

MARKET VALUE APPRAISAL
of

**Three (3) Parcels within
Albert Creek Homestead ASLS 85-67
Albert Creek RRCS ASLS 2003-15
Crazy Mountain Homestead ASLS 89-114**



Near Central

APPRAISAL REPORT No. 4291-0

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
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MEMORANDUM

State of Alaska

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DATE: January 26, 2016

TO: Kevin Hindmarch
Review Appraiser

FROM Johnthomas Williamson 
Appraiser

SUBJECT: Appraisal of Three (3) parcels near Central within ASLS 85-67, ASLS 2003-15, and ASLS 89-114.

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.

There is an extraordinary exception for ADL 410740, Albert Creek Homestead. This parcel was under a sale contract that has since been terminated. The previous occupant left debris on the parcel, including the remains of a burned cabin and an old outhouse. It is an extraordinary assumption that no hazardous waste or toxic materials are present.

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APPRAISAL SUMMARY

Location and Legal Description

Central is located approximately 120 miles Northeast of Fairbanks along the Steese Highway, south of the Yukon River. The area lies within Township 9 North, Range 14 and 15 East, Fairbanks Meridian.

SUMMARY OF VALUES

ADL	Subdivision	MTR	Sec.	Tract	ASLS	Acres	Value (Rnd)	Date of Value
410740	Albert Creek Homestead	T9N R14E FM.	33	B	85-67	38.954	\$37,000	7/16/2015
410834	Albert Creek RRCS	T9N R14E FM.	35	E	2003-15	4.67	\$11,700	7/16/2015
413908	Crazy Mountain Homestead	T9N R16E FM.	7	C	89-114	35.94	\$36,000	7/16/2015

PREMISES OF THE APPRAISAL

Type of Appraisal

This appraisal is 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

January 26th, 2016.

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.

Extraordinary Assumption

Based on an aerial inspection, ADL 410740 appeared to have miscellaneous building debris, the remnants of a burned cabin, and an old outhouse. No hazardous materials were observed from the aerial inspection. However, it is an extraordinary assumption that hazardous waste or toxic materials are not present.

PRESENTATION OF DATA

Market Area⁵

Central Neighborhood.

Central is located on the Steese Highway about 125 miles northeast of Fairbanks and 28 miles southwest of Circle. Circle Hot Springs is located nearby. Central has a continental subarctic climate, characterized by seasonal extremes of temperature. Winters are long and harsh, and summers warm and short. The average high temperature during July ranges from 65 to 72 °F. The average low temperature during January is well below zero. Extended periods of -50 to -60 °F are common. Extreme temperatures have been measured, ranging from a low of -71 to a high of 97 °F. Annual precipitation averages 6.5 inches, and annual snowfall averages 43.4 inches.

After the discovery of gold in the Circle Mining District in the 1890s, a centrally-located roadhouse was needed between Circle, a supply point on the Yukon, and the mining operations at Mammoth, Mastodon, Preacher, and Birch Creeks. Central House, originally built around 1894, was located at the supply trail's crossing of Crooked Creek. It became the center of a small community of miners who settled there and provided food and shelter to travelers and support services to nearby miners. In 1906, the Alaska Road Commission began construction of a wagon road to replace the primitive pack trail from Circle to Birch Creek mining operations. By 1908, construction had reached Central. The original roadhouse burned to the ground and was rebuilt in the mid-1920s. A post office was established in 1925. In 1927, the road link to Fairbanks was completed. The road was named the Steese Highway in honor of General James Steese, former president of the road commission. Mining continued until the beginning of World War II. After the war, a few miners returned to Central, but mining declined through the 1950s and 60s. Activity increased again in the mid-1970s with the rise in gold prices. In 1978, the Circle Mining District was the most active in Alaska, with 65 gold mining operations employing over 200 people.

According to Census 2010, there were 172 housing units in the community and 53 were occupied. Its population was 4.2 percent American Indian or Alaska Native; 92.7 percent white; 3.1 percent of the local residents had multi-racial backgrounds. Additionally, 1 percent of the population was of Hispanic descent.

Approximately 25% of homes here are occupied year-round. These typically have individual wells, septic systems, and complete plumbing. The majority of summer-use homes haul water from local creeks or watering points at the local hotels and use outhouses. The landfill is unpermitted and is located on DNR land at mile 124.6 Steese Hwy. Electricity is provided by Central Electric Inc. There are schools located in the community. Local hospitals or health clinics include Fairbanks hospitals. Emergency Services include highway and air access. Emergency service is provided by 911 Telephone Service and volunteers. Auxiliary health care is provided by Central Rescue Squad

The 2005-2009 American Community Survey (ACS) estimated 27¹ residents as employed. The public sector employed 59.3%¹ of all workers. The local unemployment rate was 32.5%¹. The percentage of workers not in labor force was 61.5%¹. The ACS surveys established that average median household income (in 2009 inflation-adjusted dollars) was \$13,984 (MOE +/- \$2,046)¹. The per capita income (in 2009 inflation-adjusted dollars) was \$13,669 (MOE +/- \$4,690)¹. About 33.3%¹ of all residents had incomes below the poverty level.

The community is on the Steese Highway, by which residents can reach Fairbanks. Year-round maintenance by the Department of Transportation enabled goods to be delivered on a regular schedule by truck. A state-owned 2,782' long by 60' wide gravel airstrip is available. Boats are used for recreation and fishing. Snowmachines and dog sleds are also used. Central serves as a checkpoint for the Yukon Quest.

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

Property Description – Central Area

ADL	Subdivision	MTRS	Tract	Access	ASLS	Acres	Plat	Recording District
410740	Albert Creek Homestead	T9N 14E Sec. 33	B	4x4 / Pioneer Road	85-67	38.954	87-16	Fairbanks
410834	Albert Creek RRCS	T9N 14E Sec. 35	E	4x4 / Trail	2003-15	4.67	2005-82	Fairbanks
413908	Crazy Mountain Homestead	T9N 16E Sec. 7	C	4x4 / Pioneer Road	89-114	35.94	91-106	Fairbanks

Location – Parcels are located off the Steese Highway, near Central. ADL 410740 is located 1.5 miles west of Central, one third of a mile south of the Steese Highway. ADL 410834 is located one mile east of Central, south of the airstrip, south of Crooked Creek. ADL 413908 is located approximately 10 miles east of Central, north of the Steese Highway.

Access – Access to each parcel is along the Steese Highway, then along pioneer roads and 4x4 trails. Various structures are found on neighboring parcels. There have been some access improvements around private lots in the area.

Topography, Soils, Size & Shape – The immediate area around Central is flat while ADL 413908 has gently sloping topography. All three parcels are roughly 1,000 feet above sea level. Albert Creek Homestead and Crazy Mountain Homestead are rectangular while Albert Creek RRCS is irregular. Sizes of the individual lots range from 4.67 acres to 38.954 acres. Parcels contain primarily mature spruce. Vegetation is indicative of adequate to poor drainage supporting at least one building site.

Easements & Zoning Regulations – There are typical access and utility easements along lot lines. All subjects are within the Unorganized Borough and are not subject to zoning regulations.

Environmental Hazards, Hazardous Waste & Toxic Materials – No toxic materials, waste, or hazards were observed during the field inspection. Based on an aerial inspection, ADL 410740 appeared to have miscellaneous building debris, the remnants of a burned cabin, and an old outhouse. No hazardous materials were observed from the aerial inspection. However, it is an extraordinary assumption that hazardous waste or toxic materials are not present. The remaining two parcels appeared undeveloped.

Ownership History – ADL 410740 was offered in 2006 and sold OTC in 2007 for \$38,600. The land sale contract was terminated in May of 2012. ADL 410834 was offered in 2010 and later sold that year OTC for \$10,400. The land sale contract was terminated two years later. ADL 413908 was offered in 2006 for \$30,700. An application and down payment was received in 2009. The applicant failed to return a signed land sale contract. Subsequently, the application was terminated. DNR is the current owner of record.

Tax Assessments & Personal Property – The parcels are within the Unorganized Borough and are not currently subject to ad valorem taxation. There is no personal property involved with the appraisal of this property. There are no improvements on the properties.

Utilities, Water & Sewer – There are no utilities 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.



Tract E on far right edge of photo, Location near airstrip.



Tract E of Albert Creek RRCS, looking north.



Tract B ASLS 85-67, Debris on parcel including outhouse.



Tract B ASLS 85-67.



Tract C, ASLS 89-114, lines proximate.



Tract C 89-114

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.

Valuation of Key Parcel

ADL 410834 – Tract E of ASLS 2003-15 Albert Creek RRCS

Data Analysis and Value Conclusion

Location	East of Central, south of airstrip
Access	4x4 Trail.
Size & Shape	4.67 acres and irregular shaped.
Topography	Level, approximately 1,000 feet above sea level.
Soils & Vegetation	Mix of mature birch and spruce. Vegetation indicative of adequately drained soils..
Utilities	None.
Easements & Zoning	No zoning. There are typical subdivision easements along lot lines and a 100' building setback from the creek.
Environmental Hazards	None observed.
Tax Assessments	The subject is within the Unorganized Borough. There is no ad velorem tax.
Ownership	DNR is the owner of record.
Personal Property	None.
Amenity	None.

Highest and Best Use

Analysis of highest and best use for the subject properties 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 as:

"The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value."⁶

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 parcels are vacant and unimproved.

Legally Permissible

The Key Parcel subjects are within the Unorganized Borough and not subject to local zoning. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Almost any legal use of the site would be possible.

⁶ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.93

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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