

MARKET VALUE APPRAISAL

Of

Hypothetical Key Parcels within the Far Mountain
Remote Recreational Cabin Staking Area



BASE APPRAISAL REPORT No. 3256

STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
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APPRAISAL SUMMARY

Far Mountain remote recreational staking area	
Location	Far Mountain staking area is located approximately 65 miles northeast of Fairbanks and encompasses land on both sides of the North Fork Chena River and Boulder Creek. The boundary of the area is roughly six miles from Chena Hot Springs resort, which is the terminus of the Chena Hot Springs Road. A portion of the staking area lies in the Fairbanks North Star Borough.
Topo Map	USGS Circle A-4
Legal	The Far Mountain area encompasses approximately 44,800 acres within sections 1-36, Township 4 North, Range 9 East, Fairbanks Meridian and within sections 1-34 Township 4 North, Range 10 East, Fairbanks Meridian.
Access	Via ATV in the summer and snowmachine in winter on the North Fork Chena Trail, a historic RS 2477 (RST 231) route. Historically this route was used to access placer mining operations in the Chena River Valley. Another possible access route is via the Boulder Creek Trail that runs north to the Steese Highway. The Yukon Quest uses both routes and these trails provide winter snowmachine, dogsled or foot travel access. Summer, fall and spring access is expected to be more difficult and may be impassible at times due to overflow from the Chena River and Boulder Creek.
Terrain/Vegetation	Wide variety of terrain is available in the staking area. The area has numerous hills, valleys and features rolling topography. Vegetation includes willow along the low drainage areas, black spruce on north facing slopes, large white spruce along the river, and birch and aspen in well-drained uplands.
Section line easements	All parcels staked on lands owned by the State of Alaska that contain land within 50' of a surveyed or protracted (unsurveyed) section line, or that bisected by a protracted 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 township lines.
Public access and utility easements	Parcels are subject to a minimum 25-foot public access and utility easement along the interior parcel boundary lines and a minimum 60-foot public access easement along all existing trails. Stakers may not obstruct or block access within these easements.
Public and navigable water bodies setbacks and easements	Staking is not allowed across public or navigable water bodies. Parcels are subject to a 50-foot public access easement along the ordinary high water line of public or navigable water bodies. Parcels are subject to a 100-foot building setback along the ordinary high water line of all water bodies.
Staking authorizations	50
Staked parcels size	5 to 20 acres

Hypothetical Key Parcels	
Parcel 'A'	Size: 5 acres
	Lot Type: 1 st tier parcel within 500' from North Fork Chena River, Boulder Creek, North Fork Chena River Trail, or Boulder Creek Trail
	Access: ATV or snowmachine
	Building Site: At least 50% level, wooded and adequately drained
	Setback: 100' from centerline of North Fork Chena River Trail and/or Boulder Creek Trail
	Easements: Typical section-line easements and public access easements
	Amenities: Typical view of surrounding area
Parcel 'B'	Size: 5 acres
	Lot Type: 2 nd tier parcel more than 500' from named trail
	Access: ATV or snowmachine
	Building Site: At least 50% level, wooded and adequately drained
	Setback: No additional setbacks
	Easements: Typical section-line easements and public access easements
	Amenities: Typical view of surrounding area
Improvements	None
Highest and Best Use	Recreational cabin sites
Effective Date of Value	3/11/04
Date of Report	3/11/04

*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.

Conclusion of values for Hypothetical Key Parcels			
	Size	Per/acre	Per/site (RND)
Parcel 'A'	5.00 acres	\$1,600	\$8,000
	10.00 acres*	\$1,200	\$12,000
	20.00 acres*	\$896	\$17,900
Parcel 'B'	5.00 acres	\$1,100	\$5,500
	10.00 acres*	\$825	\$8,300
	20.00 acres*	\$616	\$12,300

-Key Parcel in bold

-*Size adjusted Key Parcels based on adjustment shown in Addenda

Extraordinary Assumption

The report is based on the extraordinary assumption that all staked parcels have legal access across staking area setbacks identified within the staking area. It is assumed that these setbacks will remain in state ownership. It is assumed that the appropriate platting authority will approve plats for all parcels staked under this program. We reserve the right to amend this report should unanticipated platting problems require changes that would significantly impact value.

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
Easements	Typical easements are considered in the base value. Other easements or trails across staked parcels to be handled based on reduced useable area & impact on remainder.	To be determined
Building site	Poor: Mostly steep, or wet ground, or unstable soils.	0.80 to 0.90
	Average: At least 50% level to gently sloping, adequately drained & wooded.	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10 to 1.20
Amenities	Non named creek frontage	1.10 of Key 'B'
	Outstanding views	1.10 of Key 'A' or 'B'

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.”

¹ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.69

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 3/11/04.

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 an exposure time of one to three years.

Marketing Time

"Marketing time is an opinion of the amount of time it 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.

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.

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, p. 590-591

³ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.22

⁴ Uniform Standards of Professional Appraisal Practice 2004, Appraisal Foundation, p. 94.

⁵ Op Ci, p. 141

In addition, a list of all DNR parcels sold or currently available in the general vicinity of the staking area was compiled and analyzed.

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.
6. In this valuation various mathematical calculations were used to formulate the opinion of value. These calculations are only aides for the formulation of the opinions of value by the appraiser. Therefore, in the application of these calculations, certain arithmetical figures are rounded to the nearest significant amount.
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 such conditions, or for arranging engineering studies to discover them.

Extraordinary Assumption

Extraordinary Assumption is defined as "...an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions."⁶

The report is based on the extraordinary assumption that all staked parcels have legal access across staking area setbacks identified within the staking area. It is assumed that these setbacks will remain in state ownership. It is assumed that the appropriate platting authority will approve plats for all parcels staked under this program. We reserve the right to amend this report should unanticipated platting problems require changes that would significantly impact value.

PRESENTATION OF DATA

Area and Neighborhood Description

Fairbanks North Star Borough

The Fairbanks North Star Borough is located in the heart of interior Alaska, and is the second-largest population center in the state with over 82,000 people. It is based in Fairbanks, which lies 45 minutes by air from Anchorage and 3 hours from Seattle. The area encompassed 7,366.2 square miles of land and 77.8 square miles of water. Interior Alaska experiences seasonal temperature extremes. Average January temperatures range from -22 to -2; July temperatures range from 50 to 72. Temperatures have been recorded as low as -78 in mid-winter, and as high as 93 in the summer. Average annual precipitation is 11.3 inches. Ice fog is common during the winter.⁷

⁶ The Uniform Standards of Professional Appraisal Practice (USPAP), Appraisal Foundation, 2004, p.3

⁷ DCED, www.dced.state.ak.us/dca/commdb/CF-BLOCK.cfm, 3/10/04

City, Borough, State and federal government agencies, including the military, provide nearly half of the employment in the Borough. The Borough School District and the University of Alaska Fairbanks are the primary public employers. Approximately 6,000 residents are military. Retail services, gold mining, tourism, transportation, medical, and other services are the primary private sector activities. The Fort Knox hardrock gold mine produces 1,200 ounces daily with 360 permanent year-round employees. 142 borough residents hold commercial fishing permits.⁸

Chena Hot Springs

The Far Mountain remote recreational cabin staking area is located just north of Chena Hot Springs Resort. Chena Hot Springs Resort is Alaska's premier natural mineral hot springs and is recognized as one of the best places to view northern lights (Aurora Borealis) in the wintertime. The 440 acre resort offers outdoor activities that include; hiking, biking, rafting, canoeing, horseback riding, flight seeing, fishing, snow shoeing, cross country skiing, and snow machining. Chena Hot Springs is a full service resort that now offers America's only ice hotel.⁹

Far Mountain Remote Recreational Cabin Staking area

Far Mountain staking area is located approximately 65 miles northeast of Fairbanks and encompasses land on both sides of the North Fork Chena River and Boulder Creek. The boundary of the area is roughly six miles northeast of the Chena Hot Springs resort, which is the terminus of the Chena Hot Springs Road. A portion of the staking area lies in the Fairbanks North Star Borough. This area is located within the Tanana Basin Area Plan boundary, Subregion 1.

The Yukon Quest course runs through the staking area and uses portions of the North Fork Chena River and Boulder Creek trails. This area has been traditionally used for transportation, hunting and trapping. More recently the area has been used for recreation by dog mushers and snowmachiners.

The terrain is rolling with many hills and valleys. Elevations vary from approximately 1300 feet where the Chena River flows out of the staking area to several higher points over 3000 feet. Vegetation includes willow along the low drainage areas, black spruce on north facing slopes, large white spruce along the river, and birch and aspen in well-drained uplands. In addition to the North Fork Chena River and Boulder Creek numerous other small creeks crisscross the staking area.

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 as¹⁰:

"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.

⁸ DCED, www.dced.state.ak.us/dca/commdb/CF-BLOCK.cfm, 3/10/04

⁹ www.chenahotsprings.com, 3/10/04

¹⁰ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.305

Legally Permissible

Far Mountain 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 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.

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.

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 in 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 Statute 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 With the exception of comparable No. 4 the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value. Comparable No. 4 was a distressed sale. As such the sale price indicated by this sale is considered low. This sale was included to give an indication of the lower range of values in the vicinity of the staking area.

Size The price per unit and size of a given unit tend to have an inverse relationship. As the size of a parcel increases the price paid per acre decreases. Comparables were given size adjustments based on a chart derived from market data by Steve Starrett, staff appraiser. In general, his findings point to a 25% decrease in unit price each time the size of a parcel doubles. A size adjustment chart is included in the addenda to show how the adjustments were derived. Comparable sales that differed from the key parcel by more than 1 acre were adjusted.

Site Quality Several factors such as drainage, soils, and topography may affect the location, size and number of potential building sites.

Location/Access All comparable sales featured trail access via snowmachine or ATV. Although the mode of access for the comparable sales and the staking area are identical an adjustment was given to most comparable sales. The adjustment was given for the parcels closer in proximity to Chena Hot Springs Road. As summer access is expected to be difficult at times this close location will allow for easier year round access. One of the comparable sales featured gravel road access, a clearly superior feature. These adjustments are subjective in nature and based on experience with remote properties as the market failed to yield any specific access adjustments.

Utilities The staking areas and all comparable sales lack utilities.

Amenities Exceptional features of a given parcel may increase value. Features such as type of water frontage, proximity to creeks and small ponds, and exceptional views are examples of amenities that may warrant an adjustment. An adjustment was given to comparable sales that lacked frontage on the Chena River. 1st tier parcels that are setback from the river were considered the same as parcels with true frontage as the comparables used in this report indicated. The adjustment given for lack of water frontage was based on a per/acre paired sale comparison of Sales No. 2 and 3 ($\$2,896/\$2,015=1.43$). Both sales took place in Chena Hot Springs II Subdivision and were similar in all natures except the difference in frontage.



FIG. 1. North Fork Chena trailhead

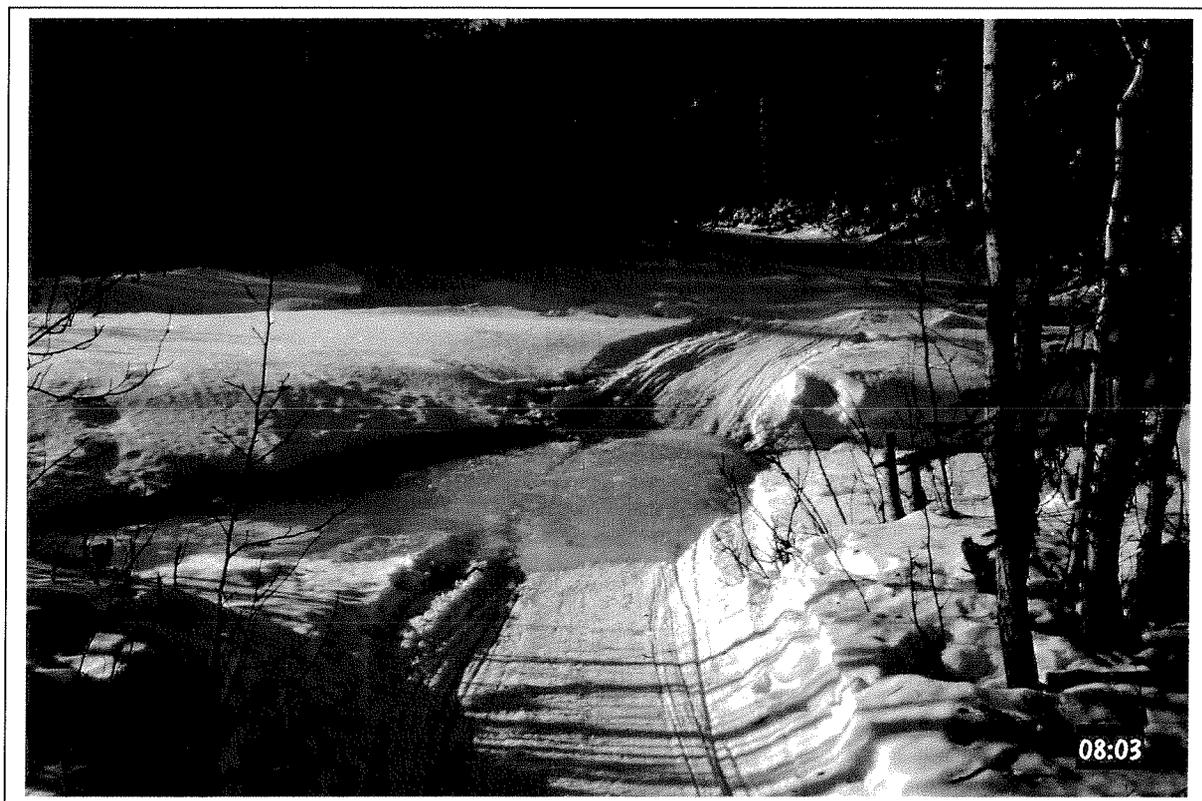


FIG. 2. North Fork Chena trail with overflow



FIG. 3 Far Mountain Remote Recreational Staking Area

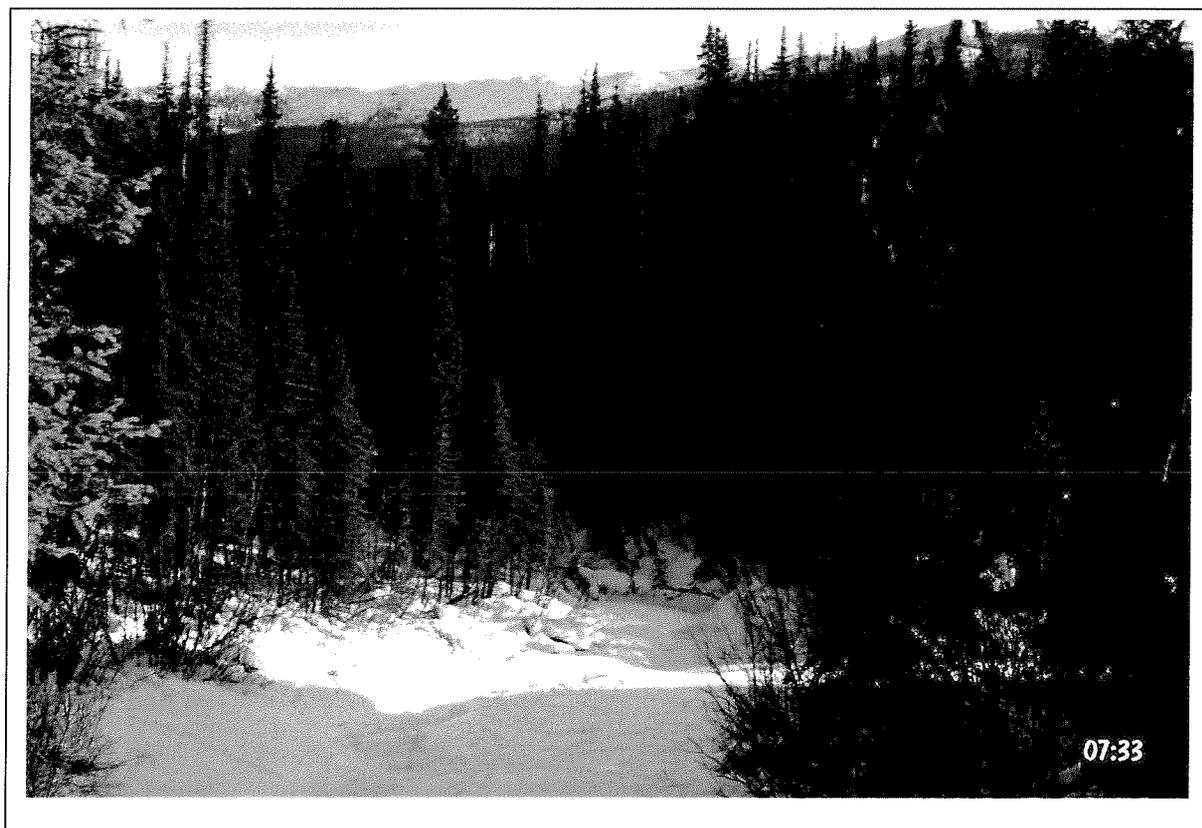


FIG. 4 Far Mountain Remote Recreational Staking Area

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.

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TDD for hearing impaired (907) 451-2770
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