



Haines Borough Lands Department

Market Study for Lots 6 & 7 Primary School Subdivision

Prepared For: Darsie Culbeck
Executive Assistant to Manager

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Haines Borough Land Department

Date: 1/8/2014

Introduction

The subject property is owned by the Haines Borough and includes vacant Lots 6 & 7 of the Primary School Subdivision as shown on Plat 2008-21 recorded with the Haines Recording Office. This property was formerly the location of a K-3 Primary School in the Haines Borough School District. Located on Main Street in Haines, Alaska, it is zoned for commercial use and the adjacent lot to the West is owned by Alascom Inc. A sixty foot easement separates these neighboring properties. Across Main Street to the North are several other commercial businesses that include one of the local grocery stores & sporting goods stores, a hair salon, and a clothing material & sewing supplies store. Lots to the East and South are vacant land also owned by the Haines Borough. The Haines Borough School District's K-12 school and outdoor track are located within 100 yards to the southwest & southeast of the subject. The subject property being formerly developed has water, sewer and electrical readily available, and minimal site prep will be required for any future construction. The primary school was originally constructed as a temporary structure that was in service long past its expected useful life. As a result it was decided to demolish the structure, and during clean-up of the building site contaminated soil was discovered. Darsie Culbeck, Executive Assistant to the Manager has reported that DEC was made aware of the contamination and appropriate clean-up measures were followed. Monitoring wells for possible future contamination are in place, and Mr. Culbeck expects to receive a "No Further Action Letter" from the State of Alaska for the subject property by mid-January.

Highest & Best Use

The subject property is located in an area zoned for commercial use by the Haines Borough. Although there are some single family residential, (SFR), properties within one or two blocks of the subject; these existing SFR properties have dated structures, and there are no indications from the market that the neighborhood has any demand for additional homes of this type. The potential buyer's intended use of this property is for construction of a hotel. The buyer has indicated that the increase availability of rooms will be a long term gain to the community that has lost approximately 44 rooms within the last few years as a result of one demolition, and a change of use of two former motels. The potential buyer has identified an appropriate use of the subject property as indicated by the loss of hotel rooms. The close proximity to the business community would be especially complimentary to construction of a new hotel. The highest and best use of the subject property is for commercial use as it is currently zoned, and the particular use identified by the buyer.

Vacant Land on the Market

Three *potential* comparable properties zoned for commercial use are currently *listed* for sale. One of the three is located on Main Street, but at only 7,000 square feet it is less than one eighth the size of the subject. The other two properties located on Dalton Street are approximately two blocks away from Main Street at an inferior location to the subject. They are also significantly smaller than the subject property at 16,394 SF and 8,769 square feet each. Although *list* price *does not* determine market value, (as only verified sale can); listings do suggest the sellers' ideas of market potential. The average per square foot value of *listed* commercial property located within close proximity of the subject is \$8.53/SF. (See chart below for details).

Owner	Prop ID #	Assessed Land Value	Assessed value /SFs	List Price	Assessed Building Value	Residual List Price	List price /SF	Size (SF)	Location
Smith	C-TNS-05-0300	\$28,000	\$4.00	\$47,500	\$0	\$47,500	\$6.79	7000	Main St
Studley	C-TNS-10-0100	\$16,900	\$1.03	\$95,000	\$0	\$95,000	\$5.79	16394	Dalton
BOYCE	C-TNS-09-0200	\$27,900	\$3.18	\$135,000	\$20,900	\$114,100	\$13.01	8769	Dalton
							Ave/SF \$8.53		

Two of the listed properties have been on the market for over one year, and the assessed building value of Boyce property is missing improvements in place since the last assessment cycle.

Hypothetical Assumption (Contaminated soil)

Both the seller and the buyer are aware of the stigma attached to the subject property as a result of the discovery of contaminated soil during post-demolition site clean-up as disclosed in the introduction. The buyer has requested for the Haines Borough to assume responsibility for any reoccurrences of soil contamination that may arise as a result of constructing the new proposed hotel. When the seller accepts responsibility of any future contaminated soil discovered on site, the hypothetical assumption is that the subject property is free of the contaminated soil stigma and as a result the subject property maintains 100% of fair market value as determined by market analysis.

Sales Comparison Approach to Value

Of the three approaches to value considered, the sales comparison approach was selected as the most appropriate method to use for valuation of the subject property. Without information for appropriate capitalization procedures such as net business income, or detailed information on the building components of the hotel to be constructed, the income approach and cost approach to value are not valid options. Sales of several commercial properties zoned for commercial use, or where commercial use is allowed, (significant structure), reveal a 5% increase in per square foot value over the past two years. Supply and demand for commercial property does not appear to be out of balance.

Sales Comparison Approach to Value (Cont.)

The following sales of commercial property were used for this market study.

*Note: It is important to recognize that 4 of 6 sales used in this study are inferior in size to the subject and 5 have inferior locations. However, without appropriate "paired sales" information any attempts at making adjustments to the different characteristics of the comparable sales used in this market study are unsupported opinions in the valuation process, therefore **no adjustments were made**. Demolition costs of an existing structure on comparable 6 were provided by buyer and added to the sales price.*

	Owner	SaleDate	Prop ID #	Building/imprv. value	Location	Size (SF)	Sale Price/Residual Sale Price	Price /SF
Subject	Haines Borough	n/a	none		0 Main St.	52,656		
Comp. 1	Rietze	11/20/2012	C-735-03-0600		0 .75 mile HNS Hwy	73,555	\$69,500	\$0.94
Comp. 2	State	12/24/2012	C-207-TL-0500		0 755 Union	121,615	\$400,000	\$3.29
Comp. 3	Sage/Wattermar	10/15/2013	C-TNS-09-0500		0 4th & Dalton	16,394	\$80,000	\$4.88
Comp. 4	Ness	8/11/2011	C-TNS-10-0700	34800	417 Union	39,768	\$150,200	\$3.78
Comp. 5	Copeland	6/7/2012	C-PTC-0D-03A0	\$13,800	Blacksmith St.	6,826	\$36,200	\$5.30
Comp. 6	H.A.L.	4/20/2012	C-TNS-08-0200	Demolishment + \$100k	216 Dalton	34,507	\$525,000	\$15.21
							Ave	\$5.57
							Med	\$4.33

Comparable 1 and 6 were on the market for more than two years. Comparable 2 was not advertised for sale; the buyer approached the seller and a sale price was negotiated. Market time for comparable 3, 4, & 5 was not available.

Comparable 5 was purchased by a local entrepreneur who has established a distillery business. Although the location can be considered inferior to the subject for construction of a hotel due to the smaller lot size with no surrounding vacant parcels available for assemblage; its location close to restaurants, the cruise ship dock, and very few single-family homes was a positive selling point for a new business. Haines Brewery is the only other beverage company locally; so the buyer of comp. 5 found a niche in the market by producing a slightly different product, similar to construction of a "new" hotel in a town that has not experienced one in decades. Comparable 5 was purchased with an existing structure originally built as a bakery in the early 1900's. The buyer did not demolish the structure, but instead remodeled it. Assessed value of the structure was classified as a material salvage value of \$4,700. The residual land value for comp 5 was established by using an estimated per square foot construction cost of a garage derived from a survey of local builders, and that value was depreciated by 90%.

Comparable 6, having been the former location of an established motel for many years is perhaps the most appropriate comparable sale with its similar lot size and central location to surrounding businesses. Like comparable 5, this property was purchased with an existing structure, the former Thunderbird Motel. However, the buyer of comp 6 never intended to use the existing structure and the old motel was demolished in 2012. A *conservative* demolition cost estimated at \$100,000 was reported by the purchaser, and the expense was included in the sale price for this market study. (*Exact figures for demolition costs were not available, as salvaged building materials were used to off-set the expense.*)

Reconciliation

The sales used for this market study are the most recent and appropriate sales available to determine fair market value of the subject property. Not enough information was available to apply either the Cost Approach, or the Income Approach to value, and as explained earlier in this report, the Sales Comparison Approach is the most reliable method of valuation for this assignment.

Use of the sales from this market analysis was used to determine a per square foot value to calculate fair market value of the subject property. From the six sales an average per square foot value of \$5.57, and median per square foot value of \$4.33 were calculated. Because the median is the preferred measure of central tendency in many valuation applications, it was used to determine this opinion of value. *(A possible disadvantage of the median is that it gives no added weight to legitimate outliers, but after close examination of this market study it was determined that the median per square foot value of comparable sales best represents fair market value for the subject.)*

It is my opinion that AS-IS value for Lots 6, & 7, Primary School Subdivision, as shown on Plat 2008-21 recorded with the Haines Recording Office is \$228,000.

\$228,000

*******TWO HUNDRED TWENTY-EIGHT THOUSAND DOLLARS*******

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