

MARKET VALUE APPRAISAL
Of
**One Remote Parcel near Cannery Creek,
Drift River, Kenai Peninsula Borough**

ADL 222665 Tract A of ASLS 87-172



APPRAISAL REPORT No. 3452

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

**A. SUMMARY OF APPRAISAL NO. 3452**

1. ADL NO(S): 222665
2. SIZE: 39.94 acres
3. APPLICANT: N/A
4. LOCATION: South of Drift River, north of Cannery Creek and about 8 miles west of Cook Inlet
5. LEGAL DESCRIPTION(S): Tract A, ASLS 87-172
6. INTEREST APPRAISED: Fee Simple Title less Mineral Rights
7. PURPOSE OF THE APPRAISAL: Estimate Market Value
8. APPRAISED BY: Johnthomas Williamson
9. DATE of REPORT: November 5, 2007
10. DATE of VALUE(S): June 14, 2007
11. APPRAISED VALUE(S): \$16,000

B. SUMMARY OF REVIEW

1. DATE of REVIEW: November 15, 2007
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: Establish minimum bid price for sealed bid auction
5. PURPOSE of REVIEW: Evaluate for Technical Compliance with DNR Instructions & USPAP
 Evaluate for Technical Compliance with UASFLA Develop Independent Estimate of Value
Other: _____
6. SCOPE OF REVIEW: I Inspected the Subject on _____ I Did Not Inspect the Subject
I Inspected the Comparable Sales on _____ I Did Not Inspect the Comparable Sales
I Independently Verified the Comparable Sales in the Report Yes No
Data and Information Considered in Addition to that Contained in the Report: None See Sections C thru F
Extraordinary Assumptions, Hypothetical Conditions, & Other Limiting Conditions for this review:
 None See Section G Related appraisals reviewed: _____
Proofread DNR data entry: Yes No
7. RESULTS OF REVIEW: Not Approved Approved Approved Value: \$16,000

C. COMPLETENESS OF APPRAISAL MATERIAL WITHIN SCOPE OF WORK APPLICABLE TO THE ASSIGNMENT/CONFORMANCE with APPRAISAL INSTRUCTIONS: Adequate.**D. ADEQUACY and RELEVANCE of APPRAISAL DATA and PROPRIETY OF ADJUSTMENTS: Adequate****E. APPROPRIATENESS OF APPRAISAL METHODS and TECHNIQUES: Adequate.****F. ANALYSES, OPINIONS, and CONCLUSIONS ARE APPROPRIATE and REASONABLE, except: Appropriate**



G. REVIEWER'S ASSUMPTIONS AND LIMITING CONDITIONS

1. This review is based on data and information contained in the appraisal report as well as any additional data from other sources that is identified in this review.
2. The reviewer assumes that the data and information in the appraisal are factual and accurate.
3. The reviewer reserves the right to consider any additional data or information that may subsequently become available, and to revise an opinion or conclusion, if such data and information warrant a revision.
4. All assumptions and limiting conditions contained in the appraisal report are part of this review unless otherwise stated.
5. A title report has not been provided to the appraiser and the reviewer. Unless specifically noted in the report or this review, it is assumed that the only easements and restrictions that affect the property are those shown on the plat.
6. The value of commercial timber, if any, is specifically excluded from the final conclusion of value.

REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3452

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this review.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I did did not personally inspect the subject property of the report under review.
- No one provided significant professional assistance to the person signing this review report.

Reviewed by Kevin Hindmarch
Kevin Hindmarch, Review Appraiser

Date 11/15/07

cc: Holly Hill
Jeffrey Bruno

MEMORANDUM

State of Alaska

Department of Natural Resources

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Division of Mining, Land and Water

550 West 7th Avenue, Suite 650

Anchorage AK 99501-3576

DATE: November 5, 2007

TO: Kevin Hindmarch
Review Appraiser

FROM: Johnthomas Williamson
Appraiser I

SUBJECT: Appraisal of Cannery Creek Remote Odd Lot; ADL 222665, Tract A of ASLS 87-172.

As requested, I have completed an appraisal of the above referenced parcel. I understand that this appraisal will be used to determine the minimum purchase price in the upcoming Sealed Bid Land Auction. This parcel has been previously offered to the public; however, title has reverted to the State of Alaska. 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. 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 inspected the subject parcel and most of the comparable sales used in this report (aerial only). Physical descriptions of the subject parcels were based on inspections, aerial photography, topographic maps, peer appraisal reports, interviews with realtors and various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market values as of the effective date of value.

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APPRAISAL SUMMARY

Location and Legal Description

ADL	Location	Legal Description
222665	South of the Drift River, north of Cannery Creek and about 8 miles west of Cook Inlet.	Tract A of ASLS 87-172

Summary of Value

Subdivision	ADL	Tract	Alaska State Land Survey	Size (acres)	\$/acre	Value (RND)	Date of Value
Cannery Creek Remote OL	222665	A	87-172	39.94	\$400/acre	\$16,000	June 14, 2007

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 DNR's Special Appraisal Instructions.

Purpose of Appraisal

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

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for parcels to be acquired through the auction sale program under **AS 38.05.055**.

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:

“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.”¹

AS 38.05.125(a) states:

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.”²

Definition of Market Value

“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.”³

Effective Date of Value Estimate

June 14, 2007.

Date of Report

November 5, 2007.

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

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

Exposure Time

Exposure time is defined as "...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..."⁴

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.

Several parcels are currently listed in the area. Difficult and inconsistent access is the primary factor in the amount of time that these parcels require on the market. The subject parcels are considered average to below average when compared with more accessible properties available on the market. Based on exposure time for similar properties, the estimated values are based on an exposure time of up to three years.

Property History

The State of Alaska currently owns the subject parcel; however, the parcel was at one time encumbered by a private party. A homestead permit was issued in 1987, which was revoked in 1992. The Department of Natural Resources is the owner of record.

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

Scope of the Appraisal

Property and Comparable Sales Inspection

I inspected the subject property and most comparable sales on June 14, 2007. The parcels were examined by aerial inspection only. Physical features and access were identified by use of physical inspections, topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

Research and Analysis conducted

Interviews were conducted with, real estate agents, appraisers, pilots, water-taxi services, local residents, and other individuals familiar with the area who provided information about trends in values, supply, demand, access, and physical characteristics of the subject properties. DNR records were searched for recent comparable sales. The Kenai Borough database was searched for relevant sale information and the DNR Records Office was searched to identify any recent sales. Private real estate agent websites were searched for recent listings, while sellers, buyers, or agents 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. 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. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. Due to the lack of on-site inspections for the subject parcels (aerial only) some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerial photography. 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.
11. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
12. In this valuation, various mathematical calculations were used to formulate the opinion of value. These calculations are only aids for the formulation of the opinion of value by the appraiser, Therefore, in the application of these calculations, certain arithmetical figures are rounded to the nearest significant amount.

PRESENTATION OF DATA

Market Area – The Kenai Peninsula Borough⁵

Current Population: 51,350

Location:

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. It lies at approximately 60.550000° North Latitude and -151.266670° West Longitude, including the Kenai, Seward, Homer, and Seldovia Recording Districts. The area encompasses 16,013.3 sq. miles of land and 8,741.3 sq. miles of water. January temperatures range from 4 to 22; July temperatures vary from 46 to 65. Average annual precipitation is 20 inches

History & Culture

The Kenaitze Indians (Dena'ina) have occupied the Peninsula historically. The City of Kenai was founded in 1791 as a Russian fur trading post. In the early 1900s cannery operations and construction of the railroad spurred development. It was the site of the first major Alaska oil strike, in 1957, and has been a center for exploration and production since that time. The Borough was incorporated as a second-class borough in 1964

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 renown 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

Economy:

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.

Employment:

Total Potential Work Force (Age 16+):	36,781
Total Employment:	20,486
Civilian Employment:	20,364
Military Employment:	122
Civilian Unemployed (And Seeking Work):	2,630
Percent Unemployed:	11.4%
Adults Not in Labor Force (Not Seeking Work):	13,665
Percent of All 16+ Not Working (Unemployed + Not Seeking):	44.3%

⁵ <http://www.matsugov.us/Planning>. & <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm> accessed 5-7-2007

Private Wage & Salary Workers:	13,691
Self-Employed Workers (in own not incorporated business):	2,578
Government Workers (City, Borough, State, Federal):	3,976
Unpaid Family Workers:	119

Communities located within the Borough include: Anchor Point, Grouse Creek Group, Beluga, Clam Gulch, Cohoe, Cooper Landing, Crown Point, Diamond Ridge, Fox River, Fritz Creek, Funny River, Halibut Cove, Happy Valley, Homer, Hope, Kachemak, Kalifornsky, Kasilof, Kenai, Lowell Point, Miller Landing, Moose Pass, Nanwalek, Nikiski, Nikolaevsk, Ninilchik, Port Graham, Primrose, Ridgeway, Salamatof, Seldovia, Seldovia Village, Seward, Soldotna, Sterling, Sunrise and Tyonek.

Transportation:

Kenai is accessible by the Sterling Highway to Anchorage, Fairbanks, Canada and the lower 48 states. Scheduled and charter airlines and helicopter services are provided. Both Homer and Seward have developed deepwater docks. The Nikiski industrial area has 4 additional private docking facilities for tankers, ocean-going freighters, and other marine transportation. The State Ferry serves Homer.

Drift River Area⁶

The Drift River area is located on the western side of the Cook Inlet, approximately 35 miles due west of Kenai, and 20 miles southwest of the Tanaina village of Kustatan. The area lies between Lake Clark National Park to the west, the Cook Inlet to the east, and is characterized by rugged topography quickly giving way to a broad flat alluvial plain. Glacially fed streams produce a myriad of sloughs that run to the Inlet, 10 miles to the east. To the west, foothills quickly rise to 3000 foot peaks. The Drift River Valley is a braided drainage approximately a mile wide, between the foothills of Redoubt Volcano to the south and the massive Double Glacier to the north.

During the 1990 eruption, Redoubt's lava dome collapsed causing a pyroclastic flow. Melted snow and ice mixed with ash flooded the Drift River Valley and threatened the Cook Inlet Pipe Line Company's Drift River Terminal Facility, a staging area for crude oil located on the coast. Access to the area was temporarily shut down due to volcanic ash in the air. The USGS has since installed acoustic-flow monitoring stations along the Drift River to alert the Alaska Volcano Observatory when seismic activity reaches certain levels.

⁶ Information source <http://volcanoes.usgs.gov/About/What/Monitor/Hydrologic/AFMRedoubt.html>



Looking northwest



Looking south

**Property description for:
ADL 222665 – Tract A of ASLS 87-172, Plat 90-31 Anchorage Recording District**

Location

The Subject is located approximately 17 miles northeast of Mt. Redoubt, 6 miles northwest of the Cook Inlet Pipe Line Company's Drift River Terminal Facility, 1 mile south of the Drift River, and 1 mile north of Cannery Creek.

Access

Access to the subject is by fly in only. It is possible to land a wheeled plane on the gravel bars along the Drift River to the north, then walk in.

Size & Shape & Topography

The subject is 39.94 acres and is irregularly shaped. Topography is level.

Soils/Vegetation

The parcel contains primarily a mixture of mature alder, birch and spruce, indicative of adequately drained soils. The suitability of a septic system is unknown.

Utilities, Water & Sewer

None. No public water or sewer system is available. Water supply is limited to local sources, water quality is unknown. Sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Regulations

No zoning. The parcels are located within an unregulated area of the Kenai Peninsula Borough. The survey plat indicates a 25' public access easement on all lot lines with a 50 foot section line easement along the southern boundary.

Adjacent Land Use

The surrounding area is predominantly characterized by Wildlife Habitat and Recreational Use.

Personal Property

There is no personal property involved with the appraisal of this property.

Ownership History

The subject was first offered by Department of Natural Resources under the Homestead Program in 1987. After multiple attempts, the applicant failed to construct a habitable dwelling. The permit was eventually revoked in 1992 and the property has reverted to the State of Alaska, the Department of Natural Resources is the owner of record.

Tax Assessments⁷

The subject was assessed by the Kenai Peninsula Borough taxation authority in 2006 at \$13,600, Tax ID 22111205. There is no tax burden assessed to the State of Alaska, tax assessments to private parties will become active when property is sold into private ownership.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic materials or toxic waste was observed during the field inspection. Environmental hazards include typical hazards found near volcanoes, mainly residual ash. Please note, the violent eruption in 1990 dumped ash on the subject, but the parcel was not flooded by the mud & debris laden lahars.

⁷ <http://www.borough.kenai.ak.us/gisdept/IMS/disclaimer.htm> accessed 09-17-2007



Looking west



Looking northeast

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 as:

“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.”⁸

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 applicable) is then based on their contribution to this use. The appraised parcels are vacant and unimproved.

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 parcel is 39.94 acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is within the unregulated zone of the Kenai Peninsula Borough, and is primarily wildlife habitat with some seasonal recreational users. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational or rural residential 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, hunting, camping and general recreation 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 subject parcels as vacant would be for almost any legal use, primarily private recreation.

⁸ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306