

MARKET VALUE APPRAISAL

**Hypothetical Key Parcels within Redlands
Remote Recreational Cabin Staking Area**



BASE APPRAISAL REPORT No. 3567-0

**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. 3567-0

1. ADL NO(S): N/A
2. SIZE: 5.00 to 20.00 acres
3. APPLICANT: N/A
4. LOCATION: 40 miles west of Manley Hot Springs
5. LEGAL DESCRIPTION(S): Township 11 north, Range 20 west, Fairbanks Meridian
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
9. DATE of REPORT: January 19, 2010
10. DATE of VALUE(S): January 22, 2010
11. APPRAISED VALUE(S):

	Size	Per/acre	Per/site (RND)
Key Parcel 'A' <i>1st Tier</i>	5.00 acres*	\$1,333	\$6,700
	10.00 acres	\$1,000	\$10,000
	15.00 acres*	\$866	\$13,000
	20.00 acres*	\$750	\$15,000
Key Parcel 'B' <i>Interior</i>	Size	Per/acre	Per/site (RND)
	5.00 acres*	\$665	\$3,300
	10.00 acres	\$500	\$5,000
	15.00 acres*	\$433	\$6,500
	20.00 acres*	\$375	\$7,500

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

B. SUMMARY OF REVIEW

1. DATE of REVIEW: January 29, 2010
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. 3567-0

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 1/29/10

cc: Marta Mueller
Tim Shilling
Victoria Braun

MEMORANDUM

State of Alaska

Department of Natural Resources
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johnthomas.williamson@alaska.gov

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

DATE: January 22, 2010

TO: Kevin Hindmarch
Review Appraiser

FROM: Johnthomas Williamson 

SUBJECT: Appraisal of two Hypothetical Key Parcels within the Redlands Remote
Recreational Cabin Site Staking Area – Base Appraisal Report no. 3567-0

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.

I have not inspected the Redland RRCS staking area; however in 2008 during an unrelated assignment, I inspected the Cosna RRCS. The Cosna is the neighboring river drainage seven miles to the southeast. During this inspection, I traveled along the main access route into subject staking area. In addition, some of the comparables sales have been inspected during unrelated assignments. The physical description of the subject 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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ADDENDA

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APPRAISAL SUMMARY

Redlands Remote Hypothetical Key Parcels	
Location	The staking area is located west of the confluence of the Chitanana (aka Redlands) and Tanana Rivers, approximately 35 river miles from Tanana village, and 40 river miles from Manley Hot Springs. The staking area is approximately 2 miles by 6 miles, spanning both sides of the Chitanana River.
Topography Map	USGS Kantishna D-4
Legal Description	Within Sections 9-24 of Township 1 North, Range 20 West of the Fairbanks Meridian
Owner	State of Alaska
Key Parcel 'A' (1st Tier Parcel)	<p>Lot Type: 'A' – Located within 330' of the Tanana River, Chitanana River, or float plane accessible lake.</p> <p>Size: 10.00 acre</p> <p>Access: Boat, snowmachine, or floatplane.</p> <p>Building Site: At least 50% level, wooded, and well drained.</p> <p>Setback: 100' building setback from the OHW of all public waters.</p> <p>Easements: 30' public access and utility easement along all interior parcel lot lines 50' foot public access easement along the OHW of all public waters. 100' easement centered on any surveyed or protracted section lines. 60' easement centered on existing trails through and along staked parcels 100' easement centered on any RS2477. 5' survey easement for survey control.</p> <p>Amenities: Typical view of the surrounding area</p>
Improvements	None
Key Parcel 'B' (Interior Parcel)	<p>Size: 10.00 acre</p> <p>Lot Type: 'B' – Located a quarter mile from the Tanana River, Chitanana River, or float plane accessible lake.</p> <p>Size: 10.00 acre</p> <p>Access: Boat, snowmachine, or floatplane.</p> <p>Building Site: At least 50% level, wooded, and well drained.</p> <p>Setback: 100' building setback from the OHW of all public waters.</p> <p>Easements: 30' public access and utility easement along all interior parcel lot lines 50' foot public access easement along the OHW of all public waters. 100' easement centered on any surveyed or protracted section lines. 60' easement centered on existing trails through and along staked parcels 100' easement centered on any RS2477. 5' survey easement for survey control.</p> <p>Amenities: Typical view of the surrounding area</p>
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Effective Date of Value	January 19, 2010
Date of Report	January 22, 2010

- **Note** – Staked parcels located further than 330', but less than ¼ mile from water-access will be considered Lot Type 'A' parcels and discounted proportionately. See page 3

Conclusion of value for Hypothetical Key Parcels			
Key Parcel 'A' 1st Tier	Size	Per/acre	Per/site (RND)
	5.00 acres*	\$1,333	\$6,700
	10.00 acres	\$1,000	\$10,000
	15.00 acres*	\$866	\$13,000
	20.00 acres*	\$750	\$15,000
Key Parcel 'B' Interior	Size	Per/acre	Per/site (RND)
	5.00 acres*	\$665	\$3,300
	10.00 acres	\$500	\$5,000
	15.00 acres*	\$433	\$6,500
	20.00 acres*	\$375	\$7,500

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

Adjustments for Staked Parcels

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
Access	Within 330' of water-access	1.00 of Key 'A'
	Between 330' and 900' of water-access	0.85 of Key 'A'
	Between 900' and 1,320' of water-access	0.75 of Key 'A'
	If further than ¼ mile from water access	1.00 of Key 'B'
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	0.80 to 0.90
	Average: Level to sloping, possibly wooded parcel with adequate drainage	1.00
	Good: Mostly level to gently sloping, well drained and wooded. Multiple building sites	1.10
Amenities	Superior views	1.10
	Creek or pond frontage	1.00 to 1.10
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 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 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 which 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 January 19, 2010.

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, 2008, p.624-625

³ 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 three years. DNR is the current owner of record.

Scope of the Appraisal

I have not inspected the Chitanana RRCS staking area. Yet within the past year, I have inspected parcels along the Cosna River, a very similar area which lies roughly 6 miles to the southeast. Both these river drainages share similar topography, vegetation, soils, and are a similar distances to fuel and supplies located at Manley Hot Springs and Tanana.

Additionally, some of the comparables sales have been inspected during unrelated assignments. 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.

⁴ Uniform Standards of Professional Appraisal Practice 2008-2009, Appraisal Foundation, p. U-87.

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 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.
- . 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.
- . The appraiser assumes no responsibility for legal matters. The subject lots are assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.

PRESENTATION OF DATA

Market Area

- Manley Hot Springs⁵

Manley Hot Springs is a small community of 70+ residents located 5 miles north of the Tanana River, 160 road miles west of Fairbanks. The area has a cold, continental climate typical for interior Alaska with average temperatures ranging from the upper 50's in summer to -20°F in winter. Extremes have been recorded from 93°F to -70°F. Most of the residents support themselves by multiple jobs including: gold mining, tourism, government, and a semi-subsistence bartering system. Residents haul water from a community wellhouse, while public buildings have private wells. The community has a local clinic, roadhouse, landfill, and school. A federally recognized tribe (Manley Village Council) is located within the community.

The most notable characteristic is the geothermal hot springs located just north of town. Naturally occurring hot springs have been an economic advantage for the community since 1902, when a mining prospector named John Karshner claimed several hot springs and started an ambitious vegetable farm. The community boomed during the gold rush era when in 1907 a hotel was built complete with 45 guest rooms, steam heat, electric lights, hot baths, a bowling alley, and an Olympic-size indoor heated swimming pool. Nowadays, tourism is still important to the local economy. One individual has developed a small-scale commercial hot springs attraction.

- Tanana⁶

Tanana is a small community of 252 residents located near the confluence of the Tanana and Yukon Rivers. A federally-recognized tribe is located in the community -- the Native Village of Tanana. The population of the community consists of 81.5% Alaska Native or part Native. Traditional Athabascan ways of life persist -- subsistence, potlatches, dances, and foot races are part of the culture. During the 2000 U.S. Census, total housing units numbered 166, and vacant housing units numbered 45. Vacant housing units used only seasonally numbered 42. U.S. Census data for Year 2000 showed 100 residents as employed. The unemployment rate at that time was 23.66 percent, although 52.38 percent of all adults were not in the work force. The median household income was \$29,750, per capita income was \$12,077, and 22.95 percent of residents were living below the poverty level.

There is one school located in the community, attended by 38 students. Local hospitals or health clinics include Tanana Health Center. The clinic is a qualified Emergency Care Center. X-Ray and pharmacy are available. Tanana is classified as an isolated town/Sub-Regional Center, it is found in EMS Region 1C in the Interior Region. Emergency Services have limited highway, river and airport access. Emergency service is provided by 911 Telephone Service, volunteers and a health aide. Auxiliary health care is provided by Tanana Tribal EMS.

Two-thirds of the full-time jobs in Tanana are with the city, school district, or Native council. There are a number of positions with local businesses and services. BLM firefighting, trapping, construction work, and commercial fishing are important seasonal cash sources. 14 residents hold commercial fishing permits. Subsistence foods include salmon, whitefish, moose, bear, ptarmigan, waterfowl, and berries.

Tanana is accessible only by air and river transportation. The city operates a dock on the river; barged goods can be offloaded at a staging and storage area. The state owns and operates the Ralph M. Calhoun Memorial Airport, which has a 4,400' long by 150' wide lighted gravel runway. Float planes land on the Yukon River. Cars, trucks, snowmachines, ATVs, and riverboats are used for local transportation.

⁵ <http://fairbanks-alaska.com/area-communities.htm> accessed 12-10-09

⁶ <http://fairbanks-alaska.com/area-communities.htm> accessed 12-10-09

PHYSICAL CHARACTERISTICS	
Location	The staking area is located west of the confluence of the Chitanana and Tanana Rivers, approximately 35 river miles from Tanana village, and 40 river miles from Manley Hot Springs. The staking area is approximately 2 miles by 6 miles, spanning both sides of the Chitanana River.
Topography map	USGS Kantishna D-4
Topography/Terrain/Major Features	The Chitanana River runs through the middle of the project area. The project area is generally flat, with rising hills to the south and north of the river. Elevation ranges from approximately 250 feet near the Tanana River to approximately 600 feet in the hills.
Access	Summer access to the area is primarily via boat on the Tanana River approximately 40 river miles downstream from Manley Hot Springs, then up the Chitanana River. Winter access may be possible via snow travel along the Tanana River to the project area.
View	Views of the Chitanana River, hills and surrounding landscape.
Climate	Typical of Interior Alaska river valleys, this area has a cold, continental climate with extreme seasonal temperature variation and low precipitation. Summer temperatures range from the mid-30's to low-90's. Winter temperatures range from -65 to 45. Average annual precipitation is 10 inches with 68 inches of snowfall.
Soils/Vegetation	Soils in the project area consist primarily of poor to moderately drained silt loam and sandy loam with shallow to moderately deep permafrost. The steep to moderately sloping hills within the western portion of the project area contain moderate to well drained loam and loess with moderate to deep permafrost. Vegetation consists primarily of mixed spruce, birch, and shrubs along the river. Adjacent lowlands are boggy with stands of black spruce. Uplands within the western portion of the staking area contain larger stands of birch and aspen.
Water Source	Surface water may be collected from the Chitanana River, sloughs, or small streams or ponds in the area. Water quality is unknown.

EASEMENTS AND RESERVATIONS	
Title	Lands within the project area are patented to the state under General Selection Patent #50-88-0327 and #50-91-0326. The applicable State casefile is GS 3421.
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.
Setbacks and Other Restrictions	Parcels are subject to a 100-foot building setback from public or navigable water bodies. Water dependant structures may be allowed within this setback. Parcels may not be staked across waterbodies determined to be public or navigable. Parcels staked along the ordinary high water line of public or navigable water bodies are subject to a 50-foot public access easement. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.
Reserved Areas	Reserved areas may be imposed prior to offering, and will be depicted on the staking map. There are no reserved areas identified at this time.
Fire Management Option	The area generally north of the Chitanana River has a Modified Fire Protection Option. The area generally to the south of the Chitanana River has a Limited Fire Protection Level.
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	The project area is classified settlement under the Tanana Basin Area Plan. The project is located within the Lower Tanana River management unit. The project area is currently open to mineral entry. The Department will recommend that area be closed to mineral entry prior to offering. Uses of state land in the vicinity of the project area include recreation and wildlife habitat. This area is a new offering.



Photo taken in Sec 23, T1N, R20W. Chitanana River looking north, Tanana River in the distance. The Staking area is located within the bottom half of the photo. Taken by DNR staff on 7/24/04.



Western portion of staking area looking northeast toward the Tanana. Taken by DNR staff 7/24/04.



Staking area with Tanana in background. Photo taken by DNR staff on 7/24/04.



Chitanana River, photo taken 7/24/2007.



Chitanana RRCS looking north, photo by DNR staff September, 2009.



Western portion of the staking area has more varied topography.



Typical vegetation patterns in the Chitanana RRCS staking area.



Many oxbow lakes within the staking 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 as⁷:

"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 Redlands RRCS 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 parcel 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.

⁷ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278

Valuation Analysis

Three approaches 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 in Alaska to lease vacant land for recreational use therefore data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. The hypothetical Key Parcel lacks any improvements; as such this approach will not be used for this appraisal.

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 property. This derived price then indicates a value for the subject property. Some of the characteristics considered include general market conditions, sales terms, location, and physical features. 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.

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. 7th 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
Business hours 10:00 am to 5:00 pm M-F.

In Fairbanks

(Corner of University & Airport Way)
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