

MARKET VALUE APPRAISAL
Of
Copper Center, Glennallen, Lake Louise & Willow Creek
Area Parcels
For 2015 Auction

Appraisal Report No. 4215



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

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DATE: December 30, 2014

TO: Kevin Hindmarch
Review Appraiser

FROM: Brandon Simpson *BS*

SUBJECT: Appraisal of 46 parcels of land located near the communities of Copper Center, Glennallen, and Lake Louise. 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 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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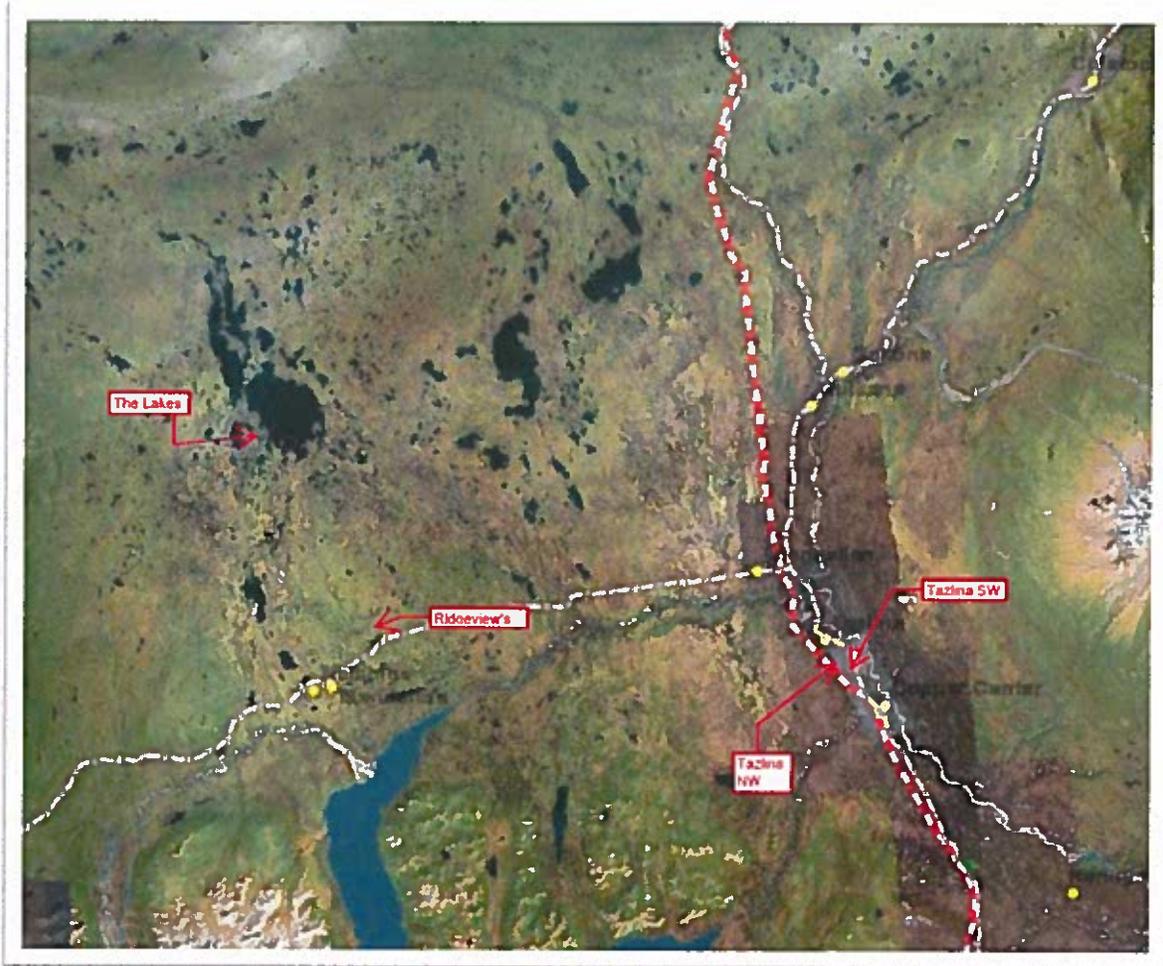
ADDENDA

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| Subject Parcels Survey | |
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APPRAISAL SUMMARY

| Location | | |
|----------------------|--|------------------|
| Subdivision Name | Location | Lot Size (acres) |
| The Lakes | Western portion of Lake Louise | 2.67 to 4.92 |
| Ridgeview Addition 1 | North of the Glenn Highway, a few miles east of Lake Louise Road | 9.81 to 10.91 |
| Ridgeview Phase 1 | North of the Glenn Highway, a few miles east of Lake Louise Road | 9.37 to 9.42 |
| Ridgeview RRCS | North of the Glenn Highway, a few miles east of Lake Louise Road | 7.6 & 14.41 |
| Tazlina Northwest | West of Richardson Highway about 4 miles south of intersection with Glenn Highway. | 4.782 to 5.116 |
| Tazlina Southwest | West of Richardson Highway about 8 miles south of intersection with Glenn Highway. | 4.699 to 10.191 |

Location Map



Value Summary

| ADL | Subdivision | Lot or Tract | Block | Survey | Size (acres) | Value (RND) |
|------------|----------------------|---------------------|--------------|---------------|---------------------|--------------------|
| 232048 | The Lakes | 11 | | USS 3493 | 4.88 | \$36,200 |
| 232049 | The Lakes | 23 | | USS 3493 | 3.19 | \$27,500 |
| 232050 | The Lakes | 24 | | USS 3493 | 2.67 | \$25,600 |
| 232068 | The Lakes | 5 | | USS 3504 | 4.75 | \$35,600 |
| 232070 | The Lakes | 7 | | USS 3504 | 4.86 | \$36,100 |
| 232071 | The Lakes | 8 | | USS 3504 | 4.92 | \$36,500 |
| 232072 | The Lakes | 9 | | USS 3504 | 3.94 | \$31,300 |
| 232073 | The Lakes | 10 | | USS 3504 | 3.96 | \$31,500 |
| 229955 | Ridgeview Addition I | 4 | 2 | ASLS 2005-16 | 10.91 | \$12,700 |
| 229978 | Ridgeview Addition I | 1 | 6 | ASLS 2005-16 | 9.81 | \$11,900 |
| 230000 | Ridgeview Addition I | 15 | 7 | ASLS 2005-16 | 10.42 | \$12,300 |
| 229709 | Ridgeview Phase 1 | 8 | 4 | ASLS 2004-42 | 9.42 | \$12,500 |
| 229710 | Ridgeview Phase 1 | 9 | 4 | ASLS 2004-42 | 9.41 | \$12,500 |
| 229711 | Ridgeview Phase 1 | 10 | 4 | ASLS 2004-42 | 9.37 | \$12,400 |
| 230779 | Ridgeview RRCS | 30 | | ASLS 2009-46 | 14.41 | \$16,000 |
| 230919 | Ridgeview RRCS | 14 | | ASLS 2009-46 | 7.6 | \$10,600 |
| 204640 | Tazlina Northwest | 1 | 1 | ASLS 79-226 | 5 | \$21,500 |
| 204649 | Tazlina Northwest | 8 | 2 | ASLS 79-226 | 4.956 | \$21,300 |
| 204665 | Tazlina Northwest | 5 | 4 | ASLS 79-226 | 4.9 | \$7,800 |
| 204666 | Tazlina Northwest | 6 | 4 | ASLS 79-226 | 4.9 | \$7,800 |
| 204667 | Tazlina Northwest | 7 | 4 | ASLS 79-226 | 4.782 | \$7,800 |
| 204668 | Tazlina Northwest | 8 | 4 | ASLS 79-226 | 4.9 | \$7,800 |
| 204669 | Tazlina Northwest | 9 | 4 | ASLS 79-226 | 4.9 | \$7,800 |
| 204671 | Tazlina Northwest | 1 | 5 | ASLS 79-226 | 5.116 | \$8,100 |
| 204672 | Tazlina Northwest | 2 | 5 | ASLS 79-226 | 4.963 | \$7,900 |
| 204673 | Tazlina Northwest | 3 | 5 | ASLS 79-226 | 4.896 | \$7,800 |
| 204701 | Tazlina Northwest | 4 | 7 | ASLS 79-226 | 5 | \$21,500 |
| 204702 | Tazlina Northwest | 5 | 7 | ASLS 79-226 | 5 | \$21,500 |
| 204704 | Tazlina Northwest | 7 | 7 | ASLS 79-226 | 5 | \$8,000 |
| 204705 | Tazlina Northwest | 8 | 7 | ASLS 79-226 | 5 | \$8,000 |
| 204706 | Tazlina Northwest | 9 | 7 | ASLS 79-226 | 5 | \$8,000 |
| 204536 | Tazlina Southwest | 1 | 4 | ASLS 79-121 | 5 | \$8,000 |
| 204537 | Tazlina Southwest | 2 | 4 | ASLS 79-121 | 5 | \$8,000 |
| 204539 | Tazlina Southwest | 4 | 4 | ASLS 79-121 | 5 | \$8,000 |
| 204540 | Tazlina Southwest | 5 | 4 | ASLS 79-121 | 5 | \$8,000 |
| 204541 | Tazlina Southwest | 6 | 4 | ASLS 79-121 | 10.191 | \$12,200 |
| 204542 | Tazlina Southwest | 1 | 5 | ASLS 79-121 | 5 | \$8,000 |
| 204545 | Tazlina Southwest | 4 | 5 | ASLS 79-121 | 5 | \$8,000 |
| 204556 | Tazlina Southwest | 3 | 6 | ASLS 79-121 | 5 | \$8,400 |
| 204557 | Tazlina Southwest | 4 | 6 | ASLS 79-121 | 5 | \$8,000 |
| 204573 | Tazlina Southwest | 2 | 7 | ASLS 79-121 | 5 | \$8,400 |
| 204579 | Tazlina Southwest | 1 | 8 | ASLS 79-121 | 4.717 | \$7,700 |
| 204580 | Tazlina Southwest | 2 | 8 | ASLS 79-121 | 4.717 | \$7,700 |
| 204581 | Tazlina Southwest | 3 | 8 | ASLS 79-121 | 4.701 | \$7,700 |

| | | | | | | |
|--------|-------------------|---|---|-------------|-------|----------|
| 204582 | Tazlina Southwest | 4 | 8 | ASLS 79-121 | 4.699 | \$20,600 |
| 204583 | Tazlina Southwest | 5 | 8 | ASLS 79-121 | 4.717 | \$20,700 |

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."

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

² Alaska Statutes Title 38, Public Land Article 5, accessed 02 December 2014.

<<http://www.touchngo.com/lglcntr/akstats/statutes/title38/chapter05/section125.htm>>

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

Effective Date of Value

The subject properties were inspected August 25th and 26th, 2014. The comparable sales that were not previously inspected were inspected over these days. The effective date of value is August 26, 2014.

Date of Report

December 30, 2014

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."

The parcels are recreational lots located near the communities of Copper Center, Glennallen and Lake Louise. The exposure time varies for the subject parcels. For the more desirable parcels, an exposure time of up to one year is reasonable. This group includes the lakefront parcels and the road accessible parcels. The remaining parcels have an exposure time of up to three years.

Sale History

Some of the subject parcels have previously been sold. The sales history is detailed here:

ADL 229978 (Ridgeview Addition 1) - Sold over-the-counter October 2008 for \$9,100. The contract was terminated July 2012.

ADL 230000 (Ridgeview Addition 1) - Sold over-the-counter October 2008 for \$10,300. The contract was terminated July 2012.

ADL 229709 (Ridgeview Phase 1) - Sold over-the-counter July 2006 for \$6,800. The contract was terminated May 2012.

ADL 229710 (Ridgeview Phase 1) – Sold at auction July 2006 for \$10,001. The contract was terminated May 2012.

ADL 229711 (Ridgeview Phase 1) - Sold over-the-counter July 2006 for \$7,500. The contract was terminated May 2012.

ADL 230779 (Ridgeview RRCS) – Was staked in the Ridgeview RRCS. The contract price was \$14,600. The contract was terminated May 2011.

ADL 230919 (Ridgeview RRCS) - Was staked in the Ridgeview RRCS. The contract price was \$9,700. The contract was terminated February 2014.

Prior Appraisal History

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

⁴ Uniform Standards of Professional Appraisal Practice 2014-2015, Appraisal Foundation, accessed January 8, 2014
<www.uspap.org/#/2/>

SCOPE OF WORK

Property and Comparable Sales Inspection

I inspected the Ridgeview parcels on the ground August 25, 2014. The remaining parcels were inspected by air and on the ground on August 26, 2014. 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.
11. Some of the appraised parcels were inspected from the air. Due to the lack of on-site inspections (aerial only) some physical features are assumed based on conversations with those knowledgeable about the area, photographs and parcel descriptions provided by the surveyors and interpretation of existing maps and aerials. The appraiser reserves the right to modify the value conclusions if an on-site inspection reveals a variation in site features from those assumed in this report.

PRESENTATION OF DATA

Property Identification

| ADL | Subdivision | Lot or Tract | Block | Survey | Size (acres) |
|------------|----------------------|---------------------|--------------|---------------|---------------------|
| 232048 | The Lakes | 11 | | USS 3493 | 4.88 |
| 232049 | The Lakes | 23 | | USS 3493 | 3.19 |
| 232050 | The Lakes | 24 | | USS 3493 | 2.67 |
| 232068 | The Lakes | 5 | | USS 3504 | 4.75 |
| 232070 | The Lakes | 7 | | USS 3504 | 4.86 |
| 232071 | The Lakes | 8 | | USS 3504 | 4.92 |
| 232072 | The Lakes | 9 | | USS 3504 | 3.94 |
| 232073 | The Lakes | 10 | | USS 3504 | 3.96 |
| 229955 | Ridgeview Addition I | 4 | 2 | ASLS 2005-16 | 10.91 |
| 229978 | Ridgeview Addition I | 1 | 6 | ASLS 2005-16 | 9.81 |
| 230000 | Ridgeview Addition I | 15 | 7 | ASLS 2005-16 | 10.42 |
| 229709 | Ridgeview Phase 1 | 8 | 4 | ASLS 2004-42 | 9.42 |
| 229710 | Ridgeview Phase 1 | 9 | 4 | ASLS 2004-42 | 9.41 |
| 229711 | Ridgeview Phase 1 | 10 | 4 | ASLS 2004-42 | 9.37 |
| 230779 | Ridgeview RRCS | 30 | | ASLS 2009-46 | 14.41 |
| 230919 | Ridgeview RRCS | 14 | | ASLS 2009-46 | 7.6 |
| 204640 | Tazlina Northwest | 1 | 1 | ASLS 79-226 | 5 |
| 204649 | Tazlina Northwest | 8 | 2 | ASLS 79-226 | 4.956 |
| 204665 | Tazlina Northwest | 5 | 4 | ASLS 79-226 | 4.9 |
| 204666 | Tazlina Northwest | 6 | 4 | ASLS 79-226 | 4.9 |
| 204667 | Tazlina Northwest | 7 | 4 | ASLS 79-226 | 4.782 |
| 204668 | Tazlina Northwest | 8 | 4 | ASLS 79-226 | 4.9 |
| 204669 | Tazlina Northwest | 9 | 4 | ASLS 79-226 | 4.9 |
| 204671 | Tazlina Northwest | 1 | 5 | ASLS 79-226 | 5.116 |
| 204672 | Tazlina Northwest | 2 | 5 | ASLS 79-226 | 4.963 |
| 204673 | Tazlina Northwest | 3 | 5 | ASLS 79-226 | 4.896 |
| 204701 | Tazlina Northwest | 4 | 7 | ASLS 79-226 | 5 |
| 204702 | Tazlina Northwest | 5 | 7 | ASLS 79-226 | 5 |
| 204704 | Tazlina Northwest | 7 | 7 | ASLS 79-226 | 5 |
| 204705 | Tazlina Northwest | 8 | 7 | ASLS 79-226 | 5 |
| 204706 | Tazlina Northwest | 9 | 7 | ASLS 79-226 | 5 |
| 204536 | Tazlina Southwest | 1 | 4 | ASLS 79-121 | 5 |
| 204537 | Tazlina Southwest | 2 | 4 | ASLS 79-121 | 5 |
| 204539 | Tazlina Southwest | 4 | 4 | ASLS 79-121 | 5 |
| 204540 | Tazlina Southwest | 5 | 4 | ASLS 79-121 | 5 |
| 204541 | Tazlina Southwest | 6 | 4 | ASLS 79-121 | 10.191 |
| 204542 | Tazlina Southwest | 1 | 5 | ASLS 79-121 | 5 |
| 204545 | Tazlina Southwest | 4 | 5 | ASLS 79-121 | 5 |
| 204556 | Tazlina Southwest | 3 | 6 | ASLS 79-121 | 5 |
| 204557 | Tazlina Southwest | 4 | 6 | ASLS 79-121 | 5 |
| 204573 | Tazlina Southwest | 2 | 7 | ASLS 79-121 | 5 |

| | | | | | |
|--------|-------------------|---|---|-------------|-------|
| 204579 | Tazlina Southwest | 1 | 8 | ASLS 79-121 | 4.717 |
| 204580 | Tazlina Southwest | 2 | 8 | ASLS 79-121 | 4.717 |
| 204581 | Tazlina Southwest | 3 | 8 | ASLS 79-121 | 4.701 |
| 204582 | Tazlina Southwest | 4 | 8 | ASLS 79-121 | 4.699 |
| 204583 | Tazlina Southwest | 5 | 8 | ASLS 79-121 | 4.717 |

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 Copper Center, Glennallen and Lake Louise. The Glenn Highway, Richardson Highways and Lake Louise Road provide road access to these communities. The subject parcels are recreational or rural residential parcels that have various access means. Below is a description of the individual subdivisions and nearby communities.

The Lakes

Eight parcels are lakefront parcels located on the west side of Lake Louise. The parcels are accessible by boat or floatplane in the summer, and ski-plane or snowmachine in the winter.

Ridgeview Addition I, Ridgeview Phase 1 and Ridgeview RRCS

Eight parcels are found in the various Ridgeview developments that are located north of the Glenn Highway, a few miles east of Lake Louise Road. The right-of-ways within the subdivisions have been brushed. The two Ridgeview RRCS parcels are accessible by trail.

Tazlina Northwest

Fifteen parcels are located in the Tazlina Northwest Subdivision. The subdivision is located west of the Richardson Highway, about four miles south of the Glenn and Richardson Highway junction. Right-of-ways within a portion of the subdivision have been developed. As a result, some of the appraised parcels have gravel access and electric service, while the remaining parcels have trail or platted access. The subdivision is close to the community of Copper Center.

Tazlina Southwest

Fifteen parcels are located in the Tazlina Southwest Subdivision. The subdivision is located west of the Richardson Highway, about eight miles south of the Glenn and Richardson Highway junction. Right-of-ways within a portion of the subdivision have been developed. As a result, some of the appraised parcels have gravel access and electric service, while the remaining parcels have trail or platted access. The subdivision is close to the community of Copper Center.

Copper Center

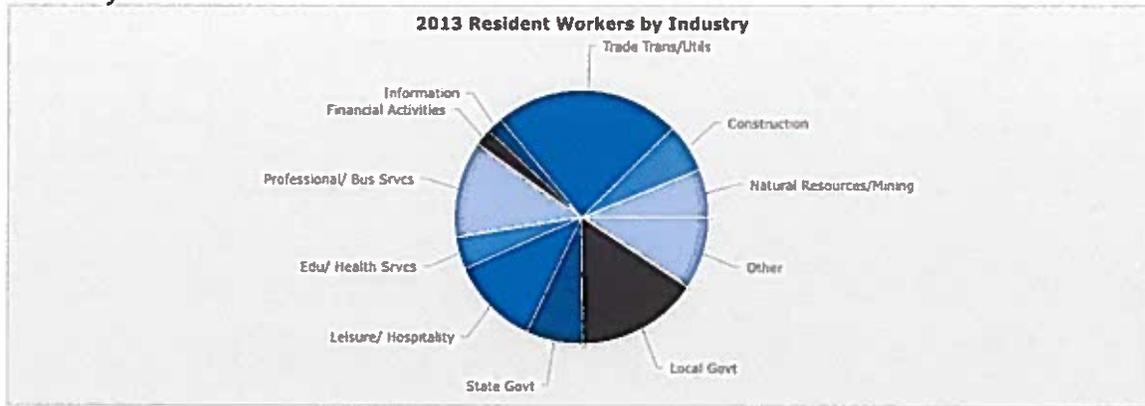
| | |
|----------------------------|--|
| Current Population: | 315 (2013 Alaska Department of Labor Estimate) |
| Incorporation Type: | Unincorporated |
| Located In: | Valdez-Cordova Census Area |
| School District: | Copper River School District |

Location Copper Center is located between miles 101 and 105 of the Richardson Highway. It is on the west bank of the Copper River at the confluence of the Klutina River. It lies just west of the Wrangell-St. Elias National Park.

Climate Copper Center is located in the continental climate zone. Winters are long and cold, and summers are relatively warm. Temperature extremes have been recorded from a low of -74 to a high of 96 °F. Annual snowfall averages 39 inches, and total precipitation averages 9 inches per year.

Transportation Copper Center lies on the Richardson Highway. A state-owned gravel airstrip provides for chartered flights and general aviation.

Economy



Glennallen

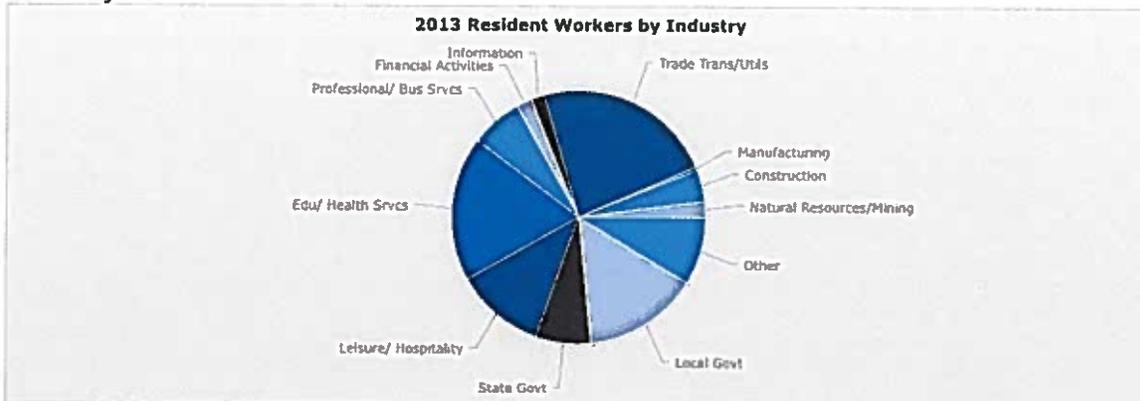
| | |
|----------------------------|--|
| Current Population: | 514 (2013 Alaska Department of Labor Estimate) |
| Incorporation Type: | Unincorporated |
| Located In: | Valdez-Cordova Census Area |
| School District: | Copper River School District |

Location The community of Glennallen lies along the Glenn Highway at its junction with the Richardson Highway, 189 road miles east of Anchorage. It is located just outside the western boundary of Wrangell-St. Elias National Park.

Climate Glennallen lies in the continental climate zone, characterized by about 20 inches of average annual precipitation and an average temperature of about 22 °F. Temperature extremes are greater in the Continental zone than in the other climatic zones. The coldest month in 2013 was December, with a mean minimum temperature of -13.2 °F. The warmest month was June, with a mean maximum temperature of 74.2 °F.

Transportation Glennallen is located at milepost 187 on the Glenn Highway, northeast of Anchorage and just west of the junction with the Richardson Highway. It is the supply hub of the Copper River region. The Gulkana Airport, five miles northeast of Glennallen, provides scheduled flights to Anchorage and McGrath.

Economy



Lake Louise

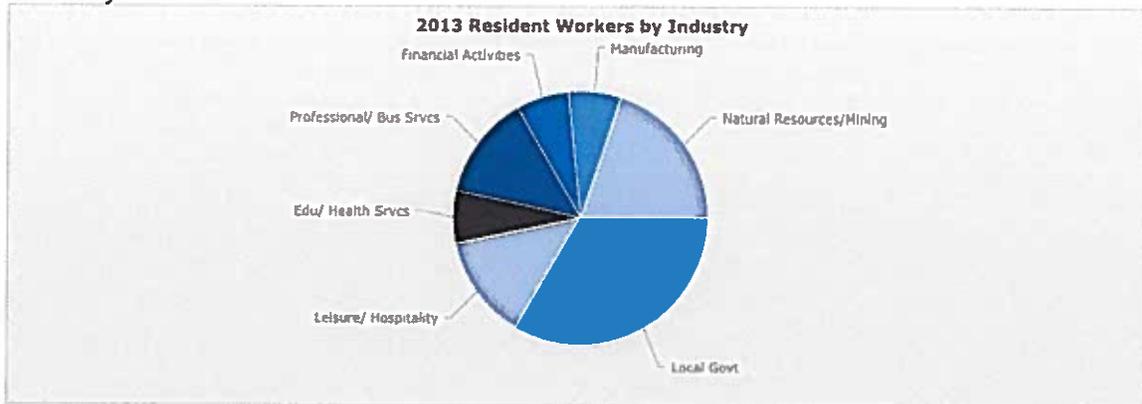
| | |
|----------------------------|---|
| Current Population: | 53 (2013 Alaska Department of Labor estimate) |
| Incorporation Type: | Unincorporated |
| Borough Located In: | Matanuska-Susitna Borough |
| School District: | Matanuska-Susitna Borough School District |

Location Lake Louise lies 32 miles northwest of Glennallen, on the western border of the Mat-Su Borough, north of the Glenn Highway. Lake Louise Road is 19.3 miles long, from mile 159.8 of the Glenn Highway.

Climate The temperatures in January range from -9 to 34 °F and in July from 38 to 62 °F. Annual precipitation averages 16.5 inches, with over 50 inches of snowfall.

Transportation A state-owned gravel airstrip and floatplane site is located at the south end of Lake Louise. There are two additional private strips. Lake Louise Road is accessible from the Glenn Highway.⁵

Economy



⁵ Alaska DCCED 'Community Database Online', accessed 8 December 2014.
<http://commerce.state.ak.us/cra/DCRAExternal/community>.

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:

Interior Remote Lots
Interior Road Accessible Lots
Lakefront Lots

INTERIOR REMOTE LOTS

Thirty-two of the subject parcels are interior recreational lots. The lots are accessible by platted or brushed right-of-ways, trails or section line easements. In many cases, the access route is at least brushed. Eight parcels are located in one of the Ridgeview projects that are found north of the Glenn Highway and east of Lake Louise Road. Eleven parcels are located in the Tazlina Northwest Subdivision near Copper Center. The remaining thirteen parcels are located in the Tazlina Southwest Subdivision, about four miles south of Tazlina Northwest. There are no utilities available to any of the *Interior Remote Lots*. Most of these lost are between 5-acres to 10-acres. Access has been improved to portions of these subdivisions, but not to any of the interior remote lots.

The *Interior Remote Key Lot* is ADL 204540, Tazlina Southwest, Lot 5, Block 4, ASLS 79-121, a 5.00-acre parcel.

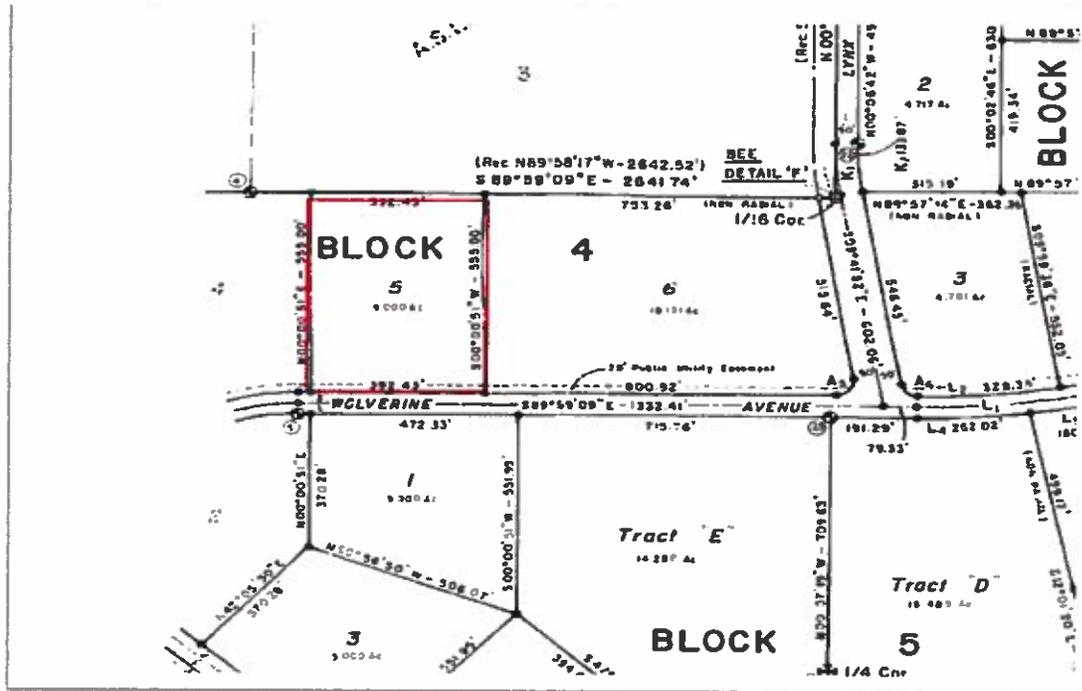
| Key Lot | Legal Description | Size (acres) |
|----------------|-----------------------------|---------------------|
| ADL 204540 | Lot 5, Block 4, ASLS 79-121 | 5 |

Interior Remote Key Lot (ADL 204540, Lot 5, Block 4, ASLS 79-121)

| | |
|------------------------------|---|
| Location | The <i>Key Lot</i> is located about 8 miles south of the Glenn and Richardson Highways intersection and about 1 mile west of the Richardson Highway |
| Access | Platted Wolverine Avenue |
| Size & Shape | 5.00-acres, rectangular shaped parcel |
| Topography | Mostly level |
| Soils | Appears adequate |
| 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 |
| Amenities | Interior lot |

Survey of Interior Remote Key Lot

(ADL 204540, Lot 5, Block 4, ASLS 79-121)



Satellite imagery of Interior Remote Key Lot (ADL 204540, Lot 5, Block 4, ASLS 79-151)



Photograph of Interior Remote Key Lot

(ADL 204540, Lot 5, Block 4, ASLS 79-151)



Photograph taken August 26, 2014

The remaining interior remote parcels included in this analysis are summarized below:
 Note: There are no utilities available to any of the Interior Remote Parcels

| Subdivision | ADL | Survey | Lot | Block | Size (acres) | Description |
|----------------------|--------|--------------|-----|-------|--------------|--|
| Ridgeview Addition I | 229955 | ASLS 2005-16 | 4 | 2 | 10.91 | Brushed right-of-ways. Moderately sloping wooded parcel with limited view potential. |
| Ridgeview Addition I | 229978 | ASLS 2005-16 | 1 | 6 | 9.81 | Brushed right-of-ways. Moderately sloping wooded parcel with limited view potential. |
| Ridgeview Addition I | 230000 | ASLS 2005-16 | 15 | 7 | 10.42 | Brushed right-of-ways. Moderately sloping wooded parcel with creek frontage. |
| Ridgeview Phase 1 | 229709 | ASLS 2004-42 | 8 | 4 | 9.42 | Brushed right-of-ways. View potential to the south. Moderate sloping wooded parcel. Small stream near east boundary. |
| Ridgeview Phase 1 | 229710 | ASLS 2004-42 | 9 | 4 | 9.41 | Brushed right-of-ways. View potential to the south. Moderate sloping wooded parcel. Small stream near west boundary. |
| Ridgeview Phase 1 | 229711 | ASLS 2004-42 | 10 | 4 | 9.37 | Brushed right-of-ways. View potential to the south. Moderate sloping wooded parcel. Small stream near west boundary. |
| Ridgeview RRCS | 230779 | ASLS 2009-46 | 30 | | 14.41 | Mostly level wooded parcel. Pond |

| | | | | | | frontage. |
|-------------------|--------|--------------|----|---|--------|---|
| Ridgeview RRCS | 230919 | ASLS 2009-46 | 14 | | 7.6 | Moderately sloping wooded parcel. View potential. Small creek about 100 feet from parcel. |
| Tazlina Northwest | 204665 | ASLS 79-226 | 5 | 4 | 4.9 | Mostly level wooded parcel. Located 2 lots from developed access and electric service. |
| Tazlina Northwest | 204666 | ASLS 79-226 | 6 | 4 | 4.9 | Mostly level wooded parcel. Located 3 lots from developed access and electric service. |
| Tazlina Northwest | 204667 | ASLS 79-226 | 7 | 4 | 4.782 | Irregular shaped parcel that is mostly level and wooded. Platted access. |
| Tazlina Northwest | 204668 | ASLS 79-226 | 8 | 4 | 4.9 | Irregular shaped parcel that is mostly level and wooded. Platted access. About 2 lots away from developed access. |
| Tazlina Northwest | 204669 | ASLS 79-226 | 9 | 4 | 4.9 | Irregular shaped parcel that is mostly level and wooded. Platted access. About 1 lot away from developed access. |
| Tazlina Northwest | 204671 | ASLS 79-226 | 1 | 5 | 5.116 | Mostly level wooded parcel. Platted access. Developed access is within 2 lots on both sides of Chichokna Avenue. |
| Tazlina Northwest | 204672 | ASLS 79-226 | 2 | 5 | 4.963 | Mostly level wooded parcel. Platted access. |
| Tazlina Northwest | 204673 | ASLS 79-226 | 3 | 5 | 4.896 | Mostly level wooded parcel. Platted access. |
| Tazlina Northwest | 204704 | ASLS 79-226 | 7 | 7 | 5 | Mostly level wooded parcel. Located 2 lots from developed access and electric service. |
| Tazlina Northwest | 204705 | ASLS 79-226 | 8 | 7 | 5 | Mostly level wooded parcel. Platted access. |
| Tazlina Northwest | 204706 | ASLS 79-226 | 9 | 7 | 5 | Mostly level wooded parcel. Platted access. |
| Tazlina Southwest | 204536 | ASLS 79-121 | 1 | 4 | 5 | Mostly level wooded parcel near creek & pot hole pond, triangular shaped. Platted access. |
| Tazlina Southwest | 204537 | ASLS 79-121 | 2 | 4 | 5 | Mostly level wooded parcel. Platted access. |
| Tazlina Southwest | 204539 | ASLS 79-121 | 4 | 4 | 5 | Mostly level wooded parcel. Platted access. |
| Tazlina Southwest | 204541 | ASLS 79-121 | 6 | 4 | 10.191 | Mostly level wooded parcel. Trail access. |
| Tazlina Southwest | 204542 | ASLS 79-121 | 1 | 5 | 5 | Mostly level wooded parcel. Platted access. |
| Tazlina Southwest | 204545 | ASLS 79-121 | 4 | 5 | 5 | Mostly level wooded parcel that appears to have drainage on site. Platted access. |
| Tazlina Southwest | 204556 | ASLS 79-121 | 3 | 6 | 5 | Mostly level wooded parcel with creek frontage. Platted access. |
| Tazlina Southwest | 204557 | ASLS 79-121 | 4 | 6 | 5 | Mostly level wooded parcel with creek frontage. Platted access. |
| Tazlina Southwest | 204573 | ASLS 79-121 | 2 | 7 | 5 | Mostly level wooded parcel with pond on site. Trail access. |
| Tazlina Southwest | 204579 | ASLS 79-121 | 1 | 8 | 4.717 | Mostly level wooded parcel. Trail access. |

| | | | | | | |
|-------------------|--------|-------------|---|---|-------|---|
| Tazlina Southwest | 204580 | ASLS 79-121 | 2 | 8 | 4.717 | Mostly level wooded parcel. Trail access. |
| Tazlina Southwest | 204581 | ASLS 79-121 | 3 | 8 | 4.701 | Mostly level wooded parcel. Platted access. |

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 as⁶:

"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 *Interior Remote Lots* are 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 *Interior Remote Lots* range in size from 4.701-acre to 14.41-acres. The size and physical characteristics are adequate to support all reasonable and probable uses.

Financially Feasible

The *Interior Remote Lots* lack developed access or utilities. As a result, development as a residential homesite 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.

Highest and Best Use of Land as Vacant

Based on the foregoing analysis, the highest and best use of the *Interior Remote Lots* as vacant would be for almost any legal use, primarily a recreation cabin site.

⁶ The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, 2008, p.278

Due to the confidentiality of sales information in the State of Alaska, the valuation section of the report is unavailable online. The entire report can be reviewed at the DNR Public Information Center:

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