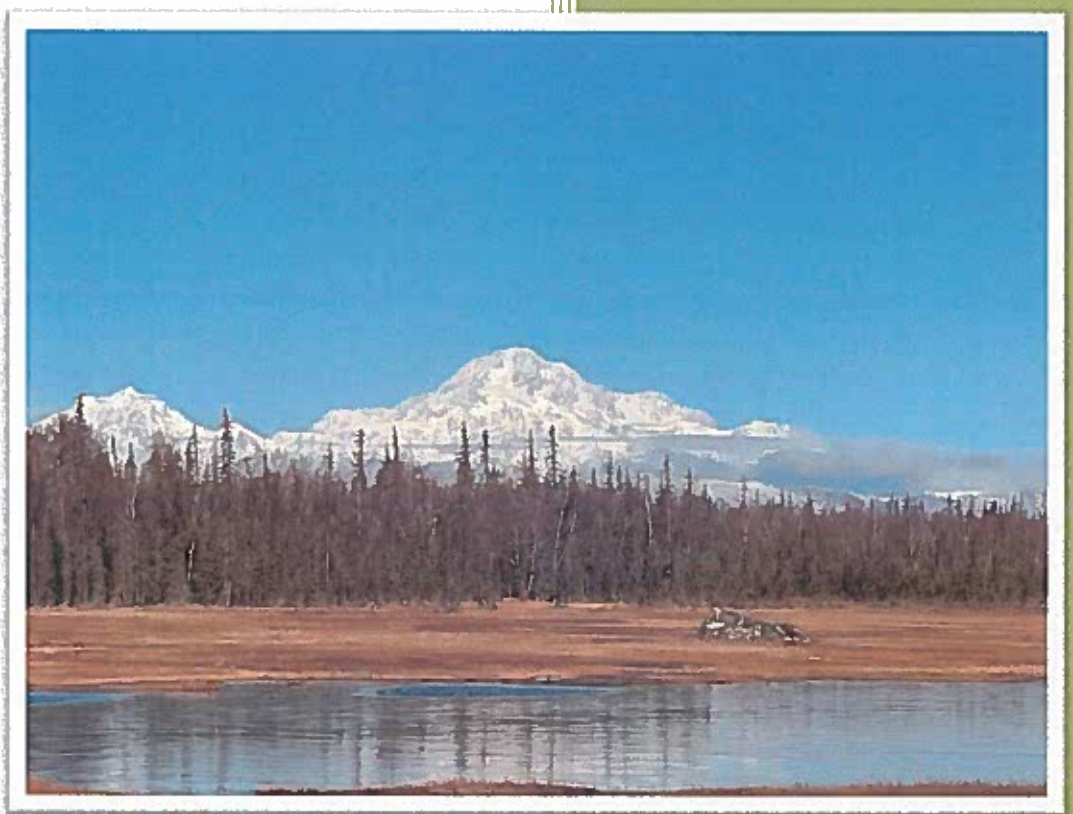


MARKET VALUE APPRAISAL

**of
Four Parcels of Vacant Land within the Remote
Matanuska-Susitna Borough.**

Appraisal Report No. 4677-0



STATE OF ALASKA

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

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: November 15, 2024

TO: Kevin Hindmarch
Review Appraiser

FROM: Mike Dooley 

SUBJECT: Appraisal of four parcels of land located in the Matanuska-Susitna Borough. The parcels are being appraised to establish minimum bid price for sale at auction.

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 8) 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.

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APPRAISAL SUMMARY

Summary of Values

Subdivision	ADL	Lot	Block/ Tract	Survey	Size (acres)	Value (RND)
Donkey Terraces RRCS	230685	-	I	ASLS 2007-20	15.44	\$24,700
Donkey Terraces RRCS	230686	-	J	ASLS 2007-20	15.43	\$24,700
Lockwood Lake	213423	3, 4 & 5	14	ASLS 80-91	15.00	\$13,500
Peters Creek	210757	3	11	ASLS 80-144	4.97	\$23,600

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is an Appraisal Report 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 – DNR Land Disposal.

Purpose of Appraisal

The purpose of this appraisal is to estimate current market value.

User and Client Identity

This appraisal is prepared for the State of Alaska, Department of Natural Resources and the general public.

Intended Use of Appraisal

The appraisal will be used by DNR to establish the minimum price for a sealed bid auction and will be used by the general public for guidance in determining actual bid prices.

Property Rights Appraised

Rights appraised are fee simple estate less mineral rights reserved to the State of Alaska under **AS 38.05.125(a)**.

Fee simple estate is defined as¹:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

AS 38.05.125(a) states²:

Reservation. (a) Each contract for the sale, lease or grant of state land...is subject to the following reservations: "[sic] the party of the first part, Alaska, hereby expressly saves, excepts and reserves... unto itself, its lessees, successors, and assigns forever, all oils, gases, coal, ores, minerals, fissionable materials, geothermal resources, and fossils of every name, kind or description, and with may be in or upon said land...[and the right] to occupy as much of said land as may be necessary or convenient... to render beneficial and efficient the complete enjoyment of the property and rights hereby expressly reserved."

Definition of Market Value³

"The most probable price, as of a specified date, in cash, or terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."

Effective Date of Value

I inspected the Donkey Terraces and Lockwood Lake subject parcels and some of the comparable sales via an aerial inspection on September 30, 2024. I inspected the Peters Creek parcel on the ground on October 17, 2024.

Date of Report

November 15, 2024

¹ The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, 2015, p.90

² Alaska Statutes Title 38, Public Land Article 5, <http://www.legis.state.ak.us/basis/folio.asp>, Accessed 10/30/2024

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

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. An exposure time of up to one year is typical for road accessible parcels, and up to three years for remote parcels.

Property History

The property history for each parcel can be found in the parcel descriptions of each subject lot starting on page 11.

SCOPE OF WORK**Property and Comparable Sales Inspection**

I inspected the Donkey Terraces and Lockwood Lake subject parcels and some of the comparable sales via an aerial inspection on September 30, 2024. I inspected the Peters Creek parcel on the ground on October 17, 2024.

Research and Analysis Conducted

Interviews were conducted with local real estate agents, appraisers, and other individuals familiar with the area who provided information about trends in values, supply and demand. DNR records were searched for recent comparable sales and information about parcels currently available. Previous appraisals of the subject parcels were utilized to help identify pertinent physical characteristics and neighborhood characteristics. Current listings were also searched. The recorder's office was searched to identify any recent sales. Sellers and buyers or other knowledgeable market participants were contacted to verify recent sale prices and other transaction details.

After analysis of all available data, appropriate comparable sales were selected. 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 2024, Appraisal Foundation, p. 4

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader visualize the properties.
3. Information furnished by others and included in the report is believed to be reliable but the appraiser does not warrant the accuracy of such information.
4. Unless otherwise noted in the report, the appraiser did not find any evidence that hazardous materials exist on these properties. The estimate of value is based on the assumption that there are no such materials on the property. The appraiser is not qualified to detect these substances. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge that is required to discover these substances.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. Unless noted, the existence of personal property or improvements, if any, could not be confirmed. The properties are appraised "as vacant".
11. 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.
12. 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.

Extraordinary Assumptions

13. The Peters Creek Subdivision plat, Plat 81-52 of the Talkeetna recording district, depicts trails that bisect the subject parcel. The plat indicates that there is a 20' access easement along trails defined by the Matanuska-Susitna Platting Department. This easement will be automatically vacated when alternate physical access is provided. Shulin Lake trail provides alternative access and there was no evidence of trails on the parcel. Although the Matanuska-Susitna Platting

department has no current record of easement vacations, it is the extraordinary assumption that the easement will be vacated.

14. Although there were old vehicles left on the property, no visible indications of contamination were observed. It is the hypothetical assumption that the subject parcel is free of any environmental contaminants.

PRESENTATION OF DATA

Market Area

The subject parcels are all located in remote areas of the Matanuska-Susitna Borough, and are located north of the Cook Inlet, south of Denali National Park, east of the Alaska Range, and west of the Talkeetna Mountains.

The Matanuska Susitna Borough⁵

Location:

The Matanuska-Susitna (Mat-Su) Borough is located in the middle of south central Alaska, including the Matanuska and Susitna River Drainages, portions of the Chugach Mountains as well as the Alaska, Talkeetna, and Clearwater Ranges. The Municipality of Anchorage, Upper Cook Inlet, and Knik Arm delineate the Borough's southern border. The average temperatures in January range from 6°F to 14°F; in July, 47°F to 67°F. Annual precipitation is 16.5 inches.

Local Government:

The Mat-Su Borough is a second-class Borough incorporated in 1964 with an elected Mayor and Assembly. The Borough's area-wide powers include: assessment and collection of taxes, education, planning and zoning, parks and recreation, ports, harbors and wharves, ambulance service, transportation systems, air pollution control, day care facilities, historic preservation, and transient accommodations taxation. The Borough's non-area-wide powers include fireworks, motor vehicles and operators, snow vehicles, solid waste, libraries, septic tank waste disposal, economic development, limited health and social service, natural gas, electric, and road local improvement districts, animal control, and water pollution control.

Demographics:

Low housing costs, the rural lifestyle, and a reasonable commute to Anchorage for employment and services has made the Mat-Su Borough one of the fastest growing areas of Alaska in recent years. According to the 2020 Census, the population was 107,081.

Economy:

The economy is diverse, and residents are employed in a variety of retail, professional services, city, borough, state and federal occupations. Top employers are Mat-Su Schools, Valley Hospital, Wal-Mart, Carrrs/Safeway and Fred Meyer. About one-third of the Borough's labor force commutes to Anchorage for employment. In 2010, 300 borough residents held commercial fish permits.

The 2005-2009 American Community Survey (ACS) estimated 35,540 residents as employed. The public sector employed 17.9% of all workers. The local unemployment rate was 11.8%. The percentage of workers not in labor force was 34.3%. The ACS surveys established that average median household income (in 2009 inflation-adjusted dollars) was \$66,052 (MOE +/- \$1,869). The per capita income (in 2009 inflation-adjusted dollars) was \$24,906 (MOE +/- \$707). About 10.3% of all residents had incomes below the poverty level.

Facilities:

There are three incorporated cities within the Borough: Houston, Palmer, and Wasilla. Additionally, there are several unincorporated communities and twenty-five (25) Borough recognized community councils. The majority of the Borough population resides in the "core area" surrounding the cities of Palmer and Wasilla, and within the cities themselves. The remaining population is spread out among the various unincorporated communities, as well as some remote sites. There are 44 schools located in the borough, attended by 17,079 students.

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

Transportation:

The area accesses both the Glenn and George Parks Highways. Commercial airlines serve the nearby Anchorage International Airport, but a local municipal airport supports private and chartered services. The Alaska Railroad provides for delivery of ocean freight.

Skwentna Neighborhood⁶

Skwentna is an unincorporated town site located just north of the Skwentna River, and within the Yentna River drainage. Skwentna is not accessible by the road system; however, it serves a hub for local snowmachiners in the winter and boat traffic up the Yentna in the summer.

History, Culture and Demographics

Dena'ina Athabascans have fished and hunted along the Skwentna and Yentna Rivers for centuries. In 1908, an Alaska Road Commission crew blazed a trail from Seward to Nome, going through Old Skwentna from the Susitna River to Rainy Pass. Many roadhouses were later constructed along the trail to the Innoko Mining District, including the Old Skwentna Roadhouse. Prospectors, trappers and Indians often used sled dogs to transport goods over the trail. Max and Belle Shellabarger homesteaded and started a guide service in 1923, and later a flying service and weather station. A post office was opened in 1937. After World War II, Morrison-Knudson built an airstrip, and in 1950, the U.S. Army established a radar station at Skwentna and a recreation camp at Shell Lake, 15 air miles from Skwentna. In the 1960s, State land disposals increased settlement.

Skwentna residents are scattered over a large area of land. It has a number of seasonal use homes. There is a small local store, and residents use snow machines or aircraft to travel to the post office.

According to the 2020 Census, there are approximately 37 full time residents.

Facilities, Utilities, Schools and Health Care

A number of homes have individual water wells and septic systems, but very few homes are fully plumbed. Outhouses are the primary means of sewage disposal. There is no central electric system; residents provide power via individual generator sets. A community refuse incinerator is available at the unpermitted dump site near the airport, operated by the Borough. The site is currently being used by several families, but most residents burn and bury their own refuse. There are no state operated schools located in the community. Local hospitals or health clinics include Valley Hospital in Palmer. Skwentna is classified as an isolated village, it is found in EMS Region 2C in the Mat-Su Region. Emergency Services is provided by 911 Telephone Service and volunteers. Auxiliary health care is provided by Lake Creek/Skwentna First Responders.

Economy and Transportation

Employment is provided through local lodges, the post office and the airstrip.

⁶ All information regarding neighborhood information derived from <http://www.commerce.state.ak.us/dca/commdb/CIS.cfm>

General Parcel Descriptions for Donkey Terraces RRCS

ADL	ASLS	Tract	MTRS	Size
230685	2007-20	I	S025N012W30	15.44
230686	2007-20	J	S025N012W30	15.43

Location

There are two subject parcels in Donkey Terraces RRCS. The parcels are located approximately 22 miles northwest of the confluence of the Yentna River and the Skwentna River, and approximately one mile east of Youngstown Bend of the Yentna River.

Access

Primary summer access to these parcels is via float plane in the summer and ski plane or possibly snow machine in the winter.

Size & Shape

The subject parcels are 15.43-acres and 15.44-acres in size and are irregular in shape.

Topography

The subdivision topography is characterized by a level to sloping topography. The parcels are located approximately 300 feet above sea level.

Soils/Vegetation

The subdivision is heavily treed with a mix of spruce, birch, and alder trees with large, lower lying tracts of wetlands throughout the subdivision. The soils are typical of the area.

Utilities, Water & Sewer

Electricity is not available to any of the lots within the subdivision. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Regulations.

There is a 15' utility easement on each side of all interior lot lines. In addition, all section lines are subject to a 50' easement on each side of the section line. Also, there is a 50' wide access easement along the mean high water or ordinary highwater line of any water body. The subject parcels are not encumbered by zoning restrictions.

Environmental Hazards, Hazardous Waste & Toxic Materials

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

Tax Assessments

The subject parcels are located within the taxing authority of the Matanuska-Susitna Borough; however, there is no tax burden assessed to the State of Alaska from the borough. Tax assessments to private parties will become active when property is sold into private ownership. The 2024 mill rate for the subject subdivision was 9.128.

Ownership History

The Department of Natural Resources is the current owner of record for all of the Donkey Terraces RRCS parcels. A contract to purchase ADL #230685 was recorded on 03/17/2023. An affidavit of termination was recorded on 05/4/2023, and the parcel was placed into potential reoffer status. A contract to purchase ADL #230685 was recorded on 03/17/2023. An affidavit of termination was recorded on 05/4/2023, and the parcel was placed into potential reoffer status. There are no other known sales or deed transfers of the subject property within the past three years.

Personal Property

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

Donkey Terraces RRCS

From left to right, ADL #203685 and 230686



Aerial field inspection photo. Red arrows are the approximate location of parcels.



Satellite Image. The yellow outline is the *approximate* location of parcel. This outline is *not* to be relied upon to locate parcel boundaries.

Lockwood Lake Subdivision

ADL	ASLS	Lot	Block	MTRS	Size
213423	80-91	3, 4, 5	14	S19N007W12	15.00

Location

There is one subject parcel in the Lockwood Lake Subdivision. The parcel is located approximately 6.0-miles east of the "Big Bend" of the Yentna River, and 3.25 miles east of Ladyslipper Lake.

Access

The primary access is by float plane to area lakes, then overland to parcel. Winter access is via ski plane or it may be possible to snowmachine overland to the subject subdivision.

Size & Shape

The subject parcel is 15.00 acres in size and is rectangular in shape.

Topography

The subdivision is characterized by a generally level topography with minimal variation in elevation. The subject parcel is approximately 250 feet above sea level.

Soils/Vegetation

Subdivision contains primarily mature birch and spruce. Soils are typical of the surrounding area with low laying areas of wetlands.

Utilities, Water & Sewer

Electricity is not available to any of the lots within the subdivision. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Regulations

No zoning, the subject is located within an unregulated area of the Mat-Su Borough. The subject parcel is subject to a 10' public access easement on each side of common interior lot lines. There are 20' utility easements on each lot line not common to other lots, and a 50' public access easement along any water frontage.

Environmental Hazards, Hazardous Waste & Toxic Materials

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

Tax Assessments⁷

The subject is located within the taxing authority of the Matanuska-Susitna Borough; however, there is no tax burden assessed to the State of Alaska from the borough. Tax assessments to private parties will become active when property is sold into private ownership. The 2024 MIL rate for the subject subdivision is 9.128.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel. A contract to purchase ADL#213423 was recorded on 03/31/2023. The contract was relinquished on 07/28/2023 and the parcel was placed into potential reoffer status. There are no other known sales or contracts within the past 3 years.

Personal Property

There is no personal property involved with the appraisal of these parcels.

⁷ <http://www.matsugov.us/realpropertyquery/detail> accessed 9-24-2023

ADL #213423



Aerial field inspection photo. Red arrow is the approximate location of parcel.



Satellite Image. The yellow outline is the *approximate* location of parcel. This outline is *not* to be relied upon to locate parcel boundaries.

Peters Creek Subdivision

ADL	ASLS	Lot	Block	MTRS	Size
210757	80-144	3	11	S26N008W14	4.97

Location

There is one subject parcel in the Peters Creek Subdivision. The parcel is located approximately 1.3 miles south of Petersville Road, just southwest of Jake Lake.

Access

Summer access is by gravel road from Petersville Road to south on Shulin Lake Trail. In the winter months, Petersville Road is maintained from the Parks Highway to approximately three miles east of the Shulin Lake Trail. The parcel can be accessed from there by an approximate five miles snowmachine ride.

Size & Shape

The subject parcel is 4.97 acres in size and is irregular in shape.

Topography

The subdivision is characterized by a generally level topography with minimal variation in elevation. The subject parcel is approximately 1,150 feet above sea level.

Soils/Vegetation

Subdivision contains primarily mature birch, spruce, and alder. Soils are typical of the surrounding area with low laying areas of wetlands. The back portion of the subject has a low wetland area.

Utilities, Water & Sewer

Electricity is not available to any of the lots within the subdivision. No public water or sewer system is available. Water supply or sewage disposal systems must be located, constructed and equipped in accordance with the requirements, standards, and recommendations of the Alaska Department of Environmental Conservation.

Easements & Zoning Regulations

No zoning, the subject is located within an unregulated area of the Mat-Su Borough. The subject parcel is subject to a 10' public access easement on each side of common interior lot lines. There are 20' utility easements on each lot line not common to other lots, and a 50' public access easement along any water frontage. No structure shall be placed nearer than 25 feet from the right of way line of any public right of way, nearer than 10 feet from any side lot, and no nearer than 75 feet from the normal highwater of any water body.

The subject plat, Plat 81-52 of the Talkeetna recording district, depicts trails that bisect the subject parcel. The plat indicates that there is a 20' access easement along trails defined by the Matanuska-Susitna Platting Department. This easement will be automatically vacated when alternate physical access is provided. Shulin Lake trail provides alternative access and there was no evidence of trails on the parcel. Although the Matanuska-Susitna Platting department has no current record of easement vacations, it is the extraordinary assumption that the easement will be vacated.

Environmental Hazards, Hazardous Waste & Toxic Materials

The subject is being sold "as-is" with an old cabin foundation, two vehicles, and a generator. It is possible that the vehicles and generator contain gasoline, and a variety of oils and fluids typically found in cars and trucks. No other toxic material, waste, or hazards were observed during the field inspection.

Tax Assessments⁸

The subject is located within the taxing authority of the Matanuska-Susitna Borough; however, there is no tax burden assessed to the State of Alaska from the borough. Tax assessments to private parties will become active when property is sold into private ownership. The 2024 MIL rate for the subject is 13.429.

Ownership History

The Department of Natural Resources is the current owner of record for the subject parcel. There are no other known sales or contracts within the past 3 years.

Personal Property

Although there is personal property that was abandoned on the subject property, its value is not considered in this analysis. However, a cost to cure for the removal of the personal property was estimated at \$3,700. Further discussion of the cost to cure can be found on page 39.

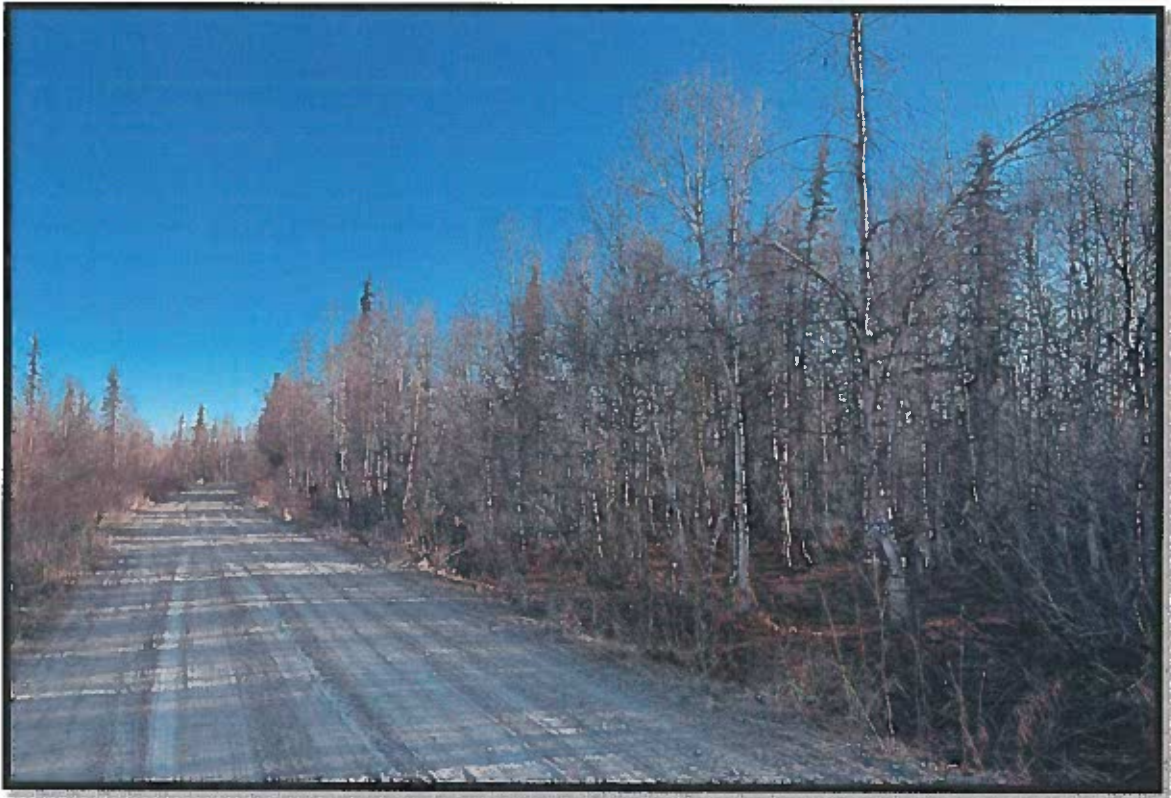
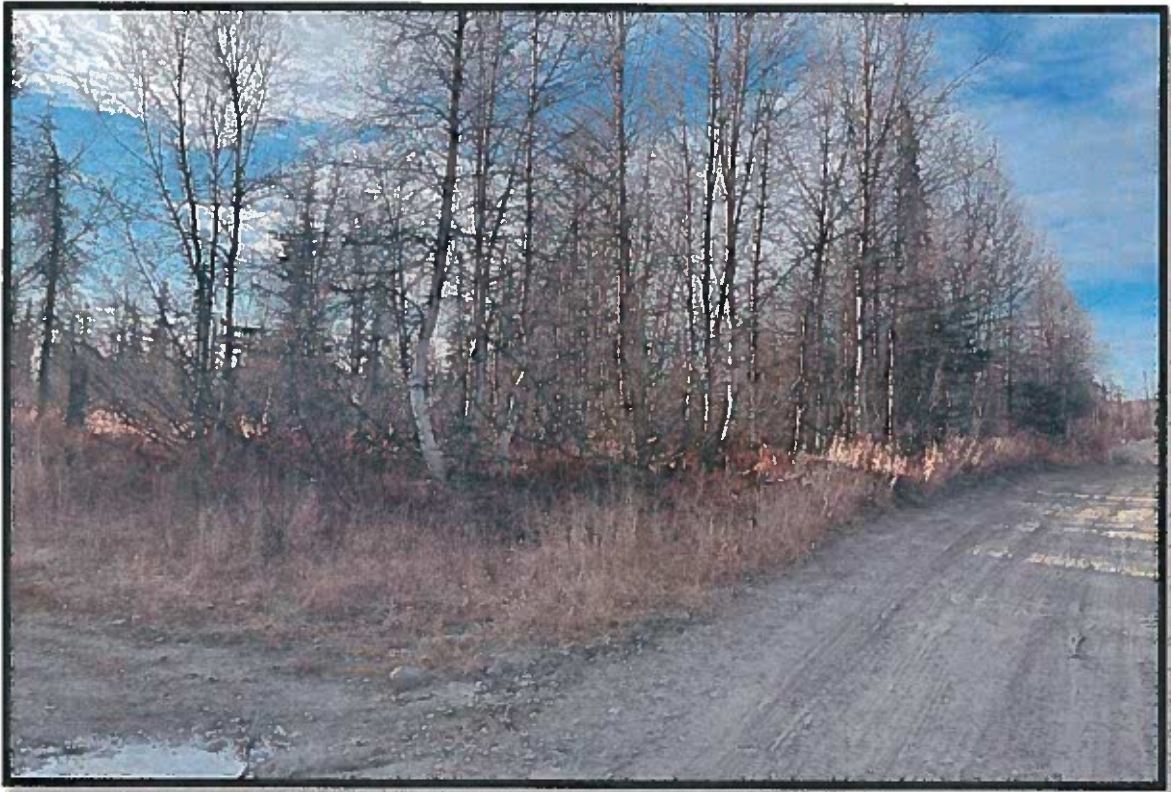
ADL #210757

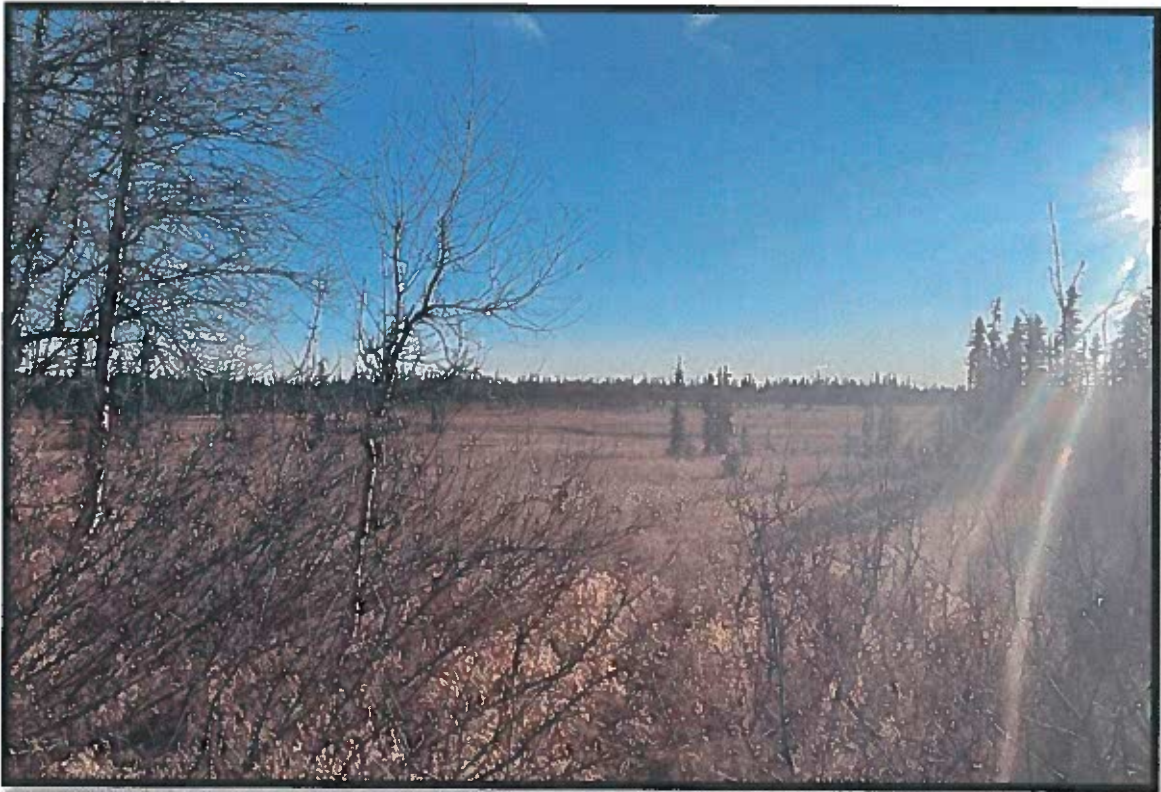


Satellite Image. The yellow outline is the *approximate* location of parcel. Overlay appears to be offset, and this outline is *not* to be relied upon to locate parcel boundaries.

⁸ <http://www.matsugov.us/realpropertyquery/detail> accessed 11-15-2024

ADL 210757









DATA ANALYSIS AND CONCLUSION

The subject parcels in this analysis have been grouped into to three groups based on access: the Remote Interior Parcel, Remote Lake Front Parcels, and the Peters Creek Parcel. The Key parcel method will be utilized for any group with more than one parcel.

Remote Interior Parcel

ADL	Subdivision	ASLS	Lot	Block/Tract	MTRS	Size
213423	Lockwood Lake	80-91	3,4,5	14	S19N007W12	15.00

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined 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."⁹

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 parcels are vacant and unimproved.

Legally Permissible

The subject parcel is not encumbered by any known zoning requirements that would restrict potential development. 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 of the subject parcel is adequate to support all reasonable and probable uses.

Financially Feasible

The subject parcel lacks developed access or utilities. As a result, development as a residential home site is not financially feasible.

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 private recreation. Outdoor recreational activities are the primary motivations for the surrounding recreational users.

Highest and Best Use of Land as Vacant

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

Valuation Analysis

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

⁹ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.333

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.

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.

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 in 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 the remaining 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 market place determine the unit of comparison, e.g. price per acre, square foot, site, front foot, etc. The subject parcel will be valued on a per acre basis.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statue 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. In general, a cash

transaction would tend to be at the lower end of the price range with listings or sales with favorable financing 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 been stable in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

Location

The subject parcel and comparable sales are located in the same market area. No location adjustments were warranted.

Size & Topography

Some of the comparable sales within this analysis required site size adjustments. The DNR site size adjustment method was utilized to calculate site size adjustments. An explanation of this method is located in the addendum. There are no major topographical deficiencies which would require an adjustment.

Access

The subject parcel and all of the comparable sales have similar access and no adjustments for access were required.

Building Site Condition and Soil Quality Adjustments

The subject parcel and all of the comparable sales have adequate soils and good building sites. Poorer soils reduce potential building sites. No soil quality adjustments were warranted.

Utilities

The subject parcel and all comparable sales lack utilities, no adjustment is necessary.

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. Market observations in the area indicated that a nominal 10% adjustment for creeks and ponds is warranted. This is consistent with past appraisals in the area and will be applied to this analysis.

**Lakefront Parcels
Data Analysis and Conclusions**

ADL	Subdivision	ASLS	Lot	Block/Tract	MTRS	Size
230685	Donkey Terraces	2007-20	-	I	S025N012W30	15.44
230686	Donkey Terraces	2007-20	-	J	S025N012W30	15.43

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined 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."¹⁰

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 parcels are vacant and unimproved.

Legally Permissible

The subject parcels are not encumbered by any known zoning requirements that would restrict potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Almost any legal use of the sites would be possible.

Physically Possible

The size and physical characteristics of the subject parcels are adequate to support all reasonable and probable uses.

Financially Feasible

The subject parcels lack developed access or utilities. As a result, development as a residential home site is not financially feasible.

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 private recreation. Outdoor recreational activities are the primary motivations for the surrounding recreational users.

Highest and Best Use of Land as Vacant

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

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.

¹⁰ 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

When 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. This method will be utilized 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 in 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 the remaining 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 market determine the unit of comparison, e.g. price per acre, square foot, site, front foot, etc. The subject parcels will be valued on a per acre basis.

Rights Conveyed

Fee simple less mineral rights as per Alaska Statue 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. In general, a cash transaction would tend to be at the lower end of the price range with listings or sales with favorable financing usually setting the upper limit. All of the sales used in this analysis do not offer quantifiable differences in price as a result of terms.

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 been stable in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

Location

The subject parcels and all of the comparable sales are located in the same market area. No location adjustments were warranted.

Size & Topography

Some of the comparable sales within this analysis are of varying size and require site size adjustments. The DNR Site Size Adjustment method is utilized for size adjustments and can be found in the addendum. There are no major topographical deficiencies which would require an adjustment.

Access

The subject parcels and all of the comparable sales have similar access and no adjustments for access were required.

Building Site Condition and Soil Quality Adjustments

The subject parcel and all of the comparable sales have similar soils and good building sites. No adjustments are warranted.

Utilities

The subject parcels and all comparable sales lack utilities, no adjustment is necessary.

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. No amenity adjustments were warranted.

Peters Creek Parcel

ADL	ASLS	Lot/Block	MTRS	Size
210757	80-144	L3/B11	S026N008W14	4.97

Highest and Best Use

Analysis of highest and best use for the subject property is necessary to accurately estimate the value of the land. Highest and best use analysis ensures that the value estimate is derived with the use in mind that maximizes the utility for a given property. The appropriate highest and best use for a given property is determined by the conditions of the market. Highest and best use can be defined 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."¹¹

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 parcels are vacant and unimproved.

Legally Permissible

The subject parcel is not encumbered by any known zoning requirements that would restrict potential development. 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 of the subject parcel is adequate to support all reasonable and probable uses.

Financially Feasible

The subject parcel has developed summer road access but lacks winter access or utilities. As a result, development as a residential home site is not financially feasible.

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 private recreation. Outdoor recreational activities are the primary motivations for the surrounding recreational users.

Highest and Best Use of Land as Vacant

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

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

¹¹ The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013, p.333

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.

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 in 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 the remaining 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 market determine the unit of comparison, e.g., price per acre, square foot, site, front foot, etc. The subject parcel will be valued on a per acre basis.

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. In general, a cash transaction would tend to be at the lower end of the price range with listings or sales with favorable financing usually setting the upper limit. All of the sales used in this analysis do not offer quantifiable differences in price as a result of terms.

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 been stable in recent years. Comparable sales used in this valuation are the most recent transactions available and do not need to be adjusted for time.

Location

The subject parcel and all of the comparable sales are located in the same market area. No location adjustments were warranted.

Size & Topography

Some of the comparable sales within this analysis are of varying size and require site size adjustments. The DNR Site Size Adjustment method is utilized for size adjustments and can be found in the addendum. There are no major topographical deficiencies which would require an adjustment.

Access

The subject parcel and some of the comparable sales have varying means of access and qualitative adjustments were warranted.

Building Site Condition and Soil Quality Adjustments

The subject parcel and most of the comparable sales enjoy adequate soils and good building sites. No building site or soil quality adjustments were warranted for those parcels. However, PC-1 is approximately 55% wetlands and received a downward adjustment for site quality.

Although the subject property has an old building foundation, two vehicles, and other debris on-site, no value is attributed to the personal property and debris. A cost to cure for the removal of the personal property will be considered in the analysis. The subject will be valued as if vacant and cleared of the personal property and debris. Because of this, PC-3 received an upward adjustment for having vehicles and debris on-site.

Utilities

The subject parcel and all comparable sales lack utilities, no adjustment is necessary.

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. All of the comparable sales have platted airstrip frontage. PC-1 received a downward adjustment for having a lakeview amenity.

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 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 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.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have not previously appraised the subject parcels in the past three years.
- No one provided significant real property appraisal assistance to the person signing this certification.


Signature

Date 11/15/24

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.