MacSwain Associates LLC

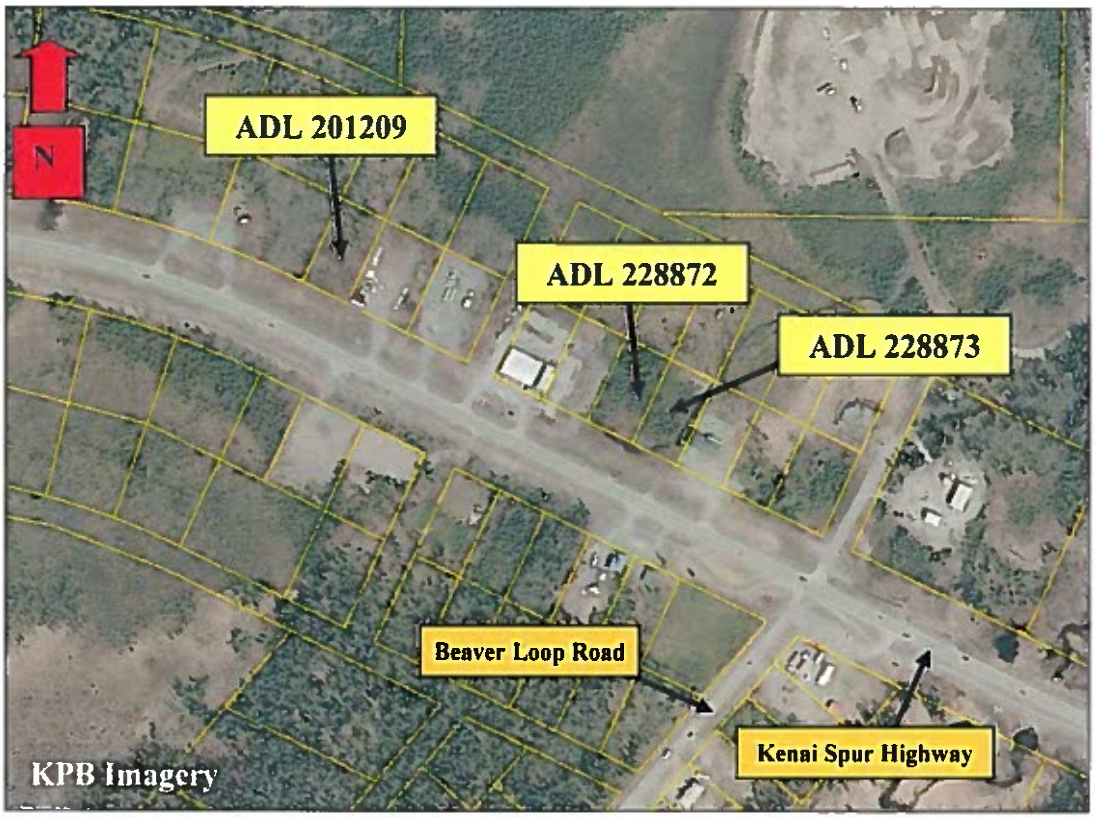
4401 Business Park Boulevard, Suite 22, Anchorage, Alaska 99503

APPRAISAL REPORT

Appraisal of Three (3) Beaver Creek Alaska Subdivision Lots
1. ADL Number 201209 – Lot 14, Block C
2. ADL Number 228872 – Lot 10, Block B
3. ADL Number 228873 – Lot 11, Block B

Kenai, Alaska

Estimate of Market Value



Effective Date of Appraisal
January 8, 2020

Report Date
January 10, 2020

File No.
19-3373

Submitted To:

Kevin Hindmarch, Review Appraiser
State of Alaska Department of Natural Resources
550 W. 7th Avenue, Suite 650
Anchorage, AK 99501-3576

DEPARTMENT OF NATURAL RESOURCES

STATE OF ALASKA

Review Appraisal Report

A. SUMMARY OF APPRAISAL NO. 4522-0

1. ADL NO(S): See table below
2. SIZE: Various, as noted in table
3. APPLICANT: N/A
4. LOCATION: Subdivided parcels on the north side of the Kenai Spur Highway and west of Beaver Loop Road, Kenai, AK
5. LEGAL DESCRIPTION(S): See table below
6. INTEREST APPRAISED: Fee Simple Title less Mineral Rights
7. PURPOSE OF THE APPRAISAL: Estimate Market Value
8. APPRAISED BY: MacSwain Associates, LLC
9. DATE of REPORT: January 10, 2020
10. DATE of VALUE(S): January 8, 2020
11. APPRAISED VALUE(S)

201209	14	C	Beaver Creek Alaska Subdivision	0.931	$30,000
228872	10	B	Beaver Creek Alaska Subdivision	0.947	$30,000
228873	11	B	Beaver Creek Alaska Subdivision	0.947	$30,000

B. SUMMARY OF REVIEW

1. DATE of REVIEW: February 3, 2020
2. REVIEWER'S CLIENT: ☒ DNR ☐ Other: _____
3. INTENDED USERS of the REVIEW: ☒ DNR ☒ General Public ☐ Other: _____
4. INTENDED USE of the REVIEW: Establish minimum bid price for sealed bid auction
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: _____
   Proofread DNR data entry: ☐ Yes ☒ No
7. RESULTS OF REVIEW: ☐ Not Approved ☒ Approved Approved Value: As noted in previous table

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: Adequate.

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 not 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 preliminary plat.
6. The value of commercial timber, if any, is specifically excluded from the final conclusion of value.

REVIEW APPRAISER'S CERTIFICATION APPRAISAL NO. 4522-0

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.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this review report within the three-year period immediately preceding acceptance of this assignment

Reviewed by Kevin Hindmarch
Kevin Hindmarch, Review Appraiser

Date 2/3/2020

cc: Hannah Uher-Koch

MacSwain Associates LLC
4401 Business Park Blvd., Suite 22
Anchorage, Alaska 99503
Telephone: 907-561-1965
Facsimile: 907-561-1955
E-mail: s.macswain@macswain.com

January 10, 2020

Kevin Hindmarch, Review Appraiser
State of Alaska Department of Natural Resources
550 W. 7th Avenue, Suite 650
Anchorage, AK 99501-3576

Re: Appraisal of Three (3) Beaver Creek Alaska Subdivision Lots in Kenai, Alaska
1. ADL Number 201209 – Lot 14, Block C
2. ADL Number 228872 – Lot 10, Block B
3. ADL Number 228873 – Lot 11, Block B

Dear Mr. Hindmarch:

We prepared an *Appraisal Report* that analyzes the three (3) above-referenced lots owned by the State of Alaska Department of Natural Resources (DNR). Appraisal instructions are to estimate market value of the subject lots utilizing a key parcel approach, as indicated in the Special Appraisal Instructions issued by DNR. A copy of these instructions is located in the addendum. The intent of the appraisal is to estimate the market values effective the date of property inspection. We appraise fee simple estate less mineral rights reserved under AS 38.05.125(a). The appraisal report complies with the *Uniform Standards of Professional Appraisal Practice* (USPAP) as well as *Special Appraisal Instructions for DNR Land Disposal* issued by the Department of Natural Resources (DNR).

Based on the data, reasoning, and analysis contained in this report, it is our opinion the market values of the appraised lots, as of January 8, 2020, are as follows:

Estimated Market Value of ADL 201209	**$30,000**
Estimated Market Value of ADL 228872	**$30,000**
Estimated Market Value of ADL 228873	**$30,000**

We direct your attention to the Scope of Work to explain limitations of this report. We will cooperate with their review and respond to questions and recommendations. If you have questions regarding our analysis or conclusions, please contact our office.

Respectfully submitted,

Steve MacSwain, MAI
Alaska State Certificate No. 42

Appraiser Certification

We certify that to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and they are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
- We have performed no services, as appraisers or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and the report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- MacSwain Associates, LLC made a personal inspection of the properties that are the subject of this report.
- Alex Kleinke of MacSwain Associates, LLC provided significant real property appraisal assistance to the persons signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, inconformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- As of the date of this report, Steve MacSwain, MAI has completed the continuing education program of the Appraisal Institute.

- As of the date of this report, Steve MacSwain, MAI is a certified General Real Estate Appraiser in the State of Alaska and has completed the education requirements through June 2021.

- Based upon our independent, unbiased research and analysis, our professional opinion of market values, effective January 8, 2020, are as follows:
    - ADL 201209: $30,000
    - ADL 228872: $30,000
    - ADL 228873: $30,000

Steve MacSwain, MAI
State of Alaska Certificate No. 42

1/10/20
Date

Assumptions and Limiting Conditions

This appraisal is subject to the following general assumptions and limiting conditions.

- We assume no responsibility for the legal descriptions provided or for other matters pertaining to legal or title considerations. We assume title to the appraised parcels is marketable unless otherwise stated.
- We appraise the parcels free and clear of all liens or encumbrances unless otherwise stated.
- We believe the information furnished by others is reliable, but we do not guarantee its accuracy.
- We assume all engineering studies are correct. We believe all maps, plot plans, and other illustrative material are accurate. We include these exhibits only to help the reader visualize the appraised parcels.
- We assume there are no hidden or unapparent conditions of the parcels that render them more or less valuable. We assume no responsibility for such conditions or for obtaining the engineering studies that may be required to discover them.
- We assume the appraised parcels are in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- The appraisers are not required to give consultation, testimony, or attend court proceedings with reference to the subject parcels without prior arrangements.
- Neither all nor any part of the contents of this report shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraisers.
- We assume the appraised parcels are free of hazardous contaminants or other types of environmental conditions that may impair land value. We did not observe hazardous contaminants, but their presence may impose a detrimental condition that affects value. We urge you to obtain an environmental site assessment to evaluate risk and potential contamination.

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Summary of Important Facts and Conclusions

Property Type:	Three (3) vacant General Commercial-zoned lots with Kenai Spur Highway frontage
Location/Neighborhood:	North side of Kenai Spur Highway, west of Beaver Loop Road within Beaver Creek Alaska Subdivision
Type of Appraisal:	Estimate market value of three lots
Property Rights Appraised:	Fee simple estate less mineral rights reserved by the State
ADL Numbers:	1. ADL 201209, 2. ADL 228872, 3. ADL 228873
Legal Description:	Lot 14, Block C, Lots 10 & 11, Block B, of Alaska Division of Lands Plat, File No. 3-9, Beaver Creek Alaska Subdivision, according to the Amended Plat filed in the Kenai Recording District on August 3, 1981, as Plat No. 81-101. (see report for full legal description of each lot)
Assessor Numbers:	1. 04106114, 2. 04106210, 3. 04106211
Landowner:	State of Alaska DNR
Land Area:	Lot 1 - 0.931± acre or 40,554± square feet; Lots 2 & 3 - 0.947± acre or 41,251± square feet
Road Access:	Direct road access from Kenai Spur Highway permitted, however physical ingress/egress is not presently constructed.
Topography:	Generally level, near access grade
Wetlands:	Freshwater forested/shrub wetlands encroach onto the north boundaries of Subject 2 and Subject 3, but do not appear to adversely affect development potential. Sufficient land area lacking wetland inundation is evident on the center and south boundaries of these lots, which is more ideal for development due to frontage and access. KWF Wetlands Inventory maps these areas as drainageway wetlands.
Utility Service:	Public water, natural gas, electricity, and telephone available
Zoning:	GC – General Commercial

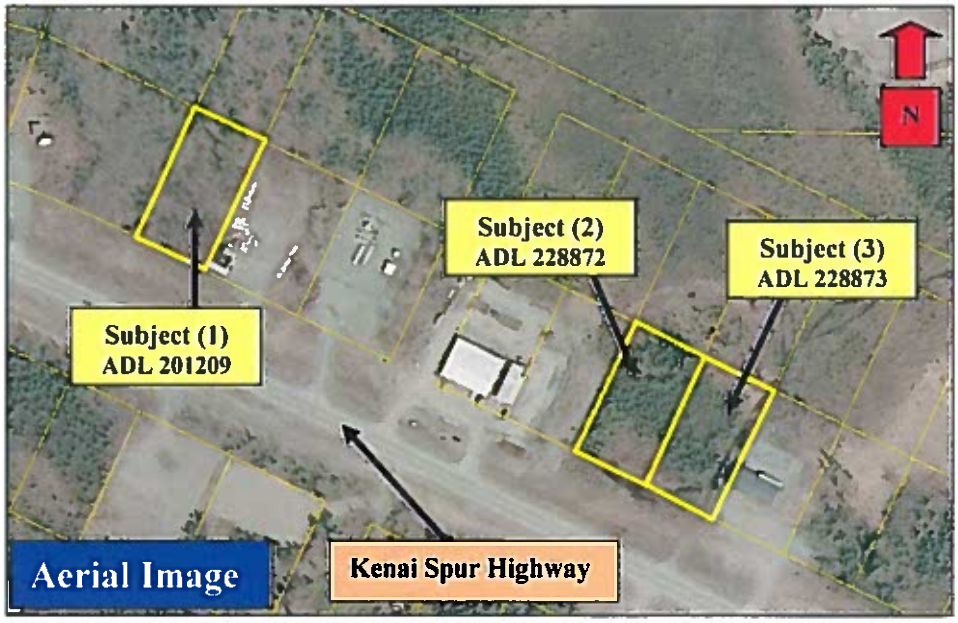
Easements:	No easements are noted on Plat Map 81-101, we assume no adverse easements affect the subject properties
Environmental Conditions:	Assumed free and clear of hazardous contaminants
Highest and Best Use:	Commercial or mixed-use development
Date of Property Inspection:	January 8, 2020
Effective Date of Appraisal:	January 8, 2020
Date of Report:	January 10, 2020

Opinions of Market Value:	
Key Parcel	**$30,000**
ADL 201209	**$30,000**
ADL 228872	**$30,000**
ADL 228873	**$30,000**

Chapter 1: Premise of the Appraisal

Overview

This appraisal report analyzes three vacant lots fronting the north side of Kenai Spur Highway, just west of Beaver Loop Road / Shotgun Drive. The subject parcels are similar in terms location and physical attributes, varying only slightly by size. Due to these similarities, DNR issued special appraisal instructions to use a *Key Parcel* valuation method. The property rights appraised is fee simple estate less mineral rights reserved under AS 38.05.125(a). We perform a complete appraisal process, and communicate our findings in an *Appraisal Report*. Moreover, we prepare this report to comply with the *Special Appraisal Instructions for DNR Land Disposal* as well as USPAP.



Client

State of Alaska, Department of Natural Resources (DNR)

Intended User of the Appraisal Report

State of Alaska, Department of Natural Resources (DNR)

Intended Use of the Appraisal Report

The intended use of the appraisal is to assist DNR with establishing the minimum price for a sealed bid auction and will be used by the general public for guidance in determining actual bid prices.

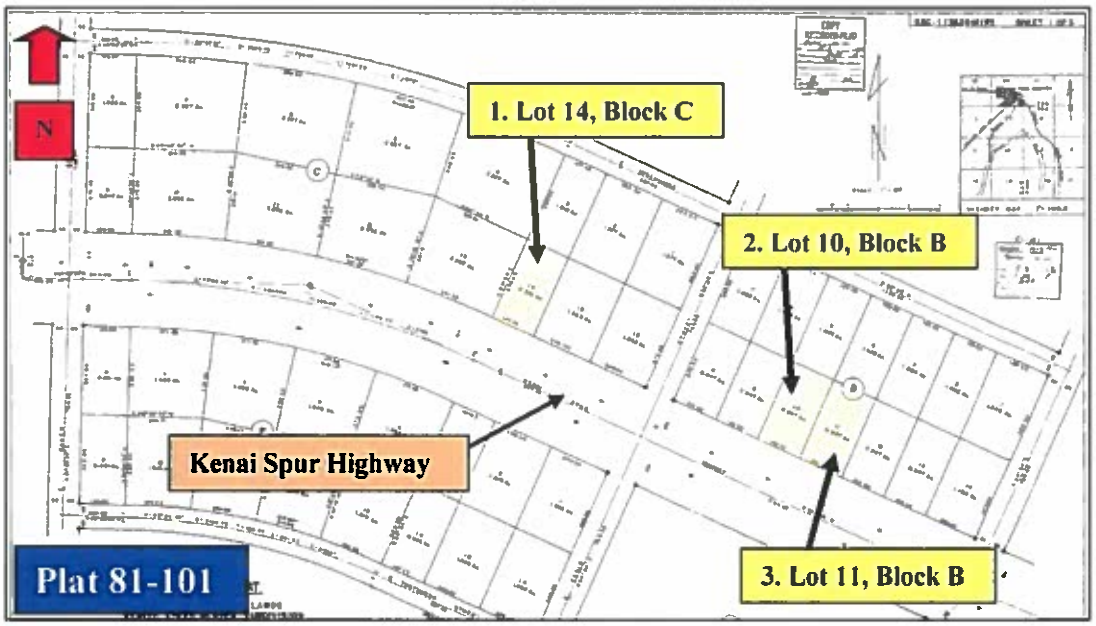
Identification of Appraised Property

The appraised properties are on the north side of Kenai Spur Highway just west of the Beaver Loop Road and Shotgun Drive intersection. The legal description and ADL number are as follows.

Legal Descriptions:

1. LOT 14 IN BLOCK C, OF ALASKA DIVISION OF LANDS PLAT, FILE NO. 3-9, BEAVER CREEK ALASKA SUBDIVISION, ACCORDING TO THE AMENDED PLAT FILED IN THE KENAI RECORDING DISTRICT ON AUGUST 3, 1981, AS PLAT NO. 81-101, CONTAINING 0.931 ACRES, MORE OR LESS.
2. LOT 10 IN BLOCK B, OF ALASKA DIVISION OF LANDS PLAT, FILE NO. 3-9, BEAVER CREEK ALASKA SUBDIVISION, ACCORDING TO THE AMENDED PLAT FILED IN THE KENAI RECORDING DISTRICT ON AUGUST 3, 1981, AS PLAT NO. 81-101, CONTAINING 0.947 ACRES, MORE OR LESS.
3. LOT 11 IN BLOCK B, OF ALASKA DIVISION OF LANDS PLAT, FILE NO. 3-9, BEAVER CREEK ALASKA SUBDIVISION, ACCORDING TO THE AMENDED PLAT FILED IN THE KENAI RECORDING DISTRICT ON AUGUST 3, 1981, AS PLAT NO. 81-101, CONTAINING 0.947 ACRES, MORE OR LESS.

ADL Numbers: 1. ADL 201209, 2. ADL 228872, 3. ADL 228873



Type of Appraised Value

The purpose of the appraisal is to estimate the market value for ADL Numbers 201209, 228872, and ADL 228873 per the instructions provided by DNR.

Definition of Market Value[2]	*Market Value* *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 and knowledgeably, and for self-interest, and assuming that neither is under undue duress.*
Property Rights Appraised	We appraise the fee simple estate less mineral rights reserved under AS 38.05.125(a).
Landowner	State of Alaska
Date of Property Inspection	January 8, 2020
Effective Date of Appraisal	January 8, 2020 (date of value)
Date of Report	January 10, 2020
Exposure Time	6-9 months
Sale History	We are not aware of a sale of property entitlements in the past three years. The State sold Subject Property 1 in July 2014 for $30,000, but retook ownership in 2018 after the sale contract was terminated.

[2] *Special Appraisal Instructions for DNR Land Disposal,* State of Alaska Department of Natural Resources, 2018, p. 1 of 3.

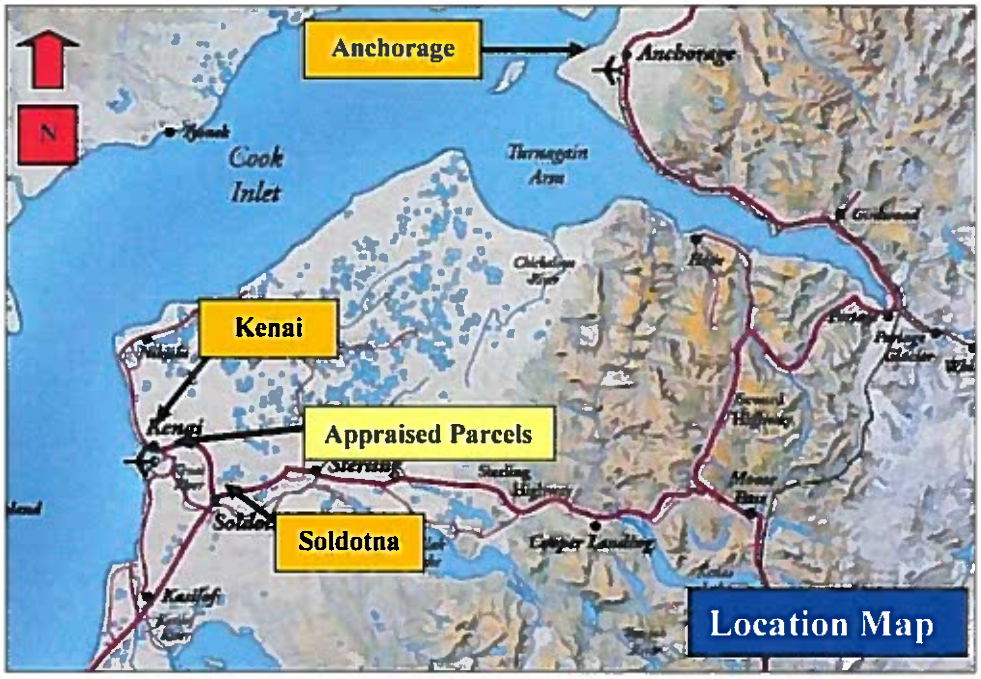
Scope of Work

We rely upon the sales comparison approach to estimate the market value of the appraised parcel. Neither the cost nor the income capitalization approaches are necessary to develop reliable indicators of value. The scope of the appraisal process follows.

- Contacted Kevin Hindmarch, DNR Review Appraiser, to confirm appraisal instructions;
- Analyzed Department of Natural Resources Case Abstracts for ADL 201209, 228872, and 228873;
- Inspected the appraised lots on January 8, 2020;
- Reviewed legal descriptions and Plat No. 81-101;
- Reviewed Kenai Peninsula Borough assessment data;
- Reviewed City of Kenai's Official Zoning Map and zoning codes;
- Collected and analyzed Kenai economic data;
- Performed a land use analysis;
- Determined highest and best use;
- Identified key parcel for the key parcel valuation method;
- Collected and analyzed sales of commercial and mixed-use land located in the Kenai area;
- Inspected the comparable transactions employed in the analysis of the key parcel;
- Relied upon the sales comparison approach to estimate market value of the key parcel; and
- Utilized a key parcel grid and valuation method to estimate the market value of the fee simple entitlements of each subject parcel.

Overview

The appraised property is located in Kenai, Alaska. A demographic and economic summary of the Kenai Peninsula Borough (KPB) and City of Kenai follows. The reader is referred to the map below and on following pages that illustrate the location and assist in the description and analysis. We note that due to lack of funding, the KPB ceased economic and financial publications.



Kenai Peninsula Borough Summary

The Kenai Peninsula Borough is comprised of the Kenai Peninsula and Cook Inlet including areas northeast of the Alaska Peninsula. The borough also includes portions of Chugach National Forest, Kenai Wildlife Refuge, Kenai Fjords National Park, Lake Clark National Park, and Katmai National Park. Encompassing 24,800 square miles, there are 16,000± square miles (65%) of land and 8,700± square miles (35%) of water. Three distinct communities and population centers are established within the borough. Seward is located at the terminus of the Seward Highway on the Gulf of Alaska coast, Kenai/Soldotna are located on Cook Inlet and surrounding the mouth of the Kenai River, and Homer is located at the terminus of the Sterling Highway on Cook Inlet and Kachemak Bay. A large portion of the borough population is scattered along the road systems rather than in identifiable cities or communities.

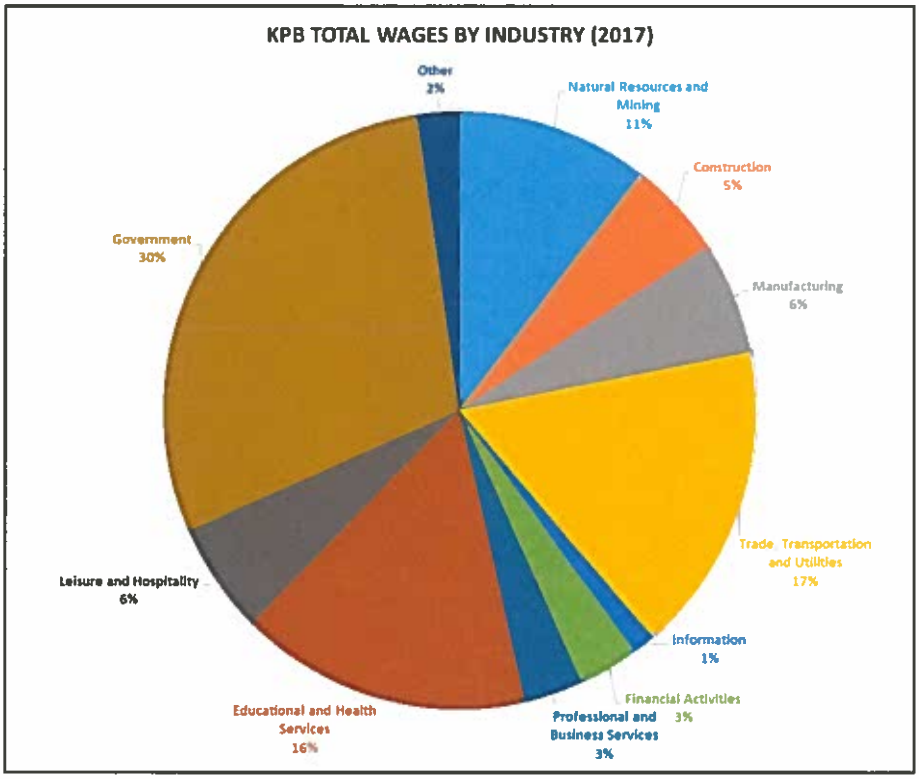
Population

Together, Kenai, Soldotna, Nikiski, Salamatof, and Kasilof have the largest population base in the borough with an estimated 17,600± residents in 2018. Population within the Kenai census area is 6,999 residents and has remained flat over the past two decades. Similarly, surrounding communities have experienced population stability.

Employment

Borough employment is characterized as relatively diverse with no single dominant industry, with the exception of government. The five industry categories that have the highest economic influence, based on total wages, within the borough are Federal, State, and local government (30%) trade, transportation, and utilities (17%), education and health services (16%), natural resources and mining (11%), leisure and hospitality (6%), and manufacturing (6%). Supporting employment sectors include construction (5%), professional and business services (3%), manufacturing (4%), and financial activities (3%). Table 1 below indicates 2017 Borough wages by industry. Due to the reorganization of the Department of Labor website, 2018 data was not available.

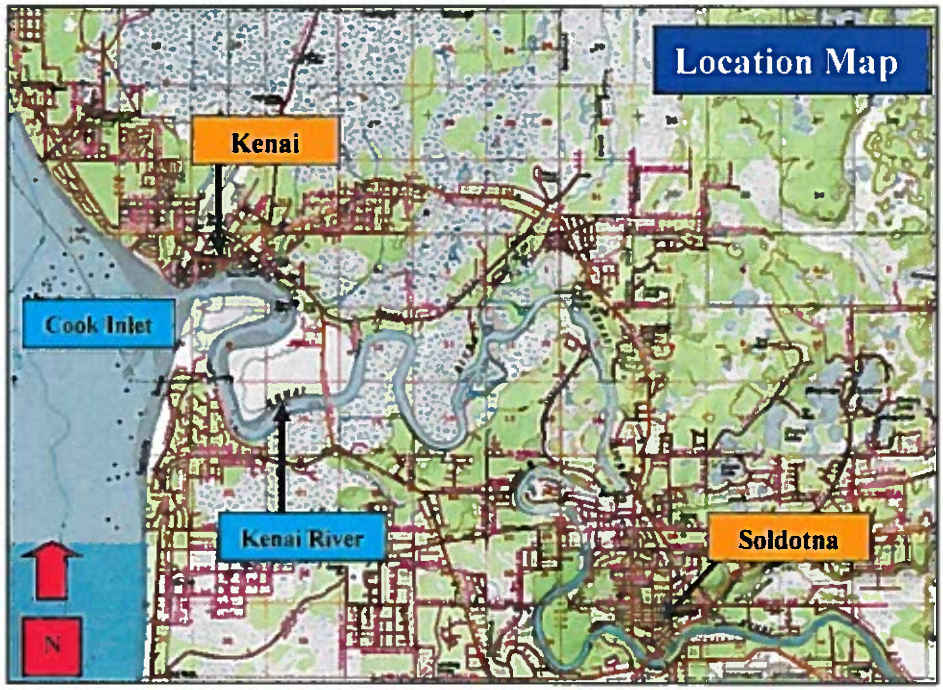
Table 1: KPB Total Wages by Industry (2017)



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, January – December 2017

Similar to most rural Alaska economies, government is one of the key employment factors. Leisure and hospitality (tourism) remains as a driving economic force of the Kenai Peninsula Borough's economy. Both residents and non-residents utilize the Peninsula for its vast fishing, camping, sightseeing, and other recreational opportunities. The visitor industry is cyclical with most activity occurring during summer months. However, sales in the visitor industry are an important source of municipal revenues as both city and borough government use collected sales taxes to support government operations. The oil and gas industry is scattered throughout the Peninsula. Natural gas endeavors marked increases in new exploration projects in Kenai, on the Westside of Cook Inlet as well as lower Kenai Peninsula between Clam Gulch and Ninilchik. However, negative aspects of the industry exist that include closing oil platforms due to poor production levels. Overall, the outlook for Kenai Peninsula Borough's oil and gas industry is continued steady natural gas exploration and production with stagnant oil efforts. Capital investment in storage development, reserves replacement, and pipeline infrastructure are necessary and pressure exploration cost and development upward.

City of Kenai Summary



Kenai is located on the western coast of the Peninsula, and is often associated with Soldotna, which is located 11± miles to the southeast. These two cities have become known as the "twin cities", sharing an integrated economy, while maintaining their independence. Kenai is a home rule city with a population of 6,999. In the summer months, the

area benefits from with tourists fishing the Kenai River. Kenai is also the center for the oil and gas industry on the Peninsula, providing services and supplies for Cook Inlet's oil and natural gas drilling and exploration. Nikiski, which lies north of Kenai, has two refineries established to process oil from the Cook Inlet oil platforms and the Swanson River oil fields. There are numerous oil field support businesses located in the area as well as the refineries. Kenai has the largest airport on the peninsula, the Kenai Municipal Airport, which has regular scheduled flights to/from Anchorage and other communities in the region.

The Nikiski industrial district located north of Kenai extends along the shore of Cook Inlet for 1.5± miles and one-mile inland. Despite the relatively small area, the value of industrial development exceeds $1 billion. The Agrium, Inc. nitrogen plant, Tesoro Alaska refinery and former ConocoPhillips LNG export plant are the principal industrial development. The LNG plant ceased operations in 2011, and reopened for intermittent natural gas shipments until 2015. The plant was sold to Andeavor in 2018 for $10M±, a significantly below market price. Agrium merged with PotashCorp in 2018, forming a new company called Nutrien, who currently owns the former Agrium plant.

In 2014, Homer Electric Association began generating its own power at the Nikiski Combined Plant, producing 80 megawatts of power. In addition, HEA purchased the Bernice Lake Power Plant from Chugach Electric Association for $12M±. These facilities are primary employers in Nikiski and account for nearly 10% of KPB total employment. As Nikiski remains a hub for power generation in the Kenai Peninsula, we do not anticipate major change to the Nikiski industrial district in the near term. The potential Alaska LNG Project is on the horizon, with optimism remaining on the Kenai Peninsula for eventual construction. The project entails a gas processing plant on the North Slope, an 800-mile gas pipeline and a liquefaction facility in the Nikiski area. Tentatively, the total project cost is estimated at $45B±. To date, 570± acres have been acquired in Nikiski to develop the project. The City of Kenai passed a resolution in December 2018, giving unanimous support to the LNG project; however, this joint venture between the State of Alaska and private oil and gas industry appears to have stalled, with no definite timetable for development.

In 2012, ENSTAR Natural Gas Company began injecting natural gas into their new storage facility in Kenai. The Cook Inlet Natural Gas Storage Alaska facility (CINGSA) is Alaska's first independent gas storage facility with 11 billion cubic feet of capacity. The project cost is estimated at $160M±.

Although most oil and gas fields in the Cook Inlet Basin are well past their peak, annual production has not declined significantly in the past decade. Moreover, smaller independent oil companies are prospecting in the Cook Inlet basin with the intent of using new technology to enhance production profitability. However, the maturing life-cycle of oil and gas production has caused attrition in smaller businesses that support this industry. More importantly, this economic trend has created a market imbalance for industrial and commercial real estate. For example, we observed several smaller industrial or commercial properties that are vacant or abandoned because of contraction in the oil and gas industry. Recent capital investments made by larger energy companies have helped revitalize Kenai Peninsula's oil and gas sector. Natural gas prices gradually recovered into summer 2014 from their lows in early 2012. Late 2014 to early 2015 saw another downturn in natural gas prices before a mid-2016/17 recovery. After briefly spiking in 4th quarter 2018, natural gas prices have trended downward through the first half of 2019. However, as demand for natural gas from Asia and the Lower 48 increases, additional capital investment in the Kenai Peninsula will become more viable. Expressed in Table 2 below is the U.S. Average Natural Gas Price over the past five-year period, which has experienced significant volatility.

Table 2: U.S. Average Natural Gas Price ($/MMBTU)

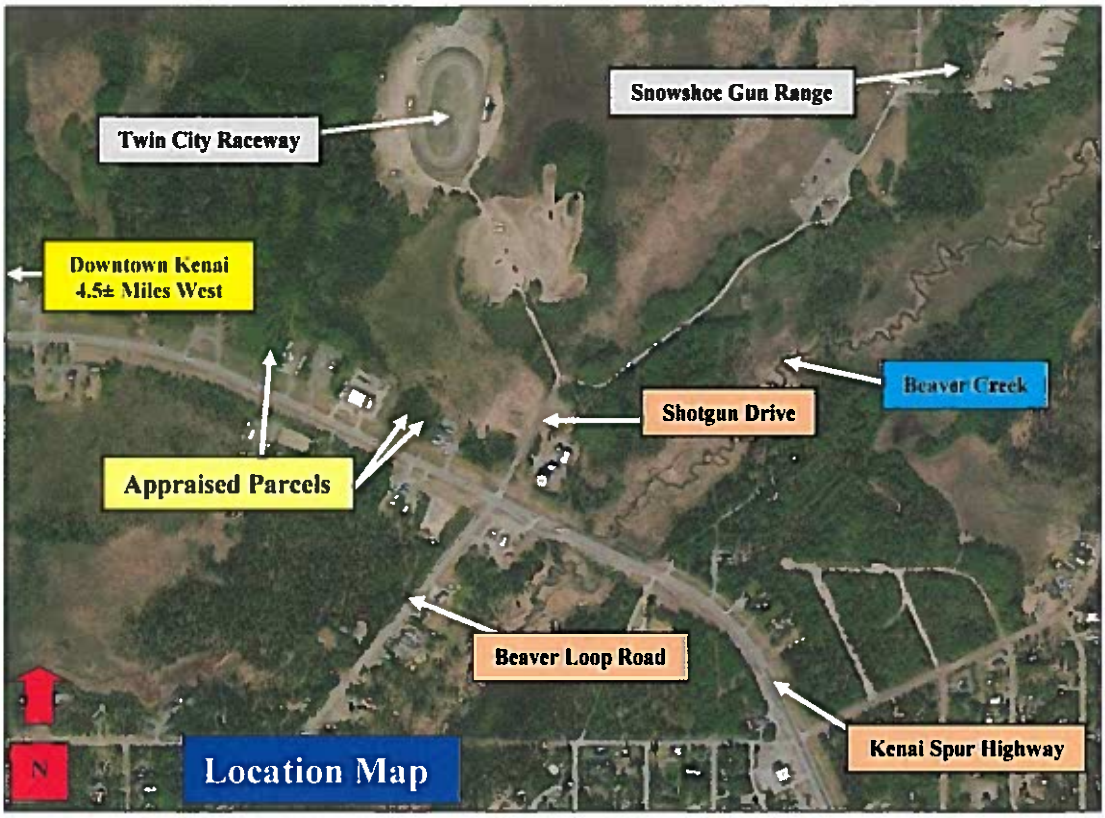
Source: NASDAQ

Conclusion

Optimism has been created by renewed investment in the Kenai Peninsula. Sale activity remains relatively scarce with assemblage, expansion, or special-purpose use representing the principal components of demand. After analysis, we determined that industrial and commercial property values have been relatively stable over the past decade, but have declined from the 1980s peak.

Overview

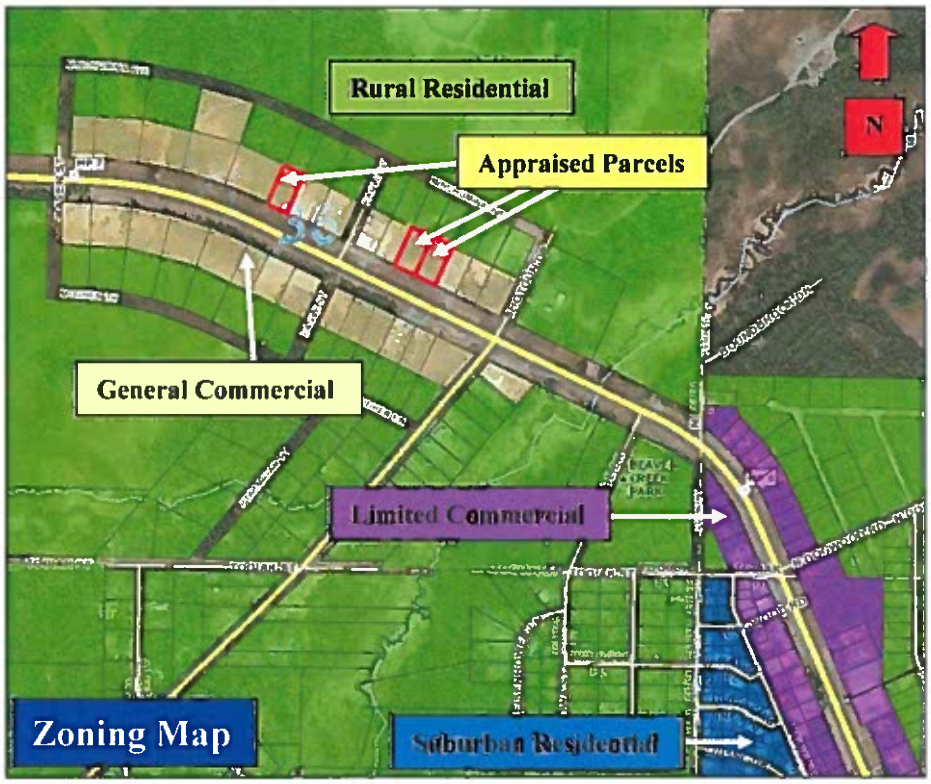
The appraised land is located 4.5± miles east of Downtown Kenai and the Kenai Municipal Airport. The general neighborhood is the area proximate to the intersection of the Kenai Spur Highway and Beaver Loop Road / Shotgun Drive. A neighborhood description and analysis follows. The reader is referred to the map below illustrating neighborhood boundaries and assisting with the description and analysis that follows.



Neighborhood Description

The neighborhood is rural in nature, setting between Kenai and Soldotna, but within Kenai city limits. Development is sparse, and consists of mixed-use residential, commercial, and public utility infrastructure. Recreational development to the north is comprised of the Twin City Raceway and Snowshoe Gun Range. Commercial development fronting Kenai Spur Highway is evident in the neighborhood. Residential development is limited to secondary streets, primarily south of Kenai Spur Highway. Acreage to the north of the highway is largely undeveloped due to wetland cover and lack of road infrastructure. Beaver Creek bisects the neighborhood, flowing 10± miles from Beaver Lake to

the Kenai River. Neighborhood zoning is comprised of Rural Residential, General Commercial, Limited Commercial, and Suburban Residential. The zoning map below assists in visualizing neighborhood zoning districts.



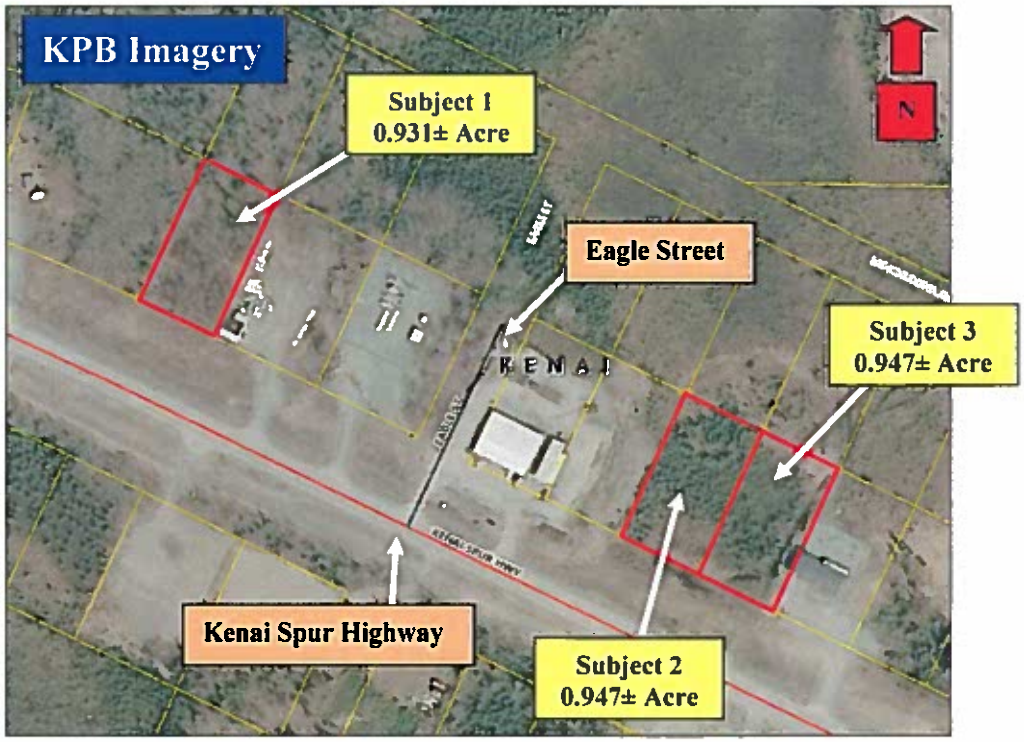
Summary

The neighborhood primarily zoned Rural Residential with General Commercial zoning within the subject subdivision with Kenai Spur Highway frontage. Additionally, zoning flexibility allows many commercial and industrial uses on a conditional basis in the Rural Residential zoning district. More rural in character and less densely developed than Kenai and Soldotna, this neighborhood is considered secondary to the downtown locations. Overall, the outlook for this neighborhood is for slow growth.

Overview

We present the land description and analysis in a tabular-type format with inserted maps, exhibits, and photographs that follow providing illustrative assistance. The subject lots are rectangular-shaped. Direct access from Kenai Spur Highway is legal, but not improved. Review of aerial imagery suggested a partial driveway has been constructed near the southeast corner of Subject 3, but existence of a driveway could not be confirmed during the inspection. Additional roadwork would be necessary to facilitate access. Based on the extent of site work needed, including clearing, grubbing, filling, and grading, the cost of the driveways are considered proportionately minimal. The inserted aerial image highlights boundaries, access, and physical character, while the plat map inserted on the following page shows parcel dimensions.

Aerial Image – Appraised Parcel

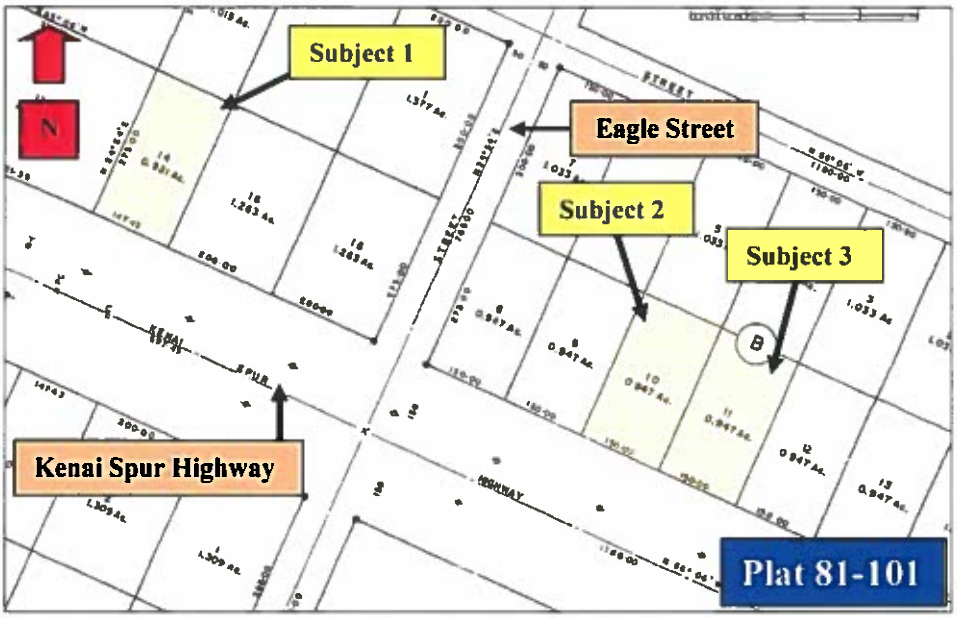


Description of Appraised Parcel

Described below are the physical, legal, and environmental factors that pertain the subject lots. We discuss zoning and other land use regulations after the descriptive analysis.

Land Area: Lot 1 - 0.931± acre or 40,554± square feet; Lots 2 & 3 - 0.947± acre or 41,251± square feet

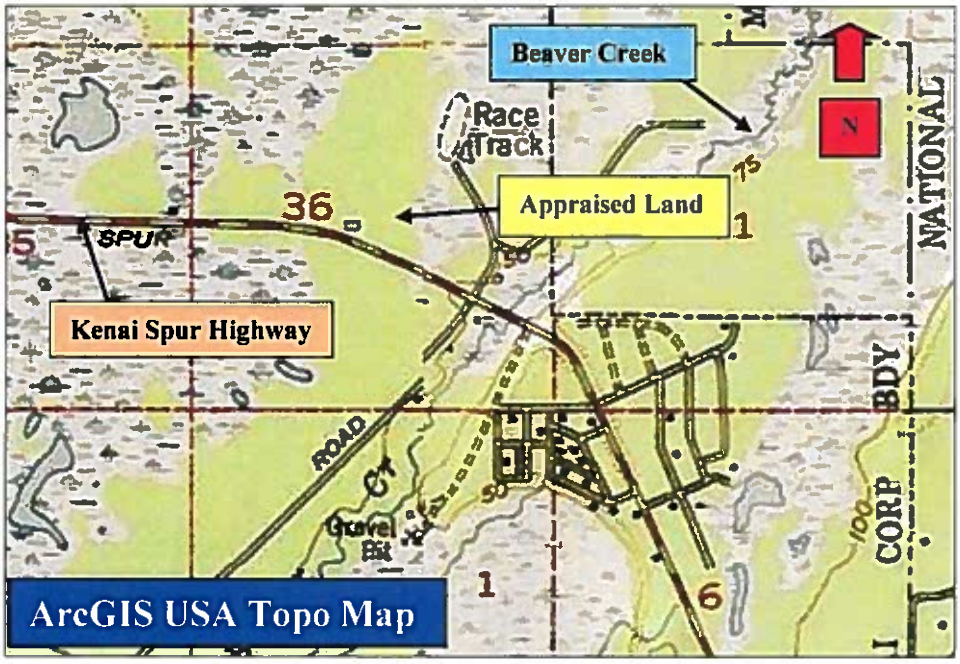
Shape: Rectangular; measuring 150± feet by 275± feet



Topography: Generally level, near grade with Kenai Spur Highway

Vegetation: Treed with aspen, spruce and birch, as well as low-lying grasses and shrubs

Soil Geology: Qutal and Soldotna silt loams, and Starichkof soils, which range from well-drained to poorly-drained

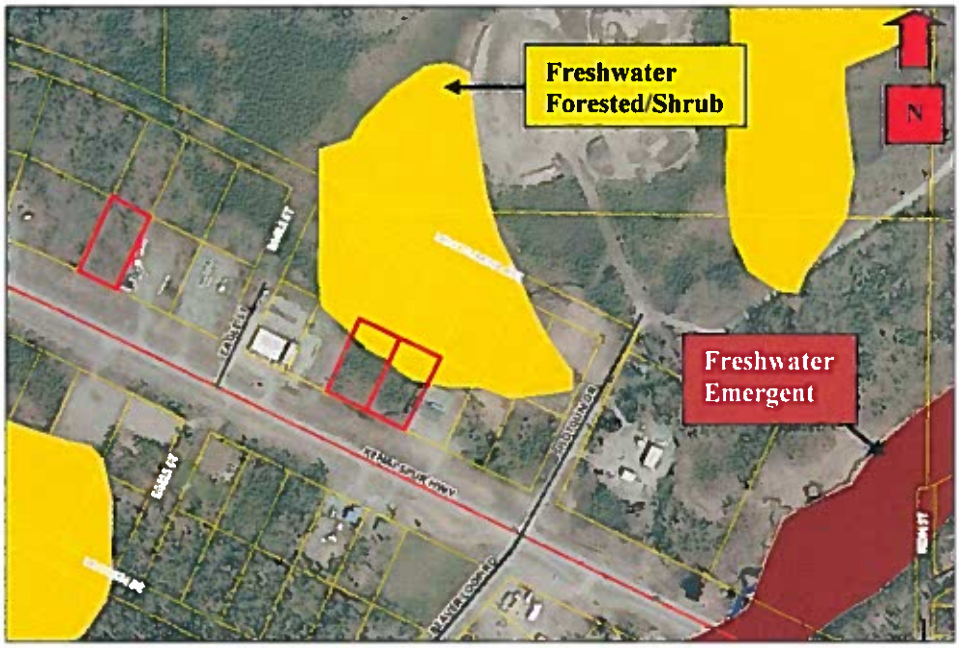


Road Access: Direct road access from Kenai Spur Highway permitted, however physical ingress/egress is not presently constructed. A possible partial driveway has been constructed near southeast corner of Subject 3, but does little to enhance access.

Utility Service: Water, natural gas, electric, and telephone are publicly available.

Easements: No easements are noted on Plat Map 81-101, we assume no adverse easements affect the subject properties

Wetlands: Freshwater forested/shrub wetlands encroach onto the north boundaries of Subject 2 and Subject 3, but do not appear to adversely affect development potential. Sufficient land without inundation is evident on the center and south boundaries of these lots, which is more ideal for development due to frontage and access. KWF Wetlands Inventory refers to these areas of inundation as drainageway wetlands.



Environmental Conditions: None observed, assumed free and clear of hazardous contaminants

Zoning: The appraised parcels are in the General Commercial (GC) District. The intent of this zoning district according to Chapter 14.20 of the *Kenai Zoning Code* is *"to provide for areas where a broad range of retail, wholesale, and service establishments is desirable. Uses are regulated to concentrate commercial development to the greatest extent possible and to prevent any uses which would have an adverse effect upon nearby properties."*

Real Property Assessments: The properties are owned by the State of Alaska and are exempt from taxation. According to the Kenai Peninsula Borough Assessing Department, the Subject 1 is given an assessed value of $19,000 while Subjects 2 and 3 are given assessed values of $19,300 each. The assessments have remained level for more than five years.

Photographs – Subject 1

Date: January 8, 2020 ***Taken By: Alex Kleinke***

Northeast view of ADL 201209 from Kenai Spur Highway

North view of ADL 201209 from Kenai Spur Highway

Photographs – Subject 2

Date: January 8, 2020 ***Taken By: Alex Kleinke***

North view of ADL 228872 from Kenai Spur Highway

Northwest view of Kenai Spur Highway frontage

Photographs – Subject 3

Date: January 8, 2020 ***Taken By: Alex Kleinke***

North view of ADL 228873 from Kenai Spur Highway

Southeast view of Kenai Spur Highway frontage

Overview

The highest and best use analysis of the appraised parcel hinges on the tests of legally permissible and physically possible. Importantly, our analysis determined that legal use of the subject parcel is physically possible as well as financially feasible. The appraised parcel is located in a rural neighborhood with mixed-use character. Our analysis concludes that the highest and best use of the property is for commercial development.

Highest and Best Use Analysis

Legally Permissible: The appraised parcels are situated within the City of Kenai and subject to zoning restrictions contained in Chapter 14.20 of the *Kenai Zoning Code.* Based on the current zoning map, the subject parcel is located within the General Commercial (GC) district, intended *"to provide for areas where a broad range of retail, wholesale, and service establishments is desirable. Uses are regulated to concentrate commercial development to the greatest extent possible and to prevent any uses which would have an adverse effect upon nearby properties".* Principal permitted uses include a wide variety of commercial and light industrial uses. Additionally residential uses are allowed as secondary uses except on the ground floor of buildings fronting major highways. Marijuana uses including cultivation and retail are conditionally allowed in this zoning district. Overall, we consider this zoning district to be flexible, allowing the gamut of commercial, light industrial, mixed-use development alternatives.

Physically Possible: The subject parcels each contain land area slightly less than one acre. The lots each benefit from 150± feet of Kenai Spur Highway frontage. While located within City of Kenai Boundaries, the neighborhood is 4.5± miles east of the Downtown area. Access is permitted from Kenai Spur Highway, yet is currently unimproved except a partially-constructed driveway to the southeast corner of Subject 3, which does not improve access. Evidence of a driveway was not seen during the inspection. The lots, which are considered raw land, are heavily treed and vegetated, necessitating a property owner to clear, grub, fill, and grade the land. Subjects 2 and 3 contain wetlands, which encroach onto the north boundaries. We do not consider these freshwater forested/shrub wetlands to restrict development potential because inundation is minimal. Overall, the size, location, legal access, and frontage of the lots promote commercial, light industrial, or mixed-use development.

Financially Feasible and Maximally Productive: We consider financial feasibility and maximally productive potential together. Surrounding development remains sparse, but increasing activity has been of the commercial and mixed-use variety. Based on surrounding development, Kenai Spur Highway frontage, and zoning characteristics, commercial or mixed-use development are considered financially feasible uses which can provide a positive return to the land. Wetland inundation will likely preclude development of the platted lots fronting the north boundaries of the subject parcels, further enhancing the rural character of the neighborhood. Based on lot size, location, and the rural nature of the subdivision, a mixed commercial/light industrial use with residential secondary use is a probable development scenario.

Conclusion

In conclusion, commercial or mixed-use development is considered the highest and best use *as vacant*.

Highest and Best Use:	**Commercial / Mixed-Use Development**

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 1360, Anchorage AK, 99501
Phone: (907) 269-8400
Fax: (907) 269-8901
TYY: 711 or 800-770-8973
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
TYY: 711 or 800-770-8973
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
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e-mail: sero@alaska.gov
Business hours: 10:00 am to 5:00 pm M-F.