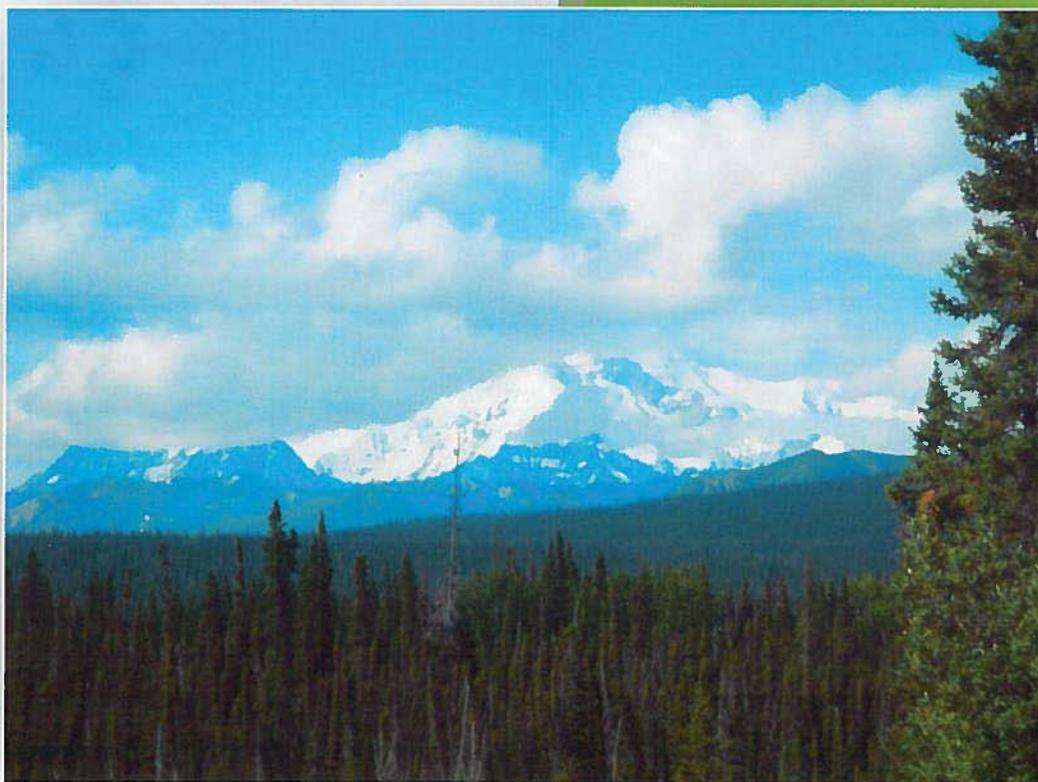


MARKET VALUE APPRAISAL

Of
Fireweed, Kenny Lake & Willow Creek
Parcels
For 2013 Auction

Appraisal Report No. 3651



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

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Division of Mining, Land and Water

550 West 7th Avenue, Suite 650

Anchorage AK 99501-3576

DATE: January 22, 2013

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson *BS*

SUBJECT: Appraisal of 15 parcels of land located near the communities of Kenny Lake, McCarthy and Willow Creek. 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 is a Summary Appraisal Report 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 area 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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ADDENDA

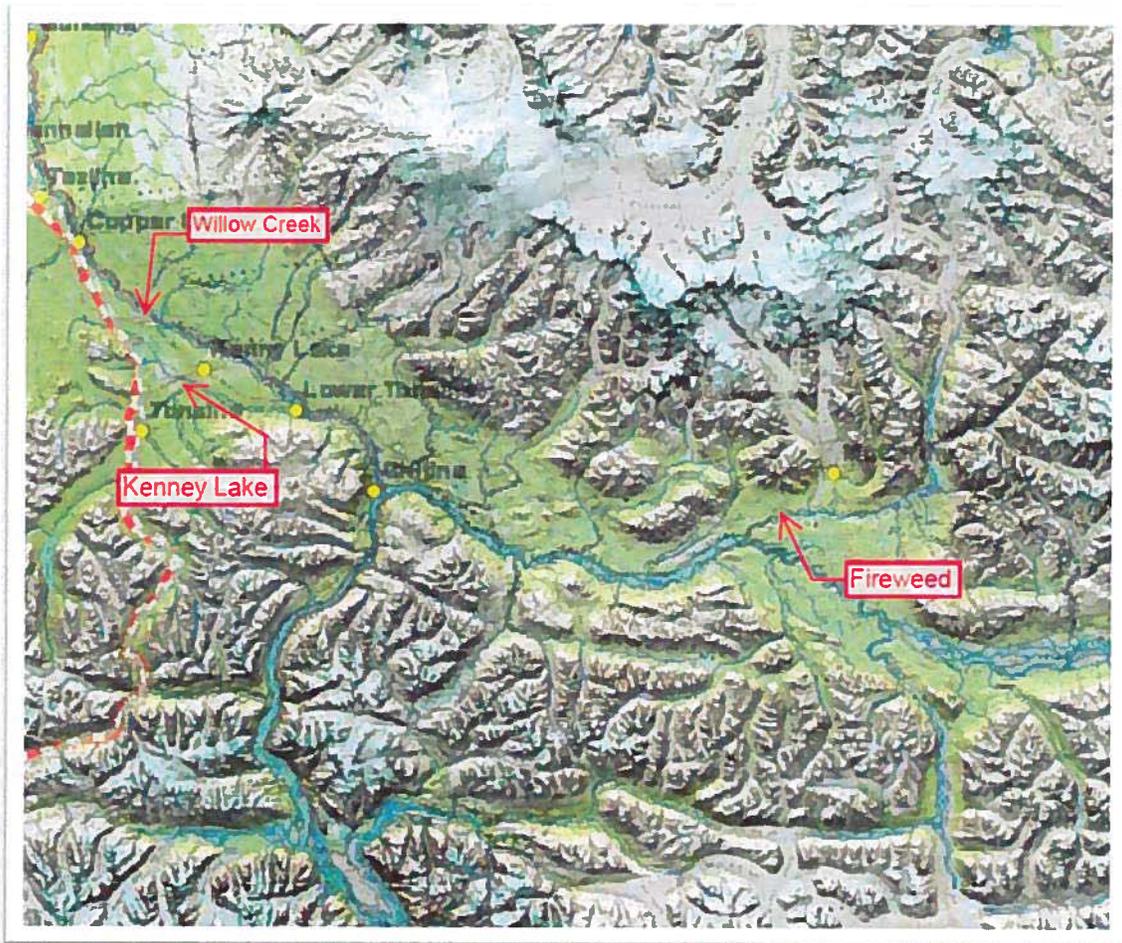
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APPRAISAL SUMMARY

Location

Subdivision Name	Location	Lot Size (acres)
Fireweed Mountain	On the south side of McCarthy Road, about nine miles from McCarthy.	5.00
Kenney Lake	Parcels are found on both sides of the Edgerton Highway, a few miles before the community of Kenny Lake.	3.867 to 4.56
Willow Creek	On the east side of the Richardson Highway, about one mile north of the intersection of the Richardson and Edgerton Highways.	2.50 and 20

Location Map



Value Summary

Subdivision	ADL	Survey	Lot	Block	Size (acres)	Value (RND)
Fireweed Mountain	216536	ASLS 81-29	2	2	5.000	\$30,000
Kenney Lake	228464	ASLS 81-193	1	1	4.281	\$15,000
Kenney Lake	228465	ASLS 81-193	2	1	4.165	\$14,700
Kenney Lake	228466	ASLS 81-193	3	1	4.181	\$14,000
Kenney Lake	228467	ASLS 81-193	4	1	4.066	\$14,400
Kenney Lake	228469	ASLS 81-193	21	2	4.568	\$17,400
Kenney Lake	228481	ASLS 81-193	31	3	3.867	\$15,500
Willow Creek	203344	ASLS 79-122	20		4.955	\$7,400
Willow Creek	203352	ASLS 79-122	30		4.960	\$7,400
Willow Creek	203353	ASLS 79-122	31		4.960	\$7,400
Willow Creek	203354	ASLS 79-122	32		4.960	\$7,400
Willow Creek	203355	ASLS 79-122	33		4.960	\$7,400
Willow Creek	203357	ASLS 79-122	35		4.960	\$7,400
Willow Creek	203358	ASLS 79-122	36		4.960	\$7,400
Willow Creek	203107	ASLS 79-122	102		5.000	\$7,500

PREMISES OF THE APPRAISAL

Type of Appraisal and Report

This appraisal is a Summary 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

The subject properties were inspected August 14, 2012. The comparable sales that were not previously inspected were inspected at the same time. The effective date of value is August 14, 2012

Date of Report

January 22, 2013

¹ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.112

² Alaska Statutes Title 38, Public Land Article 5, accessed 16 November 2012.
<Codes.lp.findlaw.com/akstatutes/38/38.05./05./38.05.125>

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

Exposure Time

Exposure time is defined as⁴:

“...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.”

Fireweed Mountain

The Fireweed parcel is a recreational parcel located near the town of McCarthy. The parcel has developed gravel access. The parcel is considered above average compared to competing properties in the area. An exposure time of up to one year is reasonable.

Kenney Lake

The Kenney Lake parcels have highway frontage and electric available. The parcels are considered average compared to competing properties in the area. An exposure time of up to one year is reasonable.

Willow Creek

The Willow Creek parcels are recreational parcels that are considered average to below average compared to competing properties in the area. An exposure time of up to three years is reasonable.

Sale History

ADL 216536 (Fireweed) – An application was received October 1999. The contract was terminated February 2011.

Prior Appraisal History

I have not previously appraised the subject parcels in the preceding three years.

⁴ Uniform Standards of Professional Appraisal Practice 2012-2013, Appraisal Foundation, accessed November 16, 2012 <www.uspap.org/#/24/>

SCOPE OF WORK

Property and Comparable Sales Inspection

I inspected the subject parcels on August 14, 2012. The comparable sales that have not previously been inspected were inspected over these two days.

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.

Assumptions and Limiting Conditions

1. The property is appraised as vacant land without structural or site improvements.
2. 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.
3. All engineering studies are assumed to be accurate. Plats and illustrative material included in the report are intended to help the reader in visualizing the properties.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. Some parcels may contain saw timber, but not necessarily in commercial quantities. The estimated market value does not include that value of commercial timber, if any.

PRESENTATION OF DATA

Property Identification

Subdivision	ADL	Survey	Lot	Block	Size (acres)
Fireweed Mountain	216536	ASLS 81-29	2	2	5.000
Kenney Lake	228464	ASLS 81-193	1	1	4.281
Kenney Lake	228465	ASLS 81-193	2	1	4.165
Kenney Lake	228466	ASLS 81-193	3	1	4.181
Kenney Lake	228467	ASLS 81-193	4	1	4.066
Kenney Lake	228469	ASLS 81-193	21	2	4.568
Kenney Lake	228481	ASLS 81-193	31	3	3.867
Willow Creek	203344	ASLS 79-122	20		4.955
Willow Creek	203352	ASLS 79-122	30		4.960
Willow Creek	203353	ASLS 79-122	31		4.960
Willow Creek	203354	ASLS 79-122	32		4.960
Willow Creek	203355	ASLS 79-122	33		4.960
Willow Creek	203357	ASLS 79-122	35		4.960
Willow Creek	203358	ASLS 79-122	36		4.960
Willow Creek	203107	ASLS 79-122	102		5.000

Personal Property

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

MARKET AREA

The subject parcels are located near the communities of Kenny Lake, McCarthy and Willow Creek. The Richardson, Edgerton Highway and McCarthy Road provide access to these communities. Below is a description of the individual subdivisions and nearby communities.

Fireweed Mountain

One of the subject parcels is located in the Fireweed Mountain Subdivision. Access to the subdivision is along the McCarthy Road. The majority of the road is gravel. The road is maintained but conditions vary season by season. Access into the subdivision is on Columbine Avenue, a gravel road. Winter access is by snowmachine. The subdivision is found just less than nine miles from the community of McCarthy.

Kenney Lake

Six parcels are found in the Kenney Lake Subdivision. The parcels are located on either side of the Edgerton Highway, a few miles before the community of Kenny Lake. The parcels are considered 1st tier highway frontage lots. They are separated from the highway by a sliver of unsubdivided state land. Kenney Lake Loop Road, an internal subdivision road, is developed providing gravel access to two of the lots. The remaining lots located on the north side of the Edgerton Highway have a platted access easement.

Willow Creek

Eight parcels are located in the Willow Creek Subdivision. The subdivision is located on the east side of the Richardson Highway, about one mile north of the intersection of the Richardson and Edgerton Highways. Access is developed from the highway into the subdivision but ends short of the subject parcels.

Kenny Lake

Current Population:	347 (2011 Alaska Department of Labor Estimate)
Incorporation Type:	Unincorporated
Located In:	Valdez-Cordova Census Area

Kenny Lake lies off of the Richardson Highway, between miles 1 and 22 on the Edgerton Highway and between miles 1 and 11 of the Old Edgerton Highway. It is along the preferred route into the Wrangell-St. Elias National Park. The community lies at approximately 61.683610° North Latitude and -144.852340° West Longitude. (Sec. 31, T001S, R003E, Copper River Meridian.) Kenny Lake is located in the Chitina Recording District.

Kenny Lake lies in the continental climate zone, with long, cold winters and relatively warm summers. Temperature extremes range from -58 to 91 °F. Annual snowfall averages 52 inches, with total precipitation of 12 inches per year.

Most residents and businesses haul water from one of two community wells, located at mile 5 of the Edgerton Highway, or have water delivered by truck from Glennallen. There are a few successful private wells. The schools use their own well-water systems. The majority of the occupied households use individual septic tank systems and are fully plumbed. Refuse dumpsters are available from Copper Basin Sanitation, which provides disposal at the Glennallen landfill. The 1990 Census found that nearly half of all homes were used only seasonally. Electricity is provided by Copper Valley Electric Association, Incorporated. There is one school located in the community, attended by 114 students. Local hospitals or health clinics include Copper Center Health Clinic Cross Road Medical Center in Glennallen. Emergency Services have highway and helicopter access. Emergency service is provided by 911 Telephone Service and volunteers. Auxiliary health care is provided by Copper River EMS Council. Agricultural

crops such as hay and vegetables are grown locally, and cattle are raised as well. A school, sawmill and lumber business, fur farm, feed and seed supplier, glass company, and construction company are located in Kenny Lake. Horse backpacking trips are available for visitors.

The 2006-2010 American Community Survey (ACS) estimated 99¹ residents as employed. The public sector employed 50.5%¹ of all workers. The local unemployment rate was 16.1%¹. The percentage of workers not in labor force was 36.2%¹. The ACS surveys established that average median household income (in 2010 inflation-adjusted dollars) was \$60,655 (MOE +/- \$27,673)¹. The per capita income (in 2010 inflation-adjusted dollars) was \$36,190 (MOE +/- \$15,281)¹.

McCarthy

Current Population:	28 (2011 Alaska Department of Labor Estimate)
Incorporation Type:	Unincorporated
Located In:	Valdez-Cordova Census Area

McCarthy lies 61 miles east of Chitina off the Edgerton Highway. It is on the Kennicott River at the mouth of McCarthy Creek, 12 miles northeast of the junction of the Nizina and Chitina Rivers, in the heart of the Wrangell-St. Elias National Park and Preserve. The community lies at approximately 61.433330° North Latitude and -142.921670° West Longitude. (Sec. 16, T005S, R014E, Copper River Meridian.) McCarthy is located in the Chitina Recording District.

It is located in the continental climate zone. Temperature extremes range from -58 to 91 °F. Annual snowfall averages 52 inches, with total precipitation of 12 inches per year.

Water is drawn by hand from a clear water spring. Outhouses are prevalent, although a few septic systems are in use. Incinerating, composting, and recycling of solid wastes is encouraged. There is no central electric system. Electricity is provided by Individual Generators. There are schools located in the community, Auxiliary health care is provided by Chitina Health Clinic Copper Center Clinic or Cross Road Medical Center in Glennallen.

Employment is limited and seasonal. Local businesses include lodges, a museum, small store, gift shop, and guide services.

The 2006-2010 American Community Survey (ACS) estimated 32¹ residents as employed. The public sector employed 43.8%¹ of all workers.

McCarthy is accessible from the Richardson via Edgerton Highways. The 58-mile McCarthy Road starts in Chitina and continues into the Wrangell-St. Elias Park. A footbridge is used to cross the Kennicott River. There are two gravel airstrips in the vicinity. A private airstrip airstrip is 2,000' long by 35' wide; the state-owned gravel airstrip is 3,500' long by 60' wide. DOT performs irregular winter maintenance of the McCarthy airport.

Willow Creek

Current Population:	198 (2011 Alaska Department of Labor Estimate)
Incorporation Type:	Unincorporated
Located In:	Valdez-Cordova Census Area

Willow Creek is located at milepost 91 of the Richard Highway. The community lies at approximately 61.819720° North Latitude and -145.212220° West Longitude. (Sec. 35, T001N, R001E, Copper River Meridian.) Willow Creek is located in the Chitina Recording District.

The area is located in the continental climate zone, with long, cold winters and relatively warm summers. Temperature extremes have been recorded from -74 to 96 °F. Annual snowfall averages 39 inches, with total precipitation of 9 inches.

The majority of homes use individual water wells and septic tanks. Others haul treated well water from a site operated by Copper Center Safe Water. A private Glennallen firm delivers water to home storage tanks for a fee. The landfill has closed, and a private carrier provides refuse collection to the Glennallen landfill. Electricity is provided by Copper Valley Electric Association, Incorporated. There are schools located in the community, Local hospitals or health clinics include Copper Center Health Clinic. Auxiliary health care is provided by Cross Road Medical Center in Glennallen.

The economy is based on local services and businesses, the National Park office, and highway-related tourism. Many residents depend on subsistence hunting, fishing, trapping, and gathering.

The 2006-2010 American Community Survey (ACS) estimated 12¹ residents as employed. The local unemployment rate was 70.0%¹. The percentage of workers not in labor force was 40.3%¹. The ACS surveys established that average median household income (in 2010 inflation-adjusted dollars) was \$16,771 (MOE +/- \$48,749)¹. The per capita income (in 2010 inflation-adjusted dollars) was \$12,512 (MOE +/- \$4,924)^{1,5}.

⁵ Alaska DCCED 'Community Database Online', accessed 14 January 2013.
http://www.commerce.state.ak.us/dca/CF_BLOCK.htm.

DATA ANALYSIS AND CONCLUSION

Valuation Analysis

Three approaches 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 or recreational 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. The appraised parcels lack any improvements therefore; 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. Only the sales comparison approach is applicable for valuation of the subject parcels.

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.

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 is 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. These qualitative adjustments indicate if the feature being adjusted for is superior, or inferior to the *Key Lot*. The conventional sequence of adjustments is property rights conveyed, financing terms, conditions of sale, time, location, and physical features.

For quantitative adjustments, an adjustment of less than 1.00 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 means that the sale feature is inferior to the subject, requiring an upward adjustment to indicate the value of the key parcel. An adjustment of 1.00 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 is contained in this report and Addenda. The parcels to be appraised will be grouped as follows:

***Fireweed Mountain
Kenney Lake Lots
Willow Creek Lots***

FIREWEED MOUNTAIN LOT

One of the subject parcels is located in the Fireweed Mountain Subdivision. Access to the subdivision is along the McCarthy Road. The majority of the road is gravel. The road is maintained but conditions vary season by season. Access into the subdivision is on Columbine Avenue, a gravel road. Winter access is by snowmachine from Chitina. The subdivision is found about nine miles from the community of McCarthy.

The *Fireweed Mountain Lot* is ADL 216536, Lot 2, Block 2, ASLS 81-29, plat 83-5, a 5-acre parcel.

Key Lot	Legal Description	Size (acres)
ADL 216536	Lot 2, Block 2, ASLS 81-29, Plat 83-5	5.00

Fireweed Mountain Lot (ADL 216536, Lot 2, Block 2, ASLS 81-29)

Location	About nine miles before the town of McCarthy, on the south side of McCarthy Road.
Access	Summer access is via McCarthy Road to the subdivision, then along Columbine Avenue. Columbine Avenue is a gravel road that is maintained by residents in the subdivision. Winter access is possibly by snowmachine from Chitina.
Size & Shape	5-acres, irregular shaped parcel
Topography	Mostly level parcel
Soils	Adequate drainage
Vegetation	Wooded with birch, cottonwood and spruce
Utilities	None
Water & Sewer	None
Easements	Typical
Environmental Hazards	None noted
Zoning	None
Regulations	
Tax Assessments	None
Ownership History	State of Alaska
Adjacent Land Use	Mostly undeveloped with sporadic recreational cabins. Occasional commercial development along McCarthy Road
Amenities	Interior lot with view potential of surrounding mountains

Photograph of *Fireweed Mountain Lot*

(ADL 216536, Lot 2, Block 2, ASLS 81-29)



Photograph taken August 14, 2012

KENNEY LAKE LOTS

There are six lots located in the Kenney Lake Subdivision. The lots are located on both sides of the Edgerton Highway, a few miles before the community of Kenny Lake. The subject parcels are 1st tier highway frontage lots (lots that are separated from the highway by a strip of unsubdivided state land). The lots are level and mostly wooded. The soils conditions vary between the lots. Access to the lots on the south side of the highway is via an improved gravel road within the subdivision. Access to the north side of the highway is from platted easements that run from the highway to the lots. Electric is available at the highway and within the subdivision but needs to be connected to individual lots.

The *Kenney Lake Key Lot* is ADL 228481, Lot 31, Block 3, ASLS 81-193, a 3.867-acre parcel.

Key Lot	Legal Description	Size (acres)
ADL 228481	Lot 31, Block 3, ASLS 81-193, Plat 82-2	3.867

The remaining Kenney Lake parcels included in this analysis are summarized below:

Subdivision	ADL	Survey	Lot	Block	Size (acres)
Kenney Lake	228464	ASLS 81-193	1	1	4.281
Kenney Lake	228465	ASLS 81-193	2	1	4.165
Kenney Lake	228466	ASLS 81-193	3	1	4.181
Kenney Lake	228467	ASLS 81-193	4	1	4.066
Kenney Lake	228469	ASLS 81-193	21	2	4.568

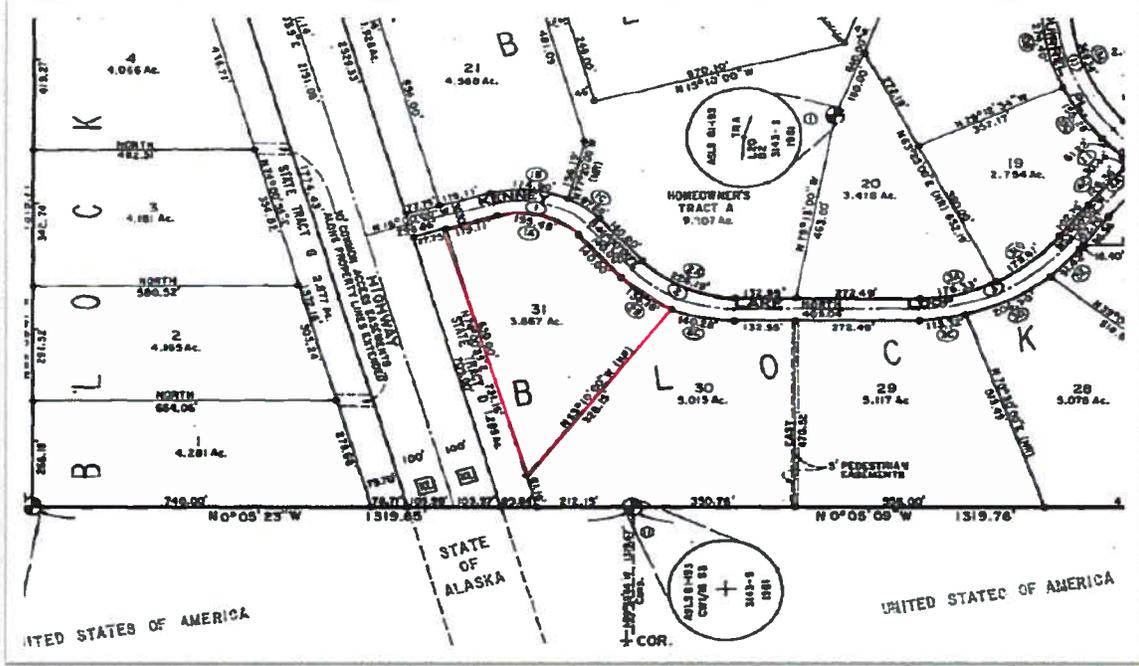
Kenney Lake Key Lot

(ADL 228481, Lot 31, Block 3, ASLS 81-193)

Location	South side of the Edgerton Highway, a few miles before the community of Kenny Lake
Access	Edgerton Highway is paved. Access to parcel is via Kenney Lake Loop Road, an improved gravel road.
Size & Shape	3.867-acres, irregular shaped parcel
Topography	Mostly level
Soils	Adequate drainage
Vegetation	Wooded with birch and spruce
Utilities	Electric and telephone
Water & Sewer	None
Easements	Typical
Environmental Hazards	None noted
Zoning Regulations	None
Tax Assessments	None
Ownership History	State of Alaska
Adjacent Land Use	Primarily residential. Good quality homes in subdivision.
Amenities	Interior lot. 1 st tier highway frontage (separated from Edgerton Highway by unsubdivided state land).

Survey of Kenney Lake Key Lot

(ADL 228481, Lot 31, Block 3, ASLS 81-193)



Satellite imagery of Kenney Lake Key Lot

(ADL 228481, Lot 31, Block 3, ASLS 81-193)



Photograph of Kenney Lake Key Lot

(ADL 228481, Lot 31, Block 3, ASLS 81-193)



Photograph taken August 14, 2012

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 as⁷:

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

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.

Legally Permissible

The *Key Lot* is 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. Therefore, almost any legal use of the site would be possible.

Physically Possible

The *Key Lot* is 3.867-acres. The size and physical characteristics are adequate to support all reasonable and probable uses. The parcel has 1st tier Edgerton Highway frontage allowing for the possibility of a commercial use.

⁷ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278

WILLOW CREEK LOTS

The *Willow Creek Key Lot* is ADL 203355, Lot 33, ASLS 79-122, a 4.96-acre parcel.

Key Lot	Legal Description	Size (acres)
ADL 203355	Lot 33, ASLS 79-122, Plat 79-25	4.96

The remaining Willow Creek parcels included in this analysis are summarized below:

Subdivision	ADL	Survey	Lot	Size (acres)
Willow Creek	203344	ASLS 79-122	20	4.955
Willow Creek	203352	ASLS 79-122	30	4.960
Willow Creek	203353	ASLS 79-122	31	4.960
Willow Creek	203354	ASLS 79-122	32	4.960
Willow Creek	203357	ASLS 79-122	35	4.960
Willow Creek	203358	ASLS 79-122	36	4.960
Willow Creek	203107	ASLS 79-122	102	5.000

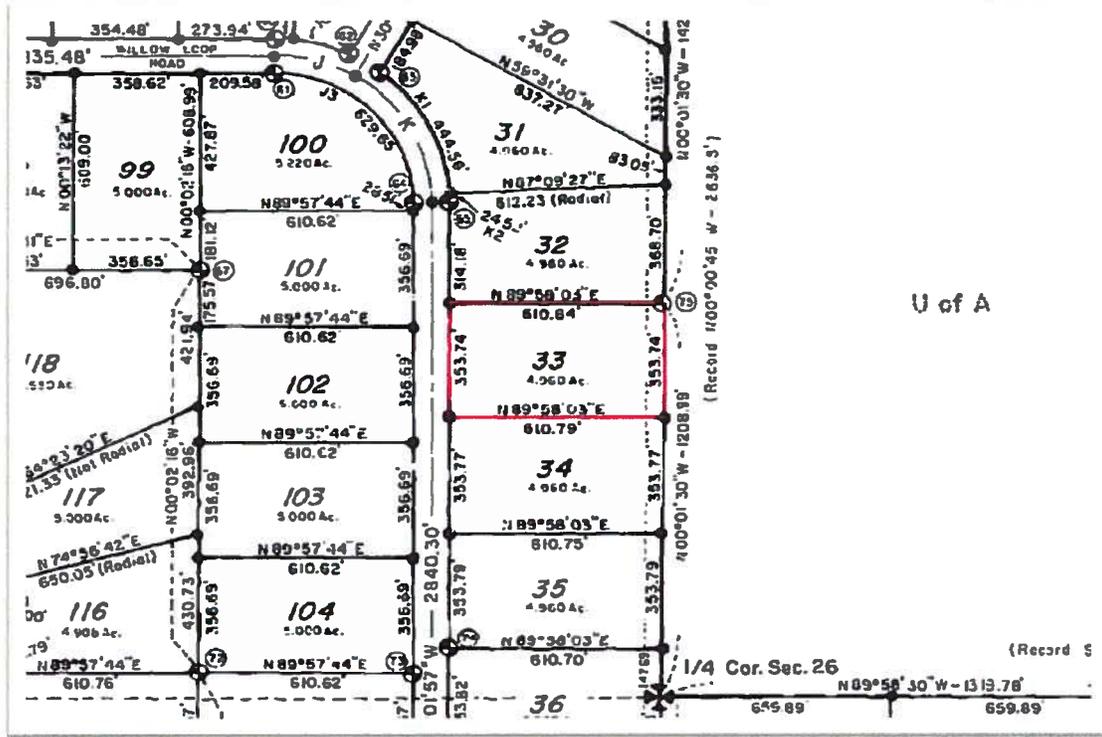
Willow Creek Key Lot

(ADL 203355, Lot 33, ASLS 79-122)

Location	On east side of Richardson Highway, about one mile north of Richardson and Edgerton Highway intersection.
Access	Access into to the subdivision has been improved allowing for summer vehicle access. Access to the <i>Key Lot</i> is via platted Willow Loop Road. The right-of-way has been cleared but has numerous wet areas on both sides of the <i>Key Lot</i> . During the inspection the access would be described as walk-in only. ATV access was not possible. Winter access is via snowmachine.
Size & Shape	4.96-acres, rectangular shaped parcel
Topography	Mostly level
Soils	Adequate drainage
Vegetation	Wooded
Utilities	None
Water & Sewer	None
Easements	Typical
Environmental Hazards	None noted
Zoning Regulations	None
Tax Assessments	None
Ownership History	State of Alaska
Adjacent Land Use	Mostly undeveloped. There are residential and recreational developments within the Willow Creek Subdivision where gravel access has been developed.
Amenities	Interior lot

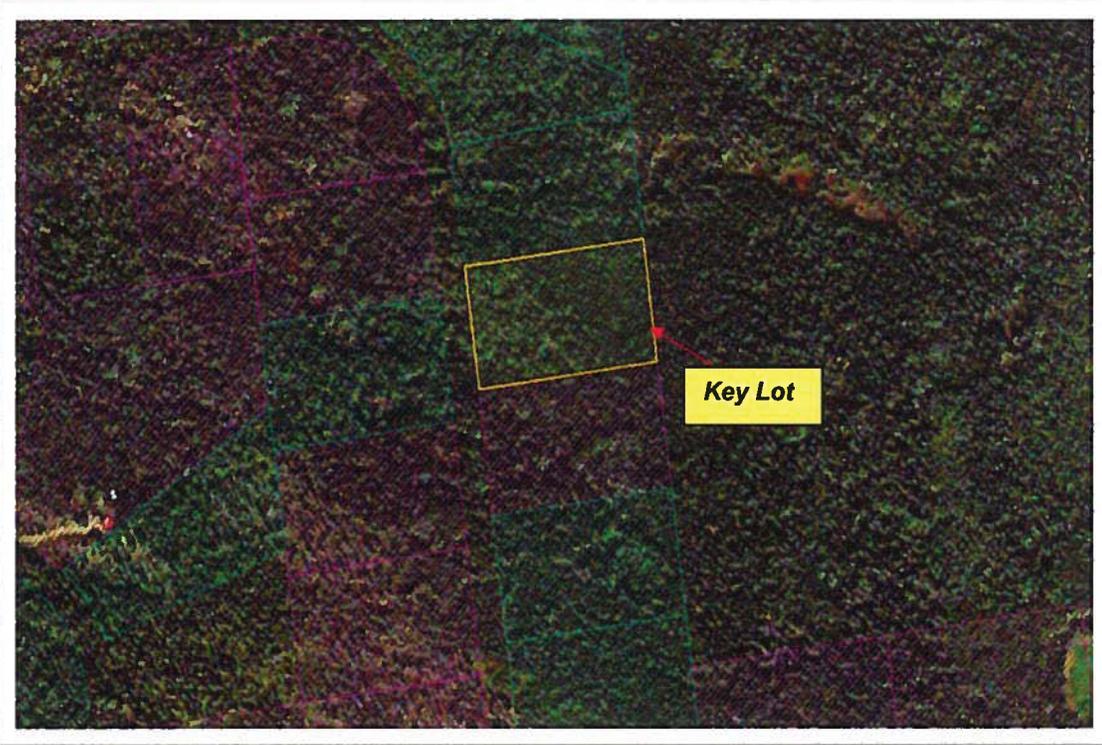
Survey of Willow Creek Key Lot

(ADL 203355, Lot 33, ASLS 79-122)



Satellite imagery of Willow Creek Key Lot

(ADL 203355, Lot 33, ASLS 79-122)



Photograph of Willow Creek Key Lot

(ADL 203355, Lot 33, ASLS 79-122)



Photograph taken August 14, 2012

Photograph of Willow Loop Road



Photograph taken August 14, 2012 (picture of Willow Loop Road access south of Key Lot)