

Fact Sheet

Title: Appraisals & Fee Schedules



Alaska Department of
**NATURAL
RESOURCES**

Division of Mining, Land & Water
January 2001

Why does the department require appraisals?

Appraisals have been required under state law since 1959. Because state land is a public asset, the legislature has assured a fair return to Alaskan citizens. With few exceptions, "Land may not be sold or leased...unless it has been appraised within two years before the date fixed for the sale or lease... Land may not be sold or leased for less than the approved, appraised market value..." (A.S. 38.05.840) Oil and gas or mineral leases, shore fishery leases, and permits do not require appraisals. Their values are set by bids, fee schedules, or are in statute or regulation.

What is an appraisal?

An appraisal is a formal written report setting out an appraiser's judgment about the most probable sale price or annual rent that a property will bring on the open market. It is based on research and study of factors that affect value, including:

- ◆ ownership rights and legal restrictions
- ◆ market conditions on the date of appraisal
- ◆ a detailed description of the appraised property
- ◆ the actual sale prices or rental of similar properties.

The report describes the research, facts found, and the appraiser's reasoning. A well-written appraisal will lead the reader to the appraiser's conclusion of value.

Who prepares an appraisal?

Appraisals are completed by Department of Natural Resources' staff appraisers or by contract appraisers from the private sector. Staff appraisers typically appraise parcels when the exchange, sale, or lease is initiated by the department (remote cabin parcels, auction or lottery parcels, and lease reappraisals).

Contract (or private) appraisers are used when the applicant initiates the exchange, sale, or lease or if the applicant wants to accelerate the completion of an appraisal that would otherwise be done by a staff appraiser. It is the applicant's responsibility to pay appraisal costs in these instances.

The private appraiser must be accepted by the department before work begins. The department's acceptance is based on state certification, education, and experience. The department maintains a list of acceptable appraisers, which is available on request. Appraisers not appearing on this list must be approved in advance, as acceptable by the department's Review Appraiser.

Does the department have specific appraisal standards?

Yes. The department has requirements called "General Appraisal Instructions" that appraisers must follow when completing an appraisal for DNR. Appraisals must also follow the "Uniform Standards of Professional Appraisal Practice" (USPAP). USPAP is a national standard for professional appraisers published by the Appraisal Foundation.

If I need an appraisal, how do I get started?

The department will notify you in writing when a staff appraiser will do an appraisal or if you are now required to contract for an appraisal. The letter may also explain important appraisal requirements, such as the date of appraisal and land title conditions.

When you are notified that you are to contract for an appraisal you should contact the department's Review Appraiser regarding acceptable appraisers. The appraiser must contact the Review Appraiser for instructions before beginning work. The instructions will include requirements for technical content and number of reports (copies) required.

The completed report is sent to the department's Review Appraiser for approval. The reviewer makes sure that the appraiser followed division requirements and accepted appraisal industry practices and standards.

Under state law, appraisals are approved for use in state business for two years following approval by the DNR Review Appraiser.

What is a fee schedule? When are fee schedules used?

Sometimes the cost of doing an appraisal is more than the rent that would be received over the life of a lease or permit, especially in remote areas. The department has developed a series of fee schedules to save applicants appraisal costs. The fee schedule is a list of annual rents for an area that serve as an appraisal. It is used only for certain types of remote permits and short-term, negotiated leases, including:

- ◆ communications sites
- ◆ aquatic farm sites
- ◆ floating log storage and transfer sites
- ◆ setnet campsites
- ◆ guide hunting/fishing, outfitter, and air taxi camps

Fee schedules are prepared by department appraisers and are based on what an average quality site would bring in the current market for the area. The appraiser makes a brief study of recent sales and leases rather than a detailed, site-specific appraisal. The fee schedule is updated every two years.

The fee schedule is designed to ensure the state the fair return required by law while saving the applicant the time and expense of an appraisal. Under state law, "...The lease compensation method shall be designed to maximize the return on the lease to the state..." (AS 38.05.075(a)).

If the applicant believes the fee schedule is unfair for a particular property, he or she can obtain an appraisal of the property at his or her own expense.

How much does an appraisal cost?

Cost depends on the appraiser's expenses, his or her experience and level of qualifications, how difficult the assignment is, and the time-frame to complete the appraisal. Because an appraiser is required to physically inspect the appraised property and similar properties that have recently leased or sold, appraisals for remote sites are often more expensive. An appraisal may cost as little as \$500 for a sale or as much as \$5,000 for a lease.

How long does it take to complete an appraisal?

An appraisal usually takes two or six months from the time the appraisal instructions are issued until the appraisal is approved. Completion time depends on the difficulty of the assignment and the workloads of the appraiser and reviewers.

Where can I get more information?

For information on general appraisal requirements and acceptable appraisers, contact the Chief Review Appraiser at:

**Department of Natural Resources
Division of Mining, Land & Water**
550 West 7th Ave., Suite 1050-A
Anchorage, AK 99501-3579
Phone: 907-269-8512
Fax: 907-269-8914

For copies of fee schedules, contact:

**Department of Natural Resources
Public Information Center**
550 West 7th Avenue, Suite 1260
Anchorage, AK 99501-3557
Phone: 907-269-8400
Fax: 907-269-8901

For more information about fee schedules, contact one of the following offices at the Department of Natural Resources, Division of Land:

Southcentral Regional Office
550 W 7th Ave., Suite 900-C
Anchorage, AK 99501-3577
Phone: 907-269-8552
Fax: 907-269-8913

Southeast Regional Office
400 Willoughby Ave., Suite 400
Juneau, AK 99801
Phone: 907-465-3400
Fax: 907-586-2954

Northern Regional Office
3700 Airport Way
Fairbanks, AK 99709-4699
Phone: 907-451-2705
Fax: 907-451-2706