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Kachemak Bay State Park Land Exchange  
2/16/90  
C. Horan, MAI; D. Derry, MAI; and J. Dillman, MAI  
to G. Gustafson

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Other Notes: ~~apparently~~ released as reflected in 5/19/95 letter  
from C. Tillery to N. Phillips which references as  
released a "Seldovia Native Assoc. Inholdings  
appraisal by MAI Panel." ~~Needs confirmation.~~

APPROVED FOR RELEASE

February 16, 1990

Mr. Gary Gustafson  
Director  
State of Alaska  
Department of Natural Resources  
P. O. Box 107005  
Anchorage, AK 99510

Re: Kachemak Bay State Park Land Exchange  
Appraisal Review Panel Report

Dear Mr. Gustafson:

Following is a summary of the process that we have completed as the appraisal review panel for the Kachemak Bay State Park land exchange. We convened as a panel on February 12, 1990. During that week and prior to that time we reviewed appraisals completed by Mundy - Day - Bunn, and Follett & Associates of the lands subject to the exchange. We inspected the property February 14, 1990. The panel has interviewed the appraisers and has heard questions, answers and comments by representatives from the State of Alaska and the Seldovia Native Association.

#### Limitations of Assignment

This letter provides a consensus opinion of the subject's market value. Please see the attached certification of appraisal services and assumptions and limiting conditions by which our opinions are made. Specifically it should be understood that this is a limited assignment and the appraisers have not made an independent, complete appraisal of the subject property. Our consensus opinion is based on our review of the appraisals, interviews with the appraisers and consideration of the various testimony by other experts who participated in panel discussions and hearings throughout the week. Per instructions we were to complete our assignment in one week. This condition further limited our ability to perform a complete appraisal.

#### Purpose Of Assignment

The purpose of our assignment was to develop an estimate of market value of the surface estate of the SNA land further described in the above referenced reports. The effective valuation date is February 14, 1990. Market value is defined by the American Institute of Real Estate Appraisers and is similar to those found in the referenced reports. Due to the constraints noted in the above section, our opinion of value is limited.

### Subject Property

Subject Parcel 1 is 19,325 acres of inholding in the Kachemak Bay State Park. This land will be valued under two scenarios. Scenario one assumes that the adjacent 4,435 acre parcel which is scheduled for logging has not been logged. The second scenario is to value the 19,367 acres as though the 4,435 acres have been logged. Additionally, a value of the 4,435 acres will be estimated assuming that it has been logged and is available for highest and best use development. It is understood that the State wishes to acquire both parcels but that the timber estate has been sold off from the 4,435 acre parcel and will be acquired separately. By instruction and in concurrence with the opinions of the other two appraisals, the highest and best use of the land is considered park land for inclusion in the Kachemak Bay State Park.

### General Comments on Appraisals

The panel has relied on certain factual and analytical information and theories provided in the Mundy and Follett appraisals. It is not the task of the panel to provide detailed review comments on the two appraisals but simply to use the appraisals and additional information gathered through market research and interviews to formulate an opinion of value based on that review.

It should be noted that both appraisers followed differing appraisal instructions which resulted in dissimilar value premises. It was therefore difficult to reconcile the value differences.

We have made the following general observations of each of the appraisals.

#### Mundy Appraisals (dated 9/89 and 11/89)

Mr. Mundy's September 1989 appraisals did not comply with the appraisal instructions and were not considered adequate by the panel.

Mr. Mundy's November 1989 appraisal adequately describes the park and wilderness characteristics of the park area. He supported the highest and best use of the land as park land. Given his alternative uses this seemed to be the reasonable conclusion.

Mr. Mundy made a minimal analysis of the comparable sales and included only sales of park lands. He omitted sales which would have provided good guidance to economic adjustments for the subject's physical attributes. His averaging of the data and the conclusions were weak. He did not adequately describe physical attributes of the subject site or adequately analyze all the available

data. This resulted in an unsupported value conclusion.

We did not concur with Mr. Mundy's opinion of value for the 19,367 acres at \$22,272,050 assuming the 4,435 acres are uncut, nor do we concur with his value of \$443,500 value for the 4,435 acres.

Follett and Assoc. Appraisal (Dated 12/26/89)

The Follett appraisal concluded that park lands would be the highest and best use. They developed an attribute point system which attempted to assign weight to the varying attributes of the property. Through a complex analysis of the sales, values were assigned to the various attributes applied to 102 segments of the subject and summarize for a final value. We believe this attribute system has some application but resulted in an intuitive value judgment of the micro portions of the subject property. It was difficult to determine how the market would respond pricewise for the property as a whole based on the Follett appraisal. Follett's appraisal did not consider significant sales data that would have been helpful to develop the park value of this property.

Further, the attributes lack market derivation and in our opinion did not fully consider the total unit of the subject property in the context of its highest and best use.

The Folletts analyzed sales and extracted adjustments. However, on reexamination they agreed that several of the adjustments were inappropriate. Also, the lack of consideration of park sales made the final data inadequate for the purpose of valuing the subject as park lands.

We did not concur with the Follett's value conclusions.

. Valuation Methodology by the Panel

In an effort to maximize the confidence level of our limited opinion of value, the panel members, formulated various methods to arrive at an overall value for the subject parcels. Two methods were used to focus the broad range of value provided by the appraisals into a more meaningful, probable estimate of market value.

### COMPONENT ALLOCATION METHOD

This method recognizes that the subject should be valued as a unit based on other park sales and sales of the next best alternative use. It further recognizes the economic principle of utility where certain attributes of the park would provide higher utility than others. Our identification and analysis of the subject attributes was based on descriptive information contained in all previous appraisal reports and our aerial inspection. We identified physical attributes ranging from water frontage through alpine mountainous terrain. Our acreage estimates are approximations calculated with a digital planimeter from available maps.

### SUMMARY PHYSICAL ATTRIBUTE TABLE

Waterfront	14.5%
Islands	.7%
Level to Moderate Slope	26.7%
River-Steep-Alpine	58.1%
Total	<hr/> 100.0%

Based on these physical attributes of the subject and their relative utility, the following market indicators were extracted from the data provided in the appraisals and from other sales. Please see attached Comparable Summary Table.

#### Waterfront:

Comparable No. 6 at Afognak indicated \$3,837 per acre for 274 acres. This is superior to the marine influenced portions of the subject property. Comparable No. 7 is the Goat Island sale to the USA. This transaction indicated \$1,895 per acre. It is superior in its water frontage to depth ratio and in that it is an island. It is inferior in its total integration as a park with varied visual terrain and parklike appeal. Comparable No. 5 is the Cypress Island sale to the State of Washington for \$1,338 per acre. It is superior in location, but inferior in wilderness attributes to that portion of the subject directly influenced by the coastline.

These sales support a contributory value of the subject marine influenced areas of \$2,000 per acre.

#### Islands:

We reviewed several island sales in Kachemak Bay and other areas of coastal Alaska. Based on our analysis, we determined that islands in this area would sell for 10% above the contributory waterfront land values. An acre price of \$2,200 is applied for this contributory portion of the overall subject.

\* Water is "marine influenced"  
14.5% of 24,000 = 3,480 Ac's??

600' <sup>2</sup> - 1/2 mile <sup>2</sup> 1 1/2 miles <sup>2</sup>

### Level to Moderate Slopes:

These lands have moderate utility as compared to waterfront lands. Comparables No. 1 and 2 are superior to these lands. These had respective acre values of \$923 and \$938. Comparable No. 1 is influenced by waterfront while Comparable No. 2 has moderate topography with no waterfront. Taken together these sales set the upper limit for the subject's moderate utility lands.

Comparable No. 4 at Anchor Point indicated \$464 per acre. This comparable is mostly slopes with wetlands. This sale has been adjusted down 20% for time and upward 50% for location indicating \$557 per acre. This sale is inferior to the subject areas. Based on this range from \$550 to \$925 per acre and giving Comparables 1 and 2 more weight, the moderate utility portions of the subject have a contributory acre value of \$800.

### River Plain, Steep and Alpine Slopes:

These lands were considered not so much for their physical characteristics but for their utility contribution on an acre basis. Comparables No. 8 and No. 9 occurred at Gulkana and Tok. These large generally level parcels sold for \$440 per acre and \$511 per acre. These acre prices were near double what the original appraised values were. It is assumed that they were negotiated upwards due to the public needs for these properties. Also considered is Comparable No. 3, the purchase of a consideration easement. This property at Lake Tazimina has low utility. Also, purchase use was low. This parcel sold for \$427 per acre in what has been described as about 85% of the fee simple rights. Lower unit values are also indicated by Comparable No. 11, a 525 acre Wasilla mudflat which sold for \$97 per acre. Interviews with governmental agencies who have purchased or traded other marginal lands reported values ranging from \$50 to \$100 per acre. Considering the subject limited utility land as an integral part of the overall park system, the higher end the range is used at \$400 per acre.

Conclusion: As shown on the following Summary Chart, the overall subject value by this method is \$17,855,000. The average unit value reflects about \$751 per acre.

#### SUMMARY CHART

Type	Waterfrontage	Islands	Lev-Mod	Riv-Ste-Alp	Total
%	14.5%	.007%	26.7%	58.1%	100%
\$/Acre:	\$2,000	\$2,200	\$800	\$400	N/A
Weighted Acreage Value	\$290.00	\$15.40	\$213.60	\$232.40	\$751.40

## DIRECT SALES COMPARISON

An adjusted sales comparison approach was utilized to develop a value indication of the subject overall. The table following this discussion summarizes the comparables used and the indicated acre value. The following adjustments were considered.

The size of all the comparables are large acreage transactions, not considered to require a size adjustment. The panel conclusion regarding a size adjustment was based on the premise that the large acreage transactions, generally 1,000 plus acres result in no quantifiable adjustment.

A time adjustment is applied only to Comparable No. 4. The time adjustment reflects the individual market areas of the comparables. Comparable No. 4, located in Anchor Point, has been subject to market decline. A paired sales analysis concludes a downward adjustment at 20%. Comparables 1 and 2 both located in the South Kachemak market do not require a time adjustment. Comparables 3 and 5 are considered current with no adjustments applied. It is important to recognize that the time adjustment applied to Comparable 4 recognizes that market as declining, with the location adjustment then reflecting the difference of Anchor Point to the South Kachemak area of the subject.

A waterfront comparison was developed for each of the transactions. The table summarizes the relationship of the estimated miles of waterfront to the total parcel size. This ratio, developed for the comparables and the subject, provides the basis of comparing the similarity and adjusting for dissimilarities. The adjustment applied reflects the relationship between the subject and each of the comparables, based on typical relationships of waterfrontage. Comparable No. 2 benefits from the close proximity to tidewater with a smaller waterfront adjustment. This premise is supported by the original, agreed exchange value for this property.

Location adjustments are applied to Comparables 3 through 5. The basis for location adjustment is a paired sales analysis of transactions in the general area as compared to South Kachemak Bay. The adjustment for Comparable No. 3, Lake Clark, Lake Illiamna area sales were used. This comparison utilized sales of 4-1/2 to 5 acre tracts in both geographic areas. An upward adjustment to Comparable No. 4 was also developed based on the comparison of acreage sales (160-200 acres) in Anchor Point compared to similar size transactions in the Kachemak Bay area, adjusted for topography and time. At first review a location adjustment did not appear necessary to Comparable No. 5, located on Cyprus Island. However, after further analysis to similar sized South Kachemak Bay Sales, a location adjustment was concluded at -20%.

Topography was considered and adjusted for each transaction. To provide a basis for this comparison, the topography of the subject

and each of the comparables was approximated from available plats and maps. The properties were segregated into classes. Class 1 and 2 reflect high alpine and steep topography, class 3 rolling and/or moderate topography, class 4 and 5 riverplain, flats, and/or generally level topography. The subject property was further segregated into a classification for islands not presented in the table since it reflects a very small part of the total and was not present in the comparables. The adjustments applied to the comparables reflect the varying ratios of classes 1 and 2, 3, 4 and 5 compared to the subject property. The topography adjustment applied to Comparable 1 reflects the generally similar proportion of Class 1 and 2 however higher proportion of Class 3 topography. Comparable 2 in comparison has a higher proportion of Class 2 and no Class 1 and 2 topography.

This topography adjustment does not attempt to diminish the appeal of the varying topographic classifications, of the subject, however it is utilized to provide a consistent basis of comparison.

After the adjustment the comparables indicate a range of \$620-\$940 per acre. Recognizing the individual comparables utilized, adjustments applied, and general similarities, the indicated value is concluded at \$750 per acre.

SALES COMPARISON SUMMARY

<u>COMP. NO.</u>	<u>SIZE Acres</u>	<u>SALE Date</u>	<u>WATERFRONTAGE Ratio</u>	<u>Location</u>	<u>Topography Class</u>			<u>Indicated Price/Acre</u>
					<u>1&amp;2</u>	<u>3</u>	<u>4&amp;5</u>	
1 (\$923/ac)	3,570	3/83	530ac/mi.	Tutka Bay	46%	54%	0	
Adjustment	-0-	-0-	-7%	-0-	-10%			= \$772
2 (\$938/ac)	960	4/85	Close	Halibut Cv.	0	93%	7%	
Adjustment	-0-	-0-	+20%	-0-	-35%			= \$732
3 (\$503/ac)	3,150	10/88	450ac/mi.	West Cook Inlet	30%	70%	0	
Adjustment	-0-	-0-	-18%	100%	-25%			= \$619
4 (\$464/ac)	2,220	12/85	none	Anchor Pt.	50%		50%	
Adjustment	-0-	-20%	30%	50%	+30%			= \$941
5 (\$1,338/ac)	3,176	5/89	555ac/mi.	Puget Sound	0	20%	80%	
Adjustment	-0-	-0-	-5%	-20%	-30%			= \$712
Subject	23,760	2/90	609ac/mi.	China Poot Sadie Cove	53%	30%	16%	

Topography classifications:

- Class 1 - High Alpine
- Class 2 - Very Steep
- Class 3 - Moderate Sloping
- Class 4 - Flats, Level
- Class 5 - Riverplain

## CONCLUSION OF VALUE OF 23,760 ACRES AS A PARCEL HIGHEST AND BEST USE

Based on the foregoing, it is our opinion the entire inholding has an acre value of \$750 before consideration of logging. The parcel value as limited in this assignment is summarized as follows:

23,760 acres at \$750/acre = \$17,820,000.

### Allocation Of Value

Waterfront areas and moderate utility (flat and moderate slope) areas are included in the 4,435 acres designated for logging. We estimate about 23% of this area is waterfront influenced and the remaining 77% is in the moderate utility area. Based on these allocations the average acre price for this area is as follows:

23% waterfront influence at \$2,000/ac =	\$460/acre
77% moderate utility at \$800/ac =	\$616/acre
	<hr/>
Weighted Average Acre Price	\$1,076/ac

The area to be logged (4,435 acres) as it contributes to the park in its state prior to logging is valued as follows:

4435 acres @ \$1075/acre =	\$4,772,060
Rounded =	\$4,772,000

Next we estimate what the value of this land would be if the logs were taken off and it was available for its highest and best use development. The land would be available for recreation type uses, have superior access and less natural scenic appeal.

The panel members have considered sales included in the appraisal reports and additional sales in Southeast Alaska where logged land comparables were available. The data is limited. Comparable 12 is only partly logged and sold for \$1,603/acre next to a more completely logged large parcel. This adjacent parcel (USS 215 and USMS 1450A and B, 9-89, Comparable No. 13) had been on the market for \$1258/acre. The realtor indicated the buyer would consider a cash offer of \$500/acre. This indicates a 21% to 69% discount for logging. Another comparable in Southeast Alaska (USMS 418-A - Georgia Pacific Corp. to T. Ferguson Construction, 12/84, Comparable No. 14) sold for \$1085/acre. Prior to this sale the seller indicated the timber had a value of \$125,000 or \$367 per acre. This was 33.8% of the overall acre price.

Since the subject was valued as park land at \$1,076/ac, this discount required would be more than 33%. The above would indicate a low discount range of 34% and a maximum of 70% for the area affected by logging on this portion of the property. The midpoint of this range at 51% would indicate an acre value of \$554. (\$1,076/ac x 51.5%.

Another approach to estimating the value of these lands after they were cut was to consider a preliminary subdivision development. Several scenarios yielded acre values ranging from \$530 to \$565.

Based on the foregoing it's the panel members' opinion that the 4,435 acre parcel as logged would have a changed highest and best use for remote home sites and have an acre value of \$550. The value of parcel 2 as logged is summarized as follows:

4,435 acres logged @ \$550/acre =	\$2,439,250
Rounded =	\$2,440,000

Based upon the foregoing, Scenario No. 1 can be summarized as follows:

#### SUMMARY SCENARIO I

Value of total parcel as park

23,760 AAC @ \$750/Ac	=	\$17,820,000
Less 4,435 as park @ \$1,076		<u>4,772,000</u>

Value of 19,326 acres assuming no impact of cut	\$13,048,000
Rounded	13,050,000

Value of 4,435 acres logged	<u>\$2,440,000</u>
Total compensation with impact for logging the 4,435 acres	\$15,490,000

#### Scenario No. 2

The panel has determined that there is insufficient evidence presented in either appraisal to make a reliable determination of the impact of value loss on the 19,325 acres if the 4,435 acres were cut. The cutting would jeopardize the status of the subjects highest and best use as natural park property and would require different comparables. The panel feels that as a minimum the value would be decreased 10% and could decrease up to 30%.

Considering the lack of available data, we concluded a preliminary range of value for Parcel 1 for Scenario 2 with a 10% to 30% discount. The parcel 1 acre value without the impact of the

logging was \$675.29. A 10% discount would indicate an acre value rounded to \$610. A 30% discount would indicate an acre value rounded to \$475. Based on the foregoing, the range of value of Parcel 1 under Scenario 2 is summarized as follows:

19,325 acres @ \$475/acre =	rounded \$ 9,180,000.
19,325 acres @ \$610/acre =	rounded \$11,790,000.

Adding the estimated value of Parcel 2 as logged (\$2,440,000) the indicated total value range for Scenario 2 is as follows:

\$11,620,000. to \$14,230,000.

#### SUMMARY OF CONCLUSIONS

Following is a summary of the value of conclusions developed for each of the scenarios, as described in the preceding sections.

#### VALUE SUMMARY

Entire property as a park (23,760 ac)	\$17,820,000
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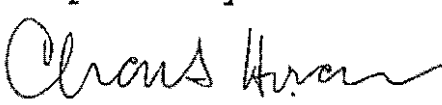
#### Scenario 1

Parcel 1 (19,325 ac)	\$13,050,000
Parcel 2 (4,435 ac)	<u>\$ 2,440,000</u>
Total	\$15,490,000

#### Scenario 2 ..

Parcel 1 (19,325 ac)	\$ 9,180,000	to	\$11,790,000
Parcel 2 (4,435 ac)	<u>\$ 2,440,000</u>		<u>\$ 2,440,000</u>
Totaal	\$11,620,000		\$14,230,000

Respectfully submitted:

  
Charles Horan, MAI

  
David M. Derry, MAI

  
John R. Dillman, MAI

### ASSUMPTIONS AND LIMITING CONDITIONS

The limited appraisal analysis and valuation contained within this limited report are expressly subject to the following assumptions and/or conditions:

1. This limited report is limited in that the panel members have not completed a full independent analysis of the site's characteristics nor have the panel members made an independent sales search and analysis to complete an appraisal report. As instructed, the panel developed a consensus opinion of the current market value using the available appraisals and our own knowledge of the property by inspection and interview. Our analysis is further limited by the time constraints placed on the panel.
2. It is assumed that the title to the property is marketable. No investigation to this fact has been made by the appraiser.
3. No responsibility is assumed for matters of law or legal interpretation.
4. It is assumed that the data, maps and descriptive data furnished by the client or his representative are accurate and correct. No survey has been made of the property. The final acreage could change if a survey is completed. This may impact our consensus opinion of value. ..
5. It is assumed that no conditions exist that are not discoverable through normal diligent investigation which would affect the use and value of the property. No engineering report was made by or provided to the appraisers.
6. The limited valuation is based on information and data from sources believed reliable, correct and accurately reported.. No responsibility is assumed for false data provided by others.
7. The limited value estimates are made subject to the purpose, date and definition of value. The values also exclude subsurface mineral rights.
8. This limited report was made on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of the highest and best use.

9. This limited report is to be considered in its entirety, and in addition to information in the Follett and Mundy appraisals as well as information in our files. The use of only a portion thereof will render the limited appraisal invalid.
10. The signatories of this limited appraisal report are members of the American Institute of Real Estate Appraisers of the National Association of Realtors. The by-laws and regulations of the Institute require each member to control the use and distribution of each report signed by such member. Therefore, except as hereinafter provided, the party for whom this report was prepared may distribute copies of this report in its entirety to such third parties as selected by the party for whom this report was prepared; however, selected portions of this report shall not be given to third parties without the prior written consent of the signatories of this report. Further, neither all nor any part of this report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of signatories of this report.
11. The appraisers shall not be required to give testimony or appear in court by reason of this limited appraisal with reference to the property described herein unless prior arrangements have been made.
12. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property.
13. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

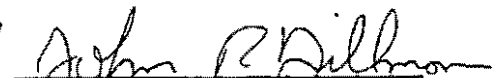
# CERTIFICATION OF LIMITED APPRAISAL REPORT

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this limited report are true and correct.
2. The reported analyses, opinions, and conclusions are limited by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions based on our review of the property and the Follett and Mundy appraisals referenced in the letter.
3. We have no present or prospective interest in the property that is the subject of this limited report, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this limited report.
5. Our analyses, opinions, and conclusions were developed, and this limited report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the American Institute of Real Estate Appraisers as a limited appraisal service and a limited report. We have not completed an independent appraisal of the property.
6. The use of this limited report is subject to the requirements of the American Institute of Real Estate Appraisers relating to report by its duly authorized representatives.
7. We are currently certified under the voluntary continuing education program of the American Institute of Real Estate Appraisers.
8. We made a personal inspection of the property that is the subject of this report on February 14, 1990.
9. No one provided significant professional assistance to the persons signing this limited report.

  
Charles Horan, MAI

  
David Derky, MAI

  
John R. Dillman, MAI

# COMPARABLE SUMMARY

<u>Appraisal Panel No.</u>	<u>Comp. No.</u>		<u>Common Description</u>	<u>Size (AC)</u>	<u>Price (AC)</u>
	<u>Mundy</u>	<u>Follett</u>			
1	5	L19	SNA Exchange	3,578	\$923
2	6	L20	'SNA Exchange	960	\$938
3	--	--	Lake Tazimina	3,150	\$503*
4	--	L2	Anchor Point	2,220	\$464
5	9	--	Cypress Island	3,176	\$1,338
6		L1	Afognak Is.	274	\$3,837
7	--	L3	Goat Island	4,749	\$1,895
8	--	L14	Gulkana	5,620	\$440
9	--	L15	Tok	2,935	\$511
11	--	286	Wasilla	525	\$97
12	--	L5	El Capitan	611	\$1,603
13	--	--	Kosciusko Is.	298	\$500 to \$1,258
14	--	--	Copper Harbor	341	\$1,085

\*Adjusted for less than 100% of fee; Unadjusted Price \$427/ac