

MARKET VALUE APPRAISAL
Of
Hypothetical Key Parcels
Within the East Fork Pass
Remote Recreational Cabin Sites

Base Appraisal Report No. 4198



MEMORANDUM

State of Alaska

Department of Natural Resources

Tel (907) 269-8513

Fax (907) 269-8914

michael.dooley@alaska.gov**Division of Mining, Land and Water**550 West 7th Avenue, Suite 650

Anchorage AK 99501-3576

DATE: April 21, 2014

TO: Kevin Hindmarch
Review Appraiser

FROM: Michael Dooley

SUBJECT: Appraisal of Hypothetical *Key Parcel* in the East Fork Pass Remote Recreational Cabin Sites Area – Base Appraisal Report No. 4198.

As requested, I have completed a valuation of the hypothetical *Key Parcel* 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 appraisal report is based on the General Assumptions and Limiting Conditions stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have not inspected the staking area or any of the comparable sales used in this report. The physical description of the *Key Parcel* and comparable sales were 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	3
Purpose and Use of the Appraisal	3
User and Client Identity	3
Property Rights Appraised	3
Definition of Market Value	4
Effective Date of Value Estimate	4
Exposure Time	4
Scope of the Appraisal	4
Assumptions and Limiting Conditions	5

PRESENTATION OF DATA

Area Analysis	6
Staking Area Description	8

DATA ANALYSIS AND CONCLUSION

Highest and Best Use	10
Approaches to Value	10
Key Parcel Method	11
Discussion of Comparable Sales & Value Conclusion for the Key Parcel	12
Staked Parcel Valuation and Adjustments	16
Certification of Value	18

ADDENDA

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

APPRAISAL SUMMARY

East Fork Pass Hypothetical Key Parcels	
Location	The staking area is located approximately 40 miles east-northeast of Nome, and 15 miles southwest of Council, Alaska between the East Fork Solomon and Skookum Rivers.
Topography Map	USGS Solomon C-4 and C-5
Owner	State of Alaska
Key Parcel	Size: 5.00-acres
	Lot Type: 1 st tier* frontage on the Nome-Council Road
	Access: Summer access by car along the Nome-Council Road then by foot or off road vehicle to parcel. Winter access by snowmachine.
	Building Site: At least 50% level to gently sloping, adequately drained & wooded.
	Setbacks: 200-foot staking setback from the edge of Nome-Council Road; 200-foot staking setback from ADL 411932(DOT Easement) 100-foot building setback from public or navigable water bodies. minimum 70-foot radius reserve around University of Alaska Fairbanks radio and meteorological station; reserved area over and around material site ADL 418907, to be determined prior to staking; reserved areas to protect any ecologically sensitive, historic, or archeological sites within the project area
	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: None	

*1st tier parcel is defined as a parcel with direct frontage on a lake, river, creek, or road, or is separated from the access or amenity by public land.

Conclusion of value for Hypothetical Key Parcels			
	Size	Per/acre	Per/site (RND)
Key Parcel 1 st tier Nome-Council Road	5.00 acres	\$3,400	\$17,000
	10.00 acres*	\$2,550	\$25,500
	15.00 acres*	\$2,219	\$33,300
	20.00 acres*	\$1,908	\$38,200

-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	Interior Parcels(Greater than ¼ mile from road)	.85 of Key Parcel
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 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: At least 50% level to gently sloping, adequately drained & wooded.	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10
Amenities	Good view potential	1.10 of <i>Key Parcel</i>
	Frontage on creek	1.10 of <i>Key Parcel</i>
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 report is 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:

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

"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 April 21, 2014.

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.

Due to the remote location and difficult access, an exposure time of one to two years is reasonable.

Sales History

The State of Alaska owns the appraised property.

Scope of the Appraisal

I have not inspected the staking area or any of the comparable sales used in this report. The physical description of the *Key Parcels* were 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.

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.

² <http://www.legis.state.ak.us/basis/statutes.asp#38.05.125>, accessed online on 04/15/2014

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

⁴ *Uniform Standards of Professional Appraisal Practice 2014-2015*, Appraisal Foundation, p. U-2.

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.
12. At the time of the appraisal information about the staking area is based on preliminary information. It is assumed that setbacks, easements and other information described in this report will not change. The appraiser reserves the right to amend the appraisal if changes that substantially alter the information provided in this report occur.

PRESENTATION OF DATA

Area Data

The East Fork Pass Remote Recreational Cabin Sites Staking Area is located approximately 40 miles east-northeast of the City of Nome. The Nome-Council Highway runs through the staking area. The elevations in the area range from 300 feet to 1750 feet above sea level. The East Fork of the Solomon River and the Skookum River originate in the staking area. In addition; there are several streams in the area.

Market Area

Nome

Current Population:	3,659 (2013 Department of Labor Estimate)
Incorporation Type:	1st Class City
Borough Located In:	Unorganized
School District:	Nome Public Schools
Regional Native Corporation:	Bering Straits Association

Nome was built along the Bering Sea on the south coast of the Seward Peninsula, facing Norton Sound. It lies 539 air miles northwest of Anchorage, a 75-minute flight. It lies 102 miles south of the Arctic Circle and 161 miles east of Russia. It lies at approximately 64.5011 North Latitude and -164.4064 West Longitude. Nome is located in the Cape Nome Recording District. The City of Nome encompasses 12.50 sq. miles of land and 9.10 sq. miles of water.

The economy of Nome is based on government, transportation, and retail services. Nome serves as the service and transportation center for the Bering Strait area. In 2010, 54 residents held commercial fishing permits.

The 2012 American Community Survey (ACS) estimated 1,803 residents as employed. The public sector employed 24.5% of all workers. The local unemployment rate was 10%. The ACS surveys established that average median household income (in 2012 inflation-adjusted dollars) was \$71,516 (MOE +/- \$4,347). The Per Capita Income was \$31,695 (MOE +/- \$2631). About 10.0% of all residents had incomes below the poverty level.

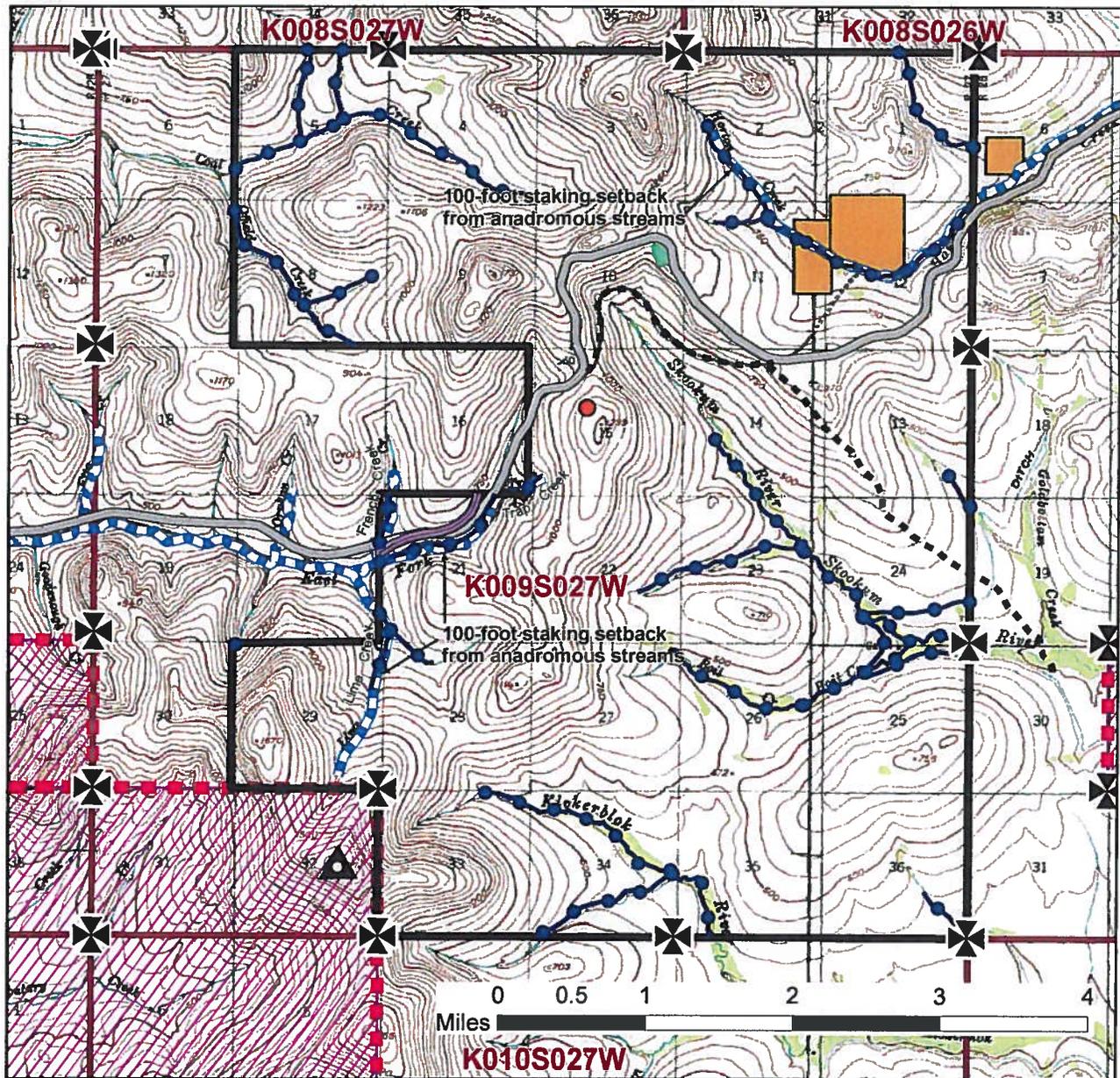
The City of Nome is serviced by a plumbed water distribution system supplied by a ground water well. The City also has a wastewater collection system that has 9 lift stations and 1,250 service connections. Electrical service is provided by Nome Joint Utility System. The City of Nome owns and operates a Class II Landfill for refuse disposal.

Nome is a regional center of transportation for surrounding villages. There are two state-owned airports. The Nome Airport has two paved runways; one is 6,001' long and 150' wide, and the other is 5,576' by 150' wide. Scheduled jet flights are available, as well as charter and helicopter services. The city field offers a 1,950' long by 110' wide gravel airstrip.⁵

⁵ <http://www.commerce.alaska.gov/cra/DCRAExternal/community/Details/7831002d-cf78-477b-a4f8-b1c9bba1a96c>, accessed on 04/12, 2014.



Attachment A: Vicinity Map - East Fork Pass

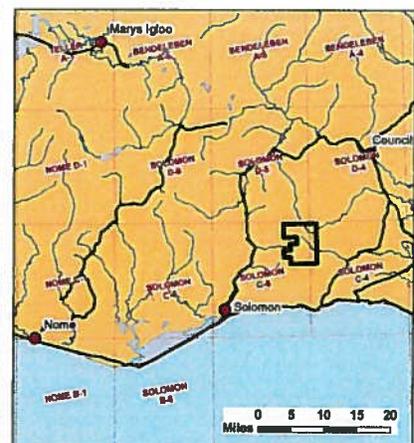


hbt 2/10/2014
East_Fork_Pass_PD.mxd

- BLM Monuments
- UAF Meteorological Site
- East Fk Pass trails
- Public Water
- Anadromous Streams
- ADL 411932 - (ROW Easement)
- Nome - Council Road
- Resource Sale
- Private Parcels
- Native Land
- East Fork Pass RRCS

USGS QUAD 1:63,360 Solomon C-4, C-5
Township 9 South, Range 27 West Katsel Meridian

This map is for graphic representation only. It is intended to be used as a guide only and may not show the exact location of existing private parcels or show all easements and reservations. Source documents remain the official record and should be reviewed prior to staking.
Maximum parcel size: 20 acres Minimum parcel size: 5 acres
Staking authorizations: 60
For more information contact: Blair French - 907-451-3011
or call the Fairbanks Public Information Office - 907-451-2714



N
Magnetic Declination
12.8 Degrees East
July 2013

Personal Property

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

OFFERING INFORMATION	
Proposed Number of Staking Authorizations	60
Parcel Size	5 to 20 acres
Gross Project Area	16,350 acres, more or less
Net Offering	Up to 1,200 acres
MTRS	Township 9 South, 27 West, Kateel Meridian
Municipal Authority	The staking area is within the unorganized borough; therefore the State of Alaska is the platting authority.
Fire Management Option	Modified Modified designation provides that fires occurring will be allowed to burn under the influence of natural forces within predetermined areas while continuing protection of human life and site-specific values within the management option.
Game Management Unit	Game Management Unit 22C

PHYSICAL CHARACTERISTICS	
Location	The staking area is located approximately forty miles east-northeast of Nome.
Topography map	USGS Solomon C-4 and C-5
Topography/Terrain/Major Features	North and west regions are relatively steep (>20% grade) and Mountainous. Southern regions level out, dominated by rolling hills Ridgelines tend to be flat and broad. Elevations range from 300 feet to 1,750 feet above sea level. The area encompasses a portion of the headwaters of the East Fork Solomon, Skookum, and Klokerblok Rivers.
Access	Primary access is via miles 52 through 57 of the Nome-Council Road. Overland by foot or off-road vehicle, fly-in on ski plane, or snow machine 2 trails known to exist in the project area, providing access to the central and southern portions of the area.
View	Views of surrounding uplands and valleys. Western boundary views East Fork Solomon River Valley.
Climate	Nearest weather station: Nome Airport (~40 miles southwest of the project area). The average temperatures in January are -2 ^o F to 31 ^o F. The average temperatures in June are 45 ^o F to 57 ^o F. The average rainfall is 16 inches per year with average snowfall of 63 inches.
Soils/Vegetation	The soils in the area are typically poorly-drained, gravelly to stony, underlain by shallow permafrost table. Soils on ridge tops are typically gravelly and well drained. Courtesy notice will be sent to the nearest Soil & Water Conservation District.
Water Source	Seeps and creeks provide surface water within the proposed project area. The water quality is unknown.

EASEMENTS & RESERVATIONS	
Title	General Purpose Grant, under the Act of July 7, 1958, 72 Stat. 339 as amended, fee title under Patent No. 50-2008-0387 dated July 11, 2008, subject to standard federal reservations as well as a reindeer grazing permit issued to Thomas L. Gray on March 21, 2008 by the Bureau of Land Management

	under the terms of Part IV(A)(1) of the Memorandum of Understanding dated October 9, 2002.
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 30-foot public access and utility easement along all interior parcel lines; and a 5-foot easement from the nearest practical point on the property boundary to control monuments within the parcel, an easement with a radius of 5 feet around the control monument, and as applicable, a 5-foot wide direct line-of-sight easement from the control station to an azimuth mark or other control monument.
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. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.
Setbacks and Other Restrictions	Parcels are subject to a 200-foot staking setback from the edge of Nome-Council Road. Parcels are subject to a 200-foot staking setback from ADL 411932 (DOT easement). Parcels are subject to a 100-foot staking setback from the East Fork Solomon River, French Creek, Trap Creek, Lime Creek, and Horton Creek. Parcels are subject to a 100-foot building setback from all other streams and public or navigable water bodies.
Reserved Areas	Staking will not be allowed within reserved areas imposed prior to staking, including reserved areas to avoid a specific resource or authorization identified in the area plan or agency review. <ul style="list-style-type: none"> • minimum 70-foot radius reserved area around University of Alaska Fairbanks radio and meteorological station in Section 15, Township 9 South, Range 27 West, Kateel Meridian; • reserved area over and around material site ADL 418907, to be determined prior to staking; and • reserved areas to protect any ecologically sensitive, historic, or Archeological sites located within the project area.
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.

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 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

The East Fork Pass 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 five to twenty 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.

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

⁶ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278

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 Lot* 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 East Fork Pass staking area will have one *Hypothetical Key Parcel*, a 5.0 acre parcel with **1st tier frontage on the Nome-Council Road**. *1st tier frontage means that the staked parcel will be located between 200' and ¼ mile of the edge of the road.*

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.