

# MEMORANDUM

State of Alaska

## Department of Natural Resources

Tel (907) 269-8514

Fax (907) 269-8914

[Michael.Ward@dnr.state.ak.us](mailto:Michael.Ward@dnr.state.ak.us)

## Division of Mining, Land and Water

550 West 7<sup>th</sup> Avenue, Suite 650

Anchorage AK 99501-8914

DATE: August 3, 2004

TO: Judy A. Robinson, SRWA  
Review Appraiser

FROM: Michael R. Ward, Appraiser

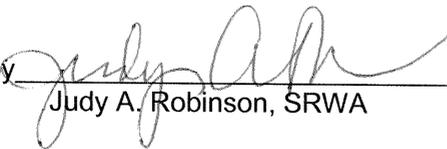
SUBJECT: Supplemental Report # 3176-01  
Description of Hypothetical Key Parcel "A" in the Dugan Hills  
Remote Recreational Cabin Staking Area

This memorandum provides an explanation of revisions to the description of Key Parcel "A", located within the Dugan Hills Remote Recreational Cabin Site Staking Area. The base report (Report 3176) was completed in May 2002 and approved in June 2002. Key Parcel "A" was described in the original report (#3176, pages iv and 12) as requiring a 50 foot staking setback from the ordinary high water mark of the Tanana River. The staking map within the report incorrectly shows a 50 foot staking setback from the OHW mark.

Research of the case files for this area indicates that the map is wrong and that there is no staking setback along the Tanana River. The original reports that "because of the potential for flooding and erosion along the Tanana River and larger creeks in the staking area, the 100 foot building setback and 50 foot staking setback are not considered detrimental." Because Report 3176 makes no adjustment for the staking setback, no adjustment is required for Supplemental 3176-01. The original reports correctly states a 50 foot public access easement, a 100 foot building setback and a 100 foot scenic easement affecting Key Parcel "A". These easements were correctly identified and considered in the original report and no changes are necessary. The value conclusions of the original report remain unchanged.

In the case of conflicting requirements or restrictions, this supplemental report (3176-01) supercedes the original report (3176).

Approved by



Judy A. Robinson, SRWA

Date

8/3/2004

Cc: Kathy Means  
Pandora Willingham  
Charles Pinckney  
Jeannie Proulx  
Marta Mueller  
Brandon Simpson  
Rey Alvarez

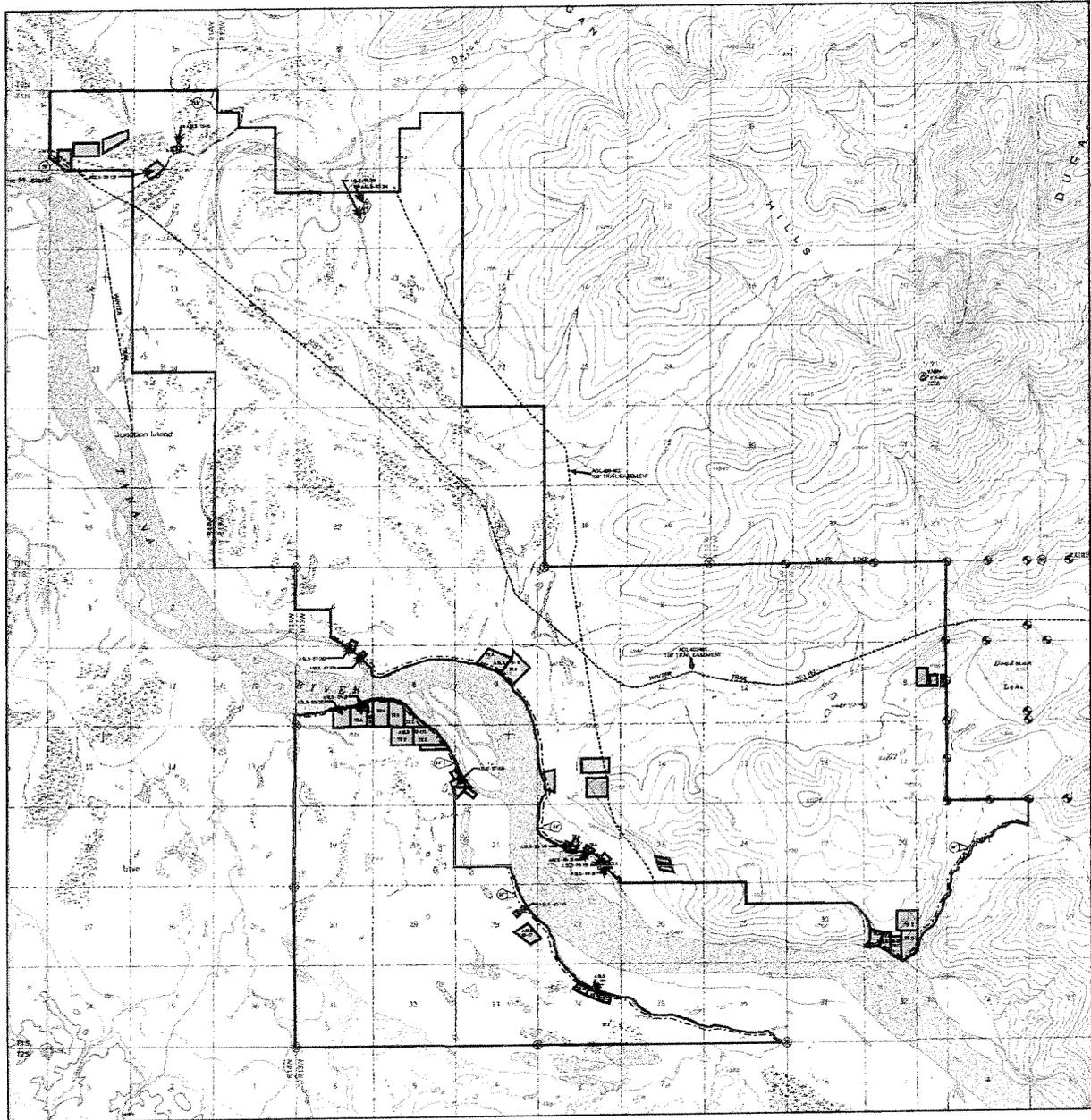
# MARKET VALUE APPRAISAL

of

Hypothetical Key Parcels within the

DUGAN HILLS

Remote Recreational Cabin Staking Area



**BASE APPRAISAL REPORT No. 3176**

**STATE of ALASKA**

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

# TABLE OF CONTENTS

## INTRODUCTION

Title Page	
Transmittal Memorandum .....	ii
Table of Contents .....	iii
Appraisal Summary, Key Lot Values, and Adjustments .....	iv

## PREMISE OF THE APPRAISAL

Type of Appraisal and Report .....	5
Purpose and Use of the Appraisal .....	5
Client and User Identity .....	5
Property Rights Appraised .....	5
Definition of Market Value .....	5
Effective Date of Value Estimate .....	5
Scope of the Appraisal .....	6
Assumptions and Limiting Conditions .....	6

## PRESENTATION OF DATA

Area Analysis .....	8
Neighborhood/ Staking Area Description .....	9

## DATA ANALYSIS AND CONCLUSION

Highest and Best Use .....	10
Sales Comparison Approach .....	11
Explanation of Adjustments .....	11
Key Parcel Method .....	11
Description and Valuation of Key Parcels .....	12
Discussion of Comparable Sales & Value Conclusions .....	13
Certification of Value .....	14

## ADDENDA

Comparable Sales Map	
Comparable Sale Forms	
Adjustments	
Legal Description	
Special Appraisal Instructions	
Appraiser Qualifications	

## APPRAISAL SUMMARY

### Dugan Hills Staking Area—Summary

This staking area is 13 to 26 miles southeast of Manly Hot Springs and about 70 miles west of Fairbanks, along the Tanana River. It contains about 36,000 acres and ranges in elevation from 260 to 1,030 feet.	
Legal Description	Within Sections or portions of Sections 1, 2, 12, 13, & 24 T1N R14W; Sections 4, 6-9, 16-21, 27-34 T1N R13W; Sections 1-25, 27-36, T1S, R13W; Sections 5-8, 17-21, 28-30 T1S R12W, Fairbanks Meridian
Owner	State of Alaska
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Date of Inspection	N/A
Effective Date of Value	May 17, 2002
Date of Appraisal	May 17, 2002

Summary of Values for Hypothetical Key Parcels			
Dugan Hills Staking Area			
Key Lot Type	50' setback from Tanana River	Dugan Creek or other navigable creek	> 600 ft. from Tanana River & not on navigable creek
Size	5 acres	5 acres	5 acres
Estimated Market Value	\$13,500	\$8,100	\$6,800

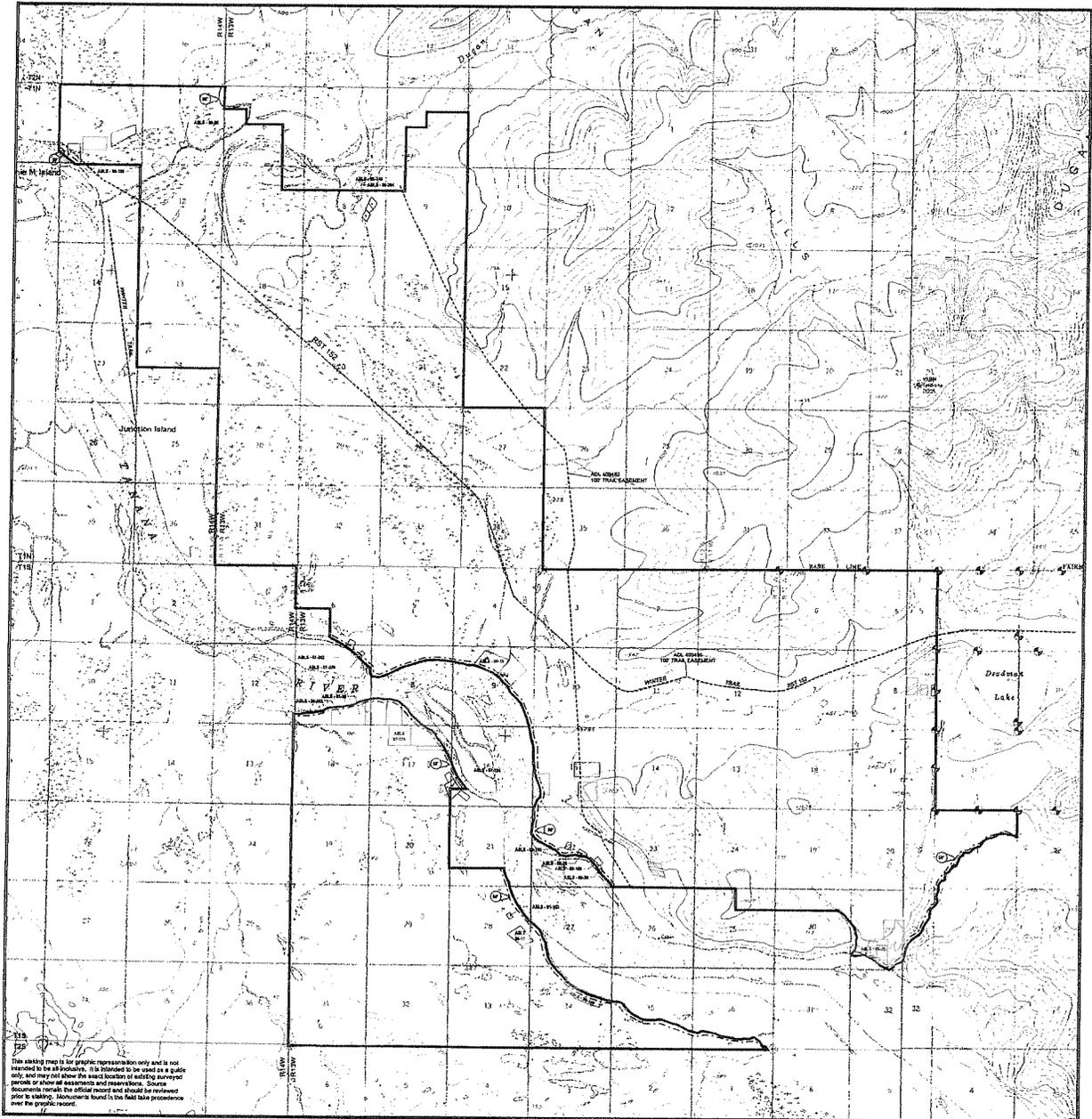
**Adjustment Process:** An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the hypothetical key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the hypothetical key parcel, requiring an upward adjustment. 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.

### Adjustments

Date of Value	Date of entry	To Be Determined
Location	No distinction within the individual staking areas	None
Size, acres	Upward adjustment for variations from the based parcel size of 5 acres	Waterfront-9%/Ac. Nonwaterfront-3%/Ac.
Easements	Non-typical easements	To Be Determined
Building site	Good: less than 40% swamp Average: 40%-60% swamp Poor: more than 60% swamp Steep	1.10 1.00 0.90 0.80

# Staking Map: DUGAN HILLS

Remote Recreational Cabin Site Area No. 11244



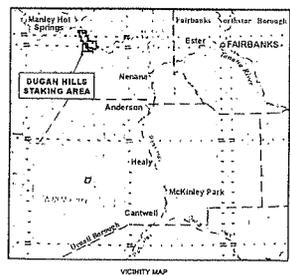
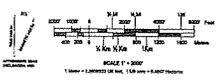
This staking map is for graphic representation only and is not intended to be used as a guide, and may not show the exact location of existing surveyed points or show all easements and reservations. Source documents remain the official record and should be consulted for all staking. Monuments found in the field take precedence over the graphic record.

USGS QUAD 142334  
 Fairbanks River 1-1  
 T. 12, R. 13 W.  
 T. 12, R. 13 W.  
 T. 12, R. 13 W.  
 Fairbanks Section

**NOTES:**  
 Maximum parcel size 20 acres  
 Minimum parcel size 5 acres  
 Staking information:  
 Staking period:  
 All parcels within 100 feet of the State of Alaska that contain land within 100 feet of a surveyed or proposed boundary, and are not subject to a 50-foot wide easement, are subject to the provisions of the State of Alaska for public use.  
 All parcels are subject to a 50-foot public access easement and 100-foot building setback from the roadway (100-foot setback from the roadway). Some water bodies may have staking setbacks or other setbacks.  
 The staking level has been verified and their vertical location may differ on the ground. All staking levels are shown. Labeling of these levels does not guarantee the accuracy of a level or its use in a staking or construction.  
 Staking is not allowed across any navigable water body.  
 Staking is not allowed around improvements or structures.  
 A staking setback will be required.  
 There is a 100-foot wide vehicle easement measured from the arbitrary high water mark of the Tanana River.  
 This area is subject to the State of Alaska staking authority.

**Legend**

- Staking Area Boundary
- Road
- - - - - Trail or Easement
- - - - - Limited Water Body Frontage
- Staking Setback
- Size of Staking Setback in Feet
- Aerial Station
- No Staking in This Area
- Reserved Use Area  
No staking in this area
- Wood Lot Reserve  
No staking in this area
- Staking Power (MELS, USS, etc.)  
No staking in this area
- Mining Claims  
No staking in this area
- ELM Monument of Record
- State Survey Monument
- Survey Control Monument



VICINITY MAP

## PREMISES OF THE APPRAISAL

### TYPE OF APPRAISAL AND REPORT

This is a complete, summary appraisal prepared in accordance with Standard Rules 1 and 2 of the Uniform Standards of Professional Appraisal Practice, Appraisal Foundation, and in accordance with Special Appraisal Instructions, DNR Remote Cabin Sites, for calendar year 2001.

### PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the current market value of the properties described in this report.

### INTENDED USE OF THE APPRAISAL

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

### CLIENT AND USER IDENTITY

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

### PROPERTY RIGHTS APPRAISED

The rights appraised are the fee simple estate less the mineral rights reserved to the State of Alaska under AS 38.05.125(a). Fee simple estate is defined<sup>1</sup> 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."

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 which 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 in 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.*

In accordance with instructions from the State of Alaska, market value for the appraised property is estimated in terms of seller financing typical for the property type as of the date of appraisal.

### EFFECTIVE DATE OF VALUE ESTIMATE

The effective date of the value estimate is May 17, 2002.

### EXPOSURE TIME

Exposure time is "...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>4</sup>

<sup>1</sup> The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1996, p.7

<sup>2</sup> Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 1998, pp. 561-62

<sup>3</sup> The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1996, p.22

Exposure time varies with the type of property and also changes with market conditions. The market for remote recreational properties has been sluggish for years. Supply has grown faster than demand. The market is somewhat saturated. Primary sellers are DNR, the University of Alaska, the Mental Health Lands Trust, Native allottees, and some boroughs. Remote parcels such as the subject typically require 12 or more months of marketing time.

Compared with competing parcels in the overall market for remote parcels, the market appeal for the subject area is average. Considering exposure times for similar properties, appraised values for the subject parcels are based on an exposure time of one 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>

Considering current market conditions and foreseeable supply and demand as of the date of appraisal, appraised values for the subject parcels are based on an estimated marketing time of one to three years.

## **SCOPE OF WORK**

I did not inspect the staking areas or the comparable sales in the field. Physical features of the staking area and access 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. Lack of a summer or fall inspection of subject staking areas and the comparable sales limits the appraiser's understanding of differences in desirability between the staking areas and the comparable sales.

DNR appraisal records were searched for recent sales of parcels similar to the hypothetical key parcels appraised in this report. Also, Recorder's office records were searched for recent sales within the staking area.

After analysis of all available data, appropriate sales were selected for comparison with a key parcel of the subject properties being appraised for each staking area. The market value estimates of the hypothetical key parcels are based on the following assumptions and conditions.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. The property is appraised as vacant land without structural or site improvements.
2. Some parcels may contain saw timber but not necessarily in commercial quantities. The estimated market value does not include the value of commercial timber, if any.
3. The data and conclusions embodied in this report are a part of the whole valuation. Each part of this appraisal 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.
4. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question, unless prior arrangement has been made and adequate time is provided to review the appraisal.
5. 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.
6. 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.

---

<sup>4</sup> Op. cit. p. 83.

<sup>5</sup> *Uniform Standards of Professional Appraisal Practice 2001*, Appraisal Foundation, p. 128.

Therefore, in the application of these calculations, certain arithmetical figures are rounded to the nearest significant amount.

7. The information furnished by others is believed to be reliable but it is not warranted for its accuracy. Plats of lease areas in this report are included for illustration only and may not be to scale.
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 such conditions, or for arranging engineering studies to discover them.
9. Unless otherwise stated in this report, the appraiser does not know about the existence of hazardous materials or toxic substances, which may or may not be present on the property. The appraiser is not qualified to detect such substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

## PRESENTATION OF DATA

### AREA ANALYSIS

#### **General Location and Physical Features**

The broad area is a remote area about 13 miles southeast of the community of Manly Hot Springs. Manly Hot Springs is 160 road-miles west of Fairbanks, at the end of the Elliott Highway. The community is situated about five miles north of the Tanana River on the Hot Springs Slough.

#### **Population and Economic Base**

Manly Hot Springs has a reported population of 72. There are reported to be a variety of small businesses, many residents having three or four methods of producing income. Some residents use the barter system. Government employment accounts for about a quarter of the jobs. Most of the community leads a subsistence lifestyle. A new resort with a small swimming pool reportedly opened in 1985.

#### **Government and Services**

Most of the population hauls treated water from a wellhouse about a mile east of town on the Elliott Highway. Goods and fuel are typically delivered by truck. There is a State-owned, gravel airstrip available year-round. There is a boat launch on the Tanana River for fishing, transportation, and barge services during the summer months.

## NEIGHBORHOOD/STAKING AREA ANALYSIS

### General Requirements & Information

The Dugan Hills staking area is about thirteen miles southeast of Manly Hot Springs and contains approximately 36,000 gross acres. The staking area lies on either side of portions of the Tanana River for distance of about 15 miles.

Elevation in the staking area varies from 260 feet to 1,030 feet. About 11 sections of land or approximately 7,000 acres are considered hilly or even mountainous. Another 3,000 acres appears swampy. There is a winter trail with a 100-foot easement extending through the middle of the east portion of the staking area for distance of about 10 miles. The Deadman Lake is situated about one-quarter mile east of the staking area. It is a somewhat popular recreational lake with primarily fly-in access. There is another winter trail easement lying in a north--south direction from near the river northward to near Dugan Creek.

All parcels are subject to a 50-foot public access easement and 100-foot building setback from the ordinary high water line of all water bodies. Also, there is a 100-foot wide scenic easement along the Tanana River.

There are several staked parcels in the area, most of which are on or near the Tanana River. Several of these parcels both on and off the River appear to have been staked but never surveyed.

Because the area is not within an organized borough, entry-persons will be required, at their expense, to meet all state survey, subdivision and platting requirements. These areas were approved by the Department of Environmental Conservation for non-water carried sewage disposal systems (i.e. chemical, humus, and incendiary, etc.) Anyone wishing to install any other type of disposal system must first receive approval from the Department of Environmental Conservation.

No individual water supply system or sewage disposal system shall be permitted on any parcel unless such system is located, constructed, and equipped in accordance with the requirements of the Alaska Department of Environmental Conversation. Approval of such systems shall be obtained from said authority.

All lands within these offerings have been patented to the State of Alaska.

### DETAILED PARCEL DESCRIPTIONS

The hypothetical key parcels are described in the valuation section of this report.

## HIGHEST AND BEST USE

Highest and best use is defined as:

*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.*<sup>6</sup>

The highest and best use of a site must meet four criteria. The highest and best use of a property must be:

- legally permissible,
- physically possible,
- financially feasible, and
- maximally productive.

The value of land is generally estimated as though vacant and available for development to its highest and best use. The appraisal of improvements (when present on the site) is based on their actual contribution to the total value of the property. The appraised property is vacant and unimproved.

### HIGHEST and BEST USE of SITE as VACANT

#### Legally Permissible

There are no local zoning laws limiting the development of the parcels. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. The hypothetical key subject 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. Parcels will be 5 to 20 acres. Being 10 air miles from the nearest community plays a large part in determining the highest and best use for this staking area.

#### Financially Feasible

Surrounding land use on or near lakes and rivers in this region is primarily recreational. Development of a parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

#### Maximally Productive

Again, surrounding land use is recreational. Maximally productive use is the use that generates the maximum return from the proceeds of a sale or lease. All parcels staked in the area are on the three largest lakes within the staking area. Reportedly, there are private recreational cabins constructed on some of the lakes around which the comparable sales are situated. This is their maximally productive use.

### Highest And Best Use Of Land As Vacant

Based on the foregoing analysis, the highest and best use of a hypothetical parcel if vacant would be for almost any legal use. But because of the remote location, fly-in access, and the cost of building anything in such an area, the highest and best use is for private recreational cabin development.

---

<sup>6</sup> The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1996, p297

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**

(in the Atwood Building)  
550 W. 7<sup>th</sup> Ave. Suite 1200, Anchorage AK, 99501  
Phone (907) 269-8400  
Fax (907) 269-8901  
TDD for hearing impaired (907) 269-8411  
e-mail: [dnr.pic@alaska.gov](mailto:dnr.pic@alaska.gov)  
Business hours 10:00 am to 5:00 pm M-F.

**In Fairbanks**

(Corner of University & Airport Way)  
3700 Airport Way, Fairbanks, AK 99709  
Phone (907) 451-2705  
Fax (907) 451-2706  
TDD for hearing impaired (907) 451-2770  
e-mail: [fbx-pic@alaska.gov](mailto:fbx-pic@alaska.gov)  
Business hours 10:00 am to 5:00 pm M-F.

**In Juneau**

(Southeast Div. of Land)  
400 Willoughby Ave., 4<sup>th</sup> Floor, Juneau AK 99801  
Phone (907) 465-3400  
Fax (907) 586-2954  
e-mail: [southeast\\_land@dnr.state.ak.us](mailto:southeast_land@dnr.state.ak.us)  
Business hours 10:00 am to 5:00 pm M-F.