

**MARKET VALUE APPRAISAL**

**Of**

**Kenai Peninsula Borough Parcels  
For 2007 Land Auction**



**APPRAISAL REPORT No. 3412**

**STATE OF ALASKA  
Department of Natural Resources  
Division of Mining, Land & Water  
550 West Seventh Avenue Suite 650  
Anchorage, AK 99501-3576**

# MEMORANDUM

# State of Alaska

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DATE: November 28, 2006

TO: Kevin Hindmarch  
Review Appraiser

FROM: Brandon Simpson *BS*

SUBJECT: Appraisal of 5 parcels of vacant land located in Kenai Peninsula Borough.

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 most of 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

Subdivision Name	ADL	Location	Legal Description
Beaver Creek	201237 & 201241	South side of Kenai Spur Highway, near intersection with Beaver Loop Road (within Kenai City Limits)	ADL 201237, L16&17 B1, EPF 3-9 ADL 201241, Tract 3, EPF 3-9
Homer Odd Lot	204113	Homer remote parcel located on bluff near where Fox River drains into Kachemak Bay	ASLS 90-66
South Caribou Lake	210454 & 210485	Homer remote parcel located a few miles southwest of Caribou Lake	ADL 210454, L5 B1, ASLS 80-155 ADL 210485, L1 B5, ASLS 80-155

### Value Summary

Subdivision	ADL	Lot/Tract	Block	ASLS/EPF	Size - acres	Appraised Value
Beaver Creek	201241	3		3-9	3.33	<b>\$3,100</b>
Beaver Creek	201237	16 & 17	1	3-9	0.918	<b>\$2,500</b>
Homer Odd Lot	204113			90-66	4.01	<b>\$5,400</b>
South Caribou Lake	210454	5	1	80-155	4.987	<b>\$6,000</b>
South Caribou Lake	210485	1	5	80-155	4.883	<b>\$6,000</b>

## 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) for the potential reoffer parcels. For the remaining parcels the appraisal will be used to establish purchase price for over the counter sales.

### **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**

July 21, 2006 for Beaver Creek parcels

June 22, 2006 for Homer Odd Lot and South Caribou Lake parcels

### **Date of Report**

November 27, 2006

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<sup>1</sup> The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

<sup>2</sup> Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, pp. 590-591

<sup>3</sup> The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.22

### **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..."

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 three years of marketing time. The subject parcels are considered average to below average 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 three years.

### **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."<sup>5</sup>

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

### **Sale History**

ADL 210454, L5 B1, ASLS 80-135 (South Caribou Lake) sold May 2003 and the contract was terminated June 2005.

ADL 201241, Tract 3, EPF 3-9 (Beaver Creek) sold November 2002 and the contract was terminated June 2005.

It is not uncommon for DNR land to sell and then later be relinquished to the state. The remaining subject parcels have not sold in the last three years.

## **SCOPE OF WORK**

### **Property and Comparable Sales Inspection**

I inspected the South Caribou Lake and Homer Odd Lot subject parcels and comparable sales 6/22/06 from the air. The Beaver Creek parcels and comparable sales were inspected 7/21/06 on the ground.

### **Research and Analysis Conducted**

Interviews were conducted with local real estate agents, appraisers, 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 recorder's 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. Individual lot values were derived by correlating the "key lot" value.

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<sup>4</sup> Uniform Standards of Professional Appraisal Practice 2004, Appraisal Foundation, p. 94.

<sup>5</sup> Op Ci, p. 141

## **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 Beaver Creek parcels and comparable sales were inspected on the ground. The remainder of the subject parcels were inspected from the air. Due to the lack of on-site inspections (aerial only) 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.

## PRESENTATION OF DATA

### Property Identification

ADL	Subdivision	MTRS	Lot/Tract	Block	ASLS/EPF	Size - acres
201241	Beaver Creek	T6N R11W Sec. 36, S.M.	3		3-9	3.33
201237	Beaver Creek	T6N R11W Sec. 36, S.M.	16 & 17	I	3-9	0.918
204113	Homer Odd Lot	T4S 10W, Sec. 4&5, S.M.			90-66	4.01
210454	South Caribou Lake	T3S R11W, Sec. 26, S.M.	5	1	80-155	4.967
210485	South Caribou Lake	T3S R11W, Sec. 26, S.M.	1	5	80-155	4.883

### Personal Property

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

### Market Area

The subject parcels are located on the Kenai Peninsula Borough.

#### ***Kenai Peninsula Borough***

The Kenai Peninsula Borough is comprised of the Kenai Peninsula, Cook Inlet and a large unpopulated area northeast of the Alaska Peninsula. The Borough includes portions of the Chugach National Forest, the Kenai National Wildlife Refuge, The Kenai Fjords National Park, and portions of the Lake Clark and Katmai National Park. The twin Cities of Kenai and Soldotna are the population centers of the Borough, approximately 65 air miles south of Anchorage.

The Kenai Peninsula, located 60 air miles south of Anchorage, is filled with stunning scenery, fascinating history and a rich cultural heritage. The Kenai River is a major sport fishing location for Anchorage residents and tourists. The river is world renowned for trophy king (chinook), silver (coho) and red (sockeye) salmon, so the Peninsula is well-traveled by sportsmen during summer months. The area has a well-capitalized infrastructure of airports, sports, roads, public schools, and energy related facilities. The economy of the Borough consists of heritage industries including commercial fishing, mining and timber, as well as tourism and petroleum industry activities. The natural beauty and recreational activities have led to a growing tourism industry with a well-developed list of attractions including world famous Kenai River, the Alaska SeaLife Center, the Challenger Learning Center, art galleries, and millions of acres of public forests.

The Borough economy is highly diverse. Many residents are employed in services for Cook Inlet oil and natural gas drilling and exploration. Oil refining operations occur north of Kenai in Nikiski. Both in-state and out-of-state visitors provide a significant industry on the Peninsula. Other important economic sectors include sport, subsistence and commercial fishing, fish processing, government, timber and lumber, agriculture, transportation, services, construction and retail trade. 1,555 borough residents hold commercial fishing permits which allow fishing for salmon, herring, cod, bottom fish such as halibut, and shellfish. Harvesting of spruce bark beetle-killed timber also occurs as value-added processes are implemented.

#### ***City of Kenai – Beaver Creek***

The population as of 2005 was 6,777. Kenai is located on the western coast of the Kenai Peninsula, fronting Cook Inlet. It lies on the western boundary of the Kenai National Wildlife Refuge, on the Kenai Spur Highway. It is approximately 65 air miles and 155 highway miles southwest of Anchorage via the Sterling Highway.

The Kenai River is a major sport fishing location for Anchorage residents and tourists. The City is the center of the oil and gas industry, providing services and supplies for Cook Inlet's oil and natural gas drilling and exploration. Tesoro Alaska's oil refining operations and Unocal's urea

plant are located in North Kenai. Both in-state and out-of-state visitors provide a significant industry on the Peninsula. Other important economic sectors include sport, subsistence and commercial fishing, fish processing, timber and lumber, agriculture, transportation services, construction and retail trade. 234 area residents hold commercial fishing permits. The largest employers are the Borough School District, Unocal, Peak Oilfield Services, the Borough, and Central Peninsula General Hospital. The Challenger Learning Center of Alaska was completed in Spring 2000. Logging of spruce bark beetle-killed timber also occurs in the area.<sup>6</sup>

**Homer Remote (Homer Odd Lot & South Caribou Lake)**

Located in remote area that is used primarily for recreation uses. Caribou Lake has numerous developed trails in the vicinity used primarily by Homer and other Kenai Peninsula residents. Summer access is possible depending on conditions. Caribou Lake is popular in the winter for snowmachine use.

**General Property Description**

<b>Location</b>	5 individual lots in 3 subdivisions located in the Kenai Peninsula Borough. The Beaver Creek parcels are located within the City of Kenai.
<b>Access</b>	The Beaver Creek parcels do not have developed access. Beaver Loop Road and the Kenai Spur provide paved access to the subdivision. Access is then along platted right-of-ways. The Homer remote parcels may be accessible by ATV in the summer (depending on conditions). Winter access is via snowmachine.
<b>Size &amp; Shape</b>	0.918 to 4.987 acres, rectangular, & irregularly shaped
<b>Topography</b>	The Beaver Creek parcels are at approximately 55 feet of elevation. The Homer remote parcels are at 1,100 to 1,500 feet of elevation. Topography is level to rolling.
<b>Soils</b>	The Beaver Creek parcels have wet areas near drainages and rolling terrain that makes developing access difficult. The three Homer remote parcels appear to have adequate drainage. Numerous cabins have been built in the surrounding area.
<b>Vegetation</b>	Beaver Creek parcels are treed with spruce and sporadic birch. The Homer remote parcels have a mix of beetle killed spruce still standing and young spruce. The area was decimated by spruce beetles but is starting to recover.
<b>Utilities</b>	The Beaver Creek parcels have electricity available on Togiak Street, Beaver Loop Road and the Kenai Spur. The cost to extend electricity is \$21.50 per foot (per Homer Electric). Electricity is currently approximately 550' from Tract 3 (ADL 201241) and 840' from Lot 16 & 17 (ADL 201237). The Homer remote parcels do not have utilities available.
<b>Water &amp; Sewer</b>	The Beaver Creek parcels have sewer available on Togiak Street. Water is available on the Kenai Spur.
<b>Easements</b>	Typical access and section line easements along lot lines are 50' section line, 60' public access, and 20' pedestrian
<b>Environmental Hazards</b>	Possible frost heaves could cause problems during construction of any improvements

<sup>6</sup> Alaska DCCED 'Community Database Online', accessed 22 November 2007. <[http://www.commerce.state.ak.us/dca/commdb/CF\\_BLOCK.htm](http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm)>.

<b>Zoning Regulations</b>	All lots are located in the Kenai Peninsula Borough and are zoned residential.
<b>Hazardous Waste &amp; Toxic Materials</b>	None observed
<b>Tax Assessments</b>	Kenai Peninsula 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.  <b>Current Tax Assessment</b> (as of 5/30/2006) <i>Beaver Creek:</i> ADL 201241, Tr. 3 EPF 3-9 - \$4,300 ADL 201237, Lot 16 & 17, EPF 3-9 - \$3,600 <i>Homer Odd Lot:</i> ADL 204113, ASLS 90-66 - \$3,500 <i>South Caribou Lake</i> ADL 210454, L5 B1, ASLS 80-155 - \$5,000 ADL 210485, L1 B5, ASLS 80-155 - \$5,000
<b>Ownership History</b>	State of Alaska
<b>Adjacent Land Use</b>	The Beaver Creek parcels are located in a mixed use area. Properties that front the Kenai Spur are a mix of commercial and residential uses. The interior parcels in the subdivision have not been developed. The Homer remote parcels are surrounded by developed recreational properties and vacant land.

## Detailed Site Descriptions & Subject Pictures

### Beaver Creek EPF 3-9

Located on the south side of the Kenai Spur Highway, with Beaver Loop Road on the east and Togiak Road on the south. Most land fronting the Kenai Spur Highway, Beaver Loop Road and Togiak Road has been developed for residential or commercial uses. Some of the Beaver Creek Subdivision parcels that front the roads have been developed. The interior lots similar to the subject parcels have not been developed. Utilities, including electric, water and sewer are available in the vicinity of the subdivision. These lots are surrounded by wetter areas and drainages. The cost to develop access due to the drainages and rolling topography is significant.



ADL 201237, L16 & 17, BI, EPF 3-9



ADL 201241, Tract 3, EPF 3-9

**Homer Odd Lot ASLS 90-66**

Located about 3 miles south of Caribou Lake, between Kachemak Bay and Caribou Lake, near the Fox River Drainage. The parcel sits on a bluff. The area is primarily a recreational area that is most popular in the winter. Due to the recent spruce bark beetle infestation a majority of the mature spruce trees are dead, but still standing. This makes for difficult access. Caribou Lake is a popular winter recreation area among local residents.



ADL 204113, ASLS 90-66

**South Caribou Lake ASLS 80-155**

The subject parcels are located in a similar location to the Homer Odd Lot. These parcels are located closer to Caribou Lake, about 1 ½ miles southwest of the lake. This allows for summer fly-in access with an overland walk.



ADL 210454, L5 B1, ASLS 80-155



ADL 210485, L1 B5, ASLS 80-155