

MARKET VALUE APPRAISAL

Of

**Hypothetical Key Parcels within Ridgeview
Remote Recreational Cabin Staking Area**



BASE APPRAISAL REPORT No. 3531-0

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue Suite 650
Anchorage, AK 99501-3576**

A. SUMMARY OF APPRAISAL NO. 3531

1. ADL NO(S): Various
2. SIZE: 5.00 to 20.00 acres
3. APPLICANT: N/A
4. LOCATION: East of Lake Louise Road and north of the Glenn Highway between milepost 160 and 165
5. LEGAL DESCRIPTION(S): Sections within T4NR5&6W, C.R.M.
6. INTEREST APPRAISED: Fee Simple less mineral rights
7. PURPOSE OF THE APPRAISAL: Estimate market value of hypothetical key parcels within the subject area
8. APPRAISED BY: Brandon Simpson, Appraiser II
9. DATE of REPORT: November 21, 2008
10. DATE of VALUE(S): November 21, 2008
11. APPRAISED VALUE(S):

Conclusion of value for Hypothetical Key Parcel			
	Size	Per/acre	Per/site (RND)
Key Parcel	5.00 acres*	\$1,463	\$7,300
	10.00 acres	\$1,100	\$11,000
	15.00 acres*	\$957	\$14,400
	20.00 acres*	\$825	\$16,500

Key parcel in bold, - *Size adjusted Key Parcels based on adjustment shown in Addenda.

B. SUMMARY OF REVIEW

1. DATE of REVIEW: January 30, 2009
2. REVIEWER'S CLIENT: DNR Other: _____
3. INTENDED USERS of the REVIEW: DNR General Public Other: _____
4. INTENDED USE of the REVIEW: The values and adjustments will be used to establish the purchase prices for parcels to be staked by various applicants
5. PURPOSE of REVIEW: Evaluate for Technical Compliance with DNR Instructions & USPAP
 Evaluate for Technical Compliance with UASFLA Develop Independent Estimate of Value
 Other: _____



6. SCOPE OF REVIEW: I Inspected the Subject on _____ I Did Not Inspect the Subject
- I Inspected the Comparable Sales on _____ I Did Not Inspect the Comparable Sales
- I Independently Verified the Comparable Sales in the Report Yes No
- Data and Information Considered in Addition to that Contained in the Report: None See Sections C thru F
 Extraordinary Assumptions, Hypothetical Conditions, & Other Limiting Conditions for this review:
 None See Section G Related appraisals reviewed: None
- Proofread DNR data entry: Yes No
7. RESULTS OF REVIEW: Not Approved Approved Approved Value: See A.11

C. COMPLETENESS OF APPRAISAL MATERIAL WITHIN SCOPE OF WORK APPLICABLE TO THE ASSIGNMENT/CONFORMANCE with APPRAISAL INSTRUCTIONS: Adequate

D. ADEQUACY and RELEVANCE of APPRAISAL DATA and PROPRIETY OF ADJUSTMENTS: Adequate

E. APPROPRIATENESS OF APPRAISAL METHODS and TECHNIQUES: Appropriate

F. ANALYSES, OPINIONS, and CONCLUSIONS ARE APPROPRIATE and REASONABLE, except:

G. REVIEWER'S ASSUMPTIONS AND LIMITING CONDITIONS

1. This review is based on data and information contained in the appraisal report as well as any additional data from other sources that is identified in this review.
2. The reviewer assumes that the data and information in the appraisal are factual and accurate.
3. The reviewer reserves the right to consider any additional data or information that may subsequently become available, and to revise an opinion or conclusion, if such data and information warrant a revision.
4. All assumptions and limiting conditions contained in the appraisal report are part of this review unless otherwise stated.
5. A title report has been provided to the appraiser and the reviewer. Unless specifically noted in the report or this review, it is assumed that the only easements and restrictions that affect the property are those shown on the plat.
6. The value of commercial timber, if any, is specifically excluded from the final conclusion of value.



REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 3531

I certify that, to the best of my knowledge and belief:

- The facts and data reported by the reviewer and used in the review process are true and correct.
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or use of, this review.
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I did did not personally inspect the subject property of the report under review.
- No one provided significant professional assistance to the person signing this review report.

Reviewed by Kevin R. Hindmarch
Kevin R. Hindmarch, Review Appraiser

Date 1/30/09

cc: Marta Mueller
Chuck Pinckney
Victoria Braun

MEMORANDUM

State of Alaska

Department of Natural Resources
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Division of Mining, Land and Water
550 West 7th Avenue, Suite 650
Anchorage AK 99501-3576

DATE: November 21, 2008

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson *BLS*

SUBJECT: Appraisal of Hypothetical *Key Parcel* in the Ridgeview Remote Recreational Cabin Site Staking Area – Base Appraisal Report no. 3531

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 is a complete, summary report 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 inspected a portion of the staking area and all of the comparable sales used in this report. The physical description of the *key parcel* was 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 values as of the effective date of value.

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APPRAISAL SUMMARY

Ridgeview Hypothetical Key Parcel	
Location	The staking area is located east of the Lake Louise Road near the intersection of Lake Louise Road and the Glenn Highway (north of the Glenn Highway between Mile 160 and 165).
Topography Map	USGS Gulkana A-5
Owner	State of Alaska
Key Parcel	Size: 10-acres
	Lot Type: Interior parcel
	Access: ATV, snowmachine, or walk-in
	Building Site: Wooded with at least one good building site and adequate drainage.
	Easements: 30' public access easement along all interior parcel lot lines
	Amenities: Good view of surrounding area
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Effective Date of Value	November 21, 2008
Date of Report	November 21, 2008

Conclusion of value for Hypothetical Key Parcel			
	Size	Per/acre	Per/site (RND)
Key Parcel	5.00 acres*	\$1,463	\$7,300
	10.00 acres	\$1,100	\$11,000
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	20.00 acres*	\$825	\$16,500

-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	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 on a case-by-case basis.	To be determined
Building site	Poor: Mostly wet ground or unstable soils	0.75 to 0.90
	Average: Wooded with at least one good building site and adequate drainage.	1.00
	Good: Mostly level to gently sloping, well drained and wooded.	1.10
Amenities	Limited or no view potential	0.95
	Non-public creek or pond frontage	1.05
	Frontage on public lake	1.10

Miscellaneous	Differences in parcels discovered during field inspection.	To be determined
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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."

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 November 21, 2008.

Exposure Time

Exposure time is defined as⁴: "...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..."

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

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 2006, Appraisal Foundation, p. 90.

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.

Based on exposure time for similar properties made available by DNR in the Ridgeview and Ridgeview Addition Subdivisions the estimated values are based on an exposure time of up to two years.

Scope of the Appraisal

I previously inspected a portion of the staking area while working on another appraisal assignment. 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 or other knowledgeable market participants were contacted to verify recent sale prices and other transaction details.

In addition, a search for all DNR parcels that have sold or currently are available in the general vicinity of the staking area was undertaken.

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.

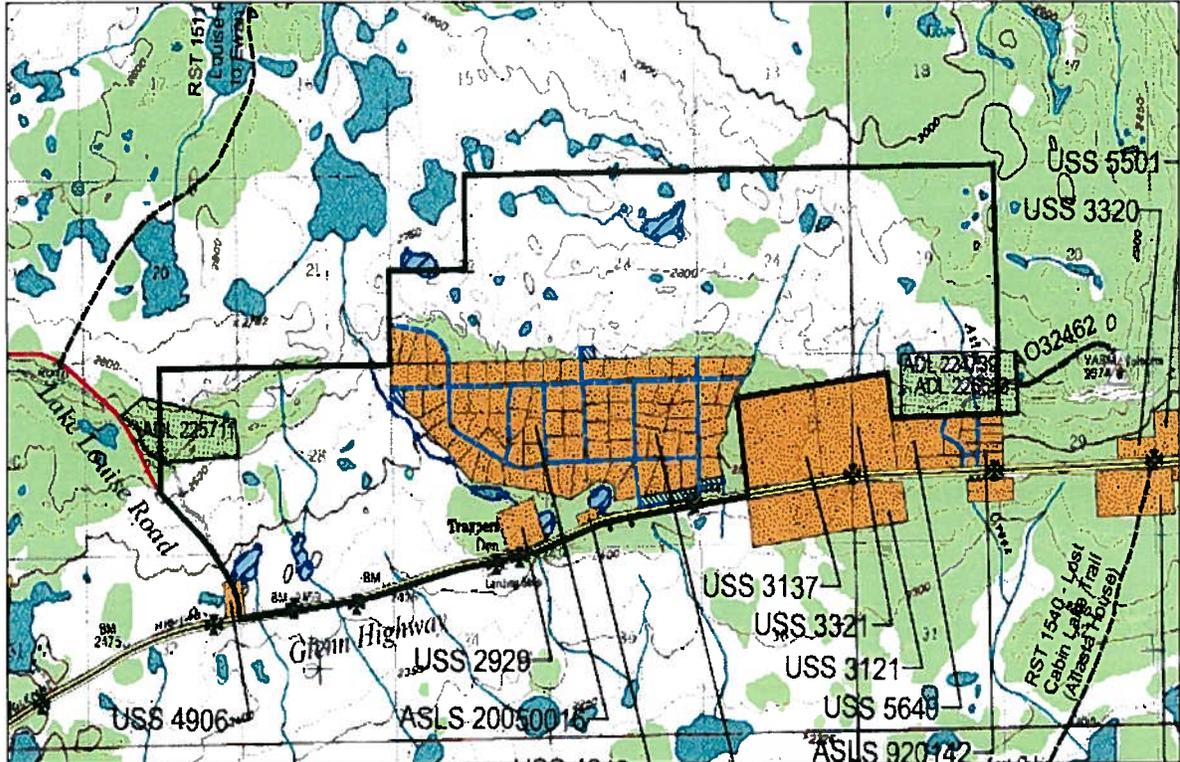
Assumptions and Limiting Conditions

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. 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.
6. 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.
7. 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.
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 any such conditions, or for arranging engineering studies to discover them.
9. 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.
10. 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.

PRESENTATION OF DATA

Area Data

The staking area is located east of Lake Louise Road near the intersection of Lake Louise Road and the Glenn Highway (north of the Glenn Highway between Mile 160 and 165). The nearest community to the staking area is Lake Louise. Ridgeview staking area is not located in any organized borough.



Copper River Basin

The Copper River Basin is about 140 air miles northeast of Anchorage. The basin is found in the eastern portion of Southcentral Alaska. It is surrounded by the Alaska Range to the north, the Wrangell Mountains to the east, the Chugach Mountains to the south, and the Talkeetna Mountains to the west.

The basin is a broad forested plain with elevations ranging from 2000 to 3000 feet above sea level. A shallow to deep permafrost table can be found in most of the basin. White and black spruce is the predominant vegetation in the area interspersed with scattered thickets of willow and alder, grasses, low shrubs, and berry bushes. The Copper River is the dominant river in the basin and is fed by the Chistochina, Gulkana, Nelchina, Slana, and Tazina rivers as well as many other streams.

The climate is continental characterized by long and cold winters and relatively warm summers. Temperatures can range from -74 to 96° Fahrenheit. The mean temperature in January is -10° and 56° in July. Annual precipitation is 9 inches including 39 inches of snowfall per year.

The Copper River Basin is part of the Valdez-Cordova demographic census area. Most of the population is concentrated in the small towns of Glennallen, Gakona, Copper Center, Kenny Lake, McCarthy, Chitina and Valdez.

Access to the Copper River Basin is available by the Glenn and Richardson Highways. Charter air service provides access to the road less areas. Public services and facilities are limited to essential needs.

Lake Louise

Lake Louise lies 32 miles northwest of Glennallen, on the western border of the Mat-Su Borough, north of the Glenn Highway. Lake Louise Road is 19.3 miles long, from mile 159.8 of the Glenn Highway. It lies at approximately 62.282180 North Latitude and -146.543850 West Longitude. (Sec. 20, T006N, R007W, Copper River Meridian.) Lake Louise is located in the Chitina Recording District. The area encompasses 47.9 sq. miles of land and 26.4 sq. miles of water. The temperatures in January range from -9 to 34; in July, 38 to 62. Annual precipitation is 16.5 inches, with over 50 inches of snowfall.

Lake Louise is known for its lake trout; ice fishing is popular during winter months. Lodges provide year-round accommodations. Many residents are seasonally employed or retired.

Lodges in the area have individual wells and septic systems, but most of the seasonal homes haul water and use outhouses. Individual generators provide electricity. A Borough-operated refuse transfer station is located at Denty's Bush Services, Mile 15.5 Lake Louise Road.

A 700' long by 18' wide State-owned gravel airstrip and floatplane site is located at the south end of Lake Louise. There are two additional private strips. Lake Louise Road is accessible from the Glenn Highway.

PHYSICAL CHARACTERISTICS	
Location	<p>The Ridgeview staking area is located east of the Lake Louise Road near the intersection of the Lake Louise Road and the Glenn Highway. The area encompasses approximately 3710 acres with two existing surveyed subdivisions, Ridgeview and Ridgeview 1st Addition, located within the boundaries. There are 50 authorizations proposed. The following list is a description of all applicable sections within the project area, excluding all US Surveys, and the Ridgeview Subdivision surveys ASLS 2004-42 and 2005-16.</p> <p>Township 4 North, Range 6 West, Copper River Meridian Section 22: All excluding the NW4 Section 23 & 24: All Section 25: Portion north of the Glenn Highway excluding ASLS 2004-42, USS 3137, and USS 3321 Section 27: All excluding USS 2929 and ASLS 2005-16 Section 28: All Section 29: E2 east of Lake Louise Road Section 32: NE4 east of Lake Louise Road excluding USS 4906 Section 33: N2 north of the Glenn Highway Section 34: N2 north of the Glenn Highway</p> <p>Township 4 North, Range 5 West, Copper River Meridian Section 19: All Section 30: N2 excluding USS 5640 and USS 3321</p>
Topography map	USGS Gulkana A-5
Topography/Terrain/Major Features	The staking area has numerous tiers and ridges with an elevation range of 2,450 to 2,700 feet allowing for good views of the surrounding landscape. Numerous small creeks, ponds and lakes are present within the staking area boundaries. Seven of the lakes found in the staking area are considered public lakes but all of the lakes are too small to accommodate a floatplane.

Access	One access route to the Ridgeview staking area is overland across state land from the Lake Louise Road. Two easements have been platted through the Ridgeview Subdivisions to provide legal access from the Glenn Highway to the staking area. Highway aprons exist on the Glenn Highway providing parking areas near these easements.
View	Due to the numerous tiers and ridges large portions of the staking area have view potential to the south of the Chugach Mountains and to the southwest of Tazlina Lake and glacier.
Climate	The temperatures in January range from -9 to 34; in July, 38 to 62. Annual precipitation is 16.5 inches, with over 50 inches of snowfall.
Soils/Vegetation	Subdivision has White Spruce, Black Spruce and Aspen mix. Alder bushes are present but not overwhelming. Large white spruce and aspen groves are present in the area. Vegetation mix indicates adequate drainage but intermittent permafrost is common for the area and likely present.
Water Source	Unknown, no public water or sewer systems are available.

EASEMENTS AND RESERVATIONS	
Area Plan, Management Unit, Classification	Project area is within the Copper River Basin Area Plan, management Unit 5, Lake Louise Road Area; Subunit 5D, Tolsona Ridge-Ridgeview. The classification for the subunit is Settlement under classification order SC-86-030.
Allowed Uses	Cabin site leases are for recreational use only. No commercial use or permanent residence is allowed while under lease. Once the cabin site is under purchase contract or conveyed into private ownership, these restrictions no longer apply.
Municipal Authority	The staking area is within the unorganized borough and is not subject to a municipal authority. The area is subject to the State of Alaska platting authority.
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 minimum 25-foot public access and utility easement along interior parcel boundary lines and a 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.
Water Body Easements, Staking Setbacks and Restrictions	All parcels are subject to a 30-foot public access and utility easement along all interior parcel lot lines. In addition, a 50-foot access easement upland from the ordinary high water mark of public or navigable waterbodies, a 60-foot easement centered on existing trails through and along staked parcels and a 100-foot building setback from the ordinary high water mark of public or navigable waterbodies. Stream crossings with motorized vehicles may be prohibited by applicable state and federal laws.
Reserved Areas	There will be a staking setback from Lake Louise Road and the Glenn Highway. The distance of this setback will be determined later.
Sewage 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 as⁵:

“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

Ridgeview 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 *key lot* as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁵ The Appraisal of Real Estate, Twelfth Edition, Appraisal Institute, 2001, p.305