

MARKET VALUE APPRAISAL

**Of
Hypothetical Key Parcels
Within the North Fork Big River
Remote Recreational Cabin Sites**

Base Appraisal Report No. 3096-4



STATE OF ALASKA

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

A. SUMMARY OF APPRAISAL NO. 3096-04

1. ADL NO(S): N/A
2. SIZE: 5.00 to 20.00 acres
3. APPLICANT: N/A
4. LOCATION: 70 miles southwest of McGrath and 160 miles northwest of Anchorage
5. LEGAL DESCRIPTION(S): Sections within T22N, R28, 29 & 30W, S.M.
6. INTEREST APPRAISED: Fee Simple less mineral rights
7. PURPOSE OF THE APPRAISAL: Estimate market value of hypothetical key parcels within the subject area
8. APPRAISED BY: Brandon Simpson, Appraiser II
9. DATE of REPORT: February 2, 2010
10. DATE of VALUE(S): February 4, 2010
11. APPRAISED VALUE(S):

Conclusion of value for Hypothetical Key Parcels			
	Size	Per/acre	Per/site (RND)
Key Parcel 'A' <i>Frontage on fly-in lake</i>	5.00 acres*	\$3,325	\$16,600
	10.00 acres	\$2,500	\$25,000
	15.00 acres*	\$2,175	\$32,600
	20.00 acres*	\$1,875	\$37,500
	Size	Per/acre	Per/site (RND)
Key Parcel 'B' <i>1st tier Big River or North Fork Big River</i>	5.00 acres*	\$2,128	\$10,600
	10.00 acres	\$1,600	\$16,000
	15.00 acres*	\$1,392	\$20,900
	20.00 acres*	\$1,200	\$24,000
	Size	Per/acre	Per/site (RND)
Key Parcel 'C' <i>Interior</i>	5.00 acres*	\$851	\$4,300
	10.00 acres	\$640	\$6,400
	15.00 acres*	\$557	\$8,400
	20.00 acres*	\$480	\$9,600

Key parcel in bold, - *Size adjusted Key Parcels based on adjustment shown in Addenda.

**B. SUMMARY OF REVIEW**

1. DATE of REVIEW: February 5, 2010
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: The values and adjustments will be used to establish the purchase prices for parcels to be staked by various applicants
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: None
 Proofread DNR data entry: Yes No
7. RESULTS OF REVIEW: Not Approved Approved Approved Value: See A.11

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: Appropriate****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 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. 3096-04

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 R. Hindmarch
Kevin R. Hindmarch, Review Appraiser

Date 2/5/10

cc: Marta Mueller
Tim Shilling
Victoria Braun

MEMORANDUM

State of Alaska

Department of Natural Resources

Tel (907) 269-8513

Fax (907) 269-8914

brandon_simpson@alaska.gov

Division of Mining, Land and Water

550 West 7th Avenue, Suite 650

Anchorage AK 99501-3576

DATE: February 4, 2010

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson 

SUBJECT: Appraisal of Hypothetical *Key Parcels* in the North Fork Big River Remote Recreational Cabin Sites Area – Base Appraisal Report no. 3094-4.

As requested, I have completed a valuation of the hypothetical *Key Parcels* in the above staking area. I understand that this appraisal will be used to determine the base purchase price for recreational parcels staked within this area. 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 Remote Recreational Cabin Site Disposal. This is a complete, 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 did an aerial inspection of the parcels previously staked in the area June 17, 2003. The remaining portion of the staking area and the comparable sales has not been inspected. The physical description of the *Key Parcels* was based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market value 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	4
Purpose and Use of the Appraisal	4
User and Client Identity	4
Property Rights Appraised	4
Definition of Market Value	4
Effective Date of Value Estimate	4
Exposure Time	4
Scope of the Appraisal	5
Assumptions and Limiting Conditions	6

PRESENTATION OF DATA

Area Analysis	7
Staking Area Description	9

DATA ANALYSIS AND CONCLUSION

Highest and Best Use	11
Approaches to Value	12
Key Parcel Method	12
Discussion of Comparable Sales & Value Conclusion for Key Parcel 'A' & 'B'	13
Discussion of Comparable Sales & Value Conclusion for Key Parcel 'C'	17
Staked Parcel Valuation and Adjustments	18
Certification of Value	20

ADDENDA

Staking Area Map	
Market Data Map	
Comparable Sale Forms	
Size Adjustment Chart	
Special Appraisal Requirements	
Appraiser Qualifications	

APPRAISAL SUMMARY

North Fork Big River Hypothetical Key Parcels	
Location	Located along the Big River on the western slope of the Alaska Range, approximately 70 air miles southeast of McGrath and 160 air miles northwest of Anchorage.
Topography Map	USGS Lime Hills D-4 & D-5, McGrath A-3 & A-4
Owner	State of Alaska
Key Parcel 'A' <i>Frontage on fly-in lake</i>	Size: 10.00-acres Lot Type: Frontage on fly-in lake (floatplane accessible lakes will be determined during subsequent inspections of the staking area). Access: Fly-in to lake Building Site: At least 50% level to gently sloping, adequately drained & wooded. Setbacks: 100' building setback from public or navigable water bodies. Easements: Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50' public access easement. Sites are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a 60-foot public access easement along all existing unnamed trails. Amenities: View potential of surrounding area.
Key Parcel 'B' <i>1st tier Big River or North Fork Big River</i>	Size: 10.00-acres Lot Type: 1 st tier frontage on the Big River or North Fork Big River Access: Fly-in to Big River sandbar Building Site: At least 50% level to gently sloping, adequately drained & wooded. Setbacks: 200' staking setback from the Big River. 100' building setback from public or navigable water bodies. Easements: Parcels staked along the ordinary high water line of public and navigable water bodies are subject to a 50' public access easement. Sites are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a 60-foot public access easement along all existing unnamed trails. Amenities: Unobstructed access to Big River, or North Fork Big River. View potential of surrounding area.
Key Parcel 'C' <i>Interior</i>	Size: 10.00-acres Lot Type: 2 nd tier lot (Interior) Access: Fly-in to Big River sandbar or fly-in lake, then overland to parcel (within ¼ mile of fly-in access) Building Site: At least 50% level to gently sloping, adequately drained & wooded. Easements: Sites are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines, and a 60-foot public access easement along all existing unnamed trails. Amenities: View potential of surrounding area.
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Effective Date of Value	February 2, 2010
Date of Report	February 4, 2010

*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.

*2nd tier parcel is defined as a location where a parcel(s) could be staked between the subject and the nearest water-body access.

Conclusion of value for Hypothetical Key Parcels			
	Size	Per/acre	Per/site (RND)
Key Parcel 'A' <i>Frontage on fly-in lake</i>	5.00 acres*	\$3,325	\$16,600
	10.00 acres	\$2,500	\$25,000
	15.00 acres*	\$2,175	\$32,600
	20.00 acres*	\$1,875	\$37,500
	Size	Per/acre	Per/site (RND)
Key Parcel 'B' <i>1st tier Big River or North Fork Big River</i>	5.00 acres*	\$2,128	\$10,600
	10.00 acres	\$1,600	\$16,000
	15.00 acres*	\$1,392	\$20,900
	20.00 acres*	\$1,200	\$24,000
	Size	Per/acre	Per/site (RND)
Key Parcel 'C' <i>Interior</i>	5.00 acres*	\$851	\$4,300
	10.00 acres	\$640	\$6,400
	15.00 acres*	\$557	\$8,400
	20.00 acres*	\$480	\$9,600

-Key Parcel in bold (*Size adjusted Key Parcels based on adjustment shown in Addenda)

Adjustments		
Date of Value	Date of entry	To be determined
Location	No distinctions within staking area	None
Size, acres	Adjustments for size variations	See addenda
Access	More than ¼ mile from fly-in access	0.75 of Key 'C'
	Less than ¼ mile from fly-in access	1.00
Easements	Typical easements are considered in the base value. Other easements, or trails across staked parcels to be handled on a case-by-case basis.	To be determined
Building site	Poor: Mostly steep, mostly wet ground, or unstable soils	0.75 to 0.90
	Average: Mostly level to moderate slope, wooded parcel with adequate drainage	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10
Amenities	No view potential	0.90 of Key 'A' or 'B' or 'C'
	View potential	1.00 of Key 'A' or 'B' or 'C'
	Frontage on non-fly-in lake, pond or creek	1.05 to 1.20 of Key 'B' or 'C'
Miscellaneous	Differences in parcels discovered during field inspection.	To be determined

Adjustment Process: An adjustment of less than 1.00 means the feature of the staked parcel is inferior to the hypothetical key parcel and requires a downward price adjustment. An adjustment of greater than 1.00 means the feature is superior to the hypothetical key parcel, requiring an upward adjustment. An adjustment of 1.00 means the property feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the estimated value of the key parcel to yield a value for the staked parcel.

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a complete, 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 Special Appraisal Instructions, DNR Remote Recreational Cabin Site Disposal.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

Intended Use of Appraisal

The appraisal will be used by DNR to determine the purchase price for parcels to be acquired under the Remote Recreational Cabin Site staking program (AS 38.05.600).

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 as¹:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

AS 38.05.125(a) states²:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and 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."

Definition of Market Value³

"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."

Effective Date of Value

The effective date of the value estimate is February 2, 2010.

Exposure Time

Exposure time is defined as⁴: "...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..."

¹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.112

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

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

⁴ Uniform Standards of Professional Appraisal Practice 2008-2009, Appraisal Foundation, p. U-87.

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.

The Big River area was initially offered by DNR in 1982. The most recent offering took place 2001. A total of 111 parcels within the project area were conveyed into private ownership as a result of these offerings. Close to 40 of these parcels are located within the boundaries of the current offering, with numerous other parcels located just north and south of the area. Some of the parcels originally offered have since been resold. There has been, and continues to be, interest in parcels in the Big River area. Due to the remote location and difficult access, an exposure time of 1 to 2 years is reasonable.

Sales History

Existing surveyed parcels can be found within the staking area boundaries as a result of previous offerings. The remainder of the staking area has never been sold.

Scope of the Appraisal

I did an aerial inspection of the parcels previously staked in the area June 17, 2003. In addition, some of the comparables sales have been inspected during unrelated assignments. The remaining comparable sales has not been inspected. The physical description of the *Key Parcels* was based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area. Based on my observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

Also, DNR appraisal records were searched for recent sales of similar parcels. Interviews were conducted with real estate agents, appraisers, and other individuals who provided data about trends in values, supply and demand. Sellers and buyers or other knowledgeable market participants were contacted to verify recent sale prices and other transaction details.

In addition, a search for all DNR parcels that have sold or currently are available in the general vicinity of the staking area was undertaken.

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.

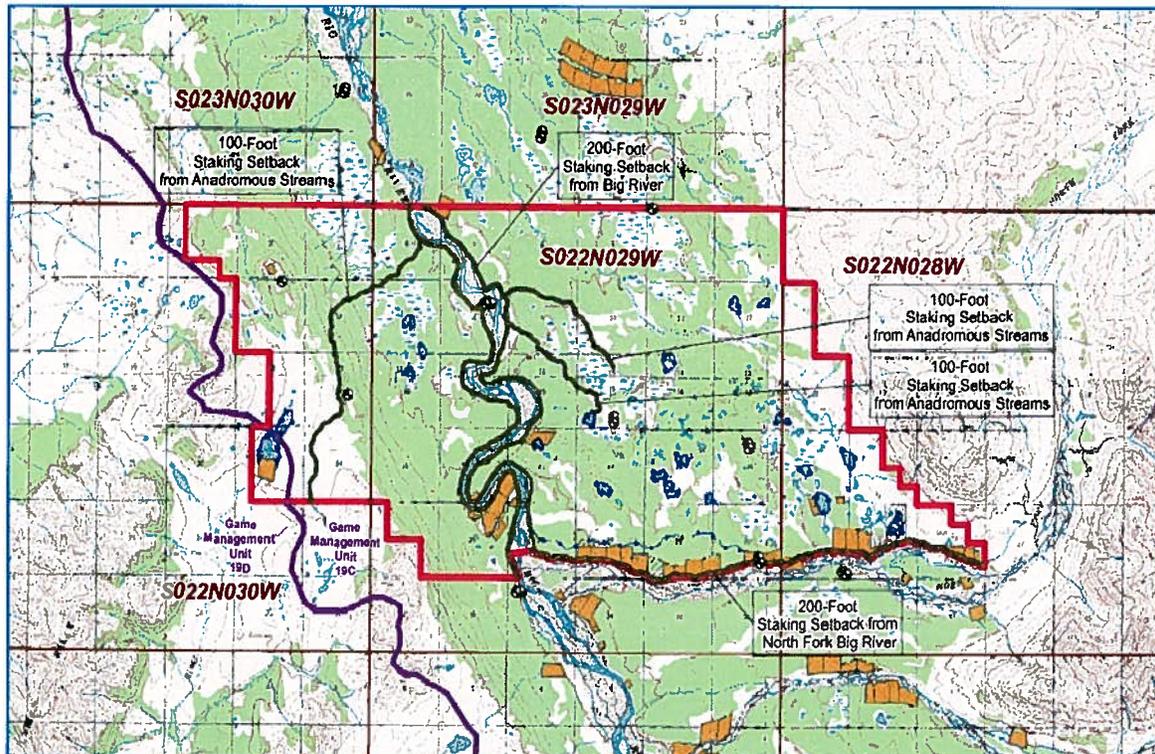
Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. 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.
3. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.
4. 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.
5. 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.
6. Due to the lack of on-site inspections some physical features are assumed based on conversations with those knowledgeable about the area and interpretation of existing maps and aerials. 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.
7. 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.
8. 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 final judgment is based. Therefore, no part should be used out of context and by itself alone.
9. 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.
10. 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.
11. Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include that value of commercial timber, if any.

PRESENTATION OF DATA

Area Data

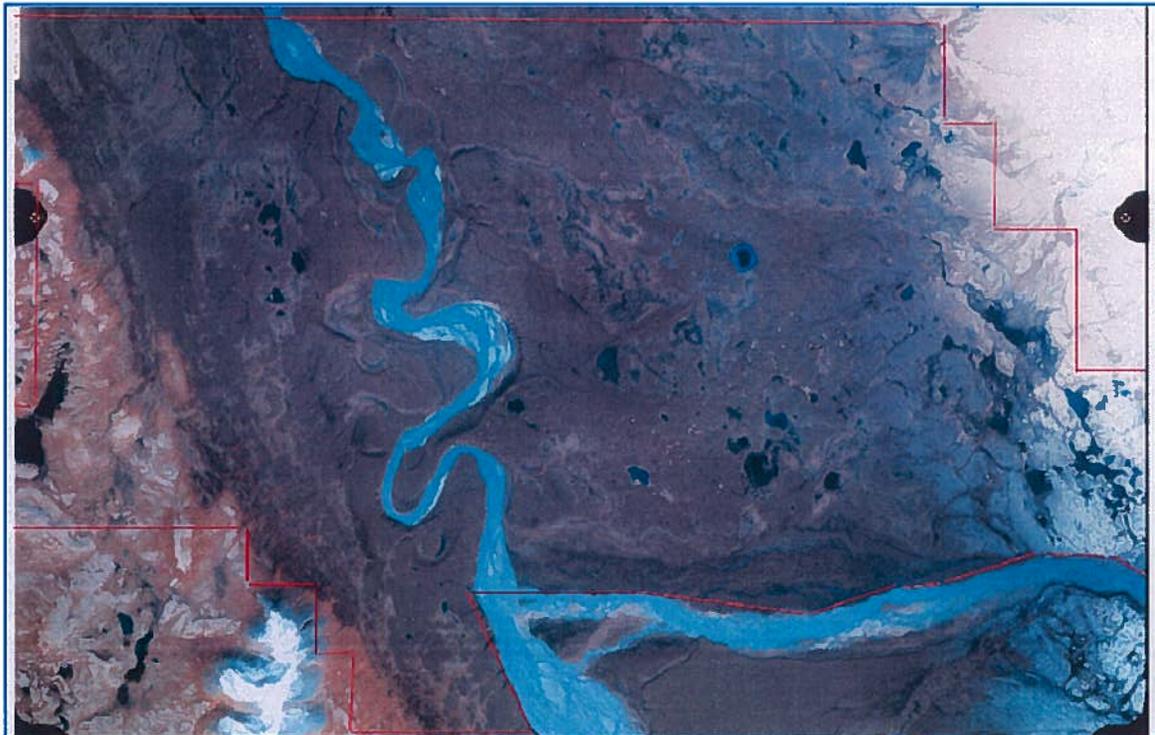
The North Big River staking area is found on the western slope of the Alaska Range, approximately 70 air miles southeast of McGrath and 160 air miles northwest of Anchorage. This is a sparsely settled area with few inhabitants. The staking area surrounds the Big River and its tributaries. The Big River is a braided river with a high velocity flow that causes frequent flooding, channel changes and erosion. Numerous lakes are present in the area but few are large enough to accommodate floatplanes. The Alaska Range and Revelation Mountains surround the river valley. The area is known for its big game hunting.



North Fork Big River



June 17, 2003 – typical terrain in Big River area, looking east at North Fork of Big River & Revelation Mountains



Aerial Photography of staking area (red lines are approximate staking area boundaries)

Personal Property

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

OFFERING INFORMATION	
Proposed Number of Staking Authorizations	40. Big River staking area was previously offered in 1982 & 2001. A total of 111 parcels have been conveyed as a result of past offerings. The maximum number of authorizations within the entire project area is 200.
Parcel Size	5 to 20 acres
Gross Project Area	27,340 acres
Net Offering	800 acres
MTRS	T22N, R28W, S.M. & T22N, R29W, S.M. & T22N, R30W, S.M.
Municipal Authority	The staking area is within the unorganized borough; therefore the State of Alaska is the platting authority.
Fire Management Option	'Limited' fire protection area
Game Management Unit	Most of the staking area lies within Game Management Unit 19C. Western portions of Section 23, T22N, R30W, and the NW4NE4 of Section 33, T21N, R29W, S.M., fall within Game Management Unit 19D.

PHYSICAL CHARACTERISTICS	
Location	Located along the Big River on the western slope of the Alaska Range, approximately 70 air miles southeast of McGrath and 160 air miles northwest of Anchorage.
Topography map	USGS Lime Hills D-4 & D-5, McGrath A-3 & A-4
Topography/Terrain/Major Features	Topography ranges from broad flat or gently sloping valleys and broad sloping hills with largely rounded flat topped ridges, to moderately high rugged mountains.
Access	Fly-in on wheeled plane to gravel bars along the Big River, or via floatplane to area lakes.
View	Good views potential of surrounding mountains, streams, and valleys. Possible views of Mount Hesperus and the Revelation Mountains.
Climate	The area has a cold, continental climate. Average summer temperatures range from 62 to 80, winters temperatures can range from -64 to 0. Precipitation is light, averaging 10 inches per year, including an average snowfall of 86 inches.
Soils/Vegetation	Soils consist mostly of very gravelly silt loam or sandy loam. Most of the area is underlain with permafrost. Spruce is the primary vegetation with some areas of tundra vegetated with sedges, mosses and low shrubs.
Water Source	Various streams and water bodies lie within the staking area. Water quality is unknown.

EASEMENTS & RESERVATIONS	
Title	State Patented Land: Patent No. 50-76-0137, applicable case file GS 2160. Patent No. 50-76-0161, applicable case file GS 2159.
Allowed Uses	Cabin site leases are for recreational use only. No commercial use or permanent residence is allowed while under lease. Once the parcel is under purchase contract or conveyed into private ownership, these restrictions no longer apply.
Section Line Easements	All parcels staked on lands owned by the State of Alaska that contain land within 50 feet of a surveyed or protracted (unsurveyed) section line, or that are bisected by such section line(s), are subject to a 50-foot wide easement on each side of the section line, which is reserved to the State of Alaska for public highways under AS 19.10.010. Staking is not allowed across surveyed section lines or surveyed township lines.

Public Access and Utility Easements	All cabin sites are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements. Parcels may not be staked across any named or serialized trail.
Public and Navigable Water Bodies and Easements	Parcels may not be staked across any public or navigable water body. Staked parcels are subject to a 50-foot public access easement upland from the ordinary high water mark of public and navigable water bodies. Parcels are subject to a 100-foot building setback from the ordinary high water mark of all water bodies determined to be public or navigable.
Reserved Areas	Staking is not allowed in reserved or excluded areas on the staking map. This includes areas reserved for airstrips, woodlots and other public uses. DNR may reserve areas for future public use, access and protection of heritage resources prior to staking. There are no reserved areas identified at this time.
Oil, Gas and Minerals	The state retains ownership of all oil, gas, coal, ore, minerals, fissionable materials, geothermal resources, and fossils that may be in or upon the land that sells (AS 38.05.125). The state reserves the right to enter onto the land to explore for and develop these mineral resources. The state may lease them to mineral developers or allow mining locations to be staked. However, Alaska law provides that the surface owner will be compensated for damages resulting from mineral exploration and development (AS 38.05.130).
Waste Disposal	Wastewater treatment and disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation. Contact ADEC for information.
Wetlands	Cabin sites may contain wetlands and may require Army Corps of Engineers permits prior to placement of fill material. Contact ACOE for information.
Improvements	Prior to construction of any structure or waste disposal system, contact the municipal authority for any permits or for required setbacks from water bodies, lot lines, and easements.
Comments/Issues	Recreation, hunting, trapping, wildlife habitat, forestry, settlement, and resource harvest for personal use are some of the principal uses of state land within the area. Stakers should be aware of existing parcels in the area, and be respectful of private property. Check recorder's office for current ownership of private land. Review survey plats and plat notes for specific information on easements, setbacks or other restrictions. There may be active trap lines in the area.

ANAYLSIS AND CONCLUSIONS

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 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 as⁵:

“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

North Fork Big River staking area is 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. The hypothetical key parcels could be developed for almost any legal use.

Physically Possible

The subject size and physical characteristics are adequate to support all reasonable and probable uses. Staked parcels will be 5 to 20 acres.

Financially Feasible

Surrounding land is primarily undeveloped. 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. Access to fishing and hunting 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 *Key Lots* as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁵ 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 Lots* lack 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 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. 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*. The North Fork Big River staking area will have three *Hypothetical Key Parcels*, a parcel with *frontage on a fly-in lake*, a *1st tier Big River or North Fork Big River* parcel and an *Interior* parcel.

Due to the confidentiality of sales information in the State of Alaska, the valuation section of the report is unavailable online. The entire report can be reviewed at the DNR Public Information Center:

In Anchorage

(in the Atwood Building)
550 W. 7th Ave. Suite 1200, Anchorage AK, 99501
Phone (907) 269-8400
Fax (907) 269-8901
TDD for hearing impaired (907) 269-8411
e-mail: dnr.pic@alaska.gov
Business hours 10:00 am to 5:00 pm M-F.

In Fairbanks

(Corner of University & Airport Way)
3700 Airport Way, Fairbanks, AK 99709
Phone (907) 451-2705
Fax (907) 451-2706
TDD for hearing impaired (907) 451-2770
e-mail: fbx-pic@alaska.gov
Business hours 10:00 am to 5:00 pm M-F.

In Juneau

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