

MARKET VALUE APPRAISAL

Of

**Three (3) lots within
Riverview Subdivision ASLS 83-128**



APPRAISAL REPORT No. 3515-0

**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. 3515

1. ADL NO(S): See table below
2. SIZE: Various, as noted in table
3. APPLICANT: N/A
4. LOCATION: 47 miles northeast of Fairbanks, 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 10, 2009
10. DATE of VALUE(S): July 24, 2008
11. APPRAISED VALUE(S):

ADL	Subdivision	Lot	Blk	ASLS	Acres	Value
411194	Riverview	7	8	83-128	10.141	\$12,200
411195	Riverview	8	8	83-128	17.433	\$16,900
411223	Riverview	7	11	83-128	5.418	\$9,900

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. 3515

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 Hindmarch
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 10, 2009

TO: Kevin Hindmarch
Review Appraiser

FROM: Johnthomas Williamson 

SUBJECT: Appraisal of 3 lots within Riverview Subdivision, ASLS 83-128. Appraisal Report #3515-0

As requested, I have completed a valuation of the above referenced parcel. I understand that this appraisal will be used to determine the minimum bid for the subject 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 parcels which are the subject of 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

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APPRAISAL SUMMARY

Location and Legal Description

Subdivision Name	Location	Within ASLS
Riverview Subdivision	47 miles northeast of Fairbanks along the Steese Highway. 1/4 mile north of the Chatanika River.	83-128

Summary of Values

ADL	Subdivision	Lot	Blk	ASLS	Acres	Value
411194	Riverview	7	8	83-128	10.141	\$12,200
411195	Riverview	8	8	83-128	17.433	\$16,900
411223	Riverview	7	11	83-128	5.418	\$9,900

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 24, 2008

Date of Report

February 10, 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 three years.

Property History

The parcels were offered through the 2000 and 2002 DNR Subdivision Auctions. None of the parcels received bids; however, each was purchased later through the over-the-counter offering. Each purchaser entered into a real estate contract with the Division of Mining, Land & Water, then subsequently relinquished the contracts. For specific details, see the 'Ownership History' section on Page 9. DNR is the current owner of record for each subject.

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 24, 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

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 Recorders Office databases were searched for recent comparable sales. 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 some of 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.
- . It is assumed that the overall quality and condition of the subject has not significantly changed between the time of the field inspection (July 24, 2008) and the most recent sale within the subdivision (November 19, 2008).

PRESENTATION OF DATA

Market Area Fairbanks – Northstar Borough⁵.

The Fairbanks North Star Borough is located in the heart of Interior Alaska, and is the second-largest population center in the state with a population of 96,888 in 2007. Of which, about half live in and around Fairbanks. 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. Fairbanks is known for its lingering summer days. When the solstice arrives, there is more than 22 hours of daylight. Major communities include: College, Eielson Air Force Base, Ester, Fairbanks, Fox, Harding Lake, Moose Creek, North Pole, Pleasant Valley, Salcha, and Two Rivers. There are 31 schools located in the borough, attended by 15,251 students.

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.

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.

Neighborhood Data - Chatanika⁶

Riverview Subdivision lies 20 miles northeast of the small community of Chatanika, on the northeastern portion of the Fairbanks - Northstar Borough.

Chatanika was a center for placer gold mining in the early 1900s up until the late 1950s. Between 1926 and 1957, over 70 million dollars in gold was taken out of the valley. Placer mining has since been replaced by hard rock mining to the south. As a testament to its former mining days, an antique dredge has resided in the middle of the community since 1967. The dredge is located across the street from the community center, the Chatanika Lodge. Currently the lodge hosts multiple annual celebrations and festivals, including the "Chatanika Days Outhouse Race", a one-mile foot race where 4 team members push the 5th in a 'racing' outhouse. The lodge is a very popular snowmachine base for winter-time recreation. Many snowmachine and dog sled trails access the hills surrounding Chatanika.

⁵ Alaska DCCED 'Community Database Online', accessed 1-6-09
http://www.commerce.state.ak.us/dca/commdb/CF_COMDB.htm.

⁶ <http://fairbanks-alaska.com/area-communities.htm> accessed 12-16-08

PARCEL DESCRIPTION**Riverview Subdivision****Legal Description**

ADL	Lot	Block	ASLS	Acres	MTRS	Plat	Rec. District
411194	7	8	83-128	10.141	F005N004E31,30	84-93	Fairbanks
411195	8	8	83-128	17.433	F005N004E31,30	84-93	Fairbanks
411223	7	11	83-128	5.418	F005N004E32,31	84-93	Fairbanks

Location

The subjects are located are located roughly 47 road miles northeast of Fairbanks, 19 miles northeast of Chatanika townsite, a 1/4 mile north of the Chatanika River, and a half mile east of Camp Creek.

Access

All subjects are accessed via the Steese Highway, then along platted easments. Lot 7 in Block 11 is accessible by a rudimentary dirt road constructed within the easement along the western lot line. This road continues north toward the other two subjects. However the road degrades into a trail and stops short of Lots 7 & 8 of Block 8 at the Davidson Ditch, before Chulitna Drive. The distance to Lot 7 is roughly 200 feet while the distance to Lot 8 is 400 feet. Therefore, while Lot 7, Block 11 may be accessed with a 4-wheel drive highway vehicle, Lots 7 & 8 of Block 8 are currently accessible only by ATV, snowmachine, or walk-in.

Size & Shape

The parcels range from 5.418 to 17.433 acres, see above chart. ADL 411223 is rectangular while the remaining two parcels are irregular in shape.

Topography

All three parcels are level to gently sloping to the south and southwest. The subjects are 1,200 feet above sea level.

Soils/Vegetation

The parcels are vegetated with a mix of white birch, alder, white spruce, black spruce and interspersed underbrush. 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 Regulations⁷

The parcels are located within an area of the Fairbanks – Northstar Borough zoned for GU-1, or General Use District. Typical easements include a 15' utility easement along each interior line, and a 30' radius at each pole for guy anchors. Additionally, there is a public access easement along the western lot line of ADL 411223, and the eastern lot line of ADL 411194.

Environmental Hazards, Hazardous Waste & Toxic Materials

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

⁷ <http://gis.co.fairbanks.ak.us/accessed> on 2-5-2009

Tax Assessments⁸

There is no tax burden assessed to the State of Alaska from the Fairbanks - Northstar Borough. Tax assessments to private parties will become active when property is sold into private ownership

ADL	Lot	Block	ASLS	Acres	FNSB	2008 Mill Rate
411194	7	8	83-128	10.141	0412481	12.79
411195	8	8	83-128	17.433	0412490	12.79
411223	7	11	83-128	5.418	0412732	12.79

Ownership History

ADL 411194 and ADL 411195 were offered by the Division of Mining, Land in Water in 2005 under the Subdivision Auction program. These parcel did not receive and bids, instead, they were purchased over-the-counter in 2005. The purchaser entered into a land sale contract (see recorded documents 2005-16531 & 2005-16532). Three months later, the purchaser relinquished both parcels (documents 2005-24802 & 2005-24803). The parcels subsequently returned to State ownership, and have not been offered for sale since.

ADL 411223 was purchased over-the-counter in 2000. The purchaser entered into a land sale contract with the Division, which he later relinquished in 2006. See document 2006-5606 & 2006-5607. The parcel returned to State ownership and has yet to be reoffered. The Department of Natural Resources, Division of Mining Land & Water is the current owner of record for all three subjects.

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 with sparse year-round residents. Additionally, there are a number of recreational cabins located within the subdivision.

⁸ ibid



Dirt road access subjects from the Steese Highway.



Lot 7 Block 11 on northern lot line looking east, parcel on right.



Lot 7 in Block 8



Typical vegetation on Lot 7, Block 8



Typical vegetation Lot 8, Block 8..



Private individual partial bridge over Davidson Ditch, Lots 7 & 8 in Block 8 on opposite side.

ANAYLSIS AND CONCLUSION

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 that maximizes the utility of 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 as⁹:

“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

None of the parcels within the scope of this appraisal are 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 subjects range in size from 5.418 acre to 17.433 acres. Their size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is primarily recreational with sparse rural-residential sites. 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 subject parcels as vacant would be for almost any legal use, primarily a private recreation or rural residential site.

⁹ 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.