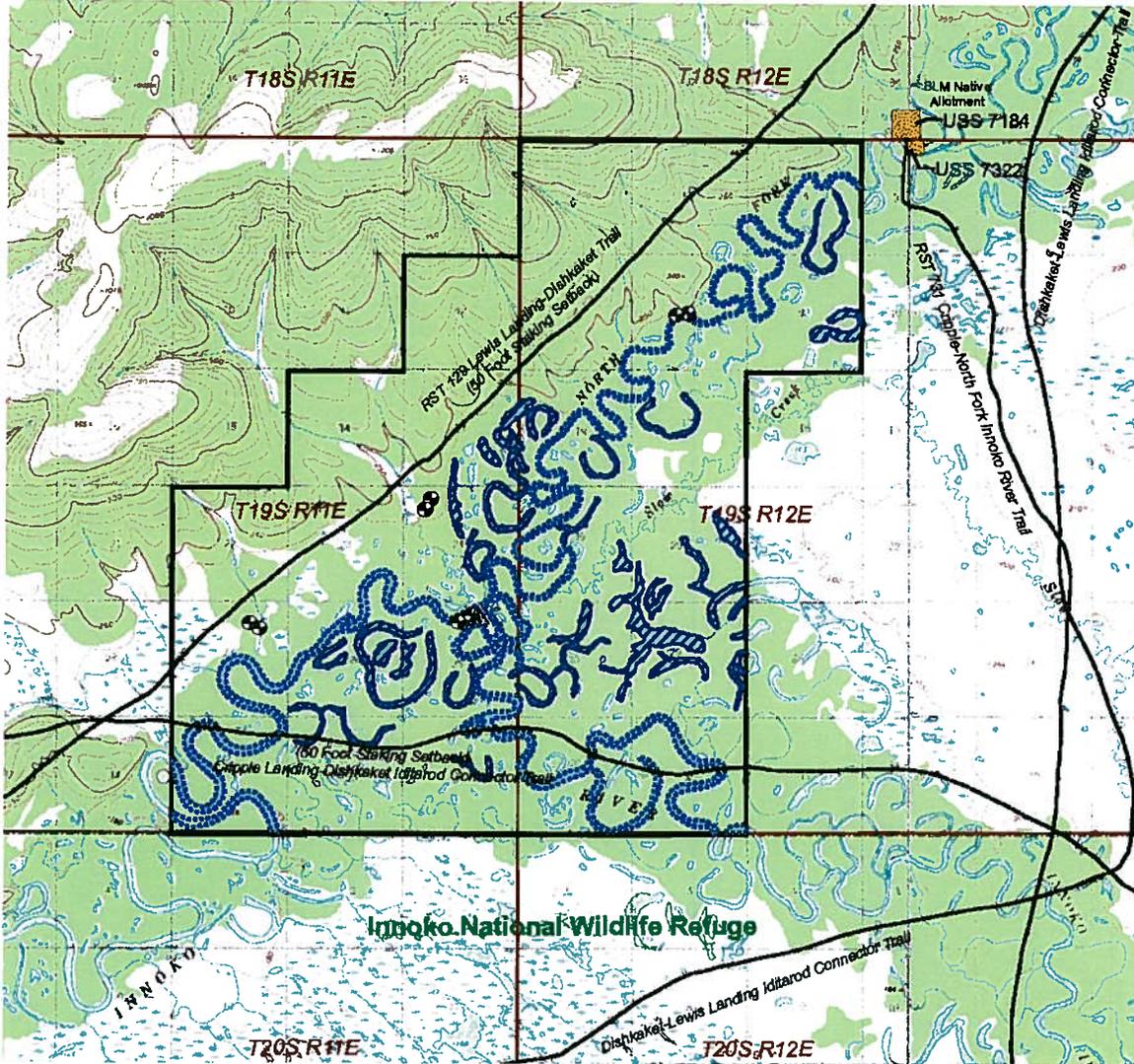


# MARKET VALUE APPRAISAL

Of

## Hypothetical Key Parcels within Innoko River Remote Recreational Cabin Staking Area



BASE APPRAISAL REPORT No. 3538-0

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. 3538

1. ADL NO(S): Various
2. SIZE: 5.00 to 20.00 acres
3. APPLICANT: N/A
4. LOCATION: 50 miles northwest of McGrath, Alaska, 65 miles south of Galena
5. LEGAL DESCRIPTION(S): To be determined by survey
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: Johnthomas Williamson, Appraiser I
9. DATE of REPORT: January 27, 2009
10. DATE of VALUE(S): January 27, 2009
11. APPRAISED VALUE(S):

Conclusion of value for Hypothetical Key Parcels			
	Size	Per/acre	Per/site (RND)
<b>Key Parcel 'A'</b> <i>Waterfront</i>	5.00 acres*	\$924	\$4,600
	10.00 acres*	\$693	\$6,900
	15.00 acres*	\$601	\$9,000
	<b>20.00 acres</b>	<b>\$520</b>	<b>\$10,400</b>
	Size	Per/acre	Per/site (RND)
<b>Key Parcel 'B'</b> <i>Interior</i>	5.00 acres*	\$462	\$2,300
	10.00 acres*	\$345	\$3,500
	15.00 acres*	\$300	\$4,500
	<b>20.00 acres</b>	<b>\$260</b>	<b>\$5,200</b>

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. 3538**

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. Hindmarch  
Kevin R. Hindmarch, Review Appraiser

Date 1/30/09

cc: Marta Mueller  
Chuck Pinckney  
Victoria Braun

# MEMORANDUM

# State of Alaska

Department of Natural Resources  
Tel (907) 269-8539  
Fax (907) 269-8914  
[johnthomas.williamson@alaska.gov](mailto:johnthomas.williamson@alaska.gov)

Division of Mining, Land and Water  
550 West 7<sup>th</sup> Avenue, Suite 650  
Anchorage AK 99501-3576

DATE: January 27, 2009

TO: Kevin Hindmarch  
Review Appraiser

FROM: Johnthomas Williamson 

SUBJECT: Appraisal of Hypothetical Key Parcels within the Innoko River Remote  
Recreational Cabin Site Staking Area – Base Appraisal Report no. 3538-0

As requested, I have completed a valuation of the hypothetical Key Parcels in the above staking area. I understand that this appraisal will be used to determine the base purchase price for staked recreational parcels, or the minimum bid for administratively surveyed parcels, 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.

The physical description of the Key Parcels were 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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## APPRAISAL SUMMARY

<b>Innoko River RRCS Hypothetical Key Parcels</b>	
<b>Location</b>	Located approximately 65 miles northwest of McGrath and 65 miles south of Galena, situated at the confluence of the Innoko and North Fork Innoko Rivers
<b>Topography Map</b>	USGS Ophir D-2
<b>Owner</b>	State of Alaska
<b>Key Parcel 'A'</b> <i>Waterfront</i>	Size: 20.00 acre
	Lot Type: 1 <sup>st</sup> tier* Innoko River frontage, or frontage on fly-in lake*
	Access: Fly-in or snowmachine
	Building Site: Mostly level, wooded parcel with adequate drainage
	Setbacks: 100' staking setback from ordinary high water line of Innoko River, and all other public or navigable water bodies
	Easements: 30' public access and utility easement along all interior parcel lot lines
Amenities: Unobstructed access to river or slough, or frontage on fly-in lake	
<b>Key Parcel 'B'</b> <i>Interior</i>	Size: 20.00-acres
	Lot Type: Interior lot and/or 2 <sup>nd</sup> tier* parcel located 300 feet or more from Innoko River or fly-in lake*
	Access: Snowmachine, or fly into general area, then overland
	Building Site: Mostly level, wooded parcel with adequate drainage
	Easements: 30' public access and utility easement along all interior parcel lot lines
	Amenities: Interior lot, typical view of surrounding area
<b>Improvements</b>	None
<b>Highest and Best Use</b>	Recreational cabin site
<b>Interest Appraised</b>	Fee simple title, excluding mineral rights
<b>Effective Date of Value</b>	January 27, 2009
<b>Date of Report</b>	January 27, 2009

\*1<sup>st</sup> tier parcel is defined as a parcel with direct frontage on a lake, river or creek, or is separated from the water by public land.

\*2<sup>nd</sup> tier parcel is defined as a location where a parcel(s) could be staked between the subject and the nearest water-body access.

\*Fly-in lakes will be determined during inspection.

<b>Conclusion of value for Hypothetical Key Parcels</b>			
	Size	Per/acre	Per/site (RND)
<b>Key Parcel 'A'</b> <i>Waterfront</i>	5.00 acres*	\$924	\$4,600
	10.00 acres*	\$693	\$6,900
	15.00 acres*	\$601	\$9,000
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	15.00 acres*	\$300	\$4,500
	<b>20.00 acres</b>	<b>\$260</b>	<b>\$5,200</b>

**-Key Parcel in bold**

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

<b>Adjustments</b>		
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: Mostly level, wooded parcel with adequate drainage	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10
Amenities	Good view	1.10 of Key 'A' or 'B'
	Non fly-in pond/lake*	1.10 of Key 'B'
Miscellaneous	Differences in parcels discovered during field inspection.	To be determined

\*Fly-in lakes will be determined during inspection.

**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). Or determine the minimum bid for administratively surveyed parcels acquired under the Subdivision Auction Program (AS 38.05.035)

### **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<sup>1</sup>:

"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)** states<sup>2</sup>:

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 Value<sup>3</sup>**

"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 January 27, 2009

### **Exposure Time**

Exposure time is defined as <sup>4</sup>: "...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>1</sup> The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.111

<sup>2</sup> Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2006, p. 610

<sup>3</sup> The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.23

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.

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

**Sales History**

No private parcels are within the staking boundary. Potential staking sites have not sold within the last 3 years. DNR is the current owner of record.

**Scope of the Appraisal**

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.

DNR appraisal records were searched for recent sales of similar parcels. Multiple real estate listings were searched, including; private classified ads, private real estate firms, DNR land disposal programs, the University Land Office, and the Mental Health Land Trust. 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.

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.

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<sup>4</sup> Uniform Standards of Professional Appraisal Practice 2006, Appraisal Foundation, p. 90.

## **Assumptions and Limiting Conditions**

- . The property is appraised as vacant land without structural or site improvements.
- . 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.
- . Some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aeriels. 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.
- . 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 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.
- . 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.
- . It is assumed that the land within the required 100' staking setback from the ordinary high water mark of the Innoko River will remain in state ownership
- .

## PRESENTATION OF DATA

### **Market Area -**

The staking area is located in a remote portion of the state, roughly 35 miles southwest of Poorman, 50 miles north of Ophir, 65 miles south of Galena, and 65 miles northwest of McGrath.

### **Neighborhood Data - Ruby<sup>5</sup>**

Ruby is an isolated village of 167 residents which lies on the bank of the Yukon River, 230 air miles west of Fairbanks. The cold-continental climate is typical for the Alaskan Interior, with summer temperatures averaging in the low 70s while winter temperatures may be sustained at -40°F. The Yukon is ice-free from mid May to mid October.

During the gold-rush era, Ruby served as a supply depot for miners in the mineral-rich Kilbuck-Kuskokwim mountains. After the gold rush subsided, the population rapidly declined. During World War II, mining operations were shut down completely. As white miners left, Athabascans from nearby Kokrines relocated to Ruby. Today Ruby is primarily a native community emphasizing traditional Athabascan culture and subsistence practices. A federally recognized tribe (the Ruby Tribal Council) is located in the community. Facilities are limited, roughly 65% of the residents haul water and use outhouses, while others have individual wells and septic systems. Electricity is provided by the City of Ruby

The City, Tribe, school, tribal council, Dineega Corp, and the health clinic are the major employers. Also seasonal BLM firefighting provides an influx into the local economy as well as subsistence-based endeavors.

### **Neighborhood Data - Poorman<sup>6</sup>**

The staking area is located 35 miles southwest of Poorman, an unincorporated community in the Kilbuck-Kuskokwim mountains. It lies at the end of a 44 mile gravel road that leads south out of Ruby. Poorman is a base for several privately ran mining operations within the surrounding area.

### **Neighborhood Data - Ophir<sup>7</sup>**

Ophir is an abandoned mining townsite. The gold-rush era town was founded in 1886, and spiked to a population of 122 in 1910. In the 1950s, an airstrip was built in the, however it is unmaintained and is in disrepair. In 1970, a brushfire destroyed much of what had remained. Today, small scale mining operations still are dotted along area creeks, however the population is seasonal. In the wintertime, Ophir serves as a checkpoint in the Iditarod Trail Sled Dog Race.

### **Staking Area Data**

The Innoko River Remote Recreational Cabin Site staking area is centered on the confluence where the North Fork of the Innoko River joins the main Innoko River. This area is just north of the Innoko National Wildlife Refuge, and lies entirely within Game Management Unit 21A.

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<sup>5</sup> <http://www.dced.state.ak.us/dca/commdb/CIS.cfm>

<sup>6</sup> [http://en.wikipedia.org/wiki/Poorman,\\_Alaska](http://en.wikipedia.org/wiki/Poorman,_Alaska)

<sup>7</sup> [http://en.wikipedia.org/wiki/Ophir,\\_Alaska](http://en.wikipedia.org/wiki/Ophir,_Alaska)

<b>PHYSICAL CHARACTERISTICS</b>	
Location	Located approximately 65 miles northwest of McGrath and 65 miles south of Galena, situated at the confluence of the Innoko and North Fork Innoko Rivers.
Topography map	USGS Ophir D-2
Topography/Terrain/Major Features	Natural features include the hills along the Northwest boundary of the staking area. The Innoko and North Fork Innoko Rivers flow through the staking area. There are also numerous lakes throughout the staking area.
Access	Primary access is by floatplane during the summer to the lakes and river within the project area, and by ski plane or snowmachine or dog-sled during the winter.
View	Views are of the surrounding rolling, wooded hills.
Climate	Temperatures average between 30 and 70 degrees F in summer and between -20 and -20 degrees F in winter with extremes being approximately 90 and -60 degrees F. Annual precipitation averages 13 inches including 63 inches of snowfall.
Soils/Vegetation	The soils in the lowlands are commonly shallow, over permafrost, and are constantly wet. Well drained soils without permafrost occupy the rolling hills, terraces and natural levees on the floodplain.
Water Source	The Innoko and North Fork Innoko Rivers, along with the numerous lakes and ponds, provide surface water within the staking area. Ground water quality and depth is unknown.

<b>EASEMENTS AND RESERVATIONS</b>	
Title	Patented state land: Patent # 50-77-0007. State Case File: GS 2081.
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.
Municipal Authority	The staking area is within the Unorganized Borough and 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	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. 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(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. Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50-foot public access easement.
Setbacks and Other Restrictions	Parcels will be subject to 100' building setback from all streams and all other water bodies determined to be public or navigable.
Reserved Areas	DNR will reserve areas for future public use and access on lakes with potential float plane access.
Fire Management Option	<b>Limited Protection</b> —lowest level of suppression action provided on a wildland

	fire in areas 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 suppression objective is to minimize suppression costs without compromising protection of higher-valued adjacent resources. The allocation of suppression resources to fires receiving the limited protection option is of the lowest priority. Surveillance is an acceptable suppression response as long as higher valued adjacent resources are not threatened.
<b>Waste Disposal</b>	Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for information.
<b>Wetlands</b>	Cabin sites may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for information.
<b>Improvements</b>	Prior to construction of any structure or waste disposal system, contact the platting authority for any permits or for required setbacks from water bodies, lot lines, and easements.
<b>Comments/Issues</b>	Private recreation (Settlement) is the principal use of state land within the North Fork classification unit C-NC-82-043. The Innoko National Wildlife Refuge abuts the southern boundary of the staking area. Recreation, wildlife habitat, and resource harvest for personal use are some of the principal uses of state land in the 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 as<sup>8</sup>:

"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**

The Innoko River 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 can be developed with 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 Parcel as vacant would be for almost any legal use, primarily a private recreation cabin site.

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<sup>8</sup> The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278