

MARKET VALUE APPRAISAL
of
ADL 418447 Tract A of ASLS 2011-40
Kobe Ag 1



Northeast corner of Tract A - Kobe Ag 1.

APPRAISAL REPORT No. 3624-0

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. 3624**

1. ADL NO(S): 418447
2. SIZE: 637.39
3. APPLICANT: N/A
4. LOCATION: Agricultural parcel south of Nenana near Clear and Anderson, AK
5. LEGAL DESCRIPTION(S): Tract A, ASLS 2011-40
6. INTEREST APPRAISED: Fee Simple Title with agricultural covenants, less Mineral Rights
7. PURPOSE OF THE APPRAISAL: Estimate Market Value
8. APPRAISED BY: Johnthomas Williamson
9. DATE of REPORT: July 16, 2012
10. DATE of VALUE(S): August 15, 2011
11. APPRAISED VALUE(S):

Subdivision	ASLS	Tract	Plat	Recording District	Gross Acreage	Cropland Equivalent Acreage	Value	Date of Value
Kobe Ag 1	2011-40	A	2012-8	Nenana	637.39	348.35	\$57,500	8-15-2011

B. SUMMARY OF REVIEW

1. DATE of REVIEW: July 16, 2012
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: To establish the minimum bid for an 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: \$57,500



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. 3624

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.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

Reviewed by

Kevin Hindmarch
Kevin Hindmarch

Date

7/16/12

cc: Daniel Proulx, NRS II

MEMORANDUM

State of Alaska

Department of Natural Resources

Tel (907) 269-8539
Fax (907) 269-8914

Division of Mining, Land & Water

550 West 7th Avenue, Suite 650
Anchorage AK 99501-3576

DATE: 7-16-2012

TO: Kevin Hindmarch
Review Appraiser

FROM Johnthomas Williamson 
Appraiser I

SUBJECT: Appraisal of one agricultural parcel near Anderson, Tract A of Kobe Ag 1, ASLS 2011-40.

As requested, I have completed an appraisal of Tract A of ASLS 2001-40, Kobe Ag 1 containing 637.39 acres. I understand that this appraisal will be used to determine a minimum purchase price for sale at auction. 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 and all of the comparable sales used in this report. Physical descriptions of the subject were based on inspections, photography, topographic maps, peer appraisal reports, interviews with realtors, and various individuals familiar with the area. Based on these observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

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APPRAISAL SUMMARY

Location and Legal Description

Kobe Ag 1 is located approximately eight miles southwest of Anderson, two miles west of the Nenana River within Section 4, Township 8 South, Range 9 West, Fairbanks Meridian. The subject's legal description is Tract A of Alaska State Land Survey 2011-40, recorded as Plat 2012-8 in the Nenana Recording District.

Summary of Value

Subdivision	ASLS	Tract	Plat	Recording District	Gross Acreage	Cropland Equivalent Acreage	Value	Date of Value
Kobe Ag 1	2011-40	A	2012-8	Nenana	637.39	348.35	\$57,500	8-15-2011

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 property described in this report.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the minimum bid for the subject to be acquired through a public auction.

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

Agricultural Covenants³

The conveyance of the surface estate in fee simple is subject to conditions and covenants relating to the agriculture use and development. The covenants required by statute are:

- A perpetual covenant restricts the use of the land for agricultural purposes, and
- A perpetual covenant restricting subdivision and conveyance of no more than four parcels of land not less than 40 acres each limiting further subdivision.

Agricultural purposes are defined in statute as:

- The production of useful plants and animals for commercial or personal use;
- the construction of housing for owners and farm laborers, improvements for animals and agricultural uses;
- use of gravel required for agricultural uses, and;

¹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.111

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2008, pp. 624-625

³ Alaska Statutes Title 38, Public Land; State of Alaska, 2010, 38.05.321, p. 678-680

- removal and disposition of timber in order to bring agricultural land into production.

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."⁴

Effective Date of Value Estimate

August 15th, 2011.

Date of Report

July 16th, 2012

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; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort."⁵

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. Considering the limited market activity for agricultural lands in the area, an exposure time of up to one year is reasonable.

Property History

The subject has not sold within the past three years.

Scope of the Appraisal**Property and Comparable Sales Inspection**

I inspected the subject property and comparable sales on August 15th, 2011, via aerial inspection. Physical features and access were identified by use of 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 real estate agents, appraisers, local residents, surveyors, contractors, and other individuals familiar with the area. Information about trends in value, supply, demand, access, and physical characteristics of the subject properties was provided. DNR records and the Records Office databases were searched for relevant market data. 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 assumptions and limiting conditions on the following page.

⁴ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.23

⁵ Uniform Standards of Professional Appraisal Practice 2010-2011, Appraisal Foundation, p. U-87

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
11. 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.
12. The appraiser assumes no responsibility for legal matters. The subject lots are assumed to be free and clear of encumbrances, except as otherwise noted, and title is assumed to be marketable.

Hypothetical Condition

The subject was in the process of being surveyed as of the date of value. On June 4th, 2012, the survey was completed and recorded as Plat 2012-8 in the Nenana Recording district. It is a hypothetical condition that the parcel was surveyed as of the date of value.

PRESENTATION OF DATA

Market Area – Anderson Neighborhood⁶

Location

Anderson is a community which lies on a spur road that spans 6 miles west off the George Parks Highway, 76 miles southwest of Fairbanks and 285 miles north of Anchorage. Clear Air Force Station is located within the city boundaries. Anderson is located in the Nenana Recording District and has a cold, continental climate. The average high temperature range during July is from 66 to 70 °F. The average low temperature range during January is -6 to -24 degrees Fahrenheit. Extreme temperatures have been measured, ranging from a low of -63 to a high of 98 °F. Average annual precipitation is 12.7 inches, and average annual snowfall is 49.3 inches

History

The city is named for Arthur Anderson, one of several homesteaders who originally settled in the area in the late 1950s. In 1959, Mr. Anderson subdivided his 80-acre homestead into quarter-acre lots for sale. Most of these lots were purchased by civilian workers from Clear Air Force Station, a ballistic missile early warning site that was completed in 1961. An elementary school was established in the community in 1961, and Anderson incorporated as a city in 1962. A road was completed between Anderson and Nenana, which allowed easy access to Fairbanks. Vehicles were ferried across the Tanana River at Nenana until 1968, when a \$6 million steel bridge was completed. By 1971, the George Parks Highway was constructed, which enabled road access to Anchorage.

Economy, Facilities & Transportation

Clear Air Force Station, the school, city, and other government positions employ most of the residents. An intercontinental ballistic missile radar warning system was constructed at Clear AFS; "PAVE PAWS" identifies and warns of missiles launched from Asia and Europe. The Clear Fish Hatchery provides small stocks of gamefish to area streams and lakes and has been the only commercial hatchery to rear sheefish. Residents often travel to Fairbanks to purchase goods and services.

The 2006-2010 American Community Survey (ACS) estimated 189¹ residents as employed. The public sector employed 24.9% of all workers. The percentage of workers not in labor force was 22.2%. The ACS surveys established that average median household income (in 2010 inflation-adjusted dollars) was \$62,083 (MOE +/- \$10,060). The per capita income (in 2010 inflation-adjusted dollars) was \$56,442 (MOE +/- \$10,241). About 1.3%¹ of all residents had incomes below the poverty level.

All homes have individual wells, septic systems, and plumbing. Water is also derived from a well at the Anderson School. Clear Air Force Station provides piped water and sewer to all base facilities. A permitted RV disposal lagoon and sludge disposal site is provided by the city. Refuse is hauled to the borough regional landfill located just 2 miles south of Anderson. Electricity is provided by Golden Valley Electric Association. There is one school located in the community, attended by 39 students. Local hospitals or health clinics include Anderson Health Clinic. Anderson is an isolated location it is part of the Interior EMS Region. Emergency Services have highway and air access and are within 30 minutes of a higher-level satellite health care facility. Emergency service is provided by 911 Telephone Service and volunteers. Auxiliary health care is provided by Anderson Volunteer Fire Dept./EMS/Ambulance

⁶ All information regarding neighborhood information derived from <http://www.commerce.state.ak.us/dca/>

Market Area – Nenana Neighborhood

Location population 395

Nenana is located in Interior Alaska, 55 road miles southwest of Fairbanks on the George Parks Highway. Nenana is located at mile 412 of the Alaska Railroad, on the south bank of the Tanana River, just east of the mouth of the Nenana River. It lies 304 road miles northeast of Anchorage. The community lies at approximately 64.563890° North Latitude and -149.093060° West Longitude. (Sec. 14, T004S, R008W, Fairbanks Meridian.) Nenana is located in the Nenana Recording District.

Nenana has a cold, continental climate with an extreme temperature range. The average daily maximum during summer months is 65 to 70 °F; the daily minimum during winter is well below 0 °F. The highest temperature ever recorded is 98 °F; the lowest is -69 °F. Average annual precipitation is 11.4 inches, with 48.9 inches of snowfall. The river is ice-free from mid-May to mid-October.

History & Demographics

The discovery of gold in Fairbanks in 1902 brought intense activity to the region. In 1903, a trading post/roadhouse was constructed by Jim Duke to supply river travelers and trade with Natives. St. Mark's Episcopal Mission and School was built upriver in 1905. Native children from other communities, such as Minto, attended school in Nenana. A post office opened in 1908. By 1909, there were about 12,000 residents in the Fairbanks area, most drawn by gold mining activities. In 1915, construction of the Alaska Railroad doubled Nenana's population. The Nenana Ice Classic - a popular competition to guess the date and time of the Tanana River ice break-up each spring - began in 1917 among surveyors for the Alaska Railroad. The community incorporated as a city in 1921. The railroad depot was completed in 1923, when President Warren Harding drove the golden spike at the north end of the 700-foot steel bridge over the Tanana River, which created a transportation link to Fairbanks and Seward. During the 1925 diphtheria epidemic in Nome, serum from Anchorage was transported to Nenana by train before being sent by dogsled to Nome. According to local records, 5,000 residents lived in Nenana during this time; however, completion of the railroad was followed by an economic slump. The population in 1930 was recorded at 291.

A federally-recognized tribe is located in the community -- the Nenana Native Association. The population of Nenana is a diverse mixture of non-Natives and Athabascans. The majority of residents participate in subsistence activities. Several Iditarod sled dog race competitors and former champions are residents of Nenana. The community has a health clinic, mental health clinic, fire department, public library, and State Troopers office. It is home to the Nenana District Court system. Golden Valley Electric has their Railbelt office located in Nenana. The Nenana Student Living Center, one of three statewide boarding facilities for high school students, has students from around the state; it attracts students due to its extensive programs, academic quality, and vocational studies.

According to Census 2010, there were 215 housing units in the community and 171 were occupied.

Facilities

Water is derived from a deep well, treated, and then distributed throughout the community via circulating loops. A piped gravity system collects sewage, which is treated at a secondary treatment plant. Most of the city is connected to the piped water and sewer system -- 215 homes and the school are served. The remaining homes have individual wells and septic systems. Refuse is collected by a private firm and hauled to the Denali Borough regional landfill, located south of Anderson. Electricity is provided by Golden Valley Electric Association. There are 2 schools located in the community, attended by 1,151 students. Local hospitals or health clinics include Nenana Clinic. Emergency Services include highway river and airport access.

Emergency service is provided by 911 Telephone Service volunteers and a health aide. Auxiliary health care is provided by Nenana Volunteer Fire/EMS Department (907-832-5632). Economy Over 40% of the year-round jobs are government-funded, including the city, tribe, Nenana School District, Yukon-Koyukuk School District, and DOT highway maintenance. As the center of rail-to-river barge transportation center for the Interior, Nenana has a strong seasonal private-sector economy. Crowley Marine is the major private employer in Nenana, providing supplies and fuel to over 40 villages along the Tanana and Yukon Rivers each summer. The city also attracts independent travelers with fuel and supplies, the Alaska Railroad Museum, the Golden Railroad Spike Historic Park and Interpretive Center, the historical St. Mark's Episcopal Church, Iditarod dog kennels, and the Alfred Starr Museum & Cultural Center. The Nenana Ice Classic, a guessing contest when the ice breaks in the Nenana River, is a statewide event. In 2010, 19 residents held commercial fishing permits. Subsistence foods, such as salmon, moose, caribou (by permit), bear, waterfowl, and berries play an important role.

The 2006-2010 American Community Survey (ACS) estimated 178¹ residents as employed. The public sector employed 17.4% of all workers. The local unemployment rate was 23.6%. The percentage of workers not in labor force was 35.6%¹. The ACS surveys established that average median household income (in 2010 inflation-adjusted dollars) was \$56,250 (MOE +/- \$14,842). The per capita income (in 2010 inflation-adjusted dollars) was \$25,479 (MOE +/- \$5,429). About 20.9% of all residents had incomes below the poverty level.

Transportation

Nenana has air, river, road, and railroad access. It lies on the George Parks Highway, the road between Wasilla and Fairbanks. The railroad provides daily freight service. The Nenana Municipal Airport offers a 4,600' long by 100' wide lighted asphalt runway and a gravel runway that doubles as a winter ski strip and measures 2,520' long by 60' wide. There is also a float pond with parking basins. The Nenana Port Authority operates the dry cargo loading and unloading facilities, dock, bulkhead, and warehouse. The Tanana River is shallow, with a maximum draft for loaded river barges of 4.5 feet. There is a public boat launch with a recreational area to provide access to the Nenana and Tanana rivers. Daily buses to Fairbanks and Anchorage are available year-round.

Property Description for Kobe Ag No.1 Tract A

Location

Kobe Ag 1 is located approximately eight miles southwest of Anderson, two miles west of the Nenana River within Section 4, Township 8 South, Range 9 West, Fairbanks Meridian.

Legal Description

The subject's legal description is Tract A of Alaska State Land Survey 2011-40, recorded as Plat 2012-8 in the Nenana Recording District.

Access

Access to the subject is via the Parks Highway to Kobe Ag Road, a constructed road to Rochester Way, then north approximately three miles. The subject has approximately ½ mile of constructed road on the northeastern corner. The remainder of the parcel is bordered by a brushed 4-wheel drive trail.

Size and shape

The subject is 647.39 acres and predominantly rectangular.

Topography Vegetation and Soils⁷

The subject is flat and contains primarily spruce with minimal hardwoods. 240-acres are considered Croplands while 300-acres are considered wetlands. Soils consist of Nenana-Sawmill Creek complex and Donnelly-Lupine complex.

Nenana Sawmill Creek complex is defined by the Natural Resource Conservation Services as

“...Slopes are 0 to 3 percent. This component is on alluvial fans. The parent material consists of loess over alluvium. Depth to a root restrictive layer is greater than 60 inches. The natural drainage class is well drained. Water movement in the most restrictive layer is moderately high. Available water to a depth of 60 inches is moderate. Shrink-swell potential is low. This soil is not flooded. It is occasionally ponded. A seasonal zone of water saturation is at 0 inches during April. Organic matter content in the surface horizon is about 82 percent. Nonirrigated land capability classification is 3s (soils have severe limitations that reduce the choice of plants or that require special conservation practices, or both). This soil does not meet hydric criteria.”

Donnelly complex is defined by the Natural Resource Conservation Services as:

“... slopes are 0 to 2 percent. This component is on fans. The parent material consists of loess over sandy and gravelly alluvium and/or sandy and gravelly outwash. Depth to a root restrictive layer is greater than 60 inches. The natural drainage class is somewhat excessively drained. Water movement in the most restrictive layer is moderately high. Available water to a depth of 60 inches is low. Shrink-swell potential is low. This soil is not flooded. It is not ponded. There is no zone of water saturation within a depth of 72 inches. Organic matter content in the surface horizon is about 90 percent. Nonirrigated land capability classification is 6s (soils have severe limitations that make them generally unsuitable for cultivation and that restrict their use mainly to pasture, rangeland, forestland, or wildlife habitat). This soil does not meet hydric criteria.”

Lupine complex is defined by the Natural Resource Conservation Services as:

“...slopes are 0 to 2 percent. This component is on terraces. The parent material consists of alluvium. Depth to a root restrictive layer is greater than 60 inches. The natural drainage class is well drained. Water movement in the most restrictive layer is moderately high. Available water to a depth of 60 inches is moderate. Shrink-swell

⁷ Alaska spatial data downloaded from the Natural Resource Conservation Services' soil data mart (<http://soildatamart.Nrcs.usda.gov/Survey.aspx?State=AK>)

potential is low. This soil is not flooded. It is frequently ponded. A seasonal zone of water saturation is at 0 inches during March, April. Organic matter content in the surface horizon is about 80 percent. Nonirrigated land capability classification is 4s (soils have very severe limitations that reduce the choice of plants or that require very careful management, or both.). This soil does not meet hydric criteria.”

Utilities

There are no utilities 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

There is a 50' section line easement along on all section lines.

Development Plans

A Farm Conservation Plan (FCP) is a legal document that is required prior to a purchaser's assumption of the management control of the land. The FCP is a unique document for any given agricultural parcel and its purchaser(s) that formalizes appropriate site-specific soil and water conservation planning. This document will show proposed development including plans for improvements, clearing and existing features. The purchaser in cooperation with the local, federal and state conservation specialist complete an FCP. It is then reviewed by the local Soil and Water Conservation District supervisors and subsequently submitted for approval to the director of the Division of Agricultural. The purchaser and any subsequent owner(s) of the parcel is/are required to use the parcel in compliance with the currently approved FCP, which can be amended, using the review and approval process outlined above. Most contracts to purchase state agricultural include a requirement to clear and prepare for cultivation a minimum of 25 to 50 percent of the “cropland soils” within a specific interval.

Hazardous Waste, Toxic Materials, and Environmental Hazards

No hazardous waste, toxic materials, or environmental hazards are known.

Zoning Regulations and Tax Assessments

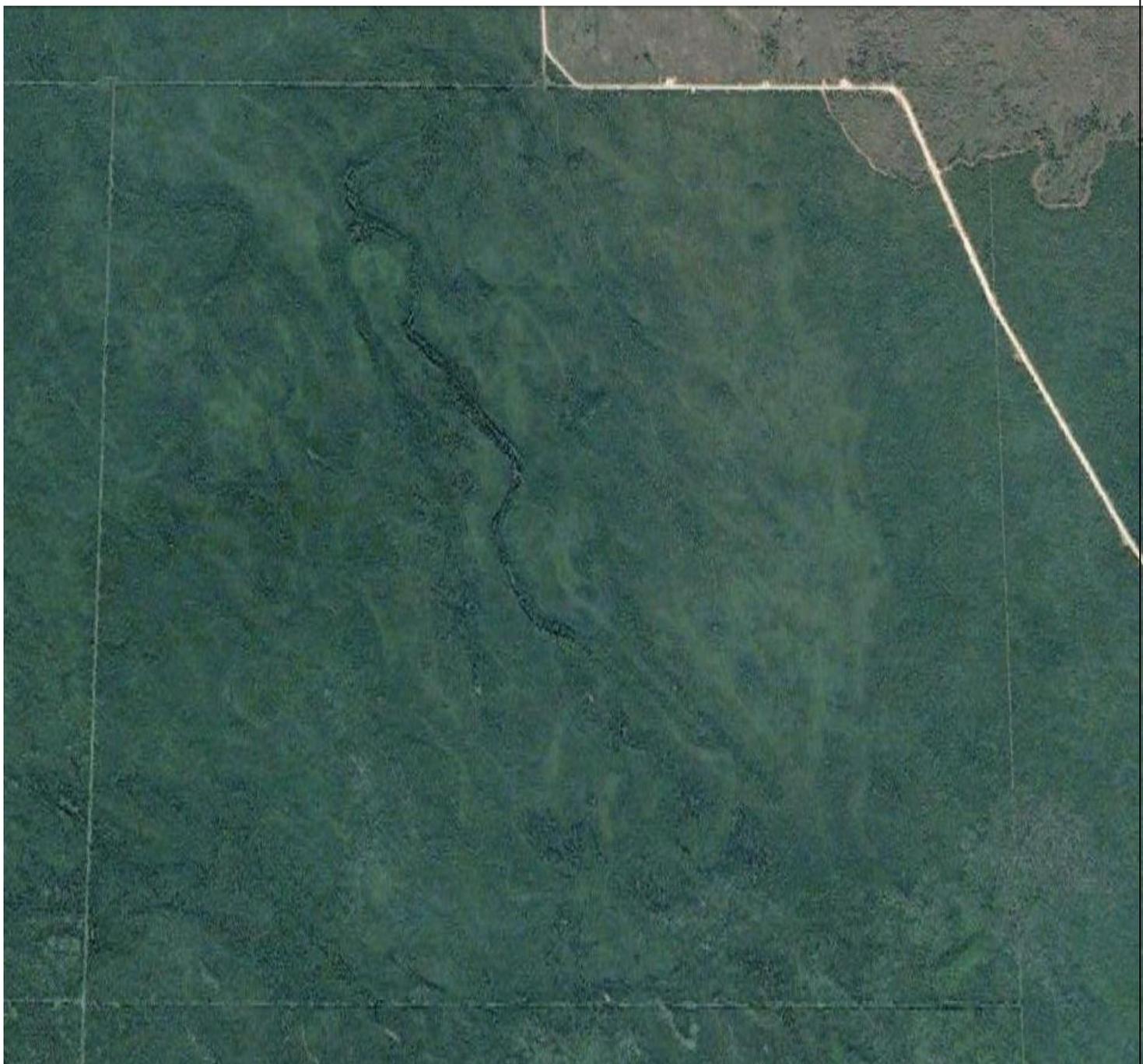
The subject is located within the Denali Borough. Currently there are no zoning restrictions limiting the use of the parcel. Additionally, at this time the Denali Borough is not exercising its taxing authority on this type of property.

Ownership History

The subject has not sold within the past three years. The Department of Natural Resources is the current owner of record.

Personal Property

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



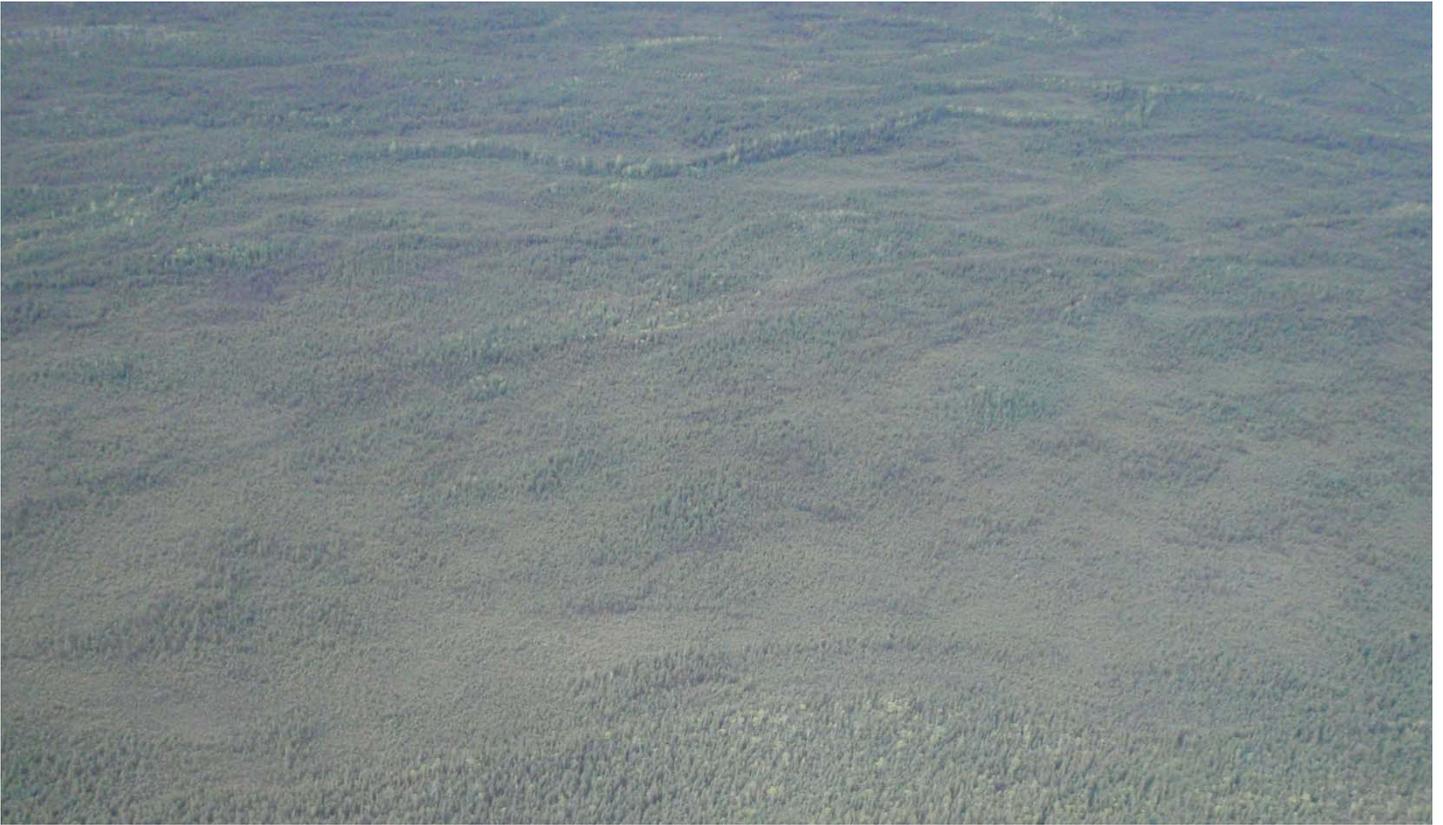
Kobe Ag Section 4. Small drainage in center of parcel. Constructed gravel road at northeast corner. 4x4 trails encircle subject.



Northeast corner of Tract A



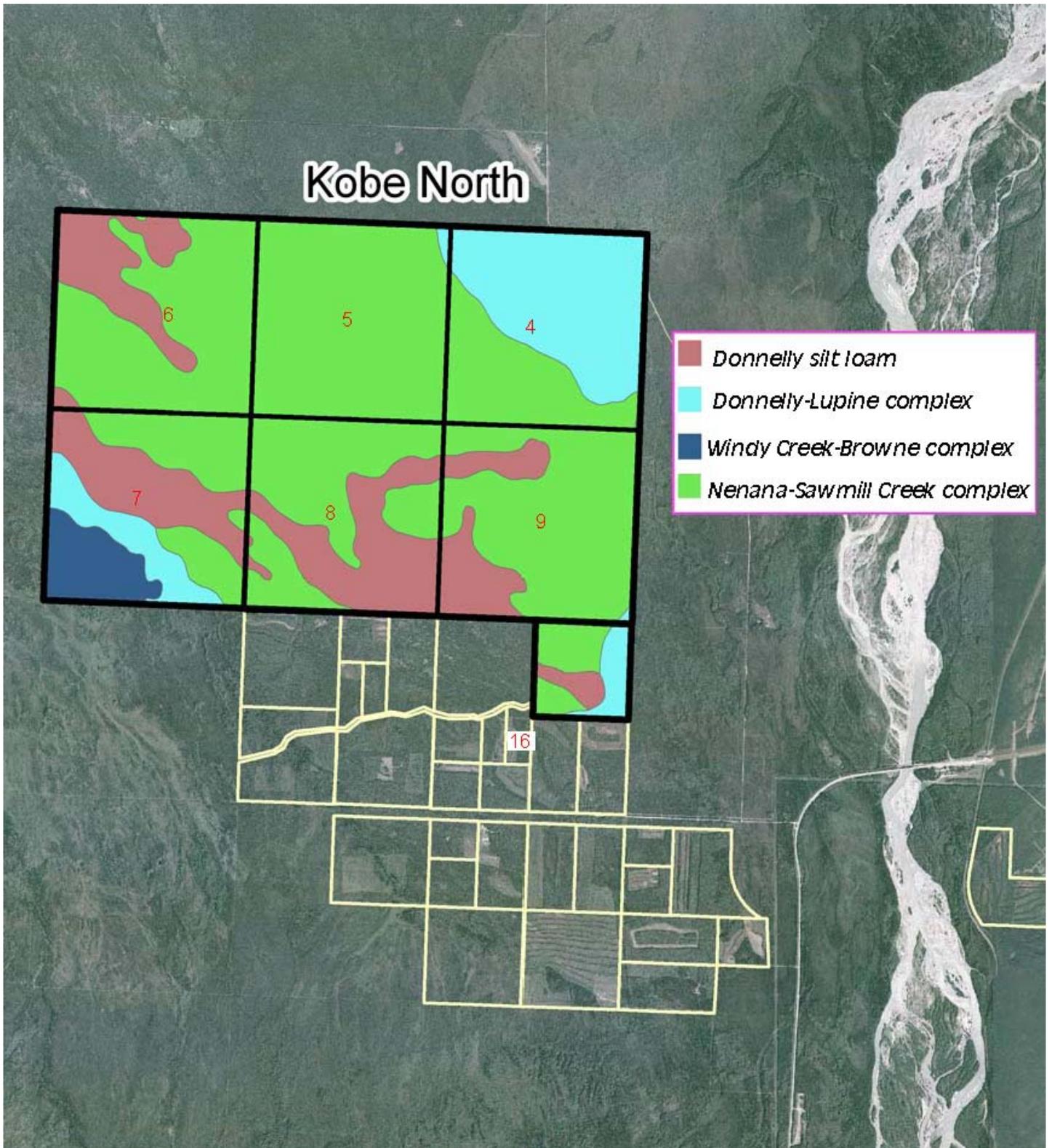
Northeast corner Tract A



Interior Tract A looking west. Small drainage bisects parcel.



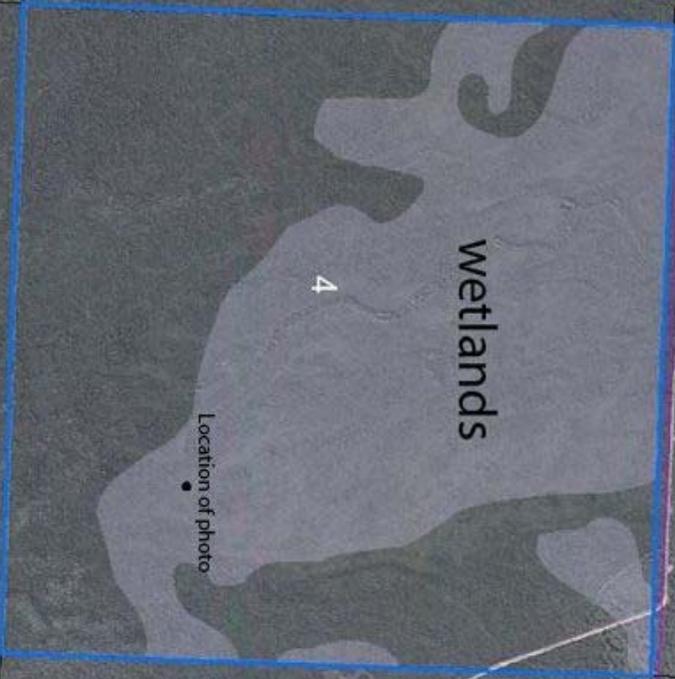
Southern boundary of Tract A looking west. Tract A is to the right of the 4-wheel drive trail



All map unit boundaries and descriptions were derived from the Greater Nenana Area, Alaska spatial data downloaded from the Natural Resource Conservation Services' soil data mart (<http://soildatamart.nrcs.usda.gov/Survey.aspx?State=AK>)

ADL 418447
Wetlands
~300 acres according to
the US Fish and Wildlife
Service.

5



4

Location of photo

DATA ANALYSIS AND CONCLUSION

Valuation Analysis

Three approaches to value 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 to lease vacant land for a residential 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. Since the subject is vacant, the cost approach will not be used.

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 properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 (or <) means the sale feature is superior to that appraised property and requires a downward adjustment to indicate the value of the key parcel. An adjustment greater than 1.00 (or >) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to indicate the value of the key parcel. An adjustment of 1.00 (or =) means the sale feature is similar to the key parcel, no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the sale price to indicate the value of a key parcel.

Qualitative adjustments are noted as superior (- or <), inferior (+ or >), or equal/similar (=). The overall comparability of each sale is analyzed to bracket a probable value for the subject. In many cases, combinations of both quantitative and qualitative adjustments are used.

Highest and Best Use

Analysis of highest and best use for the subject 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, legally permissible, appropriately supported, financially feasible, and that results in the highest value.”⁸

The land to be valued is considered vacant and is 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 subject is vacant and unimproved.

Legally Permissible

The parcel is within the Denali Borough and not subject to any known zoning requirements that would be restrictive to potential development. The subject has been classified as Agricultural Land by the Department of Natural Resources and will have a perpetual agricultural covenant restricting use. The parcel may be subdivided in the future into no more than four parcels containing no less than 40-acres each. Currently Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation.

Physically Possible

The subject is 637.39 acres and has access via a constructed road. A brushed 4-wheel drive trail encircles the remainder of property. According to the soil type, the potential for development of a dwelling without a basement is very limited. Alternative construction may be necessary.

The size and physical characteristics are adequate to support all reasonable and probable uses specifically as agricultural development.

Financially Feasible

Development of the parcel depends on the amount of resources the owner is willing to allocate for agricultural, residential, or recreational needs. The Division of Agriculture reports that profitable hay raising operations typically exceed 320 acres.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. The maximum return would be realized from legally allowable agricultural use.

Highest and Best Use of Land as Vacant

Agricultural covenants restrict the subject parcel to agricultural uses only and limit subdivision potential. Based on the foregoing analysis, the highest and best use of the subject as vacant would be for almost any legal use primarily for the production of agricultural crops or other non-restricted agricultural endeavors.

⁸ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.277-278

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:

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