

MARKET VALUE APPRAISAL

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



BASE APPRAISAL REPORT No. 3590-0

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

MEMORANDUM

State of Alaska

Department of Natural Resources
Tel (907) 269-8539
Fax (907) 269-8914
johnthomas.williamson@alaska.gov

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

DATE: January 23, 2012

TO: Kevin Hindmarch
Review Appraiser

FROM: Johnthomas Williamson 

SUBJECT: Appraisal of two Hypothetical Key Parcels within the Zitziana Remote
Recreational Cabin Site Staking Area – Base Appraisal Report no. 3590-0

As requested, I have completed a valuation of the hypothetical Key Parcels in the above staking area. I understand that this appraisal will be used to determine the base purchase price for staked recreational parcels, or the minimum bid for administratively surveyed parcels 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.

In September 2010 during an unrelated assignment, I flew over the Zitziana RRCS area. Aerial photographs were taken, along with identifying some float plane accessible lakes. In addition, some of the comparables sales have been inspected during unrelated assignments. The physical description of the subject 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 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	4
Purpose and Use of the Appraisal	4
User and Client Identity	4
Property Rights Appraised	4
Definition of Market Value	4
Effective Date of Value Estimate	4
Exposure Time	4
Scope of the Appraisal	5
Assumptions and Limiting Conditions	6

PRESENTATION OF DATA

Area Analysis	7
Staking Area Description	7

DATA ANALYSIS AND CONCLUSION

Highest and Best Use	15
Approaches to Value	16
Key Parcel Method	16
Discussion of Comparable Sales & Analysis	17
Value Conclusion for Key Parcels 'A'	20
Value Conclusion for Key Parcels 'B'	21
Staked Parcel Valuation and Adjustments	22
Certification of Value	23

ADDENDA

Comparable Sale Forms	
Size Adjustment Chart	
Special Appraisal Requirements	
Appraiser Qualifications	

APPRAISAL SUMMARY

Zitziana Remote Hypothetical Key Parcels	
Location	The staking area is located approximately 100 miles southwest of Fairbanks and 55 miles southeast of Tanana along the Zitziana River
Topography Map	USGS Kantishna River B-3 & C-3
Legal Description	Within Sections 1 - 36, within Township 5 South, Range 18 West, Fairbanks Meridian; Section 1, that portion of Section 2 east of the Zitziana River, that portion of Section 11 east of the Zitziana River, Sections 12 - 13, that portion of Sections 14 - 15 east of the Zitziana River, that portion of Sections 22 - 23 east of the Zitziana River, Sections 24 - 26, that portion of Sections 27 - 28 east of the Zitziana River, that portion of Section 33 east of the Zitziana River, and Sections 34 - 36, within Township 5 South, Range 19 West, Fairbanks Meridian; and Sections 1 - 36, within Township 6 South, Range 18 West, Fairbanks Meridian
Owner	State of Alaska
Key Parcel 'A' (1st Tier Parcel)	Lot Type: 'A' – Located within 330' of a float plane accessible lake
	Size: 10.00 acre
	Access: Fly-in float/ski plane
	Building Site: At least 50% level, wooded, and well drained.
	Setback: 100' building setback from the OHW of all public waters.
	Easements: 30' public access and utility easement along all interior parcel lot lines 50' public access easement along the OHW of all public or navigable waters. 100' easement centered on any surveyed or protracted section lines. 60' easement centered on existing trails through and along staked parcels 100' building setback from the OHW of public or navigable waters. 5' survey easement for survey control.
	Amenities: Typical view of the surrounding area
Improvements	None
Key Parcel 'B' (Interior Parcel)	Size: 10.00 acre
	Lot Type: 'B' – Located more than 330 feet from a float plane accessible lake
	Size: 10.00 acre
	Access: Fly-in to area lakes, then overland
	Building Site: At least 50% level, wooded, and well drained.
	Easements: 30' public access and utility easement along all interior parcel lot lines 50' public access easement along the OHW of all public or navigable waters. 100' easement centered on any surveyed or protracted section lines. 60' easement centered on existing trails through and along staked parcels 100' building setback from the OHW of public or navigable waters. 5' survey easement for survey control.
	Amenities: Typical view of the surrounding area
Improvements	None
Highest and Best Use	Recreational cabin site
Interest Appraised	Fee simple title, excluding mineral rights
Effective Date of Value	January 23, 2012
Date of Report	January 23, 2012

Conclusion of value for Hypothetical Key Parcels			
Key Parcel 'A' 1st Tier - Waterfront	Size	Per/acre	Per/site (RND)
	5.00 acres*	\$2,400	\$12,000
	10.00 acres	\$1,800	\$18,000
	15.00 acres*	\$1,560	\$23,400
	20.00 acres*	\$1,350	\$27,000
Key Parcel 'B' Interior	Size	Per/acre	Per/site (RND)
	5.00 acres*	\$960	\$4,800
	10.00 acres	\$720	\$7,200
	15.00 acres*	\$624	\$9,360
	20.00 acres*	\$540	\$10,800

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

Adjustments for Staked Parcels

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
Access	Within 330' of float plane access	1.00 of Key 'A'
	Between 330' and 900' of water-access	0.85 of Key 'A'
	Between 900' and 1,320' of water-access	0.75 of Key 'A'
	If further than ¼ mile from water access	1.00 of Key 'B'
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	0.80 to 0.90
	Average: Level to sloping, possibly wooded parcel with adequate drainage	1.00
	Good: Mostly level to gently sloping, well drained and wooded. Multiple building sites	1.10
Amenities	Superior views	1.10
	River, creek or pond frontage	1.00 to 1.20
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 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). Or determine the minimum bid for administratively surveyed parcels acquired under the Subdivision Auction Program (AS 38.05.035)

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 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.”¹

AS 38.05.125(a) states:

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.”²

Definition of Market Value

“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.”³

Effective Date of Value

The effective date of the value estimate is January 23, 2012.

¹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.111

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2008, pp. 624-625

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

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.

Based on exposure time for similar properties, the estimated values are based on an exposure time of up to three years.

Sales History

There are private parcels within the staking boundary, but excluded from the offering. Potential staking sites have not sold within the last three years. DNR is the current owner of record.

Scope of the Appraisal

In September 2010 during an unrelated assignment, I flew over the Zitziana RRCS. Aerial photographs were taken, along with identifying some possible float plane accessible lakes. In addition, some of the comparables sales have been inspected during unrelated assignments. The physical description of the subject was based on aerial photography, topographic maps, previously completed appraisal reports, and interviews of various individuals familiar with the area.

DNR appraisal records were searched for recent sales of similar parcels. Multiple real estate listings were searched, including; private classified ads, private real estate firms, DNR land disposal programs, the University Land Office, and the Mental Health Land Trust. 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.

⁴ Uniform Standards of Professional Appraisal Practice 2010-2011, Appraisal Foundation SMT-6.

Assumptions and Limiting Conditions

- . The property is appraised as vacant land without structural or site improvements.
- . All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader visualize the properties.
- . 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.
- . 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.
- . 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.
- . 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 the final judgment is based. Therefore, no part should be used out of context and by itself alone.
- . 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.
- . 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.
- . 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.
- . Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
- . 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.
- . 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.
- .
- .

PRESENTATION OF DATA

Market Area⁵

- Manley Hot Springs

Manley Hot Springs is a small community of 70+ residents located 5 miles north of the Tanana River, 160 road miles west of Fairbanks. The area has a cold, continental climate typical for interior Alaska with average temperatures ranging from the upper 50's in summer to -20°F in winter. Extremes have been recorded from 93°F to -70°F. Most of the residents support themselves by multiple jobs including: gold mining, tourism, government, and a semi-subsistence bartering system. Residents haul water from a community wellhouse, while public buildings have private wells. The community has a local clinic, roadhouse, landfill, and school. A federally recognized tribe (Manley Village Council) is located within the community.

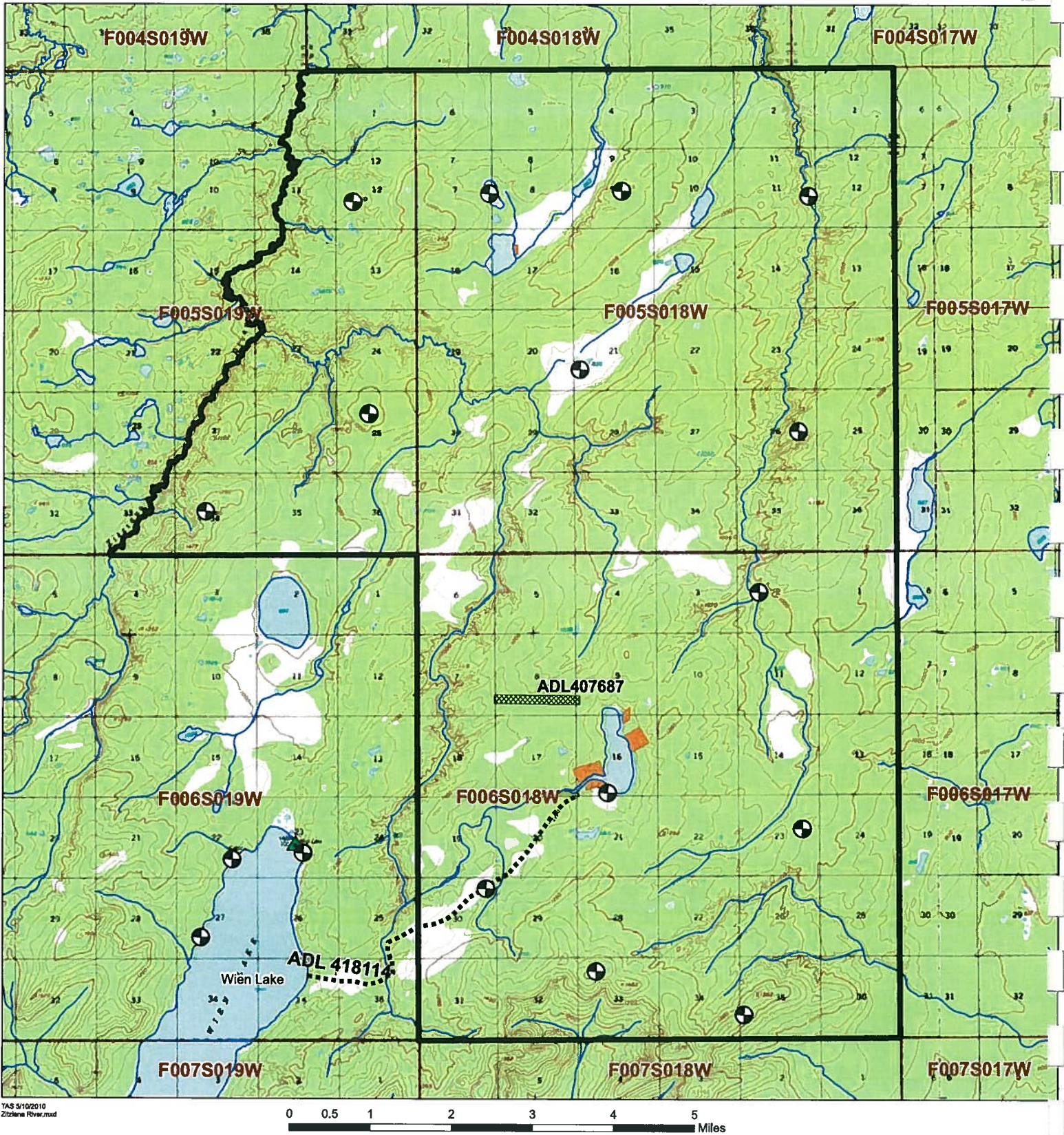
The most notable characteristic is the geothermal hot springs located just north of town. Naturally occurring hot springs have been an economic advantage for the community since 1902, when a mining prospector named John Karshner claimed several hot springs and started an ambitious vegetable farm. The community boomed during the gold rush era when in 1907 a hotel was built complete with 45 guest rooms, steam heat, electric lights, hot baths, a bowling alley, and an Olympic-size indoor heated swimming pool. Nowadays, tourism is still important to the local economy. One individual has developed a small-scale commercial hot springs attraction.

- Lake Minchumina

Lake Minchumina is a small community of 13 residents located north of Mt. McKinley in Interior Alaska. According to the 2010 census, there were 36 housing units, most of them only occupied seasonally. Half of the homes have individual wells, the remainder use untreated surface water sources. The majority of homes utilize outhouses or honeybuckets. A private company provides electrical services and there is a small school in the community. A local lodge provides some employment, but due to its isolation, subsistence activities such as trapping and dog mushing are also pursued

⁵ Community information is obtained through the Alaska Division of Community and Regional Affairs, http://commerce.alaska.gov/dca/commdb/CF_CIS.htm

Agency Review: Zitziana RRCS - ADL 418924



PHYSICAL CHARACTERISTICS	
Location	The staking area is located approximately 100 miles southwest of Fairbanks and 55 miles southeast of Tanana along the Zitziana River.
Legal Description	Sections 1 - 36, within Township 5 South, Range 18 West, Fairbanks Meridian; Section 1, that portion of Section 2 east of the Zitziana River, that portion of Section 11 east of the Zitziana River, Sections 12 - 13, that portion of Sections 14 - 15 east of the Zitziana River, that portion of Sections 22 - 23 east of the Zitziana River, Sections 24 - 26, that portion of Sections 27 - 28 east of the Zitziana River, that portion of Section 33 east of the Zitziana River, and Sections 34 - 36, within Township 5 South, Range 19 West, Fairbanks Meridian; and Sections 1 - 36, within Township 6 South, Range 18 West, Fairbanks Meridian.
Native Regional and Village Corporations	Doyon Limited is the regional corporation for the Zitziana staking area. As no villages are located within 25 miles of the staking area, courtesy notification will be distributed to village corporations and councils in Tanana, Manley Hot Springs, Lake Minchumina, and Nenana, all of which may potentially pursue traditional uses within the staking area.
Flood Zone	Federal Emergency Management Agency Flood Insurance Rate Maps are not available for the staking area. There is potential for seasonal flooding and erosion of parcels adjacent to streams. There is also potential for discontinuous, ice-rich permafrost to be present in area soils.
Topography map	USGS Kantishna River B-3 & C-3
Topography	The staking area features rolling and relatively flat terrain crossed by several river and creek drainages. Elevation ranges from 650 feet at the Zitziana River to over 1500 feet in neighboring hills.
Access	Primary access to the area is by plane to unnamed lakes within the project area. The Department will retain sites along lakes on which it appears physically practical to land craft in order to protect access to the staking area. There is potential for access to the area by plane via Wien Lake, and then overland by foot or ATV to the project area along an existing trail ADL 418114. Overland access to the staking area is also possible by snowmachine on a series of trails from Nenana through the Kantishna River basin across unreserved State land to the staking area. Lastly, physical access to the staking area is also possible by landing a plane on unreserved state land.
View	Views typical of surrounding area. Potential views of Mt. McKinley and Kuskokwim Mountains from ridge tops.
Climate	Typical of Interior Alaska river valleys, this area has a cold, continental climate with extreme seasonal temperature variation and low precipitation. Summer temperatures range from the mid-30's to low-90's. Winter temperatures range from -65 to 45. Average annual precipitation is 10 inches with 68 inches of snowfall.
Soils/Vegetation	Soils in the southern portion of the staking area are primarily loamy on rolling slopes. Permafrost is shallow on north-facing slopes. Soils in the northern portion of the staking area are silt loess with permafrost at or below 5 feet in depth. Soils are poorly drained in low-lying areas and better drained at higher elevations.

	Vegetation is highly variable and includes mixed spruce, birch, and aspen along water, and tussocks in low-lying, poorly-drained areas. Much of the area was burned in 2009 and vegetation in these areas is starting to regenerate.
Water Source	Surface water may be collected from untreated surface water throughout the staking area. Water quality is unknown.

EASEMENTS AND RESERVATIONS	
Title	<p>Information from Title Report 1381, current as of July 27, 2010 indicates the State of Alaska holds fee title to the land and mineral estate within the staking area, excluding 6 parcels conveyed as a result of past Department land sales and 2 parcels conveyed as a result of federal land disposals.</p> <p>These lands were acquired under Statehood entitlement, General Purpose Grant, under the Act of July 7, 1958, 72 Stat. 339 as amended. The State received title under Patent No. 50-88-0241 dated September 3, 1988, Patent No. 50-88-0329 dated September 1, 1988, and Patent No. 50-88-0358, dated September 12, 1988. The lands are subject to standard federal reservations.</p>
Allowed Uses	Remote Recreational Cabin Sites 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.
Municipal Authority	The staking area is within the Unorganized Borough and is subject to the State of Alaska platting and zoning 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	Parcels are subject to a minimum 30-foot public access and utility easement along interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Stakers may not obstruct or block access within these easements.
Setbacks and Other Restrictions	Parcels are subject to a 100-foot building setback from public or navigable water bodies. Water dependant structures may be allowed within this setback. Parcels may not be staked across waterbodies determined to be public or navigable. Parcels staked along the ordinary high water line of public or navigable water bodies are subject to a 50-foot public access easement. Using motorized vehicles to cross streams may be prohibited by applicable state and federal laws.
Navigable Waters	A navigability determination for title purposes was made by the Bureau of Land Management for lands within Township 5 South, Range 18 West, Fairbanks Meridian, Township 5 South, Range 19 West, Fairbanks Meridian, and Township 6 South, Range 18 West, Fairbanks Meridian. Waters within the three townships were found to be non-navigable.

Reserved Areas	Reserved areas may be imposed prior to offering, and will be depicted on the staking map. There are no reserved areas identified at this time.
Fire Management Option	The fire management option for most of the staking area is "Limited."
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.
Comments/Issues	The project area was burned in a 2009 fire caused by lightning. The primary fuel for the fire was black spruce.

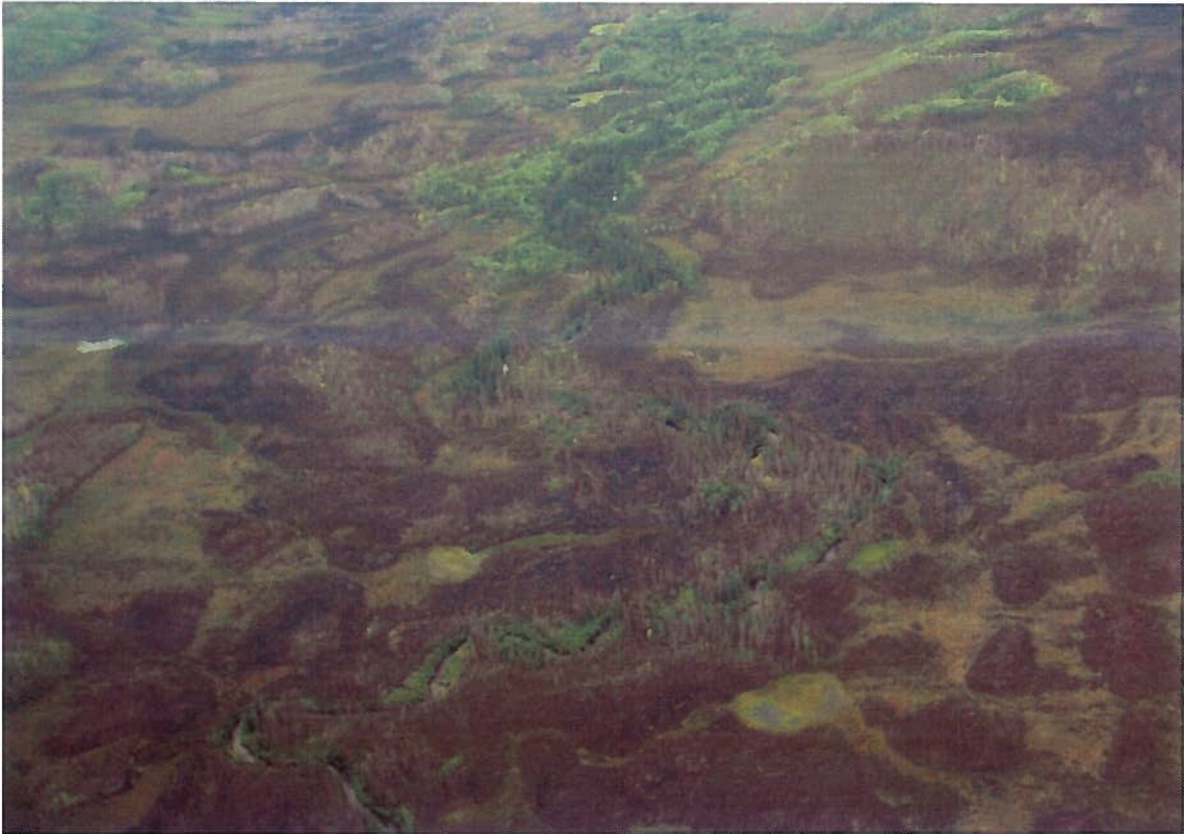


Floatplane access. Photo of Sec 10 & 15 in T5S, R18W⁶.



Floatplane access. Lake is within of Sec 16 in T6S, R18W. Trail to Wien Lake in foreground.

⁶ All photographs taken by DNR staff between 2004 and 2010
Report 3590-0 Zitziana RRCS



Zitziana River (north of the staking area).



Zitziana Staking area, portions burned with intact stands of hardwoods.



Southwestern portion of Zitziana RRCS



Portions of the staking area have more varied topography.



Trail ADL 418114 from Wien Lake to the float plane lake in Sec 16, T6S R18W.



Mixed vegetation with burned spruce and mixed hardwood stands.

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 as⁷:

"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 Zitziana RRCS 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 parcel can be developed with 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 Parcel as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁷ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278

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.