

MARKET VALUE APPRAISAL

of

**Four parcels within Big River Remote Subdivision, Dillinger River II RRCS,
and Granite Mountain RRCS.**

APPRAISAL REPORT No. 4666-0

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue, Suite 602
Anchorage, AK 99501-3576**

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MEMORANDUM

State of Alaska

Department of Natural Resources
Tel (907) 269-8514
michael.dooley@alaska.gov

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

DATE: January 23, 2025

TO: Kevin Hindmarch
Review Appraiser

FROM: Michael S. Dooley
Appraiser II



SUBJECT: Appraisal of four parcels; two within the Big River Remote Subdivision, one within the Dillinger River II RRCS, and one within the Granite Mountain RRCS.

As requested, I have completed an appraisal of the referenced parcels. I understand that this appraisal will be used to determine the minimum purchase price for the above referenced parcels. 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 Land Disposal), DNR. This Appraisal Report is based on the General Assumptions and Limiting Conditions, Hypothetical Condition and Extraordinary Assumption (see Page 7) stated in the report, as well as the facts, analyses, and reasoning leading to the opinions of value.

I have inspected the subject parcels and most of the comparable sales used in this report. Physical descriptions of the subject parcels are based on physical inspections, soil maps, aerial photography and topographic maps. Based on my observations and analysis of all available data, I have formed an opinion of market value as of the effective date of value.

MEMORANDUM

State of Alaska

Department of Natural Resources

Tel (907) 269-8513

Fax (907) 269-8914

michael.dooley@alaska.gov

Division of Mining, Land and Water

550 West 7th Avenue, Suite 650

Anchorage AK 99501-3576

DATE: 05/02/2025

TO: Kevin Hindmarch
Review Appraiser

FROM: Mike Dooley 

SUBJECT: Big River RRCS, Appraisal #4666-0 Correction

The last sentence of the access description paragraph on page 10, in appraisal #4666-0, indicates that ADL 216930 is proximate to a private airstrip. Although proximate to an airstrip, the airstrip is on state land and not encumbered by a lease or permit. However, similar to the other airstrips proximate to ADL 218258 in the same analysis, the airstrip is separated from the subject by a small braid of the river. Therefore, because access is obstructed, the difference in ownership of the airstrip does not change the opinion of value ADL 216930.

APPRAISAL SUMMARY

Location and Legal Description

| Subdivision Name | ADL | Location | Legal Description |
|-------------------------|--------|---|-------------------------|
| Big River Remote | 218258 | Approximately 76 air miles southeast of McGrath on the right bank of the Big River. | Tract D of ASLS 84-76 |
| Big River Remote | 216930 | Approximately 76 air miles southeast of McGrath on the right bank of the Big River. | Tract A of ASLS 87-319 |
| Dillinger River II RRCS | 233145 | Approximately 69 miles southeast of McGrath. | Tract K of ASLS 2016-08 |
| Granite Mountain RRCS | 233011 | Approximately 49 miles southwest of McGrath. | Tract H of ASLS 2009-01 |

SUMMARY OF VALUES

| Subdivision | ADL | Lot/Tract | ASLS | Site Size | Value |
|-------------------------|--------|-----------|--------------|-----------|-----------------|
| Big River | 218258 | D | ASLS 84-76 | 5.308 | \$11,500 |
| Big River | 216930 | A | ASLS 87-319 | 36.07 | \$35,600 |
| Dillinger River II RRCS | 233145 | K | ASLS 2016-08 | 16.85 | \$22,700 |
| Granite Mountain RRCS | 233011 | H | ASLS 2019-01 | 15.47 | \$26,300 |

Type of Appraisal and Report

This appraisal report is 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 DNR's Special Appraisal Instructions.

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 minimum bid for parcels to be acquired through the auction sale program under AS 38.05.055.

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 Estimate:

I inspected the Big River Remote and the Granite Mountain RRCS parcels on July 29, 2024. I inspected the Dillinger River II parcel on July 30, 2024.

Date of Report

January 23, 2025

¹ The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, 2010, p.78

² Alaska Statutes Title 38, Public Land Article 5, <http://www.legis.state.ak.us/basis/folio.asp>, Accessed 1/13/2024

³ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.58

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

The market for residential properties in the McGrath area has been flat for the last ten years. The market has been relatively flat with population levels remaining level. Primary sellers are private developers, the State of Alaska, the Mental Health Lands Trust, Native allottees, and the University of Alaska. Non-road accessible remote parcels can expect marketing times of greater than one year.

Scope of the Appraisal

Property and Comparable Sales Inspection

I inspected the Big River Remote and the Granite Mountain RRCS parcels on July 29, 2024. I inspected the Dillinger River II parcel on July 30, 2024. Big River remote Parcel, ADL 216930, had structural improvements and personal belongings that were observed from the air. As such, it was necessary to perform a ground inspection to ascertain the condition and value of the improvements and personal belongings.

Research and Analysis Conducted

Interviews were conducted with, real estate agents, appraisers, local residents, and other individuals familiar with the area who provided information about trends in value, supply, demand, access, and physical characteristics of the subject properties. DNR records and the Records Office databases were searched for recent comparable sales. 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 following assumptions and limiting conditions.

⁴ Uniform Standards of Professional Appraisal Practice 2014-2015, Appraisal Foundation, p. U-2

Assumptions and Limiting Conditions

The property is appraised as vacant land without structural or site improvements.

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
10. 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.
11. 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.
12. Unless otherwise noted, the property is appraised as vacant without structural or site improvements.
13. Small gasoline, kerosene, and propane cans/tanks, as well as an old car battery were observed on ADL 216930. No other toxic material, waste, or hazards were observed during the field inspection. It is the **extraordinary assumption** the site is clean of any environmental contaminants.

PRESENTATION OF DATA

Market Area⁵

Location and Climate

McGrath is located 221 miles northwest of Anchorage and 269 miles southwest of Fairbanks in Interior Alaska. It is adjacent to the Kuskokwim River directly south of its confluence with the Takotna River. The community lies at approximately 62.956390° North Latitude and -155.595830° (West) Longitude. (Sec. 18, T033N, R033W, Seward Meridian.) McGrath is located in the Mt. McKinley Recording District. The area encompasses 48.9 sq. miles of land and 5.7 sq. miles of water. The McGrath area has a cold, continental climate. Average summer temperatures range from 62 to 80, winters temperatures can range from -64 to 0. Precipitation is light, averaging 10 inches per year, including an average snowfall of 86 inches. The Kuskokwim River is generally ice-free from June through October.

History and Culture

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

As a regional center, McGrath offers a variety of employment opportunities, but subsistence remains an important part of the local culture. According to the June 2023 Department of Commerce Economic Development community population certification there were 263 residents. The median family income between 2019 and 2023 was \$66,875, with approximately 57 residents living below the poverty level.

Facilities, Utilities, Schools, and Health Care

McGrath operates a piped water system that serves the majority of the households; a few homes have individual wells or haul water. The FAA operates its own water system. Individual septic tanks are used by the majority of residents; a limited City sewage system serves approximately 34 homes. Funds have been requested to expand the piped sewer system to the 144 houses and businesses currently using septic tanks. A private firm, McGrath Trash & Refuse, collects refuse for disposal at the city landfill. Electricity is provided by McGrath Light & Power. There are 2 schools located in the community, attended by 149 students. Local hospitals or health clinics include McGrath Health Center (907-524-3299). The clinic is a qualified Emergency Care Center. Specialized Care: Four Rivers Counseling Center. McGrath is classified as an isolated town/Sub-Regional Center, it is found in EMS Region 1C in the Interior Region. Emergency Services have river, floatplane, and air access. Emergency service is provided by 911 Telephone Service, volunteers, and a health aide. Auxiliary health care is provided by Kuskokwim Valley Rescue Squad (524-3299/9111).

⁵ All information regarding market area and neighborhood information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

Economy and Transportation

McGrath functions as a transportation, communications, and supply center in Interior Alaska. It has a diverse cash economy, and many families rely upon subsistence. Salmon, moose, caribou, bear, and rabbits are utilized. Some residents trap and tend gardens. The Nixon Fork gold mine is located 32 miles northeast of McGrath.

There are no road connections to McGrath, but local roads are used by ATVs and trucks. Winter trails are marked to Nikolai (50 mi.) and Takotna (20 mi.) Residents rely on air service and barges to deliver cargo. Air facilities include a State-owned 5,936' long by 100' wide asphalt runway with a 2000' long by 60' wide gravel landing strip, and a seaplane base on the Kuskokwim River.

Property Descriptions for the Big River Area Parcels

| ADL | Tract | ASLS | Site Size |
|--------|-------|--------|-----------|
| 218258 | D | 84-76 | 5.308 |
| 216930 | A | 87-319 | 36.07 |

Location

Approximately 76 air miles southeast of McGrath on the right bank of the Big River.

Access

Summer access to the parcels is via wheeled plane to area gravel bars, then overland to parcel. Winter access is via ski plane. Two primitive airstrips have been constructed proximate to ADL 218258. However, braids of the river separate the parcel from the airstrips. Furthermore, the primitive construction, overgrowth, and erosion on one of the strips makes the usefulness just slightly greater than landing off strip in the area. As such, the airstrips are not considered to have a contributory value to the subject. ADL 216930 is proximate to a private airstrip, which cannot be considered legal access.

Size & Shape

The subject parcels are 5.308 and 36.07 acres in size and are rectangular to irregular in shape.

Topography

The parcels are characterized by a generally level topography.

Soils/Vegetation

The parcels contain primarily a mixture of spruce, birch, alder, and willow. The soils are typical of the surrounding area.

Utilities, Water & Sewer

There are no utilities available to the subject parcel. On-site sewage systems must be designed and constructed in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Requirements

There is a 25' public access easement along all parcel lines. Property lines adjacent to public or navigable waterways are subject to a 50' public access easement.

Environmental Hazards, Hazardous Waste & Toxic Materials

Small gasoline, kerosene, and propane cans/tanks, as well as an old car battery were observed on ADL 216930. No other toxic material, waste, or hazards were observed during the field inspection. It is the extraordinary assumption the site is clean of any environmental contaminants.

Tax Assessments

The subject parcel is outside of any taxing authority.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcels within the Big River Remote. There are no other known deed transfers or contracts to purchase the subject properties within the past 3 years.

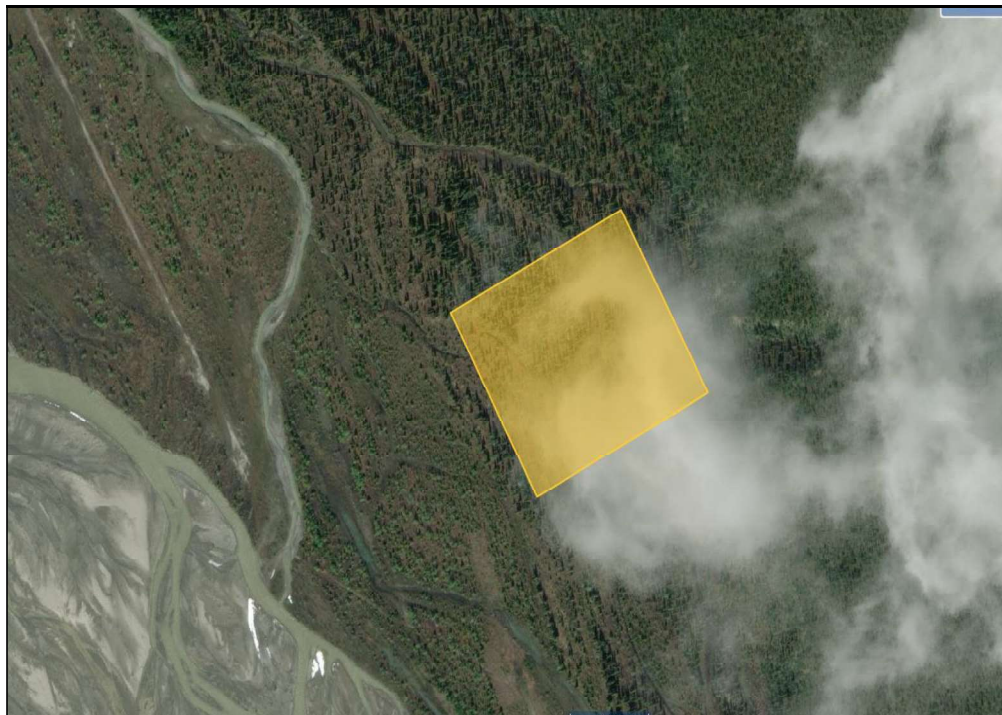
Personal Property

ADL 216930 has an old trapper cabin and numerous items of personal property. However, there is no personal property involved with the appraisal of this property.

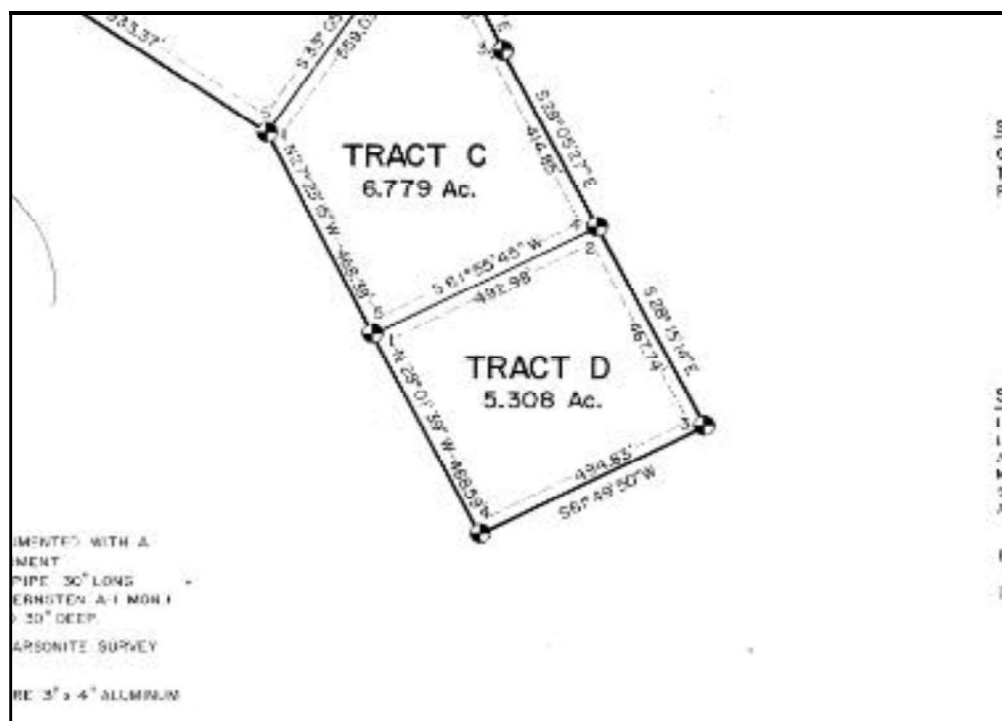
ADL 218258



Red arrow is the approximate center of parcel and should not be relied upon for locating the parcel.



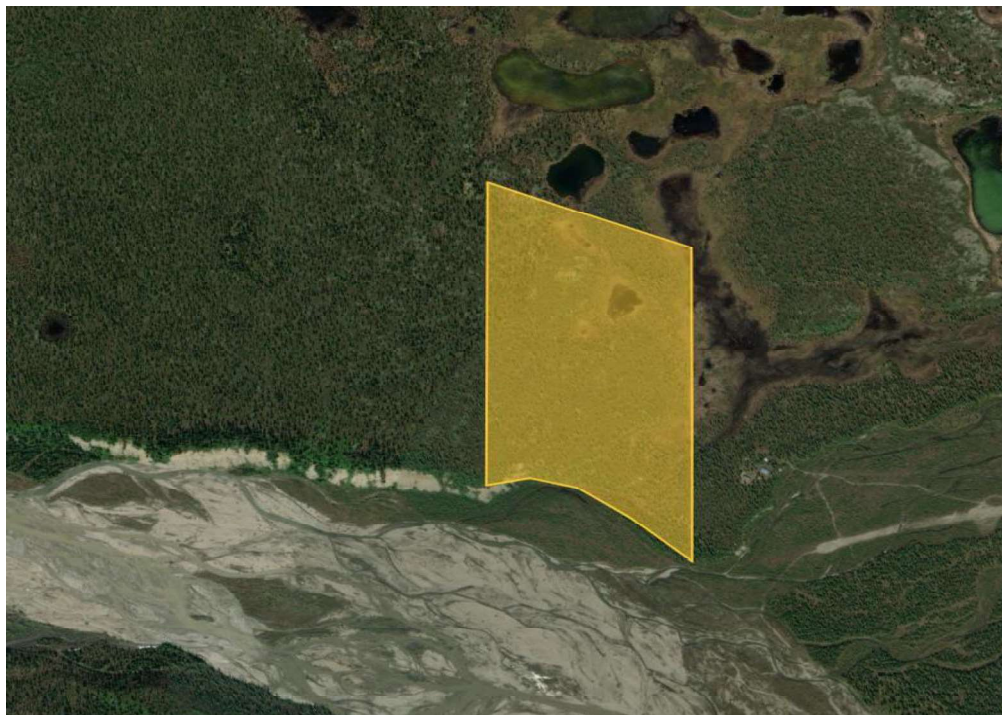
Yellow outline is the approximate location of parcel and should not be relied upon for the location of parcel.



ADL 216930



Red arrow is the approximate center of parcel and should not be relied upon for locating the parcel.



Yellow outline is the approximate location of parcel and should not be relied upon for the location of parcel.

LESSEE CERTIFICATE
 WE, THE UNDERSIGNED, HEREBY CERTIFY THAT WE ARE THE LESSEES AS SHOWN HEREON
 WE HEREBY APPROVE THIS SURVEY FOR
 A.L.S. No. 218920 TRACT A
 A.L.S. No. 218920 TRACT D
 A.L.S. No. 218920 TRACT E
 NOTARY L. GREY DATE 8-6-93

NOTARY'S ACKNOWLEDGEMENT
 SUBSCRIBED AND SWORN TO before me this 15th day
 of July, 1993 for Jessie Lundell
 for Rozella S. Drew
 for Harry L. Drew
 Notary for the State of Alaska
 MY COMMISSION EXPIRES 10-25-95

NOTARY'S ACKNOWLEDGEMENT
 SUBSCRIBED AND SWORN TO before me this 15th day
 of July, 1993 for Alan Greller
 for Alan Greller
 Notary for the State of Alaska
 MY COMMISSION EXPIRES 12-10-96

NOTARY'S ACKNOWLEDGEMENT
 A.L.S. No. 222578 TRACT B
 A.L.S. No. 222578 TRACT C

RECORDED - FILED
 KUSKOWWIM REC. DIST.
 DATE 7-15-93
 TIME 10:00 A.M.
 BY 287/BL

RECORDED - FILED
 KUSKOWWIM REC. DIST.
 DATE 9-22-93
 TIME 9:30 A.M.
 BY 287/BL

"AMENDED"

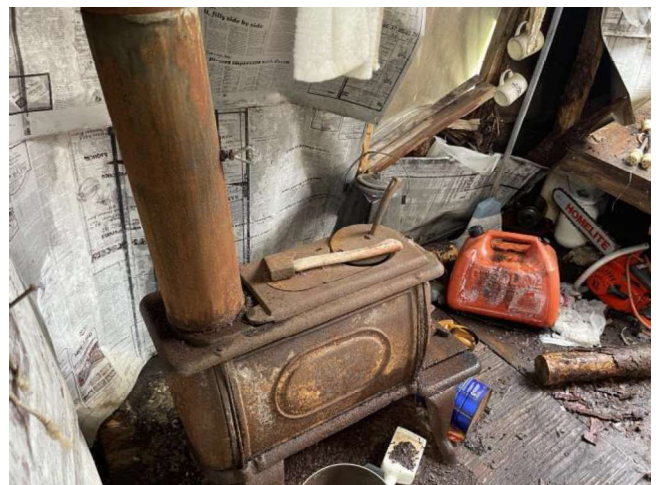
KUSKOWWIM RECORDING DISTRICT
 1 MILE = 3.280833333 FEET
 1 AC = 43,560 S.F.
 1 HECTARE = 2.47105381 AC

DATE OF SURVEY
 Beginning July 20, 1988
 Ending July 18, 1988

NAME OF SURVEYOR
 JESSIE LONDELL
 REG. NO. 7312
 BIRTH, ALASKA 08-25-35

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF LAND
ANCHORAGE, ALASKA

ALASKA STATE LAND SURVEY No. 87-319
 WITHIN
 UNSURVEYED SECTIONS 19, 29 & 30, TRACT "A"





The pictures above depict a very dilapidated trappers' cabin on site with various personal belongings.

Property Description for the Dillinger River II RRCS Parcel

| ADL | Tract | ASLS | Site Size |
|--------|-------|--------|-----------|
| 233145 | K | 2016-8 | 16.85 |

Location

Approximately 69 air miles southeast of McGrath on the left bank of Dillinger River.

Access

Summer access to the subdivision is via wheeled plane to area gravel bars, then overland to parcel. Winter access is via ski plane.

Size & Shape

The subject parcel is 16.85 acres in size and is irregular in shape.

Topography

The parcel sits at an elevation of approximately 1,040 feet and is characterized by a generally level topography.

Soils/Vegetation

The parcel contains primarily a mixture of spruce, birch, alder, and willow. The soils are typical of the surrounding area.

Utilities, Water & Sewer

There are no utilities available to the subject parcel. On-site sewage systems must be designed and constructed in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Requirements

There is a 30' public access easement along all interior lot lines. Property lines adjacent to public or navigable waterways are subject to a 50' public access easement and a 100' building setback from the ordinary high-water line.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic material, waste, or hazards were observed during the field inspection.

Tax Assessments

The subject parcel is outside of any taxing authority.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel within the Dillinger River II RRCS. There are no other known deed transfers or contracts to purchase the subject property within the past 3 years.

Personal Property

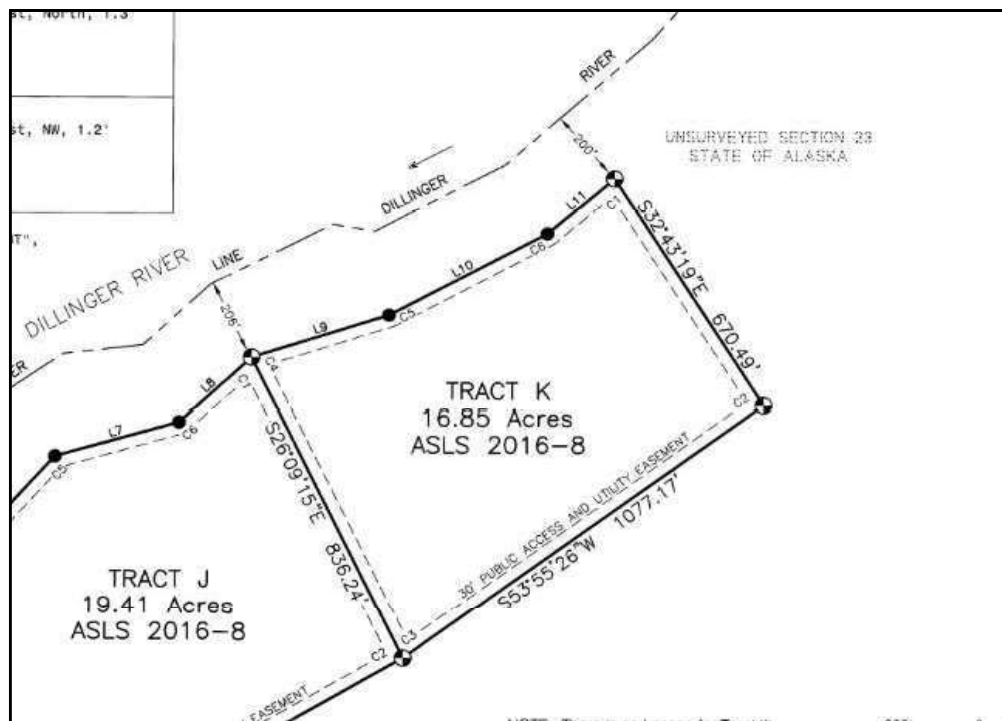
There is no personal property involved with the appraisal of this property.



Red arrow is the approximate location of subject.



Yellow outline is the approximate location of parcel and should not be relied upon for the location of parcel.



General Property Description for the Granite Mountain RRCS Parcel

| ADL | Tract | ASLS | Site Size/Acres |
|--------|-------|---------|-----------------|
| 233011 | H | 2019-01 | 15.47 |

Location

The Granite Mountain RRCS parcel is located approximately 49 air miles southwest of McGrath, fronting the right bank of the Kuskokwim River.

Access

Summer access to the subject is by float plane or riverboat. Winter access to the subject is primarily by airplane with skis or possibly snow machine or dogsled.

Size & Shape

The subject parcel is 15.47 acres and is irregular in shape.

Topography

The subject is characterized by a level to sloping topography. The subject parcel sits at approximately 320' to 400' above sea level. The river front is mostly a 20'-30' bank, with the northeast corner of the parcel situated above at or near water level.

Soils/Vegetation

Soils are typical for the area. Vegetation includes a mix of spruce, cottonwood, alder, and willow.

Utilities, Water & Sewer

There are no utilities available to the subject parcel. On-site sewage systems must be designed and constructed in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Requirements

The plat indicates 30' public access easements and utility easement along all of the lot lines. The subject parcel is not subject to zoning restrictions.

Environmental Hazards, Hazardous Waste & Toxic Materials

No toxic material, waste, or hazards were observed during the field inspection.

Tax Assessments

The subject parcel is not within the boundaries of an organized borough.

Ownership History

The Department of Natural Resources is the current owner of record for the subject. There are no sales or deed transfers within the past three years.

Personal Property

There is no personal property involved with the appraisal of this property.

ADL #230750



Red Arrow is the approximate center of parcel and should not be relied upon for the locating the parcel.



Yellow outline is the approximate location of parcel and should not be relied upon for the location of parcel.

DATA ANALYSIS AND CONCLUSION

The subject parcels in this analysis have been grouped into two groups based on access: the Big River and Dillinger River parcels, which have wheeled or ski plane access to area gravel bars, and the Granite Mountain RRCS parcel, which has boat or floatplane access and seasonal barge service. Because there is more than one parcel in the Big River and Dillinger River parcel group, a key parcel will be identified for this group, and the Key Parcel method of analysis will be utilized.

The Big River and Dillinger River Area Key Parcel Analysis

Highest and Best Use

Analysis of highest and best use for the subject properties 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 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 parcel is vacant and unimproved.

Legally Permissible

The Key Parcel is located within the unorganized borough and are not subject to any know zoning requirements. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Almost any legal use of the site would be possible.

Physically Possible

The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is primarily for recreational development. Development of the parcel depends on the number 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 for the Big River and Dillinger River Area Key Parcel is characterized by recreational sites.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis of the Big River and Dillinger River Area Key Parcel, the highest and best use of the subject parcel as vacant would be for almost any legal use, primarily recreational sites.

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for a residential use therefore data that supports this approach is not available.

⁶ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.333

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. As such, the cost approach will not be used.

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Key Parcel Method

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel. This methodology replicates typical developer thinking. There are three parcels in the Big River and Dillinger River Area group. Therefore, the key parcel methodology will be used in this analysis.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

An adjustment of less than 1.00 (or $<$) means the sale feature is superior to that appraised property and requires a downward adjustment to match the quality of the key parcel's feature, thus indicating the value of the key parcel. An adjustment greater than 1.00 (or $>$) means that the sale feature is inferior to the subject's feature which requires an upward adjustment to match, thus indicating the value of the key parcel. An adjustment of 1.00 (or $=$) means the sale feature is similar to the key parcel, and no adjustment is necessary. The adjustments are multiplied to obtain a total adjustment, which is then multiplied by the sale price to indicate the value of a key parcel. The same adjustments and procedures are applied to the key parcel value to indicate the market value of a parcel being appraised, except the direction of adjustment is reversed when comparing appraised parcels to the key parcel. Superior features require a positive adjustment compared with the appraised parcel; inferior features require a negative adjustment. Detailed information about the comparable sales and the adjustments is contained in this report and addenda.

Unit of Comparison

Generally, the buyers and sellers in the marketplace determine the unit of comparison, e.g., price per acre, square foot, site, front foot, etc. The price per acre and price per site are the most widely recognized unit of comparison in the market. In this analysis, price per acre will be the unit of comparison.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statute 38.05.125(a). Retention and exclusion of the mineral estate does not tend to affect property values, because most buyers are interested in the surface estate.

Financing Terms

In accordance with DNR instructions, market value is estimated in terms of seller financing typical for the market. Cash transactions sometimes are afforded a discount from typical financing. Sales used in this analysis do not offer measurable differences in prices as a result of terms. In general, a cash transaction would tend to be at the lower end of the price range with listings usually setting the upper limit.

Conditions of Sale

Unless otherwise noted the market transactions used in this appraisal do not reflect any unusual seller-buyer motivations that affected value.

Market Conditions (Time)

Analysis of real estate sales in the subject area indicates that prices of vacant land have remained stable over the past several years. The comparable sales utilized in this valuation date are considered the most recent comparables and do not need to be adjusted for market conditions.

Location

Approximately 65 miles southeast of McGrath.

Size & Topography

The Key Parcel is 16.85-acres with a generally level topography. The comparable sales bracket the Key Parcel size and some size adjustments were warranted. Size adjustments were made by utilizing the DNR size adjustment method, which can be found in the addenda.

Access

Access to the Key Parcel is by wheeled or ski plane to area gravel bars. Comp #4 and Comp #5 also have boat or floatplane access and required downward adjustments for access.

Utilities

There are no utilities available to the Key Parcel, or to any of the comparable sales.

Amenities

Exceptional features of a given parcel may increase value. Features such as type of water frontage, proximity to bodies of water, exceptional views are examples of amenities that may warrant adjustments.

The Granite Mountain RRCS Parcel Analysis

Highest and Best Use

Analysis of highest and best use for the subject properties 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.”⁷

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 parcel is vacant and unimproved.

Legally Permissible

The subject parcel is located within the unorganized borough and are not subject to any know zoning requirements. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Almost any legal use of the site would be possible.

Physically Possible

The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

Surrounding land use is primarily for recreational development. Development of the parcel depends on the number 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 for the Remote Riverfront parcel is characterized by recreational sites.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis of the Granite Mountain RRCS parcel, the highest and best use of the subject parcel as vacant would be for almost any legal use, primarily recreational sites.

Valuation Analysis

Three approaches to value are considered to determine the market value estimate.

Income Approach

The income approach for valuation is used primarily for income producing properties. It utilizes the capitalization process to discount future anticipated net income to a present value. It is not common to lease vacant land for a residential use therefore data that supports this approach is not available.

Cost Approach

The cost approach is based on the assumption that an informed buyer would pay no more than the cost of producing a substitute property with the same utility as the subject property. This approach will separate the value of the land from the value of the improvements to determine the cost of reproducing the improvements. The cost approach is most effective for appraising properties that have newer improvements. As such, the cost approach will not be used.

⁷ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.333

Sales Comparison Approach

The sales comparison approach considers actual sales or prices asked for properties that have similar characteristics of the subject properties. Adjustments are made to the comparison properties so as to determine a price at which they would have sold if they had identical characteristics as the subject properties. This derived price then indicates a value for the subject properties. Some of the characteristics considered include general market conditions, sales terms, location, highest and best use, and physical features. Of the three approaches to value, only the sales comparison approach is applicable.

Key Parcel Method

In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel. Since there is only one Granite Mountain RRCS parcel, this methodology will not be used in this analysis.

Explanation of Adjustments

DNR appraisal instructions state that the appraiser may develop and use quantitative or qualitative adjustments. Ideally, the value differences for any price adjustment are measured by comparing prices of paired sales that are very similar except for the feature of comparison to be measured. When market sales do not support quantifiable adjustments for differences and the comparable sales, the appraiser must use personal knowledge of overall trends, opinion surveys, and/or judgment in making adjustments. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

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Location

Approximately 48 air miles southwest of McGrath, on the right bank of the Kuskokwim River.

Size & Topography

The subject parcel is 15.47-acres with a generally level to sloping topography. The majority of the river frontage is 20'-30' bluff with a small portion of the northeast property corner is near or at river level. Comp #3 and Comp #4 required size adjustments. Size adjustments were made by utilizing the DNR size adjustment method, which can be found in the addenda.

Access

Access to the Granite Mountain RRCS parcel is by boat or float plane. Comp #1 and Comp #2 have inferior access and required upward adjustments.

Utilities

There are no utilities available to the subject parcel or to any of the comparable sales.

Amenities

Exceptional features of a given parcel may increase value. Features such as type of water frontage, proximity to bodies of water, exceptional views are examples of amenities that may warrant adjustments.

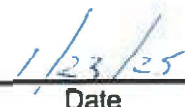
CERTIFICATION OF VALUE

I certify that, to the best of my 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 are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have not completed an appraisal or any appraisal assignment of the subject parcels within the past three years.
- 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 of a predetermined result.
- my 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.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of a majority of the lots that are the subject of this report.
- No one provided significant professional assistance to the persons signing this report.
- I have the knowledge and experience to competently complete this assignment.



Appraiser



Date

Due to the confidentiality of sales information, the valuation section of the report is not available online. The entire report can be obtained by submitting a request to the Land Conveyance Section at (907)269-8594, or by e-mail: landsales@alaska.gov.