

MARKET VALUE APPRAISAL

Of

**Hypothetical Key Parcels within the Ugak Bay, Kodiak Island
Remote Recreational Cabin Staking Area**



View of Boulder Bay looking west at southern portion of staking area.

BASE APPRAISAL REPORT No. 3110-02

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue Suite 650
Anchorage, AK 99501-3576**



A. SUMMARY OF APPRAISAL NO. 3110-02

1. ADL NO(S): N/A
2. SIZE: 5.00 to 20.00 acres
3. APPLICANT: N/A
4. LOCATION: 30 miles southwest of Kodiak, AK
5. LEGAL DESCRIPTION(S): T32 and 33 South, R21 and 22 West, Seward Meridian, various sections as noted in appraisal
6. INTEREST APPRAISED: Fee Simple less mineral rights
7. PURPOSE OF THE APPRAISAL: Estimate market value of hypothetical key parcels within the subject area
8. APPRAISED BY: Michael Ward
9. DATE of REPORT: January 8, 2010
10. DATE of VALUE(S): January 4, 2010
11. APPRAISED VALUE(S):

Summary of Values for Hypothetical Key Parcels Ugak Bay

Key Lot Type	Ugak Bay Oceanfront	Ocean Setback	2 nd Tier	Interior
Moorage	Exposed	Exposed	Exposed	Exposed
Shoreline	Beach, no bluff	None	None or inaccessible bluff	None
Distance from moorage	Fronts moorage	Within 200' ±	200' to ¼ mile	> ¼ mile
Size	9.5 acres	9.5 acres	9.5 acres	9.5 acres
Estimated Market Value	\$22,500	\$18,000	\$11,250	\$7,900 rd.

Summary of Values for Hypothetical Key Parcels Boulder Bay

Key Lot Type	Boulder Bay Oceanfront	Ocean Setback	2 nd Tier	Interior
Moorage	Exposed	Exposed	Exposed	Exposed
Shoreline	Beach, no bluff	None	None or inaccessible bluff	None
Distance from moorage	Fronts moorage	Within 200' ±	200' to ¼ mile	> ¼ mile
Size	9.5 acres	9.5 acres	9.5 acres	9.5 acres
Estimated Market Value	\$11,250	\$9,000	\$5,625	\$4,000 rd.

**B. SUMMARY OF REVIEW**

1. DATE of REVIEW: January 29, 2010
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: The values and adjustments will be used to establish the purchase prices for parcels to be staked by various applicants
5. PURPOSE of REVIEW: Evaluate for Technical Compliance with DNR Instructions & USPAP
 Evaluate for Technical Compliance with UASFLA Develop Independent Estimate of Value
 Other: _____
6. SCOPE OF REVIEW: I Inspected the Subject on _____ I Did Not Inspect the Subject
 I Inspected the Comparable Sales on _____ I Did Not Inspect the Comparable Sales
 I Independently Verified the Comparable Sales in the Report Yes No
 Data and Information Considered in Addition to that Contained in the Report: None See Sections C thru F
 Extraordinary Assumptions, Hypothetical Conditions, & Other Limiting Conditions for this review:
 None See Section G Related appraisals reviewed: None
 Proofread DNR data entry: Yes No
7. RESULTS OF REVIEW: Not Approved Approved Approved Value: See A.11

C. COMPLETENESS OF APPRAISAL MATERIAL WITHIN SCOPE OF WORK APPLICABLE TO THE ASSIGNMENT/CONFORMANCE with APPRAISAL INSTRUCTIONS: Adequate**D. ADEQUACY and RELEVANCE of APPRAISAL DATA and PROPRIETY OF ADJUSTMENTS: Adequate****E. APPROPRIATENESS OF APPRAISAL METHODS and TECHNIQUES: Appropriate****F. ANALYSES, OPINIONS, and CONCLUSIONS ARE APPROPRIATE and REASONABLE, except:****G. REVIEWER'S ASSUMPTIONS AND LIMITING CONDITIONS**

1. This review is based on data and information contained in the appraisal report as well as any additional data from other sources that is identified in this review.
2. The reviewer assumes that the data and information in the appraisal are factual and accurate.
3. The reviewer reserves the right to consider any additional data or information that may subsequently become available, and to revise an opinion or conclusion, if such data and information warrant a revision.
4. All assumptions and limiting conditions contained in the appraisal report are part of this review unless otherwise stated.
5. A title report has been provided to the appraiser and the reviewer. Unless specifically noted in the report or this review, it is assumed that the only easements and restrictions that affect the property are those shown on the plat.
6. The value of commercial timber, if any, is specifically excluded from the final conclusion of value.



REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3110-02

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this review.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I did did not personally inspect the subject property of the report under review.
- No one provided significant professional assistance to the person signing this review report.

Reviewed by

Kevin R. Hindmarch
Kevin R. Hindmarch, Review Appraiser

Date

1/29/10

cc: Marta Mueller
Tim Shilling
Victoria Braun

MEMORANDUM

State of Alaska

Department of Natural Resources
Tel (907) 269-8539
Fax (907) 269-8914
Michael.Ward1@alaska.gov

Division of Mining, Land and Water
550 West 7th Avenue, Suite 650
Anchorage AK 99501-3576

DATE: January 8, 2010

TO: Kevin Hindmarch
Review Appraiser

FROM: Michael R. Ward

SUBJECT: Appraisal of Hypothetical Key Parcels within the Ugak Bay Remote Recreational Cabin Site Staking Area – Base Appraisal Report no. 3110-02

As requested, I have completed a valuation of the hypothetical Key Parcels in the above staking area. I understand that this appraisal will be used to determine the base purchase price for staked recreational parcels, or the minimum bid for administratively surveyed parcels, within this area. 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 Remote Recreational Cabin Site Disposal. This is a complete, summary 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 inspected a large portion of the staking area in September 2003, as well as the main access routes into the general area. In addition, some of the comparables sales have been inspected during unrelated assignments. The physical description of the Key Parcel was based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

TABLE OF CONTENTS

INTRODUCTION

Title Page	
Letter of Transmittal	ii

PREMISE OF THE APPRAISAL

Appraisal Summary	4
Type of Appraisal and Report	6
Purpose and Use of the Appraisal	6
User and Client Identity	6
Property Rights Appraised	6
Definition of Market Value	6
Effective Date of Value Estimate	6
Exposure Time	6
Scope of the Appraisal	7
Assumptions and Limiting Conditions	8

PRESENTATION OF DATA

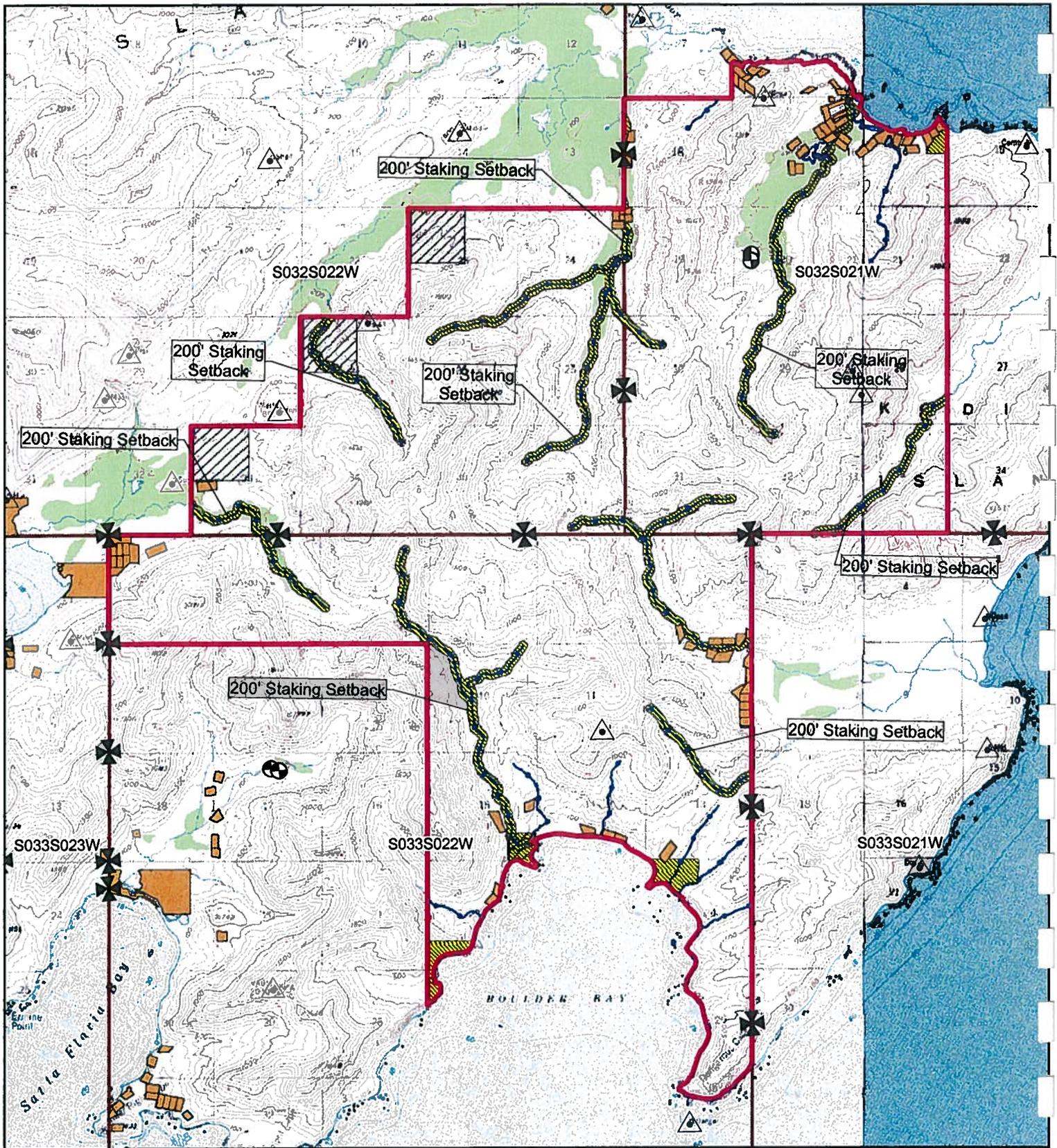
Area Analysis	9
Staking Area Description	10

DATA ANALYSIS AND CONCLUSION

Physical Characteristics	11
Photographs	13
Highest and Best Use	17
Approaches to Value	18
Key Parcel Method	18
Parcel Valuation and Adjustments	19
Value Conclusion for Key Parcels	23
Certification of Value	25

ADDENDA

Staking Area Map	
Market Data Map	
Comparable Sale Forms	
Size Adjustment Chart	
Special Appraisal Requirements	
Appraiser Qualifications	



APPRAISAL SUMMARY

Ugak Bay Remote Hypothetical Key Parcels	
Location	Located approximately 30 miles southwest of the City of Kodiak and 20 miles northeast of Old Harbor. Located on Shearwater Peninsula on Kodiak Island between Ugak and Kiliuda Bays. Boulder Bay is also located along the southern border of staking area.
Topography Map	Kodiak B – 1 & B – 2, B – 3
MTRS	Township 32 South, Range 21 West; Sections 8-9, & 28-33; Township 32 South, Range 22 West; Sections 23-27 & 33-36; and Township 33 South, Range 22 West; Sections 1-6, 10-15, 22-25, 27 & 36, Seward Meridian, encompassing approximately 22,110 acres.
Owner	State of Alaska
Key Parcel 'A'	Size: 9.72 acres, 460' by 920', 423,200 SF
	Lot Type: 'A' – Ugak Bay Waterfront Parcel.
	Access: Boat, floatplane
	Building Site: Level to sloping, possibly wooded with adequate drainage, adequate building site
	A 200-foot staking setback from water bodies identified in the ADFG "Catalog of Waters Important for the Spawning, Rearing, or Migration of Anadromous Fishes." Area plan guidelines and DMLW riparian protection guidelines will be consulted during the decision process to determine additional setbacks and other restrictions.
	Easements: 30' public access and utility easement along all interior parcel lot lines and a 60-foot public access easement along all existing unnamed trails.
	Staked parcels are subject to 50-foot public access easements upland from the ordinary high water mark of public and navigable water bodies. Parcels are subject to a 100-foot building setback from the ordinary high water mark of all water bodies determined to be public or navigable.
	Amenities: Typical water front view of the surrounding area
Key Parcel 'B'	Size: 9.72 acres, or 460' by 920', 423,200 SF
	Lot Type: 'B' – Ugak Bay Interior Parcel.
	Access: Boat, floatplane, then overland.
	Building Site: Level to sloping, possibly wooded with adequate drainage, adequate building site
	Easements: 30' public access and utility easement along all interior parcel lot lines and a 60-foot public access easement along all existing unnamed trails.
	Staked parcels are subject to 50-foot public access easements upland from the ordinary high water mark of public and navigable water bodies. Parcels are subject to a 100-foot building setback from the ordinary high water mark of all water bodies determined to be public or navigable.
	Amenities: Typical view of the surrounding area
Improvements	None
Highest and Best Use Interest Appraised	Recreational cabin site
Effective Date of Value	Fee simple title, excluding mineral rights
Date of Report	January 4, 2010
	January 8, 2010

Summary of Values for Hypothetical Key Parcels Ugak Bay

Key Lot Type	Ugak Bay Oceanfront	Ocean Setback	2 nd Tier	Interior
Moorage	Exposed	Exposed	Exposed	Exposed
Shoreline	Beach, no bluff	None	None or inaccessible bluff	None
Distance from moorage	Fronts moorage	Within 200' ±	200' to ¼ mile	> ¼ mile
Size	9.5 acres	9.5 acres	9.5 acres	9.5 acres
Estimated Market Value	\$22,500	\$18,000	\$11,250	\$7,900 rd.

Summary of Values for Hypothetical Key Parcels Boulder Bay

Key Lot Type	Boulder Bay Oceanfront	Ocean Setback	2 nd Tier	Interior
Moorage	Exposed	Exposed	Exposed	Exposed
Shoreline	Beach, no bluff	None	None or inaccessible bluff	None
Distance from moorage	Fronts moorage	Within 200' ±	200' to ¼ mile	> ¼ mile
Size	9.5 acres	9.5 acres	9.5 acres	9.5 acres
Estimated Market Value	\$11,250	\$9,000	\$5,625	\$4,000 rd.

Adjustments for Staked Parcels

Adjustments		
Date of Value	Date of entry	To be determined
Location	Ugak Bay frontage	1.00
	Boulder Bay frontage	0.50
Size, acres	No adjustments for size variations, all parcels between 9.20 and 9.90 acres	1.00
Parcel Type	Oceanfront, beach no bluff, good moorage	1.00 ¹
	Oceanfront setback, within 200' of moorage	0.80
	2 nd Tier, inaccessible bluff, 200'+ to ¼ mile	0.50
	More than ¼ mile, no moorage	0.35
Easements	Typical easements are considered in the base value. Other easements or trails across staked parcels to be handled on a case-by-case basis.	To be determined
Building site	Poor: Mostly steep, mostly wet ground, or unstable soils	0.90
	Average: Level to sloping, possibly wooded parcel with adequate drainage	1.00
	Good: Mostly level to gently sloping, well drained and possibly wooded. Multiple building sites	1.10
Amenities	Superior views	1.10
	Water features, fresh water streams, ponds, lakes	1.00 to 1.10 see addenda
Miscellaneous	Differences in parcels discovered during field inspection.	To be determined

Adjustment Process: An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the hypothetical key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the hypothetical key parcel, requiring an upward adjustment. An adjustment of 1.00 means the property 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 estimated value of the key parcel to yield a value for the staked parcel.

¹ Adjustments for parcel type are taken from DNR appraisal report nos. 2042 & 3110.

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a complete, summary appraisal report 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 Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site staking program (AS 38.05.600).

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 as²:

"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."

AS 38.05.125(a) states³:

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."

Definition of Market Value⁴

"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."

Effective Date of Value

The effective date of the value estimate is January 8, 2010

Exposure Time

Exposure time is defined as⁵: "...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..."

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.

Based on exposure time for similar properties, the estimated values are based on an exposure time of up to three years.

² The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.111

³ Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2008, p.624-625

⁴ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.23

⁵ Uniform Standards of Professional Appraisal Practice 2008, Appraisal Foundation, p. U-87.

Sales History

There are numerous private parcels within the staking boundary. There are eight previously staked parcels from an initial staking period in 2002 that were purchased during the latter part of 2005. DNR is the current owner of record of the unsubdivided remainder of the area.

Scope of the Appraisal

I inspected the staking area via helicopter and foot in September 2003. Additionally, some of the comparables sales have been inspected during unrelated assignments. Physical features and access were identified by the use of topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

DNR appraisal records were searched for recent sales of similar parcels. Multiple real estate listings were searched, including; private classified ads, private real estate firms, DNR land disposal programs, the University Land Office, and the Mental Health Land Trust. Interviews were conducted with real estate agents, appraisers, and other individuals who provided data about trends in values, supply and demand. Sellers and buyers or other knowledgeable market participants 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.

Some of the adjustments for parcel types have been taken from previous appraisals approved by the State DNR Appraisal Unit. Report # 2042 valued three parcels of land that are located within the staking area. This report was completed in 1987 and utilized 21 sales from Kodiak Island that occurred between November 1979 and September 1986.

Report # 3110 was completed June 2004 and was the first base report for the Ugak Bay remote recreation cabin sites program. This report utilized six Kodiak Island sales that occurred between September 1993 and November 1995.

While the adjustments within both reports utilized different sets of comparables, the calculated adjustments were very similar and will be incorporated within this valuation. The value of a first tier parcel located on Ugak Bay will be determined, and adjustments will be applied to arrive at the various type values generated within this report.

Assumptions and Limiting Conditions

- . The property is appraised as vacant land without structural or site improvements.
- . All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.
- . 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.
- . 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.
- . Some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerials. The appraiser reserves the right to modify the value conclusions if an on-site inspection reveals a variation in site features from those assumed in this report.
- . 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.
- . 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 final judgment is based. Therefore, no part should be used out of context and by itself alone.
- . 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.
- . Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include that value of commercial timber, if any.
- . 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 Kodiak Island Borough⁶.

Current Population: 13,373 (2008 DCCED Certified Population)
Incorporation Type: 2nd Class Borough
Borough Located In: Kodiak Island Borough
Taxes: Sales: None, Property: 10.5 mills (8 service areas),
Special: 5% Bed Tax; 1.05% Severance Tax

Kodiak Island is located on the western side of the Gulf of Alaska. It lies 252 air miles south of Anchorage (a 55 minute flight) and is a 3 hour flight from Seattle. It lies at approximately 57.783330° North Latitude and -152.400000° West Longitude . The area encompasses 6,559.8 sq. miles of land and 5,463.8 sq. miles of water. The climate of the Kodiak Islands is dominated by a strong marine influence. There is little or no freezing weather, moderate precipitation, and frequent cloud cover and fog. Severe storms are common from December through February. Annual precipitation is 60 inches on the windward side of the island, and 40 inches on the leeward side. Temperatures remain within a narrow range, from 32 to 62 °F.

Kodiak Island has been inhabited since 8,000 B.C. and was settled by Russian fur trappers in 1792. Sea otter pelts were the primary incentive for Russian exploration at that time. Kodiak was the first capital of Russian Alaska, which moved to Sitka when Alaska was purchased by the U.S. in 1867. Since the Aleutian Campaign of World War II, several branches of the military have maintained a presence in Kodiak. The 1960s brought growth in commercial fisheries and fish processing. The borough was incorporated in 1963.

The population of the community consists of 17.6% Alaska Native or part Native. The island culture is grounded in commercial and subsistence fishing activities and is primarily non-Native. A Russian Orthodox Church seminary is based in Kodiak, one of the two existing seminaries of this kind in the U.S. The Coast Guard plays an important role in the borough. During the 2000 U.S. Census, total housing units numbered 5,159, and vacant housing units numbered 735. Vacant housing units used only seasonally numbered 308. U.S. Census data for Year 2000 showed 6,927 residents as employed. The unemployment rate at that time was 5.18 percent, although 29.27 percent of all adults were not in the work force. The median household income was \$54,636, per capita income was \$22,195, and 6.56 percent of residents were living below the poverty level.

This information is available on a community basis. Communities located within the borough include: Akhiok, Chiniak, Karluk, Kodiak, Kodiak USCG Station, Larsen Bay, Old Harbor, Ouzinkie, Port Lions, Uganik, and Womens Bay. There are 14 schools located in the borough, attended by 2,618 students.

Fishing and the fish processing, retail, service, and healthcare industries are the key employers. Coast Guard, city, borough, state, and federal agencies also provide employment. 637 borough residents hold commercial fishing permits. Subsistence activities and sport fishing are prevalent. The Kodiak Launch Complex, a \$38 million low-Earth orbit launch facility on 27 acres, was recently completed at Cape Narrow near Chiniak. The Kodiak Launch Complex, operated by the Alaska Aerospace Dev. Corp., is the only commercial launch range in the U.S. that is not co-located with a federal facility. The KLC launched its first payload in November 1998. The Kodiak Chamber of Commerce provides economic development services to the area (www.kodiak.org).

Kodiak is accessible by air and sea. Airports and seaplane facilities serve air traffic island-wide. The Alaska Marine Highway System operates a ferry service from Seward and Homer. Two boat harbors serve commercial and transient vessels. Approximately 140 miles of state roads connect island communities on the east side of the island.

⁶ Alaska DCCED 'Community Database Online', accessed 12-29-09
. http://www.commerce.state.ak.us/dca/commdb/CF_COMDB.htm.

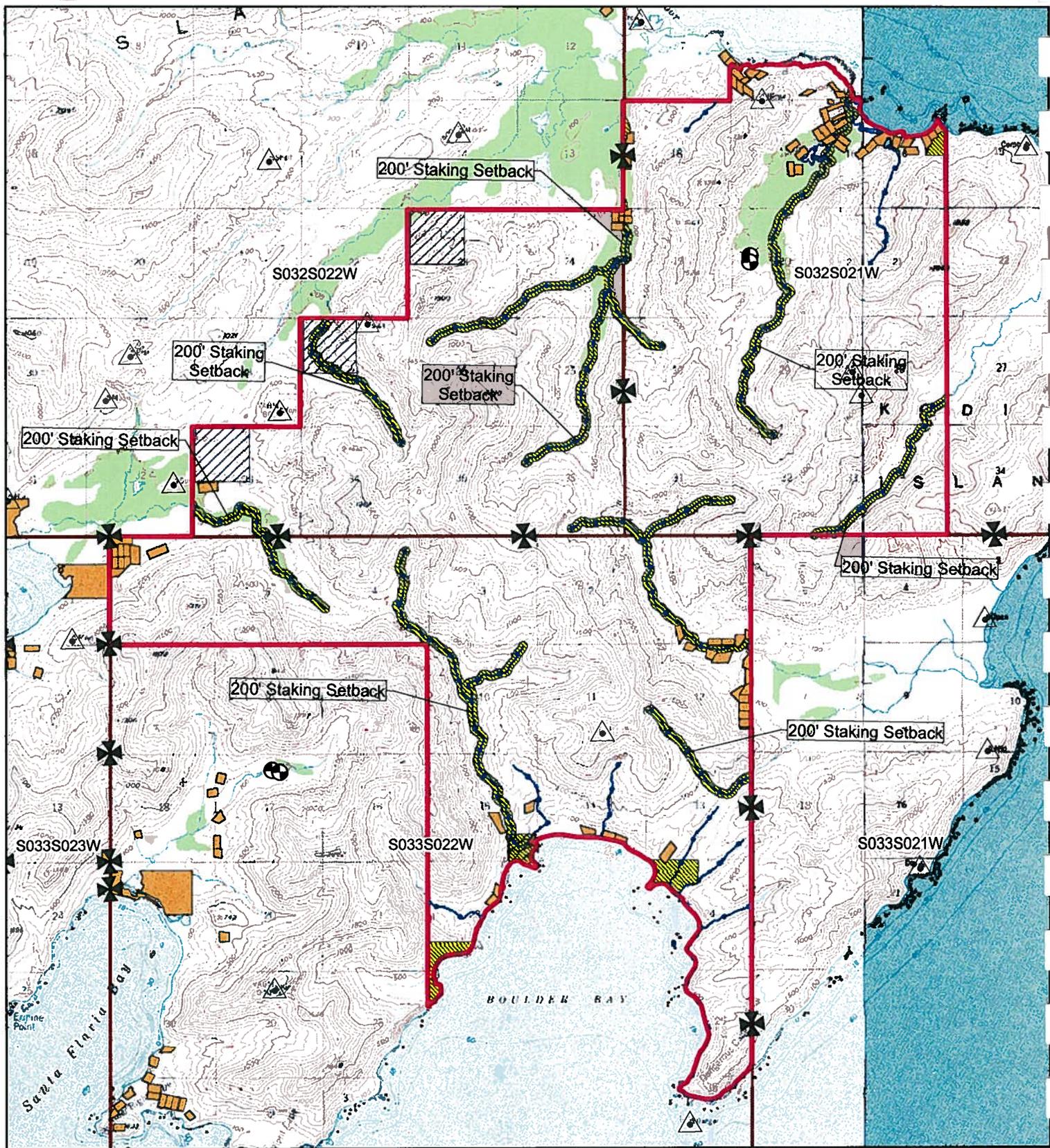
Neighborhood Data - Ugak/Boulder/Shearwater Bays⁷

The Ugak Bay RRCS staking area lies southwest of the community of Kodiak, on the central-eastern portion of Kodiak Island. Most of the staking area is steep and mountainous with several gravel outwash valleys and streams. The irregular coastline is mostly sea cliffs indented with steep walled creek beds. The area was covered with volcanic ash when Katmai erupted in 1912.

Most recreational boaters get to Ugak bay from a public boat launch area in Pasagshak Bay. There is a gravel road from the city of Kodiak to Pasagshak Bay. The wave surge from the Gulf of Alaska across Ugak bay makes the Pasagshak area unsafe for boats. Boat access to Boulder Bay and Shearwater bay is even more hazardous. Boats are exposed to open waters and high winds of the Gulf of Alaska. The shoreline just south of Ugak Bay is also exposed to prevailing summer winds that drive from the southeast against a steep coastline. Except for Eagle Harbor and Little Eagle Harbor, there is generally too much swell to approach the beaches with a float plane. Beach landing might be possible if weather conditions were fairly calm.

The Ugak Bay staking area appeals mostly to hunters. The below average market appeal is attributed to exposed moorage and limited amenities, no trees, no outstanding fisheries, and few freshwater streams. There is no change expected in current land use patterns in the foreseeable future.

⁷ <http://fairbanks-alaska.com/area-communities.htm> accessed 12-16-08



Physical Characteristics	
Location	Located approximately 30 miles southwest of the City of Kodiak and 20 miles northeast of Old Harbor. Located on Shearwater Peninsula on Kodiak Island between Ugak and Kiliuda Bays. Boulder Bay is located along the southern border of the staking area.
Terrain and Major Features	Narrow, steep valleys bordered by mountainous land. Lower valley walls are covered by moraine deposits. Valley bottoms are more gently sloped. Elevation ranges from sea level to 2,600 feet. Coastline is irregular with steep-walled bays or cliffs.
Access	Access to the area is by float plane or boat to Boulder Bay or Ugak Bay. Access in the staking area from one of the bays is by overland travel. Legal access from the bays up to and within the staking area is within undeveloped section line easements. Otherwise, overland travel and landing an aircraft on state land is by Generally Allowed Uses without an issued permit or easement. Mean tide range is 6.6 feet, with spring tide range of 8.4 feet. High tides are 29 minutes before high tides at Kodiak, low tides are 20 minutes after low tides.
View	Local views. Potential for ocean views from higher elevations.
Climate	Summer temperatures range from an average low of 43 to an average high of 60 degrees F. Winter temperatures range from an average low of 25 to an average high of 37 degrees F. Extreme temperatures range from -1 to 86 degrees F. Precipitation averages 99 inches per year, including an average snowfall of 15 inches.
Soils	Loam, sometimes with volcanic ash, over glacial till. On steeper slopes soils are thin. There is no soil on outcroppings of bedrock or rubble. Soils are free of permafrost. Soils are generally well-drained.
Vegetation	Vegetation is highly variable and includes alpine tundra, meadows of tall grasses, thickets of alder and other shrubs, and some stands of Sitka spruce.
Water Source	Ground water depth and quality is unknown. Surface water quality is unknown.
Local Information	
Fire Management Option	"Limited" fire protection area, except for lands in the western part of the staking area which are "Modified."
Game Management Unit	Game Management Unit 8
Alaska Coastal District	Kodiak Island Borough. The project area is within a coastal zone.
Platting Authority	Kodiak Island Borough. The Kodiak Island Borough exercises its zoning authority. The project area is zoned "Wildlife Habitat."
Flood Hazard	Flood Information Rate Maps are not available for the staking area.
Easements, Reservations, and Conditions	
Title	Patented State Land: Patent No. 50-85-0307, GS case file 983. Patent No. 50-85-0329, GS case file 984. Patent No. 50-86-0241, GS case file 1008.
Allowed Uses	Remote Recreational Cabin Sites are for recreational use only. No commercial use or permanent residence is allowed while under lease. Once the parcel is under purchase contract or conveyed into private ownership these restrictions no longer apply.
Improvements	Prior to construction of any structure or waste disposal system, contact the platting authority for any permits or for required setbacks from water bodies, lot lines, and easements.
Setbacks and Other Restrictions	A 200-foot staking setback from water bodies identified in the ADFG "Catalog of Waters Important for the Spawning, Rearing, or Migration of Anadromous Fishes." Area plan guidelines and DMLW riparian protection guidelines will be consulted during the decision process to determine additional setbacks and other restrictions.

Public Access and Utility Easements	Parcels are subject to a minimum 30-foot public access and utility easement along the interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Parcels may not be staked across any named or serialized trail.
Public Water Bodies and Easements	Parcels may not be staked across any public or navigable water body. Staked parcels are subject to 50-foot public access easements upland from the ordinary high water mark of public and navigable water bodies. Parcels are subject to a 100-foot building setback from the ordinary high water mark of all water bodies determined to be public or navigable.
Section Line Easements	All parcels staked on land owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, are subject to a 50-foot wide easement on each side of the section line, which is reserved to the State of Alaska for public highways under AS 19.10.010. Parcels may not be staked over a surveyed section line.

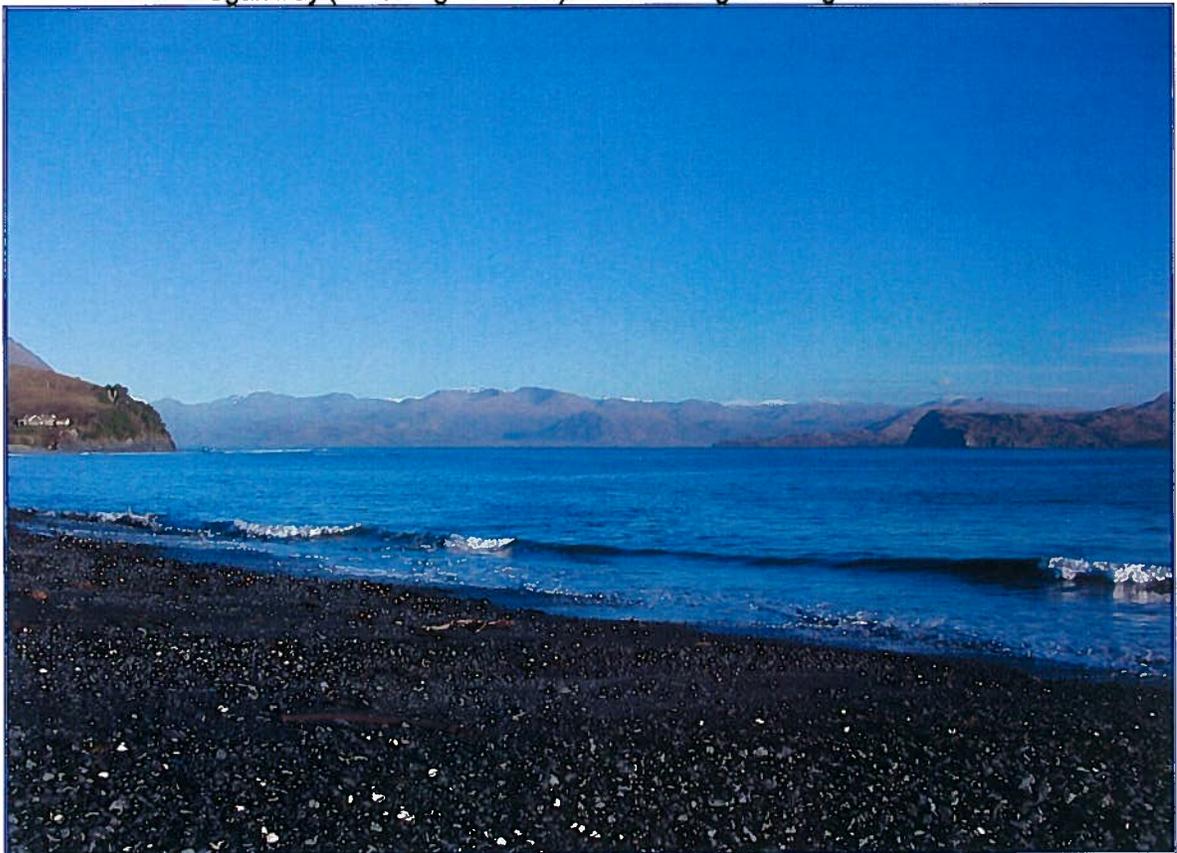
Reserved Areas	DNR may reserve areas for future public use and access, and to protect heritage resources, prior to staking.
Oil and Gas, Minerals	The state retains ownership of all oil, gas, coal, ore, minerals, fissionable materials, geothermal resources, and fossils that may be in or upon the land that it sells (AS 38.05.125). The state reserves the right to enter onto the land to explore for and develop these mineral resources. The state may lease them to mineral developers or allow mining locations to be staked. However, Alaska law also provides that the surface owner will be compensated for damages resulting from mineral exploration and development (AS 38.05.130). Mineral orders closing an area to new mineral entry, where they have been established, close the area to exploration and development of locatable minerals such as gold, copper, platinum, et cetera. Such mineral orders do not apply to leasable minerals, including oil and gas leasing, coal leasing, shallow gas leasing, or exploration licensing for such, nor do they preclude reasonable surface access to these resources.

Comments	
Location - MTRS	Township 32 South, Range 21 West; Sections 8-9, & 28-33; Township 32 South, Range 22 West; Sections 23-27 & 33-36; and Township 33 South, Range 22 West; Sections 1-6, 10-15, 22-25, 27 & 36, Seward Meridian, encompassing approximately 22,110 acres.
Area Plan Information	Kodiak Area Plan, Kodiak Region, Unit K-57B Shearwater Peninsula. Lands are classified Settlement.
Associated Actions	Mineral Closing Order 191 closed all but 521 acres of the project area to mineral entry. An additional mineral order is necessary to offer the area as proposed.
Additional Information	Ugak Bay was offered in 2001 under the Remote Recreational Cabin Sites program. There are a number parcels in the area that were conveyed into private ownership. The area plan was updated in 2004. The Cooperative Management Agreement for the Terror Lake Hydroelectric Project must be consulted prior to land disposals. The Alaska Heritage Resources Survey reports prehistoric or historic heritage sites within or near the project area. Uses of state land in the vicinity of the project area include wildlife habitat, harvest of game for personal use, sport fish, settlement, recreation.

PHOTOGRAPHS OF THE UGAK BAY RRCS AREA SEPTEMBER 2003



Ugak Bay (Little Eagle Harbor) water frontage looking southwest.



Ugak Bay (Little Eagle Harbor) water frontage looking northwest.



Boulder Bay water frontage looking northeast.



Boulder Bay water frontage looking south.



Shearwater Bay water frontage looking east. Staking area on the right side of photo.



Shearwater Bay looking southwest. Staking area to left of photo.



Typical vegetation in east-central portion of staking area.



Typical vegetation west-central portion of staking area.

ANAYLSIS AND CONCLUSIONS

Highest and Best Use

Analysis of highest and best use of 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 as⁸:

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

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 property is vacant and unimproved.

Legally Permissible

The Ugak Bay staking area is zoned “wildlife habitat”, for the maintenance of wildlife habitat but to provide for fishing, hunting, recreational and residential uses. The minimum site area is 9.2 acres and the maximum size is 9.90 acres. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation.

Physically Possible

The subject size and physical characteristics are adequate to support all reasonable and probable uses. There are no public power or telephone utilities in the area. The rough coastal waters are considered too exposed for cannery uses. Because of the difficult access and lack of utilities, the area is best suited for recreational cabins or campsites.

Financially Feasible

Surrounding land use is primarily recreational. 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.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the Key Parcel as vacant would be for almost any legal use, primarily a private recreation cabin site dependent upon location, soils, topography and access.

⁸ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278

Comparable Sales Approach

Valuation Analysis

Three approaches 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 in Alaska to lease vacant land for recreational 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. The hypothetical Key Parcel lacks any improvements; as such this approach will not be used for this appraisal.

Sales Comparison Approach

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

Description of Hypothetical Key Parcel

Key Parcel

Location	Ugak Bay Remote Recreational Cabin Site Staking Area
Type	Ugak Bay ocean frontage, with access and moorage available
Size	9.72 acres, 460' by 920', 423,200 SF.
Access	Boat, helicopter.
Utilities	None
Building Site	Level to sloping, possibly wooded, adequate drainage, adequate building site.
Easements	30' public access and utility easement along all interior parcel lot lines; 60' easement along unnamed trails; 200' along anadromous streams; 100' from protracted section lines; 100' building setback from OHW of Ugak Bay
Amenities	Ugak Bay water front lot, typical view of surrounding area, no creek-front

Because of the different locations and accessibility within the staking area, a number of hypothetical key lots are required. The main key lot will be valued as an ocean front parcel on Ugak Bay, with all other parcels adjusted from that value. The different type parcels are defined below.

Due to the confidentiality of sales information in the State of Alaska, the valuation section of the report is unavailable online. The entire report can be reviewed at the DNR Public Information Center:

In Anchorage

(in the Atwood Building)
550 W. 7th Ave. Suite 1200, Anchorage AK, 99501
Phone (907) 269-8400
Fax (907) 269-8901
TDD for hearing impaired (907) 269-8411
e-mail: dnr.pic@alaska.gov
Business hours 10:00 am to 5:00 pm M-F.

In Fairbanks

(Corner of University & Airport Way)
3700 Airport Way, Fairbanks, AK 99709
Phone (907) 451-2705
Fax (907) 451-2706
TDD for hearing impaired (907) 451-2770
e-mail: fbx-pic@alaska.gov
Business hours 10:00 am to 5:00 pm M-F.

In Juneau

(Southeast Div. of Land)
400 Willoughby Ave., 4th Floor, Juneau AK 99801
Phone (907) 465-3400
Fax (907) 586-2954
e-mail: southeast_land@dnr.state.ak.us
Business hours 10:00 am to 5:00 pm M-F.