

MARKET VALUE APPRAISAL

of PARCELS WITHIN THE WEST FORK II STAKING AREA

RECREATIONAL SITES



YEAR 2006

APPRAISAL REPORT No. 3111-06

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 | 1 |
| Letter of Transmittal | 2 |
| Table of Contents | 3 |
| Certification of Value | 4 |
| Appraisal Summary | 4 |

PREMISE OF THE APPRAISAL

| | |
|-------------------------------------|---|
| Type of Appraisal and Report | 5 |
| Purpose and Use of the Appraisal | 5 |
| Definition of Market Value | 5 |
| Client and User Identity | 5 |
| Property Identification | 5 |
| Property Rights Appraised | 5 |
| Definition of Market Value | 5 |
| Effective Date of Value Estimate | 5 |
| Scope of the Appraisal | 6 |
| Assumptions and Limiting Conditions | 7 |

PRESENTATION OF DATA

| | |
|---------------------------------------|----|
| Fairbanks North Star Borough Analysis | 8 |
| General Property Description | 10 |

DATA ANALYSIS AND CONCLUSION

| | |
|---------------------------------|----|
| Highest and Best Use | 11 |
| Sales Comparison Approach | 12 |
| Key Parcel Method | 12 |
| Valuation of Additional Parcels | 13 |

ADDENDA

| | |
|--------------------------|--|
| Comparable Sale Forms | |
| Appraisal Requests | |
| Appraiser Qualifications | |

CERTIFICATION OF VALUE

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

- the statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest 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 of a predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- no one provided significant professional assistance to the person signing this report.
- I have the knowledge and experience to competently complete this assignment.
- my opinion of the market value of the fee simple title less mineral rights for the land only developed to its highest potential, described in the subsequent report are :

SUMMARY OF VALUES

| ADL | ASLS | TRACT | ACRES | SUBDIVISION NAME | VALUE |
|--------|---------|-------|-------|-------------------|----------|
| 416677 | 2002-08 | C | 10.94 | WEST FORK II RRCS | \$13,700 |
| 416678 | 2002-08 | D | 13.58 | WEST FORK II RRCS | \$15,800 |
| 416728 | 2002-08 | K | 19.31 | WEST FORK II RRCS | \$18,900 |
| 416727 | 2002-08 | L | 19.80 | WEST FORK II RRCS | \$19,100 |

9/16/2006
Date


Appraiser

APPRAISAL SUMMARY

| | |
|---|---|
| This area is within the Fairbanks North Star Borough about 60 miles east of Fairbanks and six miles northwest of the Chena Hot Springs Resort. The key lot is located approximately four miles north of Chena Hot Springs Road, along the West Fork of the Chena River. | |
| Legal Description | ASLS 2002-08 Tract C located within Section 23, Township 4 North, Range 7 East, Fairbanks Meridian, Fairbanks, Alaska. |
| Owner | State of Alaska |
| Key Lot Parcel | Size: 10.94 acres Access: within ¼ mile of trail or reasonable overland access Building Site: 50% poor soil and/or steep terrain Amenities: creek frontage |
| Current Use | Undeveloped sites |
| Improvements | None |
| Highest and Best Use | Recreational home sites |
| Interest Appraised | Fee simple title, excluding mineral rights |
| Date of Inspection | June 20, 2006 |
| Effective Date of Value | September 16, 2006 |
| Date of Report | October 16, 2006 |
| Conclusion of Value for Subject Parcels | Please see page 3 |

PREMISES OF THE APPRAISAL

Type of Appraisal

This is a summary appraisal report prepared in accordance with Standard Rules 1 and 2 of the Uniform Standards of Professional Appraisal Practice, Appraisal Foundation, and in accordance with Special Appraisal Instructions, DNR Remote Cabin Sites, Calendar Year 2005.

Purpose of Appraisal

The purpose of this appraisal is to estimate the current market value of the properties described in this report.

Client and Intended Users

This appraisal is prepared for the State of Alaska, Department of Natural Resources and the general public.

Intended Use of Appraisal

This appraisal will be used to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site program (AS 38.05.600) or the auction sale program (AS 38.05.055).

Property Rights Appraised

The rights appraised are the fee simple estate less the mineral rights reserved to the State of Alaska under AS 38.05.125(a). Fee simple estate is defined¹ 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."

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 in 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.

In accordance with instructions from the State of Alaska, market value for the appraised property is estimated in terms of seller financing typical for the property type as of the date of appraisal.

Effective Date of Value

September 16, 2006

Date of Report

October 16, 2006

Physical and Economic Property Conditions

Reference original appraisal and incorporated herein: 3111

¹ The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1996, p.7

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 1998, pp. 561-62

³ The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1996, p.22

Exposure Time

Exposure time is "...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..."⁴

Exposure time varies with the type of property and changes with market conditions. The market for recreational properties in the Fairbanks North Star Borough has been relatively stable for the last five years. Primary sellers are private developers, the Fairbanks North Star Borough, the Mental Health Lands Trust, Native allottees and the State of Alaska. Remote, recreational parcels such as the subject typically require up to 12-24 months of marketing time.

Compared with competing parcels in the overall market for recreational parcels, the market appeal for the subject parcels is average. Considering exposure times for similar properties, appraised values for the subject parcels are based on an exposure time of one to two years.

Marketing Time

"Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal."⁵

Considering current market conditions and foreseeable supply and demand as of the date of appraisal, appraised values for the subject parcels are based on an estimated marketing time of one year.

Scope of Work

Michael R. Ward inspected the subject parcels on June 20, 2006. Physical features and access were identified by the use of physical inspections, topographic maps, status plats, aerial photographs, DNR appraisal records and interviews with people who are familiar with the area. Two of the comparables were previously inspected in June 2003. Additional comparables were identified after the field inspection and not specifically inspected. The appraiser flew over the area in a helicopter and has a general understanding of the area.

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. The recorder's office was also searched to identify any recent sales. Sellers and buyers were contacted to verify sale prices and other transaction details.

After analysis of all available data, appropriate sales were selected for comparison with a key parcel of the subject properties being appraised. The market value estimate is based on the following assumptions and conditions.

⁴ op. cit. p. 83.

⁵ *Uniform Standards of Professional Appraisal Practice 2001, Appraisal Foundation, p. 128.*

ASSUMPTIONS AND LIMITING CONDITIONS

1. The property is appraised as vacant land without structural or site improvements.
2. Some parcels may contain saw timber but not necessarily in commercial quantities. The estimated market value does not include the value of commercial timber, if any.
3. The data and conclusions embodied in this report are a part of the whole valuation. Each part of this appraisal is only part of the evidence upon which final judgement is based. Therefore, no part should be used out of context and by itself alone.
4. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question, unless prior arrangement has been made and adequate time is provided to review the appraisal.
5. 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.
6. 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.
7. The information furnished by others is believed to be reliable but it is not warranted for its accuracy. Plats of lease areas in this report are included for illustration only and may not be to scale.
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 such conditions, or for arranging engineering studies to discover them.
9. Unless otherwise stated in this report, the appraiser does not know about the existence of hazardous materials or toxic substances, which may or may not be present on the property. The appraiser is not qualified to detect such substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

Fairbanks North Star Borough

Community Overview

| | |
|-------------------------------------|--------------------------------------|
| Current Population: | 87,650 (2005 State Demographer est.) |
| Pronunciation/Other Names: | (FAIR-banks) |
| Incorporation Type: | 2nd Class Borough |
| Borough Located In: | Fairbanks North Star Borough |
| School District: | Fairbanks North Star Schools |
| Regional Native Corporation: | Not Applicable |

Location:

The Fairbanks North Star Borough is located in the heart of Interior Alaska, and is the second-largest population center in the state. Fairbanks lies 45 minutes by air from Anchorage and 3 hours from Seattle. It lies at approximately 64.833330° North Latitude and -147.71667° West Longitude. Fairbanks North Star Borough is located in the Fairbanks Recording District. The area encompasses 7,361.0 sq. miles of land and 77.8 sq. miles of water. Interior Alaska experiences seasonal temperature extremes. January temperatures range from -66 to 50 degrees Fahrenheit. July temperatures range from 30 to 99 degrees Fahrenheit. Annual precipitation is 10.37 inches, with 67.8 inches of snowfall. During the winter months, if the temperature drops below -20 degrees Fahrenheit, ice fog can occur. Fairbanks is known for its lingering summer days. When the solstice arrives, there is more than 22 hours of daylight.

History:

Koyukon Athabascans have lived in this area for thousands of years. Fairbanks developed when the Chena steamboat landing brought many non-Natives to Fairbanks during the Pedro Dome gold rush. The population of the area continued to increase after construction of the Alcan Highway and the Trans-Alaska oil pipeline.

Culture:

The Fairbanks area is the second largest population settlement in Alaska.

Economy:

City, Borough, State and federal government agencies, including the military, provide over one-third of the employment in the Borough. The Borough School District and the University of Alaska Fairbanks are the primary public employers. Approximately 6,000 residents are military. Retail services, gold mining, tourism, transportation, medical, and other services are the primary private sector activities. The Fort Knox hardrock gold mine produces 1,200 ounces daily with 360 permanent year-round employees. 142 borough residents hold commercial fishing permits.

Facilities:

This information is available on a community basis. Communities located within the Borough include: College, Eielson Air Force Base, Ester, Fairbanks, Fox, Harding Lake, Moose Creek, North Pole, Pleasant Valley, Salcha, and Two Rivers.

Transportation:

The Richardson Highway, the Parks Highway, the Steese Highway and the Elliott Highway connect the Interior to Anchorage, Canada and the lower 48. Truck, rail and air services provide transportation of cargo. Scheduled jet services are available at Fairbanks International airport. An 11,800' asphalt runway, heliport and seaplane landing strip are available. A public seaplane base is located on the Chena River. Eielson Air Force Base and Fort Wainwright also conduct flight operations in the area.

Climate:

Interior Alaska experiences seasonal temperature extremes. January temperatures range from -66 to 50 degrees Fahrenheit. July temperatures range from 30 to 99 degrees Fahrenheit. Annual precipitation is 10.37 inches, with 67.8 inches of snowfall. During the winter months, if the temperature drops below -20

degrees Fahrenheit, ice fog can occur. Fairbanks is known for its lingering summer days. When the solstice arrives, there is more than 22 hours of daylight.

GENERAL PROPERTY DESCRIPTION ASLS 2002-08**Identification**

| ADL | ASLS | TRACT | ACRES | SUBDIVISION NAME | MTRS |
|--------|---------|-------|-------|-------------------|-------------|
| 416677 | 2002-08 | C | 10.94 | WEST FORK II RRCS | F004N007E26 |
| 416678 | 2002-08 | D | 13.58 | WEST FORK II RRCS | F004N007E26 |
| 416728 | 2002-08 | K | 19.31 | WEST FORK II RRCS | F003N007E01 |
| 416727 | 2002-08 | L | 19.80 | WEST FORK II RRCS | F003N007E01 |

Location

The West Fork II Staking area is located on the north side of Chena Hot Springs Road (CHSR). The key lot is located approximately four miles north of Chena Hot Springs Road, along the West Fork of the Chena River.

Access

The key lot is accessed from Chena Hot Springs Road (CHSR) along RST 1908, the Olympia Creek-Chena Hot Springs Trail, which can be traversed by foot, ATV or snow machine.

Size and Shape

The subject lots range from 10.94 to 19.80 acres in size, with most lots being regular in shape.

Topography

The area is generally characterized as having level topography along creek beds, with steep topography and benches suitable as building sites. All lots appear to have an ample number of building sites.

Soils

A soils test was not provided. The soils appear to be suitable for on-site waste water systems, as well as having adequate building qualities.

Vegetation

Stands of spruce are the dominant vegetation in the area. Some portions of the staking area contain aspen and birch as well.

Utilities

No utilities are available in the area.

Easements

There is a 100' building setback and a 50' public access easement along the boundary fronting the water body. A typical, 25' access and utility easement is located along the other three boundaries. These are peripheral easements that do not adversely impact value.

Environmental Hazards

None were observed.

Hazardous Waste and Toxic Materials

None were observed.

Zoning Regulations

The subject is located within the Fairbanks North Star Borough, but outside the City of Fairbanks boundaries.

Tax Assessments

The parcels are currently State owned, but when transferred to private ownership, the buyers would be responsible for real estate taxes to the Fairbanks North Star Borough.

Ownership History

The parcel has been owned by the State of Alaska since October 1983, when it was conveyed to the State by Alaska University.

DATA ANALYSIS and CONCLUSION

Highest and best use analysis identifies the most profitable and competitive use of the property. Therefore, highest and best use is a market driven concept that is fundamental to the valuation of a property.

HIGHEST AND BEST USE

Highest and best use is defined as:

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

The highest and best use of a site must meet four criteria. The highest and best use of a property must be:

- legally permissible,
- physically possible,
- financially feasible, and
- maximally productive.

The value of land is generally estimated as though vacant and available for development to its highest and best use. The appraisal of improvements (when present on the site) is based on their actual contribution to the total value of the property. The appraised property is vacant and unimproved.

HIGHEST and BEST USE of SITE as VACANT

Legally Permissible

There are no local zoning laws limiting the development of this parcel. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. The subject parcel 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.

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

Surrounding land use is primarily recreational. 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 subject parcel as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁶ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p305

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

In Juneau

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