

**MARKET VALUE APPRAISAL**  
Of  
**Hypothetical Key Parcels**  
Within the Kakhonak Lake  
Remote Recreational Cabin Sites

Base Appraisal Report No. 3588



**STATE OF ALASKA**

Department of Natural Resources  
Division of Mining, Land and Water  
550 West 7<sup>th</sup> Avenue, Suite 650  
Anchorage, AK 99501-3576

# MEMORANDUM

# State of Alaska

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**Division of Mining, Land and Water**  
550 West 7<sup>th</sup> Avenue, Suite 650  
Anchorage AK 99501-3576

DATE: December 12, 2011

TO: Kevin Hindmarch  
Review Appraiser

FROM: Brandon Simpson *BS*

SUBJECT: Appraisal of Hypothetical *Key Parcels* in the Kakhonak Lake Remote Recreational Cabin Sites Area – Base Appraisal Report No. 3588.

As requested, I have completed a valuation of the hypothetical *Key Parcels* in the above staking area. I understand that this appraisal will be used to determine the base purchase price for recreational parcels staked within this area. I am submitting this report for your review and approval.

The appraisal was completed in accordance with the "Uniform Standards of Professional Appraisal Practice" of the Appraisal Foundation and in accordance with the Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal. This is a complete, summary report based on the General Assumptions and Limiting Conditions stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have not inspected the staking area or many of the comparable sales used in this report. The physical description of the *Key Parcel* was based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

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### ADDENDA

Staking Area Map	
Comparable Sale Forms	
Size Adjustment Chart	
Special Appraisal Requirements	
Appraiser Qualifications	

<b>Conclusion of value for Hypothetical Key Parcels</b>			
	Size	Per/acre	Per/site (RND)
<b>Key Parcel 'A'</b> Kakhonak Lake Frontage	<b>5.00 acres</b>	<b>\$3,500</b>	<b>\$17,500</b>
	10.00 acres*	\$2,625	\$26,000
	15.00 acres*	\$2,275	\$34,100
	20.00 acres*	\$1,960	\$39,200
	Size	Per/acre	Per/site (RND)
<b>Key Parcel 'B'</b> Interior Lot	5.00 acres*	\$798	\$4,000
	<b>10.00 acres</b>	<b>\$600</b>	<b>\$6,000</b>
	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)

<b>Adjustments</b>		
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, mostly wet ground, or unstable soils	0.75 to 0.90
	Average: At least 50% level to gently sloping and adequately drained.	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10
Amenities	Frontage on marginal fly-in lake	2.00 of Key 'B'
	Frontage on small lake, creek or pond	1.10 of Key 'B'
	No view potential	0.90 of Key 'B'
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.

<b>Conclusion of value for Hypothetical Key Parcels</b>			
	Size	Per/acre	Per/site (RND)
<b>Key Parcel 'A'</b> <i>Kakhonak Lake Frontage</i>	<b>5.00 acres</b>	<b>\$3,000</b>	<b>\$15,000</b>
	10.00 acres*	\$2,250	\$22,500
	15.00 acres*	\$1,950	\$29,200
	20.00 acres*	\$1,680	\$33,600
	Size	Per/acre	Per/site (RND)
<b>Key Parcel 'B'</b> <i>Interior Lot</i>	5.00 acres*	\$798	\$4,000
	<b>10.00 acres</b>	<b>\$600</b>	<b>\$6,000</b>
	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)

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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, mostly wet ground, or unstable soils	0.75 to 0.90
	Average: At least 50% level to gently sloping and adequately drained.	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10
Amenities	Frontage on marginal fly-in lake	2.00 of Key 'B'
	Frontage on small lake, creek or pond	1.10 of Key 'B'
	No view potential	0.90 of Key 'B'
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 complete, 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 as<sup>1</sup>:

"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)** states<sup>2</sup>:

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 Value<sup>3</sup>**

"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 December 8, 2011.

### **Exposure Time**

Exposure time is defined as<sup>4</sup>: "...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..."

<sup>1</sup> The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.112

<sup>2</sup> Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2008, p. 624-625

<sup>3</sup> The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.23

<sup>4</sup> Uniform Standards of Professional Appraisal Practice 2008-2009, Appraisal Foundation, p. U-87.

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.

Due to the remote location and difficult access, an exposure time of one to two years is reasonable.

**Sales History**

The State of Alaska owns the appraised property.

**Scope of the Appraisal**

I have not inspected the staking area or many of the comparable sales used in this report. The physical description of the *Key Parcels* were based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

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 or other knowledgeable market participants were contacted to verify recent sale prices and other transaction details.

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. The appraiser assumes no responsibility for legal matters. The subject lots are assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. 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 Kakhonak Lake Remote Recreational Cabin Sites Staking Area is located between Lake Iliamna and Cook Inlet, about 90 miles west of Homer and 30 miles southeast of Iliamna. Kakhonak Lake is a large lake that provides year round fly-in access on floats or skis. In addition, there are a few lakes in the southeast portion of the staking area that may accommodate a float plane. A good portion of the staking area surrounding the lake is hilly and likely affords good views of the surrounding mountains. The closest town to the staking area is Iliamna which is found about thirty miles to the northwest.

### Market Area

#### Iliamna

Current Population:	109 (2010 U.S. Census Population)
Incorporation Type:	Unincorporated
Borough Located In:	Lake and Peninsula Borough
School District:	Lake and Peninsula Schools
Regional Native Corporation:	Bristol Bay Native Corporation

Iliamna is located on the northwest side of Iliamna Lake, 225 miles southwest of Anchorage. It is near the Lake Clark Park and Preserve. It lies at approximately 59.754720 North Latitude and -154.906110 West Longitude. (Sec. 12, T005S, R033W, Seward Meridian.) Iliamna is located in the Iliamna Recording District.

Commercial fishing, sport fishing, and tourism are the major sources of income for the community. In 2010, 15 residents held commercial fishing permits. Many workers depart each summer to fish in Bristol Bay. Lake Iliamna is the eighth largest lake in the U.S., and tourism is increasing. However, most lodge employees are not local workers. Most residents participate in subsistence hunting and fishing activities. Salmon, trout, grayling, moose, caribou, bear, seal, porcupine, and rabbits are utilized. Northern Dynasty Minerals Ltd. is exploring the gold, copper, and molybdenum potential of Pebble Mine, 15 miles from Iliamna, but development of the mine remains controversial, due to environmental concerns.

The 2005-2009 American Community Survey (ACS) estimated 42<sup>1</sup> residents as employed. The public sector employed 50.0%<sup>1</sup> of all workers. The local unemployment rate was 2.3%<sup>1</sup>. The percentage of workers not in labor force was 23.2%<sup>1</sup>. The ACS surveys established that average median household income (in 2009 inflation-adjusted dollars) was \$108,750 (MOE +/- \$40,940)<sup>1</sup>. The per capita income (in 2009 inflation-adjusted dollars) was \$32,124 (MOE +/- \$20,731)<sup>1</sup>. About 6.3%<sup>1</sup> of all residents had incomes below the poverty level.

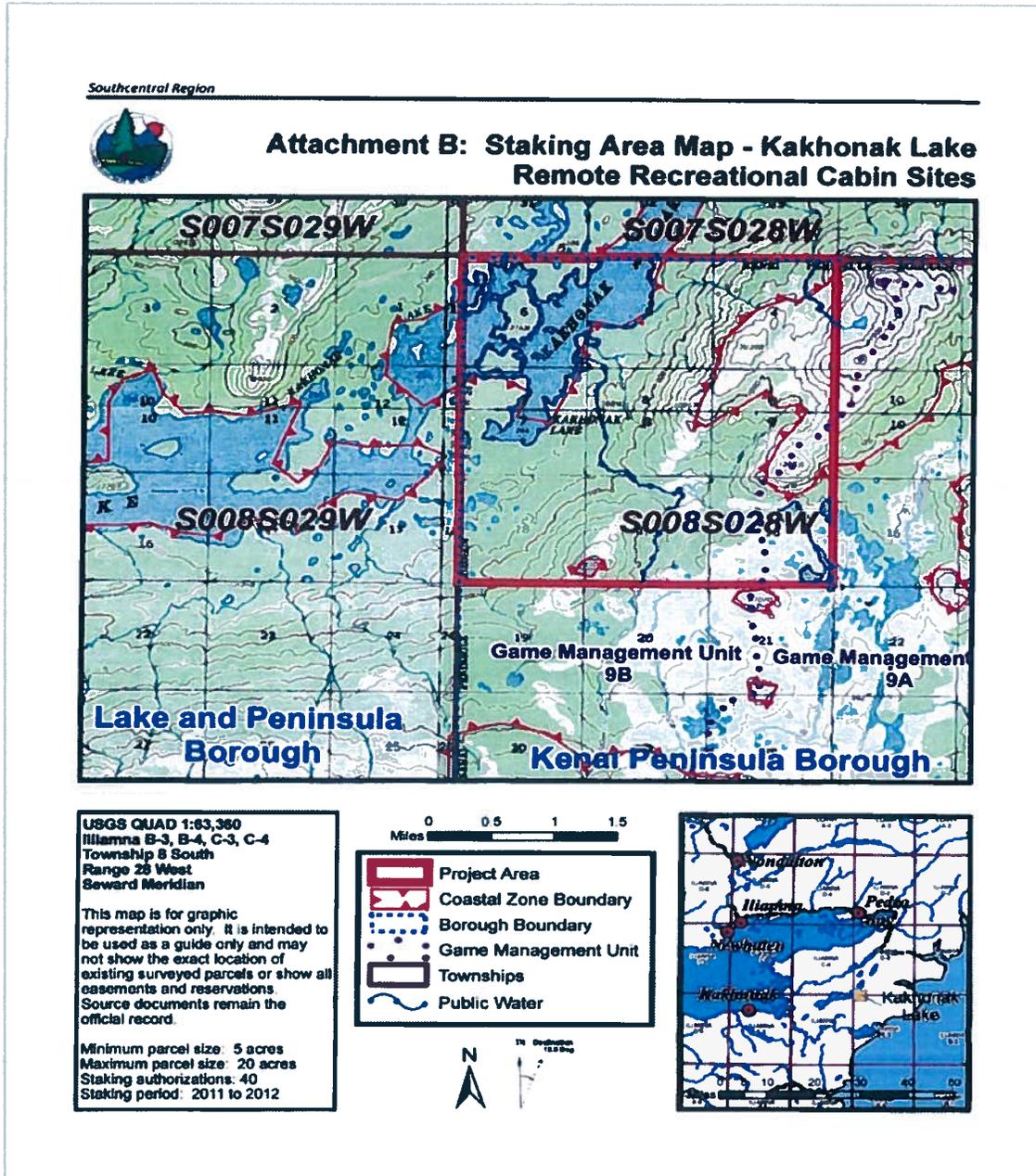
Iliamna residents use individual water wells and septic systems. Eighty-five percent of homes are fully plumbed. A 270' well provides water to the community building/village office/washeteria. Septic pumping services are provided by the village. Refuse is transported by individuals to the landfill. The INN Electric Cooperative owns a diesel plant in Newhalen and 50 miles of distribution line connect the three communities. The Tazimina Hydroelectric Project has been completed and powers Iliamna, Newhalen, and Nondalton.

Iliamna is accessible by air and water. An 8-mile gravel road connects Iliamna to Newhalen. There are two state-owned gravel airstrips; one measures 5,086' long by 100' wide, and the other is 4,800' long by 100' wide. The airstrips are located between Iliamna and Newhalen. Additional facilities include: float plane facilities at Slop Lake, East Bay, and Pike Lake, a private airstrip at

the Iliamna Roadhouse, and private float plane access at Summit Lake. Barge services are available via the Kvichak River. A breakwater, boat harbor, and dock are available.

Iliamna lies in the transitional climatic zone with strong maritime influences. Average summer temperatures range from 42 to 62 °F; winter temperatures average 6 to 30 °F. Annual precipitation averages 26 inches, with 64 inches of snowfall.<sup>5</sup>

**Property Information**



<sup>5</sup> Alaska DCCED 'Community Database Online', accessed 8 December 2011. [http://www.commerce.state.ak.us/dca/CF\\_BLOCK.htm](http://www.commerce.state.ak.us/dca/CF_BLOCK.htm).

**Kakhonak Lake** (looking east, at east shoreline of lake in section 5)



Photograph provided by DNR staff, date unknown

**Kakhonak Lake** (looking south at Kakhonak Lake)



Photograph provided by DNR staff, date unknown

**Personal Property**

There is no personal property involved with the appraisal of these properties.

<b>OFFERING INFORMATION</b>	
Proposed Number of Staking Authorizations	40
Parcel Size	5 to 20 acres
Gross Project Area	4,996 acres
Net Offering	800 acres
MTRS	T8S, R28W, S.M. Section 4 to 9 and 16 to 18
Municipal Authority	The staking area is within the Kenai Peninsula Borough and is subject to the Kenai Peninsula Borough platting authority.
Fire Management Option	The staking area has a full management option. The Alaska Interagency Wildland Fire Management Plan is updated annually. Contact the Division of Forestry for updated information regarding management options. Stakers are urged to locate parcels in hardwood strands or near water bodies to reduce potential for fire.
Game Management Unit	Game Management Unit 19A

<b>PHYSICAL CHARACTERISTICS</b>	
Location	Located between Lake Iliamna and Cook Inlet about 180 miles southwest of Anchorage.
Topography map	USGS Iliamna B-3 and C-3
Topography/Terrain/Major Features	The project area features moderately mountainous land with more gently sloped valley bottoms. Elevation ranges from approximately 240 feet to 1,800 feet above sea level.
Access	Primary access to the area is by plane to Kakhonak Lake. It may also be possible to fly-in to one of the smaller lakes in the staking area or vicinity.
View	View potential of Kakhonak Lake and surrounding Aleutian Mountains.
Climate	Staking area lies in the transitional climatic zone with strong maritime influences. Average summer temperatures range from 42 to 62 °F; winter temperatures average 6 to 30 °F. Annual precipitation averages 26 inches, with 64 inches of snowfall.
Soils/Vegetation	Soils are loam with volcanic ash over glacier till or bedrock. There are thin soils on steeper slopes and no soil on outcroppings of bedrock or rubble. Soils are generally well-drained on benches and rolling hills, less well-drained in low-lying areas and are generally free of permafrost. Vegetation is highly varied and includes alpine tundra, meadows of tall grasses, thickets of alder and other shrubs and strands of spruce. Beetle killed spruce is widespread in the area.
Water Source	There are numerous lakes and creeks found within the staking area. The water quality is unknown.

<b>EASEMENTS &amp; RESERVATIONS</b>	
Title	The State received title under Tentative Approval dated March 1, 1989 and recorded in Book 17, Page 603 in the Iliamna Recording District; and Tentative Approval dated December 1, 2004 and recorded as document 2004-000947-0 in the Iliamna Recording District.
Allowed Uses	Cabin site leases 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 such 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 30-foot public access and utility easement along interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.
Public and Navigable Water Bodies and Easements	Parcels may not be staked across any public or navigable water body. Staked parcels are subject to a 50-foot public access easement upland from the ordinary high water mark of public and navigable water bodies. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.
Setbacks and Other Restrictions	Parcels are subject to a 100-foot building setback from the ordinary high water mark of public or navigable water bodies.
Reserved Areas	All islands in the staking area will be reserved.
Oil, Gas and Minerals	The state retains ownership of all oil, gas, coal, ore, minerals, fissionable materials, geothermal resources, and fossils that may be in or upon the land that sells (AS 38.05.125). The state reserves the right to enter onto the land to explore for and develop these mineral resources. The state may lease them to mineral developers or allow mining locations to be staked. However, Alaska law provides that the surface owner will be compensated for damages resulting from mineral exploration and development (AS 38.05.130).
Waste 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.

## 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 as<sup>6</sup>:

"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**

The Kakhonak Lake 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 five to twenty acres.

### **Financially Feasible**

Surrounding land is primarily undeveloped. 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. Access to fishing and hunting are the primary motivations for surrounding recreational users.

### **Highest and Best Use of Land as Vacant**

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

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<sup>6</sup> The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278

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:

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