



1220 Glacier Avenue Juneau Alaska 99801

March 10, 2022

Dear Mr. Palmer,

I'm writing on behalf of the Taku Terrace Condo Association at 1220 Glacier Avenue. The Association currently leases their property from CBJ, account number #00000456. Some time recently, the Association reached out to the Lands Division inquiring about a potential purchase of the land from CBJ.

In advance to reaching out to Lands, the Association acquired an appraisal to determine the land value with appropriate considerations regarding the current value of the land and Leasehold. The appraisal from Horan and Company provided two numbers: one market value with no considerations, and one with appropriate considerations regarding the Leasehold interest. Understanding the Lands Department's requirements to meet ordinances and legal requirements when selling city owned property, the HOA remains concerned that Lands has not given thorough consideration to the details contained in pages 21-22 of the appraisal report.

The City and Borough, for many years, has been in support of affordable housing. Taku Terrace Association represents an affordable housing option for this part of the city. The price per square foot of Taku Terrace units remains reasonable, especially for first time home buyers. The project currently has AHFC project approval, but private financing options are dwindling due to the length of the remaining land lease term. This is due to the requirements of lenders to extend a significant number of years past the mortgage term. This situation is creating a level of hardship to the Association that could be avoided by an outright purchase of the land at a reasonable price for current and future homeowners.

After considerable efforts to research this issue, it is the HOA's best understanding that many municipalities take many factors into consideration to determine a purchase price for property that would represent "market value", meeting the legal requirements of their obligations.

The interest of the CBJ is a reversionary interest in the fee. This is generally referred to as a leased fee interest. In order to determine what a willing buyer would pay for that interest it is necessary to determine the value to a buyer of the stream of rental payments for the remaining term and the value of the reversionary interest. Any purchaser would consider

the value of the stream of payments over the remaining lease term in determining how much to pay for the property.

Any buyer would also factor into the offer the impact of taking back the property with the improvements still in place. The buildings will be approximately 90 years old. As the lease approaches the end, the tenant will not have the ability to justify further repairs and replacement of components of the building. Unfortunately for both parties during the last years of the lease the upkeep of the property will suffer. The cost of removing the improvements or rehabilitating them would be substantial. These factors lower the price that a reasonable buyer would be willing to pay. Both landlord and tenant are best served by a buyout of the fee and ill served by letting the lease run its course.

This property was deemed unusable by the Cemetery Board/Committee, due to soils and drainage and reverted to the City, prior to the negotiation of a 90-year lease agreement. The developer acquired the lease for the construction of the housing project with considerable site improvements to acquire a “buildable” site for the project to be constructed.

Incidentally, the parcel is also land locked, creating an additional and perpetual obligation to the HOA that was not noted in the original lease agreement, nor the initial appraisal. The easement agreements were not provided by CBJ for access to the land. The easement was negotiated by the developer for the exclusive use of the HOA.

The Association is asking for a path forward. Dan Bleidorn with Lands indicated that this topic is closed for discussion and that “making an offer” would not be considered as is suggested on pages 21-22 of the Horan Appraisal. He maintained that the market value rather than the Leasehold value, was the only acceptable consideration to the city. The HOA and ownership believe that this runs counter to legal precedent regarding Leasehold interest. We believe that the city has an interest in maintaining existing affordable housing options, as well as a strong vested resident ownership interest in Juneau.

Is this a topic that should or would be best presented to the assembly directly for consideration or what would be the path forward? Again, the obligation of Lands is understood; but to summarily adopt part of an appraisal with disregard to the remaining pertinent information that should be considered seems out of the ordinary. Most land purchases within municipalities involve negotiation. Any input would be greatly appreciated.

Taku Terrace Association Board of Directors