

MARKET VALUE APPRAISAL

of

HYPOTHETICAL KEY PARCELS within the MOOSE CREEK EAST

REMOTE RECREATIONAL CABIN STAKING AREA



BASE APPRAISAL REPORT No. 3281

STATE of ALASKA

Department of Natural Resources
Division of Mining Land & Water
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APPRAISAL SUMMARY

Moose Creek East Summary

<p>The Moose Creek East staking area is located approximately nine miles southwest of the Parks Highway at the Talkeetna Road junction, six miles west of the Susitna River, two miles north of Trapper Lake, and one mile east of Moose Creek. The area encompasses approximately 3,500 gross acres within Township 23 North, Range 6 West, Seward Meridian. It may be accessed using helicopter, float plane, snowmachine, all-terrain vehicle, sled-dog, skis, or foot.</p>	
Legal Description	Within all or part of Sections 2, 3, 10, 11, 14, 15, 22, 23, 24, 25, and 26, Township 23 North, Range 6 West, Seward Meridian
Owner	State of Alaska
Hypothetical Key Parcel "A" <i>Fly-in Lake-frontage</i>	<p>Size: ten acres Lot Type: marginal fly-in lake, 1st tier parcel* Frontage/Access: marginal fly-in lake, 1st tier parcel Building Site: 40-60% swamp/steep Easements: typical section-line, pedestrian, trail, & 100 ft. building setback from the ordinary high water mark of all water bodies Amenities: typical lake view</p>
Hypothetical Key Parcel "B" <i>Interior</i>	<p>Size: ten acres Lot Type: interior lot, 2nd tier parcel Frontage/Access: no water access; no maintained ATV or snowmachine trail access Building Site: 40-60% swamp/steep Easements: typical section-line, pedestrian, trail, & 100 ft. building setback from the ordinary high water mark of all water bodies Amenities: none</p>
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Date of Inspection	N/A
Effective Date of Value	April 15, 2005
Date of Report	April 15, 2005
Conclusion of Value for Hypothetical 10-acre <i>Fly-in Lake-frontage</i> Key Lot	\$10,000 or \$1,000 per acre
Conclusion of Value for Hypothetical 10-acre <i>Interior</i> Key Lot	\$5,000 or \$500 per acre

* A 1st tier parcel is defined as a parcel with direct frontage on a fly-in or boat accessible lake, river, or other water body (public water); it is also defined as a parcel that is separated from public water by reserved, public land only. A parcel that is not a 1st tier parcel (2nd tier, 3rd tier, etc. offset parcel) is defined as a parcel that is removed from public water such that one or more legally acceptable parcels may be staked, located, or identified between the offset parcel and the public water. Location/access adjustments for offset parcels are warranted based on parcel proximity to public water.

Moose Creek East—Adjustments

Date of Value	Date of entry	To Be Determined
Location	No distinction within the individual staking areas	None
Size, acres	Adjustment for variations in size.	See Addenda
Lot Type	Within 300 ft. from fly-in access or separated from water by public land only	1.00 of Key "A"
	Separated from water by another parcel (2 nd tier/Interior)	1.00 of Key "B"
Building site	Good: less than 40% swamp/steep	1.10
	Average: 40-60% swamp/steep	1.00
	Poor: more than 60% swamp/steep	0.90
Amenities	Excellent view (Mt. McKinley or equivalent)	1.10
	Small lake/pond (not fly-in) or unnamed creek frontage ("Interior" parcels only)	1.05-1.10
	Other (per inspection)	To be determined
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

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.



Figure 1 – Inside Moose Creek East¹



Figure 2 – The Unnamed Stream within Moose Creek East²

1. Pandora Willingham, Photograph 1, "Aerial Inspection and Pictures of the Moose Creek East Staking Area," Internal memo (2004), Moose Creek East, Case file (Anchorage, AK: State of Alaska, Department of Natural Resources), 2.

². Willingham, Photograph 2.

PREMISES OF THE APPRAISAL

TYPE OF APPRAISAL AND REPORT

This is a complete, summary appraisal prepared in accordance with Standard Rules 1 and 2 of the Uniform Standards of Professional Appraisal Practice, Appraisal Foundation, and in accordance with Special Appraisal Instructions, DNR Remote Cabin Sites.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the current market value of the properties described in this report.

INTENDED USE OF THE APPRAISAL

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

CLIENT AND USER IDENTITY

This appraisal is prepared for the State of Alaska, Department of Natural Resources and the general public.

PROPERTY RIGHTS APPRAISED

PROPERTY RIGHTS APPRAISED

The rights appraised are the fee simple estate less the mineral rights reserved to the State of Alaska under AS 38.05.125(a). Fee simple estate is defined³ 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."

AS 38.05.125(a) states⁴:

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 which 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.

³ The Appraisal of Real Estate, 12th Edition, Appraisal Institute, 2001, p.69

⁴ Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2002, pp. 590-591

DEFINITION OF MARKET VALUE⁵

The most probable price, as of a specified date, in cash, or in 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.

In accordance with instructions from the State of Alaska, market value for the appraised property is estimated in terms of seller financing typical for the property type as of the date of appraisal.

DEFINITION OF EXTRAORDINARY ASSUMPTION⁶

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

The report is based on the extraordinary assumption that all staked parcels have legal access across any 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.

EFFECTIVE DATE OF VALUE ESTIMATE

The effective date of the value estimate is April 15, 2005.

EXPOSURE TIME

Exposure time is "...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..."⁷

Exposure time varies with the type of property and changes with market conditions. The market for remote recreational properties has been sluggish for years. Supply has grown faster than demand. The market is somewhat saturated. Primary sellers are DNR, the University of Alaska, the Mental Health Lands Trust, Native allottees, and some boroughs. Remote parcels such as the subject typically require 12 or more months of marketing time.

Compared with competing parcels in the overall market for remote parcels, the market appeal for the subject parcels is average to poor. Considering exposure times for similar properties, appraised values for the subject parcels 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."⁸

Considering current market conditions and foreseeable supply and demand as of the date of appraisal, appraised values for the subject parcels are based on an estimated marketing time of one to three years.

⁵ The Appraisal of Real Estate, 12th Edition, Appraisal Institute, 2001, p.22

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

⁷ op. cit. p. 83.

⁸ Uniform Standards of Professional Appraisal Practice 2001, Appraisal Foundation, p. 128.

SCOPE OF THE APPRAISAL

The staking area was inspected in the field from helicopter in June 2004. Aerial photographs taken by DNR representatives during that trip were provided. Physical features, access and trails 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.

After analysis of all available data, appropriate sales were selected for comparison with a key parcel of the subject properties being appraised. The market value estimate is based on the following assumptions and conditions.

ASSUMPTIONS AND LIMITING CONDITIONS

1. The property is appraised as vacant land without structural or site improvements.
2. 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.
3. The data and conclusions embodied in this report are a part of the whole valuation. Each part of this appraisal is only part of the evidence upon which final judgement is based. Therefore, no part should be used out of context and by itself alone.
4. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question, unless prior arrangement has been made and adequate time is provided to review the appraisal.
5. 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.
6. 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.
7. The information furnished by others is believed to be reliable but it is not warranted for its accuracy. Plats of lease areas in this report are included for illustration only and may not be to scale.
8. 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.
9. Unless otherwise stated in this report, the appraiser does not know about the existence of hazardous materials or toxic substances, which may or may not be present on the property. The appraiser is not qualified to detect such substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required discovering them.
10. The report is based on the extraordinary assumption that all staked parcels have legal access across any 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

GENERAL AREA ANALYSIS

The subject area is situated in the Matanuska-Susitna Borough, approximately 60 miles northwest of Anchorage, on the west side of the Susitna River.⁹ Triangularly bounded by Willow to the south, Skwentna to the west-southwest, and Talkeetna to the north, it is approximately equidistant from Willow and Talkeetna (more or less 20 miles in either direction) and approximately 30 miles from Skwentna.¹⁰ Similar staking areas within the vicinity include Ninemile Lake, Kahiltna, Lockwood Lake and Yentna in order of proximity.

According to the Department of Commerce, Community and Economic Development, Skwentna is the smallest of the developed communities with approximately 81 persons in 2004. Talkeetna, the next largest, boasted approximately 900. And Willow, the closest to the borough's core area (Palmer-Wasilla), supported approximately 1,900. Temperatures within these areas are fairly consistent, ranging anywhere from 42° F to 83° F in summer and from -33° F to 33° F in winter. Further, most of these areas receive 28 inches of annual precipitation, which includes approximately 70 inches of snowfall.¹¹

Several well established trails run through these general areas. Common means of transportation include: small airplane, all-terrain vehicle, snowmachine, sled-dog, skis, and foot. Helicopters, though less-common, are also used. In general, most people use small airplane, all-terrain vehicle, or snowmachine to access remote portions of land within these areas.

MOOSE CREEK EAST STAKING AREA ANALYSIS

Of the four staking areas mentioned above, Ninemile Lake is the closest to the subject area, directly sharing its southeastern boundary lines in Sections 2 and 3 of Seward Meridian, Township 23 North, Range 6 West (S23N6W2&3) with the subject area. Therefore many of the same observations in the Ninemile Lake base appraisal also apply to Moose Creek East.

In addition, the results of the opening of Ninemile Lake provide some insight into the current market. According to the Remote Recreational Cabin Staking (RRCS) Program's files, 88 applications were received. Of the 88 entries that were received, only 20 were offered staking authorizations. And of those 20 staking authorizations, only 5 have successfully entered into lease agreements—6 lease agreements were originally drafted. All 5 lessees staked around the two, marginal fly-in lakes in Sections 10, 11, and 14. The sizes of the parcels ranged from 10 to 20, though three of the parcels were approximately 10 acres in size, and the shapes of the parcels tended to be rectangular or trapezoidal. Finally, all of the successful lessees live either in the Matanuska-Susitna Borough's core area (the valley) or in the Anchorage area.

In the summer of 2004, Pandora Willingham, Natural Resource Specialist with the RRCS Program, completed an updated, aerial inspection of this area. The rest of the information in this subsection, "Neighborhood Analysis," has largely been taken from her report.¹²

The subject area is new: it has not been offered before, in whole or in part, and does not contain any known improvements. Trails do crisscross the area, but it appears the trails are used to access the surrounding portions of land. For this offering, the RRCS Program will likely provide legal access via the

9. All measurements of distance here are "bird's eye": approximately, the shortest, straight-line distance between two points.

10. Department of Natural Resources, State of Alaska (SOA/DNR), *LASMapper: Visual Interface to DNR's Land Administration System*, <<http://mapper.landrecords.info>> (1 March 2005).

11. Department of Commerce, Community and Economic Development, State of Alaska (SOA/DCCED), *Community Database Online*, <http://www.commerce.state.ak.us/dca/commdb/CF_COMDB.htm> (1 March 2005).

12. Willingham.

trail that runs to the east of the subject area, connecting to the trails identified as ADL 228646 in the map on page 3. Note: The connecting trail is not depicted and has not been verified, but connects to ADL 228646 in S23N5W17 and to the subject area in S23N6W11.

Looking at the larger picture, the subject area is divided by an unnamed stream flowing into Trapper Lake. The stream is comparable to Moose Creek, which is a clear water, anadromous stream flowing just one mile to the west. Portions of land near the stream provide a natural greenbelt while land further away supports birch and aspen. Beyond the knolls, several marshes and ponds are observed, which may attract moose and duck. Depending on the location, a view of Mt. McKinley may also be enjoyed.

Slightly further out, Trapper Lake, located approximately two miles south of the subject area, provides float and ski plane access and has is known to be inhabited by pike and trout. The Susitna River, located approximately 7.5 miles to the east is about as far away as Oilwell Road, the nearest road which connects to Petersville Road approximately 14 miles to the north.

In sum, the area is serviced by several trails, roads, and water bodies and provides an array of recreational attractions. Since it is near several existing staking areas, Moose Creek East may command significant attention—helping to relieve the stress imposed by nearby areas.

GENERAL REQUIREMENTS

The staking area is located within the Matanuska-Susitna Borough, an organized borough. Any persons staking within the area will be required to meet all borough survey, subdivision and platting requirements, in addition to meeting state requirements for survey and platting. Other restrictions may apply; persons staking within the area should check with the borough for additional information.

No individual water supply system or sewage disposal system will be permitted unless: such system is located, constructed, and equipped in accordance with the requirements of the Department of Environmental Conservation and authorization has been obtained from the same. Specific, approved types of sewage disposal systems may be specified in the Final Finding for this staking area, which was not available for review at the time this appraisal was completed.

DETAILED PARCEL DESCRIPTIONS

Individual parcels are described in the valuation section of this report.

DATA ANALYSIS and CONCLUSION

Highest and best use analysis identifies the most profitable and competitive use of the property. Therefore, highest and best use is a market driven concept that is fundamental to the valuation of a property.

HIGHEST AND BEST USE

Highest and best use is 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.¹³

The highest and best use of a site must meet four criteria. The highest and best use of a property must be:

- legally permissible,
- physically possible,
- financially feasible, and
- maximally productive.

The value of land is generally estimated as though vacant and available for development to its highest and best use. The appraisal of improvements (when present on the site) is based on their actual contribution to the total value of the property. The appraised property is vacant and unimproved.

HIGHEST and BEST USE of SITE as VACANT

Legally Permissible

There are no local zoning laws limiting the development of this parcel. 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.

Financially Feasible

Surrounding land use is primarily recreational. Development of the key parcel depends on the amount of resources the owner is willing to allocate for recreational needs.

Maximally Productive

Surrounding land use is primarily recreational. 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 key parcel as vacant would be for almost any legal use, primarily a private recreation cabin site.

¹³ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p305

SALES COMPARISON APPROACH**KEY PARCEL METHOD**

In appraising a number of similar parcels, it is accepted appraisal practice to appraise a key parcel that is most representative of all the 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. This methodology replicates typical developer thinking.

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 difference 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 between the property appraised and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgement 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 the appraised property and requires a downward price 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.

DESCRIPTION OF KEY PARCEL MARGINAL FLY-IN LAKE FRONTAGE

Location	Moose Creek East Remote Staking Area
Size	10 acres
Access	Within 300' from Fly-in Access
Building Site	Average - At least 50% dry level ground, well-drained soils
Utilities	None
Setbacks	100 Foot building setback from MHW of all water bodies
Easements	Typical lot line easements or as required by plating authority.
Waterfront	Marginal fly-in lake
Amenities	Typical view of surrounding landscape

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
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In Juneau

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