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APPRAISAL SUMMARY

Quartz Creek West

| | | |
|--|---|---|
| The Quartz Creek West Staking Area is located south of the Skwentna River, 3 miles southwest of the confluence of the Talachulitna and Skwentna Rivers and 10 air miles from the community of Skwentna. The area encompasses approximately 9000 gross acres. | | |
| Legal Description | Within sections 31, 32 in T21N, R12W & 5-8, 17-19 in T20N, R12W & 34-36 in T21N, R13W & 1-3, 11-13 in T20N, R13W, Seward Meridian. | |
| Owner | State of Alaska | |
| Staked Parcel Size | Ten to twenty acres (10-20 ac) | |
| Hypothetical Parcel | Parcel 'A' - Waterfront | Parcel 'B' - Interior |
| Size | 10 acres | 10 acres |
| Access | 1 st tier* parcel within 500' of fly-in or boat access. | More than ¼ mile from fly-in or boat access. |
| Building site | May have swampy areas. | May have swampy areas. |
| Easements/Setbacks | Typical section line, pedestrian and trail. Setbacks: 200' on Quartz Creek, Thursday Creek, Deep Creek and their tributaries. 300' on the Skwentna River and tributaries to the Talachulitna River. All parcels are subject to a 100' building setback from the ordinary high water line of all water bodies. | Typical section line, pedestrian and trail. Setbacks: 200' on Quartz Creek, Thursday Creek, Deep Creek and their tributaries. 300' on the Skwentna River and tributaries to the Talachulitna River. All parcels are subject to a 100' building setback from the ordinary high water line of all water bodies. |
| Amenities | Some view potential. | Limited view potential. |
| Improvements | None | |
| Highest and Best Use | Recreational cabin site | |
| Interest Appraised | Fee simple title, excluding mineral rights. | |
| Date of Inspection | Not inspected | |
| Effective Date of Value | February 21, 2003 | |
| Date of Report | February 21, 2003 | |

| Conclusion of values for Hypothetical Key Parcels | | |
|---|-------------------------|-----------------------|
| Key Lot | Parcel 'A' - Waterfront | Parcel 'B' - Interior |
| Size | 10 acres | 10 acres |
| Site Value | \$14,000 | \$8,500 |
| Unit Value | \$1,400 | \$850 |

*A 1st tier parcel either has direct frontage on a lake or river, or is separated from the water by public land. 2nd tier parcel is one that is separated from the frontage by another parcel.

Porcupine Butte West

| | | |
|---|---|---|
| The Porcupine Butte West Staking Area is located south of the Skwentna River, 6 miles west of the confluence of the Hayes and Skwentna Rivers and 25 air miles from the community of Skwentna. The are encompasses approximately 5,890 gross acres. | | |
| Legal Description | Within sections 31, 32 in T22N, R15W & 5-8, 16 in T21N, R15W & 34, 35 in T22N, R16W & 1-4, 10-12 in T21N, R16W, Seward Meridian. | |
| Owner | State of Alaska | |
| Staked Parcel Size | Ten to twenty acres (10-20 ac) | |
| Hypothetical Parcel Size | Parcel 'A' - Waterfront | Parcel 'B' - Interior |
| Access | 1 st tier parcel within 500' of fly-in or boat access. | More than ¼ mile from fly-in or boat access. |
| Building site | May have swampy areas. | May have swampy areas. |
| Easements/Setbacks | Typical section line, pedestrian and trail. Setbacks: 300' from Skwentna River and its tributaries. All parcels are subject to a 100' building setback from the ordinary high water line of all water bodies. | Typical section line, pedestrian and trail. Setbacks: 300' from Skwentna River and its tributaries. All parcels are subject to a 100' building setback from the ordinary high water line of all water bodies. |
| Amenities | View potential. | View Potential. |
| Improvements | None | |
| Highest and Best Use | Recreational cabin site | |
| Interest Appraised | Fee simple title, excluding mineral rights | |
| Date of Inspection | Not inspected | |
| Effective Date of Value | February 21, 2003 | |
| Date of Report | February 21, 2003 | |

| Conclusion of values for Hypothetical Key Parcels | | |
|--|-------------------------|-----------------------|
| Key Lot | Parcel 'A' - Waterfront | Parcel 'B' - Interior |
| Size | 10 acres | 10 acres |
| Site Value | \$11,000 | \$6,500 |
| Unit Value | \$1,100 | \$650 |

Adjustments

| | | |
|---|---|---------------------------------|
| Date of Value | Date of Entry | To be determined |
| Location | No distinction within staking area | None |
| Size-acres | Adjustments for size variations. | See Addenda |
| Access* | Between 501' to 900' from fly-in or boat access. | .75 of Key 'A' |
| *Can be 1 st or 2 nd tier parcels | Between 901' to 1320' from fly-in or boat access. | .65 of Key 'A' (See Addenda) |
| Easements | Typical easements are considered in base value. Other easements will be considered based on reduced useable area & impact on value. | To be determined |
| Building site | Good: less than 40% of swamp Average: 40%-60% swamp Poor: more than 60% swamp | 1.10 1.00 0.90 |
| Amenities | Typical view of surrounding areas Exceptional views and/or frontage on small pond and or creek. | 1.00 1.10 |

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, for calendar year 2003.

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)**.

"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 21, 2003.

Exposure Time

Exposure time is defined as ⁴: "...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..."

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.

Remote parcels similar to the subject typically require a year or longer of marketing time. The subject parcels are considered average to poor when compared with other available properties on the market. Based on exposure time for similar properties, the estimated values are based on a exposure time of one to three years.

Marketing Time

"Marketing time is an opinion of the amount of time is might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal."⁵

Based on current market conditions for similar properties the estimated value is based on a marketing time of one to three years.

Scope of the Appraisal

I did not inspect the staking area in the field. Physical features, access and utilities were identified by the use of topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2000, pp. 577-78

³ The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1196, p.22

⁴ Uniform Standards of Professional Appraisal Practice 2001, Appraisal Foundation, p. 83.

⁵ Op Ci, p. 128

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 were contacted to verify sale prices and other transaction details.

In addition, a list of all DNR parcels sold or currently available in the Susitna River Drainage was compiled and analyzed. Over 100 parcels are currently available for purchase. These parcels serve to help establish a ceiling for prices in the area.

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. 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.
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.

PRESENTATION OF DATA

Area Data

Quartz Creek West and Porcupine Butte West Recreation Cabin Sites are located in the interior of Alaska about 10 – 20 air miles from the community of Skwentna. Skwentna is the largest population center in the area and has just over 100 residents. The area is part of the Susitna River drainage. Both staking areas are located just south of the Skwentna River, which drains into the Susitna River.

Both areas are located in the Matanuska-Susitna Borough. The Parks Highway is the closest artery and can be found to the east. Airplane, boat and snowmachine provide the primary access into the Susitna River drainage.

Abundant fish and game make for excellent hunting and fishing in and around the staking areas. The Talachulitna River is one of the rivers and creeks in the area that has chum, coho, king, pink, and sockeye salmon along with rainbow trout and arctic grayling. Hunting for moose as well as brown and black bears is common. Trapping for otter, muskrat, mink, beaver, fox, coyote, wolf, and wolverine also occur during spring and winter seasons. In addition, bald eagles and trumpeter swans are known to nest in the area.

Matanuska-Susitna Borough:

The Matanuska-Susitna Borough is situated within the heart of Southcentral Alaska, encompassing more than 24,000 square miles (about the size of the state of West Virginia). The approximate boundaries of the borough are formed by Denali National Park to the north, the Municipality of Anchorage to the south, Chugach State Park to the east, and the Alaska Range to the west. The Borough includes mountain ranges and valleys; glaciers, rivers, and lakes; wetlands, tundra, and boreal forest; farms, towns, suburban homes, and isolated cabins; and vast

stretches of pristine wilderness. The average temperature in January ranges from 4 to 23 degrees, July can vary from 47 to 68 degrees. The annual precipitation is 16.5 inches. Access to the area is available via both the Glenn and Parks Highway. Commercial airlines serve the nearby Anchorage International Airport, but a local municipal airport supports private and chartered services. The Alaska Railroad provides for delivery of ocean freight.

Most of the Borough's population lives on the road system within 40 to 50 miles of Anchorage and near the borough's economic center that can be found in the Palmer/Wasilla area. This area is often referred to as the valley, or Matsu Valley. Matsu offers a diverse economy and residents are employed in a variety of retail and other professional services, as well as city, borough, state and federal occupations.

The Borough's economy is driven by its proximity to Anchorage, the state's largest city and economic center. Housing in Anchorage is limited by its natural surroundings. The Chugach Mountains and Cook Inlet surround the city and limit opportunities for new housing developments. Matsu Valley offers a semi rural environment, lower housing and land prices than that of Anchorage, and an economic commute to Anchorage. As a result the Borough is the fastest growing region in Alaska. Census figures show that the Borough's population went from 39,683 in the 1990 census to 59,332 for the 2000 census. This is a 49% increase over the decade. Currently the Borough's economic growth is strongly tied to Anchorage's, but future growth may erode any economic separation between the two areas. Currently 38% of Matsu residents work in Anchorage. Additionally, many Anchorage residents own recreation properties in the Borough to take advantage of the numerous hunting, fishing and other recreational opportunities.

Quartz Creek West Remote Recreational Staking Area

The staking area can be found south of the Skwentna River, 3 miles southwest of the confluence of the Talachulitna and Skwentna Rivers and 10 air miles from the community of Skwentna. The staking area encompasses approximately 9,000 gross acres. There are 112 total stakings authorized for this area with 45 currently being offered.

The area is hilly with a number of small lakes lying in the lower areas. Quartz Creek cuts through the staking area and flows north to the Skwentna River. Higher elevations can be found along the southwestern and eastern boundaries. Valley bottoms and foot slopes are forested with white spruce and paper birch transcending into sub-alpine vegetation consisting of willows, alders tall grasses, shrubs and scattered black spruce on the hillsides and ridge tops. Small patches of muskeg are found around a few of the lakes.

Access to the area varies depending on season and portion of the staking area. Fly-in access is via two possible floatplane sized lakes, or by landing on the gravel bars of the Skwentna River and walking in. Riverboat also could provide access to the boundary during higher water levels. In winter the staking area can be accessed by snowmachine. The Iditarod Trail can be found across the Skwentna River approximately 4 miles north of the staking area.

Porcupine Butte West Remote Recreational Staking Area

The staking area can be found south of the Skwentna River, 6 miles west of the confluence of the Hayes and Skwentna Rivers and 25 air miles from the community of Skwentna. The area encompasses approximately 5,890 gross acres. There are 80 total stakings authorized for the area with 40 currently being offered.

The area is hilly with some moderate slopes. Several small streams and ponds can be found in the area. High bluffs predominate near the Skwentna River. The highest point is approximately 1400' and is found in the southern part of the staking area.

Several possibilities exist for summer fly-in access to the staking area. It is possible to land on the gravel bars of Old Man Creek or the Skwentna River. Old Man Creek is just outside the west

boundary of the area, while the Skwentna River runs along the northern boundary. As a result of the high bluffs, a sizable climb would be necessary to enter the staking area from the gravel bars. Two other possibilities for summer access exist. The first being two possible cub sized floatplane lakes on the western portion of the staking area. The latter being Red Salmon Lake. As the name suggests this crystal clear lake is known to have red salmon along with trout and arctic grayling. The lake is big enough to accommodate all floatplanes but is over a mile east of the staking area and the land that separates the lake and the staking area appears to be swampy.

Winter access would be via snowmachine. The Iditarod Trail leads to Finger Lake which is north of the staking area. Winter Lake Lodge is found on Finger Lake and possibly could provide accommodations for stakers when in the region.

ANAYLSIS AND CONCLUSIONS

Highest and Best Use

Analysis of highest and best use for the subject properties 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 as⁶:

“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

These subject parcels are not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. 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 10 to 20 acres.

Financially Feasible

Surrounding land use is primarily recreational. 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 is the primary motivation for recreational users in the Susitna drainage.

Highest and Best Use of Land as Vacant

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

⁶ The Appraisal of Real Estate, Eleventh Edition, Appraisal Institute, 1196, p.297

SALES COMPARISON APPROACH

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.

Explanation of Adjustments

DNR appraisal instructions for the Remote Recreational Cabin Site program require the appraiser to develop and use quantitative adjustments. Ideally, the value differences for any price adjustment is 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 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 means that the sale feature is inferior to the subject, requiring an upward adjustment to indicate the value of the key parcel. An adjustment of 1.00 means the sale 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 sale price to indicate the value of a key parcel.

The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. The following is a summary of adjustments and how they were estimated. Detailed information about the comparable sales and the adjustments is contained in the Addenda.

Unit of Comparison Generally, the buyers and sellers in the market place determine the unit of comparison, e.g. price per acre, square foot, site, front foot, etc. The price per acre is the most commonly recognized unit of comparison in the subject market.

Rights Conveyed Fee simple less mineral rights as per Alaska Statue 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

Financing Terms In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer measurable differences in prices as a result of terms. In general a cash transaction would tend to be at the lower end of the price range with listings usually setting the upper limit.

Conditions of Sale Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

Market Conditions (Time) Analysis of real estate sales in the subject area indicates that prices of vacant land have been level in the recent years. Comparable sales used in this valuation are the most recent transactions available and need no time adjustment.

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
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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
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