

MARKET VALUE APPRAISAL
of
70 parcels located within Tip Levarg Subdivision

APPRAISAL REPORT No 4655-0



STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue, Suite 602
Anchorage, AK 99501-3576

MEMORANDUM

State of Alaska

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DATE: February 14, 2024

TO: Kevin Hindmarch
Review Appraiser

FROM: Michael S. Dooley
Appraiser II



SUBJECT: Appraisal of 70 parcels within Tip Levarg 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	Location	Legal Description
Tip Levarg	Approximately ¼ miles south of the Kasilof River, and ¼ northwest of the Sterling Highway on Coho Loop Road.	Various parcels within ASLS 2021-25

SUMMARY OF VALUES

Tip Levarg

Lot	Block	ASLS	Site Size	Value
1	1	2021-25	6.90	\$60,300
2	1	2021-25	6.50	\$57,800
3	1	2021-25	2.56	\$28,200
4	1	2021-25	2.00	\$20,000
5	1	2021-25	1.50	\$19,500
6	1	2021-25	1.50	\$19,500
7	1	2021-25	1.50	\$19,500
1	2	2021-25	3.40	\$33,900
2	2	2021-25	1.50	\$17,400
3	2	2021-25	1.50	\$17,400
4	2	2021-25	1.50	\$17,400
5	2	2021-25	1.50	\$17,300
6	2	2021-25	1.50	\$17,300
7	2	2021-25	1.50	\$17,400
8	2	2021-25	1.50	\$17,400
9	2	2021-25	1.50	\$17,300
10	2	2021-25	1.50	\$17,400
11	2	2021-25	1.50	\$17,400
12	2	2021-25	1.50	\$17,500
13	2	2021-25	1.50	\$17,500
1	3	2021-25	3.32	\$33,100
2	3	2021-25	1.50	\$17,400
3	3	2021-25	1.50	\$17,400
4	3	2021-25	1.50	\$17,400
5	3	2021-25	1.50	\$17,300
6	3	2021-25	1.50	\$17,300
7	3	2021-25	1.50	\$17,400
8	3	2021-25	1.50	\$17,400
9	3	2021-25	1.50	\$17,300
10	3	2021-25	1.50	\$17,300
11	3	2021-25	1.50	\$17,200
12	3	2021-25	1.90	\$17,300
13	3	2021-25	1.50	\$17,300
14	3	2021-25	1.52	\$17,300

Lot	Block	ASLS	Size	Value
15	3	2021-25	1.50	\$17,400
16	3	2021-25	1.50	\$17,400
17	3	2021-25	2.15	\$19,800
18	3	2021-25	1.78	\$17,600
19	3	2021-25	2.63	\$30,000
1	4	2021-25	1.50	\$19,500
2	4	2021-25	1.50	\$19,500
3	4	2021-25	1.50	\$19,500
4	4	2021-25	1.50	\$19,500
5	4	2021-25	1.50	\$19,500
6	4	2021-25	1.50	\$19,500
7	4	2021-25	1.50	\$19,500
8	4	2021-25	1.50	\$19,500
9	4	2021-25	1.50	\$19,500
10	4	2021-25	2.18	\$22,000
11	4	2021-25	1.54	\$17,200
12	4	2021-25	1.50	\$17,100
13	4	2021-25	1.50	\$17,200
14	4	2021-25	1.50	\$17,200
15	4	2021-25	5.30	\$53,000
16	4	2021-25	3.09	\$31,100
17	4	2021-25	3.06	\$32,800
1	5	2021-25	1.50	\$19,500
2	5	2021-25	1.50	\$19,500
3	5	2021-25	1.50	\$19,500
4	5	2021-25	2.00	\$20,000
5	5	2021-25	2.00	\$17,800
6	5	2021-25	2.45	\$24,800
7	5	2021-25	1.50	\$17,300
8	5	2021-25	1.50	\$17,400
9	5	2021-25	1.50	\$17,400
10	5	2021-25	1.50	\$17,400
11	5	2021-25	1.73	\$17,300
12	5	2021-25	6.49	\$59,700
13	5	2021-25	1.70	\$19,600
14	5	2021-25	1.70	\$19,600

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: October 11, 2023

Date of Report: February 14, 2023

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

¹ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, p.90

² Alaska Statutes Title 38, Public Land Article 5, <http://www.legis.state.ak.us/basis/folio.asp>, Accessed 01/24/2023.

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

⁴ Uniform Standards of Professional Appraisal Practice 2024, Appraisal Foundation, U-2

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 up to one year are typical for the Tip Levarg subdivision parcels.

Scope of the Appraisal

Property and Comparable Sales Inspection

I performed a ground inspection of the subject properties and comparable sales on October 11, 2023. Physical features and access were identified by use of previous topographic maps, status plats, 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 Recorders 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.

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.

Kasilof Neighborhood⁶

Kasilof is located on the east shore of Cook Inlet on the Kenai Peninsula. It lies on the Sterling Highway, 12 miles south of the City of Soldotna.

Culture and Demographics

Kasilof was the site of the first salmon cannery in Cook Inlet, constructed in 1882. Early residents were fishermen, imported from San Francisco by the cannery, who settled along the river. They augmented their fishing income with trapping and big game guiding. Kasilof was a destination for big game hunters from the late 1890s into the 1930s. Fox farming provided opportunity to the existing residents and new settlers in Kasilof beginning in 1920. Homesteading after WWII brought an influx of newcomers to Kasilof, many of whom came intending to farm but ended up working in the salmon fishing industry. As of 2020, there was an estimated 525 people residing in Kasilof. As of 2020, there was an estimated 525 people residing in Kasilof.

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>

Facilities, Utilities, Schools, and Health Care

Kasilof is a community on the Kasilof River with an elementary school, a public library, a post office, and a public health nursing facility.

Transportation

Kasilof lies on the Sterling Highway, which provides road access to Anchorage, 162 road miles to the north. The state owns and operates a gravel airstrip, and there are three additional private airstrips in the vicinity. The nearest airport with scheduled commercial service is approximately 20 road miles north in the City of Kenai, which also offers docking facilities. At Kasilof, there is a boat launch on the Kasilof River, and DNR is planning the addition of a second boat launch to facilitate sport fishing on the lower Kasilof River.

General Property Descriptions for Tip Levarg Subdivision

Location

All of the parcels are within Township 003 North, Range 012 West, Section 36, Seward Meridian. Tip Levarg Subdivision is located in on the west side of the Sterling Highway and is bisected by Cohoe Loop Road, approximately ¼ mile north of the intersection with the Sterling Highway.



Access

Access to the subdivision is by the paved Cohoe Loop Road. The platted rights of way within the subject subdivision are improved with gravel roads. According to the subdivision plat, direct access from Cohoe Loop Road is not permitted unless approved by the State of Alaska Department of Transportation.

Size & Shape

The subject parcels range in size from 1.50 to 6.90 acres and are rectangular to irregular in shape.

Topography

The subdivision is characterized by generally level topography.

Soils/Vegetation

The subdivision contains primarily mature birch and spruce trees, and various grasses. Soils are typical of the surrounding area, with areas of wetlands in low lying areas within the subdivision.

Utilities, Water & Sewer

Overhead electrical service runs along the western side of Cohoe Loop Road, at the corner of Barrel Stove Street and Tehama Avenue, and at the corner of Naid Drive and Potbelly Stove Road. Electrical service and natural gas do not extend into the subdivision. 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 subjects are located within an unregulated area of the Kenai Peninsula Borough. Parcels are subject to a 20' building setback and utility easement along all platted rights-of-way. Additionally, parcels adjacent to sections lines are subject to a 50' section line easement.

Environmental Hazards, Hazardous Waste & Toxic Materials

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

Tax Assessments⁷

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 8.92.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcels within the Tip Levarg Subdivision. There have been 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.

⁷ <http://www.matsugov.us/realpropertyquery/detail> accessed 01-24-2023.

Cohoe Loop Road, Looking North.



Cohoe Loop Road Looking South.



Tehama Avenue, Looking West from Potbelly Stove Road.



Alevin Circle, Looking South.



Roe Circle, Looking North from Lot 8/Block 5



Potbelly Stove Road, Looking South from Lot 6/Block 2.



DATA ANALYSIS AND CONCLUSION

Small Lot Analysis

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

Legally Permissible⁹

The Subject Parcels are not encumbered by any known zoning requirements that would restrict potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Almost any legal use of the site 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 predominately a mix of residential and recreational use. Developed road access and nearby utilities make these parcels financially feasible for Residential/Recreational use.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcels as vacant would be for Residential or Recreational home site.

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.

⁸ *The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, 2013, p.333

⁹ <https://www.kenai.city/planning/page/zoning>. Accessed 01/11/2024.

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 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. The appropriate unit of comparison has been identified and analyzed accordingly for each of the key parcels.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statute 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 subject Key Parcel and the comparable sale have slight differences in size, but no size adjustment was warranted. Adjustments for topographical differences were not warranted.

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.

Zoning and CCR's

The Subject Key parcel and the comparable sales are not subject to restrictive zoning and no adjustment was warranted. The Subject is no subject to subdivision CCR's. Comp #1 through Comp #4 have typical subdivision CCR's, but no adjustment was warranted.

Access

The subject parcels and the comparable sales have gravel road access. No access adjustment is required.

Utilities

The Key Parcel and the comparable sales have electrical service but lack natural gas and public water. No adjustment for utilities was warranted.

DATA ANALYSIS AND CONCLUSION

Large Lot Analysis

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.”¹⁰

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 Permissible¹¹

The Subject Key Parcel is not encumbered by any known zoning requirements that would restrict potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Almost any legal use of the site 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 predominately a mix of residential and recreational use. Developed road access and nearby utilities make these parcels financially feasible for Residential/Recreational use.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcels as vacant would be for Residential or Recreational home site.

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.

¹⁰ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.333

¹¹ <https://www.kenai.city/planning/page/zoning>. Accessed 01/11/2024.

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 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. The appropriate unit of comparison has been identified and analyzed accordingly for each of the key parcels.

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 Key Parcel and the comparable sales are located in the same market area. No location adjustment is necessary.

Size & Topography

The Subject Key Parcel and the comparable sales parcels vary in size, with Comp #3 and Active Listing #4 requiring downward adjustments. No other size adjustments were warranted. Adjustments for topographical differences were not warranted.

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.

Zoning and CCR's

The Subject Key Parcel is not subject to zoning restrictions or subdivision CCR's. None of the comparable sales are subject to zoning restrictions. Comp #2 is subject to typical subdivision CCR's, which does not appear to have an impact on value.

Access

The Subject Key Parcel and the comparable sales have gravel road access. No access adjustment is required.

Utilities

The Key Parcel does not have electrical service adjacent to the site. Comp #1 through Comp #3 have electrical service adjacent, requiring downward adjustments. Comp #4 has electrical service approximately 400 feet away, which is superior to the subjects' 1000' distance from electrical service. The same electrical adjustment used for the remaining subject parcels in the Small Lot Analysis, found on page 21, was used to make electrical adjustments in this analysis.

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.