

MARKET VALUE APPRAISAL

TEN PARCELS OF LAND LOCATED IN AND AROUND FAIRBANKS, ALASKA

DNR CONTRACT 2007-04



PREPARED FOR

STATE OF ALASKA
DIVISION OF MINING LAND AND WATER
DEPARTMENT OF NATURAL RESOURCES
550 WEST SEVENTH AVENUE, SUITE 650
ANCHORAGE, ALASKA 99501-3576

APPRAISED BY

HANS AXELSSON, ALASKA CERTIFIED GENERAL APPRAISER LICENSE #432

AXELSSON, MAYO & ASSOCIATES, INC
P.O. BOX 75332
FAIRBANKS, ALASKA 99707

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CERTIFICATION

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

1. that the statements of fact contained in this report are true and correct.
2. 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.
3. I have no present or prospective interest in the properties that are the subjects of this report, and no personal interest with the respect to the parties involved.
4. I have no bias with respect to the properties that are the subjects of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the **Uniform Standards of Professional Appraisal Practice**.
8. I have made a personal inspection of the properties that are the subjects of this report.
9. No one provided significant professional assistance to the person signing this report.

11/9/06

Date



Hans Axelsson, State of Alaska - General Appraiser # AA432

Part I – Introduction

SUMMARY

Location: The subject properties are located on Haystack Mountain, Murphy Dome and along Chena Hot Springs Road and the Steese Highway, Alaska.

Owner: State of Alaska

Legal Description and Size:

- Tract A, ASLS 90-92. Containing 21.23 acres.
- Lot 7, Block 10, ASLS 83-128. Containing 7.678 acres.
- Lot 4, ASLS 95-72. Containing 9.371 acres.
- Tract A, ASCS 87-04. Containing 13.459 acres.
- Tract E, ASCS 87-04. Containing 13.028 acres.
- Tract A-1, ASLS 80-117. Containing 11.477 acres.
- Lot 3, Block 8, ASLS 82-158. Containing 12.887 acres.
- Lot 4, Block 11, ASLS 82-158. Containing 10.22 acres.
- Lot 5, Block 11, ASLS 82-158. Containing 10.29 acres.
- Lot 12, Block 1, ASLS 84-21. Containing 6.37 acres.

Inspection Date and Effective Date of Value:

Tract A, ASLS 90-92.	(Crazy Mountain Subdivision)	October 21, 2006
Lot 7, Block 10, ASLS 83-128.	(Riverview Subdivision)	October 21, 2006
Lot 4, ASLS 95-72.	(Fairbanks Odd Lot)	November 5, 2006
Tract A, ASCS 87-04.	(Tree Swallow Subdivision)	November 5, 2006
Tract E, ASCS 87-04.	(Tree Swallow Subdivision)	November 5, 2006
Tract A-1, ASLS 80-117.	(Haystack Subdivision)	October 25, 2006
Lot 3, Block 8, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 4, Block 11, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 5, Block 11, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 12, Block 1, ASLS 84-21.	(Martin Subdivision)	October 29, 2006

Date of Report: November 9, 2006

Improvements: Lot 4 and 5, Block 11, ASLS 82-158 & Lot 12, Block 1, ASLS 84-21 have improvements.

Client: State of Alaska, Department of Natural Resources

Intended Users of Appraisal: The Client and the general public.

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

Intended Use of the Appraisal: The appraisal will be used to determine the minimum price for the subject properties to be made available in a DNR land disposal program.

Property Rights: Fee Simple, less mineral rights.

Zoning and Restrictions:

Crazy Mountain Subdivision: within the Unorganized Borough, no zoning restrictions affect the property.
Riverview Subdivision: RE-4
Fairbanks Odd Lot: GU-1
Tree Swallow Subdivision: RA-5
Haystack Subdivision: GU-1
Lincoln Creek Subdivision: RE-4
Martin Subdivision: RE-4

Potential Hazardous Waste/Toxic Material: No adverse environmental conditions were noticed on the subjects' sites but the appraiser is not an expert in environmental matters.

Highest and Best Use:

Crazy Mountain Subdivision: Recreational
Riverview Subdivision: Recreational
Fairbanks Odd Lot: Residential
Tree Swallow Subdivision: Residential
Haystack Subdivision: Residential
Lincoln Creek Subdivision: Residential
Martin Subdivision: Residential

Estimated Market Value:

Tract A, ASLS 90-92 (Crazy Mountain Subdivision):	\$24,400
Lot 7, Block 10, ASLS 83-128 (Riverview Subdivision):	\$10,200
Lot 4, ASLS 95-72 (Fairbanks Odd Lot):	\$37,500
Tract A, ASCS 87-04 (Tree Swallow Subdivision):	\$44,400
Tract E, ASCS 87-04 (Tree Swallow Subdivision):	\$43,000
Tract A-1, ASLS 80-117 (Haystack Subdivision):	\$23,000
Lot 3, Block 8, ASLS 82-158 (Lincoln Creek Subdivision):	\$18,000
Lot 4, Block 11, ASLS 82-158 (Lincoln Creek Subdivision):	\$22,400
Lot 5, Block 11, ASLS 82-158 (Lincoln Creek Subdivision):	\$22,600
Lot 12, Block 1, ASLS 84-21 (Martin Subdivision):	\$18,500

Part II – Premises of the Appraisal

Type of Appraisal and Report

This report is performed under USPAP Standards Rules 1 and 2, and in accordance with General Appraisal Instructions – DNR Calendar year 2006 (see copy in addendum). It is prepared under the summary reporting option, Standard Rule 2-2 (b).

Purpose of the Appraisal

The purpose of the appraisal is to form an opinion of the market values of the subject properties.

Intended Use of the Appraisal

The appraisal will be used to determine the minimum price for the subject properties to be made available in a DNR land disposal program.

Client and User Identity

The appraisal is prepared for the State of Alaska, Department of Natural Resources.

Property Rights Appraised

The subjects' property rights appraised consists of the fee simple estate, less mineral rights reserved to the State of Alaska under AS 38.05.125 (a). The fee simple estate is defined as: "Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the government powers of taxation, eminent domain, police power, or escheat. (Appraisal Institute, The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: 2002), p. 113.

AS 38.05.125 (a) states:

Reservation. (a) Each contract for the sale, lease, or grant of state land, and each deed to state land, properties, or interest in state land, made under AS 38.05.045 - 38.05.120, 38.05.321, 38.05.810 - 38.05.825, AS 38.08, or AS 38.50 except as provided in AS 38.50.050 is subject to the following reservations: "The party of the first part, Alaska, hereby expressly saves, excepts and reserves out of the grant hereby made, 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 above described, or any part thereof, and the right to explore the same for such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and it also hereby expressly saves and reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right to enter by itself, its or their agents, attorneys, and servants upon said land, or any part or parts thereof, at any and all times for the purpose of opening, developing, drilling, and working mines or wells on these or other land and taking out and removing there from all such oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils, and to that end it further expressly reserves out of the grant hereby made, unto itself, its lessees, successors, and assigns forever, the right by its or their agents, servants and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, pipelines, power lines, and railroads, sink such shafts, drill such wells, remove such soil, and to remain on said land or any part thereof for the foregoing purposes and to occupy

as much of said land as may be necessary or convenient for such purposes hereby expressly reserving to itself, its lessees, successors, and assigns, as aforesaid, generally all rights and power in, to, and over said land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved." (Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2005.)

Extraordinary Assumption

In accordance with General Appraisal Instructions – DNR Calendar year 2006 (see copy in addendum). It is an extraordinary assumption that the subject properties are free and clear from hazardous materials.

Definition of Market Value

Market value is, according to the Uniform Standards of Professional Appraisal Practice (USPAP) 2006 Edition, "a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

Comment: Forming an opinion of market value is the purpose of many real property appraisal assignments, particularly when the client's intended use includes more than one intended user. The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:

1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
3. the conditions of sale (e.g. exposure in a competitive market for a reasonable time prior to sale)

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

Appraisal Institute, The Appraisal of Real Estate, 12th Edition describes the definition of market value as "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."

Inspection Date and Effective Date of Value Estimate

Tract A, ASLS 90-92.	(Crazy Mountain Subdivision)	October 21, 2006
Lot 7, Block 10, ASLS 83-128.	(Riverview Subdivision)	October 21, 2006
Lot 4, ASLS 95-72.	(Fairbanks Odd Lot)	November 5, 2006
Tract A, ASCS 87-04.	(Tree Swallow Subdivision)	November 5, 2006
Tract E, ASCS 87-04.	(Tree Swallow Subdivision)	November 5, 2006
Tract A-1, ASLS 80-117.	(Haystack Subdivision)	October 25, 2006
Lot 3, Block 8, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 4, Block 11, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 5, Block 11, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 12, Block 1, ASLS 84-21.	(Martin Subdivision)	October 29, 2006

Scope of Appraisal

The scope of the appraisal includes the necessary steps to prepare a report according to the valuation process in compliance with the Uniform Standards of Professional Appraisal Practice. The term "scope of work" refers to the amount and type of information researched and the analysis applied in the assignment. The appraisal process is divided into four basic tasks: 1) gathering of information, 2) analyzing data collected, 3) drawing conclusions, and 4) reporting the conclusions.

This report is performed under USPAP Standards Rules 1 and 2. It is prepared under the summary reporting option, Standard Rule 2-2 (b). The following describes the extent of the process in which data is collected, confirmed, and reported.

The properties being appraised consists of ten parcels of land situated in and around Fairbanks. The appraiser personally inspected all the subject properties and the comparable sales between October 21 and November 6, 2006.

Collection of regional and neighborhood data were derived from the Alaska Department of Community and Economic Development, interviews with local residents and the appraiser's observation of the market area. Factual data for this report was based upon a physical inspection and the acreage for the properties was taken from the survey plats. The appraiser also examined topographic and aerial maps of the subject properties.

In developing approaches to value, specific market data was collected from the appraisal firm's comparable sales files. Other sources include records of the State of Alaska, Department of Natural Resources, the Greater Fairbanks Multiple Listing Service as well as interviews with appraisers, Realtors, local residents, and property owners. The Sales Comparison Approach to value was used to compare sales of vacant land parcels that could be considered competitive to the subjects in the same market area. The Cost Approach was not applicable since most of the properties are vacant land or the improvements were in such poor conditions that the appraiser instead considered the improvements to be an amenity to the overall property. The Income Approach was not applicable, since the subjects, nor the market produced rental income, also, typically residential and recreational properties are not purchased for their income production.

ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description or for the matters including legal or title considerations. Title is assumed to be good and marketable unless stated otherwise. Title information was given to the appraiser prior the engagement of this assignment.
2. The property is appraised free and clear of any liens or encumbrances unless otherwise stated.
3. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy. The appraiser reserves the right to modify the conclusions reached if errors are found.
4. It is assumed that there are no hidden or unapparent conditions of the property or subsoil that render it more or less valuable. I assume no responsibility for such conditions, or for any engineering studies required to discover such conditions.
5. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws, as well as applicable zoning, building and use regulations and restrictions, unless noncompliance is stated, defined, and considered in the appraisal report.
6. It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate in this report is based.
7. It is assumed that the utilization of the land is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
8. While various approaches to value and various mathematical calculations may have been used in estimating value, these are only aides to the formulation of the value estimate expressed by the appraiser in this report. In these calculations certain mathematical figures are rounded off to the nearest significant amount.
9. All assessments for taxes, water, and sewer (if any) are assumed paid to date.
10. The estate being valued is the fee simple estate, less mineral rights.
11. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there are no such materials on or in the property that would cause a loss in the value unless otherwise stated in this report. No responsibility is assumed for any adverse environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication.

13. The appraiser, by employment to make this appraisal report, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraiser. The report may not be used for any other purpose other than the one stated in the Purpose of the Appraisal, without the express, written consent of the appraiser and client.
15. Any value estimates provided in the report apply to the entire property, and any prorating or division of the total into fractional interests will invalidate the value estimate, unless such prorating or division of interests has been set forth in the report.
16. The date of value for the opinions expressed in this report is as stated in the letter of transmittal. The appraiser assumes no responsibility for economic or physical factors occurring at some later date which may affect those opinions.
17. The appraisal report is to be used only in its entirety and no part is to be used without the entire report, or in conjunction with any other appraisal. Use of a portion of the report invalidates the analysis and valuation conclusions contained herein.
18. No opinion is intended to be expressed for legal matters or for opinions that require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
19. The liability of Axelsson, Mayo & Associates, Inc. and its employees and the individual appraisers is limited to the client of the appraisal of the subject properties only, and only up to the amount of the fee actually received for the assignment. No third parties may rely upon this appraisal for any purpose whatsoever, including financing for the acquisition or improvements of the subject property. This appraisal was prepared specifically for our client, to whom this proposal or report was addressed.

Part III – Presentation of Data

Legal Description and Size

Tract A, ASLS 90-92. Containing 21.23 acres.
Lot 7, Block 10, ASLS 83-128. Containing 7.678 acres.
Lot 4, ASLS 95-72. Containing 9.371 acres.
Tract A, ASCS 87-04. Containing 13.459 acres.
Tract E, ASCS 87-04. Containing 13.028 acres.
Tract A-1, ASLS 80-117. Containing 11.477 acres.
Lot 3, Block 8, ASLS 82-158. Containing 12.887 acres.
Lot 4, Block 11, ASLS 82-158. Containing 10.22 acres.
Lot 5, Block 11, ASLS 82-158. Containing 10.29 acres.
Lot 12, Block 1, ASLS 84-21. Containing 6.37 acres.

Inspection

All the subject properties were physically inspected by the appraiser by the means of an on the ground inspection. In addition to the physical inspection, topographic, survey maps and aerial photos were inspected.

Subjects

Date Inspected

Tract A, ASLS 90-92.	(Crazy Mountain Subdivision)	October 21, 2006
Lot 7, Block 10, ASLS 83-128.	(Riverview Subdivision)	October 21, 2006
Lot 4, ASLS 95-72.	(Fairbanks Odd Lot)	November 5, 2006
Tract A, ASCS 87-04.	(Tree Swallow Subdivision)	November 5, 2006
Tract E, ASCS 87-04.	(Tree Swallow Subdivision)	November 5, 2006
Tract A-1, ASLS 80-117.	(Haystack Subdivision)	October 25, 2006
Lot 3, Block 8, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 4, Block 11, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 5, Block 11, ASLS 82-158.	(Lincoln Creek Subdivision)	October 29, 2006
Lot 12, Block 1, ASLS 84-21.	(Martin Subdivision)	October 29, 2006

Neighborhood Descriptions

Crazy Mountain Homestead: The subject property is situated approximately 2,000 north of the Steese Highway from milepost 137 and about 9 miles northeasterly of Central. Central is located on the Steese Highway about 125 miles northeast of Fairbanks and 28 miles southwest of Circle. Circle Hot Springs is located approximately 7 miles to the southeast. Central has a slow economy based on providing seasonal support for mining operations in the area and some tourist related business. Services in the community include a store, a motel and a post office. The Circle Hot Springs Resort closed in October 2002 and remains closed. The Steese Highway is maintained year-round by the Department of Transportation. Approximately twenty-five percent of the homes here are occupied year-round. These typically have individual wells, septic systems and complete plumbing. The majority of summer-use homes haul water from local creeks or watering points at the local motel, and use outhouses. The landfill is located on DNR land at mile 124.6 Steese Hwy. Electricity in the area is provided by Central Electric, Inc, but it has not been extended top the subject's site. There is one school located in the community, attended by 13 students. A State-owned 2,700' long by 60' wide gravel airstrip is available. Central is located in the unorganized borough. Real estate values have been stable in the Central area for a long time.

Riverview Subdivision: This subdivision is a rural residential subdivision situated approximately 33 miles northeasterly of Fairbanks between milepost 48-49 Steese Highway, on the north side of the Steese Highway, within the Fairbanks North Star Borough. The subdivision was created in 1983 and approximately 1/3 of the lots have sold since then. Most of the platted subdivision road easements are not constructed, but there are several trails throughout the subdivision. Electricity is available by Golden Valley Electric Association in the western portions of the subdivision (about one mile from the subject property), but GVEA has no intention to expand the service in the near future. There are no other utilities available. The topography is steep to moderate sloping with a southerly exposure. Vegetation consists of mostly spruce and birch trees. The subdivision is zoned RE-4 (Rural Estate, minimum 160,000 square feet lot size).

Fairbanks Odd Lot: This property is situated in the Fairbanks vicinity at approximately mile six Chena Hot Springs Road, just east of the Nordale – Chena Hot Springs Road intersection. This area consists of residential uses with the exception for a coffee stand at the Nordale/Chena Hot Springs Road intersection. Utilities include electricity and phone service. The topography is level to gentle sloping and vegetation consists mostly of black spruce. The property is within the Fairbanks North Star Borough and is zoned GU-1 (General Use, minimum lot size 40,000 square feet).

Tree Swallow Subdivision: This subdivision is situated in Two Rivers, which is a wide spread community dispersed from mile 13 to mile 25 Chena Hot Springs Road. The two lots are situated on Grange Hall Road which is south of the Chena Hot Springs Road at approximately milepost 20.5. The community of Two Rivers supports one school, post office and a couple of stores and restaurants. Utilities in the area include electricity and phone service. The area has mostly level topography and vegetation consists of spruce, aspen and birch trees. The subdivision is located within the Fairbanks North Star Borough and is zoned RA-5 (Rural Agricultural, minimum lot size 200,000 square feet).

Haystack Subdivision: Haystack Subdivision is situated approximately 17 miles northerly of Fairbanks, about one mile northerly of the Chatanika River and one mile easterly of the Elliott Highway. Access is by Haystack Drive gravel road), which turns east at approximately mile 11 Elliott Highway. Use in the area consists of residential use and available utilities include electricity and phone service. The subdivision is located within the Fairbanks North Star Borough and is zoned GU-1 (General Use, minimum lot size 40,000 square feet).

Lincoln Creek Subdivision: Lincoln Creek Subdivision is a residential subdivision situated off Murphy Dome Road, approximately 16 miles northwesterly of Fairbanks. Access to the subdivision is by Abraham Road and Cache Creek Road (gravel roads). The terrain consists of ridge tops, with south and southeasterly facing slopes. There are no utilities available in this subdivision. Vegetation consists of spruce and birch trees. The subdivision is zoned RE-4 (Rural Estate, minimum 160,000 square feet lot size).

Martin Subdivision: Martin Subdivision is a residential subdivision situated off Old Murphy Dome Road, approximately 16 miles northwesterly of Fairbanks. Access to the subject property is by Old Murphy Dome Road (gravel road). The subdivision is situated on a south facing hillside of the Spinach Creek drainage. Utilities include electricity and phone service. Vegetation consists of spruce and birch trees. The subdivision is zoned RE-4 (Rural Estate, minimum 160,000 square feet lot size).

Property Data

Crazy Mountain Homestead: The property is irregular in shape and contains 21.23 acres. Access is by an approximate 2,000 gravel road, which goes along the section line between sections 13 and 19 from milepost 137 Steese Highway. There are no utilities available. Potable water is typically taken from nearby streams. Bathroom facilities usually consist of an outhouse (non present). Electricity is usually provided by a portable generator (none present). Topography is level to gentle sloping. The property suffered a forest fire during the 2004 fire season and the majority of the property burnt. Vegetation consists of black spruce and drainage is considered adequate. Surrounding uses include recreational and residential use.

Riverview Subdivision: The property is almost rectangular in shape and contains 7.678 acres. Access is by Chisana Street which consists of a gravel road about 2/3 of the way and the last 1/3 consists of a primitive rough dirt road/trail (deep ruts and wet). Access by road vehicle was not possible at time of inspection, but ATV access is feasible. There are no utilities available; however, electricity is available approximately one mile to the west. Potable water is typically taken from nearby streams. Bathroom facilities usually consist of an outhouse (non present). The property is situated on a moderate to steep south facing slope. The property is vegetated by mostly black spruce and a few birch trees. Drainage is considered adequate. The property has a view of the Chatanika Valley and surrounding mountains. The property is zoned RE-4 (Rural Estate, minimum 160,000 square feet lot size). Surrounding uses include recreational and residential use.

Fairbanks Odd Lot: This property is irregular in shape and contains 9.371 acres. Access is by Chena Hot Springs Road. Available utilities include electricity and phone service. The property is located in a creek bottom (western boundary line is meander of Hopper Creek) with adequate to poorly drained soils. The subject's northern boundary consists of approximately 760' of Chena Hot Springs Road frontage. The topography is level to gentle sloping and vegetation consists mostly of black spruce. The property is zoned GU-1 (General Use, minimum lot size 40,000 square feet).

Tree Swallow: These two properties are separated by Grange Hall Road and both lots are almost triangular in shape and contain 13.459 (Tract A) respectively 13.028 acres (Tract E). The properties have frontage along Grange Hall Road and has electricity and phone service available. The topography is mostly level and vegetation consists of spruce, birch and aspen trees. The Lots have a wooded view and surrounding use include residential use. The properties are zoned RA-5 (Rural Agricultural, minimum lot size 200,000 square feet).

Haystack Subdivision: The property is almost rectangular in shape and contains 11.477 acres. The parcel is situated on a gentle northwesterly sloping hillside. Access is by Haystack Drive which is a gravel road off the Elliott Highway. The property has electricity and phone service available along the road frontage. Vegetation consists mostly of black spruce and a few birch trees. Soils are adequately drained but would be expected to have permafrost. Property easements appear typical. The property has a view of the valley to the north. The property is zoned GU-1 (General Use, minimum lot size 40,000 square feet). Surrounding use include residential use.

Lincoln Creek Subdivision: Lot 5, Block 11 (10.29 acres) is parallelogram shaped while Lot 3, Block 8 (12.887 acres) and Lot 4, Block 11 (10.22 acres) is irregular shaped. Lots 4 and 5 have access by Abraham Road while Lot 3 is accessible by Reconstruction Road, both are gravel roads. No utilities are available to these lots. Vegetation consists of mostly black spruce and a few birch trees and the properties are well drained. Lots 4 and 5 have views of the Alaska Range to the south, while Lot 8 overlooks the

Goldstream Valley and Ester Dome. The properties are zoned RE-4 (Rural Estate, minimum 160,000 square feet lot size). Surrounding use includes residential use.

Martin Subdivision: This property is situated on Cascade Road (gravel road). The parcel is irregular in shape and contains 6.37 acres. The parcel is situated on a moderate sloping south facing hillside. The property has electricity and phone service available along the southern and eastern boundary lines. Vegetation consists of birch trees, white and black spruce. Soils are well drained. The property has a view of the Goldstream Valley and possibly the Alaska Range to the south. The property is zoned RE-4 (Rural Estate, minimum 160,000 square feet lot size). Surrounding use include residential use.

Site Improvements

Lot 4, Block 11, ASLS 82-158: The property is improved with a framed cabin considered to be in poor condition. The main structure has the dimensions of 12' x 24' with a smaller addition, approximately 8' x 12' in size. The property is also improved with a sauna and an outhouse these are also considered to be in poor condition.

Lot 5, Block 11, ASLS 82-158: The parcel is improved with a 10' x 13' shed and a 28' travel trailer, which are considered to be in fair shape.

Lot 12, Block 1, ASLS 84-21: The property is improved with a 24' x 24' dilapidated house. The house has a concrete block foundation with crawlspace and the framed structure has no roof.

The reader should be cautioned that no detailed information regarding the improvements was available to the appraiser except for what was noted during the property inspections.

Personal Property

There is no personal property involved with the appraisal of these properties.

Ownership History

The Uniform Standards of Professional Appraisal Practice Standard Rule 1-5 (a) and (b) requires that the appraiser "analyze all agreements of sale; option, or listings of the subject property current as the effective date of the appraisal; and analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal."

Tract A, ASLS 90-92: Public Record indicates that a Contract for the Sale of Real Property was entered between the State of Alaska and Michael Hightower in March 2006. The property is currently owned by the State of Alaska.

Lot 7, Block 10, ASLS 83-128: Public Record indicates that a Contract for the Sale of Real Property was entered between the State of Alaska and Kerry Bowen in May 2005 which was later terminated in July 2005. The property is currently owned by the State of Alaska.

Lot 4, ASLS 95-72: Public Record indicates that a Contract for the Sale of Real Property was entered between the State of Alaska and Billie Couch in March 2003 which was later terminated in June 2005. The property is currently owned by the State of Alaska.

Tract A, ASCS 87-04: The property has not sold within the last three years and is currently owned by the State of Alaska.

Tract E, ASCS 87-04: The property has not sold within the last three years and is currently owned by the State of Alaska.

Tract A-1, ASLS 80-117: The property has not sold within the last three years and is currently owned by the State of Alaska.

Lot 3, Block 8, ASLS 82-158: Public Record indicates that a Contract for the Sale of Real Property was terminated in March 2004. The property is currently owned by the State of Alaska.

Lot 4, Block 11, ASLS 82-158: The property has not sold within the last three years and is currently owned by the State of Alaska.

Lot 5, Block 11, ASLS 82-158: Public Record indicates that a Contract for the Sale of Real Property was terminated in September 2004. The property is currently owned by the State of Alaska.

Lot 12, Block 1, ASLS 84-21: The property has not sold within the last three years and is currently owned by the State of Alaska.

None of the above mentioned properties are currently listed for sale.

Tax Assessment

All parcels owned by the State of Alaska are tax exempt. Once ownership is transferred from the State of Alaska, property taxes are the responsibility of the buyers/grantee.

Zoning and Restrictions

Typically land is subject to governmental and private controls such as zoning, building codes, environmental, or deed, lease restrictions and covenants. The State of Alaska or the Fairbanks North Star Borough (FNSB) platting regulations may apply if the property is subdivided, or the Department of Environmental Conservation and the Army Corps of Engineers may regulate certain uses as to the environment. The properties located within the FNSB are subject to the following zoning (for detailed zoning requirements, see addendum).

Crazy Mountain Subdivision: within the Unorganized Borough, no zoning restrictions affect the property.
Riverview Subdivision: RE-4
Fairbanks Odd Lot: GU-1
Tree Swallow Subdivision: RA-5
Haystack Subdivision: GU-1
Lincoln Creek Subdivision: RE-4
Martin Subdivision: RE-4

Easements

No title report was furnished to the appraiser, but according to available survey plats the properties are subject to the following platted easements:

Tract A, ASLS 90-92: The property is subject to a 50' wide section line easement along the western and southern boundary line and a 25' wide public access and utility easement along the eastern and northern boundary lines.

Lot 7, Block 10, ASLS 83-128: The property is subject to a 50' public recreational easement along the northern boundary line and a 30' wide public utility easement along the southern boundary line. The property is also subject to a 10' wide public walkway easement along the western boundary line.

Lot 4, ASLS 95-72: No easement noted.

Tract A, ASCS 87-04: The property is subject to a 50' wide section line easement along the northern boundary line and a 30' wide multiple use recreational trail easement along the western boundary line.

Tract E, ASCS 87-04: The property is subject to a 40' wide public utility easement and a 20' wide multiple use recreational trail easement along the eastern boundary line.

Tract A-1, ASLS 80-117: The property is subject to a 50' wide section line easement along the southern boundary line.

Lot 3, Block 8, ASLS 82-158: The property is subject to a 10' wide pedestrian easement along the northern boundary line and a 50' wide non-motorized easement along the northeastern boundary line.

Lot 4, Block 11, ASLS 82-158: The property is subject to a 30' wide public utility easement along the southeastern boundary line and a 15' wide public utility easement along the southwestern boundary line.

Lot 5, Block 11, ASLS 82-158: The property is subject to a 30' wide public utility easement along the southeastern boundary line.

Lot 12, Block 1, ASLS 84-21: No easement noted.

Potential Environmental Hazards and Hazardous Waste/Toxic Material

No adverse environmental conditions or toxic/waste were noticed on the subject properties but the appraiser is not an expert in environmental matters. It should be noted that fifty five gallon drums with unknown contents were observed on Lot 12, Block 1, Martin Subdivision.

Highest and Best Use Analysis Fairbanks Odd Lot, Tree Swallow, Haystack, Lincoln Creek & Martin Subdivision

Highest and Best use is a determination of the most profitable and competitive use to which a parcel of land can be utilized. According to The Appraisal of Real Estate 12th Edition highest and best use is defined as follows:

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

Highest and Best use is further defined in the 12th Edition as to apply to land alone since the value of improvements contributes to the value of the land. Land is said to have value and improvements contribute to value. Highest and Best Use analysis is the analysis on the potential uses of the land as though vacant. However, existing improvements contribute to the value of land and any alteration of those improvements must be recognized. “In the development of an appraisal, the appraiser must distinguish between the highest and best use of the land as though vacant and highest and best use of the property as improved.”

The next question asked in highest and best use analysis is: “should the land be developed or left vacant? If development is an option, the question then becomes; “what kind of improvements should be built?” If the property were improved already, the question becomes: “Should the existing improvements on the property be maintained in their current state or should they be altered in some manner to make them more valuable?”

Highest and Best Use as though vacant and the property as improved must meet four criteria in sequential order, the highest and best use must be:

1. Physically Possible
2. Legally Permissible
3. Financially Feasible
4. Maximally Productive

Because the parcels are appraised as vacant land and because market forces determine highest and best use, the subjects are analyzed in the context of the market that determines the highest and best use.

The market indicates four possible uses for the parcels including residential, commercial, industrial and recreational use. The uses are analyzed according the four criteria described above as though vacant since the subjects’ sites are appraised as vacant land.

Four Tests of Highest and Best Use

Legally Permissible:

Typically land is subject to governmental and private controls such zoning, building codes, environment, or deed, lease restrictions and covenants. FNSB platting regulations may apply if the property is subdivided, or the Department of Environmental Conservation and the Army Corps of Engineers may regulate certain uses as to the environment. The Fairbanks Odd Lot and the Lot in Haystack Subdivision are zoned GU-1 the most liberal zoning available and most uses such as residential, recreational, industrial and commercial uses is legally permissible. The Lots in Tree Swallow Subdivision are zoned RA-5 which prohibits general commercial and industrial operations, but agricultural related businesses, residential and recreational uses are legally permissible. The properties situated in Lincoln Creek and Martin Subdivisions are zoned RE-4 which prohibits commercial and industrial use, but recreational and residential use is legally feasible.

Physical Possibility

The properties are rectangular and irregular in shape, have level to moderate sloping topography and ranges in size from 6.37 to 13.50 acres. Legally permissible and physical possible uses for the Fairbanks Odd Lot and the Lot in Haystack Subdivision include residential, recreational, industrial and commercial use. The Lots in Tree Swallow Subdivision are zoned RA-5 which prohibits general commercial and industrial operations, but agricultural related businesses, residential and recreational uses are legally and physically possible. The properties situated in Lincoln Creek and Martin Subdivisions are zoned RE-4 which also prohibits commercial and industrial use, but recreational and residential use is legally and physically possible.

Financially Feasible

Due to the subjects locations in residential areas in the outskirts of Fairbanks makes it seem less likely for commercial, industrial and recreational use. Therefore, it is considered not financially feasible for commercial, industrial and recreational use, but residential use is considered financially feasible.

Maximally Productive

Analysis of comparable sales and buyers of properties in the subjects' neighborhoods indicate residential use. This is substantiated by the land capabilities, current use, and the use of adjacent properties, the location of the properties, and the parcels shape and size.

Considering all the above factors, the current **highest and best use** of the subject properties is determined to be for residential use.

Highest and Best Use of Land as Improved

Lots 4 & 5 in Lincoln Creek Subdivision are improved with a cabin and a trailer/shed. Based on the foregoing analysis, the highest and best use of the subject parcels as improved would be as a single family residence.

PART V

ADDENDA/EXHIBITS

Location: Tract A, Tree Swallow Subdivision (ASCS 87-04), Alaska
Property Owner: State of Alaska

Photo by: Hans Axelsson
Date: November 5, 2006



Subject Property:

View of the subject property, facing south (Grange Hall Road frontage).



Subject Property:

View of the subject property, facing west.

Location: Tract E, Tree Swallow Subdivision (ASCS 87-04), Alaska
Property Owner: State of Alaska

Photo by: Hans Axelsson
Date: November 5, 2006



Subject Property:

View of the subject property, facing south (Grange Hall Road frontage).



Subject Property:

View of the subject property, facing east (Cooter bear Avenue frontage).

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.