

MARKET VALUE APPRAISAL

Of

**Bruce Lake & Lucy Lake Parcels
For 2007 Land Auction**



APPRAISAL REPORT No. 3177-1

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue Suite 650
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MEMORANDUM

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DATE: November 16, 2006

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson 

SUBJECT: Appraisal of 2 parcels of vacant land located near Wasilla, Alaska.

As requested, I have completed an appraisal of the referenced parcels. I understand that this appraisal will be used to determine the minimum purchase price for the above referenced parcels. 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 General Appraisal Instructions, DNR. This is a Summary Appraisal 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 inspected the subject area and the comparable sales used in this report. Physical descriptions of the subject area are based on physical inspections, soil maps, aerial photography and topographic maps. Based on my observations and analysis of all available data, I have formed an opinion of market value as of the effective date of value.

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APPRAISAL SUMMARY

Location

The subject parcels are located just outside Wasilla Alaska within the Matanuska Susitna Borough. Bruce Lake is located in the Meadow Lake area, off Beverly Lake Road. The Lucy Lake Parcel is located south of the Knik-Goose Bay Road, near the Knik Arm.

Legal Descriptions

Lot 1, Block 2, Bruce Lake Subdivision, ASLS 79-155, Plat 80-103, S018N002W36
Lot 5, Block 1, Lucy Lake Subdivision, EPF 22-50, Plat 63-37, S017N002W36

Value Summary

ADL	Subdivision	Lot	Block	ASLS / EPF	Size - acres	Appraised Value
205937	Bruce Lake	1	2	79-155	1.21	\$16,200
52182	Lucy Lake	5	1	22-50	0.95	\$65,000

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a Summary Appraisal Report 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 DNR's General Appraisal Instructions.

Purpose of Appraisal

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

User and Client Identity

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

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for parcels to be acquired during the auction sale program (AS 38.05.055).

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

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, pp. 590-591

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

September 20, 2006

Date of Report

November 16, 2006

Exposure Time

Exposure time is defined as ⁴: "...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..."

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.

Parcels similar to the subjects typically require up to one year of marketing time. Based on exposure time for similar properties, the estimated values are based on an exposure time of up to one year.

Marketing Time

"Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal."⁵

Based on current market conditions for similar properties the estimated value is based on a marketing time of up to one year.

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.

⁵ Op Cl., p. 141

SCOPE OF WORK

Property and Comparable Sales Inspection

I inspected the subject parcels and comparable sales June 9, 2006.

Research and Analysis Conducted

Interviews were conducted with local real estate agents, a local assessor, and other individuals familiar with the area who provided information about trends in values, supply and demand. DNR records were searched for recent comparable sales. The recorders office was also searched to identify any recent sales. Sellers and buyers 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.

Extraordinary Assumption

It is assumed that no hazardous materials exist on the subject parcels. The appraiser is not qualified to detect these materials. Lot 1, Block 2, ASLS 79-155 (ADL 205937) has debris and building remains on the site including; concrete foundation, wood platform, rotting shed, clothes, garbage, mattresses and an uncapped well.

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. 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 the 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.
11. The per/acre value and total adjustment factor displayed in the adjustment grids in this report have been rounded for display purposes, but not for calculations.

PRESENTATION OF DATA

Property Identification

ADL	Subdivision	MTRS	Lot	Block	ASLS / EPF	Size - acres
205937	Bruce Lake	S018N002W36	1	2	79-155	1.21
52182	Lucy Lake	S017S002W36	5	1	22-50	0.95

Personal Property

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

MARKET AREA

Matanuska Susitna Borough

The Borough is comprised of the lush farmlands of the Matanuska and Susitna Valleys, approximately 42 miles northeast of Anchorage.

Low housing costs, the rural lifestyle, and a reasonable commute to Anchorage for employment and services has made the Mat-Su Borough one of the fastest growing areas of Alaska in recent years.

The economy is diverse, and residents are employed in a variety of retail, professional services, city, borough, state and federal occupations. Top employers are Mat-Su Schools, Valley Hospital, Wal-Mart, Carrs/Safeway and Fred Meyer. About one-third of the Borough's labor force commutes to Anchorage for employment. 244 borough residents hold commercial fishing permits.

Wasilla

Wasilla is located midway between the Matanuska and Susitna Valleys, on the George Parks Highway. It lies between Wasilla and Lucille Lakes, 42 miles north of Anchorage, about one hour's drive.

Residents are close to the urban amenities of Anchorage, yet enjoy a rural lifestyle.

Approximately 30% of the Wasilla workforce commutes to Anchorage. The local economy is diverse, and residents are employed in a variety of government, retail, and professional service positions. Tourism, agriculture, wood products, steel and concrete products are part of the economy. 120 area residents hold commercial fishing permits. Wasilla is the home of the Iditarod Trail Committee and Iron Dog Race.⁶

⁶ Alaska DCCED 'Community Database Online', accessed 9 November 2007.
<http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm>.

Subject parcels	
Location	The Bruce Lake parcel is located 4 ½ miles northwest of Wasilla in the Meadow Lakes area. The Lucy Lake parcel is located 7 miles southwest of Wasilla in the Knik-Goose Bay area.
Legal Description	Bruce Lake: Lot 1, Block 2, ASLS 79-155, Plat 80-103 (ADL 205937) Lucy Lake: Lot 5, Block 1, EPF 22-50, Plat 63-37 (ADL 52182)
Access	Access to Bruce Lake Subdivision is via the Parks Highway north of Wasilla, turn north onto N. Pittman Drive (paved). Continue to W. Beverly Lake Road (paved until Kimbalch Road), then take a right. Road continues to Bruce Lake Subdivision. The subject parcel has constructed gravel roads on the north, west, and south of the lot lines. Access to the Lucy Lake Subdivision is via Knik-Goose Bay Road, then left onto Fairview Road (paved), continue straight onto Hayfield Road (recently paved). Lucy Lake Subdivision is located on the right side of Hayfield Road. Lucy Lake Drive (gravel) provides further access into the subdivision.
Size and Shape	Bruce Lake: Lot 1, Block 2, 1.21-acre, near rectangular parcel Lucy Lake: Lot 5, Block 1, 0.95-acre, irregular shaped parcel
Topography/Vegetation/Soils	The Bruce Lake parcel has a small trail cut through the parcel that is somewhat overgrown. A portion of the parcel is flat to gently rolling, providing a good building site. The west half slopes down to the road. Vegetation consists of small willow and birch on the previously cleared areas and mature birch and black spruce on the remainder. Soils appear well drained. The approximate elevation of the parcel is 400 feet. The Lucy Lake parcel has constructed access that is currently blocked with a 3 foot berm. The driveway narrows as it approaches the lake, ending at a small clearing near the lake. Vegetation is a mix of willow, aspen, birch, black spruce, and high bush cranberries. The soils appear well drained. The approximate elevation of the parcel is 85 feet.
Utilities	Utilities available include electricity and telephone.
Water and Sewer	No public water or sewer systems are available.
Easements	Typical lot line, section line, and utility easements.
Hazardous Waste and Toxic Materials/Environmental Hazards	None noted. Trash, an uncapped well and rotting building material exists on the Bruce Lake parcel. No hazardous waste was readily apparent.
Zoning Regulations	All lots are located in unregulated areas of the Matsu Borough
Tax Assessments	Matanuska-Susitna Borough is the taxing authority. Parcels owned by the State of Alaska are tax-exempt. Once ownership is transferred from the State of Alaska, property taxes become the responsibility of the purchaser. Tax Assessment History Bruce Lake: Lot 1, Block 2, ASLS 79-155 2004 \$7,000 2005 \$8,000 2006 \$10,000 Lucy Lake: Lot 5, Block 1, EPF 22-50 2004 \$25,700 2005 \$27,200 2006 \$28,200
Ownership History	State of Alaska
Adjacent Land Use	Primarily residential use
Sales History	The subject parcels have not sold within the last three years

DATA ANALYSIS AND CONCLUSION

Highest and Best Use

Analysis of highest and best use for 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 as⁷:

“The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, 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 parcels are vacant and unimproved (except for debris described earlier on Bruce Lake parcel).

Legally Permissible

The subject parcels are 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. Therefore, almost any legal use of the site would be possible.

Physically Possible

The subject parcels range in size from 0.95 to 1.21 acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is a mixture of undeveloped vacant land and developed rural residential sites. Available utilities and developed access support residential uses.

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 parcels as vacant would be for residential development.

⁷ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306