

MARKET VALUE APPRAISAL

Of

Tract C ASLS Kupreanof Peninsula Homestead (ASLS 91-135)

And

Tract B of Ugak Bay RRCS (ASLS 2002-14)



APPRAISAL REPORT No. 4297-0

**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

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DATE: January 27, 2016

TO: Kevin Hindmarch
Review Appraiser

FROM Michael S. Dooley
Appraiser I



SUBJECT: Appraisal of one parcel within the Kupreanof Peninsula Homestead, and one parcel within the Ugak Bay RRCS.

As requested, I have completed an appraisal of the above referenced parcel, 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 report is 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 **did not** personally inspect the subject or comparable sales in this analysis. The subject parcels were inspected by Department of Natural Resources surveyor, Cliff Baker. Cliff Baker performed a ground and aerial inspection of the Kupreanof Homestead parcel, and an aerial inspection of the Ugak Bay RRCS parcel. For this analysis, the physical descriptions of the subject parcels were based on the inspection of Cliff Baker, topographic maps, peer appraisal reports, interviews with realtors and various individuals familiar with the area. Based on these observations, the analyses of all available data, and making the **extraordinary assumption** that the information provided to me by Cliff Baker is accurate and complete, 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	Location	Legal Description
Kupreanof Peninsula Homestead	224835	The Kupreanof Peninsula parcel is approximately 13 miles northwest of Port Lions, Alaska, and 30 miles northwest of the city of Kodiak, Alaska.	Tract C of ASLS 91-135
Ugak Bay RRCS	228067	The Ugak Bay RRCS parcel is approximately 28 miles south of the city of Kodiak, Alaska.	Tract B of ASLS 2002-14

SUMMARY OF VALUES

Subdivision	ADL	Lot/Tract	ASLS	Site Size in Acres	Value
Kupreanof Peninsula Homestead	224835	C	91-135	12.98	\$22,100
Ugak Bay RRCS	228067	B	2002-14	9.85	\$20,100

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 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 the parcels to be acquired through the auction sale program under AS 38.05.055.

User and Client Identity

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

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under AS 38.05.125(a). Fee simple estate is defined as:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."¹

AS 38.05.125(a) states:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."²

Definition of Market Value

"The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."³

Effective Date of Value Estimate: June 2, 2015

Date of Report: January 27, 2016

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/statutes.asp#38.05.125>, Accessed 12/11/2015

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. Currently there are 12 parcels available within the immediate area. An exposure time of up to one year is typical.

Scope of the Appraisal

Property and Comparable Sales Inspection

I did not personally inspect the subject parcels, and some of the comparable sales in this analysis. Cliff Baker inspected the subject properties on June 2, 2015. As agreed upon prior to accepting the assignment, I am performing this analysis by making the extraordinary assumption that the data provided to me by Cliff Baker is accurate and complete.

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 Kodiak 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 2014-2015, Appraisal Foundation, p. U-2

Assumptions and Limiting Conditions

The property is appraised as vacant land without structural or site improvements.

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
10. 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.
11. 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.

Extraordinary Assumption

Definition of extraordinary assumption

"An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions."⁵

The subject parcels were inspected on June 2, 2015 by Cliff Baker. The appraiser makes the "extraordinary assumption" that subject data provided was accurate and complete. If it is determined that the subject data was not accurate, or complete, the appraiser reserves the right to amend the appraisal to reflect any required changes.

⁵ Uniform Standards of Professional Appraisal Practice 2014-2015, Appraisal Foundation, p. U-3

PRESENTATION OF DATA

Market Area – The Kodiak Island Borough⁶

Location:

Kodiak Island is located on the western side of the Gulf of Alaska. It lies 252 air miles south of Anchorage. Kodiak Island Borough falls within the gulf coast maritime climate zone, characterized by a rainy atmosphere, long, cold winters, and mild summers. This zone lacks prolonged periods of freezing weather at low altitudes and is characterized by cloudiness and frequent fog. The combination of heavy precipitation and low temperatures at high altitudes in the coastal mountains of southern Alaska accounts for the numerous mountain glaciers. There is little to no freezing weather, moderate precipitation, occasional high winds, and frequent cloud cover and fog. Severe storms are common from December through February.

Local Government:

The Kodiak Island Borough is a second class borough with an elected Mayor and Assembly. The Borough's area-wide powers may include: assessment and collection of taxes, education, planning and zoning, parks and recreation, ports, harbors and wharves, ambulance service, transportation systems, air pollution control, day care facilities, historic preservation, and transient accommodations taxation.

Demographics:

The 2014 population estimate was 13,797. According to Census 2010, there were 5,303 housing units in the community and 4,630 were occupied. Its population was 13.22 percent American Indian or Alaska Native; 55.34 percent white; 0.68 percent black; 19.57 percent Asian; 0.64 percent Pacific Islander; 7.63 percent of the local residents had multi-racial backgrounds.

Economy:

The Kodiak Island Borough encompasses 6,559 square miles of land. The island is the largest in Alaska. Seafood processing is the largest private sector employer in the borough. One of the largest U.S. Coast Guard bases in the nation is located near Kodiak.

In 2014, there was an estimated 5,776 residents employed. The public sector employed 80% of all workers. The local government employed 15%, and the State government employed 5%. The unemployment rate varied from 4.4% to 7.1%.

Facilities:

Refuse Collection, Landfill, Hospital, Schools, Fire, Fisheries Research Center, Transit, Tourism Development, Community & Economic Development, Child Care Assistance, Building Safety, Roads, Arts Council, and First Responder/EMS.

Transportation:

Kodiak is accessible by air and sea. The state-owned Kodiak airport has three asphalt runways. Kodiak Municipal Airport offers another shorter, paved runway for small aircraft. Two passenger airlines serve Kodiak with several daily flights to and from Anchorage, and a number of air taxi services provide flights to five remote villages only accessible by boat or aircraft. City-owned seaplane bases at Trident Basin and Lilly Lake accommodate floatplane traffic. The Alaska Marine Highway System operates a ferry service between Kodiak and Homer, as well as other ports as far west as Dutch Harbor. The Port of Kodiak includes 2 boat harbors with 600 boat slips up to 160 feet in length. Three deep-draft piers accommodate ferries, cruise ships, container ships, military vessels and a variety of large commercial fishing vessels. Boat launch ramps and 150 ton vessel lift are also available. The City of Kodiak opened a shipyard in 2010. Vessels up to 42 feet by 180 feet and 660 tons can be lifted for maintenance and rebuild. A breakwater on Near Island provides another 60 acres of mooring space at St. Herman Harbor. Approximately 140 miles of state roads connect island communities on the east side of the island.

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

General Property Description for Kupreanof Peninsula Homestead

Legal Description

Tract C of ASLS 91-135, Kupreanof Peninsula Homestead is within S025S024W34.

Location

Kupreanof Peninsula Homestead is located approximately 30 miles northwest of the City of Kodiak, Alaska, fronting the Kupreanof Strait. The State of Alaska retains a 100' strip of land between the subject parcel and the Mean High Water line.

Access

Access to the Kupreanof Peninsula Homestead parcel is by boat, or floatplane from the water along Kupreanof Peninsula.

Size & Shape

The subject is 12.98 acres and is irregular in shape.

Topography

The subject parcel is characterized by a gentle to moderate, sloping topography.

Soils/Vegetation

The soils are typical for the area. The vegetation is primarily spruce, alder, and grasses.

Utilities, Water & Sewer

There are no utilities available to the subject parcels. On-site sewage systems must be designed and constructed in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Requirements

The subject parcel is located within the Kodiak Island Borough. The plat indicates 25' public access, and utility easements along the north, east, and west property lines. The plat also indicates that there is a 50' section line easement along the south property line. There is currently Conservation District Zoning for this parcel. There are 25' building setbacks from all property lines. Furthermore, there is a 50' setback from anadromous water bodies. Please see addenda for a full description of the permitted and non-permitted uses within the Conservation District.

Environmental Hazards, Hazardous Waste & Toxic Materials

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

Tax Assessments⁷

The subject is located within the taxing authority of the Kodiak Island 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 2015 mill rate for the subject subdivision is 10.75.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel within the Kupreanof Peninsula Homestead. There are no other known deed transfers or contracts to purchase the subject properties within the past 3 years.

Personal Property

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

⁷ <http://www.kodiakak.us/index.aspx?nid=223> 1-25-2016

Tract C of Kupreanof Peninsula Homestead





General Property Description for Ugak Bay RRCS

Legal Description

Tract B of ASLS 2002-14, Ugak Bay RRCS is within S032S021W16.

Location

The Ugak Bay RRCS is located approximately 28 miles south of the City of Kodiak, and 8.5 miles southeast of Pasagshak, Alaska.

Access

Access to the Ugak Bay RRCS parcel is by boat, or floatplane from the water along Ugak Bay.

Size & Shape

The subject is 9.85 acres and is irregular in shape.

Topography

The subject parcel is characterized by a level to steep sloping topography. The western portion of the subject parcel is on a bluff/bench. Approximately 1 acre of the bluff/bench appears to be wet. The bluff/bench slopes to the north towards the beach of Ugak Bay, and to the east toward a large abutting pond.

Soils/Vegetation

The soils are typical for the area. The vegetation is primarily alder and grasses.

Utilities, Water & Sewer

There are no utilities available to the subject parcels. On-site sewage systems must be designed and constructed in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Requirements

The subject parcel is located within the Kodiak Island Borough. The plat indicates 25' public access and utility easement along the northwest, southwest, south, and east property lines. The plat also indicates that there is a 50' public access easement along the north property line, and around the meandering pond. The parcel is currently subject to Wildlife Habitat District Zoning. There is a 25' setback requirement from the side and rear property lines. Lots fronting marine waters are exempt from a front yard setback. In addition, there is a 50' setback requirement from anadromous fish water bodies. Please see the addenda for the complete description of permitted and non-permitted uses within the Wildlife Habitat District.

Environmental Hazards, Hazardous Waste & Toxic Materials

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

Tax Assessments⁸

The subject is located within the taxing authority of the Kodiak Island 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 2015 mill rate for the subject subdivision is 10.75.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel within the Ugak Bay RRCS. There are no other known deed transfers or contracts to purchase the subject properties within the past 3 years.

Personal Property

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

⁸ <http://www.kodiakak.us/index.aspx?nid=223> 1-25-2016

Tract B of Ugak Bay RRCS



August 2013 Photo



DATA ANALYSIS AND CONCLUSION

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as:

"The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value."⁹

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 Permissible

The subject parcels are located within the Kodiak Island Borough and are not subject zoning requirements. The Kupreanof Peninsula Homestead parcel is subject to Conservation District Zoning. The C conservation zoning district is established for the purpose of maintaining open space areas while providing for single-family residential, and limited commercial land uses. The Ugak Bay parcel is subject to a Wilderness Habitat Zoning District. The wildlife habitat zoning district is established for the purposes of protecting wildlife habitat, maintaining habitat productivity, providing for human use of fish and wildlife resources, and maintaining valid existing rights and uses. Both of these zoning districts allow for many uses, primarily recreational uses. Please see addenda for further details for each zoning district. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation.

Physically Possible

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

Financially Feasible

Surrounding land use is primarily recreational development. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. The immediate vicinity is characterized by rural recreational sites.

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 almost any legal use, primarily recreational sites.

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.

⁹ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010