

MARKET VALUE APPRAISAL

**Hypothetical Key Parcels within Teklanika III
Remote Recreational Cabin Staking Area**



BASE APPRAISAL REPORT No. 3614-0

**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 3, 2012 

TO: Kevin Hindmarch
Review Appraiser

FROM: Johnthomas Williamson

SUBJECT: Appraisal of two Hypothetical Key Parcels within the Teklanika III Remote
Recreational Cabin Site Staking Area – Base Appraisal Report no. 3614-0

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.

I have indirectly inspected portions of the Teklanika III RRCS staking area in 2010 during an unrelated assignment. In addition, some of the comparables sales have been inspected during other 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	8

DATA ANALYSIS AND CONCLUSION

Highest and Best Use	13
Approaches to Value	14
Key Parcel Method	14
Discussion of Comparable Sales & Value Conclusion	15
Staked Parcel Valuation and Adjustments	20
Certification of Value	21

ADDENDA

Comparable Sale Forms	
Size Adjustment Chart	
Preliminary Decision	
Special Appraisal Requirements	
Appraiser Qualifications	

APPRAISAL SUMMARY

Teklanika III Remote Hypothetical Key Parcels	
Location	The Teklanika III RRCS staking area area is located along both sides of the Teklanika and Nenana Rivers, approximately 7 miles southwest of the city of Nenana
Topography Map	USGS Fairbanks B-5 & B-6
Legal Description	F005S009W, F006S009W, F006S010W Fairbanks Meridian
Owner	State of Alaska
Key Parcel 'A' (1st Tier Parcel)	Lot Type: 'A' – Located within 330' of the Teklanika or Nenana Rivers.
	Size: 5.00 acres
	Access: Boat or snowmachine
	Building Site: At least 50% level, wooded, and adequately 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' foot public access easement along the OHW of all public waters. 100' easement centered on any surveyed or protracted section lines. 60' easement centered on existing trails through and along staked parcels 100' easement centered on any RS2477.
	5' survey easement for survey control.
Amenities: Riverfront & typical view of the surrounding area	
Improvements	None
Key Parcel 'B' (Interior Parcel)	Size: 5.00 acres
	Lot Type: 'B' – Located further than 330' from the Teklanika or Nenana Rivers
	Size: 5.00 acre
	Access: Snowmachine, or boat then walk-in.
	Building Site: At least 50% level, wooded, and adequately 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' foot public access easement along the OHW of all public waters. 100' easement centered on any surveyed or protracted section lines. 60' easement centered on existing trails through and along staked parcels 100' easement centered on any RS2477.
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 3, 2012
Date of Report	January 3, 2012

Conclusion of value for Hypothetical Key Parcels			
Key Parcel 'A' Riverfront	Size	Per/acre	Per/site (RND)
	5.00 acres	\$3,700	\$18,500
Key Parcel 'B' Interior			
Key Parcel 'B' Interior	Size	Per/acre	Per/site (RND)
	5.00 acres	\$1,900	\$9,500
	10.00 acres*	\$1,425	\$14,300
	15.00 acres*	\$1,235	\$18,500
	20.00 acres*	\$1,069	\$21,400

-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 water-access	1.00 of Key 'A'
	Further than 330' of 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, 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
	Creek or pond frontage	1.00 to 1.10
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 of the properties described in this report.

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

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

Effective Date of Value

The effective date of the value estimate is January 3, 2012.

Date of Report

The date of the report is January 3, 2012.

Exposure Time

Exposure time is defined as "...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; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort."⁴

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. Considering the availability of parcels on the market, an exposure time of up to a year is reasonable.

Sales History

The Department of Natural Resources has offered parcels within the general Teklanika III RRCS area in 1990s, in 2001, and in 2004. However, DNR is the record of owner for all potential staking sites within this offering. None of the potential staking sites have sold within the past three years.

Scope of the Appraisal**Property and Comparable Sales Inspection**

I have indirectly inspected the Teklanika III RRCS staking area. In 2010 during an unrelated assignment, I made aerial inspections of surveyed parcels within the staking area. 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 with various individuals familiar with the area.

Research and Analysis conducted

Interviews were conducted with real estate agents, appraisers, local residents, surveyors, contractors, and other individuals familiar with the area. Information about trends in value, supply, demand, access, and physical characteristics of the subject properties was provided. DNR records and the Records Office databases were searched for relevant market data. Private real estate agent websites were searched for recent listings while sellers, buyers, and agents 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 assumptions and limiting conditions on the following page.

⁴ Uniform Standards of Professional Appraisal Practice 2010-2011, Appraisal Foundation, p. U-87

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 Area

- Nenana⁵

Nenana is located in Interior Alaska, 55 road miles southwest of Fairbanks on the George Parks Highway. Nenana is located at mile 412 of the Alaska Railroad, on the south bank of the Tanana River, just east of the mouth of the Nenana River. It lies 304 road miles northeast of Anchorage. Nenana has a cold, continental climate with an extreme temperature range.

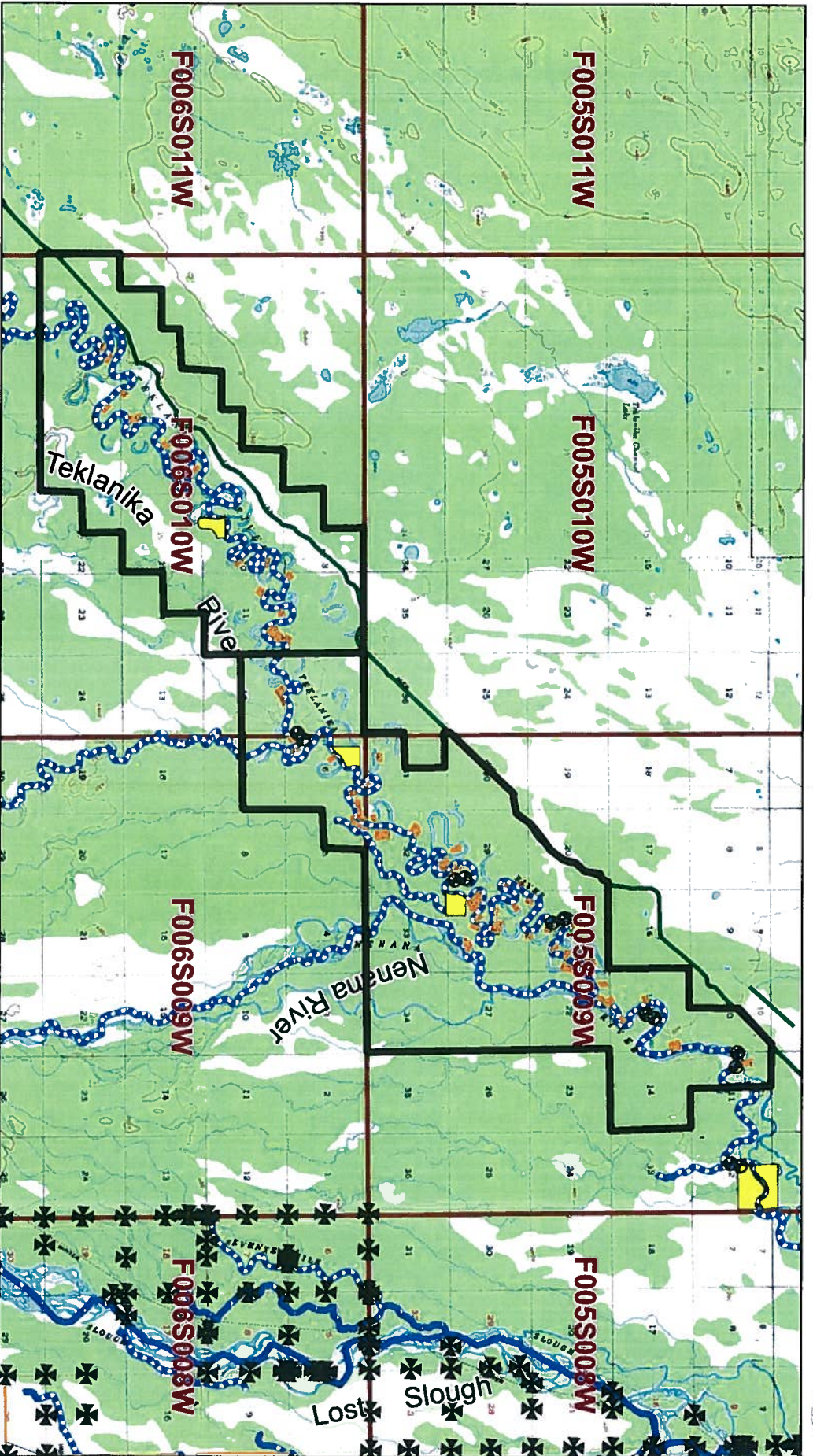
A federally-recognized tribe is located in the community -- the Nenana Native Association. The population of Nenana is a diverse mixture of non-Natives and Athabascans. The majority of residents participate in subsistence activities. Several Iditarod sled dog race competitors and former champions are residents of Nenana. The community has a health clinic, mental health clinic, fire department, public library, and State Troopers office. It is home to the Nenana District Court system. Golden Valley Electric has their Railbelt office located in Nenana. The Nenana Student Living Center, one of three statewide boarding facilities for high school students, has students from around the state; it attracts students due to its extensive programs, academic quality, and vocational studies

Over 40% of the year-round jobs are government-funded, including the city, tribe, state and federal workers. As the center of rail-to-river barge transportation center for the Interior, Nenana has a strong seasonal private-sector economy. Crowley Marine is the major private employer in Nenana, providing supplies and fuel to over 40 villages along the Tanana and Yukon Rivers each summer. The city also attracts independent travelers with fuel and supplies, the Alaska Railroad Museum, the Golden Railroad Spike Historic Park and Interpretive Center, the historical St. Mark's Episcopal Church, Iditarod dog kennels, and the Alfred Starr Museum & Cultural Center. The Nenana Ice Classic, a guessing contest when the ice breaks in the Nenana River, is a statewide event. In 2010, 19 residents held commercial fishing permits. Subsistence foods, such as salmon, moose, caribou (by permit), bear, waterfowl, and berries play an important role

Nenana has air, river, road, and railroad access. It lies on the George Parks Highway, the road between Wasilla and Fairbanks. The railroad provides daily freight service. The Nenana Municipal Airport offers a 4,600' long by 100' wide lighted asphalt runway and a gravel runway that doubles as a winter ski strip and measures 2,520' long by 60' wide. There is also a float pond with parking basins. The Nenana Port Authority operates the dry cargo loading and unloading facilities, dock, bulkhead, and warehouse. The Tanana River is shallow, with a maximum draft for loaded river barges of 4.5 feet. There is a public boat launch with a recreational area to provide access to the Nenana and Tanana rivers. Daily buses to Fairbanks and Anchorage are available year-round

⁵ <http://commerce.alaska.gov/dca/commdb/CIS.cfm>

Agency Review: Teklanika River III ADL 417416 and ADL 417472



HBF 05/06/2010
Teklanika, Alaska

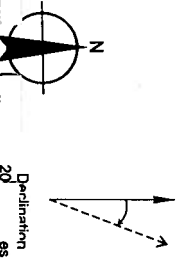


USGS QUADS 1:63,360

Fairbanks B-5, B-6
T5S R9W, T6S R9W, T6S R10W, Fairbanks Meridian

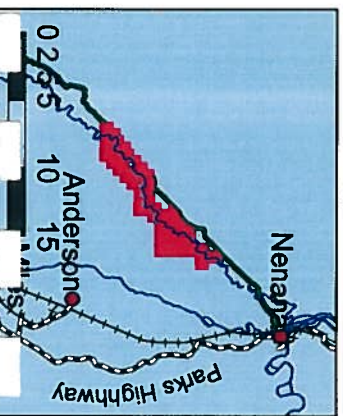
This map is for graphic representation only. It is intended to be used as a guide only and may not show the exact location of existing surveyed parcels or show all easements and reservations. Source documents remain the official record and should be reviewed prior to staking.

Maximum parcel size: 20 acres
Staking authorizations: 30
Minimum parcel size: 5 acres
Staking authorizations: 2011 to 2013



Legend

- BLM Monument
- Survey Monument
- NGS Monument
- RS2477 Trail
- Anadromous Fish Stream
- Private Parcels
- Native Allotment
- Teklanika PRCS



Teklanika III RRCS Staking Area Description

PHYSICAL CHARACTERISTICS	
Location	The Teklanika III project area is located along both sides of the Teklanika and Nenana Rivers, approximately 7 miles southwest of the city of Nenana
Terrain and Major Features	The terrain is relatively flat dissected by several drainages and oxbow lakes.
Access	Access is provided by the Teklanika and Nenana Rivers, as well as snow machine trails in the area.
View	The view is primarily the Alaska Range to the south and surrounding hills and lowlands.
Climate	Average January temperature is -14 F, average July temperature is 60 F. Average annual precipitation is 13 inches, with 50 inches of snow.
Soils	Soils are primarily poorly drained soils with permafrost on the lower part of the floodplain and well-drained soils with deep or absent permafrost on the natural levees.
Vegetation	The vegetation is a mix of spruce, with some balsam poplar and birch. Portions of the staking area have been burned in the past.
Water Source	Rivers, creeks and lakes provide surface water within the staking area. Water quality is unknown.

EASEMENTS AND RESERVATIONS	
Title	All lands within the sale area are patented to the State of Alaska, Patents 5088-0017, 50-88-0016, 50-95-0258, except lands previously sold to the public, Native Allotment F-024288, Parcel B, and USS 9951 Tract A and USS 9948.
Allowed Uses	Remote Recreation 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.
Improvements	Prior to construction of any structure or waste disposal system, contact the platting authority for any permits or for required setbacks from water bodies, lot lines, and easements.
Setbacks and Other Restrictions	To maintain management intent of the TBAP, parcels within 1000 feet of the Teklanika or Nenana Rivers are limited to 5 acres in size. For ease of survey and administration, parcels must be nominal 5 acres (approximately 5 – 5.5 acres) in size.
Public Access and Utility Easements	Parcels are subject to a minimum 30-foot public access and utility easement along the interior parcel boundary lines and a minimum 60-foot public access easement along all existing unnamed trails. Parcels may not be staked across any named or serialized trail.
Public Water Bodies and Easements	Parcels may not be staked across any public or navigable water body. Staked parcels are subject to 50-foot public access easements upland from the ordinary high water mark of public and navigable water bodies. Parcels are subject to a 100-foot building setback from the ordinary high water mark of all water bodies determined to be public or navigable.

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 a protracted 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.
Waste Disposal	All on-site waste water disposal systems must meet the regulatory requirements of the Alaska Department of Environmental Conservation.
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.
Oil and Gas, 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 it 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 also provides that the surface owner will be compensated for damages resulting from mineral exploration and development (AS 38.05.130). Mineral orders closing an area to new mineral entry, where they have been established, close the area to exploration and development of locatable minerals such as gold, copper, platinum, et cetera. Such mineral orders do not apply to leasable minerals, including oil and gas leasing, coal leasing, shallow gas leasing, or exploration licensing for such, nor do they preclude reasonable surface access to these resources.
Additional Information	Forestry, public recreation, wildlife habitat, and settlement are the primary uses of state land within the area. The project area has been offered previously as Teklanika RRCS in 2001 and Teklanika II in 2004. In 2001, 14 of 20 authorizations were staked, totaling 70 acres. In 2004, 17 of 30 authorizations were staked, totaling 85 acres. There was the Teklanika I Residential Homestead staking in 1986, with approximately 80 stakings totaling approximately 400 acres.



Teklanika River.



Multiple cabins along the Teklanika River .



Portions of Teklanika III RRCS recently burned in forest fires.



Typical mixed vegetation in Teklanika III RRCS.



Oxbow patterns indicate continuously changing river channel.



Mixed vegetation along Teklanika River

ANAYLSIS AND CONCLUSIONS

Highest and Best Use

Analysis of highest and best use for the subject 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 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."⁶

The land to be valued is considered vacant and is 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 subjects are vacant and unimproved.

Legally Permissible

The Teklanika III RRCS staking area is not subject to any known 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

Staked parcels will be 5 to 20 acres. 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 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. The immediate vicinity is characterized by remote recreational cabin sites. Outdoor activities are the primary motivations for the surrounding users.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the subject as vacant would be for almost any legal use, primarily a private recreation cabin site.

⁶ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.277-278

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.