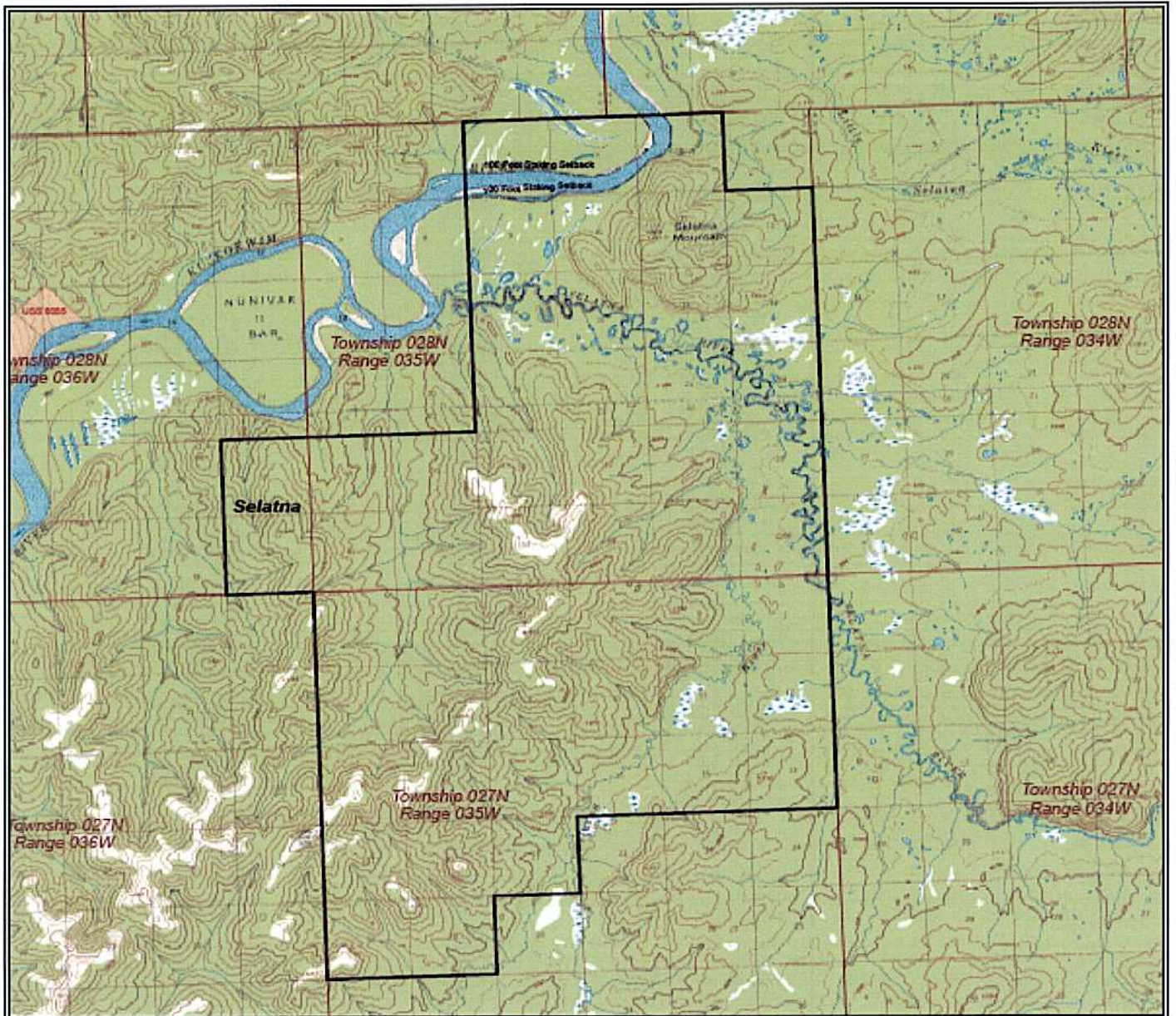


MARKET VALUE APPRAISAL

of PARCELS within The SELATNA

REMOTE RECREATIONAL CABIN STAKING AREA



YEAR 2005

BASE APPRAISAL REPORT No. 3319

STATE of ALASKA

Department of Natural Resources
Division of Mining Land & Water
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Staking Map: Selatna

Remote Recreational Cabin Sites Staking Area No. 1105204



cb 4/27/05 selatna1.mxd

USGS QUADS 1:63,360
McGrath B-6, C-6
T 28 N R 35 W, T 28 N R 36 W, T 27 N R 35 W,
Seward Meridian

This staking map is for a public representation only. It is intended to be used as a guide only and may not show the exact location of existing recreational uses or other developments and restrictions. Those responsible for the public review and approval of the staking map should consult the appropriate maps and records.

Notes:

1. Minimum parcel size: 10 acres
2. Maximum parcel size: 5,000 acres
3. Staking authorization fee: \$2
4. Staking period: August 2005 to January 2006
5. All parcels staked are located within the State of Alaska that contain land within 50 feet of a navigable or potential navigable waterway, are subject to a federal water easement or are within the State of Alaska that contain land within 50 feet of a navigable waterway.
6. Parcels may not be staked across any public or navigable water body. Parcels are subject to a 100-foot public access easement along the ordinary high water mark.
7. Parcels are subject to a 100-foot staking setback from the ordinary high water mark of all water bodies. Those water bodies may also have staking setbacks to other fishing facilities.
8. A staking setback is required from unimproved improvements.
9. A staking setback is required from existing structures used by the public.
10. Metal survey pins or A.R.S. (1976) brass survey monuments at each corner, which can be used as reference points and corners during other staking. Use the survey pins for information on monument corner numbers, bearings, and distances. Monument should be in the hole face procedure over the quarter section.
11. There are public access easements along most A.R.S. boundaries. Check the survey pins for additional information.
12. The boundaries shown are not certified and their actual location may differ on the ground. Labeling of vital structural items and geographic features is for information only.
13. Unimproved structures are not maintained by the Department of Natural Resources. Use of structures on sites does not constitute an offer of services.
14. Staking map labels represent only selected recreational facilities for public reference in staking public access boundaries. There is no way to be certain of their condition.
15. See the general staking instructions and map specific supporting staking instructions for additional information.

Legend

- Staking Area
- Existing Parcel
- Setback
- RS 2477 and Other Trails



Appraisal Summary

The Selatna RRCS is located in Interior Alaska, about 210 miles west-northwest of Anchorage and 30 miles south of McGrath, Alaska at the intersection of the Kuskokwim and Selatna Rivers. The staking area encompasses 33,280 acres, with 50 staking authorizations proposed for this area.

Topo Map	McGrath B-6 and C-6
Access	Access is by boat or float plane. The Kuskokwim carries commercial barges and small boat traffic in the summer and snow machines and wheeled vehicles in the winter. It is unknown how much of the Selatna River is navigable.
Terrain/Vegetation	Near the Kuskokwim River the area has small creeks that flow in to the river. The areas around the Kuskokwim and Selatna Rivers are generally level with elevations of approximately 300 above sea level. The remainder of the area to the south-southwest is rolling uplands with peaks rising up to 1,500 feet. Large white spruce and cottonwoods are found near stream bottoms, with black spruce and muskeg on poorly drained flats and north facing slopes. Most of the area has perma-frost
Water front	100 foot staking setback from the Kuskokwim and Selatna Rivers.
Water Source	Water is available from small lakes, streams and rainfall catchment
Water/Sewage Disposal	Site capability for on-site sewage is adequate. No individual water supply system or sewage disposal system shall be permitted on any lot unless such system is located, constructed and equipped in accordance with the requirements, standards and recommendations of the Alaska Department of Environmental Conservation
Utilities	None
Restrictions	All parcels are subject to a 25 foot access easement along all lot lines.
Municipal Authority	None
Other	Located within the Kuskokwim Area Plan for State Lands 1988

Legal Description	Township 28 North, Range 36 West, Sections 25 & 36, Seward Meridian. Township 28 North, Range 35 West, Sections 2-4, 9-16 & 21-36, Seward Meridian. Township 27 North, Range 35 West, Sections 1-21, 29 & 30, Seward Meridian.
Owner	State of Alaska
Hypothetical Key Parcel A Waterfront	Size: 15 acres Location: Selatna Staking Area Access: Boat, snow machine, floatplane or ATV Lot Type: 1 st Tier parcel within 400' of Kuskokwim River Building Site: at least 50% level, wooded and well drained. Staking Setback: 100' from Kuskokwim and Selatna Rivers. Waterfront: Staking Setback of 100' from ordinary high water mark of Kuskokwim & Selatna Rivers Easements: Typical section-line & pedestrian around lot. Amenities: Typical view of surrounding area.
Hypothetical Key Parcel B Non-Waterfront	Size: 15 acres Location: Selatna Staking Area Access: Boat, snow machine, floatplane or ATV Lot Type: 2 nd Tier Parcel more than 1/4 mile from Kuskokwim, or more than 400' from the Selatna River Building Site: at least 50% level, wooded and well drained. Staking Setback: None. Waterfront: None Easements: Typical section-line & pedestrian around lot. Amenities: Typical view of surrounding area.
Improvements	None
Highest and Best Use	Recreational cabin sites
Interest Appraised	Fee simple title, excluding mineral rights
Date of Value	April 1, 2005
Date of Report	April 1 2005

A 1st Tier parcel is defined as "a parcel with direct frontage on a lake or river, or is separated from the water by public land."

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

Conclusion of Values for Hypothetical Key Parcels			
Key Parcel "A"	Size	\$\$ per Acre	\$\$ per Site
Minimum Parcel Size	5.00	\$1,843*	\$9,200 Rd.
Key Parcel	15.00	\$1,200	\$18,000
Maximum Parcel Size	20.00	\$1,034*	\$20,700 Rd.
Key Parcel "B"	Size	\$\$ per Acre	\$\$ per Site
Minimum Parcel Size	5.00	\$925*	\$4,600 Rd.
Key Parcel	15.00	\$600	\$9,000
Maximum Parcel Size	20.00	\$517*	\$10,300 Rd.

- * Based on size adjustment chart located in the Addenda. **Key Parcel in Bold.**

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.

Summary of Adjustments

Date of Value	Date of filing	To Be Determined
Location	No distinction within the staking area	1.00
Size, acres	Adjustment for variations in size.	See Addenda
Access	> 400' to ≤ 900' of Kuskokwim or fly-in access > 900' to ≤ 1,320' of Kuskokwim or fly-in access More than 400' from Selatna or fly-in access More than quarter mile from Kuskokwim River or fly-in access	0.85 of Key "A" 0.75 of Key "A" 1.00 of Key "B" 1.00 of Key "B"
Waterfront	Within 400' of Kuskokwim frontage with 100' building setback Within 400' of Selatna frontage with 100' building setback	1.00 of Key "A" 0.75 of Key "A"
Amenities	Typical view of surrounding landscape Small pond, creek and/or exceptional view	1.00 1.10
Building site	Poor: Mostly steep, or wet ground, or unstable soils. Average: At least 50% level to gently sloping, adequately drained & wooded. Good; Mostly level to gently sloping, well drained and wooded.	0.90 1.00 1.10
Easements	Typical easements are considered in the base value. Other easements or trails across staked parcels to be handled based 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.

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

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 defined¹ 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) 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 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.

DEFINITION OF MARKET VALUE³

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 ASSUMPTION⁴

"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.

¹ The Appraisal of Real Estate, 12th Edition, Appraisal Institute, 2001, p.69

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

³ The Appraisal of Real Estate, 12th Edition, Appraisal Institute, 2001, p.22

⁴ The Uniform Standards of Professional Appraisal Practice (USPAP), Appraisal Foundation, 2004, p.3

EFFECTIVE DATE OF VALUE ESTIMATE

The effective date of the value estimate is April 1, 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..."⁵

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."⁶

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.

SCOPE OF THE APPRAISAL

I did not inspect the staking area or the sales comparables in the field. They are located in very remote areas with limited access. We have used the best data available to describe and analyze the subject area and comparables. 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.

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.

⁵ op. cit. p. 83.

⁶ *Uniform Standards of Professional Appraisal Practice 2001, Appraisal Foundation, p. 128.*

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 MCGRATH AREA ANALYSIS

Current Population: 367 (2004 State Demographer estimate)
Incorporation Type: 2nd Class City
Borough Located In: Unorganized
Taxes: Sales: None, Property: None, Special: 10% Accomodations Tax

Location and Climate

McGrath is located 221 miles northwest of Anchorage and 269 miles southwest of Fairbanks in Interior Alaska. It is adjacent to the Kuskokwim River directly south of its confluence with the Takotna River. It lies at approximately 62.956390° North Latitude and -155.59583° West Longitude. (Sec. 18, T033N, R033W, Seward Meridian.) McGrath is located in the Mt. McKinley Recording District. The area encompasses 48.9 sq. miles of land and 5.7 sq. miles of water. The McGrath area has a cold, continental climate. Average summer temperatures range from 62 to 80, winters temperatures can range from -64 to 0. Precipitation is light, averaging 10 inches per year, including an average snowfall of 86 inches. The Kuskokwim River is generally ice-free from June through October.

History, Culture and Demographics

McGrath was a seasonal Upper Kuskokwim Athabaskan village which was used as a meeting and trading place for Big River, Nikolai, Telida and Lake Minchumina residents. The Old Town McGrath site, was originally located across the river. In 1904, Abraham Appel established a trading post at the old site. In 1906, gold was discovered in the Innoko District, and at Ganes Creek in 1907. Since McGrath is the northernmost point on the Kuskokwim River accessible by large riverboats, it became a regional supply center. By 1907, a town was established, and was named for Peter McGrath, a local U.S. Marshal. In 1909, the Alaska Commercial Company opened a store. The Iditarod Trail also contributed to McGrath's role as a supply center. From 1911 to 1920, hundreds of people walked and mushed over the Trail on their way to the Ophir gold districts. Mining sharply declined after 1925. After a major flood in 1933, some residents decided to move to the south bank of the River. Changes in the course of the River eventually left the old site on a slough, useless as a river stop. In 1937, the Alaska Commercial Company opened a store at the new location. In 1940, an airstrip was cleared, the FAA built a communications complex, and a school was opened. McGrath became an important refueling stop during World War II, as part of the Lend-Lease Program between the U.S. and Russia. In 1964, a new high school was built, attracting boarding students from nearby villages. The City was incorporated in 1975.

A federally recognized tribe is located in the community -- the McGrath Native Village; Medfra Traditional Council (not recognized). The population of the community consists of 54.6% Alaska Native or part Native. Slightly more than half of the population are Athabascans and Eskimos. As a regional center, McGrath offers a variety of employment opportunities, but subsistence remains an important part of the local culture. About 10 families in town have dog teams which they enter into the Iditarod, Kuskokwim 300, and Mail Trail 200 sled dog races. During the 2000 U.S. Census, total housing units numbered 213, and vacant housing units numbered 68. Vacant housing units used only seasonally numbered 14. U.S. Census data for Year 2000 showed 206 residents as employed. The unemployment rate at that time was 10.43 percent, although 27.97 percent of all adults were not in the work force. The median household income was \$43,056, per capita income was \$21,553, and 9.8 percent of residents were living below the poverty level.

Facilities, Utilities, Schools and Health Care

McGrath operates a piped water system that serves nearly all 178 households; a few homes have individual wells or haul water. The FAA operates its own water system. Individual septic tanks are used by the majority of residents; a limited City sewage system serves approximately 34 homes. Funds have been requested to expand the piped sewer system to the 144 houses and businesses currently using septic tanks. A private firm, McGrath Trash & Refuse, collects refuse for disposal at the City landfill. Electricity is provided by McGrath Light & Power. There are 2 schools located in the community, attended by 181 students. Local hospitals or health clinics include McGrath Health Center (524-3299). The clinic is a qualified Emergency Care Center. Specialized Care: Four Rivers Counseling Center. McGrath is classified as an isolated town/Sub-Regional Center, it is found in EMS Region 1C in the Interior Region. Emergency Services have river, floatplane and air access. Emergency service is provided by 911 Telephone Service, volunteers and a health aide. Auxiliary health care is provided by Kuskokwim Valley Rescue Squad (524-3299/9111).

Economy and Transportation

McGrath functions as a transportation, communications, and supply center in Interior Alaska. It has a diverse cash economy, and many families rely upon subsistence. Salmon, moose, caribou, bear, and rabbits are utilized. Some residents trap and tend gardens. The Nixon Fork gold mine, located 30 miles northeast of McGrath, ceased operating due to low gold prices.

There are no road connections to McGrath, but local roads are used by ATVs and trucks. Winter trails are marked to Nikolai (50 mi.) and Takotna (20 mi.) Residents rely on air service and barges to deliver cargo. Air facilities include a State-owned 5,435' long by 150' wide asphalt runway with a 1,720' long by 100' wide crosswind landing strip, and a seaplane base on the Kuskokwim River. The airport is currently undergoing major improvements. There is no dock, however, a boat launch ramp is available.

TAKOTNA AREA ANALYSIS

Current Population:	47 (2004 State Demographer estimate)
Incorporation Type:	Unincorporated
Borough Located In:	Unorganized
Taxes:	No taxing authority

Location and Climate

Takotna is located in Interior Alaska on the north bank of the Takotna River in a broad scenic river valley, 17 air miles west of McGrath in the Kilbuck-Kuskokwim Mountains. It lies at approximately 62.988610° North Latitude and -156.06417° West Longitude. (Sec. 35, T034N, R036W, Seward Meridian.) Takotna is located in the Mt. McKinley Recording District. The area encompasses 23.5 sq. miles of land and 0.0 sq. miles of water. Takotna has a cold, continental climate. Summer temperatures average 42 to 80, winter temperatures range from -42 to 0. The Takotna River is generally ice-free from June through October.

History, Culture and Demographics

Takotna has been known as Berry Landing, Portage City, Takotna City, Takotna Station, and Tocoatna. In 1908, merchants in Bethel hired Arthur Berry to bring supplies up the Takotna River. The village was founded at the farthest point on the river Berry's small sternwheeler was able to reach. By 1912, the community had several stores which supplied miners. Gold discoveries in the upper Innoko Region enabled the town to prosper. By 1919, there were several commercial companies, roadhouses, a post office, and about 50 houses. In 1921, the Alaska Road

Commission improved the Takotna-Ophir road, and an airfield was constructed. In 1923, a radio station began broadcasting in Takotna, and the town had its own newspaper, The Kusko Times. Low waters at times precluded the arrival of steamboats, so the Takotna-Sterling Landing road was constructed to the Kuskokwim River in 1930. During the 30s, however, McGrath became the more dominant supply center, and the ACC store closed. In 1949, construction was begun on nearby Tatalina Air Force Station. It was the site of a White Alice communications system, but operations were phased out during the 1980s.

A federally recognized tribe is located in the community -- the Takotna Village. The population of the community consists of 42% Alaska Native or part Native. Takotna is a mixed population of non-Natives, Ingalik Athabascans and Eskimos. Subsistence is a prevalent activity. The sale of alcohol is prohibited in the village. During the 2000 U.S. Census, total housing units numbered 49, and vacant housing units numbered 30. Vacant housing units used only seasonally numbered 9. U.S. Census data for Year 2000 showed 12 residents as employed. The unemployment rate at that time was 0 percent, although 58.62 percent of all adults were not in the work force. The median household income was \$14,583, per capita income was \$13,143, and 16.22 percent of residents were living below the poverty level.

Facilities, Utilities, Schools and Health Care

Water from Gold Creek is treated and hauled by residents from the washeteria. Water is also hauled from the Takotna Waterworks. Approximately 20% of homes have storage tanks with running water for the kitchen, but no homes are completely plumbed. Community buildings use individual wells and septic tanks. Honeybuckets and outhouses are used for sewage disposal. A feasibility study for water and sewer improvements is complete, but funds have not been secured for construction. The high school has no running water or restrooms. Electricity is provided by Takotna Community Assoc. Utilities. There is one school located in the community, attended by 21 students. Local hospitals or health clinics include Takotna Clinic (298-2214). Takotna is classified as an isolated village, it is found in EMS Region 1C in the Interior Region. Emergency Services have limited highway, river and air access. Emergency service is provided by volunteers and a health aide. Auxiliary health care is provided by Takotna EMS (Clinic 298-2214/2114).

Economy and Transportation

Takotna has a combined cash and subsistence economy. Employment is through the school district, post office, clinic, local businesses and seasonal construction. Most residents are involved in subsistence activities. Moose and salmon are the primary meat sources. Many residents garden during the summer.

Access to Takotna is by air or water. There is a State-owned 1,717' long by 65' wide gravel airstrip, and a 3,800' gravel runway at Tatalina Air Force Station 10 miles southeast of town. Cargo is offloaded at Sterling Landing, 24 miles southeast of Takotna. The community has 80 miles of local roads that connect with Tatalina AFS, Sterling Landing and existing mines. A winter trail is marked to McGrath (20 mi.) It is a check point for the Iditarod sled dog race.

THE SELATNA STAKING AREA

The Selatna Staking Area is located 30 miles south of McGrath, near the confluence of the Kuskokwim and Selatna Rivers. The area includes 33,280 acres, with the current plans allowing 50 new staking authorizations.

The staking area is accessible from McGrath by several modes. Snowmachines and wheeled vehicles are used in the winter. In the summer, motor boats can navigate the Kuskokwim, which

amounts to about a 45 mile river boat trip. Float planes can utilize the Kuskokwim in the summer, while ski planes are used during the winter.

The area has numerous recreational opportunities including hunting, fishing and snowmachining. The Kuskokwim River has king, coho and chum salmon as well as sheefish and whitefish. Moose, caribou, black and brown bears as well as sheep in the surrounding mountains provide the hunting opportunities. A 100' setback requirement limits, but does not negate the amenities of water frontage. Most of the upland slopes are barren, or covered with dense alder or other shrubs,

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.⁷

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 key parcel 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 subject parcel as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁷ 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. Detailed information about the comparable sales and the adjustments is contained in the Addenda.

Staking Area

The Selatna Staking Area is located 30 miles south of McGrath, near the confluence of the Kuskokwim and Selatna Rivers. The area includes 33,280 acres, with the current plans allowing 50 new staking authorizations. The staking area is accessible from McGrath by several modes. Snowmachines are used in the winter. In the summer, motor boats can navigate the Kuskokwim, which amounts to about a 45 mile river boat trip. Float planes can utilize the Kuskokwim in the summer, while ski planes are used during the winter.

The area has numerous recreational opportunities including hunting, fishing and snowmachining. The Kuskokwim River has king, coho and chum salmon as well as sheefish and whitefish. Moose, caribou, black and brown bears as well as sheep in the surrounding mountains provide the hunting opportunities. A 100' setback requirement limits, but does not negate the amenities of water frontage. Large white spruce and cottonwoods are found near stream bottoms, with black spruce and muskeg on poorly drained flats and north facing slopes. Most of the area has perma-frost.

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:

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