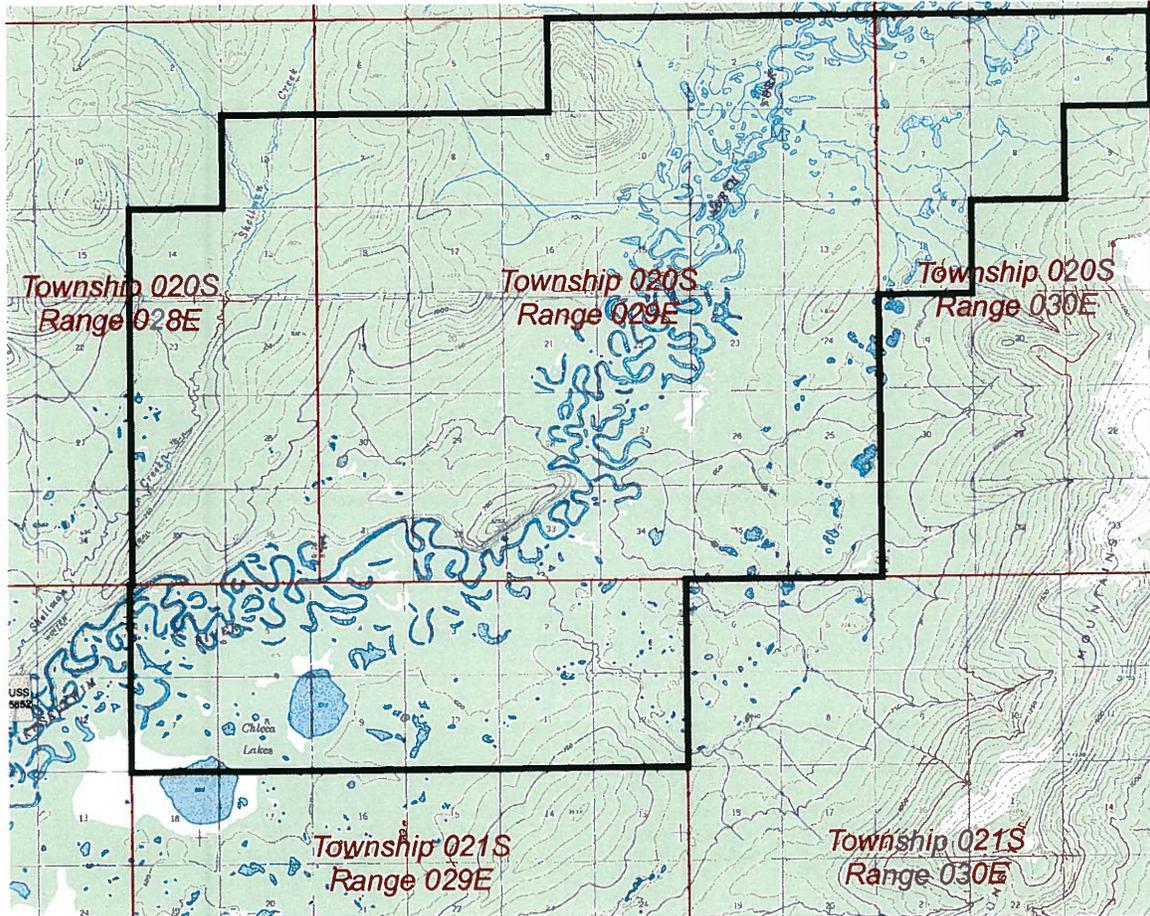


**MARKET VALUE BASE APPRAISAL**

**Of**

**Two Hypothetical Key Parcels within the Chleca Lakes  
Remote Recreational Cabin Staking Area**



**BASE APPRAISAL REPORT No. 3449**

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

## TABLE OF CONTENTS

### INTRODUCTION

Title Page  
Letter of Transmittal

### PREMISE OF THE APPRAISAL

Appraisal Summary	1
Type of Appraisal	5
Purpose and Use of the Appraisal	5
User and Client Identification	5
Property Rights Appraised	5
Definition of Market Value	5
Effective Date of Value Estimate	5
Exposure Time	5
Property History	6
Scope of the Appraisal	6
Assumptions and Limiting Conditions	7

### PRESENTATION OF DATA

Area Analysis	8
Staking Area Description	8

### DATA ANALYSIS AND CONCLUSION

Highest and Best Use	11
Approaches to Value	12
Explanation of Adjustments	12
Description, Analysis, and Value Conclusion of Key Parcel 'A'	15
Description, Analysis, and Value Conclusion of Key Parcel 'B'	18
Certification of Value	20

### ADDENDA

Notes on Adjustments	
Maps	
Comparable Sales Forms & Surveys	
Special Appraisal Instructions	
Appraiser Qualifications	

## Appraisal Summary

<b>Physical Characteristics</b>	
Parcel Size	5 to 20 acres
Number of Authorizations	40
Gross Project Area	38,880 acres
Net Offering	800 acres
Location	Located along the North Fork Kuskokwim River, approximately 20 miles north of Telida, 90 miles northeast of McGrath, and 30 miles southwest of Lake Minchumina.
USGS Quad	Medfra C-1, D-1
MTRS	K020S028E Sections 12-14, 23-26, & 35-36. K020S029E Sections 1-4, & 7-36. K020S030E Sections 4-8 & 18. K021S029E Sections 1-12.
Topography / Terrain	Staking area contains range of topography from level to steep.
Access	Primary access is by float plane during the summer to Chleca Lakes located within the project area or by ski plane during the winter. Overland snowmachine access from Lake Minchumina, Telida, or Medfra is also a possibility.
View	Potential good views of the Sischu and Munsatli Mountains, surrounding hills, and of the North Fork Kuskokwim River valley
Climate	The area has a cold, continental climate with average summer temperatures from 62°F to 80°F. Winter temperatures can range from -64°F to 0°F. Precipitation is light, averaging 10 inches per year, including an average snowfall of 86 inches.
Soils	The area contains thick silty colluvial sediment over partially weathered bedrock. Most of the area has permafrost. There is sandy loam along the river corridor.
Vegetation	Spruce and birch, with black spruce and muskeg on poorly drained flats and north facing slopes.
Water source	Water from streams and lakes is abundant at lower elevations. Ground water quality is unknown.
Owner	The State of Alaska, DNR is the owner of record
Improvements	Parcels are assumed to be vacant without improvements.
Personal Property	Personal property is not included within the scope of this valuation.
Adjacent Land Use	Forestry, recreation, wildlife habitat, and resource harvest for personal use are some of the principle uses of state land adjacent to, and within, the staking area.

<b>Easements and Reservations</b>	
Title	Tentatively Approved Land: GS 2707, GS 2713, GS 2709 & GS 2708
Area Plan and Classification	Kuskokwim Area Plan, Management Unit 1 – North Fork, Subunit 1a – Upper North Fork, Classified Settlement – CL SC-88-001-01
Fire Management Option	The staking area is within a <b>limited</b> fire protection area, which means the lowest level of suppression action provided on a wildland fire in area where values to be protected do not justify the expense of a higher level of protection, and where opportunities can be provided for fire to help achieve land and resource protection objectives. The Alaska Interagency Wildland Fire Management Plan is updated annually. Contact the Division of Forestry for updated information regarding management

	options. Stakers are urged to familiarize themselves with the FireWise Program to reduce potential for fire.
Game Management Unit	The staking area is in Game Management Unit 19D.
Municipal Authority	The staking area is within the Unorganized Borough. The State of Alaska, Department of Natural Resources is the plating authority.
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
Section Line Easements	All parcels staked on lands owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, or that are bisected by a protracted 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 10.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.
Public Access and Utility Easements	Parcels are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.
Public and Navigable Water Bodies & Easements	Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50-foot public access easement. Parcels are subject to a 100-foot building setback from all streams or navigable water bodies. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.
Setbacks and other Restrictions	Parcels are subject to a 100-foot staking setback along the North Fork Kuskokwim River and a 100-foot building setback from all streams and all other water bodies determined to be public or navigable.
Reserved Areas	500 foot staking setback on the northern and southern portions of North Chleca Lake, see staking map for details.
Waste Disposal	Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for more information.
Wetlands	Parcels may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for more information.
Comments	The staking area has been closed to mineral entry per Mineral Order No. 1063.

**Hypothetical Key Lot 'A' – Fly-in Lake or River Frontage**

Lot Type	Lot Type 'A' is a 1 <sup>st</sup> tier parcel within 330-feet of a float plane accessible lake.
Size	Key Lot 'A' is 5 acres.
Location	Within the Chleca Lakes Recreational Cabin Site staking area. Roughly 20 miles north of Telida, and approximately 30 miles southwest of Lake Minchumina.
Access	Primary access is by either float plane during the summer, or ski plane / snowmachine during the winter.
Building Site	At least one adequate building site on property.
Setbacks	100-foot building setback from ordinary high water mark of all rivers, streams, and all other public & navigable water bodies.
Easements	30-foot public access and utility easement along interior parcel boundary lines, 50' section line easements, 50' public access easement along public and navigable water, and a minimum 60-foot public access easement along all existing unnamed trails.
Amenities	Float plane accessible lake.
Improvements	none
Highest and Best Use	Recreational cabin site
Effective Date of Value	December 19 <sup>th</sup> , 2007
Date of Report	December 19 <sup>th</sup> , 2007

<b>Conclusion of values for Hypothetical Key Parcel 'A'</b>		
Size (in acres)	Per/acre	Per/site (RND)
<b>5.00 (KEY)*</b>	<b>\$1,700</b>	<b>\$8,500</b>
10.00*	\$1,275	\$12,800
15.00*	\$1,105	\$16,600
20.00*	\$956	\$19,100

\*Note – 10, 15, and 20 acre parcels based solely on size adjustment in addenda

<b>Adjustments For Key Lot 'A'</b>		
Date of Value	Date of Entry	To Be Determined
Location	No distinctions within staking area	1.0
Size (acres)	Adjustments for size variation	See Addenda
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
Access	Similar to key parcel	1.0
Building Site	Poor: Mostly steep or wet ground, unsuitable soils	0.8 – 0.9
	Average: at least one adequate building site, adequately drained and wooded, typical for the area.	1.0
	Good: Very well drained and wooded, level ground with multiple building sites	1.1
Amenities	Float plane accessible lake	1.0
	View – Superior to key parcel	1.1
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 key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the 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.

**Hypothetical Key Lot 'B' – Interior Parcel**

Lot Type	Lot Type 'B'. 2 <sup>nd</sup> tier parcel at least 330 feet from a floatplane lake or setback line.
Size	Key Lot 'B' is 15 acres.
Location	Within the Chleca Lakes Recreational Cabin Site staking area.
Access	Fly-in to staking area, then overland access to parcel, or snowmachine.
Building Site	At least one adequate building site.
Setbacks	Check building setbacks.
Easements	30-foot public access and utility easement along interior parcel boundary lines, 50' section line easements, 50' public access easement along public and navigable water, and a minimum 60-foot public access easement along all existing unnamed trails.
Amenities	Typical view of the surrounding area
Highest and Best Use	Recreational cabin site
Effective Date of Value	December 19 <sup>th</sup> , 2007
Date of Report	December 19 <sup>th</sup> , 2007

<b>Conclusion of values for Hypothetical Key Lot 'B' – Interior Parcel</b>		
Size (in acres)	Per/acre	Per/site (RND)
5.00*	\$615	\$3,100
10.00*	\$462	\$4,620
<b>15.00(KEY)</b>	<b>\$400</b>	<b>\$6,000</b>
20.00*	\$345	\$6,900

\*Note – 5, 10, and 20 acre parcels based solely on size adjustment in addenda

<b>Adjustments For Key Lot 'B' – Interior Parcels</b>		
Date of Value	Date of Entry	To Be Determined
Location	No distinctions within staking area	None
Size (acres)	Adjustments for size variation	See Addenda
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
Access	Similar to key parcel	1.00
Building Site	Poor: Mostly steep or wet ground, unsuitable soils	0.8 – 0.9
	Average: at least one adequate building site, adequately drained and wooded, typical for the area.	1.0
	Good: Very well drained and wooded, level ground with multiple building sites	1.1 – 1.2
Amenities	Outstanding Views	1.1 – 1.2
	Pond or Non-floatplane accessible lake frontage.	1.1 – 1.2
	North Fork Kuskokwim River (see addendum)	1.2
	Differences in parcels discovered during field inspection	To Be Determined
Miscellaneous	Differences in parcels discovered during field inspection	To Be Determined

Please note that the character and the quality of the North Fork of the Kuskokwim River make it unsuitable for floatplane and boat access. Riverfront lots and true interior lots share similar access. For purposes of this valuation, river frontage will be addressed as an amenity of an interior lot. See addenda

Lot 'B' is an interior 2<sup>nd</sup> tier parcel. A 2<sup>nd</sup> tier parcel is defined as a location where a parcel, or multiple parcels, could be staked between the subject and the nearest water-body access. Creek frontage will be addressed as an amenity for both Type 'A' and Type 'B' parcels.

## **PREMISE OF THE APPRAISAL**

### **Type of Appraisal and Report**

This appraisal is a, summary appraisal 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, see addenda.

### **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 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 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."<sup>1</sup>

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."<sup>2</sup>

### **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."<sup>3</sup>

### **Effective Date of Value Estimate**

The effective date of value is December 19<sup>th</sup>, 2007.

---

<sup>1</sup> The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

<sup>2</sup> Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, pp. 590-591

<sup>3</sup> The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.22

### **Exposure Time**

Exposure time is defined as "...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..."<sup>4</sup>

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.

Parcels similar to the subjects typically require up to three years of marketing time. The subject parcels are considered average to below average when compared with other available properties on the market. Based on exposure time for similar properties, the estimated values are based on an exposure time of up to three years.

### **Property History**

The staking area is Tentatively Approved to the State of Alaska, Department of Natural Resources under: GS 2707, GS 2713, GS 2709 & GS 2708. The staking area has never been offered to the public.

### **Scope of the Appraisal**

#### **Property and Comparable Sales Inspection**

I inspected the staking area via airplane on October 12<sup>th</sup>, 2007. Physical features, access, and site quality were identified by use of aerial photography, topographic maps, status plats, satellite imagery, DNR appraisal records, field inspection reports in DNR case files, and interviews with people who are familiar with the area.

#### **Research and Analysis conducted**

Interviews were conducted with local real estate agents, appraisers, and other individuals familiar with the area who provided information about trends in values, supply and demand. DNR databases and records were searched for recent comparable sales, and other Remote Recreational Cabin Site offerings within the market area were examined. The recorder's office was also searched to identify any recent private sales.

After analysis of all available data, appropriate comparable sales were selected, and the Sales Comparison approach to value was applied to derive a market value estimate for the hypothetical key lots. Individual surveyed lot values will be derived by applying and correlating the "key lot" values and applying the appropriate adjustments. The base appraisal is based on the following assumptions and limiting conditions.

---

<sup>4</sup> Uniform Standards of Professional Appraisal Practice 2006, Appraisal Foundation, <http://commerce.appraisalfoundation.org/html/2006%20USPAP/smt6.htm>.

## **Assumptions and Limiting Conditions**

The property is appraised as vacant land without structural or site improvements.

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.

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.

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 the 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.

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.

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.

Due to the lack of an on-site inspection, some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerial photographs. 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.

Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".

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.



Bluff in Section 31, Township 20 South, Range 29East.



Dried up oxbow lakes may provide winter ski plane access

## PRESENTATION OF DATA

### Market Area

#### Lake Minchumina<sup>5</sup>

2005 Population estimate: 20

Location: Lake Minchumina is located north of Mount McKinley in Interior Alaska. It lies at approximately 63.882780° North Latitude and -152.312220° West Longitude. (Sec. 08, T012S, R024W, Fairbanks Meridian.) Lake Minchumina is located in the Fairbanks Recording District. The area encompasses 216.4 sq. miles of land and 27.7 sq. miles of water. Interior Alaska experiences seasonal temperature extremes. January temperatures range from +40 to -70; July temperatures range from 35 to 90. Average annual precipitation is 11.3 inches.

History: Historically a Native area, this is the location of an airfield, a small village, and a lodge. A post office was established in 1930. The school was closed for the 1999-2000 year due to insufficient students.

Culture: Many residents run dog sled teams. Few Natives live at Lake Minchumina year-round. A subsistence lifestyle is practiced.

Economy The lodge provides the majority of employment in this small community. Due to its isolation, subsistence activities, trapping and dog mushing are also pursued.

Facilities Half of all households have individual wells; the remainder haul water from untreated surface sources. The majority of homes use outhouses or honeybuckets. A private company, Lake Minchumina Power, provides electrical services. A new landfill site has been developed.

Transportation A State-owned 4,200' long by 100' wide gravel airstrip is available. The Lake may be accessed by boat in the summer. There is no road connection.

#### Physical Characteristics of Chleca Lakes Staking Area

Location: The staking area is located in the North Fork Kuskokwim River Valley between Lake Minchumina and Telida, east of the Sischu Mountains and west of the Munsatli Mountains. The staking area is approximately 60 miles northeast of Medfra and Nikolai, 25 miles southwest of Lake Minchumina, and 20 miles north of Telida. The staking area is located within: Sections 12-14, 23-26, & 35-36 of Township 20 South, Range 28 East; Sections 1-4, & 7-36, Township 20 South, Range 29 East; Sections 4-8 & 18 of Township 20 South, Range 30 East; and Sections 1-12 of Township 21 South, Range 29 East of the Kateel River Meridian.

Topography / Terrain: The staking area contains range of topography from level to steep. Elevation ranges from 600 feet along the river valley to a 1600+ foot peaks. The North Fork of the Kuskokwim between Lynx Creek and Shellman Creek is characterized by a meandering channel approximately 90-150 feet across with a depth of 3-6 feet. Willow, alder, and various grasses are common along the river corridor.<sup>6</sup>

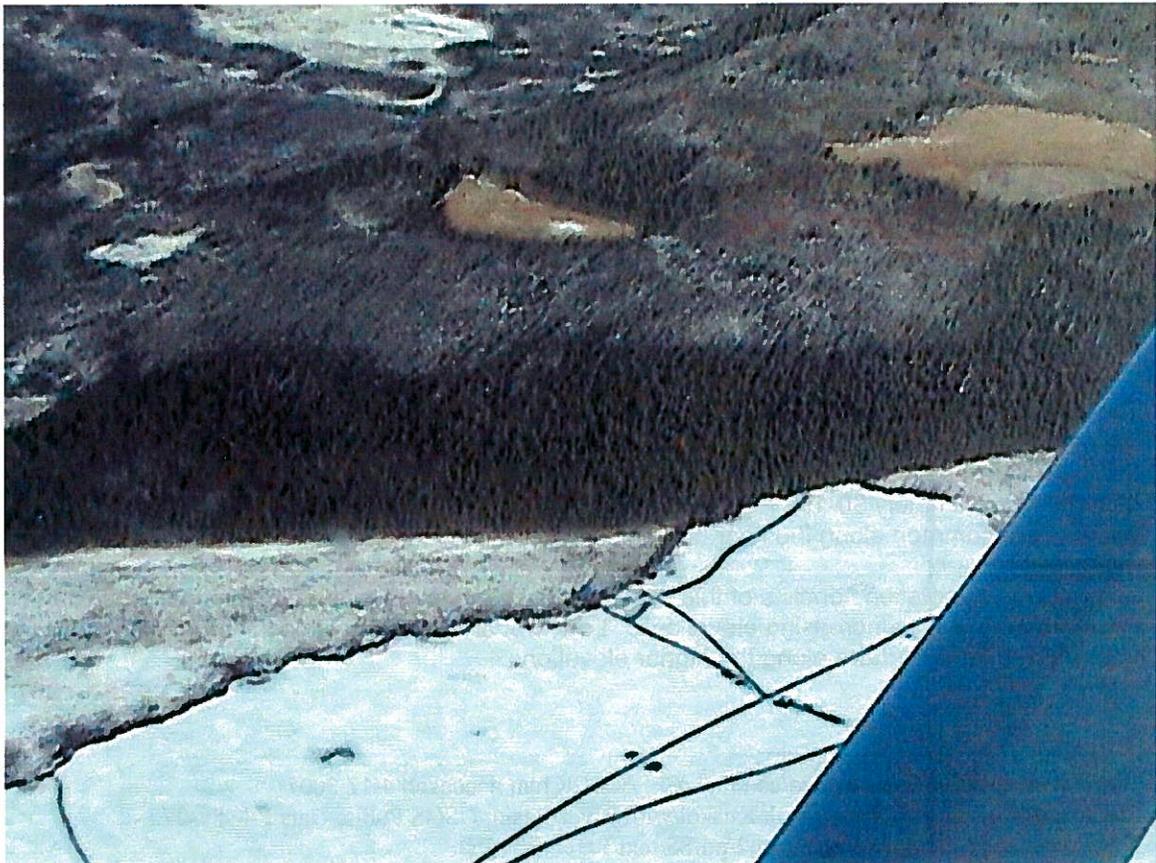
Vegetation: Vegetation consists of thick spruce forest and deciduous trees in a distribution pattern common with increasing elevations. Low, wet areas includes black spruce and alder thickets with alpine tundra along the higher elevations

<sup>5</sup> [http://www.dced.state.ak.us/dca/commdb/CF\\_BLOCK.htm](http://www.dced.state.ak.us/dca/commdb/CF_BLOCK.htm) accessed 4-17-2007

<sup>6</sup> Reconnaissance of the North Fork Kuskokwim River Basin, USGS Public Data File 85-27. <http://www.dggs.dnr.state.ak.us/scan2/pdf85/text/PDF85-27.PDF>



Northeast shoreline of northern Chleca Lake may provide good staking opportunities.



Northern shoreline of the southern Chleca Lake looking north

**Water source:** Numerous oxbow lakes, small ponds and streams of unknown quality provide water within the area. Groundwater quality is unknown.

**Soils:** The area contains thick silt-colluvial sediment over partially weathered bedrock. Most of the area has permafrost. There is sandy loam along the river corridor. The region contains schist quartzite metavolcanics, chert, limestone, shale, and sand.<sup>7</sup>

**Access:** Primary access is by float plane during the summer to Chleca Lakes located within the project area or by ski plane during the winter. Overland snowmachine access might be possible from Lake Minchumina or Medfra.

**View:** Potential good views of the Sischu and Munsatli Mountains, surrounding hills, and the North Fork Kuskokwim River valley.

**Improvements:** Parcels are assumed to be vacant without improvements.

**Personal Property:** Personal property is not included within the scope of this valuation.

**Adjacent Land Use:** Forestry, recreation, wildlife habitat, and resource harvest for personal use are some of the principle uses of state land adjacent to, and within, the staking area.

**Title / Ownership:** Lands within the staking area are Tentatively Approved to be patented to the State of Alaska, Department of Natural Resources through: GS 2707, GS 2713, GS 2709 & GS 2708

**Area Plan and Classification:** Kuskokwim Area Plan, Management Unit 1 – North Fork, Subunit 1a – Upper North Fork, Classified Settlement – CL SC-88-001-01.

**Fire Management Option:** The staking area is within a limited fire protection area, which means the lowest level of suppression action provided on a wildland fire in area where values to be protected do not justify the expense of a higher level of protection, and where opportunities can be provided for fire to help achieve land and resource protection objectives. The Alaska Interagency Wildland Fire Management Plan is updated annually. Contact the Division of Forestry for updated information regarding management options. Stakers are urged to familiarize themselves with the FireWise Program to reduce potential for fire.

**Game Management Unit:** The staking area is in Game Management Unit 19D.

**Municipal Authority:** The staking area is within the Unorganized Borough. The State of Alaska, Department of Natural Resources is the plating authority.

**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.

**Section Line Easements:** All parcels staked on lands owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, or that are bisected by a protracted 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 10.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.

**Public Access and Utility Easements:** Parcels are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a minimum 60-foot public access

---

<sup>7</sup> Ibid.



Float plane access may be possible on this small lake in the northeast portion of the staking area.



Dried up lake provides wintertime skiplane access.

easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.

**Public and Navigable Water Bodies:** Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50-foot public access easement. Parcels are subject to a 100-foot building setback from all streams or navigable water bodies. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.

**Setbacks and other Restrictions:** Parcels are subject to a 100-foot staking setback along the North Fork Kuskokwim River and a 100-foot building setback from all streams and all other water bodies determined to be public or navigable.

**Reserved Areas:** 500 foot staking setback on the northern and southern portions of North Chleca Lake, see staking map for details.

**Waste Disposal:** Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for more information.

**Wetlands:** Parcels may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for more information.

**Staking Authorizations:** Up to 40 authorizations will be granted. Parcels may be staked from 5 to 20 acres each. The Gross Project Area is 38,880 acres with a total potential net offering of 800 acres.



Typical Vegetation



Sweepers prevent float plane landings on the river.

---

## DATA ANALYSIS AND CONCLUSION

### Highest and Best Use

Analysis of highest and best use for 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 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."<sup>8</sup>

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 subject parcels are not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Therefore, almost any legal use of the site would be possible.

### Physically Possible

Hypothetical key lots range in size from 5 to 15 acres, while future staked parcels may range from 5 to 20 acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

### Financially Feasible

Surrounding land use is primarily forestry, wildlife habitat, and subsistence use. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational or rural residential needs.

### Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. Access to trapping, fishing, hunting, snowmachining and general recreation may be the primary motivations for potential users.

### Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcel as vacant would be for almost any legal use, including a private recreational cabin site.

---

<sup>8</sup> The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.306



Chleca Lakes looking southwest



Meandering river has created numerous oxbow lakes.

## 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 or recreational use. Additionally, data that supports this approach is not available. Therefore the income approach will not be used.

### 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. As such, the cost approach is not appropriate, and 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.

### Explanation of Adjustments

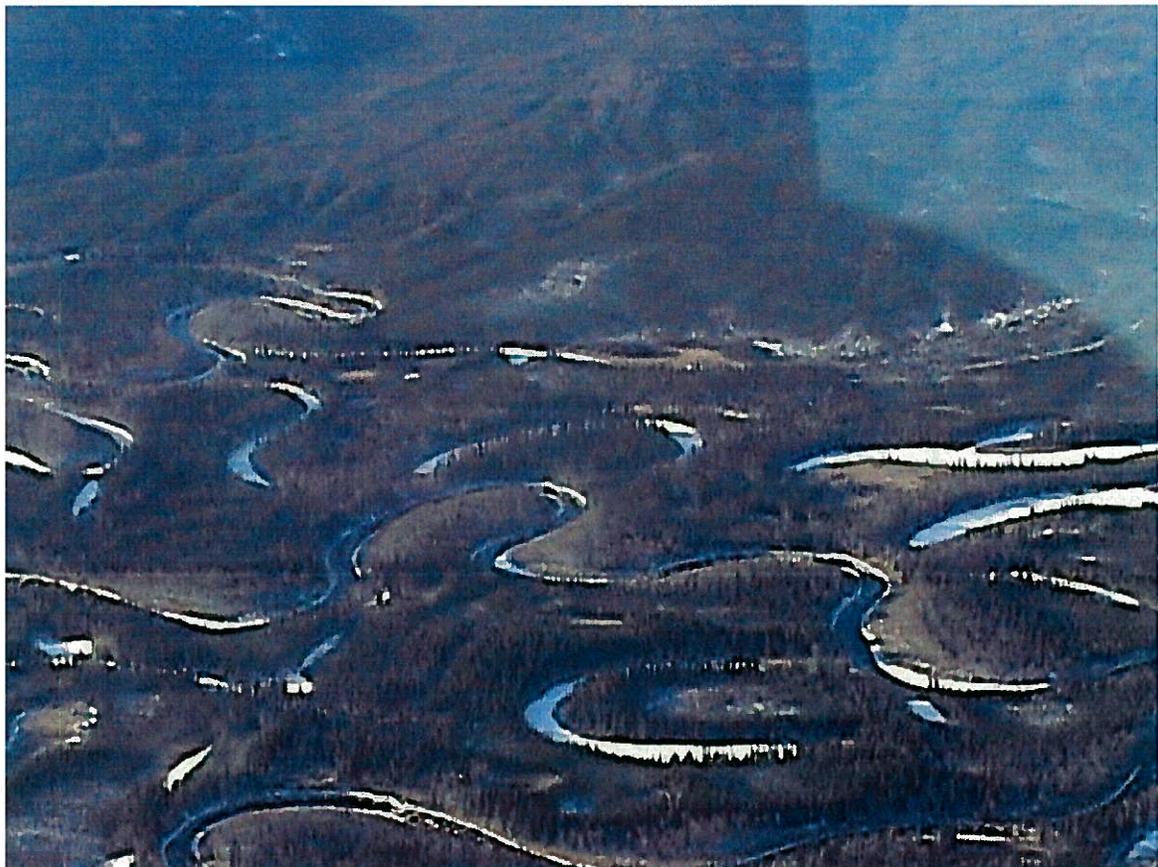
DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market 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. A combination of quantitative and qualitative adjustments may be used within the same analysis.

An adjustment of less than 1.00 (or -) means the sale feature is superior to that appraised property and requires a downward adjustment to match the quality of the key parcel's feature, thus indicating 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 match, thus indicating the value of the key parcel. An adjustment of 1.00 (or =) means the sale 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 sale price to indicate the value of a key parcel.

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



Hills in western portion of the staking area



Meandering river with oxbows, hills rise quickly to the west

with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and adjustments is contained within this report and addenda. The following is a summary of adjustments and how they were estimated.

#### **Unit of Comparison**

Generally, the buyers and sellers in the market place determine the unit of comparison, e.g. price per acre, square foot, site, front foot, etc. The price per acre is the most commonly recognized unit of comparison in the subject market, and thus will be used in this analysis.

#### **Rights Conveyed**

Fee simple less mineral rights as per Alaska Statue 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

#### **Financing Terms**

In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer measurable differences in prices as a result of terms. In general a cash transaction would tend to be at the lower end of the price range with listings usually setting the upper limit.

#### **Conditions of Sale**

Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

#### **Market Conditions (Time)**

Analysis of real estate sales in the subject area indicates that prices of vacant land have been level in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

#### **Location**

The subject parcels and all comparable sales are located in the same market area. No location adjustment is necessary

#### **Size**

The price per unit and size of a given unit tend to have an inverse relationship. As the size of a parcel increases the price paid per acre decreases. Comparables that differed from the "key lot" by more than one acre were given size adjustments based on a chart derived from market data by Steve Starrett, staff appraiser. In general, his findings point to a 25% decrease in unit price each time the size of a parcel doubles. A size adjustment chart is included in the addenda to show how the adjustments were derived

#### **Access**

Unless noted otherwise, the subject parcels and comparables sales feature similar means of access.

#### **Topography, Drainage & Site Quality**

These adjustments describe the physical attributes of the parcel. The topography and drainage of the parcel directly relate to the quality of building site. Any additional attribute will be detailed in the Site Quality category and adjusted as needed.

#### **Utilities & Amenities**

All subject parcels and comparable sales lack utilities. Exceptional features of a given parcel may increase value. Features such as type of water frontage, proximity to creeks and small ponds, and exceptional views are examples of amenities that may warrant an adjustment. Any adjustments will be detailed in the lot type groupings.

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. 7<sup>th</sup> 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](mailto: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](mailto:fbx-pic@alaska.gov)  
Business hours 10:00 am to 5:00 pm M-F.

**In Juneau**

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