

Submitted by: Chairman of the Assembly  
at the Request of the Mayor

Prepared by: Heritage Land Bank  
For Reading: December 7, 2004

CLERK'S OFFICE

APPROVED

Date: 1-11-05

ANCHORAGE, ALASKA

AO NO. 2004 - 165

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE AUTHORIZING DISPOSAL FROM THE HERITAGE LAND BANK INVENTORY FOR PUBLIC SALE BY COMPETITIVE SEALED BID OF HLB PARCEL #1-077, LOT 3 OF PLAT NO. 63-115, IN T15N, R2W, SECTION 36, S.M., AN UNDEVELOPED 1.855-ACRE PARCEL LOCATED IN EAGLE RIVER, AT A PRICE AT OR ABOVE MINIMUM BID OF ONE HUNDRED FORTY-THREE THOUSAND DOLLARS (\$143,000).

**WHEREAS**, the Heritage Land Bank was established to "...manage uncommitted municipal land and the Heritage Land Bank Fund in a manner designed to benefit the present and future citizens of Anchorage, promote orderly development, and achieve the goals of the comprehensive plan"; and

**WHEREAS**, the HLB, at "the direction of the Mayor and Assembly, may convey HLB land or interests not needed for specific public facilities or purposes. Each disposal shall be in the municipal interest and based at or above fair market appraised value or for other equivalent municipal values or objectives" (AMC 25.40.010E); and

**WHEREAS**, the subject property is a 1.855-acre vacant tract of land located on the Old Glenn Highway in Eagle River, Alaska, zoned R-3SL; and

**WHEREAS**, the subject property was reviewed by other municipal departments in October 2002, and as a result the parcel was declared surplus to municipal need; and

**WHEREAS**, the property was approved in 2002 as a parcel available for disposal and included in the HLB 2004-2008 Five-Year Management Plan, which was approved by the Assembly on May 20, 2003; and

**WHEREAS**, based on an updated appraisal of the leased fee estate (MOA's marketable interest in the subject parcel) of \$95,000 and the unencumbered fee estate valued at \$300,000 by MacSwain Associates on August, 2004, the negotiated minimum bid value for sale of the property was set at \$143,000; and

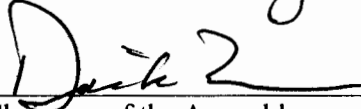
**WHEREAS**, on January 14, 2004, the Heritage Land Bank Advisory Commission approved HLBAC Resolution 2002-17(S), recommending Assembly approval for the competitive bid sale of HLB Parcel #1-077,

7 **NOW THEREFORE THE ANCHORAGE ASSEMBLY ORDAINS:**  
8

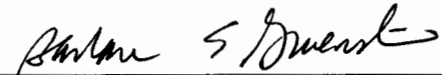
9 **Section 1.** The Heritage Land Bank is hereby authorized to sell via sealed bid sale HLB Parcel #1-077 to  
10 the highest qualified bidder, with minimum bid amount of \$143,000.  
11

12 **Section 2.** This ordinance shall be effective immediately upon passage.  
13

14  
15 PASSED AND APPROVED by the Anchorage Assembly this 11<sup>th</sup> day of January, 2005.  
16

17  
18   
19 Chairman of the Assembly  
20

21 ATTEST:  
22

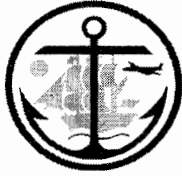
23   
24 Municipal Clerk  
25  
26  
27

AO Number: 2004-165	Title: <b>Sale of HLB Parcel 1-077</b> (Old Glenn Hwy in Eagle River)
Sponsor:	HLB
Preparing Agency:	Heritage Land Bank
Others Affected:	

	FY04	FY05	FY06	FY07
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### **PUBLIC SECTOR ECONOMIC EFFECTS:**

Date: \_\_\_\_\_



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

AM No. 883-2004

Meeting Date: December 7, 2004

**From:** Mayor

**Subject:** AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE AUTHORIZING DISPOSAL FROM THE HERITAGE LAND BANK INVENTORY FOR PUBLIC SALE BY COMPETITIVE SEALED BID OF HLB PARCEL #1-077, LOT 3 OF PLAT NO. 63-115, IN T15N, R2W, SECTION 36, S.M., AN UNDEVELOPED 1.855-ACRE PARCEL LOCATED IN EAGLE RIVER, AT A PRICE AT OR ABOVE MINIMUM BID OF ONE HUNDRED FORTY-THREE THOUSAND DOLLARS (\$143,000).

In 1968, the subject property was leased by the State of Alaska as "Lot 3 as per plat of Survey for East Half of Section 36, Twp 15N, R2W, Seward Meridian, in Plat No. 63-115" (see map, Appendix A). The subject property has been zoned "R-3SL", (Multi-family Residential) since 1985. "SL" refers to a "75-foot wide undisturbed vegetative creek setback, as measured from the ordinary high water mark" of Fire Creek, per AO 85-13.

The Alaska Division of Lands lease agreement is for a fifty-five (55) year term, expiring in August, 2023. The parcel, along with flanking parcels, was taken as a land selection; MOA took fee title in 1980, subject to the lease. Subsequent assignments of lessee's interest transpired, ending with an assignment of lessee's interest to Emmi-List Partnership in 2002.

Emmi-List Partnership submitted an application to HLB to purchase the subject parcel in December, 2003 as E.L.E. Properties. The applicant indicated its intent to construct a multi-family apartment building on the subject parcel, similar to its project completed on the lot adjoining to the south. In HLB Advisory Commission discussions of its 2002 Resolution, commissioners asked staff to negotiate a higher minimum bid than the conclusion of the appraisal commissioned by HLB, which provided a value of \$56,000, based on the "leased-fee" interest held by MOA. Mayor Begich concurred with this approach, and \$124,000 was selected after discussions. Pursuant to a recent, updated appraisal of the subject property by MacSwain & Associates, HLB set a new minimum bid of \$143,000 plus one-half appraisal and closing costs (Appendix B).

Section 2 of the HLB Advisory Commission Resolution 2002-17 (S) provides for implementation of certain "northern city" design standards, as provided in the Anchorage 2020 Comprehensive Plan. HLBAC Resolution 2002-17 (S) was approved January 14, 2004 (see Appendix C).

HLB receives a below-market return from lease revenues from this parcel. The market lease rate may exceed \$14,000 per year, ten times the actual revenue coming to HLB. Although HLB would cease to be recipient of the future revenue stream in the event of a disposal, the municipality would receive significantly higher annual tax revenues if and when a structure is erected on the property. The multi-family structure now completed on the parcel adjoining to the south, for example, generates \$55,000 per year in property tax revenues.

AM\_Sale of 1-077

Page 2

The Administration recommends approval for disposal of this property.

**Appendices:**

Appendix A                      Site Maps

Appendix B                      MacSwain Associates appraisal summary

Appendix C                      HLBAC Resolution 2002-17(S)

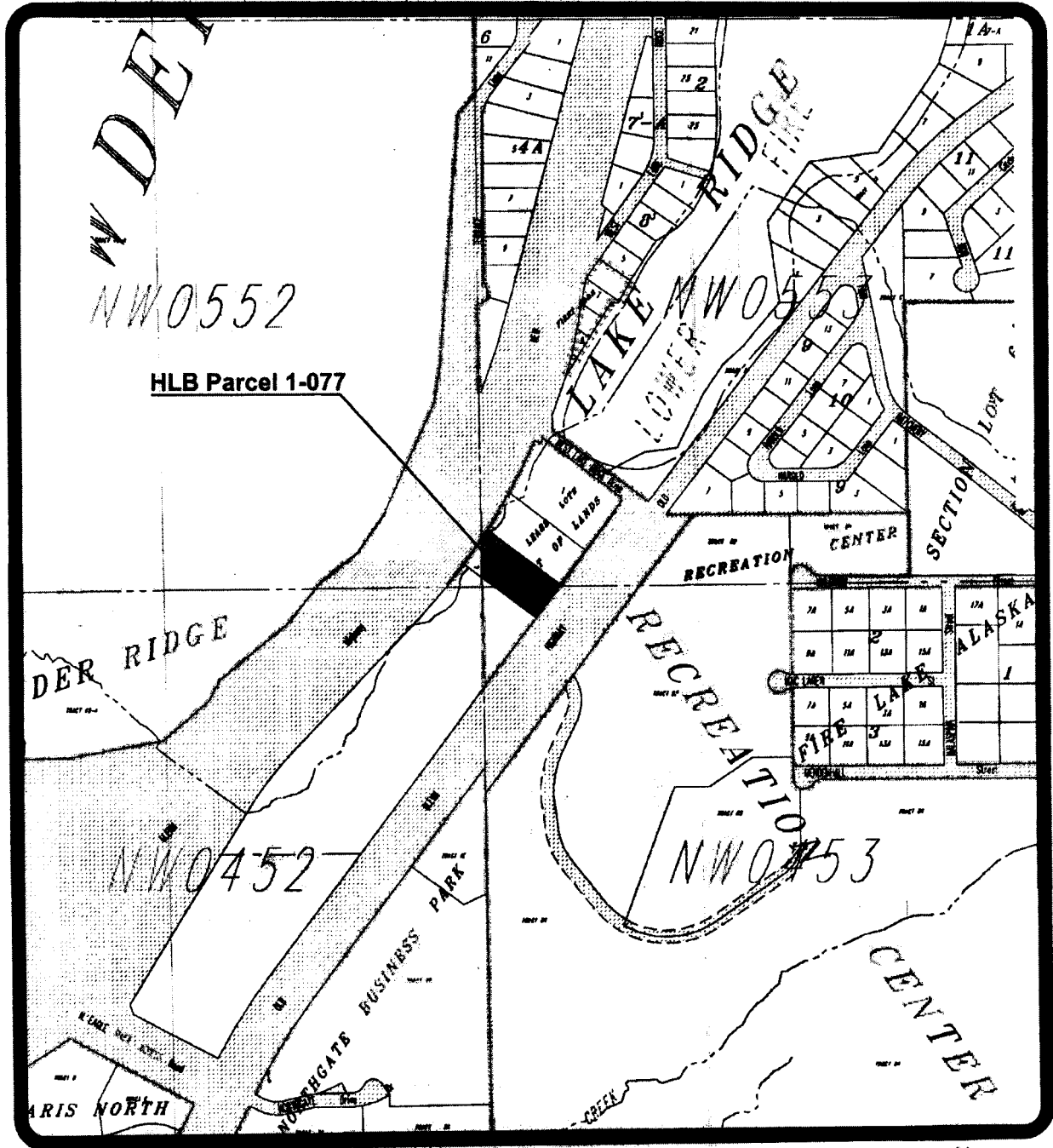
Prepared By: Robin E. Ward, Heritage Land Bank and Real Estate Services Director

Concur: Mary Jane Michael, Community and Economic Development Director

Concur: Denis C. LeBlanc, Municipal Manager

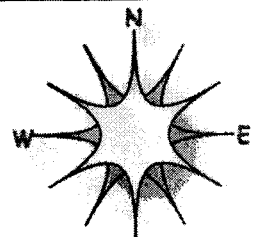
Respectfully submitted: Mark Begich, Mayor

# Appendix A

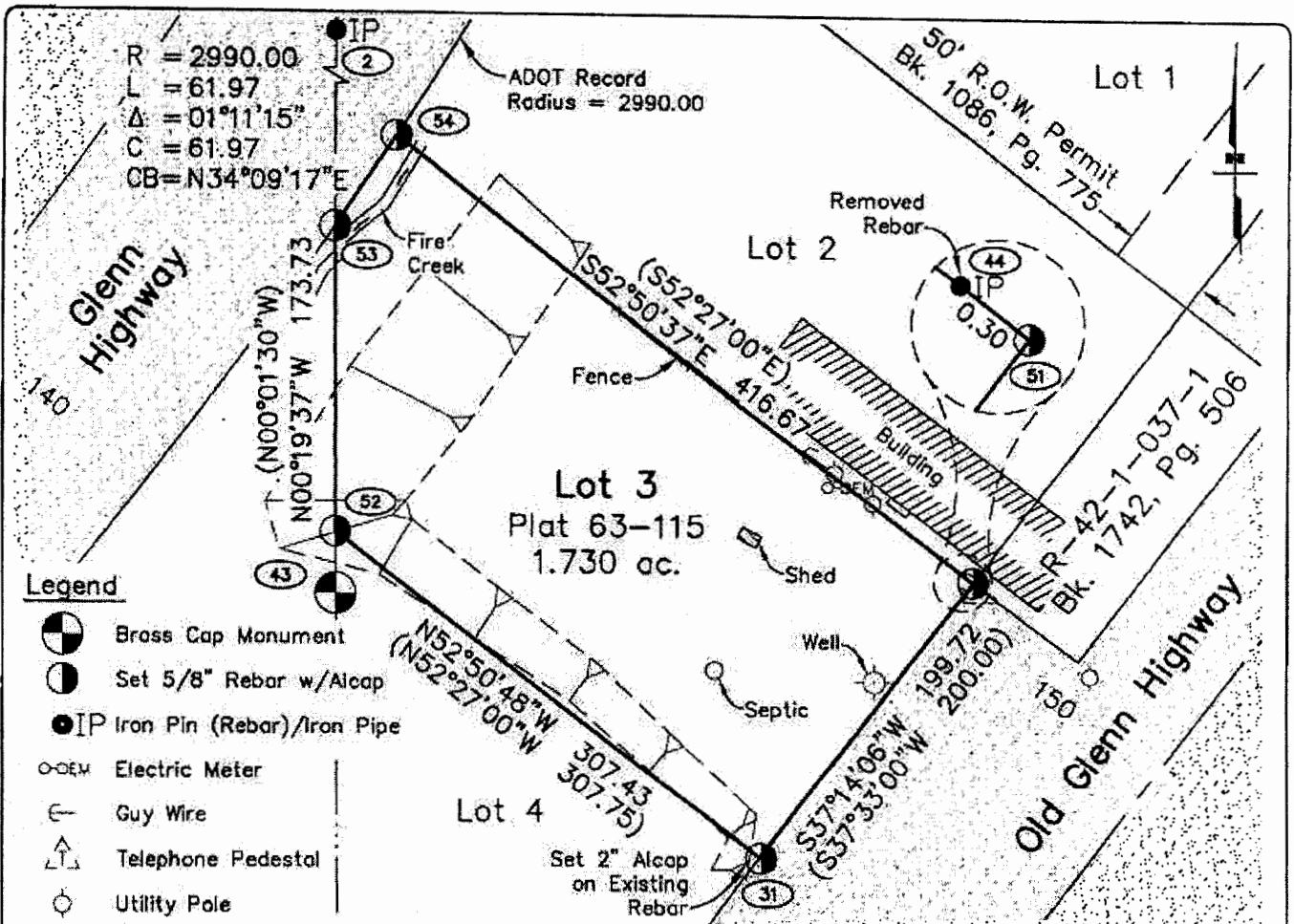


## HLB PARCEL 1-077

LEGAL:	Lot 3, Plat 63-115
LOCATED:	Old Glenn Hwy. near Lower Fire Lake
SIZE:	1.85 ACRES
ZONING:	R-3SL (Multiple-Family Residential-Special Limitations)
CURRENT USE:	Undeveloped



NTS



BOWL2000 COORDINATES							
PT. No.	NORTHING	EASTING	DESCRIPTOR	PT. No.	NORTHING	EASTING	DESCRIPTOR
2	389189.125	406389.529	IP N1/16	44	387877.530	406762.498	REBAR BENT
25	369911.824	400083.435	HILAND	51	387877.347	406762.739	SET CORNER
26	389521.478	406868.997	ARMSTRONG	52	387904.009	406396.860	SET CORNER
31	387718.336	406641.891	REBAR	53	388077.732	406395.869	SET CORNER
43	387869.120	406397.059	BCMON C1/4	54	388129.012	406430.659	SET CORNER

### Note

Basis of Bearing is BOWL2000, derived from ties to NGS monuments HILAND (No.545) and Armstrong (No.548). Both control stations were used to constrain GPS ties to Lot 3 and surrounding recovery. Record BOWL2000 bearing between HILAND and ARMSTRONG is N19°05'14.1"E.

### Surveyor's Certificate

I, Lendle C. Story, hereby certify that I am a registered professional land surveyor in the state of Alaska and that this plat represents a survey made by me or under my direct supervision, and that the monuments shown on this plat actually exist as described, and that all dimensional and other details are true and correct to the best of my knowledge.

Lendle C. Story, L.S. 7843

Date

9/27/04



DWN: KSLP  
 CKD: RHB  
 DATE: 9/27/04  
 SCALE: 1"=100'

**R&M**  
**R&M CONSULTANTS, INC.**  
 ENGINEERS PLANNERS EARTH SCIENCES  
 SURVEYORS MATERIAL TESTING  
 9901 Vanguard Drive, Anchorage, Alaska 99507 (907) 522-1707

Lot 3  
 ADL Plat 63-115  
 Boundary Survey

FB: 3277  
 GRID: NW0553  
 PROJ.NO: 041304  
 DWG.NO: 1 of 1

## Appendix B

### MacSwain Associates

4401 Business Park Blvd., Suite 22  
Anchorage, Alaska 99503  
Telephone: 907-561-1965  
Facsimile: 907-561-1955  
E-mail: d.shantz@macswain.com

August 16, 2004

Heritage Land Bank  
663 West 6th Avenue  
P.O. Box 196650  
Anchorage, Alaska 99519-6650  
Attn: Art Eash, Land Management Officer

Re: Heritage Land Bank Parcel #1-077  
Lot 3, Alaska Department of Lands Subdivision  
Old Glenn Highway  
Eagle River, Alaska

Dear Mr. Eash:

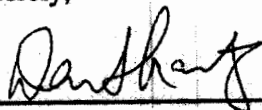
This report represents an *Update Appraisal* that re-analyzes the above referenced vacant land that we appraised for the Heritage Land Bank (HLB) in October 2002. Use of this appraisal report must be in conjunction with the *Restricted Use Appraisal* (file 02-781) that we transmitted to you on October 7, 2002. Although the purpose of the appraisal remains the same, we emphasize our estimate of market value pertains to leased fee entitlements conveyed by a land lease involving the Municipality of Anchorage (MOA). This is important because contract rent is significantly less than market and the lease extends through August 14, 2023. We prepare this report to comply with requirements set forth in the *Uniform Standards of Professional Appraisal Practice* (USPAP). Based on the data, reasoning, and analysis, we estimate the leased fee value of the appraised parcel, as of August 15, 2004, is \$95,000.

**Market Value of Leased Fee Estate**

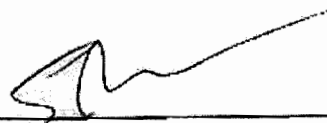
**\$95,000**

We direct your attention to the Assumptions and Limiting Conditions for an explanation of the restrictions and limitations of this report. If you have questions regarding our analysis or conclusion, we will be glad to discuss them with you.

Sincerely;



Dan Shantz  
Alaska State Certificate No. 47



Steve MacSwain, MAI  
Alaska State Certificate No. 42



### **Part 3 of Update Appraisal: Market Analysis and Property Valuation**

#### **Highest and Best Use: Multiple-family residential**

**Changes in Market Conditions:** Since October 2002, the residential market has recorded significant appreciation because of increasing demand and diminished supply. We have data on file that indicates the appreciation rate of residential land ranges from one to two percent per month. Moreover, recent sale negotiations may support a higher rate of appreciation. Based on these market conditions, we performed a new sales comparison analysis to estimate the land value at the end of the lease term (reversionary value)

**Income Capitalization Approach:** We rely on a discounted cash flow (DCF) analysis to convert a highly probable income for the remaining 19-year lease term as well as the reversion into a present value. We summarize our DCF analysis as follows.

**Present Value of Periodic Income:** Lease terms state land rent or income over the next eight-year period is \$1,307 per year. Since contract rent is significantly below market, it is reasonable to assume that land rent during the next 10-year interval (2012 to 2022) will increase to the maximum allowable per the lease agreement. Specifically, the agreement permits a 50 percent rent increase every 10-year interval. Thus, projected land rent from August 2012 through August 2022 will be \$1,961 per year, while annual land rent for the final year of the lease will be \$2,942. Based on our projection of future land values and lease rates, contract rent for the appraised land will continue to be less than market rent.

Because contract rent is less than market, the risk factor affecting the appraised income stream is near the lower end of the market range. Therefore, we apply an eight-percent discount rate to the 19-year projected income stream generated by the appraised land. This develops a net present value of \$15,302 derived by discounting the following periodic incomes:

\$1,307/year for 8 years by 8% (August 15, 2004 through August 14, 2012)  
\$1,961/year for 10 years by 8% (August 15, 2012 through August 14, 2022)  
\$2,942/year for 1 year by 8% (August 15, 2022 through August 14, 2023)

**Net Present Value of 19-Year Projected Income (R)                      \$15,000**

**Present Value of Reversion:** The final step of the DCF analysis is to estimate the present value of the appraised land at expiration of the lease in August 2023. Known as the reversion, we project future land value by estimating its current market value and applying an annualized appreciation rate expected over the next 19-year interval. Comparative analysis indicates the fee simple market value of the appraised land, as of the report date, ranges from \$3.50 to \$4.00 per square foot. Reconciling with a mid-range estimate, we conclude with a fee simple value of 300,000 as of August 2004.

Based on a review of real estate cycles that have occurred in the Anchorage/Eagle River market since the 1970's, we project a reasonable appreciation rate of two to three percent per

**MacSwain Associates**

year. By applying an appreciation rate of 2.5 percent, we estimate the reversionary land value, as of August 2023, is \$490,000 (rounded). We discount the reversion at a higher rate because the valuation process requires forecasting more unknown variables. Therefore, we use a 10-percent discount rate to estimate the present value of the reversion, which develops a value of \$80,119.

**Net Present Value of Reversion (R)                      \$80,000**

*Conclusion of DCF Analysis:* Our DCF analysis indicates the present value of leased fee entitlements that grant the right to receive annual land rent and the reversion is 95,000.

**Indicated Value by DCF Analysis                      \$95,000**

**Market Value Estimate of Leased Fee Estate (MOA's Entitlements):** Based on the data, reasoning, and analysis, we estimate the leased fee value of the appraised land, as of August 15, 2004, is \$95,000.

<b>Market Value of Leased Fee Estate</b>	<b>\$95,000</b>
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## **Appendix C**

### **HLB Resolution 2002-17(S)**

#### **A RESOLUTION OF THE HERITAGE LAND BANK ADVISORY COMMISSION RECOMMENDING ASSEMBLY APPROVAL OF A SALE BY COMPETITIVE BID OF HLB PARCEL NO. 1-077, COMPRISING 1.85 ACRES FRONTING ON THE OLD GLENN HIGHWAY IN EAGLE RIVER**

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WHEREAS, "It is the mission of the Heritage Land Bank to manage uncommitted municipal land ... to benefit the present and future citizens of Anchorage, promote orderly development, and achieve the goals of the comprehensive plan." (AMC 25.40.010); and

WHEREAS, the HLB, at "the direction of the Mayor and Assembly, may convey HLB land or interest not needed for specific public facilities or purposes. Each disposal shall be in the municipal interest and based at or above fair market appraised value or for other equivalent municipal values or objectives" (AMC 25.40.010E); and

WHEREAS, the HLB Advisory Commission is required to hold a public hearing, with public notice as specified in this chapter, prior to making a recommendation to the mayor and assembly regarding the disposal of Heritage Land Bank land or an interest in land (AMC 25.40.025A); and

WHEREAS, land disposals under AMC 25.40.025.F include land sales, land exchanges, leases, and easements; and

WHEREAS, Emmi-List Partnership has applied to purchase the fee interest in subject property, in which it now holds a leasehold interest, and on December 29, 2003, as E.L.E. Properties, again asked to purchase the parcel, for purposes of constructing a multi-family structure; and

WHEREAS, Emmi-List Partnership leases the subject property from HLB under a lease expiring in 2023, payments for which are currently \$1,307.00 per year, which is substantially below market rate; and

WHEREAS, an appraisal of the subject property was conducted by MacSwain & Associates, Inc. on October 2, 2002, estimating a market value of \$56,000 for the leased fee estate, and \$180,000 for the unencumbered fee estate, without discount for the existing long-term lease; and

WHEREAS, an agency review and a public notice mailing of the proposed disposal was conducted in September, 2002; and

WHEREAS, a Phase I Database Environmental Review was completed by Shannon & Wilson, Inc. in December, 2003, disclosing no evidence of contaminated soils or underground storage tanks; and

WHEREAS, the subject property was posted December 11, 2003 in preparation for public hearing on January 14, 2004, and thereby meeting the twenty-one day minimum posting requirement; and

WHEREAS, the HLB Advisory Commission tabled the proposed sale on October 9, 2002, requiring additional information and reconsideration of a minimum bid price.

HLB AC Resolution 2002-17(S)  
Parcel No. 1-077


**NOW THEREFORE THE HERITAGE LAND BANK ADVISORY COMMISSION RESOLVES TO RECOMMEND ASSEMBLY APPROVAL FOR A COMPETITIVE BID SALE OF HLB PARCEL NO. 1-077, SUBJECT TO:**

**Section 1.** Subject property shall be sold for a price of at least \$124,000, subject to existing long-term lease, existing and pending easements, greenbelt and creek protection restrictions and other encumbrances that may exist, and approval by the Anchorage Assembly.

**Section 2.** The structure, when built, is to incorporate "green building" and "northern city" design elements to the extent possible.

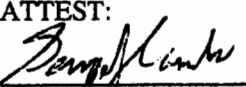
**Section 3.** This resolution will take effect immediately upon passage and approval.

APPROVED:

  
Mary Jo Thill, Chair  
Heritage Land Bank Advisory Commission

1/14/2004  
Date

ATTEST:

  
George Cannelos, Director  
Heritage Land Bank

1/14/2004  
Date

### Content Information

Content ID : 002369

Title: Sale of HLB Parcel #1-077 in Eagle River

Author: vanhornlr

Initiating Dept: HLB

Description: Sale of HLB Parcel in Eagle River

Keywords: 1-077 HLB Sale

Date Prepared: 11/9/04 5:11 PM

Director Name: Robin E. Ward

Assembly Meeting Date MM/DD/YY: 12/7/04

Public Hearing Date MM/DD/YY: 1/11/05

2004 NOV 22 PM 4:14  
CLERK OF COURT

### Workflow History

Workflow Name	Action Date	Action	User	Security Group	Content ID
AllOrdinanceWorkflow	11/9/04 5:14 PM	Checkin	vanhornlr	Public	002369
HLB_SubWorkflow	11/9/04 5:17 PM	Approve	wardre	Public	002369
ECD_SubWorkflow	11/10/04 3:54 PM	Approve	thomasm	Public	002369
OMB_SubWorkflow	11/10/04 4:31 PM	Approve	lohrra	Public	002369
AllOrdinanceWorkflow	11/10/04 6:08 PM	Reject	gatesdt	Public	002369
AllOrdinanceWorkflow	11/12/04 2:07 PM	Checkin	vanhornlr	Public	002369
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OMB_SubWorkflow	11/12/04 4:52 PM	Approve	pearcydl	Public	002369
Legal_SubWorkflow	11/15/04 12:22 PM	Approve	gatesdt	Public	002369
MuniManager_SubWorkflow	11/22/04 8:28 AM	Approve	leblancdc	Public	002369
MuniMgrCoord_SubWorkflow	11/22/04 2:32 PM	Approve	katkusja	Public	002369