

MARKET VALUE APPRAISAL

Of

**Two (2) Parcels within
June Creek Subdivision ASLS 79-166
And
Bear Creek Remote ASLS 95-57**



Bear Creek near ASLS 95-57

BASE APPRAISAL REPORT No. 3514-0

**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. 3514

1. ADL NO(S): See table below
2. SIZE: Various, as noted in table
3. APPLICANT: N/A
4. LOCATION: 16 miles north of Healy, AK
5. LEGAL DESCRIPTION(S): See table below
6. INTEREST APPRAISED: Fee Simple Title less Mineral Rights
7. PURPOSE OF THE APPRAISAL: Estimate Market Value
8. APPRAISED BY: Johnthomas Williamson
9. DATE of REPORT: February 11, 2009
10. DATE of VALUE(S): July 22, 2008
11. APPRAISED VALUE(S):

ADL	Subdivision	Lot / Tr.	Block	ASLS	Acres	Value
405186	June Creek	10	4	79-166	5.51	\$10,500
414469	Bear Creek Remote	A		95-57	18.639	\$19,500

B. SUMMARY OF REVIEW

1. DATE of REVIEW: February 17, 2009
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: Establish minimum bid price for sealed bid auction
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: _____
 Proofread DNR data entry: Yes No
7. RESULTS OF REVIEW: Not Approved Approved Approved Value: As noted in previous table



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: Adequate.

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 not 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. 3514

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 [X] 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 Hindmarch, Review Appraiser

Date 2/17/09

cc: Mary Gleason
Tony Wagner

MEMORANDUM

State of Alaska

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

DATE: February 11, 2009

TO: Kevin Hindmarch
Review Appraiser

FROM: Johnthomas Williamson

SUBJECT: Appraisal of two parcels 16 miles north of Healy. Appraisal Report #3514-0

As requested, I have completed a valuation of the above referenced parcels. I understand that this appraisal will be used to determine the minimum bid for parcels acquired through the Subdivision Auction under **AS 38.05.035**. 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. This is a 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 inspected the subject parcels used in this report. Physical descriptions of the subject parcels were based on inspections, aerial photography, topographic maps, peer appraisal reports, interviews with realtors and various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market values as of the effective date of value

TABLE OF CONTENTS

INTRODUCTION

Title Page	
Letter of Transmittal	ii

PREMISE OF THE APPRAISAL

Appraisal Summary	2
Type of Appraisal and Report	3
Purpose and Use of the Appraisal	3
User and Client Identity	3
Property Rights Appraised	3
Definition of Market Value	3
Effective Date of Value Estimate	3
Exposure Time	4
Scope of the Appraisal	5
Assumptions and Limiting Conditions	6

PRESENTATION OF DATA

Area Analysis	7
Staking Area Description	7

DATA ANALYSIS AND CONCLUSION

Highest and Best Use	13
Approaches to Value	14
Key Parcel Method	14
Explanation of Adjustments	15
Discussion of Comparable Sales & Value Conclusion	17
Application of Key Parcel Method	21
Certification of Value	22

ADDENDA

Subject Surveys	
Notes on Adjustments	
Size Adjustment Chart	
Comparable Sale Forms and Surveys	
Special Appraisal Instructions	
Appraiser Qualifications	

APPRAISAL SUMMARY

Location and Legal Description

Subdivision Name	Location	Legal
June Creek Subdivision	16 miles north of Healy, one half mile west of the Parks Highway just south of Bear Creek	Lot 10 in Block 4 of ASLS 79-166
Bear Creek Remote Odd Lot	16 miles north of Healy, two miles west of the Parks Highway just south of Bear Creek	Tract A of ASLS 95-57

Summary of Values

ADL	Subdivision	Lot / Tr.	Block	ASLS	Acres	Value
405186	June Creek	10	4	79-166	5.51	\$10,500
414469	Bear Creek Remote	A		95-57	18.639	\$19,500

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a 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 DNR's Special Appraisal Instructions.

Purpose of Appraisal

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

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for parcels to be acquired through the Subdivision Auction sale program under **AS 38.05.055**.

User and Client Identity

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

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under **AS 38.05.125(a)**.

Fee simple estate is defined as:

"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."¹

AS 38.05.125(a) states:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."²

Definition of Market Value

"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."³

Effective Date of Value Estimate

July 22, 2008.

Date of Report

February 11, 2009

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, 2006, pp. 610

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

Exposure Time

Exposure time is defined as "...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 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.

Several parcels are currently listed in the area. Difficult and inconsistent access is the primary factor in the amount of time that these parcels require on the market. The subject parcels are considered average to below average when compared with more accessible properties available on the market. Based on exposure time for similar properties, the estimated values are based on an exposure time of up to three years.

Property History

Both parcels have been sold through DNR Auctions in the past; however, neither of the sales were ultimately successful. The parcels have returned to State ownership. DNR is the current owner of record. See section on 'Parcel Descriptions' for specific details.

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

Scope of the Appraisal

Property and Comparable Sales Inspection

I inspected the subject parcels on July 22, 2008. Physical features and access were identified by use of physical inspections, topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

Research and Analysis conducted

Interviews were conducted with; sellers, buyers or other knowledgeable market participants who provided information about trends in value, supply, demand, access, and physical characteristics of the subject properties. DNR records and the Records Office databases were searched for recent comparable sales while the Matanuska - Susitna Borough database was searched for relevant sale information. Private real estate agent websites were searched for recent listings while sellers, buyers, and agents were contacted to verify recent sale prices and other transaction details.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the following assumptions and limiting conditions.

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 visualize 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.
- . 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 the 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.
- . 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.
- . 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.
- . Due to the lack of on-site inspections for the subject parcels (aerial inspection for selected subjects) some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerial photography. 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.
- . Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
- . 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.
- . The appraiser assumes no responsibility for legal matters. The subject lot is assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.

PRESENTATION OF DATA

Market Area – Healy⁵

Healy lies at the mouth of Healy Creek on the Nenana River, 78 miles southwest of Fairbanks. It is located on a 2.5-mile spur road, just north of the entrance to the Denali National Park and Preserve on the George Parks Highway. The community boasted just over 1,000 residents in 2007.

Healy was established in 1904 and is the home of the Usibelli Coal Mine, Alaska's only operating coal mine. The mine produces 1.3 million tons of coal per year, supplying coal to Golden Valley Electric Association, the University of Alaska Fairbanks, Aurora Energy, Clear AFS, Eielson AFB, and Ft. Wainwright Army Base. The mine also ships coal to South Korea and Chile through the Port of Seward. The Usibelli Coal Mine began a successful environmental reclamation program in 1971. Dall sheep now graze where there was once a strip mine.

Healy is a coal mining town that has evolved into an economically-diverse community. Tourism also greatly affects the economy during summer months. During the 2000 U.S. Census, total housing units numbered 604, and vacant housing units numbered 168. Vacant housing units used only seasonally numbered 91. U.S. Census data for Year 2000 showed 476 residents as employed. The unemployment rate at that time was 8.85 percent, although 35.94 percent of all adults were not in the work force. The median household income was \$60,000, per capita income was \$28,225, and 4.89 percent of residents were living below the poverty level

The large majority of homes use individual wells and septic systems. Over 80% are fully plumbed. Usibelli Mine and the Healy Clean Coal Project have individual water well systems. Refuse is hauled to the new Borough regional landfill located just south of Anderson. Electricity is provided by Golden Valley Electric Association. There is one school located in the community, attended by 194 students. Local hospitals or health clinics include Interior Community Health Center (907-683-2211). The clinic is a qualified Emergency Care Center. Specialized Care: Railbelt Mental Health & Addictions; Healy Senior Center. Healy is classified as an isolated town/Sub-Regional Center, it is found in EMS Region 1C in the Interior Region. Emergency Services have highway and air access. Emergency service is provided by 911 Telephone Service and volunteers. Auxiliary health care is provided by Tri-Valley Volunteer Fire Dept./EMS.

The Usibelli Coal Mine has dominated the economy of Healy for over 60 years, and employs 95 positions. Of the 1.3 million tons of coal the mine produces annually, 400,000 tons are exported for delivery to South Korea and Chile and 900,000 tons remain in Alaska for domestic use. Golden Valley Electric Association and the Railbelt School District are also major employers in Healy. Tourism at nearby Denali Park supports local RV Parks, guided rafting trips, helicopter tours and other businesses. The \$274 million Healy Clean Coal Power Plant was completed in November 1997, but has sat idle since 2000. To lower the costs per kilowatt hour and be economically viable, the plant needs retrofits and modifications costing another \$50 to \$80 million. The Plant is owned by the Alaska Industrial Development and Export Authority, an independent State corporation.

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

Property description: June Creek Subdivision

Legal Description

ADL	Lot	Block	ASLS	Acres	MTRS
405186	10	4	79-166	5.51	F9S9W14

Location

The subject is located roughly 16 miles north of Healy, west of where Bear Creek crosses the Parks Highway. ADL 405186 is one half mile west of the highway.

Access

On the east side of the Parks Highway there are two pulloffs near the Bear Creek Crossing. Access to the June Creek parcel is by either ATV or foot along Filmore Road, which is a ATV trail. Additionally the June Creek parcel can be accessed along the creek bed.

Size & Shape

The parcel is parcel is 5.51 acres and rectangular.

Topography

The parcel is a predominantly on a flat plateau that eventually slopes downward towards the Bear Creek drainage, roughly 1,000 feet above sea level. The subject is in the 1st tier of parcels along Bear Creek.⁶ Due to topography and the subject's location along the creek, the soils are noted to be superior to the majority of the lots within the subject subdivision.

Soils/Vegetation

Vegetation consists of mixed spruce and hardwood forest. Vegetation is indicative of adequately drained soils. Exposed gravel can be seen near the creek bed.

Utilities, Water & Sewer

The parcel has access to electricity along Filmore Road. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements, Zoning Regulations & Tax information.

No Zoning. The parcels are located within an unregulated portion of the Denali Borough. Currently the Borough does not levy property taxes on these types of private residential parcels.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic materials, waste, or hazards were observed during the field inspection.

Ownership History

The parcel was offered through the 2000 Subdivision Auction. The parcel did not receive any bids, but was purchased one year later through the Over-The-Counter offering. The purchaser entered into a land sale contract with DNR. In 2007 the contract was terminated due to non-payment. See recorded document 2007-000333-0 in the Nenana Recording District. DNR is the current owner of record.

Personal Property

There is no personal property involved with the appraisal of this property.

⁶ A 1st tier parcel is defined as a parcel with direct frontage on a lake, river, or creek, or is separated from the water by public land.

A 2nd tier parcel is defined as a parcel where another parcel(s) could be created between the subject and the water-body.

Adjacent Land Use

The surrounding area is predominantly characterized by recreational use and wildlife habitat

Special Amenities

As previously noted, the subject is a 1st tier parcel along Bear Creek. While it does not have proximate frontage due to state land between the creek and the northerly lot line, it does have unimpeded access. Additionally, the creek bed can be utilized as an alternative access point for the subject.



Southern line of parcel looking northeast. Cleared utility easement.



Vegetation along Bear Creek drainage.

3514-0 June & Bear Creek

Property description: Bear Creek Odd Lot

Legal Description

ADL	Tract	ASLS	Acres	MTRS
414469	A	95-57	18.639	F9S9W21

Location

The subject is located roughly 16 miles north of Healy, west of where Bear Creek crosses the Parks Highway. The parcel is 2.5 miles west of the highway.

Access

On the east side of the parks highway there are two pull-offs near the Bear Creek Crossing. The subject is accessed by either ATV or by foot along Bear Creek.

Size & Shape

The subject is 18.639 acres and irregularly shaped.

Topography

The parcel slopes down roughly 300 feet toward the creek bed, and is roughly 1200 feet above sea level.

Soils/Vegetation

Vegetation consists of mixed spruce and hardwood forest. Vegetation is indicative of adequately drained soils.

Utilities, Water & Sewer

None. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements, Zoning Regulations & Tax information.

No Zoning. The parcels are located within an unregulated portion of the Denali Borough. Currently the Borough does not levy property taxes on these types of private residential parcels.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic materials, waste, or hazards were observed during the field inspection.

Ownership History

The parcel was offered by DNR through the 2006 Subdivision Auction. The parcel did not receive any bids. Two months later, DNR received an application to purchase this parcel, but the application was later terminated. The parcel was not encumbered by a land sale contract. DNR is the current owner of record.

Personal Property

There is no personal property involved with the appraisal of this property.

Adjacent Land Use

The surrounding area is predominantly characterized by recreational use and wildlife habitat.

Special Amenities

The subject enjoys true frontage along Bear Creek, and enjoys unimpeded access to the creek. Additionally, the creek bed can be utilized as feasible access to the subject.



Bear Creek frontage along Tract A.



Typical vegetation Tract A along Bear Creek.

3514-0 June & Bear Creek

DATA ANALYSIS AND CONCLUSION

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined as:

“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.”⁷

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 parcels are vacant and unimproved.

Legally Permissible

The subject parcels are 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. Therefore, almost any legal use of the site would be possible.

Physically Possible

The subject parcels range in size from 5.51 to 18.639 acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

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

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. Access to fishing, hunting, snow machining and general recreation are the primary motivations for surrounding recreational users.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject parcels as vacant would be for almost any legal use, primarily private recreation.

⁷ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.277-278.