

**MARKET VALUE APPRAISAL
of**

**One parcel located within the Beaver Creek Subdivision, one parcel within the Old Sterling Highway
North Subdivision, and five parcels within the Forest Knolls Subdivision**

APPRAISAL REPORT No 4645-0

**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

Department of Natural Resources
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DATE: February 12, 2024

TO: Kevin Hindmarch
Review Appraiser

FROM: Michael S. Dooley
Appraiser II



SUBJECT: Appraisal of one parcel located within the Beaver Creek Subdivision, five parcels within the Forest Knolls Subdivision, and one parcel within the Sterling Highway North Subdivision.

As requested, I have completed an appraisal of the above referenced parcels and understand that this appraisal will be used to determine a minimum purchase price for a sealed bid auction. 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 an 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 physically inspected all of the subject parcels and comparable sales. The 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 these 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

Subdivision Name	ADL's	Location	Legal Description
Beaver Creek Alaska	201209	6608 Kenai Spur Highway. Approximately 4.0 miles east of the Bridge Access Road, just east of Eagle Street.	Lot 14, Block C of Beaver Creek Alaska Subdivision Amended
Forest Knolls	Various Parcels	Located on the northeast side of the Old Sterling Highway, approximately 1.3 miles north of the intersection of the Old Sterling Highway and The New Serling Highway.	Various parcels within ASLS 2018-30
Old Sterling Highway North	233755	Located on the north side of the Old Sterling Highway, approximately 2.6 miles north of the intersection of the Old Sterling Highway and The New Serling Highway.	ASLS 2018-29

SUMMARY OF VALUES

Beaver Creek Alaska

ADL	Lot	Block	Survey	Site Size	Value
201209	14	C	EPF309	0.93	\$35,000

Forest Knolls

ADL	Lot	Block	Survey	Site Size	Value
233935	2	1	ASLS 2018-30	4.23	\$14,000
233940	2	2	ASLS 2018-30	9.82	\$22,000
233941	3	2	ASLS 2018-30	4.58	\$15,100
233942	4	2	ASLS 2018-30	3.14	\$12,100
233943	5	2	ASLS 2018-30	2.50	\$10,600

Sterling Highway North

ADL	Lot	Block	Survey	Site Size	Value
233755	1	1	2018-29	2.42	\$35,000

Type of Appraisal and Report

This appraisal report is 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 the current market value of the properties described in this report.

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

Sterling Highway North: October 10, 2023

Forest Knolls: October 11, 2023

Beaver Creek: October 12, 2023

Date of Report: February 12, 2024

¹ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.78

² Alaska Statutes Title 38, Public Land Article 5, <http://www.legis.state.ak.us/basis/folio.asp>, Accessed 01/22/2024.

³ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.58

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; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort."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. Marketing times of one to two years are typical for the Beaver Creek subdivision. Marketing times of no more than one year are typical for the Old Sterling Highway North and Forrest Knolls Subdivisions.

Scope of the Appraisal

Property and Comparable Sales Inspection

I performed a ground inspection of the subject properties and all of the comparable sales for the Sterling Highway North Subdivision on October 10, 2023. I performed a ground inspection of the subject properties and all of the comparable sales for the Forest Knolls Subdivision on October 11, 2023. I performed a ground inspection of the subject properties and all of the comparable sales for the Beaver Creek Subdivision on October 10, 2023. Physical features and access were identified by use of previous aerial 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, local residents, and other individuals familiar with the area who provided information about trends in value, supply, demand, access, and physical characteristics of the subject properties. DNR records and the Records Office databases were searched for recent comparable sales while the Kenai Peninsula Borough database was searched for relevant sale information. Private real estate agent websites were searched for recent listings while sellers, buyers, and 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.

⁴ Uniform Standards of Professional Appraisal Practice 2018-2019, Appraisal Foundation, U-2

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 visualize 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 the value of commercial timber, if any.
10. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
11. 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.
12. 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.

PRESENTATION OF DATA

Market Area – The Kenai Peninsula Borough⁵

Location:

The Kenai Peninsula Borough lies directly south of Anchorage, the State's principal population center. The waters of the Gulf of Alaska and Prince William Sound border the borough on the south and east with the dramatic Chigmit Mountains of the Alaska Range rimming the borough to the west. The Cook Inlet divides the borough into two land masses. The peninsula itself encompasses 99 percent of the borough's population and most of the development. The Kenai Mountains run north and south through the peninsula, contrasting to the lowlands lying to their west. The west side of the Inlet is sparsely inhabited, with the village of Tyonek being the largest populated settlement. The boundaries of the borough encompass a total of 25,600 square miles, of which 15,700 square miles are land.

Local Government:

The Kenai Peninsula Borough was incorporated in 1964 as a second-class borough under the authority of the State of Alaska Borough Act of 1961. The Borough's governmental responsibilities are comparable to those of a county.

Demographics:

According to the 2020 Census, the population was 59,767. There were 32,733 housing units in the community and 76.5% were occupied. Its population was 8.1 percent American Indian or Alaska Native; 82.7 percent white; 0.9 percent black; 1.9 percent Asian; 0.3 percent Pacific Islander; 6.1 percent of the local residents had multi-racial backgrounds. Additionally, 4.6 percent of the population was of Hispanic decent.

Economy:

The economy is diverse, and residents are employed in a variety of retail, professional services, city, borough, state, and federal occupations.

Facilities:

The five first-class and home-rule cities in the borough are Kenai, Soldotna, Homer, Seldovia, and Seward. Other locally governed communities include Kachemak City and the native villages of Tyonek, Port Graham, and Nanwalek.

Transportation:

The area accesses both the Seward and Sterling Highways. Small commercial airlines serve Kenai Airport, but local municipal airport supports private and chartered services. The Alaska Railroad provides for delivery of ocean freight.

Anchor Point Neighborhood⁶

Anchor Point is located on the Kenai Peninsula at the junction of the Anchor River and its north fork, 14 miles northwest of Homer. It lies at mile 156 of the Sterling Highway.

History, Culture and Demographics

In the summer of 1778, Captain James Cook and crews of the Resolution and Discovery sailed into the Inlet looking for a Northwest Passage and gave Anchor Point its name after losing a kedge anchor to the awesome tidal currents. A post office was established in 1949. Anchor Point, North America's Most Westerly Highway Point, is a destination choice of visitors from around the world. Year around recreational opportunities abound from river and saltwater fishing, camping, and hiking opportunities in the summer to snow machining, cross country skiing, and nearby ice fishing in winter contributing to its nickname of the fun capital of the Kenai. According to Census 2020, the population was 2,105.

Facilities, Utilities, Schools, and Health Care

The facilities include a post office and a public library. The majority of residents have individual wells, septic tanks, and complete plumbing. There is the Anchor Point Water treatment facility that services 348 residents. There is one school

⁵ All information regarding market area and neighborhood information derived from <https://www.kpb.us/our-geography>, and <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

⁶ All information regarding neighborhood information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

located in the community. Local hospitals or health clinics include Anchor Point Public Health Center, and Seldovia Village Tribe Health and Wellness-Anchor Point Clinic.

Homer Neighborhood⁷

Homer is located on the north shore of Kachemak Bay on the southwestern edge of the Kenai Peninsula. The Homer Spit, a 4.5-mile-long bar of gravel, extends from the Homer shoreline. It is 227 road miles south of Anchorage, at the southern-most point of the Sterling Highway.

Culture and Demographics

The Homer area has been home to the Kenaitze tribe for thousands of years. In 1895, the U.S. Geological Survey arrived to study coal and gold resources. Prospectors bound for Hope and Sunrise disembarked at the Homer Spit. The community was named for Homer Pennock, a gold mining company promoter, who arrived in 1896 and built living quarters for his crew of 50 on the spit. Their plans were to mine the beach sands along Cook Inlet, from Homer to Ninilchik. The Homer Post Office opened shortly thereafter. In 1899, Cook Inlet Coal Fields Company built a town and dock on the spit, a coal mine at Homer's Bluff Point, and a 7-mile-long railroad that carried the coal to the end of Homer Spit. Various coal mining operations continued until World War I, and settlers continued to trickle into the area, some to homestead in the 1930s and 40s, others to work in the canneries built to process Cook Inlet fish. Coal provided fuel for homes, and there is still an estimated 400 million tons of coal deposits in the vicinity of Homer. The city government was incorporated in March, 1964. According to Census 2020, the population was 5,522.

Facilities, Utilities, Schools, and Health Care

The facilities include a post office and a public library. Many of the residents have individual wells, septic tanks, and complete plumbing. There is the Homer Water treatment facility that services 5,400 residents. There are eight schools located in the community. Local hospitals or health clinics include South Peninsula Hospital, Homer Public Health Center, and Seldovia Village Tribe Health and Wellness Clinic.

Transportation

Homer is served by the Homer Airport and the Beluga Lake Seaplane Base.

Kenai Neighborhood⁸

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.

Culture and Demographics

Prior to Russian settlement, Kenai was a Dena'ina Athabascan village. Russian fur traders first arrived in 1741. At that time, about 1,000 Dena'ina lived in the village of Shk'ituk't, near the river. The traders called the people "Kenaitze" or "Kenai people." In 1791, a fortified Russian trading post, Fort St. Nicholas, was constructed for fur and fish trading. It was the second permanent Russian settlement in Alaska. In 1849, the Holy Assumption Russian Orthodox Church was established by Egumen Nicholai. In 1869, the U.S. Military established a post for the Dena'ina in the area, called Fort Kenay, which was abandoned in 1870 after Alaska was purchased by the U.S. A post office was established in 1899. Through the 1920s, commercial fishing was the primary activity. In 1940, homesteading enabled the area to develop. The first dirt road from Anchorage was constructed in 1951. In 1957, oil was discovered at Swanson River, 20 miles northeast of Kenai - the first major Alaska oil strike. The city was incorporated in 1960. In 1965, offshore oil discoveries in Cook Inlet fueled a period of rapid growth. Kenai has been a growing center for oil exploration, production, and services since that time. The Kenai River is a major sport fishing location for Anchorage residents and tourists. The river is world-renowned for trophy king and silver salmon. The Kenaitze (Tanaina Athabascans) live borough-wide and utilize the rich resources of Cook Inlet. According to Census 2020, the population was 7,424.

Facilities, Utilities, Schools, and Health Care

⁷ All information regarding neighborhood information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

⁸ All information regarding neighborhood information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

The facilities include a post office and a public library. Many of the residents have individual wells, septic tanks, and complete plumbing. There is the Kenai Water Treatment system that services 5,460 residents. There are nine schools located in the community. Local hospitals or health clinics include Peninsula Community Health Services, Kenai Public Health Center, and Dena'ina Wellness Center-Kenaitze Indian

Transportation

Kenai has access to the Sterling Highway. The city-owned Kenai Municipal Airport provides a grooved asphalt runway, gravel strip, and a water runway at the float plane basin. A flight service station is available. Float plane facilities are also available at Island Lake and Arness Lake. There are five additional privately-owned airstrips in the vicinity. The Kenai City Dock and boat ramp are located near the mouth of the Kenai River. There are also a number of private commercial fish processing docks. Moorage is by buoys anchored in the Kenai River.

General Property Description for Beaver Creek Subdivision

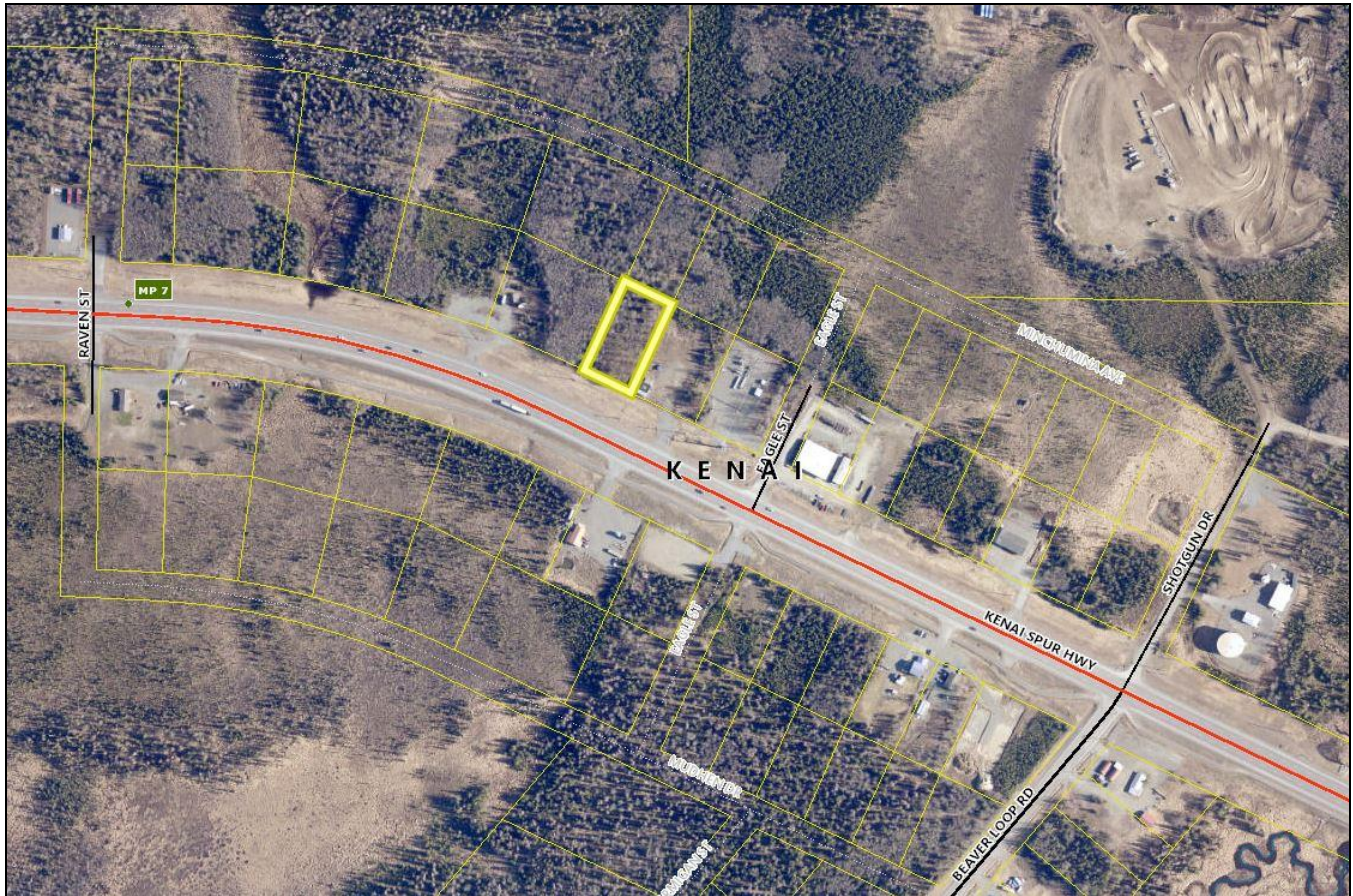
Legal Description

The following table illustrates the subject parcel located in the Beaver Creek Alaska Amended Subdivision, within Township 006 North, Range 11 West, Section 36 of the Seward Meridian.

ADL	Lot	Block	Survey	Site Size
201209	14	C	EPF No. 3-9	0.93

Location

6608 Kenai Spur Highway. Approximately 4.5 miles east of downtown Kenai, just west of Beaver loop Road.



The subject parcel is located on the north side of the Kenai Spur Highway, between Downtown Kenai and Downtown Soldotna.

Access

Access to the subdivision is paved Kenai Spur Highway.

Size & Shape

The subject parcel is 0.93-acres in size and is rectangular in shape.

Topography

The parcel has level topography.

Soils/Vegetation

The subdivision contains primarily mature birch and spruce mix with some areas of wetlands on the north side of the property. Soils are typical of the surrounding area.

Utilities, Water & Sewer

Electric, natural gas, public water, and telephone service are all available adjacent to the subject. 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

The subject parcel is zoned General Commercial. No easements are indicated on Plat 81-101, it is assumed there are no negative effects of easements.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic material, waste, or hazards were observed during the field inspection.

Tax Assessments⁹

The subject is located within the taxing authority of the Kenai Peninsula Borough; however, there is no tax burden assessed to the State of Alaska from the borough. Tax assessments to private parties will become active when property is sold into private ownership. The 2023 mill rate for the subject subdivision is 8.66.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel within the Beaver Creek Subdivision. The contract to purchase the subject parcel was recorded on February 25, 2021. An affidavit of termination of the contract was recorded on September 6, 2022. There are no other known deed transfers or contracts to purchase the subject property within the past 3 years.

Personal Property

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

⁹ <http://ak-kenai-assessment.publicaccessnow.com/PropertySearch.aspx?s=0410621008-02-2022>.

Beaver Creek Subdivision Photos



Looking West



Looking East



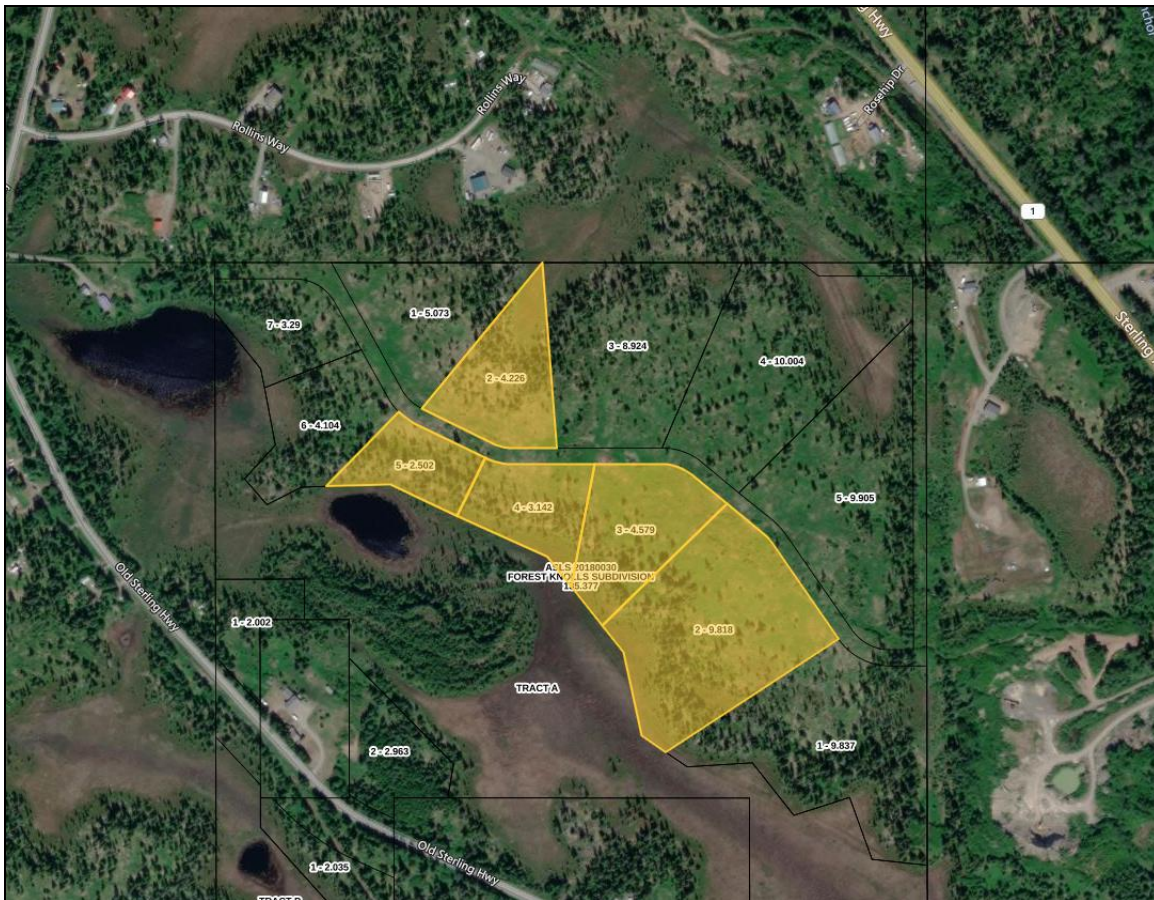
General Property Description for Forest Knolls Subdivision

The following table illustrates the subject parcels located in the Forest Knolls Subdivision. All of the parcels are within Township 005 South, Range 014 West, Section 30, Seward Meridian.

ADL	Lot	Block	Survey	Site Size
233935	2	1	2018-30	4.23
233940	2	2	2018-30	9.82
233941	3	2	2018-30	4.58
233942	4	2	2018-30	3.14
233943	5	2	2018-30	2.50

Location

Forest Knolls Subdivision is located approximately 2.0 miles northwest of the intersection of The Sterling Highway and the Old Sterling Highway, on the east side of the Old Sterling Highway.



Access

Access is by Rollins Way to platted, but unimproved, Rosehip Drive, and platted, but unimproved, Foxtrot Street, to the subject subdivision.

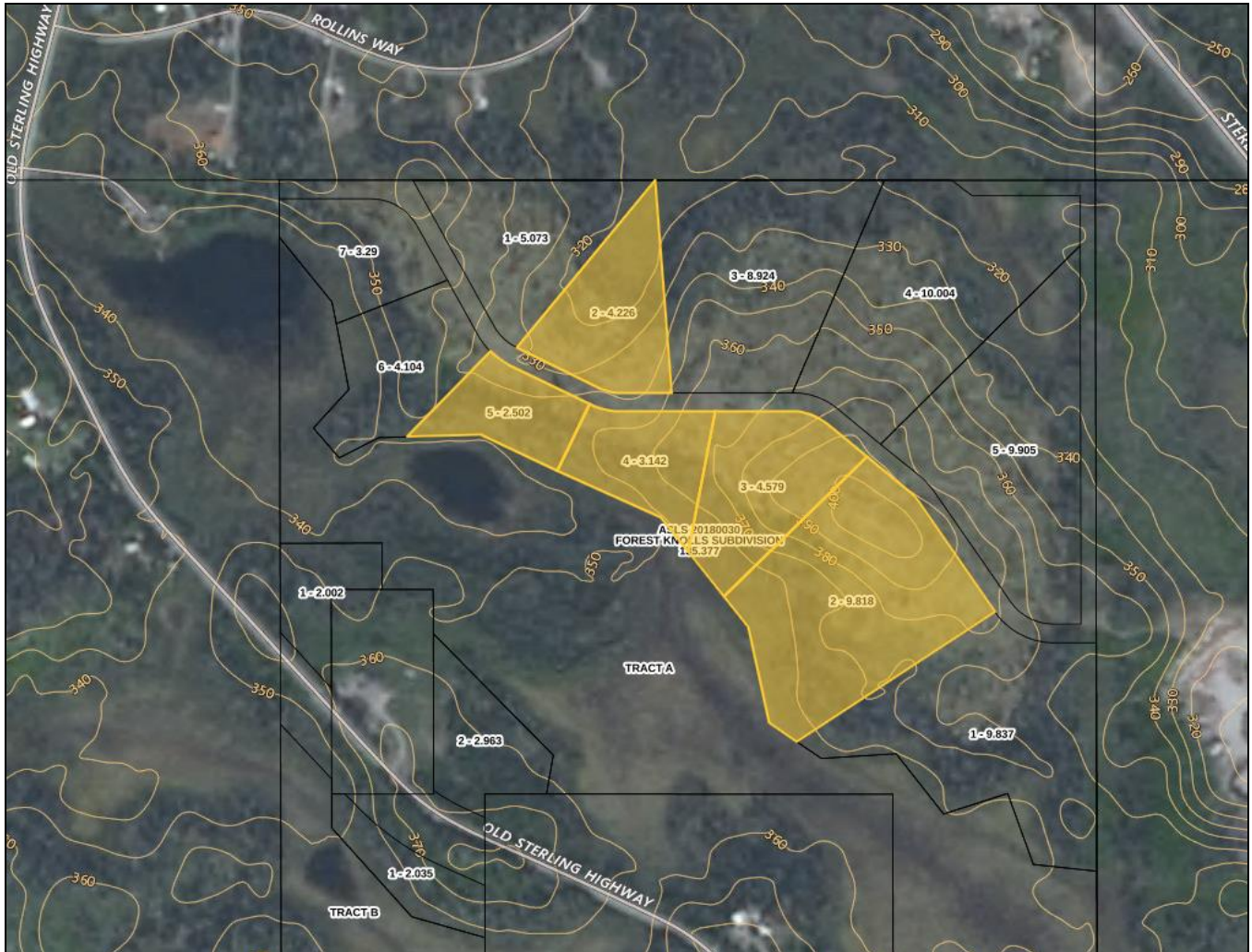


Size & Shape

The subject parcels range in size from 2.50 to 9.82 acres and they are all irregular in shape.

Topography

The subdivision is characterized as having a level to undulating topography with portions of each parcel having slopes greater than 20%. The subdivision is located at approximately 320' to 380' above sea level.



Soils/Vegetation

The subdivision contains primarily mature birch, spruce, alder trees, and open areas of grasses and fireweed. Soils are typical of the surrounding area with areas of wetlands in the low-lying areas. The subject plat indicates that the Army Corp of Engineers should be contacted prior to construction on any wetlands if applicable.

Utilities, Water & Sewer

None of the subject parcels have electrical service. Overhead electrical lines run along Rollins Drive. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed, and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Amenities

Views of area wetlands and ponds.

Easements & Zoning Regulations

No zoning, the subjects are located within an unregulated area of the Kenai Peninsula Borough. Parcels are subject to a 20' building setback from all platted rights-of-way, which serves as a public utility easement. There is a 50' section line easement at the northern corner of Lot 2 of Block 1. In addition, there is a 25' public pedestrian easement along the west property line of Lot 4 of Block 2

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic material, waste, or hazards were observed during the field inspection.

Tax Assessments¹⁰

The subjects are located within the taxing authority of the Kenai Peninsula Borough; however, there is no tax burden assessed to the State of Alaska from the borough. Tax assessments to private parties will become active when property is sold into private ownership. The 2023 mill rate for the subject subdivision is 9.66.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcels within the Forest Knolls Subdivision. There are no other known deed transfers or contracts to purchase the subject property within the past 3 years.

Personal Property

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

¹⁰ <http://www.matsugov.us/realpropertyquery/detail> accessed 01-22-2024.

Forest Knolls Photos

Lot 2, Block 1 Looking south from wetland area.



Looking east from northwest corner.



Lot 2, Block 2, looking northwest from northeast corner.



Looking east from the swamp near the southwest corner.



Lot 3, Block 2 Looking northeast for the southwest corner.



Looking west for the northeast corner.



Lot 4, Block 2 Looking northwest from the southeast corner.



Looking northeast from the southwest corner.



Lot 5, Block 2 looking east from the west property line.



Looking east from the southwest corner.



Description of the Sterling Highway North Subdivision Parcel

The following table illustrates the subject parcel located in the Sterling Highway North Subdivision. The parcel is in Township 005 South, Range 015 West, Section 24, Seward Meridian.

ADL	Lot	Block	Survey	Site Size
233755	1	1	ASLS 2018-29	2.42

Location

The parcel is located approximately is located on the north side of the Old Sterling Highway, three miles north of the intersection of the Old Sterling Highway and The Sterling Highway.



Access

Access to the subdivision is by the paved Old Sterling Highway.

Size & Shape

The subject parcel is 2.42-acres and is irregular in shape.

Topography

The parcel is characterized by a level to sloping topography that generally slopes down from the Old Sterling Highway.

Soils/Vegetation

The parcel contains primarily mature birch, spruce, alder trees, and grasses. Soils are typical of the surrounding area, with areas of wetlands in the low-lying areas toward the back of the parcel. An Army Corp of Engineers Wetland Permit may be required to develop wetlands.

Utilities, Water & Sewer

Overhead electrical service and natural gas run along the Old Sterling Highway. Water supply or sewage disposal systems must be located, constructed, and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Amenities

None

Easements & Zoning Regulations

No zoning, the subject is located within an unregulated area of the Kenai Peninsula Borough. The parcel is subject to a 20' building setback from all platted rights-of-way, which also serves as a public utility easement. There is also a 50' building setback from apparent wetlands. In addition, there is a well on the neighboring lot to the west that has a 100' well radius extending onto the subject parcel.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic material, waste, or hazards were observed during the field inspection.

Tax Assessments¹¹

The subject is located within the taxing authority of the Kenai Peninsula Borough; however, there is no tax burden assessed to the State of Alaska from the borough. Tax assessments to private parties will become active when property is sold into private ownership. The 2023 mill rate for the subject subdivision is 9.66.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel within the Old Sterling Highway North Subdivision. There are no other known deed transfers or contracts to purchase the subject property within the past 3 years.

Personal Property

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

¹¹ <http://www.matsugov.us/realpropertyquery/detail> accessed 01-24-2023.

Old Sterling Highway North Photos

Looking Southeast



Looking Northwest



DATA ANALYSIS AND CONCLUSION

Beaver Creek

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.”¹²

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.

Legally Permissible¹³

The subject parcel is located within Kenai Peninsula Borough, and within the city limits of Kenai. The subject is zoned General Commercial.

a) *Intent.* The CG Zone is established to provide for areas where a broad range of retail, wholesale, and service establishments is desirable. Uses are regulated to concentrate commercial development to the greatest extent possible and to prevent any uses which would have an adverse effect upon nearby properties.

Physically Possible

The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

The subject neighborhood is a mix of commercial, industrial, recreational, and residential use. The subject is zoned for General Commercial use. Developed road access and the availability of utilities make this parcel financially feasible for commercial use.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. Although the interior parcels in the area are zoned for rural residential use, the Kenai Spur corridor in the immediate vicinity is primarily general commercial use.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcel as vacant would be for General Commercial use as permitted by zoning.

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. Because, as vacant, this parcel is not an income producing property, this approach will not be utilized.

¹² [The Appraisal of Real Estate](#), Thirteenth Edition, Appraisal Institute, 2008, p.277-278

¹³ <https://www.kenai.city/planning/page/zoning>. Accessed 01/22/2024.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. As such, the cost approach will not be used.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use, and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Key Parcel Method

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel. This methodology replicates typical developer thinking. Since there is only one subject parcel in the Beaver creek subdivision, this methodology will not be used in this analysis.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 (or <) means the sale feature is superior to that appraised property and requires a downward adjustment to match the quality of the key parcel's feature, thus indicating the value of the key parcel. An adjustment greater than 1.00 (or >) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to match, thus indicating the value of the key parcel. An adjustment of 1.00 (or =) means the sale 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 sale price to indicate the value of a key parcel. The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and the adjustments is contained in this report and addenda.

Unit of Comparison

Generally, the buyers and sellers in the marketplace determine the unit of comparison, e.g., price per acre, square foot, site, front foot, etc. The appropriate unit of comparison has been identified and analyzed accordingly for the parcel.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statue 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

Financing Terms

In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer quantifiable difference in prices as a result of terms. In general, a cash transaction would tend to be at the lower end of the price range with listings or sales with favorable financing usually setting the upper limit.

Conditions of Sale

Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

Market Conditions (Time)

Analysis of real estate sales in the subject area indicates that prices of vacant land have been level in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

Location

The subject parcel and all comparable sales are located in the same market area. No location adjustment is necessary.

Size & Topography

The comparable parcels have been grouped together in a manner in which minimizes required adjustments. However, Comp #3 is two lots that sold together, and were sold at a slight discount for a bulk sale. As such, this sale received an upward qualitative adjustment for the bulk sale.

Building Site Condition and Soil Quality Adjustments

The comparable sales have similar soil qualities as compared to the Subject Parcel. No soil quality adjustments were warranted.

Access

The Beaver Creek subject parcel and the associated comparable sales have paved road access. No access adjustment is required.

Utilities

The Beaver Creek subject parcel has electrical service, natural gas, and water adjacent to the lot along the Kenai Spur Highway. BC-4 lacks public water and required an upward adjustment.

Zoning

The subject parcel and BC-1 through BC-3 are zoned General Commercial. BC-4 is zoned Rural Residential (RU). RU zoning allows for commercial use conditionally. Therefore, this sale received an upward adjustment for use.

Forest Knolls Subdivision

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.”¹⁴

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.

Legally Permissible¹⁵

The subject parcels are located in Anchor Point, Alaska, but outside of the city limits. The subject parcels are not subject to any known zoning requirements. Almost any legal use of these sites would be possible.

Physically Possible

The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

The subject neighborhood is a mix recreational and residential use, with residential use predominant. However, undeveloped road access and the lack of available utilities make this parcel financially feasible for recreational use.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. The subject neighborhood is a mix recreational and residential use, with residential use predominant.

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 recreational use.

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for residential use, therefore data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. As such, the cost approach will not be used.

¹⁴ [The Appraisal of Real Estate](#), Thirteenth Edition, Appraisal Institute, 2008, p.277-278

¹⁵ <https://www.kenai.city/planning/page/zoning>. Accessed 01/22/2024.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use, and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Key Parcel Method

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel. This methodology replicates typical developer thinking and will be used in this analysis.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 (or $<$) means the sale feature is superior to that appraised property and requires a downward adjustment to match the quality of the key parcel's feature, thus indicating the value of the key parcel. An adjustment greater than 1.00 (or $>$) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to match, thus indicating the value of the key parcel. An adjustment of 1.00 (or $=$) means the sale 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 sale price to indicate the value of a key parcel.

The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and the adjustments is contained in this report and addenda.

Unit of Comparison

Generally, the buyers and sellers in the marketplace determine the unit of comparison, e.g., price per acre, square foot, site, front foot, etc. In this market, price per acre is appropriate.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statue 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

Financing Terms

In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer quantifiable difference in prices as a result of terms. In general, a cash transaction would tend to be at the lower end of the price range with listings or sales with favorable financing usually setting the upper limit.

Conditions of Sale

Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

Market Conditions (Time)

Analysis of real estate sales in the subject area indicates that prices of vacant land have been level in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

Location

The subject parcels and all comparable sales are located in the same market area. No location adjustment is necessary.

Size & Topography

The comparable sales bracket the Key parcel in size. The parcels have been analyzed on a price per acre basis. The DNR Size Adjustment method was utilized to make size adjustments and can be found in the addenda. The comparable sales have similar topography, and no adjustments were warranted.

Building Site Condition and Soil Quality Adjustments

The comparable sales have a varying percent of wetlands as compared to the Subject Parcel. Poorer soils reduce potential building sites and the overall use of the property. There is little market evidence to suggest there is a significant difference in value for varying soil quality, a nominal 5% adjustment will be made for every 10% difference in overall wetlands per lot. Estimated differences of wetland areas were rounded to the nearest 10% increment.

Access

The Key Parcel and all of comparable sales lack developed road access. No access adjustments are warranted.

Utilities

The Key Parcel and all of the comparables lack electrical service adjacent to the lot. No adjustment was necessary.

Amenities

The Key Parcel and FK-3 and FK-4 have similar amenities, no adjustment was warranted. FK-1 and FK-2 have a pond amenity. The pond on FK-1 encompasses half of the lot diminishing the land area and potential building sites. These features are offsetting. FK-2 received a nominal downward adjustment of 10% for its pond frontage.

Old Sterling Highway North

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.”¹⁶

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.

Legally Permissible¹⁷

The subject parcel is located in Anchor Point, Alaska. The subject parcel is not subject to any known zoning requirements. Almost any legal use of these sites would be possible.

Physically Possible

The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

The subject neighborhood is a mix recreational and residential use, with residential use predominant. Developed road access and the availability of utilities to the subject make this parcel financially feasible for either residential use or recreation purposes.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. The subject neighborhood is a mix recreational and residential use. The subject parcel would be suitable for either use, predominately residential.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use for the subject parcel would be for residential use.

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for a residential use, therefore data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. As such, the cost approach will not be used.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties.

¹⁶ *The Appraisal of Real Estate*, Thirteenth Edition, Appraisal Institute, 2008, p.277-278

¹⁷ <https://www.kenai.city/planning/page/zoning>. Accessed 02/06/2023.

Some of the characteristics considered include general market conditions, sales terms, location, highest and best use, and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 (or <) means the sale feature is superior to that appraised property and requires a downward adjustment to match the quality of the key parcel's feature, thus indicating the value of the key parcel. An adjustment greater than 1.00 (or >) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to match, thus indicating the value of the key parcel. An adjustment of 1.00 (or =) means the sale 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 sale price to indicate the value of a key parcel.

The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and the adjustments is contained in this report and addenda.

Unit of Comparison

Generally, the buyers and sellers in the marketplace determine the unit of comparison, e.g., price per acre, square foot, site, front foot, etc. For road accessible parcels in this market, price per acre is appropriate.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statue 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

Financing Terms

In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer quantifiable difference in prices as a result of terms. In general, a cash transaction would tend to be at the lower end of the price range with listings or sales with favorable financing usually setting the upper limit.

Conditions of Sale

Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

Market Conditions (Time)

Analysis of real estate sales in the subject area indicates that prices of vacant land have been level in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

Location

The subject parcel and all comparable sales are located in the same market area. No location adjustment is necessary.

Size & Topography

The comparable sales and the Subject Parcel vary in size. The DNR Adjustment Method is suitable for parcels without road access, but does not support the market reaction to parcel size for road accessible parcels in this market. Therefore, size adjustments for the Old Sterling Highway North parcel will be made qualitatively. The comparable sales have similar topography, and no adjustments were warranted.

Building Site Condition and Soil Quality Adjustments

The comparable sales have a varying percent of wetlands as compared to the Subject Parcel. Poor soils reduce potential building sites and the overall use of the property. However, it appears that in this market, wetlands have little impact on value with parcels with road access and available utilities. This is supported by short marketing times and low list price to sale price ratios. However, it does stand to reason that parcels with more good soils would be a benefit. Therefore, slight soil quality adjustments will be made qualitatively.

Access

The Subject Parcel and all of the associated comparable sales have similar access, no adjustment was warranted.

Utilities

The Subject Parcel and all of the comparable sales have electrical service, but only Comp #1, Comp #2, and Comp #4 have natural gas. Comp #3 and Comp #5 received upward adjustments for lacking natural gas.

Amenities

Comp #1 has pond amenity, is improved with a driveway and gravel RV pad. As such, this sale received a nominal 10% downward adjustment for the pond, and a downward qualitative adjustment for the improvements.

Covenants, Conditions, and Restrictions (CCR's)

The subject does not have CCR's. Typical subdivision CCR's put moderate restrictions on use, which are usually intended to maintain certain aesthetics and qualities to enhance the subdivision. CCR's are considered an amenity in this market. Comp #2 through Comp #5 have typical subdivision CCR's and received slight downward adjustments qualitatively.

Due to the confidentiality of sales information, the valuation section of the report is not available online. The entire report can be obtained by submitting a request to the Land Conveyance Section at (907)269-8594, or by e-mail: landsales@alaska.gov.