

**MARKET VALUE APPRAISAL
of
Thirteen (13) Parcels within
Skyridge Drive Subdivision – ASLS 2007-13**



Skyridge Drive

APPRAISAL REPORT No. 3644-0

**STATE OF ALASKA
Department of Natural Resources
Division of Mining, Land & Water
550 West Seventh Avenue Suite 650
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MEMORANDUM State of Alaska

Department of Natural Resources Division of Mining, Land & Water

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DATE: February 7, 2013

TO: Kevin Hindmarch
Review Appraiser

FROM Johnthomas Williamson
Appraiser



SUBJECT: Appraisal of 13 parcels within Skyridge Drive Subdivision, ASLS 2007-13.

As requested, I have completed a appraisal of the 13 parcels within above referenced subdivisions. I understand that this appraisal will be used to determine a minimum purchase price for a sealed bid auction. 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. This is a summary report based on the General Assumptions and Limiting Conditions stated in the report as well as the facts, analyses, and reasoning leading to the opinions of value.

I have inspected the subject and the comparable sales used in this report. Physical descriptions of the subject were based on inspections, photography, topographic maps, peer appraisal reports, interviews with realtors, Fairbanks - Northstar Borough employees, and various individuals familiar with the area. Based on these observations and analyses of all available data, I have formed an opinion of the market value as of the effective date of value.

TABLE OF CONTENTS

INTRODUCTION

Title Page	
Letter of Transmittal	ii

PREMISES OF THE APPRAISAL

Appraisal Summary	4
Type of Appraisal and Report	5
Purpose and Use of the Appraisal	5
User and Client Identity	5
Property Rights Appraised	5
Definition of Market Value	5
Effective Date of Value Estimate	5
Exposure Time	6
Property History	6
Scope of the Appraisal	6
Assumptions and Limiting Conditions	7

PRESENTATION OF DATA

Area Analysis	8
Parcel Description	9

DATA ANALYSIS AND CONCLUSION

Approaches to Value	12
Highest & Best Use	14
Explanation of Adjustments	15
Certification of Value	21

ADDENDA

Subject Surveys	
Comparable Sale Forms	
Size Adjustment Chart	
Appraisal Instructions	
Qualifications	

APPRAISAL SUMMARY

Location and Legal Description

Subdivision Names	Location	Survey
Skyridge Drive	Northeast Fairbanks between Farmers Loop and the Steese Highway. FM T1N R1w Sec. 12.	ASLS 2007-13

Summary of Value

Subdivision	ASLS	Lot	Block / Tract	Acres	Value	Date of Value
Skyridge Drive	2007-13	1	1	1.004	\$28,500	8-6-12
Skyridge Drive	2007-13	2	1	1.169	\$28,500	8-6-12
Skyridge Drive	2007-13	3	1	1.152	\$28,500	8-6-12
Skyridge Drive	2007-13	4	1	1.104	\$28,500	8-6-12
Skyridge Drive	2007-13	5	1	1.702	\$31,600	8-6-12
Skyridge Drive	2007-13	6	1	1.019	\$31,000	8-6-12
Skyridge Drive	2007-13	7	1	1.187	\$31,000	8-6-12
Skyridge Drive	2007-13	8	1	1.573	\$31,000	8-6-12
Skyridge Drive	2007-13	9	1	1.325	\$31,000	8-6-12
Skyridge Drive	2007-13	10	1	1.377	\$31,000	8-6-12
Skyridge Drive	2007-13	1	2	1.590	\$28,500	8-6-12
Skyridge Drive	2007-13	2	2	1.803	\$31,600	8-6-12
Skyridge Drive	2007-13	3	2	1.833	\$34,100	8-6-12

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a summary appraisal prepared in accordance with Standards Rule 1 and 2 of the current edition of **Uniform Standards of Professional Appraisal Practice (USPAP)** and in accordance with 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 the subject 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

August 6th, 2012.

Date of Report

February 7th, 2013.

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

² Alaska Statutes Title 38, Public Land Article 5, State of Alaska, 2012, pp. 610

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

Exposure Time

Exposure time is defined as "...the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market. Exposure time is different for various types of property and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable effort."⁴

Exposure time can vary depending on the type of property being appraised and constantly changing market conditions. Supply and demand of similar properties to the subject is an important factor for determining exposure time. Considering the availability of parcels on the market, an exposure time of up to one year is reasonable.

Ownership History

In 2007, the Department of Natural resources started subdividing Skyridge ASLS 2007-11. None of the subjects have been offered or sold within the past three years. DNR is the current owner of record.

Prior Appraisal History

I have not appraised the subjects within the past three years.

Scope of the Appraisal

Property and Comparable Sales Inspection

I inspected the subject properties and comparable sales on August 6th, 2012 via on-site inspection. Physical features and access were identified by use of inspections, topographic maps, status plats, aerial photographs, DNR appraisal records, and interviews with people who are familiar with the area.

Research and Analysis conducted

Interviews were conducted with real estate agents, appraisers, local residents, surveyors, contractors, and other individuals familiar with the area. Information about trends in value, supply, demand, access, and physical characteristics of the subject properties was provided. DNR records Records Office, and the Fairbanks – Northstar Borough databases were searched for relevant market data. Private real estate agent websites were searched for recent listings while sellers, buyers, and agents were contacted to verify recent sale prices and other transaction details.

After analysis of all available data, appropriate comparable sales were selected. The market value estimate was derived from this process and is based on the assumptions and limiting conditions on the following page.

⁴ Uniform Standards of Professional Appraisal Practice 2012-2013, Appraisal Foundation, p. www.uspap.org/24/

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.

Hypothetical Condition.

As of the valuation date, it is known that there is a physical trespass on Lots 2 & 3 in Block 2. There is a drive way constructed on both lots and a portion of the neighbor's shed is on Lot 2. These lots will be valued as if clear of encumbrances.

PRESENTATION OF DATA

Market Area – Fairbanks - Northstar Borough⁵

Location

The Fairbanks North Star Borough is located in the heart of Interior Alaska, and is the second-largest population center in the state with a population of 96,888 in 2007. Of which, about half live in and around Fairbanks. The area encompasses 7,361.0 sq. miles of land and 77.8 sq. miles of water. Interior Alaska experiences seasonal temperature extremes. January temperatures range from -66 to 50 degrees Fahrenheit. July temperatures range from 30 to 99 degrees Fahrenheit. Fairbanks is known for its lingering summer days. When the solstice arrives, there is more than 22 hours of daylight. Major communities include: College, Eielson Air Force Base, Ester, Fairbanks, Fox, Harding Lake, Moose Creek, North Pole, Pleasant Valley, Salcha, and Two Rivers. There are 35 schools located in the borough, attended by 14,384 students.

City, borough, state, and federal government agencies, including the military, provide over one-third of the employment in the borough. The borough school district and the University of Alaska Fairbanks are the primary public employers. In 2011, nearly 8,600 soldiers were stationed in the borough on Fort Jonathan Wainwright or the Eielson Airforce Base. Retail services, gold mining, tourism, transportation, medical, and other services are the primary private sector activities. The Fort Knox hardrock gold mine is located in the borough.

The Richardson Highway, the Parks Highway, the Steese Highway and the Elliott Highway connect the Interior to Anchorage, Canada and the lower 48. Truck, rail and air services provide transportation of cargo. Scheduled jet services are available at Fairbanks International airport. An 11,800' asphalt runway, heliport and seaplane landing strip are available. A public seaplane base is located on the Chena River. Eielson Air Force Base and Fort Wainwright also conduct flight operations in the area.

Neighborhood Data - Fairbanks⁶

Fairbanks is located in Alaska's Interior, on the banks of the Chena River in the Tanana Valley. It lies 358 road miles north of Anchorage. Koyukon Athabascans have lived in this area for thousands of years. In 1901, Captain E.T. Barnette established a trading post on the Chena River called "Barnette's Cache." A year later, gold was discovered 16 miles north of the post. The town grew as the Chena steamboat landing brought many prospectors during the Pedro Dome gold rush. Fairbanks was named in 1902 after Indiana Senator Charles Fairbanks, who became Vice President of the US from 1905 to 1909. In 1903, Judge Wickersham moved the seat of the third judicial district from Eagle to Fairbanks. The population of the area continued to increase as Fairbanks became the hub of the Interior with the addition of the court, government offices, a jail, a post office, and the Northern Commercial Company. Barnette was elected as the first mayor of the City of Fairbanks in 1903 and established telephone service, fire protection, sanitation ordinances, electricity, and steam heat. He also founded the Washington-Alaska Bank. By 1910, the official population had grown to 3,541, although more than 6,000 miners lived and worked their claims on creeks north of town. Ladd Field (now Fort Wainwright) was constructed in 1938. Construction of the Alcan Highway in the 1940s and the Trans-Alaska oil pipeline in the 1970s fueled growth and development.

According to Census 2010, there were 13,056 housing units in the community and 11,534 were occupied. Fifteen circulating pump stations distribute treated water throughout the greater Fairbanks area. City water, sewer, and electric systems are operated by private companies. The Chena power site has four steam turbines fueled by coal and one oil-fueled generator. Garbage collection services are provided by the city for a fee, and refuse is hauled to the class 1 borough landfill on South Cushman. Fort Wainwright operates its own landfill. Electricity is provided by

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

⁶ <http://fairbanks-alaska.com/area-communities.htm>

Golden Valley Electric Association, Incorporated. There are 25 schools located in the community, attended by 10,652 students. Local hospitals or health clinics include Fairbanks Memorial Hospital Interior Community Health Center Fairbanks Regional PHN Chief Andrew Isaac Health Center Bassett Army Community Hospital/Ft. Wainwright.

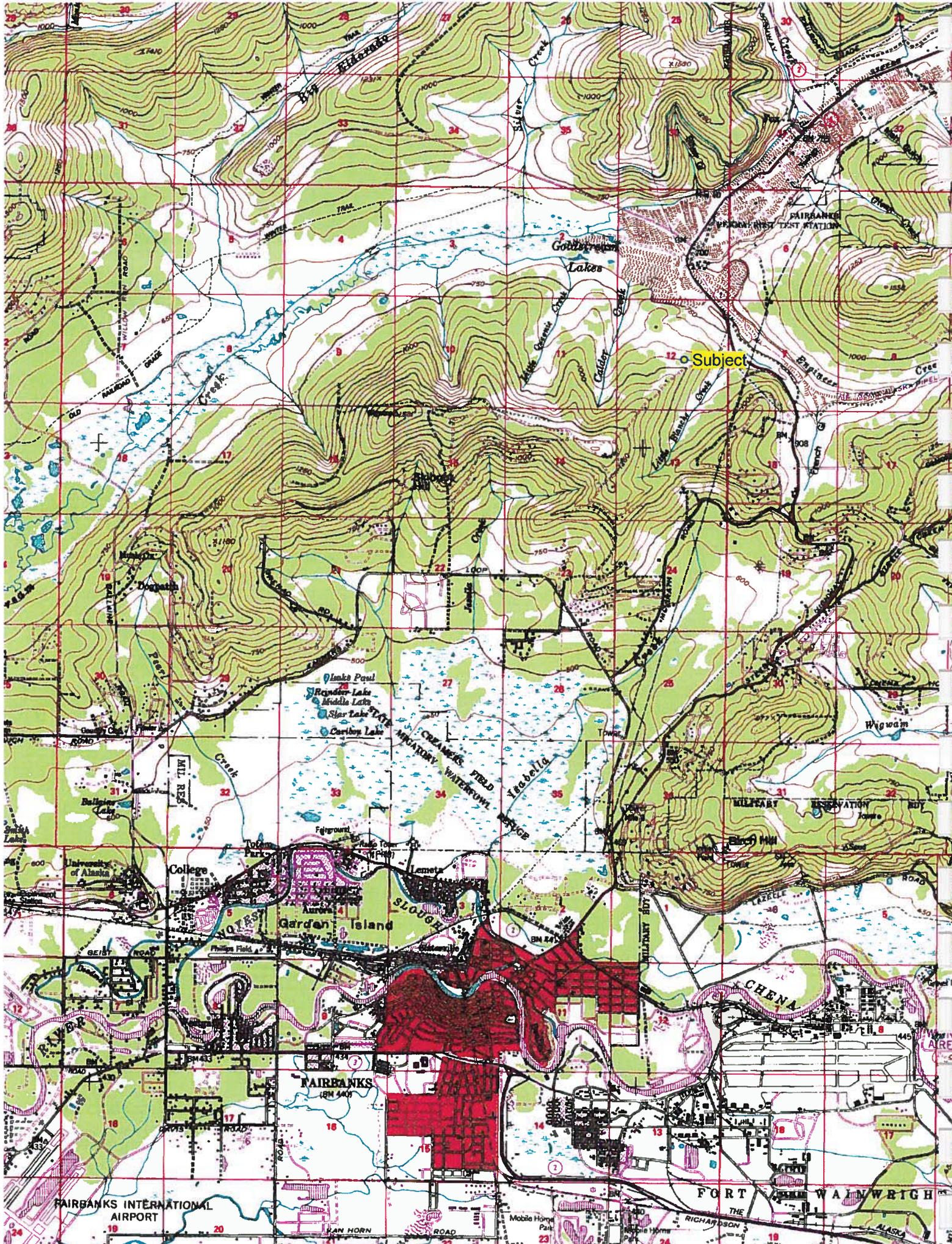
As the regional service and supply center for Interior Alaska, Fairbanks has a diversified economy, including city, borough, state, and federal government, transportation, communication, manufacturing, financial, and regional medical services. Tourism and mining also comprise a significant part of the economy. Fort Wainwright is located within the city limits. In 2011, 6,670 military personnel were stationed on Fort Jonathon Wainwright . The near-by University of Alaska Fairbanks is the largest employer. Fairbanks is one of Alaska's major tourism spot and its airport is a gateway to international destinations. In 2011, 32 city residents held commercial fishing permits, mostly in the Yukon River salmon fishwheel and gillnet fisheries.

The 2006-2010 American Community Survey (ACS) estimated 13,360¹ residents as employed. The public sector employed 20.0%¹ of all workers. The local unemployment rate was 7.6% . The percentage of workers not in labor force was 27.2%¹. The ACS surveys established that average median household income (in 2010 inflation-adjusted dollars) was \$51,320 (MOE +/- \$2,077)¹. The per capita income (in 2010 inflation-adjusted dollars) was \$26,373 (MOE +/- \$1,134)¹. About 11.0%¹ of all residents had incomes below the poverty level.

Fairbanks is at the confluence of the Richardson Highway, George Parks Highway, Steese Highway, and Elliott Highway, connecting the Interior to Anchorage, Canada, and the lower 48 states. The Dalton Highway to Prudhoe Bay begins about 75 miles north of town. Goods are transported to Fairbanks by truck, air, and the Alaska Railroad. Regularly-scheduled jet flights are available at the state-owned Fairbanks International Airport. An 11,800' by 150' asphalt runway and a 2,900' by 75' gravel landing strip, heliport, and seaplane landing area are available. A public seaplane base is also located on the Chena River. In addition, there are several privately-owned airstrips and heliports in the vicinity.



Looking northeast along Constance Ct. Block 1



Subject

FAIRBANKS INTERNATIONAL AIRPORT

FAIRBANKS

FORT WAINWRIGHT

CHENA

GARDEN ISLAND

COLLEGE

UNIVERSITY OF ALASKA

MILITARY RESERVATION

CRENAK'S FIELD LABORATORY WATERFOWL REFUGE

FAIRBANKS WEST TEST STATION

Goldstream Lakes

DORPAT

MADEIRA

TRAIL

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Property Description for Skyridge Drive Subdivision



At corner of Quakenbush and Constance looking toward Lot 2 Block 2

The subjects of this report are identified in the chart below:

Subdivision	ASLS	Lot	Block / Tr.	Acres	MTRS	Plat	Recording District
Skyridge Drive	2007-13	1	1	1.004	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	2	1	1.169	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	3	1	1.152	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	4	1	1.104	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	5	1	1.702	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	6	1	1.019	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	7	1	1.187	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	8	1	1.573	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	9	1	1.325	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	10	1	1.377	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	1	2	1.590	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	2	2	1.803	FM T1N R1W Sec. 12	2012-104	Fairbanks
Skyridge Drive	83-128	3	2	1.833	FM T1N R1W Sec. 12	2012-104	Fairbanks



Looking west at Lot 3 Block 2 from Quakenbush

Location

The subjects are located approximately 6 miles north of Fairbanks between Farmers Loop and the Elliott Highway along Skyridge Drive.

Access

All subjects are accessed along constructed gravel roads via Skyridge Drive, Quakenbush Road, and Constance Court.

Size & Shape

The parcels range from 1.004 to 1.833 acres, see above chart. The subjects are irregular in shape.

Topography

Subjects are situated along a gently sloping hill approximately 1,000 feet above sea level.

Soils/Vegetation

The parcels are vegetated with a mix of birch, alder, white spruce and poplar. Vegetation is indicative of adequate drainage.



Road slope easement on Lot 3 Block 1

Utilities, Water & Sewer

Select parcels within the subdivision are adjacent to electricity. Lots 6-10 in Block 1 and Lot 3 in Block 2 are adjacent to electrical service. Lots 1-5 Block 1 and Lots 2 & 3 in Block 2 would need additional poles installed. 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 Regulations⁷

The parcels are located within the Fairbanks – Northstar Borough zoned for GU-1, or General Use District. There are typical easements throughout the subdivision. No parcel is adversely affected by atypical easements.

Environmental Hazards, Hazardous Waste & Toxic Materials

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

Tax Assessments⁸

There is no tax burden assessed to the State of Alaska from the Fairbanks - Northstar Borough. Tax assessments to private parties will become active when property is sold into private ownership. The Mill Rate for this area is currently 14.819

⁷ <http://gis.co.fairbanks.ak.us/>

⁸ *ibid*



Typical vegetation and moderate sloping topography

Ownership History

In 2007, the Department of Natural resources started subdividing Skyridge ASLS 2007-11. None of the subjects have been offered or sold within the past three years. DNR is the current owner of record.

Personal Property

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

DATA ANALYSIS AND CONCLUSION

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. Since the subject is vacant, 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

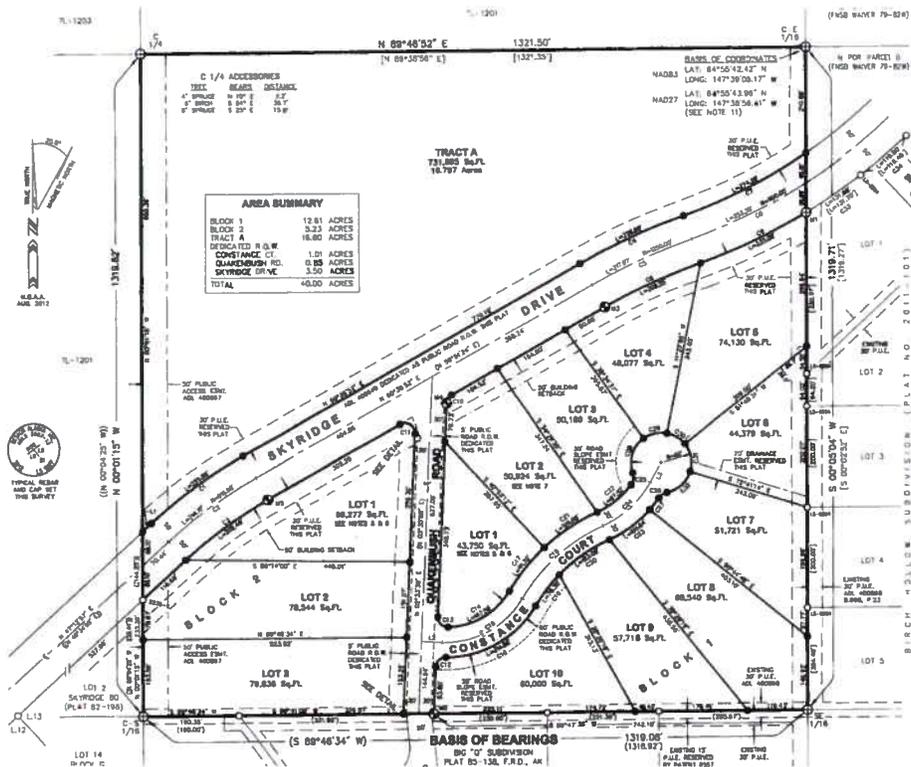
In appraising more than one similar parcel, it is an accepted practice to appraise a key parcel that is most representative of the other parcels being appraised. The key parcel may be a hypothetical parcel or an actual parcel. The value of the remaining parcels is then based on a comparison to the key parcel. This methodology replicates typical developer thinking, and will be utilized. 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. The Key Parcel Method will be utilized with Lot 7, Block 1 of Skyridge Drive Subdivision as the Key Parcel.

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 indicate 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 indicate the value of the key parcel. An adjustment of 1.00 (or $=$) means the sale feature is similar to the key parcel, 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.

Qualitative adjustments are noted as superior (-), inferior (+), or equal/similar (=). The overall comparability of each sale is analyzed to bracket a probable value for the subject. In many cases, combinations of both quantitative and qualitative adjustments are used.



**Valuation of Key Parcel
ADL Lot 7 Block 1 of Skyridge Drive Subdivision**

Data Analysis and Value Conclusion

Legal Description	Lot 7, Block 1 of Skyridge Subdivision, ASLS 2007-13
Location	6 miles north of Fairbanks on Skyridge Drive between Farmers Loop and the Elliott Highway, within T1N R1W Sec 12 FM.
Access	Gravel road.
Size & Shape	1.187 acres and irregularly shaped.
Topography	Moderate slope, approximately 1,000 feet above sea level.
Soils & Vegetation	Birch, white spruce, mixed underbrush.
Utilities	Electricity adjacent.
Easements & Zoning	General Use District 1. Typical subdivision easements.
Environmental Hazards	None observed.
Ownership	DNR is the owner of record.
Personal Property	None.
Amenity	None.



Key Parcel Lot 7 Block 1 looking east

Highest and Best Use

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

“The reasonably probable and legal use of vacant land or an improved property, that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.”⁹

The land to be valued is considered vacant and is valued with the highest and best potential use for the property. Value for improvements (when present on the site) is then based on their contribution to this use. The appraised subject is vacant and unimproved.

Legally Permissible

The parcel is within the Unorganized Borough and not subject to any known zoning requirements that would be restrictive to potential development. Development of well and septic systems must comply with the requirements of the Department of Environmental Conservation. Almost any legal use of the site would be possible.

Physically Possible

The Key Parcel is 1.187 acres. The remaining subjects range from 1.004 to 1.833 acres. The size and physical characteristics are adequate to support all reasonable and probable uses specifically one building site.

Financially Feasible

Surrounding land use is primarily private recreational sites with sporadic year-round rural residential home sites. Development of the parcel depends on the amount of resources the owner is willing to allocate for residential needs.

Maximally Productive

Maximally productive use is the use that produces the maximum return from the proceeds of a sale or lease. The immediate vicinity is characterized by year-round residential home sites.

Highest and Best Use of Land as Vacant

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

⁹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.277-278