

MARKET VALUE APPRAISAL
of

**Sixteen (16) Parcels within
Riverview Subdivision ASLS 83-128**



Riverview Subdivision looking east

APPRAISAL REPORT No. 4290-0

STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue Suite 602
Anchorage, AK 99501-3576

MEMORANDUM

State of Alaska

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DATE: December 10, 2015

TO: Kevin Hindmarch
Review Appraiser

FROM Johnthomas Williamson
Appraiser



SUBJECT: Appraisal of Sixteen (16) parcels within Riverview Subdivision, ASLS 83-128.

As requested, I have completed an appraisal of the above referenced parcels, and understand that this appraisal will be used to determine a minimum purchase price for a sealed bid auction. I am submitting this report for your review and approval.

The appraisal was completed in accordance with the "Uniform Standards of Professional Appraisal Practice" of the Appraisal Foundation and in accordance with the Special Appraisal Instructions, DNR. This appraisal report is based on the General Assumptions and Limiting Conditions stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have inspected all of the subject parcels and all of the comparable sales used in this report. Physical descriptions of the subject parcels were based on inspections, aerial photography, topographic maps, peer appraisal reports, interviews with realtors and various individuals familiar with the area. Based on these observations and analyses of all available data, I have formed an opinion of the market values as of the effective date of value.

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APPRAISAL SUMMARY

Location and Legal Description

Riverview Subdivision is located approximately 50 miles northeast of Fairbanks, north of the Steese Highway and Chatanika River. The subdivision lies within Sections 25 & 26 of Township 5 North, Range 4 East and Sections 29 & 30 of Township 5 North, Range 5 East, Fairbanks Meridian.

SUMMARY OF VALUES

ADL	Subdivision	Lot	Block	ASLS	Acres	Value (Rnd)	Date of Value
411119	Riverview	7	1	83-128	10.080	\$12,100	7/16/2015
411132	Riverview	7	2	83-128	10.035	\$12,000	7/16/2015
411155	Riverview	12	3	83-128	15.734	\$16,000	7/16/2015
411156	Riverview	13	3	83-128	10.183	\$12,200	7/16/2015
411159	Riverview	2	4	83-128	10.034	\$12,000	7/16/2015
411161	Riverview	4	4	83-128	11.198	\$13,000	7/16/2015
411162	Riverview	5	4	83-128	10.068	\$12,100	7/16/2015
411163	Riverview	6	4	83-128	10.139	\$12,200	7/16/2015
411164	Riverview	7	4	83-128	16.008	\$16,300	7/16/2015
411165	Riverview	8	4	83-128	10.802	\$13,000	7/16/2015
411169	Riverview	12	4	83-128	13.816	\$14,800	7/16/2015
411170	Riverview	13	4	83-128	11.066	\$12,900	7/16/2015
411171	Riverview	14	4	83-128	10.056	\$12,100	7/16/2015
411173	Riverview	2	5	83-128	10.033	\$12,000	7/16/2015
411174	Riverview	3	5	83-128	10.115	\$12,100	7/16/2015
411192	Riverview	5	8	83-128	10.453	\$11,300	7/16/2015

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal report prepared in accordance with Standards Rule 1 and 2 of the current edition of Uniform Standards of Professional Appraisal Practice (USPAP) and DNR's Special Appraisal Instructions.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value of the properties described in this report.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for parcels to be acquired through the auction sale program under AS 38.05.055.

User and Client Identity

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

Property Rights Appraised

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

Fee simple estate is defined as:

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

AS 38.05.125(a) states:

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

Definition of Market Value

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

Effective Date of Value Estimate

July 16, 2015.

Date of Report

December 10, 2015.

¹ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.78

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2014, pp. 653

³ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.122

Exposure Time

Exposure time is defined as the "...estimated length of time that 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."⁴

Exposure time can vary depending on the type of property being appraised and constantly changing market conditions. Supply and demand of similar properties to the subject is an important factor for determining exposure time. Currently, there are limited parcels available throughout the area offered through various government and private programs. Considering the limited availability of parcels on the market, an exposure time of six months to a year is reasonable.

Property History

All of the parcels have been offered through DNR subdivision auctions. Several were purchased either through the bidding process or through the Over the Counter offering. Subsequently, these parcels were either relinquished back to the State, or their contracts were terminated due to default. The Department of Natural Resources is the current owner of record for all subjects.

Scope of the Appraisal**Property and Comparable Sales Inspection**

I inspected the subject properties and all of the comparable sales on July 16, 2015. Physical features and access were identified by use of site inspections, topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

Research and Analysis conducted

Interviews were conducted with real estate agents, appraisers, local residents, and other individuals familiar with the area who provided information about trends in value, supply, demand, access, and physical characteristics of the subject properties. DNR records and the Recorders Office databases were searched for recent comparable sales. Private real estate agent websites were searched for recent listings. Sellers, buyers, and agents were contacted to verify recent sale prices and other transaction details.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the following assumptions and limiting conditions.

⁴ Uniform Standards of Professional Appraisal Practice 2014-2015, Appraisal Foundation, p.U-2 www.uspap.org/#/19/

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader visualize the properties.
3. 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.
4. 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.
5. 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.
6. The data and conclusions in this report are a part of the whole valuation. Each part of this report is only part of the evidence upon which the final judgment is based. Therefore, no part should be used out of context and by itself alone.
7. 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.
8. The estimate of value in this report is not based in whole or in part upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
9. Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include the value of commercial timber, if any.
10. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
11. In this valuation, various mathematical calculations were used to formulate the opinion of value. These calculations are only aids for the formulation of the opinion of value by the appraiser. Therefore, in the application of these calculations, certain arithmetical figures are rounded to the nearest significant amount.
12. 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 Area⁵

Northern Interior

The Fairbanks North Star Borough is located in the heart of Interior Alaska and is the economic center of the Interior. FNSB is the second-largest population center in the state with a population of 97,581 in 2010. Of which, about half live in and around Fairbanks. The area encompasses 7,361.0 sq. miles of land and 77.8 sq. miles of water. Interior Alaska experiences seasonal temperature extremes. January temperatures range from -66 to 50 degrees Fahrenheit. July temperatures range from 30 to 99 degrees Fahrenheit. Fairbanks is known for its lingering summer days. When the solstice arrives, there is more than 22 hours of daylight. Major communities include: College, Eielson Air Force Base, Ester, Fairbanks, Fox, Harding Lake, Moose Creek, North Pole, Pleasant Valley, Salcha, and Two Rivers. There are 35 schools located in the borough, attended by 14,384 students.

City, borough, state, and federal government agencies, including the military, provide over one-third of the employment in the borough. The borough school district and the University of Alaska Fairbanks are the primary public employers. Nearly 8,600 soldiers are stationed in the borough on Fort Wainwright or the Eielson Air Force Base. Retail services, gold mining, tourism, transportation, medical, and other services are the primary private sector activities. The Fort Knox hard rock gold mine is located in the borough. The Richardson Highway, the Parks Highway, the Steese Highway and the Elliott Highway connect the Interior to Anchorage, Canada and the lower 48. Truck, rail and air services provide transportation of cargo. Scheduled jet services are available at Fairbanks International airport. An 11,800' asphalt runway, heliport and seaplane landing strip are available. A public seaplane base is located on the Chena River. Eielson Air Force Base and Fort Wainwright also conduct flight operations in the area.

Neighborhood Data - Chatanika

Riverview Subdivision lies 20 miles northeast of the small community of Chatanika while Mount Ryan is an additional 30 miles to the northeast. Chatanika was a center for placer gold mining in the early 1900s up until the late 1950s. Between 1926 and 1957, over 70 million dollars in gold was taken out of the valley. Placer mining has since been replaced by hard rock mining to the south. As a testament to its former mining days, an antique dredge has resided in the middle of the community since 1967. The dredge is located across the street from the community center, the Chatanika Lodge. Currently the lodge hosts multiple annual celebrations and festivals, including the "Chatanika Days Outhouse Race". The lodge is a very popular snowmachine base for winter-time recreation. Many snowmachine and dog sled trails access the hills surrounding Chatanika

⁵ All information regarding Market Area information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

Property Description - Riverview

ADL	Subdivision	MTRS	Lot	Block	Access	ASLS	Acres	Plat	Recording District
411119	Riverview	F5N3E25	7	1	4x4 Road	83-128	10.080	84-93	Fairbanks
411132	Riverview	F5N3E25 F5N4E30	7	2	4x4 Road	83-128	10.035	84-93	Fairbanks
411155	Riverview	F5N 4E Sec. 30	12	3	4x4 Road	83-128	15.734	84-93	Fairbanks
411156	Riverview	F5N 4E Sec. 30	13	3	4x4 Road	83-128	10.183	84-93	Fairbanks
411159	Riverview	F5N3E25 F5N4E30	2	4	4x4 Road	83-128	10.034	84-93	Fairbanks
411161	Riverview	F5N 4E Sec. 30	4	4	4x4 Road	83-128	11.198	84-93	Fairbanks
411162	Riverview	F5N 4E Sec. 30	5	4	4x4 Road	83-128	10.068	84-93	Fairbanks
411163	Riverview	F5N 4E Sec. 30	6	4	4x4 Road	83-128	10.139	84-93	Fairbanks
411164	Riverview	F5N 4E Sec. 30	7	4	4x4 Road	83-128	16.008	84-93	Fairbanks
411165	Riverview	F5N 4E Sec. 30	8	4	4x4 Road	83-128	10.802	84-93	Fairbanks
411169	Riverview	F5N 4E Sec. 30	12	4	4x4 Road	83-128	13.816	84-93	Fairbanks
411170	Riverview	F5N 4E Sec. 30	13	4	4x4 Road	83-128	11.066	84-93	Fairbanks
411171	Riverview	F5N3E25 F5N4E30	14	4	4x4 Road	83-128	10.056	84-93	Fairbanks
411173	Riverview	F5N 4E Sec. 30	2	5	4x4 Road	83-128	10.033	84-93	Fairbanks
411174	Riverview	F5N 4E Sec. 30	3	5	4x4 Road	83-128	10.115	84-93	Fairbanks
411192	Riverview	F5N 4E Sec. 29	5	8	4x4 Road	83-128	10.453	84-93	Fairbanks

Location

The subjects are located roughly 50 road miles northeast of Fairbanks, 20 miles northeast of Chatanika town site, a 1/2 mile north of the Chatanika River, East Camp Creek. The parcels are located within Sections 29 & 32 of Township 5 North, Range 4 East, and Section 25 of Township 5 North, Range 3 East, Fairbanks Meridian.

Access

All subjects are accessed via the Steese Highway, then along constructed 4x4 roads within platted easements. West of Camp Creek, Kateel Drive is a partially constructed dirt road from the Steese Highway to Tatlanika Drive. The Davidson Ditch bisects the subdivision. All parcels can be reached with a 4x4 vehicle.

Size & Shape

The parcels range from 10.033-acres to 16.008-acres and are irregular in shape.

Topography

Subjects are situated along rolling hills north of the Chatanika River near Camp Creek at an elevation ranging from 1,000 to 2,000 feet above sea level. All of the parcels slope generally to the south.

Soils/Vegetation

The parcels are vegetated with a mix of birch, alder, white spruce, black spruce and interspersed underbrush. Vegetation varies with elevation.

Utilities, Water & Sewer

All of the subject parcels within Blocks 1-5 are within the western portion of the subdivision and have access to electric service. One parcel, Lot 5 Block 8, is within the eastern portion of the subdivision where electric transmission lines have not been extended. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Regulations⁶

The parcels are located within an area of the Fairbanks – North Star Borough zoned for RE-4, or Rural Estate. There are typical easements throughout the subdivision. No parcel is adversely affected by atypical easements.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic materials, waste, or hazards were observed during the field inspection. To the west, portions of the Davidson Ditch siphons bisect the subdivision. These sections are not located on the subject parcels.

Tax Assessments⁷

There is no tax burden assessed to the State of Alaska from the Fairbanks – North Star Borough. Tax assessments to private parties will become active when property is sold into private ownership. The Mill Rate for this area is currently 13.456.

Personal property

There is no personal property involved with the appraisal of these parcels. There are no improvements.

Ownership History

All of the parcels have been offered before through various DNR subdivision auctions. Seven parcels have been previously sold under contract, then subsequently relinquished or defaulted on the contract. The remaining parcels have not been sold. DNR is the current owner of record for all subjects. See chart below:

ADL	Lot	Block	Sold	Status
411119	7	1	Sold in 2013	Terminated in 2015
411132	7	2	Sold in 2009	Relinquished in 2013
411159	2	4	Sold in 2008	Terminated in 2012
411169	12	4	Sold in 2011	Relinquished in 2013
411170	13	4	Sold in 2012	Terminated in 2014
411171	14	4	Sold in 2008	Terminated in 2012
411192	5	8	Sold in 2011	Terminated in 2014

⁶ <http://gis.co.fairbanks.ak.us/>

⁷ *ibid*



Lot 5 Block 8, Riverview. Center of photo.



Lot 5 Block 8, Riverview. Chulitna Drive on left, Kateel Dr. on right, looking west.



. Lots 2 & 14 of Block 4 between Tatlanika and Kugaruk Rd, looking north



Lots 12 & 13 Block 3 to the right of Kugaruk Dr (north) in foreground.



Blocks 4 & 5 looking north.



Lot 8 Block 4



Western portion of Riverview within the SE4 SE4 of Section 25



Western portion of Riverview within the SW4 SW4 of Section 30. Camp Creek drainage.

DATA ANALYSIS AND CONCLUSION

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for a residential use; therefore, data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. Since all the parcels are vacant, the cost approach will not be used.

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 properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use and physical features. Of the three approaches to value, 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. This methodology replicates typical developer thinking, and will be utilized. The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 (or <) means the sale feature is superior to that appraised property and requires a downward adjustment to indicate the value of the key parcel. An adjustment greater than 1.00 (or >) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to indicate the value of the key parcel. An adjustment of 1.00 (or =) means the sale feature is similar to the key parcel, no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the sale price to indicate the value of a key parcel. Qualitative adjustments are noted as superior (-), inferior (+), or equal/similar (=). The overall comparability of each sale is analyzed to bracket a probable value for the subject. In many cases, combinations of both quantitative and qualitative adjustments are used.

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:

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