

MARKET VALUE APPRAISAL

Of

**Hypothetical Key Parcels within Mt. Rich Addition
Remote Recreational Cabin Staking Area**



BASE APPRAISAL REPORT No. 3536-0

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



A. SUMMARY OF APPRAISAL NO. 3536

1. ADL NO(S): Various
2. SIZE: 5.00 to 20.00 acres
3. APPLICANT: N/A
4. LOCATION: 125 mile northwest of Anchorage and 100 miles southeast of McGrath
5. LEGAL DESCRIPTION(S): To be determined by survey, within Kuskokwim Area Plan Unit 14 North Alaska Range
6. INTEREST APPRAISED: Fee Simple less mineral rights
7. PURPOSE OF THE APPRAISAL: Estimate market value of hypothetical key parcels within the subject area
8. APPRAISED BY: Brandon Simpson, Appraiser II
9. DATE of REPORT: December 30, 2008
10. DATE of VALUE(S): December 30, 2008
11. APPRAISED VALUE(S):

Conclusion of value for Hypothetical Key Parcel			
	Size	Per/acre	Per/site (RND)
Key Parcel	5.00 acres*	\$2,128	\$10,600
	10.00 acres	\$1,600	\$16,000
	15.00 acres*	\$1,392	\$20,900
	20.00 acres*	\$1,200	\$24,000

Key parcel in bold, - *Size adjusted Key Parcels based on adjustment shown in Addenda.

B. SUMMARY OF REVIEW

1. DATE of REVIEW: January 30, 2009
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: The values and adjustments will be used to establish the purchase prices for parcels to be staked by various applicants
5. PURPOSE of REVIEW: Evaluate for Technical Compliance with DNR Instructions & USPAP
 Evaluate for Technical Compliance with UASFLA Develop Independent Estimate of Value
 Other: _____



6. SCOPE OF REVIEW: I Inspected the Subject on _____ I Did Not Inspect the Subject
- I Inspected the Comparable Sales on _____ I Did Not Inspect the Comparable Sales
- I Independently Verified the Comparable Sales in the Report Yes No
- Data and Information Considered in Addition to that Contained in the Report: None See Sections C thru F
 Extraordinary Assumptions, Hypothetical Conditions, & Other Limiting Conditions for this review:
 None See Section G Related appraisals reviewed: None
- Proofread DNR data entry: Yes No
7. RESULTS OF REVIEW: Not Approved Approved Approved Value: See A.11

C. COMPLETENESS OF APPRAISAL MATERIAL WITHIN SCOPE OF WORK APPLICABLE TO THE ASSIGNMENT/CONFORMANCE with APPRAISAL INSTRUCTIONS: Adequate

D. ADEQUACY and RELEVANCE of APPRAISAL DATA and PROPRIETY OF ADJUSTMENTS: Adequate

E. APPROPRIATENESS OF APPRAISAL METHODS and TECHNIQUES: Appropriate

F. ANALYSES, OPINIONS, and CONCLUSIONS ARE APPROPRIATE and REASONABLE, except:

G. REVIEWER'S ASSUMPTIONS AND LIMITING CONDITIONS

1. This review is based on data and information contained in the appraisal report as well as any additional data from other sources that is identified in this review.
2. The reviewer assumes that the data and information in the appraisal are factual and accurate.
3. The reviewer reserves the right to consider any additional data or information that may subsequently become available, and to revise an opinion or conclusion, if such data and information warrant a revision.
4. All assumptions and limiting conditions contained in the appraisal report are part of this review unless otherwise stated.
5. A title report has been provided to the appraiser and the reviewer. Unless specifically noted in the report or this review, it is assumed that the only easements and restrictions that affect the property are those shown on the plat.
6. The value of commercial timber, if any, is specifically excluded from the final conclusion of value.



REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3536

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this review.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I did did not personally inspect the subject property of the report under review.
- No one provided significant professional assistance to the person signing this review report.

Reviewed by Kevin R. Hirdmarch
Kevin R. Hirdmarch, Review Appraiser

Date 1/30/09

cc: Marta Mueller
Chuck Pinckney
Victoria Braun

MEMORANDUM

State of Alaska

Department of Natural Resources
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Division of Mining, Land and Water
550 West 7th Avenue, Suite 650
Anchorage AK 99501-3576

DATE: December 30, 2008

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson *BS*

SUBJECT: Appraisal of Hypothetical *Key Parcel* in the Mt. Rich Addition Remote Recreational Cabin Site Staking Area – Base Appraisal Report no. 3536.

As requested, I have completed a valuation of the hypothetical *Key Parcel* in the above staking area. I understand that this appraisal will be used to determine the base purchase price for recreational parcels staked within this area. 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 Remote Recreational Cabin Site Disposal. This is a complete, summary report 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 not inspected the staking area or many of the comparable sales used in this report. The physical description of the *Key Parcel* was based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

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Staking Area Map	
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APPRAISAL SUMMARY

Mt. Rich Addition Hypothetical Key Parcel	
Location	Approximately 125 miles northwest of Anchorage and 100 miles southeast of McGrath, situated in the upper South Fork Kuskokwim valley north of Hellsgate.
Topography Map	USGS McGrath A-1 & Lime Hills D-1
Owner	State of Alaska
Key Parcel	Size: 10-acres Lot Type: Interior parcel Access: Fly-in to South Fork Kuskokwim sandbars, or lengthy snowmachine ride Building Site: Moderately sloping, wooded parcel with at least one good building site and adequate drainage. Easements: 30' public access easement along all interior parcel lot lines Amenities: Good view of surrounding area
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Effective Date of Value	December 30, 2008
Date of Report	December 30, 2008

Conclusion of value for Hypothetical Key Parcel			
	Size	Per/acre	Per/site (RND)
Key Parcel	5.00 acres*	\$2,128	\$10,600
	10.00 acres	\$1,600	\$16,000
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-Key Parcel in bold

-*Size adjusted Key Parcels based on adjustment shown in Addenda

Adjustments		
Date of Value	Date of entry	To be determined
Location	No distinctions within staking area	None
Size, acres	Adjustments for size variations	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
Building site	Poor: Mostly steep, mostly wet ground, or unstable soils	0.75 to 0.90
	Average: Moderately sloping, wooded parcel with at least one good building site and adequate drainage.	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10
Amenities	Limited or no view potential	0.95
	Creek frontage	1.10

Miscellaneous	Differences in parcels discovered during field inspection.	To be determined
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Adjustment Process: An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the hypothetical key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the hypothetical 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.

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a complete, 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.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

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 as¹:

"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."

AS 38.05.125(a) states²:

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."

Definition of Market Value³

"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."

Effective Date of Value

The effective date of the value estimate is December 30, 2008

Exposure Time

Exposure time is defined as⁴: "...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..."

¹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.111

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, p. 590-591

³ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.23

⁴ Uniform Standards of Professional Appraisal Practice 2006, Appraisal Foundation, p. 90.

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.

Due to the difficulty of accessing the Mt. Rich Addition staking area and the surrounding area there is limited demand for parcels in the vicinity. As a result few parcels have been offered throughout the years and most of these parcels were offered by DNR in various land disposal programs. The private marketplace is almost entirely comprised of the resale of these parcels. However, due to the excellent big game hunting that can be found there is some demand and most parcels listed eventually sell.

Based on exposure time for similar properties, the estimated values are based on an exposure time of up to two years.

Sales History

Mt. Rich Addition staking area is a new offering by DNR.

Scope of the Appraisal

I have not inspected the staking area. Some of the comparables sales have been inspected during unrelated assignments. DNR staff has conducted an aerial inspection of the area and provided pictures from the inspection. Physical features and access were identified by the use of topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

Also, DNR appraisal records were searched for recent sales of similar parcels. Interviews were conducted with real estate agents, appraisers, and other individuals who provided data about trends in values, supply and demand. Sellers and buyers or other knowledgeable market participants were contacted to verify recent sale prices and other transaction details.

In addition, a search for all DNR parcels that have sold or currently are available in the general vicinity of the staking area was undertaken.

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.

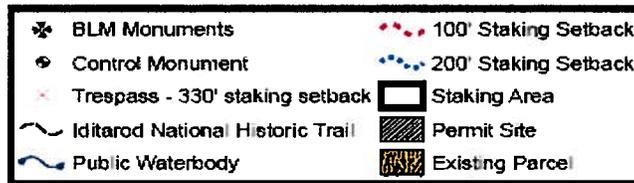
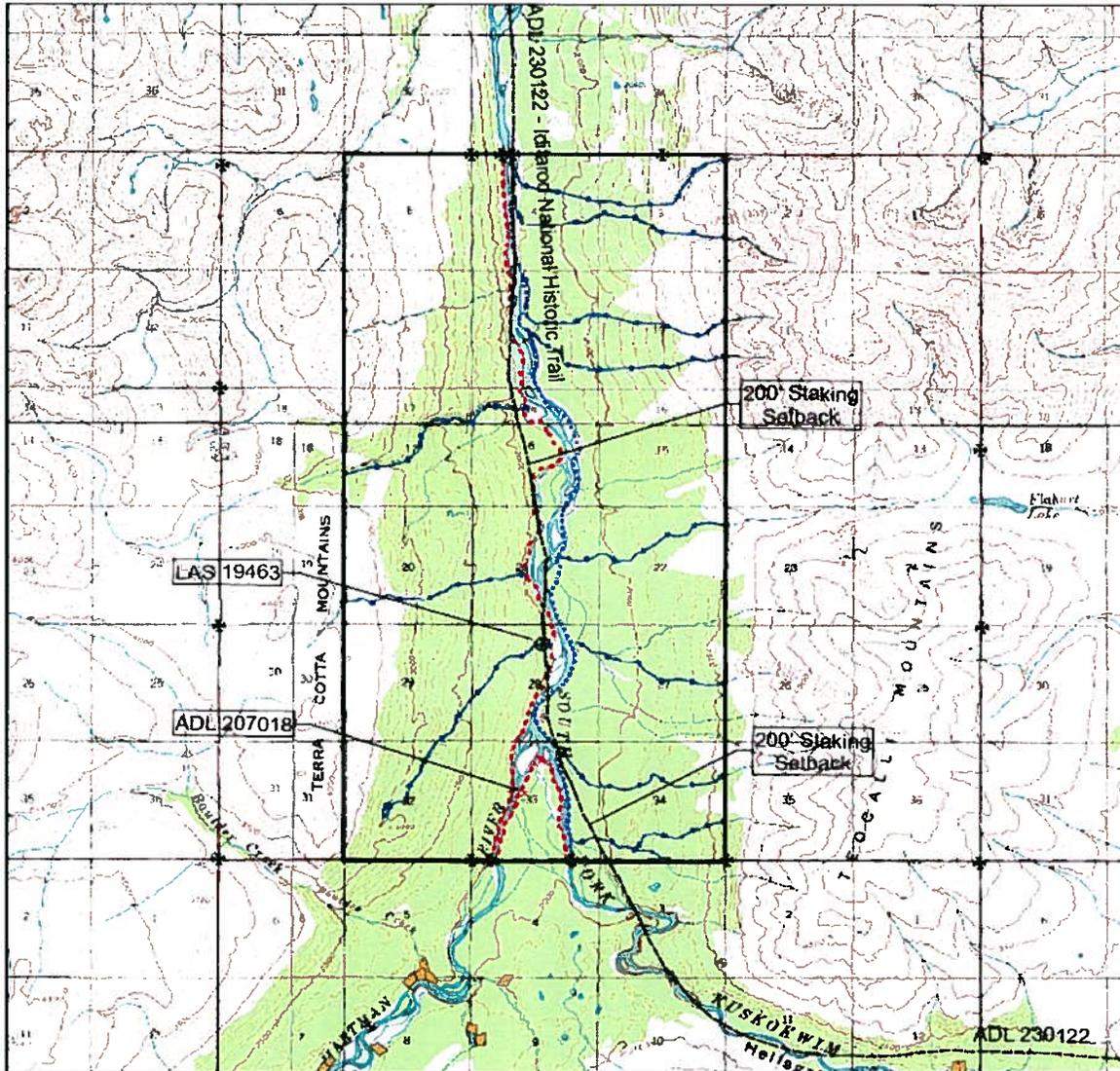
Assumptions and Limiting Conditions

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 in visualizing 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. Due to the lack of on-site inspections some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerials. 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.
6. 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.
7. 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 final judgment is based. Therefore, no part should be used out of context and by itself alone.
8. 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.
9. 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.
10. 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.

PRESENTATION OF DATA

Area Data

Mt. Rich Addition is located approximately 125 miles northwest of Anchorage and 100 miles southeast of McGrath, situated in the upper South Fork Kuskokwim valley north of Hellsgate. The nearest community to the staking area is McGrath. Mt. Rich staking area is not located in any organized borough.



Mt. Rich Addition



3/27/08 DNR staff photograph, looking south along South Fork Kuskokwim River

McGrath

Current Population: 315 (2007 DCCED Certified Population)
Pronunciation/Other Names: (muh-GRATH)
Incorporation Type: 2nd Class City
Borough Located In: Unorganized
School District: Iditarod Area Schools
Regional Native Corporation: Doyon, Limited

McGrath is located 221 miles northwest of Anchorage and 269 miles southwest of Fairbanks in Interior Alaska. It is adjacent to the Kuskokwim River directly south of its confluence with the Takotna River. It lies at approximately 62.956390 North Latitude and -155.595830 West Longitude. (Sec. 18, T033N, R033W, Seward Meridian.) McGrath is located in the Mt. McKinley Recording District. The area encompasses 48.9 sq. miles of land and 5.7 sq. miles of water. The McGrath area has a cold, continental climate. Average summer temperatures range from 62 to 80, winters temperatures can range from -64 to 0. Precipitation is light, averaging 10 inches per year, including an average snowfall of 86 inches. The Kuskokwim River is generally ice-free from June through October.

McGrath was a seasonal Upper Kuskokwim Athabaskan village which was used as a meeting and trading place for Big River, Nikolai, Telida and Lake Minchumina residents. The Old Town McGrath site was originally located across the river. In 1904, Abraham Appel established a trading post at the old site. In 1906, gold was discovered in the Innoko District and at Ganes Creek in 1907. Since McGrath is the northernmost point on the Kuskokwim River accessible by large riverboats, it became a regional supply center. By 1907, a town was established, and was named for Peter McGrath, a local U.S. Marshal. In 1909, the Alaska Commercial Company opened a store. The Iditarod Trail also contributed to McGrath's role as a supply center. From 1911 to 1920, hundreds of people walked and mushed over the Trail on their way to the Ophir

gold districts. Mining sharply declined after 1925. After a major flood in 1933, some residents decided to move to the south bank of the River. Changes in the course of the River eventually left the old site on a slough, useless as a river stop. In 1937, the Alaska Commercial Company opened a store at the new location. In 1940, an airstrip was cleared, the FAA built a communications complex, and a school was opened. McGrath became an important refueling stop during World War II, as part of the Lend-Lease Program between the U.S. and Russia. In 1964, a new high school was built, attracting boarding students from nearby villages. The City was incorporated in 1975.

Slightly more than half of the population are Athabascans and Eskimos. As a regional center, McGrath offers a variety of employment opportunities, but subsistence remains an important part of the local culture. About 10 families in town have dog teams which they enter into the Iditarod, Kuskokwim 300, and Mail Trail 200 sled dog races.

McGrath functions as a transportation, communications, and supply center in Interior Alaska. It has a diverse cash economy, and many families rely upon subsistence. Salmon, moose, caribou, bear, and rabbits are utilized. Some residents trap and tend gardens. The Nixon Fork gold mine, located 30 miles northeast of McGrath, ceased operating due to low gold prices.

McGrath operates a piped water system that serves nearly all 178 households; a few homes have individual wells or haul water. The FAA operates its own water system. Individual septic tanks are used by the majority of residents; a limited City sewage system serves approximately 34 homes. Funds have been requested to expand the piped sewer system to the 144 houses and businesses currently using septic tanks. A private firm, McGrath Trash & Refuse, collects refuse for disposal at the City landfill.

There are no road connections to McGrath, but local roads are used by ATVs and trucks. Winter trails are marked to Nikolai (50 mi.) and Takotna (20 mi.) Residents rely on air service and barges to deliver cargo. Air facilities include a State-owned 5,435' long by 150' wide asphalt runway with a 1,720' long by 100' wide crosswind landing strip, and a seaplane base on the Kuskokwim River. The airport is currently undergoing major improvements. There is no dock, however, a boat launch ramp is available.⁵

PHYSICAL CHARACTERISTICS	
Location	Located approximately 125 miles northwest of Anchorage and 100 miles southeast of McGrath, situated in the upper South Fork Kuskokwim River valley north of Hellsgate.
Topography map	USGS McGrath A-1 and Lime Hills D-1
Topography/Terrain/Major Features	The confluence of the Hartman & South Fork Kuskokwim Rivers is found in the southern portion of the staking area. The South Fork Kuskokwim River then bisects the staking area running north. The staking area consists of the river valley separating the Terra Cotta and Teocalli Mountains with slopes ranging from 0 to 45 degrees. Any slope above 30 degrees is subject to potential avalanches. The elevations in the staking area range from 1,700' to 5,000'.
Access	Primary summer access is by plane to gravel bars in the Mt. Rich area or downriver. Primary winter access is via the historic Iditarod Trail.
View	View of surrounding mountains and South Fork of the Kuskokwim River are expected.
Climate	Temperatures average between 40 to 70 degrees Fahrenheit in the summer and between -15 and 20 degrees Fahrenheit in the winter with extremes of -70 to 85 degrees. Annual precipitation averages 4 inches including 65 inches of snowfall.
Soils/Vegetation	Poorly drained, very gravelly soils with a shallow permafrost table are common on

⁵ Alaska DCCED 'Community Database Online', accessed 22 December 2008.
http://www.commerce.state.ak.us/dca/CF_BLOCK.htm.

	the lower slopes and in valleys. Well drained, very gravelly soils, commonly shallow soils are dominant on upper hillsides and ridge tops.
Water Source	Ground water quality and depth is unknown.

EASEMENTS AND RESERVATIONS	
Area Plan, Management Unit, Classification	Kuskokwim Area Plan Unit 14 North Alaska Range. The staking area is in Game Management Unit 19C.
Allowed Uses	Cabin site leases 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.
Municipal Authority	The staking area is within the unorganized borough and is not subject to a municipal authority. The area is subject to the State of Alaska platting authority.
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 such section line(s), 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 19.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.
Public Access and Utility Easements	All cabin sites are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.
Public and Navigable Waterbodies and Easements	Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50' public access easement. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.
Setbacks and Other Restrictions	Parcels will be subject to a 100' building setback from all streams and all other water bodies determined to be public or navigable. Parcels will be subject to a 200' staking setback on the east bank of the South Fork Kuskokwim River, and 100' on the west bank. Parcels will also be subject to a 200' staking setback on each side of the historic Iditarod Trail.
Reserved Areas	DNR will reserve areas for future use and access.
Waste Disposal	Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for information.
Wetlands	Cabin sites may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for information.
Improvements	Prior to construction of any structure or waste disposal system, contact the municipal authority for any permits or for required setbacks from water bodies, lot lines, and easements.
Comments/Issues	Settlement is the principal use of state land within the Mt. Rich Addition classification unit SC-88-001-13. The staking area will be closed to mineral entry prior to offering. Overflow and avalanche hazards make winter travel difficult in this area.

ANAYLSIS AND CONCLUSIONS

Highest and Best Use

Analysis of highest and best use of 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 as⁶:

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

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 property is vacant and unimproved.

Legally Permissible

Ridgeview staking area is 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. The hypothetical key parcels could be developed for almost any legal use.

Physically Possible

The subject size and physical characteristics are adequate to support all reasonable and probable uses. Staked parcels will be 5 to 20 acres.

Financially Feasible

Surrounding land use is primarily recreational. Development of the parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the *Key Lot* as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁶ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278