

MARKET VALUE APPRAISAL

Of

**Hypothetical Key Parcels within Sunday Lakes
Remote Recreational Cabin Staking Area**



BASE APPRAISAL REPORT No. 3489-0

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
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APPRAISAL SUMMARY

Sunday Lakes Hypothetical Key Parcels	
Location	Approximately 10 miles west of the Talachulitna River, 3 miles west of Trinity Lake and 2 miles north of Judd Lake.
Topography Map	USGS Tyonek C-5
Owner	State of Alaska
Key Parcel 'A' <i>Waterfront</i>	Size: 10-acres
	Lot Type: Waterfront or 1 st tier* waterfront on any of the following three lakes found within the staking area. A staking map depicting the lakes is included on page 9 of this report. All three lakes are considered marginal fly-in lakes. -Unnamed lake in Section 22, T17N R13W, S.M. -Unnamed lake in Section 28, 29 & 33, T17N R13W, S.M. -Unnamed lake in Section 25, 26, 35 & 36, T17N R13W, S.M.
	Access: Fly-in to above mentioned lakes
	Building Site: At least 50% level to gently sloping & adequately drained
	Setbacks: 100' building setbacks from the ordinary high water mark of all streams and all other water bodies determined to be public and navigable.
	Easements: Typical section-line easements, utility, and public access easements
	Amenities: Lakefront, typical view of surrounding area
Key Parcel 'B' <i>Interior</i>	Size: 10-acres
	Lot Type: 2 nd tier* parcel located 300-feet or more from lakes described above
	Access: Fly-in to small lakes within the staking area, then overland to parcel
	Building Site: At least 50% level to gently sloping & adequately drained
	Easements: Typical section-line easements, utility, and public access easements Amenities: Interior lot, typical view of surrounding area
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Effective Date of Value	November 28, 2007
Date of Report	November 28, 2007

*1st tier parcel is defined as a parcel with direct frontage on a lake, river or creek, or is separated from the water by public land.

*2nd tier parcel is defined as a location where a parcel(s) could be staked between the subject and the nearest water-body access.

Conclusion of value for Hypothetical Key Parcels			
	Size	Per/acre	Per/site (RND)
Key Parcel 'A' <i>Waterfront</i>	10.00 acres	\$1,000	\$10,000
	15.00 acres*	\$870	\$13,100
	20.00 acres*	\$750	\$15,000
	Size	Per/acre	Per/site (RND)
Key Parcel 'B' <i>Interior</i>	10.00 acres	\$600	\$6,000
	15.00 acres*	\$522	\$7,800
	20.00 acres*	\$450	\$9,000

-Key Parcel in bold

-*Size adjusted Key Parcels based on adjustment shown in Addenda

Adjustments		
Date of Value	Date of entry	To be determined
Location	No distinctions within staking area	None
Size, acres	Adjustments for size variations	See addenda
Easements	Typical easements are considered in the base value. Other easements or trails across staked parcels to be handled on a case-by-case basis	To be determined
Building site	Poor: Mostly steep, or wet ground, or unstable soils	0.80 to 0.90
	Average: At least 50% level to gently sloping and adequately drained	1.00
	Good: Mostly level to gently sloping, well drained	1.10 to 1.20
Amenities	Creek, lake or pond frontage	1.05 to 1.10 of Key 'B'
	Outstanding views	1.10
Miscellaneous	Differences in parcels discovered during field inspection	To be determined

Adjustment Process: An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the hypothetical key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the hypothetical key parcel, requiring an upward adjustment. An adjustment of 1.00 means the property feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the estimated value of the key parcel to yield a value for the staked parcel.

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a summary appraisal prepared in accordance with Standards Rule 1 and 2 of the current edition of **Uniform Standards of Professional Appraisal Practice** (USPAP), and in accordance with Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site staking program (AS 38.05.600).

User and Client Identity

This appraisal is prepared for the State of Alaska, Department of Natural Resources and the general public.

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under **AS 38.05.125(a)**.

Fee simple estate is defined as¹:

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

AS 38.05.125(a) states²:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: “[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved.”

Definition of Market Value³

“The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

Effective Date of Value

The effective date of the value estimate is November 28, 2007.

Exposure Time

Exposure time is defined as⁴: “...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...”

¹ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, p. 590-591

³ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.22

⁴ Uniform Standards of Professional Appraisal Practice 2004, Appraisal Foundation, p. 94.

Exposure time can vary depending on the type of property being appraised and constantly changing market conditions. Supply and demand of similar properties to the subject is an important factor for determining exposure time.

Remote parcels similar to the subject typically require a year or longer of marketing time. The subject parcels are considered average to poor when compared with other available properties on the market. Based on exposure time for similar properties, the estimated values are based on an exposure time of up to two years.

Scope of the Appraisal

I did not inspect the staking area in the field. Physical features, access and utilities were identified by the use of topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

Also, DNR appraisal records were searched for recent sales of similar parcels. Interviews were conducted with real estate agents, appraisers, and other individuals who provided data about trends in values, supply and demand. Sellers and buyers were contacted to verify sale prices and other transaction details.

In addition, a search for all DNR parcels that have sold or currently are available in the general vicinity of the staking area was undertaken.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the following assumptions and limiting conditions.

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.
3. Information furnished by others and included in the report is believed to be reliable but the appraiser does not warrant the accuracy of such information.
4. Unless otherwise noted in the report, the appraiser did not find any evidence that hazardous materials exist on these properties. The estimate of value is based on the assumption that there are no such materials on the property. The appraiser is not qualified to detect these substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge that is required to discover these substances.
5. Due to the lack of on-site inspections some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerials. The appraiser reserves the right to modify the value conclusions if an on-site inspection reveals a variation in site features from those assumed in this report.
6. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony, or be in attendance in court with reference to the property in question unless arrangements have been made in advance.
7. The data and conclusions in this report are a part of the whole valuation. Each part of this report is only part of the evidence upon which final judgment is based. Therefore, no part should be used out of context and by itself alone.
8. It is assumed that there are no hidden or apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for any such conditions, or for arranging engineering studies to discover them.
9. The estimate of value in this report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
10. Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include that value of commercial timber, if any.

PRESENTATION OF DATA

Area Data

The Sunday Lakes staking area is located 10 miles west of the Talachulitna River, 3 miles west of Trinity Lake and 2 miles north of Judd Lake. The staking area is located within a remote portion of the Matanuska Susitna Borough. The community of Skwentna is the closest town to the staking area. Skwentna is located 23 miles to the northeast of the staking area.

Skwentna

Current Population: 71 (2006 Estimated Population, not DCCED Certified). Skwentna lies on the south bank of the Skwentna River at its junction with Eight Mile Creek, 70 air miles northwest of Anchorage in the Mat-Su Borough. It lies in the Yentna River valley. It lies at approximately 61.958610° North Latitude and -151.181110° West Longitude. (Sec. 29, T022N, R010W, Seward Meridian.) Skwentna is located in the Anchorage Recording District. The area encompasses 442.8 sq. miles of land and 6.9 sq. miles of water. January temperatures range from -30 to 33; July can vary from 42 to 83. Annual precipitation averages 28 inches, including 70 inches of snowfall.

Skwentna residents are scattered over a large area of land. It has a number of seasonal-use homes. There is a small local store, and area residents use snowmachines or aircraft to travel to the post office. Employment is provided through local lodges, the post office and the airstrip.

A number of homes have individual water wells, but septic tanks are rare, consequently, very few homes are fully plumbed. Outhouses are the primary means of sewage disposal. There is no central electric system. Funds have been provided to purchase a community refuse incinerator, however, the community is undecided on a refuse solution. An unpermitted dump site near the airport is currently being used by several families, but most residents burn and bury their own refuse.

There is no road access from the George Parks Highway -- residents are dependent upon air travel and snowmachines. A State-owned 3,400' long by 75' wide gravel airstrip is available. A private airstrip and float plane access are located at Alexander Lake.⁵

PHYSICAL CHARACTERISTICS	
Location	The Sunday Lakes staking area is located 10 miles west of the Talachulitna River, 3 miles west of Trinity Lake and 2 miles north of Judd Lake. The staking area is found within Sections 13 – 36 in T17N R13W, S.M. There are 25 authorizations proposed.
Parcel Size/Gross Project Area/Net Offering	10 to 20 acres/15,303 acres/2,560 acres
Topography map	USGS Tyonek C-5
Topography/Terrain/Major Features	The area consists of a large high plateau which ranges from peaks in the northwest to undulating slopes in the southeast portion. Outcroppings of bedrock on knolls and ridges prevail across the plateau. Elevations range from 1,400 to 2,500 feet. Vegetation is sparse and scattered on the higher elevations with denser spruce, willow, and low bushy vegetation in the lower valleys around the perimeter.
Access	Access is fly-in to small lakes within the staking area.
View	The ridges and other higher elevation areas likely provide good views of the surrounding area.

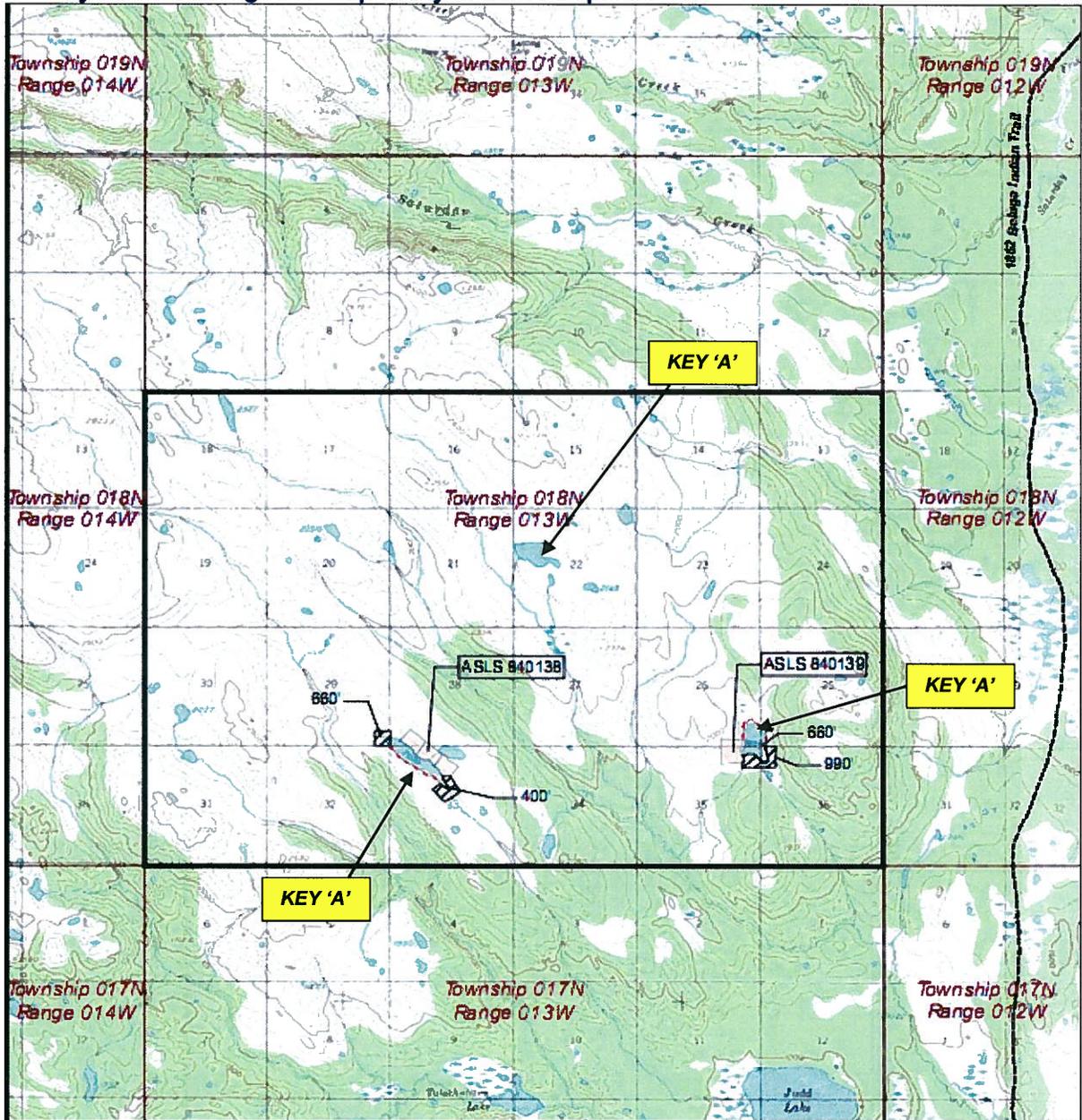
⁵ Alaska DCCED 'Community Database Online', accessed 27 November 2007.
http://www.commerce.state.ak.us/dca/CF_BLOCK.htm.

Climate	Temperatures usually range from 40 to 65 degrees in summer and -10 to 50 degrees in winter with extremes between -60 and 90 degrees. Heavy snowfall accumulation to depths of 25 feet can occur.
Soils	Unknown
Vegetation	Vegetation is sparse and scattered on the higher elevations with denser spruce, willow, and low bushy vegetation in the lower valleys around the perimeter.
Water Source	Water quality and depths are unknown.

EASEMENTS AND RESERVATIONS

Area Plan, Management Unit, Classification	Susitna Area Plan, Management Unit 8 – Talachulitna Lake Subunit 8c Sunday Lake and Coal Creek; classification order SC-81-027, private rec. Portion of the staking area is within Management Unit 6 – Hayes River Pass Subunit 6a Friday and Saturday Creeks; classification order SC-86-009, public rec. and wildlife habitat. A large portion of the staking area is proposed for a reclassification to settlement to include the original boundary of the staking area as previously offered.
Fire Management Option	The staking area is within a limited fire protection area, which means the lowest level of suppression action provided on a wildland fire in areas where values to be protected do not justify the expense of a higher level of protection, and where opportunities can be provided for fire to help achieve land and resource protection objectives.
Game Management Unit	Game Management Unit 16B
Platting Authority	Matanuska-Susitna Borough
Allowed Uses	Remote Recreational Cabin Sites are for recreational use only. No commercial use or permanent residence is allowed while under lease. Once the parcel is under purchase contract or conveyed into private ownership, these restrictions no longer apply.
Section Line Easements	All parcels staked on lands owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, or that are bisected by a protracted section line(s), are subject to a 50-foot wide easement on each side of the section line, which is reserved to the State of Alaska for public highways under AS 19.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.
Public Access and Utility Easements	All cabin sites are subject to a minimum 25-foot public access and utility easement along interior parcel boundary lines and a 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.
Public and Navigable Waterbodies, Easements & Setbacks	Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50-foot public access easement. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws. Parcels are subject to a 100-foot building setback from all streams and other public or navigable water bodies.
Reserved Areas	Reserved areas will be located at lake outlets of larger lakes.
Sewage Disposal	Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for information.
Wetlands	Cabin sites may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for information.
Improvements	Prior to construction of any structure or waste disposal system, contact the municipal authority for any permits or for required setbacks from water bodies, lot lines, and easements.
Note	This area was previously offered as Sunday Lakes Unlimited Remote staking area in 1982.

Sunday Lakes Staking Area Map w/ Fly-in Lakes Depicted



Picture of Staking Area

8/17/07 by DNR staff



-Unnamed lakes in Section 28, 29 & 33, T17N R13W, S.M. Fly-in lake on left and smaller lake on right. Parcels staked on larger lake will be considered Key Parcel 'A'

Picture of Staking Area

3/12/07 by DNR staff



-Typical terrain in staking area

ANAYLSIS AND CONCLUSIONS

Highest and Best Use

Analysis of highest and best use of the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as⁶:

“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 land to be valued is considered vacant and thus valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use. The appraised property is vacant and unimproved.

Legally Permissible

Sunday Lakes staking area is not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. The hypothetical key parcels could be developed for almost any legal use.

Physically Possible

The subject size and physical characteristics are adequate to support all reasonable and probable uses. Staked parcels will be 10 to 20 acres.

Financially Feasible

Surrounding land use is primarily recreational. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcel as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁶ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.305

Valuation Analysis

Three approaches are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common in Alaska to lease vacant land for recreational use therefore data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. The subject parcels lack any improvements; as such this approach will not be used for this appraisal.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use and physical features. Only the sales comparison approach is applicable.

Key Parcel Method

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel.

Description of Key Parcel 'A'

Key Parcel 'A' - *Waterfront*

Location	Sunday Lakes Staking Area
Size	10.00 acres
Lot Type	Waterfront or 1 st tier* waterfront on one of the following three lakes found in the staking area (lakes are shown on staking map found on page 9 of this report): -Unnamed lake in Section 22, T17N R13W, S.M. -Unnamed lake in Section 28, 29 & 33, T17N R13W, S.M. -Unnamed lake in Section 25, 26, 35 & 36, T17N R13W, S.M.
Access	Fly-in to above mentioned lakes
Utilities	None
Building Site	At least 50% level to gently sloping and adequately drained
Easements	Typical section-line easements, utility, and public access easements
Setbacks	100' building setbacks from the ordinary high water mark of all streams and all other water bodies determined to be public and navigable.
Amenities	Lakefront, typical view of surrounding area

*1st tier parcel is defined as a parcel with direct frontage on a lake, river, or creek or is separated from the water by public land.

Due to the confidentiality of sales information in the state of Alaska, the valuation section of the report is unavailable online. The entire report can be reviewed at the DNR Public Information Center:

In Anchorage

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550 W. 7th Ave. Suite 1200, Anchorage AK, 99501
Phone (907) 269-8400
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TDD for hearing impaired (907) 269-8411
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