HLB PARCELS 4-033A, 4-033B AND 4-034,
3 FOR INSTALLATION OF A FIBER OPTIC CABLE AND RELATED
4 FACILITIES.

5
6 WHEREAS, the Heritage Land Bank (HLB) was established to...“manage uncommitted
7 municipal land and the Heritage Land Bank Fund in a manner designed to benefit the
8 present and future citizens of Anchorage, promote orderly development, and achieve the
9 goals of the Comprehensive Plan. The Heritage Land Bank shall acquire, inventory,
10 manage, withdraw, transfer and dispose of municipal land which has not been dedicated or
11 transferred to a specific municipal agency for one or more municipal uses.” (AMC
12 section 25.40.010); and

13
14 WHEREAS, “The disposal responsibility of the Heritage Land Bank is, at the direction of
15 the mayor and Assembly, to convey from municipal ownership Heritage Land Bank land
16 or interests in land which is not needed for specific public facilities or purposes. Each
17 disposal shall be in the municipal interest, and based at or above appraised fair market
18 value or for other equivalent municipal values or objectives, under the procedures
19 specified in AMC Section 25.40.025.” (AMC section 25.40.010E.); and

20
21 WHEREAS, an appraisal of the 20 year use term is expected by April 1, 2008 to establish
22 a fair market use fee; and

23
24 WHEREAS, HLB posted the properties and conducted an agency review by all
25 potentially interested Municipal agencies to establish that the subject easement is in the
26 best interest of the Municipality; and

27
28 WHEREAS, on February 14, 2008, the Heritage Land Bank Advisory Commission held a
29 public meeting as specified in AMC 25.40.030 and approved Resolution 2008-02,
30 recommending Assembly approval to issue the easement; and

31
32 WHEREAS, pursuant to the Charter, the Assembly must find this non-exclusive
33 easement is without substantial value to the municipality; now, therefore,

34
35 THE ANCHORAGE ASSEMBLY ORDAINS:
36

AM 154-2008

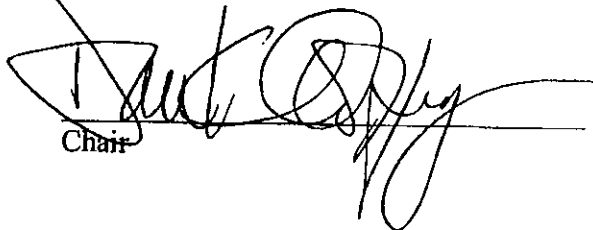
EXHIBIT F

Section 1. This non-exclusive easement over Heritage Land Bank parcels 4-033A, 4-033B, and 4-034, located near the Ted Stevens International Airport, does not prevent future use by the Municipality or impact the public use of the property, and it is the finding of the Assembly this easement is without substantial value to the municipality.


Section 2. Pursuant to the basic terms and conditions set out in the accompanying Assembly Memorandum, Heritage Land Bank may grant a non-exclusive easement over portions of Parcels 4-033A, 4-033B and 4-034 to ACS Cable Systems for installation of a fiber optic cable and related facilities for at least the appraised fair market use fee value.

Section 3. This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 18th day of March, 2008.


Chair

ATTEST:


Municipal Clerk

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects - General Government

AO Number: 2008-38 Title: **AN ORDINANCE AUTHORIZING A NON-EXCLUSIVE UTILITY EASEMENT TO ACS CABLE SYSTEMS ACROSS HLB PARCELS 4-033A, 4-033B AND 4-034, FOR INSTALLATION OF A FIBER OPTIC CABLE AND RELATED FACILITIES.**

Sponsor: MAYOR
 Preparing Agency: Heritage Land Bank
 Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:					
(Thousands of Dollars)					
	FY08	FY09	FY10	FY11	FY12
Operating Expenditures					
1000 Personal Services					
2000 Supplies					
3000 Other Services					
4000 Debt Service					
5000 Capital Outlay					
TOTAL DIRECT COSTS:	0	0	0	0	0
6000 IGCs	0	0	0	0	0
FUNCTION COST:	0	0	0	0	0
REVENUES:	(1)	0	0	0	
CAPITAL:	0	0	0	0	0
POSITIONS: FT/PT and Temp.	0	0	0	0	0

PUBLIC SECTOR ECONOMIC EFFECTS:

Disposal of easement for fiber optic cable installation; revenue generated from the purchase shall go to the Heritage Land Bank Fund (221).

(1) Fair market use fee value is currently being determined by appraisal due April 1, 2008.

PRIVATE SECTOR ECONOMIC EFFECTS:

Improvement in telecommunications connections to lower 48, ACS improves their competitiveness in the telecom market.

Prepared by: William M. Mehner
 Heritage Land Bank Director

Telephone: 343-4337



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM No. 154-2008

Meeting Date: February 26, 2008

1
2 **From:** MAYOR
3
4 **Subject:** AN ORDINANCE AUTHORIZING A NON-EXCLUSIVE UTILITY
5 EASEMENT TO ACS CABLE SYSTEMS ACROSS HLB PARCELS 4-
6 033A, 4-033B AND 4-034, FOR INSTALLATION OF A FIBER OPTIC
7 CABLE AND RELATED FACILITIES.
8
9 **Action:** Grant non-exclusive utility easement
10 **Grantee:** ACS Cable Systems
11 **Valuation:** Market value for a 20 year easement term, to be determined by appraisal due
12 April 1, 2008
13 **Term:** 20 years; plus option upon mutual consent of the parties for 10 year extension,
14 with additional use fee based on market value
15

16 This ordinance authorizes Heritage Land Bank (HLB) to grant a non-exclusive utility
17 easement 2.34 acres in size near the western end of the east-west runway of Ted Stevens
18 Anchorage International Airport. The subject parcels are vacant and legally described as
19 HLB Parcel 4-033A, TID 01040127, HLB Parcel 4-033B, TID 01040137, and HLB Parcel 4-
20 034, TID 01040109 (Appendix A). The easement runs for a distance of approximately
21 6,635.6 linear feet at a width of 15 feet. A beach manhole also to be installed is 50 feet by 50
22 feet for an area of 2,500 square feet. The purpose of the installation is to extend the life of
23 existing cables in the Anchorage area and to increase available telecommunications capacity
24 between Alaska and the contiguous states. The cable comes onto HLB property at
25 Pt. Woronzof to onshore facilities consisting of an underground utility vault and small
26 equipment shelter. The terrestrial cable then extends across HLB lands to airport property
27 and beyond to tie into existing ACS facilities. The easement term is 20 years with an option
28 to extend another 10 years with an additional market value use fee determined at that time.
29 The fair market value of the easement use fee is to be established by appraisal due to the HLB
30 by April 1, 2008.
31

32 **Public Process.** The HLB conducted an agency review and received no objection from other
33 municipal agencies for disposal of the subject property. Municipal agencies requested
34 construction activities not impact the Tony Knowles Coastal Trail and activities be screened
35 from the trail corridor; stipulations governing the activities are included in the easement
36 document. The HLB posted notice of public hearing on the property on January 21, 2008.
37 The public hearing was advertised in the Anchorage Daily News January 21, and February 5
38 and 12, 2008. Neighborhood community councils were informed of the project and had no
39 comments. The HLB Advisory Commission held a public hearing on February 14, 2008 and
40 approved HLBAC Resolution No. 2008-02 (Appendix B).

1
2 **Recommendation.** Heritage Land Bank staff considers the proposed easement of the
3 approximately 2.34 acres within the three parcels to be an appropriate use of HLB land. The
4 proposed use is compatible with both the Comprehensive Plan designation and the zoning for
5 this area. At its February 14, 2008 meeting, the HLB Advisory Commission found the grant
6 of a non-exclusive easement is in the best interest of the Municipality of Anchorage. The
7 HLB Advisory Commission therefore recommends Assembly approval of the grant of a non-
8 exclusive easement (Appendix B).

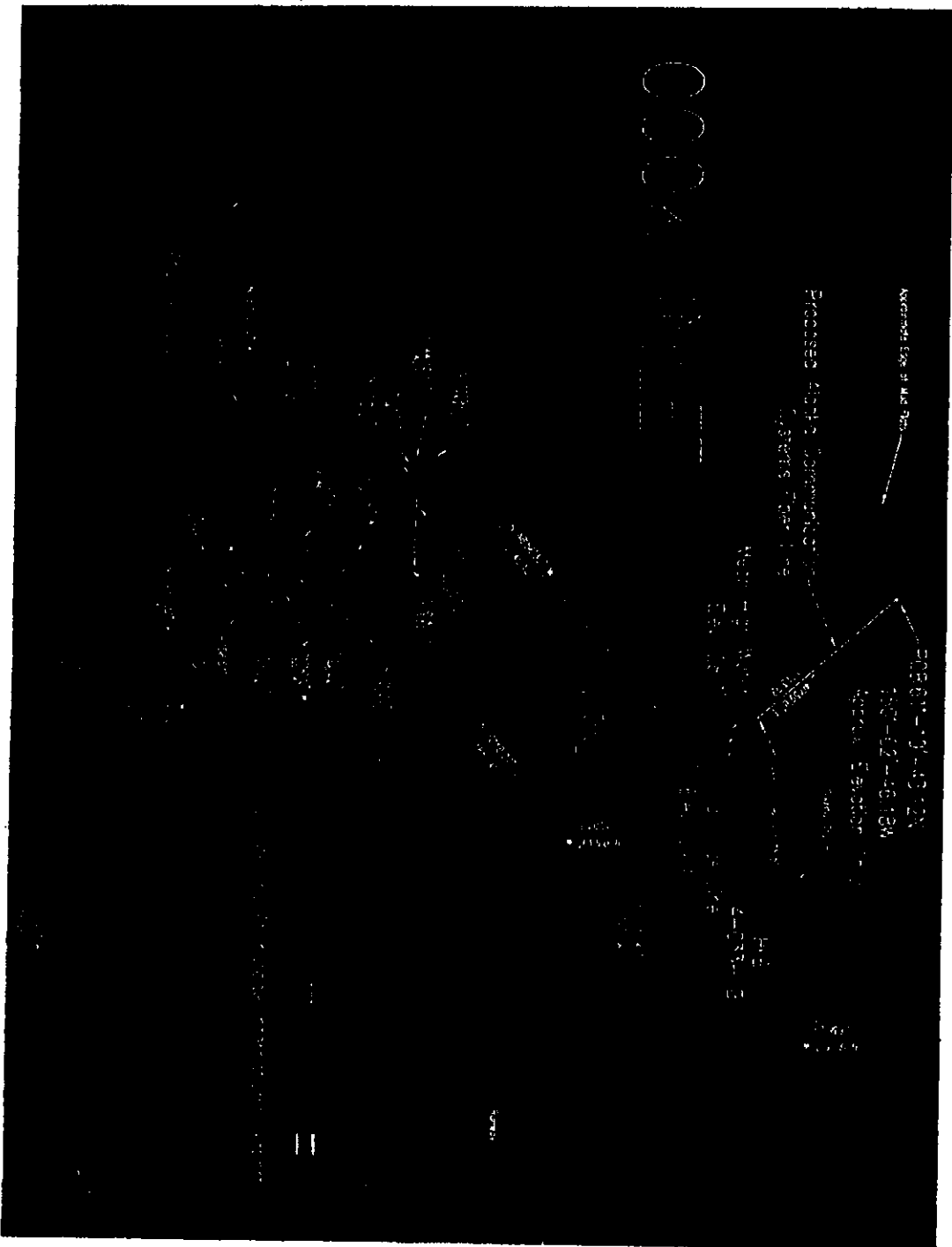
9
10 **THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE**
11 **AUTHORIZING A NON-EXCLUSIVE UTILITY EASEMENT TO ACS CABLE**
12 **SYSTEMS ACROSS HLB PARCELS 4-033A, 4-033B AND 4-034, FOR**
13 **INSTALLATION OF A FIBER OPTIC CABLE AND RELATED FACILITIES.**
14


15
16 Prepared by: Heritage Land Bank
17 Approved by: William M. Mehner, Director
18 Heritage Land Bank
19 Concur: Mary Jane Michael, Executive Director
20 Department of Economic and Community Development
21 Concur: James N. Reeves, Municipal Attorney
22 Concur: Michael Abbott, Municipal Manager
23 Respectfully submitted, Mark Begich, Mayor
24

25 **Appendices:**

- 26 Appendix A—Site Map
27 Appendix B—HLB Advisory Commission Resolution 2008-02
28

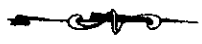
Appendix A





SENTEC

100-12-46184
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Appendix B

MUNICIPALITY OF ANCHORAGE HERITAGE LAND BANK ADVISORY COMMISSION

RESOLUTION No. 2008-02

A RESOLUTION OF THE HERITAGE LAND BANK ADVISORY COMMISSION (HLBAC) RECOMMENDING ASSEMBLY APPROVAL FOR DISPOSAL OF AN EASEMENT TO ACS CABLE SYSTEMS INC. OF A PORTION OF HLB PARCELS NO. 4-033A, 4-033B AND 4-034, FOR INSTALLATION OF A FIBER OPTIC CABLE AND RELATED FACILITIES.

WHEREAS, the Heritage Land Bank (HLB) was established to... "Manage uncommitted municipal land and the Heritage Land Bank Fund in a manner designed to benefit the present and future citizens of Anchorage, promote orderly development, and achieve the goals of the Comprehensive Plan" (AMC 25.40.010); and

WHEREAS, AMC 25.40.025.A states, "The Heritage Land Bank Advisory Commission shall hold a public hearing, with public notice as specified in this chapter, prior to making a recommendation to the Mayor and Assembly regarding the disposal of Heritage Land Bank land or an interest in land."; and

WHEREAS, the subject parcels are vacant and legally described as HLB Parcel 4-033A, TID 01040127, HLB Parcel 4-033B, TID 01040137, and HLB Parcel 4-034, TID 01040109; and

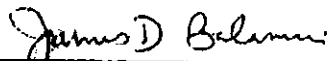
WHEREAS, the disposal of this parcel is in the best interest of the Municipality and improves telecommunications in the Anchorage area; and

WHEREAS, HLB posted the property and conducted public notice and an agency review by all potentially interested Municipal agencies to establish no objections to the easement encumbrance; and

NOW, THEREFORE, THE HERITAGE LAND BANK ADVISORY COMMISSION RECOMMENDS ASSEMBLY APPROVAL FOR DISPOSAL OF AN EASEMENT TO ACS CABLE SYSTEMS INC. OF A PORTION OF HLB PARCELS NO. 4-033A, 4-033B AND 4-034, FOR INSTALLATION OF A FIBER OPTIC CABLE AND RELATED FACILITIES.

PASSED AND APPROVED the 15TH day of February 2008.

Approved:



James Balamacl, Chair
Heritage Land Bank Advisory Commission

Attest:


William M. Mehner, Executive Director
Heritage Land Bank

Content ID: 006049

Type: Ordinance-InvolvingFunds - AO

Title: Utility Easement Through HLB Parcels in Pt. Woronzof Vicinity

Author: vanhornjr

Initiating Dept: HLB

Description: Telecommunication (cable) utility easement through HLB Parcels #4-033A & B, and 4-034, Located at Pt. Woronzof

Date Prepared: 2/15/08 4:34 PM

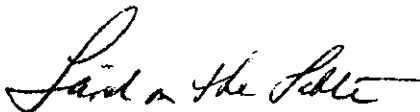
Director Name: Mehner

Assembly Meeting Date: 2/28/08

Public Hearing Date: 3/18/08

2008 FEB 27 AM 10:10
 CLERKS OFFICE
 H.O.A

Workflow Name	Action Date	Action	User	Security Group	Content ID	Revision
Clerk_Admin_SubWorkflow	2/27/08 9:59 AM	Exit	Joy Maglaqui	Public	006049	0
MuniMgrCoord_SubWorkflow	2/27/08 9:59 AM	Approve	Joy Maglaqui	Public	006049	0
MuniManager_SubWorkflow	2/27/08 9:59 AM	Approve	Joy Maglaqui	Public	006049	0
Legal_SubWorkflow	2/25/08 3:27 PM	Approve	Rhonda Westover	Public	006049	0
CFO_SubWorkflow	2/25/08 2:51 PM	Approve	Sharon Weddleton	Public	006049	0
OMB_SubWorkflow	2/21/08 4:15 PM	Approve	Wanda Phillips	Public	006049	0
ECD_SubWorkflow	2/19/08 4:44 PM	Approve	Lisa Villareal	Public	006049	0
HLB_SubWorkflow	2/19/08 4:43 PM	Approve	William Mehner	Public	006049	0
AllFundOrdinanceWorkflow	2/15/08 4:38 PM	Checkin	Lynn Roderick Van Horn	Public	006049	0



**APPRAISAL OF ACS EASEMENT
FIBER OPTIC CABLE OCCUPANCY
ANCHORAGE, ALASKA**

**FOR
HERITAGE LAND BANK**

**EFFECTIVE DATE OF APPRAISAL
APRIL 1, 2008**

REF. NO. 1721

BY

ALAN G. OLSON

REAL ESTATE APPRAISER

2701 ASPEN DRIVE

ANCHORAGE, ALASKA 99517-3250

(907)243-6609

FAX (907)243-0277

EXHIBIT G

ALAN G. OLSON

Real Estate Appraiser

2701 ASPEN DRIVE, ANCHORAGE, ALASKA 99517

(907) 243-6609, FAX (907) 243-0277



April 1, 2008

Alison L. Smith, Land Management Officer
Heritage Land Bank
Municipality of Anchorage
632 West 6th Avenue – P.O. Box 196650
Anchorage, AK 99519-6650

Subject: Proposed ACS Fiber Optic Cable Easement Use Fee

Dear Ms. Smith:

As requested, I have prepared an appraisal in a summary report format of the proposed ACS fiber optic cable right of way across Heritage Land Bank land along Cook Inlet, west of Ted Stevens Anchorage International Airport. The appraisal conforms to the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation. The purpose of the appraisal is to estimate the use fee for the first 25 years of a 15-foot wide easement. The effective date of the appraisal is April 1, 2008.

The following report sets forth the methods used in estimating the use fee for an easement for a fiber optic cable crossing through Heritage Land Bank Parcels 4-033-A, 4-033-B and 4-034; and contains data that are considered to be applicable to the appraisal. The Certification that follows is an integral part of the appraisal report.

If I can be of further assistance to you regarding this appraisal, please advise.

Sincerely,

A handwritten signature in cursive script that reads 'Alan G. Olson'.

Alan G. Olson, MAI

CERTIFICATION

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

the statements of fact contained in this report are true and correct;

the reported analyses, opinions, and conclusions 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 a 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;

no one provided significant real property appraisal assistance to the person signing this certification;

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 includes the *Uniform Standards of Professional Appraisal Practice* of The Appraisal Foundation;

as of the date of this report, I have completed the continuing education program of the Appraisal Institute;

the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives:

I have made a personal inspection of the property that is the subject of this report – Heritage Land Bank Parcels 4-033-A, 4-033-B and 4-034; within Sections 31 and 32, T13N, R4W, SM; west of Ted Stevens Anchorage International Airport, Anchorage, Alaska;

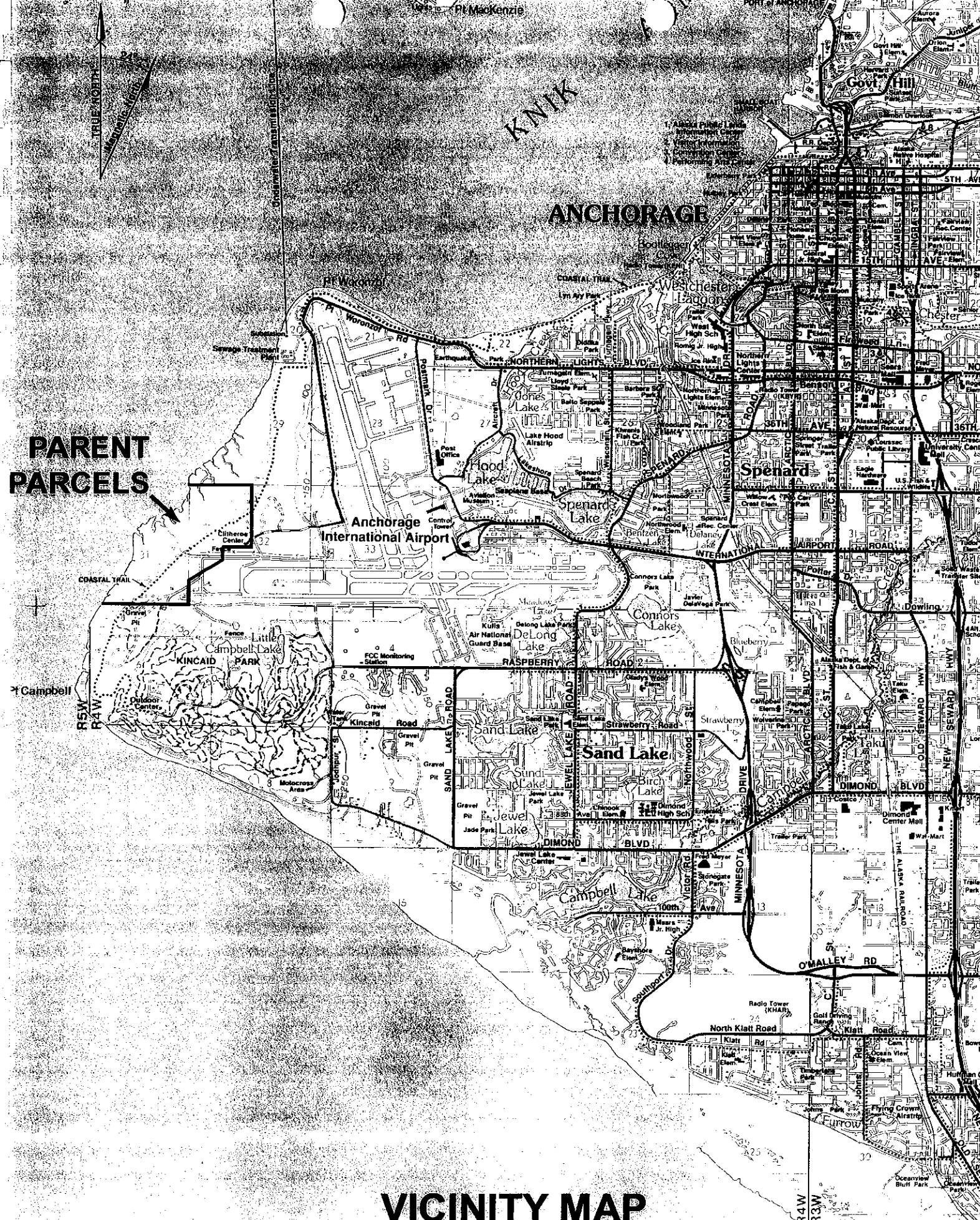
The total use fee for the first 25 years of a 15-foot wide fiber optic cable easement across the aforementioned parcels, as of April 1, 2008, is estimated to be \$158,200.


Alan G. Olson, MAI

April 1, 2008
Date

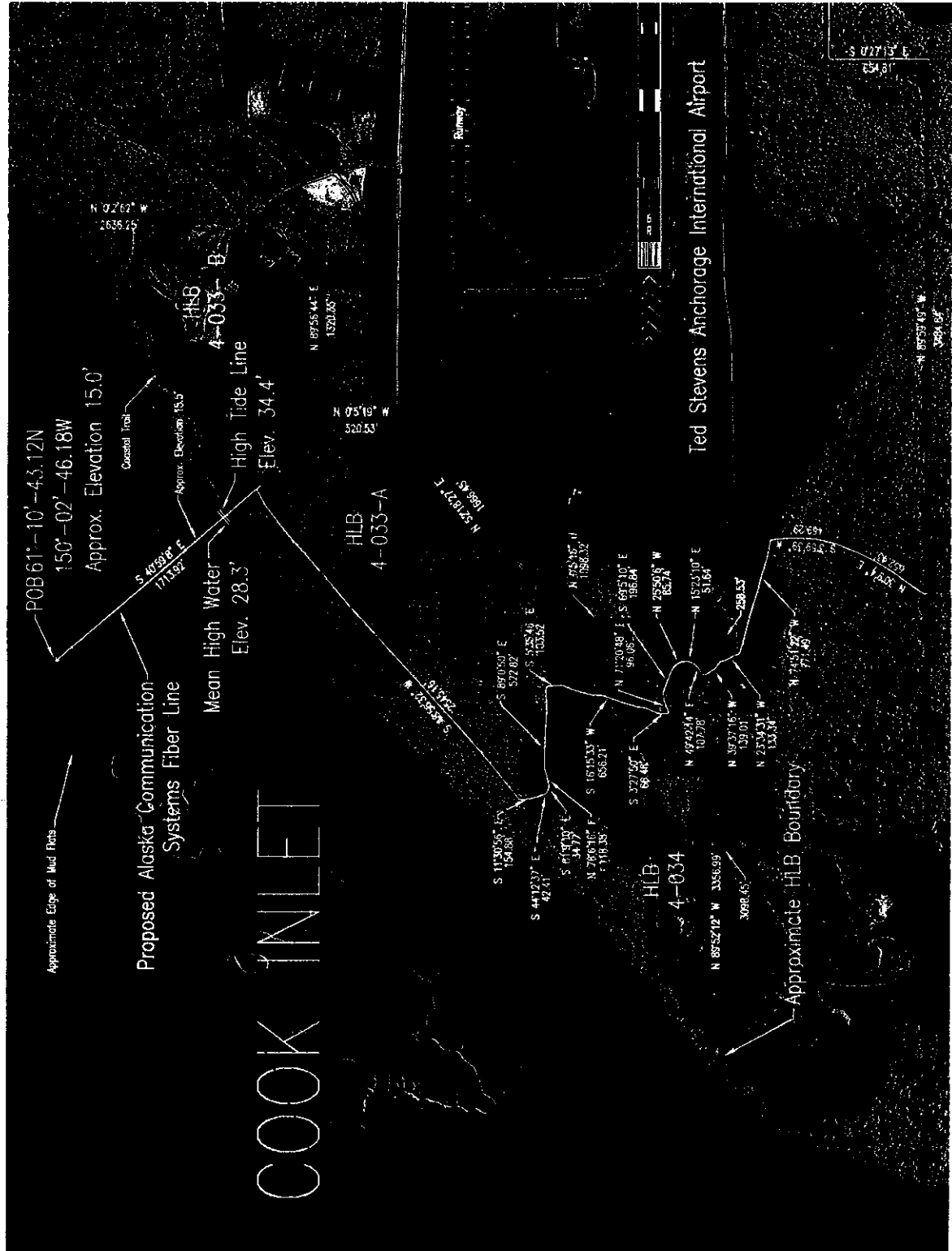
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PARENT PARCELS

VICINITY MAP



PLAN 1
 PROPOSED ALASKA COMMUNICATION
 SYSTEMS FIBER LINE

Located Within
 Section 27, T. 12 N., R. 4 E.,
 Sitka Census Meridian, Alaska

SENTEC
 2220 Commercial Center Drive, Anchorage, Alaska 99503
 Phone: (907) 552-2222 Fax: (907) 552-2222

Drawn: JTF	Scale: 1" = 300'	Date: 07/11/08	Sheet: 1 of 2
Checked: JH	Proj: 030701-1-01	Task: 030701	Revision: 0001

HERITAGE LAND BANK PARCELS 4-033-A, 4-033-B & 4-034
ACS Fiber Optics Cable Easement
By Alan G. Olson, MAI – March 25, 2008



Southwesterly along the 2,545.16-foot long segment; coastal trail on right

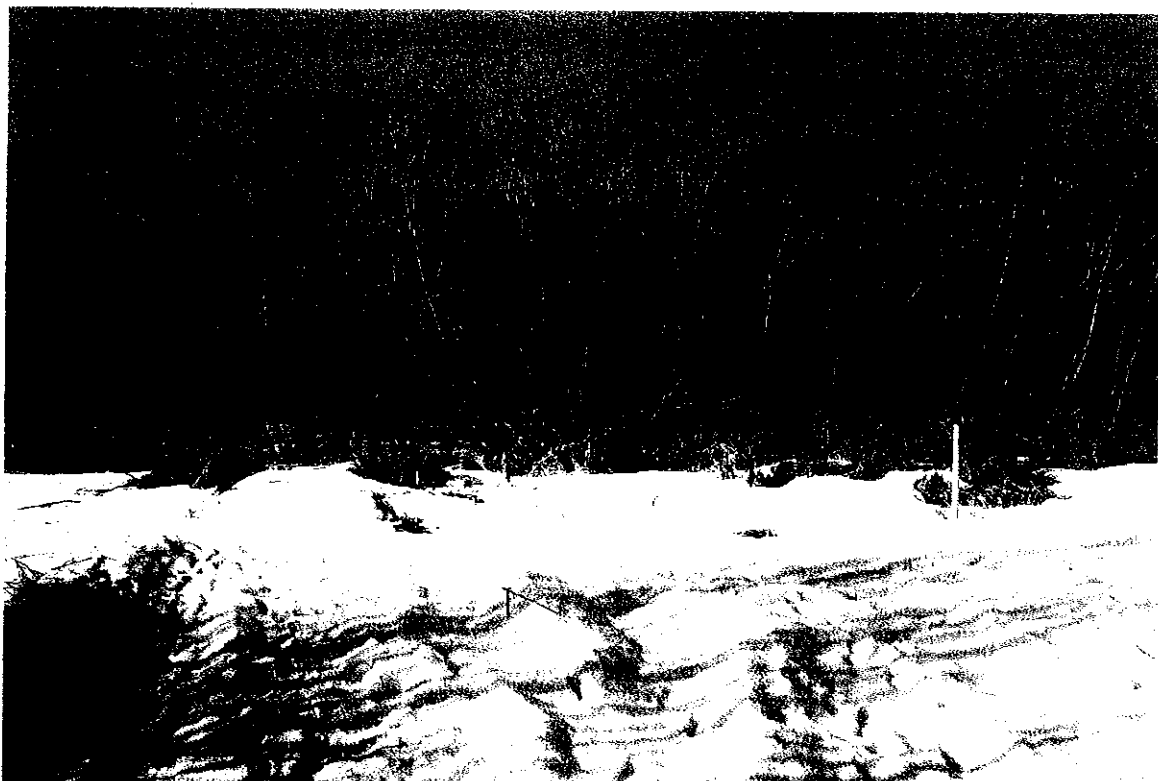


Northeasterly along the 2,545.16-foot long segment; coastal trail on left

HERITAGE LAND BANK PARCELS 4-033-A, 4-033-B & 4-034

ACS Fiber Optics Cable Easement

By Alan G. Olson, MAI – March 25, 2008



Northwesterly of the 1,713.92-foot long segment from "SENTEC GPS #154"



Northwesterly of the 1,713.92-foot long segment from "GPS #14 TOP OF BLUFF"

SCOPE OF WORK

The **Purpose of the Appraisal** is to estimate the use fee (value in use – see definition below) for the first 25 years of a 15-foot wide easement for a fiber optics cable that will cross Municipality of Anchorage, Heritage Land Bank Parcels 4-033-A, 4-033-B and 4-034; located west of Ted Stevens Anchorage International Airport.

This appraisal report has been prepared for the **Client**, Municipality of Anchorage, Heritage Land Bank (HLB). Other **Intended Users** include various officials of HLB and ACS Cable Systems, Inc. (cable owner). The **Intended Use** of the appraisal report is in conjunction with the proposed issuance of an easement for a fiber optics cable that will cross through HLB Parcels 4-033-A, 4-033-B and 4-034. The **Type of Opinion** is a *use fee* for the first 25 years of occupancy. The subject property was inspected on March 25, 2008. The **Effective Date of Opinion** is April 1, 2008. **Relevant Characteristics** about the proposed easement are its location in a relatively undeveloped area between the airport and Cook Inlet, non-exclusive use of the 15-foot wide strip that also lies within an existing natural gas pipeline right of way, and its fee being established on the basis of its use for occupancy by a fiber optics cable for a period of 25 years. **Extraordinary Conditions** include: (1) as a use fee that is not a market value opinion, development of an opinion of highest and best use of the real estate is not pertinent; (2) occupancy within an existing pipeline easement is not a factor with respect to relative encumbrance of rights for the various uses; and (3) length of the proposed easement is 6,635.6 feet, as illustrated (white line) on the Easement Alignment Map/Aerial Photograph in the Preface and stated in the Heritage Land Bank Advisory Commission *Staff Report*, dated February 14, 2008 – *HLBAC Resolution No. 2008-02* (copy in Addenda). There is no **Hypothetical Condition** considered as part of this appraisal.

Value in Use is defined in *The Dictionary of Real Estate Appraisal, Fourth Edition* by the Appraisal Institutes as . . . *The value a specific property has to a specific person or specific firm as opposed to the value to persons or the market in general.*

Easement is defined in *The Dictionary of Real Estate Appraisal, Fourth Edition* by the Appraisal Institutes as . . . *An interest in real property that conveys use, but not ownership, of a portion of an owner's property.*

The **Scope of Work** to solve the problem, and complete the research and analyses to produce credible results, includes the following items:

- On-the-ground inspection of the subject property; and HLB files review
- Property data and plats/maps were provided by Alison Smith, Land Management Officer, HLB
- Area and neighborhood data were obtained from Municipality of Anchorage website, Alaska Department of Commerce, Community and Economic Development (DCCED), Alaska Geographic and Alaska Business Monthly magazines, Alaska Journal of Commerce and Anchorage Daily News newspapers, and my files
- Valuation and other pertinent data were obtained and appropriately verified from sources that include persons who are involved with issuing similar easements, other appraisers, and representatives of land management and land acquisition agencies in Alaska, and my files

With the various activities relating to inspecting the subject property, discussing the property and pending appraisal with a representative of the owner, and research for appropriate and meaningful data, I have considered the effects of existing land use regulations, analyzed the various principles that contribute to value in use, analyzed appropriate valuation data, and formed conclusions that result in a final conclusion of the use fee of an easement for a fiber optic cable that will occupy a 15-foot wide right of way crossing through HLB Parcels 4-033-A, 4-033-B and 4-034. In this report, I am reporting the factual data and valuation analyses in a summary report that conforms to the current version of the *Uniform Standards of Professional Appraisal Practice* (USPAP). The subject property is vacant and generally unimproved (crossed once by the Tony Knowles Coastal Trail); thus, the Cost and Income Capitalization Approaches to value are not applicable. The ~~Sales~~ Comparison Approach is the appropriate method; wherein a well-informed user typically will pay a fee that may be the same as, or higher than, market as a representative cost of operation that benefits both the user and the land owner.

PROJECT DESCRIPTION

ACS Cable Systems, Inc. proposes to install a fiber optics cable within a 15-foot wide right of way across HLB Parcels 4-033-A, 4-033-B and 4-034 for a distance of approximately 6,635.6 feet plus installation of a beach manhole within a 50 feet by 50 feet area; approximately 2.34 acres overall.

OSTENSIBLE OWNER

Municipality of Anchorage, Heritage Land Bank

PARCELS DATA

Parcel 4-033-A – 31.23 Acres

Parcel 4-033-B – 134.97 Acres

Parcel 4-034 – 215.07 Acres

EXISTING USES

Parcel 4-033-A: Easterly portion occupied by the airport

Parcel 4-033-B: Predominantly occupied by the Salvation Army's Clitheroe Center and associated crop area; and the Municipality composting facility

Parcel 4-034: Materials sites

All three parcels are crossed by the Tony Knowles Coastal Trail; the Alex Sisson Loop (trail) occupies portions of Parcels 4-034 and 4-033A.

HISTORY

There are no known sales of the subject larger parcels during the past ten years.

LOCATION

Between the west end of Ted Stevens Anchorage International Airport and Cook Inlet; bordered on the south by Kincaid Park (municipality-owned) and on the northeast by other HLB-owned land.

LEGAL DESCRIPTION – PARENT PARCEL

Heritage Land Bank Parcels 4-033-A, 4-033-B and 4-034; within Sections 31 and 32, T13N, R4W, SM

PROPERTY RIGHTS APPRAISED

Easement for occupancy of a fiber optics cable for a term of 25 years

DATE OF INSPECTION

March 25, 2008

EFFECTIVE DATE OF APPRAISAL AND REPORT

April 1, 2008

ASSUMPTIONS AND LIMITING CONDITIONS

Extraordinary Assumptions

1. As a use fee that is not a market value opinion, development of an opinion of highest and best use of the real estate is not pertinent.
2. Occupancy within an existing pipeline easement is not a factor with respect to relative encumbrance of rights for the various uses.
3. Length of the proposed easement is 6,635.6 feet, as stated in the Heritage Land Bank Advisory Commission *Staff Report*, dated February 14, 2008 – *HLBAC Resolution No. 2008-02* (copy in Addenda) and illustrated (white line) on the Easement Alignment Map/Aerial Photograph in the Preface.

Hypothetical Condition(s) – None

General Assumptions

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.
4. Information, estimates and opinions furnished by others and contained in this report are believed to be reliable. However, no warranty is given for their accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property or subsoil that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning, other land use regulations, and other possible restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that utilization of the land is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. While various approaches to value and various mathematical calculations may have been used in estimating value, these are only aides to the formulation of the value estimate expressed by the appraiser in this report. In these calculations certain mathematical figures are rounded off to the nearest significant amount.
12. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of potentially hazardous materials may affect the value of property. The appraiser's value estimate is predicated on the assumption that there are no such materials on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any adverse environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

Limiting Conditions

1. Possession of this report, or a copy thereof, does not carry with it the right of publication.
2. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
3. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
4. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
5. The date of value for the opinions expressed in this report is as stated in the Certification. The appraiser assumes no responsibility for economic or physical factors occurring at some later date which may affect those opinions.
6. No opinion is intended to be expressed for legal matters or for opinions that require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

AREA AND NEIGHBORHOOD ANALYSIS

The Area for the subject property includes what is locally referred to as the "Anchorage Bowl"; the developed portion of the Municipality of Anchorage lying generally west of the Chugach Mountains, not including the Eagle River/Chugiak area or Turnagain Arm communities. More than 80% of Anchorage's population of approximately 285,000 reside in this area, including six of the eight public high schools, most government and retail services, and virtually all industrial development. Anchorage, as Alaska's largest city, is the state's financial, transportation, communications, administrative, distribution, and commercial center. It is the headquarters for the North Slope oil industry as well as most federal and some state agencies; and hub for statewide medical and educational facilities.

Being Alaska's commercial center provides a certain amount of stability that is not drastically affected by various "booms" or "busts" that occur regularly throughout the state; e.g. closing Green's Creek silver mine on Admiralty Island, curtailing production at the Red Dog Mine east of Kotzebue, mills closings in Sitka and Ketchikan, new oil finds on the North Slope and Cook Inlet, good or bad commercial fishing years, low or high timber prices, etc. Such stability was especially evident from statehood in the late 1950s through the mid-1980s; mostly steady to strong growth throughout these 25+ years. The collapse of world oil prices in 1986 did what no other events had done prior to that time - caused Anchorage's economy to go into a tail spin that didn't show significant signs of recovery until about 1989. Since 1989, various parts of the economy have either remained fairly static or

exhibited modest increases. This holds true in real estate too, with portions holding steady and others reflecting some growth; especially office buildings, hotels and the new (under construction) convention center. Overall, the area economy is anticipated to remain relatively stable with some modest growth during the foreseeable future; positive factors slightly outweighing negative. Any major project, similar to construction of the trans-Alaska oil pipeline during the mid-1970s, and military build-up will definitely boost the economy. Despite nation-wide residential mortgage problems currently, the single-family residential market is maintaining relatively stable growth. Overall, development and values of vacant land will probably continue to experience moderate growth.

The subject neighborhood is centrally located relative to greater Anchorage with Anchorage International Airport as the dominant development. Proximity to the downtown business district (10 minutes), Port of Anchorage (15 minutes) and south Anchorage industrial area (10 minutes) is significant with respect to airport-oriented industrial development. The presence of varying types and qualities of residential neighborhoods surrounding and relatively close to the airport reflects a significant demand, in part due to airport employment opportunities. The industrial areas surrounding Anchorage International Airport have relatively low vacancy rates. It is still too early to determine how many companies will locate in Anchorage to support the two world-class cargo operations, Federal Express and United Parcel Service. Briefly summarized, the subject neighborhood is expected to do as well in the foreseeable future, if not better due to airport influence, than the Anchorage area overall. Residential small tracts (10-30 acres) which have suitable soils and utilities available are in demand presently and are likely to be developed immediately when made available to the market. Industrial small tracts are selling in mid-town and south Anchorage industrial areas, but development is anticipated to be more long-term than residential at this time. Additional data are included in the following websites:

<http://www.muni.org/homepage/index.cfm>
http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm

PROPERTY DATA

Description of the Parent Parcel

Land Area and Shape – 381± acres, overall (three parcels); irregular; with basic dimensions of approximately 1.3 miles along the east shoreline of Cook Inlet and inland distances from the top of the bluff ranging between approximately 1,500 and 2,000 feet

Accessibility and Road Frontage – Parcel 4-033-A is accessible from the airport's West Perimeter Road (private access); Parcel 4-033-B is accessible from West End Road, off Point Woronzof Drive (public access); and Parcel 4-034 is accessible from Airport Access Road, off West Perimeter Road (private access). All three parcels are accessible from the Tony Knowles Coastal Trail (public).

Topography, Soils Conditions, Vegetation, and Utilities – Approximately half of the property lies below the line of mean high tide of Cook Inlet; the remainder is above a steep bluff that is approximately 50 feet high. The uplands portion has rolling topography, elevations vary between 50 and 70 feet AMSL; soils are predominantly well-drained silt loams overlying gravels and sands, generally suitable for development oriented to airport expansion, with small areas of poorly-drained peat; vegetation is fairly open old-growth white birch and white spruce on better-drained areas, and black spruce, woody brush and grasses on the poorly-drained areas. Distribution utilities are not generally available to the overall subject property.

Easements/Reservations – There are no known easements and/or reservations that adversely affect the subject fiber optic cable easement with respect to its potential use. Located within an existing pipeline right of way is not an adverse situation for the proposed fiber optic cable.

Present Use – The easterly portion of Parcel 4-033-A is occupied by the west end of the airport; most of Parcel 4-033-B is occupied by the Salvation Army's Clitheroe Center, associated crop area, and the Municipality's composting facility; portions of Parcel 4-034 have been developed for removal of minerals materials (gravel and sand). The Tony Knowles Coastal Trail crosses through portions of all three parcels; the Alex Sisson Loop (trail) extends into Parcels 4-034 and 4-033-A from nearby Kincaid Park.

Present Zoning and Restrictions – Transition (T) zoning and airspace restrictions surrounding the airport do not adversely affect the potential use for a buried fiber optic cable.

Environmental Issues – Neither soils contamination nor evidence of hazardous waste was observed during inspection of the property or by analysis of the aerial photograph included in the Preface.

Flood and Earthquake Activity – The uplands portion of subject property is not generally susceptible to periodic flooding; the lower portion is subject to tidal flooding on a regular basis. The subject parcels are located in an area of Alaska that is known to be seismically active.

Description of Improvements Within Proposed Easement Area – The right of way within which the proposed fiber optics cable will be located is crossed once by the Tony Knowles Coastal Trail; a paved trail for pedestrian, cross-country skiing and non-motorized recreational equipment uses.

Specialty Items/Fixtures and Tenant-owned Improvements – None to be considered

Assessed Value, Real Estate Taxes, Trends – HLB Parcels 4-033-A, 4-033-B and 4-034 are not currently assessed for taxes by the Municipality of Anchorage (exempt land).

HIGHEST AND BEST USE

Highest and Best Use is defined in the Appraisal Institute's Dictionary of Real Estate Appraisal, Fourth Edition as *The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*

As previously discussed, analysis of the proposed fiber optic cable right of way for the purpose of estimating its value in use (use fee) is not a conclusion of a market value opinion; thus, development of an opinion of highest and best use of the real estate is neither pertinent nor applicable.

VALUATION

Similar to a conventional appraisal for estimating market value, the Principle of Substitution is the primary method of analysis for estimating an appropriate value in use (use fee) for the proposed fiber optic cable right of way. Research of other fiber optic cable occupancies, including use fees data obtained while developing land use fees schedules for the Alaska Mental Health Trust Land Office, Alaska Railroad Corporation and Matanuska-Susitna Borough, and current use fees in the Anchorage area revealed the following data:

SUMMARY OF FIBER OPTIC CABLE FEES

<u>No.</u>	<u>Land Owner</u>	<u>Occupant</u>	<u>Date</u>	<u>Fee</u>	<u>Remarks</u>
1	AK DOT&PF	Various	2008	\$0.25/LF	(1)
2	Alaska Railroad Corp.	Various	2008	\$0.50/LF	(2)
3	Alaska Railroad Corp.	AUSP (formerly GCI)	2008	\$0.50/LF	(3)
4	Alaska Railroad Corp.	ACS Internet, Inc.	2008	\$0.63/LF	(4)
5	Alaska Mental Health Trust	Various	2008	\$2.00-10.00/LF	(5)
6	U.S. Bureau of Land Mgmt.	Various	2008	\$0.13/LF	(6)

- (1) The standard fee charged for the past ten years by Alaska Department of Transportation and Public Facilities for longitudinal occupancy within their right of way is \$0.25 per linear foot per year for urban, as well as rural, areas.
- (2) The standard fee for transmission lines of \$0.50 per linear foot per year was established in 2005; currently under review for revision, especially for fiber optic cable occupancy within urban areas.
- (3) Alaska Railroad Corporation issued a 20-year permit to GCI (currently Alaska United System Partners) in 1997 for use of portions of the railroad right of way between Whittier and Bird Point for a current fee of \$0.50 per linear foot per year.
- (4) ARRC issued 35-year permits to Alaska Fiber Star, LLC in 1996 and 1997 for the use of portions of the railroad right of way between Anchorage and Eielson Air Force Base and between Whittier and Anchorage; originally for an annual fee of \$0.45 per linear foot (currently owned by ACS Internet, Inc.). The current overall fee of \$0.63 per linear foot per year includes some urban, but mostly rural, areas.
- (5) The standard fees for transmission lines crossing land owned by the Alaska Mental Health Trust were established in 2004; \$10.00 (urban) and \$2.00 (rural) per linear foot per year for a 50-foot wide right of way. The most recent grant of a transmission line easement for linear occupancy was in the rural Moose Pass area (10 feet wide by 1.37 miles) for an annual rent of \$0.40/LF/Yr.; none yet in urban areas.
- (6) The U.S. Bureau of Land Management proposes to start using the same fee schedule for various occupancies of federal land in Alaska as in other western states; indicated fee is pending.

The foregoing analyses of various fees data provides a range of annual fees between \$0.13 per linear foot and \$10.00 per linear foot; a wide range.

The rate established by AK DOT&PF has been their standard fee throughout Alaska along the highway system for the past ten years; not indicative of the subject easement's urban location near the airport in Anchorage.

The standard fees for a 50-foot wide right of way established by the Mental Health Trust Authority reflect a difference between urban and rural areas. For a 15-foot wide right of way in an urban area, the fee would be calculated to be \$6.50 per linear feet per year. For a 15-foot wide right of way in a rural area, the fee would be calculated to be \$1.30 per linear feet per year. The Alaska Mental Health Trust Land Office has not issued any urban-area easements based on these current scheduled fees. Use of the fee schedule for the Moose Pass easement, adjusted for the 10-foot width, would have been calculated at \$1.20; thus the negotiated fee is 1/3 of the calculated fee from the published schedule.

Both of the easements issued in the late-1990s by Alaska Railroad Corporation for longitudinal occupancies within their right of way are either for a rural area (Whittier to Bird Point) or predominantly rural (Whittier to Anchorage and Anchorage to Eielson AFB) with relatively short segments of urban areas in Anchorage and Fairbanks. Based on the overall rent for the 25-foot wide ACS cable right of way within the railroad right of way between Whittier and Eielson, the portion of the rent allocated to the approximately 30 miles within urban areas in Anchorage and Fairbanks is calculated to be \$2.36 per linear foot; adjusted for a 15-foot wide right of way (subject easement) to \$2.12 per linear foot.

Location of the subject easement in an area lying west of the developed portion of Anchorage, including a portion occupying tidal land, is considered to be less urban than the Alaska Railroad Corporation corridor through the center of the city. Most emphasis, still, is given to the current fee established for the long-distance ACS Internet, Inc. cable within the Alaska Railroad Corporation right of way, allocated at \$2.12 per linear foot per year for urban areas; bracketed by the adjusted fee established for a rural location (Moose Pass area) by the Alaska Mental Health Trust Authority of \$1.20 per linear foot per year and \$2.17 per linear foot (1/3 of a potential urban fee). The current land use fee for the subject linear easement area is estimated to be \$2.00 per linear foot per year; as follows:

$$6,635.6 \text{ Linear Feet } @ \$2.00/\text{LF}/\text{Yr.} = \$13,271 \text{ Per Year}$$

$$\$13,271 \div 99,534 \text{ Sq. Ft.} = \$0.13 \text{ Per Sq. Ft. Per Year}$$

The additional fee for the beach manhole area of 2,500 sq. ft. is calculated as follows:

$$2,500 \text{ Sq. Ft. } @ \$0.13/\text{SF}/\text{Yr.} = \$325 \text{ Per Year}$$

If leased, rent for the proposed linear easement and beach manhole area is calculated as follows:

Linear Easement Rent – 6,635.6 Feet	\$13,271 Per Year
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Beach Manhole Area Rent – 2,500 Sq. Ft.	325
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Total Rent, If Leased	
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\$13,596 Per Year

A one-time payment for the easement use fee is the present value of rents that would be collected for a lease over the easement term of 25 years; typically including periodic adjustments. It is anticipated that such adjustments would be every five years, based on differences in the CPI for Anchorage. The Present Value of the current estimated rent of \$13,596 per year, adjusted every five years during the 25-year term by the CPI for Anchorage (average annual change during the past 25 years has been +2.52%, compounded), is calculated with a discount factor of 10% (reflects a moderate risk), as follows:

<u>Period</u>	<u>Annual Payment</u>	<u>Present Value</u>
Years 1-5	\$13,596	\$ 56,693
Years 6-10	15,398	39,867
Years 11-15	17,438	28,034
Years 16-20	19,749	19,714
Years 21-25	22,366	<u>13,863</u>
Total Present Value for 25 Years		\$158,171
	(Rounded)	\$158,200

ADDENDA

HERITAGE LAND BANK ADVISORY COMMISSION

STAFF REPORT

February 14, 2008

HLBAC Resolution No. 2008-02

I. ISSUE

Whether to recommend disposal of an easement to ACS Cable Systems Inc. of a portion of HLB Parcels No.4-033A, 4-033B and 4-034, for installation of a fiber optic cable and related facilities.

II. AUTHORITY

AMC 25.40.010: "It is the mission of the Heritage Land Bank to manage uncommitted municipal land and the Heritage Land Bank Fund in a manner designed to benefit the present and future citizens of Anchorage, promote orderly development, and achieve the goals of the Comprehensive Plan. The Heritage Land Bank shall acquire, inventory, manage, withdraw, transfer and dispose of municipal land which has not been dedicated or transferred to a specific municipal agency for one or more municipal uses."

AMC 25.40.025: "The HLB Advisory Commission shall hold a public hearing, with public notice as specified in this chapter, prior to making a recommendation to the mayor and assembly regarding the disposal of HLB land or an interest in land. Land disposals under this chapter include land sales, land exchanges, leases, and easements."

AMC 25.40.030: "All public notices of proposed HLB Advisory Commission actions, including public hearings regarding such actions, shall precede a hearing before the Advisory Commission on the proposed action by at least 14 days."

III. BACKGROUND

HLB has received a request from ACS Cable Systems Inc. to grant an easement for installation of a fiber optic cable in the area of Pt. Woronzof. The easement runs for a distance of approximately 6,635.6 linear feet, at a width of 15 feet, for a total easement area of 99,534 square feet. A beach manhole also to be installed is approximately 50 feet by 50 feet for an area of 2,500 square feet. The total easement area is approximately 2.34 acres. After leaving HLB property the line will be installed in an easement on or adjacent to Ted Stevens Anchorage International Airport property.

Properties to be encumbered:

HLB Parcel 4-033A, TID 01040127

HLB Parcel 4-033B, TID 01040137

HLB Parcel 4-034, TID 01040109

The proposed easement crosses mostly unimproved property. A portion of the Tony Knowles Coastal Trail will be crossed by the easement, then the easement runs to the east of the trail. No specific future use is contemplated for the HLB property involved at present.

QUALIFICATIONS OF THE APPRAISER

ALAN G. OLSON, MAI

(Alaska General Real Estate Appraiser License No. AA19; valid through 6/30/09)

EDUCATION

AI 410, 420 & 400, Standards of Professional Practice A, B & C, Anchorage, 2006 & 2007 (Part C)
Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book), Seattle, Washington, 2007
AI 520, Highest & Best Use and Market Analysis, Seattle, Washington, 2000
AIREA 1, Appraisal Principals, University of Chicago, 1969
AIREA 1BA & 1BB, Capitalization Theory & Technique, Anchorage, 1988
AIREA 2, Income Properties, Seattle Pacific University, 1971
AIREA 2-1 & 2-2, Case Studies & Report Writing, Portland, Oregon, 1990
AIREA 4, Condemnation, University of Alaska, Fairbanks, 1971
AIREA 8, Residential Properties, Alaska Methodist University, Anchorage, 1970
SREA 101, Appraisal Principals, Reciprocal Credit, 1972
SREA 201, Income Properties, Anchorage, 1973
SREA 301, Investment Analysis, Makaha, Hawaii, 1976
Various seminars conducted by AI, AIREA, SREA & IR/WA, On-going
Principals of Regional Planning, University of Wisconsin, 1973
B.S. Degree (Forest Management), Michigan College of Mining & Technology, 1959

BUSINESS EXPERIENCE

Alan G. Olson, Real Estate Appraiser, 1972-Present
Follett & Associates, Real Estate Appraisers & Consultants, 1975-78
State of Alaska, Division of Lands, Chief-Planning & Classification, 1974-75
State of Alaska, Division of Lands, Review & Supervising Appraiser, 1970-74
State of Alaska, Division of Lands, Staff Appraiser, 1967-69
State of Alaska, Department of Highways, Right of Way Agent, 1960-66

TYPICAL CLIENTS

State of Alaska	City of Bethel
Division of Agriculture	City of St. George
Division of Mining, Land and Water	Cook Inlet Region, Inc.
Division of Parks	Eklutna, Inc.
Department of Transportation and Public Facilities	Shee Atika, Inc.
Attorney General's Office	The Kuskokwim Corporation
U.S. Government	Ounalashka Corporation
Bureau of Indian Affairs & OST/OAS	St. George Tanaq Corporation
Bureau of Land Management	Municipality of Anchorage
Farm Service Agency	Wells Fargo Bank (National Bank of Alaska)
Fish and Wildlife Service	1st National Bank of Alaska
Government Services Administration	Alyeska Pipeline Service Company
National Park Service	ConocoPhillips Alaska, Inc.
Natural Resources Conservation Service	Cook Inlet Tug & Barge
Alaska Industrial Development & Export Authority	Chugach Electric Association, Inc.
Alaska Mental Health Trust Land Office	Delta Western Fuels
Alaska Railroad Corporation	Land Field Services, Inc.
University of Alaska	Matanuska Electric Association, Inc.
Aleutians East Borough	McDowell Group, Economists
Fairbanks North Star Borough	Peratrovich, Nottingham, Drage-Engineers.
Kenai Peninsula Borough	R & M Consultants, Inc.
Kodiak Island Borough	Sea Catch, Inc.
Matanuska-Susitna Borough	Service Oil and Gas, Inc.
Association of Village Council Presidents	Sheldon Jackson College
Yukon-Kuskokwim Health Corporation	Spenard Builders Supply, Inc.
Afognak Native Corporation	Trident Seafoods Corporation
Ahtna, Inc.	Attorneys - James Gottstein, Stephen Hutchings,
The Aleut Corporation	Thomas Meacham, James Reeves, William Satterberg,
	Robert J. Sato, Richard Weinig (deceased), David Wolf

PROFESSIONAL AFFILIATION

Appraisal Institute - Member (Certification valid through 12/31/12)
International Right of Way Association - Member

ALAN G. OLSON – Real Estate Appraiser

2701 Aspen Drive
Anchorage, AK 99517-3250
Tel.: 907-243-6609
Fax: 907-243-0277
alolson@alaska.net

April 29, 2008

Alison L. Smith, Land Management Officer
Heritage Land Bank
Municipality of Anchorage
632 West 6th Avenue – P.O. Box 196650
Anchorage, AK 99519-6650

Subject: Supplemental Analysis - ACS Fiber Optic Cable Easement Use Fee

Dear Ms. Smith:

As requested, I have revised my appraisal of the proposed ACS fiber optic cable right of way across Heritage Land Bank land along Cook Inlet, west of Ted Stevens Anchorage International Airport to reflect changes in the size of the easement area and term of the easement. The various conditions and assumptions included in the original appraisal, dated April 1, 2008, apply to this supplemental analysis as well. The effective date of this supplemental analysis is April 29, 2008.

The easement use fee is recalculated, based on the following criteria:

- Easement width for 6,635.6 feet will be reduced from 15 feet to 10 feet
- Manhole area will be reduced to 150 sq. ft. (10 ft. x 15 ft.) from 2,500 sq. ft.
- Term of easement will be reduced to 20 years from 25 years
- Current land use fee is calculated to be \$1.90 per linear foot per year (\$2.00 less 1% per foot of width reduced)

EXHIBIT H

The current land use fee for the subject linear easement area is is recalculated; as follows:

$$6,635.6 \text{ Linear Feet} @ \$1.90/\text{LF}/\text{Yr.} = \$12,608 \text{ Per Year}$$

$$\$12,608 \div 66,356 \text{ Sq. Ft.} = \$0.19 \text{ Per Sq. Ft. Per Year}$$

The additional fee for the beach manhole area of 150 sq. ft. is calculated as follows:

$$150 \text{ Sq. Ft.} @ \$0.19/\text{SF}/\text{Yr.} = \$28 \text{ Per Year}$$

If leased, initial rent for the proposed linear easement and manhole area is calculated as follows:

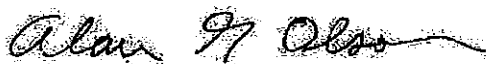
Linear Easement Rent – 6,635.6 Feet	\$12,608 Per Year
Beach Manhole Area Rent – 150 Sq. Ft.	<u>28</u>
Total Rent, If Leased	\$12,636 Per Year

A one-time payment for the easement use fee is the present value of rents that would be collected for a lease over the easement term of 20 years; typically including periodic adjustments. It is anticipated that such adjustments would be every five years, based on differences in the CPI for Anchorage. The Present Value of the current estimated rent of \$12,636 per year, adjusted every five years during the 20-year term by the CPI for Anchorage (based on an annual rate of change of +2.52%, compounded), is calculated with a discount factor of 10% (reflects a moderate risk), as follows:

<u>Period</u>	<u>Annual Payment</u>	<u>Present Value</u>
Years 1-5	\$12,636	\$ 52,690
Years 6-10	14,310	37,051
Years 11-15	16,206	26,054
Years 16-20	18,354	<u>18,322</u>
Total Present Value for 20 Years		\$134,117
	(Rounded)	\$134,200

If I can be of further assistance to you regarding this supplemental analysis, please advise.

Sincerely,



Alan G. Olson, MAI

CERTIFICATION

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

the statements of fact contained in this report are true and correct;

the reported analyses, opinions, and conclusions 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 a 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;

no one provided significant real property appraisal assistance to the person signing this certification;

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 includes the *Uniform Standards of Professional Appraisal Practice* of The Appraisal Foundation;

as of the date of this report, I have completed the continuing education program of the Appraisal Institute;

the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives:

I have made a personal inspection of the property that is the subject of this report – Heritage Land Bank Parcels 4-033-A, 4-033-B and 4-034; within Sections 31 and 32, T13N, R4W, SM; west of Ted Stevens Anchorage International Airport, Anchorage, Alaska;

The total use fee for the first 20 years of a 10-foot wide fiber optic cable easement across the aforementioned parcels, as of April 29, 2008, is estimated to be **\$134,200**.



Alan G. Olson, MAI

April 29, 2008
Date



Alaska Communications Systems

Memorandum of Understanding

Date: April 30, 2008

Mr. William M. Mehner
Director, Heritage Land Bank
632 West 6th Ave, Suite 640
Anchorage, AK 99501

Re: ACS Fiber Optic Cable Easement

Please accept this letter as a sincere expression of ACS' intent to promptly and diligently negotiate the fair market value for the Utility Easement located on HLB Parcels 4-033A, 4-033B, and 4-034, upon the following terms.

- 1. At the time of signing the Utility Easement, ACS shall pay the full fee determined by an update to the April 1, 2008 HLB appraisal to HLB in the amount of \$134,200; HLB will hold the funds until:
a) ACS meets with the initial HLB appraiser to present additional information and discuss his methodology or ACS provides a new appraisal using an MAI accredited appraiser and using the same instructions as were provided to the initial HLB appraiser;
b) If ACS' appraisal is different, HLB is willing to reconsider the appropriate fee and, in the HLB Director's discretion, may result in a refund to ACS of a negotiated amount.
c) If ACS does not agree with the final decision of the HLB Director regarding the Utility Easement fee, ACS may appeal the department decision to the Assembly.
2. In consideration of this MOU and payment by ACS, HLB shall execute a fully agreed upon Utility Easement for the benefit of ACS.
3. Both parties agree to work toward resolution within 60 days of the date of this Agreement. However, time may be extended an additional 30 days by HLB so long as ACS is diligently pursuing a new appraisal. This timeline does not include waiting for ACS' request to be placed on an Assembly meeting agenda.

ACS Cable Systems, Inc.

By: M. Ekers

The undersigned hereby confirms his/her/its intent to work toward a definitive Easement Fee upon the terms set out above, and is granted permission to speak directly with HLB appraiser Al Olson.

HERITAGE LAND BANK

By: Ramsey P. Oswald
Acting Director

DATED at Anchorage this 30th day of April, 2008.

Please return to:
Heritage Land Bank
P.O. Box 196650
Anchorage, AK 99519-6650

Spandex Cable Project
Pt. Woronzof
Tax #01040127
Tax #01040137
Tax # 01040109

UTILITY EASEMENT

The GRANTOR, Municipality of Anchorage, Heritage Land Bank, whose mailing address is P.O. Box 196650, Anchorage, AK 99519-6650, for good and valuable consideration, conveys and warrants to ACS Cable Systems, Inc. whose address is 600 Telephone Avenue, Anchorage, Alaska 99503, GRANTEE, and to its successors and assigns a non-exclusive non-revocable easement across the following described real estate:

HLB Parcels 4-033A, 4-033B, and 4-034 illustrated on Exhibit A, an easement area 10 feet in width, 6,635.6 feet in length, and a beach manhole at 10 feet by 15 feet in size.

to construct, reconstruct, maintain, repair, operate, improve, and update upon, over and under the above-described lands and/or in, or upon all streets, roads, or highways abutting said lands, for installation and maintenance of a fiber optic line, and such other related structures as the GRANTEE described in the application dated December 14, 2007, for a term of twenty years from the date of execution of this Easement, together with the right:

1. Of ingress and egress to said lands as may be reasonably necessary for the purposes described above.
2. To cut, trim, remove and control the growth of trees, shrubs, and other vegetation on, above, or adjoining said lands, which in the sole good faith judgment of GRANTEE, might interfere with the proper functioning and maintenance of said line or system.

As consideration for the easement, GRANTEE shall pay a one time fee of \$ 134,200.

This Easement may be extended for one (1) additional 10-year term upon 90 days prior written notice and request for extension given by GRANTEE to GRANTOR and prior written acceptance made by the GRANTOR. Unless otherwise specified in the written acceptance made by the GRANTOR, all of the provisions of this Easement shall apply during the extension period. The GRANTOR within its sole discretion may accept or reject GRANTEE'S request for an extension. If the GRANTOR fails to give written notice of its acceptance of GRANTEE'S request for an extension 20 days prior to the date this EASEMENT would otherwise expire, then this EASEMENT shall terminate on that date. In the case of extensions, payments shall be adjusted at the GRANTOR's sole discretion.

Spandex Cable Project
Pt. Woronzof
Tax #01040127
Tax #01040137
Tax #01040109

All improvements are placed on the property at the GRANTEE's expense and are removable at the GRANTOR'S option. The failure of the GRANTEE, its successors or assigns, to exercise any of the rights herein granted shall not be construed as a waiver or abandonment of the right thereafter at any time and from time to time to exercise any or all of such rights.

GRANTEE shall not assign or transfer the rights conveyed under this easement to any unaffiliated party, except with the GRANTOR'S express CONSENT, which consent shall not be unreasonably withheld; such CONSENT may require an adjustment to the easement fee. A party is affiliated if it is an entity in which there is a common owner owning more than fifty percent (50%) ownership interest in both GRANTEE and the other affiliated entity, and shall include but not be limited to parent and subsidiary entities to GRANTEE. An affiliated party transfer shall not include transfers or assignments of this Agreement resulting from any sale of substantially all of the stock or assets of GRANTEE; such a transfer or assignment shall require GRANTOR's express consent.

The easement area is relocatable upon notice from the GRANTOR and at GRANTOR'S cost. GRANTEE shall provide a complete as-built survey within six months of completion of installation, with one copy provided to the Heritage Land Bank and one copy provided to the Municipality of Anchorage Planning Department. Upon written notice to the GRANTEE, which states the purpose of access and entry, the GRANTOR, their successors and assigns, reserve the right of access and entry for any contractor of the Municipality, subcontractors and their respective agents and employees as well as such other persons as may be designated from time to time in writing by the GRANTOR.

GRANTEE shall record this easement at its sole expense and expeditiously install the intended facilities. GRANTEE shall return the surface estate of the easement area to as near its original condition as practical, including reseeding and replanting any vegetation as necessary. GRANTEE warrants the restoration for two years.

To the fullest extent permitted by law, GRANTEE shall indemnify, hold harmless and defend from and against all claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from the installation, construction or maintenance of the intended facilities or the easement, or any accident, injury or damages whatsoever, provided that any such claim, damages, loss or expense (a) is attributable to bodily injury, or to injury to or destruction of tangible property, including loss of use resulting therefrom, and (b) is caused in whole or in part by any act or omission of GRANTEE or anyone directly or indirectly employed or contracted by it or anyone for whose acts it may be liable.

GRANTOR shall be entitled to the full and complete non-exclusive use of the easement area in a

manner consistent with the grant of easement to GRANTEE. GRANTEE shall not allow any lien to be filed against the lands subject to this Easement by anyone supplying labor or materials for any improvements or by or for the benefit of GRANTEE.

GRANTEE'S failure to perform any of the terms of this agreement shall automatically cause reversion of the easement to the Municipality. This agreement is binding upon and insures to the benefit of the parties hereto, their successors, transferees and assigns.

GRANTEE shall deliver to the GRANTOR certificates of liability insurance on or before the effective date of this Easement or at another date as agreed to in writing by the GRANTOR, and every year upon renewal. Insurance shall cover the entire Easement Term. GRANTEE shall deliver to the GRANTOR photocopies of the policy or policies of insurance, certificates of insurance, or copies of endorsements annually upon regular renewal. The policy or policies purchased pursuant to this paragraph shall name GRANTOR and GRANTEE as co-insureds with respect to the Easement Area and the use or business operated by GRANTEE on the Easement Area.

Liability Insurance - The GRANTEE shall keep in full force and effect a policy or policies of general liability insurance which includes bodily injury, property damage, and personal injury acceptable to the GRANTOR with respect to the Easement Area and operations by GRANTEE in the Easement Area. The limits for each shall be not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate or such higher limits as GRANTOR may specify from time to time consistent with prudent business practice then prevailing in the State of Alaska, provided, however, that no such limit shall in any way limit the GRANTEE's liability or be construed as a representation of sufficiency to fully protect GRANTOR or GRANTEE.

Policy Provisions - Each policy of comprehensive general liability insurance of this Easement shall:

- A. Provide that the liability of the insurer thereunder shall not be affected by, and that the insurer shall not claim, any right of setoff, counterclaim, apportionment, pro-rata, or contribution by reason of any other insurance obtained by or for the GRANTOR, Municipality of Anchorage, GRANTEE, or any person claiming by, through, or under any of them.
- B. Provide that such policy requires thirty (30) days notice to GRANTOR of any proposed cancellation, expiration, or change in material terms thereof and that such policy may not be cancelled, whether or not requested by the GRANTEE, unless the insurer first gives not less than thirty (30) days prior written notice thereof to GRANTOR.

Spandex Cable Project
Pt. Woronzof
Tax #01040127
Tax #01040137
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- C. Contain a waiver by the insurer of any right of subrogation to proceed against GRANTOR, the Municipality of Anchorage, or against any person claiming by, through, or under GRANTOR or the Municipality of Anchorage.

GRANTEE shall, at its own expense, and with all due diligence, comply with all of the provisions of local, state, and federal law which are now in effect or may later be adopted by any governmental authority applicable to the Easement Area and GRANTEE's use thereof.

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Spandex Cable Project
Pt. Woronzof
Tax #01040127
Tax #01040137
Tax #01040109

This document is integrated and embodies the full agreement of the parties. Venue is in the Superior Court, State of Alaska, at Anchorage.

GRANTOR: MUNICIPALITY OF ANCHORAGE

Michael K. Abbott
Municipal Manager

STATE OF ALASKA)
THIRD JUDICIAL DISTRICT) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 2008 by _____, the _____ for the Municipality of Anchorage, on behalf of the corporation.

Notary Public in and for Alaska
My Commission Expires: _____

GRANTEE: ACS Cable Systems, Inc.

Leonard Steinberg
BY: LEONARD STEINBERG
ITS: VP, General Counsel, Corp. Secy

Date: 4/29/08

STATE OF ALASKA)
THIRD JUDICIAL DISTRICT) ss.

The foregoing instrument was acknowledged before me this 29th day of April, 2008 by LEONARD STEINBERG the VP - GENERAL COUNSEL - CORP SECRETARY for ACS Cable Systems.

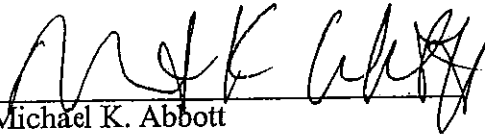
Notary Public
DENISE K. YANCEY
State of Alaska
My Commission Expires Jan 11, 2010

Denise Yancey
Notary Public in and for Alaska
My Commission Expires: 1/11/10

Spandex Cable Project
Pt. Woronzof
Tax #01040127
Tax #01040137
Tax #01040109


This document is integrated and embodies the full agreement of the parties. Venue is in the Superior Court, State of Alaska, at Anchorage.

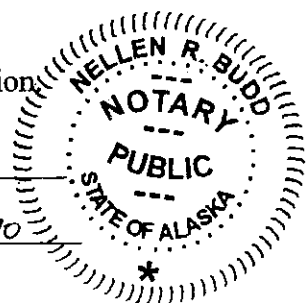
GRANTOR: MUNICIPALITY OF ANCHORAGE


Michael K. Abbott
Municipal Manager

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 30th day of APRIL, 2008 by MICHAEL K. ABBOTT, the MUNICIPAL MANAGER for the Municipality of Anchorage, on behalf of the corporation


Notary Public in and for Alaska
My Commission Expires: 5/26/2010



GRANTEE: ACS Cable Systems, Inc.

Date: _____
BY: _____
ITS: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2008 by _____, the _____ for ACS Cable Systems.

Notary Public in and for Alaska
My Commission Expires: _____

TO BE SUBMITTED

EXHIBIT K

TO BE SUBMITTED

EXHIBIT L

SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING

THIS SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING ("Agreement") is effective as of September 1, 2008, by and between ACS Cable Systems, Inc. ("ACS"), and Heritage Land Bank ("HLB").

HLB granted to ACS a Utility Easement for the Spandex Cable Project at Point Woronzof, Tax No. 01040127, 01040137, 01040109 (the "Easement"), dated April 29, 2008.

ACS has paid the amount of One Hundred Thirty-Four Thousand Two Hundred Dollars (\$134,200) to HLB for the Easement, subject to the terms of the Memorandum of Understanding dated April 30, 2008, ("MOU") which allowed ACS and HLB an opportunity to negotiate the fee for the Easement.

The MOU has been extended by mutual agreement of the parties.

ACS met with the initial HLB appraiser to discuss the appraisal dated April 1, 2008.

ACS has retained Brian Bethard of Black-Smith, Bethard & Carlson, ("BSR"), an MAI appraiser acceptable to HLB, to appraise the fee for the Easement on both the basis of a "fair market value" and "value in use". It is expected to take approximately six weeks for BSR to complete the appraisals.

Upon receipt of the BSR appraisals, ACS shall submit the BSR appraisals to HLB. HLB and ACS shall have thirty (30) days from HLB's receipt of the BSR appraisals to agree upon a fee amount.

If HLB and ACS do not agree upon the fee for the Easement within thirty (30) days, ACS and HLB shall submit the matter to the Assembly with each party's supporting documentation within thirty (30) days thereafter.

DATED and effective as of September 1, 2008.

ACS CABLE SYSTEMS, INC.

By: M. Ellis

Approved by:

By: Suzanne Cherot

Suzanne Cherot
Counsel for ACS Cable Systems, Inc.

HERITAGE LAND BANK

By: William Mehner
William Mehner, Director

Municipality of Anchorage, Dept. of Law

By: Rhonda Fehlen Westover
Rhonda Fehlen Westover
Acting Municipal Attorney

**SUMMARY
APPRAISAL REPORT**

ACS Fiber Optics Cable Easement
Anchorage, Alaska

For

Ms. Margret Ekers
ACS
600 Telephone Avenue
Anchorage, Alaska 99503

Report Date

November 4, 2008

Date of Value

October 21, 2008

File No. 08-142

BY

Brian Z. Bethard, MAI
Michael W. Collins, MAI

BLACK-SMITH, BETHARD & CARLSON, LLC

1199 E. Dimond Blvd, Suite 200
Anchorage, Alaska 99515

EXHIBIT N

BLACK-SMITH, BETHARD & CARLSON, LLC

November 4, 2008

Ms. Margret Ekers
600 Telephone Avenue
Anchorage, Alaska 99503

Re: ACS Fiber Optics Cable Easement
Located west of the Anchorage international Airport
Anchorage, Alaska

Dear Ms. Ekers;

As requested, we have prepared a *summary appraisal report* estimating the lump-sum market rent and a lump-sum use fee for the ACS fiber optic cable right-of-way across Heritage Land Bank land. The market rent and use fee are based on the present value of a lump-sum payment for a 20-year lease of the described right-of-way.

Our opinion of market value is:

Lump-Sum Market Rent of Easement	\$22,750
Lump-Sum User-Fee	\$31,275

The value opinions are stated in terms of cash. The value opinions reported are qualified by certain definitions, assumptions, limiting conditions, and certifications. We particularly call your attention to the Assumptions and Limiting Conditions. This narrative appraisal report conforms to and satisfies the requirements of USPAP.

Sincerely,
BLACK-SMITH, BETHARD & CARLSON, LLC



Brian Z. Bethard, MAI



Michael W. Collins, MAI

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Certification

We certify that, to the best of our 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.

We 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.

We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results.

Our 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.

Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* as well as the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Michael W. Collins and Brian Bethard made personal inspections of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the persons signing this certification.

Brian Z. Bethard, MAI is currently certified by the State of Alaska as a General Real Estate Appraiser (Certificate No. 281). Michael W. Collins, MAI is currently certified by the State of Alaska as a General Real Estate Appraiser (Certificate No. 32).

Mike Collins and Brian Bethard have the appropriate knowledge and experience necessary to complete this appraisal assignment competently.

Dated this 4th day of November 2008,



Brian Z. Bethard, MAI



Michael W. Collins, MAI

Summary of Salient Facts & Conclusions

Property Appraised

The subject consists of a 10-foot wide fiber optics easement three vacant tracts of land lying within and immediately west of the Ted Stevens Anchorage international Airport in Anchorage, Alaska. The underground easement is 5,297 LF, plus two rectangular areas totaling 241 SF. The total area is 1.22 acres.

Larger Parcel			
Legal Description	Parcel 4-033-A	Parcel 4-033-B	Parcel 4-034
Tax Identification	010-401-27	010-401-37	010-401-09
Zoning	T	T	T
Area - SF	31.23 acres	134.97 acres	215.07 acres
Status	partial airport usage & partially vacant	predominantly occupied by Salvation Army's Clitheroe Center & associated crop area plus Municipality's composting facility	materials sites & fuel pipeline

ACS Fiber Optics Summary (see Addenda)

Description	Non-exclusive, non-revocable easement across HLB Parcels 4-033-A, 4-033-B and 4-034
Lessor:	Heritage Land Bank
Lessee:	ACS Cable Systems, Inc.
Areas:	5,297 ft. x 10 ft. and 13 ft. x 7 ft. beach manhole area and 10 ft. x 15 ft. uplands equipment vault area; total area: 1.22 acres
Use:	To construct, reconstruct, maintain, repair, operate, improve and update around, over and under the above described lands for the installation and maintenance of a fiber optics line
Term:	20 years, 10-yr. option

Ownership reportedly vests in the Heritage Land Bank. The lessee indicated in the lease agreement is ACS Cable Systems, Inc.

Purpose of the Appraisal and the Property Rights Appraised

The purpose of the appraisal is to estimate market rent and use fee for a 10-foot wide easement across the three subject parcels. The property rights appraised are described as a fiber optics easement for a term of 20 years. (see Addenda for easement description).

Date of Inspection

October 21, 2008

Date of Value

October 21, 2008

Date of the Report

November 4, 2008

Highest and Best Use-"As Is": Hold for future development

Market Value of Easement: \$26,600

Present Value of Annual Rent: \$22,750

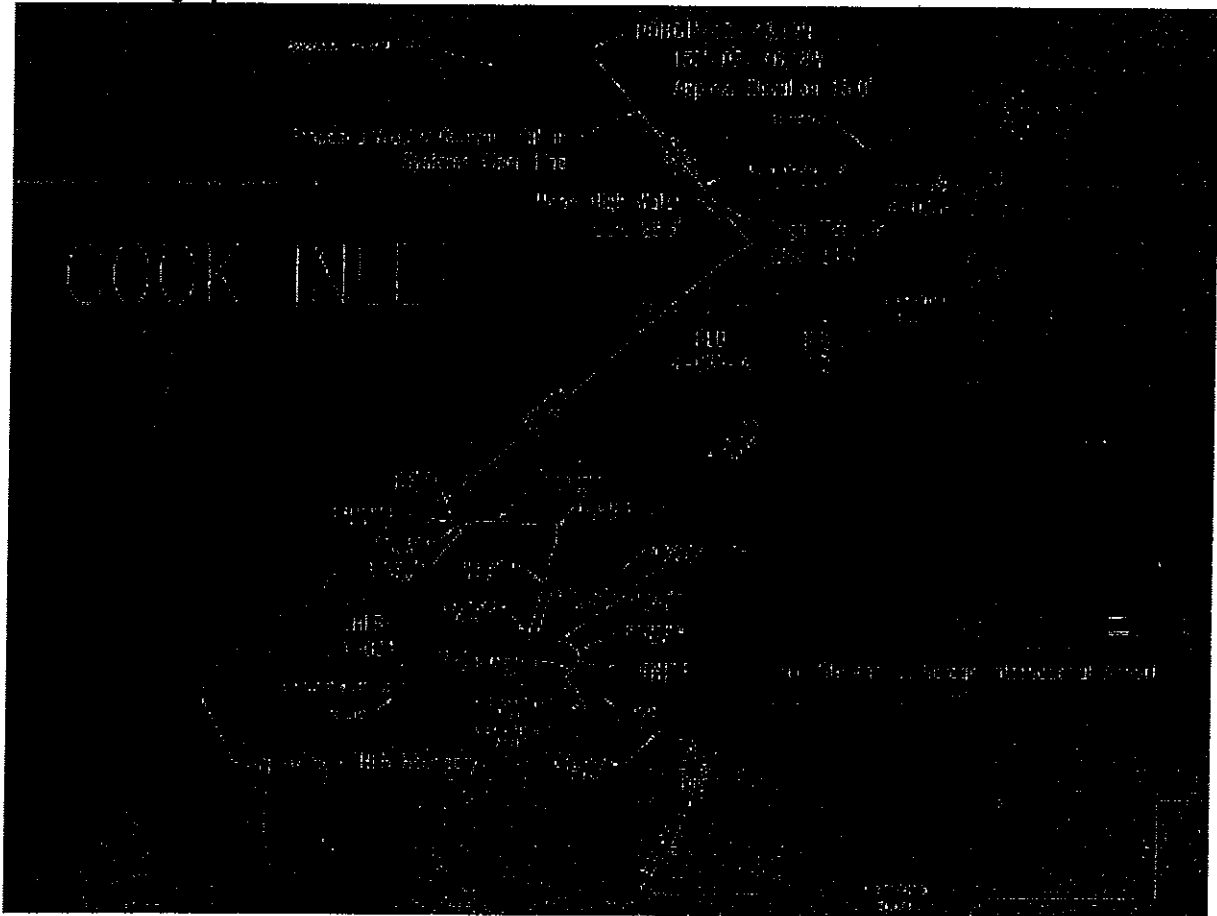
Lump-Sum User-Fee: \$31,275

PART I – PREMISE OF THE APPRAISAL

Identification of the Property

The parent parcel consists of three tracts of land (HLB Parcels 4-033-A, 4-033-B & 4-034) lying west of and partially within the Ted Stevens Anchorage International Airport (see Appraisal Problem). Based on several factors, these three tracts are treated as the larger parcel. The subject of this appraisal is a 10-foot by 5,297-foot fiber optics easement, a 7-foot by 13-foot beach manhole area and a 10-foot by 15-foot uplands equipment vault area; approximately 1.22 acres overall.

Aerial Photograph



Property History

There have been no sales of the subject within the three years preceding the date of valuation.

Legal Description

Heritage Land Bank Parcels 4-033-A, 4-033-B and 4-034 within Sections 31 and 32, T13N, R4W, Seward Meridian. More specific legal descriptions were not provided nor was a title report available.

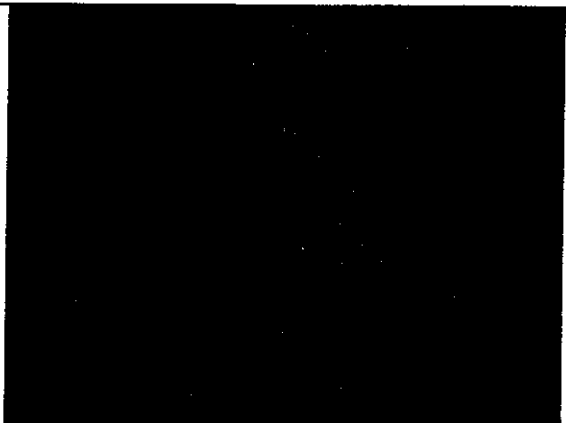
Lessor/Owner
Heritage Land Bank

Lessee
ACS Cable Systems, Inc.

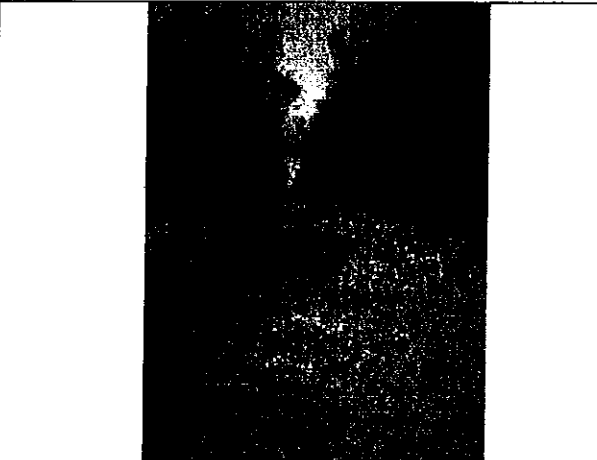
Subject Photographs



Looking south from Coastal Trail showing pipeline easement



Looking northeast from the Coastal Trail from the southeast corner of the site

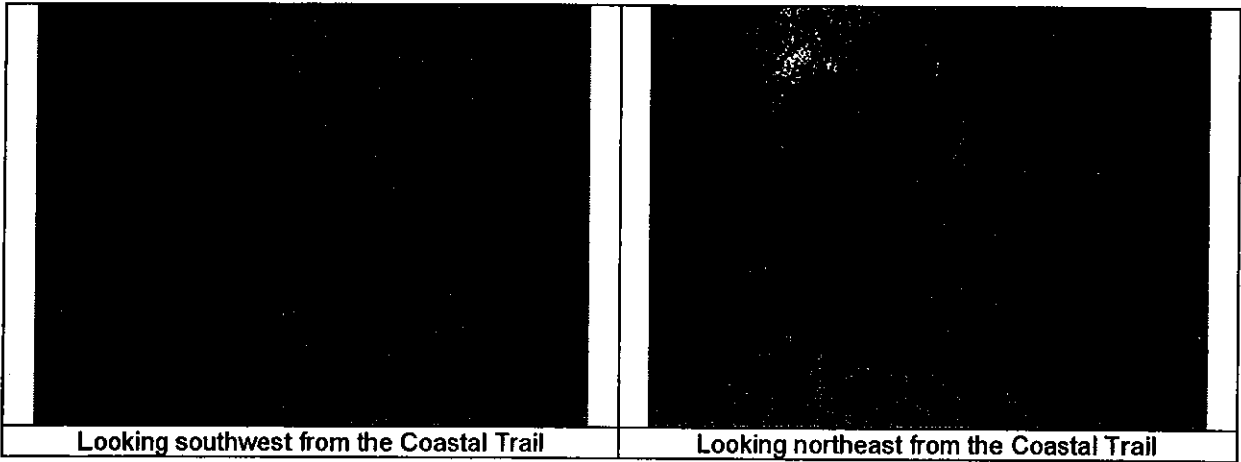


Looking southwest along the easement near where the ACS easement turns west to the Cook Inlet



Manhole cover over the equipment vault near where ACS easement turns west to the Cook Inlet

Subject Photographs



Nature of the Assignment

Client

ACS
600 Telephone Avenue
Anchorage, Alaska 99503

Purpose of the Appraisal and the Property Rights Appraised

The purpose of this appraisal is to estimate the lump-sum *market rent*¹ for a 10-foot wide easement² for an initial period of 20 years. Another purpose is to estimate a use-fee based on rent charged for similar non-exclusive rights-of-way.

Anchorage Ordinance 2008-38 authorizes the Heritage Land Bank to charge rent for the subject easement based on a minimum of the "fair market use fee value". However, this term was not defined in the ordinance or by other authoritative sources. The term "fair market use fee" implies the "most probable" fee based on property characteristics, rather than the highest or lowest fee. The Heritage Land Bank appears to consider this the equivalent of a "user fee". A *user fee* appears to be related to *use fee*³, because in this market the same price per lineal foot may be charged regardless of the nature of the use. A user fee or "going rate" may or may not be tied to the land value.

The property rights appraised are described as a fiber optic easement for a term of 20 years.

Effective Date of Value

October 21, 2008

Date of the Report

November 4, 2008

Intended Use of the Appraisal

The intended use of this appraisal is in conjunction with the issuance of an easement for a fiber optics cable.

¹ the most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of lease contract as of a specified date and passing of the leasehold from the lessor to the lessee under conditions whereby:

1. Lessee and lessor are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their best interests.
3. A reasonable time is allowed for exposure in the open market.
4. The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time. Consistent with the payment schedule of the lease contract.
5. The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

The Dictionary of Real Estate Appraisal, Appraisal Institute, 4th Ed., pg. 176.

² An interest in property that conveys use, but not ownership, of a portion of an owner's property. Access or right of way easements may be acquired by private parties or public utilities. Governments dedicate conservation, open space, and preservation easements. *The Dictionary of Real Estate Appraisal*, Appraisal Institute, 4th Ed., pg. 90.

³ In real estate, the value a specific property has for a specific use; may be the highest and best use of the property or some other use specified as a condition of the appraisal; may be used where legislation has been enacted to preserve farmland, timberland, or other open space land on urban fringes. *The Dictionary of Real Estate Appraisal*, Appraisal Institute, 4th Ed., pg. 303.

Intended Users of the Appraisal

The intended users include the client (ACS Cable Systems, Inc.) and the Heritage Land Bank of the Municipality of Anchorage.

Data sources and the steps in the appraisal development process are summarized:

Property Data

Mr. Collins inspected portions of the larger parcel and portions of the leased area on October 21, 2008. Mr. Bethard inspected portions of the larger parcel and leased areas on October 17, 2008. In addition, we reviewed aerial photographs. Plat/grid maps and zoning maps/regulations were obtained from the Municipality of Anchorage (MOA).

Area Data

In order to identify significant trends and indicators, we spoke with local property owners, real estate agents, and appraisers. We obtained a community profile from the State of Alaska Department of Community and Regional Affairs and other data from the Alaska Division of Aviation (DOT/PF). We also reviewed various publications, reports, and surveys including *Alaska Economic Trends*, *Alaska Business Monthly*, and the *Alaska Journal of Commerce*.

Market Analysis

Even though this is not a conventional property type, market conditions are considered stable in the area, an *inferred demand* analysis is appropriate for the fee simple value of the larger parcel (demand is inferred from general market conditions and the available data).

Market Data

Alaska is a non-disclosure state. Comparable data was obtained by searching the local multiple listing service records, surveying several real estate agents/brokers, property managers, and other appraisers. Market data was confirmed with the property owners, managers, or agents. We interviewed several private and government land managers as to the rates charged and methodologies used to calculate a rental rate or user-fee to lease lands they manage.

Approaches to Value

As vacant land, the best approach is Direct Sales Comparison. Land in Anchorage that is zoned for commercial or industrial use is best valued based on the price per square foot unit of comparison.

This is a *summary appraisal report*; details of the comparable sales are shown in the Addenda, but additional data is retained in the appraisers' file.

Appraisal Problem

The three subject parcels together constitute the larger parcel because only Parcel 4-033-A has improved public improved vehicular access and public utilities. In addition to being adjacent, they have unity of ownership and zoning. The parcels are zoned "T" for "transitional" use. Two lie west of the Ted Stevens Anchorage International Airport. One parcel lies within the airport boundary. Parcel 4-033-B has portions that are improved and used by the Salvation Army and a composting facility. The improvements are not part of

this assignment and are not considered in any of the value conclusions. The larger parcel is appraised "as vacant". All parcels have a similar highest and best use related to airport expansion. In summary the subject parcels meet the tests of a larger parcel (contiguity, same ownership and similar highest and best use). The larger parcel is determined to be 1.22 acres.

Methodology

Across the Fence: One of the methods requested by the client is the across-the-fence (ATF) method. The commonly recognized method for valuing easements and rights of way is the before and after method. In this case, the encumbered areas are uplands. Where severance damages are not an issue, the fee simple market value of the easement/ROW is fairly represented as the value of the part acquired as part of the whole (larger parcel). In this case, the ATF method is an adequate and appropriate substitute for the before and after method and accomplishes the purpose of the appraisal.

The "across-the-fence" (ATF) method is a corridor and right-of-way valuation technique. The right-of-way is divided into segments of similar utility based on the adjacent land--the lands "across-the-fence". A supportable value for the ATF land is applied to that segment. The segment values are added together to indicate a value for the entire right-of-way. In the case of an established corridor, the total may be subject to an adjustment attributable to a continuity factor derived from the marketplace. The segments being appraised are new rights of way and not truly an established corridor. In this case, an adjustment factor is not appropriate.

In this application of the ATF method, the lands adjacent to, or across-the-fence from the right-of-way, are typical of the *larger parcel* from which the ROW is created.

In summary, our opinion of market rent is developed according to the following steps:

- Allocate the right-of-way into segments of similar utility. In this case, no segments are required as the utility of the parcel is relatively uniform.
- Develop unit values for uplands adjacent to each segment by the Sales Comparison Approach.
- Apply the unit value to develop a fee simple value for the segment;
- Sum the segment values to indicate the aggregate fee simple value of the ROW;
- Determine an appropriate annual percentage rate (APR) by market survey;
- Multiply the aggregate fee simple value of the ROW by the APR to estimate the annual market rent.

The areas along the subject easement are generally homogeneous and do not require segmentation. As such, they are considered to be of equal value along the easement.

Fair Market Use Value: A "fair market use fee" was mandated by the Municipal Assembly. This is based on fixed fees set by land managers. This process involved interviewing land managers to determine if they employ user fees and, if not, what method they use. From those that charge set fees, we determined what would represent a "fair market" fee.

Extraordinary Assumptions & Hypothetical Conditions

General assumptions and limiting conditions are contained in the Addenda of the report. This appraisal is subject to the following extraordinary assumptions,⁴ and/or hypothetical conditions⁵.

- While our initial engagement indicated the length of the subject easement to be 5,297 LF for the buried cable and 150 SF for an equipment vault. The client subsequently reported a reduced length of 5,297 LF and a beach manhole area of 91 SF. It is an extraordinary assumption of this appraisal that these areas are correct. We also make the extraordinary assumption that the 150 SF uplands equipment vault easement remains part of the total easement area. If a survey shows differing areas, we reserve the right to amend this report and conclusions.
- This appraisal is done based on the extraordinary assumption that the land areas of the tracts making up the larger parcel are correct and that all reported areas lie above the mean high water level of the Cook Inlet. If a survey shows differing areas or any areas below the mean high water level, we reserve the right to amend this report and conclusions.
- A title report was not provided. It is assumed that there are no significant restrictions or other encumbrances on the parcels that are not noted in this report. We are aware that several airport-related restrictions exist, but specifics have not been provided. Considering that speculation or airport expansion is the highest and best use, the general airport restrictions do not significantly impact the site. Regardless, we retain the right to amend this report if a title report is provided.

⁴ "An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions." *Uniform Standards of Professional Practice*.

⁵ "That which is contrary to what exists, but is supposed for the purpose of analysis." *Uniform Standards of Professional Practice*.

PART II – PRESENTATION OF DATA

Regional Data Summary – Anchorage / Mat-Su Borough

More than half of Alaska's population resides in the adjoining south-central areas encompassed by the Municipality of Anchorage (MOA) and the Matanuska-Susitna Borough (MSB). Their population centers are physically separated by two military bases (Elmendorf A.F.B. and Fort Richardson) and the flats of the Matanuska and Knik Rivers.

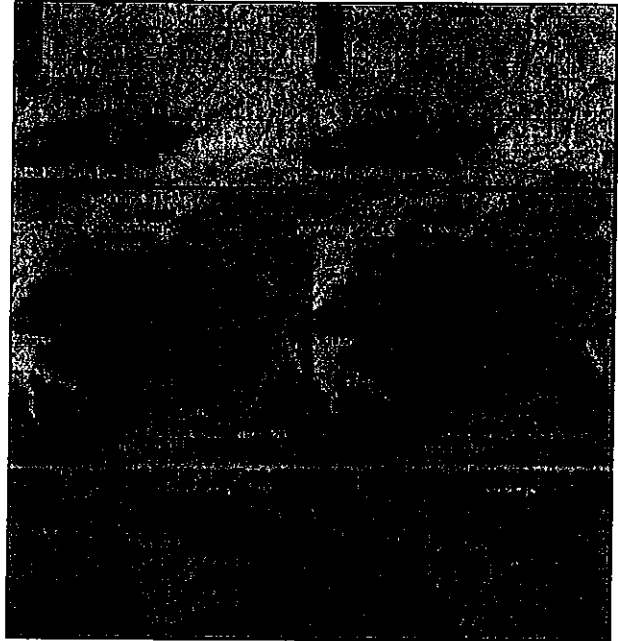
The State of Alaska Department of Labor reported the 2007 population of Anchorage at 283,823. The total for the nearby Matanuska-Susitna Borough (MSB; a/k/a the Valley) was 80,080.

Anchorage is Alaska's largest city and is an urban/suburban community and the center of commerce for the state. Oil and gas industries, finance and real estate, transportation, communications and government agencies are headquartered in Anchorage. The MSB offers a rural lifestyle yet two-thirds of its economic base is provided by thousands of daily commuters to Anchorage and residents working at other job sites around the state.⁶

Like the rest of the state, the region is heavily dependent on the oil industry and government spending. However, the regional economy has become more diversified in recent years. The transportation, health care and visitor industries have become significant economic drivers that assure some resilience.

Without any major economic stimulus on the scale of a gas pipeline or the opening of ANWR, the near term outlook is for continued slow growth in the population and employment. The last calendar year (2007) was the 19th consecutive year of expansion.⁷

The prospects for continued growth, an acute shortage of developable land in Anchorage, favorable interest rates and a significant increase in the cost of construction, combined to pressure prices upward until the middle of 2007. It has become more evident that construction of new homes has slackened along with sales of residential lots. A few office and retail buildings were built over the past two years. But developers seem cautious because of difficulties in the financial markets. In summary, general conditions favor caution in the Anchorage/Mat-Su real estate market.



⁶ ECONOMIC PROJECTIONS FOR ALASKA AND THE SOUTHERN RAILBELT 2000-2025, Scott Goldsmith, Professor of Economics, University of Alaska Anchorage, October 2001.

⁷ Neil Fried, Annual BOMA Luncheon, January 2008, Anchorage.

Stevens Anchorage International Airport & Immediate Neighborhood



Ted Stevens Anchorage International Airport is four miles southwest of downtown Anchorage. The majority of passenger flight operations on Alaska Airlines are to Seattle/Tacoma (average 20 flights per day) and Fairbanks (average 13 flights per day).

Anchorage was a common stopover for passengers flying to East Asia from the 1960s to the 1980s because U.S. and Western European aircraft could not fly over Soviet airspace, and because they did not have the range that modern day aircraft have. Today, many cargo carriers continue to use Anchorage as a trans-Pacific hub as then aircraft can carry more cargo due to having to carry less fuel than on a non-stop flight. Some passenger aircraft still stop at Anchorage on flights between Asia and the eastern United States. It currently ranks as the 4th busiest cargo airport in the world (measured by landed weight), after Memphis, Hong Kong, and Tokyo-Narita.

FedEx and UPS operate major hubs at Anchorage International for cargo heading to and from the Far East. NWA Cargo also operates a major hub at the airport. FedEx's is the largest and can handle as many as 13,400 packages per hour, employing more than 1,200 people and providing a full customs clearance system. The UPS hub handles about 5,000 parcels per hour. Both companies forecast a large growth in traffic over the next several

years as trade with China and other Far East countries increases and plan to expand their Anchorage facilities comparatively. The United States Postal Service also operates a large sectional center facility for the 995xx ZIP codes. It processes mail and parcels headed to and from all Alaska cities.

Anchorage is also envisioned as a future connecting point for air traffic to the Russian Far East. Although no flights presently link Anchorage and Russia, there are plans to add flights to Sakhalin in the near future to meet the demands of U.S. oil companies (*Anchorage Daily News*).

"Ted Stevens Anchorage International Airport (ANC) is working on a new Master Plan, a document originally written back in 1971. Since then, there have been four updates with the last one in 2002. This Master Plan will reflect industry changes, growth and operating priorities that have taken place and provide a road map so that we may more accurately assess our operational needs.

The first step has already been completed. ASCG Incorporated of Alaska was selected as the consulting team to help lead the Master Plan update project. They have brought sub-consultants, HNTB Corporation and DOWL Engineers onboard. This will be done using a two-part phased contract.

Phase I

- Inventory of Existing Conditions
- Forecasts
- Airfield capacity

Phase II

- Alternatives Development and Evaluation
- Airport Layout Plan
- Development Plan
- Financial Plan

The first phase of the Master Plan started this fall and will be completed in Summer 2007. The longer, second phase focuses on environmental and funding documentation for the FAA on long-range airport projects. ANC must be prepared for future development which will include larger aircraft; facilities and maximum utilization of runways.

ANC is a busy airport and a major contributor to the local economy. In 2005, more than 5 million passengers passed through the Anchorage airport. And on a weekly basis, more than 650 wide-body cargo flights land here making ANC the number one airport in the U.S. for landed weight of cargo aircraft. The Anchorage Airport generates 18,343 jobs with a total estimated payroll of \$850M⁸

It appears that the Kulis Air National Guard operations will move to Elmendorf AFB and vacate the South Airpark area of the airport. This will make considerable area available for

⁸TSAIA airport presentation January 8, 2008

expansion of commercial aviation. This strongly suggests that expansion of the airport westward, closer to the subject will not be necessary for several years.

Immediate Neighborhood

The immediate neighborhood lies west of the north/south runway and the east/west runway. It is sparsely developed and has limited access. The area is zoned for transitional uses. It is owned by the Municipality's Heritage Land Bank. Public access is limited to the eastern edge. This area has access by West End Road, a strip-paved street in average condition. Public water and sewer are not widely available but serve the Clitheroe Center at the southeast corner of subject Parcel 4-033-A. Also, the Anchorage Sewage Treatment Facility is northeast of the subject. South of the subject lies the Kincaid Park, a recreational area owned by the Municipality. Except for the airport, the area is very sparsely developed.

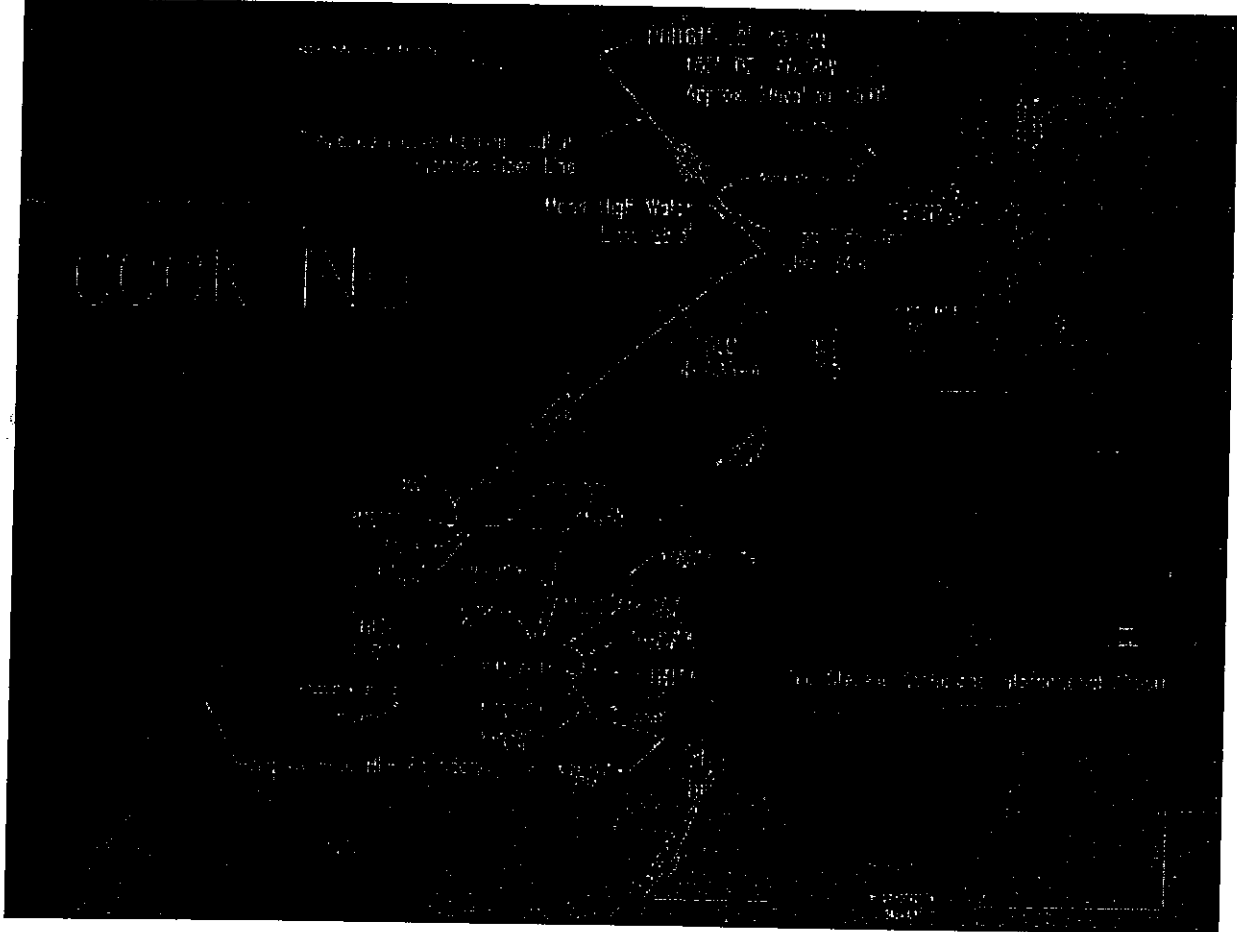
In summary, light industrial/aviation uses are most probable with the potential for residential uses in the north portion in the distant future.

Site Description

Location

The parent parcel lies west of and partially within the Ted Stevens Anchorage International Airport. The subject easement winds through the three parcels over 5,297 LF or about one mile. The larger parcel has a frontage of about 1.3 miles along the bluff of the Cook Inlet.

Aerial Photograph



Area & Shape

The three parcels are irregular. According to Heritage Land Bank records, the areas are as follows:

HLB Parcel 4-033-A	31.23 Ac.
HLB Parcel 4-033-B	134.97 Ac.
<u>HLB Parcel 4-034</u>	<u>215.07 Ac.</u>
Total Area	381.27 Ac.

The easement area is 5,297 feet long and 10 feet wide. It has an area of 52,970 SF. In addition, there is a 91 SF area for installation and maintenance of equipment within a partially submerged vault accessed by a manhole cover near the beach and a buried equipment vault in an uplands area of 150 SF. The total area of the easement is about 1.22 acres.

Access

Parcel 4-033-B has public vehicular access from West End Road, off Point Woronzof Drive. West End Road is a two-lane, strip-paved facility in average condition. Point Woronzof Drive is a two-lane paved street, also in average condition. All parcels have controlled gated access through the airport (West Perimeter Road and Airport Access Road). Non-motorized access is available by the Tony Knowles Coastal Trail lying near the Cook Inlet bluff in a northeast/southwest direction.

Topography, Soils, and Flood Hazard

As noted earlier, we make the extraordinary assumption that the site areas reported are uplands and not tidal flats or tidelands. The bluff is about 50 feet high. Upland areas are generally rolling and treed, with cleared areas near the airport and Clitheroe Center. Soils are generally well drained with sand and gravel base well-suited for development. According to the Anchorage Wetlands Maps, there are no identified wetlands on the larger parcel. According to FEMA maps, the upland areas of the larger parcel are not within an identified flood hazard area.

Wetlands

The larger parcel may have small areas of poorly drained soil and does have two small ponds. But appear to be no areas identified as "wetlands" other than the ponds.

Utilities

Public utilities available include water, sewer, electricity, natural gas, and telephone and are limited to the eastern edge of Parcel 4-033-B.

Easements

There is an existing easement lying in a southwest-northeast direction along with other unclarafied easements through the larger parcel. The Tesoro gas pipeline easement and Tony Knowles Coastal Trail bisect the site. In addition, there are aviation-related restrictions. Again, a title report was not provided. Mr. John Johansen with the Ted Stevens Anchorage International Airport reported that the airport has a 70-foot easement for a maintenance road through HLB Parcel 4-033-A as indicated on the aerial photograph shown above. A portion of this parcel is within the fence which runs along the outer boundary of the easement, placing a portion of HLB Parcel 4-033-A within airport control at this time.

Zoning

Both of the subject tracts are zoned T, for transitional uses. According to the zoning regulation, this district

...is intended to include suburban and rural areas that, because of location in relationship to other development, topography or soil conditions, are not developing and are not expected to develop in the immediate future along definitive land use lines. The permitted uses in these districts are

intended to be as flexible as possible consistent with protection from noxious, injurious, hazardous or incompatible uses.

It is intended that interim development shall proceed in accordance with the applicable comprehensive development plan for the property being developed.

As development patterns start to emerge within these areas and the sophistication of their protection becomes more critical to the general public interest, it is anticipated that such lands within the T districts will be proposed for more restrictive zoning classifications.

The Clitheroe Center on Parcel 4-033-B appears to be a legal use. As indicated above, Parcel 4-033-A appears to be controlled by the airport and may be subject to more stringent aviation-related development requirements. As noted, a survey and title report were not available at the time of this appraisal.

Environmental Issues

We are not aware of any environmental issues affecting the site. Sites identified by the State of Alaska as contaminated near the subject, including the Clitheroe Center on Parcel 4-033-B, are shown to have completed cleanup. Nevertheless, this appraisal is made according to the General Assumption that the larger parcel is environmentally clean.

Suitability

Access is below-average, because it is a strip-paved street that winds around the airport to one corner of the subject parcel. Regardless, access is adequate given its mostly likely use as airport expansion. In addition, all public utilities are at the east edge of only one parcel. The larger parcel is suitable for airport expansion.

Real Estate Taxes

The subject parcels are owned by the Municipality of Anchorage. As such, they are tax-exempt, and there are no assessed values.

PART III – ANALYSES OF DATA AND CONCLUSIONS

Market Overview—Summarized

The Appraisal Institute recognizes two categories of market analysis: *inferred* and *fundamental*. Inferred analyses (levels A and B) are basic methods by which future supply and demand conditions are inferred by current and general market conditions. In fundamental analyses (levels C and D), general information (secondary data) is supplemented by detailed data (primary data) in order to forecast supply and demand as well as subject-specific absorption, and capture. Because the project is a conventional property type in a stable market, a lower level of analysis is appropriate. In the following overview demand is inferred from general market conditions and the available data.

Commercial/Industrial Land

For more than a decade, local market conditions have not supported speculative development of most commercial property types. Nearly all of the activity has been attributable to users. An expansion by regional and national chains continues to generate demand for strategic sites, both pad-sites and stand-alone locations.⁹ Numerous special purpose facilities have been recently completed, are currently under construction, and/or proposed. The available data indicates that:

- The market recognizes a price-per-square-foot unit of comparison;
- Prices have been trending upward;
- Sites containing less than two acres have a market advantage;
- Anchored out-lots command a premium over stand-alone sites; and,
- Terms are typically cash and a market exposure period of one year is reasonable at prices supported by the market.

Market Exposure Time may be defined as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.”¹⁰

The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Marketing time is also a function of the amount and quality of the available inventory, asking prices and investor requirements.

Statistics obtained from the Multiple Listing Service [MLS] provide a reliable gauge of reasonable market time parameters. The following data provides some indications of marketing time and sale/asking prices for industrial sites in Anchorage and Eagle River listed after January 1, 2005.

⁹ Big-box national retailers, convenience store chains, franchised restaurants, auto dealerships, specialty garages (mini-lubes, mufflers/brakes), and lodging facilities.

¹⁰ Appraisal Standards Board Statement 6 and Advisory Opinion G-7.

Industrial Land Listings

List #	Location	Status	List Price	Area-SF	MT	\$/SF
08-3985	200 W 87th	Active	\$2,000,000	203,861	217	\$9.81
08-6611	10100 C	Active	\$14,000,000	1,187,446	171	\$11.79
06-4878	Tr B3 Dimond Industrial Center	Active	\$1,499,999	77,972	936	\$19.24
06-7676	L63 W Frontage	Active	\$700,000	108,900	538	\$6.43
08-13810	17825 OLD GLENN	Active	\$1,968,039	437,342	32	\$4.50
08-13674	405 BONIFACE	Active	\$6,200,000	424,710	35	\$14.60
08-14743	3149 MOUNTAIN VIEW	Active	\$940,750	55,757	6	\$16.87
07-4950	760 E 120th	Active	\$5,000,000	274,428	<u>578</u>	<u>\$18.22</u>
				Average	314.1	\$12.68

Industrial Land Sales

List #	Location	Date Sold	List Price	Sale Price	Area-SF	MT	\$/SF
07-17102	725 E 81ST	Apr-08	\$619,000	\$575,000	49,223	132	\$11.68
08-8091	2301 E 5TH	Sep-08	\$1,800,000	\$1,480,000	49,223	14	\$30.07
06-16541	3038 Mountain View	May-07	\$1,200,000	\$967,500	44,867	0	\$21.56
07-4034	16908 Snowmobile	Jun-07	\$450,000	\$430,000	64,904	<u>84</u>	<u>\$6.63</u>
						57.5	\$17.48

While a slowdown in the real estate market is evident, there is still an acute shortage of developable industrial land in Anchorage. In general, the demand still exceeds the supply.

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, and financially feasible and that results in the highest value."¹¹

Highest and Best Use

Possible Uses: The larger parcel contains 381.27 acres and lies just west of the Ted Stevens Anchorage International Airport. Topography is generally rolling and soils are generally adequate, with some poorly drained areas. There is improved and gated road access only to the eastern edge of the larger parcel. Based on security needs, the airport can control access. Utilities are available at that point also.

Permissible Use: Legal restrictions, as they apply to the subject site, include easements and the public restrictions of zoning, as included in Title 21 of the Anchorage Municipal Code "Land Use Regulations" and private restrictions. The T zoning classification is rare within the Municipality and is generally confined to certain areas around the airport where there is limited development. The area would likely be reclassified as development moves in the direction of the subject. Because of airplane noise, light industrial or aviation-related uses are most probable at an undetermined point in the future. There is a lesser possibility that a residential zoning classification could be placed on areas to the north to take advantage of Cook Inlet frontage. Considering the airport noise and safety concerns, residential uses are not likely.

Financially Feasible Uses: Because of limited development and utilities nearby as well as its distance from other improved uses, the feasibility of development is limited. The airport is the significant anchor for the general area and has been one of the base industries for the Anchorage economy. The feasibility of expansion at this time is not known, but it remains the most probable use in the future.

Maximally Productive Use: Determining the maximally productive use is beyond the scope of this assignment.

We estimate the highest and best use—as vacant to be to hold for future development for airport expansion.

Most Probable Buyer

The most probable buyer is a speculator.

¹¹ *The Appraisal of Real Estate*, 12th Ed., Appraisal Institute

Across the Fence Method

As noted earlier, commonly recognized method for valuing easements and rights of way is the before and after method. In this case, the encumbered areas are uplands. Where severance damages are not an issue, the fee simple market value of the easement/ROW is fairly represented as the value of the part acquired as part of the whole (larger parcel). In this case, the ATF method is an adequate and appropriate substitute for the before and after method and accomplishes the purpose of the appraisal.

The "across-the-fence" (ATF) method is a corridor and right-of-way valuation technique. The right-of-way is divided into segments of similar utility based on the adjacent land--the lands "across-the-fence". A supportable value for the ATF land is applied to that segment. The segment values are added together to indicate a value for the entire right-of-way. In the case of an established corridor, the total may be subject to an adjustment attributable to a continuity factor derived from the marketplace. The segments being appraised are new rights of way and not truly an established corridor. In this case, an adjustment factor is not appropriate.

In this application of the ATF method, the lands adjacent to, or across-the-fence from the right-of-way, are typical of the *larger parcel* from which the ROW is created.

In summary, our opinion of market rent is developed according to the following steps:

- Allocate the right-of-way into segments of similar utility. In this case, no segments are required as the utility of the parcel is relatively uniform.
- Develop unit values for uplands adjacent to each segment by the Sales Comparison Approach.
- Apply the unit value to develop a fee simple value for the segment;
- Sum the segment values to indicate the aggregate fee simple value of the ROW;
- Determine an appropriate annual percentage rate (APR) by market survey;
- Multiply the aggregate fee simple value of the ROW by the APR to estimate the annual market rent.

The areas along the subject easement are generally homogeneous and do not require segmentation. As such, they are considered to be of equal value along the easement.

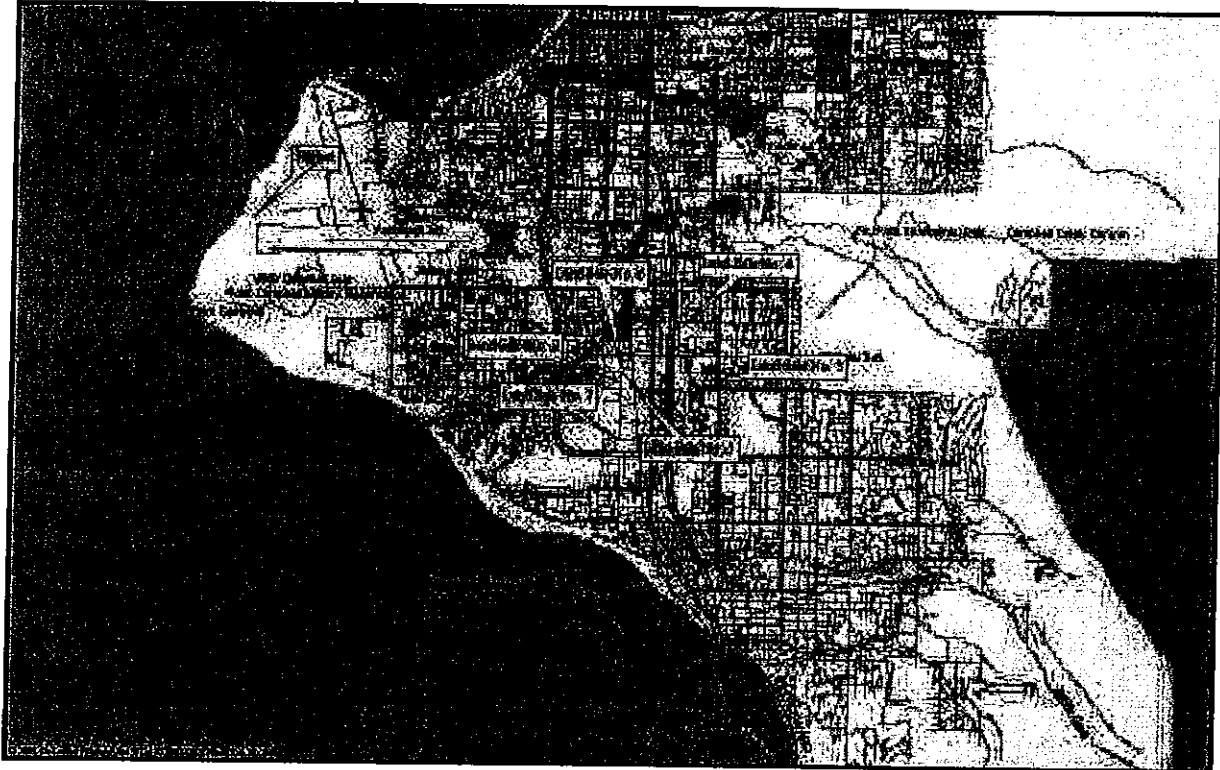
Land Valuation of the Larger Parcel & Subject Easement

The subject adjoins the airport and is zoned "T", transition. There are no similar sales of similar size or zoning. Airport lands are leased, and there are no fee simple sites. The lease of large parcels are not arms-length or do not meet the tests of a true market transaction. In the end, sales of industrial land are most relevant for comparison to the subject. There are no industrial land sales within the Municipality that are similar in size to the larger parcel. For this reason, it was necessary to use smaller size parcels and research back 10 years for sales in order to develop appropriate adjustments. We have specifically excluded sales of large I-1 zoned parcels that are on high exposure arterials that are suitable for "box" stores. These sales are not appropriate for comparison. We selected the most relevant sales available to reflect generic industrial sites in the Anchorage area.

Summary of Comparables

No.	Location	Zoning	Area--Sq. Ft.	Sale Date	Sale Price	\$/SF
1	17825 Old Glenn Highway	I-2	437,342	Listing	\$1,968,039	\$4.50
2	King St., W. 91 st & A Street	I-1	1,039,342	Apr-02	\$1,700,000	\$1.64
3	8479 Toloff Street	I-1	175,285	May-06	\$2,100,000	\$11.98
4	1900 Lore Road	I-1	373,309	Jun-08	\$3,550,000	\$9.51
5	9051 King Street	I-1	427,411	Apr-04	\$1,899,848	\$4.75
6	King & 88 th (unimproved)	I-1	592,416	Aug-07	\$5,924,100	\$10.00
7	104 th & King Street	I-1	211,266	Jul-05	\$2,000,000	\$9.47

Comparable Location Map



Correlation (explanation of the adjustments)

All of the comparables reflect arm's length sales/acquisitions of the fee simple interest. No undue stimulus was reported. Atypical motivations, if any, are recognized in the reconciliation. The indicated unit values are already adjusted to a cash equivalent value (if required) and for expenditures immediately after purchase (e.g. demolition or the cost-to-cure known defects/deficiencies).

Quantitative Adjustments

Market Conditions: Market conditions have improved for vacant land, especially tracts with good soils and/or a good location. We developed an adjustment for time from the paired-sales analysis shown below and on the following page.

Reference No.	Property	Zone	SF	Date	\$/SF	Mos	% Δ
DC# 899	SWC Homer & E. 56 th	I-1	1,222,384 SF	6/02	\$5.16	--	--
DC# 899	SWC Homer & E. 56 th	I-1	1,222,384 SF	7/04	\$7.26	25	1.38%
DC# 1029	NWC C St. & Int'l Airport Rd.	I-1	559,857 SF	5/01	\$4.47	--	--
DC# 1029	NWC C St. & Int'l Airport Rd.	I-1	559,857 SF	12/05	\$10.27	55	1.52%
DC# 843	Lots 3 & 4 Blk C, Murray Subd.	I-1	15,000 SF	7/02	\$6.13	--	--
MLS# 02-109008	Lots 16A-19A Blk F, Murray Subd	I-1	41,962 SF	8/04	\$9.95	25	1.96%
MLS# 02-109008	Lots 16A-19A Blk F, Murray Subd	I-1	41,962 SF	8/04	\$9.95	--	--
MLS# 06-11676	Lot 13 Blk D, Murray Subd.	I-1	7,500 SF	10/06	\$13.33	27	1.09%
DC# 843	Lots 3 & 4 Blk C, Murray Subd.	I-1	15,000 SF	7/02	\$6.13	--	--
MLS# 06-11676	Lot 13 Blk D, Murray Subd.	I-1	7,500 SF	10/06	\$13.33	51	1.53%
MLS# 05-102113	6235 Nielson Way	I-1	16,496 SF	3/05	\$10.08	--	--
MLS# 07-15134	6235 Nielson Way	I-1	16,496 SF	9/07	\$12.50	31	0.70%
DC# 1497	NWC of Minnesota & C Street	I-2	864,086 SF	2/06	\$10.36	--	--
DC# 1740	SWC of King St. & E. 100 th Ave.	I-2	1,450,000 SF	4/07	\$11.67	14	0.85%
MLS# 06-594	Lot 6 Blk 2, C St. Industrial Park	I-1	30,900 SF	4/06	\$14.24	--	--
MLS# 07-14039	Lots 3D-F, C St. Industrial Park	I-1	32,900 SF	11/07	\$15.20	19	0.34%
MLS# 02-109996	King St. between 88 th & 92 nd Ave	I-1	52,707 SF	10/02	\$4.74	--	--
DC# 1643	NEC of 100 th Ave & AK RR	I-1	60,628 SF	2/08	\$12.62	64	1.54%
DC# 1160	NWC of 100 th Ave. & AK RR	I-2	94,392 SF	8/05	\$8.27	--	--
DC# 1643	NEC of 100 th Ave & AK RR	I-1	60,628 SF	2/08	\$12.62	28	1.52%
MLS# 02-109200	NWC of 100 th Ave. & AK RR	I-2	417,000 SF	12/02	\$4.15	--	--
MLS# 08-5543	401 E. 100 th Ave.	I-2	322,752 SF	active 8/08	ask \$12.01	68	1.57%
MLS# 05-105488	Lot 6 Blk 10, Independence Park	I-1	47,733 SF	7/05	\$9.64	--	--
MLS# 05-109240	Lot 5 Blk 10, Independence Park	I-1	47,758 SF	active 8/08	ask \$14	37	1.01%
MLS# 05-990081	Lot 17 Blk 2, Grant #1 Subd.	I-1	38,177 SF	12/05	\$8.51	--	--
MLS# 08-763	Lot 18 Blk 2, Grant #1 Subd.	I-1	38,220 SF	active 8/08	ask \$11.50	32	0.95%
DC# 1643	NEC of 100 th Ave & AK RR	I-1	60,628 SF	2/08	\$12.62	--	--
MLS# 08-4339	Adjacent to the East of DC# 1643	I-1	34,535 SF	active 8/08	ask \$12.40	6	no Δ
BBC# 05-200	Lt. 1A Bk. 1 Dimond Ind.	I-1	592,416	4/03	\$5.40		
	Lt. 1A Bk. 1 Dimond Ind.	I-1	592,416	8/07	\$10.00	52	1.19%
BBC# 06-022	1900 Lore Road	I-1	373,309	10/04	\$5.09		
DC# 1765	1900 Lore Road	I-1	373,309	06/08	\$9.51	44	1.43%

Four of the comparisons consist of active listings. Excluding the listings, the market supported a 0.5% to 2% (rounded) monthly compound rate of change from 2001 through the first quarter of 2008, with an average of 1.24%. The three lowest comparisons (< 1%) reflect sales that occurred in 2007. The only 2008 sale reflects a narrowed range of 1.5% (rounded) from sales that occurred in 2002 and 2005. Data indicate that there was a spike in market activity through the 4th quarter of 2006 with sale prices reaching plateaus in 2007. Quantitative evidence for 2007 and 2008 is extremely limited. Several of the listings reflect the influence of the new Target store and the C Street extension which overstates the market conditions adjustment. In the end, we recognize a general slowdown in the real estate market for 2007 and 2008. Five of the six comparables used occurred prior to 2007. Large, vacant commercial/industrial lots are scarce. In this analysis, we adjusted comparable Nos. 2 through 7 upward at 1% per month to January 1, 2008. No appreciation can be quantified since that time. Comparable No. 1 is a listing and will not be adjusted.

Size: Paired sales from Anchorage and Palmer/Wasilla used for developing size adjustments are shown below. It was necessary to search outside Anchorage because of the scarcity of sales of large commercial/industrial parcels. Anchorage sales are adjusted for market conditions based on the earlier discussion (1%/mo to Jan-08) and are similar in location and other physical characteristics. Palmer/Wasilla sales are adjusted based on other time studies which concluded on a compound rate of 2% per month up to January 2007.

Relationship of 150± acres to 25± acres (commercial/industrial)

Reference #	Property	Acres	Date	Adj. \$/SF ¹²	% Δ
1450	12487 Palmer-Wasilla Hwy.	24.27	Nov-05	\$2.74	-----
	Trunk Rd. & Palmer-Wasilla Hwy.	152.17	Aug-07	\$1.10	- 60%

Relationship of 120± acres to 20± acres (residential)

Reference No.	Property	Acres	Date	Adj. \$/SF ¹³	% Δ
BBC #08-131	W 80 th Avenue	20	Aug-02	\$1.00	-----
BBC #08-131	Goldenview Drive	120	Jan-03	\$0.39	- 61%

Relationship of 150± acres to 5± acres (commercial/industrial)

Reference #	Property	Acres	Date	Adj. \$/SF	% Δ
BBC 07-102	1507 No. Double B St. & P-W Hwy.	5.00	May-05	\$5.43	-----
	Trunk Rd. & Palmer-Wasilla Hwy.	152.17	Aug-07	\$1.10	- 80%

Relationship of 150± acres to 4± acres (commercial/industrial)

Reference #	Property	Acres	Date	Adj. \$/SF	% Δ
1512	9701 Palmer-Wasilla Hwy.	4.1	May-05	\$2.99	-----
	Trunk Rd. & Palmer-Wasilla Hwy.	152.17	Aug-07	\$1.10	- 63%

¹² BBC 07-102

¹³ BBC 07-102

Relationship of 120± acres to 4± acres (residential)

Reference #	Property	Acres	Date	Adj. \$/SF ¹⁴	% Δ
1585	Off Jodhpur, south of Kincaid Rd.	4.366	Jun-06	\$3.42	-----
1503	Goldenview, south of Rabbit Ck. Rd	120	Aug-05	\$1.46	- 57%

The pairs are matched on the basis of general location and use but are not adjusted for specific differences other than date of sale. Nevertheless, the number of pairs adequately establishes that the market recognizes a general range of discounts (downward adjustments) for size increments. We could not find sales in urban areas near the size of the subject. The closest in size is just over 150 acres; the next is 120 acres. The residential comparisons set the extreme ends of the range.

Most of the comparable parcels used for direct comparison are in the range of 5 to 10 acres. The subject larger parcel is 381.27 acres. Paired sales indicate adjustments of 57% to 80%. We consider 75% to be appropriate for all comparables except No. 2.

Comparable No. 2 is just below 25 acres; Comparable no. 4 is just over four acres. The first pair shown above indicates 61% to 80%. Giving most weight to the commercial comparison, an adjustment of 65% is appropriate for Comparables No. 2 and No. 4.

Qualitative Adjustments

A sufficient number of paired-sales are not available from which to extract reliable adjustments for other inequalities. We correlated physical inequalities with qualitative adjustments (superior, inferior, approximately equal).

¹⁴ BBC 08-131 adjusted 0.5%/month to Aug-06 or date of last sale

Land Comparables Adjustment Grid

Comp.	Subject	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6	No. 7
Address		17825 Old Glenn	King St, W. 91st & A Street	8479 Toloff St.	1900 Lore	9051 King St.	King & 88 th unimproved	104 th & King St.
Sale Price	n/a	\$1,968,039	\$1,700,000	\$2,100,000	\$3,550,000	\$1,899,848	\$5,924,100	\$2,000,000
Area (SF)		\$4.50	\$1.64	\$11.98	\$9.51	\$4.75	\$10.00	\$9.47
To Jan-08	N/A	Listing	Apr-02	May-06	Jun-08	Apr-04	Aug-07	Jul-05
Adj. Sale Price	N/A	n/a	68 mos.	19 mos.	n/a	44 mos.	4 mos.	29 mos.
Adj. \$/SF		\$1,968,039	\$3,344,300	\$2,537,029	\$3,550,000	\$2,943,468	\$6,164,650	\$2,669,008
Size	381± acres	\$4.50	\$3.22	\$14.47	\$9.51	\$7.36	\$10.41	\$12.63
		10.04 Ac.	23.86 Ac.	4.024 Ac.	8.57 Ac.	9.812 Ac.	13.6 Ac.	4.85 Ac.
Adj. \$/Sq. Ft.		Superior (-75%)	Superior (-65%)	Superior (-75%)	Superior (-75%)	Superior (-75%)	Superior (-75%)	Superior (-75%)
Location	West of airport	\$1.13	\$1.13	\$3.62	\$2.38	\$1.84	\$2.60	\$3.16
		Peters Ck/Old Glenn Hwy.	W of King St/91 st & A, near COSTCO	Off Toloff & E. 88 th Ave., near Cairns & Home Depot	Lore Rd. east of New Seward, no anchors	King St. near Costco	King St. & 88 th	104 th & King St. near Minnesota
Access / Frontage	Below-Avg.	Inferior (+)	Approx. =	Superior (-)	Inferior (+)	Approx. =	Approx. =	Approx. =
		Old Glenn Hwy. 318 FF	King St. & 92 nd 843 ft. FF	Toloff St. 532 FF	SE corner Lore & Hartzell Rd. 1,182 FF	King St 371 FF	King St 593 FF	SW corner King & 104 th , no improved frontage
Topography	Below-avg.	Superior (-)	Superior (-)	Superior (-)	Superior (-)	Superior (-)	Superior (-)	Approx. =
		Rolling, mostly cleared	Level, no trees	Level, no trees	Level, cleared	Level, no trees	Level, no trees	Level, no trees
Corner	None	Approx. =	Superior (-)	Superior (-)	Superior (-)	Superior (-)	Superior (-)	Superior (-)
		None	Minor unimproved corner	None	Improved minor corner	None	None	Minor unimproved corner
Soils	Adequate, 2 sm. ponds	Approx. =	Approx. =	Approx. =	Superior (-)	Approx. =	Approx. =	Approx. =
		Good gravel	Poor, peat	Good, gravel	Filled & fenced	Poor, peat 7'-8'	Poor, peat	Poor, peat 5±
Zoning	T	Superior (-)	Inferior (+)	Superior (-)	Superior (-)	Inferior (+)	Inferior (+)	Inferior (+)
		i-2	i-1	i-2	i-1	i-1	i-1	i-1
Utilities	All	Approx. =	Approx. =	Approx. =	Approx. =	Approx. =	Approx. =	Approx. =
		Gas & elect.	Only on King St.	All available	All available	All available	All available	All available
Indicated \$/SF	N/A	Inferior (+)	Approx. =	Approx. =	Approx. =	Approx. =	Approx. =	Approx. =
		> \$1.13	> \$1.13	< \$3.62	± \$2.38	± \$1.84	± \$2.60	± \$3.16

Reconciliation

Comp. #	\$/Sq. Ft.	Adjustment	Analysis
3	\$3.62	Superior (↓)	Superior topography, location & access
7	\$3.16	Approx. =	Superior topography offsets inferior soil
6	\$2.60	Approx. =	Superior access & topography offsets inferior soil
4	\$2.38	Approx. =	Inferior location offsets improvements & other characteristics
Subject	-----	-----	-----
5	\$1.84	Approx. =	Inferior soil offset by superior access & topography
1	\$1.13	Inferior (↑)	Superior access outweighed by inferior location & utilities
2	\$1.13	Inferior (↑)	Inferior soil outweighs other characteristics

All of the sales required substantial adjustment. Excluding extremes, the narrowed range is \$1.84/SF to \$3.16/SF. The subject's location is set back from the airport. Although it lacks exposure, it benefits from the anchoring characteristics of the airport. On the other hand, development will not likely occur for several years. Another factor is that the largest tracts used to derive the size adjustment are less than half the size of the larger parcel. Because of a lack of bigger parcels for size comparison, there remains the potential that the size adjustment may be somewhat understated. For this reason, we lean to the lower end of the narrowed range above. In the end, adjustments are offsetting and the subject is reasonably supported near the lower end of the range at \$2.00/SF.

Consistent with AFT method, we estimate the market value of the subject easement below based on the market value of the larger parcel or land "across the fence".

5,297 LF x 10 ft.	52,970 SF
Beach Manhole Area	91 SF
Uplands Equipment Vault Area	150 SF
Total Area	53,211 SF
Times: Estimated \$/SF	\$2.00/SF
Fee Simple Market Value of Easement	Rd. \$106,400

Allocation of Property Rights

The area of the easement is a 10-foot winding strip of land with an area of 52,970 SF plus rectangular portions containing a total of 241 SF. In order to estimate the appropriate value of the easement the fee simple value of the easement must be allocated between property rights retained by the lessor (HLB) and property rights granted to the lessee (ACS).

For easement acquisitions, property owners are compensated in the range of 10% to 100% of fee simple value of the land depending on the type of easement and the property rights conveyed.¹⁵ The upper end of the range is typical for public use easements (PUE) such as a roadway where all surface-rights are acquired. For easements where the owner retains some of the rights of use for the surface estate (i.e. parking, landscaping or open space), compensation generally ranges from 10% to 30% of the fee simple value. Arguably, areas already encumbered by existing easements represent the lower end of the range.

We interviewed several right of way professionals experienced in the area of easement acquisition.

Name/Company	Comments
Alan Trawver @ Trawver Land Services	10% of fee simple value, depending on route through the parcel. This impacts the surface use retained by the owner.
Michelle Colby @ R & M Engineers	10% to 40% depending on location on the site and the rights relinquished by the property owner along with development potential given up by the owner.
Carol Eaton @ HDR Engineers	10% to 15% of fee value depending on route through the parcel.

The data indicates a range from 10% to 40% as an appropriate allocation of rights granted for underground easements. In the case of the subject, the easement is 100% below ground, is non-exclusive and the owner retains some of the rights of use for the surface estate. Although the easement's location is winding and erratic towards the south end of the parcel, it is within the existing Tesoro Pipeline Easement for the north portion of the route. In the end, the arguments are offsetting and a midrange estimate of 25% is a reasonable allocation of property rights granted by the easement.

	Indicated Market Value
Fee Simple Value	\$106,400
Rights Granted	25%
Market Value of the Easement	\$26,600

¹⁵ Vivian Dietz-Clark, Mgr. of Real Estate Services for HDR Alaska (former with Municipality of Anchorage ROW)

Fair Market Rent Analysis

Annual market rent is typically measured as the market value times an appropriate annual percentage rate. We surveyed Alaska owner-lessors to determine a reasonable "market" rate (annual percentage rate [APR]). A general range from 8% to 11% is reported (see following table).

Land Owner	Contract	Type	APR	Adjusted
Alaska Railroad Andy Donovan & Karen Morrisey 265-2325	MWC/10-08	Industrial or PC near Port	8%-10%	Market value re-established by appraisal every 5 years; rate fixed for 5 years
Port of Anchorage Ed Leon/343-6204	MWC/10-08	Industrial Waterfront	8%	Market value re-established by appraisal every 5 years; rate fixed for 5 years
City of Kenai Kim Howard/283-7535	MWC/10-08	General commercial & aviation	8%	Market value re-established by appraisal every 5 years; rate fixed for 5 years; total lease term will vary
City of Valdez--Carol Smith/835-4313	MWC/10-08	Various	10%	Adjusted to assessed value every 5 years but rate cannot adjust downward
City of Juneau--Cynthia 586-0224	MWC/10-08	Fiber optics	10%	Rate fixed for 5 years; market value re-established by appraisal every 5 years
Eklutna, Inc. Jim Arnesen 696-2828	MWC/10-08	Urban land	8% to 11%	Original lease for FBI site at 8%, market value every 5 yrs, cap at 115% of previous mo. payments Office Depot site 10%-11%, adjustments vary
Fairbanks Northstar Borough Carrie Shaw-- 459-1247	MWC 10-08	Various	8%	New policy will require appraisals every five years

Given a sustained period of low interest rates, required APR's have trended downward in recent years. Considering the size and location of the subject easement, the low end is appropriate. We applied a rate of 8% to the market value of the easement to calculate the annual fair market rent.

Market Value of the Easement	\$26,600
APR	8%
Annual Market Rent Years 1-5	\$2,128

The annual rent is then converted to a lump-sum payment for the twenty year lease by discounting the annual payments at a rate of 10%, slightly above the return to land. As typical in the market leases are adjusted every five years. Based on the average Anchorage CPI change since 1984, we have adjusted the rent at 2.66% compounded.

Period	Annual Payment	Present Value (10%)	Present Value
Yrs. 1-5	\$2,128	\$8,873	\$8,873
Yrs. 6-10	\$2,426	\$10,116	\$6,281
Yrs. 11-15	\$2,766	\$11,524	\$4,443
Yrs. 16-20	\$3,154	\$13,152	\$3,148
		Total	\$22,745

The indicated lump sum market value of the easement is: **\$22,750, rounded**

As noted earlier, a *user fee* is similar but not identical to *going rate*, because in this market the same price per lineal foot may be charged regardless of the nature of the use. A user fee or "going rate" may be based on the nature of the use/user rather than a market value or market rent. It may be unrelated to the as-vacant land value. For the purpose of this analysis the value in use, use value, user fee and going rate are considered synonymous. We have selected the term Use-fee as the applicable term for the subject easement.

The methodology behind the application of various use fees is not consistent between government agencies. This is broad brushed approach for the valuation of easements and rights of way based on what other users have been willing to pay. The fee may or may not be based on the underlying land value.

We contacted the State of Alaska, Department of Transportation, the Municipality of Anchorage, the Alaska Railroad and the Mental Health Trust¹⁶ regarding their policies for granting a permit. The permitting policies of the researched entities are premised on a lump-sum one time basis. Following are the current policies of the respondents:

State of Alaska, Department of Transportation (Mr. Rory Redick, Regional Utility Permit Officer)

- Major Permit: \$400 plus \$0.25 per lineal foot, first 200 feet no charge, for cable or conduit.
- Minor Permit: \$50 for cable or conduit to a customer leaving State of Alaska right-of-way (aka as a Connect Permit).
- These are exclusive use permits with an unlimited use term.

Alaska Railroad (Mr. Andy Donavan, Leasing Manager)

- Transmission Line: \$0.50 per lineal foot minimum with a \$500 minimum.
- Distribution Line: \$0.05 per lineal foot, no minimum (Water, sewer, electric, natural gas, telephone, cable).
- Less may be charged per lineal foot if indicated by an appraisal. However, this charge is for use within an established corridor. It has been recognized that corridors rent for more since the permittee is not required to incur the substantial costs associated with permitting through multiple ownership's.
- These are non-exclusive use permits
- 1997 GCI Lease, 20 yrs., \$.50/LF/yr for use of railroad ROW btwn. Whittier and Bird Point
- 1996-97 AK Fiber Star (now ACS) Lease, 35 yrs., \$.45/LF original, \$.63/LF/yr current, 25' wide ROW btwn. Anch. & Eielson and Whittier & Anch..

¹⁶ Phone calls were not returned. Data based on fee schedule reported in appraisal #1721 prepared by Mr. Alan Olson, MAI.

Municipality of Anchorage (Mr. Jack Frost, Supervisor, Right-of-Way permits)

- Buried cable/conduit in a T & E easement \$115
- Bore under city street \$200
- Trench across city street \$300
- Pavement break, add \$200
- Lane closure required, add \$250 partial; \$350 full
- Complex street jobs which require a city inspector are billed at \$100 per hour.
- These costs are premised on a minimum trench of 360 feet. The Municipality also has a one-time charge in which the basic permit fee assumes a 360 foot long trench plus \$115 plus extras if required. This amounts to a one-time fee, on a lineal foot basis, of \$0.32 per lineal foot ($\$115 \div 360 \text{ feet} = \0.319). This includes easements not within an existing right of way.
- These are non-exclusive use permits which are temporary in nature and may be canceled with 30 days written notice. This cancellation provision is seldom, if ever, invoked.

Mental Health Trust (Data per Alan Olson, MAI)

- 2004 Fee Schedule for 50' wide right of ways in rural areas \$2.00/LF and \$10/LF in urban areas. No urban leases have been signed.
- Most recent transmission line easement in Moose Pass was \$.40/LF/yr for a 10' wide easement

Conclusion—Annual User Fee

ENTITY	PERMIT TYPE	\$/LF
State of Alaska	Various, exclusive, unlimited term	\$0.25/LF
Alaska Railroad	Various, non-exclusive ACS and GCI easements	\$0.50/LF \$.50 to \$.63/LF
Municipality of Anchorage	Various, non-exclusive	\$0.32/LF
Mental Health Lands Trust	Fee Schedule, 50' wide (\$2 rural / \$10 urban)	\$2.00-\$10.00*
Mental Health Lands Trust	Non-exclusive, 10' wide, Moose Pass Esmt.	\$.40/LF

**no leases at these rates*

Excluding the obvious outlier (\$2.00 to \$10.00), the remaining data is relatively consistent ranging from \$.25/LF to \$.63/LF/yr. Most of the data ranges from \$.40 to \$.63/LF. The fees and prices paid are user driven. The motivation for paying more or less for a particular easement is a closely held business decision that is largely unknown to third parties. In summary, there is no reliable means to further correlate or analyze the data. Any attempt to quantify price differences due to width, location, use, or rights conveyed can be misleading without a comprehensive understanding of the bottom line for each of the businesses leasing the right of way.

Recognizing the limitations of the data, weight is given to the middle of the narrowed range and a reasonable user fee for the subject easement is concluded at \$.55/LF/yr.

Use Fee for the Easement

5,297 LF	\$0.55/LF	\$2,913
\$2,913	+ 52,970 SF	\$0.05/SF (rnd)

Fee for the Rectangular Areas

150 SF + 91 SF = 241 SF	X \$0.05/SF	\$12
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Total Annual Use Fee

Linear Easement Rent	5,297LF	\$2,913
Vault Area Rent	241 SF	\$12
Total Annual Use Fee		(Rd.) \$2,925

Lump-Sum or One-Time Use-Fee

A lump-sum payment for an easement use-fee is the present value of rents that would be collected for the lease over the 20-year term. This typically includes adjustments every five years, based on an appraisal. Increases in the sale prices for vacant land in Anchorage have been substantial over the past five years or more. However, the national economic situation suggests that increases in the future may not be so vigorous. In this case, an adjustment based on the Anchorage CPI is considered appropriate. The average compound CPI since 1984 has been 2.66% per year. This is used to compound the annual "use fee" and is reflected as an increase at the beginning of each 5-year term. The annual payments are discounted to a present value using 10%, which is slightly above the return to land.

Period	Annual Use Fee	Present Value	Present Value
Yrs. 1-5	\$2,925	\$12,197	\$12,197
Yrs. 6-10	\$3,335	\$13,907	\$8,635
Yrs. 11-15	\$3,803	\$15,858	\$6,114
Yrs. 16-20	\$4,336	\$18,081	\$4,328
		Total	\$31,274

The indicated use fee for the subject easement is concluded at: **\$31,275, rounded.**

ADDENDA

Placed on file by:
Heritage Land Bank
P.O. Box 194650
Anchorage, AK 99519-6650

Spandex Cable Project
Ft. Wenzel
Tax #01040127
Tax #01040137
Tax #01040189

UTILITY EASEMENT

The GRANTOR, Municipality of Anchorage Heritage Land Bank, whose mailing address is P.O. Box 194650, Anchorage, AK 99519-6650, for good and valuable consideration hereby conveys and warrants to ACS Cable Systems, Inc. whose address is 600 Telephone Avenue, Anchorage, Alaska 99503, GRANTEE, and to its successors and assigns a non-exclusive non-revocable easement across the following described real estate:

HEB Parcels 4-033A, 4-033B, and 4-034 illustrated on Exhibit A, an easement area 10 feet in width, 6,033.6 feet in length, and a trench manhole at 10 feet by 15 feet in size.

to construct, reconstruct, maintain, repair, operate, improve, and update upon, over and under the above-described lands and/or in, or upon all streets, roads, or highways abutting said lands, for installation and maintenance of a fiber optic line, and such other related structures as the GRANTEE deems necessary in the application dated December 14, 2007, for a term of twenty years from the date of execution of this Easement, together with the right:

1. Of ingress and egress to said lands as may be reasonably necessary for the purposes described above.

2. To cut, trim, remove and control the growth of trees, shrubs, and other vegetation on, above, or adjoining said lands, which in the sole good faith judgment of GRANTEE, might interfere with the proper functioning and maintenance of said line or system.

As consideration for this easement, GRANTEE shall pay a one time fee of \$ 134,200.

This Easement may be extended for one (1) additional 10-year term upon 90 days prior written notice and subject to the extension given by GRANTEE to GRANTOR and prior written acceptance made by the GRANTOR. Unless otherwise specified in the written acceptance made by the GRANTOR, all of the provisions of this Easement shall apply during the extension period. The GRANTOR within its sole discretion may accept or reject GRANTEE'S request for an extension. If the GRANTOR fails to give written notice of its acceptance of GRANTEE'S request for an extension 90 days prior to the date this EASEMENT would otherwise expire, then this EASEMENT shall terminate on that date. In the case of extensions, payments shall be adjusted at the GRANTOR'S sole discretion.

Bruder Cella Paper
P. Warner
Tel: 801/40127
Tel: 801/40127
Tel: 801/40127

All improvements are placed on the property at the GRANTEE'S expense and are removable at the GRANTOR'S option. The failure of the GRANTEE, its successors or assigns, to exercise any of the rights herein granted shall not be construed as a waiver or abandonment of the right hereafter at any time and from time to time to exercise any or all of such rights.

GRANTEE shall not assign or transfer the rights conveyed under this agreement to any unaffiliated party, except with the GRANTOR'S express CONSENT, which consent shall not be unreasonably withheld; such CONSENT may require an adjustment to the easement fee. A party is affiliated if it is an entity in which there is a common owner owning more than fifty percent (50%) ownership interest in both GRANTEE and the other affiliated entity, and shall include but not be limited to parent and subsidiary entities to GRANTEE. An affiliated party transfer shall not include transfers or assignments of this Agreement resulting from any sale of substantially all of the stock or assets of GRANTEE; such a transfer or assignment shall require GRANTOR'S express consent.

The easement shall be enforceable upon notice from the GRANTOR and at GRANTOR'S cost. GRANTEE shall provide a complete as-built survey within six months of completion of installation, with one copy provided to the Heritage Land Bank and one copy provided to the Municipality of Anchorage Planning Department. Upon written notice to the GRANTEE, which states the purpose of access and entry, the GRANTOR, their successors and assigns, reserve the right of access and entry for any contractor of the Municipality, subcontractors and their respective agents and employees as well as such other persons as may be designated from time to time in writing by the GRANTOR.

GRANTEE shall record this easement at its sole expense and expeditiously install the intended facilities. GRANTEE shall return the surface estate of the easement area to as near its original condition as practical, including reseeding and replanting any vegetation as necessary. GRANTEE warrants the restoration for two years.

To the fullest extent permitted by law, GRANTEE shall indemnify, hold harmless and defend from and against all claims, damages, losses and expenses, including but not limited to attorney's fees, arising out of or resulting from the installation, construction or maintenance of the intended facilities or the easement, or any accident, injury or damages whatsoever, provided that any such claim, damages, loss or expense (a) is attributable to bodily injury, or to injury to or destruction of tangible property, including loss of use resulting therefrom, and (b) is caused in whole or in part by any act or omission of GRANTEE or anyone directly or indirectly employed or contracted by it or anyone for whose acts it may be liable.

GRANTOR shall be entitled to the full and complete non-exclusive use of the easement area in a

Greater Anchorage Area
Public Works
736-610-0011
736-610-0117
736-610-0119

insurance consistent with the grant of easement to GRANTEE. GRANTEE shall not allow any lien to be filed against the lands subject to this Easement by anyone supplying labor or materials for any improvements or by or for the benefit of GRANTEE.

GRANTEE'S failure to perform any of the terms of this agreement shall automatically cause reversion of the easement to the Municipality. This agreement is binding upon and inures to the benefit of the parties hereto, their successors, transferees and assigns.

GRANTEE shall deliver to the GRANTOR certificates of liability insurance on or before the effective date of this Easement or at another date as agreed to in writing by the GRANTOR, and every year upon renewal. Insurance shall cover the entire Easement Term. GRANTEE shall deliver to the GRANTOR photocopies of the policy or policies of insurance, certificates of insurance, or copies of endorsements annually upon regular renewal. The policy or policies purchased pursuant to this paragraph shall name GRANTOR and GRANTEE as co-insureds with respect to the Easement Area and the use or business operated by GRANTEE on the Easement Area.

Liability Insurance. - The GRANTEE shall keep in full force and effect a policy or policies of general liability insurance which includes bodily injury, property damage, and personal injury acceptable to the GRANTOR with respect to the Easement Area and operations by GRANTEE in the Easement Area. The limits for each shall be not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate or such higher limits as GRANTOR may specify from time to time consistent with prudent business practice then prevailing in the State of Alaska, provided, however, that no such limit shall in any way limit the GRANTEE's liability or be construed as a representation of sufficiency to fully protect GRANTOR or GRANTEE.

Policy Provisions. - Each policy of comprehensive general liability insurance of this Easement shall:

- A. Provide that the liability of the insurer thereunder shall not be affected by, and that the insurer shall not claim, any right of setoff, counterclaim, apportionment, pro-rata, or contribution by reason of any other insurance obtained by or for the GRANTOR, Municipality of Anchorage, GRANTEE, or any person claiming by, through, or under any of them.
- B. Provide that such policy requires thirty (30) days notice to GRANTOR of any proposed cancellation, expiration, or change in material terms thereof and that such policy may not be cancelled, whether or not requested by the GRANTEE, unless the insurer first gives not less than thirty (30) days prior written notice thereof to GRANTOR.

Secondary Cells Project
P.O. Worksheet
Tel: 4010-40177
Fax: 4010-40197
Fax: 4010-40108

- C. Contain a waiver by the insurer of any right of subrogation to proceed against GRANTOR, the Municipality of Anchorage, or against any person claiming by, through, or under GRANTOR or the Municipality of Anchorage.

GRANTOR shall, at its own expense, and with all due diligence, comply with all of the provisions of local, state, and federal law which are now in effect or may later be adopted by any governmental authority applicable to the Basement Area and GRANTOR's use thereof.

[Remainder of page purposely left blank]

Special Cable Project
By: [Signature]
Tel: 907-561-2227
Tel: 907-561-1337
Tel: 907-561-5100

This document is integrated and embodies the full agreement of the parties. Venue is in the Superior Court, State of Alaska, at Anchorage.

GRANTOR: MUNICIPALITY OF ANCHORAGE

[Signature]
Municipal Manager

STATE OF ALASKA }
THIRD JUDICIAL DISTRICT }

The foregoing instrument was acknowledged before me this 11th day of May by [Signature] for the Municipality of Anchorage, on behalf of the corporation.

Notary Public in and for Alaska
My Commission Expires: [Blank]

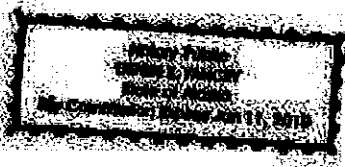
GRANTOR: ACS Cable Systems, Inc.

[Signature]
ITS: [Signature]

Date: 4/29/08

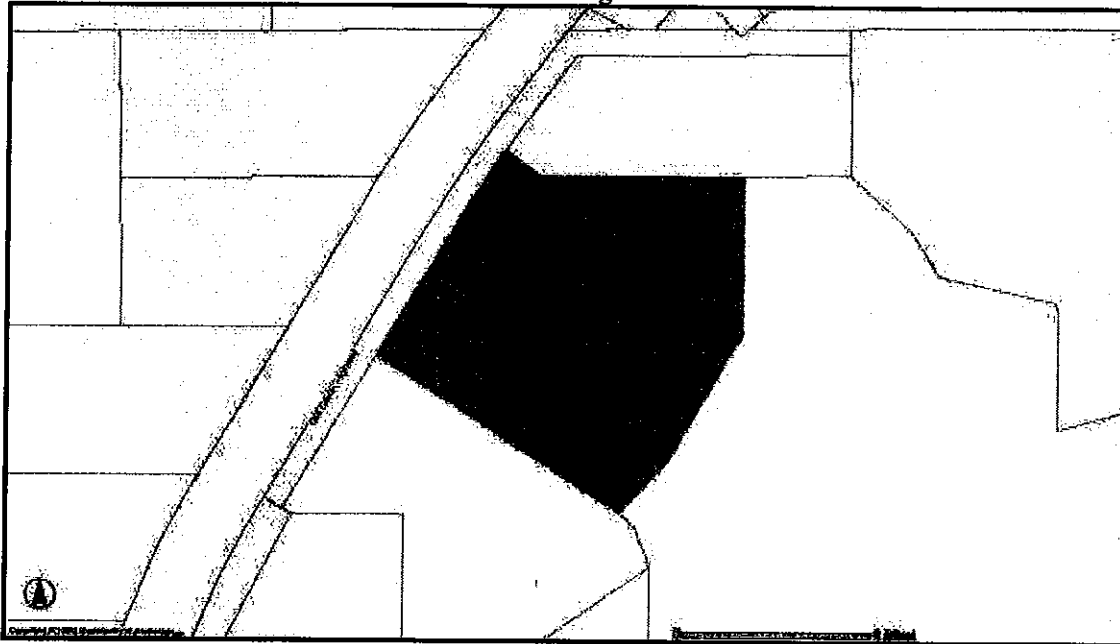
STATE OF ALASKA }
THIRD JUDICIAL DISTRICT }

The foregoing instrument was acknowledged before me this 29th day of April 2008 by [Signature] for ACS Cable Systems.



[Signature]
Notary Public in and for Alaska
My Commission Expires: 11/1/10

Land Listing No. 1



Property Identification

Record ID 1767
Property Type Industrial
Address 17825 Old Glenn Hwy., Eagle River, Alaska
Location north of Eagle River
Tax ID 051-252-17
Legal Description Tract G-1 Chugiak Industrial

Sale Data

Grantor Art Mathias/Klondike Concrete
Survey Date October 23, 2008
Property Rights fee
Marketing Time 30
Conditions of Sale typical
Financing cash
Verification Stewart Smith, listing agent; 865-6505/727-8686, Confirmed by Mike Collins

Listing Price \$1,968,039
Cash Equivalent \$1,968,040

Land Data

Zoning I-2 SL, Heavy Industrial
Topography Rolling, gravel and bedrock subsoil
Utilities elect. & natural gas
Shape irregular

Land Size Information

Gross Land Size 10.040 Acres or 437,342 SF

Land Listing No. 1

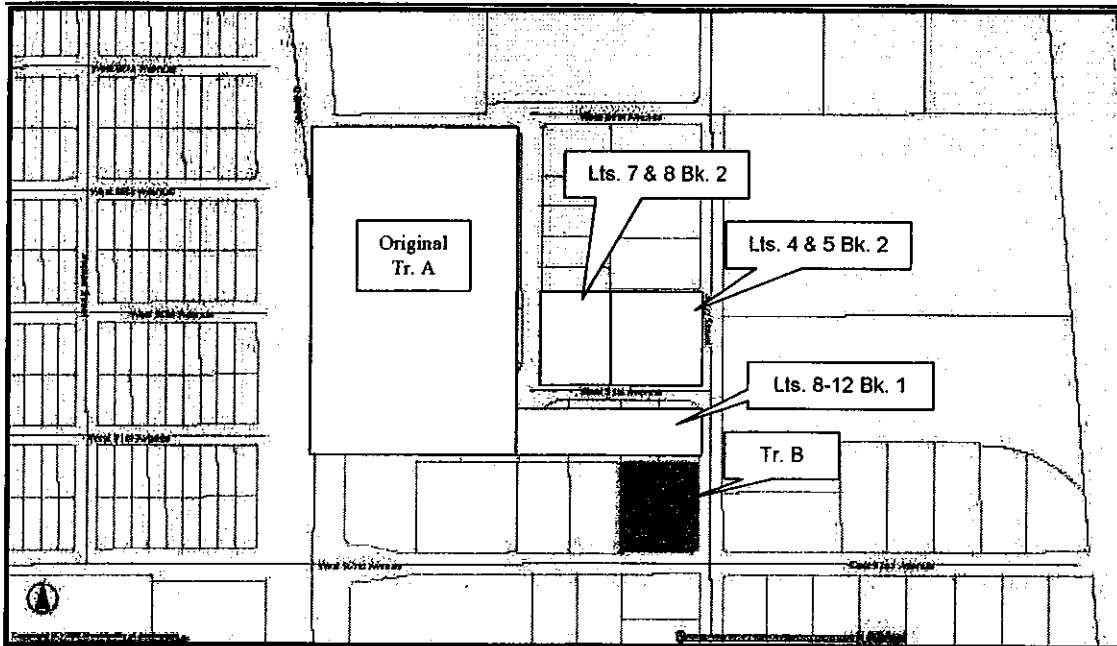
Indicators

Sale Price/Gross Acre	\$196,020
Sale Price/Gross SF	\$4.50

Remarks

This is has been used as a gravel pit. The listing agent reports considerable interest because of the lack of I-2 zoned land within the Municipality.

Land Sale No. 2



Property Identification

Record ID	1768
Property Type	Industrial
Address	King Street, Anchorage, Alaska
Location	west of King St., south of Dimond Blvd.
Legal Description	Tr. A & B, Lts. 8-12 Bk.1; Lts. 4-7 Bk. 2 King St. Ind. #1
Recorder's Doc. No.	2002-05516

Sale Data

Grantor	Sonny Burnett
Grantee	David & Linda Hartman
Sale Date	April 08, 2002
Property Rights	fee
Marketing Time	240 days
Conditions of Sale	normal
Financing	cash
Verification	Larry Norene, listing broker; 272-1227, October 07, 2008; Confirmed by Mike Collins

Sale Price	\$1,700,000
Cash Equivalent	\$1,700,000

Land Data

Zoning	I-1
Topography	level, 6-8 ft. peat
Utilities	King St. only
Shape	multiple rectangular parcels

Land Size Information

Gross Land Size	23.860 Acres or 1,039,356 SF
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Land Sale No. 2

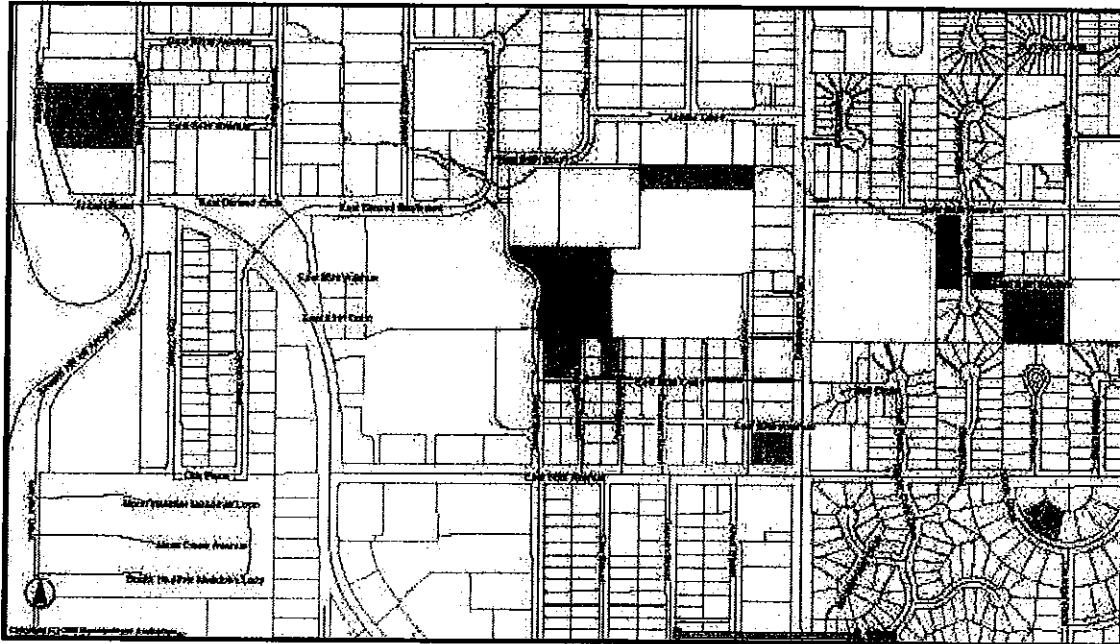
Indicators

Sale Price/Gross Acre	\$71,248
Sale Price/Gross SF	\$1.64

Remarks

This sale consists of nine lots & two tracts of industrial land. King Street is the only improved access. Most of the parcels have legal access, but it is not improved. Soil is below-average with peat depths reported at 6-8 feet. 92nd Avenue, now providing access along the south boundary of several parcels, was not improved at the time of sale.

Land Sale No. 3



Property Identification

Record ID 1642
Property Type Industrial
Property Name Tract B-8 of East Dimond Center Subd.
Address 8479 Toloff Street, Anchorage, Alaska
Location E. side of Toloff St. behind Carr's & Home Depot
Tax ID 014-263-54
Legal Description Tract B8 East Dimond Center Sub.

Sale Data

Grantor Nesser Construction Inc.
Grantee Spinell Homes Inc.
Sale Date May 12, 2006
Recorder's Doc. No. 2006-063245
Recorded Plat 2005-47
Property Rights fee simple
Marketing Time 290 days
Financing cash
Verification Ed Zehrung; 907-770-7667, January 04, 2008; Other sources: MLS #05-109573, Confirmed by Ryan McGillivray

Sale Price \$2,100,000 closed 9/18/2006
Cash Equivalent \$2,100,000

Land Data

Zoning I-2, Heavy Industrial
Topography cleared gravel pad, slight slope
Utilities all available
Shape irregular
Soil soils appear adequate

Land Sale No. 3

Access access - see remarks

Land Size Information

Gross Land Size 4.024 Acres or 175,303 SF

Indicators

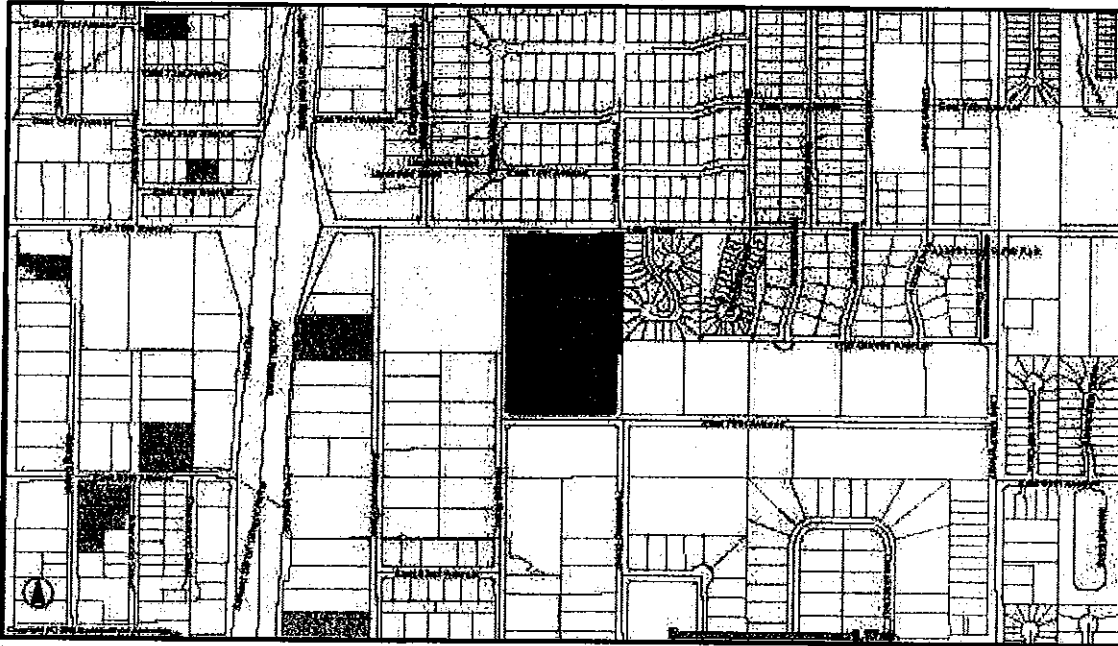
Sale Price/Gross Acre \$521,817

Sale Price/Gross SF \$11.98

Remarks

Closed sale of an gravel lot I-2 zoned parcel located behind Carr's & Home Depot but is subject to covenants and use restrictions from Safeway. Toloff Street was extended to serve the property and give access from E. 88th Ave. and from E. Dimond (the street was originally extended for Home Depot). The buyer built condo-style garage units in 2007.

Land Sale No. 4



Property Identification

Record ID 1765
Property Type Commercial/Industrial
Address 1900 Lore Road, Anchorage, MOA County, Alaska
Location Between Lake Otis Pkwy & New Seward Hwy
Tax ID 014-182-04
Legal Description Tract B1 Seventh

Sale Data

Grantor RIVENDELL PROPERTIES, LLC
Grantee SKS COMMERCIAL, LLC
Sale Date June 20, 2008 Listed at \$4,100,000
Recorder's Doc. No. 2008-0053250
Property Rights Fee Simple
Marketing Time 165
Verification Todd Lindfors; 907-336-4653, Other sources: MLS # 08-384, Confirmed by Eric Kennard

Sale Price \$3,550,000
Cash Equivalent \$3,550,000

Land Data

Zoning I-1, Light Industrial (I-1)
Topography level with below-average soil
Utilities all
Shape "L" shaped

Land Size Information

Gross Land Size 8.570 Acres or 373,309 SF

Land Sale No. 4

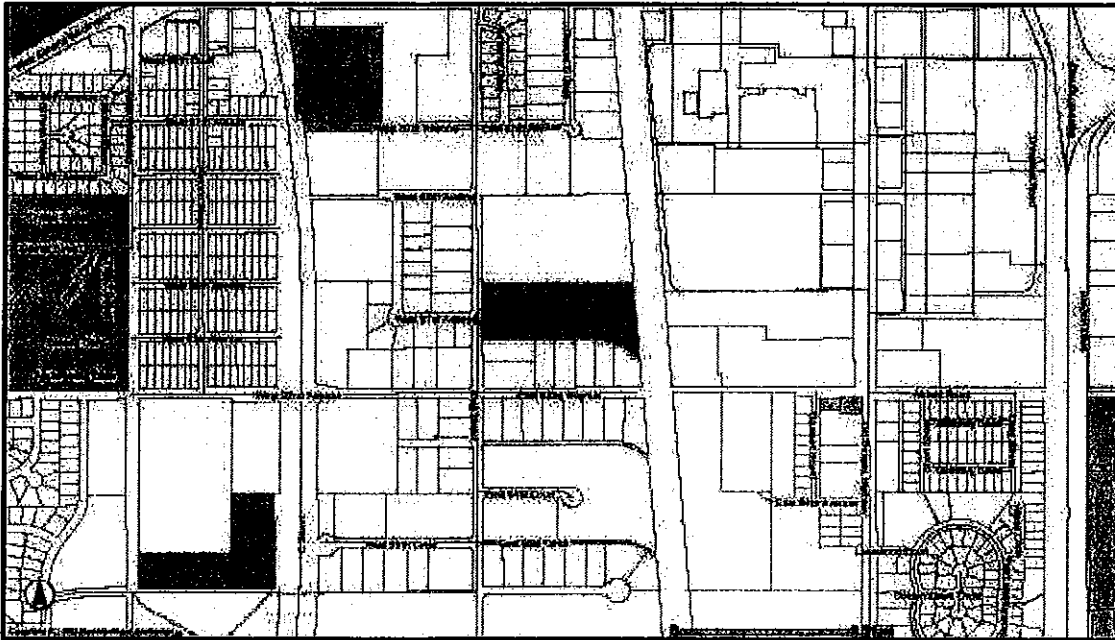
Indicators

Sale Price/Gross Acre	\$414,236
Sale Price/Gross SF	\$9.51

Remarks

Site improved with fence & lighting for commercial vehicle storage

Land Sale No. 5



Property Identification

Record ID 1157
Property Type Industrial
Address 9051 King Street, Anchorage, MOA County, Alaska
Tax ID 013-121-16
Legal Description Dimond Industrial Lot 3BA

Sale Data

Grantor Ledbetter
Grantee David Faulk & Pacific Alaska Leasing Company
Sale Date April 01, 2004
Recorder's Doc. No. 2005-0070453
Property Rights fee simple
Financing undisclosed owner financing
Verification Norman Ledbetter; Confirmed by Eric Kennard

Sale Price \$1,899,848
Cash Equivalent \$1,899,850

Land Data

Zoning I-1, industrial
Topography level, partially treed with black spruce.
Utilities all
Shape rectangle
Depth 1025
Soil Below-average

Land Size Information

Gross Land Size 9.182 Acres or 399,968 SF
Useable Land Size 9.182 Acres or 399,968 SF , 100.00%

Land Sale No. 5

Indicators

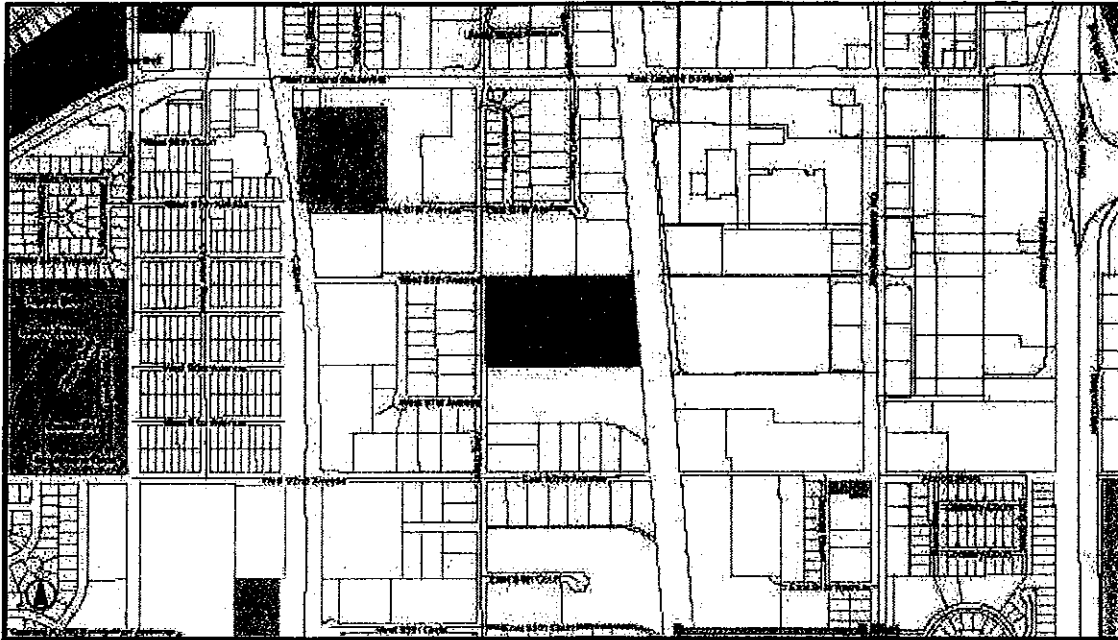
Sale Price/Gross Acre	\$206,910
Sale Price/Gross SF	\$4.75

Remarks

The property was not listed. The property was marketed for sale by way of a For Sale sign on the property. Greg Johnson represented the buyers.

Soils in the area contain 5 to 8 feet of peat. 100% of the property is located in developable class C wetlands.

Land Sale No. 6



Property Identification

Record ID 1771
Property Type Industrial
Address 8875 King Street, Anchorage, Alaska
Location SE corner King & 88th (unimproved)
Tax ID 013-121-15
Legal Description Lt. 1A Bk. 1 Dimond Industrial

Sale Data

Grantor Odex Properties, LLC
Grantee Unique Machine, LLC
Sale Date August 31, 2007 closing
Recorder's Doc. No. 07-056098
Recorded Plat 2003-125
Property Rights fee
Marketing Time 90-180
Conditions of Sale normal
Financing cash
Verification Mark Filipinko, agent; 563-7733, Odex Properties, 425-456-3514, November 03, 2008; Confirmed by Brian Bethard

Sale Price \$5,924,100
Cash Equivalent \$5,924,100

Land Data

Zoning I-1, Light Industrial
Topography level, below-average soil
Utilities all
Shape rectangular

Land Sale No. 6

Land Size Information

Gross Land Size 13.600 Acres or 592,416 SF

Indicators

Sale Price/Gross Acre \$435,596

Sale Price/Gross SF \$10.00

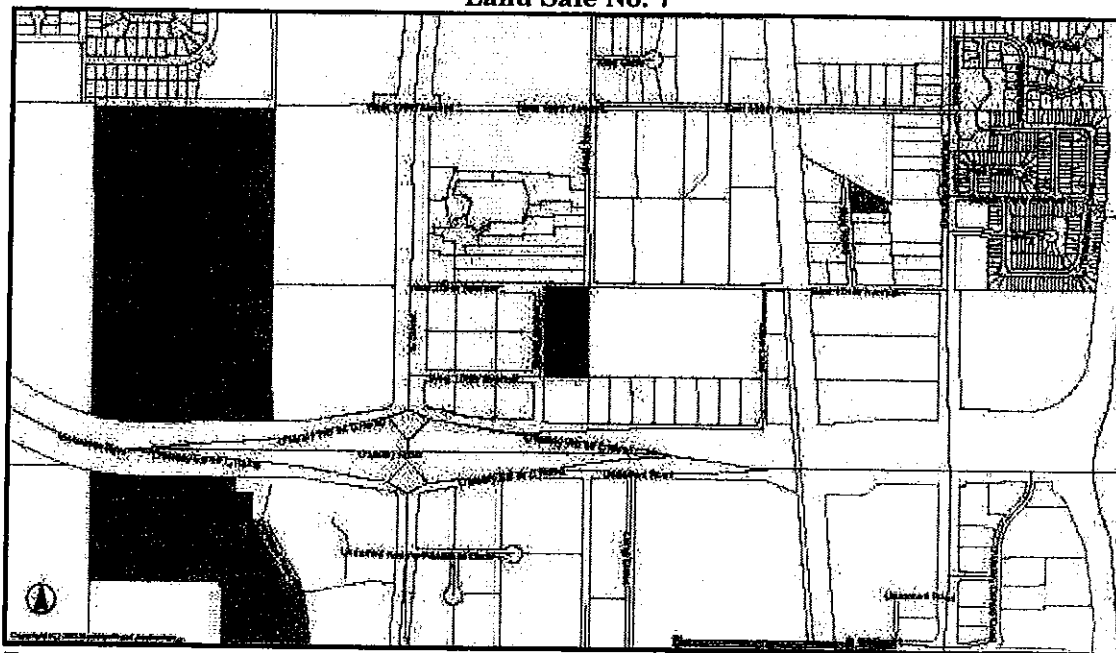
Remarks

This tract is at the southeast corner of King Street and an unimproved portion of E. 88th. Avenue, south of Dimond Blvd., behind COSTCO.

King Street is paved. Soils are below-average.

The buyer is a subsidiary of Sumitomo Corp. and is constructing two large industrial buildings.

Land Sale No. 7



Property Identification

Record ID	1159
Property Type	Industrial
Address	104th Ave and King Street, Anchorage, Alaska
Legal Description	Lot 1, Block 3 Maui Industrial Park
Tax ID	016-042-08

Sale Data

Grantor	Justin Green of Alaska Demolition
Grantee	Udelhoven Oilfield System Services Inc
Sale Date	July 29, 2005
Recorder's Doc. No.	2005-0052686-0
Recorded Plat	72-177
Property Rights	Fee Simple
Financing	Undisclosed. Deed of Trust \$1,511,000
Verification	Gail Santana; 907-786-7318, January 16, 2006; see remarks, Confirmed by Eric Kennard

Sale Price	\$2,000,000
Cash Equivalent	\$2,000,000

Land Data

Zoning	I-2, Heavy Industrial
Topography	Level, at grade.
Utilities	All
Shape	Rectangular
Soil	Soils contain peat.
Access	access - dirt/gravel off 104 th . at the northeast corner

Land Size Information

Gross Land Size	4.850 Acres or 211,266 SF
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Land Sale No. 7

Indicators

Sale Price/Gross Acre	\$412,371
Sale Price/Gross SF	\$9.47

Remarks

According to Gail Santana, no agents were involved in the transaction. The site was used as a snow dump area by the Municipality. There was a 30-40 foot pile of debris on the site when purchased. The soils are similar to the surrounding area and contain 5+- feet of peat.

Justin Green (seller - 907-276-3366) of Alaska Demolition reported a higher purchase price of \$2,800,000. He stated that the property was not professionally marketed and that he was approached by the buyer after putting up a sign. The buyer paid the full asking price. The site was leveled out prior to the purchase for a price of \$300,000 (per Justin Green).

QUALIFICATIONS OF THE APPRAISER

Brian Z. Bethard, MAI

State Certification No. 281

General Education

Service High School, Anchorage, Alaska - Graduate 1989

The Colorado College, Colorado Springs, CO - Bachelor of Arts, Economics 1993

University of Alaska, Anchorage, Anchorage, AK - MBA 1996

Employment History

Black-Smith, Bethard & Carlson, LLC - Managing Member - 2005 +
Black-Smith and Richards, Inc. - Fee Appraiser - 1995 to 2005
Randall, Hayes, and Henderson, Inc. - Fee Appraiser - 1993 to 1995

Appraisal Courses/Seminars Taken

Residential Case Study - University of Alaska Anchorage - 1994
Uniform Residential Appraisal Report - Appraisal Institute - 1993
Standards of Professional Practice, Part A & B - Appraisal Institute - 1996
Advanced Sales Comparison & Cost Approaches - Appraisal Institute - 1997
Appraisal Principles & Procedures - Appraisal Institute - 1998
Highest and Best Use Market Analysis - Appraisal Institute - 1998
Advanced Applications and Market Analysis - Appraisal Institute - 1998
Report Writing and Valuation Analysis - Appraisal Institute, 1998
Advanced Income Capitalization, Course 510 - Appraisal Institute - 2000
Intro to Statistics & Supporting Adjustments - Appraisal Institute - 2002
Market Studies for Affordable Housing - NH&RA - 2002
Standards of Professional Practice - Appraisal Institute - 2002/03/04/05
Subdivision Analysis - Appraisal Institute - 2004
Rates & Ratios - Appraisal Institute - 2005
Principles of Real Estate Law - IRWA - 2005
Skills of Expert Testimony - IRWA - 2006
Analyzing Distressed Real Estate - AI - 2006
Condemnation Appraising - AI - 2007

Certifications

Alaska State Certification: General Real Estate Appraiser #281

Affiliations

Member Appraisal Institute (Member No. 11857)
President: Alaska Chapter Appraisal Institute - 2005 & 2006
Vice Pres: Alaska Chapter Appraisal Institute - 2004

Typical Clients

Northrim Bank
Alaska Housing Finance Corp.
HDR Engineering
The Municipality of Anchorage
The City of Valdez
Alaska Industrial Development & Export Authority
Wells Fargo Bank
Key Bank
State of Alaska Department of Natural Resources
First National Bank Alaska
Alaska First Bank
Denali Alaska Credit Union

Appraisal Assignments

Attwood Building Rent Study, Anch., AK
Kenai Senior Housing Market Study, Kenai, AK
Highlands Luxury Apartments, Anch., AK
The Veco Building, Anch., AK
City of Valdez Assessment, Valdez, AK
Charter North Hospital, Anch., AK
McKay Building, Anch., AK
Alaska DOT Building, Juneau, AK
Alyeska Pipeline Appraisal, Prudhoe - Valdez
15th Avenue Extension ROW Project, Anch., AK
Saint Paul Health Clinic, St. Paul, AK
Residential Mortgage Building, Anch., AK

19 21

STATE OF ALASKA

DEPARTMENT OF REVENUE
DIVISION OF LAND MANAGEMENT
BOARD OF CERTIFIED REAL ESTATE APPRAISERS

BRYAN ZANE BERNHARD

GENERAL REAL ESTATE APPRAISER

Commissioner, Eni Hall



Education

Louisiana Polytechnic Institute: B.A., 1969

Real Estate and Appraisal Courses

Successfully completed in the following appraisal courses and seminars sponsored by the Appraisal Institute (AI), American Society of Farm Managers & Rural Appraisers (ASFMRA), International Association of Assessing Officers (IAAO), and the former Society of Real Estate Appraisers (SREA):

Introduction to Appraisal of Real Estate, SREA Course 101, 1974
Appraisal of Income Property, SREA Course 202, 1977
Capitalization Theory and Techniques, Appraisal Institute (AI) Part II & III, 1981
Case Studies in Real Estate Valuation, AI, 1984
Investment Analysis, AI, 1985
Valuation Analysis and Report Writing, AI, 1992
Introduction to Mass Appraisal, IAAO, 1996 & 1999
Commercial/Industrial Modeling Concepts, IAAO, 1997
Income Approach to Valuation, IAAO, 1998
Income Approach to Valuation II, IAAO, 1999
Appraisal of Rural Property A-20, ASFMRA, 2001
Highest & Best Use and Market Analysis, Appraisal Institute, 2003
Standards of Professional Appraisal Practice, AI, 2006

Plus various workshops & seminars relative to the valuation and analysis of real estate, approved and/or sponsored by the Appraisal Institute

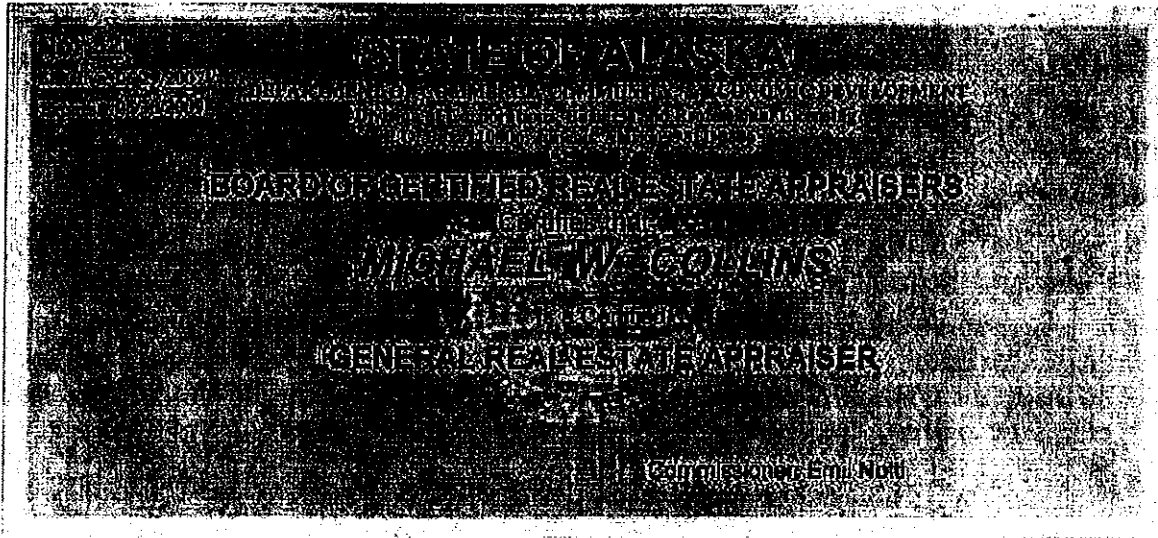
Appraisal Employment

Black-Smith, Bethard & Carlson, LLC; Commercial Appraiser, January 2005 to present
Black-Smith and Richards, Inc., Commercial Appraiser, January 2003 to January 2005
Alaska Department of Natural Resources, appraiser, October 2000 to December 2002
Municipality of Anchorage, appraisal analyst, April 1995 to October 2000
RESCO/Real Estate Services Corp., commercial appraiser, January 1991 to April 1995
Self-employed commercial appraiser, May 1990 to January 1991
Property Counselors of Alaska/RESCO, commercial appraiser, October 1986 to May 1990
Affiliated Appraisers of Alaska: commercial appraiser, January 1982 to October 1986
Appraisal Company of Alaska: commercial appraiser, 1978 to January 1982
Alaska Valuation Service: 1975 to 1978

Professional Memberships

Member Appraisal Institute, MAI designation

Mr. Collins has completed the requirements of the Appraisal Institute's program of continuing education & is a Certified General Appraiser (Alaska #32).



General Assumptions & Limiting Conditions

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies (if any) are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, 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 and other potentially hazardous materials may affect the value of the property. The value estimated 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 such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

This appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

Additional Assumptions and Limiting Conditions:

1. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
2. No legal description or survey was furnished, so the appraiser used the municipal tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted.
3. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
4. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance surveyor analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.